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# Article Economic impact of cultural tourism

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## ECONOMIC IMPACT OF CULTURAL TOURISM

## Zrinka Zadel<sup>1</sup> Sinisa Bogdan

#### Abstract:

The subject of analysis in the paper is economic impact of cultural tourism and identification of the main factors which directly affect cultural tourism revenues. Most countries do not have a statistical system of monitoring and analysing individual factors of cultural tourism such as the number of arrivals of cultural tourists and consumption of cultural tourists. Therefore, it is hard to assess the economic impact of cultural tourism. In cultural tourism, cultural assets are prepared and placed on the tourist market, i.e. cultural resources are transformed into cultural tourism products. The main objective is fulfilling tourists' needs, and achieving positive effects which includes economic effects. Identification of the economic impact of cultural tourism is important because cultural resources have an inestimable value for the local community. Tourism valorisation should be used in order to achieve the necessary maximum effects with minimum negative impacts which tourism may leave on cultural resources. The objective of the paper is to identify the economic contribution of cultural tourism in the Republic of Croatia and to propose a model of identification of economic impact of cultural tourism.

Keywords: cultural tourism product, cultural tourism, economic impact, cultural tourists.

Jel Classification: L83

### **INTRODUCTION**

Cultural tourism, as a selective form of tourism, was initially a response to mass tourism. Presently, cultural tourism covers a very wide area. The UN World Tourism Organization (UNWTO) defined cultural tourism in 1985 as:"... culture-motivated travels, such as study, theatre, and cultural tours, travelling to festivals and similar events, visiting historical localities and monuments, travelling in order to explore nature, folklore or art, and pilgrimages" (Tomljenovic 2006, 121). Besides, research conducted by the UNWTO indicated that cultural tourism covers as much as 40% of world tourist travels (Brida, Meleddu, and Paulina 2013, 110), which represents a large segment of the tourist market. For the above-mentioned reasons, there are multiple impacts of cultural tourism which can be positive and negative. They are most

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frequently classified into two large groups: economic and sociological (Raabova, Merta, and Ticha 2013, 108).

Economic impacts of cultural tourism are very hard to assess because there is no system of indicators through which data would become available and simple to measure. Except for this reason, there is the aggravating circumstance that cultural tourism is a complex phenomenon because it is tightly connected with other economic branches which benefit from development of cultural tourism and the assessment of the economic benefits of cultural tourism is often lower since it is hard to estimate the impact of cultural tourism on other branches, which increases the economic impact of cultural tourism. Despite the aggravating circumstances, the objective of the paper is to identify and analyse the economic contribution of cultural tourism in the Republic of Croatia. In 2013, the Croatian Government adopted the Croatian Tourism Development Strategy by 2020 which pointed out cultural tourism as one of the dominant Croatian tourist products. This indicates the importance and significance of cultural tourism in the Republic of Croatia and the necessity to assess the economic value of valorisation of cultural resources in the Republic of Croatia. In Croatia, there is no continuous monitoring of individual variables of cultural tourism, which includes economic variables which could measure the economic impact of cultural tourism. This represents a basis for planning and decision-making. Secondary source of information collected by the Ministry of Tourism and the Institute for Tourism are used in the paper. Macroeconomic analyses are used to process individual variables and to bring them into correlation. Long-term analyses were conducted in order to estimate the trend of economic impact of cultural tourism.

# 1. IMPACTS AND EFFECTS OF THE INTERACTION BETWEEN CULTURE AND TOURISM

Culture has a direct impact on tourism, and tourism, in which culture becomes an important motive of tourist travel, has an increasingly stronger impact on culture. The impact of tourism on culture, which also reflects on the society, operates with all its positive and negative effects. Antropologists' research start from the research of cultural permeations and conflicts generated by tourism. In his work *HostsandGuests*, Smith pointed out that tourism is not the main and only factor of cultural changes in receptive societies. The conclusion may be derived that tourism accelerates cultural changes and the entire process, but that it does not create it.

