PROFITABILITY AND FINANCIAL STRUCTURE OF TOUR OPERATORS: AN INITIAL INTERNATIONAL COMPARISON[*]

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Abstract. Actuality: The pandemic had a devastating effect on tourism, even though it subsided during the summer months. The sector is economically important in many countries. Purpose: The research analyses the economic and financial dynamics of tour operators over the last decade in three European countries where tourism is widespread: Italy, France, and Spain. Research Methods: The financial statements of a sample of 4,044 tour operators (1043 Italian, 2340 French, 661 Spanish) for the ten years 2012-2021 were analysed, illustrating the average trend of Return on Equity (Roe) and Financial Leverage. The data were subjected to statistical processing. Anova and, where necessary, Tukey-Kramer methods were used for the comparison between countries. Results: Roe followed a similar trend in the three nations that were most affected by the pandemic. The financial situation was more erratic but equally similar. Implications: This study implements the modest economic literature on these companies. Quantitative research shows significant gains only in some periods and in some countries. Public policies should be attentive to the tourism-enhancing sector by building packages.
Keywords: tourism, return on equity, financial leverage, Anova test, Tukey-Kramer test
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Introduction. The origins of organized tourism are relatively recent. Since Thomas Cook's first experience in 1847, the phenomenon has taken on a worldwide scope, becoming an industry that has a considerable impact on the economies of many countries, with benefits in terms of income, employment, and trade.

The spread has undoubtedly been facilitated by the activities of tour operators (TOs), which assemble individual tourist services into complex products that can more easily meet customer needs. To this end, TOs carry out a complex variety of interconnected activities, such as the development and sale of package tours, including hotel accommodation, insurance policies, transfers, and other on-site services.

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[*] This paper is the result of collaboration between the two authors. It is however possible to attribute the paragraphs "Literature review", "Research methodology" and " Conclusions" to Guido Migliaccio. The other paragraphs are by Maria Calvanese.

The economy of these companies has been affected by the pandemic, which has reduced and changed tourist demand.

Many operators closed down; others suffered considerable losses.

Aid from public authorities did not always prove sufficient.

This study analyzes the economic and financial performance of tour operators in Italy, France, and Spain in the decade 2012–2021, i.e., before and during the pandemic, to outline possible post-COVID-19 relaunch strategies.

The analysis thus answers a general research question:

RQ: What has been the evolution of TOs' economic and financial performance over the last decade?

However, the contexts analyzed may also be useful for other tourism-oriented countries. After the main bibliographical references, the methodology used to develop the financial statement values is outlined. Then, the main results, implications, limitations of the research, and possible developments of the study are discussed with critical considerations and conclusions.

Literature review. The best Italian and international bibliography has dealt with tour operators first and foremost to illustrate their main strategies and most widespread governance methods (Della Corte, 2004). There is no lack, then, of contributions relating to the more typically managerial aspects (Baldarelli, 2000), going as far as outlining the typical characteristics of information systems (Baldarelli, 1998), especially accounting (Scannerini, 2021), and management control (Scannerini, 1999).

The performance analysis was mainly carried out by focusing on some specific aspects derived from international research.

Yap et al. (2018), for example, examined the effect of market intelligence practices on business performance in small and medium-sized tour operators in Malaysia. They showed that business performance is positively related to market intelligence practices, both in terms of market intelligence acquisition and utilization.

Bruni et al. (2017) measured marketing performance in hotels, travel agencies, and tour operators based on an in-depth survey involving 12 hotel chains, 8 travel agencies, and 8 tour operators.

There are also even more analytical investigations on particular aspects that affect the performance of tour operators, such as that of Cai et al. (2004), who analyzed the content distribution performance of the global websites of US tour operators focused on destinations in China.

