FINANCIAL DYNAMICS OF TOURISM COMPANIES, TRAVEL AGENCIES AND TOUR OPERATORS, DURING THE CRISIS PERIOD[280]

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Abstract: *The global financial crisis has affected all countries during the period 2008-2014. Tourist companies, especially in Italy, play a significant role in the economy of a country. The performance of tourism companies, and in particular travel agencies and tour operators, will be analysed in this paper, relative to the period of the crisis.*
The aim of this paper is to analyse financial dynamics of the aforementioned tourist companies, to check whether they have suffered the effects of the global crisis.
To this end, data from the AIDA database relating to Italian companies in the sector were used. The financial dynamic of these companies has been analysed using the quick ratio and debt ratio. An analysis of the trends of these indices was carried out for the period 2007-2015. In this way, it has been verified whether the global crisis has affected financial dynamics of travel agencies and tour operators in Italy.

Key words: *Tourism, Crisis, Financial ratios, Quick ratio, Debt ratio, Equity ratio.*

1. INTRODUCTION

This paper highlights the situation in Italy with specific reference to tourist companies, travel agencies and tour operators. In particular, its objective is to analyse the financial structure of Italian tourist companies, during and after the 2008 crisis, about various geographic areas and the two tourist markets, travel agencies and tour operators.

The global economic and financial crisis of recent years has caused a general contraction in consumption in Italy, even if tourism has suffered less effects than other economic sectors (National Tourism Research Institute-Unioncamere, 2012). In fact, since 2008, in five years, the contraction in tourism consumption has been about -6.7%, mainly due to the reduction in purchases of products from the manufacturing industry (-31.5%), only partly offset by the greater propensity of tourists to spend in food and wine products.

Expenses for cultural activities and entertainment only recorded a slight decrease in the 2008-2012 trend (-5.6%), while the hospitality and restaurant sector maintained a tendential stability throughout the period.

The results of quantitative statistics relating to the period of the international crisis must also consider that before the effects of the international economic crisis, Italian tourism had more

[280] The paper is the result of a collaborative work. However, it is possible to attribute to Felicetta Iovino: research methodology, results and discussion. The other sections are of Guido Migliaccio.
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than worrying indicators, losing almost half its share of the tourist market worldwide (Decaro, Piccirilli, 2017)). The critical factors were the great fragmentation, the parallel rise in tourist markets in emerging countries, the lack of attractiveness of foreign investments, the low level of professionalism of the employees in the sector, infrastructure inadequacy, etc.

Italian tourism scholars have focused their attention mainly on the structural characteristics of the sector and on the characteristics of the operators. Instead, specific studies are widespread on the balance of assets, financial and economic tourism companies. For this reason we tried to analyze, as a first approximation, the trend of the main indexes of Italian tourism companies to verify if there is a parallel between the macroeconomic statistical data and the financial indices derived from their balance sheets.

To this end, we asked ourselves two basis questions:

1) What is the actual situation and what has been the trend in the last nine years in the various Italian geographic areas and business markets?
2) Are there differences between this two markets and tourism sector or geographic areas?
3) Are geographic differences significant?

The hypothesises are that (H_1) the financial crisis did not significantly affect the financial structure of tourist companies, by virtue of their resilience (Prayag, 2018; Romão *et al.*, 2016; Tsao and Ni, 2016; Biggs *et al.*, 2015); (H_2) there are differences between groups belonging to different geographic areas or markets; (H3) these geographic different are statistically significant.

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For this aim, the financial structure is evaluated using two ratios: the debt ratio and quick ratio; the period considered is the nine years from 2007 to 2015; trend analysis and ANOVA has been used.

In the following sections, a review of literature on tourist companies is presented. Thereafter the methodology, results and implications, conclusions are discussed.

2. LITERATURE REVIEW NOTES

The effects of the economic crisis on tourism have been the subject of numerous international and even Italian studies. They face the effects of the global economic crisis on the demand for leisure or even the structural problems that characterize particular regions of the planet. Among the main contributions that analyze the phenomenon in a general context we mention, first of all, the article by Perles-Ribes et al. (2016) presenting a theoretical model of the influence of economic crisis on tourism destination performance. It discusses the temporary and permanent effects of economic crises on the global market. Also significant is the contribution of Sava (2014), which is developed using the monitoring of the World Tourism Organization (WTO), although many considerations refer above all to Romania.

