The impact of the financial crisis on business events at natural spas – the Slovenian case

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Abstract

To determine the impact of the economic downturn that officially hit Slovenia in 2009 on the number, purpose, type and budgets of business events held at Slovenian natural spas. The study’s aim is to develop guidelines in the field of business events management at Slovenian natural spas. The research was carried out among key representatives from Slovenian natural spas who play an active role in managing events. Data were via a questionnaire that collected information about the purpose, number and type of events for business clients at Slovenian natural spas. The number of business events held at Slovenian natural spas has not changed during the economic crisis; however, the number of events held to increase stakeholders’ loyalty and those held to communicate to the wider public has increased. Based on these findings, we can conclude that organisation managers are aware of the importance of good, solid, long-term relations with business clients for maintaining a successful trade (especially in the time of crisis). Since business events have the potential to be very profitable for the natural spas, we suggest that they adjust their programming and outreach to focus on business clients. The demand for business events is increasing; there is a commensurate need for effective marketing of business packages and offers.

Key words: economic crisis, financial crisis, business event, business clients, natural spas
1 Introduction

In 2007 and 2008 came increasingly frequent news concerning the growth of mortgage defaults, illiquidity of central banks, financial injections, a decline in stock indexes and a real estate crisis spreading from abroad (first from the United States and Great Britain, and later from nearby European countries). Towards the end of 2008, we noticed the first consequences in Slovenia. Many companies forecast a reduction in orders, and unemployment began to rise. Štibljar (2008) described the emergence of the global crisis and its impact on Slovenia and provided advice on how to survive the crisis. Others further confirmed the presence and severity of the economic and financial crisis in our part of the world. “It is clear that the global economy is facing its worst economic and financial crisis since World War II”, Boorman (2009) declared. Repovž (2009) wrote that “the economic historians, Eichengreen and O’Rourke, prove that the current recession is even more severe than the Great Depression of the thirties. In their opinion this is shown by the more severe decline in industrial production in some of the most developed countries (France, Italy), a significantly greater reduction in global trade and a very large cut in the rates of interest in seven leading countries.” Slovenia did not experience as significant a decline in economic growth in 2008 as some other European countries. Yet, according to Štibljar (2008), “people in Slovenia today not only feel the economic recession but also the world economic crisis that results from the financial crisis that grew from the U.S. mortgage crisis.” The recession officially hit Slovenia in early 2009 (Institute of Macroeconomic Analysis and Development of the Republic of Slovenia, 2009). In June, the Minister for Development and European Affairs published data on the fall in growth in the first quarter of 2009. The National Statistical Office of the Republic of Slovenia (2009). Repovž & Gole (2009) described the situation:

“The publication of the National Statistical Office on economic activity in the first quarter of 2009 confirmed as expected that Slovenia is officially in recession. After a relatively mild fall in growth in the fourth quarter of 2008, the gross national product (GDP) shrank by as much as 6.5% in the first three months of 2009 which is actually 8.5% over the same period last year. Thus, Slovenia was much closer to the EU countries that the crisis hit the most (Ireland, the Baltic trio, partly Hungary).”

The United Nations World Tourism Organization (UNWTO) began to perceive the consequences of the crisis in the tourism sector as of June 2008. In 2009, the organisation noted a stagnation or slight decline in international tourism. The global economic crisis was strongly reflected in Slovenian tourism in the first half of 2009 (Turistično ogledalo, 2010). Smeral (2009) characterised the effects, writing, “The economic and financial crisis has a strong impact on the tourism industry. Major changes in consumer behaviour, a large rise in unemployment, insecurity and the like have an effect on consumption and investments. Lower consumer consumption is perceived in the declining profits from tourism activities which clearly has an influence on the economy.” As noted above, the UNWTO started to perceive a decline in tourist business as the result of the crisis in June 2008 (UNWTO Barometer, October 2008), when the growth of international tourist arrivals fell by 2 per cent over the previous year. Stagnation or a slight decrease in international tourism was forecast for 2009 (UNWTO Barometer, January 2009), and the forecast proved to be correct. We should also point out that tourism in 2009 was, besides the financial crisis, most likely affected by the fear of the outbreak of the H1N1 influenza virus. According to the UNWTO (UNWTO Barometer, January 2010), international tourist arrivals in 2009 fell on a global and European level by 4.3%. Because of shorter holidays, holidays nearer home and lower tourist consumption on holidays, income from tourism fell even more than arrivals. As reported by the UNWTO, renewed growth in international tourism was perceived in 2010 (UNWTO Barometer, February 2011).

