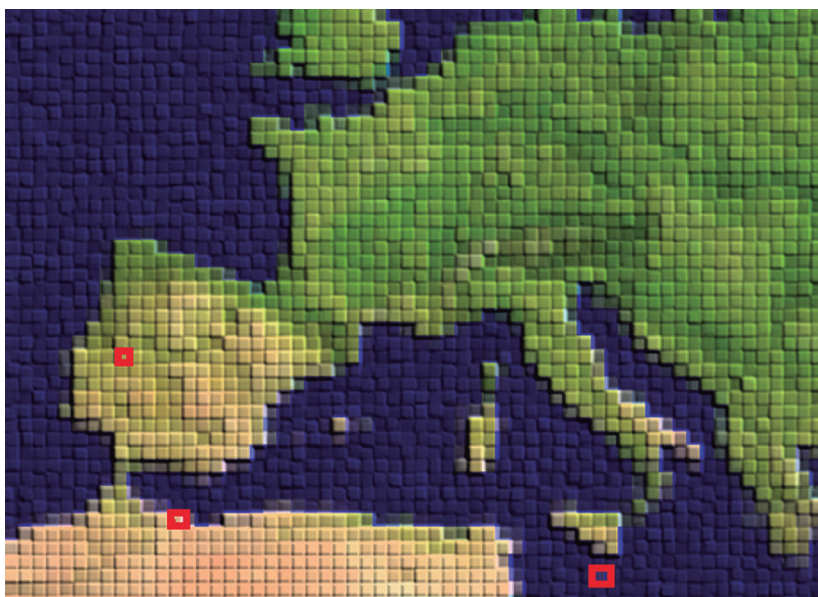


3ECONOMY+ PROJECT HANDBOOK

*Study of regional economic, marketing
and tourism development in three
peripheral european territories:
Alto Alentejo, Malta and Melilla*



3economy+ Project handbook

MIGUEL ÁNGEL PÉREZ CASTRO

(Coord.)

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PREFACE

Welcome to -Economy+ project. When the three universities that participate in this educational project began the collaboration, they were very clear that they wanted to contribute to improving the education of the students in their centres. Furthermore, they wanted to do so by correcting some of the main problems they have in their incorporation into the world of work, those derived from living in areas far from the most significant economic regions of the European Union. The European Nuts-2 regions are: Intermunicipal Community of Alto Alentejo (Portugal), Malta and the Autonomous City of Melilla (Spain)

The development of this Teaching/training Manual 3Economy+ (Economy, Marketing, Tourism) has several objectives in mind. Firstly, to improve knowledge with studies directly related to their regional geographic areas and whose peculiarities are not sufficiently analyzed. Next, to use case studies to personalize the options and problems of each one of them. Furthermore, to serve as a guide for students and for instructors who carry out their teaching and research work in territories with similar situations.

The Manual is organized in four main sections:

1. Presentation of Project 3 economy+ as a proposal for the study of local and regional development from an economic point of view. And it wants to do so by analysing the situation of three peripheral territories of the EU, very different, with different difficulties and challenges, but perhaps with proposals for solutions that can be extrapolated between them.
2. Macroeconomic analysis that allows a comparative description of them and microeconomic analysis by taking as a reference one of the most prestigious companies in each region Nuts-2 and studying the financial ratios and main characteristics that define their business models.
3. Marketing analysis of regions Nuts-2, steps will be developed in the future through the process of how to make a market analysis in three regions utterly different in language, culture and economic context. Current marketing thinking reflects these changes, which include increasing competition accompanied

by technological developments and an increasingly informed and demanding consumer.

4. Tourism analysis of regions Nuts-2. Tourism is an essential part of Europe's economic, social, and cultural activities. Tourism can and must play a vital role in the development of the vast majority of European regions. This role must be a reality, particularly with regard to the economically less developed regions, due to the considerable spill-over effect and job creation potential in this sector. Tourism can help to counteract the uprooting of young people in regions far from economically active areas.

I. ACKNOWLEDGEMENTS

We want to thank all those people and institutions that, directly and indirectly, have made it possible for this manual to be in their hands, allowing this group of teachers and researchers to work together in its preparation.

Firstly, to the three university education institutions participating in the project: Instituto Politecnico de Portalegre (Portugal), University of Malta (Institute for Tourism, Travel & Culture-UoM), and the University of Granada. From the highest positions of responsibility to its auxiliary staff, including the numerous departments, centres, colleagues and students that make up the team, they have facilitated to a lesser or greater extent the numerous procedures that have to be carried out for this multidisciplinary and international team to achieve the objectives that it had initially set itself.

To the European Union and its higher education policies (Erasmus+, KA2 - Cooperation for Innovation and the Exchange of Good Practices KA203 - Strategic Partnerships for higher education) for lending financial support to this project.

To the Spanish Service for the Internationalisation of Education (SEPIE) for processing, we are guiding and advising on participation in the European educational projects mentioned above.

To the authors and researchers cited throughout the work, since consulting their academic studies has allowed us to concretize and apply their knowledge to our areas of work.

To the numerous entities and local public and private organizations (notably the associated partners) and that has allowed knowing the reality of the territories in situ, giving this way a very close and direct vision of the topics that are analyzed.

To the editor, who relies on the quality of our work, and is allowing us to be disclosed.

And finally to thank our families, because they allowed us to dedicate part of our free time to its elaboration.

SECTION I
INTRODUCTION

CHAPTER 1

THE PROJECT 3ECONOMY+

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I. INTRODUCTION

The 3economy+ manual is a study proposal of local and regional development from the economic point of view. The genesis of this Handbook lies to begin more systematically and rigorously to map out the terrain about the development of this type of territories in an international and multi-disciplinary context.

The problem of development regionally and locally, the improvement of the living conditions, prosperity, wellbeing, and life chances for people and places internationally, is ever more critical in a world of inequalities and inequities.

Many events and studies indicated that there was public awareness of, interest in, and perhaps more importantly, a willingness to respond to the new economic opportunities and threats. However, it wants to do it analysing the situation of three peripheral territories of the EU, very different, with different difficulties and challenges, but perhaps with proposed solutions that can be extrapolated between them.

II. OBJECTIVES

The main objective will be to elaborate on a manual where the analyses carried out in the peripheral European territories belonging to the Consortium: High Alentejo (PT), Malta (MT) and Melilla (SP).

The analysis will be done taking three critical areas of knowledge within the economic sciences:

- a. Analysis of the economic: study of the leading macroeconomic indicators of these territories and the economic-financial analysis of one of the foremost companies in each region.
- b. Analysis and market research to get to know the habits of purchase in three regions utterly different in language, culture, and economic context.

- c. Analysis of the tourism sector: cultural heritage, of fun or adventure, sun and sea, and educational.

The scientific methodology should allow us to answer the questions: How can we make the selection of indicators transparent? How can we assure that the indicators will be calculable? The transparency of the data and the willingness of these to perform calculations will allow reliable comparisons and analyze the differences between the three peripheral territories of the European Union (EU).

With different characteristics but with more or less advanced objectives, everyone the regions seeking adaptation to the new economic models that it has adopted in the face of the challenges that globalization and the new economy are imposing.

This manual intended to serve as a study guide for other researchers in the areas of economics, marketing, and tourism in small territories.

III. STRUCTURE OF THE MANUAL "3ECONOMY+."

Teaching/training Manual 3Economy+ (Economy, Marketing, Tourism) based upon the integration of existent and new indicators in the three territories: Alentejo (PT), Malta (MT) and Melilla (SP).

1. Economic Analysis of the Intermunicipal Commune of Alto Alentejo, of Malta and the Autonomous City of Melilla, and Basic analysis of one of the leading companies in each place

A. Clear and precise delimitation of the "macroeconomic analysis of the territory," employing: the demarcation of the physical-geographical space, its temporality, economic subject-matter, interrogative formulation of its primary target, evaluation of its resources and justify its utility, and finally determining the methodology. Analyzing how they are and how the economic indicators are evident, we will use the descriptive statistics to classify information according to the relevance presented on a selection of indicators, which allow us to develop a comparative description of them. To establish the factors that explain the reasons for the results shown by statistic, it followed to a structured approach "not experimental, exploratory, descriptive and correlational," that will allow developing conclusions based on the remarks that can explain the situation.

Paying attention to the economic indicators gives us an idea of where the economy is heading and thus allows us to carry out financial planning. From these indicators, we look at changes in the Gross Domestic Product (GDP), one of the most important measures of the health of the economy. In addition, the unemployment rate, which measures the number of people of working age seeking work about the total number of active people; the consumer price index (CPI), which indicates the increase or decrease in the cost of living or inflation, and the number of businesses started as another indicator of economic activity.

The Organisation for Economic Co-operation and Development (OECD) has a database with regional statistics that provides 40 indicators in various areas (demography,

financial accounts, labor market, social and innovation issues). These indicators analyse data from 34 countries and nearly 2,000 regions. The data provided by the statistical bodies of each country can be used.

B. Fundamental analysis of one of the leading companies of each location. Taking as a reference one of the most prestigious companies in each region, studying the most valuable financial ratios and the main characteristics that define their business models, and using the Business Model Canvas to know the reasons why these companies have been able to become leaders.

Through a simple note from the mercantile registry about the financial statements of a significant company in the city, it is possible to perform into making a first business analysis with the information public of this company. The comparative of three financial reports will be a pedagogical material and public information.

2. Regional marketing analysis

Market analysis is an essential part of any business plan. By analyzing the potential customer market in which the company works, it studies the purchasing habits of customers and information about companies that are competitors. Based on market research and intending to attract investors, a robust analysis will show why the business is a substantial addition to a given market and how it will earn money. These steps will be developed in the future through the process of how to make a market analysis in three regions utterly different in language, culture and economic context. The final product will be a pedagogic material and public information.

Area of instruction: Marketing studies those tools, systems, and techniques that companies use to make their products known, carry out exchanges and meet organizational objectives:

- Marketing Performance Indicators will be used when preparing scenarios.
- Marketing Communications career focuses on informing, reminding, and persuading a target audience.
- Marketing Management Pathway focuses on requiring broad, cross-functional knowledge of marketing management.
- Merchandising Pathway focuses on efficient and effective product planning, product selection, buying, licensing, and inventory control.
- Professional Selling Pathway.
- Marketing Research Pathway uses qualitative and quantitative research methods to find information, analyze and present the data, and design the processes for collecting the data that will be used to make business decisions.
- Technology & Product Marketing: Networking, Professional Services, Strategic Alliance Marketing, Cloud and Data Center, Virtualization, Channel Marketing, Content Enablement (social media, web, sales and marketing collateral), Virtual Team Development versus Placement to achieve your marketing needs.

3. Tourism is an essential part of Europe’s economic, social and cultural activities. United Nations & World Bank, International Monetary Fund (IMF), Commission of the European Communities, Organization for Economic Cooperation and Development, allow national accounting records through so-called “satellite accounts”

As tourism is defined from the perspective of a visitor, the assessment of its’ economic contribution is a complicated task. Tourism Satellite Account (TSA), based on the context and methodology of the standard System of National Accounts tables (SNA), provides a setting for internationally harmonized measurements of direct macroeconomic contribution of tourism, compiling the indicators of tourism consumption and the output of tourism industries.

Statistics are used to monitor tourism policies, the regional policy context, and sustainable development. The TSA provides a measure of the importance of tourism in terms of GDP and employment in a given country. It integrates the use of tourism-related goods and services with supply, providing a measure of how tourism contributes to production and employment. It also allows comparison of tourism with other sectors, as the concepts and methods used are based on the SNA.

It must be analysed the regional tourism sector by considering sectors to promote in each regional economy since it has growth potential to become an essential source of income. Similarly, they will be analysed it key growth sectors in the regions, including food tourism, heritage tourism, arts and culture, with in-depth analysis and evaluation of the territory in terms of Cultural Tourism, —policies key indicators, targets, primary sites, key regional specialisms, the tourist demographic, the tourist gaze, and the tourist journey.

Economic drivers relating to the tourism industry of World Tourism Organization (Compendium of Tourism Statistics and recommended Methodological Framework), OECD (Tourism Trends and Policies, guidance and practice on TSA interpretation), Eurostat (TSA-data transmission by the members), National Tourism Administrations and National Statistical Agencies are:

- The preparation of a destination to offer quality tourist services at competitive prices (level of employment in tourism according to age groups, educational level and type of contract).
- The attractiveness of a destination, natural resources and biodiversity, cultural and creative resources, visitor satisfaction, Better Life Index, etc.
- Policy responses and economic opportunities (National Tourism Action Plan, structuring the tourism supply chain, innovative services through ICT)
- Tourism performance and effects, market diversification and growth markets, income tourism revenues per visitor by issuer market, rooms` number, number of bed-places, daily room rate, occupancy rate, the average length of stay.

IV. METHODOLOGY

The tasks leading to the generating production of the intellectual output and the used methodology are:

1. In order to develop this, it will be done a literature review search in databases and monographs in macroeconomic information of the territory in question, according to the determination of concepts, indicators, targets, and the temporary space. Concerning the development of the work of economic analysis, It structured in the following stages:
 - A. Introduction (exposition, targets, justification);
 - B. Theoretical background and development of the work. To prepare the theoretical background and conceptual frame of the selected indicators will be done a literature and other pertinent documents revision in order to extract and to compile the information of interest (the review can begin manually or coming from a digital data). This part of the work will be held in two phases:
 - a) refining the target of the work, relating indicators, explaining the behavior in the interaction of these variables, and verifying that there is a relation of causality founded in the chosen theoretical approach, using operative statistical hardware.
 - b) Phase for the proposals, guidelines, conclusions and recommendations, we will select the indicators obtained in the bibliographical research in this subject.

We can compare that financial information is recorded in a manner binding in each country. It will also allow us to compare how the information is presented. With this, the pupils will know the method of accounting and the possibility of an accounting harmonization international internally.

2. The goal is to develop and present tools to bring for the analysis vision. The project aims to implement correctly a body of knowledge based on the Economic, Marketing and Tourism, in conjunction with other subjects of the project. The program focuses on these matters and in these regions. Benefits and difficulties in environmental subjects are balanced, and a sustainability orientation is focused.
- C. Disseminate findings to support the investigations conducted by other region's participants. Likewise, it must be consolidated of crucial data and discussion and analysis of the management of economic, marketing and tourism: the issues, benefits and risks on the regions in investigation.

For example, a methodological approach for the evaluation of domestic tourism expenses could be:

- Inbound tourism expenditures.
- Average tourism expenditures.
- The number of visitors (obtained by border survey).
- Distribution of inbound visitors (length of stay and type of accommodation).

-
- The number of tourist arrivals in hotels and similar accommodation.
 - Total tourism expenditures.
 - Domestic tourism expenditures.
 - Tourism expenditures per product and service.
 - Accommodation and food and beverage services.
 - Passenger transport services.
 - Travel agencies and other reservation services (package trips).
 - Cultural, sports, and recreational services.
 - Other products and services (retail trade, toll, other).
 - Expenditures on renting of transport vehicles.
 - Country specific tourism goods and services.
 - Housing services provided by vacation homes on their account.

CHAPTER 2

PROFESSIONAL PROFILE OF THE 3ECONOMY+ STUDENT

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I. INTRODUCTION

The Project 3Economy+ has been selected by the European Union as an Erasmus+ KA2 Strategic Partnership Project for Higher Education under the 2017 call for proposals. Three higher education centres are participating in the project, the University of Granada, the Polytechnic Institute of Portalegre and the University of Malta. The main aim of this project is to develop and implement innovative teaching and learning practices, with a view to improving the academic training of students in the areas of Economics, Tourism, and Marketing.

The project is focused on three disadvantaged regions: Melilla (Spain), Portalegre (Portugal) and Malta offering complementary international training designed to improve employment prospects and foster the acquisition of core competencies for effective professional development.

The 3economy+ Project aims to tackle rising unemployment rates and particularly youth unemployment —one of the major challenges facing European governments at present. Addressing these challenges is central to the success of the Erasmus+ programme and is one of the primary goals of the 2020 Europe Strategy. The 3economy+ Project also aims to become a driving force for socioeconomic transformation and development, fostering growth, employment opportunities, and social equality and inclusion.

The objective of this chapter is to present the professional profile of the 3Economy+ student. To do so, it is divided into six sections. First of all, the background and the context in which the idea of the project is based on are presented. Second, the academic profile of the students is introduced. Thirdly, the competences that are dealt in the project in economics, tourism, marketing, and languages, digital and personal areas are defined. Fourth, the learning outcomes, that are the competences to be achieved by the students in the project, are presented. Then, the perception of entrepreneurs regarding the competences acquired in the project is described. Finally, some conclusions are drawn.

II. BACKGROUND

The opening of intra-communitarian borders after the Schengen agreement in 1985 encouraged the creation of a common space of Education characterized by its internationalization and its agreed mechanism to equalize education systems among member states. The emerging European Higher Education Area (EHEA) of the 90s faced complex challenges such as modifying governmental policy and legislative, regularizing degree structures, emphasising a competency-based and student-centred approach, establishing standardized quality assurance mechanisms, or fostering students and academics' mobility, among others. All these reforms were justified under the umbrella of the well-known Bologna Process, which has shaped the European Higher Education system as to what it is today. Particularly remarkable measures are those undertaken by the European Commission to promote key competences for lifelong learning, which include literacy and languages, mathematical, science and engineering, digital competence, personal, social and learning competence, civic competence, entrepreneurship, and cultural awareness and expression. In 2016 the Commission concreted the agenda to strengthen Europeans' capacity towards employability and competitiveness in three main strategies (European Commission, 2016):

- Improving the quality and relevance of skills formation.
- Making skills and qualifications more visible and comparable.
- Advancing skills intelligence, documentation and informed career choices.

More recently, in 2017 at Gothenburg Summit the European Commission set their vision for the European Higher Education Area for 2025, acknowledging universities their key role in providing highly skilled human capital to promote economics growth and social prosperity. As expressed in the Commission's Communication entitled "Strengthening European Identity through Education and Culture":

Education is part of the solution to get more people into decent jobs, respond better to the economy skills needs and strengthen Europe's resilience in a context of the rapid and profound changes induced by the technological revolution and globalisation (2017, p.2)

The European Commissions, through the Programme Education and Training 2020 (ET2020), reinforces these goals. In particular, the Erasmus+ Key Action2 for Strategic Partnership Project for Higher Education, which facilitates the exchanges of innovative experiences and good practices among education institutions. Within this framework the project 3Economy+ was shaped. Its main goal is to train future professionals within the areas of Economics, Marketing and Tourism under an international dimension to increase their employability and competitiveness profile.

1. The case study of the Consortium 3Economy+

The Consortium 3Economy+ is formed by three European HE institutions (Universidad de Granada-Melilla Campus, Instituto Politecnico de Portalegre, and University of Malta) offering specialised training in the field of Economics, predominantly in the areas of Business, Marketing and Tourism.

University	Economics & Business	Marketing	Tourism
IPP 6 semesters	Gestao (Management)	Administração de Publicidade e Marketing (Advertising and Marketing Administration)	Turismo (Tourism)
U.MALTA	Bachelor of Science (Honours) in Business and Information Technology Bachelor of Commerce in Accountancy and Banking and Finance Bachelor of Commerce in Accountancy and Management Bachelor of Commerce in Accountancy and Economics Bachelor of Commerce in Accountancy and Insurance	Bachelor of Commerce in Management and Marketing Bachelor of Commerce in Banking and Finance and Marketing Bachelor of Commerce in Accountancy and Marketing Bachelor of Commerce in Economics and Management	Bachelor of Arts (Honours) (Tourism Studies)
UGR (campus de Melilla)	Degree in Business Administration and Management Degree in Business, Administration and management and Degree in Law		

Table 2.1: Undergraduate degrees on Economics and Business, Marketing and Tourism offered in the three higher education institutions participating in the project

Source: Elaborated by the Consortium

All these undergraduate degrees aim to equip students with the necessary skills to understand and successfully develop a career in the economics area. However, being placed in three underprivileged cities or regions, we faced the challenge of increasing their international profile through the 3Erasmus+ training programme.

III. ACADEMIC PROFILE OF THE 3ECONOMY+ STUDENTS

The Consortium institutions are situated in three disadvantaged regions: Melilla, Portalegre and Malta. In the following table 2.2, it can be observed not only the degrees in which the students are enrolled in their corresponding centres of higher education, but also the languages they are able to speak.

Profile of the students	University of Granada (Melilla)	University of Malta	Polytechnic of Portalegre
Number of students	5 Women 3 Men	5 Women 1 Man	5 Women 2 Men
Degree	Business and Administration Degree Business, Administration and Law Degree	Tourism Degree	Marketing and Advertising Management Degree
Languages	Spanish Tamazight Arabic English Portuguese French	Maltese English Portuguese Spanish French	English Portuguese Spanish German French

Table 2.2: Profile of the students of the three institutions of the 3Economy+ Project
Source: elaborated by Consortium

Each partner is specialised in one of the areas that is going to be dealt in the project. The university of Granada is focused on the area of economics and business; the university of Malta is centred on the area of tourism and the polytechnic of Portalegre addresses the area of marketing.

As it has been mentioned above the main aim of the 3Economy+ Project is to develop innovative practices in order to improve the training of students in the areas of Economics, Tourism, and Marketing as well as languages such as English, Spanish and Portuguese in a transversal way.

To attain this objective, numerous actions have been implemented through the development of the project in order to respond the demand of the European convergence process that is to promote a transformation of the higher education practices centred on a competences model.

The more representative actions developed in the project are the following: a virtual academic training allocated in an LMS platform, the participation on three annual intensive programmes, one per year and region. Likewise, the possibility to carry out international internships in companies of the three countries of the partners.

These actions were designed to help every student participating in the project to develop their knowledge, skills, attitudes and values that will enable them 'to fully participate in their country's economic, social and cultural life now and in the future' Organisation for Economic Co-operation and Development (OECD, 2016).

IV. DEFINING COMPETENCES IN ECONOMICS, TOURISM AND MARKETING

For this reason, in this section the areas dealt in the project are mapped identifying the most relevant competences in each one. The competency model of the project is

based on three main areas of expertise —Economics, Tourism and Marketin—; besides, transversal key competences are reinforced all through the project, such as plurilingualism, and soft skills —personal and digital competences—.

1. Validation of the competency scheme

Once the learning outcomes and competences that are aimed to be attained in the 3Economy+ project were defined by the panel of experts of the project, the researchers from the Consortium considered that it was necessary to validate the final result of the competency scheme. To do that, a double process was carried out. First, the scheme was reviewed internally through an overall assessment by seven researchers from the Consortium and experts in the different areas. The modifications proposed by these internal experts were agreed upon and incorporated, where appropriate, into a second version of the competency scheme.

The competence scheme was then sent to 30 different stakeholders, mainly professionals linked to the three areas of the project such as company managers, human resources managers, and CEOs. They were asked to offer their opinion in an 1-5 Likert-scale online questionnaire about the pertinency of the different 3Economy+ competences in relation to students' future professional careers. The final participating sample was made up of 21 professionals.

We assume that in the Likert scale from 1 to 5, the items must have at least a score of 3.5 to be validated. Mean and standard deviation was calculated for each item and for each dimension. Results obtained by dimensions were the following:

ITEMS	Likert scale from 1 to 5
Economics and Business	4,149659864
Marketing	4,003968254
Tourism	3,841269841
Languages	4,354497354
Soft –Skills	4,511904762

Table 2.3: Results obtained in the validation of the competency scheme

As it can be seen from table 2.3, all the areas obtained a score above 3.5, so we consider it validated. Just the tourism dimension was slightly lower than the others. Nonetheless, all the modifications suggested by the professionals of the different areas were taken into account and a third version of the document was made. The final result of this competency framework is presented in the following section.

2. Competences in Economic

Before introducing the competences related to the area of *economics*, a definition to this area should be given. In its most simple and concise definition, according to Oxford reference, economy is “the system of activity connected with the production, trade, and consumption of goods and services of a region, country, or other (not necessarily geographic area)” It can be divided into two broad categories: macroeconomics which is focused on the big picture, specifically on aspects such as growth, inflation, unemployment or taxes that can affect the entire population and microeconomics which is focused on an individual level such as businesses.

The selected students have to acquire the knowledge, the skills and the values related to both micro and macro categories. Therefore, in the project the economics block promotes not only the contents of the regional economy and specific parts of business administration such as the role of accounting and finance, but also fundamental aspects of the global economy.

Moreover, the accelerating globalisation and a faster rate of technological developments have forced the creation of a modern business environment. In this modern environment, technology play an essential role in the management of any business. This has changed drastically in a short period of time. Actually, numerous business functions and operations of accounting and finance have advanced to levels not seen previously. In this sense, it would be necessary to introduce them the new control instruments, such as the software ERP (Enterprise Resource Planning), which allows to plan and manage the resources of all the areas of the company. The project seeks to improve their learning process with the newest and less valued aspects in economics ensuring the students to be well prepared for their future employability. In the following table, the competences of this area are described (table 2.4)

Manage a company interpreting and/or understanding the information of its competitive location and identifying its strengths and weaknesses.

Integrate into any functional area of a company organization and perform with ease any management work entrusted.

Plan and control the global management or of the diverse functional areas of the company.

Assess the situation and foreseeable evolution of a company and issue reports on specific situations of companies.

Know the new control instruments, software ERP (Enterprise Resource Planning), CRM (Customer Relationship Management) and BI (Business Intelligence)

Understand the fundamental elements of the national and international economics environment in which the company develops its.

Develop relevant economics and financial information for decision-making.

Table 2.4: Competences in Economics
Source: elaborated by the Consortium

This is not only applied for the graduates in Business Administration and Management and Economics, but also for the whole group of 3Economy+ students. In fact, business management studies help individuals to improve their skills such as: leadership, interpersonal communication, adaptation to changes, initiative, problem solving, decision making, planning and organization which are the most demanded competencies by the companies.

3. Competences in Marketing

The definition of *marketing* according to Oxford reference, marketing is “the process of getting customers to buy a firm’s products and the organization of the sale of a product, for example, deciding on its price, the areas it should be supplied to, and how it should be advertised”. This concept has undergone through numerous changes due to the rapid technological progress becoming to be essential for the market. Indeed, the concept ‘digital marketing’ is gaining traction in this area.

Digital marketing has become the method of communicating with customers, with a new notion of speed, information, and convenience. It is a new way to create customer value and build long-lasting relationships among the clients. Nowadays, it is rare for a company not to have a digital presence, either with a website or on social networks (Kotler & Armstrong, 2012).

Degrees in Marketing involve the study of advertising and promotion, merchandising, statistical analysis, finances, public speaking, e-commerce, graphic design, sales, target market, languages, research and sale strategies, psychology to study the consumer behaviour, product innovation among many other subareas of Marketing. Moreover, it is a fact that Marketing is a study closely related to business as the students of marketing have to know how to manage relationships among business partners, business employees, and customers.

As the project seeks to improve their learning process with the newest and less valued aspects in marketing, the focus of this area was on digital marketing. Since, nowadays, it is a must to attend the continuous evolution of the consumer behaviour and it is not possible to do it if students only know about traditional marketing strategies. In the following table, the competences of this area are described (table 2.5)

Design, implement and follow up business plans
Design strategic business plans
Make market analyst and research
Create marketing plans and innovation systems
Digital Marketing Manager (Digital Marketing Software: SEMrush, HubSpot, Google analytics)
Promote external and internal relations
Create advertising
Manage merchandising and promotions
Develop direct marketing plans
Develop product, service and brands
Manage products, service and brands
Manage CRM (Customer Relationship Management)
Manage sales team

Table 2.5: Competences in Marketing

Source: elaborated by the Consortium

As for the competences in Marketing, this is not only applied for the graduates in Marketing, but also for the whole group of students as this training will ensure the students to be well prepared for their future employability. The skills that can be improved by dealing with this area are teambuilding skills, communication and storytelling skills, content creation, social skills, adaptability, organisation and planning skills, creativity and innovative skills, conflict resolution, emotional intelligence among others.

4. Competences in Tourism

The definition of World Tourism Organization (WTO) is: “tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which involve tourism expenditure. This concept overlaps with the other two areas under study, economics and marketing as it is closely related to the service sector. Moreover, it is a subject of a multidisciplinary nature.

Up until now, as well as in the other two areas, globalisation and the advance on new technologies have largely contributed to increase the demand for interconnected

services crossing national boundaries. This fact has had an intense impact on tourism. Furthermore, the three countries participating in the project, Spain, Malta and Portugal, have a long experience in this area. This is reflected in the number of programmes in this sector offered by the higher education centres of the 3Economy+ partners countries.

The contents in which the degrees in Tourism are mainly focused are: the concepts and characteristics of tourism as an area of academic and applied study in relation to business, management and wider social science, and at local, national and global levels; destination management, development, policy, governance and strategy; tourism economics, economics impacts and contributions to society (global to local); sustainability, ethics and well-being in tourism among many others. In the following table 2.6, the competences of this area are described.

Describe, synthesize the information and data related to tourism related topics
Create, manage and evaluate activities using appropriate techniques and procedures in tourism related topics
Complete a sustainable work which plans, designs, critically assesses and evaluates evidence in tourism related topics
Demonstrate communication skills related to tourism related topics
Demonstrate the numeracy skills required to manage budgets and analyse data related to tourism
Know about management, administrative and operational processes in the field of hotels, restaurants, transport, leisure and intermediation
Plan and manage the human resources of tourism organizations
Propose alternative and creative solutions to management, business planning and tourism products
Handle software programs for the management of hotels, restaurants, transportation intermediaries or agencies
Know how to adapt or work in international contexts
Have flexibility to adapt to schedules whose services are often considered 24/7
Master at least two foreign languages orally and in writing
Know about assertiveness techniques in dealing with customers and solving problems
Have general knowledge of History, Culture, Traditions, Tourist Attractions, etc

Table 2.6: Competences in Tourism

Source: elaborated by the Consortium

In this project, dealing with this area implies to help the students improve their critical, innovative, creative and entrepreneurial mind-set, which enables them to be prepared for changes.

5. Communicative Competence

Even though, the three areas presented above are the main areas that are dealt in the project, the knowledge of different languages is another key area. Specifically, the knowledge of three official languages of the countries of the partners: English, Spanish and Portuguese.

Being in a highly competitive global plurilingual society, the 21st-century university graduate student is required to act as international professionals, mastering different languages and intercultural business communication. As out there, there is an open market where different nationalities work together and therefore, they need to communicate in multiple languages. It is a fact that high plurilingual competences have a positive effect on the probability to be active in the labour market.

Consequently, students will learn two foreign languages through activities designed in the LMS language tutorials to assist in the resolution of integrated tasks, and through intensive courses in the different intensive programmes. However, it needs to be said that communicative competence within the 3Economy+ is a transversal competence aiming at providing students with the necessary skills to improve their economics, touristic and marketing profile in an international scenario.

By fostering multilingualism and interculturality among the participants, through the use of English, Spanish and Portuguese, important international geographical areas will be covered. In this respect, students need to achieve a proficient use of the language within the specific field of Economic, Marketing and Tourism. The contents included in this area are basically business organisations, industries and business sectors, finance and banking, production, international trade, sales and marketing, advertising and media, politics and economics. Other competences related to this area have been designed taking into consideration the Common European Framework for Languages (EU, 2001) descriptors for level C1 and C2 regarding the four skills: speaking, writing, reading and listening.

6. Soft skills: personal and digital competences

In addition, by dealing with the areas above-mentioned, the digital and personal skills are also developed within the 3Economy+ project. They are called soft skills and they are to be considered equally important to achieve a truly competitive and international professional profile.

Nowadays, there is no doubt that the technologies have a key role for a successful professional development. Moreover, lately, companies have been claiming to the higher education sector a “personal skills gap” at the employer/graduate student. In this regard, students of this project are expected to develop and improve the following

personal skills through practice and experiences within the specific field of Economics, Marketing and Tourism.

The digital competences and the personal skills such as self-motivation, critical thinking, initiative among many others are important in the training processes of future professional. This is the reason why this project goes deeply into these tasks, assessing their individual needs.

V. LEARNING OUTCOMES IN THE 3ECONOMY+ PROJECT

Once the competences and skills of the different areas have been presented, in this section the learning outcomes will be described. To do so, the included areas are economy, marketing, tourism, languages and the soft skills (digital and personal skills).

1. Learning Outcomes in Economics and business

Regarding the learning outcomes in Economics, once the project is finished the students participating in the project 3Economy+ will be able to:

1. Understand the current economics issues and economics principles and methods, including real-world applications and elements of macroeconomics.
2. Study the core elements of management knowledge and skill, including accounting, organizational behaviour, economics theory, finance and strategy.
3. Gain an understanding of core elements of organizational finance decisions, including accounting and financial statement analysis, principles of finance, investments, corporate finance, and business evaluations.
4. Build advanced knowledge of economics theory, corporate finance, mergers and acquisitions, international markets, and risk management.
5. Develop quantitative and problem-solving skills in resolving complex financial decisions through a local, regional, and global lens.
6. Develop an advanced understanding of leadership, corporate responsibility, digital media, and business communications, including mediation and negotiation.
7. Gain insight into the latest management theories and practices through case studies, instructor lectures, group projects, and active learning experiences.
8. Gain a deepened knowledge in focused topic areas, such as economics of financial markets, economic strategy and competitiveness, and economics of emerging markets.
9. Develop the knowledge of economic perspective on the nature, scale, and organization of businesses and the role of information and transaction costs in internal and external markets.
10. Manage budgets.
11. Oversee day-to-day operations in business.
12. Learn how to integrate economic principles and business concepts and you build understanding of the role of local, national, and global economies and their influence on business, commerce, trade, and government.

13. Advance a career in business, finance, a multinational corporation, trade, or international development.
14. Gain a solid grounding in management theory and practice through foundational subjects, including economics, accounting, finance, strategy, organizational behaviour, and management.

2. Learning Outcomes in Marketing

With regard to the learning outcomes in Marketing, once the project is finished the selected students should be able to demonstrate an understanding of the concepts and characteristics of marketing, including being able to:

1. Analyse and evaluate the concepts and characteristics of marketing in different contexts (domestic and international contexts).
2. Critique and challenge the definitions, nature and operations of marketing.
3. Demonstrate an awareness of marketing proposes in different societies.
4. Evaluate the intercultural dimensions in marketing.
5. Demonstrate an understanding of technology and media and how it influences and changes the marketing rules.
6. Critique the stakeholder relationships involved in different contexts.
7. Evaluate the products, services and marketing policies.
8. Understand the cultural significance in the marketing.
9. Analyse relations between consumers in different environments.
10. Understand the issues and principles of sustainability and social responsibility in the marketing.

3. Learning Outcomes in Tourism

Regarding the learning outcomes in Tourism, once the project is finished the students participating in the project 3Economy+ will be able to:

1. Analyse and evaluate the concepts and characteristics of tourism as an area of academic and applied study in relation to business, management and wider social science.
2. Explain and challenge theories and concepts which are used to understand tourism in domestic and international contexts.
3. Use a range of source material in investigating tourism.
4. Critique and challenge the nature and characteristics of tourists and associated behaviour characteristics.
5. Explain, assess and challenge theories of sustainability and ethics in the production and consumption of tourism.
6. Evaluate the intercultural dimensions of tourism.
7. Demonstrate an understanding of technology and media and how these influence and change tourism products, operations, processes and behaviours.
8. Critique the stakeholder relationships involved in destination management, development, policy, governance and strategy.

9. Understand the cultural significance of tourism for tourists and societies.
10. Demonstrate an understanding of the structure, operation and organisation of the public, private and not-for-profit sectors and their activities.
11. Analyse relations between consumers of tourism and the providers of tourism services.
12. Analyse the role of Government and policy makers in the development and management of destinations.
13. Evaluate the contribution and impacts of tourism in social, economic, environmental, political, cultural and other terms.

4. Learning outcomes in communicative competence

With regard to the learning outcomes in communicative competence, once the project is finished the selected students should be able to demonstrate an understanding of the four skills (including the spoken interaction) in English. Moreover, the languages of Spanish and Portuguese should be also acquired in a lower level, but they should be able to communicate actively and effectively in conversations related to Economy, Marketing and Tourism (EM&T henceforth).

In relation to the *speaking skills*, the students will be able to:

1. Produce a coherent and cohesive formal speech on EM&T appropriate to the context.
2. Give a fluent spoken presentation on themes related to EM&T.

In relation to *spoken interaction*, the students will be able to:

1. Express on spontaneous conversations with people related to the context of EM&T respecting politeness rules and managing features of conversations.
2. Understand and express shades of meaning in conversations.
3. Use language flexibly for social and professional purposes.

In relation to *listening skills*, the students will be able to:

1. Understand extended natural speech of spoken discourse, even when it is not clearly structured, on topics related to EM&T.
2. Understand broadcasted or natural spoken discourse, conferences, on topics related to EM&T.

In relation to *reading skills*, the students will be able to:

1. Understand specialised written text related to the field of EM&T.
2. Understand articles on EM&T.

In relation to *writing skills*, the students will be able to:

1. Express in clear, well-structured texts related to EM&T, such as formal letters or emails, brochures, financial summaries, business projects, economic reports, etc.
2. Fill in specific forms related to EM&T.

5. Learning outcomes in soft skills

As it has been mentioned above, in this project we take into consideration two types of soft skills: personal and digital skills. Both types need to be considered equally important to achieve a truly competitive and international professional profile.

First, regarding the learning outcomes in *personal skills*, once the project is finished the students participating in the project 3Economy+ should have improved in the following aspects:

1. Interpersonal abilities:
 - Relating well to others.
 - Building working relationships.
2. Self-motivation:
 - Committing to personal or organisational goals and improve certain personal standards.
3. Initiative.
 - Acting on opportunities
4. Problem solving skills/creativity:
 - Making logical and informed decisions to the best abilities
5. Critical thinking:
 - Assessing the evidence and identify spurious or illogical reasoning.
 - Creating strong arguments based on the evidences.
6. Flexibility:
 - Getting use to the changes.
 - Taking on projects outside of their scope and shift their schedule.
7. Leadership and management:
 - Motivating and inspiring.
 - Providing a solid foundation for teamwork.
8. Teamwork:
 - Working well with others while pursuing a common goal.
9. Self-criticism:
 - Taking and demonstrating proactive responsibility for their own learning

In relation to the learning outcomes in *digital competence*, the following ones are to be expected. These are related to the Europass self-assessment grid on digital competences (independent user). Then, the students selected will be able to:

1. Information processing:

- Use a variety of search engines to find information, which is compared and classify so as to use it efficiently.
- 2. Content creation:
 - Produce digital content in different formats, using templates and basic formatting.
 - Reference information and media so as to follow copyright conventions.
- 3. Digital communication:
 - Manage different communication and collaboration tools.
 - Use online services.
 - Know the netiquette and is respectful in online communication.
- 4. Problem solving:
 - Solve frequent problems in digital technologies.
 - Regularly update digital skills.

VI. CONCLUSIONS

The competence development is not a buzzword, it actually represents the real demand to be prepared for the real world it is also an adaptation to international trends. However, the competences of the future are not only acquired through the university programmes. This is the reason why that in response to the so-called Bologna Agreement, to strengthen Europeans' capacity towards employability and competitiveness, this project attempts to have a transforming role with regard to the development of the above-mentioned competencies in university students.

As it has been mentioned before, to attain this objective, numerous actions have been implemented through the development of the project, with a view to improving the academic training of students and therefore, the competences related to the areas of Economic, Tourism, and Marketing as well as languages such as English, Spanish and Portuguese in a transversal way. The digital and personal skills are also promoted.

In this chapter, the competences and learning outcomes of these areas have been presented. Moreover, a revision based on the survey for the perception of different entrepreneurs around the competences of the graduates, and whether these competences are in line with the demands of the employment areas has been pointed out. In the light of the results, it could be said that these competences developed in the 3Economy+ project should be taken as an enriching element in the curriculum especially in the training of future professionals of Economics, Marketing and Tourism.

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SECTION II
ECONOMIC ANALYSIS OF EUROPEAN NUTS-2 REGIONS

CHAPTER 3

MACROECONOMIC ANALYSIS

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I. INTRODUCTION

This chapter performs the analysis of the macroeconomic indicators of the three regions that make up the project called 3economyplus: Alto (High) Alentejo (Comunidade Intermunicipal), Malta and the city of Melilla.

It based on a review of the literature and search of macroeconomic information of the territory in databases and monographs, determining indicators, objectives and the time-space for analysis.

Thus it becomes necessary a clear and precise delimitation of the “macroeconomic analysis of the territory where each partner works,” utilizing the delimitation of the physical - geographic space, its temporality, economic matter, interrogative formulation of its primary objective, evaluation of its resources, justification of its usefulness and determination of the methodology.

Analyzing how they are and how the economic indicators are evident, we will use the descriptive statistics to classify information according to the prominence presented regarding a selection of indicators, which allow us to develop a comparative description of them. Also, it is possible to establish the factors that may explain the reasons for these results shown by statistics. Therefore, it will be followed a structured approach to “not experimental, exploratory and descriptive” study that will allow us to develop conclusions founded in the remarks we consider can explain the situation.

To prepare the theoretical background and conceptual frame of the selected indicators will be done a literature and other pertinent documents revision in order to extract and to compile the information of interest (the review can begin manually or coming from a digital data). This part of the work will be held in two phases. First of all, buffing the target of the work. Relating indicators and explaining the behavior in the interaction of these variables, checking that there is a relation of causality and using operative statistical hardware. Afterward, there will be a phase for the proposals, guidelines, conclusions and recommendations, selecting the indicators obtained in the bibliographical research in this subject. We can compare that financial information

recorded in a manner binding in each country. It will also allow us to compare how the information presented.

Economic indicators provide us with information on the situation of a region. The Gross Domestic Product (GDP), and its variation over time, is one of the main ways to measure the health of an economy. Also the unemployment rate (or the number of people who cannot find a job and are looking for one, out of the total number of active people of working age) the consumer price index (CPI), as a way of knowing the evolution of the prices of goods and services consumed by the population living in a region or country, and like this, the 20 indicators or group of indicators selected that allow us to perform a regional analysis.

II. OBJECTIVES AND METHODOLOGY

Economic applied research is usually conducted to solve a particular and concrete problem, and quantitative models are used to represent a complex socio-economic system in a stylised way and to highlight possible linkages between its different elements.

The main objective of this chapter will be to elaborate on a study of the key macroeconomic indicators that allow making a comparison of the three peripheral regions partners of the project: High Alentejo (PT), Malta (MT) and Melilla (SP).

This financial information will require knowing whether it recorded in a manner binding in each country and to compare how the information is presented. We believe that it is necessary to promote the harmonisation of statistical information, taking into account that knowledge at the regional level provides more critical information on the real situation of European citizens.

Indicators have been selected from the European regional database (Statistical Office of the European Union and Eurostat's Concepts and Definitions Database) previously maintained by Cambridge Econometrics. They contain whole historical time series of data with regional (NUTS 2 and 3, Nomenclature des Unités Territoriales Statistiques) and sectoral disaggregation. The OECD Regional Database provides a single set of comparable statistics and 40 indicators of the labour market, financial accounts, demographics, social and innovation issues in OECD member countries and other economies, in 2 000 regions in 34 countries.

The information provided is Indicator Name, Definition, Unit of measurement, Methodology/formula and Data source.

III. ROLE OF THE EUROPEAN REGIONAL POLICY

The economy, through its two branches, microeconomics and macroeconomics, studies the form in which households, companies and administrations make decisions to meet their needs and how they interact, taking into account that the resources available are generally scarce.

In order to have the best knowledge of the economic reality, it is necessary to ask ourselves: Why is the average income high in some countries or regions whereas it is low in

others? Why do the prices sometimes increase quickly, whereas in others it is more stable? Why there is an expansion of the production in some years and a contraction in others?

The resemblance of a medical analysis can help us to understand better the economic analysis. A doctor starting of a series of indicators objectives (measurable data that allow to interpret a reality) as they are the blood analyses and urine have sufficient data of evaluation that allow him to emit a judgment (diagnosis) and later if there is something to correct or to improve, makes decisions from action (treatment).

The same happens with the economic analysis. It is necessary to know which are the indicators more objectives that it makes possible to us to measure the economic reality as well so that once obtained and calculated it allows us to realize the diagnosis of the situation, and to recommend how could be corrected or be improved through procedures or economic policies.

The greater difficulty is in the search and determination of which they are the performance indicators (KPI, Key Indicator Performance) that allow the accomplishment of a process of analysis, diagnosis and treatment on the territory that we are going to study.

1. Regional data analyses

The statistical information at a regional or territorial level is a tool essential to emphasize particular aspects of each of them who are allowing more excellent information at the time of making the political decisions that affect their daily life. The national data cannot reveal the complete and sometimes complex image than it is happening to a more detailed level within the European Union (EU).

The Treaty on the Functioning of the EU, in recognition of the importance of regional policy, devotes five articles to “economic, social and territorial cohesion” (Articles 174-178). This regional policy aims to reduce social, territorial, and economic disparities between the regions of the EU. It does so by supporting economic growth through job creation, competitiveness, improved quality of life, and sustainable development. The European Structural and Investment Funds (EIF) are helping to reduce the disadvantages of certain territories, such as depopulation and the movement of educated young people to other places with more significant opportunities.

Regions with specific territorial features have received increasing attention in recent years. The Treaty shall aim “at reducing disparities between the levels of development of the various regions and the backwardness of the least favored regions¹.”

Among the affected areas, special attention shall be paid to rural areas, those affected by industrial conversion and regions with permanent natural or demographic disadvantages. Among them, we can mention the regions of southern Europe with a very low population density and island, cross-border, and mountain regions.

¹ Treaty on the functioning of the European Union, article 174, 2010

Specific measures shall be adopted to take account by “insularity, remoteness, difficult topography, small size, economic dependence on a few products and climate.”

There are significant differences in demographics across the European Union, and with regions that are particularly exposed to demographic decline. Only a few regions (such as Malta or Melilla) seem to be in a non-problematic position in terms of population growth. Other regions do suffer, combining high emigration with low fertility (such as Alentejo). Therefore, demography is a crucial indicator to differentiate the regions we are analysing.

The core resources of the territorial cohesion policy are the EU structural funds are divided into two types: the European Regional Development Fund (ERDF) and the European Social Fund (ESF). These funds are amounts given to the most disadvantaged areas.

The ERDF is intended for productive investment and the creation of infrastructure, both of which generate employment, mainly for companies. The objective of the ESF is to assist the integration of unemployed people into the world of work through training measures.

It aims to eliminate economic, social, and territorial disparities across the EU, diversify rural areas and restructure declining industrial areas. This policy will make regions more competitive by promoting economic growth and creating new jobs through EU regional policies. They also face complex challenges, such as the supply of clean energy, climate change, and the problems of globalization.

This policy is the main target that we want to realize in this manual: Teaching/training Manual 3Economy+ (Economy and business) based upon the integration of existent and new indicators in the three territories: Alto Alentejo (PT 186), Malta (MT1) and Melilla (ES640). To know the macroeconomic magnitudes of the administrative territory in which study (region, community, city) mainly the GDP, population, labor rates of activity and unemployment and inflation. It is evolution in the last years and the comparison between the territories partners of the project.

We begin with the territorial classification that the EU realizes to analyze the policies developed in its different regions, cities, rural, frontier, coastal and insular areas. For it, a series of statistical parameters, publications and articles has been determined on the territories that guided by EUROSTAT (European Office of Statistic), and they provide information to us for the analysis that we want to realize.

The Nomenclature of Territorial Units for Statistics (NUTS) was drawn up by Eurostat at the beginning of the 1970s, in order to draw up a list of territories in the European Union where regional statistics can be applied and thus make it possible to target policies at regional levels.

The Member States and Eurostat agreed on how to structure the territories over several decades, but it was only in 2003 that it became operational.

The NUTS serves several objectives:

- The European Structural and Investment Funds aim to support less competitive and disadvantaged territories.
- By ensuring that data from published regional statistics are comparable;

- Ensuring harmonised standards in the collection and transmission of regional data.
- By allowing the comparison of the socio-economic situation of the regions.

The NUTS classification subdivides each EU Member State into regions at three different levels, from the largest to the smallest areas and covering NUTS levels 1, 2 and 3. NUTS-1 represents the highest hierarchy, with the establishment of territorial units based on existing administrative units in each Member State and with the thresholds of the population between 3 and 7 million people, next they would be the NUTS-2 whose threshold would be between 0.8 and 3 million of people and third-level NUTS-3 between 0.15 and 0.8 million people.

The NUTS 2016 classification, which has been in force since January 2018, breaks down into 104 regions at NUTS-1 level, 281 regions at NUTS-2 level and 1348 regions at NUTS-3 level for:

1. Implementing EU regional policies, by determining that regions eligible for cohesion support are defined at NUTS-2 level.
2. The alignment, development and collection of European regional statistics;
3. The socio-economic analyses of the regions NUTS 1: large socio-economic regions, NUTS 2: regions essential for the implementation of regional policies and NUTS 3: small regions for specific diagnoses.

Below the latter there is a hierarchical structure called LAU (Local Administrative Units), which corresponds to the former NUTS-four and five. Apart from the NUTS levels, new territories have been designated as “extra-regional” (coded by adding to the two-letter country code the letter Z at NUTS 1, 2 and 3 level). These peculiar regions are designed to collect the statistics of the countries of particular territories.

For the territories partners of this project, its division would be:

- Portugal: 3 regions at NUTS-1, Portugal (PT), Portugal Continental and Autonomous Regions of the Azores islands and Madeira Island; 7 regions at NUTS-2, 25 regions at NUTS-3, subdivided in “Entidades Intermunicipais (Comunidades Intermunicipais + Áreas Metropolitanas + Regiões Autónomas),” where we will find to Alto Alentejo (PT186). 3092 LAU, Freguesias, among them is Portalegre.
- Malta: 1 region at NUTS-1, Malta (MT0). 1 region at NUTS-2, Malta (MT00), 2 regions at NUTS-3, Regions where we will Malta (MT001) and Gozo and Comino (MT002), and 68 local units LAU, where we will Northern Harbour District (MT012) y LAU- Msida (MT01241). Furthermore is Extra-Region (MTZ).
- Spain: 7 regions at NUTS-1, España (ES), non-administrative aggregations. 19 regions at NUTS-2, called Autonomous Communities and 2 Autonomous Cities (Ciudad Autónoma de Melilla, ES64, y Ceuta) and 59 regions at NUTS-3, called Provinces and Islands, where we will find to Melilla (ES640).

	NUTS 1		NUTS 2		NUTS 3		LAU	
SP	Non-administrative aggregations	7	Comunidades y ciudades autónomas	19	Provincias + islas + Ceuta, Melilla	59	Municipios	8124
MT	Malta	1	Malta	1	Regions (Gzejjer = Malta)	2	Localities, governed by local councils	68
PT	Continente + Regiões Autónomas	3	Grupos de Entidades Interm+ Regiões Autónomas	7		25	Freguesias	3092
EU-28		104		281		1348		99759

Table 3.1: Nomenclature Territorial Units Statistics: Spain, Portugal and Malta
Sources: European Union, 2018

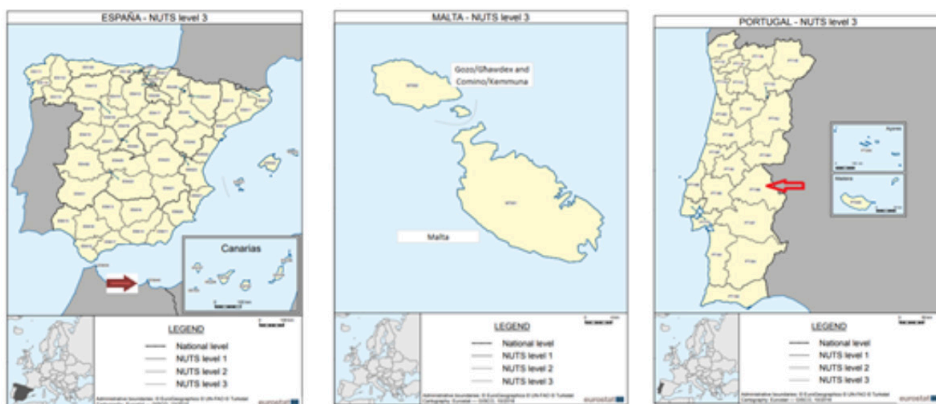


Figure 3.1: Nomenclature Territorial Units Statistics: Spain, Portugal and Malta
Sources: European Union, 2018

Regional policies have reference to structural and sectoral issues. How the Structural Funds are distributed is based on the regional accounts. Regional statistics are used for the ex-post evaluation of the results of these regional and cohesion policies.

Strategic priorities for the EU and its Member States are to promote higher growth and more jobs, the objectives of which are part of the Europe 2020 strategy. To support them, policies are applied across all sectors of the EU economy as Member States implement their national structural reforms.

To ensure a harmonised implementation, Eurostat launched a legislative initiative called “Tercet.” The aim is to integrate the typologies into the NUTS Regulation.

Regional policy is addressed to all regions and cities of the European Union in order to support business competitiveness, job creation, sustainable development, and the improvement of citizens' quality of life.

For this purpose, the EU has set aside EUR 351.8 billion (almost one-third of the total EU budget) in the so-called cohesion policies and for the period 2014-2020.

It is for these reasons that we consider regional analysis so important, mainly because the territories that are part of this university project are among the most disadvantaged in the EU.

EU regional policy covers all European regions, and they are divided into different categories (objectives), depending mainly on their economic situation. In the current funding period 2014-2020, money is allocated differently between regions that are considered "more developed" (with per capita GDP above 90% of the EU average) and where Malta is located; "transitional" (between 75% and 90%), where Melilla is located; and "less developed" (less than 75%) and where the Alentejo is located.

Under the Cohesion Fund, additional funds are reserved for Member States whose gross national income per capita is less than 90% of the EU average.

The NUTS classification is used to define regional ceilings and to determine the distribution of structural and investment funds. The regional distribution for the period 2014-2020 of the European Regional Development Fund (ERDF) and the European Social Fund (ESF) was calculated based on regional GDP per capita (in PPS and averaged over the period 2007-09).

The NUTS II regions described above were divided into three groups according to the level of GDP per capita in relation to the European average of the 27 countries that made up the region in those years. Those whose per capita GDP was less than 75% of the EU-27 average. The regions in transition, whose per capita GDP was between 75% and 90% of the EU-27 average. And the more developed regions where this indicator exceeded 90% of the EU-27 average.

IV. REGIONAL ECONOMIC INDICATORS

If we want to analyse the territories of the EU from a socio-economic point of view, we find that there are data on three levels of government: the first is the EU as a whole, the second is the States that make up the EU and the third would be the division into regions. This form of multi-level governance allows for actions with a character of socio-economic cohesion throughout the EU. However, Jeffery (2015) considers that after carrying out the comparative analysis between these three levels of decision, he concludes that the most practical level of decision is the regional one.

The regional development across the EU is exciting research, and the basic idea of this chapter is to determine which are the leading indicators that allow assessing the growth effect of Regional Policy. Several authors, Barca, McCann, & Rodríguez-Pose (2012), have quantified the effects of regional development on efficiency and social inclusion and have considered that the final result must allow for territorial cohesion and thus maximize local and national economic development. In this line, Becker,

Eggerf, & von Ehrlich, (2012) argue that very significant positive effects are achieved for those related to regional economic convergence.

A comparison of data at the regional or subnational level can highlight disparities within countries. The most impoverished regions have significant challenges to overcome. Weaker regions tend to show higher levels of dependence on aid and funding from economically more prosperous regions, and thus co-dependence with donor agencies. They also have lower levels of human capital and fewer opportunities for innovation. Furthermore, they have less capacity to coordinate and cooperate with institutionally (McCann and Ortega-Argilés, 2015).

The single market, the monetary union, and the European Union's regional policy, or cohesion policy, are fundamental axes of European Union integration. Most EU regional policy funds are allocated to the most disadvantaged European regions according to EU indicators and statistical criteria. Manzella and Méndez (2009) examine the growing proportion of the EU budget devoted to the regional policy since the mid-1970s, and how it has contributed to economic growth and convergence. However, different studies show how difficult it is to conduct econometric assessment analyses. The conclusions of many studies depend on the models used, and these range from a significant positive impact of regional policy on growth and convergence (Beugelsdijk and Eijffinger, 2005; Mohl and Hagen, 2008) to non-statistically significant or even adverse effects (Boldrin and Canova, 2001; Dall'erba and Le Gallo, 2008).

Let us see what possibilities we have to compare socio-economic data of NUTS II and III territories of the EU. We will finalize the methodology used by Eurostat, and if it is not possible, we will take the data provided by the Statistical Institutes of each Nation.

Economic development has already been said to be commonly expressed in terms of GDP. The proxy indicator for comparisons of living standards is GDP per capita. However, this source of information alone should not be relied upon to inform economic policy debates, because it does not take into account externalities such as environmental conservation or the inclusion of the vast majority of the population in society, which are considered important drivers of sustainable development and therefore of improved quality of life.

The policy aims to reduce the economic, social and territorial disparities between EU regions by improved quality of life and sustainable development, supporting job creation, competitiveness and economic growth.

The primary objectives of any economic policy mainly revolve around a series of variables (employment, production and prices) that allowing, through indicators, checking their health status.

EU regional policy foster solidarity and cohesion so that each region reaches its full potential, and thus in helping to alleviate social inequalities (healthcare, education, housing politics, unemployment or no adequate infrastructure). There are many different reasons for these inequalities, such as geographical remoteness or population dispersion, or the economic policies of previous political sites. Regional policies help to develop the potential of the most disadvantaged territories to improve competitiveness and raise

living standards and aim to bring them into line with the EU average (convergence) by stimulating investment, providing quality services and preserving the environment.

Regarding the indicators that aim to see if cohesion policies are improving socially and territorially to the regions, an objective identified in the EU, a treaty is an essential expression of solidarity with the poorest and weakest regions of the EU. These grouped into four lines of action²:

- Smart growth: Research and development, competitiveness and business environment and education.
- Sustainable Growth: Transportation, Environment.
- Inclusive Growth: Social inclusion, poverty and health.
- Context: Population and geography area.

Let us see which there are the indicators that we consider are basic for the regional economic analysis. The descriptions of the indicators obtained from the glossaries and dictionaries of economic statistical terms: OECD, Eurostat, Office for National Statistics of the UK, IMF and Investopedia.

They can be specified:

I- indicator (20)

- I-1 Regional Gross Domestic Product (RGDP)
- I-2 Population and GDP Regional per capita (GDPR per capita)
- I-3 Regional Gross Value Added (RGVA)
- I-4 Disparity index (EU28=100)
- I-5 Consumer Price Index (CPI) Inflation
- I-6 Households' gross disposable income (HGDI)
- I-7 Labor productivity GVA/ Employment
- I-8 Unemployment, activity, occupation rates
- I-9 Average compensation of employees
- I-10 Mercantile Companies Statistics and Business Turnover Index
- I-11 Variables of information and communication technology (ICT)
- I-12 Balance Of Trade (BOT) Export-Import
- I-13 Energy indicators
- I-14 Tourism activity indicators
- I-15 Monetary and financial sector indicators
- I-16 Research and Development (R&D) indicators
- I-17 Information society indicators in private households
- I-18 Education indicators
- I-19 Health indicators
- I-20 Tax information

² Panorama info regio n.º 36. European Unión. Regional Policy

Development of each indicator:

I-1 Regional Gross Domestic Product (RGDP)

Gross domestic product (GDP) is the monetary value of all finished goods and services produced within a country's borders in a given period, i.e., eliminating intermediate values in production. Although GDP is usually calculated on an annual basis, it can also be calculated every quarter (Callen, 2018).

Regional gross domestic product (GDP) is an indicator of a region's output. GDP in PPS (purchasing power standards) eliminates differences in price levels between regions. Per capita calculations allow for the comparison of economies and regions that differ significantly in absolute size and are the determining value in determining the type of NUTS 2-3 region under the European Union's structural policy.

GDP on the demand side is the sum of private and public consumption, investments, inventory differences, and the external trade balance (the difference between exports and imports). GDP is a measure of a territory's overall economic activity and provides information to governments for making economic policy decisions to stimulate it if it is stagnating by injecting money into it or, conversely, to slow down an economy that is overheating. Businesses and investors look to GDP as a guide to decide how best to organize their production and other business activities, as it provides a framework for investment decisions.

It is used to analyse returns in times of growth, recoveries, and recessions in each economic cycle. In order to compensate for the possible differences in price levels that influence countries' economies, GDP is calculated by eliminating the effect of inflation using conversion factors known as purchasing power parities (PPPs). The use of GDP not in nominal values or at market prices but in real or deflated values causes the data to be converted into a common artificial currency called the purchasing power standard (PPP). This is the technical term used by Eurostat for the Common Monetary Europe, where national accounts are expressed when adjusted for differences in price levels using PPPs.

There are three main methods for determining GDP. The first is demand GDP, the second is supply GDP or the sum of all output in the economic sectors (primary, secondary and tertiary) and the third is the distribution of income between employees and the self-employed. These three approaches are often referred to as the expenditure approach, the production (or output) approach, and the income approach (Chappelow, 2019).

I-2 Population and GDP regional (RGDP per capita)

Per capita GDP is the share that each inhabitant contributes on average to the total production of a region (it adds up the value of all the final goods and services produced in a territory during a period. This relationship is useful for comparing one country or territory with others. Increasing GDP per capita above certain levels indicates that the economy is growing, usually reflecting an increase in productivity and a decrease in unemployment. For this reason, this indicator is often used as a measure of living standards.

If we divide the total GDP by the employed (non-unemployed) population of a territory, it measures productivity, and productivity can also be calculated if GDP is divided by the number of hours worked.

$\text{GDP Regional} / \text{employed} \times 1\,000$

I-3 Regional Gross Value Added (RGVA)

Gross value added (GVA) is the sum of the output of the three economic sectors from the supply side: primary (agriculture, livestock, forestry), secondary (industrial and construction), and tertiary (services). GVA (ESA 2010, 9.31) is defined as the value of output at final prices minus intermediate consumption, i.e., total GDP minus net taxes on products. GVA is available for the main economic activities, according to NACE Rev. 2 (Statistical Classification of Economic Activities in the European Community).

RGVA is the sum of all the sectors of that economy before adjusting for taxes and subsidies. By the data provided by the agencies statistical authorities consulted the indicator used is Gross Value Added (Production Approach) (GVA-P)

I-4 Disparity index (EU28=100)

The income disparities are a phenomenon between regions within the EU countries. This indicator identifies regional disparities with detailed data and the allocation of resources in line to speed up regional development. The objective of the European Cohesion Policy is defined in the Treaty establishing the European Community. Art. 158 “the Community aims to reduce the disparities between the levels of development of the different regions and the backwardness of the least favoured regions or islands, including rural areas” (Monfort, 2008)

I-5 Consumer Price Index (CPI), Inflation

The Consumer Price Index (CPI) measures the increases or decreases in the price level of the basket of consumer goods and services purchased by households.

The CPI is a statistical estimate that is created from the prices of a sample of items (goods and services) from a standard shopping basket and whose prices are taken periodically, usually every month. The overall index is calculated with weights reflecting the share of each revised good or service in the total consumer expenditure covered by the index. In the case of Spain, 479 items form part of the shopping basket (food, leisure, energy, housing, clothing, footwear, medicines)

The temporary percentage change of a CPI is used as a measure of inflation, following international standards, and in line with European regulations. This CPI is calculated by comparing the price index of the last month with the same month of the previous year, corresponding to the consumption basket of goods and services typical of a European family. This indicator is known as the 12-month inflation rate.

The Harmonized Index of Consumer Prices (HICP), since its first calculation in 1997, is the measure of price changes used by governments to know their inflation. The EU uses the clusters of some 80 sub-indices prescribed in each country to determine a harmonized weighted average.

I-6 Households gross disposable income (HGDI)

This indicator reflects the purchasing power of households and their ability to purchase goods and services or to allocate them to savings. It is calculated as gross disposable income (households and non-profit institutions serving households, NPISHs) divided by actual household consumption (measured in PPP) and total population.

The values obtained become the index calculated based on the EU average of 100. Those countries that exceed the value of 100 are at a higher than average level of disposable income and vice versa. For the calculation of disparities, the coefficient of variation of the national figures is used.

I-7 Labour productivity / Employment

The coefficients of valuation of the labour activity allow knowing the productivity and the competitiveness of a national or regional economy. Labour productivity is calculated by dividing the total output of a country's economy by the number of hours worked, or it can also be divided by the number of people employed in its production. Productivity can be defined as gross value added at basic prices contributed by workers or calculated based on all hours worked.

Employment is one measure of an economy's labor input, but it does not capture changes in working patterns, which are reflected in the total hours worked measure. GVA Regional / Employment total regional.

I-8 Unemployment, activity and occupation rate

The Labour Force Survey (LFS) uses data on the population that is employed or unemployed but active to find it. Therefore, small numbers of non-working age persons who are inactive are eliminated.

The unemployment rate is the part of the active population (of working age who are working or are unemployed and looking for work), expressed as a percentage. Workers are considered unemployed if they are not currently working, even if they are able and willing to work. Those who have temporary, part-time, or full-time jobs are considered to be employed, as are those who perform a number of hours of unpaid family work.

I-9 Average compensation of employees

The indicator is the average compensation that employees receive per hour worked. It is calculated by dividing employees' contribution to the growth of the economy (including wages and salaries, and employers' social contributions) by the total number of hours worked, and over some time.

