Revista Turismo em Análise - RTA | ISSN: 1984-4867
DOI: http://dx.doi.org/10.11606/issn.1984-4867.v33i3p127-146

Artigos e ensaios

The Structure-Conduct-Performance model applied to The italian tourism sector

Vitória Batista Santos Silva[1]

Abstract

The objective of this work is to understand the functioning of the Italian tourism sector, trying to understand the impacts of the pandemic on some variables, and including cultural factors to deepen the analysis. The point of originality of this research is to apply the Structure-Conduct-Performance model already considering some of the effects of the pandemic. Through an exploratory research, the structure-conduct-performance model will be applied to address the most relevant variables that play an important role in the functioning of the sector. It was possible to identify that the tourism sector has a very relevant role for the Italian economy, impacting on central macroeconomic variables, such as employment, Gross Domestic Product, among others. It is possible to understand some of the central changes in the functioning of the sector caused by the pandemic, in addition to discussing the role of technology and innovation regarding the diversification of supply and demand. Finally, some measures that can contribute to the growth of the sector in the post-pandemic period are discussed.

Keyword: Structure-Conduct-Performance Model; Tourist demand; Economic impacts; Tourist market.

Resumo

O Modelo De Estrutura-Conduta-Desempenho aplicado ao setor de turismo italiano

Este trabalho tem como objetivo central compreender o funcionamento do setor de turismo italiano, tentando entender os impactos da pandemia em algumas variáveis, e incluindo fatores culturais para aprofundar a análise. O ponto de originalidade desta pesquisa é aplicar o modelo Estrutura-Conduta-Desempenho já considerando alguns dos efeitos da pandemia. Através de uma pesquisa exploratória, o modelo estrutura-conduta-desempenho será aplicado para abordar as variáveis mais relevantes que desempenham um papel importante no funcionamento do setor. Foi possível identificar que o setor de turismo tem um papel bastante relevante para a economia italiana, impactando em variáveis macroeconômicas centrais, como emprego, Produto Interno Bruto, entre outras. É possível entender algumas das mudanças centrais no funcionamento do setor causadas pela pandemia, além de discutir o papel da tecnologia e da inovação na diversificação da oferta e da demanda. Por fim, são discutidas algumas medidas que podem contribuir para o crescimento do setor no período pós-pandemia.

Palavras-chave: Modelo Estrutura-Conduta-Desempenho; Demanda turística; Impactos económicos; Mercado Turístico.

Resumen

El modelo Estructura-Conducta-Desempeño aplicado al sector turístico italiano

Este trabajo tiene como objetivo comprender el funcionamiento del sector turístico italiano, tratando de comprender los impactos de la pandemia en algunas variables, e

[1] Mestre em Economia e Mercados pela Universidade Presbiteriana Mackenzie. Docente no curso de Ciências Econômicas da Universidade Presbiteriana Mackenzie, São Paulo, São Paulo, Brasil. E-mail: vit_batista@hotmail.com

incluyendo factores culturales para profundizar el análisis. El punto de originalidad de esta investigación es aplicar el modelo Estructura-Conduta-Rendimiento considerando ya algunos de los efectos de la pandemia. A través de una investigación exploratoria, se aplicará el modelo estructura-conducta-desempeño para abordar las variables más relevantes que juegan un papel importante en el funcionamiento del sector. Se pudo identificar que el sector turístico tiene un papel muy relevante para la economía italiana, impactando en variables macroeconómicas centrales, como el empleo, Producto Interno Bruto, entre otras. Es posible comprender algunos de los cambios centrales en el funcionamiento del sector provocados por la pandemia, además de discutir el papel de la tecnología y la innovación en la diversificación de la oferta y la demanda. Finalmente, se discuten algunas medidas que pueden contribuir al crecimiento del sector en el período pós-pandemia.

Palabras-clave: Modelo Estructura-Conduta-Rendimiento; Demanda turística; Impactos económicos; Mercado turístico.