The impact of tourism on cultural and local population depends on a number of parametres, and the most significant are the following:

- a) number of tourists and tourism seasonality
- b) culturological differences between tourists and the local population
- c) types of tourists' activities.

a) When they arrive to a destination, tourists do not only bring their money, but also their tradition, values, other manners of behaviour, habits... all of which affects the local population in the tourist destination. The intensity of such influences depends on the number of tourists in the destination which is proportional to the number of visitors. The greater the number of tourists in a destination, the greater the influence, especially 356

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during the tourist season when there is a great number of tourists, and the pressure on the local population is increased. In this process, there is high risk of the demonstration effect (Lickorish and Jenkins 2006, 108) which originates from close interaction of people belonging to different cultures, which results in changing of social values. The number of tourists in a destination must not exceed the tolerance threshold of the number of visitors because, otherwise, the influences become negative. In this respect, it is necessary to identify the carrying capacity limit for a certain area which is defined as "... the level of tourists' presence which creates positive impacts on the local population, environment, economy, and tourists, and is sustainable in the future" (Magas 2003, 32), in the process of which the length of stay and tourists' characteristics, geographic concentration of visitors and sensitivity degree should be taken into consideration.

b) Except for the number of tourists, tourism impact on the culture of the local population also depends on socio-cultural differences between tourists and the local population. The greater the differences, the larger the impacts. Therefore, impacts are greater in international tourism, where tourists come from foreign countries, than in domestic tourism, where the impact is smaller because cultural differences within a country are smaller, which makes the adjustment of the local population to domestic tourists more simple and faster.

c) Tourists in cultural tourism seek authentic experience, which includes the feeling of "self-revelation", the feeling of "being true to oneself", the feeling of "real life" which results from the interaction with the local population (Cohen, Oslen, and Pearce 2012, 252). In this search for an authentic experience, tourists may cause damage to the local population. In cultural tourism, exposure of the local population to other cultures is inevitable, but negative impacts must be reduced to the minimum in the process.

Both sectors benefit from the interaction between culture and tourism. Multiple benefits of tourism from culture and culture from tourism are presented in the following table.

Benefits of tourism from culture	Benefits of culture from tourism
Improvement of the basic product /image of the	Realisation of additional source of income
destination	Expansion of the market and a new segment of
Increase in consumption and length of stay	visitors
Increase in tourists' satisfaction with the tourist	Development of professional management
product	Realisation of better control over the use of cultural
Stimulation of re-visiting	resources
Stimulation of local and regional demand	Realisation of a better cultural image among the
Opening of new market segments	local population
Opening of new market segments	local population

Table 1. Benefits of Tourism from Culture and Benefits of Culture from Tourism

Source: Bulic 2009.

Taking into account the presented factors, the conclusion is derived that multiple benefits are realised by developing cultural tourism, but there is also danger of damaging effects. Positive impacts should be stimulated and used, and negative impacts, which are inevitable, reduced to a minimum. The problem is that the impacts of tourism on culture should be analysed over a long term because they are not easily identified in a short period of time. Besides, they are hard to measure. Only by long-term strategic planning is it possible to undertake measures by which positive impacts will be used, and the negative ones eliminated or reduced.

### 2. THE ECONOMIC IMPACT OF CULTURAL TOURISM

The economic impact of cultural tourism can be analysed from the two main viewpoints which include macroeconomic and microeconomic level (Brida, Meleddu, and Paulina 2013, 111). On the microeconomic level, the economic value of cultural tourism may be defined as a group of benefits for a certain society. Economic value of cultural tourism on the macroeconomic level is reflected in the stimulation of other economic branches through direct, indirect, and induced effects. Therefore, it is fair to say that cultural tourism is a method of development, because development of cultural tourism stimulates development of individual economic branches, which contributes to total development of a certain destination.

Cultural tourists' consumption depends on four basic variables: average consumption, length of stay in the destination, cultural attractions, and cultural activities in the destination (March and Woodside 2007, 1:237). Research of the economic impact of individual cultural tourism products depends on specific characteristics of the product itself. The impact of a museum as a cultural tourism product is relatively easy to estimate through the variables of the number of visitors and ticket price. Unlike museums, the impact of festivals or events is very hard to estimate since tourists' presence on certain festivals or events is not charged, but when such events take place, the economic benefit is realised by other tourist holders like hotels, restaurants, stores...