The global economic crisis was strongly reflected in Slovenian tourism in 2009. According to the Slovenian Tourist Board (Turistično ogledalo, 2010) there were 7 per cent fewer arrivals and 5 per cent fewer overnight stays in 2009 compared to the previous year. The Slovenian Tourist Board, in the Turistično ogledalo (March 2010), points to a different trend at Slovenian
natural spas. The latter recorded 1 per cent more arrivals and overnight stays in 2009 compared to 2008. These good results were due mainly to a very large investment cycle of the preceding few years, which resulted in new modern facilities in accommodation and in the wellness facilities. In spite of the good results at Slovenian natural spas, the Slovenian Tourist Board noted that caution should be applied in interpreting the data, as growth occurred only among domestic guests.

At this point we should emphasize the modern definition of tourism after Kaspar (1996), which states “that tourism is the whole of the relations and features which result from the change of location and the stay of persons, for which the place of residence is neither the main and continuing place of residence nor living or employment” (Cvikl & Brezovec, 2006). In addition to the category of travel-seeking tourists is the category of business tourists, who are driven by business motives. As Davidson (1994) notes, “Business tourism deals with people who travel for reasons related to their work. As such, it represents one of the oldest forms of travel – travel for reasons related to trade.” It would be wrong, however, to think of contemporary business tourism as consisting only of travel by independent businesspeople conducting a narrow range of activities.

2 Business tourism

Business tourism includes all types of business events occurring outside the participants’ place of residence or employment. Within the tourism sector we can identify different types of events, for different target audiences. In general, a tourism event “is a term used mostly in the tourism literature to describe a destination development and marketing strategy to realize the potential economic benefits of events to the destination” (Getz, 2007). The subject of our study is business events, which include events held with the purpose of increasing the loyalty of stakeholders (e.g. incentive travel or trips, team building, meetings, treats), events with the purpose of increasing reputation and public image (e.g. important media events), celebrations (e.g. anniversaries, parties, New Year’s parties), events with the purpose of communicating something to the wider public (e.g. press conferences), and assemblies (e.g. of shareholders) (Novak et al., 2009).

Destinations which organise and hold various types of business events are expected to have a diverse infrastructure to enable the smooth implementation of such events. One available venue type for business events is natural spas, where we carried out our research. Our review found that natural spas offer the infrastructure and programming suitable for business events. They mostly offer the hire of (conference) halls and other facilities as well as the possibility of catering, with some offering additional programming such as golf, sports activities, wellness, trips, and sightseeing. The added value of spas is that they combine ambience and various types of infrastructure in one place and are considered to be a refreshing type of location for business events. For these reasons and because the spas were the only tourism sector that recorded positive indexes in 2009 despite the crisis, we decided to carry out research at the natural spas.

2.1 Special events

The dictionary defines an event as “something that happens”, which means that each individual’s life can be viewed as an event or as a sequence of spontaneous or uncontrolled events. In our study we focus on events that are planned and managed for a special purpose. Events which Getz (2007) describes as temporal phenomena – which have an event programme or schedule generally planned in detail and are well publicised in advance – are called special events. For the purpose of our study, these are further defined as events whose purpose is to bring people together at a given time at a certain place for a particular purpose (Silvers, 2004). Shone and Parry (2004) describe an event as a phenomenon arising from an opportunity which is not routine and everyday, and which encompasses leisure (entertainment), cultural, personal or organisational goals that do not coincide with the routine activities of everyday life. The purpose of events, also described by Bowdin (1999), is to entertain, celebrate, educate or provoke certain experiences for a group of people. Some authors (Kotler, 1994; Goldblatt, 1997; Shone & Parry, 2001; AMA, 2004; Getz, 2007) focus on defining
specific dimensions of events. Each definition exposes some key characteristics of special events, but none succeed in capturing them all. Shone and Parry (2004) outline these key characteristics as follows: uniqueness (even if an event repeats with the same purpose and goals and is intended for the same target audience, the interaction at the event is always different); perishability (special events have a beginning and an end); intangibility (special events offer experiences and stay in the minds of the participants only as a memory); interaction (among participants, between participants and the organiser, a brand or a product, etc.); ritual or ceremony (rituals are archetypes of ancient events and their elements are strongly present in all kinds of modern special events); labour-intensiveness (managing an event requires work from the moment when the need for an event emerges, through designing, planning and implementation of the event); ambience (special events take place at a chosen venue with a chosen ambience); and fixed time scales (a special event is a phenomenon defined by time, it has a beginning and an end). Based on our experience we would like to add purposefulness (a special event always happens due to the organiser’s or investor’s special purpose) and experience (a special event offers a special experience to the participants and the experience is even stronger if the participants are actively involved in the programme) to the list of key characteristics of special events.

