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Economic risk vs tourism sector development – an example of tour operator enterprises

***Abstract.** Economic risk is an integral part of the business activity of each enterprise. In extreme cases, the risk taken has an impact on decisions of suspending business activity, liquidation, or the bankruptcy of companies. The aim of the article is to highlight the problems surrounding the risk connected with business activity in the tourism sector and to outline the structure of tour operators and travel agents against bankruptcies in Poland. In the first part of this study, the authors presented general issues concerning the significance of the tourism sector for the whole economy. Following that, the risks connected with business activity in the tourism sector were discussed. Among the last paragraphs of the study, a synthetic analysis was performed on tour operators and travel agents that were struck off the list of CEOTiPT, while taking into consideration the causes of that.*

***Keywords:** economic risk, tour operator, tourism sector*

Introduction

All over the world tourism industry belongs to one of the most sensitive sectors due to its heavy reliance on market conditions. Disrupted tourist activity around the world caused by the economic crisis contributed to the problems in the activity of tour operators and travel agencies, as well as other companies functioning within tourism industry. Mentioned companies are specifically exposed

to outsourced crises. In contrary to insource ones that can be controlled by managers, crises arisen outside the enterprise provoke occurrences that are out of companies' range of control. That is resulting in higher degree of risk and higher uncertainty in their activity. What is more, the characteristic features of tourism product like seasonality or complementarity are conducting with potentially bigger issues concerning risk management, due to the fact that supply for tourist services cannot be easily adjusted to diminishing demand for them [Batorski 2013: 76].

The scale of effects of actions taken in enterprise management, mainly depends on experience and accuracy of decisions made by decision-makers. While those decisions carry a specified economic risk, at the same time undeniably it is vital to agree with statement that if one wants to gain, he has to be ready to take the risk. From that perspective, decisions concerning the range and type of risk to be taken are a key issue while considering business success [Damodaran 2009: 31-32].

The aim of the article is to acquaint the lecturer with the problems evolving around risk in a business activity of enterprises in a tourism sector and to outline the structure of tour operators and travel agents against bankruptcies of enterprises in Poland.

In the first part of the study author presented general issues concerning the significance of tourism sector for the whole economy. Following that perception, the risk connected with business activity in tourism sector was discussed. Among the last paragraphs of the study there was performed a synthetic analysis of tour operators and travel agents that were stroke off the list from Central Data Base of Tour operators and Travel agents (CEOTiPT), taking into consideration the causes of it.

1. Characteristics of tourism sector

The tourism sector is one of the most rapidly developing industries in Poland and all over the world. As indicated in the introduction, the impact this sector has on the economic development is significant. It contributes development to other sectors, stimulates GDP and generates employment. It is worth noting that in 2011, global scale tourism sector contributed to approximately 3% world GDP and 3.3% world employment. The whole tourism economy participation in world GDP is estimated to be around 9.1% [WTTC 2012]. Observed fluctuations of income level from tourism in 2009 were resulted by world economic crisis [MSiT 2013: 73].

According to World Travel & Tourism Council (WTTC) despite difficulties in world's economy situation, the tourism sector is the only sector that has no-

tated growth in 2011. Therefore tourism is able to create a “protective umbrella,” generating systematically new jobs, especially through the creation of new microenterprises. Currently in UE countries, the tourism sector employs approximately 18 million people, which states for almost 8.5% of jobs worldwide [MSiT 2013: 73].

As well, the Poland’s tourism sector is of grate economic importance, which is reflected in its contribution to GDP. In Table 1 there are included calculation results concerning share of tourism sector in gross domestic product creation in Poland.

Table 1. Contribution of tourism sector to total GDP in Poland in 2006-2014

Specification	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Domestic Product (in billion PLN)	1060.0	1176.7	1275.4	1334.5	1416.5	1153.5	1615.8	1662.6	1728.6
Income from tourism (in billion PLN)	64.7	70.0	75.0	70.7	74.2	72.7	75.5	85.7	88.4
Tourism sector’s share of GDP (in %)	6.1	5.9	5.9	5.3	5.2	4.8	4.7	5.2	5.1

S o u r c e: author’s compilation based on: Główny Urząd Statystyczny (GUS), www.stat.gov.pl; Institute of Tourism, www.intur.com.pl [21.05.2015].