In general, economic impacts of cultural tourism are direct, indirect, and induced (Dwyer, Forsyth, and Dwyer 2010, 216). When tourists spend their money in hotels, restaurants, transportation, communication services and retail outlets this will create direct income, government revenue, employment effects and some direct imports of goods and services (Jucan and Jucan 2013, 84). Direct effects are reflected in economic benefits of individual cultural tourism offer holders which realise benefits by selling cultural tourism products. Indirect effects are benefits realised by other tourism holders in which cultural tourists realise consumption. Induced effects occur as a result of direct and indirect effects, and they are reflected in increased consumption of the tourism holders thanks to the economic benefit achieved by selling their own products. The total economic effect, in fact, represents a sum of direct, indirect, and induced effects.

Indirect effects can sometimes be much larger than direct effects when it comes to certain cultural tourism products, for example, events. Therefore, depending on cultural products in a certain destination, it may occur that direct effects of economic tourism are smaller than the indirect effects, because of which it is important to consider total effects of cultural tourism. This is also very hard, because, unlike indirect effects, direct effects are more simple to establish, measure and monitor.

Recent research point out the problem matter of monitoring and identifying the economic impact of cultural tourism. There are two lines of thought. Some scientists 358

think that economic impact of tourism is impossible to establish because of the very complex nature of tourism which originates from interweaving of tourism with other sectors. Other authors believe that it is hard, but possible to identify the economic value of cultural tourism; however, there is no consensus reached on the manner and identification of the contribution.

Monitoring and identification of the economic effect of cultural tourism is necessary because, by forming a cultural tourism product, non-economic resources are transformed into economic, which results in the realisation of economic effects. Economic effects need to be identified in order to assess the impact of cultural tourism, which is a basis for strategic plans with the objective to maximise economic effects by valorisation of cultural resources.

### 3. CULTURAL TOURISTS' CONSUMPTION

Consumption is one of the indicators of tourists' satisfaction with the cultural tourism product. Consumption in cultural tourism may be defined as the maximum amount individuals are willing to pay in order to visit a certain tourist attraction (Brida, Meleddu, and Paulina 2013, 111). Not all cultural tourists "consume" culture in the same way (Galí-Espelt 2012, 48). One of the main characteristics of cultural tourists is that they are tourists with higher purchasing power, which is why it is to be expected that consumption in cultural tourism would be higher than in the other selective forms of the tourist offer. Therefore, the very contribution of cultural tourism should be higher. Low consumption may be a consequence of tourists' discontent, but also a consequence of inadequate policy of prices of certain cultural tourism holder. The primary objective must be customer's satisfaction, because customers will pay a certain price if the product fulfills their requirements and needs.

The following table (author's calculation) presents the analysis of the structure of average daily consumption from 2009 to 2010 according to types of services in the Republic of Croatia. The average daily consumption of tourists in the above-mentioned period increased annually at the average rate of 3%, which indicates increase in the satisfaction of tourists with the Croatian tourist offer. In 2010, average daily tourists' consumption on basic and additional products and services amounted €58, from which only €0,66 was spent on culture and entertainment, which makes only 1,14% in the total consumption structure. In the total consumption structure, tourists spent the least on culture and entertainment. There is a negative trend in tourists' consumption in cultural tourism, because in the period from 2009 to 2010, tourists' consumption in cultural tourism decreased at an average annual rate of 14%.

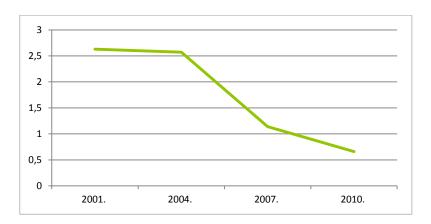
Description		ge daily co sts in a de			Analysis of the structure of average daily consumption of tourists in a destination in %				Average annual growth rate % decrease
	2001	2004.	2007	2010	2001	2004	2007	2010	2001-2010
1. Basic services	40.62	38.16	47.45	42.97	87.41	78.04	85.54	74.09	1%
2. Additional consumption	5.85	10.74	8.02	15.03	12.59	21.96	14.46	25.91	11%
2.1. Culture and entertainment	2.63	2.57	1.14	0.66	5.66	5.26	2.06	1.14	-14%
2.2. Other (shopping, excursions, sports)	3.22	8.16	6.88	14.37	6.93	16.70	12.40	24.78	18%
TOTAL (1+2)	46.47	48.90	55.47	58.00	100.00	100.00	100.00	100.00	3%