These tour companies are particularly sensitive to threats that could disrupt the markets where their tour packages are placed (Mwesiumo et al., 2021; Abdalla et al., 2022), and they are also responsible for the economic-financial outcomes of their client hotels (Romero et al., 2020): tour operators' pressure is significantly stronger on small and medium-sized hotels located in coastal areas with a negative effect on profitability, although it has, on the contrary, a positive influence on their growth.

Empirical studies on the balance sheets of these companies and the analysis of their performance from accounting outcomes are rarer. Of particular note are the research outcomes conducted by Iovino & Migliaccio (2018) concerning the economic and financial performance of Italian tour operators during the severe financial crisis that characterized some years between 2007 and 2015. These are the

analyses most similar to those proposed here, which constitute an ideal continuation of more current periods and the recent health crisis.

Three research hypotheses are to be tested with this quantitative study:

(H1): profitability and tour operators are stably high, except for the pandemic years;

(H2): positive profitability has enabled self-financing policies that have favoured optimal financial statement;

(H3): financial performance is similar in several European countries.

The purpose of this study is therefore to outline an initial analysis of the economic and financial situation of Italian, French, and Spanish tour operators with Code Nace Rev2: 79.12: Tour operator activities, also distinguishing them by geographical area, in the period 2012–2021, using the study of the temporal evolution of two indices (ROE and debt ratio) obtained from the analysis of their financial statements.

Research Methodology. From the ORBIS database of the company Bureau van Dijk, the financial statements of 1,043 Italian, 2,340 French, and 661 Spanish tour operators were taken and analyzed. However, data was not always available.

Subsequently, the trends of the two reports mentioned were analyzed.

The graphical representation of the trend of the annual average data for each index also required the determination of the interpolating curve, usually using the polynomial equation of degree 6 that maximized the value of R^2.

For the comparison between macro-regions, ANOVA (with a 0.05 significance level) and, if necessary, Tukey-Kramer methods were used. Each result is illustrated and commented on.

Main results/ ROE - ROE indicates the return on equity and is the percentage ratio between net income for the period and equity capital. The ratio shows how many euros of income were gained (in case of profit) or lost (in case of loss) for every 100 euros invested in the company by the shareholders. Its value should be as high as possible, far from the value of the appropriate rate of return and the return on government bonds often used as references.

Table 1 shows the values of the index for each year.

Table 1: ROE - Annual average values

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Italy	-3,8	-16,92	-12,24	-6,1	-0,69	5,58	8,93	-0,48	-24,2	26,04
France	11,09	7,41	9,15	14,21	13,52	23	18,83	16,45	-42,88	0
Spain	13,91	17,27	16,08	16,47	8,33	21,68	6,16	15,48	-66,96	10,99

Source: elaboration on ORBIS data.

To plot the trend graph of annual average values, we first determine the interpolating equation that maximizes the R^2 value (Table 2).

Table 2: ROE - Equations of interpolating curves

	Equation	R^2
Italy	$y=0,0257x^6-310,6x^5+2E+06x^4-4E+09x^3+6E+12x^2-5E+15x+2E+18$	0,9918
France	$y = 0,0407x^6 - 491,91x^5 + 2E+06x^4 - 7E+09x^3 + 1E+13x^2 - 8E+15x + 3E+18$	0,9195
Spain	$y = 0,0578x^6 - 699,41x^5 + 4E+06x^4 - 9E+09x^3 + 1E+13x^2 - 1E+16x + 4E+18$	0,8562

Source: elaboration on ORBIS data.

The R^2 value of Italy and France is close to 1, which shows that the trend depicted in Figure 1 is statistically valid. In Spain, the R^2 value is slightly lower, thus, the trend depicted deviates, albeit slightly, from optimal values.