Cohen's article (2012) is also very useful: focuses on the consequences of the contemporary global system, and more specifically, the Asian tourism system. The effects of the economic

slow-down in the Western countries on the rate of growth and the shape of the global tourism system are discussed.
Perhaps, however, the concept of crisis in the tourism sector will have to be redefined above all in relation to the new characteristics of the mobility of travelers in a globalized world. This is the provocation that derives from the work of Michael Hall (2010): the potential effects of crisis becomes more hypermobile and the global economy even more interconnected. A review of the literature on tourism and the crisis that economic and financial crises will receive the most attention to these events as terrorism and increased energy costs.

Other particularly useful contributions focusing on the effects of the global tourism crisis are those of Sheldon & Dwyer (2010), Visser & Ferreira (2011), Dumičić et al. (2017), Papatheodorou et al. (2010), etc.

Alongside the articles that analyze the trend of the sector influenced by the more general economic crisis, there are contributions that also deal with the crisis in the tourism sector, analyzing, however, other causes such as, for example, natural disasters, terrorism, situations local policies etc. Among others, we mention, for example, Cohen, (2010) that compares two very different tourism crises: the 2004 tsunami on the Andaman coast of southern Thailand and the occupation of the Bangkok in the course of the Anti-government protests in 2008.

In general, however, it is necessary to type crisis management studies focusing on the typical aspects of tourism, as proposed by Racherla & Hu as early as 2009: in this article, the authors develop a framework that incorporates knowledge management principles to enhance the effectiveness of crisis management and planning for the hospitality and tourism industry. In the international bibliography, countless studies focus the effects of the crisis on individual geographical areas that, obviously, have suffered differently from the contraction of consumption.

In Italy the relations between the general economic and tourism crisis are mainly outlined in some short contributions. Among Martini, Umberto, Ejarque Alivernini & Breda (2010), Pasquini (2009), Martini & Ejarque (2009), Rapisarda Sassoon (2006), Gioia (2005) in which, of course, the structural problems of the sector in Italy added to the effects of the decline in consumer demand due to the economic crisis.

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As is evident, therefore, the existing bibliography, especially Italian ones, has not sufficiently developed an analysis on the effects of the numerous causes of the crisis in the tourism sector in a typically reasoning perspective that starts from the budget analysis. For this reason, it was decided to investigate the performance of some indicators to verify if there were significant effects on the financial situation of the companies, or if the entrepreneurial management was able to cope with the decline in demand while maintaining the necessary economic, equity and financial balance (Iovino, F., 2012; Iovino, F., 2014).

3. RESEARCH METHODOLOGY

Data collection and sample characteristics

To our objectives, secondary data on AIDA database has been used. To analyse the financial situation, two ratios, debt ratio and quick ratio have been chosen. The nine years during and after the crisis, i.e. 2007-2015 had been considered. The sample was made up tour operators and travel agencies, that is 1908 companies operating as travel agencies, tour operators or both will operate simultaneously. This is the maximum number of companies available. Then we verified the number of such companies for which data are available for the ratios considered in the 9 years under investigation. The sample consists of 565 companies, of which 37 are tour operators and 223 travel agencies and 305 both travel agencies and tour operators. Successively, different groups have been identified using two discriminating factors, the geographic area and the business market. About the first one three clusters have been identified: north, centre and south according to conventional classification of Italian regions. The geographic distribution of the sample was the next: 55% in the North group, 31 % in the Centre and 1 % in the South ones. To identify the belonging market a specific section was assigned to each tourist firms according to the statistical classification of economic activities in Italy (*ATECO*), and they were grouped in two groups: tour operator market and travel agency market.

According to the second discriminating factor, the sample consisted of 37% tour operators firms and 223% travel agency firms and 305 tour operator and travel agency firms.