**Table 2.** Analysis of the structure of average daily consumption of tourists in the destination in the period between 2001 and 2010 according to types of services in the Republic Of Croatia

In the daily consumption structure, the greatest share of consumption refers to basic services which comprise accommodation, food and beverage. Additional consumption, which comprises consumption on culture, entertainment, excursions, sports, recreation, shopping... increases at a rate of 11%, and its share in total consumption increases as well.

In the structure of additional consumption, the share of consumption on culture and entertainment decreased. From 2001 (when it amounted 5.66%) to 2010 (when it amounted 1.14%), its share was reduced by 4.52 percentage points. Since the total average daily consumption increases, it is expected that consumption in cultural tourism will increase proportionally; however, consumption in cultural tourism is decreasing, which could be a reflection of inadequate quality of cultural tourism products and inadequate policy of forming of the prices of cultural tourism products.

The analysis of average daily consumption leads to the conclusion that tourists in the Republic of Croatia realise the lowest consumption in cultural tourism, which means that cultural tourism products are not adapted to market demands in terms of price and quality, and the tendency of consumption decrease in cultural tourism indicates that tourists become more and more dissatisfied with cultural tourism products, which means that the cultural tourism offer does not follow the demand on the tourist market.



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Figure 1. The Trend of Average Daily Tourist Consumption on Culture and Entertainment in the Republic of Croatia from 2001 to 2010 in €

Table 3 (author's calculation) shows the calculation of the share of average daily consumption in cultural tourism in the total consumption. Tourists from the Russian tourist market spend the most on cultural tourism products, about  $\notin$ 1.84 daily, which makes 1.56% of their total consumption, and tourists from the French tourist market averagely spend  $\notin$ 1.75 per day on cultural tourism products, which makes 1.64% of their total consumption. Tourists from Bosnia and Herzegovina are the least interested in cultural tourism products (their average daily consumption on cultural tourism products amounts  $\notin$ 0.12), and Slovakian tourists (whose average daily consumption on cultural tourism products amounts  $\notin$ 0.27).

Table 3. Average Daily Tourist Consumption According to Country of Origin in 2010

Country of tourists' origin	Average daily co	Share of consumption on	
	Total	Culture	culture in total consumption
Croatia	45.57	0.37	0.81%
Germany	58.01	0.73	1.26%
Italy	63.10	0.54	0.86%
Slovenia	43.29	0.46	1.06%
The Czech Republic	42.49	0.37	0.87%
Austria	63.21	0.47	0.74%
Hungary	52.71	0.51	0.97%
The Netherlands	67.44	0.53	0.79%
Poland	46.59	0.86	1.85%
France	106.84	1.75	1.64%
Slovakia	43.16	0.27	0.63%
Great Britain	126.41	1.75	1.38%
Bosnia and Herzegovina	37.24	0.12	0.32%
Russia	117.71	1.84	1.56%

According to the previously conducted analyses, it may be concluded that the average tourists' consumption is increasing, but there is a decrease in the consumption in cultural tourism. Since in the Republic of Croatia tourists spend less on culture and entertainment, the cultural tourism product is not adapted to demand trends on the

tourist market, by which Croatian tourism loses a lot since Croatia has plenty of cultural resources which can satisfy and exceed tourists' expectations. It is therefore necessary to form a cultural tourism product in accordance with the preferences of tourists on the tourist market.

### 4. FOREIGN EXCHANGE EARNINGS OF CULTURAL TOURISM

What follows is the analysis of the economic impact of cultural tourism on tourism and economy. In order to estimate the economic impact, foreign consumption was separated from domestic consumption, because domestic tourists spend free financial resources allocated for satisfying their tourist needs within their own country and in this way, conduct only a redistribution of the acquired part of personal income. Unlike domestic tourists, foreign tourists "... bring into the selected receptive country some of the resources for personal consumption allocated for tourist consumption, noting that personal income was realised in their homeland." (Pirjevec and Keser 2002, 156).