I-10 Mercantile Companies Statistics and Business Turnover Index

The turnover of the companies is studied. These companies are classified in individual companies, with less than 250 persons employed, with less than 10 persons employed.

I-11 Variables of Information and Communication Technologies (ICT)

Surveys are conducted on the use of ICT (information and communication technologies) and e-commerce in enterprises and households. The variables studied are

the use of information and communication technologies (ICT): computers, Internet connection, website, use of social media, cloud services, and e-commerce, both by branches of economic activity, size by groups of employees, and turnover of companies, and size of households.

The methodology is proposed by the OECD and provides information on the use of different ICT products. Several variables have been studied, both in terms of equipment and software used. Among them are the information technology used (computer, television and telephone), type of connections and the availability of access to networks by households, the use of these services by households and family members (Internet and e-commerce), according to gender, age and level of education and employment status.

I-12 Balance Of Trade (BOT) Export-Import

The trade balance (BOT) is the difference between the value of a country's imports and exports of goods and services over a given period. This indicator is the essential component of a country's balance of payments. Economists use the BOT to measure the relative strength of a country's economy.

If imported goods and services are higher than exported ones, this result is a trade deficit, and if that is to the contrary case, a surplus would be obtained.

The indicator includes, in addition to purchases and sales of goods and services, barter transactions, or goods exchanged as part of gifts or donations between residents and non-residents. The Trade Openness Index is an economical way to measure the relationship between the country's total trade (exports + imports) and the country's gross domestic product. Its formula is $= (\text{Exports} + \text{Imports}) / (\text{Gross Domestic Product})$.

This index is interpreted as meaning that the higher it is, the more significant the influence of trade on domestic activities and the more reliable the economy of that country is.

The import coverage ratio is the proportion (or percentage) of a country's imports that are covered by its exports.

I-13 Energy indicators

Electricity consumption per typical consumer household consumption values (DCV) are industry-standard values for the annual gas and electricity use of a typical household consumer.

The following indicators would be analysed: Consumption of electric energy by municipality KWh, electricity consumption per consumer kWh., residential electricity consumption per inhabitant KWh, car fuel consumption per inhabitant (Toe, tons of oil), Natural gas consumption per 1000 inhabitants (thousands Nm³), consumers of electric energy by the municipality, consumption of natural gas by municipality. Also gross production of electricity (KWh): wind, geothermal, hydropower, photovoltaic and thermal.

Indicators used to calculate the cost of a typical energy bill.

I-14 Tourism activity indicators

The following indicators are analysed: Lodging capacity per 1000 inhabitants, Average stay in the establishment, Bed occupancy net rate, Establishments, lodging capacity, Lodging income, Guests total, Guests domestic and Guests foreigners.

I-15 Monetary and financial sector indicators

The “level of banking penetration” of a territory participates in knowing the degree of development of the society and if this increases, it has a positive correlation with economic expansion. Economists also use bank debit statistics to forecast national economic trends, including the transactions demand for cash.

The following indicators would be analysed: Banks and saving banks per 10.000 inhabitants and Housing credit per inhabitant (Euros).

Others indicators are: Automated teller machine (ATM), ATM per 10.000 inhabitants, Operations ATM per inhabitant, Establishments banks and savings banks, Persons employed banks and savings banks, Personnel costs banks and savings banks (thousand euros), Persons employed, Personnel costs, Insurance enterprises, Deposits of clients, Credits conceded.

I-16 Research and Development (R&D) indicators

Gross domestic expenditure on R&D (GERD) as a percentage of GDP. R&D personnel. Gross expenditure on Research and Development (R&D) (GERD) by sector of performance: Enterprises, State, Tertiary education, Private nonprofit institutions.

I-17 Information society indicators in private households

Availability of information and communication technologies (ICTs) and their use by individuals and households.

I-18 Education indicator.

The indicator analysed is the enrolment rate in tertiary education (aged 18 and 22 years).

Other possible indicators, if there were sufficient information, would be: Output of educational institutions and the impact of learning (pre-primary crude educational attainment rate, primary, lower and upper secondary education) and enrolment rate in tertiary education (aged 18 and 22 years old); Educational institutions: pre-primary, primary, 2nd cycle, secondary; Students enrolled pre-primary, primary, 2nd cycle, secondary; Teaching staff and other staff pre-primary, primary, 2nd cycle, secondary; Educational institutions tertiary education (students enrolled tertiary education, Teaching staff and other staff tertiary education).

I-19 Health indicators

Sources of comparable statistics on health level and sanitary systems are Nurses per 1,000 inhabitants; Medical doctors per 1,000 inhabitants; Pharmacies per 1,000 inhabitants; Hospitals admissions per 1,000 inhabitants; Surgeries per day in hospitals; Medical appointments in hospitals per inhabitant; Hospital Beds per 1,000 inhabitants; Annual bed-occupancy rate in hospitals (%); Hospitals by the municipality; Beds; Surgery rooms; Doctors; Nurse and Total sanitary personnel employed.

I-20 Tax information

Taxation is a form of financing of the public administrations and the welfare state through the contributions of citizens and companies. The leading company taxation in force in value-added tax on goods and services bought and sold in the European Union, known as value-added tax (VAT), corporation tax (CT), personal income tax (PIT). The Value Added Tax or VAT broadly based consumption Union.

V. REGIONAL ECONOMIC DATA

Firstly, a summary will be made by way of presentation of the most significant socio-economic data for each territory associated with the project. The study vital aim is to identify the data which are required in order to engage in meaningful regional comparisons. We must also make mention of the bearing in mind that the most up-to-date information for all of them is that corresponding to the 2016 financial year, albeit in a different manner and with it being not very easy to find all the selected indicators. Finally, we will make a comparative study, highlighting their peculiarities.

1. Portalegre, Alto (High) Alentejo and Portugal

Since the so-called “Carnation Revolution” (1974), there have been essential phases of economic expansion in Portugal, with significant changes in the rate of economic growth of the nation. Since the 1990s, the model of economic development based on public consumption has been turning towards models where exports, private investment, and the development of the high-tech sector begin to play their predominant role. The business advisory services sector has surpassed some of the more traditional industries, which included textiles and clothing, footwear, cork (the world’s largest producer of cork), wood products, and beverages. In 2011 Portugal was intervened and received a loan to help the country stabilize its finances of 78 billion Euros. Loan granted by the IMF and the European Union, through the European Financial Stability Mechanism (EFM) and the European Financial Stability Facility (EFSF). In May 2014, the country overcame the bailout, the result of adjustment measures that improved its deficits and public debt.

— Alentejo and Alto (High) Alentejo (it means “beyond” Tagus River (Tejo)).

Alentejo’s area extends to 27,272 km² (29.6% of the country) and has a population of 537,556 (5.1% of the country). The population of High Alentejo in 2011 was 118,506 in an area of 6,084 km².

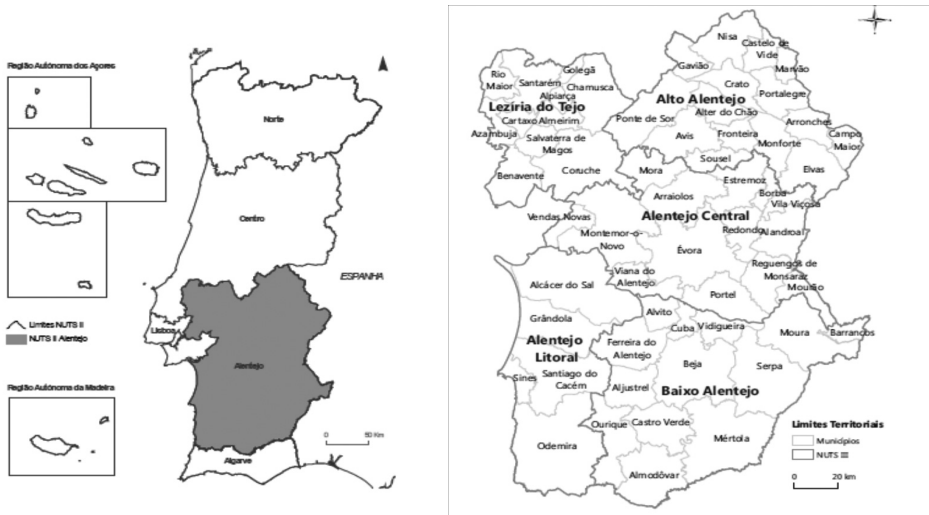


Figure 3.2: Map of Alentejo and Alto (High) Alentejo, in Portugal
Source: European Union, 2018

In terms of productivity, the most substantial asymmetries sub-regional at the national level found between the Alentejo Littoral (IDP = 159.7 in 2011) and the High Alentejo (IDP = 95.1 in 2011).

The area is known as the grain store of Portugal, a region with fertile soil and rolling plains. Its population depends on a significant percentage of agriculture, live-stock, and forestry for the production of cheese, wine, hams, sausages, olive oil, cork production (region No. 1 in the world), and also highlights its mineral extraction industries. Tourism still has a long way to go.

Making a summary of the EU report on the Alentejo titled “Regional Innovation Monitor Plus” and Relatório Portugal 2020 na Região Alentejo (2017) of CCDRA (Comissão de Coordenação e Desenvolvimento Regional do Alentejo Órgão das Dinâmicas Regionais)³, the economic activities of this territory are based on natural conditions conducive to diversified activities, mainly agricultural, agro-industrial, livestock and forest activities, activities associated with the exploitation of geological and mineral resources (pyrites, marbles, waters, granites, among others) and tourism based on natural, landscape and cultural heritage.

These activities are complemented by business dynamics in new production sectors, especially the aeronautics industry, which represents a strategic and technological relevance; the creative and cultural industries as a means of boosting equipment and particularly sensitive heritage and architectural area and new emerging and socially

³ Alentejo Regional Coordination and Development Commission (CCDR-A) <https://www.ccdr-a.gov.pt/>

necessary activities (energy production, biotechnology and chemistry); and energy, by exploiting the existing water and solar resources in the territory.

The Alentejo region is predominantly rich in mineral resources (granite, marble, zinc and pyrite). It also produces cork, wine, olive oil and dairy products. The traditional primary industries are the extraction industries of the mineral, as mentioned above, resources, agro-food, metallurgical, machinery, and chemical industries.

Traditionally it is a vast rural territory, but in the last decades, new trends have appeared in its regional economy. New segments of the industry have developed, such as the automotive, electronic components and aeronautics industries. The Alentejo has an essential diversity of energy resources (Sines Thermal Power Station, Alqueva Dam Hydroelectric Power Station) and very significant and diversified investments have been made in the production of renewable energies (increase in photovoltaic and solar energy).

In recent years, the tertiary sector has occupied a prominent place in the regional economy, due in particular to activities related to tourism (nature, rural, adventure and ecotourism activities) and information and communication technologies (ICT). The tertiary sector is currently the most significant contributor to regional gross value added (GVA), with data for 2016 of 64%, followed by the secondary sector (industry and construction) with 27% and the primary sector with just over 9% (INE, 2018).

Research, development and innovation are gradually obtaining significant values in their economy. They are applied in traditional sectors related to social and territorial specificities: agrifood, wine, cork and ornamental stones; and to the new emerging sectors of information and communication technology (ICT), electronics, aeronautics and ecotourism.

The Alentejo has an intermodal system for the transport of goods and passengers, which aims to be one of the main axes of connection with the whole of the EU. A road network that can be improved, mainly by extending the double-track; it has the Elvas / Caia logistics platform and the Sines- Caia rail link,

The axis Castelo Branco - Portalegre - Évora - Beja - Algarve and the axis Sines - Évora - Badajoz, contribute to promote the development of the natural, urban and tourist resources of the region, with an improvement of the infrastructures and their economic capacities.

The ten main priorities proposed by the Regional Operational Programme Alentejo 2020 have been identified as strategic. These include improvements in the competitiveness and internationalisation of SMEs, also in education and human capital formation, investment in RTD and innovation, and administrative and business modernisation.

— Portalegre

The manufacture of tapestries first made Portalegre famous and wealthy in the 16th and 17th centuries, and many handsome buildings remaining from this period.

At present, the distribution of companies is 21% in the primary sector, 7% in the secondary sector (construction 4%, transforming industry 3%), and 71% in the tertiary sector (trade, accommodation and restoration and public administration).

In terms of regional jobs, public administration, trade and hotels and restaurants have around 63%, 24% are located in the secondary sector and 11% in the primary sector.

There are high levels of unemployment that mainly affect the youngest. At the same time, there are difficulties in the articulation of the training educational structures with companies needs.

Challenges facing the territory of Alto (High) Alentejo are:

Accentuate the negative migratory balances derived from the inability to attract and maintain and retain a young and qualified population;

The fragility of the productive fabric is very dependent on public employment.

The business fabric is considered low density characterized by predominance of micro-enterprises.

The completion rate of higher education is below the country average.

The agriculture and livestock of High Alentejo are essential activities for the sustainable development of the region and that, together with tourism, produce an appreciation of the rural environment.

It is considered that 25% of the Alentejano territory has the potential to integrate into the European network for the Conservation of Nature (Red Natura 2000). Highlighting the natural park “da Serra de Sao Mamede,” a protected nature reserve of some 31000 hectares in the northeastern tip of Alentejo on the border of Portugal and Spain. Hunting tourism is one of the economic resources with 609 hunting areas.

With an increase in the average age, together with the decrease in the number of youth people, the demographic decrease of last decades is having consequences on the active population and also about the increase of pressure social services and health services.

Its extensive rural territory and the low density of economic occupation do not help companies form a system of territorial cohesion. As for the environment, almost all of the Alentejo is susceptible to desertification (77% of its territory).

2. Malta

Malta's area extends to 316 km² (26 x 12 km) and Gozo (4x 3 km) and has a Population of 400,000 a 460,000 (2000/2016). Malta is one of the world's smallest and most densely populated countries.

Through its territory passed: Phoenicians (hence its language of Semitic origin), Carthaginians, Greeks, Romans, Byzantines, Arabs, Normans, Sicilians, Spaniards, Knights of St. John, Turks, French (1794-1814) and British (1814 as protectorate and headquarters of the Royal Navy until 1979).

Important dates are the Suez Canal opening in 1869, located halfway between Gibraltar and Suez, Independence Day (21st September 1964), Republic Day (13th December 1974) and 1979 Royal Navy Out, EU entry in 2004 and 2008 in the Eurozone.

Until 1800 Malta depended on exports of cotton, tobacco and shipyards. The military base of the British Royal Navy benefited the craftsmen and all those who served in the army.

In 1869, the opening of the Suez Canal gave a significant boost to Malta's economy, increasing the transshipment of goods at its port. The boats stopped at the docks of Malta to refuel and perform the trade of ENTREPÔT, which brought additional benefits to the island.

Currently, the primary resources of Malta are limestone, a favorable geographical location, and a productive labor force.

It has carried out major privatization of telecommunications, postal services, shipyards and shipbuilding.

Malta produces only about 20% of its food needs. The freshwater supply in the summer is limited and has no domestic energy sources, although it improves with the potential solar energy production due to its abundant sunlight.

The economy depends on the maritime logistic trade (transshipment point of load), manufactures (especially electronics and textiles) and tourism.

The cinematographic production is an industry that contributes to economic growth.

The Financial Services Authority of Malta (MFSA), with a healthy business development mindset, seeks to attract companies, being fruitful in gaming companies, registering aircraft and ships, banking licenses for issuing credit cards and also managing funds.

Malta has made considerable progress in implementing the EU financial services directives, including UCIT IV (collective investment in transferable securities) and, in short, Alternative Investment Managers Directive (AIFMD)

"Finance Malta" is the quasi-governmental organization responsible for commercializing and training business leaders to come to register their business or to invest in Malta (jurisdiction for banking, finance and insurance)

Potential factors can be added to the economy, such as language (English), low wage costs, or the availability of workers with technological capabilities.

Malta is a popular tourist destination, with 2 million tourists per year.

Promote ICTS through the Malta Council for Science and Technology (MCST), a civil organization responsible for the development of science and technology at the educational level and social level.

Fiscally: Malta does not have a property tax and they have significant tax bonuses in the corporate income tax for profits not generated on the island.

3. Melilla

Melilla's area extends to 12 km² (4.2 x 2.9 km) and has a population of 84,700 inhabitants. There is no acknowledgment that Melilla is a Spanish city by Morocco Government.

It has a common administrative situation between a municipality and an autonomous region (CCAA) and an essential presence of the General Administration of State.

It is a Spanish and European city, but economically it has its own Economic and Fiscal Regime (EFR).

- Economically: it is a “free port or free territory” since it is that it does not belong commercially to the European Customs Union.
- Fiscally: it has bonuses on most State and Local Taxes (usually with a 50% bonus), where VAT, Indirect tax, does not apply and is replaced by a local tax called Production, Services and Import Tax (IPSI)
- Public finances: receives Transfers of State and Europe as municipality, province and autonomous community.

Total employees: 28,500 are public employees (57% of the jobs), 16,300 are self-employed workers, 4,600 are workers employed by companies, 5,300 are domestic employees and others are 2,200.

The annual budget of the Autonomous City is € 260 million, of which the IPSI generates € 78 million.

Its Gross Domestic Product is composed of:

- 46% public administration services (there are no territories in Spain with so much public presence in the economy),
- 17% is the trade sector, repairs, transport and hotels and restaurants
- 12%, professional activities (financial, insurance, real estate, administrative),
- 9% net taxes on products (directly related to import trade), and with values much lower in the industry (5%) and construction (4%).
- Agriculture, livestock and fishing are practically nulls.

The GDP per capita is € 17,589 per inhabitants compared to the Spanish average of around € 24,000.

The growth rate during 2016 was 3.8% in Spain and only 2% in Melilla.

The unemployment rate stands at 30.8% and is much higher than 50% among young people.

Melilla (2016) has imported goods worth € 740 million and is not officially registered the amount of these goods that have their final destination Morocco, through the atypical trade of travelers, also considered smuggling contraband.

The Legislation of Passenger Regime or passenger import limits determines that the value of the merchandise that does not pay at the border is € 430 (travel by sea or air), or € 300 (journey by land). For travelers under 15 years of age, the overall allocation is € 150.

4. Comparison of territorials macroeconomics indicators

It is often challenging to find socio-economic data for all the regions or territories for which comparisons sought. Nevertheless, if it wants to carry out this study, it is necessary to take those that are available, even if they are not entirely significant.

Mainly this case is for the three selected regions, but the indicators selected based on the four lines of action can be considered appropriate and sufficient:

- Smart growth: Research and development, competitiveness and business environment and education.

- Sustainable Growth: Transportation, Environment.
- Inclusive Growth: Social inclusion, poverty and health.
- Context: Population and geography area.

The Regional Gross Domestic Product per inhabitant of the three territories are below the European average, but with different values. Malta has a higher GDP per capita of EUR 21,567 and a disparity index of 96 out of 100, Melilla with EUR 17,589 is further away with an indicator of 73 out of 100 and in a worse situation is the Alto Alentejo with a value of 61 out of 100. Let us remember that the objective of the European development and cohesion funds is to reduce the differences between territories.

The tertiary or service sector is its leading economic sector, with too much prominence in Melilla, being 81% of the total of the RGDP, in second place Malta, with 74% and with less weight in the case of the Alto Alentejo, with only 62%. If we detail the dependence of the public administrations, it is Melilla that has a more significant and much lesser dependence in the case of Malta and the Alto Alentejo. This value means that the order in the industrial sector is the opposite, standing at 17% in the Alto Alentejo, somewhat less in Malta (13%) and in the case of Melilla, only 9%.

In terms of employment data, Melilla's unemployment rate is among the highest in Europe, at 31% compared to 12% in the Alentejo and only 5% in Malta. It should be noted that there are more unemployed people in Melilla than in Malta, despite having a population five times smaller. Malta is the only southern European territory with a low unemployment rate. The distribution of workers in the three territories between those who are employed and those who are self-employed is very similar, with a ratio of 8 to 2. 97% of companies with less than 10 workers is also very coincidental.

In terms of the distribution of companies and people employed according to their economic activity (NACE Rev. 2), in the Alto Alentejo, the highest number of companies is in the A sector - Agriculture, forestry, fishing and hunting, and B - Extractive industries (27% of the total). However, it is in third place in the number of workers (21%). In second place is sector G - Wholesale and retail trade and repair motor vehicles and motor with 19% of the number of companies, but it is the one that hires more personnel (25% of the total).

In the case of Malta the most significant number of companies are in sector K - Finance and insurance, + L- Real state + M- Professional, scientific, technical services + N- Admin. and support service activities with 39% of the total, but only 19% of the total number of workers, occupying the 3rd place. In the second place, in terms of the number of companies and workers, is G - Wholesale and retail trade and repair motor vehicles and motor with 20% and 24% respectively.

In Melilla the sector with the highest number of companies and workers is located in the sectors O- Public administration, defence and social security + P- Education + Q- Human Health + R, S, T- other services with 57% and 56% respectively, and in second place the sectors G - Wholesale and retail trade and repair motor vehicles and motor with 26% in both cases.

In international trade, if we analyse the coverage rate and this is higher than 100, it means that exports are more significant than imports (Export/Import x100), which is the case of Alentejo and Alto Alentejo. On the other hand, if they are less than 100, it would be the opposite, and this is the case of Malta and Melilla. It should be noted that for Melilla, the official export data are much lower than the real ones, because high volumes of exports are made to Morocco in an undocumented way, taking into account the travelers' regime.

Electricity consumption per inhabitant differs slightly between Melilla, the largest with 6,230 KWh per consumer compared to 5,517 kWh in Alto Alentejo and 4,726 in Malta. It should be remembered that the most expensive electricity in Europe is that of Malta, as it has to be generated practically 100% from fossil resources. Melilla is in the same situation but has significant rebates on hydrocarbon taxes.

The tourism indicators reflect Malta as the territory with the most considerable endowment, as it has a greater lodging capacity per 1000 inhabitants slightly higher than Alto Alentejo and almost four times greater than Melilla; in turn, the average stay in the establishment is significantly higher, standing at 7 days as opposed to only 2.7 in Melilla and even lower in Alto Alentejo at 1.7. The distribution of customers by nationality means that almost 91% are foreigners in Malta, compared to only 23% in Alto Alentejo and 30% in Melilla.

Bank debt for the acquisition of housing per inhabitant is higher in Melilla, 12,152 Euros, compared to 10,102 Euros in Malta and 5,479 Euros in Alto Alentejo. The number of banks and savings banks per 10,000 inhabitants reflects that Melilla has only 2.1 establishments, compared to 4 establishments in Malta and slightly more in Alto Alentejo, with 6.5.

The information indicators state that internet access in Alto Alentejo is 63% of households, one of the lowest territories in the EU, compared to 85% and 81% in Malta and Melilla, respectively. Forty percent of the population in Alto Alentejo is used to e-commerce, compared to 52 percent and 51 percent in Malta and Melilla.

The educational indicator selected for the territorial comparison was the enrolment rate in tertiary education (aged 18 and 22 years), where Portalegre stands out with 82% due to having university centres in its district, and much higher in proportionality to Malta, with only 26% (The employment rate for recent graduates ranging from upwards of 90 % in Malta, Germany and the Netherlands) and Melilla with 34%. In 2016 there were only three regions in the whole EU where more than a quarter of young people aged 18-24 were considered as early school leavers: these are the outermost French region of Guyana, the Portuguese island region of the Autonomous Region of the Azores and the Spanish autonomous region of the Autonomous City of Melilla.

Two health indicators are used to compare their equipment, the number of hospital beds and the number of doctors per 1000 inhabitants. Portalegre presents better indicators with 7.2 beds and 4.8 doctors for every 1000 inhabitants again, because it has in its municipality the district hospital of Portalegre, with attention to the north of Alentejo. Malta registers 2.5 beds and 3.8 doctors for every 1000 inhabitants, and

Melilla has the worst values of the three territories, having 1.9 beds and 3.3 doctors for every 1000 inhabitants. The autonomous cities of Melilla and Ceuta (both Spain), the lowest ratios of hospital beds relative to population size were recorded.

Regarding tax indicators, these reflect the differences between the tax rates of the central taxes, which, although they are European territories, present specific differences in their harmonization.

As regards indirect consumption taxes, Melilla is not territory where VAT, and is applied and is replaced by a local indirect tax (IPSI) where the rates are lower than in the rest of Spain. In Portugal, the reduced VAT is between 6 and 13%; in Malta between 5 and 7%, and Melilla, the equivalent tax is between 0.5% and 7%. The standard rate is 23 percent in Portugal, 18 percent in Malta, and 10 percent in Melilla.

On corporate income tax, the general rate is 21% in Portugal, 35% in Malta and 12.5% in Melilla but a higher maximum rate can be reached in Portugal and lower rates for the first profit brackets between 5% and 7% in these territories. Individuals' income ranges from 14.5% to 48% in Portugal, 15% to 35% in Malta and 8% to 23% in Melilla. Companies' social security contributions are 23.75% in Portugal, 30% in Melilla and only 10% in Malta. Workers' contributions are 11% in Portugal, 10% in Malta and 6% in Melilla.

I-1/6 Macro indicators	Alentejo (PT 180)	%	Alto Alentejo (PT 186)	%	Portalegre (PT1861214)	%	Malta (MT)	%	Melilla (ES640)	%
I-1 GDP (million euros)	12,163	7	1,544	1			9,927		1,490	
I-2 GDP per capita (euros)	16,864		14,109				21,567		17,589	
Industry: Mining and quarrying, manuf. construction, electricity (mill €).	2,864	24	258	17			1,256	13	137	9
Services: Transport, Comm., Storage, Trade, Finance, Governm. (mill €)	6,718	55	952	62			7,348	74	1,214	81
I-3 RGVA (million euros)	10,574	87	1,342	87			8,721	88	1,424	96
I-4 Disparity index (EU28=100)	73		61				96		73	
I-5 Consumer price index	0.16						0.1		1.40	
Population	718,087		108,588		22.922		460,297		84,700	
I-6 Mean household net total income (euros)	21,453						21,615		12,900	
I-7, I-8, I-9 Labour market indicators	Alentejo (PT 180)	%	Alto Alentejo (PT 186)	%	Portalegre (PT1861214)	%	Malta (MT)	%	Melilla (ES640)	%
I-7 Total employment in enterprises (thousand persons)	189	63	27	64	5,7		208	89	5	19
Total employment (thousand persons)	301		42				233	100	29	100
Employees (thousand persons)	250	83					201	86	24	84
Self-employed (thousand persons)	51	17					32	14	5	16
I-8 Unemployment rate	12						5		31	
Unemployed population (thousand persons)	42						8		10	
I-9 Mean monthly earning (euros)	994		902		943		1,472		1,625	

I-10 Indicators of Enterprise (2015)	Alentejo (PT 180)	%	Alto Alentejo (PT 186)	%	Portalegre (PT1861214)	%	Malta (MT)	%	Melilla (ES640)	%
Enterprises by head office municipality (2015)	79,710		11,820		2,604		88,129		4,896	
Proportion of enterprises with less than 10 persons employed (%)	97		98		98		97		97	
Concentration indicator of turnover of the four major enterprises (%)	11		23		36					
Enterprises by head office municipality (2015) n.º	79,710	100	11,820	100	2,604	100	88,129	100	4,896	100
A - Agriculture, forestry, fishing, + B - Extractive industries	19,515	24	3,181	27	551	21	3,346	4	20	1
C- Manufacturing + D- Electric gas, waste + F- Construction	8,346	10	1,170	10	197	8	10,607	12	362	7
G - Wholesale and retail trade and repair motor vehicles and motors.	15,461	19	2,196	19	444	17	17,640	20	1,273	26
H- Transportation + I- Accommodation and food + j- Information	9,029	11	1,427	12	296	11	11,162	13	48	1
K - Finance and insurance, +L- Real state + M- Professional, scientific, technical services + N Admin and support service activities	14,418	18	1,966	17	545	21	34,158	39	402	8
O- Public administration, defence and social security + P- Education + Q- Human Health + R,S,T- other services	12,941	16	1,880	16	571	22	11,216	13	2,791	57
Number of persons employed in enterprises	189,421	100	26,665	100	5,709	100	208,082	100	28,500	100

I-10 Indicators of Enterprise (2015)	Alentejo (PT 180)	%	Alto Alentejo (PT 186)	%	Portalegre (PT1861214)	%	Malta (MT)	%	Melilla (ES640)	%
A - Agriculture, forestry, fishing, and hunting + B - Extractive industries	40,017	21	5,523	21	649	11	3,281	2	100	1
C- Manufacturing + D- Electric gas, waste + F- Construction	45,975	24	6,160	23	1,468	26	35,319	17	2,100	7
G - Wholesale and retail trade and repair motor vehicles and motors.	38,491	20	6,621	25	1,386	24	49,940	24	7,500	26
H- Transportation + I- Accommodation and food + J- Information	22,713	12	3,050	11	696	12	17,962	9	300	1
K - Finance and insurance, +L- Real state + M- Professional, scientific, technical services + N Admin and support service activities	23,034	12	2,967	11	735	13	39,865	19	2,500	9
O- Public administration, on defence and social security + P- Education + Q- Human Health + R,S,T- other services	19,191	10	2,344	9	755	14	61,715	30	16,000	56

I-11 Information and communication technology (ICT)	Alentejo (PT 180)	Alto Alentejo (PT 186)	Portalegre (PT1861214)	Malta (MT)	Melilla (ES640)
	%	%	%	%	%
Enterprises that use the internet (%)	90	85	96	95	
Offered on enterprises website(%)	64	63	86	39	
Enterprises that make sales through e-commerce (%)	31	30	22		
I-12 International trade (2016)	Alentejo (PT 180)	Alto Alentejo (PT 186)	Portalegre (PT1861214)	Malta (MT)	Melilla (ES640)
	%	%	%	%	%
Coverage rate of imports by exports	134	120	196	60	5 ⁴
Export (thousand euros)	2,956,482	275,033	141,063	3,925,700	48,302
Import (thousand euros)	2,212,625	228,668	72,083	6,447,500	896,519
I-13 Energy indicators (2015)	Alentejo (PT 180)	Alto Alentejo (PT 186)	Portalegre (PT1861214)	Malta (MT)	Melilla (ES640)
	%	%	%	%	%
Electricity consumption per consumer k Wh	9,765	5,517	6,902	4,900	6,230
Residential electricity consumption per inhabitant K Wh	1,248	1,248	1,261		2,413
Car fuel consumption per inhabitant (Toe, tonnell of oil)	0.78	0.39	0.54	0.58	0.32
Natural gas consumption per 1000 inhabitants (thousands Nm ³)	988	116	402		

⁴ Melilla exports to Morocco are made through the so-called atypical or undocumented trade, under the travelers' regime. It is estimated that it maybe 50% of the imports

I-14 Tourism activity indicators										
	Alentejo (PT 180)	%	Alto Alentejo (PT 186)	%	Portalegre (PT1861214)	%	Malta (MT)	%	Melilla (ES640)	%
Lodging capacity per 1000 inhabitants	32		39		35		40		10	
Average stay in the establishment	1.8		1.7		1.6		7.0		2.7	
Bed occupancy net rate	27		21		12		64		51	
Establishments	499		107		14		180		12	
Domestic guests	800,373	68	133,465	77	13,580	80	151,389	9	40,497	70
Foreigners guests	369,412	32	40,487	23	3,300	20	1,468,143	91	17,532	30
I-15 Monetary and financial sector indicators										
	Alentejo (PT 180)	%	Alto Alentejo (PT 186)	%	Portalegre (PT1861214)	%	Malta (MT)	%	Melilla (ES640)	%
Banks and saving banks per 10 000 inhabitants	6		7		4		4		2	
Housing credit per inhabitant (euros)	6,413		5,479		7,159		10,102		12,152	
I-16 Research and Development (R&D) indicators										
	Alentejo (PT 180)	%	Alto Alentejo (PT 186)	%	Portalegre (PT1861214)	%	Malta (MT)	%	Melilla (ES640)	%
Gross domestic expenditure on R&D (GERD) as percentage of GDP	0.5		0.5				0.76			
Gross expenditure Research Development (R&D) thousand € (GERD)	60,6379		7,868				59,691			
Enterprises	30,713		4,762				36,729			
Tertiary education	29,326		3,106				22,962			

I-17 Information society indicators in private households	Alentejo (PT 180)	%	Alto Alentejo (PT 186)	%	Portalegre (PT1861214)	%	Malta (MT)	%	Melilla (ES640)	%
Internet access %	63		63				85		81	
Electronic commerce usage	48		40				52		51	
I-18 Education indicators										
Enrolment rate in tertiary education (aged 18 and 22 years)	22.2		19.4		82		26		34	
I-19 Health indicators										
Beds (practised allotment) per 1 000 inhabitants in hospitals	2.2				7.2		2.5		1.9	
Medical doctors per 1000 inhabitants	2.8		3.5		4.8		3.8		3.3	
I-20 Tax										
Value Added Tax (VAT)										
Super-reduced Rate (%)	0		0		0		-		0.5	
Reduced Rate (%)	6 / 13		6 / 13		6 / 13		5 / 7		4/5/7	
Standard Rate	23		23		23		18		10	
Corporate Taxation (CIT)										
Tax rate (%)	21		21		21		35		12.5	
Tax max (%)	29.5		29.5		29.5					
Profit up 15.000 €	7%		7%		7%		5		7,5	

I-17 Information society indicators in private households	Alentejo (PT 180)	Alto Alentejo (PT 186)	Portalegre (PT1861214)	Malta (MT)	Melilla (ES640)
	%	%	%	%	%
Individual taxation (PIT)					
Rate schedule (%)	14.5 - 48	14.5 - 48	145 - 48	15 / 35	8/23
Social contributions					
Employers (%)	23.75	23.75	23.75	10	30
Employees (%)	11	11	11	10	6

Table 3.3: Comparison of territorial macroeconomics indicators (Alentejo and Alto Alentejo (PO), Malta (MT) and Melilla (SP))

Sources: Spanish National Institute of Statistics, Portuguese National Institute of Statistics, Malta Statistics Authority and Eurostat databases

VI. CONCLUSIONS

If we are to respond the question “Why Regional Development matters for Europe’s Economic Future?” firstly, we must consider that regional disparities in economic output and income in the EU are very extreme. The least wealthy regions are eight times less wealthy than the most favoured regions and therefore, the main challenge to cohesion continues to be integration and convergence, despite the impressive rates of GDP growth in recent years. Growth in the countries that have been the greatest beneficiaries of the policy in the period 1994-2006 (Greece, Spain, Ireland and Portugal) have been particularly significant but are not approaching the European averages that would be desirable for economic harmonisation. Development needs persist in some regions of Southern Europe, new accession countries in Eastern Europe and peripheral areas.

Of the three regions involved in the 3economy+ project, two of them, Melilla and Alto Alentejo, are among the furthest away from the European average. The third region, Malta, is not in a wrong position because it has had a significant economic improvement in two recent decades.

The challenge of globalization seems to be more acute in most of the regions located in the south of the Union (Greece, Italy, Spain, and Portugal). This vulnerability is mainly due to skill shortages in the labour force and the relatively large proportion of low value-added activities in these regions, which can lead to difficulties in attracting investment and, thus in creating or maintaining jobs.

Melilla, Malta and Alto Alentejo are significant limitations in their development potential and they can be considered regions inner peripheries in Europe. Regions that are inner peripheral exist as the result of multiple combinations of processes, features and evolutionary dynamics and they have in common the fact that their levels of development measured in quality of life and access to better services of general interest by their population present relatively lower values than the averages of their countries, in the case of Alentejo and Melilla.

A well-connected territory offers more and better possibilities for development, better conditions of access to services of general interest, and a more dynamic labour market capable of retaining a skilled population. All these advantages, in turn, generate opportunities to establish new connections, generating virtuous circles that favour better connected territories. Conversely, highly “disconnected” areas, whatever the combination of causal processes and factors, tend to reproduce that situation over a long time because of the evolutionary character of “disconnection” and its feedback effects.

Melilla and Alto Alentejo are enclaves of low economic potential and the connectivity gap is the long travel time to centres of economic activity. Responses need to consider improving connections to main transport networks through general infrastructure improvements, logistics systems or travel cost reductions.

Although the GDP per inhabitant of the three territories are below the European average (only Malta had a GDP per head above the 75% threshold) and presents

certain common cases, they are generally territories with significant socio-economic differences, which determine very different actions to achieve an improvement in their situation. They coincide in that their main economic sector is the service sector. In Melilla it is excessively concentrated in public services and trade. This is because it is a border town and has a particular economic and fiscal regime within the European Union. This territory is among the 22 regions out of a total of 270 that its GDP per capita is still below 2008 levels (initial year of the last economic crisis).

The excellent performance of the services sector in Malta, particularly in areas such as tourism and hospitality, distance gambling, language training, film production and professional services (financial asset management and insurance), should make it possible to maintain the sizeable current account surplus. Furthermore, even more significant growth in investment is expected in the coming years from public and private support for several projects in the health, technology and telecommunications sectors. Domestic demand is expected to remain the main driver of growth and real GDP is expected to increase by 4%. This is in addition to the important role of public administrations in managing the services of one of the smallest countries in Europe. Labour supply is being met by the influx of foreign workers and the growing participation of women in the labour market. Malta has a fiscal surplus that allows it to have a public debt to GDP ratio of only 50% in 2017 and to decline.

As for the Alto Alentejo, it is the region of the three with the most important industrial sector, but it has the challenge of improving its communications to allow it to be more efficient in the supply chains, forcing it to manage logistics and supply better, not having the most appropriate infrastructures.

Demography is a challenge for all three territories, but with uneven results. Melilla has one of the highest birth rates in Europe, together with a significant young population that has to face a very high unemployment rate in general and young people in particular, together with being a tiny territory that causes problems due to its high population density. In Melilla, the youth dependency indicator, i.e., that which relates the number of young people aged 0-19 to the number of people of working age (people aged 20 and retired people over 65) is one of the highest in Europe. The value is over 45%, while in Malta, the youth dependency ratio is lower than the EU-28 average, i.e., less than 25%.

The southern Mediterranean island of Malta is a region with a crude rate of total population growth that was at least 12 per 1000 inhabitants in 2017, and therefore of the highest in Europe. Malta is attracting people not only for its economic growth but also for being a place of passage in the South-North migration movements, which impacts its urbanization and sustainability plans. Much higher levels of urbanization characterize Malta.

On the other hand, the Alto Alentejo presents the opposite problem, the depopulation of rural areas that are far removed from the economic centres and the problems of non-retention of well-trained young people, as well as to prepare to face the challenge of the ageing population. About one third of EU regions recorded a lower level

of population in 2018 than in 2008. However, six regions reported average growth of more than 1.5 % per year (including four capital city regions): Guyane (France), Luxembourg, Inner London-East, Ciudad Autónoma de Melilla (Spain), Stockholm and Malta.

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CHAPTER 4

CASE STUDIES OF MACROECONOMIC ANALYSIS

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I. **CASE STUDY. CLOSURE OF MOROCCO'S COMMERCIAL BORDER WITH MELILLA: TRADE IN MELILLA IS DROWNING**

1. **Summary**

This case study analyses the changing scenario that is taking place in cross-border relations between Melilla and northern Morocco, with the implementation of the closure of commercial customs by the Kingdom of Morocco. Morocco's sovereign decision to close its commercial border with Melilla and direct all commercial and container traffic to the nearby port of Beni-Ensar or Aït-Nsar is weakening the city's economy.

The closure could be the event for trade to stop being the main economic activity of the private sector of the city. The EU-Morocco Euro-Mediterranean Agreement, the US-Morocco Free Trade Agreement and the development of the commercial port of Nador and its corresponding free zone are making the trade of Melilla lose competitiveness.

The most important recommendation made in this case study is that Spain should denounce the EU or the World Trade Organization for the illegality of such closure.

2. **Introduction**

Historically, there have always been commercial relations between Melilla and Morocco. However, the Spanish character of Melilla has never been recognized (Garrido, 2014 and Mir, 1978). However, since the decision taken by the Moroccan administration, there are conflicting positions both from business people and public authorities in both territories, some concerned about the closure and others recommending its application.

The rules of international trade regulate the freedom of operations and not the closure of borders, but Morocco has considered the latter because it believes it is necessary to divert supplies from Melilla to its port in Nador. Moreover, it does so in order to continue with its development policies: strengthening its trade, improving

the management of its ports with the collaboration of the mayor of Rotterdam (of Berber origin), expanding and inaugurating a new port, contracting maritime lines for the transport of containers.

Statistical data on imports into Melilla, both from the Autonomous City's collection office, the State Tax Administration Agency (AEAT) and the Melilla port authority, show that since the closure mentioned above, its economy is suffering significant measured falls in tonnes of goods, in the economic valuation of imports and in the collection of the indirect local tax typical of autonomous cities that taxes consumption and imports (IPSI) and that it is one of the main sources of income for the Autonomous Administrative Organism (Pérez-Castro, 2007)

Relations could be affected both socially and economically on both sides of the border, but we will focus on the import and export trade aspect and its relationship with the financing of the Autonomous City, through its local indirect.

Generally, border movements of goods are not performed by recording customs documents. They carried out through the so-called atypical trade whose procedure of passage of goods can apply according to the regulations of the travellers' regime.



Figure 4.1: Melilla Border
Source: El Faro de Melilla

The analysis of this case study is done in two phases: The first phase focuses on the legislative aspects, the economic framework and the historical, socio-economic relations that have existed between Melilla and northern Morocco; and the second phase focuses on the analysis and variations in the volumes of import and export trade between these territories.

The importance that trade has in any border city has been thoroughly studied (Anderson, 2003, Jim and Patrick, 2001 and Stoddard 1991); also that the creation of obstacles has never been convenient since they affect the exchange of products generated by comparative advantages, or the reasons for labour mobility caused by the difference of existing incomes, among other reasons.

Exist numerous international regulations that supports and promotes the commercial relations between Spain and Morocco (and that by way of example we can say that the fourth round of the free-trade agreement (FTA) between Morocco and the EU, 2014,

placed 2017 year as the gradual integration of markets in several areas, including competition, customs, and trade facilitation policies and trade defence). However, Morocco has always stated that it does not recognize the Spanishness of the territories that make up the autonomous cities located in North Africa, and therefore this country does not want to recognize any agreement about these territories. Hence, the circular issued in early August 2018 by the Moroccan government does not mention the closure of the border with Melilla but diverts import operations to its port of Beni Enzar. Therefore, Spain must file a claim for closure to the EU or the World Trade Organization for the illegality of such closure.

Notice to economic operators, forwarding agents and shipping agents:

“In the context of the development of the commercial activity of the port of Beni Enzar in Nador and the promotion of investment in the region, the Customs and Excise Administration was organized, in collaboration with the local authorities and the entire port community, to allow the customs clearance of goods loaded on the container ships that will dock there since the end of July 2018.

Therefore, and from that date, only commercial goods that will land at the port, now served by the shipping lines, will be authorized for import at the office in Beni Enzar.

All services have been mobilised to enable economic operators, transport agents and freight forwarders to carry out their customs operations under the best possible conditions.

Besides, interested importers are invited to make their arrangements to carry out their import operations directly through the Port of Beni Enzar”.

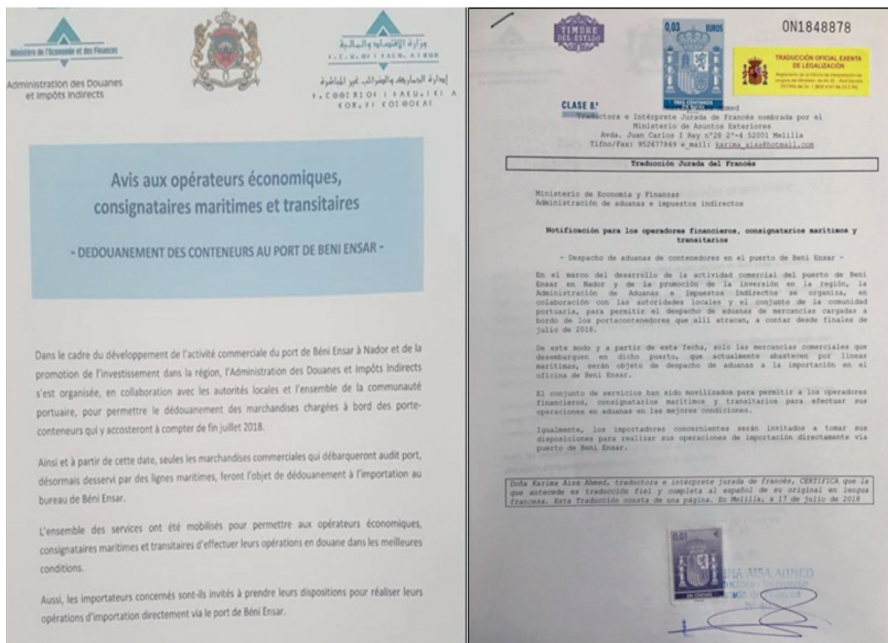


Figure 4.2: Notice to economic operators, circular August 2018

Sources: El faro de Melilla

3. Aims

The purpose of the study and the specific questions that must be answered are follows:

- For over a year now, Morocco decided to close its commercial borders with Melilla in order to fight smuggling and tax evasion?
- Is the reason for the closure to help carry out the development policies of northern Morocco?

4 Method

A case study is a study of a particular situation. The question formation of the study determines the methodology that is the best one for the empirical part of the study in question. In order to give an opinion supported by quantitative data on how the closing of the border, which is the objective of the study, maybe affecting it, the appropriate methodology for data collection and processing techniques (sources) should be used to carry out the analysis.

The type of study carried out is exploratory and begins with the search for information and statistical data since we consider that although there are antecedents in the literature researched, these are not updated. It also is descriptive, where a series of concepts or variables are selected, and each one of them is measured independently from the others, with the purpose, precisely, of describing them (trade indicators and variables independently without trying to establish at this stage the form of relationship between them). Finally, it is explanatory since it tries to find out the reasons why this phenomenon occurs, and why two or more variables are related.

5. Results

The empirical analysis provides us with sufficient information on the economic impact that the closure is having on Melilla's economy.

Imports of goods through the port of Melilla (tonnes), in the period 2000-2018, has only grown by 8%. This data is despite even though the population and GDP have grown by 31% and 70%, respectively.

In terms of their economic valuation, imports increased by only 12% in current Euros, but the tax on these imports (IPSI) fell by 1% (table 4.1 and figure 4.3).

MELILLA	2000	2007	2012	2018	% 00-18	% 00-07	% 07-12	%12-18	%17-18
Liquid bulks (thousands tons)	86	68	72	76	-11%	-21%	5%	6%	-3%
Dry bulks (thousands tons)	64	52	21	5	-92%	-19%	-60%	-75%	-29%
General cargo (thousands tons)	633	683	862	785	24%	8%	26%	-9%	-26%
Total import (thousands tons)	809	829	983	871	8%	3%	19%	-11%	-24%
Population (thousands)	66	71	84	86	31%	8%	17%	3%	0%
GDP (€ million currents prices)	922	1,361	1,378	1,564	70%	48%	1%	14%	2%
GDP per capita (thousands €)	14	19	16	18	29%	36%	-14%	10%	2%
IPSI import (million)	42	45	44	42	-1%	7%	-0%	-7%	-18%
Import (million €)	628	664	741	704	12%	6%	12%	-5%	-13%

Table 4.1: Evolution goods ports Melilla, GDP and population (2000-2018)

Sources: Port Authority, State Port and National Institute of Statistics

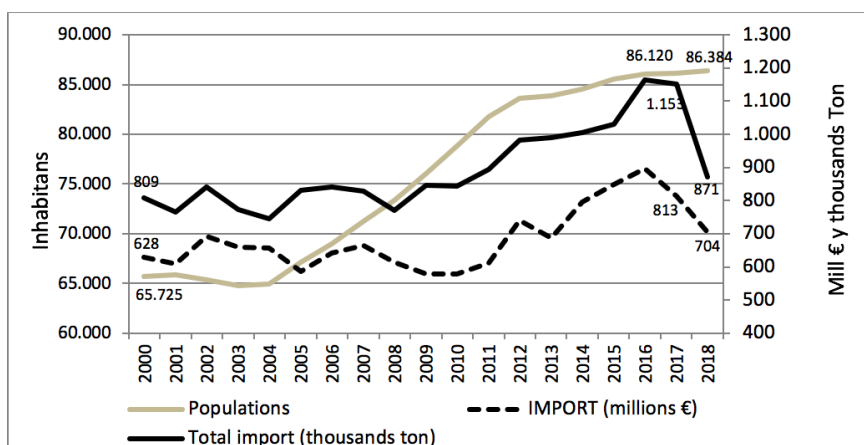


Figure 4.3: Evolution of goods, imports and population in Melilla (2000-2018)

Sources: Port Authority, State Port and National Institute of Statistics

If we do not focus on the last two years, 2017 and 2018, the influence is evident as imports in Melilla have fallen by 24%, from 1.1 to 0.8 million tonnes, its economic valuation from 813 to 704 million euros, and lower IPSI revenue by 18%, maintaining the population and GDP. On the other hand, in Nador, it has increased by 40% in tonnes. Melilla's documented exports to Morocco, which we recall are not those corresponding to atypical trade, have decreased by 45% in 2018 compared to 2017 (table 4.2).

MELILLA	2017	2018	% 17-18
Liquid bulks (thousands tons)	79	76	-3,1%
Dry bulks (thousands tons)	7	5	-28,8%
General cargo (thousands tons)	1,061	785	-26,1%
Total imports (thousands tons)	1,153	871	-24,4%
Population (thousands)	85	85	0,3%
GDP (thousands euros)	1,527	1.564	2,4%
Import (thousands euros)	813	704	-13%
IPSI (thousands euros)	51	42	-18%
Export documented ⁵ (million €)	50	27	-45%
NADOR	2017	2018	% 17-18
Liquid bulks (thousands tons)	504	713	109%
Dry bulks (thousands tons)	1,024	1,448	23%
General cargo (thousands tons)	144	204	20%
Total imports (thousands tons)	1,672	2,365	40%

Table 4.2: Import volumes for the ports of Melilla and Nador (2017-2018)

Sources: State Port, National Institute of Statistics and Haut Commissariat Morocco

Taking data from the last five months of 2017 and 2018 (August-December), port movements in Melilla have decreased by 25% (table 4.3).¹

⁵ Documented exports are minimal volumes compared to the volume of undocumented exports through the atypical trade (travellers' regime).

MELILLA	Aug-Dec 2017	Aug-Dec 2018	%
Liquid bulks (thousands tons)	33	32	-2,5%
Dry bulks (thousands tons)	1	1	0,1%
General cargo (thousands tons)	415	312	-24,8%
Total imports (thousands tons)	700	523	-25,3%

Table 4.3: Import volumes for Melilla Aug-Dec 17 and Aug-Dec 18

Sources: State Port

The latest data published (table 4.4), those corresponding to the first quarter of 2019 compared to 2018, show that Nador increased its imports by 6%, compared to a fall of 3% in Melilla.

NADOR	1 Qtr 2018	1 Qtr 2019	% 18/19
Total imports (thousands tons)	591	628	6,2%

MELILLA	1 Qtr 2018	1 Qtr 2019	% 18/19
Liquid bulks (thousands tons)	18	18	-0,8%
Dry bulks (thousands tons)	2	3	14,6%
General cargo (thousands tons)	194	188	-3,1%
Total imports (thousands tons)	216	210	-2,7%

Table 4.4: Quarterly data before and after closing (2018 and 2019)

Sources: Spain State Port and Port of Morocco

6. Discussion

Historically there have always been essential reasons, from the origins of the city, to demonstrate the existence of commercial exchanges between Melilla and its north-African environment.

The border has been recognised by the various Alawi authorities since the 13th century.

For such an affirmation, we highlight three significant facts. The first is that in November 1861, the trade treaty between Ceuta and Melilla with the Moroccan territory signed, and allowing citizens from both sides of the border to carry out commercial transactions. The second, the Agreement for the establishment of a land customs office

between Melilla and Morocco was signed (1866) and therefore allowing the passage of goods. And third, by the formal Agreement reached in 1956, shortly after the decolonisation of Morocco, which, in response to the request of this nation to continue exporting the minerals of the Rif through the port of Melilla, was accepted by Spain and thus remained open to mutual satisfaction for 60 years (Bravo and Fernandez, 2005).

Morocco has always expressed its non-recognition of the Spanish nature of the territories of the autonomous cities of North Africa (Bataller and Jordan, 1995) and therefore does not wish to recognize any agreement, despite the existence of numerous international regulations that support and encourage trade relations between Spain and Morocco.

Hence, in the circular issued in early August 2018, it never mentions the closure of the border with Melilla but diverts import operations to its port of Beni Enzar. Therefore, we believe that Spain must complain to the EU or the World Trade Organization about the illegality of this closure.

The closure of the commercial customs could be the event for trade to stop being the main economic activity of the private sector of the city. The EU-Morocco Euro-Mediterranean Agreement, the US-Morocco Free Trade Agreement, and the development of the commercial port of Nador and its corresponding free zone are making the trade of Melilla lose competitiveness.

At the same time, they are also contributing to the decrease in financial autonomy due to lower revenues from the most important sources of local income, such as the import tax (IPSI) and the Supplementary Hydrocarbons and Tobacco Taxes.

7. Conclusions and Recommendations

There are enough journalistic references that show concern about the closure of the border. This reference not only of the business community and the Spanish authorities but also of the businessmen and traders of the province of Nador, who consider this closure necessary to promote the economic development of the Eastern region of Morocco.

Although only the closure is influencing the documented exports, we have to stress that these are minimal concerning the total volume of goods destined for Morocco (carried out through the so-called atypical trade), but we believe that this will be the next step to be taken by the authorities of the neighbouring country.

There is a decrease in the volume of goods imported into Melilla due to increasing competition from the attached port of Nador, causing a loss of financial autonomy for lower tax collection of local indirect taxes (IPSI) and complementary taxes.

Development plans of Morocco which justify the closure of the border are four mainly:

- Agreement of Industrial Association in Nador (RAWAJ trade development and distribution strategy) to help boost and develop their economy.
- Agreement between the mayors of Nador city and the mayors of Rotterdam city (native to northern Morocco) in the field of consultancy and port cooperation (2016).
- Agreement between Med Shipping Company Morocco (MSC) and the Council of the Eastern Region.

— Opening and improvement of two ports in the province of Nador (Nador Med West and Beni Enzar), among other infrastructures.

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II. CASE STUDY. IGAMING IN MALTA: A ROLE MODEL

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Key words: igaming, Malta, Melilla, gambling tax

1. Summary

Malta is the smallest EU Member State and is located in the centre of the Mediterranean. The country is trying to diversify its economy beyond tourism, developing and promoting various sectors and activities. Among these activities is iGaming, then on the premise of always to use the Internet, bets of money, or some other value are made on the outcome of an event or game.

By 2019, online gaming already represented almost 13% of the total Maltese economy, generating employment for 6,500 people and moving more than 700 million euros. It is worth remembering that Maltese is the birthplace of regulated online gaming and nowhere else has it taken off so quickly and with such international appeal. Another key to its success is the existence of the Malta Gaming Authority (MGA), a body that regulates the local gaming industry on land-based and in remote locations.

This case study examines the reasons for Malta's success in the online gaming industry, if strengths are exportable to other European territories, and if Melilla can also become the headquarters of these companies after the Brexit.

2. Introduction

Being a member of the Commonwealth, also belonging to the EU since 2004 and part of the Schengen Area since 2007 have facilitated Malta with extensive freedom of trade and movement of persons.

Other reasons further strengthen the decision for other European people, and from other parts of the world, to come and work in Malta: the World Risk Report, (2018) named Malta as the world's second safest country, has a top-ranked healthcare system, excellent flight connections to Europe and the majority of locals are fluent English language (official language) owing to its time as a British colony. The growth of the gambling industry in Malta is significant. Malta was the first nation in the EU to regulate remote gambling and is offering an original and specialized set of strategies very favorable to the gambling industry. The low licensing fees, reasonable fixed cost structure and tax regime for gambling means that Malta remains a jurisdiction of choice for the many gambling services/operations, many of which have been established in Malta since its inception.

If we are to look at the reasons for the rapid growth of the iGaming industry in recent years, we must look at the Internet revolution and the emergence of smartphones.

A. Malta

To analyse why Malta is a destination of choice for locating iGaming industries, we must stress that it is Malta's economic and political stability, together with an experienced

and reputable regulator, which takes a convenient, agile and efficient approach to control and operating these businesses.

In addition to these two reasons, there are other reasons of no lesser importance, such as a tax regime that is attractive to both businesses and individuals, well-regulated gaming legislation that protects the interests of both operators and players, a large number of signed double taxation treaties, the existence of well-regulated financial services institutions, an excellent telecommunications infrastructure, and highly specialised business advisory services in the gaming industry; and lastly, a safe and pleasant lifestyle.

The Maltese archipelago has successfully established itself in the iGaming sector thanks to the innovative and robust regulation of remote gambling that was launched in 2004, making it the first EU Member State to regulate remote gambling.

These regulations have been repealed by the Gaming Act, which came into force in August 2018, improving the tax regime and its regulations. The industry enjoys low official fees and taxes related to online gambling due to the attractive tax regime for companies. Organizations in iGaming operate actively, keeping up with the increasing advances in technology, offering great support to customers as well as providing considerable attention and benefits to their employees.

iGaming companies offer highly qualified and skilled jobs in various leading and highly developed fields. We highlight ICT, Computer and Programming, Web Design and Development, Network Engineering, Systems and Data, Graphics and Product Design, Digital Art, as well as functions related to Marketing, Management, Human Resources and Technical Support.

In addition to these positions, iGaming's financial professionals and legal specialists are also on the rise in the industry. Companies wishing to operate in or from Malta must hold a valid licence issued by the Malta Gaming Authority (MGA). There are two types of licences: a B2C Gaming Service License (business to consumer services) and a B2B Critical Gaming Supply License (business to business services).

Malta's gambling licence allows companies wishing to carry out or provide gambling services in Malta or preferably from Malta (such as slot machines or casinos, fixed odds betting, racing, peer-to-peer games such as poker or bingo, controlled games of skill and any gambling supply that is indispensable for the provision of such services).

The essential features of B2C gaming service licences and the four types of gambling services for which they are eligible are

- Type 1 gambling service or remote gambling licence to provide games of chance played against the house. The outcome is determined by a random generator and will include casino-type games such as roulette, blackjack, baccarat, poker played against the house and lotteries. The applicant for this licence must have a minimum share capital of 100,000 euros and will be subject to a fixed annual licence fee of 25,000 euros, together with a variable performance contribution fee depending on the income generated by the game (15,000 euros).
- Type 2 gambling service or remote gambling licence to provide games of chance played against the house, the outcome of which is determined by the

outcome of an event or competition, and for which the operator manages its own risk by administering the odds offered to the player. The minimum share capital is 100,000 euros, and a fixed annual fee of 25,000 euros must be paid, together with a contribution fee to the fulfillment of the authorisation which varies according to the income generated by the game (25,000 euros)

- Type 3 Gaming Service.
 - o Remote gambling license to provide non-playing games of chance against the house, where the operator is not exposed to gambling risks but generates revenue by taking a commission or other charge on each bet or prize. These services include games between players such as poker, bingo, swap meets, and other commission-based games. The minimum share capital is 40,000 euros and is subject to a fixed annual license fee of 25,000 euros, along with a contribution fee for compliance with the authorization, which is variable depending on the income generated by the game (25,000 euros).
- Type 4 gaming service or remote gambling license to host and manage remote gambling operators, excluding the licensee itself. Operators with this license are B2B operators that provide the management and hosting facilities on their gaming platform to other B2C operators and licensees in the European Economic Area. The minimum share capital is EUR 40,000 and is subject to a fixed annual licence fee of EUR 10,000, together with a reduced compliance contribution fee of EUR 5,000.

All operators of B2C gaming services are required to pay 5% of gaming revenue as a fee for money generated by players based in Malta only.

Licences for the provision of B2B critical games are required only for providers of critical games and/or supplies of games equipment and are also subject to a licence fee based on the revenue generated. In this regard, annual licence fees range from 25,000 to 35,000 Euros but are exempt from gaming taxes.

Besides, all gaming companies are subject to a corporate tax, which is 35% in Malta, whether they are companies incorporated and/or managed and controlled in Malta, or companies which derive part of their income from Malta.

The application process for a licence is as follows. The MGA assesses whether an applicant is fit to carry on the business of gaming, whether it is adequately prepared and has a clear business strategy in this regard, whether it has the operational and statutory requirements to meet the obligations prescribed by law, and whether it has implemented and sufficiently tested in technical terms the activity it has applied.

The tax model: can be summarised in that all licensed gaming service operators have to pay a gaming tax which would amount to 5% of the Gross Gaming Revenue (GGR) generated by customers, who have their residence in Malta, and where gambling operators only have to pay tax in Malta on the revenue earned by these Maltese customers, and not on revenue earned by players from the rest of the world.

In terms of the leading economic indicators for this industry, it is worth noting that the gambling industry's share of economic activity has increased to around 13.2% by 2018 and, excluding the public administration, has established itself as the third-largest sector of the economy (figure 4.4)

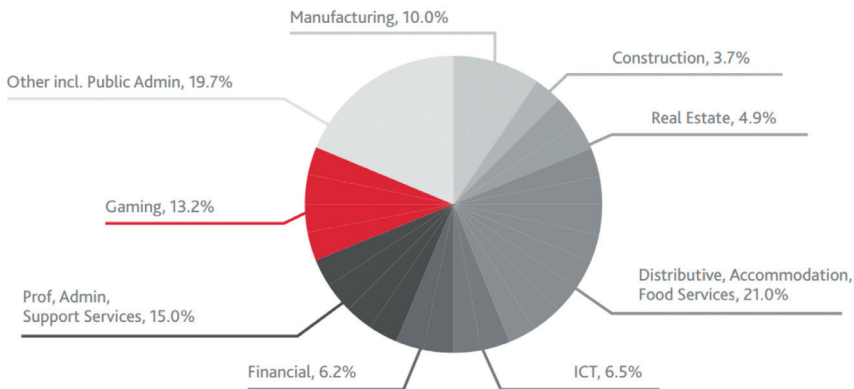


Figure 4.4: Contribution of the gaming industry to value-added
Sources: National statistics office, MGA Annual Report 2018

The sustained growth of employment in this sector demonstrates its financial health, as well as the significant contribution of the sector to the Maltese economy.

The AMS for 2018 noted that taking into account indirect employment, the total number of jobs employed in the gaming industry is estimated at about 9,800 full-time equivalent (FTE) jobs.

Consequently, thanks to the generation of employment and the added value it brings to Malta, the gambling sector will continue to play a key role in the country's strategy and, through the support and care it provides, will continue to attract foreign investment and human capital, thereby contributing to the growth of related activities and, not least, diversifying economic activities.

B. Melilla

Many operators in the gambling industry had established themselves in the Gibraltar' rock because of its tax advantages, and being located in EU territory. Nevertheless, the implementation of Brexit is forcing them to leave the Rock and seek other competitive destinations. Among them, Malta, Ceuta, Melilla, Cyprus, territories with certain tax advantages can be places of attraction for these online gaming companies.

The government has been promoting the two autonomous jurisdictions for gambling companies, particularly in the wake of Brexit uncertainty that could jeopardise EU market access for firms based solely out of Gibraltar. Since 2018 the state has introduced a series of tax cuts and economic support for companies such as a 50 percent reduction in the applicable gambling tax rates (excluding state-level sports betting).

If three requirements are met: firms must have more than 50 percent of the gambling operator's employees to be tax residents and assigned to an Autonomous City workplace; more than 50 percent of the gambling operator's employee costs must relate to employees which are tax resident and assigned to an Autonomous City workplace and intragroup services received by the gambling operator shall not exceed 50 percent

of its total costs, the gambling operator would be deemed to be actually established in the Autonomous Cities and the reduced gambling tax rates would apply,

The Spanish government has announced plans to halve gambling taxes in the autonomous cities of Ceuta and Melilla in order to attract investment. The main attraction that moves many operating companies to be interested in Melilla as a city to settle, are its extraordinary tax advantages:

Law 6/2018, “with the aim of contributing to mitigate the effects of its territorial uniqueness,” establishes the rates to be demanded in the Tax on Gaming Activities by the City of Melilla with a 50% discount. The rates for operators with tax residence in their territories and based in the Autonomous Cities of Ceuta and Melilla will be:

1. State sports betting, 22% of the taxable base.
2. Sports betting, horse racing and other mutual and crossover bets: 10% of the taxable base
3. Raffles: 10 percent of the taxable base except for those declared to be of public or charitable interest, which will be taxed at 2.5 percent of the same taxable base.
4. Competitions and other games: 10 percent of the taxable base
5. Random combinations for advertising or promotional purposes: 5 per cent of the tax base

In the city of Melilla, there is no VAT. Instead, a local tax (IPSI) is applied with a reduced rate of 0.50% for the following services: Advertising and marketing services; Services provided by electronic means; Accessory and complementary management services for carrying out gaming activities that constitute the taxable events for taxes on gaming and random combinations.

3. Aims

The purpose of the study and the specific questions that must be answered are as follows:

- The development of the electronic gaming industry in Malta has been extraordinary. Therefore, these case analyses what the strengths of Malta to have become in this industry are a world leader.
- As the Autonomous City of Melilla also has essential tax advantages in its economic activities, could we consider the Maltese model of the gaming industry applicable in Melilla? Facing the Brexit, Ceuta and Melilla will be an attractive alternative for the establishment of online gambling operators in the EU?