Figure 1: ROE - Trend 2012-2021
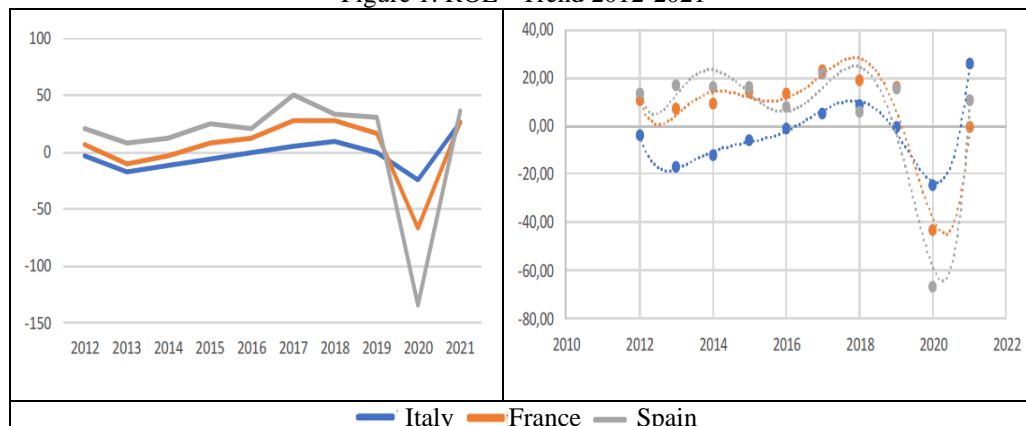
Source: elaboration on ORBIS data

The analysis of ROE reveals a sector with an appreciable return on equity since, except for a few years, the ratio in the three countries analyzed is always high. As was to be expected, there was a slump in the acute year of the pandemic; however, a rapid recovery in the following year brought it back to previous values everywhere.

To better measure and evaluate the differences, the annual average data of the ROE were subjected to the ANOVA test (Table 3).

Table 3: ROE - Anova test

SUMMARY					
Groups		*Count*	*Sum*	*Average*	*Variance*
Italy		10	-23,89	-2,39	200,7303589
France		10	70,79	7,08	348,7363142
Spain		10	59,41	5,94	676,6229741
ANALYSIS OF VARIANCE					
Origin of Variation	*SQ*	*dof*	*MQ*	*F*	*Significance value*	*F critic*
Between groups	534,343	2	267,1714793	0,653716015	0,528146527	3,3541308
In the groups	11034,81	27	408,6965491			
Total	11569,15	29				

Source: elaboration on AIDA data.

The variance of the ROE shows an F value of 0.65, lower than F (3.35), which confirms the lack of statistically significant differences between the averages of the three groups considered. It is therefore not necessary to subject the data to the Tukey-Kramer test.

Debt ratio. The debt ratio determines the relationship between internal and external financial sources by relating non-current liabilities to equity. A high value indicates excessive debt and thus an unbalanced financial structure.

The data obtained from the AIDA database are shown in Table 4.

Table 4: Rapporto di indebitamento - Annual average values

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Italy	0,81	0,90	1,12	0,93	0,79	1,18	1,85	0,79	5,75	0,64
France	0,13	0,13	-0,22	-5,20	0,24	0,11	0,10	0,10	2,15	10,69
Spain	-0,10	-2,68	5,70	0,28	1,19	1,07	-0,60	-1,12	-0,19	-0,44

Source: elaboration on ORBIS data.

Table 5 shows the equations required to obtain the interpolating trend curves and, with R^2, their representative effectiveness.

Table 5: Debt ratio - Equations of per interpolating curves

	Equation	R^2
Italy	$y= 0{,}0034x^6+40{,}97x^5-206544x^4+6E+08x^3-8E+11x^2+7E+14x-2E+17$	0,7769
France	$y = -0{,}0019x^6 +22{,}882x^5 - 115416x^4 +3E+08x^3 – 5E+11x^2 + 4E+14x – 1E+17$	0,9111
Spain	$y = 0{,}0055x^6 – 66{,}173x^5 + 333630x^4 – 9E+08x^3 + 1E+12x^2 – 1E+15x + 4E+17$	0,4763

Source: elaboration on ORBIS data.