After analyzing the results of the calculations included in Table 1 it is possible to say that contribution of tourism the sector in creation of total GDP in the period of analysis has been slightly fluctuating between 4.7% and 6.1%. The highest share of tourism sector in total GDP was observed in first year of conducted analysis (6.1%). The lowest one (4.7%), that was notated with simultaneously increase in income in tourism sector in absolute values in 2012 that amounted to 75.5 billion zł. Level of income from tourism in absolute values was the highest in the last two years of analyzed period, that is years 2013 and 2014. Their value was respectively 85.7 and 88.4 billion zł, while the share of tourism sector in total GDP was differentiated. This occurrence can be explained with quicker growth of total gross domestic product then the growth of income from discussed sector (the indicator of GDP growth in 2014 with respect to 2006 was 163% and indicator of growth of income from tourism sector in the same period was 136%). It is vital to note that observed changes in 2008-2012 were resulted, inter alia, by world economic crisis that influenced among others polish economy. Tourism is an extremely sensitive industry while considering economic changes, which is why it is crucial for its development to stimulate and carry out investment

activities. According to WTTC prognosis Poland is facing perspective of development in the tourism sector, predicting its share increase in total GDP to 5.8%. That fact indicates growth of income from the discussed industry from 88.4 billion zł in 2014 to over 100 billion in 2022 [WTTC 2012: 3].

Those considerations have also been confirmed in the published results, regarding international ratings of tourism competitiveness. The results demonstrated that because of Poland's low position, 67th, in the category "Business environment and tourism infrastructure," there existed a need to pay attention to the influence of transport infrastructure on the tourism sector development. Actions that should be intensified are among the others: increase in number of highways and connecting them in the international system, improvement in state of transit routes, increase in number of local airports and improvement in state of train stations. Moreover, it is crucial to keep changing the country's image, which on the west is perceived as a country of an increased risk – even in 2009 Poland was at ninety first position when it comes to safety. In this area there is a positive change observed, which finds confirmation in Poland moving up to fiftieth position in the same ranking in 2011 [Ministerstwo Sportu i Turystyki 2013: 129].

Contemplating the importance of the tourism sector for the whole economy it is worth paying attention to its growth potential. The results of UNWTO research concerning the number of tourists in the world perspective are the best illustration of that potential. Mentioned results are demonstrated in the Figure 1.

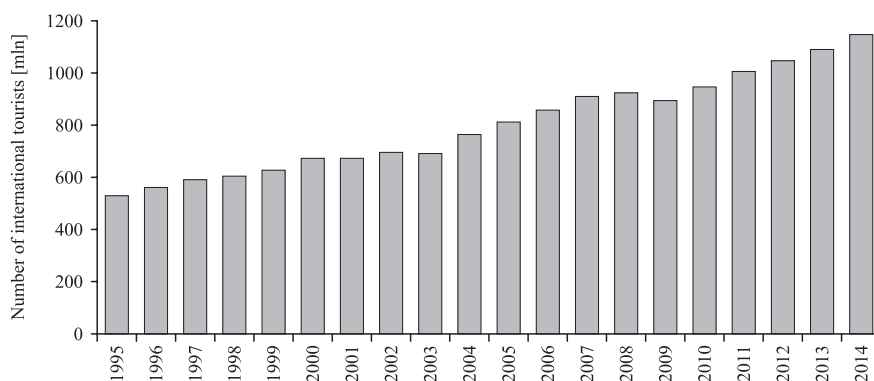


Figure 1. Number of international tourists in the world in 1995-2014 [million]

Source: author's compilation based on UNWTO 2015.

