

Greek Tourism Industry Reloaded: Post-pandemic Rebound and Travel Megatrends

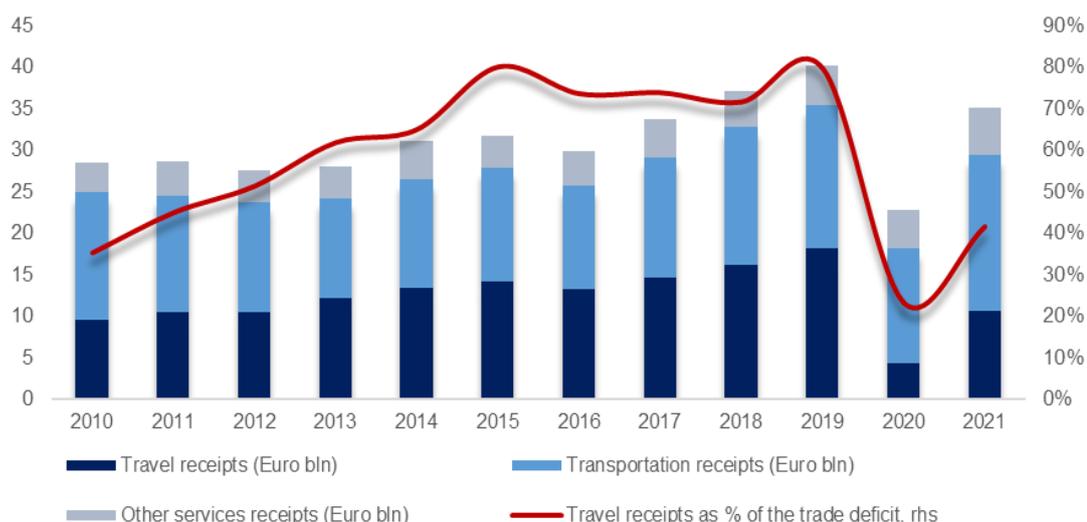
1. Introduction

The economic prosperity of Greece has been tied to the development of tourism, which is one of the country's most important sectors and has a significant multiplier effect on economic activity. Although the interwar years, along with the establishment of the Greek National Tourism Organisation in 1929, were a key period for Greek tourism, the introduction of robust state policies and planning¹, which represent the transition of the country to modern mass tourism, only occurred after World War II. This period was characterised by the launch of group travel and significant travel agencies. State initiatives were in line with the rationale behind the Marshall Plan², placing emphasis on the implementation of the Xenia Programme, which included designing a network of modern hotels, organised beaches, holiday camps, etc. (Alifragkis and Athanassiou, 2013), and the financing of global advertising campaigns highlighting exceptional natural and local cultural features (Lolos et al., 2021).

Furthermore, during the Greek economic "miracle" period between 1953 and 1973, travel receipts, along with those from shipping and the emigrant remittances, greatly supported the current account balance of the country (Alogoskoufis, 2021). In the 1980s, investment in the tourism sector was facilitated by favourable financing conditions from the banking system, leading to the establishment of a plethora of small and medium-sized tourist enterprises (Lolos et al., 2021; Giannitsis, 1993).

In the early 2000s, the broad investment activity that took place during the preparations for the Olympic Games in Athens, with the increase in global tourist inflows, facilitated the further

Graph 1. Tourism serving as a life raft: How travel receipts cover the trade deficit in Greece



Source: Bank of Greece

¹ For a detailed analysis on the role of state policies and travel agencies on the historical developments in Greek tourism, see Vlachos, 2016 and Papadoulaki, 2014.

² An American initiative implemented after World War II to provide financial aid to Western Europe. A detailed review can be found in Mirkos, 2004.

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expansion of the tourism sector. That is, both demand and supply were adjusted upwards.

Furthermore, in the following decade, geopolitical developments in the wider region, including the Arab Spring and the Syrian civil war, as well as the failed coup in Turkey, were positive demand shocks for Greece, in the sense that its market share in foreign arrivals mildly increased compared to some of its main competitors.

Over the last decade, the country's tourism industry flourished as its attractiveness as a travel destination remained high and relevant infrastructure was extensively enhanced. The number of incoming tourists and travel receipts doubled over the period 2010-2019 alongside with the wider boom in global tourism, thus partially absorbing the prolonged recessionary shock in the post-debt Greek crisis of 2010. However, the high dependence of the Greek economy on the tourism sector makes it vulnerable to external shocks, such as, most recently, the pandemic crisis. Considering the COVID-19 pandemic and the severe disruption it caused to the global economy, many challenges for the tourism sector have arisen.

During the pre-pandemic period, travel receipts were an essential part of exports of services (44%, on average, during the period 2015-2019), somewhat mitigating the current account deficit, which in Greece is mainly attributed to the relatively high negative balance in the trade of goods. On average between 2015-2019, travel receipts "covered" 76% of the trade deficit (Graph 1), meaning that tourism was the main source of "financing" the deficit in the trade balance, reflecting a tourism-led growth model. According to the relevant literature, the main features of such a growth model are the following: First, travel receipts finance investment in infrastructure that enhances the productivity and efficiency of local firms (Balaguer and Cantavella-Jordá, 2002) with increases in human capital and innovation (Blake et al., 2006); second, an increase in tourism demand improves the trade terms and stimulates job creation, and the implementation of technological advances (Schubert et al., 2011); third, earnings from tourism produce significant externalities and spill-over effects, moderating the production cost for local firms in other sectors of the economy (Andriotis, 2002; Weng and Wang, 2004; Cernat and Gourdon, 2012).

A salient characteristic of the coronavirus pandemic was the extraordinary demand-side shock caused by travel restrictions and containment measures, which led to a sharp and deep decline in tourist inflows. This had an adverse effect on the "counterbalancing" role of travel receipts, leading to a dramatic deterioration of the current account deficit and, consequently, significant GDP loss. This is an indication of the high reliance of the Greek economy on tourism. The experience from the COVID-19 pandemic reinforces this argument, as in 2020 travel receipts accounted for just 19% of total service receipts, thus, only covering the trade deficit by 23%. It should be noted, however, that 2019 was a record year for Greek tourism, as 31.3 million people visited the country, which translated into Euro 18.2 billion in receipts from tourism.

Greece experienced a deep recessionary shock in 2020, significantly exceeding the OECD average, due in large part to its high dependence on tourism. Graph 2 depicts the strong relationship between the dependence on tourism and severity of the recessionary shock using cross-country data for 2020. Countries that are heavily reliant on tourism, like Greece, suffered the sharpest falls in terms of domestic product. Specifically, the horizontal axis measures the loss in terms of GDP for OECD countries, which is calculated as the difference between the 2020 real GDP growth rates of the selected countries and the corresponding OECD forecasts in November 2019. In essence, it is a metric that captures the impact of the pandemic on economic activity by country. The vertical axis shows the total contribution of tourism to GDP in 2019 (World Travel & Tourism Council-WTTC, which includes the direct, indirect, and the induced contribution of the tourism sector to GDP, please refer to Box 1 for a detailed analysis).

As shown in Graph 2, the countries with a comparatively higher tourism contribution to GDP suffered the most significant losses in terms of GDP in 2020. Specifically, the OECD forecast in November 2019 for Greece's real GDP was an increase of 2.1% in 2020, however, the Greek economy would record a 9% fall in GDP that year. This was attributed to, among other factors, the high total contribution of tourism to the Greek economy, which was estimated at over 20% of GDP, according to broader definition of the WTTC data.

In 2021, the surprisingly high number of travellers who visited Greece during the summer contributed greatly to the strong rebound in GDP (8.3%). This development was similar to the previous economic crisis when tourism served as a life raft for the Greek economy to survive the storm. Based on this visitor influx, Greece's GDP offset almost all the damage suffered during the first year of COVID-19 (2020: -9%).

Even prior to the pandemic a changing landscape was emerging in the tourism industry worldwide. Customer preferences were rapidly changing, and businesses responded with a wide array of actions in certain areas: flexibility in booking and cancellation policies, brand building through digital displays, online searches, creativity and services differentiation. Business models have already started to adjust to a challenging environment, yet the pandemic accelerated tectonic changes in the economy that were expected to be implemented in the coming decades, especially as far as digital technology is concerned. Additionally, the need to combine a pleasant holiday experience with advanced health and social distancing conditions will probably be a permanent feature looking forward and, thus, will transform the tourism sector.

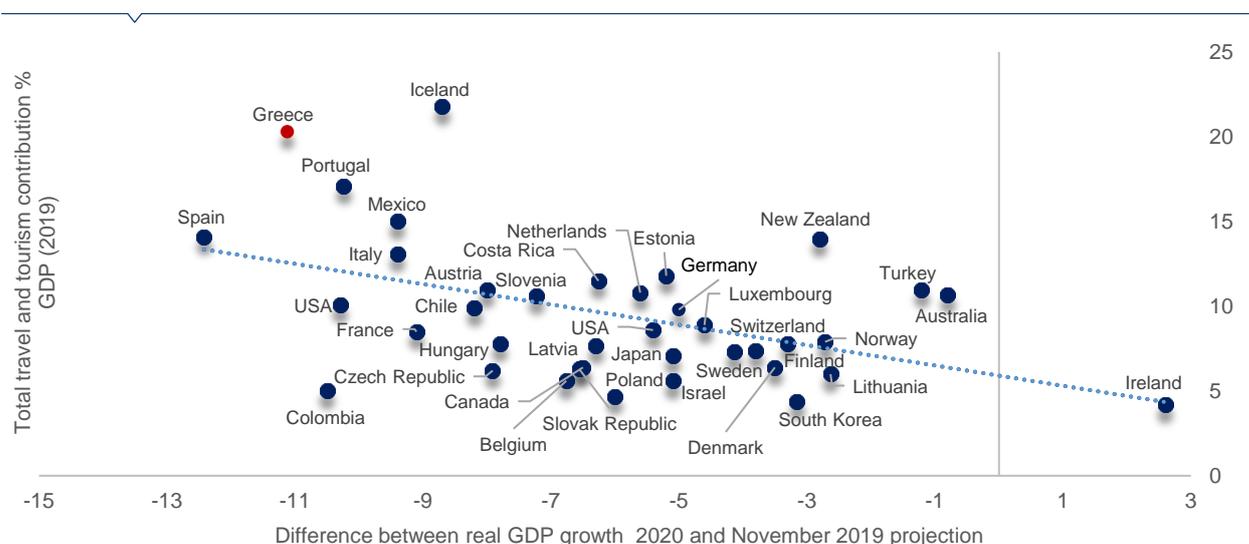
The new paradigm is also dominated by several *megatrends*, including: (i) the expansion of the home-sharing economy that increased price competition in the hospitality sector, hence leading to a further increase in tourist flows; (ii) the “green transition” as an imperative to combat climate change and the need to address the environmental impact on many aspects of our lives, including travel and tourism; (iii) the digital transformation, affecting the working model and vacation options, as well as the way services are delivered; (iv) the new social distancing standards, as a legacy of the pandemic; (v) the promotion of accessibility and inclusiveness; and, finally, (vi) the ageing population and the adjustment of the tourism sector, in response to these demographic changes and consequent implications, e.g. the shift in demand of the different age groups and the emergence of new consumption patterns.

These megatrends also induced shifts in customer preferences, such as: improving work-life balance via the combination of work and travel, increasing demand for “vacation with a purpose” (i.e. traveling for a specific reason, e.g. an experience, an activity), as well as, the exploration of lesser-known destinations over those affected by mass tourism. In accordance with evolving customer preferences, business models are expected to further adjust in different ways, including investing in the construction of “green infrastructure”, by using advanced technologies, developing alternative forms of tourism, focusing on behavioural patterns, and enhancing accessibility and inclusiveness.

The objective of this *Insights* is threefold: firstly, to shed light on the footprint of the pandemic on the domestic tourism sector; secondly, to assess the speed and the volume of the rebound; and, thirdly, to delve into the main chances and threats that may arise and eventually lead to the reshaping of the tourism sector. In the context of a rapidly evolving environment, we also highlight the above-mentioned megatrends that will prevail in the longer-term and will dictate tourists’ preferences and the industry’s response.

The rest of this issue of *Insights* is organised as follows: [Section 2](#) evaluates the beneficial role of the rising tourism influx during the severe financial crisis of the 2010s; [Section 3](#) provides a short overview of the hotel industry, focusing on key figures; [Section 4](#) briefly discusses the rise of home-sharing versus the hotel industry and assesses the implications of the increasing popularity of online search engines on the market;

Graph 2. Dependence on tourism and severity of pandemic related recessionary shock. A cross-country comparison



Sources: OECD, WTTC

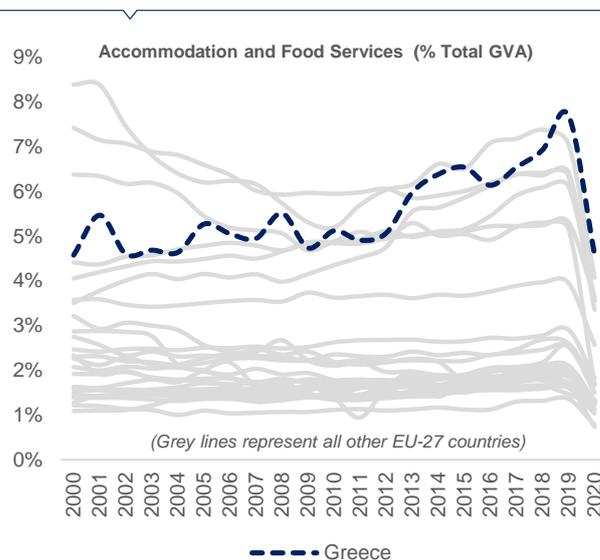
[Section 5](#) discusses the magnitude of the pandemic shock and the shape of the rebound; [Section 6](#) briefly presents the private sector strategies and government policy responses to the pandemic; [Section 7](#), introduces the megatrends; [Section 8](#) analyses the interaction of climate change and the green transition with the tourism sector; [Section 9](#) discusses the aspects of digital transformation and the way it will change the landscape of the tourism industry; [Section 10](#) reviews the behavioural patterns inherited from the pandemic and how these affect travel and tourism, focusing on maintaining social distancing and the rise of flexible forms of employment, and shedding light on the issues of inclusiveness and accessibility; [Section 11](#) presents how Greece is planning on taking advantage of the European Recovery and Resilience Fund resources in order to boost the tourism sector; and finally, the [epilogue](#) concludes the paper and provides policy implications for the government and businesses.

