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IMPACT OF LOW-COST AIR TRAVEL ON TOURISM ECONOMY IN ZADAR COUNTY

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Abstract:

This paper aims to encompassingly show what impact low-cost airline companies have on the tourism business in Zadar County. The high cost of travel for tourists who choose to travel by airplane in the past two decades has been significantly lowered by low-cost airline companies such as Ryanair, Germanwings, Easyjet and others. Low-cost flights have ensured an increase in the number of flights, thus increasing the number of tourist visits to destinations connected to those flights.

Zadar County has recognized the ability of low-cost flights to have potential for the development of tourism. Low-cost airline companies have reduced the negative balance of tourism economy.

This study wishes to gather information on how much low-cost airline companies affect the increase of tourist ventures to Zadar County. Considering that the increase in number of tourist arrivals is directly linked to business revenue, it will also show how much they affect the economy in Zadar County tourism.

Keywords: low-cost airline companies, Zadar County tourism, Zadar County tourist economy.

Jel Classification: R41, L83

INTRODUCTION

Croatia, including Zadar, has mostly been a road traffic destination. Around 80% of all tourists come individually, via road traffic (84% in 2010 came by car). Nevertheless, air travel becomes more and more important – for the development of certain airports to the development of tourist destinations in Istra, mid-Dalmatia as well as the far south of the country. Air travel percentage in overall tourist arrivals has shown an increase, from 4% in 2001 to 8% in 2010. Every other guest arriving uses the services of a low-cost airline company. The increase in the importance of air travel in tourist arrivals in the last few years in the Republic of Croatia and coastal counties is the reason for the analysis of the transportation segment in the business development in Zadar County.

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Even though the development of the road infrastructure has significantly increased the connection to traditionally generating tourist countries, air travel cuts down on travel costs, as well as time spent traveling to the desired destination. For a tourist destination this means an increase in tourist arrivals and stays, as well as the increase in tourist generated revenue.

This is why this research is focused on the effects low-cost airline companies have on the tourism business in Zadar County.

DEVELOPMENTAL CHARACTERISTICS OF TOURISM IN ZADAR COUNTY

Tourism in Zadar County, in the modern sense of the term, had its beginnings mid 19th century. In a historical context, facilities that could receive guests and were participating in tourism were, on a smaller scale, already present in Ancient Zadar. Facilities like hot-springs or theatres surely facilitated tourist movement in Zadar, although those journeys were motivated primarily by free trade and business deals. Tourist movement in Zadar can be seen in the Zadar statute, which governs the legal stature of sea merchants, primarily focusing on sailors, soldiers, priests, as well as other voyagers (Jadresic 1985, 71). In subsequent amendments there are mentions of pilgrims, whether originating from Zadar or having Zadar as a transit place (for residents of the Apennine peninsula to the so-called “Holy land”). The “Holiday culture” of the residents of Zadar is present in the remnants of Roman villas located in the fields, villages or by the sea (e.g. the Roman home in Batalaza by Ugljan).

Excursion tourism in recent history can be seen in the establishment of the Liburnia Mountain and Tourist Society in 1899. Ten years later, a new establishment, the Provincial Association to promote foreigner traffic in the province of Dalmatia supports the emergence of hotels in Dalmatia. Both associations are, in their own right, tourist associations that work on promoting tourism in the region of Zadar, and beyond, to the region of Dalmatia. In 1939, Zadar had 150–175 beds available in hotels and boarding houses. The Zadar region has become relatively recognizable on the Croatian tourist map during the sixties and seventies, and has had a stronger development during the eighties. Zadar County in 1961 had 473.401 overnight stays, in 1983 there were 1.950.480 stays, and 1.805.174 overnights in 1984. By then Zadar had 50.086 accommodation units, where 9.586 were hotel units. At the beginning of the 21st century, Zadar County was among the top four most sought after tourist regions. In 2013 there were 1.086.788 tourist visits, thereby achieving results from the eighties of the last century (Table 1 – by author using data from: Press release – Tourism, cumulative data, Croatian Bureau of Statistics). The County now has 114.024 beds in hotels, boarding houses, camps and other accommodation facilities.

Table 1. Tourist flow in Zadar County, 2008–2013

	Tourist arrivals	Index	Tourist stays	Index
2008	1.102.170	-	6.237.669	-
2009	1.049.019	95,2	6.117.731	98,1
2010	971.092	92,6	6.223.824	101,7
2011	1.022.464	105,3	6.481.067	104,1
2012	1.074.192	105,6	6.783.072	104,7
2013	1.086.788	101,2	6.747.858	99,5

From the overall achieved tourist stays in the Republic of Croatia, Zadar County has a 10% share. The majority of tourists come from traditionally generating tourist markets like Germany, Slovenia, Czech Republic and Austria. Tourism is characterized by seasonality, but in the last few years there are noticeable time shifts and the extension of the tourist season.