Basing on conducted compilation, it is possible to deduce the tourism sector every year to provide services for higher number of tourists. In the analyzed period a steady upward trend is observed. While analyzing certain years of conducted

research, the first lower growth, which was 0.01%, was notated in 2001. What is more, the first decrease of 0.6% in the number of international tourists was in 2003. Between years 2004-2008 the indicator of growth was positive, and then in 2009 there was a second and the biggest decrease in the number of international tourists, that is of 3.9%. It is important to note that the two mentioned decreases in the number of international tourists, that is in 2003 and 2009, are the periods of economy's recession. In the next years of the research the increase in number of international tourists in the world, measured by indicator of growth is no lower than 4%.

The next part of the research analyses the changes in numbers of international tourists in the certain regions of world. The results are demonstrated in the Figure 2.

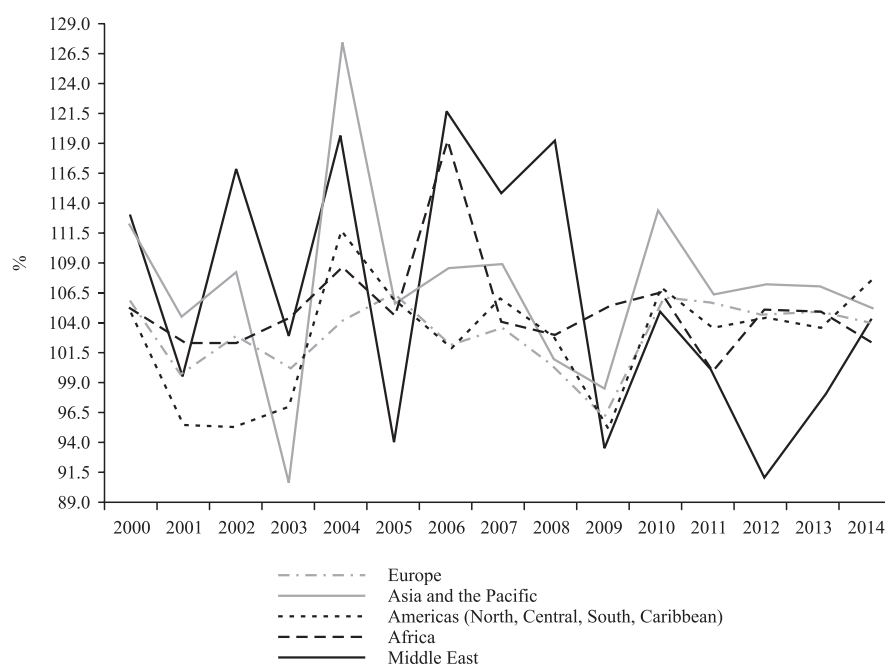


Figure 2. Dynamics of the number of international tourist in certain world regions in 2000-2014

Source: author's compilation based on: WTO 2005, UNWTO 2006, 2008, 2011, 2012, 2014, 2015

From the data obtained during the calculation it is possible to observe that the highest number of tourists are travelling in the region of Europe. The indicator of growth in the number of the tourists visiting this part of the world is structured in a steady upward trend. After Europe, the next favorite location for tourists is Asia and the Pacific. In the context of the economic recession, during 2003 mentioned areas suffered the biggest decrease in growth of tourists numbers. Areas of North,

Central, South America and Caribbean are being selected by visitors as third region, although in 2001-2003 decreases in dynamics were as well observed for those locations. Two last regions in the research – Africa and Middle East – are being chosen as a tourist destination by similar number of people. However, it is worth paying attention to the notated changes in the number of tourists visiting Middle East. They are very significant comparing to other regions. The biggest decreases in the number of tourists in this area can be observed in 2005, 2009 and 2012.

To recapitulate previous considerations, it is possible to say that the tourism sector is one of the main links that is improving the European economy condition, which still experiences effects of the crisis from years 2008-2009 [UNWTO 2015].

2. Risk in business activities of tour operators and travel agents

In the conditions of market economy risk is a widespread occurrence and every decision made is connected with it in both – direct and indirect way. While observing the development of the society and of its environment, we can perceive that risk has always existed and it is hard to find actions that wouldn't be associated with it. Risk is associated with actions, well as certain states, namely:

- state of emergency,
- possibility of appearance of unpredictable event,
- possibility of suffering a loss,
- possibility of obtaining different result to the expected one [Monkiewicz 2002: 17-48].