4. Method

A case study is an analysis of a particular situation. The question formation of the study determines mostly the methodology that is the best one for the empirical part of the study. In order to give an opinion supported by quantitative data on how the closing of the border, which is the objective of the study, maybe affecting it, the appropriate

methodology for data collection and processing techniques (sources) should be used to carry out the analysis.

The type of study to be carried out is exploratory and begins with the search for information and statistical data since we consider that although there are antecedents in the literature researched, these are not updated).

It is descriptive, where a series of concepts or variables are selected and each one of them is measured independently from the others, with the purpose, precisely, of describing them (trade indicators and variables independently without trying to establish at this stage the form of relationship between them).

It is explanatory since it tries to find out the reasons why this phenomenon occurs and why two or more variables are related. These statistics relate to the gaming industry in Malta that has been collated by the MGA.

The sources of information consulted, and therefore demonstrating a high degree of transparency in this industry are the industry statements submitted by operators under the Gaming Act (Chapter 583 of the Laws of Malta), together with information provided by operators through specific questionnaires and correspondence with the General Assembly.

This information is supplemented by the financial information provided by the operators to the AGM. One of the objectives of this investigation is to obtain an accurate snapshot of the companies licensed under the Gaming Act.

In order to ensure a better representation of the data, the companies were divided into two groups, namely those operating under a business to consumer (B2C) gaming services licence and those operating under a business to business (B2B) gaming supply licence.

Their knowledge allows for a comparison with the tax advantages of the Spanish autonomous cities, i.e. the compulsory taxes and contributions that a gambling company must pay in a given year, as well as the administrative burden involved in paying taxes and contributions.

5. Results

The empirical analysis provides us with sufficient information on the economic impact that the gaming industry is having on Malta's economy. Gross value added has increased by 58%, from 902 million euros to 1,427 million euros between 2015 and 2018. The number of full-time equivalent employees working directly with MGA-licensed remote gaming companies increased by 52 per cent, from 3,908 to 5,950. The number of remote gaming companies is not in line with MGA licences as operators do not require multiple licences to offer different games unless they wish to offer both B2C and B2B services (Table 4.5)

	2015	2016	2017	2018	% 15/18
Number of licences (remote)	490	513	625	275	-44%
Number of companies in operation	276	268	296	283	3%
Gross value added (€mill)	902	1,153	1,272	1,427	58%
Employment - Full-Time Equivalent (FTE)	4,707	6,193	6,673	9,794	108%
Online Gaming Employment	3,908	5,327	5,861	5,950	52%
Land-based	799	866	812	844	6%
Gaming tax revenue (€mill)	55	56	59	67	22%

Table 4.5: Headline indicators of gaming industry activity (2015-2018)

Sources: MGA Annual Report 2018

The Gaming License Fees Regulations (S.L. 583.03) came into force on January 1, 2018. The amount to be paid by operators depends on the type of approval issued by the Authority, and is correlated with the Gaming Revenue generated during the license years.

This regulation also stipulates a minimum and maximum amount of contribution, which will be paid according to the volume earned by all online gaming operators, and which amounted to 34 million Euros, representing a decrease of 21% compared to 2015 despite the increase in activity (Table 4.6). The new gambling legislation introduces a tax model that provides a more proportionate relationship between gambling activity and taxes and is considered more equitable and fair. The contribution of online gambling corresponds to approximately 51% of gaming revenues.

	2015	2016	2017	2018	% 15/18
Casinos	3,719,674	4,421,187	7,038,381	17,301,552	26%
Controlled gaming promises	1,141,235	1,617,012	2,122,052	2,198,832	93%
Bingo	600,692	608,502	601,945	687,374	14%
National Lottery	11,534,302	12,375,614	12,813,404	12,722,515	10%
Online Games	28,182,999	27,277,412	26,547,862	33,977,600	21%
Total €	55,178,902	56,299,727	59,123,644	66,887,873	21%

Table 4.6: Gaming tax revenue and gaming licence fees regulations (Malta 2015-2018)

Sources: MGA Annual Report 2018

Distribution of licences by class type: Class type 1 games: Slots 79% and table games 18%. Class type 2 games: football 73%, tennis 8%, sports 6% and basketball 6%. Class type 3 games: P”P poker 84%, P2P bingo 10% and lottery messenger 4%.

	2015	2016	2017	2018	% 15/18
Class type 1 B2C	267	293	389		
Class type 2 B2C	100	103	116	207	
Class type 3 B2C	61	58	49		
Total B2C	428	454	554	207	-52%
Class type 4 B2B	62	59	71	68	10%
Total Licences	490	513	625	275	-44%

Table 4.7: Remote gaming. Distribution of licences by class type (Malta 2015-2018)

Sources: MGA Annual Report 2018

	2015	2016	2017	2018	%15/18
Class type 1 B2C	4,975,482	5,052,171	5,709,571		
Class type 2 B2C	16,045,945	15,330,358	14,108,062		
Class type 3 B2C	3,860,142	3,462,951	2,857,372		
Total B2C	24,182,999	23,845,480	22,675,005		
Class type 4 B2B	3,301,430	3,431,932	3,872,858		
Total gaming tax	28,182,999	27,277,412	26,547,863	33,977,600	21%

Table 4.8: Remote gaming Tax by class type games (Malta 2015-2018)

Sources: MGA Annual Report 2018

The measurement of the success of the fiscal measures to attract the investment of online gaming companies to Melilla is precise when the first company in turnover is already a gaming company (CODERE Online SA) (table 4.9).

Melilla	2018	2017	Ceuta	2018	2017
Codere Online SA	518.6	188.2	Luckia Games	161.3	136.2
Gaselec Diversificación	32.72	30.9	Euroapuestas Online	82.5	0.2
Almacenes Tuhami SL	28.5	37.3	Serv. Puerto Ceuta	32.1	30.7

Table 4.9: Company ranking by sales (Melilla 2018)

Sources: eleconomista.es

6. Discussion

Malta's success in the iGaming industry is a reality. Not only because it was the first EU jurisdiction to introduce regulated remote gambling, with an average of 100 new applications per year, but also because it is the largest EU jurisdiction for Internet gambling. Malta's iGaming strategy providing a strict approach to licensing, and supervision of gaming operations and decided to focus on regulation and transparency.

The online gambling industry maintained its important role in Malta's economy, generating 13.2% of gross value added. This positive performance was maintained thanks to the revised regulatory framework, which streamlines operations while benefiting operators using an improved and streamlined regulatory environment.

The supply licence and the desire to offer new play are required to apply for the necessary approval rather than applying for an additional licence. As a result, the Authority receives fewer gaming licence applications. At the end of 2018, there were 275 licences approved to offer online services in the jurisdiction of the MGA, of which nine are corporate.

After the introduction of the new licensing regime, the number of gaming companies and licenses was reduced as operators do not need to operate multiple licenses to offer different games unless they wish to offer B2C services as B2B jointly.

Ceuta and Melilla's tax claim is succeeding because the leading companies, according to their sales, are already online gaming companies. However, these territories will not overtake Malta because this country is not only offering low taxes, but also a software development environment and business climate.

In Melilla, the first company in turnover is already a gaming company and the first and second in Ceuta.

7. Conclusions and Recommendations

In 2017, the Malta Gaming Authority, together with stakeholders in the industry, embarked on a mission to modernise its legislation and thereby ensure that gaming laws are kept up to date with emerging technologies, virtual currencies and distributed general ledger technologies.

The results are becoming apparent. The number of workers and tax revenues are increasing. The institution that regulates it is well organized and has a team that knows very well the way forward.

Melilla and Ceuta seem to be an attractive alternative for the establishment of online gambling operators in the EU, but not only in the development of the gaming industry possible with tax benefits. However, in these autonomous cities, the first companies' turnovers are already online gaming companies.

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III. CASE STUDY. ECONOMIC KEYS AGAINST DEPOPULATION OF RURAL AREAS (ALTO ALENTEJO, PORTUGAL)

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Key words: rural depopulation, Alto Alentejo, Portugal, demographic

1. Summary

European cooperation programmes and institutions have played a key role in providing financial support for the development and cohesion of the Alto Alentejo (Portugal). However, these resources in infrastructure, equipment, and institutions have not yet made it possible to stabilise the population data when analysing data on population and employment trends.

The rural depopulation and the low commercial activity between both sides of the former border (Portugal-Spain) that is still there despite many years of EU membership, they do not facilitate development.

During the period 1991-2018, the population in the Alto Alentejo has decreased more (-22%) than in the Alentejo region (-10%), while the average in Portugal has grown by 3%. Likewise, the population over 65 years old about the total population has been increasing more in the Alto Alentejo than in the average of its region NUTII and the Portuguese average.

Its low population density also places it at the lowest levels in Portugal, causing the damage that comes with the difficulty of serving a land with such a low number of inhabitants per square kilometer (Its low population density also places it at the lowest levels in Portugal, causing the damage that comes with the difficulty of serving a land with such a low number of inhabitants per square kilometre (increasing the costs of public, educational, health and hospital services, especially)

Apparently, not enough investment, or at least not efficiently managed, and the continuous loss of population, are causing a continuous economic and social decline, which European programmes have not managed to overcome and should not cease to be their objective.

2. Introduction

The region of Alto Alentejo, in the east of Portugal, has been selected for a case study of the problem of rural depopulation in Western Europe. The strength and persistence of the depopulation in numerous regions have left many rural districts in extreme situations of low demographic density.

Guy Crauser (Director-General of Regional Policy at the European Commission) predicted in 2001 that in 2025, some 90 European regions, spread across all Member States, will face demographic decline. How we will help these regions is fundamental to economic and social cohesion. These regions have specific features and needs. Nevertheless, Crauser claimed, despite their differences, sparsely populated areas in Europe have to face, at least, four common problems:

- They face demographic problems, young people emigrate, and the remaining population is aging and fertility rates are low.
- All they are geographically isolated, located far away from economic centres, with high transport costs and problems of access mainly due to deficiencies in transport infrastructure.
- Economic activity is scarce and employment tends to be concentrated in the primary sector, or the public sector and services are lacking.
- Living standards tend to be low, with average income lower than in other parts of the country, in some cases, severe rural poverty.

Crauser went on to say that in order to turn depopulated areas into regions that are attractive enough to live and work in, it is necessary to break the vicious circle that depopulation creates of economic and social decline. Economic activity decreases, the workforce migrates, there is a shortage of young entrepreneurs hindering the development of new businesses and there is no critical mass of the population to provide adequate services.

EU structural funds are helping regions suffering from natural or economic disadvantages, helping to break the cycle and create the conditions for success. The EU-funded project “Governance of shrinkage within a European context” (Shrink SMART 2009) analysed the role of policies and governance systems in different types of shrinking urban regions.

Firstly, the impact of contracting urban and regional development is due to population losses. Depopulation is therefore used as a useful indicator for determining demographic trends. However, depopulation is not the cause of the contraction but the symptom and result of a complicated process involving interrelated economic and social factors, which pose serious problems for its development and efficient governance. The resilience of each municipality was identified as an essential factor for the success of smart growth strategies, as part of the population shifts from primary and secondary sector activities to tertiary sector activities.

The research programme to support the formulation of regional development policies in Europe (through the European Spatial Planning Observation Network, ESPON) considers the reduction of the rural population to be both a demographic and

an economic phenomenon. This programme interprets the trends of European territorial restructuring, where agriculture has become less labour intensive and economic and employment growth has become a development of the tertiary sector, favouring larger urban centres.

Along these lines, Poeta (2019) states that these territories have a shortage of business resources, human and relational capital and population, and therefore have a weak institutional density and face difficulties in building possible territorial alliances.

It should not be forgotten that the direct result of the rural exodus is an increase in the overcrowding of urban centres, which leads to transport problems, an increase in air pollution and housing problems (increase in rental and purchase prices).

Panagopoulos and Barreira (2012) state that in the last decade, several Portuguese municipalities have faced population decline. Smart growth policies that aim to reverse the municipal contraction, such as those aimed at increasing the number of young people living in the municipality by promoting marriage, attracting students and maintaining health care services, are ineffective if they are not accompanied by increased employment opportunities. In those few rural municipalities that manage to maintain their population, the main driving force for change was the replacement of primary and secondary sector activities with those of the tertiary sector.

According to Muller and Siedentop (2004), the necessary public intervention should favour the recycling of land and buildings or the adaptation of public facilities to meet the changing needs of residents. Contraction planning is fundamentally different from growth planning (Rybczynski and Linneman, 1999). One of the causes of municipal contraction in the Upper Alentejo is the continuing decline of the primary and secondary sectors in rural municipalities. There are still some critical administrative, logistical and regulatory obstacles to the complete elimination of the border effect in the Iberian Peninsula.

These barriers (costs), together with the location far from the most economically active urban areas, the loss of added value from agricultural activities, and the inertia of business activity in these decades have contributed to the continuing depopulation and economic collapse. Socio-economic sustainability is hampered and is causing these territories to become depopulated and to age.

The European Union's structural funds are helping to try to break the cycle and create the conditions for possible improvement actions. However, they are not sufficient to reverse this demographic decline, despite improvements in terms of accessibility, infrastructure, and the creation of entities to support their development.

The data on population and employment trends are clear. They show that these investments have not been able to stabilize the population, although their situation would be much worse if they had not existed. The information analysed allows us to warn that some municipalities will tend to disappear demographically in the short term, and others will become unsustainable given the current population.



Figure 4.5: Map of Portugal (Nuts III region)

Source: Statistics Portugal, Integrated System of Statistical Nomenclatures

3. Aims

The main objective is to analyse and reflect on demographic trajectories and their territorial implications, addressing the problem of depopulation with sustainability strategies.

Local government initiatives have not been able to reverse depopulation trends and the progressive abandonment of agriculture and traditional industries, with the consequent loss of identity. This study aims to analyse the demographic behaviour in the Alto Alentejo region of Portugal.

To this end, a demographic analysis based on the evolution of the population and economic behaviour has been adopted. The aim is to determine how to identify the critical dimension of sustainability of these municipalities in the face of low-investment national governance contexts.

4. Method

A case study is an analysis of a particular situation. The question formation of the study determines mostly the methodology that is the best one for the empirical part of the study in question.

The study was developed, analysing the evolution of the population. A quantitative analysis was carried out on the socioeconomic dynamics, supported by demographic and developmental variables.

The evolution of employment, trend of the resident population, population density, GDP and GDP per capita was studied in order to collect data related to depopulation and disintegration of the productive structure of municipalities.

Collection of data and contributions to an analysis that was guided, from the empirical point of view, we intend to understand the implications on the evolution of population and productive activity.

5. Results

The empirical analysis provides us with sufficient information on the economic impact that rural depopulation is having on Alto Alentejo's economy.

During the period 1991-2018, the population of Alto Alentejo has decreased more (-22%) than of the Alentejo region in general (-10%), while the average in Portugal has grown by 3%. The two municipalities that have decreased the least in population are Portalegre, the district capital, and Campo Maior, which is the headquarters of a significant coffee processing company (table 4.10).

	1991	2001	2011	2018	% 91/18
Portugal	9.950.029	10.394.669	10.542.398	10.276.617	3%
NUT II: Alentejo	782.331	776.585	757.302	705.478	-10%
NUT III: Alto Alentejo	134.607	127.026	118.410	105.479	-22%
Mora (cambio Sousel)	6.588	5.788	4.978	4.454	-32%
Alter do Chão	4.441	3.938	3.562	3.191	-28%
Arronches	3.677	3.389	3.165	2.860	-22%
Avis	5.686	5.197	4.571	4.249	-25%
Campo Maior	8.535	8.387	8.456	7.907	-7%
Castelo de Vide	4.145	3.872	3.407	2.951	-29%
Crato	5.064	4.348	3.708	3.185	-37%
Elvas	24.474	23.361	23.078	20.706	-15%
Fronteira	4.122	3.732	3.410	2.986	-28%
Gavião	5.920	4.887	4.132	3.347	-43%
Marvão	4.419	4.029	3.512	3.054	-31%
Monforte	3.759	3.393	3.329	2.989	-20%

Nisa	9.864	8.585	7.450	6.149	-38%
Ponte de Sor	17.802	18.140	16.722	15.092	-15%
Portalegre	26.111	25.980	24.930	22.359	-14%

Table 4.10: Evolution population Portugal, Alentejo, Alto Alentejo (1991-2018)

Evolution population Portugal, Alentejo, Alto Alentejo

Sources: Statistics Portugal, Demography Statistics

The population over 65 years old concerning the total population has been increasing more in the Alto Alentejo than in the average of its region NUTII and Portugal.

It should be noted that it stabilized at 27% in 2018 concerning 2011, compared to increases of 25% and 22% for the region and the nation as a whole (table 4.11)

	1991		2001		2011		2018	
	65 or over	% 65/ total	65 or over	% 65/ total	65 or over	% 65/ total	65 or over	% 65/ total
Portugal	1.388.377	14%	1.722.417	17%	2.007.646	19%	2.244.225	22%
NUT II: Alentejo	145.714	19%	173.501	22%	182.988	24%	179.668	25%
NUT III: Alto Alentejo	29.426	22%	32.995	26%	32.332	27%	28.953	27%
Mora (Sousel)	1.527	23%	1.738	30%	1.656	33%	1.340	30%
Alter do Chão	1.239	28%	1.301	33%	1.189	33%	915	29%
Arronches	983	27%	1.048	31%	1.069	34%	854	30%
Avis	1.367	24%	1.491	29%	1.406	31%	1.273	30%
Campo Maior	1.504	18%	1.733	21%	1.832	22%	1.774	22%
Castelo de Vide	1.227	30%	1.159	30%	1.129	33%	895	30%
Crato	1.436	28%	1.456	33%	1.303	35%	1.096	34%
Elvas	4.032	16%	4.927	21%	5.103	22%	4.800	23%
Fronteira	920	22%	1.042	28%	960	28%	870	29%
Gavião	1.906	32%	1.912	39%	1.685	41%	1.198	36%
Marvão	1.213	27%	1.302	32%	1.160	33%	989	32%
Monforte	906	24%	948	28%	955	29%	737	25%
Nisa	3.173	32%	3.089	36%	2.826	38%	2.155	35%

Ponte de Sor	3.479	20%	4.307	24%	4.246	25%	4.007	27%
Portalegre	4.514	17%	5.542	21%	5.813	23%	6.050	27%

Table 4.11: Trend of resident population. 65 or over: Portugal, Alentejo, Alto Alentejo (1991-2018)
Sources: Statistics Portugal. Demography Statistics

Table 4.12 shows that from 1991 to 2018 the population in all age groups in the Alto Alentejo has been decreasing, although the number of people over 65 years of age is lower than in the rest of the country.

This population group is not the case in Portugal, or the Alentejo as a whole, as this group has increased considerably.

It should also be noted that in the capital of the Alto Alentejo, Portalegre, the elderly population has grown considerably and this is linked to trends in other territories where there are health and care centres for their attention.

	0-14	15-24	25-64	65 or over
Portugal	-27%	-33%	11%	62%
NUT II: Alentejo	-35%	-35%	-6%	23%
NUT III: Alto Alentejo	-45%	-41%	-17%	-2%
Portalegre	-40%	-43%	-14%	34%

Table 4.12: Trend of resident population by age group (1991-2018)
Sources: Statistics Portugal. Demography Statistics

The population density places the Alto Alentejo in the lowest levels of Portugal, causing the damage that entails the difficulty of providing services to a land with such a low number of inhabitants per square kilometer (table 4.13).

	Area km ²	1991	2001	2011	2018
Portugal	92.212	108	113	114	111
NUT II: Alentejo	31.605	25	25	24	22
NUT III: Alto Alentejo	6.249	22	20	19	17

Table 4.13: Trend of population density (popul /km²)
Sources: Statistics Portugal, Demography Statistics

When looking at variations in GDP at current prices, over the period 2001-2018, the Alto Alentejo has lower GDP growth and GDP per capita (47% and 49%), and there are related to its greater population decline (-17%), table 4.14, 4.15 and 4.16.

	2001	2011	2018	%01/18
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Portugal	122.550	176.167	203.896	66%
NUT II: Alentejo	7.832	11.526	13.102	67%
NUT III :Alto Alentejo	1.115	1.479	1.643	47%

Table 4.14: GDP at current prices (mill. euros)**Sources:** Statistical Yearbook of Portugal. INE.pt

	2001	2011	2018	% 01/18
Portugal	13.064	16.686	19.841	52%
NUT II: Alentejo	11.900	15.235	18.571	56%
NUT III: Alto Alentejo	10.470	12.534	15.575	49%

Table 4.15: GDP per capita at current prices (euros)**Sources:** Statistical Yearbook of Portugal. INE.pt

	2001	2011	2018	% 01/18
Portugal	10.394.669	10.542.398	10.276.617	-1%
NUT II: Alentejo	776.585	757.302	705.478	-9%
NUT III: Alto Alentejo	127.026	118.410	105.479	-17%

Table 4.16: Trends of population (2001-2018)**Sources:** Statistical Yearbook of Portugal. INE.pt

Unemployment rates do not differ significantly in Alto Alentejo from the Portuguese average, although they are always higher (table 4.17).

	1991	2001	2011	2018
Portugal	6,3	3,9	12,0	7,1
NUT II:Alentejo	9,2	6,9	12,8	7,3
NUT III:Alto Alentejo	9,6	8,1	15,7	8,8

Table 4.17: Labour market indicators by NUTS II y III. Employment rate % (1991-2018)**Sources:** Statistical Yearbook of Portugal. INE.pt

The unemployed population has also decreased, in line with the decline of the total population.

	1991	2001	2011	2018	% 91/18
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Portugal	293.800	324.300	662.180	339.035	15%
NUT II:Alentejo	34.615	30.468	43.963	25.100	-27%
NUT III:Alto Alentejo	6.074	4.459	7.905	4.076	-33%

Table 4.18: Labour market indicators by NUTS II y III. Unemployed population (1991-2018)

Sources: Statistical Yearbook of Portugal. INE.pt

6. Discussion

In recent years, the context of the population has been characterized by demographic ageing. The region is marked by a high rate of ageing and negative migratory dynamics that are reflected in the rural depopulation. It will surely only be possible to continue with sustainable development in the Alto Alentejo through the specialisation, quality, and guarantee provided by its Designations of Origin.

The exclusivity of products with alternatives comparable abroad with those that have to compete are:

- Região Vitivinícola do Alentejo (Portalegre).
- Nisa cheese production.
- Production of Norte Alentejano oils.
- Sausages with Denomination of Origin (Lombo Branco y Enguitado, Painho, cacholeira, chouriço, linguça, farinheira, morcela de asar and morcela de cozer de Portalegre).
- Cork industry.
- Other protected Designations of Origin in Alentejo: Carnalentejana, Marvão Chestnut, Maça de Portalegre, Mel do Alentejo, Borrego do Alto Alentejo).
- Ceramic and wood crafts (Nisa) in leather and fur (Elvas)
- Socio-recreational services and the monumentality of its Patrimonies of the Humanity (the fortifications of Elvas and effort in getting to be in the list: Marvão and the Festas do Povo de Campo Maior), fortifications de Elvas y las Festas do Povo de Campo Maior., National Monuments in others (enclaves of particular relevance significant number) is united the patrimony of its Natural Parks, the ecological reserves, the thermal waters, that give rise to cultural tourism, natural and medicinal respectively more and more demanded.

7. Conclusions and Recommendations

European cooperation programmes and institutions have played a key role in providing financial resources towards the socio-economic improvement of the Alto Alentejo. However, these investments in infrastructure, equipment, and institutions created have not been able to stabilise the population, and stop its decline, if we analyse the data on population and employment trends. This phenomenon is similar in most of the less developed territories.

Low investment and the continued loss of population, lead to continued economic and social decline that the European programmes have failed to overcome (De Miguel Hidalgo *et al.*, 2014).

The Alto Alentejo region is highly dependent on the Structural Funds, for its development. Nevertheless, the rural depopulation and the low commercial activity between both sides of the former border (Portugal-Spain) that is still there despite many years of EU membership, they do not facilitate development. The vast majority of the inhabitants of the border areas maintain still certain distances through their cultural, linguistic, emotional and identity dimensions.

These are the two critical aspects of the development of the Alto Alentejo, continue with the specialization of the denominations of origin and approaching its Spanish border region, also at the crossroads of economic and demographic indicators worrying in terms of the Spanish average.

For this purpose was adopted a demographic analysis was adopted, based on the evolution of the population and the economic behavior. It was intended to identify the critical dimension of the sustainability of these municipalities.

During the period 1991-2018, the population in the Alto Alentejo has decreased more (-22%) than in the Alentejo region (-10%), while the average in Portugal has grown by 3%. Likewise, the population over 65 years old in relation to the total population has been increasing more in this territory than in the average of its region NUTII and the Portuguese average, increasing the costs of public, educational, health and hospital services, especially.

The challenge is difficult and requires imaginative action to try to change the socio-economic direction of this territory.

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CHAPTER 5

MICROECONOMICS ANALYSIS

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I. INTRODUCTION

Once the macroeconomic analysis has been examined, this chapter is focused on the microeconomic analysis, which is related with the financial and economic analysis of specific organizations/companies.

In this sense, both the macro and microeconomic analysis are closely related as the macroeconomic analysis gives a picture of the economic situation of a country or region where specific companies interact. And it is important to know the global economy to evaluate the performance of a company.

In the microeconomic analysis the objective of analysis is the firm: to study its evolution, its performance and its strangeness and weaknesses. And for this purpose the financial and economic analysis is a key element. Specifically, the main objective of this analysis is studying whether an entity is stable, solvent and profitable enough to warrant a monetary investment (Rodríguez-Ariza *et al.*, 2016). So, it is important to identify projects or companies for investment, to evaluate economic trends or to create long-term plans in companies.

The microeconomic analysis is mainly based on the information coming from financial statements. The interpretation of the financial statements provides a systematic and efficient basis for the analysis of the business, since it allows to know the causes that cause the current situation of the company, to judge the policies developed by its managers, to make comparisons to show their evolution and with other companies or with the sector, and, to prepare a diagnosis on key issues of the organization in order to facilitate decision-making. In summary, it allows to the analyst to know the cause-effect relationships that have motivated the present situation, to distinguish those aspects that have been positive from those that have a negative significance, in order to detect strengths and weaknesses.

This chapter is organized as follows: in the next section the main objectives of the chapter are delimited. Sections 3. and 4. introduces the financial and economic analysis and its tools. Section 5 is focused on the study of the financial analysis and Section 6, in the economic analysis of a firm. Finally, the main conclusions of this issue are presented in the last section.

II. OBJECTIVES

The main objectives of this chapter are summarizing the key elements of the microeconomic analysis.

Specifically, the objectives are:

- Recognizing the importance of the microeconomic analysis.
- Understanding the difference between financial and economic analysis.
- Identifying the main tools to perform the financial and economic analysis.
- Applying to companies from different sectors.

III. FINANCIAL AND ECONOMIC ANALYSIS: CHARACTERISTICS AND USERS

All aspects of a company are related to each other; however, it is usual to distinguish between financial (solvency) and economic (profitability) analysis (Rodríguez-Ariza *et al.*, 2016). The first one examines mainly investments and disinvestments, both long-term and short-term to determine whether there is an adequate correlation between investments and financing sources, evaluating fundamentally the capacity of payment by the company. The financial or business solvency analysis will consist of verifying if the company has the necessary resources, at the precise moment and at the lowest possible cost, to meet the payments. In this sense, it is said that an entity is financially balanced when it generates sufficient resources to meet its debts on time.

On the other hand, the economic analysis refers to the analysis of the firm's earnings and its main objective is diagnosing if the company is carrying out its activity efficiently and if it is able to generate profitability. Thus, the first step in the evaluation of the economic analysis is the interpretation of the results -incomes and expenses- and the reasons that have caused their variation between different periods.

The economic and financial analysis must provide an answer to the users' questions. However, the users' objectives may be different so there is no a single valid model for all purposes of the analysis. Depending on the user and the decision to be made, the perspective of the analysis and the type of information required the tools to be used and the type of diagnosis will be different.

The financial (solvency) and economic (profitability) situation of a firm is important for a large number of users of accounting information. However, each one will emphasize different aspects and will require a specific focus on the information depending on the decision they want to make (Rodríguez-Ariza *et al.*, 2016):

- Capital investors need to evaluate all aspects of the financial and economic situation of the company to control the actions of managers or administrators, so they are usually the most demanding in relation to the required information. They will focus on the profitability and continuity of the company, issues especially related to the risk management policy adopted.
- Managers need to know the current situation of the company as an element of control. Their main purpose is to determine whether the established objectives have been achieved.

- The suppliers of external funds are those external organizations that lend to the company funds. So, they need to determine the probability of the firm returning their debts and the interest they can apply considering the business and its financial risk. On the other hand, commercial creditors deliver goods or services for a price. The key elements that these users will analyze are the liquidity, or capacity to generate cash, and solvency, that is, the ability to meet payment obligations.
- Public Administration can use the financial statement analysis to verify the coherence of the declared tax figures and to carry out macroeconomic studies.
- Also, auditors usually use analytical techniques to ensure the normality of certain parameters, detect irregularities and errors or have additional data in their role of judging whether the financial statements show the financial situation and the results of the company.
- Other users would be the unions, which can use that information in the negotiation of collective agreements. In this sense, the evolution of productivity and the profit of the company are fundamental elements that should serve as a starting point in the negotiations.
- Employees are interested in analyzing the profitability of the company and if it provides continuous and stable employment or contribute to pensions.
- Customers want to know if the company will be able to fulfill its obligations derived from current and future transactions; that is, they measure their capacity to continue operating and cash generation.

In the process of analysis, two fundamental characteristics of financial statement analysis must be considered. Firstly, the validity of the conclusions of the analysis will depend on the goodness of the accounting system applied. The process of obtaining accounting information is complex and is determined by the existence of a series of criteria that lead to a concrete representation of reality and not another, so it is important to consider the specific accounting standards to be applied. Additionally, in the international context, is important also to consider the application of the International Financial Reporting Standards (IFRS) which try to harmonize the accounting information reported by companies.

Secondly, the analyst is required to possess a series of knowledge not only of the techniques to be applied but also of the norms and criteria that are usually followed in the preparation of the accounting information, i.e. the accounting standards. Thus, the person performing the analysis must know how the information contained in the financial statements and the tools to be used in their interpretation have been obtained. Additionally, to make a judgment about the financial situation and business efficiency, it is necessary that the analyst knows how to integrate the available information, discover the key elements of the report, synthesize the strengths and weaknesses of a company and express possible corrective measures or possible fields of action.

Although the objectives of the analysis can be diverse, the analysis must begin with the judgment of the accounting information by observing the financial statements

and the audit report, if it is available. Next, it is convenient to evaluate the context of the company: the economic situation of the country or region -macroeconomic analysis-, the position in the market, the organizational structure, size, seniority, etc. Then the analyst would be able to perform the actual analysis of the information. For this purpose, it would be necessary to delimit the objective, since it determines most appropriate techniques and tools to apply the financial and economic analysis in order to interpret the results.

IV. FINANCIAL STATEMENTS

The microanalysis of a firm should include several sources of information: firm's financial statements, audit report, management report and other information offered by the company, i.e. information on corporate governance and corporate social responsibility or dividends.

But mainly the analyst must to study the financial statements. Following the International Standard Accounting, IAS 1 (2207) *Presentation of Financial Statements*, the financial statements constitute a structured representation of the financial and economic situation of an entity. Their objective is providing information about the financial performance and cash flow of an entity and the results of the management performed by the administrators.

The financial statements are (IAS 1):

- Statement of financial position as at the end of the period.
- Statement of profit and loss and other comprehensive income for the period.
- Statement of changes in equity for the period.
- Statement of cash flows for the period.
- Notes, comprising a summary of significant accounting policies and other explanatory information.

From them, the two main financial statements that must be analyzed are the statement of financial position as at the end of the period —or Balance Sheet— and the statement of profit and loss —or Income Statement—. However, the information of the financial statements must be summarized in order to give a comprehensive vision of the firm. For this purpose, several tools must be applied: vertical, horizontal and ratio analysis.

1. Vertical analysis

In the financial statements, the relative weight of the several magnitudes can be calculated with respect to the total. Specifically, percentages (weights) are calculated and it is called “vertical analysis” because it adds a column to the financial statements (mainly in the balance sheet and the income statement) in which these percentages are calculated in reference to the total magnitude.

To calculate the vertical percentages, the analyst must relate each of the parts of the financial statement with the total, expressing the measure obtained as a percentage.

The advantage of this analysis is that the magnitudes express in percentages the size of the company, so it facilitates the comparison between firms and with the industry's average percentages. However, when this technique is applied, both the absolute values of each item and the percentages must be taken into account in the analysis.

If we consider the balance sheet and the income statement, we can calculate the following vertical percentages:

- Common-size balance sheet: every dollar amount has been restated to be a percentage of total assets.

$$\% = \frac{\text{Concept}}{\text{Total assets}} * 100$$

For the asset, these percentages show the proportion of each item regarding total investments so, it is easily to identify the composition and structure of this part of the patrimony. The same occurs with the liability and equity, so that these percentages would show the composition and structure of the sources of financing.

- Common-size income statement: it presents all income statement amounts as a percentage of net sales.

$$\% = \frac{\text{Concept}}{\text{Net sales}} * 100$$

Specifically, these percentages represent the proportion of the different incomes and expenses regarding net sales.

Thus, in addition to being useful to know the structure of the financial statements, the vertical analysis allows to study the evolution of the structure of the company and to compare the results obtained in the entity with their competitors or with the sector.

2. Horizontal analysis

The horizontal analysis obtains the annual variation of each magnitude in the financial statements. Variation rates make it possible to measure terms the variation experienced by a variable during a period. Normally it is used when data is available for two years, and it is usually measured in percentages, taking as a basis of comparison the data of the first year:

$$\% = \frac{\text{Concept}_t - \text{Concept}_{t-1}}{\text{Concept}_{t-1}} * 100$$

These variation rates or percentages can be positive or negative, indicating an increase or decrease of the magnitude, respectively.

When analyzing financial and economic data, it will be necessary to refer fundamentally to the variations of those variables that have a greater weight in the balance sheet (or are more important in the income statement), because these variations are those that can be the main determinants of the financial and economic situation. However, it is always important to analyze the variation of the variables related to the main activity of the firm.

When a time series of data of more than two years is available, index numbers are calculated to analyze the evolution. This tool allows measuring the evolution experienced by a certain magnitude, with respect to the value that it presented in another period considered the base. The calculation is made starting from a base year, to which a value of 100 is assigned, determining the value corresponding to the following periods.

3. Ratio analysis

A ratio describes the relationship between different items in the financial statements.

$$\text{ratio} = \frac{\text{Concept}_A}{\text{Concept}_B}$$

A ratio relates two magnitudes and can be constructed with information coming from the different financial statements. There is no a single definition of ratios and the list is very extensive so, the analyst must to select those ratios regarding the purpose of the financial and economic analysis.

Next sections will include some examples of ratios and important magnitudes to be calculated when performing a financial and economic analysis.

V. FINANCIAL ANALYSIS: SOLVENCY

In order to study the financial situation of a firm, different aspects must be considered: the composition of the patrimony, the solvency and liquidity, the working capital and the cash conversion cycle.

1. Patrimony composition

The application of vertical and horizontal percentages to the balance sheet allows obtaining the necessary data for the study of the composition and evolution of business patrimony.

The patrimony structure of the company depends on multiple factors, such as: business activity, risk aversion, business strategy, collection and payment policies, etc. Therefore, when analyzing a specific company, the analyst should not forget to compare the data obtained with the average data of the sector of activity in which it operates, as well as, analyze complementary information of the Audit Report and the Management Report, if any.

In this sense, Figure 1 is presented, which includes the composition of the average patrimony by sector. It is important to point out that this figure is merely indicative, because, as explained above, patrimony is the result of many different business decisions.

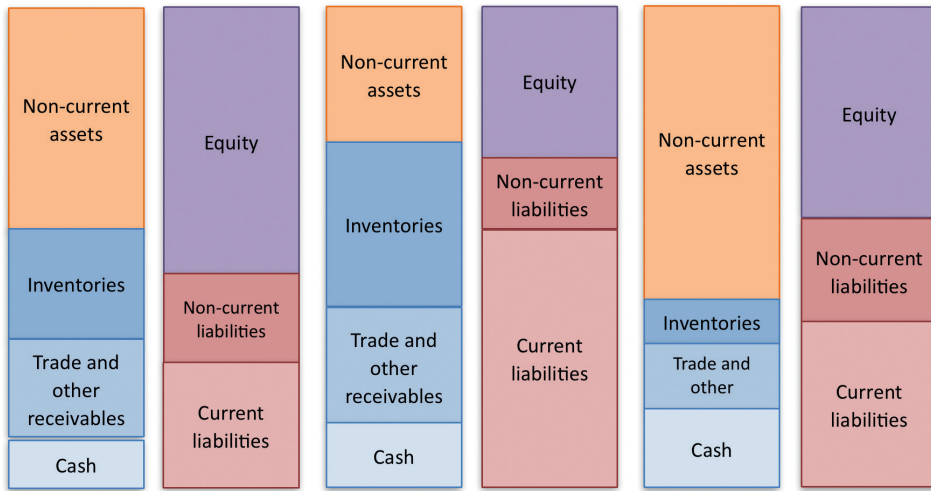


Figure 5.1: Patrimony composition by type of activity
Source: Own elaboration based on Rodríguez Ariza *et al.* (2016)

Likewise, the analyst who carries out the study of the composition and evolution of the patrimony must always try to identify the causes that give rise to the concrete reality that is analyzing and their implications.

Turning now to the concrete analysis of the composition, the first thing that the analyst must observe is the total volume of the investment of the balance sheet to get an idea of the size of the company he is analyzing. Next to obtain a first picture of the composition of the patrimony, it is necessary to observe what relative weight the two great types of assets have: The Non-current and the Current Assets. The optimal correlation between these two groups will be affected by the characteristics of each company and its main activity, although this structure must include a minimum fixed asset that allows maintaining the level of operation of the company and a minimum current asset that can avoid ruptures of activity (Rivero Torre, 2009; Rodríguez Ariza *et al.* 2016).

Next, the different elements that make up each of these two types of assets must be analyzed:

Non-current Assets:

Intangible and material assets: In addition to the relative weight of these items, the analyst must study their degree of aging, which measures the level of obsolescence of the fixed asset.

Following the authors Rodríguez Ariza *et al.* (2016), the degree of aging is measured with the following ratio:

$$\text{Aging degree} = (\text{Accumulated Amortization}) / (\text{Fixed assets}) * 100$$

This ratio can be calculated for the sum of the material and intangible assets or for each of the two elements separately.

In the specific case of the Intangible assets, if its relative importance (weight) is very significant, the analyst must study which is the most important element: Goodwill or investments in R&D (Rodríguez Ariza *et al.*, 2016).

Other non-current investments: this item is composed of different elements such as real estate investments, long-term investments in group companies and financial investments and deferred tax assets, therefore, it is important that the analyst takes into account its relative weight. In the case of investments in group companies, it is important to determine whether they are an instrument of equity or credits to group companies, which may not be made at market prices (Rodríguez Ariza *et al.*, 2016).

Current Assets:

This group is formed by key elements to assess the solvency of the company. Thus, the elements that the analyst must examine are:

Inventories: this item is essential in the analysis of the exploitation cycle, as it is related to the volume of activity that the company has. In this sense, it should be mentioned first, that the volume of stocks will depend on the sector of activity (Figure 1). Secondly, the analyst must take into account that companies usually operate with a minimum stock level that ensures the continuity of the activity over time; However, it is possible that the management system implemented by the company favors the “zero stock” policy, which would be materialized in the weight of this item. Therefore, it is important to take into account the information on these issues offered by the annual accounts of the company.

Trade and other receivables: the relative weight of this item will depend on the type of activity that the company carries out and the collection policy that it applies, because if the company charges all its cash transactions, the relative value of this item will not be very high, as for example, in a supermarket. However, if the company’s policy is to postpone the collection of its sales, the relative weight of this item will be greater, such as in a building company.

Other current assets: this item is composed of various elements (non-current assets held for sale, short-term investments in group companies and financial companies).

Cash: this item is of vital importance for the company because the generation of cash in time to face the payment is a complex issue in business reality. Likewise, it is common for companies to determine a minimum objective cash (Rodríguez Ariza *et al.*, 2016) that allows them to continue with the company’s activity. Within the current Assets, this item usually has a lower relative weight, so a high percentage may indicate an excess of cash, although if the company is going to make future investments (the investment plan should be analyzed) a significant weight of this item It would be justifiable (Muñoz Merchante *et al.*, 2017). The policy of collections and payments affects this item.

Although the analysis of the composition of the Current Assets gives us a first image of the operating cycle of the company, it must be completed with the study of the Working Capital and the Cash conversion cycle, as well as, with the analysis of the Income Statement.

Once the economic structure of the equity has been analyzed, the analyst must proceed to evaluate the composition of the company’s financing sources. So, following

the same procedure that has been carried out for the analysis of the investments, the analyst must study the relative weight of each of item that make up the financial structure: Net Equity, Fixed Liabilities and Current Liabilities.

In this way, we can have a first image of how the company finances its investments and the financial risk it is assuming, because if the company is financed mainly through own funds and commercial creditors, we can qualify this financing strategy as “no risky” based on those sources of financing that have lower cost; but if the volume of short and long term debts is important, the company is taking a greater risk. In this sense, it is important to point out that the company’s financing strategy will be affected by business decisions and the risk of aversion assumed by it, as well as, by other factors such as business activity, corporate form (an individual company it is not financed in the same way as a corporation) or the size of the company (access to financing is more complex for SMEs) (Rodríguez Ariza *et al.*, 2016).

Next, the different elements that make up each of the patrimonial masses must be analyzed, among which the following stand out:

Equity:

In addition to analyzing the relative weight of the Capital disbursed, it is convenient for the analyst to observe the percentage of the Reserve item as it informs us of the company’s self-financing capacity, as well as the Result of the year. If the company generates losses, it will be carefully analyzed what causes them (analyzing the Income Statement) and evaluate how it affects the financial position of the company.

Non-current liabilities:

Among the items that make up this group, it is important that the analyst studies the level of indebtedness of the company. It is important to consider the value of *Long-term Debts* and if there are *Debts with group companies*, since the latter imply greater flexibility in their return and a lower financial burden (Rodríguez Ariza *et al.*, 2016).

Current liabilities:

This item is also a key element in the analysis of the operating cycle together with the Current Assets, as it indicates the weight of the financing offered by suppliers and other creditors such as Public Administrations. The relative weight of this item will depend on the payment policy applied by the company

Finally, the analyst must take into account the relative importance of the *Short-term debt* item, which provides information on the level of indebtedness of the company in the short term. As with long-term debts, it will be necessary to identify whether short-term debts are made up of debts with credit institutions or group companies.

In addition, the analyst must analyze other ratios and issues related to each of the aforementioned issues. The financial balance of the company consists in combining the investment of the company with its financing and the availability of the precise resources, at the concrete moment and at the lowest possible cost (Rivero Torre, 2009). Thus, the previous analysis must be completed with the calculation of a series of ratios related to the equity guarantee, business solvency and the level of indebtedness.

The analysis of these ratios is intended to evaluate if business financing decisions cause financial stability or if there are financial tensions (Rodríguez Ariza *et al.* 2016), so it is important to analyze the financial balance in the short and long term. In this sense, there are various positions around the conceptualization and naming of the ratios to be evaluated. Authors such as Muñoz Merchante *et al.* (2017) identify the analysis of the short-term financial balance with the study of liquidity and the long-term analysis of the financial balance, with solvency; while Rodríguez Ariza *et al.* (2016) refer to the short-term financial balance when studying business solvency, reserving the term of equity guarantee for the study of long-term financial balance.

Following this last proposal, in the first place, when the composition of the equity is analyzed, the company must analyze the equity guarantee, which measures the company's ability to meet its debts both in the short and long term.

$$\text{Equity guarantee} = \text{Total Assets} / \text{Fixed Liabilities} + \text{Current Liabilities}$$

Next, the solvency of the company and its liquidity should be analyzed (Table 5.1).

Ratio	Measure	Definition
Solvency	$\frac{\text{Current assets}}{\text{Current liabilities}}$	Firms' capacity to fulfil its obligations. Similar to working capital, but it tells you the relationship between current assets and current liabilities as a ratio
Liquidity (acid test ratio)	$\frac{\text{Cash} + \text{Temp. Invest.} + \text{Accounts receivables}}{\text{Current liabilities}}$	Similar to solvency ratio, but it uses only those assets that can be quickly turned into cash.
Quick ratio	$\frac{\text{Cash}}{\text{Current liabilities}}$	This ratio measures the firm's capacity to fulfil the current obligations only with the cash.

Table 5.1: Short-term financial position

Source: Own elaboration based on Robinson *et al.* (2004), Rodríguez Ariza *et al.* (2016), Alexander *et al.* (2017) and Muñoz Merchante *et al.* (2017).

The higher the value of these ratios, the lower the risk of short-term credit, but it should be taken into account that these ratios do not have a normal reference value that serves as a reference point and present two limitations mainly, on the one hand, are static indicators, related to the concepts of cash-flows, which do not take into account that the elements included in their calculation are constantly changing (Muñoz Merchante *et al.*, 2017).

Finally, the analysis of the company's assets must be completed with the ratios related to corporate indebtedness (Table 5.2).

Ratio	Measure	Definition
Debt to equity or Indebtedness¹	$\frac{\text{Total liabilities}}{\text{Total equity}}$	It determines business financing policy: if it is financed mainly with foreign funds (values higher than the unit) or with self-financing (values lower than the unit). The higher the value obtained, the greater risk the creditors assume.
Debt composition	$\frac{\text{Long-term liabilities}}{\text{Short-term liabilities}}$	It calculates the proportion of long-term debt according to the short-term debt.
Long-term debt	$\frac{\text{Long-term liabilities}}{\text{Total equity}}$	It measures the proportion of financing provided by long-term creditors against the company's net worth.
Short-term debt	$\frac{\text{Short-term liabilities}}{\text{Total equity}}$	It measures the proportion of financing provided by short-term creditors against the company's net worth.

Table 5.2: Corporate indebtedness

Source: Own elaboration based on Robinson *et al.* (2004), Rodríguez Ariza *et al.* (2016), Alexander *et al.* (2017) and Muñoz Merchante *et al.* (2017).

2. Short-term financial equilibrium: Solvency and liquidity

It is understood that a company is in financial equilibrium when it generates sufficient resources to meet its debts (Rodríguez Ariza *et al.*, 2016; González Pascual, 2016). So, the first starting point to analyze the financial equilibrium is to analyze the company's Working Capital Fund and the Operational Financing Needs, related to the solvency ratios already explained. Likewise, it is important to analyze the Cash conversion cycle.

A. Working capital

Business solvency is part of the financial analysis, which tries to judge the entity's position evaluating its ability to repay the debt, both in the present and in the future (González Pascual, 2016).

Thus, the importance of the solvency analysis is that it allows knowing and evaluating the collections and payments that occur in the entity, judging whether the financing structure facilitates financial stability or if, on the contrary, that structure generates financial tensions that will require a strategy to solve them.

In addition, to the solvency ratios already mentioned, another of the instruments used in the analysis of short-term financial equilibrium is the Working Capital (WC), which is defined as the difference between current assets and current liabilities.

As can be seen in Figure 5.2, the possible values that can be obtained for Working Capital are positive, equal to 0 or negative. Working Capital equal to 0 is indicative

¹ The inverse of this ratio is known as the Financial Autonomy Ratio (Muñoz Merchante *et al.*, 2017).

that the current assets and current liabilities are exactly the same, so the basic financing (equity and fixed liabilities) is not financing part of the current assets, but only finances long-term investments (fixed asset). However, a positive Working Capital suggests that the current assets are greater than the current liabilities, so the amount obtained by the difference (the working capital) is being financed with permanent resources in the company (basic financing). Finally, if the Working Capital is negative, it means that the current assets are lower than the current liabilities, so the latter is financing part of the fixed assets.

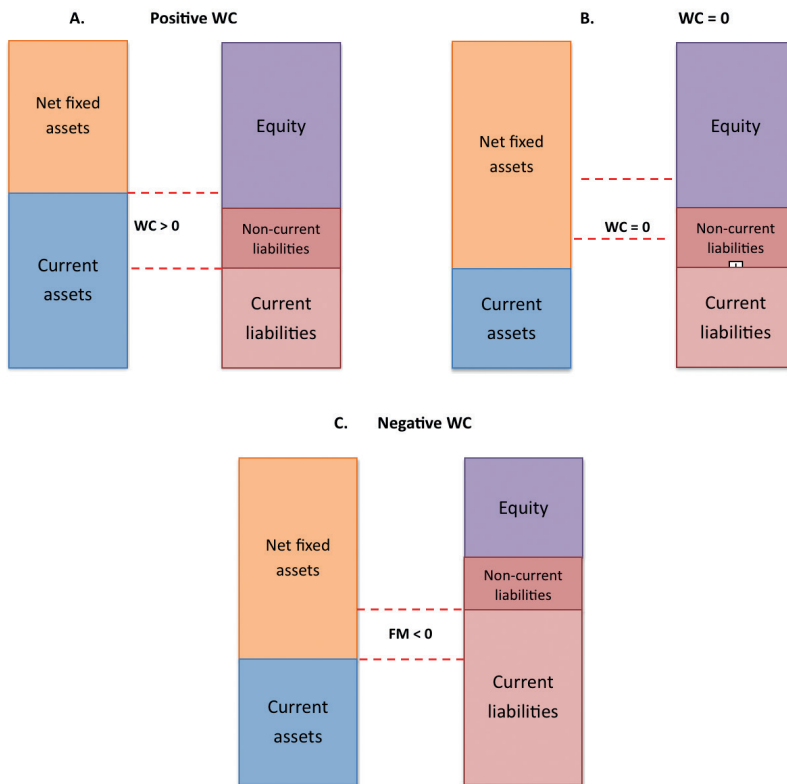


Figure 5.2: Working Capital

Source: Own elaboration based on Rodríguez Ariza *et al.* (2016).

Among all these options, it is possible to think that the ideal situation would be a positive Working Capital, which is usually identified with stable financial positions (Muñoz Merchante *et al.*, 2017), but a company with a positive Working Capital can go through temporary situations of lack of liquidity that causes financial tensions (Rodríguez Ariza *et al.*, 2016). At the same time, a negative Working Capital could indicate a bad financial situation (Muñoz Merchante *et al.*, 2017), but there are cases, such as grocery store, that have a negative Working Capital, but that, when charging

all their cash sales, they do not present financial tensions, but quite the opposite, they enjoy a good financial balance since the payment term to their suppliers is longer than the payment term for customers (Muñoz Merchante *et al.*, 2017).

In this regard, it is important to note that business solvency is not only measured by the Working Capital or the treasury position, but it is also important to analyse the rhythm of the collection and payments of the operation, in order to guarantee the continuity of the activity (Fondevilla Roca, 1986; González Pascual, 2016). Therefore, it cannot be determined *a priori* which of them is better, since it is necessary to analyse how the Working Capital and its components vary, as well as the rotations of the elements of both current assets and current liabilities, i.e. the Cash conversion cycle.

B. Operational financing needs

The WC can be divided into two components: Operational Financing Needs (OFN) and Net Liquid Resources (NLR), grouping operations related to exploitation and those related to financial operations (Rodríguez Ariza *et al.*, 2016). Within *Current Assets* and *Current Liabilities*, two groups of assets and liabilities can be distinguished: (a) operational (or functional) assets and liabilities, which are those investments necessary to carry out the main activity of the company and the financing originated in current operations (suppliers, Public Administrations, outstanding salaries, etc.) and, non-operating assets and liabilities (or extra-functional), which are the investments that are not necessary to develop the activity of the company and short-term debts - bank debts - (Muñoz Merchante *et al.*, 2017).

First, the OFN, also called Minimum or Necessary Working Capital (MWC), analyses the correlation of the items related to the exploitation, being calculated as the difference of the current assets of the exploitation (Inventories, Accounts Receivable and Minimum Objective Cash) and of operating liabilities (Accounts Payable). However, to simplify the analysis, it is usually considered that the Minimum Objective Cash is equal to 0 (Rodríguez Ariza *et al.*, 2016), so OFN are calculated using the following formula:

$$\text{Operational Financing Needs} = \text{Stocks} + \text{Commercial Debtors} - \text{Commercial Creditors}$$

This concept analyses how the company finances its current activities. Typically, the company finances this activity with the financing offered by its suppliers and commercial creditors. But if it requires more financing, that is, OFN are positive, the entity could finance its Operational Financing Needs (the part that is not covered by commercial creditors) with two types of financing: permanent resources or basic financing (net equity and fixed liabilities) or, through a short-term loan.

Specifically, Operational Financing Needs require basic financing “since they collect investments that remain in the company for the duration of their activity and the conditions of exploitation are maintained” (Rodríguez Ariza *et al.*, 2016: 170) in order not to cause financial stress.

When the company does not cover the OFN with basic financing and must resort to short-term indebtedness, negative NLR would be obtained. The NLR is calculated subtracting the sum of the Cash that exceeds the minimum target plus Temporary Financial Investments and Other Assets, the entity's Short-Term Debts, not derived from the activities of the holding. As in the case of WC, and to simplify the calculations, the NLR would be calculated as follows:

$$\text{Net Liquid Resources (NLR)} = \text{Cash} + \text{Short-term financial investments} - \text{Short-term debts}$$

Thus, if the NLR are positive, it is indicative that the most liquid financial investments are superior to the short-term debts, so it could indicate the existence of an excess of Cash or short-term financial investments, which can sometimes result harmful to the company, since maintaining idle treasury would imply not obtaining a return on that investment. However, if the NLR are negative, it is indicative that the available cash is lower than the short-term debts. However, the interpretation of these results must be done in conjunction with those obtained in the WC and OFN, as they are three related concepts (Figure 5.3).

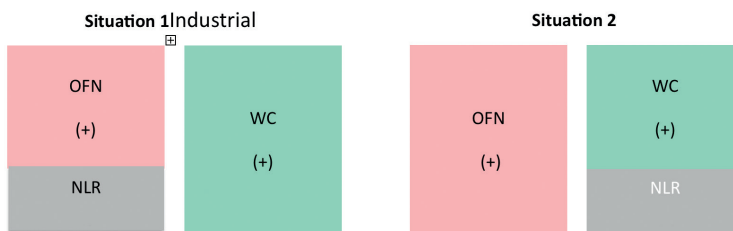


Figure 5.3: Relation between WC, OFN y NLR

Source: Own elaboration based on Rodríguez Ariza *et al.* (2016).

If the entity obtains a positive WC and this is greater than the OFN, it will obtain positive NLR as well (Situation 1, Figure 3). However, if the WC is positive, as well as the OFN, but these are greater than the WC, the NLR will be negative which would imply that, in addition to covering the OFN with basic financing (WC), short-term financing is being used (NLR) (Situation 2, Figure 5.3).

Homologous, when the WC is negative, and this is higher than the OFN, the NLR will also be negative, indicating that both the current liabilities of the operation and the short-term debts are higher than the current assets of the exploitation and resources liquids, respectively. On the other hand, it could happen that both WC and OFN were negative and that the latter were superior to WC, so in that case positive NLR would be obtained. This second situation would indicate that there is a part of the Fixed Assets that is being financed with the liabilities of the exploitation (suppliers and commercial creditors).

It is important to note that these relationships must be analysed in the specific case of the company. Likewise, and as previously mentioned, when the WC and OFN analysis is performed, it is necessary to analyse the Cash conversion cycle, which will give us a dynamic vision of both realities.

C. Cash conversion cycle

When analysing the activity of a company, there are a series of operations that are repeated over time: the purchase and sale of goods (or services) related to the main activity of the company and its collection and payment. Taking the example of a manufacturing company, the company in addition to making a series of purchases, develops a productive process, to obtain the products it sells and recover the investment through its collection. But, to carry out this process, the company needs financing, which can be granted by suppliers by deferring payment for purchases. These operations make up the exploitation cycle (Figure 5.4).

The duration of this operating cycle is known as the Cash Conversion Cycle (CCC), which can be defined as the average time it takes for the company to recover a monetary unit invested in its exploitation cycle considering the financing granted by suppliers (Rodríguez Ariza *et al.*, 2016), indicating the part of the exploitation cycle that needs to be financed with permanent resources (Muñoz Merchante *et al.*, 2017).

Thus, the CCC by the following formula:

$$\begin{aligned} \text{Cash Conversion Cycle (CCC)} \\ &= \text{Days Sales of Inventories} + \text{Days Sales Outstanding} \\ &\quad - \text{Days Payables Outstanding} \end{aligned}$$

Being:

Days Sales of Inventories (DSI): The average period those products are in stock until their sale.

Days Sales Outstanding (DSO): The average period it takes for the company to recover the credits granted to its customers.

Days Payables Outstanding (DPO): The average period that elapses from when raw materials or merchandise are acquired until they are paid.

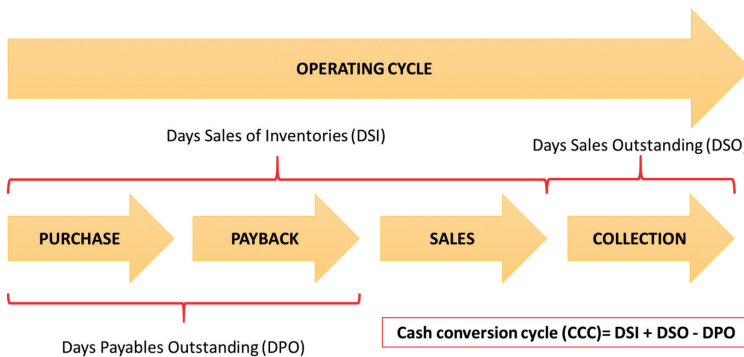


Figure 5.4: Cash conversion cycle

Source: Own elaboration based on Rodríguez Ariza *et al.* (2016).

The Cash Conversion Cycle (CCC) implies several measures: on the one hand, cash is converted into goods (inventory) that when sold are converted into cash or collection rights which will be settled at a later time. The less time a company must

wait to collect money from its customers, the longer the cash for the investment will be available. On the other hand, the company benefits from the deferment of payment to its suppliers, which allows the money to be used for a longer time. In general terms, the lower the CCC, the business management will be more efficient, since it informs us about whether the company is using short-term assets and liabilities to generate cash. Likewise, it is important to note that the CCC can be negative, indicating that the payment term to suppliers is longer than the cash generation (González Pascual, 2016).

Figure 4 shows the operating cycle for a commercial company. It is important to note that, depending on the activity of the company, the CCC will be formed by a series of different phases. Thus, in an industrial company, in addition to those shown in the figure, it would be necessary to add the Storage Period (the time that elapses from when raw materials are purchased until they are consumed in the production process) and the Manufacturing Period (the time of transformation of raw materials into products), both phases would be prior to the sale and collection. On the other hand, in the service companies the phase that can be identified is that of collection (Rodríguez Ariza *et al.*, 2016).

Table 5.3 shows a summary of the main formulas to calculate the Cash Conversion Cycle and its components.

Ratio	Measure	Definition
CCC	DS+DSO-DPO	The average number of days that a company can convert goods into cash, including the days that suppliers finance the firm.
DSI	365 days / Inventory Turnover	The average number of days that it takes to sell the inventories during a year.
Inventory Turnover	Cost of goods sold (COGS) / Average inventory	The number of times per year that inventories turn over ² .
DSO	365 days / Accounts Receivable Turnover	The average number of days that it takes to collect the accounts receivables during a year.
Accounts Receivable Turnover	Net credit sales / Average Accounts Receivable for the year	The number of times per year that accounts receivables are collected ² .
DPO	365 days / Account Payable Turnover	The average number of days that it takes to pay the accounts payables during the year.
Accounts Payable Turnover	Cost of goods sold (COGS) / Average Payable Receivable for the year	The number of times per year that accounts payable are paid ² .

Table 5.3: Components of Cash Conversion Cycle

Source: Own elaboration.

² It is an average measure and uses average inventories because of fluctuations.

Therefore, these measures combine several operational relationships that involve accounts receivable (short-term assets), accounts payable (short-term liabilities) and inventory turnover, with information from the balance sheet and the income statement. However, to be able to compare the information of these two financial statements, the information must be homogenized, so the analyst must calculate the average of the balance accounts since, although the income statement covers the entire period, the balance is only a snapshot of the company at any given time.

The inventory turnover is the number of times that the Balance accounts (Inventories, Accounts Receivable and Payable Receivable) are renewed during a period. Thus, it serves to measure the speed with which a company sells its inventory, charges from its customers or pays its suppliers, being the inverse of the rotation, the period that takes that magnitude to make a rotation.

Both inventories and customers are two of the most significant short-term assets that require large investments. Therefore, it is very important to measure how quickly these two elements become liquid and the average number of times they are renewed. In this sense, the faster inventories are sold and customer credits are charged, the more efficient the company will be and the more effective it will be available to continue with the production process or main activity of the company. On the other hand, commercial creditor is one of the main short-term liabilities and primarily represents the financing of suppliers. The fewer rotations the debts have with suppliers, the more cash will be available as the payment term to supplier increases.

3. Long-term financial equilibrium: Equity guarantee

To conclude, it should be noted that, in addition to analysing the company's short-term financial balance, it is essential to assess the long-term balance, trying to determine whether the company can meet long-term debt at maturity. For this, the company must analyse the structure of investments and long-term sources of financing, obtained from the functional balance, the capital variations (origins and applications) that the fixed structure may suffer and the correlation between fixed investments and sources of financing.

In this sense, it is essential to evaluate the resources obtained by the company, as well as the resources it generates and the use made of them (Rodríguez Ariza *et al.*, 2016). With this, it is possible to verify whether the strategies and policies adopted favour the financial balance, considering, in addition, the borrowing capacity of the company.

Thus, after analysing the working capital and the operational financing needs and the cash conversion cycle, it is necessary to study whether the company generates resources, especially if they come from its operations, as well as the repayment capacity of the debt, both short and long term.

Likewise, the analysis of the short-term equilibrium must be taken into account and the capacity for repayment of the total debt and the generation of exploitation resources that allow the continuity of the activity, as well as the equity guarantee, which has been previously explained as the ratio of the Total Assets to the Total Liabilities.

Therefore, the analyst must study:

$$\text{Equity guarantee} = \text{Total Assets} / \text{Fixed Liabilities} + \text{Current Liabilities}$$

- The financing / investment policies of the company through the analysis of the origins and applications of funds.
- The financial position of the entity through the variation experienced by the WC.
- The generation of operating funds in the company.
- The long-term financial balance through guarantee ratios and debt repayment capacity (Table 5.6).

Ratio	Measure	Definition
Short-term debt repayment capacity	$\frac{\text{Cash} - \text{flow}}{\text{Short-term liabilities}}$	It measures the company's ability to meet its short-term debt with the resources generated.
Long-term debt repayment capacity	$\frac{\text{Cash} - \text{flow}}{\text{Short-term liabilities} + \text{Long-term liabilities}}$	It measures the company's ability to meet its total debt with the resources generated.
Time to return financial credits	$\frac{1}{\text{Debt repayment capacity}}$	It measures the time it takes for the company to return its debt in the short or long term, according to the time horizon considered.

Table 5.4: Debt repayment capacity

Source: Own elaboration based on Rodríguez Ariza *et al.* (2016).

VI. ECONOMIC ANALYSIS: PROFITABILITY

The economic aspect of the accounting analysis is aimed at examining and prosecuting the economic situation of the company. It must mainly consider the result achieved and the value that the company has in the market —value of the share, the interest it produces, etc— (Batardon, 1987: 244). The fundamental object of the economic analysis is the profitability of the company in its qualitative and quantitative aspects, concretizing in the analysis of the return on investment, the result of exploitation and the use of the asset (Bernstein, 1996: 92).

So, the economic equilibrium will require an efficient management of the firm's resources, which is linked to higher levels of profitability. Profitability is defined as the ability of the company to produce a result. But it is also defined as the rate at which the capital employed in it is remunerated.

As in the case of the financial analysis, the first stage is the calculation of the Common-size income statement the vertical and horizontal percentages of each income and expenditure. Once it has been calculated and analysed, it is relevant to analyse the different types of results that are obtained.

Thus, as a result of the differences between income and expenses, various magnitudes of results are emerging: Gross Margin, Earning Before Interest, Taxes, Depreciation

and Amortization (EBITDA), Earnings Before Interest and Taxes (EBIT), Gross Result or Earning Before Taxes (EBT) and Net Income.

1. Margin analysis

The starting point should be the activity carried out by the company in a certain period of time. Therefore, the first magnitude in the income statement that the analyst must study is the *Turnover* or sales revenue.

The turnover is the fundamental magnitude since without sales revenue, the company will not be able to fulfil its corporate purpose, remunerate the different productive factors, generate financial resources to meet payments, etc. Therefore, it is necessary to know the volume reached and the origin (diversity of markets, diversity of products, etc.) of sales, as well as the evolution experienced by them, because the company's market permanence depends on its continuous generation (Rodríguez-Ariza *et al.*, 2016).

In relation to expenses, it will be necessary to pay attention to expenses that have a greater relative weight in relation to sales and that, depending on the sector, the activity or the way of carrying it out the most important expenses will be consumption, personnel expenses or other expenses of exploitation.