2. *Partially absorbing the long-lasting recessionary shock in Greece in the 2010s: The impact of decade-long rising tourist flows*

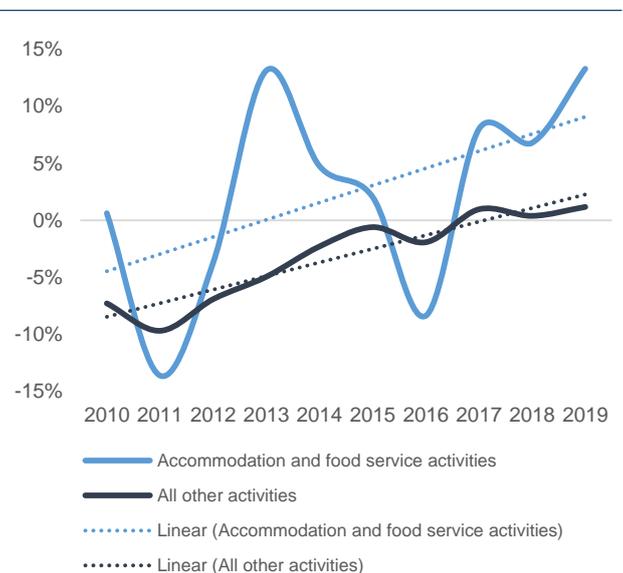
The Greek economy is service-reliant, as the tertiary sector in Greece accounts for almost 70% of the total Gross Value Added (GVA). In its narrow definition, tourism includes accommodation and food services, i.e., hotels, other short-stay accommodation, camping grounds, recreational vehicle parks, trailer parks, as well as restaurants and mobile food service activities, event catering activities and beverage serving activities³. In 2019⁴, prior to the pandemic, accommodation and food services accounted for 11.3% of services GVA and 7.7% of total economy GVA⁵. By also taking into account activities such as travel agencies, tour operators, other reservation services and related activities, as well as part of the transportation services (passenger transport via land, air or water), the direct impact of the tourism industry would be increased by approximately 3 pp of GVA (2019 data). Other European countries with a high dependence on the tourism industry are Cyprus (7.1%), Spain (6.4%), Croatia (6.3%) and Portugal (6.1%), i.e. Greece's competitors on the Mediterranean Sea.

The last few decades for the hospitality industry are characterised by continuous improvement, with the ongoing development of products, services or processes, through incremental and/or even breakthrough improvements, especially in terms of the quantity and quality of infrastructure. This supply-side development in conjunction with rising demand, has led to an increasing GVA share of the accommodation and food

Graph 3a. The evolution of the share of accommodation and food services on total GVA (EU)



Graph 3b. GVA (% annual changes) of Accommodation and Food services and all other activities, Greece



Source: Eurostat

³ Following Eurostat's statistical classification of economic activities, divisions 55 and 56

⁴ Throughout the present section, 2019 is used as a reference year to depict the importance of the tourism sector for the Greek economy, as well as for comparative purposes, since the pandemic years are not indicative due to the massive negative impact that COVID-19 had on transportation and hospitality.

services sector since 2011. In particular, Greece had the highest GVA share recorded among the EU-27 countries (Graph 3a) in 2019, whereas this share has increased by about 2.6 pp compared to 2010. During the financial crisis of the previous decade, the rising importance of accommodation and food services counterbalanced to some extent the losses recorded in other segments of the economy. As depicted in Graph 3b, even though the GVA of the accommodation and food services sector was more volatile than that of other activities, between 2010-2019, it rose considerably from 2014 onwards (except for 2016), whereas its upward (linear) trend was steeper than the GVA of all other activities. In addition, in terms of employment, the accommodation and food services sector in Greece employed almost one out of ten employees in 2019, which was the highest relevant employment share recorded in the EU-27.

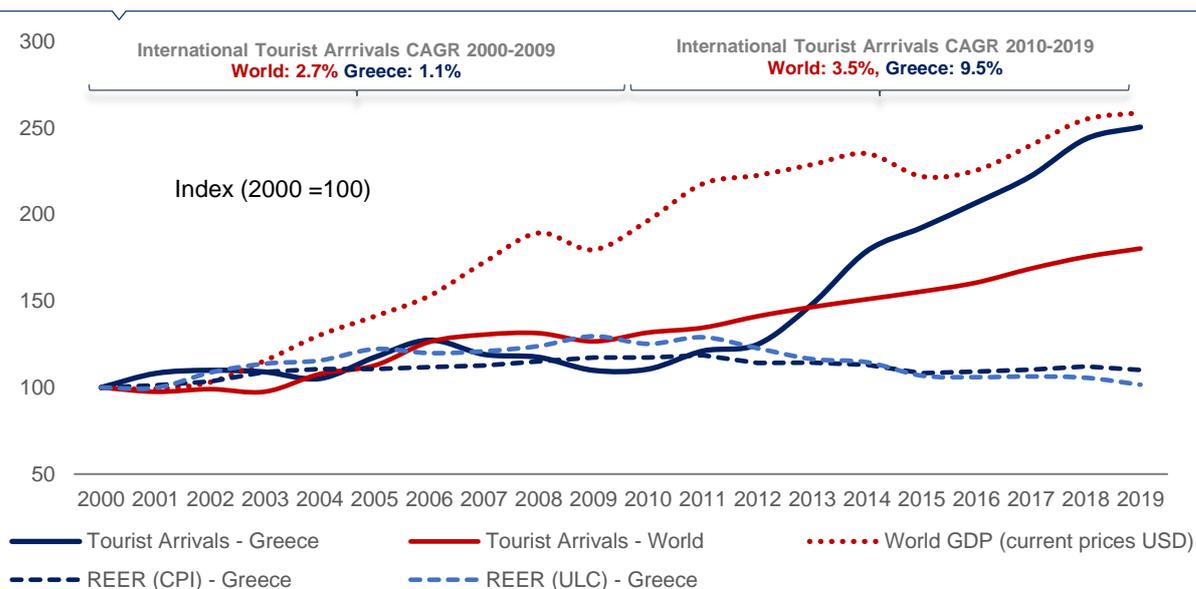
Moreover, the growth of Greek tourism, in terms of international tourist arrivals, has outpaced the respective growth of global tourism since 2000 (Graph 4). In particular, the compound annual growth rate (CAGR⁶) of international tourist arrivals in Greece, between 2000-2019, was 5%, greater than the CAGR of tourist arrivals across the globe for the same period (3.2%). The near unabated upward influx of foreign tourists was the outcome of:

First, an income effect, which mainly stemmed from higher disposable income in real terms, in the origin countries of inbound travellers, which is in line with the upward trajectory of World GDP (Graph 4).

Second, a price effect, resulting mainly from decreased labour costs, which in turn were the consequence of the internal devaluation policies pursued in the context of the economic adjustment plans implemented after the Greek sovereign debt crisis of 2010. As depicted in Graph 4, the Real Effective Exchange Rate (REER), which is an index that assesses a country's price or cost competitiveness relative to its principal competitors in international markets (Eurostat definition), in terms of the Unit Labour Cost (ULC), decreased in the past decade (Graph 4). The latter reflected a boost in the country's competitiveness, in the sense that labour costs in Greece were lower compared to the country's trading partners. REER according to the Consumer Price Index (CPI), also decreased between 2010 and 2019, indicating that prices in Greece were more competitive compared to the same group of countries. Considering that internationally tradable "goods" such as tourist services are generally more exposed to international competition, it is assumed that the price effect was even more prominent in the tourist sector.

Third, a substitution effect, as external factors and events (e.g., 2004 Olympic Games, geopolitical developments in Eastern Europe and the Middle East), resulted in attracting tourist flows from abroad and the gaining of market share from competitors⁷.

Graph 4. International tourist arrivals: Greece vs world. World prosperity and Greece's competitiveness



Sources: Eurostat, World Bank, Bank of Greece

⁶ The Compound Annual Growth Rate (CAGR) is the annualised average rate of growth between two given years.

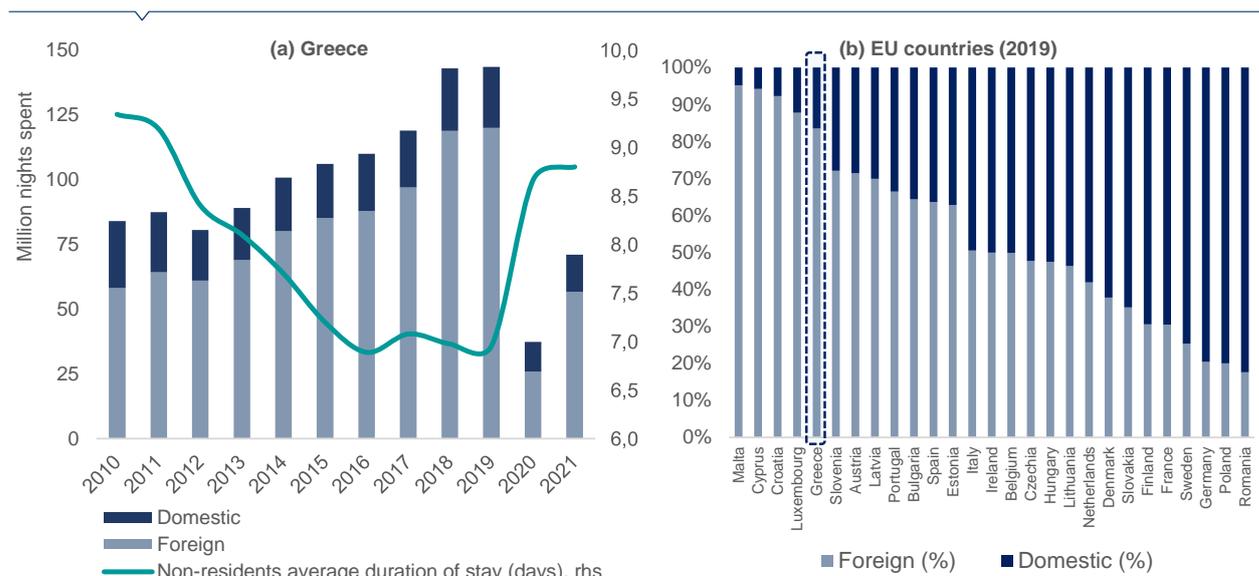
⁷ Greece's market share in tourist international arrivals within the Mediterranean perimeter (e.g., Albania, Cyprus, Croatia, Egypt, Italy, Malta, Portugal, Spain, Turkey, and Tunisia) was approximately 5% in 2010 and increased to 8% in 2019.

Some special attributes of the Greek tourism industry are noteworthy:

- It relies heavily on international visitors, as depicted in Graph 5a. In particular, the share of nights spent in tourist accommodation establishments by foreign visitors has risen from 69% in 2010 to 84% in 2019.
- Greece’s most “valuable” partners in 2019, as regards the tourism sector, were Germany and the United Kingdom, as they held the highest shares in terms of total nights spent, total number of inbound visitors and total travel receipts. The difference between tourists from these two countries is that UK visitors spend more per overnight stay, whereas tourists from Germany stay longer on average (Graph 8). Tourists from the EU-27, representing more than half of inbound visitors in 2019, stayed on average 7.2 days in Greece, whereas the average duration per trip for overseas travellers exceeded 10 days (Australia: 13.5 days; USA: 10.6 days; Canada: 12.6 days). In terms of expenditure per overnight stay, tourists from Switzerland and the USA spent the most in 2019.
- The main reason why tourists visit Greece is leisure or other personal reasons, as the relevant expenses accounted for 94% of total receipts on average between 2010-2019 (Graph 16b).
- The tourist flows and, therefore, receipts follow a seasonal pattern, since the country is mainly a summer destination, and the Greek tourism product is highly correlated to “sea, sand and sun”. Around 75% of inbound arrivals take place within the May-September period each year (Graph 16a), whereas the vast majority of nights spent in tourist accommodation establishments in Greece in 2019, by foreign visitors, were in coastal areas (98%) (Graph 6a). This percentage - which is also recorded in Cyprus (98%) - was the second-highest observed compared to other EU-27 countries, behind Malta (100%).

The increasing number of inbound visitors (especially after 2010) was accompanied by a gradual reduction in the average duration of stay for non-residents throughout 2005-2016, as depicted in Graph 5a. The latter also resulted in a decrease in the average spending per trip. This can be attributed *inter alia* to the fact that the country attracted, over time, visitors from diverse income classes. Both the duration of stay and the average expenditure per trip started to rise from 2017 onwards. According to a comparative analysis conducted by Ikkos et al., 2022, the average expenditure per international visitor⁸ for Greece and Spain was quite close in 2019 (€600 and €609 respectively). The study concludes that this difference was due to the market mix of inbound tourists, as 1/3 enter Greece through the northern road borders from the Balkans that in general spend less, pushing the per capita expenditure lower. In addition, tourists from neighbouring Balkan

Graph 5. Nights spent in tourist accommodation establishments by country of residence and average duration of stay



Sources: Eurostat, Bank of Greece

⁸ Adjusted for methodology discrepancies, i.e., excluding transportation costs to and from the country and taking into account only the visitors that have stayed overnight.

countries usually stay in the northern regions of the country, where the proportion of bed places in high-quality accommodation facilities (5* and 4*) is, on average, lower than other regions (please refer to Graph 10).