In business practice very often word “risk” and “uncertainty” are being used uncertainty. For possible differentiation of the two terms it is crucial to look at the objective character of risk and subjective character of uncertainty. Basic differences between them can be defined as follows [Niedziółka 2002: 23-64]:

1. Risk can be measured with probability and uncertainty only with the level of trust [Kaczmarek 2001: 16-102].
2. Risk occurs when the number of potential scenarios in the range of formation of the targeted value is limited, uncertainty allows the possibility of each scenario occurrence, among their infinite number.
3. In the case of risk certain scenario occurrence results in specified level of targeted value, however uncertainty means the situation when occurrence of specified scenario does not have significant connection with final level of targeted value [cf. Nahotko 2001: 36-66].

Taking into consideration the subject of this study, it is significant to outline as well other possible classification, which is for the systematic risk and specific risk. The systematic risk is a result of external factors, that would not get under control of the entity that is exposed to them. Whereas, the specific risk is a part of the total risk, that is individual for each entity. This classification is especially useful while selecting appropriate tools for risk management [cf. Pritchard 2002: 6-53]. In the context of the above deliberation evolving around risk in business activity in the tourism sector, focusing on tour operators and travel agents, depending on selected criteria, it is possible to distinguish following risks [cf. Sobczyk 2013: 225-228]:

1. Financial and non-financial – both groups of risk influence the financial results of a company, although with financial risk we are concerning the direct influence of it. That leads to evaluation of the suffered losses, which is hard to measure when it comes to the non-financial risk.

2. Static and dynamic – the static risk occurs regardless of time or lack of economic, technological or civilization growth for example: descent of an avalanche. Dynamic risk may generate financial loss in the scale of the company, as well as the whole group of companies. It is created by changes in prices, preferences of touristic product purchasers, fashion, etc...

3. Fundamental and particular – the examples of fundamental risk are floods, earthquakes, hurricanes etc. They essentially apply for big groups of people or even the whole society. Whereas the particular one causes losses in the individual dimension and we can rang among this type of risk for example: arson, robbery etc...

4. Pure and speculative – the first of them to a significant degree is measurable which leads to the fact that it is predictable with high probability. Because of its quantifiable character the pure risk can be analyzed with the use of statistical methods (law of large numbers). In case of the speculative risk we are dealing with the so-called "triple variance." Realization of the speculative risk is justified in expecting benefits (profits) or suffering a loss. Failure in the realization of this risk results in the lack of losses or profits. For instance, an entrepreneur that is about to build a hotel, is counting on the success of his investment (profits). However because of economic recession this investment becomes unfortunate (creates losses). Resignation from proceeding with this investment is lack of losses as well as profits. In business practice only pure risk can be covered by insurance.

5. Probabilistic and nondeterministic – the probabilistic risk is possible for evaluation with the use of mathematical methods (the so-called prior risk) or statistical methods based on numerical information originated in the past (the so-called statistical risk). The other type of risk – nondeterministic – cannot be insured because it is highly difficult to estimate probability of its occurrence.

6. Natural and social – the natural risk is created by the nature and associated with forces of nature (for example: risk of storm, descent of an avalanche, flood). The social risk is related to the human as an individual or a group of people (society).

7. Personal and assets – the personal risk is connected with damage in personal goods as: life, health, ability to work etc. The property risk is classified as one of “the other risks,” and is a threat to the properties (for example: risk of robbery, fire).

8. Statistical, technological and anthropogenic – the statistical risk is a result of the complexity of nature and lack of possibilities for prognosing future occurrences with particular precision (it is possible to only predict it approximately). The next one, technological risk is related to the tourists’ use of equipment and technical devices (for example cable railway catastrophe). The last of the risks – anthropogenic – is conditioned with decisions made by human and his sense of responsibility (for example: bravado, overestimation of its own possibilities, recklessness or even thoughtlessness) [cf. Sobczyk 2013: 225-228].