Thus, supplies are usually the most important item in manufacturing and commercial companies, so good warehouse management is essential. Managers should consider both the cost and quality of the raw material and the deadlines for supply, but they must also take into account that maintaining a high volume of stock has associated maintenance and financing costs, and risks of possible depreciation, deterioration or changes in the demand. The calculation of inventory turnover, previously explained, will allow us to observe how quickly stocks are renewed and, their comparison over time, if stockpiles of materials are being produced (Rodríguez-Ariza *et al.*, 2016).

In relation with personnel expenses, in addition to the analysis of its weight and evolution, it is interesting to calculate the average expenditure per worker in order to appreciate if there have been savings in this item, or compare the turnover with the number of employees, to appreciate if these have been more efficient in carrying out their work.

For its part, other important expenditures are those corresponding to amortizations and impairments. In this regard, it should be remembered that their amounts are obtained after an estimation process, which implies their relativity, so that a guarantee is the analysis of the audit report. In addition, the analyst must know the specific criteria that have been applied in order to properly assess the evolution of these items.

In this regard, the first margin that the analyst must calculate is the Gross Margin as the subtracting of the Turnover and the Cost of sales.

$$\text{Gross Margin} = \text{Turnover} - \text{Cost of Sales}$$

The second margin is the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) that measures the company's financial performance and project

earnings potential. The purpose of EBITDA is to obtain a true picture of what the company is earning or losing at the core of its business.

$$\text{EBITDA} = \text{Net profit} + \text{Interest} + \text{Taxes} + \text{Depreciation} + \text{Amortization}$$

This margin is an approximation to the Added Value of a company, that is calculated as the subtracting of the Gross margin and cost of personnel and other operating profit.

The next margin that should be analysed is the EBIT, whose main difference with EBITDA is that in this margin the estimation of amortization and depreciation are included. This margin is calculated as follows:

$$\text{EBIT} = \text{Net profit} + \text{Interest} + \text{Taxes}$$

Apart from its main activity, a company carries out other activities related with the financing. In this context, the financial expenses deserve special mention, whose importance, in many cases, can jeopardize the profitability of the entity and, therefore, the continuity of the business (Rodríguez-Ariza *et al.*, 2016). In its interpretation it is necessary to take into account that these expenses are clearly related, on the one hand, with the volume and type of indebtedness that the company maintains and, on the other, with the interest rates existing in the market.

The importance of financial income from dividends or interest on loans will depend on the volume of financial investments held by the company, which may be related to group companies, or respond to excess cash that has materialized in this type of assets to obtain higher returns. So, another margin that can be calculated is the Financial Result, as the subtracting of the Financial Income and the financial expenses.

Finally, Earnings Before Tax (EBT) or Gross Result reflects how much operating profit has been realized before accounting for taxes and Net Income or Net Profit is the result of the firm for a specific period of time, after taxes.

$$\text{Gross Result or EBT} = \text{Net profit} + \text{Taxes}$$

2. Profitability analysis

As explained before, profitability is the ability of the company to produce a result so, its analysis assesses a business's ability to generate earnings relating to different magnitudes as sales, assets or equity.

The profitability analysis is performed by studying diverse ratios, presented in Table 5.7.

Ratio	Measure	Definition
Gross Margin Ratio	$\frac{\text{Gross margin}}{\text{Net sales}}$	The percentage of € available for expenses and profit after the cost of merchandising is deducted from sales.
Operating Profit Margin	$\frac{\text{EBIT}}{\text{Net sales}}$	It measures earnings as a percentage of sales. It analyses how the management is performed.

Ratio	Measure	Definition
Profit Margin (after tax)	$\frac{\text{Net profit}}{\text{Net sales}}$	The profit per sales € after all expenses are deducted from sales.
Return on assets	$\frac{\text{Net profit}}{\text{Total assets}}$	It measures how profitable a company is relative to its total assets.
Return on equity	$\frac{\text{Net profit}}{\text{Equity}}$	The amount of net income returned as a percentage of shareholders equity.
Earnings per share (EPS)	$\frac{\text{Net profit}}{\text{Weighted average number of common share outstanding}}$	Company's net income on a per share of common stock basis.
Dividend Payout Ratio	$\frac{\text{Dividends paid}}{\text{Net income}}$	It measures the percentage of earnings paid to shareholders in dividends.

Table 5.5: Profitability capacity

Source: Own elaboration based on Rodríguez Ariza *et al.* (2016).

Considering these ratios, the Gross Margin Ratio, the Operating Profit Margin and the Profit Margin can be easily calculated from the Common-sized Income statement, as they are the result of its vertical analysis.

In relation with the Return on assets, it evaluates the efficiency of the company using its assets to generate earnings; while the Return on equity evaluates a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Finally, the Dividend Payout Ratio provides information of how much money a company is returning to shareholders versus how much it is keeping to reinvest, repay debt, or add to cash reserves.

VII. CONCLUSIONS

In this chapter, the main mechanisms to carry out the economic and financial analysis of a company have been made clear. It is important to highlight that the microeconomic analysis of a firm depends on several factors as it has been explained. But it is relevant to this analysis first, the objectives of the analysis, second, the sector or activity of the firm and finally, the macroeconomic situation, as these factors would determine the final interpretation of the results.

The main purpose of the microeconomic analysis is the evaluation of a firm situation: solvency and profitability in order to know if the company has the capacity of pay its debts, generate profit and continue with its activity. So, the analyst's final report should identify the core advantages of the firm as well as the main disadvantages to asses the best strategy to solve the possible economic and financial tensions.

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CHAPTER 6

CASE STUDY OF MICROECONOMIC ANALYSIS

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I. CASE STUDY. TUHAMI, S.L: WHOLESALE TRADE COMPANY IN MELILLA

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Key words: Tuhami S.L., financial statements, financial analysis, economic analysis, solvency and profitability

1. Summary

One of the economic determinants of Melilla, a Spanish city located in North Africa, is its historical tradition of supplying goods to the surrounding border area of Morocco. So, the companies dedicated to the wholesale trade have always been very important in the economy of the city.

Tuhami, S.L. is a small company located in Melilla, that has become one of the most important companies in the area. Why a company with relatively few workers can become the company with the highest turnover in Melilla?

The answer to this question is mainly due to two reasons. First, because of the exclusivity in the distribution licenses of products of great consumption that this company has, what favours to obtain good financial and economic results, as we can analyse in this case study.

At the same time, the company has changed its strategy by diversifying economic activities by changing the company's corporate purpose to real estate activities.

2. Introduction

This case study has been elaborated within the context of the 3economy+ project, being its main objective to analyse the economic and financial situation of three different companies, one for each area involved into the project: Melilla (Spain), Alentejo (Portugal) and Malta (Malta). In addition, each company belongs to a different economic sector which favours the analysis of the differences that can arise in the financial and economic analysis.

In the case of Melilla, the firm selected is Tuhami, S.L., dedicated to wholesale trade of electronic and telecommunications equipment and its components, and it is a small business with 10 employees. It was founded on 2006.

Recently, as a strategic policy, the company has diversified its wholesale activities, extending its corporate purpose to the real estate activities, comprising the acquisition and sale of land, buildings and urban properties in general, as well as the administration, holding, operation and rental or lease of real estate.

3. Aims

Businesses must base their activity on goals and objectives. To specify these goals and objectives, companies should analyse their finance and economic situation, in order to make the best decision considering the different policies and strategies.

In this sense, the financial and economic analysis is intended to study whether an entity is stable, solvent and profitable enough to warrant a monetary investment and it is mainly focused on the analysis of information coming from financial statements. So that, it allows to identify the key issues of one firm to facilitate decision-making.

The main objective of this case study is to analyse the key financial and economic indicators of Tuhami, S.L. the first company in turnover in Melilla.

4. Method

Whole aspects of a company are related to each other; however, in the micro-economic analysis, it is usual to distinguish between financial and economic analysis (Rodríguez-Ariza *et al.*, 2016).

The first one examines mainly investments and disinvestments, both long-term and short-term, and the magnitudes derived from the financial area with the aim of diagnosing whether there is an adequate correlation between investments and financing sources, evaluating fundamentally the capacity of payment by the company. On the other hand, the economic analysis refers mainly to the analysis of the firm's results with the objective of diagnosing if the company is carrying out its activity efficiently and efficiently, being able to generate adequate profitability.

The methodology of the financial and economic analysis consists on the analysis fundamentally of the firm data coming from the balance sheet and the income statement. So, after obtaining the financial statements of the selected company, it has been elaborated the common-sized balance sheet and income statement through the application of the vertical and horizontal analysis and calculated a series of ratios to identify the main strengths and weakness of the firm, following the methodology presented by Rodríguez Ariza *et al.* (2016).

So, first it is presented a brief summary of the company's characteristics. Then it is presented the financial analysis, for which we present the common-sized balance sheet and a list of financial ratios that are analysed according to the context of Tuhami, S.L. Finally, the economic analysis is performed through the study of the common-sized income statement and a series of economic ratios.

5. Results

A. Financial analysis

The common-sized balance sheet is presented in Table 1, for years 2015 and 2016. As it can be observed by the vertical analysis, the current assets present a higher weight than non-current assets, being the inventories the highest account element from the current assets.

This structure is common for companies operating in the wholesale sector and it is maintained both years, although there are some changes as the non-current assets has increased over 69,29% and the current assets has decreased a 45.23%. Within this group of elements, inventories, accounts receivables and cash has decreased. The most significant drop is the suffered by the account receivables. The decrease of these elements can be originated by a decrease in the sales of the company and/or a change in the collection policy.

Considering the equity and liabilities, we can observe that Tuhami, S.L. has changed the structure of financing, as in 2015 it was mainly financed by external fund (74.74%) however in 2016 the main financing resource is equity (50.66%). Liabilities have decreased over 53.20% while equity has increased a 42.12%. There has been clearly a change in the financing policy of the company.

Within liabilities, the company is financed with short-term funds, coming from by its suppliers (29.98% in 2016 and 37.27% in 2015) and short-term loans (19.36% and 37.46%, respectively in 2016 and 2015).

ASSET	2016	%	2015	%	Variation
Non-current Assets	8,963,129.3	33.6%	5,294,482.7	14.1%	69.3%
Current Assets	17,715,228.1	66.4%	32,346,028.3	85.9%	-45.2%
Inventories	14,471,825.1	54.3%	17,944,565.3	47.7%	-19.4%
Account Receivables	3,105,072.5	11.6%	13,795,440.6	36.6%	-77.5%
Cash	138,330.5	0.5%	606,022.3	1.6%	-77.2%
TOTAL ASSET	26,678,357.4		37,640,511.1		-29.1%
EQUITY AND LIABILITIES	2016	%	2015	%	Variation
EQUITY	13,514,134.8	50.7%	9,509,277.6	25.3%	42.1%
LIABILITIES	13,164,222.6	49.3%	28,131,233.4	74.7%	-53.2%
Long-term Liabilities					
Current asset	13,164,222.6	49.3%	28,131,233.4	74.7%	-53.2%
Accounts Payables	7,998,726.8	30.0%	14,029,237.6	37.3%	-43.0%
Short-term financial liabilities	5,165,495.8	19.7%	14,101,995.8	37.5%	-63.4%
Total equity and liabilities	26,678,357.4		37,640,511.1		-29.1%

Table 6.1: Common-sized balance sheet from Tuhami, S.L., 2015 and 2016

Source: Own elaboration derived from data from financial statements for Tuhami, S.L.

Going in depth, the financial ratios for Tuhami SL are presented in Table 6.2. First, we present a series of ratios related with the financial position of the firm. Then the short-term and the long-term financial equilibrium are analysed.

FINANCIAL ANALYSIS	2016	2015	Variation
Financial position and Corporate indebtedness			
Solvency	134.57%	114.98%	17.04%
Liquidity (acid test ratio)	24.64%	51.19%	-51.87%
Quick ratio	1.05%	2.15%	-51.22%
Debt to equity or Indebtedness	97.41%	295.83%	-67.07%
Debt composition			
Long-term debt			
Short-term debt	97.41%	295.83%	-67.07%
Short-term financial equilibrium			
Working Capital	4,551,005.49	4,214,794.86	7.98%
Operational Financing Needs	9,578,170.8	17,710,768.34	-45.92%
Net Liquid Resources	-5,027,165.31	-13,495,973.48	-62.75%
Cash Conversion Cycle			
Days inventory	145.07	133.69	8.51%
Days receivables	8.02	7.07	13.40%
Days payables	98.58	87.99	12.03%
Long-term financial equilibrium			
Equity guarantee	202.66%	133.80%	51.46%
Short-term debt repayment capacity	7.09%	2.72%	160.58%
Long-term debt repayment capacity			
Time to return financial credits	14.11	36.76	-61.62%

Table 6.2: Financial ratios for Tuhami, S.L., 2015 and 2016

Source: Own elaboration derived from data from financial statements for Tuhami, S.L.

From the analysis of the results presented in Table 6.2, Tuhami, S.L. is a solvent firm when it is compared current assets with current liabilities, but this advantage is decreasing if we analyse the liquidity and quick ratios that compare the most available assets with the current liabilities. Indeed, although solvency has increased, both, liquidity and quick ratios have decreased.

As it has been previously observed, Tuhami's indebtedness has decreased over a 67.07% so that in 2016 equity and liabilities are almost the same (97.41%). There is no long-term financing.

When analysing short-term financial equilibrium, Tuhami, S.L. present a positive working capital during 2016 and 2015 (so, part of current assets are financed by stable resources -equity and/or long-term liabilities-), with positive operational financing needs and negative net liquid resources. This result indicates that operational financing needs are higher than working capital, so part of operational financing needs are financed by basic financing (working capital) and short-term financing (net liquid resources). This situation can indicate certain financial tension.

Indeed, the cash conversion cycle during 2015 and 2016 is positive (54.51 and 52.77 days, respectively), which indicate that Tuhami, S.L. needs external financing to cover the exploitation cycle, related with its main activity. Tuhami, S.L. last on average 145 days in 2016 in selling its products, 8 days in collecting from its customers and it has 98.58 days of funding from its suppliers.

When the long-term financial equilibrium is studied, Tuhami, S.L. present a good position on guarantee as total assets can cover total liabilities (202.66% and 133.80% in 2016 and 2015, respectively), having capacity to repay the short-term liabilities so that, if Tuhami, S.L. would have to pay short-term liabilities, it would last 14 days.

In summary, the financial position of the firm is good, although it must to control better the collection and payment politics.

B. Economic analysis

To perform the economic analysis, the common-sized income statement is presented in Table 6.3. As it can be observed, Tuhami, S.L. present a positive net result during both years, 2016 and 2015.

When analysing the composition of the result and margins, gross margin has a weight over 4.45% and 4.52% in 2016 and 2015, respectively, indicating that the highest cost element is cost of sales, representing the 95.55% and 95.48%, respectively, over total revenues.

If other operating income and costs (cost of personnel and other expenses) are considered, the margin, EBITDA, decreases (until a weight of 2.23% and 1.98%). This margin is relatively the same that EBIT, implying that amortization and depreciation present a low percentage. The financial result is negative so it decreases the margin as well as taxes, until a 1.59% over revenues.

	2016	%	2015	%	Variation
Revenues and other income	42,680,883.4	100.0%	39,446,546.9	100.0%	8.2%
Cost of sales	-40,781,329.5	95.6%	-37,665,376.8	95.5%	8.3%
GROSS MARGIN	1,899,553.9	4.4%	1,781,170.1	4.5%	6.7%
Other Income operating	42,499.3	0.1%	17,306.9	0.1%	145.6%
Cost of personnel	-217,770.4	0.5%	-197,646.5	0.5%	10.2%
Other operating expenses	-774,191.5	1.8%	-81,9152.5	2.1%	-5.5%
E.B.I.T.D.A.	950,091.3	2.2%	781,677.9	2,0%	21.6%
Amortization and deprec.	-16,869.8	0.1%	-16,357.5	0.1%	3.1%
E.B.I.T.	933,221.5	2.2%	765,320.4	1.9%	21.9%
Financial income	153,430.0	0.4%	102,990.6	0.3%	49.0%
Financial cost	-307,524.0	0.7%	-198,550.8	0.5%	54.9%
FINANCIAL results	-154,094.0	-0.4%	-95,560.2	-0.2%	61.3%
GROSS results	779,127.5	1.8%	669,760.3	1.7%	16.3%
NET INCOME	677,273.9	1.6%	544,647.5	1.4%	24.4%

Table 6.3: Common-sized income statement from Tuhami, S.L., 2015 and 2016

Source: Own elaboration derived from data from financial statements for Tuhami, S.L.

Studying the economic ratios presented in Table 6.4, return on assets evaluates the efficiency of the company using its assets to generate earnings, that has increased in 2016, having a result of 2.54%; while return on equity, that evaluates a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested, has decreased although it presents a positive result. In summary, the firm present a good economic position, with a positive result and efficient return on investments.

ECONOMIC ANALYSIS	2016	2015	Variation
Gross Margin Ratio	4.45%	4.52%	-1.44%
Operating Profit Margin	2.19%	1.94%	12.70%
Profit Margin (after tax)	1.59%	1.38%	14.93%
Return on assets	2.54%	1.45%	75.45%
Return on equity	5.01%	5.73%	-12.50%

Table 6.4: Economic ratios for Tuhami, S.L., 2015 and 2016

Source: Own elaboration derived from data from financial statements for Tuhami, S.L.

6. Discussion

Financial statement analysis is a key tool in order to have a picture of the situation of a specific company, favouring the decision making.

The financial (solvency) and economic (profitability) situation of a firm is important for a large number of users of accounting information. However, each one will emphasize different aspects and will require a specific focus on the information depending on the decision they want to make (Rodríguez-Ariza *et al.*, 2016).

In this case, the main purpose of the case study is to understand why Tuhami S.L. is one of the main companies in Melilla. To do it, we have analysed the balance sheet and the income statement of the firm, and we have performed a ratio analyses with data coming from these two financial statements.

And how is it possible to link this analysis with factors determining its leadership position? Because the good financial and economic health of the firm is the consequence of the strategy implementation, which in accordance with the notes, is focused on the exclusive license of distribution and the diversification activities to the real estate sector.

7. Conclusions and Recommendations

From the analyses performed, several conclusions can be highlight. First, Tuhami, S.L. presents a good financial health, although it must revise the collection and payment policy. It has a good capacity to generate liquid resources from its assets and also to meet the cost of external financing.

The firm present a good economic position, with a positive result, healthy cash flow and efficient return on investments, what may ensure a sustainable growth of the firm.

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II. **CASE STUDY. INTERNATIONAL HOTEL INVESTMENTS, P.L.C.: THE ROAD TO QUALITY ENHANCEMENT HOSPITALITY AND REAL ESTATE**

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Key words: IHI p.l.c., financial statements, financial analysis, economic analysis, solvency and profitability

1. **Summary**

This case study analyses the financial statements of a company that develops one of the most important activities of the Maltese economy, hospitality and real estate.

International Hotel Investments p.l.c. (IHI) is a hotel and real estate developer that owns and runs Corinthia Hotels. It also manages hotels for partner owners and investors.

In this case, the financial and economic analysis is applied to a group of companies. This analysis shows a good financial and economic situation.

2. **Introduction**

This case study is presented in the context of the 3economy+ project, where three companies and areas are analysed -Melilla (Spain), Alentejo (Portugal) and Malta (Malta)-. In this case, the study is focused on the last one, for which the firm selected is the International Hotel Investments IHI, p.l.c.

The origin of the International Hotel Investments p.l.c. (IHI) lies on the restaurant of the family Pisani, opened in 1962 and converted into a hotel in 1968, under the name of Corinthia Palace Hotel Company Limited. The International Hotel Investments p.l.c. was established as the Group's publicly traded holding company in 2000 with the objective of managing the Corinthia brand (IHI, n.d.).

The main activity of the group consists in owning hotels and real estate, hotel management, development, project management and industrial catering and it operates 21 hotels on three continents (IHI, 2016). Its mission is to establish Corinthia Hotels as a global luxury hotel brand, for this reason the firm acquires, develops, owns and operates Corinthia Hotels, although it also develops and manages hotels on behalf of partner owners and investors.

3. **Aims**

The management of a group of companies and businesses has several difficulties, as it must deal with the resource sharing and optimization decision between businesses and the diversity of activities that must be considered. In order to facilitate the decision making, the financial and economic analysis provides a good information resource.

However, when analysing data coming from a group of businesses it is necessary to study together each company of the group in order to investigate which one is the best and if any one presents financial tensions. Because, it is important to have not

only a global picture of the group, but also specific information for each business in order to establish the global strategy.

In this way, we will try to identify the key financial issues of IHI to facilitate decision-making in the future.

4. Method

This analysis performed in a group of companies presents the same stages than the analysis of a specific firm. So, after obtaining the common-sized balance sheet and income statement and financial and economic ratios are calculated. Then, the analyst can initiate the study of the main relations of the financial and economic magnitudes with the aim of identifying company's evolution, its performance and its strangeness and weaknesses.

The elaboration of common-sized balance sheet and income statement allows the study of the composition and evolution of business patrimony and profitability. At the same time, it provides the necessary data for performing the ratio analysis.

So, following the methodology proposed by Rodríguez Ariza *et al.* (2016), this case study presents the common-sized balance sheet and income statement, obtained by the application of the vertical and horizontal analysis and a series of ratios to identify the main strengths and weakness of the IHI.

5. Results

A. Financial analysis

IHI's common-sized balance sheet for years 2015 and 2016 is presented in Table 6.5. As it can be observed by the vertical analysis, total assets of the company have increased in 2016 over a 5.23%. Specifically, non-current assets present a higher weight than current assets (91.73% vs 8.27%, in 2016). Both elements have increased, although the increase of non-current assets is higher.

Within current assets, the highest element is the account receivables (5.31% and 3.73% in 2016 and 2015, respectively). Inventories present a slight relative weight and cash is over 2.41% and 1.63%, respectively, in 2016 and 2015.

The activity of this group of companies is hospitality and real estate which is the main reason for this asset structure.

Considering equity and liabilities, we can observe that IHI is mainly financed by equity (53.01% and 52.45%), but having a similar weight to liabilities. If we analyse the composition of liabilities, during 2016 and 2015, long-term liabilities (39.98% and 38.92%, respectively) are higher than short-term liabilities (7.01% and 8.62%, respectively).

ASSET	2016	%	2015	%	Variation
Non-current Assets	1,119,397,000	91.73%	1,091,247,000	94.1%	2.6%
Current Assets	100,857,000	8.3%	68,396,000	5.9%	47.5%
Inventories	6,727,000	0.6%	6,280,000	0.6%	7.1%
Account Receivables	64,748,000	5.3%	43,253,000	3.7%	49.7%
Cash	29,382,000	2.4%	18,863,000	1.6%	55.8%
TOTAL ASSET	1,220,254,000		1,159,643,000		5.2%
EQUITY AND LIABILITIES	2016	%	2015	%	Variation
EQUITY	646,822,000	53.0%	608,288,000	52.5%	6.3%
LIABILITIES	573,432,000	47.0%	551,355,000	47.5%	4.0%
Long-term Liabilities	487,851,000	40.0%	451,356,000	38.9%	8.1%
Current asset	85,581,000	7.0%	99,999,000	8.6%	-14.4%
Accounts Payables	50,675,000	4.1%	74,215,000	6.4%	-31.7%
Short-term financial liabilities	34,906,000	2.9%	25,784,000	2.2%	35.4%
TOTAL EQUITY AND LIABILITIES	1,220,254,000		1,159,643,000		5.2%

Table 6.5: Common-sized balance sheet from IHI, p.l.c., 2015 and 2016

Source: Own elaboration derived from data from financial statements for IHI, p.l.c.

Financial ratios for IHI are presented in Table 6.6. In 2016, the company presents a positive value for solvency (current assets represent the 117.85% over current liabilities), and liquidity (13.27%). However, quick ratio is only 34.33%.

As it has been previously explained, Evertis is mainly financed by equity so, indebtedness is 88.65%. Long-term liabilities represent the 75.42% in 2016 of current liabilities and short-term debt ratio, the 13.23%.

If we analyse working capital, it can be observed a change in form 2015 (negative value) to 2016 (positive value). In 2016, operational financing needs are positive, but higher than working capital, so part of them is covered by net liquid resources (negative value).

However, cash conversion cycle is negative both years, indicating that IHI's supplier financing is higher (260.43 days on average) than the sum of days inventory and days receivables.

So, the operating cycle is covered by suppliers. Remember that IHI activity is focused on managing hotels, where almost all transactions are paid in cash, so the group has not problems on this issue.

Finally, if we analyse the long-term equilibrium, IHI enjoys a good financial health.

FINANCIAL ANALYSIS	2016	2015	Variation
Financial position and Corporate indebtedness			
Solvency	117.85%	68.40%	72.30%
Liquidity (acid test ratio)	109.99%	62.12%	77.07%
Quick ratio	34.33%	23.72%	44.73%
Debt to equity or Indebtedness	88.65%	90.64%	-2.19%
Debt composition	570.05%	451.36%	26.30%
Long-term debt	75.42%	74.20%	1.65%
Short-term debt	13.23%	16.44%	-19.52%
Short-term financial equilibrium			
Working Capital	15,276,000	-31,603,000	-148.34%
Operational Financing Needs	20,800,000	-24,682,000	-184.27%
Net Liquid Resources	-5,524,000	-6,921,000	-20.18%
Cash Conversion Cycle	-137.68	-108.13	27.33%
Days inventory	27.12	30.07	-9.80%
Days receivables	95.62	84.22	13.53%
Days payables	260.43	222.43	17.08%
Long-term financial equilibrium			
Equity guarantee	212.80%	210.33%	1.18%
Short-term debt repayment capacity	-2.69%	24.41%	-111.04%
Long-term debt repayment capacity	-0.40%	4.43%	-109.08%
Time to return financial credits	-37.13	4.10	-1,006.20%

Table 6.6: Financial ratios for IHI p.l.c., 2015 and 2016

Source: Own elaboration derived from data from financial statements for IHI p.l.c.

B. Economic analysis

Common-sized income statement for IHI is presented in Table 6.7. As it can be observed, the firm present a negative net result during both years, 2016 and 2015.

Gross margin represents the 44.57% and 47.55% in 2016 and 2015, respectively, over total revenues. Costs of sales are only the 55.43% and 52.45%, respectively. However, personnel costs and other operating expenses decrease the margin until a 2.69% and 14.07%, respectively.

EBIT is negative due to the weight of amortization and depreciation. Financial results are also negative, so net result is negative.

Considering Table 6.4, that presents economic ratios for IHI, as it has a negative result, the return on assets and return on equity are also negative.

	2016	%	2015	%	Variation
Revenues and other income	157,901,000	100.0%	134,074,000	100.0%	17.8%
Cost of sales	-87,519,000	55.4%	-70,326,000	52.5%	24.5%
GROSS MARGIN	70,382,000	44.6%	63,748,000	47.6%	10.4%
Other Income operating	795,000	0.5%			--
Cost of personnel	-27,805,000	17.6%	-26,147,000	19.5%	6.3%
Other operating expenses	-39,122,000	24.8%	-18,731,000	14.0%	108.9%
E.B.I.T.D.A.	4,250,000	2.7%	18,870,000	14.1%	-77.5%
Amortization and depreciat.	-23,307,000	14.8%	-20,093,000	15.0%	16.0%
E.B.I.T.	-2,305,000	-1.5%	24,407,000	18.2%	-109.4%
Financial income	11,125,000	7.1%	807,000	0.6%	1278.6%
Financial cost	-15,583,000	9.9%	-25,544,000	19.1%	-39.0%
FINANCIAL results	-4,458,000	-2.8%	-24,737,000	-18.5%	-82.0%
GROSS results	-6,763,000	-4.3%	-330,000	-0.3%	1949.4%
NET INCOME	-7,658,000	-4.9%	-3,728,000	-2.8%	105.4%

Table 6.7: Common-sized income statement from IHI p.l.c., 2015 and 2016

Source: Own elaboration derived from data from financial statements for IHI p.l.c.

ECONOMIC ANALYSIS	2016	2015	Variation
Gross Margin Ratio	44.57%	47.55%	-6.25%
Operating Profit Margin	-1.46%	18.20%	-108.02%
Profit Margin (after tax)	-4.85%	-2.78%	74.42%
Return on assets	-0.63%	-0.32%	95.22%
Return on equity	-1.18%	-0.61%	93.18%

Table 6.8: Economic ratios for IHI p.l.c., 2015 and 2016

Source: Own elaboration derived from data from financial statements for IHI p.l.c.

6. Discussion

As it has been previously explained, IHI is present in the hospitality sector and the real estate area. This activity determines the volume of long-term investments and its financing structure.

At the same time, as it is highlighted in the notes of the group companies, revenues come from the operation of owned hotels, flowed by the rental income of residential and commercial premises. Residually, earning are caused by a vacation ownership marketing business, a retail and event catering business, and the operation of Costa Coffee outlets in Malta and Spain.

Finally, although the group presents a good financial and economic situation, it must deal with political changes and uncertainties, as in the case of Libya, as it is remarked by the audit report of consolidated financial statements for the year ended 31 December 2015.

7. Conclusions and Recommendations

Although it would be necessary a specific and more detailed analysis of each business of the groups, from the analyses performed, several conclusions can be showed. First, IHI present a good financial position. It is mainly financed by equity, but having a similar weight to liabilities.

In the economic analysis, IHI presents a positive gross margin but it must control its expenses in order to get positive results. Indeed, as it is highlighted in the notes, the results were affected by a pre-tax net impairment in fair value of Group properties.

Finally, as IHI presents losses (negative net income), the return on assets and return on equity are also negative.

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III. CASE STUDY. EVERTIS IBERICA, S.A: THE CHALLENGER OF THE ENVIRONMENTAL RESPONSIBILITY

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Key words: Evertis Iberica S.A.financial statements, financial analysis, economic analysis, solvency and profitability

1. Summary

Evertis is a Portuguese company owned by the IMG Group, functioning in the polymers industry since 1959. This group was a pioneer operator in PET film extrusion. Specifically, Evertis Iberica S.A. is focused on the production of semi rigid barrier films for packaging.

Nowadays, the environmental protection and growing concern in citizens and governs are a critical point that may affect to the production of this kind of packaging. Is the consumption reduction of polymers affecting to the economic situation of Evertis Iberica S.A.?

This question can be answered by analysing the financial statements of Evertis Iberica S.A., which presents several problems with its financing structure and it has a negative economic position. So, this company present problems on guaranteeing its financial situation and a low capacity to repay its debts.

2. Introduction

As it has been previously explained, this case study has been elaborated within the context of the 3economy+ project, in which three areas are represented: Melilla (Spain), Alentejo (Portugal) and Malta (Malta).

In the case of Alentejo (Portugal), the firm selected is Evertis Iberica S.A. (Industries Packaging and Containers) whose activity is focused on the production of semi rigid barrier films for packaging. The firm belongs to the Group IMG, aimed to the production of polymers and pioneers in PET film extrusion. Evertis is present in Portugal, Brazil and Mexico and is an expert in “the production of mono and multilayer

semi rigid barrier films essentially for the food packaging industry, thermoformers and blisters” (Evertis, n.d.).

Evertis’ mission is to develop PET packaging solutions enhancing global partnerships, providing superior client service and innovative solutions, fostering sustainability and being commitment with health, safety and environmental standards.

3. Aims

The firm’s activity and performance are affected by their own decisions and strategies, but also by the environment, the political decisions of the governments and trends. Companies are social being so they are continuously interacting with other companies and operators. So their financial and economic situation is the result of several factors.

In this context, the financial and economic analysis is intended to study the company’s evolution, its performance and its strangeness and weaknesses. So, analysing data coming from the financial statements it is possible to conclude whether a firm is stable, solvent and profitable enough to warrant a monetary investment (Rodríguez-Ariza *et al.*, 2016).

So, the main objective of this case study is to investigate if Evertis Iberica S.A. is being affected by the growing environmental concern and protection and identify the main points of action that the company should focus on.

4. Method

The financial and economic analysis of companies is mainly based on the information coming from financial statements, specifically from the balance sheet and the income statement. The methodology of this kind of analysis is divided in several phases.

First, the balance sheet and the income statement must be transformed in order to give a better picture of the company. For this purpose, the vertical and horizontal analysis are applied to these financial statements (Rodríguez Ariza *et al.*, 2016).

Specifically, the “vertical analysis” consists on calculate the percentages (weights) of the magnitudes included in the balance sheet and the income statement, so a column is added to the financial statements with these percentages, which are calculated in reference to the total magnitude (total assets, in the case of the balance sheet or, net sales in the income statement). On the other hand, the horizontal analysis obtains the interannual variation of each magnitude in the financial statements. The advantage of this procedure is that it facilitates the comparison between previous firm’s data and with other companies and industry’s average percentages.

When the percentages and variation are calculated we have the common-sized balance sheet and income statement, so, secondly the analyst must to study the information of these financial statements.

In order to analysis this data, a ratio analysis must be applied. A ratio describes the relationship between different items in the financial statements and it is important to consider financial ratios, related with the solvency, liquidity, indebtedness, operating ratios, most focused on the short-term activity as working capital and cash conversion cycle, and economic ratios, centred on profitability.

So, following these stages, this case study presents a brief summary of the company's characteristics. Then it is presented the financial analysis, for which we present the common-sized balance sheet and a list of financial ratios that are analysed according to the context of the firm. Finally, the economic analysis is performed through the study of the common-sized income statement and a series of economic ratios.

5. Results

A. Financial analysis

Table 6.9 presents Evertis's common-sized balance sheet for years 2015 and 2016. As it can be observed by the vertical analysis, total assets of the company have increased in 2016 over a 20.14%. Concretely, in 2016 non-current assets present a slightly higher weight than current assets (50.08% and 49.92%, respectively). The weight of these elements differs in 2015, as current assets were higher than non-current assets. However, both elements have increased.

Within current assets, the highest element is the accounts receivables (43.50% and 44.88% in 2016 and 2015, respectively). Inventories are around 6% and cash is over 0.50%. This structure is common for companies operating in the industry sector.

ASSET	2016	%	2015	%	Variation
Non-current Assets	60,241,625	50.1%	47,849,189	47.8%	25.9%
Current Assets	60,045,535	49.9%	52,271,422	52.2%	14.9%
Inventories	7,041,232	5.8%	6,729,168	6.7%	4.6%
Account Receivables	52,327,748	43.5%	44,938,777	44.9%	16.4%
Cash	676,555	0.6%	603,477	0.6%	12.1%
TOTAL ASSET	120,287,160		100,120,611		20.1%
EQUITY AND LIABILITIES	2016	%	2015	%	Variation
EQUITY	6,346,288	5.3%	75,373	0.1%	8319.8%
LIABILITIES	113,940,872	94.7%	100,045,238	99.9%	13.9%
Long-term Liabilities	32,272,835	26.8%	20,526,956	20.5%	57.2%
Current asset	81,668,037	67.9%	79,518,282	79.4%	2.7%
Accounts Payables	28,669,118	23.8%	25,306,166	25.3%	13.3%
Short-term financial liabilities	50,809,946	42.2%	52,447,245	52.4%	-3.1%
TOTAL EQUITY AND LIABILITIES	120,287,160		100,120,611		20.1%

Table 6.9: Common-sized balance sheet from Evertis Iberica S.A., 2015 and 2016

Source: Own elaboration derived from data from financial statements for Evertis Iberica, S.A.

Following with equity and liabilities, we can observe that Evertis is mainly financed by external fund both years (94.72% and 99.92%), representing equity the 5.28% in 2016 and 0.08% in 2015, over total assets. Equity and liabilities have increased.

If we analyse the composition of liabilities, during 2016 and 2015, long-term liabilities (26.83% and 20.50%, respectively) are lower than short-term liabilities (67.89% and 79.42%, respectively). Within current liabilities, short-term loans are the highest element.

Considering the whole analysis, this financing structure could be risky for the firm.

Table 6.10 summarizes financial ratios for Evertis. In this case, the firm presents a positive value for solvency (current assets represent the 73.5% over current liabilities).

When the available assets are compared with current liabilities (liquidity), the value decreases until 24.6%. The same situation occurs with quick ratio, that compares cash with current liabilities, whose value is very low (0.83%).

As it has been previously explained, Evertis is mainly financed by external funds (debt to equity), being enormously in debt (1795.4% and 132733%, in 2016 and 2015, respectively). Although, the increase of equity has improved this ratio (-98.6%).

Long-term liabilities represent the 39.52% in 2016 of current liabilities, so short-term debt ratio is higher than long-term debt ratio.

If we analyse working capital, it presents a negative value indicating that current liabilities cover part of non-current assets. Net liquid resources are also negative and higher than working capital, so operational financing needs are positive.

Cash conversion cycle is wide and Evertis needs external financing on average during 130 days in 2016 to cover its exploitation cycle.

The inventories last on average 47 days in being sold, Evertis provides financing to its customers during 268 days and it last 184 days in pay to its suppliers.

The firm needs to revise its collection policy, in order to decrease it and decrease the external financing of the operating cycle.

Finally, if we analyse long-term equilibrium, Evertis would present problems on guaranteeing its financial situation as total assets are similar to total liabilities and it presents a low capacity to repay its debts. It would be necessary to change the firm's finance structure, indeed, with the increase on equity in 2016, Evertis is implementing this political change.

FINANCIAL ANALYSIS	2016	2015	Variation
Financial position and Corporate indebtedness			
Solvency	73.52%	65.74%	11.85%
Liquidity (acid test ratio)	24.56%	26.59%	-7.64%
Quick ratio	0.83%	0.76%	9.16%
Debt to equity or Indebtedness	1,795.39%	132,733.52%	-98.65%
Debt composition	39.52%	25.81%	53.08%
Long-term debt	508.53%	27,233.83%	-98.13%
Short-term debt	1,286.86%	105,499.69%	-98.78%
Short-term financial equilibrium			
Working Capital	-21,622,502	-27,246,860	-20.64%
Operational Financing Needs	30,699,862	26,361,779	16.46%
Net Liquid Resources	-52,322,364	-53,608,639	-2.40%
Cash Conversion Cycle	130.63	123.40	5.86%
Days inventory	46.90	47.19	-0.62%
Days receivables	267.56	251.43	6.41%
Days payables	183.82	175.22	4.91%
Long-term financial equilibrium			
Equity guarantee	105.57%	100.08%	5.49%
Short-term debt repayment capacity	0.47%	1.36%	-65.68%
Long-term debt repayment capacity	0.34%	1.08%	-69.05%
Time to return financial credits	213.72	73.35	191.37%

Table 6.10: Financial ratios for Evertis Iberica S.A., 2015 and 2016

Source: Own elaboration derived from data from financial statements for Evertis Iberica S.A.

B. Economic analysis

Common-sized income statement for Evertis is presented in Table 6.11. As it can be observed, the firm present a negative net result during both years, 2016 and 2015.

The firm presents a gross margin over 18.09% and 19.16% in 2016 and 2015, respectively, indicating that the highest cost element is cost of sales, representing the 91.91% and 80.84%, respectively, over total revenues.

EBITDA margin decreases until a weight of 7.75% and 8.91%, respectively, mainly due to the weight of cost of personnel. When the amortization and depreciation are subtracted, EBIT margin decreases radically to 0.58% and 1.71%, respectively.

The financial result is negative so it makes negative the margin. This situation is indicating that Evertis need to revise the amortization politic and financial costs, originated by the financing structured.

	2016	%	2015	%	Variation
Revenues and other income	66,165,540	100.00%	63,222,781	100.00%	4.65%
Cost of sales	-54,195,719	81.91%	-51,112,219	80.84%	6.03%
GROSS MARGIN	11,969,821	18.09%	12,110,562	19.16%	-1.16%
Other Income operating	723,549	1.09%	1,378,751	2.18%	-47.52%
Cost of personnel	-6,343,696	9.59%	-6,370,442	10.08%	-0.42%
Other operating expenses	-,1219,466	1.84%	-1,483,140	2.35%	-17.78%
E.B.I.T.D.A.	5,130,208	7.75%	5,635,731	8.91%	-8.97%
Amortization and deprec.	-5,962,972	9.01%	-4,251,615	6.72%	40.25%
E.B.I.T.	382,134	0.58%	1,084,116	1.71%	-64.75%
Financial income					--
Financial cost	-2,992,176	4.52%	-3,309,737	5.24%	-9.59%
FINANCIAL results	-2,992,176	-4.52%	-3,309,737	-5.24%	-9.59%
GROSS results	-2,610,042	-3.94%	-2,225,621	-3.52%	17.27%
NET INCOME	-2,553,735	-3.86%	-2,178,246	-3.45%	17.24%

Table 6.11: Common-sized income statement from Evertis Iberica, S.A., 2015 and 2016

Source: Own elaboration derived from data from financial statements for Evertis Iberica S.A.

Considering ratios presented in Table 6.12, Evertis present a negative economic position, as both return on assets and return on equity present negative values.

ECONOMIC ANALYSIS	2016	2015	Variation
Gross Margin Ratio	18.09%	19.16%	-5.56%
Operating Profit Margin	0.58%	1.71%	-66.32%
Profit Margin (after tax)	-3.86%	-3.45%	12.02%
Return on assets	-2.12%	-2.18%	-2.42%
Return on equity	-40.24%	-2889.96%	-98.61%

Table 6.12: Economic ratios for Evertis, S.A., 2015 and 2016

Source: Own elaboration derived from data from financial statements for Evertis Ibérica S.A.

6. Discussion

The interpretation of the financial statements provides a systematic and efficient basis for the analysis of the business, since it allows (a) to know the origins that cause the current situation of the company, (b) to judge the policies developed by its managers, (c) to make comparisons to show their evolution and with other companies or with the sector, and, (d) to prepare a diagnosis on key issues of the organization in order to facilitate decision-making. In summary, it allows to the analyst to know the cause-effect relationships that have motivated the present situation, to distinguish those aspects that have been positive from those that have a negative significance, in order to detect strengths and weaknesses.

In this sense, Evertis presents financial tensions and a negative position, as both return on assets and return on equity present negative values and, although, the latest available financial data reflects a positive evolution of sales, but not of net results.

This company is confronting a change in their structure and in long-term it must deal with changes in the consumption patterns as the growing environmental concern and possible plastic limitations may affect to the sales of the company.

7. Conclusions and Recommendations

From the analyses performed, several conclusions can be highlighted. First, Evertis Iberica S.A. presents several problems with its financing structure and it has a negative economic position.

Second, Evertis presents problems on guaranteeing its financial situation as total assets are similar to total liabilities and has a low capacity to repay its debts. The levels of negative working capital and net liquid resources are affecting the normal functioning of the company. This implies that the liabilities that need to be paid within one year exceed the current assets over the same period. At the same time, the negative net liquid resources result in the increase of operational financing to attend to the payments.

Finally, it would necessary to change the firm's finance structure, indeed, with the increase on equity in 2016, Evertis is implementing this political change.

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SECTION III
MARKETING ANALYSIS OF REGIONS NUTS2

CHAPTER 7

MARKETING

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I. INTRODUCTION

The concept of marketing has been undergoing major changes due to changes in the way of living, thinking and consuming society (Révillion, 2001). According to (Kotler, 2008) states that the market has moved from real estate to a tool that is constantly changing and will “continue to under go radical changes”.

Digital marketing tools are increasingly gaining power over SME success. Today’s consumers are not only looking for satisfying products and services, but also experiences that connect them emotionally, and this can be provided through digital media such as websites, blogs, SEO, user experience, user interface and so many others available online. .

Current marketing thinking reflects these changes, which include increasing competition accompanied by technological developments and an increasingly informed and demanding consumer.

Digital marketing has become the method of communicating with customers, with a new notion of speed, information, and convenience that gives companies a new way to create customer value and build lasting relationships. Nowadays it is rare for a company not to have a digital presence, either with a website that is on social networks (Kotler & Armstrong, 2012).

This work intends to analyze the current marketing knowledge situation. As well as a survey of the main theories about it. The authors referred to are the main references of the article. This reflection has above all a didactic purpose.

For the realization of this article a joint review of the bibliography was made as well. Reflection on marketing theory and digital marketing was made by comparing the two approaches and defining trends.

II. OBJECTIVES

This text aims mainly at didactic purposes. Based on the identified problems, the following objectives were defined:

Improve student education in a theoretical marketing body.

Develop a reflection that at a time of profusion of knowledge serves as a summary of them.

Minimize the skills gap between curricula and labor market requirements. Academically, it is not always possible to update the published knowledge that this article allows.

III. MARKETING TO A NEW AGE

Marketing theory began to be discussed in the early twentieth century to the present day, where this theory has evolved to use the broader term “market orientation.”

Market orientation (MO) has become the term used as a central concept to indicate the extent to which a company implements the “marketing concept” (Agarwal *et al.*, 2003). A market oriented organization is an organization whose actions are based on marketing concepts (Esteban *et al.*, 2002).

According to Kohli and Jaworski (1990), the concept of marketing is a business philosophy, while the concept of market orientation refers to the actual implementation of the concept of marketing. For Kohli and Jaworski, “A market orientation seems to provide a unifying focus on the efforts and projects of individuals and departments within the organization.” Indeed, an OM approach has been cited as the ultimate expression of customer value focus (Cravens and Guilding, 2000).

The literature seems to suggest that a market-oriented organization can offer solutions beyond the value expectations of its customers. This type of organization is concerned with finding different ways to reduce total purchase and use costs for buyers, as well as finding different ways to create additional benefits. On the pursuit of these objectives, OM organizations evaluate all alternatives, hoping to identify which one could be most effective in creating superior and sustainable value for present and future consumers. In addition, these organizations develop a long-term vision in relationships, effectively linking culture and organizational structure, coordinating efforts to create superior customer value across all sectors of the company, and not just letting it be a marketing responsibility (Narver and Slater, 1990).

The strongest argument suggested in the literature for the adoption of an OM is its relationship to the organization’s performance (Pelham and Wilson, 1996; Deng and Dart, 1994; Kirca *et al.* 2005; Harris, 2001; Langerak, 2003; Farrell, 2008; Slater and Narver, 2000; Day, 1994; Slater and Narver, 1994; Deshpande *et al.*, 1993; Jaworski and Kohli, 1993; Ruekert, 1992). These studies, conducted in different industries, sectors and cultural contexts, generally result in the observation of a positive relationship between OM and business performance (Perin and Sampaio, 2004).

Still, other advantages of applying market-oriented organizational behavior include increased customer perceived value and, as a result, customer satisfaction and loyalty

(McNaughton *et al.*, 2002; Reichheld and Sasser, 1990); coordinated decision making and action between the different departments of the organization and divisions (Lings and Greenley, 2009); a means for greater understanding of customer needs (Desphandé, *et al.*, 1993); effective means to achieve competitive advantage (Morgan *et al.*, 2009); more effective service innovation (Ordanini and Maglio, 2009), better organizational commitment in the public sector (Caruana *et al.*, 1999). In addition to all of the above, a market-oriented strategy can lead and motivate employees to serve customers more appropriately (Day, 1994).

Research on MO has grown significantly since 2001, and has grown steadily in recent years, and it can be said to be a thriving area in marketing research, with an even wider scope of application because of its potential to create and contribute to the development of marketing. Marketing has made progress on MO. Research on the topic has focused on US organizations, Japanese organizations, and Scandinavian companies. At the same time, it is important to note that the concept can also be applied to smaller businesses, nonprofit organizations, social issues, healthcare and a host of other organizational contexts.

Thus, market orientation.

“It is the production, across the enterprise, of market knowledge regarding current and future customer needs, the dissemination of knowledge across all departments and the compliance action of the entire enterprise.” Kohli and Jaworski (1990)

Day (1998) advocated the relevance of the company being market oriented to build a competitive advantage. According to the author, while other sources of this advantage were present in top companies, they “would outperform their rivals in many or almost all elements of a market orientation (Day 1998).”

The studies conducted by Narver and Slater (1990) and Jaworski and Kohli (1993) are a reference on the construction of market orientation, joined by Deshpande *et al.* (1993), by Ruekert (1992) and Shapiro (1988), which support the construction of a working methodology in order to operationalize the concept.

For these authors the main characteristics of organizations that present OM are:

1. Exchange of corporate information as a support in decision making associated with the capacity for its implementation (Shapiro, 1988);
2. Coordinated application of cross-functional capabilities to create superior customer value (Narver and Slater, 1990);
3. Customer focus, strategy development and implementation capacity (Ruekert, 1992);
4. The organization’s ability to generate, disseminate and use superior customer and competitor information (Jaworski and Kohli, 1993);
5. Set of beliefs that primarily place the customer’s interest (Deshpandé *et al.* 1993);
6. Creation of a competitive advantage that ensures superior value delivery to competitors through effective implementation (Day, 1994).

Market orientation perspectives include the decision-making perspective (Shapiro, 1988), the organizational culture-based behavioral perspective (Narver and Slater, 1990), the market intelligence perspective (Kohli and Jaworski, 1990), the strategic perspective (Ruekert, 1992) and the customer orientation perspective (Deshpande *et al.*, 1993).

The main authors analyzed postulate that market orientation theory promotes uniform company-wide orientation and a consistent focus on markets. (Hadcroft and Jarratt, 2004). Briefly, the authors synthesize existing conceptualizations as follows:

1. Market orientation is defined as a sequence of information-based behaviors, customer and competitor orientation culture and cross-functional coordination.
2. Market orientation places a high priority on creating and delivering superior customer value.
3. Market orientation provides behavioral rules for the collection, sharing and response to market information.
4. Market orientation requires organizational systems and processes for assessing customer needs and disseminating market intelligence.
5. Market orientation requires adaptive organizational structures.
6. Market orientation requires commitment from top management.

Lafferty and Hult (2001), for a better understanding of the theoretical and empirical development of OM studies, identify five dominant perspectives in OM: decision making, market intelligence, culturally based behaviors, strategic marketing focus and orientation to the customer.

In addition, these five perspectives can be brought together into four broad areas, based on various similarities that reflect a general consensus on what constitutes the basic foundation of market orientation, suggesting a four-dimensional formula, consumer emphasis, information cross-functional coordination, cross-functional coordination and implementation, providing it with a process perspective, the need to have some way to reach what can be considered as OM, as shown in Figure 10.

In fact, it can be seen that decision making, market intelligence and strategic perspectives are presented as a linear process that begins with the generation or use of information, followed by its dissemination or use in strategic development, leading to company action. as a result of the previous two steps (Lafferty and Hult, 2001).

According to the authors the five dominant perspectives in OM are:

1. Decision-making perspective - where Shapiro (1988) specifies three characteristics that constitute a market-driven enterprise (permeate corporate information; tactics and strategic decisions; and execute decisions)
2. Customer orientation perspective - where for Deshpande *et al.* (1993) A company is market oriented when it is customer focused;
3. Behavior-based cultural perspective - where Narver and Slater (1990) argue that in a market-oriented enterprise three behavioral elements must be present (customer orientation; competitor orientation and cross-functional coordination);

4. Market intelligence perspective - where Kohli and Jaworsky (1990) grounded their definition of OM based on three key elements (intelligence generation; intelligence dissemination and ability of response);
5. Strategic Perspective - where Ruekert (1992) is the most critical for an MO is the customer, designing customer-focused strategies and implementing those strategies.

For Day (1994), an author also considered in this study, the perspective focuses on the company's capabilities and the processes that can make them work in a market oriented manner.

Seeking to integrate the perspectives of the various authors, in a logic of greater understanding about which characteristics should be present in an organization, and at what levels, so that we can say that we are facing an organization with a profile of MO, we can reach the proposal of a consensual work methodology.

Several authors approach MO as a set of behaviors and activities (Kohli and Jaworski, 1990) or as the construction of an organizational culture, based on certain behaviors and procedures (Narver and Slater, 1990). It is also considered the approached by the concept of marketing, which essentially discusses the philosophical or orientation issue, and its implementation, which is understood as the concept of market orientation, which discusses the organizational culture, organizational behaviors and necessary activities to be delivered, to continually deliver superior value to consumers, with a view of meeting their needs and wants.

In this way, MO can be understood preceded by three essential dimensions: the involvement of top management, that is, the belief of top management of the potential and interest of MO; the internal organizational culture, which builds on this belief and involvement in terms of value sharing, customer perspective, existing norms and beliefs, and organizational processes that address the procedures required for analysis, adjustment, and response to market (José, 2016).

Each of the dimensions presents a set of characteristics that define them and enable their debate. According to the above, several authors consider that the top management involved with OM has as main characteristics a strong and present belief in their decisions, a continuous communication with the collaborators, in order to provide them with specific orientations and a positive attitude. against risk (Jaworski and Kohli, 1993; Shapiro, 1988; Desphandé, 1993).

With regard to the organizational culture MO, the authors argue for the existence of a set of internal beliefs and the sharing of values, as well as a constant customer focus and clear definition of norms for OM (Desphandé *et al.*, 1993; Narver and Slater, 1990; Day, 1994; Shapiro, 1988). The cultural perspective focuses on organizational norms and values that encourage behaviors that are consistent with market orientation (Kirca *et al.*, 2005; Desphandé *et al.* 1993; Narver and Slater, 1990). Narver and Slater (1990) specify that "market orientation is the culture of the organization that most effectively and efficiently creates the behaviors needed to create superior value for buyers and therefore continuous superior business performance." . This analysis is

in agreement with Kohli and Jaworski (1990), who say that market orientation is the term used to describe the culture needed to support behavioral factors necessary for the implementation of the marketing concept.

Finally, the organizational processes dimension focuses on market-oriented management in terms of the extent to which management systems are designed in such a way as to promote an orientation of the organization to its customers and competitors. Based on the authors referred to throughout this study, it can be stated that organizational processes need, as their main characteristics and their execution, an organizational system and inter-functional coordination, in a logic of interdepartmental dynamism (Kohli and Jaworski, 1990; Shapiro, 1988). That said, organizational processes will fulfill the main objective of OM, which is to operationalize the concept of marketing (Kohli and jaworski, 1990), unfolding in three essential tasks: (i) Market level, where capacity is addressed analysis of the environment, more specifically in terms of customer orientation, competitor orientation and other relevant information (Deshpandé *et al.*, 1992); Day, 1994; Narver and Slater, 1990; Kohli and Jaworski, 1990; Ruekert, 1992); (ii) Strategic level, derived from the information gathered and characterized by the ability to adjust to the market in terms of strategic planning and superior value creation (Shapiro, 1988; Day, 1994; Narver and Slater, 1990; Ruekert, 1992); (iii) Operational level, where market responsiveness is defined through implementation and the ability to respond continuously to the market (Shapiro, 1988; Day, 1994; Kohli and Jaworski, 1990; Ruekert, 1992).

Market orientation does in fact have significant positive effects on organizational performance and that “while the implementation of a market orientation may require resources, it generates profits in excess of the costs involved in its implementation while providing growth of income.” (Kirca *et al.*, 2005: 37)

For Shapiro (1988), the most important strategic decision to be taken by an organization is the choice of the most important consumers. For this, collaboration between different departments and functions is vital for the correct identification of the main target audience and segments to be addressed. The author also considers that the OM organization has mechanisms to obtain different points of view and reach a compromise, reconciling the different visions present within the same organization, since the joint decision making, originated by a good coordination, leads to the execution. these decisions more strongly and with a sense of commitment. This requires a philosophy and culture across the organization, from top to bottom positions.

1. Traditional and Digital Marketing

A. Marketing Evolution

Given the various marketing concepts presented, it is possible to mention that, today, the market is increasingly competitive and consumers are increasingly demanding and informed. Because of this, there is a need to create viable strategies that meet consumer needs and add value to the business so that it stands out from the competition.

A marketing strategy must include appropriate market segmentation and elements of value and differentiation to achieve good market positioning.

According to Baltes (2015), a company to remain competitive will have to rethink its marketing strategies, because with the new digital age it is necessary to be aware of the change.

According to Kotler (2017), most consumers in purchasing decision making are based on social decisions, ie the basis of their purchase is centered on the opinion of other consumers, who disclose brand and company information to each other. . The concept of marketing is increasingly complete, both in terms of technology and consumer behavior.

Kotler *et al.* (2010) report that over the last decades, the principles and format of marketing have evolved: Product-centric Marketing 1.0, where its main features were explored, Marketing 2.0 that emerged with changing consumer behavior, the consumer is increasingly demanding and thus created Marketing 2.0 that keeps the focus on the consumer and aims to meet their needs, and Marketing 3.0 with the goal of looking at people not only as a customer, but as beings, human beings, thus assuming to be a more emotional marketing style.

The most recent evolution of marketing is Marketing 4.0, which according to Jara (2012), is digital age marketing, which aims to create value for a particular brand or product / service. In this latest evolution the customer is more aware and looking for product / service information through the internet and other platforms.

	Marketing 1.0	Marketing 2.0	Marketing 3.0	Marketing 4.0
Concept Centered	Product Centered	Customers Centered	Marketing value Centered	Interaction Centered
Goal	Selling products	Satisfying and retaining customers	Making the world a better place	Customers get involved with the product
Driving forces	Industrial revolution	Information technologies	Technological advances	Digital age
Value Proposition	Functional	Functional and Emotional	Functional, Emotional and Spiritual	Functional, Emotional, Spiritual and Affective

Table 7.1: Marketing Evolution

Source: Based on Kotler *et al.* (2010) and Jara *et al.* (2012)

From Table 1, it can be concluded that marketing today is more focused on customer relationships and new technologies. Marketing 4.0 is linked to the entire digital age and promotes technologies which makes the internet a marketing tool.

2. From Traditional Marketing to Digital Marketing

A. The Internet as a Marketing Tool

The widespread use of personal computer use and the widening of their internet connection in the 1980s and 1990s led to greater interaction and sharing of content and information that would not otherwise be possible (AMA, 2013; Kotler *et al.*, 2010). The internet phenomenon now allows to reach levels of segmentation, market analysis and consumer study like never before. The internet itself has become the communication channel with the greatest growth potential for companies.

For (Kotler, 2010) the Internet is a medium that facilitates business efficiency, as it is easier to convey information about products and services to consumers. Through this tool there is also greater communication with internal and external customers of the company. Accordingly (Çizmeçi and Ercan, 2015), they consider that with the emergence of this tool, communication barriers have disappeared, and consumers have easier and faster access to information.

The Internet has begun to be used by companies as an element to create value with target customers (Giurea, 2015).

The internet emerged through the development of information and communication technologies and has since revolutionized the world with its information and transaction power at the individual and corporate level (Lindon *et al.*, 2004).

According to Porter (2001), the internet, besides bringing people together and breaking geographical barriers, has changed the planning and marketing management in companies. According to this author, readjusting marketing strategies has become essential, thus being considered a new tool in marketing.

Lindon *et al.* (2004) approach defines the main features of the internet as a marketing tool:

1. The internet as a means of immediate communication with customers and as a form of communication at reduced cost;
2. The internet as an interactive medium, which allows to update interaction in an automated environment;
3. The internet as a means of quantification that allows to customize the clients, that is, allows to have a more detailed and individualized knowledge;
4. The internet as a distribution channel for products and services.

It is within the internet as a marketing tool that it makes sense to talk about Digital Marketing. According to Silva (2014), the internet and technological slides have at their disposal tools that influence the growth of companies, based on techniques that are linked to digital marketing.

As quoted by (Lindon, 2004), nowadays the Internet is considered as an indispensable tool for companies. For the author, the tool contains five major features, namely:

Mediation	It is possible to grant and implement promotional campaigns and to conduct market research and to have more immediate results.
Personalization	Companies work to be able to customize their product and service offerings as well as to personalize consumer communication.
Quantification	Information can be collected more simply and easily.
User engagement	The consumer has become more actively involved in creating products and services through their interaction.
Network effect	Having improved communication with consumers.

Table 7.2: Internet Characteristics

B. The Digital Age

It is in 2009 that Torres reflects that the internet had arrived just over a decade ago, where information / news was only shared by experts. This new medium has become a revolution for the business market where a gigantic innovation has emerged: instant access to all information about products and services.

In this sense, Gabriel (2010) presents an analogy regarding the Internet. Thus, since its relevance in 1990, we have seen intense changes from a stagnant internet to an active one. This means that when compared to today we see an evolution from monotony to an evolution from interaction.

Thus, Juscius, Labanauskaitė, & Baranskaitė (2016), show that the internet has opened doors for marketers, since this was the innovation that most transfigured the connection between consumers / companies.

In this sense Barrett, Davidson, Prabhu & Vargo (2015), agree that it is imperative to take a new approach to the consumer, so the “secret” lies in personalizing the service rather than the product. In this way, the consumer has become more demanding due to digital technology.

According to Keefe (2004) the concept of Marketing is not a fixed concept, ie, it varies over time, because it is extremely necessary to adapt to market changes. Thus it is important to respond to both consumer and corporate needs.

If the concept of Marketing is not fixed, for the authors Chaffey Ellis-Chadwick, Johnston, Mayer (2006), the concept of Digital Marketing is not unanimous however, all agree that they are communication activities of a company, which are developed through digital devices and media.

Thus in 2015, Baltés relates the advancement of technology with the Digital Marketing approach, explaining that in a competitive approach companies that want to remain competitive must look at the digital age and rethink the marketing strategies that have already been undertaken.

According to Porter (2001), digital is an essential tool in marketing strategies of organizations, and is a competitive asset, both in terms of positioning and efficiency.

Nevertheless, Wymbys (2011) stresses that a Digital Marketing strategy is only effective when it also embraces an offline communication strategy.

Still on this theme, Chaffey (2015), clarifies that Digital Marketing should be seen as a way to create and nurture a relationship with consumers from the beginning of purchase to after-sales. He adds that strategies must have an offline communication component, because it is the combination of this and online that can come up with a more cohesive strategy and the best results.

In the same year Karjaluo (2015) reinforces two ideas, the first: that digital channels allow companies to reach two different audiences: current and potential customers; and the second: Digital Marketing has enabled companies to create and execute their marketing strategies efficiently.

3. Digital marketing

Digital marketing arises in response to the evolution of society and the technologies mentioned above and is based on digital media as a way of communicating with the target audience.

From Torres' perspective (2011), it is a mistake for companies to build a totally offline marketing strategy, regardless of the business sector, an online presence is required. According to this author, a company that does not bet on online is hurting its sales and the relationship with the consumer. In digital marketing the strategy is consumer focused (Kotler *et al.*, 2010)

According to Nogueira (2014), digital marketing is the continuation of traditional marketing from a perspective of strategic actions applied in digital media, aiming to attract and retain customers, thus improving the company's presence in the market.

Torres (2011) also states that if digital marketing strategies are applied correctly, it allows customers to learn about the company's business and make a favorable buying decision.

From the perspective of Cintra (2010), the digital world has numerous benefits for companies, however it is necessary to develop a good strategy, it is essential to outline a path with clear objectives, always knowing what is intended, which target audience and which the desired means of disclosure.

According to Parsons *et al.* (1998) for digital marketing to be applied correctly, the following elements must be taken into account:

- Plan a strategy to attract customers;
- Engage with customers interactively to generate interest;
- Retain customers through dynamic content and loyalty programs;
- Know the preferences of consumers;
- Interact with the customer frequently to create value.

In conclusion, digital marketing is globally customer-centric and aims to meet your needs when buying certain products or services. With the evolution of the internet measuring customer feedback is becoming more viable which makes the digital marketing strategy and process easier to implement (Adolfo, 2011).

It is thus possible to understand that marketing has undergone an evolution. Primarily the focus was on selling products, in a second phase marketing became customer-oriented, and nowadays it is focused on involving consumers in the process of creating products or services (Kartjaya *et al.*, 2012).

For Jones (2011) digital marketing consists of three principles being them:

- Imminence: In order to maintain a competitive and interactive pace, brands make the changes taking place online faster and faster, and consumers are required to get the information the minute they want.
- Personalization: Online customers require more personal and personalized contact. There is a need to communicate with them directly and personally.
- Relevance: The information provided should be relevant and draw the attention of the target audience. Since there is a great diversity of information sources and in order to stand out from the competition, there is a need to understand what type of content they are looking for and when they want it.

There is an accelerated change in the marketing strategies planned by companies, and all actions are increasingly focused on the customer and their wants and needs, in order to build a more exclusive relationship with each customer (Make, 2014). In agreement with the same statement (Ogden, 2002 and Torres, 2010), they consider that the word digital marketing refers to a continuous search to outline strategies that interact directly with the target audience. For the authors, the primary purpose of digital marketing is to communicate and build a relationship with the consumer and make them part of and active throughout the process.

According to the Digital Marketing Institute (DMI), the traditional methodologies of applicability of marketing concepts have been replaced by technological tools that allow not only the implementation of digital strategies that, by creating an integrated communication with the traditional media, allow not only to attract and retain clients, as well as measure results more easily (Wymbs, 2011).

The major concern of marketing is to satisfy the needs and desires felt by consumers, to understand these same needs (Malar, 2016) considers that it is necessary to study and analyze the behavior of the target audience in order to “renew the consumer experience, as well as innovative digital marketing trends, it’s an endless process.” Consumer behavior as well as consumer habits have changed due to new social and economic contexts. The market has become more directly involved with customers and is focused on reaching those in the create differentiating content strategies so that they stand out from the competition (Fryrer, 2015).

Charlesworth (2009, p. 18) states that “digital marketing will only be effective if it is developed as carefully as traditional”. The author goes on to state that “for most companies digital media has become indispensable for marketing and communication, even though some companies regard it as a challenge, none of them can afford to ignore it”.