In 2019, Greece ranked 4th among EU-27 countries, in terms of nights spent in all tourist accommodation establishments by foreign visitors (hotels, holiday and other short-stay accommodation, camping grounds, recreational vehicle parks, and trailer parks), behind Spain, Italy and France (Graph 6a). Finally, according to the Travel & Tourism Competitiveness Index published by the World Economic Forum, Greece ranked 25th out of 140 countries in 2019, improving its position by 7 places, compared to 2013. Furthermore, as shown in Graph 6b, Greece's market share of international tourist arrivals rose to 2.1% in 2019 from 1.6% in 2010. Some of the country's main European competitors in the Mediterranean (Spain, Portugal, Turkey and Croatia) also increased their share in 2019 compared to 2010, while Italy's share decreased. It is worth noting that the countries depicted in Graph 6b corresponded cumulatively to over 1/5 of global arrivals in 2019.

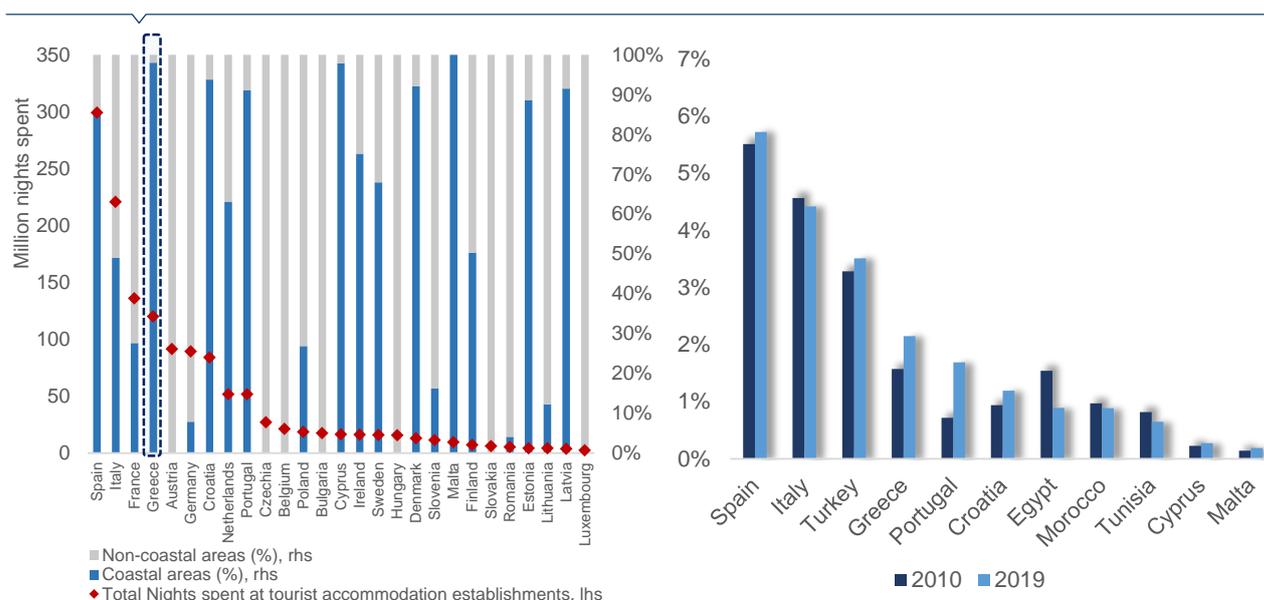
3. Hotel sector infrastructure and capacity utilisation: Market structure, concentration and competition

Since the beginning of the 2000s and for over a decade, the Greek hotel industry experienced a continued expansion, with the upgrading of hotel facilities and the penetration of international hotel chains in the domestic market. In the 2000s there was a significant upgrading of the accommodation infrastructure, as part of the preparations for staging the Olympic Games in Athens in 2004, and a parallel improvement of services in other sectors (food and beverages services), which helped Greece meet increasing external demand. Even though the prolonged recession in the aftermath of the sovereign debt crisis had an immense impact on domestic consumption, the tourism sector's performance did not lose its momentum as it was mainly driven by external demand.

As acknowledged in the previous Section, tourism was one of the main pillars that supported growth during the deep recession of the previous decade, "absorbing the vibrations" of the debt crisis and counterbalancing the negative impact it had on other sectors, as every year it had been reaching historical records in terms of performance, steadily outpacing the respective global growth. The hotel industry, which is a major contributor of tourism infrastructure in Greece, responded remarkably to the increase in international tourist arrivals, confirming its role as one of the largest employers and exporters of services of the national economy.

Graph 6a. Nights spent at tourist accommodation establishments by foreign visitors per destination (2019)

Graph 6b. Share of international tourist arrivals for the major competitors in the Mediterranean Sea



Sources: Eurostat, UNWTO (International Tourism Trends, 2020 edition)

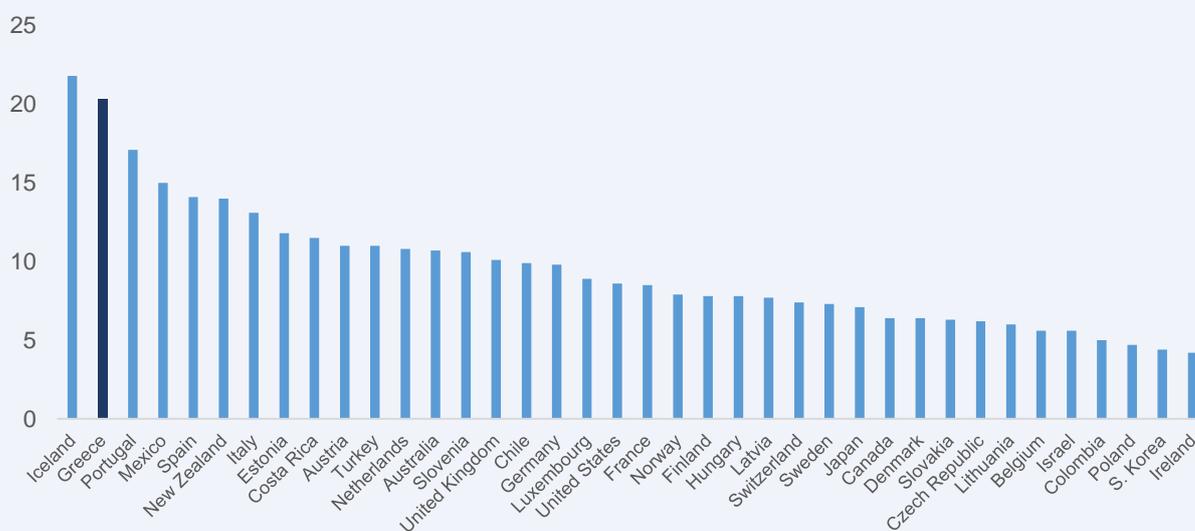
Box 1. The indirect and induced contribution of tourism to GDP: Wider definitions

According to the World Travel and Tourism Council, Travel and Tourism is one of the most significant industries worldwide, contributing actively to economic and employment growth. The contribution of Travel and Tourism involves:

- (i) the share of the following sectors to GDP: accommodation, food services, travel agents, passengers' transportation services and leisure industries directly involved with tourists, which stems from the *direct spending* (e.g., international travel receipts, spending on transport, travel spending by residents, government individual spending on travel and tourism, such as cultural and recreational services).
- (ii) the capital investment made by other industries on travel and tourism assets (e.g. accommodation and transport equipment), government collective expenses related to tourism like tourism promotion, visitor information services etc. and supply-chain effects, i.e., the industry's interaction with other sectors e.g. purchases of domestic goods and services (*indirect contribution*).
- (iii) consumption made by the people working in the tourism industry, etc. (*induced contribution*).

Before the pandemic crisis, there were several available estimations regarding the total contribution of tourism to GDP in Greece and, therefore, the degree of dependence of the Greek economy on the industry's performance. According to relevant studies (Ikkos and Koutsos, 2021b; IOBE 2012; Centre of Planning and Economic Research 2014) for every €1 of tourist activity, an additional €1.2-€1.65 of economic activity is generated. The WTTC also estimated that in 2019 the total contribution of tourism in Greece exceeded 20% of GDP, which was reduced, however, to 8.7% in 2020 due to the effect the pandemic had on travel and accommodation. As depicted in Graph 7, the total travel and tourism impact as a percentage of GDP in Greece, in 2019, was the second highest among OECD countries after Iceland (21.8%).

Graph 7. Total travel and tourism contribution 2019 (% GDP)



Source: WTTC

In preparation for the Olympic Games in 2004, the hotel industry upgraded its infrastructure to a great extent. The cumulative increase in the number of hotels during the period 2000-2004 stood at 10.2%. However, the increase registered during the following 15 years, 2005-2020 (11.2%), was not as impressive, considering the longer time span. Overall, the increased number of hotels made the country able to accommodate the tourist inflows seen during the 2010s.

The increase in the number of hotels in Greece was facilitated by a plethora of investments. In recent years, various established chains have extended their portfolio with new groups and brands. According to estimations by INSETE (Ikkos A. and Koutsos S., 2021b), the total amount of investment in the construction of new hotels and the renovation of existing hotels in 2019 reached approximately Euro 1,469 million, down

from Euro 1,735 million in 2018. In the coming years, investment activity is expected to gain pace, as investors move to take advantage of any opportunities that may emerge, including the Recovery and Resilience Facility (RRF) of European Commission.

A striking characteristic of the Greek tourism sector is the dominance of family-run and small hotels (less than 25 rooms). However, a clear trend for larger-scale units has more recently been seen as the number of rooms per hotel followed an upward path. In particular, the cumulative increase in 2012-2019 for hotels with 250+ rooms was 17.3% and for hotels with less than 25 rooms, just 0.1%.

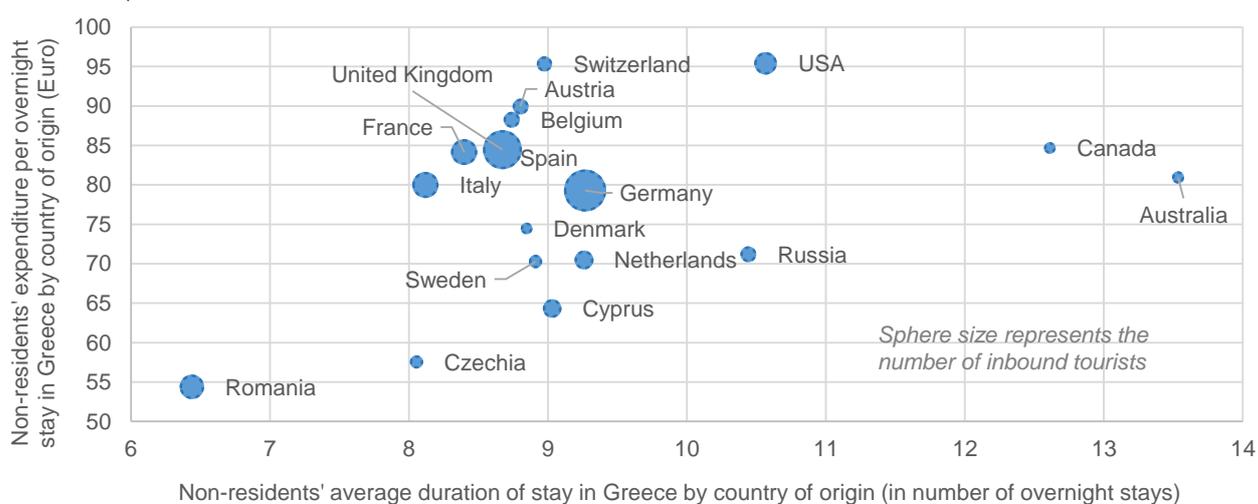
Greek hotels witnessed a remarkable upgrading and turned to more luxury units to address a constantly changing competitive environment, technological progress and the needs of guests. This is reflected in the increased share of 5* and 4* hotels in the total number of hotels, which has doubled since 2004 (Graph 9). The higher number of 5* and 4* hotels makes it possible to offer premium quality services and attract affluent visitors, positively impacting hotel revenues. The upgrading of hotels in Greece has been achieved through the entrance of large international hotel groups with a strong brand name. However, there is room for further upgrading as 2* and 1* hotels still account for almost half of the total number of hotels.

Some facts that confirm the changing landscape of the hotel industry into a more sophisticated and dynamic sector are: (i) the higher occupancy rates in larger hotels (>100 rooms); (ii) the fact that higher category hotels (5* & 4*) represent half of the total supply of bed places, with the South Aegean, Crete and Attica exceeding 50% (Graph 10); and (iii) the average number of rooms and bed places per hotel shows an upward trend, with 5* hotels leading the way (Stochasis, 2019).

The hotel industry in Greece is considered highly competitive, especially after the entry of big hotel chains in the market. This is evidenced by ICAP data that show that no hotel group held a market share higher than 4% in terms of turnover in 2019. Indicatively, the five largest groups represented about 12% of total hotel⁹ turnover (ICAP, 2020), whereas the top ten hotel groups represented around 18%. Furthermore, another study (Rodousakis N. et al., 2017) has argued that the hotel sector is highly competitive, and this holds true not only for the whole market but within each hotel category as well, with competition being higher in hotels of lower star categories.

Despite the upgrading of Greek hotels in terms of number and quality, “capacity utilisation” remains at a moderate level, as indicated by the average occupancy rate in bed places, which in 2019 reached 49%. This fact reflects a structural characteristic of the Greek hotel industry. In most destinations, arrivals and receipts are not distributed evenly over the year but are highly concentrated during the summer months. Bearing this

Graph 8. The relevant weights per country of origin for tourism in Greece (2019)



Source: Bank of Greece

⁹ Luxury hotels, A' and B' category hotels.

in mind, a greater mitigation of seasonality that can prolong the tourist season should be achieved, through alternative forms of tourism such as cultural tourism, health tourism, rural tourism, etc.