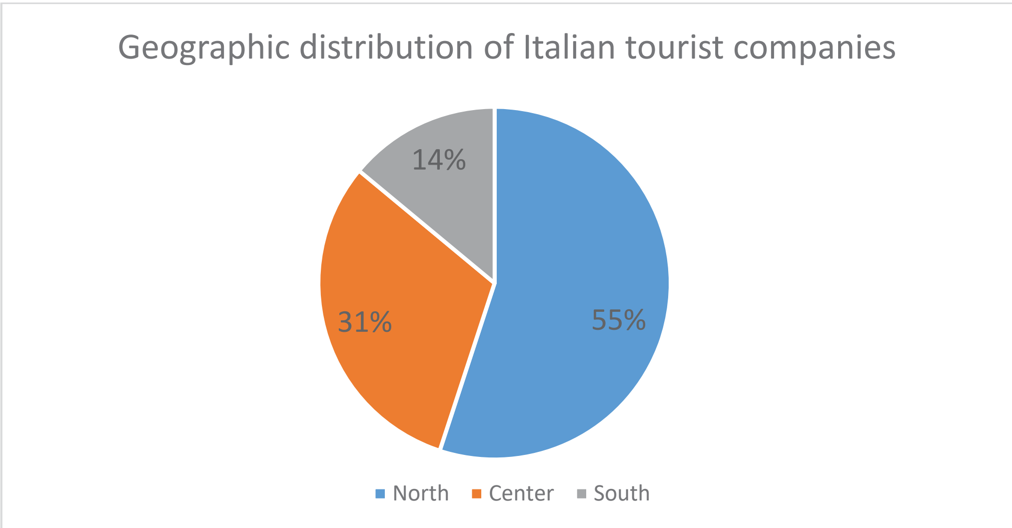


Fig. 1 – Source: our elaboration - geographic distribution of Italian tourist companies

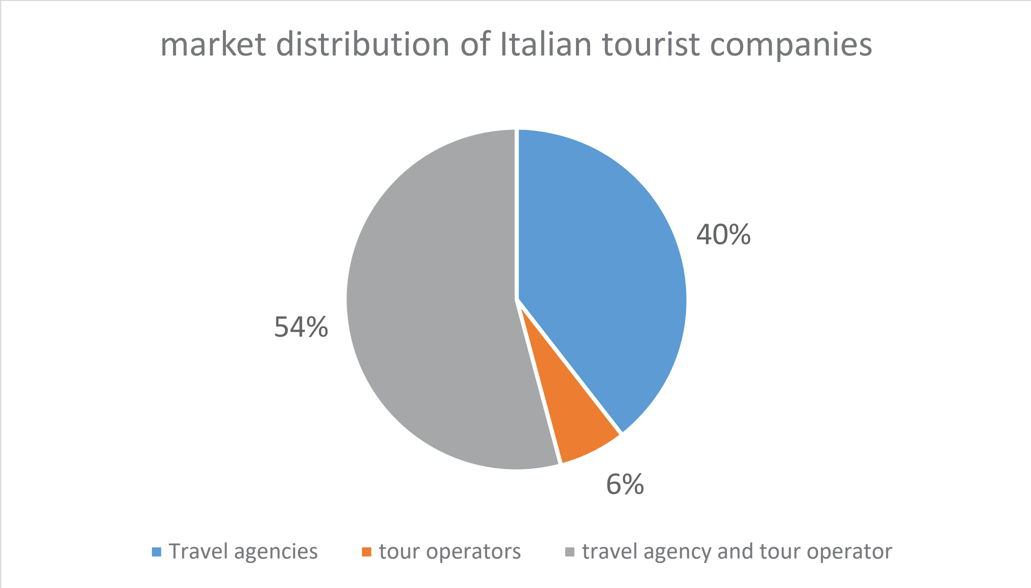


Fig. 2 – Source: our elaboration - market distribution of Italian tourist companies

Method

First of all we analysed data's trend in the period 2007/2015 for each ratio and group. Then by the analysis of variance (ANOVA) we assessed the differences of means between the different geographic areas and the response variable means at the different factor levels.