Lieb (2012) states that after the advancement of technological means and the boom of the Internet, barriers to entry and the cost of content strategies are practically

non-existent at this stage, and there are tools to manage all communication creation and distribution. at a reduced cost. Bolotaeva *et al.* (2016), report that with the emergence of digital tools, the process of information sharing is contemplated in two ways: blogs and social networks. This content sharing can be done through different formats: text, video, music, image and photography.

Digital marketing is increasingly developed in companies. Their techniques are refined and put into practice, thus making companies the main content publishers (Lieb, 2012). According to Rez (2018), the content is aimed at companies that believe in their mission and are willing to find solutions to be part of their customers' lives, always responding to their needs. The author also states that, in the network, the client is in charge and that it is in this context that the content takes power, being the solution for the company and the customer to create a relationship.

According to Pulizzi (2014) there is a vast supply of information which hinders the process of attracting customers. For a company to stand out from the competition is essential to keep up with change, constantly rethinking and reinventing strategies, creating valuable, attractive, relevant and differentiating content in order to capture the attention of the target audience.

According to Bullock (2016), for a company to stand out from the competition, it must consider acting "out of the box" according to the new marketing formats. According to Lieb (2012), providing relevant and quality content requires originality, work, strategy, experimentation and persistence.

4. The Challenges of Digital Marketing

According to Mazzarol (2005), ensures that the Internet has provided the market with more opportunities than traditional techniques. He adds that the prices of these new tools are easily accessible even to SMEs, so digital technology is expected to integrate all sectors of activity.

With regard to the authors Kannan and Li (2017), Digital Marketing was seen as a major challenge and defined as nothing more than a method of technologies to gain new customers, spread brands, and develop preferences for consumers.

For Chaffey and Smith (2013), they consider that Digital Marketing focuses on content production, believing that this is the best way to attract new customers. They also guarantee that it is a way to keep existing ones, that is, to nurture a relationship.

Taking into account Järvinen (2016), Digital Marketing is based on overcoming two major challenges: connecting with as many audiences as possible and the second: being able to interact with a specific audience in the same way through interactive content and In real time.

In the same vein, Barry and Howard (1990) assure that digital marketing aims through content that their audiences are impressed. The goal is to pass knowledge of both the company and the product or service. He adds that for the writing of these contents it is necessary to interconnect the tastes of consumers in order to reach a loyal audience.

IV. CONCLUSION

Although still a document that only reflects on the state of the art of marketing, it is considered that it may have an application as a preliminary approach. It also allows an analysis of digital marketing as opposed to a traditional perspective.

These sectors are constantly evolving and for which part of the prospects will not be met. However, it is still necessary to reflect even if it is possible to conclude that part of the forecasts will not be met, but this does not invalidate the need for reflection and analysis of the theme, even if it is to increase uncertainty.

Much could be said in approaching this subject, however it can be considered a first approach which serves above all as an awakening of consciousness.

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CHAPTER 8

CASE STUDY OF MARKETING

I. CASE STUDY. PORTALEGRE TOURISM

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Key words: Tourism; Tourism marketing; Strategic marketing in tourism services

1. Summary

This is a case study that proposes characterize the tourist offer in the Norte Alentejano region. It is an exploratory approach to the tourism sector and aims to identify the intervention areas and define the steps to be taken in the elaboration of a Marketing Plan for the area of tourism supply.

2. Introduction

This case study has been elaborated within the context of the 3Economy+ project, being its main objective is to establish a framework for the establishment / dissemination of the services of a tourist company.

Although not fully identified, there are initially recognized needs in the Marketing and Communication strategy, which will be the subject of a plan when implementing the project. We analyse one area involved into the project: Norte Alentejano (Portugal).

3. Literature Review

Tourism is, admittedly, one of the most important economic activities in the portuguese country, which has seen in recent years a very significant growth, to which are associated several challenges and intervention needs, translated, in a reflected and participative way, in the construction of the Strategy Nacional - Turismo 2027 (Turismo de Portugal).

Tourism is also recognized as a crucial tool for boosting local economies, for improving the quality of life of the population and for the preservation and valorization of the indigenous resources of the territories, which is why it is important that, at the local scale, they are also intervention strategies defined, complementary and articulated with those defined at the national and regional level, and which aim above all, the creation of favorable context conditions for the development of private business initiative, central to the competitive and sustained development of tourism activity (Cunha, 2017)¹.

The World Tourism Organization (UNWTO)² considers, in this regard, that the participation and active involvement of stakeholders directly involved and / or affected by the tourism development of a destination is a fundamental condition for the success of tourism policies and strategies, since only through this involvement and participation is it possible (i) learn the necessary knowledge and understanding of the complex dependencies that exist between the various sectors and economic activities that contribute to tourism development; (ii) recognize and fix the different, and legitimate, interests of the various stakeholders, which are often contradictory; (iii) ensuring the long-term viability and sustainability of the project, namely, by generating a spirit of belonging and identity on the part of all those involved.

The sustainable development of tourism still needs strong political leadership (Vieira *et al.*, 2016)³, that guarantees, among other aspects, the continuous monitoring of the impacts generated, the adequate adaptation to the local and specific conditions of each territory and destination, and the maximization of the benefits potentially generated by the tourist activity.

4. Context

The municipality of Portalegre is located in the district of the same name, in the region of Alentejo and sub-region of Alto Alentejo. It occupies an area of approximately 447.14 km² (INE, 2018) divided by seven parishes (six rural and one urban).

The seven parishes are Alagoa, Alegrete, Fortios, Urra, Union of Parishes of Reguengo and S. Julião, Union of Parishes of Ribeira de Nisa and Carreiras and Union of Parishes of Sé and S. Lourenço (the latter corresponding to the city of Portalegre).

¹ CUNHA, L. (2017). Turismo e Desenvolvimento: Realidades e Perspetiva. Capítulo 3: Turismo e Desenvolvimento Regional e Local, pp. 103-158. Edições Lidel, Portugal.

² UNWTO. (2019). *Communication and Participatory Approach*. <https://bit.ly/2YDasQ8>, consultado a 22 de julho de 2019.

³ VIEIRA, I. RODRIGUES, A. FERNANDES, D. PIRES, C. (2016). The role of local government management of tourism in fostering residents' support to sustainable tourism development: evidence from a Portuguese historic town. *International Journal of Tourism Policy*, Vol. 6, N.º 2, pp. 109-135.

be noted that, between 2001 and 2017, the negative variation of the resident population was especially high in the '15 -24 years' age group (-37%) (INE, 2018)⁵.

B. Business Fabric

Regarding the business fabric of the municipality of Portalegre, and according to data for 2017 (INE), there were 2,803 companies in this municipality, which represented about 22.4% of the total companies in Alto Alentejo.

From a tourist point of view, Portalegre has a favorable location, due to its proximity to Lisbon airport and the city of Évora, the main tourist destination in Alentejo and a potential distribution platform for intra-regional tourist flows. The proximity to the Spanish city of Badajoz is also considered to be favorable to the tourism development of the municipality, due to the possibility of attracting a relevant market for national tourism. As an example, it can be mentioned that in 2018, the province of Badajoz had a resident population of 676,376 people (INE Spain, 2019).

The territorial insertion of Portalegre is not, however, accompanied by a sufficiently efficient transport infrastructure network, which, at least apparently, has prevented the municipality from capitalizing more strategically and strategically on the competitive advantages of its location.

5. Method

Considering that we have insufficient knowledge of reality, and what is requested is a first approach based on primary data, published statistical data and some empirical data.

6. Resources

The inventory of tourist resources is a crucial component, since only through this inventory is it possible to assess the tourist potential of a territory, and to identify the areas for which that territory has a greater tourist vocation.

It is, in fact, these resources that make the tourist activity possible and satisfy the needs of the demand, reason why the collection of detailed information about the various components of the offer (current and potential) proves to be fundamental in the identification of the tourist development opportunities of the territory.

The grid of tourist resources elaborated for this inventory was based on the guidelines of Inskip (1991)⁶, on the criteria defined by the General Directorate of Tourism (2006) when it elaborated the Inventory of Tourist Resources, in the identification of the characteristic products of tourism considered in the Satellite Account de Turismo

⁵ Instituto Nacional de Estatística. (2018). Estimativas Anuais da População Residente. INE, Portugal.

⁶ INSKIP, E. (1991). *Tourism Planning: An Integrated and Sustainable Development Approach*. Wiley Editions.

(INE, 2008), and the methodology and grid created for the project to inventory the tourist offer of Alentejo, carried out between 2010 and 2013 within the scope of the Regional Observatory of Tourism of Alentejo, as shown in the following figure 8.2.

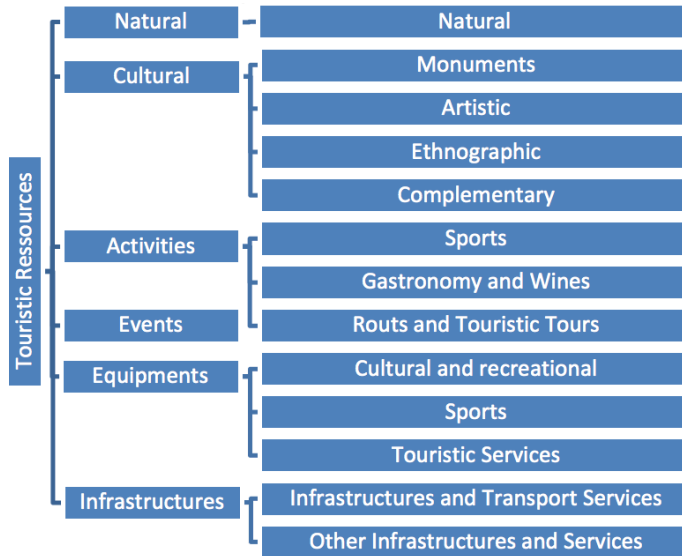


Figure 8.2: Tourism resource grid used in the inventory
Source: Plano Operacional de Turismo de Portalegre (POTUP 2030)⁷

Therefore, and for the purpose of identifying and evaluating tourist resources in the municipality of Portalegre, the following categories were considered:

- Natural resources;
- Cultural resources;
- Activities;
- Equipment;
- Infrastructure.

A. Accommodation

In 2017, the municipality of Portalegre had a total of 18 tourist accommodation establishments, 3 of which were classified as hotel establishments, 5 as local accommodation and 10 as housing tourism (TH) and enterprises of rural tourism (TER).

⁷ Plano Operacional de Turismo de Portalegre - POTUP 2030 (2020) <http://www.cm-portalegre.pt/pt/turismo/publicacoes>

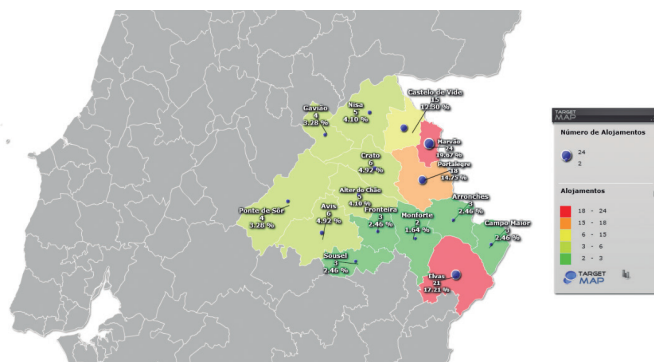


Figure 8.3: Accommodation rentals by county

Source: Pordata (2019) from data of INE- Inquérito à Permanência de Hóspedes na Hotelaria e outros Alojamentos (a partir de 2005); Última atualização:2017/07/31.

According to data from the National Tourism Registry⁸, the number of local accommodations in Portalegre is 31 local accommodations, of which 10 are lodging establishments, 15 villas and 6 apartments (consultation made in March 2019). Regarding accommodation capacity, the municipality of Portalegre had, in 2017, a total of 442 beds, distributed by different types of accommodation: about 30% in the hotel industry, 25% in the local accommodation and approximately 46% in the TH/TER.

From the analysis of figure 8.4 it can be concluded that the accommodation capacity of the municipality of Portalegre represents about 12% of the total accommodation capacity of the Alto Alentejo sub-region.

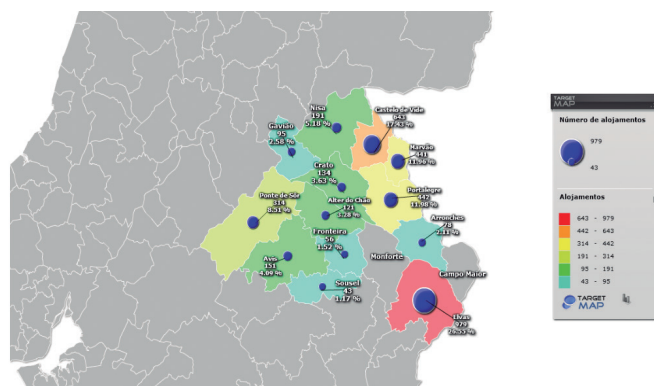


Figure 8.4: The total capacity of tourist accommodation per municipality in 2017

Source: Pordata (2019) from data of INE- | Inquérito à Permanência de Hóspedes na Hotelaria e outros Alojamento

⁸ Registo Nacional de Turismo, desenvolvido pelo Turismo de Portugal, I.P., consultado em <https://bit.ly/2m5bI0B>.

B. Products

Alentejo is rich in traditional products, and according to data from the General Directorate of Agriculture and Rural Development (DGADR)⁹, 115 traditional products in different categories (olive oil and olives, sausage and smoked products, cheeses, meat dishes, sweets and pastry products, among others).

There are quality regimes in Portugal that can be attributed to traditional products, namely, the Protected Designation of Origin (DOP), the Protected Geographical Indication (IGP) and the Guaranteed Traditional Specialty (ETG).

In general, these quality regimes are indicators that the product originates from that place or region and that it has a certain quality, reputation or other characteristics that are due essentially or exclusively to the geographical environment.

With regard to DOP products, the district of Portalegre is the production area for Azeites do Norte Alentejano DOP, Queijos de Nisa (municipalities of Nisa, Crato, Castelo de Vide, Marvão, Portalegre, Monforte, Arronches and Alter do Chão), and Cereja de São Julião - Portalegre DOP, whose geographical production area is limited only to the municipalities of Marvão, Castelo de Vide and Portalegre.

The Portalegre district is also the exclusive area for the production of 11 PGI products, essentially in the category of meat and sausage and smoked products, and the Maçã de Portalegre PGI, whose production is limited to the municipalities of Marvão, Castelo de Vide and Portalegre, representing this territory is the only production spot for this apple variety in the south of the country.

Despite the existence of certified products in the Portalegre district, it should be noted that, specifically in the municipality of Portalegre, there are practically no economic agents that produce these products.

All other councils in the area were considered outside the service's area of attraction. The contribution of endogenous resources and certified products to the tourist development of the territories is widely recognized, due to the differentiation they give to each destination, arising from their unequivocal association with local culture, habits and traditions, and also because of the potential they contain for the development of experiences of a sensory character, increasingly valued by tourists.

At the same time, the appreciation and commercialization of this type of products in tourist contexts, can also stimulate the local economy, encourage the creation of small businesses, and, consequently, contribute to increase the quality of life of local communities.

According to Sims (2009), cited by Velissariou & Mparas (2014), local products can be an element of attraction for tourists at different levels, from the simple search for typical products that can be purchased and consumed as local symbols, to the complex and deeply rooted search for the authenticity of the places visited. The promotion and promotion of tourism in local (certified) local products from Portalegre will thus be an issue to revisit within the scope of the intervention proposals defined of the Plan.

⁹ Informação consultada em <https://bit.ly/2GGYPSe> a 22 de julho de 2019.

7. Results

In Portalegre, the demand for tourist accommodation, between 2013 and 2017 (figure 8.5), reached a record value of 35,449 overnight stays in 2017, following a positive growth trend that had been accentuated since 2013. Comparing the number of overnight stays in 2013 and 2017, there is a substantial increase of about 267.9%.

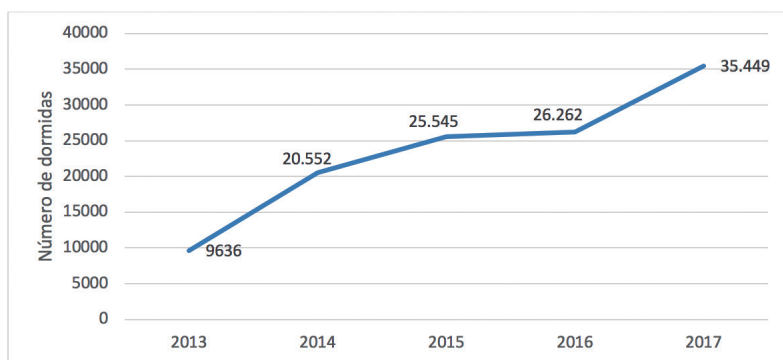


Figure 8.5: Sleeping in tourist accommodations - Portalegre

Sources: INE- Inquérito à Permanência de Hóspedes na Hotelaria e outros Alojamentos; Fonte: PORDATA; Última atualização: 2019-03-04

In the 2014-2017 period, as illustrated by figure 8.6, Alto Alentejo and, in particular, Alentejo, registered relatively sharp growth trends. Overnight stays in the region have been increasing, and in 2017, overnight stays in Portalegre represented 10.2% of overnight stays in Alto Alentejo and 1.4% of overnight stays in Alentejo.

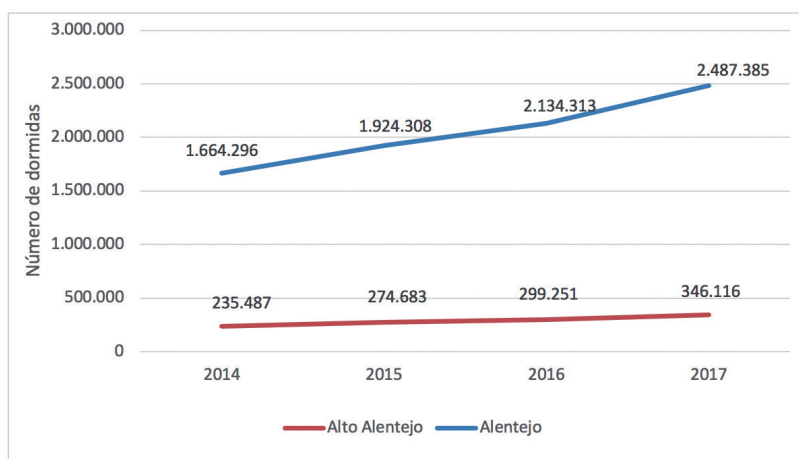


Figure 8.6: Sleeping in tourist accommodations – Alentejo e Alto Alentejo

Sources: INE- Inquérito à Permanência de Hóspedes na Hotelaria e outros Alojamentos; Fonte: PORDATA; Última atualização: 2019-03-04

Regarding the average stay, in the period between 2014 and 2017, there is, overall, a trend towards the stabilization of the values recorded in the various geographic territories analyzed, with the exception of Portugal, where the value decreased from 2.8 to 2, 7 nights. In Portalegre, the average stay registered, in this period, a slight increase, going from 1.5 nights in 2014, to 1.6 nights in 2017. The same growth trend is registered in the sub-region of Alto Alentejo, passing the value from the average stay from 1.6 nights in 2014 to 1.7 nights in 2017. In the Alentejo region, the average stay remained constant throughout the period under review (1.8 nights). Although the average stay recorded in Portalegre is slightly lower than that recorded in Alto Alentejo and Alentejo, it is worth noting the growth recorded in the period under review.

8. Discussion

Without pretending to repeat and / or systematically exhaustively analyze the contents of analysis already explained in previous sections, this chapter presents a schematic summary of the main diagnostic elements identified, with special relevance for the definition of the Tourism Development Model proposed for the municipality of Portalegre within the scope of this Plan. The diagnostic elements are organized into two types: Weaknesses and Opportunities, considering that this is the format that will allow a more reflective and critical interpretation. It should also be noted that working versions of this synthesis were previously discussed and validated during the various work sessions held.



Figure 8.7: Overview of Diagnosis: Main Weaknesses and Opportunities

A. Tourism Development Strategy of Alentejo - Horizon 2014-2020

Within the scope of the current cycle of community support (2014-2020), Turismo do Alentejo (and Ribatejo), ERT, as an entity in charge of the integrated management of the tourist destination Alentejo, which includes the municipality of Portalegre, defined a set of guidelines, strategic priorities and lines of intervention, with a view to pursuing the defined vision for tourism in the region.

To this end, it developed the strategic document “Turismo do Alentejo 2014-2020” with a global vision for the region, but not defining, however, guidelines at the sub-regional or municipal scale. It aims at “a certified tourist destination along the entire value chain and internationally recognized for its identity and differentiation of the experiences offered”, having defined a set of eight Strategic Priorities for this purpose. (PE):

- Affirm the tourism cluster
- Work for a regional intersectoral vision
- Managing the destination with enhanced skills
- Create and promote the tourist territory
- Institutionalize supply networks in the territory
- Requalify and create new tourism products
- Reinforce promotion
- Digital marketing (Alentejo 3.0)

Turismo do Alentejo, ERT, has in the meantime developed a “Multi-Year Activity Strategy 2016-2022” broadening the timeframe of the Development Strategy defined for the 2014-2020 period, which identifies a set of Structuring Actions that have been supported, in largely by Portugal 2020 in general, and by the Regional Operational Program Alentejo 2020 in particular.

8.1.8.2. Portalegre’s Strategy and Operational Model for Tourism Development

The Portalegre Tourism Development Strategy and Operational Model is structured in 6 Strategic Intervention Lines (LEI), which translate, in aggregate, the domains in which a more assertive and integrated intervention is considered necessary, with a view to thus, a path of continuous improvement of the fundamental conditions to increase the attractiveness and tourist competitiveness of the municipality. Each of these LEIs will integrate a more or less diverse set of actions.

In the context of this Strategy, tourism products that have the greatest potential to contribute to the competitive positioning of the municipality’s tourism offer are also identified, in the context of this Strategy, while considering the main resources and attractions present in the territory, and those which appear as the main opportunities for the development of these same resources and attractions.

Finally, and in a global way, it is intended that this Strategy and Operational Model can contribute to increase the tourist attractiveness and competitiveness of the destination, favoring a more relevant positioning of the municipality in the regional and sub-regional context. For this general objective, other more specific, interconnected and mutually dependent objectives converge, as summarized in figure 8.8.

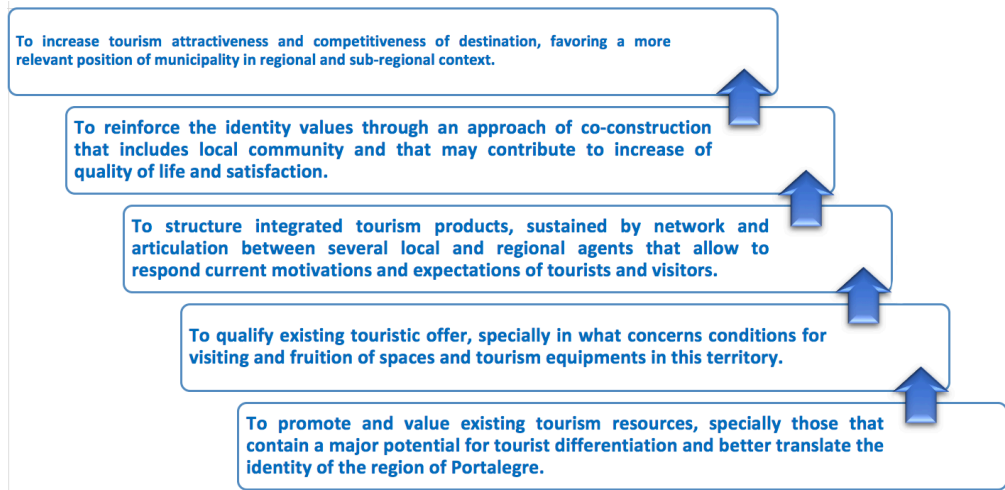


Figure 8.8: Objectives of Portalegre's Tourism Development Strategy and Operational Model.

9. Conclusions and Recommendations

The approach that can be taken to the case described here is diverse, it cannot be overlooked, however, that the importance of tourism for the local and national economy cannot be overlooked.

Attention to the sector is essential for economic characterization and the design of regional and national development strategies.

The region, which for centuries had an agricultural-based economy, currently has the tourism sector as its economic lever.

A view of the state of the art of the sector, the evolution and the projection of scenarios are tools of foundation for a marketing approach to the tourism sector.

The products that resulted from the region's previous economic leverage —agro industrials— are and can be distinguishing factors of the new economy. Regional products can serve as a marketing tool for the tourism sector and this promoter of those same products.

The characterization of the region and the sector also leads us to consider the creation of networks since no single player has the capacity to truly impact the market.

The case of tourism is, in itself, of relevance for the analysis of the region but it is also a case that can be transferred to other sectors and to other regions.

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II. CASE STUDY. IMPACT OF SOCIAL NETWORKS IN THE TOURISM SECTOR IN ALTO ALENTEJO

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Key words: social networks; tourism; Portalegre; Web-marketing

1. Summary

This case study identify and analyse some factors that can influence the management and the relational methods in the area of Tourism, and their relation with social networks.

The research strategy of the study was based in relevant data from the national statistics centre, as well as the design and the launch of a survey focused on the main aspects influencing the management and relational marketing techniques in Tourism units.

The main outcome of the study is the evidence of the core importance of social networks on the final customer and the service provider relationship, proportional to the customer information on the available offer.

2. Introduction

Tourism is a sector with big growth all over the world. Tourist use more and more new communication forms, and the digital world is increasing its importance in this area of business. (Silva, 2018)

We live in a global and competitive world and, in Tourism, that globalism and competitiveness assume a special relevance in the relation with the consumers of tourism. (Moadias, 2017)

We can define Tourism as “a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which involve tourism expenditure.” (World Tourism Organization, 2020)

We can find an intimate relationship between tourism and geography as the location of the geographic space where different spaces require different planning and strategies. (Lopes Jr., 2011)

The region of Alentejo, specially, Portalegre district, is a depopulated area with historic places, beautiful landscape, and certified local products.

“The Alentejo is situated in the south of Portugal, between the River Tagus (Tejo) and the Algarve. To the east, its frontier is with Spain and to the west it is bathed by the Atlantic Ocean. It is an extensive region, essentially rural and thinly populated, occupying a third of the whole of continental Portugal. The beauty of its landscapes and the quality of its archaeological, monumental, architectural and ethnographic heritage and, par excellence, its gastronomy and wines, provide it with exceptional legacies to be discovered through nature tourism and cultural tourism”. (Alentejo, Tourism of, 2020)

The region of Alentejo has 22,4 inhabitants per Km², in 2018 (Pordata, 2020), versus a population density of 111,5 of inhabitants per Km², in Portugal. Alto Alentejo, where Portalegre is located, has 17,5 inhabitants per Km², in the reference year, a value even lower than the value of Alentejo.

We can establish a very challenging relationship between Geography, Tourism and Marketing where as there is an increased fragmentation of the consumer market and where geography plays an important role in tourist response, but many variables may occur. (Oppermann, 1997)

Social networks have become a very powerful marketing tool capable of determining the influence of Management and Relational Marketing practices. So the Tourism sector, in the geographical space of Alto Alentejo (Portugal), reflects practices of this type. It is this analysis that serves as the basis for this case study

In a scenario of increasing densification of networks of relationships between companies, it is increasingly important to reach the majority of target customers, in a simple, effective and efficient way, that is, promoting their capture and retention at the minimum possible cost.

In this context, the Internet has several advantages for companies. Social networks are a very attractive tool for companies, and can be used as a Front Office tool for them, with regard to managing the relationships established between people, namely, customers.

This type of tool can help managers in the critical task of informing all the company's stakeholders, and also to use social networks as a tool for Management and Relational Marketing, a means of advertising and a privileged vehicle for promoting accessibility.

Taking into account the arguments presented, it is necessary and pertinent to develop a case on the topic of social networks, insofar as these may provide an important source of knowledge for the design of competitive strategies of service companies, namely, in the Tourism sector, especially in low-density territories, as seen in the Region of Alto Alentejo.

3. Aims

The objective of this project is to determine how social networks may influence the Management and Relational Marketing practices in the Tourism sector, having the geographical area of Norte Alentejo (Portugal) as the unit of analysis.

In this sense, the present study focuses on the preparatory study, under a Management and Relational Marketing approach, of the future creation of a social tourism network in Norte Alentejo, making it necessary to identify and analyse the factors that influence the practices of Management and Relational Marketing applied to the Tourism sector.

In this case study, we aim to identify and analyse factors that may influence the Management and Relational Marketing of Tourism activities in the Portalegre District.

4. Literature Review

The term network is used to study the structure of relationships between actors, within a social system and objects, and these actors can correspond to people or organizations, among others. (Nohria & Eccles, 1992)

Relationships are all the more influenced, the greater the density of common aspects and interests. This situation occurs, for example, when two organizations need both to develop a certain product, which presupposes an interdependent relationship. (Kadushin, 2004) and (Kadushin, 2012).

Social networks are essentially based on similar patterns between people, called relationships. These standards correspond to data that are common to individuals and organizations, therefore, and referring to the same authors, there are several types of networks, namely, social networks, communication networks, computer networks, Internet, etc., but all of them have a common link, that is, the nodes that connect them. (Wasserman & Faust, 1997)

Social networks have come to play a major role in terms of establishing and managing relationships.

The concept of Relational Marketing is a new approach focused on building long-term relationships and interactivity and not so much on product / service transactions. In this sense, this relational approach aims to ensure greater interactivity so that the different entities get to know their stakeholders better, in order to gather more information about them and guarantee the satisfaction of the needs of each of them. The introduction of the concept of Relational Marketing in the literature on service marketing is attributed to (Berry, 1995). Relational Marketing allows to attract,

maintain and strengthen customer relationships. The attraction of new customers is an intermediate step, where the final objective is to ensure the solidification of relations with these customers and, ultimately, their loyalty.

The emergence of this new concept is intrinsically linked to the limitations of the traditional concept of marketing, focused on the transaction and the customer, and not so much on the customer and the relationships that are established with him (Antunes & Rita, 2008).

5. Method

This case study is a collection and analysis of indirect data of touristic offer and touristic visits in the North Alentejo region. A survey was presented to students of Polytechnic of Portalegre that are in the last year of graduation and local SMEs that are members of NERPOR- Núcleo de Empresas da região de Portalegre (Business Nucleus of Portalegre).

6. Results

In Portalegre district there are several big events that receive people from all the country and abroad. They are the Flower festival, in Campo Maior, Chestnut Fair, in Marvão, and Carnival in Elvas. These events, however, are locally announced. Also, the flower festival only occurs once in every five or six years (the last ones occurred in 2015), and both the Carnival and the Chestnut Fair only occur once a year. The amount of events and their frequency is not enough to have a number of visitors during all seasons.

Official data allows us to better know the reality of this region regarding number of visitors and their preferences in lodgement.

Alentejo, in 2018, had 377,6 number of nights in hotels per 100 inhabitants, where foreign tourists stay, in average, 1,9 nights. (Estatística, 2018). In Alto Alentejo, tourists stay 359,7 nights in hotels per 100 inhabitants, and the average time they stay here was 1,7 nights.

The number of nights in Alto Alentejo is a little bit lower than the number of nights in Alentejo, and tourists stay less time in this region.

Regarding lodgements, in 2018, in Alentejo, there are 625 accommodations, where 132 are hotels, 180 local lodgements and 313 rural or habitation hotels. (Estatística, 2018). In Alto Alentejo, we find, for the reference date, 125 accommodations, where 27 are hotels, 25 local lodgements and 73 rural or habitation hotels. (Estatística, 2018)

Concerning the average of nights per type of accommodation, tourists stayed 1,7 nights in hotels, 1,7 nights in local lodgements and 2,0 nights in rural hotels.

The preference of tourists in that period was to stay in rural hotels. We may assume that tourists prefer to stay in the country and not in towns.

As it concerns cultural offer, there are 24 museums in District of Portalegre.

Regarding number of visitants, Portalegre District has received 99 448 visitors (INE, 2011) and the county that has received more tourists is Elvas (40.812), Marvão

(25.621), Campo Maior (22.282), and Castelo de Vide (21.031). From all of these, Marvão is the one that has received more foreign tourists (16.654).

In the survey, we ask people about social networks, knowledge of Tourism in Alentejo, and habits of the consumer. In 241 respondents, 99% of them say that they know the term “social networks”, although 11% of the total are not in a social network. Those that have a social network prefer Facebook (95%).

Regarding the use of the social networks, 30% say that they are important for developing activities of leisure or sports.

The respondents were asked about their knowledge of the regional products of Alto Alentejo, where 60% say they don't know them.

For 77% of the respondents, the existence of a social network is very important in order to better know the touristic offers and products of this region. We must consider that 91% of these are not hotel owners or connected to any structure of tourism.

7. Conclusions and Recommendations

It was found that social networks have a decisive influence on the relationship between the service provider and the end customer, and the greater the customer's knowledge of the offer, the greater the importance of social networks in deepening the relationship above.

Most respondents know the term social networks, and that registered respondents look for the products and services of Tourism in the District of Portalegre, but not everyone knows the products that this district offers, which signals the importance of creating a specific social network for o Tourism, in the sense of creating an integrating platform that allows to make known the existing products and services, as well as to provide alternative acquisition mechanisms, by the end customer

In this study, we tried to enlighten the importance of social networks for strengthening the competitive capacity of this region, with low density, but endowed with an historical and cultural heritage that ensure the differentiation of the offer of Tourism in the North Alentejo.

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III. CASE STUDY. BUSINESS INNOVATION AND DEVELOPMENT. THE CASE OF BIOBIP - BIOENERGY AND BUSINESS INCUBATOR OF PORTALEGRE

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Key words: Entrepreneurship, Incubators, Knowledge transfer

1. Summary

This case study analyses the case of BioBip The Bioenergy and Business Incubator of the Norte Alentejo – Portalegre. Business incubators have come to position themselves as important structures that encourage the creation of new projects that result from collective or individual entrepreneurial capacity. Incubators play a key role in supporting the development of technology-based projects and companies.

2. Introduction

A business incubator is an institution whose objective is to prepare, strengthen and support micro and small companies so that they survive in the market. The incubators offer business management services, technical support and complementary training for entrepreneurs. This is done through a structured physical space with meeting rooms, internet and access to tools and equipment that are offered to new companies.

The importance of business incubation programs for the promotion of entrepreneurship and innovation has been gaining more and more prominence in the business fabric. In this context, the incubation process helps the competitive strategy, since competitiveness is increasingly fierce in the market, requiring companies to have this differential.

The BioBIP - Bioenergy and Business Incubator of Portalegre is a structure belonging to the Polytechnic Institute of Portalegre (IPPportalegre). It was inaugurated on November

25, 2015 and it is inserted in the dynamics of the Alentejo Science and Technology Park (PCTA), dedicated to the incubation of companies, preferably based on technology, in particular in the area of bioenergy, and others related to the training areas of the IPP or the use of resources in the region. BioBIP has a Bioenergy Center (BioBIP Energy). It is a semi-industrial experimentation center, on a pilot scale, with laboratory support, of technologies in the area of bioenergy, using areas in the industrial nave or spaces intended for incubation, complemented with the use of laboratory resources available at IPPor-talegre. Its mission is to foster and disseminate entrepreneurship, the entrepreneurial spirit throughout the academic community and the surrounding business community, supporting the development of innovative business ideas, aiming at their concretization and successful implementation in the market.

3. Aims

This study seeks to analyze the role of a Technology Based Incubator, in order to be able to conclude about its current intervention and future promotion of new entrepreneurial ideas and projects.

- Present the management model of BioBIP and forms of intervention with the incubated;
- Evaluate the results of companies incubated at BioBIP.

To achieve these main objectives, an analysis of the internal environment of the BioBIP organization is presented and, subsequently, a characterization of its incubators.

4. Literature Review

Business incubators have been positioning themselves as important structures that stimulate the creation of new projects that result from collective or individual entrepreneurial capacity. Incubators play a fundamental role in supporting the development of technology-based projects and companies, as they “bet on innovation as a way to help the creation and development of these companies.” (Santos, 2013, p. 1).

Business Incubators are the preferred place where many entrepreneurs start their business venture. The first reference to the word “entrepreneur” dates back to 1437 when, in France, he called himself an entrepreneur “one who commits to something” (Landstron, 2005, quoted by Franco & Gouvêa, 2016, p.3).

In the economic era, interest in entrepreneurship is sustained by economists, who focus mainly on “risk” and “change and innovation”. The era of social sciences marks “the entrance of scholars from the fields of psychology and social sciences, who direct their interests in the entrepreneur as an individual and have started to investigate his works and personality traits.” (Verga & Silva, 2014, p. 5).

Entrepreneurship is fundamental to the socioeconomic development of a country / region, as it is essential for the design of job opportunities and is considered a catalyst for technological progress and product, service and market innovations (Mueller & Thomas, 2000, referenced by Silva, *et al.*, 2013).

Allied to the concept of entrepreneurship comes the concept of innovation, being thus a key variable when analyzing this theme. For Drucker (2005) innovation is the main tool of an entrepreneur, through which he identifies an opportunity and explores it in a way to create a different product and or service (Antunes, 2019).

Quoting Santos (2013, p. 13) “the words” entrepreneurship “and” “innovation”, convey the possibility of opening new markets, enabling greater efficiency and economic growth.”

Entrepreneurship is a multifaceted phenomenon that has attracted the attention of researchers from various disciplines, possibly because it is understood that competitiveness and innovation are today’s challenges (Lüthje & Franke, 2003) that can make a difference in terms of employability, economic growth and, at the same time, mitigate social conflicts.

The Higher Education Academy (2004) defines this concept as “an activity which leads to the creation and management of a new organization design to pursue a unique, innovative opportunity” (p.2). The National Commission on Entrepreneurship (NCE, 2003) also defines the concept as a process “of uncovering and developing an opportunity to create value through innovation” (p.4) placing, as in the previous definitions, the emphasis on finding creative and innovative opportunities making them market opportunities, regardless of having as objective the creation of financial, social or aesthetic value (Karp, 2006).

Lee & Venkataraman (2006) define entrepreneurship as “the search process of alternative or new opportunities instead of just alternative employment opportunities” (p.120) in which the concept is understood, essentially, as the search for innovative entrepreneurial opportunities, considered as the possibility of the individual offering society new values through the introduction of new products and services creating new companies, be it considered as a process, activity, choice of career or creating one’s own job (Frazão, 2010).

The author Sarkar (2007) argues that “entrepreneurship is the process of creating and / or expanding businesses that are innovative or that are born from identified opportunities” (p.47). This author incorporates the three most common structuring logic of entrepreneurship, namely the economic, the creation of an innovative way and the recognition of opportunities.

The entrepreneur, in addition to his personal fulfillment, is an innovator who creates, organizes and coordinates economic resources (Tamásy, 2006; Blenker *et al.*, 2006) having generally associated the achievement of financial or material profit (Holland, 1985) as one of the objectives. In this context, entrepreneurship can also be understood as an art form, as it seems to be based on a deep theoretical knowledge allowing the individual to use his abilities to create something that did not exist in an innovative way (Frazão, 2010).

For Frazão (2010) the entrepreneurial behavior is a positive, flexible and proactive attitude of the change that can manifest itself in different contexts. Blenker *et al.* (2006) refer that the entrepreneurial behavior can be understood as a collective or individual phenomenon, being able to refer

Some authors have a broader conception of the concept considering that entrepreneurship is not the same as creating an organization or starting a business (Drucker, 1985) or a partnership, but it is an indispensable competence in a multiplicity of contexts of personal, professional and social life of individuals (Gibb, 2002; 2002a). For other authors, the concept is understood as a competence to recognize and assess the risks of exploiting an opportunity (Ulhøi, 2005), even assuming a crucial importance as a key competence in lifelong learning (EC, 2004).

The European Commission (EC, 2004), through the working group that studies the issue of key competences, adopts a very appealing perspective of the individual's personal characteristics and personality when defining the "entrepreneurship" competence as "the propensity to induce changes oneself, but also the ability to welcome and support innovation brought about by external factors by welcoming change, taking responsibility for one's actions, positive or negative, to finish what we start, to know where we are going, to set objectives and meet them, and have motivation to succeed" (p. 15).

Many entrepreneurs, with few resources, use business incubators to kick start their venture.

The expression "business incubator" dates back to 1938, when the first incubation experiment was carried out by two students, Hewlett and Packard, which subsequently resulted in the creation of one of the largest global technology companies, HP (Silva, *et al.*, 2013). In 1959, the "worldwide incubator movement" began, more specifically in Batavia Industrial Center, New York City, which later came to be called the first United States business incubator (Antunes, 2019).

The business incubator is defined, according to ANPROTEC (2011), as an "entity that aims to support entrepreneurs so that they can develop innovative ideas and transform successful ventures". In this sense, "business incubators are mechanisms considered as important assets in supporting entrepreneurship." (Grimaldi & Grandi, 2003, cited by SEBRAE, 2015, p. 3). For Lisboa & Castro (2016, p. 246) "the objective of business incubators is to provide an environment for interaction, knowledge transfer and constant search for technical and managerial improvement".

Business incubators offer their incubated companies' different conditions so that they can create and develop their projects, such as: adequate facilities and infrastructure, financial support, management support supporting companies in areas such as administrative, commercial and legal. They can also offer several services, "among which stand out the services associated with business opportunities, consultancy services, information, feasibility plans, insertion in entrepreneurship and innovation networks, infrastructure and facilities" (Araújo, Bonani, Ramalheiro, & Barboza, 2017, p. 2).

In the first phase of the incubation process, the company intends to improve its business plan, carrying out market research and prior preparation for the management of its business. The incubation phase is classified as the critical phase of the process and comprises the development of the business plan formulated in the pre-incubation phase, "taking advantage of the physical facilities and other services provided by the incubator" (Iacono, *et al.*, 2011, p. 1500). This phase usually lasts two years, but it

can vary depending on the organization of each of the incubators and it is there that the incubator guides and accompanies the companies so that they can add value to their enterprise. Post-incubation is characterized by the stage when EBT reaches its maturity and “receives the name of a graduated company, but the services provided by the incubator remain available.” (Iacono, *et al.*, 2011, p. 1500). In this same phase, the company intends to gradually disconnect the incubator.

5. Method

A case study is a study of a particular situation. The question formation of the study determines mostly the methodology or the method that is the best one for the empirical part of the study in question.

As for the nature of the study that was developed, it is classified as a mixed study, that is, it encompasses the collection and observation of data with a quantitative character and data with a qualitative character.

As for the type, we classify the study as a case study. According to Yin (1994), the case study presents itself as an adequate strategy when asking questions of “how” and “why” questions, when the researcher does not have much control over events and when the focus is on current phenomena in a given real-life context. In Yin’s (1994) view, a case study has three main intentions - to explore, describe and/or explain.

6. Results

BioBIP mission is to foster and disseminate the entrepreneurial spirit throughout the academic community and the surrounding business community, supporting the development of innovative business ideas and aiming at their successful implementation and implementation in the market. Its entrepreneurial nature aims to enhance the entrepreneurial spirit, promote and facilitate the growth of business ideas, in order to contribute to the development of the territory.

Depending on the type of support needed by the different states of the companies and projects under development, the Incubator offers 3 incubation modes: pre-incubation, incubation and business development.

During pre-incubation, the Incubator provides project promoters with support in the development of the business idea, in order to prepare promoters and companies to move on to the incubation phase, aiming to provide promoters with the best sustainability conditions to be able to launch the product on the market.

During the pre-incubation period, promoters will be able to use the incubator facilities in the coworking area, access consultancy services specialized in the development of the product / service, in monitoring the development of the idea, as well as other specialized services, with a view to legal formalization of the company (legal support, tax support, training, among others).

In the incubation mode, the promoter has the possibility to enjoy a physical space with a view to the implementation and / or business development of a project or company and may also choose to Virtual Incubation or Coworking (“Incubator services”).

This type of incubation of a business or company idea, with access to all services that the incubator offers without being physically installed in it. The business project can move from virtual incubation to physical incubation, as long as there is space in the incubator and that is the will of the promoters.

In this phase, benefiting from the synergies between the incubated companies, the privileged conditions are maintained, in a favourable environment, with a view to increasing the competitiveness of the incubated companies.

Advantageous conditions are available for access to specialized services such as accounting, consultancy, legal support, among others, as well as the support and monitoring of the business, contributing to its future sustainability outside the incubator environment.

As we can see in Table 8.1, there are several and diverse areas of activity for companies incubated at BipBiop.

Multimedia animation	Engineering
Multimedia animation & Technologies	Engineering and architecture
Multimedia animation, Technologies, Television	Teaching creative technology
Arts, Design and Animation	Manufacturing of medicines
Bioenergy, technologies	Mycological resource management
Health Sciences and Technologies	Research and experimental development on physical and natural sciences
Online retail trade	Animal research and production
Trade and retail of books	Marketing
Communication	Marketing, Communication and Design
Consultancy	Microalgae for human consumption
Agricultural consultancy and technical support	Monitoring, mobility in industrial processes
Environmental consulting	Precision livestock
Mobile care in neurodegenerative diseases	Pet Sitting
Bot Development	Technology
Design, Multimedia	Multimedia technologies
Education, Social and Human Sciences	Tourism

Table 8.1: Development business areas at BioBip

Source: BioBip - Abril 2020

In figure 8.1 we can see the growth in the number of companies incubated at BioBip, with 2018 being the year with the most companies operating in BioBip, on a physical (70%) and virtual basis (30%). In 2019 the number of companies physically incubated decreases (60%), and virtual incubation increases (40%).

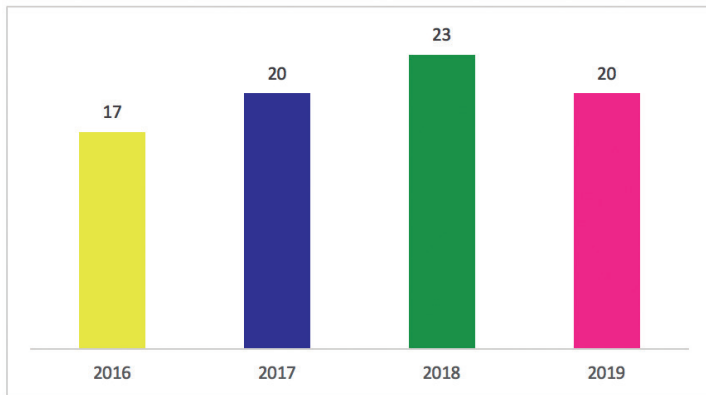


Figure 8.1: Incubated Companies at BioBip

Source: BioBip - Abril 2020

Figure 8.2 shows the growth variation in the number of employees of the incubated companies. It should be noted that since its inauguration, BioBip has played an important role in combating unemployment in the North Alentejo region.

In 2019, 85 people worked in BioBip facilities, which represents a 44% growth compared to the previous year.

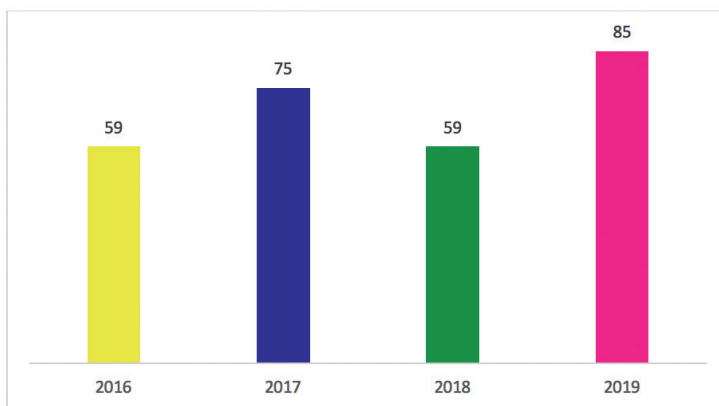


Figure 8.2: Number of Employees at Companies Incubated at BioBip

Source: BioBip - Abril 2020

In relation to the volume of business generated by companies incubated at BioBip in these four years, we can see that the year with the greatest relevance was 2018, in 2019 there was a small reduction in business volume by about 16%.

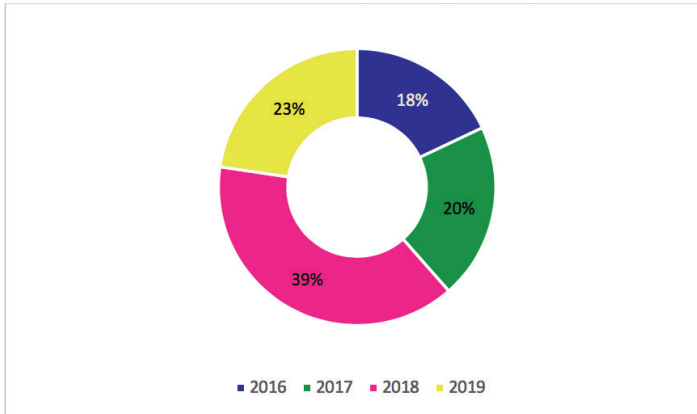


Figure 8.3: Volume of Business from Companies Incubated at BioBip

Source: BioBip - Abril 2020

7. Conclusions and Recommendations

Incubators as entities that are considered important assets to support entrepreneurship, offering support to entrepreneurs so that they develop their innovative ideas. These, in order to enhance their capabilities and generate better innovative ventures, need to outline and put in place management models.

Currently, technology-based incubators are a means of entrepreneurship, of transferring and applying knowledge and innovation, which results from the close relationship between Higher Education Institutions and companies through Research and Development activities (Antunes 2019).

With the presentation of this case study, we sought to disseminate an example of a project with regional impact, generating innovative dynamics, enhanced by a recent infrastructure, under the responsibility of a higher education institution. The BioBIP technology-based incubator is thus a project that meets the need to promote entrepreneurial attitudes with scientific and technological bases, providing evolved technological means for testing business ideas, as well as monitoring by a qualified and qualified team with multidisciplinary human resources.

In this perspective, a technology-based incubator like the one we have analyzed here, based on the technical and scientific competences (of excellence) installed at IPPortalegre, is, after all, a form of regional affirmation and knowledge transfer.

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IV. CASE STUDY. THE PROFILE OF THE TOURIST IN THE NORTE ALENTEJANO

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Key words: Tourism; Tourist; Consumer; Marketing

1. Summary

This case study analyses the behavior of the Tourist of the Norte Alentejo – Portalegre. The development of a tourist destination is strongly dependent on its ability to attract tourists, so it is essential to know the existing demand (effective demand), and whenever possible, to prospect the segments of demand that may be feasible to capture (potential demand).

Knowing the effective tourist demand in Portalegre is, therefore, extremely pertinent, in order to outline strategies of attraction to the territory.

2. Introduction

The term tourism is known for all the activities that human beings perform when they travel and stay in a place outside their usual surroundings with an objective eminently focused on vacation or leisure.

The set of activities carried out by individuals during their travels and stays in places other than those in their usual surroundings for a consecutive period of less than one year is called tourism. Generally, tourist activity is carried out for leisure purposes, although tourism also exists for business reasons (better known for business trips) and other reasons.

The person who leaves his country or region to do one of these types of tourism is known as a “tourist”.

Nowadays, tourism is one of the main industries globally. Tourism currently appears as one of the most important economic activities, thus revealing an international dimension. The World Tourism Organization (WTO) defines the tourism sector as the third largest export sector in the world. This strong growth in the tourism sector is due, for example, to factors such as the desire to travel and the ability to be able to do it, to discover new cities, countries, cultures, among others.

The definition of the WTO - World Tourism Organization, which considers tourism as “the set of activities developed by people during trips and stays in places outside their usual environment for a consecutive period that does not exceed one year, for leisure reasons, business and others”.

A difference can be made between mass tourism (a group of people grouped by a tour operator) and individual tourism (travelers who decide their activities and itineraries without the intervention of operators).

There are almost as many types of tourism as there are human interests. That said, we can mention cultural tourism (people who travel to see artistic or historical landmarks), consumer tourism (tours organized with the main objective of purchasing products), training tourism (related to studies), gastronomic tourism (for enjoy the traditional food of a specific place), ecological tourism (based on non-invasive contact with nature), adventure tourism (for recreational risk / adventure sports), religious tourism (related to religious events) and even space tourism (a recent business that organizes trips to space). Tourism is an activity of such importance for the economy of a country, region or city. Since the arrival of tourists increases the economy, due to the consumption of local products and services as well. This is the so-called tourism industry.

3. Aims

This study seeks to know to know (i) which aspects are most valued by current visitors, (ii) which are the least satisfactory aspects of the stay / visit, (iii) which are the consumption habits, expectations and motivations of tourists, (iv) which are the sociodemographic profiles and (v) main markets of origin of visitors, among other aspects. This information will be decisive for the definition of the main lines of intervention to be pursued, and for the identification of the actions that can best respond to the needs and expectations of demand.

4. Literature Review

Tourism has come to assume more and more importance, representing good results in the investments made all over the world, which results in the creation of jobs and the possibility of the countries that have this natural and historical-cultural potential to develop great events and businesses aiming at opportunity to enter and compete in the international market.

Tourism, according to the United Nations (UN) and the World Tourism Organization (WTO), is the activity of the traveler who visits a locality outside his usual surroundings, for less than a year, and with a main purpose different from the exercise paid activity by entities of the visited place. The tourist is the individual who makes the tourist trip overnight.

The definition of the WTO - World Tourism Organization, considers tourism as “the set of activities developed by people during trips and stays in places outside their

usual environment for a consecutive period that does not exceed one year, for leisure reasons, business and others ”.

The definition of tourism proposed by the author Ignarra (2003) denotes, unequivocally, the multifaceted nature of this activity: “Tourism is a combination of activities, services and industries that are related to the realization of a trip: transport, accommodation, services food, shops, shows, facilities for various activities and other receptive services available to individuals or groups traveling away from home. Tourism encompasses all service providers for visitors or for those related to them”(Ignarra, 2003, p.14).

For the UNWTO (2020) Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business / professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which involves tourism expenditure. Tourist (or overnight visitor): A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor), if his / her trip includes an overnight stay, or as a same-day visitor (or excursionist) otherwise (IRTS 2008, 2.13).

Pinto (2008, p. 1) states that, “Portugal presents itself as a country turned to the Tourism sector due to its natural characteristics, finding itself to invest in this, either through the improvement of the quality of its infrastructures and services, either diversification of tourism products offered. ”

For Portugal, in this specific case of Portalegre, being able to adapt its offer to the needs of consumers of tourist products has to take into account the aspects that provide satisfaction and dissatisfaction while experienced by the tourist, ensuring that value and pleasure are evaluated in a way that expectations are met or exceeded. For Schmitt (2004: 25), experience in the tourism sector provides guidance for creating value, since it allows identifying all aspects that translate into customer satisfaction, ensuring that value and pleasure are assessed in a expectations are met or exceeded.

For Tocquer and Zins (1999: 83), “One of the essential tasks of a marketing manager in a company or in a tourist organization is to understand the way in which the consumer makes a certain number of decisions regarding the choice of a vacation destination”

The same authors state that (1999: 181), the product is the central element of tourism marketing and is defined as a set of tangible and intangible elements that cause “benefits” sought by one or more customers. According to Silva, Mendes and Guerreiro (2001: 66), “The tourist product is the link between supply and demand and, as such, constitutes the central figure in the entire process of analysis and evaluation of perceived quality, both by tourists as well as by other players in the process of providing the tourist service ”

Tourism sector organizations offer a vast and diverse range of products and services, ranging from accommodation to catering, rent-a-car, entertainment, among others, and which constitute the operational result of the respective production processes. This type of specific products can either be subject to integrated marketing and consumption, usually in the form of packages, or presented in isolation, consolidating the

structural bases of the tourism offer in a given region, and should be understood as potential links in the value chain that tourist experiences and evaluates during their stay.” (Silva *et al.*, 2001: 66)

The global or composite product results from a perspective of integration, at the regional level, of all the reality offered and experienced by the tourist. This product concept is seen as a synonym for tourist destination (Silva *et al.*, 2001: 66)

According to Cooper *et al.* (2007:654), “The value of a tourist product includes a number of different aspects, including price perception, quality and image, in addition to economic and social aspects related to the consumer. Today’s customers have much more information with which to make comparisons between alternative offers (...) Also, some people have a wide circle of friends and may consult alternative sources of information when deciding which offer provides more value than the others”.

The same author (2007:654), “the perceived value is based on the following:

- The actual price requested and the comparison in relative terms with similar or equal products offered by other companies
- The perception of quality, service and image that is associated with the brand / product
- The suitability of the purchase method or channel and its consistency with consumer needs
- The difficulties of the consumer regarding the ability to evaluate the benefits or the price of the product in comparative terms
- The experience linked to the purchase or consumer process”

The tourist value judgment includes aspects intrinsic to the purchase as a previous activity of the trip and to the tourist experience itself. An experiential perspective can incorporate the symbolic, hedonic and aesthetic aspects of the consumption process. The value can be based on the dimensions of thought and feeling related to the buying and consuming behavior of the tourist product. Tourism produces a total tourist experience: planning the trip, shopping, traveling, visiting, staying, returning trip and reflecting the tourist about the activity in the tourist region.

Thus, “As tourism is a people-based industry where the performance and interaction capacity of employees are of great importance, we find ourselves in a human environment where mistakes are inevitable. Therefore, it is necessary to assess the benefits of a higher level of use and the fact that consumers “repeat” —reuse a service (s)— against the possible loss of new customers. The moment of truth or real impact on the bottom line of an organization is, therefore, the assessment that people make regarding the quality of service.” (Cooper *et al.*, 2007: 689)

5. Method

This case study is a collection and analysis of indirect data of tourists looking for tourist products from the North Alentejo. The collection of this information is decisive for the definition of the main lines of intervention to be pursued, and for the identification of the actions that can best meet the needs and expectations of demand.

Data from the Survey of Visitors in the municipality of Portalegre are used, carried out by the team of the Portalegre City Hall in order to know in more detail, the characteristics of those who already visit the destination. Secondary data collected by the study developed by the Observatório do Turismo do Alentejo are also used.

6. Results

In Portalegre, the demand for tourist accommodation, between 2013 and 2017, reached a record value of 35,449 overnight stays in 2017, following a positive growth trend that had been accentuated since 2013. Comparing the number of overnight stays in 2013 and 2017, there is a substantial increase of about 267.9%.

Visitor Profile of Alentejo - In a total of 1000 individuals, the majority of respondents who visited Alentejo lived in Portugal (70.4%), followed by residents in Spain (13.5%). Analyzing the origin of the guests from Alto Alentejo, the main markets of this sub-region, Portugal and Spain, followed by America and France.

The average age of the respondents was between 35 and 54 years old (49.1%), and a large part had a predominantly higher education level (45.0%), had the status of married or lived in a de facto union (71.8%).

The net monthly income of households was between € 1001 and € 2000 (32.3%). With regard to professional occupation, 14.7% of respondents were “self-employed”, 12.4% “middle management”, 12.2% “specialized workers” and 12% “retired”.

More than $\frac{3}{4}$ of the respondents pointed out “Leisure / recreation / holidays” as the main motivation for visiting the region (76.9%), with the attributes most favorably rated “hospitality”, “accommodation”, “gastronomy”, “monuments / museums”, “wine experimentation”, “natural and scenic heritage”, “tranquility” and “beaches”.

With regard to the organization of the trip, a large part of the respondents reported having already visited the Alentejo from previous visits (48.8%) and having used the Internet to mainly book accommodation (66.0%). Reservations were made less than a month in advance (46.0%), with the privileged channel of information about the region coming mainly from the circle of family and friends (41.5%). When traveling to the destination, respondents used mainly their “own car” (71.3%), staying predominantly in the region (66.0%), for 3.5 to 3.9 days. They traveled with companions (77.6%), especially with family / friends or as a couple, and sought mostly registered collective accommodation (66.0%) and, of these, the hotel industry, although the demand for private accommodation is not negligible, especially the homes of family / friends (20.6%).

With regard to behavior during the trip, respondents developed, at the destination, essentially activities around rest / rest (15.3%), cultural visits (13.2%), gastronomic experiences (10.3%), visits natural heritage (7.6%) and frequency of beaches (7.6%).

Overall, respondents revealed high levels of satisfaction with the region (50.7% were very or extremely satisfied and 46.8% said they were satisfied), showing a clear tendency to return and advise the destination.

Visitor Profile of Norte Alentejo - The ages of the visitors vary between 22 and 84 years, with an average age of 51 years approximately, which indicates an approximation to the average age of the visitor from Alentejo, as previously mentioned.

Just over half of the respondents live in Portugal (53.5%). Among foreign countries, Spain stands out (16, 3) with a greater number of visitors, followed by Germany and Holland with (7%). Brazil has a lower representation (4.7%). Of the residents in Portugal, the municipality with the greatest origin is Lisbon, followed by Porto.

The vast majority of visitors come from Vocational Education (38.6%) followed by Graduates (27.3%) and the rest have at least Secondary Education (25%).

more than half of visitors exercise a profession (54.5%) and a significant percentage are retired (31.8%).

The households of visitors to the municipality of Portalegre mostly earn a monthly income between € 1001 and € 4000 (83.3%). For the majority of respondents (73%), Portalegre is one among other destinations to visit.

Of the destinations identified by the respondents as other places to visit, Marvão, Castelo de Vide and Évora stand out. This element makes it possible to infer that the development of tourism products in conjunction with the municipalities of Marvão and Castelo de Vide may translate into an effective gain of scale and external visibility, and / or that it is necessary to identify strategies to attract tourist flows that already exist in the region. proximity territorial surroundings.

Almost all respondents classify their visit as 'Leisure / Recreation / Vacation'. Other reasons also mentioned, in addition to those specified in the questionnaire, are "Taste for History and Heritage", "Culture", "Sport" and "Painting / drawing".

As favorite attractions for their visit, respondents have already visited or plan to visit the Tapestry Museum, the Casa Museu José Régio and the Sé. The relevance of the Tapestry Museum and the Casa Museu José Régio, within the framework of the activities pointed out by the respondents as preferential visits during your stay in Portalegre, allow you to reinforce the importance of these two resources for the tourism development of the municipality, not only by enhancing the experience of visiting these spaces, but also by reinforcing these icons as identity elements of the territory and that contribute to the competitive positioning of Portalegre. The 'cultural and historical resources' as well as 'landscape and nature' are the attributes most valued by respondents when choosing Portalegre as a tourist destination.

Most respondents travel with 'Spouse / partner', followed by those who travel with family and / or friends. The means of transport most used by the respondents was their own vehicle

Globally, respondents are 'Very satisfied' or 'Extremely satisfied' with Portalegre as a tourist destination. This is an extremely relevant aspect, especially when considering the specific aspects most valued by visitors.

The aspects most valued by respondents during their visit were 'People', 'Food / gastronomy' and 'Landscape'.

Most visitors intend to return and / or recommend Portalegre as a tourist destination, noting that there are none that do not intend to return. This element is also extremely relevant, especially when considering the current difficulty that tourist destinations feel in retaining their visitors.

To plan their trip, respondents favored the use of search engines, travel guides and social networks. This is, in fact, a widespread trend in the behavior of most tourists, and which reinforces the need for an active, strategic and articulated presence, of the various tourist agents (public and private) on digital platforms and social networks.

7. Conclusions and Recommendations

This study allows us to verify the importance of knowing the profile of the visitor in the North of the Alentejo in order to adapt the offer of the most appreciated tourist products and promote the degree of satisfaction of this visitor.

Adopting marketing strategies that captivate and attract the consumer is essential to attract regional development, so necessary in this region of Portugal, developing the small regional economy.

It is possible to understand from this study that, globally, respondents are 'Very satisfied' or 'Extremely satisfied' with Norte Alentejo as a tourist destination, and that most visitors intend to return and / or recommend Portalegre as a tourist destination. This is an extremely relevant aspect, especially when considering the specific aspects most valued by visitors.

It is also clear that, meeting the profile of the visitant, there is a strong need to increase digital media as tools to promote the territory of the Norte Alentejo.

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V. CASE STUDY. CONSTRAINTS AND CHALLENGES ARISING FROM DEMOGRAPHIC ISSUES IN NORTH ALENTEJO - PORTUGAL

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Key words: North Alentejo; demography; strategic public policies;

1. Summary

North Alentejo is a depopulated region with high aging rate and other unfavourable indicators. Demography is an increasing constraint in this region. On the other hand, its geographical location and many other factors described, are challenges that, with public strategic policies, discussed in this study, may contribute to not only invert the trend but also to promote territorial cohesion and other benefits.

A marketing approach is essential for institutions and companies to reverse this situation.

2. Introduction

Alentejo is a region of Portugal situated in the centre-south of the country. "Is the largest Portuguese region with a territorial area equivalent to about 31,500 km², corresponding approximately to one third of the country territory. Alentejo borders with the regions of Centro, Algarve and the Spanish regions of Extremadura and Andalusia." (Comission, 2020)

In the north part of this region, we find North Alentejo, the north part of Alentejo, that constitutes a sub-region. In this study, our main focus will be the sub-region, for its specific features, different from Alentejo as a whole.

The region of Alentejo has the lowest average population density among Portuguese regions, 22,6 people per km² in 2018 (Eurostat, 2020) and, in the North Alentejo, this value is even lower: 17,5 people per Km² (Pordata, 2020). This value is decreasing as, in 2010, North Alentejo had an average population density of 19,6 people per KM². (Pordata, 2020)

The population resident is of 106.268 people, in 2018, against 119.379 people in 2010. (Pordata, 2020)

The population is decreasing and, as we will see, this can be a big constraint for sustainability and economical growth.