4. Boosting travel on all fronts: Home-sharing economy, online search and matching preferences

Greece welcomed over 31 million foreign visitors (excluding cruises) in 2019, a record within the last two decades. Questions remain over whether the hotel industry is the primary or the only beneficiary of this increase. As seen in Graph 12, the ratio of arrivals in hotels to total arrivals in Greece reached its highest level (64.3%) in 2018, from 54.5% in 2017, reflecting a stronger increase in hotel arrivals (numerator) in comparison with total arrivals (denominator). During the last three years the respective ratio remained approximately at the same level, as depicted in Graph 12.

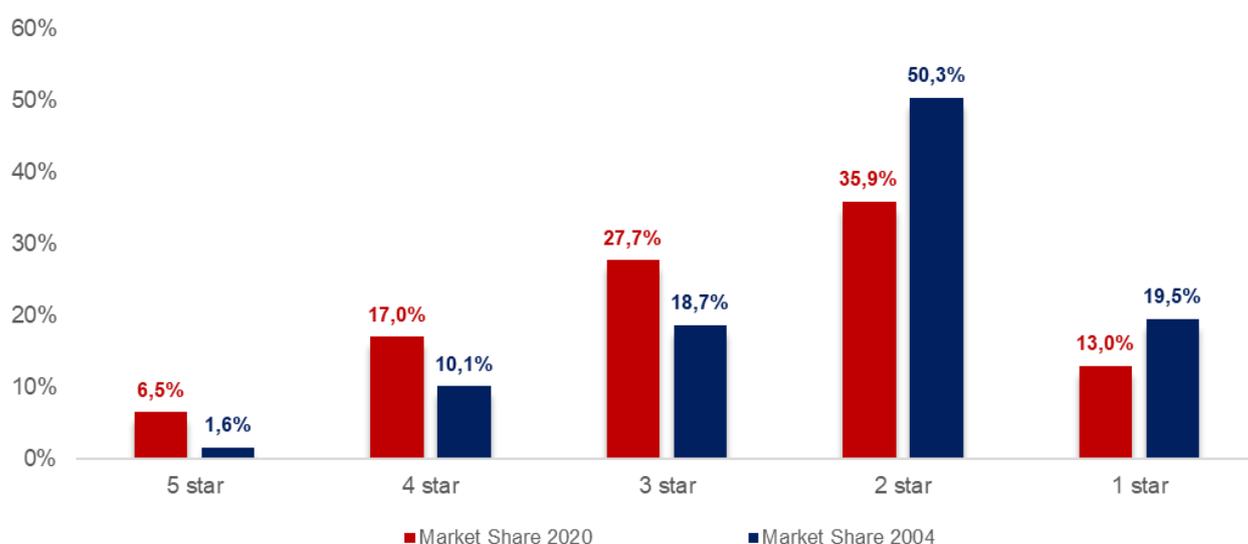
This ratio has been high since 2018, implying that hotels make up the largest hospitality services segment in Greece when compared to all other accommodation forms, which includes rooms to let that may or may not use home-sharing platforms. Since 2011, the wide capacity of short-stay accommodation has served as a fertile ground for the fast development of home-sharing via digital platforms such as Airbnb, HomeAway etc.

The home-sharing economy continues to boost travel, while at the same time possibly absorbing a small part of the hotel sector market share. In addition, its broad range of low-cost options exerts a downward pressure on hotel prices (Aznar et al., 2018). According to several empirical studies (Hellenic Chamber of Hotels & Grant Thornton, 2017; Yaraghi and Ravi, 2017; Farronato and Fradkin, 2018), around 30% of home-sharing visitors would not have made their trip if not for this type of accommodation, which means that additional demand has been generated. Hence, 70% of visitors in the home-sharing economy derive from the hotel industry. This outcome creates stronger competition in the hotel industry, especially in terms of pricing.

According to Sundararajan, 2016, Airbnb and related platforms do not come at the expense of the hotel businesses, but rather have created a variety of options for travellers who may otherwise find it too expensive to travel for long periods of time. Digital platforms like Airbnb may best be understood as diversifying and expanding the existing business models rather than replacing them. These platforms are also changing consumer behaviour along the way. They have made services more convenient and less expensive, and they have created more options through their shared services.

Comparing the number of bed places in home-sharing accommodation and hotels in Greece, between July 2019 and June 2020 (Graph 13), it appears that the number of bed places in home-sharing accommodation

Graph 9. The upgrading of Greek hotels in the previous decade



Source: ELSTAT

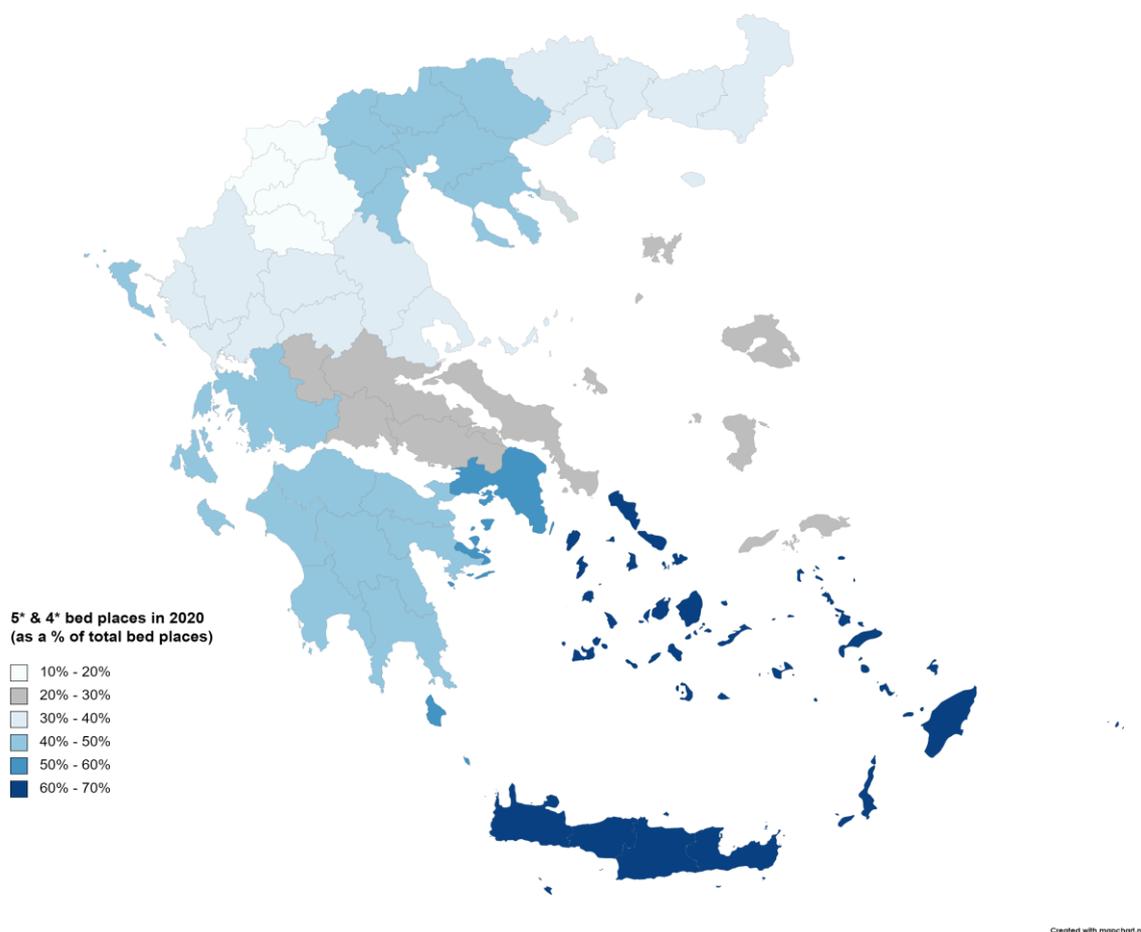
is almost equal to that in hotels (Ikkos A. and Rassouli G., 2020). In the Cyclades the portion of bed places in short-term rental accommodation accounts for 73% of the total and the equivalent figure is 69% in Attica, 66% in the Peloponnese, 54% in the Ionian and 52% in Thessaly. However, in the Dodecanese the corresponding portion is only 20% and in Crete is 44%. In 2020 the consumer's choice between Airbnb and traditional hotels was dominated by two factors: the standards of health conditions and the need for social distancing.

Online search engines are not new in the tourism industry. However, their extended use by almost all travellers worldwide forms a much more competitive environment before their trips. The economic value of the platforms matching preferences to any given user largely depends on the number of users on the network's other side, the potential customers. As search and booking platform use has become widespread, customers have become increasingly empowered. They can make better choices based on their access to (i) better information, (ii) a larger number of local markets, and (iii) up-to-date feedback and reviews, on the relevant services and products.

The impact of these advances is not fully captured by GDP accounting. As pointed out by Sundararajan A., (2017, page 15): *"Part of the higher quality of one's consumer experience is often realized as an intangible better product fit or by an increase in consumer surplus, which, loosely speaking, measures the difference between the maximum amount the consumer would be willing to pay for a product or service and the actual amount paid"*.

The question is whether the aforementioned forces are compressing hotel prices, as measured by revenues per night. This assumption seems reasonable, ceteris paribus. However, any price compression might be partially or fully offset by an increase in the occupancy ratio due to the matching optimisation effect.

Graph 10. The geographical distribution of higher category hotels (in terms of bed places)



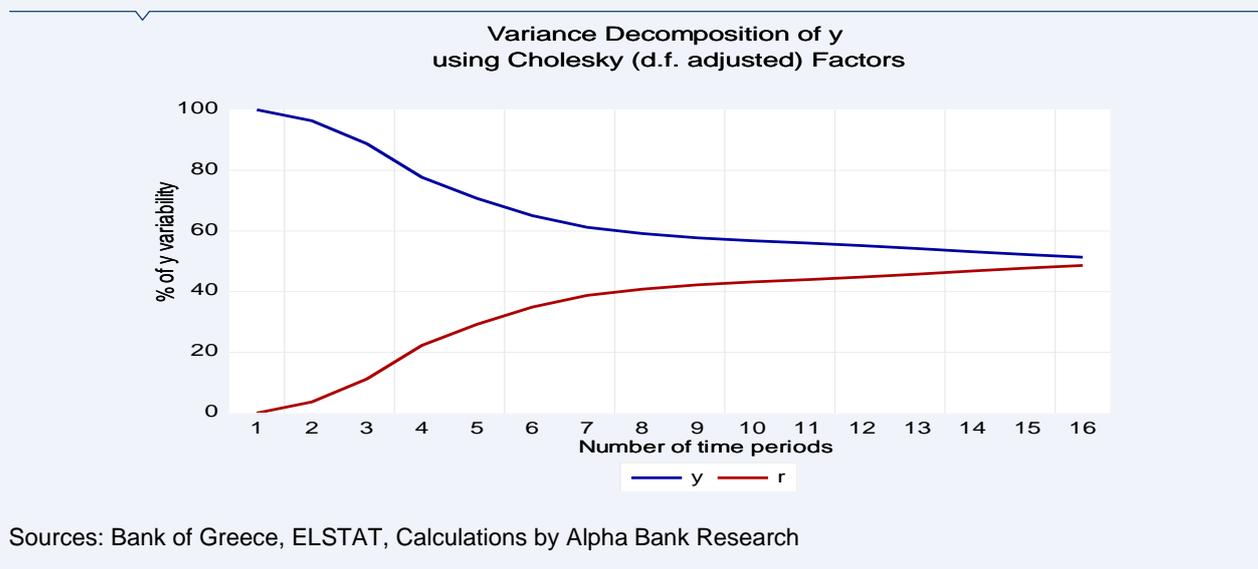
Source: ELSTAT, created with mapchart.net

Box 2: Tourism as a long-run economic growth driver

Over the past decades, several studies have investigated the long-term impact of tourism on economic growth, well-known as the tourism-led growth hypothesis. Tourism can act as a growth factor by contributing to GDP growth, employment and foreign exchange generation (see Brida et al., 2016, for a review of relevant literature and Rasool et al., 2021, for a recent test among BRICS countries). The development of the tourism sector leads to increased income for the population employed in tourism enterprises, as well as for people who are not directly employed in tourism enterprises but work in businesses whose economic prosperity depends on tourism. Greece is characterised by its importance as an international tourist destination. Indeed, in recent decades, travel receipts have been a substantial source of compensation for Greece's trade account deficits as documented in the *Introduction*. Indicatively, the empirical studies that investigate the tourism-led growth hypothesis in Greece are Dritsakis N., 2004, Dritsakis N., 2012, Georgantopoulos A., 2012, Eeckels et al. 2012 and Lolos et al., 2021. Having all these as a springboard, the purpose of this box is to empirically investigate the tourism-led growth hypothesis in Greece for the sample period 2005Q1-2021Q4 relying on the latest available data to include the COVID-19 pandemic period as well. In other words, we examine whether tourism is a main determinant of overall economic growth in the long term. To this end, we employ a Vector Error Correction Model (VECM) with three lags (based on the typical lag-length selection criteria, namely, the Akaike's Information Criteria [AIC] [Akaike, 1973] and the Bayesian Information Criteria [BIC] [Schwarz, 1978]), which contains three variables, i.e., (i) the seasonally adjusted Gross Domestic Product (y), (ii) international travel receipts (r), and (iii) the CPI based real effective exchange rate index (x), as a proxy of the country's external competitiveness. All the variables enter the system as logarithms.

The results from the VECM show that there is indeed a positive and statistically significant long-run relationship between tourism and output, supporting the tourism-led growth hypothesis. Specifically, in the short term, Greek domestic output is found to be explained only by its lagged value, with the tourism sector exerting an insignificant effect. The results from the variance decomposition reveal that economic growth is totally explained by its past values (persistence) within the first quarters with the tourism sector having a smaller contribution to it. However, the contribution of tourism receipts becomes highly remarkable at the end of the 8th quarter (i.e., after 2 years). This indicates that tourism has a pronounced long-run effect on the explanation of future growth path.