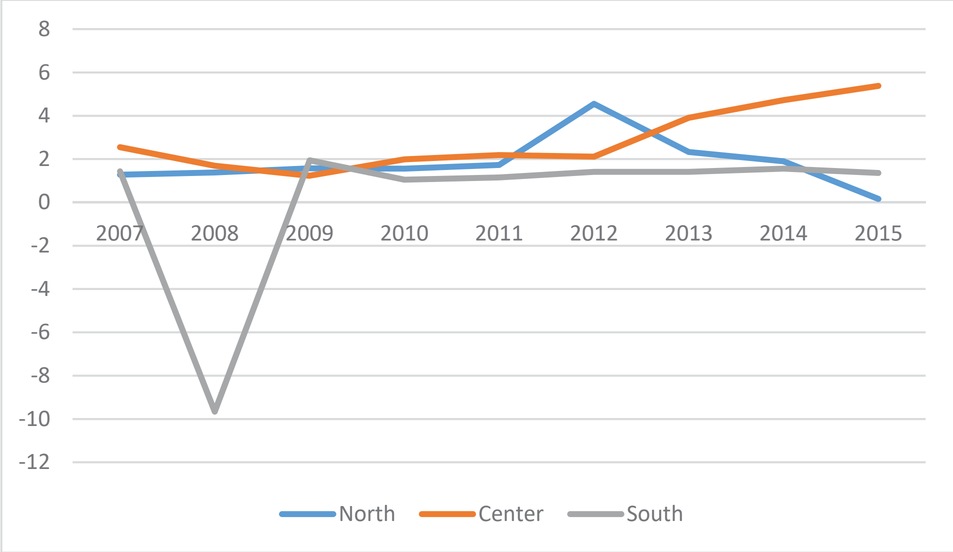
The null hypothesis states that all population means (factor level means) are equal while the alternative hypothesis states that at least one is different. In our case, the independent variables were the geographic localization and the business market while the dependent variables were the ratios. We chose ANOVA one-way type, because two variables were analysed e separately.

4. RESULTS AND DISCUSSION

Trend analysis and analysis of variance

The debt ratio is a variation of the financial leverage ratio and highlights that the main part of asset financing is being done through debt. Investors analyse several financial ratios to understand a company's financial health. It'll be preferred to increase debts if it's cheaper than to issue new shares. The nine-year mean ranges between -9.66 and 5.38, if we consider the geographic localization as discriminating factor, and between 0.11 and 4.98, if we consider the belonging market. A balanced situation requires a value at most equal to 1 (Migliaccio, G., 2012). Figures 1 and 2 show that the mean over the nine years deviate far from this value. However, in 2008 southern companies recorded a high negative value at the beginning of the crisis, which signaled an excess of liquidity with respect to debts and in 2012 northern companies had a very high debt ratio of 4.55. Tour operators' trends, on the other hand, are substantially close to the equilibrium value.

