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THOUGHTS ON HOW THE PANDEMIC MUST AFFECT GREEK TOURISM

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Introduction

In one of our [previous articles](#), we analyzed the impact of COVID-19 on hotel occupancy in Athens and Thessaloniki whereas our [latest one](#) was an attempt to interpret the different perspectives of Greek hospitality industry experts through targeted interviews that offered further insight on the aspects affecting hotel operations in the short-term.

In the process of writing both of these articles two main ‘ankyloses’ of the local hospitality market came up in a way that was not clearly apparent but, following some additional thoughts, they could explain to a large extent the vulnerability of Greek hotels whose business models were stripped naked due to the outbreak of the COVID-19 pandemic.

The following text intends to provide some food for thought over two specific issues that all stakeholders involved with the Greek tourism sector must consider.

Value Coming from the DMOs

So, what have Greeks been taught about the various destinations within the country? Taking this opportunity to pause, provides the chance to restart by observing the key offerings of the country, distancing hoteliers from the constant strive of filling up their facilities and focusing instead on the value proposition of Greece as a tourism destination.

Reviewing the country’s business model that has been followed over the past years, it has become apparent that despite efforts, Greece has been experiencing local tourist congestion at specific destinations and very strong seasonal patterns, while bureaucracy and centralization further hinder the development of tourism at healthily competitive levels. As a result, it should be clearly understood that a need to deviate from that model and the emergence of a fresh one, one that differentiates Greece’s touristic product, is currently more critical than never before. Taking into consideration that 70% of Greece’s international visitors arrive by plane, Greece must provide them with worthy reasons to travel. With the current situation on top of everything, COVID-19 becomes the final straw in showcasing the urgency of upgrading the touristic product.

So far, Greece has been marketing the sea, sun and its cultural heritage as key attributes for creating an appeal. How sustainable can this strategy prove to be over the course of decades? For a country to compete on a global scale it is of utmost importance to renew and update its approach according to the latest international trends and incorporate best practices.



More profound than ever, COVID-19 has highlighted Greece’s outdated practices putting some destinations in a vicious cycle of selling specific products and services for a limited period due to extreme seasonality patterns without exploiting the country’s offerings to its greatest potential. As a result, there is still untapped potential all over the country with impressive gastronomy and culture, “hidden” natural paths and activities to name just a few alternatives that would ideally allow to be marketed as a very attractive touristic product. At the same time, the Greek Tourism entities experience tremendous failure to deploy the long-awaited niches of thematic tourism, promote local destinations through state-of-the-art means and organize the infrastructure

that will support a more united tourist experience around the year. How easy is it for hospitality businesses to provide visitors with a **diversified output** when the destination itself is confined to a single input?

This far, with only a handful of exceptions, no Greek independent organization has been formed on a local and more sophisticated level to work towards deploying a holistic strategy and very few efforts have been devoted to bundling the unique characteristics of each individual destination into a well-orchestrated tourism product. The problematic administrative mechanisms of Greece restrain the country from encouraging self-sufficiency in local destinations which leaves them dependent on national plans, if any. Who is there to take on the responsibility of bringing Greece's tourism to a new era through synergistic collaboration of all stakeholders involved?

As specifically mentioned in our last article, **DMOs can play a crucial role** in offering answers to all of the above problems by becoming the nucleus of a network with full autonomy to act in the best interest of each individual destination. For this initiative to be successful, it is important to create a **national strategy** that is future-oriented with **local sub-strategies** supporting the bigger goals set. In practice, these local agencies shall establish specific KPIs and frameworks that will feature each destination's distinctiveness and enhance the visitor's experience through practical efforts.

Setting the scene for such independent and organized entities between different beneficiaries around Greece will enable the country to respond to the diverse regional needs and improve the competitiveness and performance of a place by developing local "brands" based on the unique characteristics of each destination. With the prioritization of sustainable destination management on the scope, Greece will be able to increase the quality and diversity of tourism, boost the average spending of visitors, ensure higher profitability margins for stakeholders and, at the end of the day, provide investors with the relative comfort that there is a mechanism in place for alternative approaches to be taken in straitened times such as the current one. Most importantly, **the value of the specific destination will rise** and consequently, **asset values** will see an expansion too. Greece's key tourism stakeholders need to take matters on their hands and act with doggedness on creating a collective strategy with the help of DMOs that will aim at the country's future direction. The time that equity yields will be dependent, among other factors, on the efficiency of local DMOs is right around the corner.

Value Coming from Corporate Structure

The entrepreneurial spirit of Greeks over the past decades has formed a vast number of family-run hotel businesses around the country. Managing hotels as owner-operators, family businesses nowadays are facing a number of challenges mainly due to the lack of a clearly defined corporate structure.

With only a limited number of them understanding the usefulness of running a hotel, irrespectively of its size, with a structured corporate governance (e.g. independent board of directors, empowered management executives, etc.), the majority consists of aspired families who have inherited the business as well as the charisma of "philoxenia" – the Greek word for hospitality. Usually, these are characterized by great commitment and enthusiasm to offer their services and to incorporate the Greek culture. However, when it comes down to management, it is observed that in many cases, despite the flexibility that family businesses offer, hotel owners are falling behind international trends or synergies that would allow them to constantly evolve and prosper in today's rapidly changing environment.

As a result, we see only a few REICs or investment funds finding their way in the sector during the last couple of years, as the so far high barriers of entry have made it difficult for real estate investors to be placed in the country. With Greek hotel owners now being summoned to compete on a local and international level, it is essential that they prioritize and adopt a corporate structure that would facilitate operations.

Directly affecting hotels' working capital, COVID-19 has raised issues of liquidation for Greek hotel owners. Within the remit of a private study HVS Athens conducted, we were surprised to find out that most of the largest resorts in the country have a current ratio (i.e. current assets/current liabilities) lower than 1.0, indicating an incapability to meet their short-term liabilities despite coming from eight years of consecutive growth. With a vital need to inject capital, local businesses have turned for help to financial institutions in order to stay afloat. However, the lack of a corporate structure does not favor funding agreements between the two stakeholders, as there is **no equity commitment** on behalf of the businesses and the **risk** is certainly **higher**. It is observed that family businesses tend to absorb the retained earnings of a company through dividend distribution among family members-stakeholders and do not keep sufficient reserves to meet creditors' requirements during hard times.

Were businesses to keep the advantages of the family element, yet **develop a corporate mindset**, hotels would benefit from the perks of a professional organization able to perform **rigorous risk management** and navigate with higher **resilience** through such unprecedented situations. A shift in the attitude is necessary as both investors and creditors are increasingly looking for businesses with entrenched corporate governance to minimize risk. As a result, Greek hotel businesses will be able to ensure better financial terms and become more desired targets for all kinds of investors.

Conclusion

The pandemic has certainly led to a reconsideration of the value of Greek tourism and maybe revise some of people's preconceptions. The need to establish a well-balanced and multi-level management plan is apparent and the contribution of independent DMOs for the flourishing of the country on an international level is evident. A corporate structure definitely offers a sense to credibility and can support the business through situations causing turbulences in the environment. It is time for Greece to use its resources and create a local setting with potential to turn it into a sustainable practice. The current pandemic has hit hospitality industry the hardest, but it has also given numerous people the opportunity to step back and think; now it is high time Greek hotel industry experts put together structures, techniques and tactics that until now were either applied piecemeal or not at all. For a better future, you need to design it.

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