2.2 Event management

Before we discuss event organisation, we need to look at the five domains of the event management process (EMBOK, 2005). The first domain is administration, which consists of financial management, human resources, information, procurement, stakeholders, systems and time. The second domain is design, which consists of content, theme, programme, environment, production, entertainment and catering. Third, we have a marketing domain, which consists of a marketing plan, materials, merchandise, promotion, public relations, sales and sponsorship. Operations is the fourth domain, and consists of attendees, communications, infrastructure, logistics, participants, site and technology. The last domain is risk, which is made up of compliance, decisions, emergency, health and safety, insurance, legal concerns and security.

Direct event planning is placed in the fourth domain of the event management process; operations. Rutherford Silvers (2004) says that event planning consists of successful implementation and management on an organisational level. Organisation is the logistical component of an event that brings the event to a successful conclusion. The key person here is the event organiser, who does not have much to do with the creative work (programming content). The organiser’s main functions are searching for providers (of venues, catering, etc.) and subcontractors (e.g. musical groups, moderators); considering their offers; choosing the most suitable ones in terms of quality, references, scheduling and budget adequacy; and coordinating with the selected providers and subcontractors during event organisation and implementation.

Although at first glance the organiser’s work may seem to be routine and operational, an efficient organiser must have a well-developed sense of judgement, as he/she often must make quick and intelligent choices (e.g. decisions on the necessary technical equipment for the event, decisions on stage height or decisions in the case of a malfunctioning microphone) to deliver an event as planned. The main component in his/her decision-making process is his/her experience in the event management field. Beside the organiser’s responsiveness, flexibility and quick thinking, he/she must be well-organized and able to manage the time that he/she has for planning and implementation of the event. Since an organiser is in constant interaction with providers, subcontractors and clients during the organisational process, the importance of interpersonal skills soon becomes obvious. With the right mix of friendliness and fairness, an organiser can provide better prices and a higher quality of service while also ensuring the satisfaction of providers, subcontractors and clients.

3 Research problem

Many questions arose during our research on the impact of the financial crisis on the tourism and events
management field. Primarily, however, we wanted to answer the question; what consequences were felt in the field of business events?

The aim of our study is to develop guidelines for business events management at the natural spas. The guidelines would offer efficient and optimised solutions in times of economic crisis for the organisation of the spas’ activities and would be implemented via project management. The guidelines could enable faster, more efficient adjustments in programming and marketing at the natural spas during future crises.

The aim of the research process is to give an explanation (Knežević & Bizjak, 2009); our specific goal is to explain the functioning of the global economic crisis variable in the field of business events management at the natural spas.

4 Methodology

Research data were obtained by using a questionnaire that collected information about the purpose, number and type of business events held at natural spas. The questionnaire consisted of two parts. The first part collected demographic data on sex, age, education, workplace and the respondents’ role in business events management at the spa. The second part consisted of four questions on managing business events at the spa. The respondents entered data on the number of business events, number of business events with a single purpose, the type of events that were organised and the income generated by the business events, before the beginning of the global financial crisis (2008) and during the economic recession in 2009. Based on answers given, information was derived on the impact of the economic crisis on the number, purpose, type and income generation of business events at the natural spas.

Data collection took place at natural spas from March to June 2010, focussing on the organisers of business events. According to the Slovenian Spas Community trade organisation, there were 15 natural spas in Slovenia in 2009: Terme Čatež, Terme Dobrna, Terme Dolenske Toplice, Thermana Laško, Terme Lendava, Terme 3000 Moravske Toplice, Terme Olimia Podčetrtek, Terme & Wellness LifeClass Portorož, Terme Ptuj, Zdravilišče Radenci, Zdravilišče Rogaška, Talaso Strunjan, Terme Šmarješke Toplice, Terme Topolšica and Terme Zreče. Some of these are part of large tourist enterprises (e.g. Sava Hotels & Resorts, Terme Krka). Eleven of 15 approached subjects (each from one of the 15 natural spas) agreed to participate in the study.

5 Findings

Findings indicated that the number of business events at natural spas in 2009 stayed the same as in 2008. No impact of the financial crisis on the number of business events at natural spas could be detected. Nevertheless, there was a change in the purpose of the business events held at natural spas in 2009. An increased number of business events were held to strengthen the loyalty of stakeholders (+10) and to communicate something to the wider public (+8) in 2009 compared to 2008. A decrease was recorded in business events with the purpose of celebration and / or entertainment (-10), business events with the purpose of reputation- and public image–building (-7) and business events concerned with matters of administrative order (-1).