Figure 1: Trend of *debt ratio* according to geographic localization



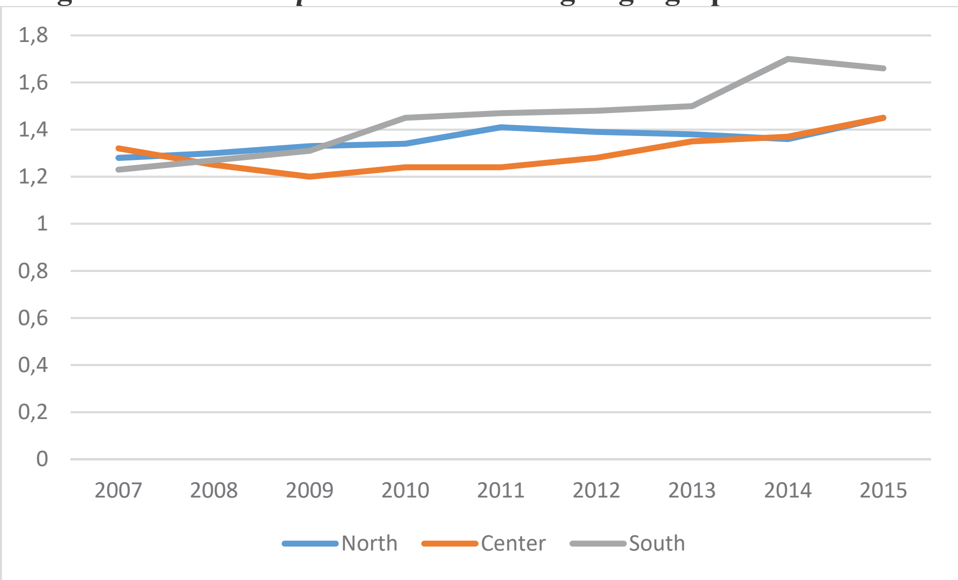
Source: our elaboration

Figure 2: Trend of *debt ratio* according to market

Source: our elaboration

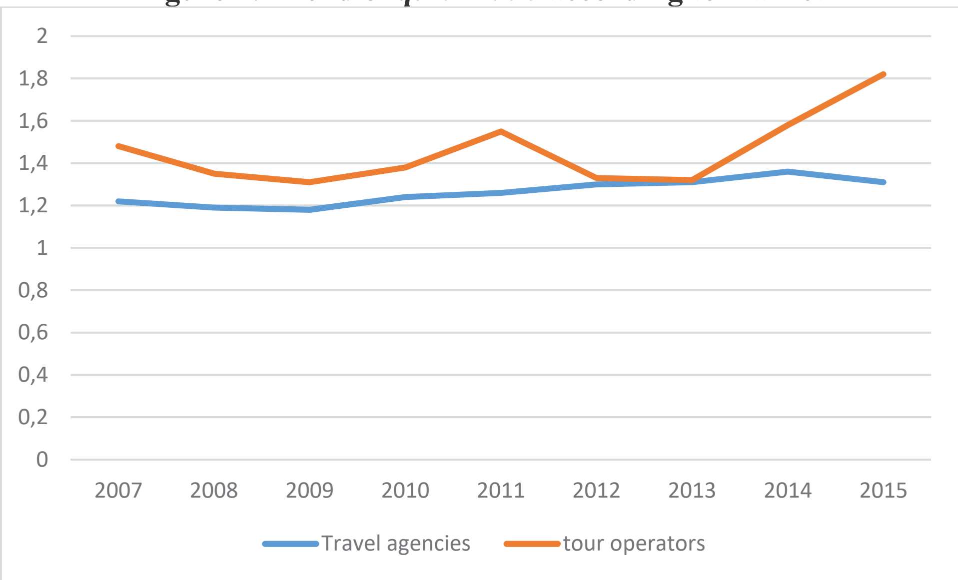
The quick ratio or acid test ratio is a liquidity ratio which shows the company's ability to meet current payables only with current liquidity, not considering the stock that can hardly be disposed of. The quick ratio therefore considers only the most liquid assets of the company. Considering groups discriminated by geographic area, trend analysis describes a situation of good liquidity (fig. 3). In fact values, higher unit throughout the nine years, prove that tour operators and travel agencies have been able to face with quietly short term liabilities. Except for a slight decrease in 2009 of only 0.07 compared to 2008 for companies in the south, the trend is substantially increasing.

Figure 3: Trend of *quick ratio* according to geographic localization



Source: our elaboration

Figure 4: Trend of *quick ratio* according to market



Source: our elaboration

Even if we consider the classification by business market (Figure 4), the trend is overall stable or positive, in fact the ratio have increased by 14.28% for travel agencies and 34.81% for tour operators. There is not a big difference between the two analyzed markets of tourism companies. Ratio values range between 1.18 and 1.82 describing a situation of good liquidity in the short term and therefore a good financial balance. The peak is recorded by tour operators in 2014 with a value of 1.82, signaling a strong recovery in consumption. In general, we can verify that there are no significant deviations from 2008, the crisis seems to have been affected on the financial structure of travel agencies and tour operators. The trend is rather stable over the nine years or with changes only in the debt ratio of travel agencies in 2012 and 2014. Therefore the hypothesis H1 is validated. About the hypothesis H2, we can note that the trend is mostly similar for quick ratio, while debt ratio records more relevant changes of different sign. These variations are appreciable for the south by referring to the geographical location and travel agencies if referring to the market to which they belong. The hypothesis therefore H2 is partially verified. About debt ratio, Table 2 shows the results of the analysis, assuming the geographic area as independent variable. There isn't a statistically significant difference between groups ($F(2,24) = 2.87$, $p = 0.076189$), in fact F < F *crit* (p value >0.05).