Graph 11. Short-term and long-term effects



5. Sizing and shaping the pandemic shock on tourism in Greece: Nike swoosh with a two-year-lasting rebound?

Tourism was one of the sectors most affected by the COVID-19 pandemic. The restricted mobility and social distancing measures taken to prevent the virus spreading affected all parts of its vast value chain. Since

March 2020, most countries closed their borders, suspended hotel operations, banned travelling within the country and imposed quarantine periods, those measures being lifted during periods when the epidemiological situation improved. The stringency of the measures since the beginning of the pandemic is depicted through the relative index (Stringency Index by the Oxford Coronavirus Government Response Tracker (OxCGRT)) in Graph 14, which incorporates both travel restrictions and domestic containment measures. The implementation of restrictive measures led to a severe drop in international arrivals at Athens International Airport (AIA) in 2020 (-71.6%), as depicted in the graph, and, consequently, in tourist arrivals and receipts, both by 76.2% (Graphs 1 and 16a). In support of this fact, the literature argues that the collapse was immediate in the aftermath of the news spreading, meaning that many travel plans were cancelled on the same day (Uğur and Akbıyık, 2020).

Tourism jobs, especially those in the labour-intensive accommodation and food services industries were put at risk, while small businesses (up to 49 employees) - which represent most enterprises and employees in tourism - proved to be particularly vulnerable. It should be noted that small businesses shoulder 98% of the total enterprises in the accommodation sector and 99.2% in the food services sector respectively, whereas, in terms of employment, more than half of the persons employed in the accommodation sector (52%) and 87.2% of employees in the food services sector work in small businesses. Despite the measures that the Government introduced to protect jobs, the number of employed persons in accommodation and food services fell by about 10% in 2020.

In addition, the share of nights spent in tourist accommodation establishments by foreign visitors dropped from 84% in 2019 to almost 70% (Graph 5a) in 2020. However, nights spent in all types of holiday accommodation by residents decreased considerably less compared to stays by foreign visitors in 2020. The latter eased, to a certain degree, the losses that the accommodation sector recorded in 2020. Furthermore, another effect of the pandemic was that it shifted the arrivals per month curve slightly to the right, i.e., it curbed the seasonal pattern of tourism in Greece, as depicted in Graph 16a. In particular, the restrictive measures against COVID-19 were gradually lifted for the tourism industry from June 2020 onwards and, therefore, arrivals started to pick up from that month, two months later compared to previous years. Finally, in terms of turnover, the losses for businesses (obliged to double-entry bookkeeping) in the accommodation sector reached 68%, on an annual basis, for food services 38%, and for travel agencies, tour operator reservation services and related activities, 76% respectively. As depicted in Graph 17a, the contraction of the turnover in the previously mentioned sectors considerably exceeded the decreases recorded in other sectors of the Greek economy.

In 2021, the tourist season began in May and the rebound was more intense than initially expected. According to Bank of Greece data, international tourist arrivals increased by 99.4% in 2021, while the

Graph 12. Inbound travellers in Greece



Sources: ELSTAT, Bank of Greece

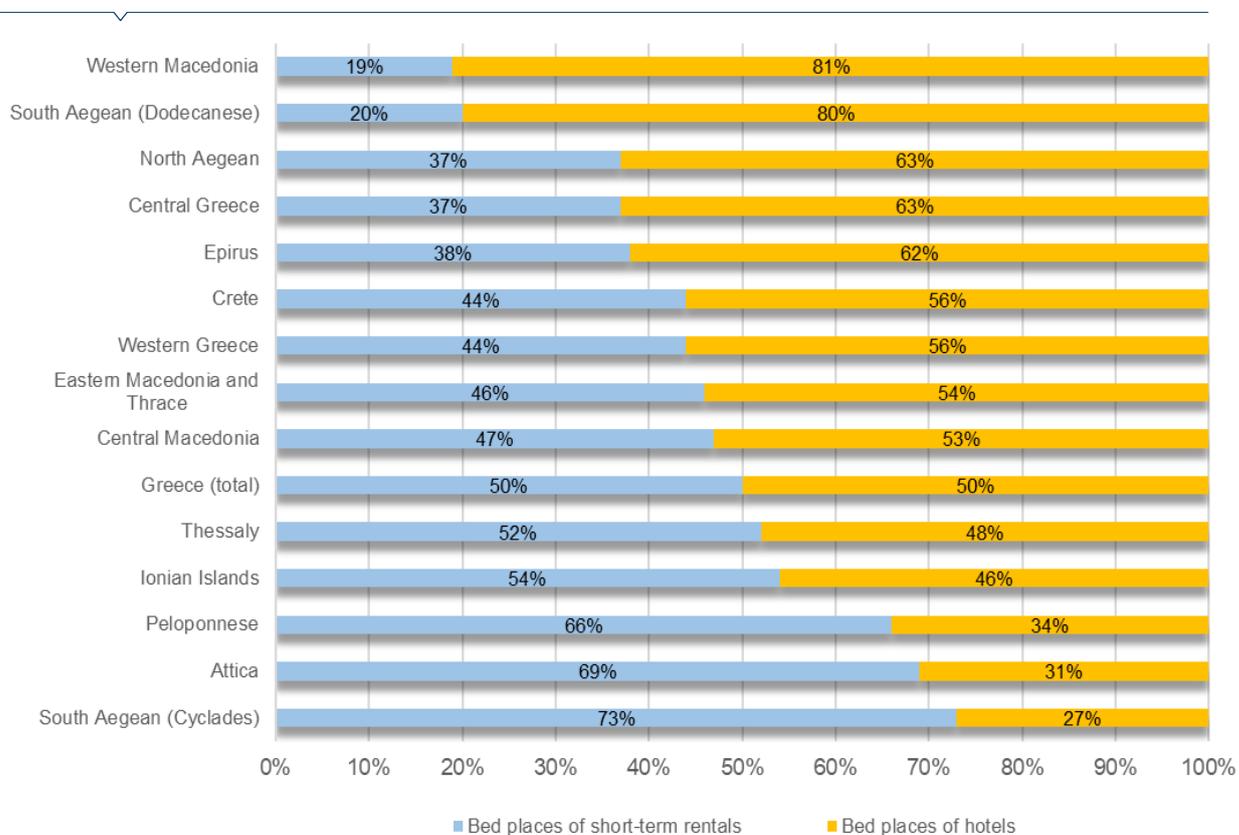
corresponding receipts (including cruises) increased by 143%. This development is mainly attributed to strong base effects, whereas both arrivals and receipts still lack behind the respective 2019 (47% and 58% of 2019 figures, respectively). As regards countries of origin, travellers from France and Germany bounced back to around 75% of 2019 levels, with the corresponding travel receipts standing at 91% and 78% of the relevant 2019 figures, respectively.

Furthermore, international passenger traffic at the Athens International Airport (AIA) increased by 174% between May and December 2021, reaching 54% of respective 2019 levels. The turnover of accommodation enterprises increased by 126% in 2021, whereas during the same period the turnover of travel agencies, tour operators, etc., increased by 85%, and of the food services businesses by 25% (Graph 17a). The base effect impact was quite strong as depicted in the graph, as sectors hit hard by the pandemic in 2020 recorded higher turnover increases in 2021.

The rebound of tourism in Greece is expected to continue in 2022. According to the WTTC (21st Global Summit, April 2022) flight bookings to Greece record a strong recovery, almost reaching their pre-pandemic levels. In addition, international arrivals at AIA in the first four months of 2022 increased almost fivefold compared to the same period of 2021. In parallel, the expectations of the tourism industry become more optimistic, as depicted in Graph 17b. The business expectations in accommodation, as well as tour agencies, operators and related activities, regarding the evolution of demand within the next three months, turned positive in 2021, following, in general, an uphill trajectory. There was a setback, in late 2021, due to the spread of the Omicron variant, but expectations of hoteliers and tour operators increased again, in March 2022. It is noted that since the outbreak of the pandemic two years prior and until early 2021, business expectations in the hospitality sector and activities related to tour services were negative.

The surge in energy prices driving up inflation since the autumn of 2021, and, most importantly, since the Russian invasion of Ukraine in February, are causing uncertainty regarding the size of the rebound of the tourism sector, as they affect both demand and supply (please refer to Box 3).

Graph 13. Bed places by accommodation category, per region (July 2019 – June 2020)



Source: Ikkos A. and Rassouli G., 2020

6. Surviving the Perfect Storm: private sector strategies and government policy response

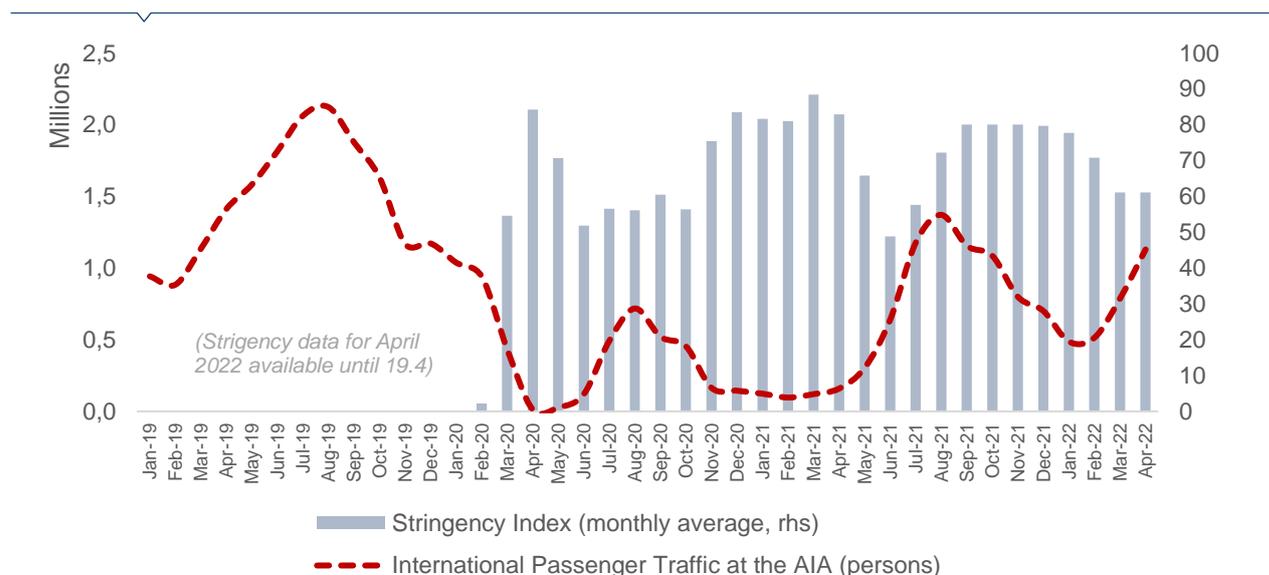
Despite the reduced turnover in 2020 and in 2021, the Greek tourism sector managed to survive by relying on three main factors: (i) the measures adopted by the Greek government in order to minimise the negative impact of COVID-19, (ii) the cost management strategies employed by the private sector and (iii) the special features of the Greek tourism industry.

In particular, governmental support contributed to a considerable extent to the survival of businesses across the economy, as well as to the retention of jobs. The supportive measures, most of which were in place for a more extended period for the tourism sector compared to others due to the fact that it was hit hard by the pandemic crisis, can be summarised as follows: refundable advances to businesses, reductions, as well as subsidies of social security contributions, suspension of tax and social security payments, VAT reduction for tourist packages, financial aid, and compensation payments to airports and airlines, subsidies of fixed costs, special purpose compensation for employees and seasonal workers whose employment contracts were temporarily suspended during the lockdowns, the implementation of employment protection and retention programme, providing income support for full-time employees, working fewer hours ('SYN-ERGASIA'), interest rate payment subsidies for business loans, government guarantees to boost liquidity, expansion of the existing domestic tourism subsidy programme¹⁰. According to the Research Institute for Tourism, 2022 Greek hotels covered about 40% of their financing needs in 2021 through government support measures.

Regarding the private sector's policies, the first concern for all businesses operating in the tourism industry and in particular hotels and other accommodation establishments, was survival, considering the limited - compared to the pre-COVID-19 period- occupancy rates. So, the first question that was raised - between the spring and autumn lockdowns in 2020 and after the lifting of restrictive measures in May 2021 - was whether to *open or not*. According to Aznar et al. 2018, hotels are characterised by high fixed costs, whereas their performance depends highly on occupancy rates. Tsionas, 2020, suggested that a reopening requiring the same level of profit as in the pre-COVID-19 period presupposed an occupancy rate near 33%, whereas a reopening requiring only non-negative profits was quite feasible (supposing fixed costs remained at their pre-pandemic level).

In addition to the tremendous negative demand shock due to COVID-19, a variable cost shock hit the sector as well. During the periods that restrictions were lifted and the economy reopened, there were specific requirements for the operation of the hospitality sector. In particular, (i) social distancing measures needed

Graph 14. Stringency index and international passenger traffic at the AIA



Sources: Our World in Data (University of Oxford, Global Change Data Lab), Athens International Airport

¹⁰ via the programme's budget increase, increased number of beneficiaries, subsidy of ferry fares, offer of more overnight stays per beneficiary, full coverage for people with disabilities.

to be maintained to a certain degree, which led to lower capacity, (ii) cleaning costs were increased to meet augmented hygiene standards related to COVID-19, and (iii) cancellation and refund policies ought to be flexible, due to the uncertainty surrounding the evolution of the pandemic.