There were also changes in the number of certain types of business events. An increase was recorded in events meant to build stakeholder loyalty (incentive travel, team building events, receptions and retreats) (+10), as well as in press conferences or other events designed to communicate something to the wider public (+8). The number of anniversaries, New Year’s celebrations, parties, celebrations (-10), important media events (-7), shareholders’ assemblies and meetings (-1) decreased.

In our study we wished to determine whether the volume of spending on business events decreased during the economic crisis, but respondents would not disclose such data due to its confidentiality.
6 Conclusion and recommendations

Events are definitely profitable, as they can combine a venue rental, overnight stays, catering, technical equipment and scenography rental as well as the hire of other profitable programming (e.g. hire of musicians, ordering trips). Organisations decided on business events to the same extent as in the years before the economic crisis, which can be attributed to the effectiveness of events as a tool for achieving communication and other business goals. However, the number of business events with a certain purpose changed – the number of business events with the purpose of increasing the loyalty of stakeholders (incentive travel or trips, team building, receptions, retreats) and events with the purpose of communicating something to the wider public (press conferences, etc.) increased. We believe that the offerings of Slovenian natural spas should be tailored to such events and that an effective relevant marketing strategy should be designed. Slovenian natural spas are not seen as overused destinations in the field of event management and therefore have an advantage over other venues. The added value of natural spas is their ambience as well as their infrastructure and activities, such as swimming pools, nature, wellness, health, etc. Spas need to shed their “pensioners” stereotype through redesigned packaging and effective marketing, which will enable them to shine as innovative, superior venues with diverse offerings in one setting. Incorporating other research on the recession’s impact on business events (EIBTM, 2009; Budnar, 2009; Budnar, 2010) to create more specific guidelines for redesigning the natural spas’ packages for business events, we would advise orientating towards protecting the environment, preserving cultural and natural heritage, prioritising sustainable development and emphasising high-quality services, quick response, high flexibility, interesting programming and ultimately lower prices.

Besides creating attractive, quality business packages, investments in relevant marketing will be necessary. We suggest an update of the spas’ websites in a way to highlight the suitability of their offerings for business clients. When reviewing websites we found that many of them are deficient from the point of view of business event managers and organisers. Site pages with information on the rental possibilities of halls and other facilities are difficult to find. In the first instance the websites need to be redesigned so that business event packages are prominent on the home page, including easy links to relevant photographs and information on capacities, floor plans, photographs, technical equipment, catering, contact information and price lists. Križaj and Črnigoj (2008) stress the importance of effective use of the Internet for marketing, noting, “Many organizations have already joined the virtual space for many different reasons, where gaining attention from a growing number of visitors is the main common issue. There are many similarities between virtual worlds and the real life tourism industry, so the question for tourist organisations is not if, but how to join this new, promising and indistinct, venture.”

Marketing should also be carried out through other appropriate channels, such as e-mail, electronic or printed news, telephone, personal meetings, presentations at trade fairs and exhibitions, publishing in existing publications for the relevant target audiences, etc. When communicating with target audiences, at least the representatives of trade organisations and event management agencies etc. should be included, if not the key persons at convention bureaus and tourist agencies. Besides effective marketing, the key to success are good contacts, which natural spas can buy or obtain via networking, telephone data acquisition, developing existing relevant contacts, etc. Natural spas can also possibly begin by planning events for existing and potential business clients, where they can present their packages and capacities and obtain valuable contacts.
**Povzetek**


Rezultati so pokazali, da se število poslovnih dogodkov za poslovne partnerje v slovenskih naravnih zdraviliščih v času gospodarske in finančne krize ni spremenilo. Spremembe pa smo zaznali v porastu nekaterih poslovnih dogodkov za poslovne partnerje, in sicer dogodkov z namenom dviga lojalnosti deležnikov in dogodkov z namenom sporočanja širši javnosti. Iz tega lahko sklepamo, da se organizacije tudi v kriznih časih zavedajo pomena trdnih, dolgoročnih in dobrih odnosov s poslovnimi partnerji za uspešno poslovanje.

Glede na donosnost poslovnih dogodkov za poslovne partnerje lahko za izboljšanje uspešnosti poslovanja vodstvom slovenskih naravnih zdravilišč svetujemo prilagoditev ponudbe. Skladno s tem je smiselno tudi ustrezno in učinkovito trženje tovrstne ponudbe, namenjene ključnim ciljnim javnostim.

Ključne besede: gospodarska kriza, finančna kriza, poslovni dogodek, poslovni partner, naravna zdravilišča

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The impact of the financial crisis on business events and tourism operations in Slovenia