EFFECT OF LOW-COST FLIGHTS ON TOURISM ECONOMY IN ZADAR COUNTY

Business markers in Zadar County

Zadar County had 8.992 registered businesses in 2013, 4.666 of those active businesses, i.e. 52%. The number of active businesses in the sector of Accommodation and food preparation and service has risen quickly, more so than the cumulative number of active businesses. This has resulted in the increase of the share of active businesses in the sector of Accommodation and food preparation and service from 6,6% in 2008 to 9,2% in 2013 (Table 2 - table by author using data from: Press release, Business subjects according to NKD in 2002 by counties, 2008–2013, Croatian Bureau of Statistics).

Table 2. Accommodation and food preparation and service businesses, 2008–2013

	Overall		Accommodation and food preparation and service		Share of active businesses in Accommodation and food preparation and service
	registered	active	registered	active	
2008	8.181	4.019	454	266	6,6
2009	8.614	4.085	480	281	6,9
2010	8.604	4.430	506	310	7,0
2011	8.961	4.002	546	308	7,7
2012	9.321	4.366	597	360	8,2
2013	8.993	4.666	606	431	9,2

Although the data of 9% from overall revenue and 11% employed in economic businesses of Zadar County may not look like a large number, the sector of Accommodation and food preparation and service is the drive for economic life and growth. According to the overall rating of economic business in 2012 and 2013, Zadar County has not overcome the economic crisis. In 2012 there have been 9.7 billion Croatian kunas in revenue, i.e. 9.8% less than 2011. Still, certain sectors, like Accommodation and food preparation and service did not succumb to the economic crisis. Big businesses in this sector are connected to smaller businesses and households working in tourism, construction workers connected to the development of housing and accommodation, as well as maintenance. Despite the negative effects of the global economic crisis, which are visible in the economies of the tourist generating countries as well, Zadar County has, from 2010 to 2013 had an increase in the number of tourist arrivals and stays, as well as tourist spending, which resulted in the revenue growth of businesses. In 2011 the revenue from businesses was 788,4 mil. Croatian kunas, which is a 10,2% increase from 2010; simultaneously, expenditure has risen by 0,9% and equalled 926 mil. Croatian kunas (Croatian Chamber of Commerce 2014). The increase in revenue has continued into 2012 by a bigger margin than the expenditures (Table 3 –

table by author using data from: Press release, Business subjects according to NKD in 2002 by counties, 2008–2013, Croatian Bureau of Statistics). The fast increase in revenue of the Accommodation and food preparation and service sector, compared to the overall Economic revenue, resulted in an increase of 3.5% in 2007 (Zadar County Economic movements 2013, 11) to 6,8 % in 2010 and 8,9% in 2012, while the expenditure share has remained the same.

Table 3. Revenue and expenditures for Accommodation and food preparation and service sector, 2010–2013

	Overall		Accommodation and food preparation and service		Share for Accommodation and food preparation and service sector, in %	
	revenue	expenditures	revenue	expenditures	revenue	expenditures
2010	10.457.825,9	10.883.777,3	715.313,7	917.750,4	6,8	8,4
2011	10.705.085,0	11.101.164,5	788.402,0	925.993,0	7,4	8,3
2012	9.656.343,4	10.838.311,1	858.081,0	930.092,2	8,9	8,6

On of the reasons for the increase in tourist traffic, even revenue from tourism in the last couple of years, can possibly be found in the appearance of low-cost airline companies to Zadar Airport as well as the better connectivity of Zadar County to other tourist generating destinations.

Low-cost travel analysis

Zadar County is, in the tourist sense, a road transportation destination. Almost all guests (91%) arrive by car, followed by arrival by bus and motorcycle (4% each). According to the research of the Tourism Institute, around 1,3% of guests arrived in Zadar by plane in 2004 (0,6% via charter flight and 0,7% via regular flight) (Tomas 2004, 77), whereas in 2007 that percentage had fallen to 0,6% (0,4% charter flights and 0,2% regular flights) (Tomas 2007, 102). The decrease continued in 2010, where 0,5% of all tourists came by plane (0,1% charter flights and 0,4% regular flights) (Tomas 2010, 165). That trend is the result of the fast increase of visitors arriving by road, as the result of Highway Zagreb-Split being finished, which caused an increase of visitors in Zadar County who came using road transportation. Still, air travel is becoming an increasingly important way of travel, thanks to the appearance of low-cost airline companies in Zadar Airport.

Low-cost airlines first appeared in Zadar in 2002, recognizing Zadar as a potential destination where significant revenue could be made. The number of air travelers since that time noticeably had a significant increase (Table 4 – table by author using data from: Statistical data for Zadar Airport, 2014).