Box 3: The economic repercussions of the war in Ukraine at the outset of 2022

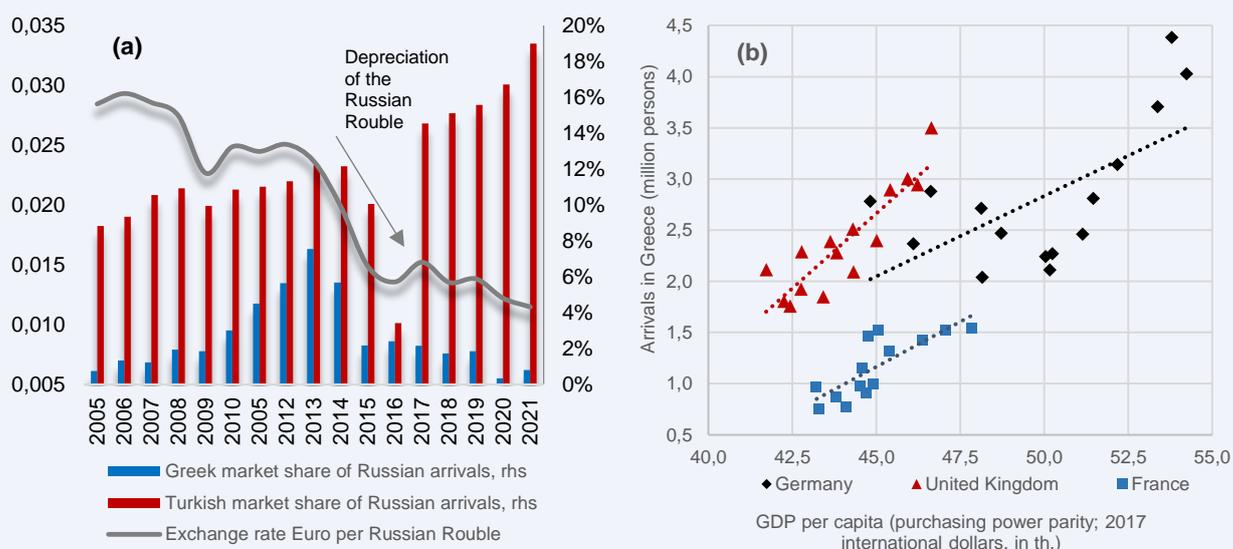
In the aftermath of the Russian invasion of Ukraine in February 2022, the positive momentum of tourism in Greece is expected to slow down, to some extent. Specifically, the severe geopolitical conflict is anticipated to have a spill-over effect on the tourism sector through three channels.

First, is the impending decline in Russian tourists. However, this impact is expected to be limited -given the low market share of Russian arrivals in Greece (Graph 15a). Yet, certain geographical areas and big hotel units, which may be relatively more dependent on this market, are expected to suffer some losses if they fail to cover the “gap” with arrivals from other markets. As seen in the graph, following the Crimea crisis in 2014, tourist inflows from Russia have been gradually reduced, mainly due to the depreciation of the Russian Rouble against the Euro. In parallel, the market share of Russian arrivals in Turkey increased steeply, especially after 2017 as a result of the depreciation of the Turkish Lira, reflecting, in part, a substitution effect (the respective share in Greece decreased). In 2019, Russian tourists represented 1.9% of total tourist arrivals in Greece, while the number for Ukraine was even smaller. The share of Russian arrivals dropped to 0.3% in 2020, due to the containment measures and the impact of the pandemic, recording only a marginal uptick to 0.8% in 2021. In terms of travel receipts, the respective shares stood at 2.4% in 2019 and 1.1% in 2021.

Second, is the expected reduction in the purchasing power (due to the energy crisis and rising inflation) of consumers in countries of origin (United Kingdom, Germany, Italy, France, Romania, USA, etc.). This is expected to lead to a potential deceleration in tourist arrivals -given their positive relationship with GDP per capita, as depicted in Graph 15b- and, consequently, travel receipts. However, this impact may be partially counterbalanced by the accumulated savings during the pandemic.

Third, is increasing cost in the accommodation sector due to the even more steep rises in energy prices that will probably persist, reducing, consequently, their profit margins.

Graph 15. Tourist arrivals from Russia in Greece and Turkey, the Euro per Rouble exchange rate, and the relationship between tourist arrivals and PPP GDP for the three biggest countries of origin¹¹



Sources: Bank of Greece, IMF, Bloomberg, Ministry of Culture and Tourism, Republic of Turkey, Calculations by Alpha Bank Research

¹¹ Annual data 2005-2019. The UK, PPP GDP figure for 2019 is an estimation.

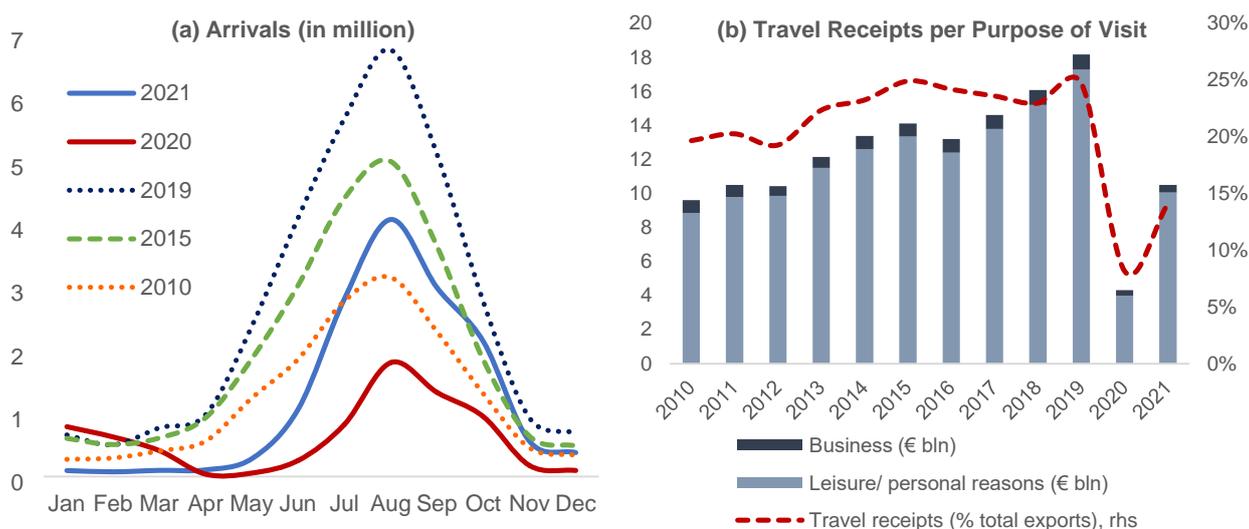
Hotels, especially the big brands, enhanced their cleaning protocols (e.g., using professional or even industrial grade cleaning products, training their housekeeping staff accordingly, etc.), while home-sharing operators also committed to enhanced cleaning processes (e.g., unified policies per platform). At the same time, large hotels with multiple facilities proceeded with cost minimising solutions to balance reduced occupancies and high costs, such as operating part of their facilities (e.g., their low-cost branches etc.)¹². For some hotels, the optimal solution was even to cease or postpone their operation. It is noted that in 2020, 60% of Greek hotels actually opened, whereas in 2021 that percentage was 96% (Research Institute for Tourism, 2022).

The particular characteristics of the market in which hotels or other accommodation establishments operate, such as the type of tourism they attract (e.g., domestic vs international, coastal vs city) played an important role as regards their recovery and profitable operation during the pandemic crisis. More explicitly, the fact that most nights spent in accommodation establishments in Greece were, up until 2019, in coastal areas (98%) and that only about 5% of total travel receipts came from business trips was considered a positive characteristic with respect to the rebound of tourism in Greece in the short and medium-term. In the summer of 2020, a large part of the rebound in tourism activity across Europe focused on coastal and rural regions, a trend that was observed in 2021 as well. In addition, business trips might take some time to bounce back to pre-COVID-19 levels, or they might even be reduced considerably in the future due to the use of technology that became widespread with the rise of remote work. On the other hand, the dependence of tourism in Greece on international arrivals and, more importantly, on air transport was a burden, given the strict protocols that airlines followed after the outbreak of the pandemic.

7. A pathway dominated by Megatrends: mapping out how the new normal would look like

The tourism industry is undergoing changes in the last few years, most of which emerged or intensified during the pandemic, which is expected to significantly change its future course. In particular, the threat of climate change makes global action imperative to address its repercussions. Action is required by all, from an individual to a collective level, including specific segments of the economy, such as the tourism sector, which needs to implement green policies and incorporate new technologies. In parallel, the evolution in technology has changed everyday life dramatically, which was evident during the pandemic when most of the business world embraced remote work. Due to demographic changes and, in particular, population ageing, as well as a change of mentality in younger generations, consumer patterns are changing. The

Graph 16. The impact of the pandemic in 2020 on international tourist arrivals and receipts and the 2021 rebound



Sources: Bank of Greece, Eurostat

¹² Short-term rentals -especially in cases when the establishment is available, does not have an alternative use and the relevant revenues serve as additional income for the host- were probably more flexible regarding reopening. Therefore, it could be possible, in such cases, to operate even at very low occupancy rates.

pandemic is also expected to affect the tourism industry in the long term in various ways, most probably by helping to shift traveller preferences towards a number of pre-existing trends (i.e., going green, learning something new, volunteering, living an adventure, nomadic sabbaticals, Bruce, 2019) that will in turn lead to the sector's adaptation and transformation. The above changes or megatrends (please also refer to Deloitte/ Remaco/ INSETE, 2021, WTTC, September 2020, WTTC, November 2021) are depicted in Figure 1. The figure also shows how they interact with changing customer preferences and how the tourism industry is expected to adapt to the new conditions.

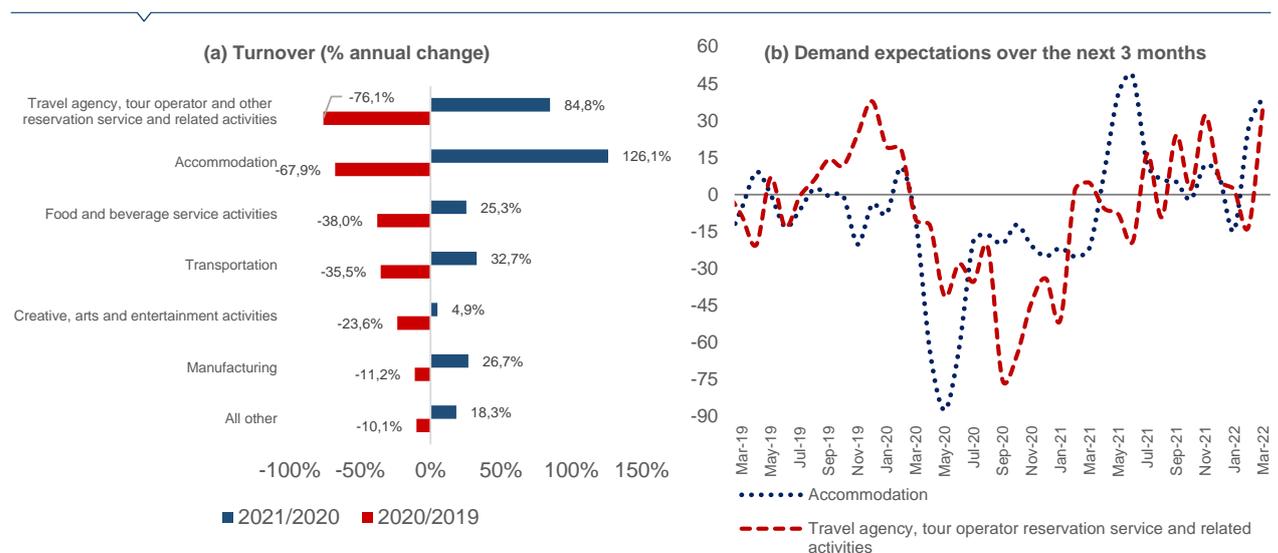
Specifically, the megatrends that generate both chances for the development of the tourism sector and threats that need to be tackled are presented on the left-hand side of Figure 1. They are also categorised into:

- policy-related (green shaded boxes), which consists of the green transition and the promotion of universally accessible tourism;
- technological (blue shaded boxes), i.e., the digital transformation and the increased use of teleworking;
- behavioural (pink shaded boxes), which refers to the legacies of the pandemic, i.e., social distancing and the importance of health measures, as well as the demand for accessible tourism for all and to the increasing need of people to take time off work or a sabbatical; and
- demographical (yellow shaded boxes), as the ageing population seems to create a whole new market for the tourism sector.

Figure 1 also includes (right side) how these megatrends are reflected on the customers' side in terms of preferences (orange shaded boxes), i.e., the customers become green oriented, might prefer local destinations and small-scale tourism, use technology in all aspects of their life including during their holidays, seek new adventures, want to combine work and holiday and demand accessible infrastructure in tourist destinations. On the right hand side of Figure 1, we also show how businesses in the tourism sector are expected to respond (light green boxes) in order to adapt, gain comparative advantages and meet the changing needs of tourists by changing their business model and, in particular, analysing and accommodating the revised behavioural patterns, enhancing safety and cleaning protocols, investing in green and accessible infrastructure, and developing alternative forms of tourism.

Even before the pandemic crisis, the need to address important social, economic, and environmental issues was widely recognised. In the post-pandemic era, these concerns are timelier than ever, given the economic turbulence that it has caused. In 2015, the United Nations adopted the "2030 Agenda for Sustainable Development" and the 17 "Sustainable Development Goals (SDGs)" as a worldwide call to action, to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. The tourism

Graph 17. The rebound of the turnover of tourist businesses and their improved expectations



Sources: ELSTAT, European Commission

industry has the potential to contribute, directly or indirectly, to all these goals.

In summary, tourism can actively contribute to reducing poverty, as well as boost representation of the youth and women in the labour market, back decentralisation, create employment opportunities across regions and, therefore, contribute to urban renewal and rural development. It is also crucial that the tourism industry actively supports environmental sustainability through the adoption of sustainable consumption and production (SCP) models, i.e., monitoring energy and water consumption, waste management, promoting investment in clean energy sources, etc. Finally, tourism stakeholders could lead initiatives and actions to combat climate change.

In the following sections of this 'Insights' we present, in brief, the megatrends depicted in Figure 1 that are expected to shape the future of the tourism industry, describe their interaction with travellers' preferences, as well as their effects on the supply side, i.e., the adaptation of the business model of tourism businesses.