Table 2: *Debt ratio* - Analysis of variance with geographical localization as independent variable

Source of variation	*SQ*	*gf*	*MQ*	*F*	*Sig.*	*F crit*
Between groups	32,880985185185	2	16,440492592592	2,8715703292247	0,07618912770695	3,4028261053501
Within groups	137,40628888888	24	5,7252620370370			
Total	170,28727407407	26				

Significant level at 0,05

The null hypothesis must be accept.

The results of ANOVA applied to liquidity ratio show that we have to reject the null hypothesis if it is considered geographic localization as independent variable. In this last case, there is a statically significant difference between groups. In fact, F(2,24)=4,466083, p=0,022443537, F<F *crit* (p value< 0.05).

Table 2: Quick ratio - Analysis of variance with geographical localization as independent variable

Source of variation	*SQ*	*gf*	*MQ*	*F*	*Sig*	*F crit*
Between Groups	0,10582963	2	0,052914815	4,466083	0,022443537	3,402826105
Within Groups	0,284355556	24	0,011848148			
Total	0,390185185	26				

Significant level at 0,05

The results of statistical analysis show that the hypothesis H3 of this research, previously described, is fully verified with regard to quick ratio, while isn't be reject with regard to debt ratio.

CONCLUSIONS

The approach to the study of the crisis in the tourism sector considers above all the structural limits of the sector in a given geographical area due to political or cultural responsibilities, to ecological phenomena, to fashions, to the capricious oscillating tendency of demand, and so on. The new globalized tourism that spreads in every area of the globe for the renewed political equilibrium and above all for the development of low cost transport poses new problems, considering the more marked competition (Iovino, F. 2015; Iovino, F., Migliaccio, G., 2016; Migliaccio, G., Iovino, F., 2018) and, in general, the reduction of the economic dispositions of the families as an effect of the international economic crisis that still shows its effects on consumption.

With reference to Europe and, more particularly to Italy, to the structural problems of the sector already emerged before 2008, those deriving from a progressive decline in demand have been added, which, however, has not been as accentuated as that registered in other productive sectors.

The analysis carried out on the balance sheets of Italian tourism companies during the period considered, even though limited to the few financial indicators that have been focused, shows trends that are consistent on average and upward from 2009 onwards. The effects of the crisis are also recorded in some balance sheet ratios: despite the peculiar characteristics of southern Italy, which notoriously shows a structural delay compared to other areas of the country, the investigated indexes show fairly consistent trends with the Center and Northern Italy.

It is difficult to make a clear judgment on these findings that should emerge from more in-depth studies that also link other aspects of management such as, above all, profitability. As a first approximation, limited to the available data, it would seem that the investigated tour operators have compensated for the structural delays of the different areas with a management that is careful to balance between sources and uses. It is therefore particularly important to appreciate the commitment of the governing bodies of the southern companies that certainly operate with greater difficulty.

Considering, instead, the trend of the indices compared to the two subjects analyzed (travel agencies and tour operators), for the debt ratio we note a greater stability in the indices for the larger operators, notoriously the tour operators. Evidently the higher volumes traded allow for the maintenance of optimal sources / uses reports that improve over time. The travel agencies, certainly smaller, are instead conditioned in their financial balance by fluctuating trends in demand. The smaller dimensions make it more difficult to maintain stable assets which, on the other hand, are desirable.For the quick ratio, however, the trend appears to be the opposite, even if the major fluctuations recorded for tour operators do not seem particularly significant. Tour operators confirm the availability of greater liquidity that has grown in recent years.

Necessary future developments of this first study track should implement the attention on other margins and asset indexes correlating them to Roe, Roi and Ros, looking for the necessary logical links. Obviously the past and future balance sheet data will have to be wisely linked to the statistical results of the sector (de Sausmarez, 2007), by type of operators and by homogeneous geographic area, so as to have more comprehensive interpretative schemes of a particularly dynamic phenomenon in continuous evolution.

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