Table 4. Number of planes and passengers in Zadar Airport, 2001–2013

Year	Airplanes	Chain index	Passengers	Chain index
2001	1.226	-	39.244	-
2002	1.732	141,3	49.949	127,3
2003	2.255	130,2	69.876	139,9
2004	2.196	97,4	65.853	94,2
2005	2.354	107,2	86.857	131,9
2006	2.395	101,8	65.423	75,3
2007	2.773	115,8	116.304	177,8
2008	3.100	111,8	157.978	135,8
2009	3.249	104,8	215.868	136,6
2010	3.328	102,4	275.272	127,5
2011	3.399	102,1	284.980	130,2
2012	3.968	116,7	371.256	130,3
2013	4.050	102,1	472.572	127,3

According to the research, the arrival of low-cost airline companies to Zadar Airport has boosted the number of airplanes for 2,824 or 230.3% from 2001 to 2013, whereas the number of passengers has risen for more than 430.000. Even though it cannot be said for certain whether all passengers (about half of them arrivals) stay in Zadar County, it is believed that most of them use this destination as their vacation destination of choice. It is estimated that from 430.000 passengers, 215.000 of them are arrivals. This number needs to be reduced by 20.000 national passengers. If we take into account that low-cost plane tickets make this form of travel desirable for tourists going to other destinations (Licko-senjska County, Sibensko-kninska County), it is certain that around 120 to 150 thousand stay in Zadar County, which constitutes around 10% of overall tourist arrivals.

Due to the emergence of new air routes in 2007, there has been an expansion of the passenger terminal building, which enabled Zadar Airport to accommodate a larger number of passengers. Since 2008, Zadar Airport even has a VIP terminal. In Zadar Airport there are three low-cost airline companies present: Ryanair, Germanwings and InterSky. Since their arrival, the number of passengers has been in a constant rise, as well as participating in the overall number of arrivals to Zadar County (Table 5 – table by author using data from: Statistical data for Zadar Airport, Zadar Airport, Zadar, 2011 and Press release – Tourism, cumulative dana, Croatian Bureau of Statistics).

Table 5. Low-cost airline company passengers arrival to Zadar Airport and overall tourist arrivals to Zadar County 2007–2013

Year	Ryanair	Germanwings	InterSky	Overall low-cost airline companies	Estimated number of arrival stay in Zadar C.	Overall tourist arrivals	Share in %
2007	10.844	7.996	1.508	20.348	13.226	1.072.659	1,2
2008	21.848	16.335	1.522	39.705	25.808	1.102.170	2,3
2009	53.649	18.432	987	73.068	47.494	1.049.019	4,5
2010	81.221	21.610	1.672	104.503	67.927	971.092	8,0
2011	83.530	18.837	1.517	103.884	67.524	1.022.464	6,3
2012	100.618	16.319	-	116.937	76.009	1.074.192	7,1
2013	156.745	15.931	-	172.676	112.239	1.076.788	10,4

Ryanair connects Zadar to 15 destinations (London, Marseille, Oslo, Pariz etc.), with 315.225 passengers, making it 67% (2013) from the overall passenger number in Zadar Airport. In April 2013, Ryanair opened its own base in Zadar thus investing around 70 million US dollars into Zadar Airport (airplane costs) and opening around 300 new job positions. By doing this, Ryanair increased the number of passengers and achieved 156.745 arrivals in 2013, which is 50.000 more passengers than in 2012. Statistics from Airport Council International (abb. ACI) show a positive effect passenger increase has on the economy of the destination in question. Every million passengers opens around 1.000 new job positions in the airport's vicinity. Mostly, those jobs are connected to the airport's lifecycle. A larger number of passengers means more taxi drivers, rent-a-cars, hotel rooms and hotel staff, store clerks etc. The increase of air traffic directly influences the economy of Zadar and tourism economy.

Since 2013 Ryanair's web sites have been promoting the Zadar region, its natural and social beauty as well as accommodation offers. The project involves the City of Zadar, Zadar County, the Croatian Tourist Community and the Ministry of Tourism, as well as the Tourist Community of Zadar County with Zadar as head of tourism economy. Ryanair has demanded that their arrival airports be advertised on their web sites. In 2013 a 10.6 million Croatian kunas contract has been signed for the advertisement campaign on Ryanair's web sites, the co-financing in the ratio being: Croatian Tourist Community finances 50%, and the local community the other half of the campaign.