8. Climate Change & Green Transition: threats, vulnerabilities and opportunities for the hospitality sector

Climate change is one of the top priorities of international organisations and governments worldwide, as the phenomenon has implications not only for the environment, but also for the economy. Tourism is inextricably linked to the natural environment and, therefore, is sensitive to climatic conditions. Thus, the effects of climate change, such as higher temperatures, extreme weather conditions, lack of resources, as well as the erosion of the natural environment; are expected to have an important negative impact on the tourism industry. It is noteworthy that tourism is a significant contributor to the concentrations of greenhouse gases in the atmosphere, as it accounts for approximately 50% of traffic movements (Sunlu, 2003) and is responsible for roughly 8% of the world's greenhouse gas emissions (Lenzen et al., 2018). Climate change is identified "as the greatest challenge to the sustainable development of tourism in the 21st century" (UNWTO, the United Nations Environment Program, 2008).

Several reports (e.g., Deutsche Bank, 2008; UNWTO, United Nations Environment Program, 2008) estimate that a possible - *further* - increase in the average temperature during the summer might lead to a redistribution of tourist arrivals from the Mediterranean to Northern countries with lower average temperatures, resulting in an economic hit for the economies in the area. Scott et al., 2019, constructed a Climate Change Vulnerability Index (CVIT) comprising 27 indicators¹³ to assess and compare in a systematic way the vulnerability of the tourism sector in 181 countries, and identify where climate change is expected to hamper tourism competitiveness and growth. According to the findings of the study, the most vulnerable countries are those in which tourism contributes significantly to GDP, as well as countries in regions where tourism growth is expected to rise at a relatively stronger pace over the coming decades. Additionally, countries with both high potential impact from climate change and low adaptive capacity include several of the least developed countries and developing small island states (e.g., Djibouti, Dominican Republic, Solomon Islands). For Greece, as well as for other large and growing tourism economies, such as India, Mexico and Japan, the potential impact of climate change is estimated to be high, but the adaptive capacity of the sector, as well as of the country, are expected to partially counterbalance the risks.

Coccosis et al., 2021 suggests that the effects of climate change on tourism in Greece, will be more multifaceted. The expected rise in temperatures during the summer months, resulting in the more frequent occurrence of heat waves, may lead, on the one hand, to a downgrade of the quality of the country's tourist product during the summer, but on the other hand, may lead to an extension of the tourist season. The causal relationship between the two is depicted in Figure 1, with the arrow pointing from 'climate change' to 'changing the seasonal pattern of tourism in Greece's box.

In addition, the impact of climate change is expected to be diverse and in accordance with the specific characteristics of each tourist region (e.g., following the level of tourist development in each area). Therefore, the relevant actions to be implemented should be decided accordingly (Coccosis et al., 2021). These include, *per case*, the management of tourist flows, natural and cultural resources, spatial restructuring and reorganisation or construction according to spatial plans, implementing contemporary initiatives and investments (e.g., green, digital).

¹³ These indicators are categorised into 'tourism assets', 'tourist operating costs', 'tourism demand' and 'host country deterrents', and include, for example, the impact of several forms of tourism, energy costs, the percentage of international leisure arrivals, security and health impacts etc.

According to Coccoisis and Spilanis, 2014, the main operational areas of intervention for the tourism sector to address the impact of climate change are: (i) enhancing entrepreneurship, (ii) developing and improving infrastructure, (iii) upskilling and reskilling of the tourist sector's human capital, (iv) curbing the seasonality of tourism in Greece, (v) the spread of the tourist product to a larger part of the territory, as well as (vi) the upgrading and personalisation of the tourist experience in each destination, according to its special characteristics. Therefore, it can be concluded that climate change affects both *demand* and *supply* in the tourism sector at the same time. Thus, the relevant action requires the collaboration of tourism businesses and the State.

On the supply side, the development of alternative forms of tourism and of new destinations, e.g., in mountainous areas, agrotourism, medical tourism, ecotourism, etc.; could be the means to diversify the risks arising from: (i) climate change and the possible decrease in demand during the summer months, i.e., the traditional tourism season in Greece; and (ii) the high dependence of the Greek economy on the tourism sector. Therefore, adopting relevant policies and investing in alternative forms of tourism will enhance the sector's, as well as the economy's, resilience against the impact of climate change and against future crises similar to the COVID-19 pandemic. Bearing these risks in mind, businesses should focus on the development of new products, services and markets (as per the connection depicted in Figure 1). It should be noted that Greece's rich diversity in terms of geomorphology is observed not only in the country as a whole, but in specific destinations as well, such as Crete (which is a mountainous island with a long coastline), the Peloponnese region, the mainland, etc. Exploiting these attributes may allow for a more balanced tourism development policy.

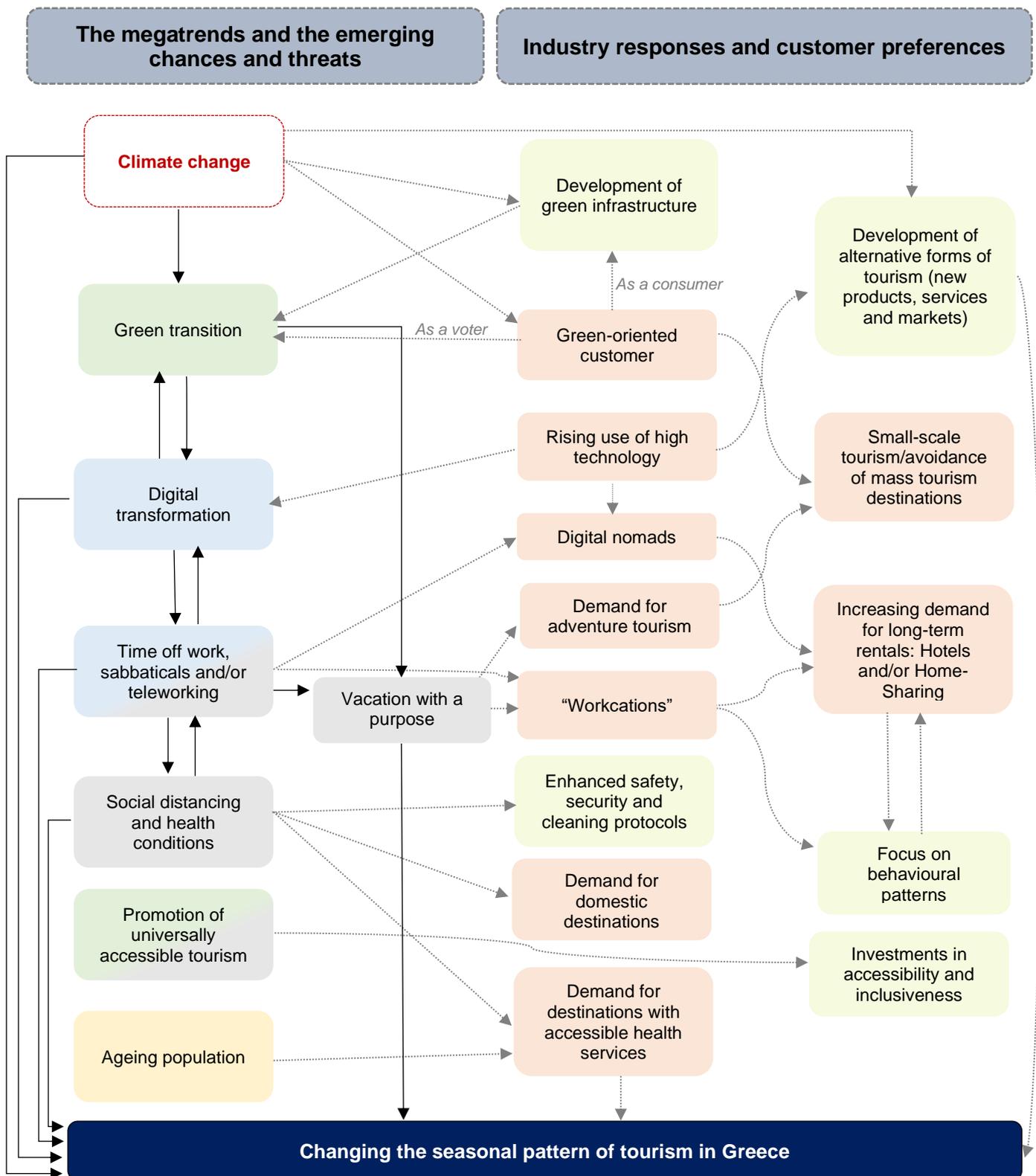
It is also crucial for tourism businesses to invest in green infrastructure, adopt sustainable practices, such as using environmentally friendly supplies and sustainable materials, implementing water and energy conservation programmes, recycling and treating wastes, and using renewable energy sources in an effort to become more carbon neutral. In parallel, it is important that they support local communities, through promoting locally sourced products and hiring local staff (Stratigea and Katsoni, 2015). The need to 'go green' is dictated not only by climatic conditions and the need to adapt to them, but also by the customer's preferences. The latter is depicted in Figure 1 through the two arrows pointing at the 'development of green infrastructure', one from the 'climate change' box and the other from 'green-oriented customer'.

On the demand side, the imperative need to combat climate change and its impacts is also expected to affect the tourists' preferences (Figure 1, 'green-oriented customer'). Travellers are expected to become more sophisticated, educated, experienced and 'green-oriented' compared to the past (Stratigea and Katsoni, 2015, Stratigea and Hatzichristos, 2011). Therefore, environmentally conscious individuals will gradually turn to eco-friendly and low-carbon holidays, meaning that they might prefer domestic destinations, small scale tourism, i.e., visiting natural areas vs mass tourism destinations. This in turn will enhance the development of new destinations and alternative forms of tourism and promotes the selection of accommodation establishments or transportation means that follow green policies. Increased travel responsibility is expected to minimise the environmental impact of holidays, help preserve natural heritage and biodiversity, and support the well-being of local communities.

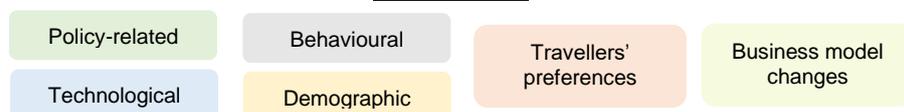
The shift in the customer preferences due to the need to act on climate change, along with the tourism businesses' adaptation to the new climate conditions through the development of green infrastructure, are expected to lead towards the green transition of the tourism sector. For that to materialise, the use of digital technologies is a prerequisite. The above are illustrated in Figure 1 through the interconnections of the 'Green Transition' box with the aforementioned elements. Investments in green infrastructure and in digitalisation are costly as they require, *inter alia*, the transition from fossil fuels to renewable sources of energy and might prove to be challenging, especially for small businesses in the tourism sector. However, the cost of inaction might prove to be much larger than the cost of transition. In addition, energy costs and, in particular, petrol costs are causing uncertainty and burdens, as occurs for example in the current conjuncture where those prices are rising rapidly.

Therefore the 'Next Generation EU' (NGEU), the recovery plan adopted by the European Union to combat the negative impact of the pandemic, is a unique opportunity for the Greek economy, for both the public and the private sector, to cover the investment gap inherited from the previous economic crisis. Greece is one of the top beneficiaries of the plan as the funds to be received within its time horizon, i.e., until 2026, will reach approximately Euro 32 billion (both grants and loans). The green and digital transition initiatives are top priorities of the Recovery and Resilience Facility (RRF), which is the centrepiece of the NGEU and complement each other.

Figure 1. The future course of tourism



Colour index:



9. Preparing tourism businesses for the digital future

Moving downwards on the left-hand side boxes of Figure 1, digital transformation is portrayed, as a technology-related change. The incorporation of digital technologies into business processes is imperative to advance and customise the customer experience, provide information and promote tourism destinations. The ever-increasing use of smartphones, apps, wearables, contactless payment, virtual experiences and accessibility to real-time information add to the challenges ahead for the travel and tourism industry, while it is expected to generate benefits for customers and businesses through improved safety and security, as well as cost and time savings (OECD, March 2020).

The progress in cutting-edge technology and the utilisation of artificial intelligence, robotics, and automation in tourism has gained research interest¹⁴. It is expected that digital solutions, such as autonomous vehicles and voice assistants, will offer a high standard of transformation to the sector (Ivanov et al., 2019; Ivanov and Webster, 2020). The technological progress provides companies with technical feasibility and affordance for unmanned services and new products (Tussyadiah et al., 2021). Integrating robotics¹⁵ into the field of hospitality and food services is expected to be beneficial on many fronts.

Robotics will enhance service quality and reduce labour cost (Belanche et al., 2021; Huang and Rust, 2018), improving the efficiency of recreational activities and hotel operations. The guests often express serious concerns regarding the societal impact of robotics in the tourism industry, while on the other hand the cleanliness in lodgings and the food safety of robotics, as well as communication quality - especially voice recognition - are of great importance (Zemke et al., 2020). According to several studies, the users of robotics in hotel services report better experiences (Tung and Au, 2018). Hence, a new trend is emerging where businesses are encouraged to delegate simple, routine tasks to robots, thus focusing on delivering supreme guest services, benefiting both clients and employees (Wirtz et al., 2018).

The use of statistical machine learning and artificial intelligence for analysing, processing and classifying big data on tourism flows, will be important for making better forecasts and optimising management. By using digital technologies, tourism businesses can also tackle challenges, such as seasonality and overcrowding. As pointed out by the UNWTO, the use of big data management systems can provide valuable information regarding the impact of the tourism sector seasonality on sustainability. This relationship is represented in Figure 1 with the arrow connecting the “Digital transformation” box with the “Changing the seasonal pattern of tourism in Greece” box.