“Over the past decades, the region has undergone an average negative population growth rate, which is largely due to rural exodus and ageing population.” (Commission, 2020)

In a poor and depopulated region like North Alentejo, the need of public and European support is crucial to this region. The demographic issues are a constraint to economic growth, as already largely discussed in literature. But, with smart strategies very focused, this constraint can be a challenge, where public strategies can contribute to invert this situation, specially in a strategic vision that includes marketing strategies using tools that reduce distances and differences.

3. Aims

Facing the demographic situation of North Alentejo, as a big constraint to economic growth and development, in this study, we will analyse some public regional strategies for Alentejo and discuss the challenges to this region.

To achieve this main objective, some statistical data is presented, and strategical official documents are presented and discussed.

4. Literature Review

Demography is the science of populations, seeking to understand population dynamics by investigating three main demographic processes: birth, migration and aging (including death). (Max Planck Institute for Demographic Research, 2020) All these factors have a major contribution to changes in populations and nations.

The concept of “population density” allow us to perceive how many people live in the region in focus. By population density we mean “Settlement intensity expressed by the relationship between the number of inhabitants of a territorial area and the surface of that territory (usually expressed in number of inhabitants per square kilometre)” (INE, Indicadores demográficos - documento metodológico, 2006)

Also, the concept of “aging rate” allows to understand the structure of the population regarding elder people and younger people: “Relationship between the elderly population and the young population, usually defined as the quotient between the number of people aged 65 and over and the number of people with ages between zero and 14 years old (usually expressed by 100 (102) people from 0 to 14 years).” (INE, Indicadores demográficos - documento metodológico, 2006)

The “crude birth rate” is the number of birth per 1000 inhabitants (Pordata, 2020). With this rate, we may perceive the structure of the population regarding its renovation.

Currently, demographic issues, specially in regions and countries with low birth rates below the replacement level, know big debate in developed countries, as the “aging of societies”. With the aging of society and low birth rates, the demographic sustainability is one main challenge for regions and countries. (Uhlenberg, 2016)

The relationship between demography and economy is very close. Until now, changes in the structure of population was favourable, as young and working-age population was increasing. Recently, in developed countries, this trend has changed and the share of elder population is growing and the share of working-age population is decreasing. (Lee & Mason, 2011) This situation and its relation with economy raises complex questions, whose discussion is out of the scope of this study. However, we must see that, in past times, business competitiveness was based in the production of tangible goods but, currently, as technology is present in many sectors, the main competitiveness factors are mainly intangible. (Laranja, Corado Simões, & Fontes, 1997). So, this inflection can open a new approach and allows different strategies in which the demographic constraint can be mitigated.

Public and community policies are very important, specially for this kind of regions. Governments don't control competitive advantage but, however, they assume great importance in the making of policies that influence in a positive or negative way economy. (Porter, 1990)

Also, according to (Cooke & Morgan, 1998) regional structures are closer to surrounding and they are preferable actors in the needed liaison between government and companies. However, these authors reinforce that national governments reserve themselves as the only institution able to maintain social cohesion.

5. Method

This case study is a collection of official demographic statistic data. Data was presented in table. Also, official strategic documents are presented and discussed. The collection of this information, both data and strategic axes, are the basis for the definition of the main lines of discussion to be made about the challenges for North Alentejo.

6. Results

The population in North Alentejo, as analysed previously in this volume,¹⁰ is depopulated and the situation accentuates every decade.

Territories. Geographic scope		Average of individuals per Km ²			
		1960	1981	2001	2011
NUT III	Alto Alentejo	30,1	22,8	20,3	18,9

Table 8.2: Population density according to Census
Source: Pordata (2020)

¹⁰ SEE PEREZ-CASTRO, Miguel Ángel, "Economic keys against depopulation of rural areas: case of Alto Alentejo (Portugal)", in this volume.

The resident population has decreased in almost a decade more than 10%:

	2010	2018
North Alentejo	119 379	106 268

Table 8.3: Resident population in North Alentejo

Source: Pordata (2020)

Concerning “aging rate”, that is, the quotient between elder people (>65 years) versus younger people (0-14 years), there is a remarkable aging rate in the region regarding the national rate. Also, the aging rate is increasing, in regional and national level.

	2010		2018	
	North Alentejo	Portugal	North Alentejo	Portugal
Aging rate. Elder people per 100 young people	207	122	237	157

Table 8.4: Aging rate in North Alentejo and in Portugal

Source: Pordata (2020)

Regarding births, the “crude birth rate” in North Alentejo is lower than the national rate that, in turn, is low, values 1 per 1000:

	1981	2018
Portugal	15,5	8,5
North Alentejo	–	7,4

Table 8.5: Crude birth rate in North Alentejo and Portugal

Source: Pordata (2020)

Considering the confluence of the decrease of the resident population, the increase of the aging rate and the low crude birth rate, these three factors contribute, relevantly, to what is called “aging of the population”, that is the renovation of population is not assured in this region and the trend is increasing over the years.

The aging tends to accentuate in close future and specialists agree that, in prospective scenarios, this situation may now be irreversible. (Ferreira Rodrigues & Castro Henriques, 2017).

This demographic sustainability is one of the strategic challenges Portugal is facing, in order to stop aging of the population and to assure demographic sustainability, assuring also providing goods and services adequate to an aged population. (Programa Portugal 2030, 2017).

In Portugal, all the inland has similar characteristics, although not so accentuated that the ones of Alto Alentejo. For that, the central government has dedicated special attention to the conditions of inland, in order to assure territorial and social cohesion. For that, currently, it was established a Policy for the enhancement of the interior. The focus is on valuing the Interior based on resources with the capacity to incorporate knowledge and technology to increase the installed productive dimension, the diversification of the economic base and the creation of qualified jobs, contributing to attract and fix the population in these territories, as recommended in the Interior. (Portugal G. d., 2002)

The interior allows people to have a good quality of life, as they can live in smaller towns with less pollution, with time for the family and leisure. Also, living in small towns is much less expensive than in a big own. Portugal has made a great effort in digital networks and digital infrastructures. The focus in the creation of qualified jobs may attract to inland professionals with a higher economic level that can buy houses and spend money in social and leisure life. Also, these professionals have more ability to create companies or to invest.

The second purpose of the strategic policy for cohesion is investing in cross-border, transnational and interregional territorial cooperation through joint projects, optimized management of shared infrastructures and equipment and the mobilization of multiple partners. (Portugal G. d., 2002)

The geographical location of Alentejo is not only a challenge but an opportunity, as people are closer to Spain than to Lisbon. Transnational business can be more easy, as they are closer, than business with other regions of Portugal, far more distant. One good example of a transnational cooperation is the creation of an Euro city – Badajoz-Elvas-Campo Maior.

The Euro city Elvas-Campo Maior-Badajoz arises from the protocol signed between the Municipality of Elvas and Ayuntamiento de Badajoz in 2013, and subsequently enlarged to Campo Maior in 2015. Finally being constituted in May 2017. The area of regional and cross-border influence of Badajoz has 600,000 inhabitants. Trade and services remain the main source of employment. Campo Maior has 32% of the population employed in the industrial sector, directly associated with Delta.

This interesting project is not the only one between Portugal and Spain. Currently there are others: Euro city Chaves –Verin, Guadiana Euro city -Ayamonte-Vila Real de Santo António –Castro Marim and Euro city Valença-Tui.

In a regional level, the regional development strategy for the period 2014/2020 is fundamentally based on the appreciation of the Alentejo identity, represented by its cultural heritage, environmental value and deepening of urban-rural relations, boosted by innovation, with a view to creating new dynamics of economic development and employment and the improvement of existing ones, within a sustainability and quality of life of citizens". (CCDRA, 2014)

The cultural heritage represents a main factor as, in relation in tourism, it can be one of the main challenges for Alentejo and specially for North Alentejo. The valorisation

of endogenous resources can allow economic attractiveness. Also, innovation, specially based in the relation between science and companies, can enhance emerging activities with high technological index, also contributing to attract qualified jobs, with the advantages prior discussed.

The R&D units play a crunch role, and investment in science and technology can be the solution to implement these strategies.

The reverse of that can be that there are structural investments can must be prior to this, for example investment in accessibilities, like train or high-ways, and even airplane. Portalegre has no daily train connections to Lisbon and the ones that exist are not direct and take several hours to go 250km. Also, Portalegre, capital of District, is not served by close high-ways as, going south or north, they are distant about 60km.

Regarding airplane connection, Ponte de Sôr has an aerodrome whose utilization could be enhanced, cautioning economic sustainability, allowing commercial connections to Lisbon.

Although the accessibility (plane, train, motorway ...) could be structuring, there may be investments in communication networks that further support development. In a way, the absence of this type of accessibility helps the creation of the region's brand, as long as forms of telework are created that support the new times, the territory due to its characteristics could, supported by marketing strategies, acquire new attractiveness.

7. Conclusions and Recommendations

North Alentejo is land of opportunities, if challenges are perceived by authorities and if the populations take advantage of the opportunities created by national and community policies.

The central government has payed special attention to inland territories, where North Alentejo is included. Also, there are special conditions of this region, like geographical location, cultural heritage and endogenous products that can represent opportunities.

This study pretended to show that, in spite of the big constraints caused by demography, there are big challenges that can be seized, if populations understand the need of these policies and the advantages that may arise from them. A marketing approach would be a way for those who try to reduce this problem to become more effective.

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VI. CASE STUDY. COVID19: CHANGES IN THE MICRO-MACRO ENVIRONMENT AND CONSUMER BEHAVIOUR CAUSED BY THE PANDEMIC.

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Key words: Pandemic, COVID19, environment, Maslow, Hofstede, Culture

1. Summary

The global pandemic that is being experienced in the first half of 2020 and which does not know what its future repercussions will be, even if we face a second period of growth, will change the market, as well as the terms of trade.

In order for companies to adapt to this situation, and to foresee how consumer behaviour will be, it would be interesting to analyze the changes that will be made in the environment, at the macro and micro levels. With this, companies will be able to adapt their strategies to the new environment.

With this study case we want the student to look forward the actual situation, imagine how the changes will be, connecting different elements of the environment and give recommendations to the companies.

2. Introduction

A pandemic such as the one caused by the coronavirus, known as COVID19, shakes the entire world and with it the global market. What was normal before is probably not normal now and consumer behavior is very different from what companies knew. To do this, we will analyse the changes in the macro and micro environment, and what recommendations would be made to companies in this regard.

Those not controllable factors by the company constitute the environment. They influence in the market behavior, marketing decisions and the exchange relationships conditions. This environment is divided into two types or levels; the micro and the macro.

The first of these, the microenvironment, is closer to the terms of trade and its influence is easy to foresee. It includes customers, competition, suppliers, as well as other commercial institutions that facilitate or promote the commercial activity or ensure its normal development.

On the other hand, there are some factors with a not so immediate influence, and they affect not only commercial activity, but also other human and social activities. Among them we find demographic, economic, cultural, social, legal, political, technological and environmental changes. These factors are part of the macro environment. Normally, these factors do not affect individually, and a change in one of them produces a change in another. Many product failures are due to a bad macro-micro environment study.

For example, in Spain, in the first attempt to introduce envelope soups, it was a failure because women had not entered the labour market and had functions as housewives. It was not recognized as a product to satisfy a need, since it did not provide an extra value different to the traditional one. This happened with frozen products and pre-cooked food. On the other hand, after years, there was a change in the demographic dimension of the macro environment that was the incorporation of women into the labour market. Due to that, the time dedicated to cooking was dedicated to work. This situation makes families looked for food products that saved time. And they found the solution in envelope soups, or pre-cooked meals, among other products. This was the explanation of how this kind of products was accepted by Spanish families.

Along with this element, it would be interesting to analyse changes in consumer motivation, through the needs to be satisfied. For this we will use Maslow (1943; 1954)'s Theory of the Hierarchy of Needs, also known as the pyramid of needs. This theory focuses on the fact that there are five types of needs that the author represents as a pyramid made up of 5 levels or steps, and in each of them, a type of need. An individual does not seek to satisfy the needs of the upper steps until he has satisfied those of the previous one. There are exceptions to this theory, although for the analysis of the case at hand, it is not necessary to use them.

And the third element we will take into account for the case study is Hofstede's cultural dimensions (Hofstede, 1980; 2001; Hofstede, Hofstede and Minkov, 2010) considered a benchmark in the field of cross-cultural comparison between different countries (Alcantara *et al.* 2017).

The work of Hofstede (2001) provides a strong empirical base and a “guide map” to the cultural dimensions he identified. His first classification has four dimensions: Power Distance (PD); Uncertainty Avoidance (UA); Individualism (IND); Masculinity (MAS). Hofstede and Bond (1988) went on to add a fifth dimension, long-term orientation (LTO). Finally, Hofstede *et al.* (2010) proposed a new dimension labelled Indulgence versus Restraint (IVR). In this case study we will use three of them: UA, IND and LTO.

3. Aims

The main objective of the practical case is to analyse the before, during and an after the COVID19 pandemic. For this, we will use strategic marketing, taking as references the analysis of the dimensions of the macro-micro environment, Maslow’s Theory of the Hierarchy of Needs, as well as some cultural dimensions, following the proposal of Hofstede *et al.* (2010).

4. Method

For this case study, we will follow the following steps.

1. We will individually analyse each of the three moments; before, during and after the pandemic.
2. In each of the moments we will apply the dimensions of the macro-micro environment, the needs to be met by Maslow in each period as well as an approximation to the situation of the markets and consumer behavior, taking into account the cultural dimensions.

And before moving on to the analysis, it would be interesting to briefly explain both the needs, according to Maslow, as well as the three cultural dimensions of Hofstede’s proposal that we will use.

The hierarchy of needs model includes five steps (Maslow, 1943; 1954):

1. Physiological needs: Biological requirements for human survival, e.g. air, food, drink, shelter, clothing, warmth, sex, sleep. Human body needs these needs satisfied to function optimally. They are the most important and all the other needs become secondary until these needs are met.
2. Safety needs: Safety and protection. People need to experience and feel a specific order, predictability, and control in their lives. These needs can be met, either by the family or by society, through the police, schools, business, and health care, etc. Within this level can also be found: emotional security, financial security (employment and social welfare), law and order, freedom, social stability, property rights, and enjoyment of health and quality of life.
3. Love and belongingness needs: The third level includes social relationships, and involves feelings of belongingness. For example, interpersonal relationships as friendship, trust, be accepted, receiving and giving affection and love, being part of a group (family, friends, work).

4. Esteem needs. They are classified into two categories: (i) esteem for oneself (dignity, attainment, mastery, independence) and (ii) the desire for reputation or respect from others (status, prestige). It is before the real self-esteem or dignity. The satisfaction of these needs leads to feelings of self-confidence, of being useful and necessary. Their frustration produces inferiority feelings, weakness, or helplessness, which in turn lead to discouraging reactions.
5. Self-actualization needs: It involves the full realization of one's potential; becoming everything that one can, to become the most one can be, oriented to a personal growth.

The satisfaction of a need is not an “all-or-none” phenomenon. When a deficit need has been “more or less” satisfied, our activities become directed towards meeting the next step (Maslow, 1987).

Regarding Hofstede (2001)'s dimensions, before starting with the Discussion, we have to describe the three ones we will use:

The uncertainty avoidance (UA) dimension is defined by Hofstede (2001) as the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The literature demonstrates that the UA dimension is one of the most widely used in online consumer behavior studies (Alcántara *et al.*, 2018). The individualism dimension (IND) measures how members of a society primarily pursue their interests rather than those of the group with which they identify (Hofstede, 2001).

In collectivist societies, on the other hand, it is the opposite; individuals look after their group's interests rather than their own. Collectivism is associated with high-context cultures and pays particular attention to cause-effect reasoning and the formation of perceptions about social contexts and the limitations of real situations (Davis and others, 2008).

Finally, cultures that are long-term oriented (LTO) are characterized by their persistence and focus on the future, which means that they are better adapted to new circumstances and are more receptive to change than cultures that have a short-term orientation. According to Hofstede (2001), cultures with an LTO are characterised by greater constancy in goal-directed work. The LTO dimension is the extent to which members of society place great importance on the values of savings, persistence, and long-term partnerships.

It is also related to the importance that the individual gives to the use of his time related to the benefits he obtains in the projects he undertakes.

An individual seeks immediate benefits if he or she has a short-term orientation and enjoys every moment, while one who has an LTO and to ensure that he or she will have future benefits will be able to make sacrifices in the present moment.

5. Discussion

Before the pandemic, in 2019, the annual report on global preparedness for health emergencies (World Health Organization, 2019) announced in the chapter titled “Preparing for the worst: a rapidly spreading, lethal respiratory pathogen pandemic” the following:

“High-impact respiratory pathogens, such as an especially deadly strain of influenza, pose particular global risks in the modern age. The pathogens are spread via respiratory droplets; they can infect a large number of people very quickly and with today’s transportation infrastructure, move rapidly across multiple geographies. In addition to a greater risk of pandemics from natural pathogens, scientific developments allow for disease-causing microorganisms to be engineered or recreated in laboratories. Should countries, terrorist groups, or scientifically advanced individuals create or obtain and then use biological weapons that have the characteristics of a novel, high-impact respiratory pathogen, the consequences could be as severe as, or even greater, than those of a natural epidemic, as could an accidental release of epidemic-prone microorganisms.”(p. 27)

Before the announcement of the pandemic, we could say that the market situation, from a point of view of needs to be met, focused more on the fourth and fifth rung. The physiological and safety needs were met, as was the third rung, where love and belongingness needs meet. Social networks, be it Facebook, even communication via WhatsApp, makes that your needs are more than satisfied, even if it is in a very different way. If we analyse it from a cultural point of view, the pre-pandemic situation had an individualistic component, as well as a short-term orientation, two typical characteristics of an Anglo-Saxon market profile. Normally, the individualistic orientation coincides with a monochromological time orientation, which leads to putting the task or work above the person (Alcantara *et al.*, 2017). Regarding the UA dimension, globally we felt very safe within developed countries, without predicting a situation as unique and special as COVID19 that has caused the world to falter. A risky situation in China, which we saw very far, as it has rapidly spread throughout the world.

After that, the phase during the pandemic is analysed, starting with the elements of the macroenvironment. From the alarm situation established in most countries, the first repercussion will be economic due to the closure of the companies, and with it an increase in unemployment. Faced with a threat like this, many companies have sought a solution based on the technological development of the Network, seeing online sales and telecommuting as the way out of this situation.

Traffic on WhatsApp increased more than 600% in the first weeks, and due to teleworking, there was a resurgence of fixed telephony (Montalvo, 2020; Crónica Global, 2020). And of course, taking into account that to survive, you have to distribute the product, the companies that carry out home delivery have experienced unexpected growth (Rosete, 2020). Companies in this sector such as Glovo, Happy, etc..

They are a key piece for those companies that do not have sufficient resources to have their own home distribution system. Many companies have adapted their websites to be able to deliver at home. All those who want to survive have adapted to a system that was not used before the pandemic and, at the same time, makes consumers adapt to it. In this case, it will be in the countries or regions with a lower value in UA those that will take less time to adapt to the new order system, although the situation will make the process accelerate because, at this time, the Maslow steps that is the most important to us are not the fourth or the fifth, as before the pandemic, but the first three.

One could even say that the second and the third. The second step because of the fear of contracting the disease, and the third because from the moment we cannot see our family and friends physically, this step is not completely satisfied. For example, countries like Spain, with a high value in UA, leads us to fear that being infected is greater than in other countries. That makes the consumers look for the safest way to shop during the pandemic, which is to shop online and have food brought home.

Returning to online shopping, this will lead to social change, since we will get used to making the purchase online, losing the fear of it, and remaining as options in the future. Furthermore, this cultural behavior of orienting ourselves in the short term will change to a behavior of orientation in the long term, by imposition. The short term leads us to want results in a short period of time, with which we would like a quick solution to the pandemic, but this is not the case. Furthermore, the end of it is not at all clear with which, work is done in the present to obtain results in the not-too-near future, typical of long-term orientation.

On the other hand, collectivist thinking comes to light in the face of the group's need. As Hofstede (2001) said, this orientation seeks the good of the group with individual sacrifice. With the onset of the pandemic, many groups organized to help each other. An example of this was the group of users of 3D printers who decided to put their machines, as well as their time, at the service of society (Atienza, 2020). Globally, both protection screens and parts for artificial respirators were designed in hospitals, all starting through telegram groups. Each participant from home, following the instructions of the validated files, with open source designs. Within this activity, profit does not exist.

Another example of collectivist behavior is the webs, coordinated and designed by citizens voluntarily, where companies in the city or town post all their information for sale and home delivery. By gathering all the information, the effort that the consumer has to make is reduced and with it, the demand for the products offered by the companies hosted on the web increases. For example, in cities like Ceuta, two websites were created for this purpose. One directly designed by citizens called www.conectaceuta.es and given the demand, a portal was created from the city government for the same purpose (<https://www.ceuta.es/ceuta/empresas-servicios-a-domicilio>).

6. Conclusions and Recommendations

In summary, it could be affirmed that during the pandemic, a negative situation was taken, not being able to sell at the point of sale, and it developed from a strength for companies, such as home sales. For this, companies specialized in it or integrating the service into commercial activity were used. This would change the structure of the market, as well as the behavior of the consumer, reducing their uncertainty and, in many cases, developing loyalties.

Those companies that have offered their services at home have probably gained new customers. On the other hand, the frenetic pace of society has slowed since the situation is typical of a long-term orientation; we are changing behavior and invest-

ing in the present to make a future profit without knowing exactly when it will be. And finally, a social change where collectivist behavior come to light, compared to individualists. We have put some examples such as 3D Makers or free websites to promote companies that sell at home, but there are many that are being seen during the pandemic.

After the pandemic, much of the increase in online sales for COVID19 will become structural (Osorio, 2020). This situation has led many consumers to use the only possible way to buy and companies, the only possible way to sell. The purchase process, after COVID19, will not be as if the pause button had been pressed, and suddenly, we all started again (Turienzo, 2020). Before going to buy, the consumer is probably considering whether to continue ordering the product at home or go shopping.

Doubts will arise about what time will there be less people? How many people will have touched this product? Or will the store have been disinfected in the last hours? The biggest challenge for entrepreneurs will be adapting the business and strategies to the fear of going shopping in stores. Therefore, for a time, there will be no positive shopping experiences. It is not that we stop going to buy, but that we will go much less. In addition, the hotel sector will be the most affected, given this fear that the room is infected by the previous client.

To conclude, it is interesting to share some results that Toluna (2020) is carrying out on COVID19, and future consumer reactions. In Wave 3, in Europe, in our analysis we will focus on Spain, 30% of those surveyed were concerned about their work, which is a reality. On the other hand, with regard to what they will do once the pandemic ends. In Spain, the answers always contain family or friends, whether it is going on a trip in Spain or going out. Between the two activities they sum 68%.

It is clear that this pandemic will not change us from white to black, but it will leave a different society, which for weeks has thought what things it missed and what it didn't. A new partnership with consumers who have learned about new products and whose relationship will allow them to develop loyalty commitments. And with this, a new stage may arise, where solidarity will once again be the key to getting out of this pandemic crisis.

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SECTION IV
TOURISM ANALYSIS OF REGIONS NUTS2

CHAPTER 9

TOURISM ANALYSIS

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I. INTRODUCTION

Tourism can and must play a key role in the development of the great majority of European regions. This role is true in particular concerning economically less developed regions, due to the considerable spill-over effect and job creation potential in this sector. Tourism may assist in countering the uprooting of young people from regions far from economically active areas.

Traditionally, tourist destinations have focused on things like growth in arrivals, the number of beds and revenue, or, in other words, a race to keep up with the competition. However, what is recommended is for destinations to position themselves as innovative communities that is, cities and regions that reinforce or build local character, identity and civic pride while at the same time attracting outsiders.

Analysis of the tourism sector will be considering areas to promote in each regional economy because they should grow its economic contribution at the territories. For this purpose, key growth sectors in the regions: food tourism, heritage tourism, arts and culture will be studied, and even including key indicators, targets, main sites, key regional specialisms, the tourist demographic, the tourist gaze, and the tourist journey.

This report will then be studied from the point of view traditional tourism sector of this type of region and also those types of touristic innovation that must contribute creatively by considering tourism as one of the most important sources of income, as recommended by organizations such as the WTO (World Tourism Organization) and the EU.

It was also essential to pay attention to those regional development policies, which, in order to improve quality and diversification, are carrying out necessary actions. Decentralisation has been achieved in tourism policies, and with it, measures of a regional and local nature.

The European Regional Fund aims to improve competitiveness and sustainability through the aid that increases the quality of tourism at a territorial level.

II. OBJECTIVES

Tourism is directly related to the use and development of all the resources a territory has, ranging from natural, landscape, climate, historical and cultural assets, to aspects as diverse as the interest in knowing the attractiveness of cities and regions, as places to visit, and even to live and work. But the very competition between regions with similar characteristics is forcing to develop new ideas, to innovate with new proposals and to diversify the products and services to attract the attention of the visitors and that they can enjoy these novelties.

For these reasons, we want to contribute some ideas to the development of innovative tourism services, especially in peripheral regions that are not very dependent on mass tourism or still have few tourism infrastructures and therefore need new business models that can make use of new ideas.

In this section, we will study the new tourist strategies of the three countries that make up the consortium and more specifically, the three regions where they are located and the economic importance of this sector as well as refer to case studies of tourist strategies and a case study of tourism business.

III. PAST TOURISM STRATEGIES

Europe continues to be the world's leading tourist destination. It has already surpassed 50% worldwide in tourist arrivals, and in the income, they bring to the economies of the destination countries. Nevertheless, not only the tourism sector is economically important, but also the interrelationship it has with many other social, cultural, educational, health, and other aspects.¹ In some European countries like Spain and Portugal, total travel and tourism contribution to GDP is above 10%, and this percentage is even higher in Malta, 20%.²

The European Union has a geographical and historical diversity among its members that reflects the different levels of tourism development. Nevertheless, they have in common that they are all attractive tourist destinations and have experienced a growth in the number of travellers.

The additional sources of funding that the Structural Funds have provided to the less developed regions are enabling them to find innovative solutions that strengthen the structures of already established tourist areas. The vast majority of them are developing proposals for more or less successful tourism offers based on untapped resources.

Regions should not only focus on the markets and products in which they have a competitive advantage, but all new proposals for entrepreneurship and innovation should be considered as a key to their development.

¹ Conclusions of two UNWTO conferences on "Tourism: a Tool for Sustainable Development in Transitional Economies," held in Belgrade on 20-21 June 2005, and "Impact of European Union Enlargement on Tourism Development in Europe", held in Vilnius on 1-2 March 2006.

² <https://www.grantthornton.com.mt/insights/maltas-travel-and-tourism-sector-review/> .

The many facets of tourism within a society also make it necessary to take into account the social awareness of sustainability that should govern new policies in this area. The increase in the movement of people and investments contributes to the development of regions and local communities.

Visitors are looking for unique experiences and destinations should try to offer them based on improving not only their economy but also the image of their people and culture, including intangible cultural heritage, which are differential facts of each community.³ Furthermore, competitive prices, electronic communication, and social networks and the opportunities of a transport offer diversified are key to contribute to this growth.

It may be argued that success is about having identified attractions, the quality of the environment as a key objective for sustainable development, and the need to develop human resources in terms of professional training and language skills.

Certification processes (European quality and sustainability standards) determine or guide how to improve the internal workings of the tourism market. Sustainability has become a crucial objective, also in the world of tourism in Europe, and is, therefore, being advocated by the European Commission and the WTO. These organisations provide technical and policy support through a comprehensive approach that includes environmental, socio-economic, and cultural aspects.

Thanks to advanced information and communication networks, member countries have also experienced increased press coverage and networking. In general terms, tourist destinations have benefited from advances in information and communication networks in improving transport infrastructure and in simplifying many processes to be carried out at borders that have simplified procedures when coming from other European Union countries. Let us not forget the significant improvement in air transport prices, thanks to the expansion of low-cost airlines; In the case of Malta, one finds low-cost air services; in Melilla, one finds an airport, but these types of airlines do not have services; in the Alto Alentejo, the nearest airport does not have that service either.

The destinations offer more and more a wide range variety of attractions: cultural tourism, sun and beach, sport and adventure. European cruise tourism seems on the way to keep growing despite serious and equally growing environmental and social concerns (it is growing Malta and in Melilla, and Alto Alentejo is not coastal).

It should also be noted that rural tourism has experienced a significant increase in interest from public and private entities, driven by the growing demand for new markets in nature, health, silence, personal and close treatment. Although its importance is not very high in terms of income, the impact on local economies is considerable, in terms of the settlement of young people and the diversification of the way of life in these rural areas.

Rural and ecological tourism packages continue to be highly specialized markets. They also contribute and collaborate with traditional jobs that complement their income

³ Community powered tourism is an example of this. For instance, see: <https://fairbnb.coop/>.

at a business and community level. The natural and cultural richness forces them to be very creative, providing business opportunities where in principle they do not exist.

As for the environment, the first measures adopted by the European Community in this area of tourism already mention it. The impact of the pollution caused by travel and the possible deterioration due to the massification of the environment to the high concentration of supply and demand in limited times and places is recognised as the main structural problem of the sector (Antón Clavé, 1992). The sustainable development of the tourism sector will be improved if it is able to control the management of mass tourism and the improvement in the quality of services, as well as by promoting through campaigns the existence of alternative forms of tourism.

In 2001, the European Commission established measures for a better knowledge of all the agents that participate in the tourism business (Framework of Cooperation for the Future of European Tourism), and with it the search for improving competitiveness, developing tourism by giving it a sustainable character and creating employment. This idea is currently being pursued when Agenda 21 for local tourism development was drawn up.

Now, all three territories of the 3economy + consortium will be analysed during the years of this century.

1. Tourism Strategies in the period 2000-2006

The European Commission devoted significant structural funds to the development of tourism at the beginning of this century. These funds have been used, *inter alia*, for improving their infrastructure, supporting entrepreneurial activities in the field of tourism, developing new technology, training and tourism promotion. Let us look according to countries.

A. Malta

Malta tries to be one of the destinations recognized with the denomination of “warm waters” that historically have been centered in the tourism of sun, sea, and sand. The majority of Mediterranean tourist destinations depend on this type of mass tourism to obtain levels of employment that allow them, as reflected in their percentages of participation in their GDP, to grow in their social well-being (Gössling & Wall, 2007; Dodds, 2007).

Mass tourism, which has developed very rapidly in the archipelago, partly forced by the competition between Mediterranean islands to compete in the so-called sun, sea and sand destinations, has often resulted in the historical, cultural and environmental impacts on the rest of the island being neglected (Dodds, 2007). This uncontrolled growth and overdevelopment contributes to a worsening of the quality of the tourist experience and runs counter to the possible natural advantages of the destination.

The debate on sustainable tourism was on everyone’s lips when Krippendorff (1987) wrote about the consequences that tourism, mainly mass tourism, is having on cultures, economies and the environment. Mainly if the economy is given priority in government

policies, and the increase in the number of tourists, without taking into account the impact this has on sustainability and environmental measures. This is usually because economic needs are always short term, while environmental concerns are usually longer term. Gössling and Wall (2007) consider that tourism is used as an instrument to try to diversify and strengthen island economies, but it must be taken into account that it also compromises social resources and the scarce natural resources of the islands.

Tourism policies are generally aimed at increasing the number of visitors, usually for structural and institutional economic reasons, boosting consumption and thereby bringing about certain imbalances between a large-scale international tourism economy and the fragile ecology of small island destinations; MacElroy (2002) stated that “the mismatch of the economic benefits of tourism with the socio-environmental costs and the absence of a holistic measure of the impact of tourism should be early warning signals for assessing the approach to potentially dangerous socio-environmental thresholds.

Therefore, two main questions policymakers and strategists at this moment of cultural tourism policy-making asked themselves were related to: i. where does one go from here and ii. What comes next about with regard to investing in plans for implementation shortly.

B. Portugal

An increase in new tourism products has characterised the first decade of the 21st century, their diversification, a distribution of accommodation throughout the territory (Alentejo, Azores, North and Central Portugal) and administrative measures that have made it advisable to simplify the procedures for creating tourism companies and formalising and legalising local accommodation facilities.

Public incentives have been given to companies to internationalize, improve human resource training, increase quality, sustainability, innovation, and competitiveness. It is intended that the State’s intervention will be initial and will encourage private activity to continue with the strategic objective set.

It has also been sought that forms of cooperation and collaboration exist; institutional and territorial networks are strengthened so that with economies of scale and the exchange of information, these services can be improved.

Furthermore, the importance of tourism from a social point of view has been definitively recognised, with the creation of a Tourism Satellite Account for Portugal in 2006.

C. Spain

Motivated by the recession of the late 1980s and early 1990s, a rethinking of the role of the central State in tourism became necessary. This involved the design of national tourism plans in which the central government cooperates with the governments of the autonomous communities in administering the aid received mainly from European Union funds.

The Integral Plan for the Quality of Spanish Tourism (PICTE) for the period 2000-2006, although it reflected vital tourist prosperity, also mentioned the concern for the imbalances in the Spanish tourist sector, imbalances in terms of temporality in employment and the sustainable development of the whole environment.

In the past, there was an almost total absence of long-term planning and forecasting to deal with the problems that arose later. Among these problems, the most important were those arising from massification, excessive density, insufficient infrastructure, the homogenisation of the tourist services provided and, therefore, a lack of differentiation, an excess of supply and the degradation of natural resources. Once these problems are known, any policy that wants to be implemented must seek to provide solutions.

Examples are local plans of excellence (first-class coastal destinations and cities with a historical heritage that has not been sufficiently exploited by tourism) and dynamic plans (applied to new areas to create competitive products within the parameters of sustainable development).

The financial aid is divided into three equal parts, the one corresponding to the State, the autonomous community, and the municipality where the plan is developed. However, in many cases, sustainability has been no more than a statement of intent, and economic resources have been insufficient in the face of the significant structural changes that these plans recommend. The transversality of tourism, that is, the number of agents involved in any of these projects, together with the lack of coordination that often exists between the competent administrative organizations, also makes it difficult.

2. Tourism strategy in the period 2007-2015

The European Union's cohesion policy supported the development of sustainable tourism during the period 2007-2015. The enlargement of the European Union contributed to further strengthening intra-regional tourism, and many policies are aimed at developing transport infrastructure networks and improving communication nodes.

A. Malta

Malta's National Tourism Strategy was marked by a set of key goals, priorities, and objectives that needed to be determined in order to meet the sustainability requirements in the socio-economic and environmental fields.

The objectives of the tourism policy in the Maltese islands were

- To maintain and conserve environmental and socio-cultural resources, critical points of the islands' tourism product;
- To increase tourism revenues and the added value of tourism;
- To maintain existing jobs and create more and better jobs;
- Achieving a fair distribution of income; increasing the competitive advantage of the islands and offering a quality and differentiated tourism product;
- Reducing seasonality;

- Take advantage of Gozo's unique characteristics and support its development as an ecotourism destination;
- Increase accessibility to and from Malta;
- To take advantage of e-business in tourism;
- Making the most of Malta's membership of the European Union.

The priorities are right to know, even if they are very numerous. In no particular order of importance, the following can be highlighted. The aim is to ensure the optimal use of the human and financial resources employed in tourism and how they contribute to sustainable development in the industry; to this end, the responsibility to guide by implementing better regulatory initiatives must be met.

As far as management criteria are concerned, a balance must be sought between national interests and possibly economic, social and environmental impacts; providing incentives for the supply of local products and types of activities, but improving their quality and provision; facilitating the search for ways to increase the added value of tourism by providing environments for the search for innovative products; more significant training or restructuring of the staff of this industry, generating more and better jobs in tourism, investing in so-called lifelong learning;

In terms of improving service and European sustainability objectives, tourism purposes that respect cultural and natural heritage should be favoured; improving the quality of tourism operators and providing incentives for them to operate and invest responsibly and sustainably; improving the quality of the information in tourism statistics; improving the image and perception of Malta in overseas markets; taking initiatives to address the problem of seasonality;

To reduce the differences between the geographical areas of the archipelago, despite its small size, Gozo is to be marketed as a unique rural destination and as a distinct ecological island; facilitate access between Malta and Gozo through sea and air connections.

Accessibility to the islands is also key due to their insularity, and the aim is, therefore, to facilitate the development of air transport networks and attract a possible mix of distribution channels; visibility on the web should be increased, and the benefits of EU membership should be maximised by actively participating in the decision-making process; finally, to ensure that all project development initiatives are undertaken to help meet the Sustainable Development Strategy for the Maltese Islands.

B. Portugal

In the years following the financial and economic crisis that began in 2007, tourism activity became one of the central business opportunities for small and medium-sized investors in Portugal. The importance of tourism was demonstrated by the political recognition of the creation of a Satellite Account (2006) and the publication of a fundamental law (2009).

Together with this Satellite Account, in 2006, the National Strategic Plan for Tourism (PENT, Plan Estratégico Nacional de Turismo (2006-2015) was also elaborated,

becoming the strategic guide to develop tourism in Portugal during the next ten years. The objectives of this Plan were:

- To simplify tourism planning and to reorganize the institutional structure at national and regional levels. At the domestic level, eleven regional tourism bodies were created in continental Portugal, together with two Regional Tourism Directorates in the Azores and Madeira; and the external promotion was carried out by the Regional Tourism Promotion Agencies.
- For the first time, new strategic tourism products were structured and developed to diversify the offer. These products were aimed at creating cultural and landscape tours; promoting the sun and the sea; seeking tourists with higher purchasing power by promoting nautical sports and gold tourism; taking advantage of the potential of nature tourism, health and well-being, gastronomy and wine; and specialising in city break tourism; integrated resorts, residential tourism, and business tourism;
- Promoting national destinations abroad through events.

This Plan was revised in 2010, for the period 2013-2015, due to the effects of the international economic and financial crisis already mentioned, by the increase of low-cost air travel and the decrease of charter flights, the growing demand for short breaks, the importance of new information and communication technologies and other factors. This review was used to include aspects of more sustainable tourism development. Attempts were made to develop other new strategic products, such as cultural and scenic routes, with the emergence of tourist, religious and cultural routes (Marian religious pilgrimages to the Shrine of Fatima and the Central Way of St. James in Portugal) and the Jewish quarters.

The steady growth of tourism worldwide has also affected Portugal since 2012, demonstrating the shortage of qualified human resources, the persistent low remuneration of many of the people employed in tourism, a marked concentration of tourist demand, and the difficulty of redistributing tourist demand throughout the country.

Equally worrying was the increase in tourist pressure on Lisbon and the port cities, and the lack of infrastructure to cope with it. This led to attempts to levy tourism taxes on overnight stays, in order to invest the revenue in tourist attractions and/or the cleaning of public areas. The supply of accommodation has multiplied, but concentrated in city centres, with a significant increase in property prices and rents and a rise in the cost of living for residents. The rivers and estuaries have also allowed for an increase in the tourist offer with leisure cruises such as the Douro, Tagus, Sado, Vouga and Guadiana. Sea cruises are having an appreciable environmental impact on water environments.

There have also been distortions among city centre residents and on the best beaches, events which are very common in the vast majority of cities of tourist interest in Europe.

C. Spain

Plans and Community Support Frameworks stressed the considerable weight tourism has in the Spanish economy. Spain has a multi-annual National Tourism Plan. All the cultural, natural and entrepreneurial resources available, together with the public services, are directed towards providing a service to the tourist.

This Plan defines a series of specific objectives: increase tourism activity and productivity; create quality employment, stimulate a single market; improve international positioning; improve the coherence and recognition of the “Spain” brand; encourage public-private co-responsibility, and finally, reduce the seasonality of tourism.

It was planned to be done using three general instruments: promoting entrepreneurship and training, improving the offer, and diversifying the demand.

The main measures that were adopted to address the priority challenges are varied. Diversification of the tourism offer (economic and managerial support of “product clubs,” Iberian ham routes, wine routes, “saborea” España, Protected Natural Areas certified with the “European Charter for Sustainable Tourism), international promotion of tourism products (“sun and beach, rural tourism, shopping tourism, health & wellness tourism, culinary tourism, cultural tourism, industrial tourism); ICT and innovation; combatting seasonality; competition against other destinations; Improving the quality of tourism offer (The Spanish Tourism Quality System (SCTE) and stimulate the single market.

IV. TOURISM STRATEGIC IN THE PERIOD 2015-2020

It is known that tourism plays a fundamental role in the development of many European regions, particularly in the less developed ones, due to its importance in job creation, particularly among young people and less qualified workers. It has also seen considerable resilience as the economic situation allows and even with growth during the last financial crisis.

Tourism enhances the use and development of natural, historical, and cultural assets.

This industry allows to spread the attraction of cities and regions, not only to visit them but also as places to live and work. The improvement in its dissemination is also related to the efforts to diversify the offers of goods and services, through innovation, with the creation of new proposals aimed at both leisure or holidays, and the world of work.

The European Regional Development Fund (ERDF) supports the competitiveness, sustainability and quality of tourism. For the period 2015-2020, an attempt is being made to rationalise the regulatory and administrative framework concerning tourism through different European programmes and action plans that affect the aspects identified by the tourism industry as most significant.

The main strategies for this period are

- Promote the digitisation of tourism SMEs (Digital Single Market Strategy). This aims to improve access for consumers and businesses to digital goods and services across Europe, enhancing the growth of the Digital Economy.

- Improving skills and competences in the tourism sector by fighting the gap between educational offer and labour market demand.
- Promoting sustainable and responsible tourism by adopting the measures set out in the Charter for Sustainable and Responsible Tourism.
- Promoting tourism exchanges in the low and medium season. One concrete proposal is the organisation of workshops dedicated to awareness-raising and the exchange of good practices.
- Improving connectivity in particular in remote and peripheral areas for which tourism is an economic driver.
- Joint promotion of Europe as a tourist destination, mainly in third countries
- Tourism is not considered a thematic objective in the European Structural and Investment Funds (ESIF) regulations, as it is considered to be a means rather than an objective. Most of these regulations regulate investments that offer many possibilities to be applied in the development of the so-called responsible tourism.

The Commission has published a thematic guide for investments in tourism, which recommends that they fit into one or more of the thematic objectives and investment priorities. They are consistent with the SWOT analysis by boosting tourism products, processes, and services, through innovation and diversification to overcome dependence on low value-added and temporary work that seeks to secure economic activity and jobs outside the tourism season.

As it is already known that entry barriers to the tourism market are particularly low, and therefore becoming one of the particular advantages of this sector, more attention should be paid to supporting entrepreneurial initiatives and the creation of new businesses, mainly if they bring innovative offers to the market.

Responsible regional companies in Europe show a panorama where many of them are giving priority to this innovation of services already mentioned and in the entrepreneurship in business models in tourism with a clear strategy of intelligent specialization. To give some examples, we can talk about senior tourism (silver economy) or ecotourism, trying to reach higher market segments and diversify their tourism activities throughout the year to be less dependent on seasonal tourism.

Tourism will continue to play an essential role in the planned ERDF investments, as well as in investments for the conservation, protection, promotion, and development of the natural and cultural heritage.

Let us see how the potential of three territories analyzed to see if the project members can serve as guidance and help to other territories.

1. Malta

Tourism is one of the economic activities that contribute most to the service sector, in the calculation of the GDP. The Maltese Islands receive about 1.7 million tourists a year, which represents 29% of the GDP. Furthermore, its annual increase is considerable since the average of tourist arrivals in the last seven years was 5%.

One of the reasons for this increase was undoubtedly the introduction of low-cost airlines in Malta, as it boosted the tourism industry and placed it within the rest of the international trends. Nevertheless, low-cost airline services to Malta also changed the profile of tourists visiting Malta. These new profiles can be described as younger age groups, with a shorter decision and booking times, and shorter duration of stay, using different means for shopping and information search (in particular the Internet) compared to the traditional older visitor.

Malta is directly connected to some 92 airports providing connections to 84 cities located throughout Europe (United Kingdom, Germany, Italy, France, Spain, Poland, Scandinavia, Lithuania, Bulgaria, and Romania). Over 60 % of tourists visiting Malta stay seven nights or more and two-thirds of inbound tourism to the Maltese Islands occurs from April to September.

Cruise business in Malta has been growing, with the average annual growth rate has stood at 2.2% per annum.

The full employment impact in tourism is 29.0% of total employment in the Maltese economy.

Malta's tourism profile has changed, bringing some new services to the traditional ones common to all the islands. It wants to enhance its history and culture, business travel (meetings, incentives, conferences, and exhibitions), diving and other sports and learning English, as it is a former British colony and a language widely spoken among its population.

Although the majority of tourists visiting Malta are first-time visitors, the proportion of repeat visitors is already beginning to be considerable (around 32%). Word of mouth is the crucial factor in the choice of Malta, new technologies are the second most crucial factor in the choice of destination, and their previous visit would be the third influence to travel to Malta. Tourists visit Malta because of its pleasant climate, the novelty of the destination, and its history and culture.

A. Cultural tourism in Malta & Gozo in an international context

Maltese trends in policy and practice are assessed through close analysis of international policy and strategy documents as well as statistics related to data at the local level. The chapter in this *3Economy+* collection assesses the import of international policy and practice in cultural tourism to trends in Malta and Gozo. The importance of the connections between the environment, heritage, and tourism in the development of cultural products and services of value to communities that contribute towards and benefit from cultural tourism is steadily growing.

The cultural element is an essential aspect of the well-being of all stakeholders in tourism and travel. It has been observed, that since the 1980s, the interaction between culture and tourism (based on a growing recognition of the value of sustainability and heritage) has attracted growing attention in academia as well as that of the industry and practice (McKercher & Du Cross 2015).

The United Cities and Local Governments (UCLG) Strategic Priorities 2016-2022 that call for local and regional authorities to become more proactive in setting agendas is a good starting point for this analysis. The aims of the Strategic Priorities for local and regional governments are of significance to stakeholders in the Malta and Gozo. They highlight how far the study of its long-term perspective may influence the implementation of international agendas about to issues influencing the cultural tourism actors in Malta.

This chapter also notes the importance of the Council of Europe 2005 Faro Convention addressing the value of intangible heritage to this discussion, which will be referred to later.⁴

1. The local practice in an international context

The UCLG Strategic Priorities 2016-2022 urge local and regional authorities to become more proactive in setting cultural tourism agendas.⁵ The organisation calls on local and regional government to gain more respect as stakeholders in the international arena, so that their experience may inspire the definition and implementation of global agendas on issues influencing the lives of communities. Furthermore, it supports local partners through international networks and the sharing of best practice.

This international setting is reflected in Maltese cultural and tourism policy and strategy. Although the consultation process on the upcoming cultural policy is still ongoing, the current one in effect (of 2011) does recognise the role of local engagement in the setting of cultural policy to take centre stage in cultural development and sustainability.⁶

The values and tools for action identified by the UCLG in its present policy cycle stress the following areas: i. closeness between decision-makers and the community; ii. decentralisation of the structure that develops and asserts the directional framework to guide social action; and iii. political leadership that is visionary and able to listen and discern the implementation of long-term and inclusive actions. A key element that can be found in current international cultural policies and strategies try to strengthen the bases on which local action is informed is internationalisation.

Over the past decades many actions in relation to cultural and tourism policy were previously taken by the environmental camp. This is already true of the 1980s,

⁴ The proper title is the Council of Europe Framework Convention on the Value of Cultural Heritage for Society and is found here: <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/199> (accessed 17 October 2019).

⁵ UCLG represents local governments on the world stage, regardless of the size of the communities on whose behalf they act. Headquartered in Barcelona, the organisation's stated mission is: 'To be the united voice and world advocate of democratic local self-government, promoting its values, objectives and interests, through cooperation between local governments, and within the wider international community.' <https://www.uclg.org/en/organisation/about> (accessed 17 October 2019).

⁶ Parliamentary Secretariat for Tourism, the Environment and Culture (2011). National Cultural Policy. Information on the upcoming policy can be gleaned here: <http://cultureventure.org/project/new-cultural-policy-for-malta-2/> (accessed 17 October 2019).

with a growing awareness, particularly at United Nations Educational, Scientific and Cultural Organization (UNESCO), that global environmental action aiming at sustainable development benefitted when it focused on the role of people within their environment, in ways that were soon followed and paralleled in cultural discourse. The Millennium Development Goals, the renewed goals aiming for more sustainability, and the 2005 UNESCO Convention on cultural diversity, are all signs of this convergence between ecological concerns and those addressing local and regional activities within the artistic and creative realms.

The Faro Convention has been one of the leading international frameworks that supports relations between local and international best practice. It has stressed the crucial aspects of heritage as it addresses human rights and democracy. The Convention promotes a broad concept of heritage and its relationship to communities worldwide.

The Convention supports the idea that objects and places are not, in themselves, what is important about cultural heritage. Instead, these are important because of the significance and uses that people attach to them and the values they represent. It may be argued that the value of heritage lies in what it means to communities. What communities feel is of value is that something special that people invest on the one hand, and the ritual, celebration or festivity, on the other.

Brusasco (2018) has signed that “if we suffer the loss of one or the other, this matters intrinsically, i.e., in the value it carries in and of itself, as well as in the lives of the people and the communities that shared a bond with that outward sign of culture and civilisation”.

The Faro Convention may be described as a framework instrument that establishes an agreed space for the main issues, objectives and areas of intervention to be addressed by States. They are free to decide on the most appropriate means of implementing the Convention in accordance with their legal or institutional frameworks, practices and experience. Compared to other conventions, no specific obligations to act are imposed, only suggestions are made.

It seeks to apply the principle of shared responsibility with creative ways of assessing heritage assets with the participation of active civil society. It supports local stakeholders and the institutional knowledge and experience of the Council of Europe to share and gather around concrete actions, giving examples of innovative models of society.

Taking the lead from the Faro Convention principles and criteria, civic initiatives are then in a position to enable both institutions and communities to shape decision-making processes and to manage their development processes. This process enables the contribution of heritage to the social and economic dynamics of the communities within the fields of culture and tourism.

2. Applying theory to practice

One of the main interests of cultural tourism bodies in Malta is the applicability of local and international experience to the contexts of cities, towns and villages in the Maltese islands. Indeed, the role of institutions addressing cultural tourism and applying theory to practice, such as the Institute for Tourism, Travel & Culture at the University of Malta, includes dealing with this timely challenge.

The global trends observed above have applied to Maltese policy work. In particular, the Arts Council Malta strategy for cultural development for 2016-2020 is the most precise and recent example of such an approach. Ongoing initiatives taken to strengthen local and regional action aims to address ongoing challenges stemming from the detachment between the theory and practice by addressing proximity between operators in different fields of action, real decentralisation in the management of power by stakeholders in ways irrespective of financial or political influence, and political leadership that can listen, capable of honest rather than opportunistic assessment, and vision.

Recalling recent developments in global trends in the management of cultural resources at local and regional authorities in Malta seem to express a belief in being enabled to administer more of the tools in hand and generate new ways of interaction within their own and other communities, both in Malta and internationally. They may also be perceived to relate to cultural tourism in ways that may benefit them from their perspective and based on their understanding of their ways of living, primary needs and priorities.

2.1. Trends in Malta & Gozo

An analysis of quantitative data sourced from the Malta Tourism Authority (2005-2017) points towards what seems to be a growing awareness of the community-oriented, sustainable administration of heritage sites, and other tangible as well as intangible resources. Findings suggest that many localities have maintained their share of visitors to Malta by increasing numbers in proportion to the overall increase, circa by 100%, of inbound tourism to Malta.

The stability of percentages of tourism attraction, calculated based on actual visits, across many localities, is indicative of overall positive trends, with the occasional increase and decrease, notably in areas still not overcome by urban construction. Most tellingly in the Three Cities known collectively as Cottonera (from 27.8% in 2005 to 35.8% in 2017) and areas in Gozo (the Citadel from 80.5% to 86.8% between 2015 and 2017), findings suggest that local and regional authorities are managing to balance urban development and transportation stresses on their territories, in ways that are directly and indirectly related to the two-fold increase in tourism over more than a decade, with the development of a model that has worked so far.

Research into recent trends highlights the way urbanistically complex centres of tourist attraction have interpreted their resources in ways that try to prioritise sustainability. It is not surprising to note that tourism visits to Valletta, the capital city, taper at 89.7% in 2017, on the eve of the European capital of culture; Mdina and Rabat maintain a standard trend of 69% by the same year; while Sliema, St Julians, St Paul's Bay in the north and even Marsaxlokk and Marsascala in the south seem to lose percentage attraction despite the traditional presentation travel agencies and commercial enterprises still assign to them according to the image of one-time fishing villages evoking maritime traditions now overtaken by misguided building sprees and dead-end transportation planning.

Therefore, the main question policy-makers and strategists at this moment of cultural tourism policy-making is related to i. where does one go from here and ii. what comes next concerning investing in plans for implementation shortly.

2.2. Research that is local and international

In order to address these questions, the necessary resources addressing the key areas of research need to be identified and procured. An approach that is sensitive to the territory in question stands to be more incisive in any policies it may inform if a number of conditions are met. These include: i. identifying significant resources dedicated to key stakeholders; ii. consulting with cultural tourism operators and researchers as well as students of this and related areas, and iii. seeking long-term and innovative approaches towards addressing the pressing challenges various localities and regions face in Malta.

The environmental degradation across the island is tied with the cultural stasis that faces a number of areas. Competing priorities, short-term financial gain and unsustainable development that is often part of its instrumental use for financial and gain need time and resources to be assessed outside of easy frameworks that compromise research, cloud judgment and negatively influence a vision for the future.

As observed above, the UCLG points out how local and regional authorities that address cultural tourism can benefit from the development of networking at local, regional and international levels that may stimulate new ways of addressing challenges that are shared across various territories. Such challenges consist of, among others, overdevelopment, climate change, drought, lacking public transport and mutual social exclusion among different sub-communities within larger ones.

Such networks may support local authorities by building on the relatively successful model of town twinning and local festivals that has allowed localities to build links with other communities, locally and internationally, particularly for travel, promotional and tourism purposes. While such actions characterised the first two decades of the existence of local councils in Malta and Gozo, as well as the first decade of EU membership, such networks may help exceed the establishment of safe and somewhat stale practices. They may encourage the investment of resources in the development of research centres, monitoring structures, advocacy groups and traditional and digital communication means that enable commonalities to be shared, challenges to be addressed, common positive outcomes to be celebrated and action taken on a wider scale than is common practice.

In order to outline practical outcomes, key actions may consist of: i. documenting members' practices; ii. supporting pilot projects; iii. identifying fund-raising opportunities to support members; iv. supporting decentralised cooperation activities developed by members; v. promoting the development of programmes supporting UCLG members in localisation.

2.3. The role of joint up research in European projects

As inspirations in their respective sectors of professionalisation and academic research in economics, marketing and tourism in Europe and the Mediterranean, the University of Granada in Spain, the Polytechnic Institute of Portalegre in Portugal and

the Institute for Tourism, Travel & Culture at the University of Malta are optimally placed to disseminate this vision by using their educational means and expertise to enable the formation of appropriate and forward-looking policies and strategies.

As witnessed by their local influence as well as their international networks including European universities and higher education institutions, Mediterranean higher education institutes and the European Union (EU) training programmes, the partners of the 3Economy+ Erasmus+ project, making this research possible, have the capacity and responsibility to invest in highly qualified people, their own networks and professional communities, and support them in the development of their research and policy tools.

As demonstrated at the level of European engagement through a series of Erasmus+, Erasmus Mundus, COSME and Interreg collaboration initiatives, the partners engage with the cultural tourism sector through a number of key formative contexts. These include those provided by the provision of blended learning and higher education experience applied to economics, marketing and tourism targeting operators, managers as well as local and regional authorities.

The importance of investing in research and training capabilities by higher education institutions that address the needs of economics, marketing and cultural tourism can hardly be overstated. A virtuous cycle may be established by public and private investment in this area of training and capacity building. For instance, a key contribution to the improvement of cultural tourism practice through the further linking of local and European experience lies in the identification of areas of key skills and related skills gaps. This is particularly true of research, policy drafting, project application and implementation phases. The significance to developing the appropriate skills in funding application and procurement is not to be diminished.

The application of research outcomes and training programmes to operators and professionals in cultural tourism allows beneficiaries to assess current and forthcoming economic and social contexts in relation to their contribution towards the sector, including cultural heritage tourism, on an international level. Joint up action may have a significant impact on parties involved in processes that engage with assessment, informing policy and its implementation. The creation of round table discussions, formats that enable the exchange of best practice such as workshops and placements, analogue and digital mapping of existing resources, and models that support the envisaging of possible future scenarios may all be components that breathe further oxygen into the various work engaged in on local and national levels by linking them to each other on an international sphere.

3. Gozo: a micro lab for European cultural tourism.

This chapter will conclude by looking at how the European and local levels are already closely linked but well able to tighten relations between them. This will be done with reference to the island of Gozo.

Measuring 67 square kilometres of surface area, at a distance of about 7 kilometres from Malta and with a local population of circa 35,000, since EU membership Gozo

has tried to make the most of novel tourism-oriented opportunities. Some initiatives have been more successful than others. Below are four reflections that are worth drawing special attention to:

- a. Gozo abounds in heritage assets. This is one of the strong points of the island, together with the fact that when compared to cultural heritage management in Malta, Gozitan heritage assets enjoy a relatively better social context within which to function significantly in terms of the value assigned to them as intangible cultural heritage as defined by the Faro Convention. The island has the comparative advantage over Malta of still being able to offer a relatively high level of wellbeing and quality of life for its citizens. This also contributes towards attracting internal tourists, namely Maltese residents, international workers in Malta who seek Gozo for its calm and quiet, as well as day trippers and other tourists. It may be noted how in general Gozitans do not want to replicate the overdeveloped environment endemic in Malta in their own island.
- b. iGozo seems to enjoy another comparative advantage, intimately related to the first point made above. This is the natural geographic identity which marks Gozo from Malta and distinguishes many levels of cultural life on the island. The geography of the island predates any formal or informal regional boundaries defining governance, giving Gozo a natural sense of identity and belonging that has nurtured a close, roots-inspired, bottom-up approach to cultural, religious and popular life. A Ministry for Gozo has been in place since the end of the 1980s, with great consistency and stability afforded by the size of the jurisdiction, only later supported by the formation of local councils (1993) and regional ones.
- c. A clear priority for Gozitan efforts towards assessing and supporting the development of strategic priorities in the culture-led regeneration of the island is contemporary culture with regard to tourism and its largely unexplored appeal to visitors. While the management of natural and heritage assets seem stable and religious and carnival activities are relatively locally-owned by active communities including band music and crafts related to the production of marches, passion plays and processions, the contemporary aspect is still largely untapped. This in spite of the fact that a good number of contemporary artists are from and reside in Gozo. Arguably, this micro-reality can help sustain the development of other strategic areas for development.
- d. Finally, a key goal for the nurturing of a forward-looking cultural ecosystem that cherishes the local as well as the international is provided by preparations for the European Capital of Culture in a decade's time. All players need to be considered together by a strategy aiming to support and guide the development of the sector. Therefore, the ministry, the regional council, the local councils and the culturally active communities, be they artists, other creatives, schools, parishes, clubs and community centres, need to be addressed, involved and encouraged to keep working together.

4. Conclusion

As has been documented widely, culture is not neutral and its political connotations and uses have to be acknowledged, assessed and addressed. Future local and regional action that addresses cultural tourism would stand to gain if revisited and informed through a strategic approach that is both in tune with current, and foreseeable, scenarios of development, and optimistic and visionary in its approach towards the development, adoption and adaptation of international models that may enable local and regional approaches to respond and interact with today's challenging societal make-ups.

2. Portugal and Alentejo

Currently, the central planning instrument is the so-called Plan Turismo 2020: Plano de Ação para o Desenvolvimento do Turismo em Portugal (Tourism 2020: Action Plan for the Development of Tourism in Portugal) 2014-2020.

This Plan follows the guidelines of the Community Programming, establishing objectives and priorities for investment and the allocation of European structural and investment funds, so that in order to be effective, sectoral coordination can be strengthened and networks and forms of collaboration can be enhanced.

The year 2016 was a good one for Tourism in Portugal.

Portugal won 24 awards and was named the First European Tourism Board. In turn, Lisbon was considered the First Cruise Destination in Europe and its port, the First Cruise Port. The Algarve was named the First Beach Destination in Europe, and the island of Madeira was named the First Island Destination in Europe. To close this list of awards, we gather the recognition by UNESCO of the Passadiços do Paiva (Arouca World Geopark) and its consideration as the leading tourism development project in Europe in the years 2016 and 2017.

This same year and according to the data of the World Economic Forum, Portugal was the 14th most competitive tourist destination out of 136 countries (WEF, 2017), and this was the first year in which the number of tourists exceeded the number of residents.

Also, in Portugal, as in many other countries, tourism is a significant activity in the Portuguese economy and society. Travel and tourism represented 17% of the national GDP and almost 20% of the total employment in this country in 2016. Its strategic relevance is shown not only by the high patrimonial value but also by the excellent promotion of regional planning and the reception of investments, which seek the generation of wealth, the creation of employment and the strengthening of Portugal's image abroad.

Investments in air and sea infrastructures have allowed improving its tourist offer. The organisation of international events (some Portuguese cities have been European capitals of culture), promotional campaigns, mainly abroad, the number of inscriptions of properties on the UNESCO World Heritage List, the increase in

tourism in rural areas, new sports destinations for golf and water sports, gastronomy and wine tourism, and nature and health and wellness tourism have also contributed to this. All of them are contributing to increase year by year the number of tourists that this country is receiving.

In the 2016 campaign, with the slogan *Ponha Portugal no Mapa* (Put Portugal on the Map), the messages in the media tried to appeal to the emotions of the visitor (love, joy, smiles, life, opportunities, hope, new beginnings, challenges and happiness). In 2017, a fully digital campaign was launched, targeting 20 particular countries, the origin of its visitors (Spain, France, United Kingdom, Ireland, Norway, Sweden, Denmark, Finland, Netherlands, Belgium, Italy, Russia, United States of America, Canada, Brazil, India, and China). With the slogan “You cannot miss Portugal,” he wants Portugal to have access to international tourism by being part of the networks with the highest number of travellers. It is undeniable that the inclusion of the sites in the World Heritage List contributed to raising the profile of the tourist destinations. Portugal has 15 sites throughout the country on this list and has five intangible assets: i Fado; ii the Mediterranean diet; iii Alentejo singing; iv Portuguese falconry and v Estremoz clay figurine crafts.

However, tourism activity in Portugal is still highly concentrated in a few destinations, and therefore, there are significant territorial imbalances, despite public and private investment in the development of inland and border areas.

There is a highly promoted tourist offer in 2018, and it is the one related to welfare. Portugal has about 40 spas, which are mainly concentrated in the north and center of the country.

Given the importance of tourism in the economy in terms of employment, investment, exports, maritime development, regeneration of public spaces, rehabilitation of properties built in the historic centres of medium-sized cities, among other reasons, have managed to establish a particular volume of the population in the low-density regions of the interior, improving territorial cohesion and balance.

The three public mechanisms that allow this contribution are: sustainable destinations (Special Awards for Appreciation and Recognition (STAR), Tourism Awareness Campaign, CHOICE Program, In-Service Tourism Program for Guidance Teachers; sustainable companies (Ecological Certification, Guaranteed Quality Seal) and responsible tourists (Quality Services Audit, Quality Assurance System for the MICE Sector, Eco-Certification).

A. Alentejo

The activity and tourism complex of Alentejo has undergone a marked transformation over the last decade, namely as a result of the following factors:

- Affirmation and development of the tourism sector, through business projects (accommodation, entertainment and tourism promotion), heritage enhancement initiatives and the promotion of cultural activities. Recreating the regional

identity matrix include: i enriched thematic products (sun and sea, tourist circuits, short stays, nature tourism, residential and health, gastronomy and wine,...); ii variety of accommodation categories (resorts, inns, TER,...); and iii supply dynamics (large economic groups, private promoters,...)

- Structuring of an intervention model by the Alentejo Regional Tourism Entity, which has a technical base of strategic and operational support, stimulating a dynamic relationship with the business community, organizing external promotion and privileging an integrated vision that allowed the consolidation of loyalty. Traditional segments of demand and develop new products, in a recomposition of supply with potential to attract new National Intervention

The Regional Tourism Entity views Alentejo as a “2020 Destination to reach maturity, certified and more competitive, with a position based on the region’s identity values, which are internationally recognized. The Region, which has been able to take a greater role in formal trade channels and diversify its portfolio of markets, successfully sells related products, which were structured in the virtuous meeting of the product lines of the territory.”

This formulation emphasized and set in the Vision / Design for Tourism Alentejo 2020 (a tourism destination certified throughout the value chain and internationally recognized for its identity and differentiation of the experiences offered), generates opportunities:

- From the private promoters of the various segments of the tourism offer.
- From the perspective of the institutional and private promoters involved in the promotion and promotion of the goods and services that make up the regional symbolic capital (agrifood productions (including wine, olive oil, cheese and sausages), gastronomy, handicrafts, cultural expressions of creative industries, etc.

The Priorities set out in the ERT Alentejo Strategy Paper set out some standard Interventions that should integrate the dynamics of future development into the tourism promotion interface of the Alentejo destination / promotion of the region’s assets.