Summarizing the above contemplation, it can be said that while aiming towards effective limitation of risk that the company is exposed to, it is essential to properly distinguish the risk and then manage it. That indicates making sure that decisions made are targeting the decrease in the level of impact certain risk have on the activity of a particular company. Especially detailed acknowledgement about the range and type of potential risk, allows to choose in appropriate time, preventing activities such as mentioned before insurances from certain types of risk.

3. Analysis of bankruptcies of tour operators and travel agencies in Poland

Taking into consideration the fact that economic risk is an integral part of a business activity and in the extreme cases taken risk has its impacts on bankruptcies, the examined data concerns changes that took place within the structure of tour operators and travel agents. The examination, included the indication of the causes of discontinuing business activity by those companies. The data analyzed was presented by Central Data Base of Tour operators and Travel agents. Table 2 presents the results of calculation on the number of tour operators and travel agents that were stuck off the list from CEOTiPT in years 1999-2014, with indication of the cause of it and the level of GDP in the examined period.

Table 2. The number of tour operators and travel agents that were stroke off the list from CEOTiPT in years 1999-2014

Year	Suspension of business activity	Ban on continuing business activity	Deletion from the list requested by the entrepreneur	Initiation of legal proceedings	Total	GDP (in %)
1999	–	–	2	–	2	4.10
2000	–	34	71	–	105	4.00
2001	–	66	158	3	227	1.00
2002	–	168	173	–	341	1.40
2003	–	279	438	3	720	3.80
2004	–	297	717	2	1016	5.30
2005	–	71	403	5	479	3.60
2006	–	50	221	2	273	6.20
2007	–	94	181	1	276	6.80
2008	–	87	209	4	300	5.10
2009	21	74	313	1	409	1.60
2010	52	126	242	28	450	3.90
2011	108	166	256	139	692	4.30
2012	259	216	317	65	932	2.00
2013	217	110	534	33	1114	1.20
2014	76	54	210	17	357	1.30

Source: author's compilation based on Central Data Base of Tour operators and Travel agents, www.turystyka.gov.pl/ceotipt [21.05.2015].

Based on above table, while considering the number of tour operators and travel agents that were stroke off the list from CEOTiPT in years 1999-2014 it is possible to divide it into three phases of changes. The first one between 1999-2006, can be described as the phase of dynamic growth in the number of companies delated from the list, from 2 businesses in 1999 up to 1016 in 2004. The next phase is two years long, and it is possible to observe within them, the strong tendency in diminishing number of the companies delated from the list. In the second phase 763 less businesses were stroke off the list, which meant that in 2006 the total number came to 273 companies. The last period, starting in 2007 can be described as the phase of steady upward tendency of the analyzed number of enterprises that came to 1114 businesses in 2013. In the last analyzed year, 2014, we notice a rapid drop in the number to 357 companies. While analyzing changes in the number of companies removed from the list of CEOTiPT, a very interesting conclusions are created. Most of the entrepreneurs requested deletion of

their businesses from the list, that was from 34.01% in 2012 up to 100% in 1999 of total number of considered companies. As second reason observed is a ban on continuing business activity which accounted for 9.87% in 2013 up to 49.27% in 2002 of the businesses. Moreover, when analyzing the causes of striking the tour operators and travel agents off the list of CEOTiPT, we can clearly perceive two main factors influencing their business activity. The first one is a world economic recession proved by considerable growth in number of companies removed from discussed list starting from 2010. The second factor involves changes in law regulations that were introduced after the famous bankruptcies of companies from the tourism sector between 2010-2012. The changes concerning principles of insurances and functioning of tour operators resulted with the considerable drop in the number of businesses delated from the list in 2013 caused by the ban on continuing business activity of over 9.87%, with the higher number of the companies that the legal proceedings were initiated towards that came to the level of 19.75% and with higher number of deletion from the list requested by the entrepreneur of over 47%. Discussed changes were graphically presented in Figure 3.