The equations show that France's R^2 value is close to 1: the trend depicted in Figure 2 is statistically significant. For Italy and especially Spain, however, it merely approximates the broken straight line.

Figura 2: Debt ratio - Trend 2012-2021
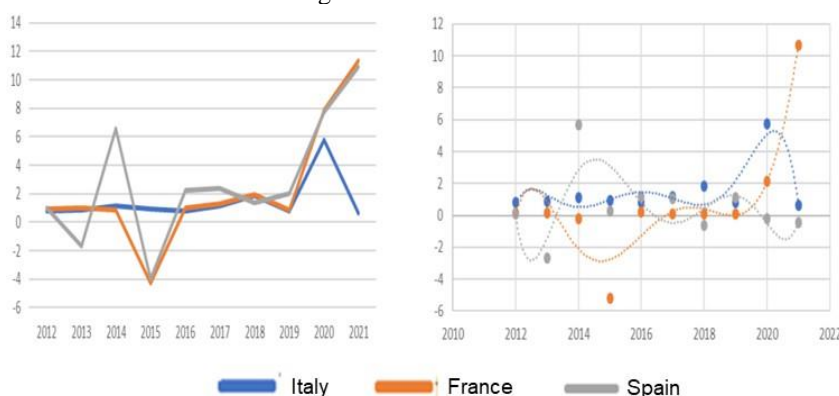
Source: elaboration on ORBIS data.

An irregular trend is evident almost everywhere, with often worrying values that certainly show a high level of indebtedness and thus an unbalanced financial structure that has worsened in the pandemic years. Only Italy, after the worst peak in 2020, seems to have returned to previous values.

The measurement and evaluation of the difference between the groups are entrusted to the ANOVA test (Table 6).

Table 6: Debt ratio - Anova test

SUMMARY					
Groups		*Count*	*Sum*	*Average*	*Variance*
Italy		10	14,76	1,476	2,370537778
France		10	8,23	0,823	15,48191222
Spain		10	5,55	0,555	4,565072222
ANALYSIS OF VARIANCE					
Origin of Variation	*SQ*	*dof*	*MQ*	*F*	*Significance value*	*F critic*
Between groups	4,488247	2	2,244123	0,300317311	0,743024953	3,354130829
In the groups	201,7577	27	7,472507			
Total	206,2459	29				

Source: elaboration on ORBIS data.

The analysis of variance shows that the F-value (0.30) is smaller than the critical F-value (3.35), and therefore the Tuckey-Kramer test is not necessary because the differences between the three countries are not statistically significant.

Conclusions. The effects of the pandemic on the financial equilibrium of enterprises prompted this analysis of a sector that is fundamental to the economies of many countries, especially Italy, focusing on tour operators.

Using the balance sheets of the last decade of a sample of more than 4,000 enterprises characterized by the Nace Rev2 code: 79.12: Tour operator activities, the trends of two indexes expressing profitability and the degree of independence from third-party capital were outlined.

Adequate statistical elaboration supported the analysis.

The first hypothesis (H1) can certainly be considered confirmed because profitability was stably high, with the sole exception of the most acute year of the pandemic, 2020. To be recorded, however, is an immediate recovery from the following year.

The second hypothesis (H2), on the other hand, is not confirmed because the second index shows an irregular trend that points to high indebtedness. The situation has worsened in the pandemic years; only Italy, after 2020, seems to have returned to previous values.

Despite the considerable differences between the three countries, very little diversity was found among them. The third hypothesis (H3), therefore, can be considered confirmed.

These are the conclusions of a purely quantitative study, without considering other qualitative aspects that could justify the trends described.

It will be necessary to investigate the trend of other indices to formulate more analytical assessments, although the fundamental trends seem to have been well identified.

Studies of this kind allow the management of tour operators to compare their situation with the average one, taking appropriate remedial action if inefficiencies are revealed.

Analyzing multi-year trends also favors appropriate support policies for the tourism sector, which has often been significant in the balance of payments.

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