The implementation of digital upgrades enhanced by the rising use of high technology among customers leads to the development of differentiated tourism products and services, which are more focused on behavioural patterns. Fostering the digital transformation of tourism services and products can shape the travel chain in the future, from searching for lodgings and reservations to the arrival back home and feedback. As we have already mentioned in the previous sections, small and medium enterprises (SMEs) form the backbone of the Greek tourism industry. Even though Greece has experienced an increase in innovation in recent years, by attracting direct foreign investment for technology-based enterprises, Greek SMEs are still lagging behind in digitalisation. This is reflected in the Digital Economy and Society Index of the European Commission, as Greece (37.3) ranks 25th of 27 EU Member States in 2021, far below the EU average (50.7).

As analysed in the previous section, tourism is a sector that directly affects and is affected by climate change and the transition costs to an economic model relying on renewable and clean energy sources. Recent technological advances provide significant potential for the travel and tourism industry to reduce its environmental footprint (depicted in Figure 1 via the arrows between the ‘Green Transition’ box and the ‘Digital Transformation’ one, showing the interaction) and smoothly integrate into a cyclical economy. Digital technologies could help reduce global carbon emissions by 2030 according to the Sustainable Development Goals (SDGs). For example, the reduction in emissions can be achieved through the following technologies: “Artificial Intelligence” (waste management), “Internet of Things” (carbon emission control in machines), “Data Analytics” (analysis of data and carbon emission reduction), “Cloud” (reduction of paper use through file storage). Hence, policy makers should support tourism businesses of all sizes, including the more traditional and smaller firms, engage with the digital revolution.

¹⁴ For a detailed review of the research literature on artificial intelligence applications in hospitality and tourism, see Doborjeh et al. (2021).

¹⁵ A review of the literature on the progress of implementing robotics in hospitality is presented in Ivanov et al. (2019).

10. Changing behavioural patterns and the legacy of the pandemic

Along with climate change, the COVID-19 pandemic seems to be posing big challenges for the tourism sector, at least in the medium term. Changes in the tourists' mindset, i.e., maintaining social distancing and prioritising health conditions are likely to persist. In addition, pre-existing trends, such as the increasing use of digital technologies applied to several aspects of everyday life, have intensified during the pandemic, also affecting travel and tourism. Finally, demographic changes along with the increase in demand for accessible tourism are timelier than before, pushing tourism businesses to invest in accessible infrastructure. All the above are altering the path ahead for the tourism sector, creating opportunities, opening up new markets, but demanding, at the same time, action on behalf of tourism businesses and government policy making.

10.1 Remote work, time off-work and the emergence of new tourist preferences

The *flexible types of work* (e.g. teleworking), which were widely adopted during the pandemic due to the need to implement social distancing measures, seem to continue to gain ground. This development was facilitated by the digital transformation of the public and private sectors during the same period. The interaction of the three elements, i.e., teleworking, social distancing and digital transformation, is depicted on the left-hand side of Figure 1.

According to McKinsey, 2020 "hybrid" work schedules (i.e., a mixture of working at the office and from home) are likely to persist in the post COVID-19 era, especially for "a highly educated, well-paid minority of the workforce". Based on the survey, the activities with the highest potential for remote work are updating knowledge and interacting with computers, whereas the respective sectors are finance, management, professional activities and information technology. In addition, Adrjan et al. 2021 also suggest that teleworking is expected to be maintained, especially in knowledge-intensive occupations and countries with good digital infrastructure, whereas Criscuolo et al. 2021 conducted a survey according to which remote work is expected to "remain widespread, but less intensively than during the pandemic". Furthermore, in the USA, in 2020, 10.9 million people described themselves as *digital nomads*, i.e., people that work exclusively remotely taking the opportunity to travel in parallel, as opposed to 7.3 million in 2019, recording an increase of 49% (MBO Partners, 2020).

Additionally, Airbnb published a survey in May 2021 that shows that stays are becoming longer compared to the pre-pandemic period. In addition, travel to areas other than the most popular destinations (e.g., big cities), such as smaller cities and rural areas, has risen since the outbreak of the pandemic. The same applies to traveling off-season, as remote work has expanded the periods that people usually travelled in the past, which were in turn limited by their work schedules (depicted in Figure 1 through the relationship between teleworking and extending the seasonal pattern). Therefore, the main finding (based on the survey and the platform's data) is that travel is nowadays more of a "lifestyle" and that travel and living are becoming synonymous for a significant share of travellers. According to the Airbnb data, long-term stays (at least 28 days) as a percentage of total nights booked almost doubled (Q1 2021: 24% vs 2019: 14%), whereas nearly one in five guests in 2020 booked accommodation through the platform in order to travel and work remotely (e.g., taking a "*workcation*", i.e., combining work and vacation). Other interesting findings of the Airbnb survey are that connecting with family is becoming a top travel priority, whereas 74% of respondents are interested in relocating after the pandemic to a different place other than their employer's base. Furthermore, according to the WTTC, 2021, more than half of global travellers indicated that they preferred longer stays in 2021, with around 26% staying at a destination for longer than 10 days.

The projected increase of the population of digital nomads and remote work enabling people to take "workcations" is expected to increase the *demand for apartment-type spaces and long-term rentals*, as illustrated in Figure 1, which also applies to hotels.

Remote work and the benefits provided by several corporations and organisations to take time off work or a *sabbatical*, enhance the rising demand for alternative types of holidays, other than city or coastal tourism, for example. Travellers might seek to combine visiting a destination with pursuing personal interests, such as learning a new skill, doing research, volunteering, experiencing an adventure, or even spending quality time with their families and friends (Figure 1, '*vacation with a purpose*' and '*demand for adventure tourism*'). According to De Micco et al., 2019, the work-life balance is a high priority for Millennials, thus, taking time off to travel is a trend that is expected to prevail for at least the next two generations. In addition, it seems that travel is becoming more about 'seeking new, meaningful and authentic experiences', than 'escaping

daily routine', as it was in the past (Stratigea and Hatzichristos, 2011; Park et al. 2006). Adventure tourism involves visiting undiscovered destinations and is defined as a trip that includes physical activity, the natural environment and cultural immersion, or at least two of these elements (UNWTO and Adventure Travel Trade Association, 2014). Therefore, adventure tourism is expected to boost further the prospects of small-scale tourism (Figure 1).

10.2 Social distancing and health conditions still matter

Based on the relevant literature, a pathogen threat - such as a pandemic - may shift tourist preferences (Zenker and Kock, 2020) from far-off destinations to domestic ones, in an effort to support their own economy (Kock et al., 2019a), or to avoid unknown things (Faulkner et al., 2004). It would also result in the avoidance of overcrowded and mass tourism destinations (Wang and Ackerman, 2019) in favour of less populated and/or secluded destinations. The latter is also further boosted by the increasing awareness of individuals for environmental protection and sustainability, as analysed in section 8 ('green oriented customer').

Moreover, the importance of security, health measures and relevant infrastructure in a tourist destination was emphasised during the pandemic crisis. Airbnb, 2021 suggested that safety is one of the top two priorities for travellers. In addition, according to WTTC, September 2020, "health and safety are paramount" in the post-COVID-19 era, affecting consumer behaviour in the medium term and forcing businesses to collaborate and apply the required protocols. It is highly possible that travellers - having experienced a global health crisis - might carefully select destinations with access to health service systems. In the process of selecting the appropriate accommodation, having enhanced cleaning protocols already seems to be an important criterion.

Therefore, amongst the legacies of the pandemic are the importance of health care and of maintaining social distancing to some extent. This, in turn, may lead to increasing demand for domestic destinations, small scale tourism, destinations with accessible health infrastructure, as well as for accommodation establishments with upgraded cleaning services, as illustrated in Figure 1.

10.3 Demographics and inclusive tourism

As mentioned above, small scale tourism and tourism in natural areas are expected to rise, either as the choice of environmentally conscious individuals, or as an alternative to avoid mass tourism destinations. This, consequently, increases the need for the development of tourist facilities, services and products in such areas. It is crucial, however, that tourist destinations in non-urban/natural areas address all potential customers' needs and are accessible to everyone, including people with disabilities. Also, taking into consideration the *ageing of the population*, especially in developed countries, the need for building appropriate infrastructure in these areas is crucial. Additionally, the latter could accommodate people with temporarily reduced mobility (e.g., women in an advanced stage of pregnancy). According to the UNWTO, 2021, "tourism is a fundamental social right for all". Being able to travel and live new experiences is a matter of quality of life nowadays and, therefore, tourism should be *accessible*. Access to health services is also important for those demographic groups, as pointed out in Figure 1.

The megatrends, i.e., the technological ('teleworking') and behavioural (social distancing, sabbaticals) factors, may facilitate the extension of the tourism season in Greece. Tourist preferences seem to diverge from the usual type of vacation, meaning that tourists have additional and alternative motives to visit the country, other than enjoying the sun and sea. They may even do so all year long. Therefore, the Greek State, in collaboration with tourism businesses, should aim at extending the tourist season as it will create opportunities for further development and expansion of the tourism industry, which is pivotal for the domestic economy. The latter can be realised through focusing on revised customer behavioural patterns and the development of new destinations, and alternative forms of tourism. The required industry response is visible in Figure 1 through the light green boxes.

11. The Recovery and Resilience Facility (RRF) of European Commission: A unique opportunity to upgrade the Greek tourism product

To benefit from the RRF, EU countries developed and submitted their national recovery and resilience plans that included the allocation of the funds, across industries, through prospective investments. The plans also

incorporate relevant reforms to be implemented, many of which were identified as key challenges in the European Semester framework. According to “Greece 2.0”, the country’s national recovery and resilience plan, apart from targeted actions, tourism is expected to benefit from horizontal measures that are relevant to all sectors in order to support the green and digital transitions, as well as clean mobility and connectivity. Such measures include the energy upgrade of the country’s building infrastructure, the digitalisation of public services interacting with the tourism sector and the training of the tourism sector’s workforce.

Furthermore, the Greek Plan incorporates investments aimed at the extension of the tourist season and the promotion of alternative forms of tourism, contributing to economic resilience, sustainable growth and social and territorial cohesion. The project contains two parts: (a) *green development*: development of mountain tourism, health and wellness tourism, agrotourism; and (b) *blue development*: interventions to improve governance, infrastructure and services offered in marinas, accessibility to beaches for the elderly and people with disabilities, and a programme to promote the development of diving and underwater tourism.

12. An Epilogue: policy implications and key takeaways for businesses

For almost two decades at the dawn of the 21st century, and despite the global financial crisis in 2008, the number of travellers has significantly increased globally. This has made the tourism industry an increasingly important part of the global economy, influencing living standards and cultures. This development, in combination with the enhancement of telecommunications, in terms of quality and speed of service delivery, has created a global “multicultural community”.

Along with this volume effect, competition in hospitality and food services has been significantly intensified due to the increasing use of search engines that easily match the preferences of consumers with their budget constraints, as well as the availability and the quality of services offered in any accommodation or restaurant anywhere in the world. Economies with traditionally high market shares in tourism activities -thanks to their natural beauty and cultural monuments- have benefited from globalization in visitors’ traffic. Undoubtedly, Greece was among them.

The great rise of air and other travel in recent times has, however, made the transmission of an infectious disease from country to country a rapid process. The COVID-19 pandemic had a devastating effect on a plethora of industries around the world, most notably tourism and transport. Policy makers and the business sector should (i) figure out what the sector’s recovery path should look like and (ii) map out how services should be improved and transformed to meet all potential challenges arising from globally shocking events.

This paper focuses on the Greek experience concerning the increasing role of tourism in the real economy, its use as a life raft in the aftermath of the 2008 global financial crisis and its rebound after the pandemic recessionary shock. Based on that experience, the paper identifies and lists current megatrends and examines their repercussions in transforming the tourism industry. The main takeaways of the paper are divided into two parts: those takeaways related to government and municipal policy making and those determining future business models in the tourism sector.

The first conclusion we can draw from the Greek experience, is that the structure of its productivity model is characterised by the “*two faces of Janus*”. On the one side, Greece has a strong and internationally competitive tourism industry that remained almost unaffected by domestic economic fluctuations and that strengthens the country’s current account balance by financing imports of both consumer and capital goods. However, on the other side is its high dependence on tourism. The lesson learned from the recent pandemic is that external demand shocks, including the collapse of travel, may cause deeper recessions.

Second, we can easily see the necessity for research to support both State policies and the private sector regarding their communication strategies in light of the change of scenery that the megatrends we analysed herein are expected to bring to the foreground. Fresh studies of the Greek tourist market, its destinations and products are now urgently needed. This is an imperative due to the tectonic changes that are underway in hospitality, recreation and leisure, as analysed in Figure 1. The new studies should focus on the blueprints of the individual brands, as well as the mother brand of the country. In marketing terms, it is very important to opt for messages that will give the best possible results. The main message of a new communication strategy should, in principle, reflect all elements related to the term sustainability, i.e., social, environmental and cultural, as well as the idiosyncrasies of local communities. In addition, these elements should be

harmoniously linked to the comparative advantages of holidaying in Greece, which are conceptually dominated by notions such as well-being and authenticity.

Third, the tourism-related initiatives of the RRF serve as a vehicle for unlocking further untapped opportunities in Greece. Since tourism is unarguably a sector that links together a series of cross-cutting activities and encompasses a wide diversity of players, ranging from multinational corporations to small and medium-sized enterprises, the multiplicative impact of the RRF on the real economy is expected to be large and broad. The implementation of the RRF, along with the re-evaluation of policies, will highlight tourism as a potential vehicle for earning extra export revenues, jobs creation (especially for young people and women), and opening up remote rural areas.

Fourth, the world is changing, in the sense that the population is ageing and becoming more socially responsible, while people's notion of escaping their demanding daily lives is shifting. Customer preferences are increasingly based on social and environmental criteria. Sustainability seems to be a priority. Personal development matters, even during a person's time off work or during their holiday. Businesses in the hospitality, food services and transportation sectors need to realise that the way we travel and have fun has changed, and this idea was intensified during the pandemic. Consequently, they should adjust their business models accordingly. Furthermore, their models need to integrate local community awareness and participation into their product design and governance.

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