- Create and promote tourism territory. Create and promote, in rural and urban areas, a territory of excellence for tourism, encouraging corridors with specialized offer, making rural and agro-industrial products available.
- Requalify and create new tourism products. To continue the effort to re-qualify tourism products (nature, touring / cultural, nautical, sun and sea, gastronomy and wines) and launching others for which the territory shows appetite (namely, hunting, health and well-being).
- Strengthen the promotion. To project a new positioning of Alentejo in national and international markets, based on a regional approach of potentialities and resources.

Action Types:

- a. Alentejo Brand Promotion Activities in the logic of integrated promotion, in the form of collective actions shared by various sectorsImplementation of Destination quality and certification programs

- b. Tourism Product Reengineering Activities (systematization of the offer, structuring of experiential routes and itineraries, content, information, signage, tourist valuation of resources and attractions, video games and other applications that contribute to optimize the tourist stay and facilitate the location of relevant resources)
- c. Investments in R&D, Experimentation and Innovation, with support to projects oriented to the accompaniment of the tourist activity of the Region and to the development of innovative products.
- d. Innovative Entrepreneurship Projects in the area of animation (nautical, nature tourism) and heritage promotion (cultural tourism), improving their accessibility
- e. Specialized Vocational Training Programs adapted to regional tourism products (promotion of aggregate referential professions, adapted curricula, decentralized actions in the territory)
- f. Agenda Alentejo 3.0 (improve business use of ICT, improve market access, consumer proposals / experiences, value chain virtualization, communication platform integration)
- g. Urban regeneration and competitiveness operations, which qualify the public space and promote the connection of tourism with creative industries and events.
- h. Rural landscape enhancement operations that create tourist amenities and services (bicycle paths, walking tours, use of disabled railway lines,...).

These intervention typologies should consider intelligent forms of financing framework under the following instruments: Regional OP Priority Axes; Integrated Territorial Investments (ITI), Integrated Actions for Sustainable Urban Development (AIDUS); Leader approach; and Development Funds for large tourism projects.

Tourism activity has been positively dynamic, with a considerable increase in the number of overnight stays, especially of tourists of Portuguese nationality, and in the income of rooms, with growth above the national average, between 2005 and 2013, in overnight stays (PT 17,50%; ALT 20,97%) and total income (PT 23,14%; ALT 26,11%). The potential for tourism activities results from the region's natural conditions to build a supply of strategic products in different market segments (Nature, Cultural Circuits, Sun and Sea, Nautical, Gastronomy and Wine, among others), as identified in the Strategic Plan. National Tourism Agency (PENT).

This regional dynamic could be strengthened if natural, cultural and heritage resources are strengthened, in a perspective of tourism-cultural development, reaffirming market (internally and externally) of tourism products (wine tourism, tourism cultural, nature tourism, active and adventure tourism,...), elements of strong heterogeneity of Turismo do Alentejo and Ribatejo;

SWOT of the Alentejo tourism area⁷

⁷ Plano de Ação para o Desenvolvimento do Turismo em Portugal para o período de programação comunitária 2014-2020. https://estrategia.turismodeportugal.pt/sites/default/files/Turismo2020_Parte%20I_mercados%20-%20SWOT.pdf

Strengths

- Relevant classified natural, landscape and cultural heritage, and endogenous enhancing resources (Parks and Natural Reserves) of tourism activity;
- Urban centers, endowed with heritage relevant historical centers;
- Relevant natural, landscape and cultural heritage, based on environmental protection and enhancement, combating the desertification process and enhancing and preserving historical and cultural resources;
- Alentejo coast, little intervention, considered one of the best examples in the European context of natural coastal and marine environments.

Weaknesses

- Inability to absorb the research produced by the business community;
- Insufficient coverage of broadband services in areas important to business activity;
- Low educational and professional qualifications of employees and employers;
- Shortage of human resources associated with the difficulty of retaining the most qualified;
- Weakening of urban centers in general;
- Poor articulation between local economic activities and the territory in terms of sustainable management of natural resources;
- Increased susceptibility to desertification of the territory.

Opportunities

- Growing regional demand for heritage sites related to archaeological, architectural, artistic and gastronomic sites and circuits;
- Use of ICTs and establishment of new forms of cooperation between different actors aiming at internationalization and market diversification;
- New consumer profiles and requirements to stimulate investments in innovation;
- Wide range of natural, cultural and heritage resources capable of providing a multifaceted tourism offer aimed at diverse target audiences.

Threats

- Focusing public policies on cohesion dimensions at the expense of competitiveness and innovation policies;
- High context costs in access to innovation and technological development;
- Major investment needs in institutional capacity building of development management and corporate management structures;
- Scattering of resources and strategies for economic growth and job creation;
- Increased human pressure in the Alentejo coastal zone,

3. Spain

The Tourism Plan 2020 brings together a significant number of programmes and lines of action that have been included after discussions and proposals made during the elaboration phase.

The benefits of the so-called new economy in tourism can be highlighted and summarised in these three strategies:

- Knowledge. The quality of the decision-making process in the tourism system will be improved through more important information and knowledge of the sector and destinations, competitors, marketing, the market and its segments.
- Innovation. Competitive advantage will be obtained from the application of new technologies, by the capacity to develop a value for the client, develop new links with the market, improve the efficiency of the sector by reducing the environmental impact, creating transversal networks, learning from the other new models of relations with the market, creating value for the client and improving the efficiency of the sector.
- Attracting talent. The different elements of the tourism system, people and technology, will be encouraged, promoting change in the human resources management model and the capacity to attract, develop and retain talent, at all levels of the organisation and management, and indifferent service areas
- In order to improve the valuation of customers and increase the added value offered to them, this can be done by following these four lines of action:
- Experimental Spain. Adapting the product portfolio offered by the Spanish industry to the new demands and opportunities offered by the market. The competitiveness of current tourism products should be enriched and strengthened, taking advantage of the essential tourism experiences that Spain has as a world power in this sector.
- Positioning. Repositioning tourism for the year 2020, doing so by combining common attributes and other differential advantages, highlighting the variety and resources offered and the design of the Spain brand.
- Marketing support. Adapting the sales function to the new market scenario, which is dominated by demand using new technologies, and requires the development of marketing processes that respond to the most individualised requirements of each market and the objectives established for each tourism product, promoting the use of ICT.
- Perceived quality. The Spanish Tourist System offers a distinctive level of quality in service, equipment and infrastructure compared to our competitors.
- It can be determined that the sustainability of the future tourist model will be ensured if;
- The assumption of sustainability commitments is encouraged in order to achieve a balance between tourism, environment and society, and the establishment of examples of international importance and striking in business activities and coastal, cultural, architectural and natural destinations.

- Tourism destination management and planning processes are promoted based on public-private co-responsibility and social participation, with a clear strategic vision:
- The renovation of tourist destinations already considered mature is promoted, characterized by a more significant concern for customer value, with more significant benefits and greater social and environmental benefits.
- Tourist activities are deseasonalised and spread more evenly throughout the country, taking as a reference the necessary specialisation and distinction of the tourist product and destination, and a better connection between territories.
- Competitiveness can be improved through:
 - A simplified legislative framework that favours entrepreneurship and innovation and simplifies administrative processes.
 - A cooperative culture that allows cooperation between the different levels of government and private participation in the definition and implementation of public policies.
 - A programme of sectoral competition plans that promotes sectoral competitiveness to improve the efficiency and effectiveness of businesses through alliances, collaboration agreements and business management platforms.
- Tourism accessibility that facilitates access, mobility and communications for clients, improving transport, technological and service infrastructure for tourism.

A. Melilla

Melilla is one of the historic European cities of the Mediterranean, a depository of a rich historical and cultural heritage, which presents a landscape with distinctive characteristic features due to its geographical location in the African continent.

This landscape and cultural heritage represent an important tourist resource and differentiating element, compared to other tourist destinations. However, this geographical delimitation does not allow the city to address certain projects, to which we must add the immediate environment that delimit the actions, in terms of economic options and strategies to follow.

Tourism research and promotion in Melilla has not been very developed. The traditional military, administrative and commercial specialization of the North African city, together with communication difficulties and a military image far from tourism, explain the late development of this sector. However, throughout the 1960s, the National Tourism Parador, the Carvajal Auditorium, the Maritime Station, the Paseo Marítimo were built and, finally, in 1969 the Airport was inaugurated. These can be considered the beginnings of the Melilla tourist activity, centered initially on the exploitation of its military and modernist heritage.

We must point out that there has always been a unique tourist flow in the city that was based on business tourism. Which began with purchases of products without taxes and that has been reduced in recent years. There was also an entry of tourists to attend

the traditional “swearing of flags”; and this disappeared in 2000 with the professionalization process army.

Although until recent dates, not beyond ten or fifteen years, when there is a very evident fracture in the economy of the city, which forced the public and private initiative to diversify the economic structure. In recent times, the different administrations and organizations of the city have carried out different initiatives in support and development of tourism in different areas. These agreements have been made, initially, without adequate coordination and global tourism management approach, to favor the adequate performance of all efforts.

Thus, for the improvement of the tourist competitiveness of Melilla and the economic sustainability of the city, in 2003 the government approved a Tourism Promotion Plan, which would be specified in the performance of actions with the following objectives:

- Improvement of the urban and natural environment of the municipality.
- Value of tourist resources.
- Creation of new products.
- Articulation of tourism resources, services and offer as a product and its integration as a destination.
- Creation of cooperation and coordination bodies for tourism management.
- Study and design of policies and strategies of product, price, promotion and commercialization.
- Strengthening and integration of the business fabric.
- Awareness and involvement of the population and local agents in the promotion of tourism and quality culture.
- Integration of the destination in networks that group others with similar tourist offers

In the Tourist Promotion Plan of the City of Melilla, the general objective is to promote and support the creation of employment in its territorial area around tourism development, so that it plays the role, directly and by its interrelations with others economic sectors, of one of the basic pillars of the Gross Domestic Product of the Autonomous City of Melilla.

To achieve the available funds should be distributed among actions that allow improvements to be made that have an impact on the entire destination, easily appreciated by tourists and tour operators. The Plan should seek an effect of activating the destination as a whole by sending a message to the business that there is a public commitment to tourism activity and it is worth investing. It is about getting a long-term commitment so that once the plan is finished, public actions and private investments in modernization and creation of complementary offer and services continue.

The main problem posed by the development of tourism in the City of Melilla is the shortage of housing units that to some extent in recent years has improved. However, the same has not happened with communication and transport infrastructure that are still too expensive, both for tourists and residents. It is also necessary to improve leisure offers.

About cultural tourism, the tourist-heritage product is tried to be improved by rehabilitating the facades of buildings of the modernist expansion. Modernization of its lighting and the recovery of buildings almost evicted for their ruinous appearance. The old citadel has also been rehabilitated with an important architectural project that deserved the Europa Nostrum prize. About Melilla's historical and artistic heritage we will go deeper into another section of this diagnosis of the city.

Regarding communication activities, they have been and continue to be one of the highlights, the great investment made in marketing through the attempt to create a tourism brand, the edition of brochures, posters, advertising inserts in the press and television, etc., shows its configuration as one of the objectives to publicize the city as a tourist destination both cultural and coastal. Likewise, promotional web pages of the city have been created and events such as Melilla Nautical Week have been organized in order to raise awareness of the possibility of sports activities.

SWOT of the Melilla Tourism Area

Strengths

- Rich historical and monumental heritage.
- Strategic geographical situation, Spanish / European city in Africa.
- Privileged natural environment concerning the Mediterranean Sea.
- Recent involvement of Public Administrations in the promotion of tourism.
- Heritage rehabilitation and recovery process.
- Growing leisure offer.

Weaknesses

- Expensive means of transport with little supply.
- Geographical situation that makes access from the peninsula difficult compared to other destinations.
- Low average stay of the traveler.
- Absence of marketing channels.
- Waste of tourism resources.
- Lack of citizen awareness regarding the tourist potential of the city.
- Poor professional training of workers in the sector.
- Narrow and isolated market, little linked to other nearby markets.
- Scarce offer in hotel infrastructure.
- Issuing and non-receptive local travel agencies.
- Geographical limitation due to land scarcity.

Opportunities

- Positive evaluation of tourists after their stay in Melilla.
- Tourism development of Northern Morocco.
- Growth of cultural tourism, adventure and business.
- Growth of interest in multiculturalism.
- Low-cost airlines.
- Tourism as an element of productive diversification and employment generator.

- Improvement of infrastructure and services.
- Fragmentation of vacation periods.
- Use by tourists of multiple information channels

Threats

- Maintenance of negative stereotypes regarding the image of the city.
- Increased competition from other similar tourist destinations.
- Lack of improvement of transport systems with the peninsula.
- Dependency of wholesalers and tour operators.
- Morocco's commitment to tourism.
- Moroccan border crossings of poor quality.
- Lack of private investment.

V. TOURISM STRATEGY IN THE NEXT DECADE (SCENARIOS UP TO 2030)

International tourism is expected to continue to grow worldwide as more and more countries improve their levels of life. The World Tourism Organization (UNWTO) forecasts a growth in tourism until 2030 in all parts of the world and estimates that international tourist arrivals will increase by more than 43 million on average each year, reaching a total of 1.8 billion by that date. Europe is expected to continue to lead in international arrivals per 100 inhabitants, and will also be an emitter thanks to its high standard of living and disposable income. The latest forecasts indicate that the volume of European inbound tourism will increase from 475 million to 620 million in the period 2010-2030.

In the face of this growth, the need for sustainability and environmental policies is again emerging. The EU considers that the quality of tourism is closely linked to its sustainability and the responsible use of natural resources. The environmental impact of many human and economic activities, including tourism, raises the issues of waste production, pressure on water, land and biodiversity; in turn, it has an impact on the use of "clean" energy, the protection of heritage and the preservation of the natural and cultural integrity of destinations and the quality and sustainability of the jobs created.

In an increasingly globalised world, travelers want increasingly to roam around the world to participate in cultural and sports, the personalized demand for experiences considered a luxury but already available to people on a smaller budget, accommodation opportunities in all sorts of establishments ranging, seeking more cultural immersion into the destination which integrates sustainability and expecting tourism industry demonstrates a commitment to the natural environment.

New technologies are essential. The integration of mobile technology into the visitor experience will be increasing and almost unlimited. It will allow you to use augmented reality, have access to the information it provides through recommendations of nearby places or information about sites in real-time, voice commands to help in moving, live geo-tagging, and many other applications that are born every day. Given this demand, destinations must adapt to these already emerging trends and must be offered to travelers, who will increasingly distinguish cutting-edge and innovative services from those

that are becoming outdated. This is particularly relevant in urban and weekend tourism, where help in the face of the short time available can be vital for better use of time.

1. Malta

The Maltese Islands also have to make adaptations in order to remain a priority destination in the face of intense international competition. One key area which is not being considered enough is the standard of the environment and climate change, in other words, the impact of society on its natural surroundings.

Although tourism demand continues to grow, it will always be surpassed by the tourism supply from new countries that are seeing the importance of tourism in their economies, in job creation and in starting new businesses. Therefore, although the area where Malta competes is growing in demand as a tourist destination, Southern Europe/Mediterranean, so are the surrounding countries, and they continue to increase their receptive capacity in an attempt to attract more economic activity from tourism. Malta's tourist attraction indicator is 400 tourists per 100 inhabitants, a very high figure.

In order to continue with this trend, the Maltese Government is acting according to three fundamental principles, to give the necessary orientation to this industry through the National Tourism Policy, whose next horizon is the year 2030.

- It wants to improve the management of the number of visitors because of the delicate balance between sustainability and competitiveness in a small and densely populated country. The challenge is to achieve economic growth in tourism activity, knowing that it is reaching volumes of tourist arrivals that can affect sustainability objectives. This requires an improvement in the management of tourism capacity, seeking greater efficiency in indicators such as improved occupancy rates of beds, plane seats, restaurant tables, transport networks, energy and water consumption, proper use of beaches, etc. The key factor is to maximize the satisfaction of the visitor without diminishing the quality nor saturating the hospital capacity of the islands.
- It wants to raise the level of quality throughout the tourism value chain. A higher level of tourist satisfaction will contribute to improving the profitability of operators. Quality must be a beacon in all tourism-related actions, ranging from attitude to aptitude and from the most basic free services to the most expensive ones. In the years to come, the quality will be a vital issue as Malt seeks to take a step towards attracting the most affluent segment of tourists. Therefore, collective efforts are needed to raise awareness and build consensus on quality issues among all stakeholders. The Government is participating by encouraging tour operators to adhere to quality systems and labels and to undertake training activities to improve the skills of all their staff.
- Seek to reduce seasonality, as this improves the profitability and sustainability of the tourism industry. Seasonality causes extreme fluctuations in the high and low volumes of tourist influxes, which leads to seasonal changes in prices and destabilizes the labour market during the year. Although Malta is already one of

the least seasonal island destinations in the Mediterranean, due to the development of activities outside the summer season, it intends to continue to promote an increase in the number of visitors in the month's considered off-season.

These three principles are also in line with the UNWTO Global Code of Ethics for Tourism, which states that "all stakeholders in tourism should safeguard the natural environment in order to achieve sound, continuous and sustainable economic growth aimed at equitably meeting the needs and aspirations of present and future generations."

This Vision for Tourism in 2030 is based on the concept of controlled growth and high-quality service provision.

The geographical size of Malta poses some unique challenges, including the increased risk of soil depletion for tourism growth. The environmental awareness of Maltese and visitors continues to increase, and this will enable destinations to be looked after sustainably. Such awareness is essential if economic growth and environmental and social prosperity are to go hand in hand.

Collectively, Malta must guide tourism development based on a controlled growth scenario and aim to optimise tourism activity by increasing benefits and minimising adverse impacts.

Tourism is considered very complex and its impact on daily life affects not only the host destination but also the visitors. There is no magic formula that guarantees long-term sustainability and tourism today remains an essential part of the nation's wealth, so if it fails, the consequences on economic, social and environmental structures can be enormous.

2. Portugal and Alentejo

Portugal has in place the so-called Tourism Strategy 2027, which aims to create the strategic framework for the Community programming cycle 2021-2027.

It aims to bring together and combine all the actions developed in the Horizon 2020 Plan (Tourism 2020: Action Plan for the Development of Tourism), with the new strategic and structural perspectives for the next ten years, in the field of tourism. These new tourism strategies include a national marketing plan, a tourism school development plan and various regional tourism plans.

The aim is to continue to encourage the participation of regional tourism authorities, local governments, inter-municipal communities, business associations, entrepreneurs and the national scientific and technological system so that these collaborations allow for innovation or the development or improvement of tourism products that can be developed by technological advances as visitors begin to demand them.

This new Plan presents ten strategic assets, whose names are intended to be significant and directly related to their purpose.

They are time and light, nature and biodiversity, water, history and culture, the sea, gastronomy and wines, artistic, cultural, sports and business events, well-being and life in Portugal.

These assets define the potential of Portugal's resources, which, although exploited, still have many possibilities for development. They are based on the security of the country, its climate, the cost of living reasonable guarantees, the quality of life, gastronomy and wines, its natural and cultural heritage, and medical and health tourism. All of them encourage more and more foreigners, investors, students and retirees to choose Portugal to live for weeks or months.

Five strategic axes are also included: promoting the territory, boosting the economy, enhancing knowledge, generating connectivity and the international projection of Portugal.

The results of the last few years show the capacity of tourism to generate more income, more employment and the ability to extend the activity throughout the year and the territory increasingly.

The growth of tourism has occurred in all regions of the country and practically every month of the year. This significantly expands the possibility of working more months of the year and brings about a better redistribution of wealth. At the same time, this growth helps to combat the depopulation of large geographical areas within Portugal.

As in the vast majority of tourist countries, there is still much to be done, and it can be summarized as minimizing the effects of seasonality, increasing territorial cohesion, achieving more excellent professionalism and size of tourist companies, and increasing entrepreneurship, among others.

The comparative evaluation between the study of international strategic plans, international tourism trends, and their impact on Portuguese tourism, reveals several significant issues that should be addressed or minimised in the next 10 years. At the same time, a diagnosis was also made of the leading national tourism indicators.

From this comparative analysis, these ten questions arise:

1. About people, employment must be promoted, people must be qualified and the income of tourism professionals must be increased.
2. About cohesion, tourism activity must be expanded to all territories.
3. Concerning growth in value, income from tourism must increase more than the number of overnight stays.
4. About year-round tourism, the aim is to expand tourism throughout the year.
5. On accessibility, accessibility to Portugal will be strengthened and mobility will be promoted in the territory.
6. On the demand side, the aim is to achieve better markets to increase tourism income and to extend tourism activity throughout the year and the country.
7. In terms of innovation, the aim will be to stimulate innovation and entrepreneurship.
8. Regarding sustainability, the aim is to ensure the preservation and sustainability of cultural and natural resources.
9. About simplification, the aim is to improve and simplify legislation and speed up administrative processes.
10. As regards investment, financial resources must be guaranteed and their correct application ensured.

The strategic framework must ensure stability, acceptance of commitments, promote the integration of sectoral policies, generate joint actions between the different tourism actors and act strategically. Its objective is to promote sectoral policies and ensure their stability for the next decade.

Three thematic sessions were held on the integrated vision of tourism and improving planning, and a consultation was held with international discussion groups.

From this shared process came the vision for Portuguese tourism until 2027. The aim is to continue promoting tourism as an important axis of socio-economic development and to try to become one of the most competitive and sustainable tourist destinations in the world.

The development of tourism is based on the preservation and conservation of the country's natural and cultural resources; it must also be innovative and competitive. To this end, the strategy is focusing on assets considered strategic and organized into four categories.

- Portugal is known and appreciated for the way its population is. People are unique and singular assets.
- Its climate and light; its history and culture; its sea, nature, biodiversity and inland waters, including rivers, lakes and hot springs, are assets that are intrinsically and distinctly different from the destination and cannot be transferred or reproduced elsewhere to stimulate demand, so either you have, or you do not, and Portugal does.
- Food and wine, as well as artistic, cultural, sporting and business events, are qualifying assets.
- Finally, the emerging assets - well-being and “living in Portugal” - are assets with high growth potential.

Moreover, five are the main objectives:

1. To value the territory
2. Boosting the economy
3. Promote knowledge
4. Generate networks and connectivity
5. Highlight Portugal

The objectives until 2027 are:

- to achieve the lowest possible rate of seasonality, creating and giving more stability to jobs and careers;
- to increase the qualifications of tourism professionals, thus doubling the proportion of secondary and post-secondary education qualifications in tourism;
- ensure that tourism generates a positive impact on resident populations;
- increase energy efficiency levels by tourism companies, surpassing the figure of more than 90% of them adopting measures for the efficient use of energy and water, and managing waste in an environmentally friendly way.

The next step is the implementation of programmes, plans and projects, both public and private, based on the lines of action of its five strategic axes, which contribute to the achievement of its objectives.

The success of this strategy requires that every Portuguese citizen understands its importance.

A. Alentejo

The Tourism Observatory of Alentejo is an instrument to support the prospective and strategic planning of the tourism sector in the region.⁸ It considers that the North Alentejo and Portalegre.

“is an almost mythical region, a region where time is time and space is space. The reality is here, waiting to be discovered, in the endless plains and mountains, in the water that entertains and heals, in the great open spaces in the middle of nature or those built by man both for ancient wars and for peace. The authenticity lies in the dolmens and menhirs, in the coat of arms of the manor houses, and the unique flavours generated in secret in the ancient convents and cellars. The truth is also here, in the festival and the fair, in the music, the dance and the local art, where tradition is maintained”.

The aim of creating the observatory was to support the planning and forecasting of the Alentejo Tourism Sector, disseminating reliable information adapted to regional needs and aimed at promoting and sustaining its business.

The cities of Portalegre and Castelo de Vide stand out, which are located on two different slopes of the Serra de São Mamede, a mountain range rich in fauna and flora, and part of which is designated as a natural park. Portalegre, of Roman origin, has beautiful Renaissance and Baroque mansions.

Castelo de Vide has been known for its healing waters since Roman times and for the castle that gave the city its name. Nearby is the castle of Marvão, spectacularly located you can enjoy splendid views, walls surround the medieval city. Another tourist facility is in nearby Crato, where the monastery and church of Flor da Rosa have been converted into a “Pousada” (state inn). Other towns to visit are Alter do Chão, with its five-tower castle and Gothic portal, and Campo Maior, with its beautiful Capela dos Ossos (Bone Chapel), which is completely covered with human bones. Elvas, a few kilometres from the Spanish border, has a Roman-Moorish castle and an impressive 16th-century aqueduct that surrounds the old town.

The sponsor of the project (Turismo do Alentejo, ERT) established a partnership, between the Polytechnic Institute of Beja (IPBeja), Polytechnic Institute of Portalegre (IPP) and the University of Évora (EU) and the core business (Core Business

⁸ FIGUEIRA, Victor & FIGUEIRA, Ana & LUZ, Luis. (2011). The Tourism Observatory of Alentejo: a support instrument for foresight and strategic planning in the Tourist Sector in the region. https://www.researchgate.net/publication/241769182_The_Tourism_Observatory_of_Alentejo_a_support_instrument_for_foresight_and_strategic_planning_in_the_Tourist_Sector_in_the_region

in the Region of Beja / Baixo Alentejo Business Association and Coast (NERBE/AEBAL), Region Business Center of Évora (NERE) and Core Business Region Portland (NERPOR).

Specifically, the aim is to define the baseline of the Alentejo's tourism sector by: building methodologies and tools for collecting and producing information, monitoring the sector, carrying out research studies, informing and disseminating the information generated, boosting regional tourism by promoting business and knowledge networks, drawing up proposals for promoting tourism by identifying trends, opportunities and limitations in regional tourism, and contributing to the reputation of the Alentejo's tourism industry by creating a Knowledge Production Centre.

This project generated information for stakeholders regarding tourist accommodation indicators, the profile, and motivations of Alentejo's visitors, distribution channels, analysis of destinations, incoming markets, an inventory of tourist resources and the methodology for a regional Tourism Satellite Account. The environmental and heritage excellence of the region is crucial for the development of the country's tourism economic growth.

3 Spain and Melilla

Spain's Sustainable Tourism Strategy 2030 draws up a roadmap that will include contributions from regional governments, sector organisations and the other social and economic agents involved.

This strategy sets out how tourism growth should take place for the coming years, and does so by referring to the following principles:

- Socioeconomic growth based on the competitiveness and profitability of the sector, quality and the acceleration of the digital transformation process.
- Preservation of natural and cultural values, as a priority in the preservation of the extensive cultural and natural heritage.
- Social benefit by achieving a distribution of the sector's profits and a fight against rural depopulation in Spain.
- Participation and support for governance between the State and the competent administrations.
- Permanent adaptation to the new environment of constant change.
- Leadership, to continue consolidating Spain as a world leader in the sector.

The objective of the new strategy is to continue creating a model of sustained and sustainable growth, which will allow Spain to maintain its leadership position at the world level.

This model must be based on improving the industry's competitiveness and profitability, on the natural and cultural values that help to spread destinations, and on the equitable distribution of the benefits and burdens produced by tourism.

The future challenges for the tourism sector in the next decade are based on five main axes:

Axis 1: Collaborative Governance

Tourism as a strategic sector for the country must occupy a place preeminent on the political agenda of the government and guide the transformation of the tourist model throughout the territory, reactivate mechanisms for collaboration with the autonomous communities and Local Entities. Lines of action are: move the tools of governance, develop territorial policy and increase from international tourism influence of Spain.

Axis 2: Sustainable growth

Spain's tourism power should contribute to create a more prosperous society, inclusive and equal, and must be a lever of sustainable development of the territory, which contributes to stop the depopulation of rural areas and their consequent deterioration, to redistribute prosperity and wealth, protection and promotion of heritage and the environment, and the improvement of the quality of life of citizens. Technology is a powerful ally that will accelerate their evolution

Lines of action are: move the balanced development of tourism in the territory; boost sustainability as the brand value of tourism Spanish; sustainability of demand and reduce negative externalities of tourist activity.

Axis 3: Competitive transformation

Spain must maintain its tourism demand competitive, adapt to the rules that the market imposes in each moment and increase the tourist PIB.

Lines of action are: strengthen the ecosystem public-private impetus to the transformation competitive; display a digital strategy for the tourism sector; develop public standards for digital transformation and move the adaptation of existing legislation to the new environment.

Axis 4: Tourist space, companies and individuals

The future sustainable tourism strategy must act on the stage where the event occurs. The territory, businesses and people must adapt to a new configuration of the market and the evolution towards responsible consumption patterns.

Lines of action are: give the territory of new capabilities, infrastructure and resources management; push the quality of tourism Spanish and promote higher quality of employment.

Axis 5: Product, marketing and tourist intelligence

Spain is the leader in the sun and beach product in its traditional markets in Europe, but not in other products of greater penetration into the territory, especially in the interior. Therefore, you have to maintain the leadership in the product sun and beach, and diversify the value proposition with products that extend the tourist act beyond the coast and big cities, such as tourism, or very ecotourism.

Lines of action are: empower tourism promotion strategies differentiated market; develop a unique value proposition, dynamic and competitive; developing a tourist intelligence model based on the data and strengthening of digital marketing strategy.

A. Melilla

The strategic plan for 2030 does not exist, being in the study phase, and maintaining the Tourism Promotion Plan of the City of Melilla. The general objective is to promote and support the creation of employment in the area of tourism development. In doing so, to try to achieve a percentage of the Gross Domestic Product, in line with the average percent volumes of the Spanish regions.

The development is still pending on certain strategic aspects, among them, that transport prices are still too high for tourists. It is also necessary to improve the supply of leisure activities.

It is a question of getting all the agents in the area to continue with public actions and private investments to modernise and create complementary offers and services.

However, it has not been possible to create a tourist conscience in the resident population that sees the arrival of tourists with skepticism, only 9.37% of citizens place tourism as one of Melilla's economic engines.

It also requires a re-qualification of human resources in both the hotel and hospitality sector, but above all, and this is the main obstacle to the development of tourism, it is necessary to improvement the communications of the city and to reduce transport rates.

The tourist products offered by Melilla are those associated with their nature and structure. Thus, we can point out the following:

- Historical and architectural heritage. The combination of the defensive and military architecture of the city with the abundant modernist presence constitutes a set of undeniable appeal and, even today, a must for the tourist.
- Multicultural heritage The coexistence of four cultures, four religions, four ways, in short, to understand life, has given rise to a different climate, rich in traditions and particularities that give Melilla a unique air.
- Climate and nature. The benefits of the Melillense climate and its position in the headwaters of Africa place at their disposal an enviable natural environment: sea, islands, beaches, dunes, steep terrain and each of them with a rich and varied fauna and flora. With two zones LIC (place of community interest): the cliffs of Aguadú and the Barranco del Nano.

As can be seen, the fundamental obstacle with which demand growth is encountered is in the problems of growth that tourism supply has, both in qualitative terms and in terms of the amount of infrastructure and tourist services. Measured the tourist flows through the indicators above, we can highlight that there has been a growth in demand, especially in the last two years.

As is known, the seasonality of tourism demand is configured as one of the major problems of the tourism sector. In the 2002-2005 time period the Melilla tourist seasonality index shows the revealing fact that the majority of stays are made in the summer months, with August being the most significant month. However, there is no important seasonality as in other Spanish provinces. Another feature to highlight is the decrease in the average stay of travelers, although the city of Melilla is located in the national average.

Regarding the offer of services in the city of Melilla, it is made up of small companies, which means that all the problems and limitations that SMEs generally face are applicable.

It should be noted that the fundamental problems facing the development of the sector are: financing difficulties, high costs, staff training and the ability to assume and develop the innovations that occur.

The tourist offer is characterized by a shortage of complimentary services or leisure activities. At present, accommodation and catering comprise most of the sector's offer, without there being full implementation of other collateral services. The recognition of the importance of expanding complimentary offer, to retain and extend their visit, this has led the local administration to implement leisure offers through the creation of tourist routes from Melilla to Morocco or cultural heritage interpretation activities.

The decline influences the offer of tourism services in demand since 2000. The low competitiveness of tourism in Melilla is mainly due to structural deficiencies, problems in transport, the limited number of hotel beds, as well as the geographical limitation of the city that hinders its development, especially when there are nearby markets, characterized by a strong capacity for attraction.

It should be noted, also the importance of the quality of services and the complementary offer, as strategic variables determining the degree of competitiveness, issues that are before to the discussion on rates. In the case of the quality of both hotel and hospitality services, it would be a point to improve not only infrastructure, but also in terms of the training of personnel providing these services. As regards transport services, it is not necessary to highlight its importance for the entry of tourists.

The improvement in communications needs infrastructures that guarantee the perfect tourist service, among which we must mention those that allow transport security in itself and the comfort in the displacements and the harmonization of infrastructures and transport with the cost of the trip. The poor quality of transport in the city has also been shown in the citizen survey. Thus, in terms of maritime transport, 21.1% of respondents find the services provided unfavorable and 44.2% unfavorable. As regards air transport, the opinion of the respondents is similar, 17.3% describe it as very unfavorable and 44.4% as unfavorable.

Although the absence of a defined product characterizes tourism in Melilla, the variety of the existing offer presents a starting point for the design of commercial products. For the design of a tourism product, close collaboration between the private sector and the administration is necessary, because if it is not understood in the absence of quality, fair price or the necessary complementary offer, it is also not possible to conceive it in the absence of urban infrastructure adequate and transport. For which, it is necessary to overcome the above problems, some of which begin to be defeated thanks to the efforts of agents in the sector.

Also, the tourist market of Melilla is poorly linked with other markets, such as nearby Morocco, since it would be necessary to take advantage of the tourist offer of this one to not only create routes that pass through the Autonomous City, but also offer services that are not being rendered in the neighboring country. Thus a type of

“exotic” tourism to visit the north of Morocco where new tourist centers are being built, as well as ecotourism that would allow to know places and very exciting areas from an environmental point of view.

The different elements that determine the characteristics of supply and demand are highly correlated, so there is no complimentary offer because there is no significant demand, which is also related to the size of companies in this sector.

The city of Melilla has a series of unique characteristics that give it its own identity, which can be highlighted when it comes to attracting elite or new tourism that seeks a certain exoticism in its destinations. In the process of cultural and tourist homogenization, the peripheral and singular has excellent value. For these reasons, the Autonomous City should take advantage of this resource to stand out prominently within the Spanish tourism market. For which it is necessary to overcome the above problems.

VI. CONCLUSIONS

Tourism can and must play a key role in the development of the great majority of European regions. This is true in particular about economically less developed regions, due to the considerable spill-over effect and job creation potential in this sector.

Tourism may assist in countering the uprooting of young people from regions far from economically active areas.

There are clear EU guidelines in the EU to develop innovative tourism policies that considering tourism as one of the most important sources of income, as recommended by organizations such as the WTO (World Tourism Organization) and the EU.

Both in Spain, Portugal and Malta, the tourism sector is one of the central potentials of their economies. But both in Melilla and in the Alto Alentejo they are still far below the average values of their respective countries. In contrast, Malta has seen growth over the last two decades that is already jeopardising the maintenance of sustainable, environmentally sound growth following the environmental guidelines that the EU is standardising.

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CHAPTER 10
CASE STUDY OF TOURISM

I. CASE STUDY. TOURISM IN MALTA – DIVERSIFYING THE TOURISM MARKET: TOWARDS SUSTAINABILITY

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Key words: Tourism, Malta, Sustainability.

1. Summary

The Maltese Government's 1980's Master Plan for tourism was directed towards better planning and a strategic approach for the future of tourism development on the Islands.

The main concerns associated with the environment included tourist accommodation problems, the over dependence on the UK market, the perennial problems of seasonality and integration of Gozo into Maltese tourism.

The Maltese Government consequently focused on the construction of luxury accommodation, restoring and improving access to heritage sites and tapped into other niche markets, particularly those associated with cultural activities.

In 1999 the Malta Tourism Authority (MTA) was established under the Ministry of Tourism Culture and the Environment. The MTA's first Strategic Plan was published and aimed to move away from 'mass tourism' and attract niche markets, such as MICE (meetings, incentives, conferences events), English language learning, cultural tourism and sports markets, such as developing diving and water sport opportunities.

The balance between an increase in tourist arrivals and a rise in earnings, offset against increasing resource pressures, particularly environmental, has increased debate on the future direction for tourism in Malta. The record-breaking results achieved by tourism growth are now increasing impact pressures on environmental, heritage, social, cultural, community and transport resources and infrastructure.

2. Introduction

The Maltese Archipelago comprises of the most significant island Malta, followed by Gozo and Comino. These islands are centrally located in the middle of the Mediterranean basin, strategically positioned 80 kilometres south of Sicily and 304 kilometres to Cape Bon in Tunisia. They are an independent microstate, one of the world's smallest and since 2004 have been a member of the European Union, with a population of 409,000 on a land area of 316 square kilometres.

In the early 60's, Malta's tourism industry mainly catered for the UK holiday market, 76% of the total tourism market. From the mid 1980's and 1990's Malta attracted more than a million tourists, again mainly British during the summer and autumn season, primarily focussing on the resort /package holiday market. This established Malta as a traditional Mediterranean package tour destination (sun sand and sea), increasingly putting pressure on Malta's infrastructure during this period (Lockhart, 1997 and Attard and Hall, 2004).

As a response, the Maltese Government's 1980's Master Plan for tourism was directed towards better planning and a strategic approach for the future of tourism development on the Islands. According to Pollacco (2003), the major problems experienced in the 1980s related to a lack of public awareness concerning the importance of sustainable tourism. The main concerns associated with the environment included tourist accommodation problems, the over-dependence on the UK market, the perennial problems of seasonality and integration of Gozo into Maltese tourism.

As a result, policy at that time aimed to develop new markets, including German, Scandinavian and North American, thus aiming to diversify over-reliance on the UK package holiday market. The Maltese Government consequently focused on the construction of luxury accommodation, restoring and improving access to heritage sites and tapped into other niche markets, particularly those associated with cultural activities. Nevertheless, as stated by Ioannides and Holcomb (2001) such an approach seemed to lead to confusion between high culture visitors and 'big spenders' and other traditional holiday markets based open low cost two week summer package holidays.

The early 1990's saw continued growth in tourism, but experienced a later decline in visitors as the local tourism industry failed to adapt to the changing demands of the visitor and ongoing changes in tourism trends during the late 1990s (The Times of Malta, 2006).

3. Aims

In this case study, we want to give answers to the following questions related to tourism policies and strategy;

- How did the Maltese Government cope with the challenge of adapting to the fall in tourist numbers at the end of the 20th century?
- What new strategies were put in place to try and achieve sustainable tourism?

4. Method

Based on the case study categories identified by Yin (1984) and McDonough (1997), the methodology will be exploratory, descriptive and interpretative.

A study will be prior fieldwork and smallscale data collection will be conducted before the research questions and hypotheses are proposed. The descriptive case studies may be in a narrative form and it aims to interpret the data by developing conceptual categories, supporting or challenging the assumptions made regarding them.

Explanatory case studies aim to answer 'how' or 'why' questions with little control on behalf of the researcher over the occurrence of events. This type of case studies focuses on phenomena within the contexts of real-life situations.

5. Results

The Maltese Government explored the need to diversify into other industries such as the financial, IT, offshore banking and private services.

In 1999 the Malta Tourism Authority (MTA) was established under the Ministry of Tourism Culture and the Environment. The MTA's 2002-2004 (2002) first Strategic Plan was published and aimed to move away from 'mass tourism' and attract niche markets, such as MICE (meetings, incentives, conferences events), English language learning, cultural tourism and sports markets, such as developing diving and water sport opportunities.

From 2007 to 2011 tourism attained record yearly performances, mainly attributed to increased air routes and more effective marketing initiatives placing Malta as a year-round destination (National Statistics Office Malta, 2015). MTA statistics illustrated this as arrivals showed 1.4 million visitors in 2012, which increased to 2.6 million in 2018, with expenditure above 2.1 billion euros (MTA, 2019), an increase of over eight percent on 2017 statistics. In this respect, the MTA statistical report (2019) illustrates that tourism has seen a steady growth year after year and it now accounts for approximately 29% of the GDP and the most significant contributor to the market services sector. Tourism in 2019 accounts for approximately 22% of government income, 11% of imports and outflows and 17% of full-time equivalent employment. The primary economic data referring to tourism are shown in Table 10.1. The main indicators of tourism are shown in Table 10.2, which show significant annual increases in the last three years, except the Average length of stay.

Total tourist expenditure (2019)	EUR 2,221 mill
Tourist expenditure per capita (2019)	EUR 805
Employment in accommodation (2017 yearly average)	5,721 full time; 2,903 part time
Employment in food and beverage service activities (2017 yearly average)	6,694 full time; 6,572 part time

Table 10.1: Economic Importance of Tourism

Source: NSO (Inbound Tourism)

	2016	2017	2018	2019	% 19/16
Total inbound visitors	1,988,447	2,314,596	2,633,919	2,771,888	5.2%
Inbound tourists	1,965,928	2,273,837	2,598,690	2,757,239	5.9%
Tourist guest nights	14,961,366	16,509,141	18,569,716	19,338,379	4.1%
Average length stay	7.6	7.0	6.8	6.7	-0.1night
Tourist expenditure	1,709 mill €	1,947 mill €	2,102 mill €	2,221 mill €	5.7 %

Table 10.2: Main Indicators of Inbound Tourism to Malta

Source: NSO (Inbound Tourism)

The seasonality of tourist arrivals is in the period from May to October (figure 10.1). The criteria for choosing this destination are mainly being influenced by the digital media and recommendations from friends and acquaintances (figures 10.2 and 10.3).

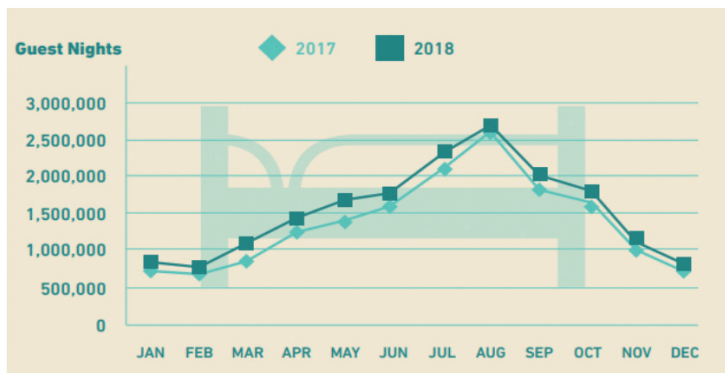


Figure 10.1: Seasonality of Guest Nights

Source: NSO (Inbound Tourism)

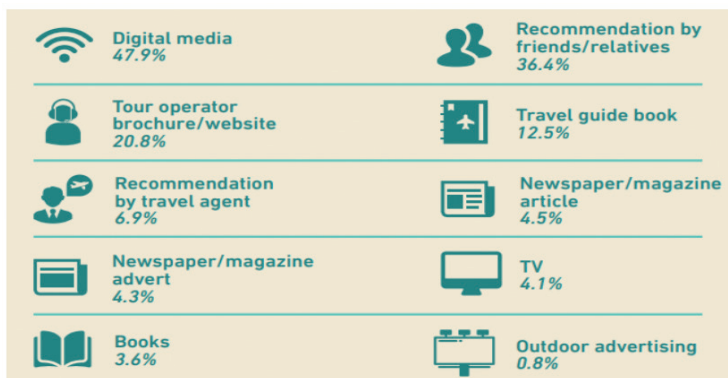


Figure 10.2: Criteria influencing choice of destination (Communication Channels)

Source: MTA's Market Profile Survey, 2018

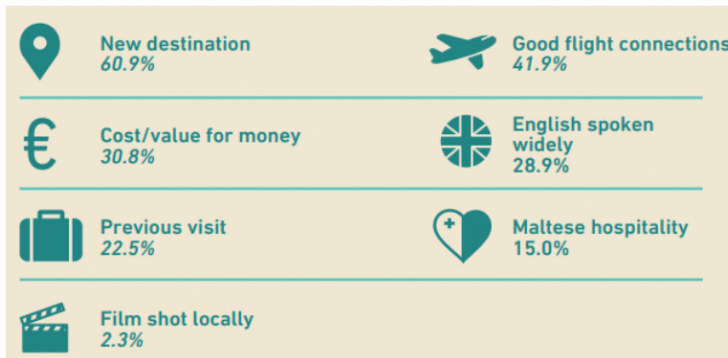


Figure 10.3: Criteria influencing choice of destination (Other factors)
Source: MTA’s Market Profile Survey, 2018

The main motivations for choosing to travel the Islands of Malta are sun and culture (50.2%), figure 10.4.

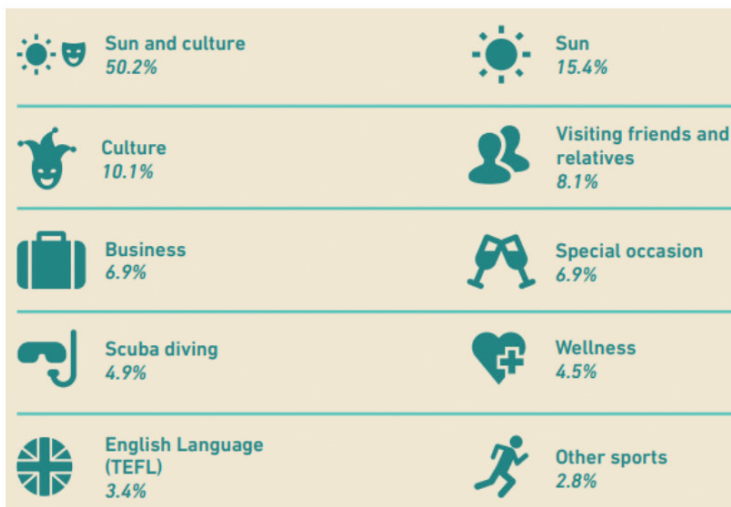


Figure 10.4: Main Motivations for Choosing Malta
Source: MTA’s Market Profile Survey, 2018 and NSO (Inbound Tourism, 2018)

6. Discussion

The balance between an increase in tourist arrivals and a rise in earnings, offset against increasing resource pressures, particularly environmental has increased debate on the future direction for tourism in Malta. As early as 2001, growing pressures were clearly recognised with a need to strike a balance between maximum return and minimal impact.

Pollacco (2003, 286) illustrated this dilemma by suggesting that as the one million saturation mark had already been reached and exceeded, negative impacts were increasingly evident and suggested that due considerations would have to be increasingly placed and focussed upon limited growth scenarios in order to ensure the long term and the best possible level of sustainability.

Dodds (2007) also raised questions concerning future sustainability, and in this context, concerns relating to the ratio of visitors to locals. Moreover, how this has rapidly expanded, placing strain on infrastructure from too many tourists, is highlighted. Dodds also states that Malta also suffers from an absence of pluralism amongst the political-economic elite and a familiarity between voters and politicians, thereby creating barriers to implementing successful sustainable tourism policies.

Since that time, the MTA tourism policy for the Maltese Islands 2012-2016 (2012) has begun to recognise these increasing pressures by focussing market development on niche markets. The Ministry for Tourism's recent National Tourism Strategy 2015-2020 (2015) focussing on ensuring sustainable growth has strengthened this focus and emphasised the development of tourism based upon cultural, community and resource assets including the growth of cultural tourism, cultural events, the blue economy and associated maritime industries.

Such policy statements have gone some way to both recognise and provide impetus for the development of cultural products, the hosting of major cultural events such as V18 (Valletta European Capital of Culture) and promoting sailing and yacht opportunities (Rolex Middlesea Race) in Malta, which has seen growing support and development over the last ten years. In this respect, a new initiative hosted by the European Union in May 2013 (EU, 2013:2015) established a public consultation to explore opportunities for maritime and coastal tourism. The consultation focused on Maritime Spatial Planning, Integrated Coastal Zone Management and the 'Blue Growth Strategy' with nautical boating (yachting) identified as a key growth potential.

It is such ideas that have transcended new tourism thinking in Malta by refocussing tourism strategies that are linked to culture and the 'blue economy' which primarily focuses on the sustainable use of cultural and marine resources (The Times of Malta, 2013).

Such notions perhaps seem logical to an outsider looking at the future direction for Maltese tourism today. Such concepts are, however, not new ones. V18 and the Rolex Middle Sea Yacht Race are cases in point and provide an interesting illustration of ways in which the Maltese authorities have tried to diversify its tourist product.

7. Conclusions and Recommendations

Nevertheless, the issue of sustainable tourism development for Malta remains particularly challenging. With a small resident population of approximately 450,000 within 330 square kilometres, both land and natural resources remain scarce. Concurrently, the record-breaking results achieved by tourism growth are now increasing impact pressures on environmental, heritage, social, cultural, community and transport resources and infrastructure.

As the former Tourism Minister stated in 2017:

“I shall be working to formulate long-term policies based on a sustainable framework. Growth must be well planned and based on more balanced, year-round carrying capacities. This is our main aim for the next years: the generation of sustainable tourism can prove fundamental in coping with the challenges of modern tourism, minimise any negative impacts, while ensuring long-term returns for Malta. Growth must be well planned and based on more balanced, year-round carrying capacities. This is our main aim for the next years” (Zammit, 2017).

These are notions that are now important for the future well being and sustainability of tourism growth and development across the Maltese Islands.

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II. CASE STUDY. CLIMATE CHANGE, TOURISM, MALTA AND THE MEDITERRANEAN

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Key words: Climate, Mediterranean, Tourism, Malta.

1. Summary

Changes to our environment, mainly through climate change, are affecting the planet in potentially adverse ways. Such predictions would impact on many coastal environments, particularly island destinations, and be far-reaching.

The continued growth in tourism numbers, particularly in the peak summer period, is already creating environmental strains that are now leading to carrying capacity issues, resource, waste, and pollution impacts (Austin, 2012,; Dodds, 2007 and; Anon, 2014).

The European Environmental Agency's (2012, 2017), reports on climate change vulnerability in Europe, adds some quite stark predictions for environmental change across the Mediterranean region, with forecasts measuring significant increases in temperatures, the proliferation of more simultaneous hot days and nights, intensification of drought, the rise of solar radiation and surges in insect infestation together with significant decreases in water availability.

Both public and private representatives, businesses, and users must make engagement with appropriate long term policy implementation measures to mitigate against and ameliorate the consequences of climate change.

2. Introduction

Over the last ten years there has been considerable publication and discourse on the topic of climate change and tourism, which has stemmed from earlier research on such issues by, for example, Becken and Hay (2007), Jones and Philips (2011), Ranade (2012), Hall *et al.* (2012) and Singh (2012).

It is now over ten years since the Intergovernmental Panel on Climate Change (IPCC, 2007/2014) and The Stern Review (MH Treasury-Cabinet Office, 2005) predicted that a change to our environment, particularly through climate change, was affecting the planet in a potentially adverse ways. It was seen, at the time, that such predictions would ultimately adversely impact on many coastal environments, particularly island destinations, and that impacts for tourism destinations, would in turn, be far-reaching. The IPPC (2014) Fifth Assessment Report also reconfirmed these sentiments by stating that tourism faces profound impacts from rising temperatures and extreme weather.

Thus to date, it is probably true to claim that climate change is increasingly seen as one of the significant long-term threats facing global economies both in the developed and developing world. As such tourism does not escape, especially those regions that are reliant on tourism- based economies. Malta is a particular case in point.

Forecasts for global tourism remain buoyant and predictions, however conservative, show that world tourism statistics are set for further growth over the next decade (UNWTO, 2018). To this end, the recent UNWTO (2018) report on global tourism states that one-third of all international tourists arrive in the Mediterranean, making it the world's most visited region. It also states that between 2000 and 2018, the Southern Mediterranean Region has seen sustained growth of approximately 5-7% annually.

In turn, tourism in Malta has reflected and also exceeded such growth figures by posting annual average tourism growth rates of up to 6-8% (MTA, 2018). In this respect, the Maltese government's own assessment (MTA, 2012) has also highlighted significant threats posed to the tourism industry from climate change.

3. Aims

In this case study, we will try to respond to:

- Is Climate change increasingly seen as one of the significant long-term threats facing global tourism in both the developed and developing world?
- Will its influence on coastal areas and islands Mediterranean be more severe?

4. Method

Based on the case study categories identified by Yin (1984) and McDonough (1997), the methodology will be exploratory, descriptive and interpretative.

A study will be prior fieldwork and smallscale data collection will be conducted before the research questions and hypotheses are proposed. The descriptive case studies may be in a narrative form, and it aims to interpret the data by developing conceptual categories, supporting or challenging the assumptions made regarding them.

Explanatory case studies aim to answer 'how' or 'why' questions with little control on behalf of the researcher over the occurrence of events. This type of case studies focuses on phenomena within the contexts of real-life situations.

5. Results

According to studies done by the MTA's Research Unit (2018), tourism has seen a steady growth year after year, and it now accounts for 29% of the GDP and the most significant contributor to the market services sector. Tourism now accounts for 22% of government income, 11% of imports and outflows and 17% of full-time equivalent employment. This continued growth in tourism numbers, particularly in the peak summer period, is already creating environmental strains which are now leading to carrying capacity issues, resource, waste and pollution impacts (Austin, 2012), (Dodds, 2007), (Anon, 2014). However, impact forecasts for climate change particularly for Malta and its tourism industry and for the broader region as a whole remain less clear.

The European Union and other international bodies have gone some way to address current predicted forecasts for environmental change for the Mediterranean

region. A joint report by the IUCN, MedPlan and WWF (2012) clarifies the predicted changes to the Mediterranean marine environment illustrating considerable increases to sea temperature and salinity over the last forty-year period. The European Environmental Agency's (2012, 2017) reports on climate change vulnerability in Europe adds some quite stark predictions for environmental change across the Mediterranean region with forecasts measuring significant increases in temperatures, the proliferation of more simultaneous hot days and nights, intensification of drought, the rise of solar radiation and surges in insect infestation together with significant decreases in water availability.

The report particularly highlights the vulnerability of the Southern Mediterranean regions pinpointing coastal environments, areas of high population and high dependency on summer tourism at the forefront of current risks. These are very much key characteristics of the tourist economy of the Maltese Islands and provide profound warnings in this respect. The report concludes that 'the suitability of Southern Europe for tourism would decline markedly during key summer months' (EEA, 2012:209).

Figure 10.5 shows the projected annual temperature changes in summer and winter in Europe. During the last three decades of this century, the significant temperature increases in the Mediterranean area, in summer, and in Northern Europe, in winter, should be highlighted.

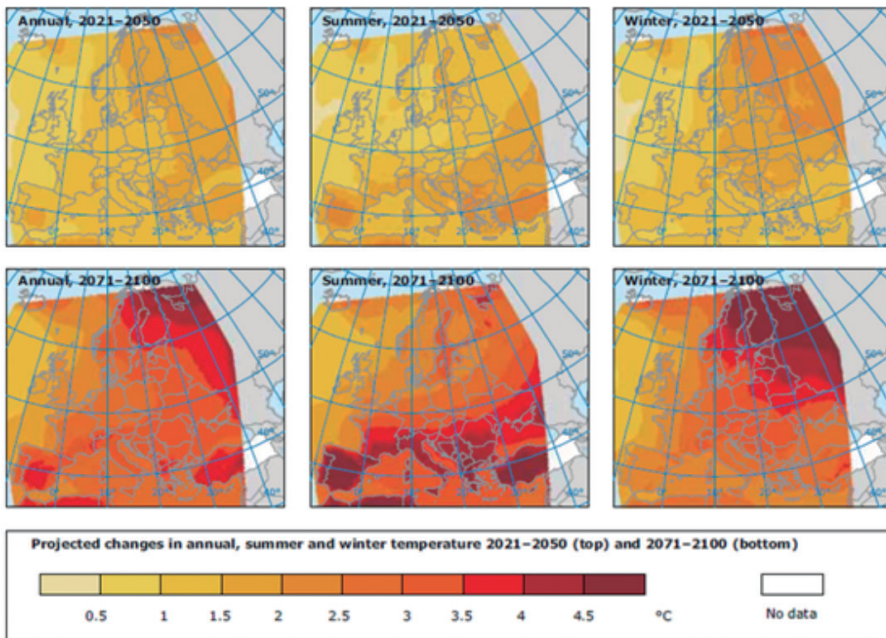


Figure 10.5: Projected changes in annual, summer and winter temperature across Europe
Source: European Environmental Agency (2012). Climate Change, impacts and vulnerability in Europe 2012, EEA 12/2012, Copenhagen, Denmark.

Apart from such data, which provides some substantiated research on current changes to Mediterranean environments, there remains little firsthand empirical data supporting evidence of climate change and impacts on tourism.

This is particularly true when data for such is considered for Malta. There is, however, a growing volume of more circumstantial evidence, particularly emerging from the local media sources that more than suggest emerging climate change issues and the resulting impacts on the current Maltese tourist economy.

For example, Mercieca (2012a) has indicated that Malta is among the ten poorest countries globally in terms of water resources. Osbourne (2014) also confirms such concern suggesting that water shortages are one of the most significant dangers to the economic well being of the Mediterranean region.

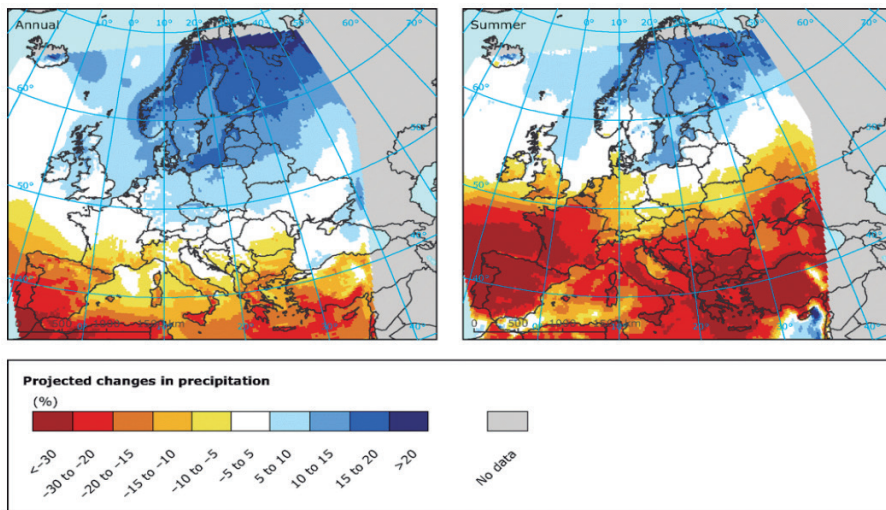


Figure 10.6: Projected changes in precipitation across Europe

Source: European Environmental Agency (2012) Climate Change, impacts and vulnerability in Europe 2012, EEA 12/2012, Copenhagen, Denmark

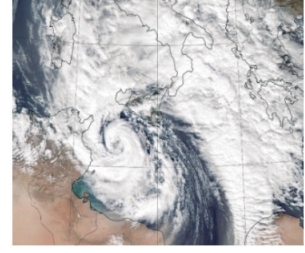
In the same vein, Tremlett (2013) has highlighted that the changing ecology of the islands is now significantly affecting tourism by suggesting that the record surge in, for example, jellyfish blooms, is not only transforming local Maltese ecosystems but also now threatening the health of tens of thousands of tourists. In a similar vein, Mercieca (2012b) and Chetcuti (2012) also highlight the rise in numbers of victims bitten by the ‘Asian Tiger Mosquito’ and the rise in incidence of severe attacks during the recent summer months.



Source: Tremlett, G. (2013) Jellyfish surge in the Mediterranean threatens environment and tourists, *The Guardian*, 3rd June.

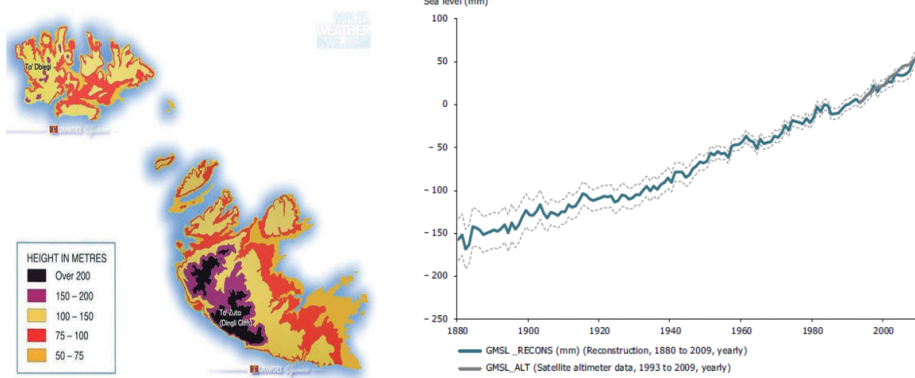


Source: Mercieca, F. (2012b) More fall victim to Asian Mosquito, *The Times of Malta*, 12th October.



Source: Fritz, A (2014) Wicked Mediterranean Storm whips up 95 mph wind gusts in Malta, *The Washington Post*, 7 November, Washington.

Figure 10.7: Changing ecology of the islands



Muscata, C. (2014) Predicted sea level rise will hit the whole of Malta, *The Times of Malta*, 8th June.

Source: European Environmental Agency (2012) Climate Change, impacts and vulnerability in Europe 2012, EEA 12/2012, Copenhagen, Denmark

Figure 10.8: Predicted sea level in Malta and change in mean sea level 1860-2009

There has also been a growing discourse on the increased frequency of severe weather events, severe storm damage, increased heat stress and the growth of heat-related illness (Fritz, 2014).

The growing awareness of sea-level rise and the potential flood risk to existing tourism resorts have also been increasingly highlighted.



Figure 10.9: Impacts and Implications for Tourism

6. Discussion

The potential impacts of predicted climate change, particularly for the Maltese Islands, will undoubtedly pose a significant threat to natural coastal environments, tourism infrastructures, and the tourist “communities” at specific localities in Malta.

Contemporary evidence illustrates that perceived and actual threats are, indeed, real, although accurate predictions and current assessments remain at best ambiguous and at worst, suffer from vagueness, apathy and to some extent “media” hyperbole.

In summary, it seems fair to conclude that there remains continuing uncertainty regarding climate change and the validity of current predictions. However, general perceptions demonstrate that there is recognition of adverse climatic events such as ecological change, resource depletion, heat stress, increased incidence of storm surges and a general rise in sea level.

Perceptions also recognise predicted, erosion, disruption and structural damage that will result from such incidents. There are, however, mixed responses when resolutions, responses and actions are considered. Here, knowledge gaps and disagreement can frustrate options to take ameliorative action.

7. Conclusions and Recommendations

Despite remaining uncertainties, there is evidence to suggest that there is an unequivocal necessity to maintain strategic momentum for all tourism stakeholders, and this includes both public, private, business, user and community representatives to engage and integrate more fully with decision making and policy processes. Pertinent to this is engagement with appropriate long term policy implementation measures.

These should perhaps include frameworks to promote measures to mitigate against and ameliorate the consequences from climate change. It is still a challenge that the tourism stakeholders in Malta still need to recognise fully.

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III. CASE STUDY. EVENTS AND THE 'BLUE ECONOMY': ISSUES AND CHALLENGES FOR SAILING AND YACHTING EVENTS – A TOURISM ALTERNATIVE FOR MALTA?

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Key words: Mass/niche tourism, Malta, Yachting, Rolex, Mediterranean

1. Summary

The Government of Malta is giving increasing priority in redirecting tourism policy toward more sustainable alternatives. One of the critical drivers for change has been interest expressed in the 'Blue Economy' and refocusing direction towards Malta's past maritime traditions.

Malta has attracted increasing overseas sailing and yachting enthusiasts and today has established itself as a maritime hub and a popular destination to host sailing events. This hub has stimulated increasing interest in the industry and has precipitated further investment in marina developments and ancillary 'maritime-related' services.

Events such as the Rolex race can provide real benefits to local tourism economies, provide sustainable destination alternatives, and a means to diversify tourism economies.

The Rolex event contributed a very positive image for Malta. Despite operational issues and warnings, the outcomes from these events can create opportunities for the establishment of new innovative tourism markets and, in turn, perhaps lead to a more substantial sailing and yachting tourism industry and a strengthening of the maritime economy for Malta.

2. Introduction

The Rolex Yacht Race takes place in Malta on an annual basis. The race forms part of several initiatives supported by the Maltese Government. These aim to diversify the Maltese tourism economy from reliance on mass tourism to more specialist or alternative forms. This case focuses on the impact of the Rolex event and its current and future contribution to the Maltese tourist economy. Consideration is given to: i) the overall impact of the Rolex race on the Maltese tourism economy; ii) how the event can be improved to enhance its contribution to Maltese tourism; and consequently, iii) what challenges the event faces in promoting Malta as an 'alternative' tourism destination.

There have been several notable yacht and sailing events that have been established on the world sporting and tourist event calendar over the last decade. As well as the Rolex Middlesea Race and its counterparts, they include, for example, The America's Cup, The Volvo Ocean Race, and the ISAF Sailing World Championships.

Competition for the America's Cup dates back to 1851, which has made it the world's oldest international trophy (Barker *et al.*, 2002). In 2002 evidence from New Zealand suggested that the economic success of hosting the America's Cup amounted

to NZ\$ 1.3 billion for the nation, mainly because the event lasted 19 weeks and had a lead up of 2 years. There was a NZ\$ 85.7 million spend on the America's Cup Village infrastructure and an income over expenditure of NZ\$9 million according to (Barker *et al.*, 2002). The America's Cup has also claimed that within six months of the event, 4.2 million people were reported as having visited the America's Cup Village, making it New Zealand's most popular visitor attraction at that time.