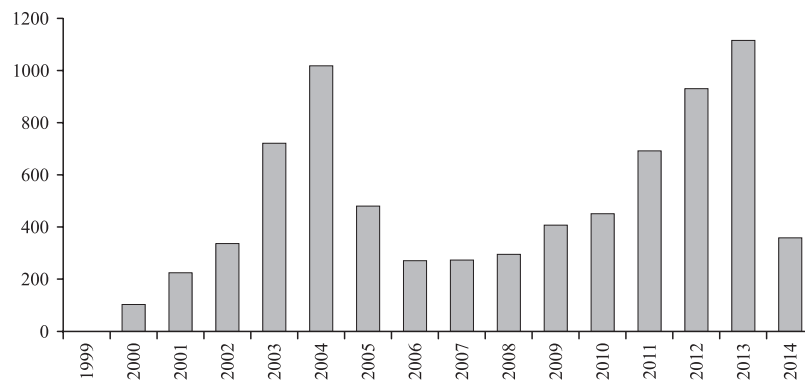


Figure 3. Dynamics of the number of the tour operators and travel agents that were stroke off the list from CEOTiPT in years 1999-2014

S o u r c e: author's compilation based on the Table 2.

Based on the conducted research and the business literature, it is possible to observe that in many countries there is a strong correlation between the business cycle and the number of insolvencies. That strength depends on changes of GDP. Not every economic growth causes a drop in the number of bankruptcies. It is claimed that GDP growth between 2-3% may be too low to turn around the upward trend of number of insolvencies in the particular country. A thesis is posed that very low growth of GDP, around 1% or less, usually actually does not cause

a drop but a growth of bankruptcies at the level of 5-10%. That leads to the conclusion that in discussed case the correlation may be positive [cf. Gołębiowski 2006; Euler Hermes 2004: 2].

In the context of described thesis, a trial of verification concerning discussed changes within the structure of tour operators and travel agents against the changes in GDP growth indicator, was taken up.

For this purpose a Spearman's Rank Correlation indicator was calculated. The level of the indicator of correlation for analyzed amount of observations (16 years) is $-0,1766$. The "minus" sign indicates the negative correlation between the analyzed data. That implies that with a growth of GDP in Poland the number of the companies removed from the list of CEOTiPT is dropping and contrariwise with the drop of GDP the number of deletion is growing. Based on the conducted calculations it is possible to say that in the analyzed period in Poland the correlation is weak (<0.5).

Conclusion

Summarizing the study, it can be said that between 1999-2014 the situation in the tourism sector, alike in the whole polish economy, was changing dynamically. Obtained results of a research are indicating that correlation of the number of bankruptcies of tour operators and travel agents in Poland with the changes of GDP is very weak. In case of mentioned companies, the dominating role in their business activity have the characteristic for the tourism sector factors as: weather changes, economic changes and socio-political events and in the considerable lower degree changes of GDP.

The study was focusing around, in the opinion of authors, important factors that significantly influence increase of risk level in the business activity of enterprises from the tourism sector. It is worth to notice, that in the last year of analyzed period the most important factors affecting the market of tour operators and travel agents, were changes in law involving changes of functioning of the insurances. Because of the character of this article, limitations connected with it and the complexity of the discussed problems, this study accounts only for a contribution for the further research.

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Ryzyko gospodarcze a rozwój sektora turystycznego na przykładzie touroperatorów

Streszczenie. Ryzyko gospodarcze jest na stałe wpisane w funkcjonowanie przedsiębiorstw. W skrajnych przypadkach podjęte ryzyko ma swój wyraz w decyzji o zaniechaniu dalszej działalności, likwidacji lub upadłości przedsiębiorstwa. Celem opracowania jest przybliżenie zagadnień związanych z ryzykiem działalności przedsiębiorstw sektora turystycznego podsumowane analizą zmian w strukturze organizatorów turystyki i pośredników turystycznych na tle upadłości przedsiębiorstw w Polsce. W pierwszej kolejności przybliżono ogólne zagadnienia dotyczące znaczenia sektora turystycznego dla gospodarki, a następnie w ujęciu syntetycznym omówiono ryzyko związane z działalnością przedsiębiorstw tego sektora. W ostatnich akapitach opracowania dokonano syntetycznej analizy wykreśleń touroperatorów i pośredników turystycznych z CEOTIPT z uwzględnieniem ich przyczyn.

Słowa kluczowe: ryzyko gospodarcze, touroperator, sektor turystyczny