In 2012 and 2013, an increased rate of flights has been present with Germanwings (part of the Lufthansa Group since 2013), as well as Croatia Airlines, since their introduction of international flights (with a similar participation module), connected to transferring tourists outside the standard tourist season. Germanwings connects to five European destinations (Berlin, Düsseldorf, Hamburg, Köln and Stuttgart). InterSky connects Zadar with Friedrichshafen. Zadar Airport has signed a contract with Scandijet, a tourist agency from Sweden with charter flights in their seven day packages, offering touristic service of Zadar County. Scandijet as a tourist agency secures accommodation, making it beneficial for hotels, rentals and restaurants in Zadar region.

The presence of Ryanair, Germanwings and InterSky (as well as other airline companies), also tourist agencies like Scandijet etc. makes for a strategic benefit for Zadar's tourism and the lengthening of the tourist season. Zadar Airport thus transports passengers and tourists by the end of March, flights being scheduled until the beginning of November (Figure 1 by author using data from: Statistical data for Zadar Airport, 2014).

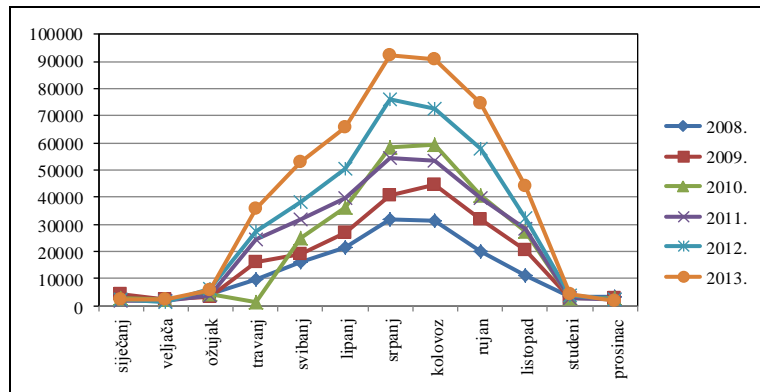


Figure 1. Monthly passenger traffic at Zadar Airport, 2008–2013

Having in mind that in April 2013 Zadar County had 33.753 tourist arrivals, and overall passenger arrivals to Zadar Airport were around 18.000, 65% of those arrivals from low-cost airline companies, it is clear what impact low-cost airline companies have on the tourism of Zadar region and the development on tourism business. This change has been visible in most places, the joint campaigning not only influencing the emergence of new products: hotels with wellness and spa treatments, wine tastings, trips like rafting, hiking, walking—but the improvement of service in restaurants, the introduction of cultural landmarks into the tourist offer, as well as markets and other manifestations.

The lowering of transportation costs remains a trend on the tourism market. Transportation costs in overall costs for tourists who arrive by car exceed 13%, whereas those arriving by plane count 20% from the overall costs, making it understandable that tourists would rather travel by car than by airplane, especially since the car is a „door-to-door“ service. Allowing the lowering of costs in overall travel costs low-cost airline companies see as an advantage when compared to traveling by car, thus making a new tourist product by synergizing the travel service with the accommodation service.

MEASURES TO FURTHER DEVELOP ZADAR COUNTY AIRLINE CONNECTIVITY

Infrastructurally solving the problem of being able to receive a larger number of passengers into Zadar Airport as well as pooling local businesses and other participants of the tourist offer have been the key goals to, in the future, allow a larger number of

tourists to arrive to Zadar County using air travel and allow a greater accessibility to this destination for the generating tourist market.

Zadar Airport is a 4E category airport, serving as a satisfactory passenger carrier as well as a cargo transportation unit. By constantly investing in infrastructure, it is assumed that every passenger's needs are met. Considering this, it is the long term plan of Zadar Airport to develop infrastructure and technologies thereby permanently growing air traffic until maximum capacities are met. Also, making Zadar Airport capable of welcoming the biggest planes requires lengthening the runway.

Further tourism development depends on the coordination of all participants in the tourism of Zadar County and their joint advertising efforts, making Zadar Airport's cooperation with the local community to further develop the connectivity of the region to an ever-growing number of European destinations – inevitable.

CONCLUSION

The development of tourism in the Zadar area significantly depends on the connection of this region with tourist generating markets. Zadar Airport has a good position in Northern Dalmatia, making other, touristically gratifying places, gravitate towards it. This is why this airport has a significant role in the development of tourism business all over the Zadar region. Introducing low-cost flights has lowered the costs of transportation significantly, cut down on the time necessary to travel and greatly increased mobility and the average destination distance.

By choosing smaller airports, like the one in Zadar, for a cheaper and better service, low-cost airline companies are bringing tourists to parts out of bound of main tourist routes, but also targeting tourists with a lower income, shaping the model of low-cost tourism. The number of flights in Zadar Airport and the increase in passenger numbers has resulted in positive effects on the tourism economy in Zadar County, lengthening of the tourist season, development of tourist related services (transportation, commerce etc.) as well as new jobs opportunities.

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