Jobson (2012) has claimed that the America's Cup and its associated 'opportunities,' can indeed go some way to rebrand small host cities such as Auckland and Fremantle where the America's Cup can dominate but at larger venues such as in Valencia (Spain) or San Diego (USA) the positive impacts are less clearly defined. Nonetheless, the America's Cup has helped capture world-wide audiences, establish new markets and define new tourist destinations that were often difficult to brand before the establishment of an event of this nature (Barker *et al.*, 2002).

3. Aims

Within the policies of tourist diversification that the Maltese government wants to promote, this type of maritime sports events could be consolidated as a tourist activity with a future in the islands of Malta?

How The Rolex Yacht Race can be improved to enhance its contribution to Maltese tourism?

And what challenges the event faces in promoting Malta as an 'alternative' tourism destination?

4. Method

Explanatory case studies aim to answer 'how' or 'why' questions. The researchers usually have little control on behalf over the occurrence of events and this type of study focuses on phenomena within the contexts of real-life situations.

This study will be before fieldwork and smallscale data collection will be conducted before the research questions and hypotheses are proposed. The descriptive case studies may be in a narrative form, and it aims to interpret the data by developing conceptual categories, supporting or challenging the assumptions made regarding them.

5. Results

Tourism plays a significant part in the Maltese economy today. Tourism now accounts for over 29% of GNP, 22% of government income, and 17% of full-time employment (MTA, 2018). The Maltese Government has, however, put increasing priority in redirecting tourism policy toward more sustainable alternatives. The most recent tourism strategy 2012-2016 is a case in point (MTA, 2012). Interestingly one of the critical drivers for change has been interest expressed in the 'Blue Economy' and refocusing direction towards Malta's past maritime traditions. In this respect, a new initiative hosted by the European Union (EU, 2013) in May 2013 set up a public

consultation to explore opportunities for maritime and coastal tourism. The discussion focused on Maritime Spatial Planning, Integrated Coastal Zone Management, and the 'Blue Growth Strategy' with nautical boating (yachting) identified as a key growth potential.

It is such ideas that have transcended new tourism thinking in Malta by refocussing tourism strategies that are linked to the 'blue economy' which primarily focuses on the sustainable use of marine resources (Times, 2013). In this context, Sultana (2012) suggests that coastal resources contribute towards making Malta an ideal yachting destination.



Figure 10.10: Blue economy. Malta Maritime policy

Although it is not possible to specify the exact figures that generate this types of maritime event, i.e., total expenditures and total number of visits generated, the hosting of these events occur out of the leading tourism seasons which has gone some way to contribute to extending the visitor season and alternative tourist activities during shoulder months. The concept of developing an alternative 'blue maritime economy' has also contributed to strengthening the focus and drive to develop maritime niche tourism markets. In this respect, the signing of a joint declaration on the blue economy for the Mediterranean by the European Commission in November 2015 supported by the Maltese Government provides a further impetus for sailing and yachting development and associated maritime tourism for the Islands (European Commission, 2015).

Such notions perhaps seem logical to an outsider looking at the future direction for Maltese tourism today. Such concepts are, however, not new ones. The Rolex (Middlesea Yacht Race) is a case in point and an exciting illustration of ways in which the Maltese authorities have tried to diversify its tourist product.

The Rolex race takes place in Malta on an annual basis. The race is now part of the world-renowned international Rolex Race Calendar comprising the Rolex Sydney-Hobart Yacht Race, the Rolex Fastnet Race, the Maxi Yacht Rolex Cup, ISAF Rolex World Sailor of the Year and the Giraglia Rolex Cup. The race comprises a week-long

journey starting from the Grand Harbour in Valletta, out toward and around the Island of Sicily, returning to the Grand Harbour a week later.

The race now forms part of several initiatives and policy measures supported by the Maltese Government and The Malta Tourism Authority. These aim to diversify the Maltese tourism economy from reliance on more traditional forms of tourism to more specialist or alternative forms based upon tourism niche markets and the 'blue economy'.

The strategy to encourage such events also falls with the Malta Tourism Authority's current strategy to develop better and more focused sustainable tourism products (MTA, 2012).

The need to promote special events and sustainable tourism products that are kinder to the environment, offer better community engagement and provide better prospects for sustainable tourism economic growth (MTA, 2012), (Weed and Bull, 2009).

Figure 10.11 conceptually outlines the challenges of Sailing and yachting events for Malta, from the infrastructure shortfalls and guest quality experiences to local publicity and branding marketing sponsorship.



Figure 10.11: Conceptualizing Sailing and yachting events for Malta: Issues and Challenges

6. Discussion

Events such as the Rolex race can provide real benefits to local tourism economies, provide sustainable destination alternatives and a means to diversify tourism economies. The case can also highlight lessons that should be learnt regarding organizational support, infrastructure and policy directions that should, perhaps, be heeded, if indeed, such events can be sustained and developed for the future. These particularly relate, for example, to combatting policy malaise, tackling institutional inertia, plugging funding gaps, pacifying stakeholder rivalries and addressing infrastructure deficiencies.

The Rolex event clearly demonstrates that there is a strong synergy between the event and the location of the event destination. As a consequence, Malta has attracted increasing overseas sailing and yachting enthusiasts and today has established itself as a maritime hub and a popular destination to host sailing events.

The growth of this market, with events in addition to Rolex, now including the RC44 Valletta Cup (in its fifteenth year of competition (www.rc44.com), and the Trophée Bailli de Suffren Yacht Race between St Tropez and Malta (started in 2002 www.cnmarinas.com), are now firmly established sailing and yachting calendar events in Malta.

This has stimulated increasing interest in the industry and has precipitated further investment in marina developments and ancillary “maritime related” services with a proposal now underway for a new marina at SA Maison on Valletta’s northern shoreline and the expansion of existing marina infrastructures.

7. Conclusions and Recommendations

Even though the very positive growth demonstrated by Rolex over the last five years’ evidence suggests that the transition and growth of the event, from a local event to a top international venue, may not have been as fully recognised or understood by crucial sectors of the tourism industry in Malta.

Sentiments from such authors as Arruda and Ferrand (2007) remain pertinent concerning the need to ensure integrated collaboration and partnership from all stakeholders in order to ensure event success. Getz (2010) has also highlighted several adverse impacts that events can generate. However, evidence from the Rolex case generally confirms a very positive image from stakeholders engaged with the event with few negative influences or impacts associated, particularly with environmental, social, or cultural contexts, being reported.

That said, several local venue shortfalls were identified, which mainly related to operational, organisational, and community issues.

These, in summary, related to infrastructure shortfalls, which identified a shortage of appropriate berthing facilities for all yacht types participating, thus causing some yachts having to berth elsewhere on the islands.

Issues associated with more extensive publicity and recognising the value of the event for local stakeholders and engagement with the local/host community were also raised and still obviously remain a significant gap for the future organisation of the Rolex event.

Tensions associated with guest and visitor expectations (mainly associated with expectations of quality and hospitality from visitors) and reported inadequacies were also identified and perhaps present future challenges for the Maltese hospitality industry in hosting and raising standards for an internationally recognised quality event of this nature.

Despite such sentiments being aired, the consensus from the case confirmed, however, that the Rolex event contributed a very positive image for Malta. Despite operational issues and warnings from, for example (Getz, 2010), the outcomes from an event

such as the Rolex Yacht race can create opportunities for the establishment of new innovative tourism markets and in turn, perhaps lead to a more substantial sailing and yachting tourism industry and a strengthening of the maritime economy for Malta.

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IV. CASE STUDY. TOURISM IN ALTO ALENTEJO: NATURE TOURISM

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Key words: Nature tourism, Alto Alentejo, Natural Park, Rural tourism.

1. Summary

Tourism can be considered an essential strategic axis to the Portuguese sustainable development. The Alto Alentejo has an important Natural Park, São Mamede Mountain, which should contribute more to the tourist development of the four municipalities bordering it.

It has sufficient tourist infrastructures and the training of the personnel that attends to the demand of tourism of nature that little by little will be increased in these areas with such a low density of population and with the potentiality of these protected areas must be improved.

These territories also reflect the balance between the natural environment and human actions. Sustainability needs to be part of the development processes of economic activities to maintain this delicate balance.

Strategies should pursue the rational use and protection of all-natural resources throughout the country to enable their enjoyment by future generations.

The municipalities bordering the natural park have tourist infrastructures with indicators that are higher than the Portuguese average (number of establishments

and Lodging capacity per inhabitant). The objective to be improved is not to increase the number of days of stay, but to extend the periods of visits to the whole year and encourage the growth of visits by foreigners.

2. Introduction

Tourism has been considered a fundamental strategic axis for Portugal's development. This strategy is correct both for achieving the sustainable development goals set by the EU and international organisations and in the approach to the diversification of its productive sectors. In recent years the number of investments made in establishments and products of the tourism sector not directly related to the "Sol-Playa" has been significant. These investments are mainly located in the interior areas of the country, with low population density, as is the general case of the Alentejo, and respond to the demands of new forms of rest and leisure (Salvador, 2011),

Natural resources are essential elements of any tourism product, and they also become the attraction generator of a destination. Those countries that are fortunate enough to have a significant number of locations considered as natural heritage, and that by having a high degree of biodiversity and having a network of natural resources, can promote their dissemination as part of the tourism competitiveness strategy that is being imposed in this century.

It is clear that some resources are more fragile than others, and therefore require significant investment to manage and protect these environments.

At the same time, the commitment of various sectors of society is required to meet the objectives set. It is necessary for the collaboration of all those who understand that this precious resource requires concrete measures to maintain its delicate balance. In order to achieve the so-called "sustainable development" in these locations, they are needed: rigorous policies on biodiversity, the necessary infrastructures, transport to make it accessible without overcrowding, technical knowledge for its maintenance, cultural education for its use and enjoyment, and a good quality of services.

Tourism is one of the driving forces behind the growth of the Portuguese economy, but the Alentejo region represents only 2.9% of the Portuguese total (INE, 2017). Despite considerable growth in recent years throughout the country, this region maintains a low level of attraction, and its tourism is almost exclusively oriented to its domestic market. It also has the lowest hotel capacity in all Portuguese regions (Rural Tourism, TER). (Salvador, 2011)

As far as nature tourism is concerned, there is a strong relationship between the existing infrastructure of so-called rural tourism and the public bodies that manage the Parks and Reserves. This relationship is productive if they cooperate to offer a resource with added value that deserves to be included in the "National Tourist Offer" as an own product formed by the extensive network of parks and nature reserves.

Sustainable development must always be a point of reference, understanding this as the strategic actions that must be pursued to achieve the rational use and protection of natural resources throughout the country, allowing enjoyment for future generations.

The Portuguese Institute for the Conservation of Nature and Biodiversity (ICNB) defines “Natural Parks” as “areas of national interest that contain natural and semi-humanized landscapes and consistent examples of the integration of human activities and nature, showing samples of a natural region.” (Salvador, 2011)

Nature Reserves are “areas for the protection of flora and fauna,” fully integrated into demarcated areas for protection within the protected area.

The World Economic Forum engaged leaders in travel and tourism to carry out an in-depth analysis of the travel and tourism competitiveness of 140 economies and measures the set of factors and policies that enable the sustainable development of T&T.

Portugal is the 12th most competitive country in the world in tourism, and achieves unprecedented results: for the first time it ranks first in the tourism services infrastructure (6,7 over 7), the 5th in the quality of tourism infrastructure (6.1 over 7) and 12th in the global ranking (4.9 over 7) (figure 10.12)

The report includes country indicators from the World Tourism Organization and World Travel Council (2019).

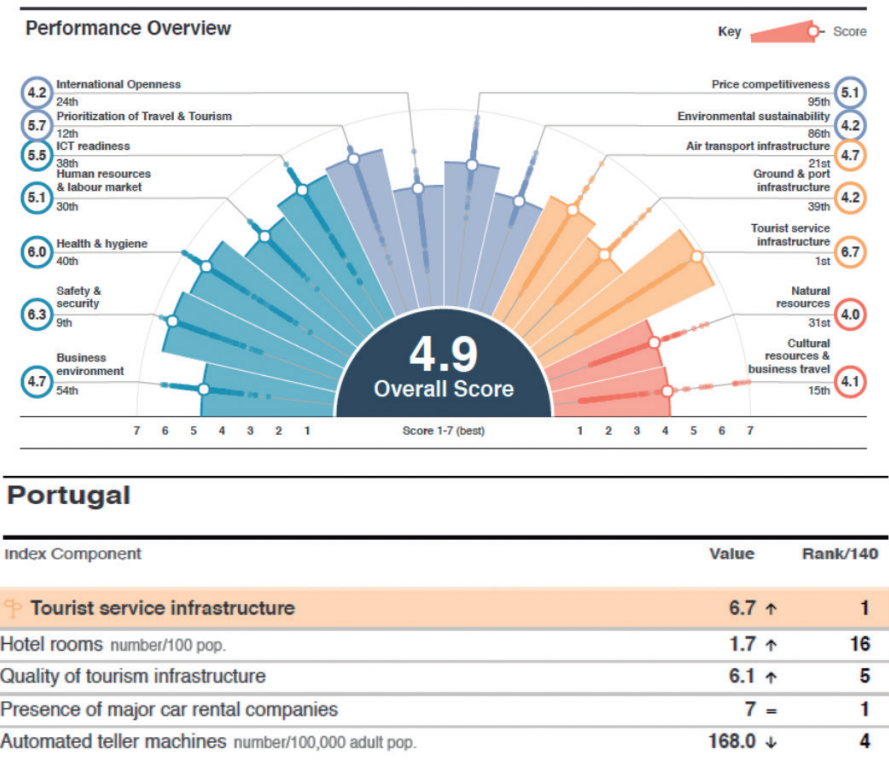


Figure 10.12: Travel & Tourism Competitiveness Index 2019 edition

Sources: World Economic Forum

3. Aims

In this case study, we want to give answers to the following questions related to tourism policies and strategy:

- Does nature tourism have a high growth potential in the Alto Alentejo?
- Does it have infrastructure in line with present and possibly future demand for this type of tourism?
- What are the weaknesses and opportunities that this type of tourism presents for this century?
- What new strategies were put in place to try and achieve sustainable tourism?

4. Method

Based on the case study categories identified by Yin (1984) and McDonough (1997), the methodology will be exploratory, descriptive, and interpretative.

A study will be prior fieldwork, and smallscale data collection will be conducted before the research questions and hypotheses are proposed. The descriptive case studies may be in a narrative form, and it aims to interpret the data by developing conceptual categories, supporting or challenging the assumptions made regarding them.

Explanatory case studies aim to answer 'how' or 'why' questions. Moreover, there is usually little control by the investigator on the occurrence of events. This type of case study focuses on phenomena within the contexts of real-life situations.

The leading indicators used are:

- Hotel, local accommodation, and rural tourism establishments.
- Lodging capacity: Hotel, local accommodation and rural tourism
- Net rate: Guest per inhabitant, Average stay in the establishment (nights), Average stay of foreign guests, Proportion of guests from foreign countries, Bed occupancy net rate.
- Lodging income: Total (thousand euros), Total per inhabitants (euros), Lodging per night (euros), Hotel establishments (thousand euros), Local accommodation (thousand euros) and Rural tourism and Housing tourism (thousand euros).

5. Results

The vast expanse of the Alentejo and the more significant regions of Europe, has a large number of protected natural areas and landscape diversity, making this region an essential destination for nature tourism.

As it has ample natural space and a great diversity in orography, rivers, and mountains, it allows numerous activities such as equestrian routes, trekking and cycling, also, adventure tourism and enjoys the impressive landscape of the Alentejo. The Alentejo is a definite candidate as a potential place for the development of so-called "nature tourism." Offering these activities has opportunities for development and growth, mainly due to the growing demand for the European markets. This region is how it is

stated in the report of the National Strategic Plan of Tourism (PENT, 2007), where the activities of nature related to the tourist and cultural landscape are listed as a priority.

This Plan also mentions many aspects of the Alentejo to increase nature and cultural tourism: its geographical location and its natural and scenic surroundings stand out, as well as its rich historical and cultural heritage, especially its fairs, festivals and pilgrimages; the sun and its beaches cannot be forgotten; the enjoyment of nature by observing trekking and nature sports; its thematic routes of museums, crafts, gastronomy, and wine are important; and finally, tourist accommodation (Salvador, 2011).

The Alentejo can play an essential role in preserving nature and biodiversity by having a low population density. More specifically, the Alto Alentejo has the Serra de São Mamede Natural Park (PNSSM). This park was created in 1989 by the ICNB and is part of four municipalities (Marvão, Castelo de Vide, Portalegre and Arronches) with a total area of 55,524 ha. (ICNB, 2009)

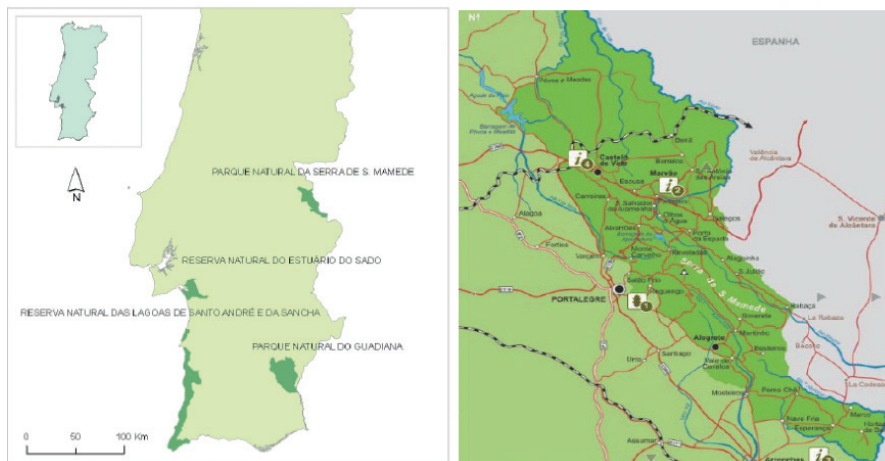


Figure 10.13: Natural Park of São Mamede Mountain (PNSSM)

Source: ICNB 2009

In order to make a visit that allows us to discover a significant part of the most exciting contents of this protected area, the managers of the Park propose five footpaths. These trails allow visitors to appreciate the varied vegetation and to see birds that would be difficult to see elsewhere, such as vultures, kites, and Bonelli's eagles, the latter being adopted as a symbol of the Park. Also mammals of important size like the wild boar or the deer that now return to the Serra de São Mamede, after an effort made to reconstitute their habitats (visitportugal).

The region of Portalegre completes these walks with routes in all-terrain motorcycles or of four wheels or more calm strolls on horseback thanks to many centers of rural tourism and the Elvas Equestrian Center.

An explanatory video can be seen at the following address.



Figure 10.14: Natural Park of São Mamede Video

Sources: <https://www.youtube.com/watch?v=puXh0kOjYvs>

The analysis of the results that allow us to know the hotel and lodging infrastructures that the populations bordering the park have, and the statistical data compared to the rest of the region and the national average are the following:

- Firstly, it is essential to maintain a balance between human activity and the conservation of ecosystems and their maintenance, care and monitoring needs.
- The analysis of the results that allow us to know the hotel and lodging infrastructures that the populations bordering the park have, and the statistical data compared to the rest of the region and the national average are the following:
- Firstly, it is essential to maintain a balance between human activity and the conservation of ecosystems and their maintenance, care, and monitoring needs.

In terms of the number of tourist units offered in this area, Marvão has 21 accommodation units, Castelo de Vide and Portalegre have 14, and the municipality of Arronches has three establishments (Table 10.3).

In terms of the number of tourist establishments per 1000 inhabitants, the region and the four municipalities exceed the national average. Marvão well above with 6.6 tourist units, followed by Castelo de Vide with 4.6 compared to 0.5 of the Portuguese average, 0.7 of the Alentejo and 1.0 of the Alto Alentejo.

	Total Establishments	Establishm. per 10,000 inhabitant	Hotel	Local Accomm.	Rural and Housing tourism	Population
Portugal	4,805	0.5	1,669	1,831	1,305	10,309,573
Alentejo	499	0.7	116	115	268	718,087
Alto Alentejo	107	1.0	25	15	67	108,588
Arronches	3	1.0	1	0	2	2,952
Castelo Vide	14	4.6	4	0	10	3,058
Marvão	21	6.6	3	1	17	3,173
Portalegre	14	0.6	3	2	9	22,922

Table 10.3: Hotel, local accommodation and rural tourism establishments

Sources: INE, I.P., Statistics Portugal, Tourism Statistics. Portugal, 2017

- In terms of accommodation capacity per 1000 inhabitants, they also exceed Marvão by almost seven times and Castelo de Vide by almost five times the Portuguese and Alto Alentejo average. While Portalegre is slightly lower and Arronches equally, but more significant is its negative difference (table 10.4)

	Total	Total per 1000 inhabitant	Hotel	Local Accomm.	Rural and Housing tourism
Portugal	380,818	37	302,491	55,796	22,531
Alentejo	22,779	32	12,390	3,901	6,488
Alto Alentejo	4,274	39	1,994	765	1,515
Arronches	78	26	40	0	38
Castelo Vide	544	178	395	0	149
Marvão	813	256	170	3	640
Portalegre	801	35	129	9	663

Table 10.4: Lodging capacity

Sources: INE, I.P., Statistics Portugal, Tourism Statistics. Portugal, 2017

- The number of users of these establishments per inhabitant in Marvão and Castelo de Vide is three times higher than the Portuguese average, but Alto Alentejo in general and Portalegre and Arronches in particular, are far below this. On the other hand, there are a series of lower indicators for these four municipalities, in

particular, and for Alto Alentejo, in general; concerning the Portuguese average (table 10.5): The number of nights of average stay (Portugal 2.8 versus 1.5 and 2.1 of the bordering municipalities); the average number of days foreigners stay and the proportion of these about the total number of users is even more significant the negative difference of Alto Alentejo with the Portuguese average; and the percentage of occupancy, well below fifty percent (Portugal 46% compared to 21% in Alto Alentejo and between 11% and 20% of these municipalities).

	Guest per inhabitant	Average stay in the establishment (nights)	Average stay of foreign guests	Proportion of guests from foreign countries	Bed occupancy net rate
Portugal	2.1	2.8	3.3	59.1	46.4
Alentejo	1.6	1.8	1.9	31.6	27.3
Alto Alentejo	1.6	1.7	1.7	23.3	20.8
Arronches	1.0	1.6	1.5	16.9	17.0
Castelo Vide	6.4	2.1	1.9	24.7	20.6
Marvão	6.8	1.5	1.4	44.6	11.6
Portalegre	0.7	1.6	1.7	19.5	12.4

Table 10.5: Net rate

Sources: INE, I.P., Statistics Portugal, Tourism Statistics. Portugal, 2017

Concerning tourist income, it should be noted that income per night is in line with the Portuguese average, exceeding 30 euros per night, but about the number of inhabitants, it is approximately half the Portuguese average (table 10.6).

	Total (thousand euros)	Total per inhabitant (euros)	Lodging per nights (euros)	Hotel establishments (thousand euros)	Local accomm. (thousand euros)	Rural tourism and Housing tourism (thousand euros)
Portugal	2,264,556	107	38	2,036,641	170,040	57,875
Alentejo	80,018	68	37	56,813	7,053	16,153
Alto Alentejo	10,525	61	35	7,631	447	2,447
Arronches	233	78	49	120		113
Castelo Vide	789	40	19	624		165
Marvão	1,104	51	33	612	21	471
Portalegre	776	46	30	423	46	307

Table 10.6: Net rate II

Sources: INE, I.P., Statistics Portugal, Tourism Statistics. Portugal, 2017

6. Discussion

Tourism is being considered a fundamental strategic axis for the sustainable development of Portugal; in recent years there has been a steady increase in the number of investments in the interior areas of the country with low population density, as is the case in general in the Alentejo (Salvador, 2011).

The choice of Alto Alentejo as a case study in the field of tourism took into account the existence of a park and a nature reserve, which allows for a wide range of activities. Due to the variety of options and the training specialisation that many of them require, proper preparation is necessary to offer quality and thus develop the so-called “nature tourism.”

The tourist region of Alentejo is in first place in the number of overnight stays in Rural Tourism (TER) at a national level. The investments in the TER are made, taking into account common patterns, where the location in areas of low population density becomes a reason that justifies the long affinity with Nature Tourism.

If there is to be nature tourism, there must be sufficient tourism units in rural areas. And for there to be sufficient tourist units, there must be a potential for nature activities that will attract these users of these services. For these businesses to be profitable, the contribution of foreign guests is essential, and those who are registered become high in proportion to the number of tourist accommodation units. The importance of environmental preservation leads to the expansion of the market segment of tourist travel to nature and cultural tourism.

It is important to emphasize that there are some limitations to the development of tourism products. The first one is the existence of too many small companies that provide these services and have little competition and investment financing capacity. Secondly, there is the risk of environmental degradation if visitors and local people are not made aware of the need to care for the impact that tourism can have on their natural environment.

Thirdly, the low qualification of the labour force involved in this tourism, which requires better technical, business, and hotel service training.

7. Conclusions and Recommendation

The municipalities bordering the natural park have tourist infrastructures with indicators that are higher than the Portuguese average (number of establishments and Lodging capacity per inhabitant), which is why their preparation to receive tourists is appreciated beyond those who seek their rich cultural heritage.

The number of tourist users per inhabitant is much higher than the Portuguese average, while the number of days of average stay is approximately half, with a similar percentage of occupancy. Therefore, the objective to be improved is not to increase the number of days of stay, which is always tricky when it is not the sun and beach tourism, but to extend the periods of visits to the whole year and encourage the growth of visits by foreigners.

In the process of looking at how actions should be carried out to achieve a balanced approach, several studies have determined that the priorities to be taken into account are:

- Careful planning and development control in sensitive areas because of the tourist actions to be developed.
- To establish and apply a series of guidelines that achieve good practice in tourism operations, developing and applying better ways of measuring the environmental impacts of tourism,
- Pay special attention to the potential of national parks and other protected areas as places for high-quality, sustainable tourism.
- Get more direct support for conservation from tourism businesses and tourists.
- Involve travellers and local communities in conservation activities. The work in schools is necessary for them to know the treasures they have in their territory and that must be conserved.)

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V. CASE STUDY. RELIGIONS TOURISM IN MELILLA: INNOVATIVE BUT NON-PRODUCTIVE

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Key words: Religions tourism, Melilla, Temple's route.

1. Summary

Religious tourism is a tourist product that is not novel (the pioneering form of tourism was in the form of visiting religious pilgrimages such as Christians traveling to Jerusalem and Muslims to Mecca). However, it contributes a lot of economic and social value in some parts of the world, and it could play a relatively important role in the tourist development of the Autonomous City of Melilla.

In this case study tries to show how an initiative presented by the Melilla Tourist Board since 2008 to make the different cultures and religions of the city known through the so-called "Route of the Temples," is not having the success it is supposed to have. This city can contribute as a differential value with other destinations, which do not visit museums, but visit places experienced daily, and that help to know a multicultural meeting of high experiential component in a border territory (Borrell, 2018).

In a single visit of a few hours one can understand many of the peculiarities of each cultural and religious identity, whose ignorance contributes to differentiate us and in some parts of the world makes it difficult to live together. "The Route of the Temples" takes advantage of the uniqueness of the city by showing tourists its cultural richness and variety, as well as the atmosphere of peaceful coexistence that can be breathed in its streets.

Four cultures live together in the city, and none of them has to give up their signs of identity. This variety enriches the coexistence of the daily contact between Christians, Muslims, Jews, and Hindus. Each one of them is contributing to their actions and their daily ways of life to enlarge the intangible cultural heritage of Melilla. All these cultural manifestations and displays of spirituality and elaboration of rituals in religious spaces make it possible to know in a few square kilometers their diversity and with this allow to attract many tourists and visitors who want to know them without having to travel to very distant geographical areas.

2. Introduction

A. Religious Tourism

Tourism is growing, and the way people choose their vacation is also changing. The duration of these trips is shorter, and people take them more often during the year.

Preferences for more active holidays, both physically and intellectually, are growing in demand and not only refer to recreational, sports, and adventure activities but also knowledge of the history, culture, and environment of the places visited.

Religious tourism could be considered historically as a pioneering form of tourism, which has begun almost with the dawn of humanity. Some of the religious sites, such as Mecca in Saudi Arabia, Fatima in Portugal, and Lourdes in France, attract millions of religious tourists, creating significant economic and financial activity in the destination.

Cultural tourism is one of the most popular and fastest-growing sectors. Among this type of tourism, the one considered religious is also doing so, although its organization is more complicated due to the multitude of aspects that coincide and sometimes conflicting interests that are associated with it.

Cultural tourism is being demanded as a trip that needs to offer an educational, social, emotional, and participative experience, where the tourist seeks to “live” the place he visits. Therefore, if they allow themselves to get to know the people who live there, teach them to understand their culture, and guide them even in such small details as helping them to buy their typical products, the service they are providing is enhanced (Throne, 2014). In addition, it involves contact with the residents and the creative flow of their culture (Richard and Wilson, 2006).

Religious tourism is one more part of the wide variety of the tourism industry, which is usually related to the demand of the followers of particular faiths who want to visit their places considered sacred; although religious places are not only visited by pilgrims, but also by non-religious tourists, all are looking for cultural, historical and religious meaning in their journeys. However, despite being a growing sector, Melilla is not usually highlighted as a place of pilgrimage, but it could help to cover part of the demand as it is a place where several interconnected religions can be observed in a totally peaceful and relatively small city.

In the literature on tourism, many scholars sputter of concepts such as cultural heritage tourism, cultural tourism, cultural heritage tourism, and spiritual tourism.

Rinschede (1992) distinguishes them by duration, group size, and social structure. Gevorgian (2019) proposes two categories that differ in their motivation, namely “pilgrimage tourism” for spiritual reasons or to participate in religious rites and “church tourism” to see the destinations where events marked in his sacred books were experienced.

The most important religious destinations in the world are those where historical events took place, generally at the beginning of religions or later due to particularly significant events.

In Islam, the central locations are: Al-Masjid Alharam - Mecca (Millions of pilgrims visit Mecca and Medina), Al-Masjid Al Nabawe - Almunawwara (The second holiest site in Islam is Al-Masjid an-Nabawi Mosque or the Prophet’s Mosque in Medina), Al-Aqsa Mosque - Al-Qods in Palestine (The third holiest site in Islam and is located in the Old City of Jerusalem). It is located on the same site as the Dome of the Rock). Dome of the Rock (Qubbat Al-Sakhrah Mosque), Alqods, Palestine, Quba Mosque, Almadina Almunawwara, Sultan Ahmed Mosque, Blue Mosque, Istanbul Turkey.

In Christianity, the locations are: The Vatican City in Italy (steeped in Christian tradition and history), Palestine (Church of the Nativity), Bethlehem (primary Christian holy place, as it marks the traditional birthplace of Christ) The Church of the Holy

Sepulchre (where Jesus is believed to have been buried and resurrected), The Mount of Olives, The House of Ephesus of the Virgin Mary - Turkey. And many other places like Lourdes (France) - Fatima (Portugal) Santiago de Compostela (Spain), Basilica of Guadalupe (Mexico City).

In Judaism, there is Jerusalem AlQods (for three millennia, Jerusalem has been the center of the Jewish faith. Biblically, the ancient city of Jerusalem, is recognized as the place where God asked Abraham to sacrifice his son Isaac. King David established the city as the Kingdom of Israel and his son, King Solomon, built the first temple in the 10th century; Hebron (associated with the earth element, as it is the burial place of the Jewish patriarchs; Tiberias (associated with the water element), Tzfat (associated with the air element, as it is the highest city in the region of Galilee and all of Israel).

In Buddhism, there are; In India, Srilanka, Thailand, Nepal, Tibet, Japan, and Mongolia.

B. Religious tourism in Melilla

In Melilla, there are no places with transcendental religious events, in a simple but also complicated way; it is a city where you can appreciate in the daily life the customs of each cultural and religious identity, with an absolute normality in the day today.

Four cultures that live together in this place without renouncing their signs of identity, and self-enriching by the daily contact between Christians, Muslims, Jews and Hindus, whose coexistence can be considered in harmony. All these cultures show daily their way of life and their spirituality. When they perform rituals in public religious spaces, they often attract many tourists and visitors.

Although Toledo has always been the city par excellence in which the three religions and cultures that have passed through Spain throughout history have lived together, many forget Melilla when they say this, as it is the correct Spanish corner where even today not only Christians, Muslims and Jews live, but also a small Hindu community among them. Many are surprised by the latter. Many of them emigrated to Gibraltar, and from here, they would go to Melilla, settling with them their customs.

The experience of the visit to the temples gives the knowledge about other cultures and stimulates the reflection, increasing the comprehension of other people, and improving the relationships. This question is very valued by the tourists (Velasco, 2018.)

Melilla has the privilege of having among its inhabitants' people from four different cultures and religions. Christianity, Islam, Judaism, and Hinduism coexist in the same space, in peace, enriching each other. That is what makes Melilla a perfect destination if you have spiritual concerns and would like to approach other ways of understanding the world.

For years it has been promoting a project to make the multiculturalism of the city reach the tourist. The Route of the Temples is a walk through the streets of Melilla with stops at four temples.

In order to carry out this tourist product, the Tourist Board signed a series of collaboration agreements between religious communities in order to reach a point of

agreement on the availability of the temples chosen to be visited, without interfering with the worship schedule from each of them. This product is one more incentive for this multiculturalism so appreciated in Melilla as in few places.

UNESCO: “Melilla has the secret of the peaceful coexistence of the four cultures”.

The route is offered only on Sundays and must be booked before Thursday of that week, so it does not facilitate the realization of the visit, taking into account that the average period of hotel stay in the city is 2.4 nights.

The temples visited are four, corresponding to the four predominant religious identities in the city:

Church of the Immaculate Conception By their titles is called Royal and Pontifical Immaculate Conception Church. It is the most ancient of Melilla (I.657). Romanesque style has three naves, and it is building on the foundation of which was San Miguel Church.

The Christian community, the most numerous, has among its temples this Romanesque church. It is from the year 1657, which makes it the oldest in the city. Inside, you will find baroque altarpieces and in the High Altar, the image of the Virgen de la Victoria (patron saint of Melilla), and the size of the Christ of the Vera Cruz, of the fifteenth century, worn by the first Christians.

There are also periods when you visit The Archpriestly Church of the Sacred Heart of Jesus.



Or Zoruah (Holy Light) Synagogue or Yamin Benarroch Synagogue. Building three floors of the architect Enrique Nieto (1924), highlighting its beautiful frontage, mixing Caliphals and Nazaries elements.



Built by Yamin Benarroch initiative, maecenas and vice-mayor of the city in the 20s, in memory of his father. Most important Synagogue for the Jewish community of Melilla. You can appreciate on its facade Caliphate and Nasrid motifs, one of its main attractions.

Zawiya al-Alawiya Mosque. The Zawiya al-Alawiya of Melilla is a center of Sufi (Islamic spirituality) that simultaneously does the function of Mosque for a few years. Founded by Saint Cheikh. Sidi Mohamed Tahar Hach Muhammadi (1883-1946), considered the great liberating and spiritual teacher of the tariqa Al-Alawiya that was transmitted by his master. Cheikh Sidi Shaykh Ahmad ibn Mustafa al-Alawi (1869-1933). This Mosque occupies around 770 square meters and was built by King Alfonso XIII himself. However, this is not the most relevant since the Melilla Central Mosque occupies that position.

Mandir Hindu Temple. This is the only Hindu temple in Melilla, which acts as a meeting place for the community. The temple has a beautiful altar used by the community to venerate images and photographs of different holy men and gurus. The Hindu community is the least numerous in Melilla and therefore has only one temple in the city. It is also a meeting point for those who profess this religion. It can be one of the most unexpected and striking spaces because there is not great Hindu tradition in Spain.

3. Aims

In this case study, we want to give answers to the following questions related to tourism policies and strategy of religious tourism in Melilla:

- Is the number of tourists or travelers who take the route of the temples significant?
- What characteristics best define the originality of the tourist product, the route of the temples?
- Are there statistical data that allow an interpretation of the possible demand of this tourist product?

4. Method

This case study analyzes the real possibility of promoting Melilla, a Spanish city located in North Africa, as a tourist destination that offers in its institutional advertising as a multicultural and religious society that without giving up its signs of identity, it is possible to walk surrounded by people with Arab, Christian or Hebrew features and with the typical Berber clothes or with djellaba.¹

The methodology is based on the case study categories identified by Yin (1984) and McDonough (1997); the methodology will be exploratory, descriptive, and interpretative.

A study will be prior fieldwork, and smallscale data collection will be conducted before the research questions and hypotheses are proposed. The descriptive case studies may be in a narrative form, and it aims to interpret the data by developing conceptual categories, supporting or challenging the assumptions made regarding them.

Explanatory case studies aim to answer 'how' or 'why' questions, generally, with little control on behalf of the researcher over the occurrence of events. This type of case study focuses on phenomena within the contexts of real-life situations.

A fieldwork will be carried out in two aspects, summarizing the reasons why tourists have decided to visit the route of the temples, collecting the opinions that the research elaborated by Borrell (2018) has been recording according to the interviews carried out during her face-to-face visits.

The author of this case study has also carried out this guided visit to the temples on two occasions; therefore, He also knows to be able to corroborate many of the conclusions researcher cited in the references.

As for the analytical calculation, a series of statistical indicators have been used to help obtain interpretations of the objectives proposed in this study.

The leading indicators used in the analytical calculation have been:

- Hotel occupancy survey.
- Travelers temple route.
- Entry of passengers through the airport and port.
- Distribution of the main reasons for coming to Melilla.

5. Results

First of all, we can highlight the lack of knowledge that visitors have of the other religions, which is born from a common monotheistic trunk are so related to each other.

These cultural and religious groups live together in the city and share all their daily meeting spaces such as public spaces, streets, squares, gardens, markets, schools, among others, except one: the sacred worship space.

¹ Tourist brochure published by the Tourist Board of the Autonomous City of Melilla.

The visitors can appreciate it in every corner of any street, but this guided touristic route helps to move from skepticism and hermeticism, positions expressed by tourists.

To the surprise of understanding (Borrell, 2018); especially in aspects related to the cycle of life: birth, rites of passage, weddings, funerals...); or how the understanding of the existence of a multitude of gods that the Hindus have, with the multitude of saints, Christs or virgins that the Catholics have. Alternatively, how the central Muslim religious feast (Eid al Adha or Aid al -Kebir or celebration of sacrifice) where Ibrahim (Muslim) or Abraham (Jewish) as an act of obedience intends to sacrifice his son Ishmael Muslim) or Issac (Jewish Christian) is a Hebrew ceremony.

However, the fundamental objective of this study is to see if it could become a product that is not only innovative but also successful. To this end, we obtain data from the INE hotel occupancy survey, differentiating between Spaniards and foreigners, the number of busy nights, the number of visitors to the route of the temples collected by the Melilla Tourist Board, and the reasons for the trip of those who are not residents.

Table 10.7 shows that the number of travellers staying in hotel accommodation is significantly lower than the number of people entering via the port and airport annually. This number is since a significant percentage of the people transported are residents who travel to the peninsula on a weekly or monthly basis.

Or the periods of the passage of the strait of citizens resident in Europe, on their way to Morocco. Therefore, there are no data that allow us to relate the total number of people who enter the city (which are not residents and its purpose is tourism) with the data on hotel occupancy and, in turn with the number of them who decide to take the route of the temples.

Nor can relate the ratio of the number of route of the temples visitors and the travelers staying in hotels. Many of them are staying with relatives. We cannot relate to the people who enter the city with those who are tourists. If we can know that of the non-residents the reasons for their visit to the city: Get to know the city (47%), do business (23%), visiting relatives (20%), get to know Morocco (10%).

	2011	2012	2013	2014	2015	%15/11
Hotel occupancy number						
Total travelers	3,656	3,904	4,284	4,073	4,251	16%
Spanish residents	2,746	2,892	3,190	3,116	3,092	13%
Foreign residents	910	1,012	1,094	957	1,159	27%
Total overnight stays	9,148	9,007	10,066	12,079	11,276	23%
Spanish residents	7,678	7,464	8,470	10,831	9,377	22%
Foreign residents	1,470	1,543	1,596	1,248	1,899	29%

	2011	2012	2013	2014	2015	%15/11
Visitors of the Temple Route						
Total temples routes	785	505	871	485	782	-0.4%
Spanish residents	727	482	807	443	727	0%
Foreign residents	58	23	64	42	55	-5,2%
Passengers entrance						
Passengers airport	143,000	157,925	144,776	159,765	158,903	11%
Passengers port	321,000	405,442	391,798	386,067	422,130	32%
Total	464,000	563,367	536,573	545,832	581,033	25%
Reasons to make the trip						
Get to know the city	218,080	264,782	252,189	256,541	273,086	
Do business	106,720	129,574	123,412	125,541	133,638	
Visiting relatives	92,800	112,673	107,315	109,166	116,207	
Get to know Morocco	46,400	56,337	53,657	54,583	58,103	
Ratios						
% Travelers route/ travelers	21%	13%	20%	12%	18%	
% spend the night in a hotel	2%	1.6%	1.9%	2.2%	1.6%	
% Entries/ visitors temple routes	0,2%	0,1%	0,2%	0.1%	0.1%	

Table 10.7: Hotel occupancy, Visitors Temples Route, Passengers and ratios

Sources: INE (hotel occupancy survey), Borrell, 2018, Melilla Tourist Board. AENA, Ports of Spain and Melilla Tourism Observatory.

Even so we can say that the number of visitors of the route of the temples does not grow. Therefore does not meet the task to boost the increase of tourists in the city, despite the promotion and effort that the city is making. It is difficult to make a measurement, but would not reach 1 of every 100 non-resident visitors those who would visit the temples.

6. Discussion

EU Policy on Quality in Tourism (2030) is closely linked to its sustainability: the responsible use of natural resources, the protection of heritage and preservation of the natural and cultural integrity of destinations, and the quality and sustainability of jobs created.

In an increasingly globalised world, travelers want increasingly to roam around the world to participate in cultural and sports, demand for personalised deluxe experiences available with smaller budgets, accommodation opportunities in all sorts of establishments ranging, seeking more cultural immersion into the destination which integrates sustainability and expecting tourism industry demonstrates commitment to the natural environment.

In this line of tourism innovation is the development of the option to promote religious tourism in Melilla. The tourist activity aimed at the knowledge of the four religions is the main reason why the Tourism Board of the Autonomous City of Melilla has been organizing this activity since 2008. It is a tour of four of the most identifiable temples of the religions that exist: Church, Mosque, Hindu Temple and Synagogue.

Melilla has many religious temples of these cultures, but they are alive, that is, they are temples where people go daily and where religious experiences are lived.

Not only do these universal spaces have the capacity to open up to other cultures and encourage dialogue and relations between human beings, but the agreements reached between the Autonomous City and religious organisations do a significant job, patrimonial wise, in preserving and maintaining these sacred centres.

This supposed competitive advantage of having temples lived daily and which influence the rest of the cultural identities resident in the city that enrich them, will be possible to make it known to potential tourists seeking cultural tourism activities.

7. Conclusions and Recommendation

Melilla has a little known cultural tourism product and possibly, with an excellent potential for development, which is to be able to know and live the reality of religious temples that are alive.

The tourist authorities recommend that in the coming years, an effort be made to promote innovative policies that encourage sustainability and the strengthening of cultural and quality tourism. In this line is the product offered by the route of the temples within the so-called religious tourism.

However, the number of visitors in the years analysed seems insignificant, and it is not definite that their number is not increasing.

These may be due to the difficulties caused by the high prices of transport and the negative image that the city projects. Added to the information that there is in the media of being a problematic place of the south-north passage of migration, and its famous protective and separating fence between Africa and Europe.

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VI. CASE STUDY. FILM TOURISME AND IMPORTANCE OF THE FILM COMMISSION: MALTA, ALENTEJO AND MELILLA

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Key words: Films tourism, Film Commission, Malta, Alentejo, Melilla..

1. Summary

The specialization of tourism services requires the creation of projects that are capable of innovating in the face of the high competition that exists in the supply of destinations worldwide. A new and growing product is the so-called FILM tourism, or those services for people who dedicate part of their trips to discover the locations of their favourite films or series.

The promotion of a film, whose scenario is a particular city strengthens, from the city's visibility and viewership numbers to the economic performance of the multiplier effect of tourism in the region.

The activities that are promoted are sponsored by the national tourism authorities, who recognize them as another way of promoting, disseminating, and attracting visitors to the region. The film commissions are public or private entities that have the legal and fiscal consideration of being non-profit, and whose main objective is to promote, in the area of administrative or social influence, the development of the film, multimedia and audiovisual sectors in the region in question.

In this case study, we will analyze the grand trajectory of the Film Commission is one of the regions of the 3economy+ consortium, Malta, as opposed to the incipient creation of the Alentejo Film Commission and the still undeveloped project of the Melilla Film Commission.

It will also show the difficulties these bodies have in becoming fully operational and how financial and fiscal aid granted to film projects is essential to enable them to develop their recordings in the territories under analysis.

2. Introduction

To begin the analysis of the role that the locations chosen for filming films or television series are playing in the tourist development of a territory, mainly due to the demand generated by tourists looking for the places where they were shot, it is necessary to understand the existing relationship between image and location. The image we have of a place plays an essential role in a tourist promotion since it predisposes us to go and visit it if it produced sensations or feelings that we would like to relive in situ.

The relationship between image and tourism is studied by Kim and Richardson (2003) or Fakeye and Crompton (1991) on the choice of tourist destination through the image, or how the process of forming an image is carried out by Baloglu and McCleary (1999) who state that, "Research over the last two decades has shown that image is a valuable concept for understanding the process of destination selection by tourists."

The cinematic gaze mirrors the intrinsic imageability of places (Lynch, 1960). Therkelsen (2003) argues that the image of a destination can be enhanced in two ways, directly through national bodies with responsibilities for small tour operators, or indirectly, through other sources such as films, television programmes, documentaries, and commercials. Thus, audiovisuals and films cannot be neglected as a powerful tool for marketing tourism and territory. Bolan and Williams (2008) consider that increased visitation is possible as a result of being presented on television, video, or film.

In this context, the term movie-induced tourism is coined, referring to the implication that the locations give an "iconic" meaning to the viewers, causing them to move to the destinations that appear on the big screen (Riley, Baker and Van Doren, 1998)

Azcue (2014) makes its classification according to synthesize the objectives that are sought.:

- Cinematographic tourism by locating the real places where scenes are shot since tourists decide to visit them after having seen them, or they plan to see them next, in any of the formats that the media and entertainment use nowadays (cinema, TV, series)
- Film tourism in scenarios that have been created, and therefore are artificial places, created explicitly to be able to shoot a film or with tourist intentions, such as film fairgrounds.
- Film tourism considered as business tourism, and which generates activity and employment in the destination of the shooting when an agreement is reached with a producer to shoot a film. All the workers of the production company (actors, scriptwriters, directors, barbers, etc.) become tourists of the destination itself.

At the same time, these shoots affect their local economy during and after the shooting utilizing marketing packages to get to know the most famous locations. Moreover, the image and reputation of a destination, which can already be very positive but sometimes very unknown, becomes a powerful tool for promoting tourism, for which the territorial authorities have to collaborate in order to seek differentiation and increase their visibility.

The impact of a film shoot is very evident in the development of film tourism if above all it has been a success with the audience, increasing the number of visitors who benefit the local economy of the location, as well as being a lasting and adaptable tool to alleviate the problems of seasonality (Beeton, 2001; 2005).

The relationship between a film, video, or TV series and a location is evident and its increase in tourist visits. Films and destinations can be related in the following: *Lost in Thailand* (Thailand), *The Da Vinci Code* (Roolyn Chapel), *Games of Thrones* (Dubrovnik, Malta), *Walking Dead* (Grantville, Georgia), *Braveheart* (Scotland), *The Lord of the Rings* (New Zealand), *Gorillas in the Mist* (Rwanda), *Crocodile Dundee* (Australia), *Notting Hill* (Kenwood House, London), *Troy* (Canakkale, Turkey).

Given the effects that the recording of a film or series produced in a region, the need to help and encourage this activity through the creation of specialized organizations arises. That is why the current Film Commission (FC) appeared together with the Destination Management Organization (DMO).

A first film commission was created in the United States in the late 1940s in response to the need for film producers to have a link to the local government that would coordinate a range of services (police, fire, roads, etc.) and facilitate their filming work.

ACFs are non-profit entities, which may be public or private, and whose main objective is to promote the development of the film, multimedia and audiovisual sectors in the region where they perform.

A CF is an office specialized in the promotion of the region through the development of film, video, and multimedia production, under the authority of an entity or administrative office, generally with competence in the cultural and tourist aspects carried out with these productions.

In this context, the film commissions can help to actively promote their regions in order to attract national or international producers who may come there to film (Riley and Van Doren (1992).

Film commissions become precious instruments for film producers as they serve as a link between filmmakers and the community where the film will be shot. Film commissions help filmmakers in different ways, among them we can highlight the following: help in finding technical equipment, hiring people, infrastructure, finding locations, lodging and hospitality, permits, disclosures and releases, location photography, regional exploration services, help in filming, location library, and serving as a clearinghouse for production information.

A CF is also a fantastic resource for other types of visual effects work (VFX), short films, commercial shoots, and documentary production, and can also be an excellent resource to use after production, as most film commissions take an active role in organizing film festivals and conferences. If the CFs already have some experience, they have tools and materials that facilitate the attraction of as many tourists as possible (film routes and film maps) used before, during and after a shoot in their territory.

It is clear that being able to turn territory into a stage for the shooting of cinematographic audiovisual productions, television series or any other type of audiovisual

product, is such a significant social and economic incentive that it constitutes the main driving force for the setting up of a Film Office or Commission in any locality, region or province.

The missions of a film office are diverse as we are seeing, but it is important to remember that in addition to promoting the natural and architectural advantages of the place where the film will be shot, it is also important if it facilitates the training of the inhabitants of the place where the film teams are hosted (logistics and availability of extras, among other issues) and to be able to help give visibility to the local audiovisual resources, both technical and human so that the film team can count on them (Sarabia and Sanchez, 2019).

In order to know the role of the FCs, the objectives to be studied, and the method used to find out how these bodies have been materializing in each of the three territories that make up the 3economy+ project will be determined.

3. Aims

In this case study, we want to give answers to the following questions related to tourism policies and management strategy of the film tourism Malta, Alentejo y Melilla:

- How developed are their Film Commissions?
- Which films identify the territories creating the need for a tourism management infrastructure related to filmmaking?

4. Method

This case study analyses which are the main reasons that have made necessary the creation and development of the so-called Film Commissions. In terms of methodology, and after a brief analysis of current trends in the film tourism sector, the case study draws up a comparative study of different official and unofficial sources (such as government reports, website and institutional advertising, newspaper articles) in order to assess the potential and critical aspects of the film industry, particularly concerning film tourism. This is to explain the important work that CFs do in helping to make the role of film in shaping the uses and narratives of landscapes and in publicizing destinations, a reality with a socio-economic purpose, and the opening of a new tourism product.

The methodology is based on the case study categories identified by Yin (1984) and McDonough (1997); the methodology will be exploratory, descriptive, and interpretative.

The study will be previous fieldwork and will have the consideration of descriptive by having a narrative form. Its main objective is to interpret the data obtained to support or question the main idea of their study.

Explanatory case studies aim to answer 'how' or 'why' questions, usually with little control by the researcher over the occurrence of events. This type of case study focuses on phenomena within the contexts of real-life situations.

5. Results

A. Malta

Malta has a long history of experience in the business of film production and television and series shooting until it was even nicknamed the Mediterranean's mini-Hollywood (Rosenthal 2002). The archipelago has achieved an excellent reputation as a tourist destination for this type of audiovisual industry, thanks among other things to its mild climate, the vast richness of its cultural and historical heritage, and the strong support of public institutions, as demonstrated by the official policies of the last two decades, which have made Malta a low-cost alternative to production sites with a long tradition such as Italy, Spain, France, Beirut, Athens, and Israel.

In recent years, local Maltese actors have been actively supporting film tourism, doing so because it is clear that it can be an important sub-sector that contributes to diversifying the development of the islands, as well as helping to strengthen the country's tourism brand. It was in 1964 that British special effects expert Jim Hole created the Malta Film Facilities Service (later renamed Mediterranean Film Studios). It was set up as a logistical aid to the international film industry, taking into account that the environment, locations, and public support could help the local film industry, Graziano (2015).

It was at the beginning of this century that the archipelago became a valuable player that was part of the group of competitors in the system of film production on a global scale. In 2000, the Malta Film Commission (MFC) was established to support film productions for filming in the archipelago formally. Also, the Ministry of Economic Services appointed a film commissioner to provide economic benefits to investments in the sector as well as to support the film industry. Initially, the MFC was less developed than other film commissions, but the extreme variety of the natural and urban landscape, the temperate climate, and the world-famous waterfront reservoirs represented a competitive asset for film productions, gaining experience and management capacity, Graziano (2015).

The Malta Film Commission (MFC) is a government body established under Chapter 478 (Act No. 7 of 2005) whose function is to advise the Minister responsible for the film sector on policies to be pursued. The MFC is therefore responsible for the promotion, development and support of the audiovisual industry and film services in Malta. As an office, the MFC's main objective is to attract business to the Maltese islands through marketing, financial incentives and also provides a host of free services ranging from location scouting to problem-solving with local officials.

The Malta Film Commission Act is applied not only to ensure financial incentives for foreign productions but also to encourage training which, thanks to labor costs, English language skills and infrastructure, gives them competitive strengths in the world of film and visual production.

The MFC manages the Malta Film Fund, whose role is to manage the production support granted to stimulate the realisation of projects (Short Film Production New

Talent Grant, a maximum grant of 2,500 euros and Short Film Production, a maximum grant of 20,000 euros). Malta Film Studios, with over 50 years of experience, is one of the most extensive production facilities in the world. Having serviced over 200 feature films, television films, documentaries and commercials, the facility has an outstanding track record as a reliable and efficient production studio.

The Malta Film Commission Act ensures the following financial incentives to foreign productions:

- a. Productions that qualify (excluding animation and VFX criteria) for 30 % of all eligible costs. This limit does not apply in the case of sensitive audiovisual works. The Commissioner has the discretion to grant an additional 10% based on Maltese cultural elements as follows: a) Maltese characteristics such as Malta or local use of facilities 5%; b) Maximisation of local resources 5%. Maximum reimbursement is 40%.
- b. Animation/VFX criteria, 25 % on all eligible costs. The Commissioner has the discretion to grant an additional 15% based on Maltese cultural elements and maximisation of local resources. The maximum reimbursement is 40%.

It also has a co-production fund that aims to: encourage collaboration between Maltese and foreign companies to produce feature films, television films or series or mini-series, animation, creative documentaries, broadcasts, and cross-media productions mainly intended for film release or broadcast and suitable for international distribution. In short, to grow and further develop the Maltese film industry. The total budget available under the Malta Co-Production Fund is

Since 2013, the implementation of the new strategy has led to unprecedented growth in the local industry, with over 50 productions shot in Malta, injecting over ?200m in foreign direct investment into the Maltese economy.

Research conducted by Euroscreen (2013), 3.5% of tourists visiting Malta in 2012 reported that one of the factors influencing they decided to see Malta on TV.

The most representative films and series shot in Malta are, among many others: *The Devil's Double*, *World War Z*, *Munich*, *A Game of Thrones*, *Sinbad*, *Agora*, *Troy*, *Gladiator*, *The Count of Monte Cristo*, *Kon-Tiki*, *Murder on the Orient Express*, *The Midnight Express* and *The Da Vinci Code*.

B. Alentejo

Alentejo is the largest region in Portugal, including 5 NUTS 3 (Central Alentejo, Alto Alentejo, Baixo Alentejo, Litoral Alentejo, and Lezíria do Tejo, in 31.551,2 Km, with the correspondence of 34,3% of the national territory) but also the one with the lowest population density.

In Portugal, between 1993 and 1994, the Association of Film Technicians (ACT) attempted to study the creation of a film commission that would report to the national territory and thus enhance the period of intense film activity, mainly foreign, that existed in this country. Later, in 2011 the independent project "Portugal Film Commission"

—a project declared to be of cultural interest— was born, which it directs, together with the Instituto do Cinema e do Audiovisual (ICA).

Alentejo is still at a very early stage as far as the foundation of Alentejo's Film Commission is concerned. The promotion of regions as the stage of national and international audiovisual productions also fosters tourism in these regions.

It is intended the creation of a non-profit association that will have as its main project the Alentejo Film Commission (Turismo do Alentejo, ERT, Associação de Desenvolvimento Regional do Alentejo (ADRAL), Comunidades Intermunicipales do litoral, central, baixo, alto Alentejo, and Associação Empresarial .

Finally, the project was finalized by the Alentejo and Ribatejo Film Commission. Their objectives are: Information on financial and logistic support; search for a national executive co-producer; video survey of locations; translations of scripts and other documents; support in technical and artistic repositioning; pre-production and production support; with specialized technical labor in the region; file of licenses and fees; meetings with authorities and owners; support with the media and support for free time (excursions and guided tours).

The Alentejo and Ribatejo region has fantastic natural landscapes and is one destination for audiovisual productions from all over the world. With an area of more than 31.000 km², it presents an enormous variety of natural locations, architecture and heritage, ranging from the Atlantic beaches to the golden Alentejo plains, from forests and forests to rivers and natural lakes, from Roman ruins to palaces, mansions and houses, from train stations to theatres and museums, from mountains to castles and practically everything else a film can need.

However, it also has competent professionals in the sector, an excellent gastronomy, and a huge offer of leisure and entertainment for the team's free time. The Alentejo and Ribatejo have over 300 different locations.

The most famous films shot in the Alentejo are: *The House of the Spirits*" (Jeremy Irons and Meryl Streep), *Évora* filmed in the Monte de las Tres Marías, and *Raiva* under Alentejo.

C. Melilla

There are several Film Commissions in Spain, some 27, distributed throughout Spain, from provincial capitals to villages, which want to be organized through the Spain Film Corporation (SFC). The SFC offers a series of tax incentives that Rebates for investments in film and series audiovisual productions, live performances, and musical shows.

The current general incentives available are

- 20% refund of taxes paid;
- Foreign productions of feature films, television series, animated films and documentaries are considered eligible for incentives.
- The beneficiaries must be Spanish companies registered in the register of audiovisual producers of the Instituto de Cine y Artes Audiovisuales;

- The basis for reimbursement is the costs incurred in Spain (including creative staff based in the country or another EU Member State, up to a maximum of EUR 100,000 per person/technical or complimentary service). The maximum reimbursement limit is 3 million euros;
- The minimum expenditure to be made in Spain is 1 million euros;
- The Spanish company must request the reimbursement procedure during July of the year following the end of the shoot.

Spanish investments in film and audiovisual production are often carried out via an EIG (Economic Interest Grouping), which is set up as the film's producer.

Melilla, which has not created a Film commission, politically would like to turn it into a city of cinema, and be a unique set due to its locations and also have some tax benefits that can encourage the creation of audiovisual content in the City. The essential films shot in the City are: *Juego sucio en Casablanca* (1985), *Morirás en Chafarinas*, *ADU* (2019) *Hogar* (Netflix 2019) *Ghentar*, and "A este lado del mundo" being shot in 2019.

6. Discussion

It is clear that locations are decisive when making decisions to shoot films in specific locations. However, given the existence of similar locations over large geographical areas common to several nations, it is possible to decide between one location or another depending on many different aspects. Between the essential financial and fiscal benefits that public administrations grant to film projects.

Therefore, in the face of competition in attracting film productions, the Film Commission seeks to be competitive in broad facets that help production companies considerably, such as: Finding crew, finding locations, housing, equipment discounts and permits, and releases.

However, the essential financial and fiscal benefits that public administrations grant to film projects can be among the most decisive, and these entail political decisions that can vary depending on the objectives of the governments at any given time.

7 Conclusions and Recommendation

Malta has extensive experience in developing and managing film industry promotion policies by providing locations and financial incentives. The MFC is the body that centralizes all this activity of the Maltese islands. It also helps to promote tourism through the so-called Film tourism since such promotion can motivate tourists to visit the locations where their favourite films or series were shot.

Alentejo has also created a Film Commission, but it seems to be very little operative, and therefore it has not contributed to the objectives set to contribute to the economic and tourist development of the region.

In Melilla, even this organizational figure is still in the studio, and therefore the city does not have an entity that specializes in trying to capture a part of the film production

made in Spain, and only the annual hours of recording is testimonial. The tax incentives could help to put it into operation.

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ACRONYMS AND ABREVIATIONS

ACT	Association of Film Technicians
ADRAL	Associação de Desenvolvimento Regional do Alentejo
AFC	Alentejo Film Commission
AIFMD	Alternative investment managers Directive)
ATM	Automated teller machine
B2B	Business to Business
BOT	Balance Of Trade (Export-Import)
CCAA	Autonomous communities
CCC	Cash Conversion Cycle
CCDRA	Comissão de Coordenação e Desenvolvimento Regional do Alentejo
CIT	Corporate Taxation
COSME	Europe's programme for small and medium-sized enterprises
CPI	Consumer Price Index
C2C	Consumer to consumer
DGADR	Directorate of Agriculture and Rural Development
DMI	Digital Marketing Institute
DOP	Protected Designation of Origin
DGADR	Directorate of Agriculture and Rural Development
DMO	Destination Management Organization
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBIT	Earnings Before Interest and Taxes
EBT	Earning Before Taxes
EFM	European Financial Stability Mechanism
EFSF	European Financial Stability Facility

EFR	Economic and Fiscal Regime
EIF	Structural and Investment Funds
ERDF	European Regional Development Fund
ERT	Turismo do Alentejo
ETG	Guaranteed Traditional Specialty
ESF	European Social Fund
EU	European Union
EUROSTAT	European Office of Statistic
FC	Film commission
FTA	Free-trade agreement
GGR	Gross Gaming Revenue
GDP	Gross Domestic Product
GDPR	Gross Value Added per capita
GVA	Gross Value Added
GGR	Gross Gaming Revenue
HGDI	Households' gross disposable income
IAS	International Standard Accounting
ICT	Innovative services through
IFRS	International Financial Reporting Standards
IGP	Protected Geographical Indication
IMF	International Monetary Fund
IND	Individualism dimension
INE	Spanish National Institute of Statistics, Portuguese National Institute of Statistics
IPSI	Production, Services and Import Tax
IPP	Polytechnic Institute of Portalegre
ITTC	Institute for Tourism, Travel & Culture
ICA	Instituto do Cinema e do Audiovisual
IPCC	Intergovernmental Panel on Climate Change
KPI	Key Indicator Performance
LTO	Long-term oriented
MFC	Malta Film Commission
MGA	Malta Gaming Authority
ML	Malta
MFSA	Financial Services Authority of Malta
MO	Market orientation
MSC	Med Shipping Company
MTA	Malta Tourism Authority

NERBE/	Core Business in the Region of Beja / Baixo Alentejo Business Association and Coast
NERE	Region Business Center of Évora
NERPOR	Núcleo de Empresas da região de Portalegre
NLR	Net Liquid Resources
NUTS	Nomenclature des Unités Territoriales Statistiques
NWC	Necessary Working Capital
OAEDR	Organismo Autónomo de Empleo y Desarrollo Rural
OECD	Organisation for Economic Co-operation and Development
OFN	Operational Financing Needs
PENT	National Strategic Plan for Tourism
PICTE	Integral Plan for the Quality of Spanish Tourism
PT	Portugal
PIT	Individual taxation
RGDP	Regional Gross Domestic Product
RGVA	Regional Gross Value Added
R&D	Research and Development
SCTE	Spanish Tourism Quality System
SFC	Spain Film Corporation
SMEs	Digital Single Market Strategy
SNA	Standard System of National Accounts
SP	Spain
SWO	Strengths Weaknesses Opportunities Threats
STAR	Special Awards for Appreciation and Recognition
TH	Housing tourism
TSA	Tourism Satellite Account
TER	Enterprises of rural tourism
UA	Ancertainty avoidance
UCLG	United Cities and Local Governments
UNESCO	United Nations Educational, Scientific and Cultural Organization
VAT	Value added tax
V18	Valletta European Capital of Culture)
WC	Working Capital
WHO	World Health Organization
WTO	World Tourism Organization

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University teachers who combine their teaching and research activities in the peripheral regions of the European union (EU) very often encounter specific difficulties in understanding and explaining the real situation in which these territories find themselves. More specifically, we refer to three specific areas of the social sciences: the macro and microeconomic analysis and financial study of their companies, marketing and dissemination plans and regional tourism strategies.

The main objective of the creation of a manual for teachers, students and organisations and people interested in their knowledge, is to serve as a guide for carrying out their studies and analyses. For this purpose, the territories of Alto Alentejo in Portugal, Malta and the Autonomous City of Melilla chosen as study models. These are very different regions, both culturally and linguistically, and with different difficulties and challenges. However, at the same time, they have proposals for solutions that can be extrapolated to each other because they share being in peripheral areas of the EU. Fortunately, the local and regional development policies that Europe promotes are guides to where public and private efforts should be head up, through its development, social and cohesion funds.

Therefore, the aim is to help other researchers who find little specific information and statistical shortcomings, as the essential points for analysis are presented in a structured way and also allow them to be comparative examples with other regions with similar situations. Knowing the socio-economic reality of our regions can help us to try to counteract the great uprooting of young people, especially those who are trained in our universities since they consider that they have no future there because they are in regions far from the most economically active areas.



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