The following table (author's calculation) presents a calculation of foreign exchange earnings in the selected countries, i.e. countries for which the necesary data for caculation were completed, which realised 6.381.000 of foreign arrivals. The total foreign exchange earnings of tourism in the selected countries in 2010 amounted  $\notin$ 1.550.557.050, from which  $\notin$ 17.175.450 refers to foreign exchange earnings of cultural tourism, which makes only 1,1% in the total earnings, while 98,9% of total foreign exchange earnings, or  $\notin$ 1.533.381.600 refers to foreign exchange earnings of tourism of other products and services.

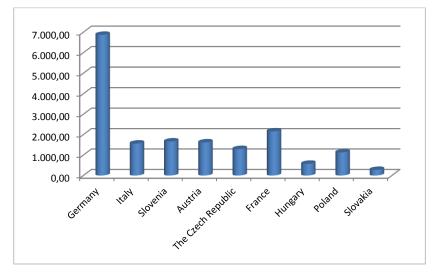
		Average daily consumpti on in €	Arrivals in 000	Average -	Foreign exchange earnings		Total	Share of foreign	
	on other products			length of stay	from culture	from other products	foreign exchange earnings	exchange earnings from culture	
Germany	0.73	57.28	58.01	1.519	6.2	6.874.99	539.451.58	546.326.58	1.26%
Italy	0.54	62.56	63.10	1.000	2.9	1.566.00	181.424.00	182.990.00	0.86%
Slovenia	0.46	42.83	43.29	1.007	3.6	1.667.59	155.264.32	156.934.91	1.06%
Austria	0.47	62.74	63.21	803	4.3	1.622.86	216.634.95	218.257.81	0.74%
The Czech Republic	0.37	42.12	42.49	605	5.8	1.298.33	147.799.08	149.097.41	0.87%
France	1.75	105.09	106.84	386	3.2	2.161.60	129.807.17	131.968.77	1.64%
Hungary	0.51	52.20	52.71	297	3.8	575.59	58.912.92	59.488.51	0.97%
Poland	0.86	45.73	46.59	454	2.9	1.132.28	60.208.12	61.340.39	1.85%
Slovakia	0.27	42.89	43.16	310	3.3	276.21	43.876.47	44.152.68	0.63%
Total	-	-	-	6.381	36	17.175.45	1.533.381.60	1.550.557.05	1.11%
Average	1.04	53.61	54.65	-	4.0	-	-	-	-

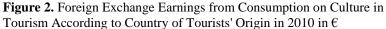
**Table 4**. Foreign Exchange Earnings from Cultural and Total Tourism in the Republic of Croatia in 2010

The highest foreign exchange earnings in the amount of  $\notin$ 546.326.580 in 2010 was realised from the German market. Similarly, German tourists achieved the highest foreign exchange earnings of cultural tourism in the amount of  $\notin$ 6.874.990. This originated from the fact that German tourists realised the greatest number of arrivals (1.519.000) and averagely stayed the longest in Croatia (6.2 days).

The lowest foreign exchange earnings were realised by Slovakian tourists, who spent  $\notin$  44.152.680 in Croatia, from which  $\notin$  276.210 refers to foreign exchange earnings of cultural tourism. This is a consequence of a small number of arrivals in relation to other countries and low daily consumption on culture (only  $\notin$  0.27 daily).

If the subject of analysis is the average consumption for culture in tourism, French tourists spend the most on culture on daily basis (€1.86 daily), but since French tourists averagely stay the least in the Republic of Croatia, only 3.5 days, they realise foreign exchange earnings from culture in tourism in the amount of €3.287.550, which makes only 8.45% in the structure of foreign exchange earnings from culture in tourism. Likewise, French tourists have the largest daily consumption in tourism, €85.10 daily, but their total foreign exchange earnings amount €150.414.250, which makes only 7.50% in the total foreign exchange earnings, because their stay in the Republic of Croatia is short (3.2 days).





The above Figure presents foreign exchange earnings from consumption on culture according to the country of tourists' origin in 2010, from which it is evident that the highest share is realised by the German tourists, and the lowest share by Slovakian tourists.

It may be concluded that the share of foreign exchange earnings of cultural tourism in total tourism is very small and amounts about 1.1%. This is a consequence of low average daily consumption for culture in tourism, which can also be a consequence of inadequate quality of cultural tourism products as well as inadequate policy of forming the price of cultural tourism products.

Therefore, target markets should be explored in order to establish demand characteristics which must be a basis for forming of cultural tourism products. It is necessary to establish the price of the product which corresponds to its quality by adequate price-forming policy. In this way, tourists' consumption in cultural tourism will be increased, which will also realise higher foreign exchange earnings of cultural tourism.

# **5. THE CORRELATION BETWEEN THE NUMBER OF TOURISTS AND CONSUMPTION IN CULTURAL TOURISM**

What follows is the analysis and quantification of the correlation and connection between the number of tourists and consumption in cultural tourism using the correlation method. Strength of the relationships will be measured by the correlation coefficient through the following formula (Avelini Holjevac 2002, 58):

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x^2)} \sqrt{n \sum y^2 - (\sum y^2)}} = -0,85$$
(1)

Year	Number of tourists in 000 000 (X)	Average consumption (Y)	X*Y	$X^2$	$\mathbf{Y}^2$
2001	7.86	2.63	20.67	61.78	6.92
2004	9.41	2.57	24.18	88.55	6.60
2007	11.16	1.14	12.72	124.55	1.30
2010	10.60	0.66	7	112.36	0.44
Σ	39.03	7.00	64.57	387.23	15.26
Ø	9.76	1.75	16.14	96.81	3.81

**Table 5.** Calculation of the Correlation Coefficient Between the Number of

 Tourists and Average Daily Consumption in Cultural Tourism

$$r = \frac{4*64,75-39,03*7,00}{\sqrt{4*387,23-39,03^2}\sqrt{4*15,26-7,00^2}} = -0.85$$
 (2)

The correlation coefficient amounts -0.85, which means there is a strong negative correlation between the number of tourists and average consumption. There is a strong negative correlation of inversely proportional relationships between the number of tourists and average consumption in cultural tourism. This means that the number of tourists increases, but consumption in cultural tourism decreases.

It is to be expected that consumption in cultural tourism would increase with the increase in the number of tourists; however, it decreases, which affects the economic contribution of cultural tourism. The above-mentioned indicator implies low

consumption which is a reflection of inadequate cultural tourism product and inadequate product price which directly affects economic contribution of cultural tourism.

### CONCLUSION

The Republic of Croatia is a tourism-oriented country which "lives" from tourism, and is characterised by pronounced seasonality during summer months. Since the cultural tourism product can be consumed throughout the year, development of cultural tourism migh affect prolongation of the season, which would also increase the economic impact of cultural tourism. The results of the conducted analyses in the paper indicate low economic contribution of cultural tourism in Croatia. Although the number of tourists increases as well as their consumption in destinations, consumption in cultural tourism decreases. Low consumption of tourists in cultural tourism also reflects on the small share of foreign exchange earnings of cultural tourism in Croatia. Calculation of foreign exchange earnings of cultural tourism indicates that the share of foreign exchange earnings of cultural tourism in the total foreign exchange earnings of tourism amounts only 1.11%, which corresponds to the previously determined share of tourist consumption on culture and entertainment in total tourists' consumption. Low tourist consumption in cultural tourism is a reflection of inadequate quality and price of the cultural tourism product. The Republic of Croatia has plenty of cultural and historical resources which is a precondition for the forming of a product which must be based on identification of tourists' preferences on the tourist market. Therefore, a product would be formed in accordance with the tourists' wishes, which would best satisfy their needs. Besides, it is necessary to establish the real value of a certain cultural tourism product using a certain price-forming policy. This is supported by the fact that cultural tourists have greater purchasing power, which will contribute to the increase in economic contribution of cultural tourism. With the objective to establish the most accurate economic impact of cultural tourism, it is necessary to build a system and a database by which individual variables in cultural tourism would be continuously monitored in order to create foundations for planning and decision-making in cultural tourism.

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