Introduction

Italy is a country that finds in tourism a relevant source of wealth generation. In 2019, the tourism sector had a 10.4% impact on the country's Gross Domestic Product (GDP), adding more than USD 9 billion (WTTC, 2021). The country has the largest number of historical heritage sites listed by UNESCO, totaling 58 at the time this article is written, among which it is possible to mention the city of Verona and the The Five Towns of the Cinque Terre to the North, the historic center of Rome and the Basilica of Saint Francis of Assisi in the center of the country, and the archaeological areas of the city of Pompeii and the historic center of Naples to the South (UNESCO, 2021). In addition, one of its strengths is being a country with several options for beaches, as it has a coastal area of more than 8 thousand kilometers (MIT, n.d.), and has developed religious tourism, as it houses the Vatican in its territory, and several other historic Catholic churches.

In this sense, the objective of the present work is to analyze the Italian tourism sector according to the Structure-Conduct-Performance model, configuring an important tool for sectorial analysis. Through the application of the model, it will be possible to identify the main strengths of tourism in Italy, and to present some of the perspectives for the sector after the pandemic period discussing also cultural factors. The theme is justified because of the importance of tourism for the country from an economic and cultural point of view, being a prominent reason when compared to other European countries, besides to the mentioned importance for the generation of wealth, having as a point of originality to enable the vision of the tourism sector considering the changes generated by the pandemic. Besides that, it was not identified another study that evaluate that Italian tourism sector using the SCP Model, which allows the evaluation of the sector's trajectory, the comparison between the sector's functioning in different Italian regions, in addition to the analysis of how policies aimed at a specific segment of the sector can impact its overall performance.

This article has four more sections beyond this introduction. First the literature review, approaching the importance of the structure-conduct-performance model for sectorial analysis, presenting the main aspects considered for its application. The method reinforces the way in which the model is applied to understand

and characterize the tourism sector in Italy, highlighting the main data sources used in this research, such as international organs in the field of tourism such as the World Tourism Organization and the World Travel and Tourism Council, as well as Italian organs, whether specific to the tourism issue, such as the Osservatorio Nazionale del Turismo and the Agenzia Nazionale Turismo, or organs that provide relevant sectoral and macroeconomic information, such as the Istituto Nazionale di Statistca (Istat) and the Italian Central Bank, Banca D'Italia. The next section presents the most relevant aspects of the italian tourism sector, Then, the final considerations.

Structure-Conduct-Performance Model

The Structure-Conduct-Performance (SCP) model is a tool used in the Industrial Organization area, specifically regarding the sectorial economy. It was developed in the 1930s by Edward Mason, but later had relevant contributions from several other economists, notably Joe Bain and Frederic Scherer (Hasenclever; Torres, 2013). The central facility provided by the model is the division of the optics from which a sector of the economy can be analyzed. Through the basic conditions of supply and demand for each sector of the economy, according to the economic reality of the country in question, it is possible to determine the aspects of the sector's operating structure, its conduct, and its performance, as will be explained next.

Starting from a perspective that would use the model for companies or specific sectors of the economy, Bain (1968) managed to formalize the model so that it was possible to analyze an industry as a whole, establishing relevant characteristics for the industrial economy as it is known today, and making in fact an explanation for each of the spheres of the SCP model (Lee, 2007).

First it is necessary to consider the existence of basic conditions of supply and demand, which include the analysis of the inputs used for production in a sector, the seasonality with which production is influenced, the institutional environment in which activities are carried out, whether there are substitutes or complementary goods, among others (Uzunidis, 2016).

It is necessary to follow a flow to understand the chain effects that can be observed in the SCP model. According to Scherer (1990), the analysis of the structure and/or the basic conditions of supply and demand must begin, going through the conduct, and arriving at the performance. Thus, it will be possible to take as a basis for the results the aspects of the structure that are intrinsically linked to the functioning of the sector, coming to understand how this is observed in terms of its actions – strategies that it uses to remain in the market, consolidate and expand its activities – and finally, the performance, verifying the real impact of the sector's activities for the economy as a whole, in terms of employment, importance in relation to GDP, among others.

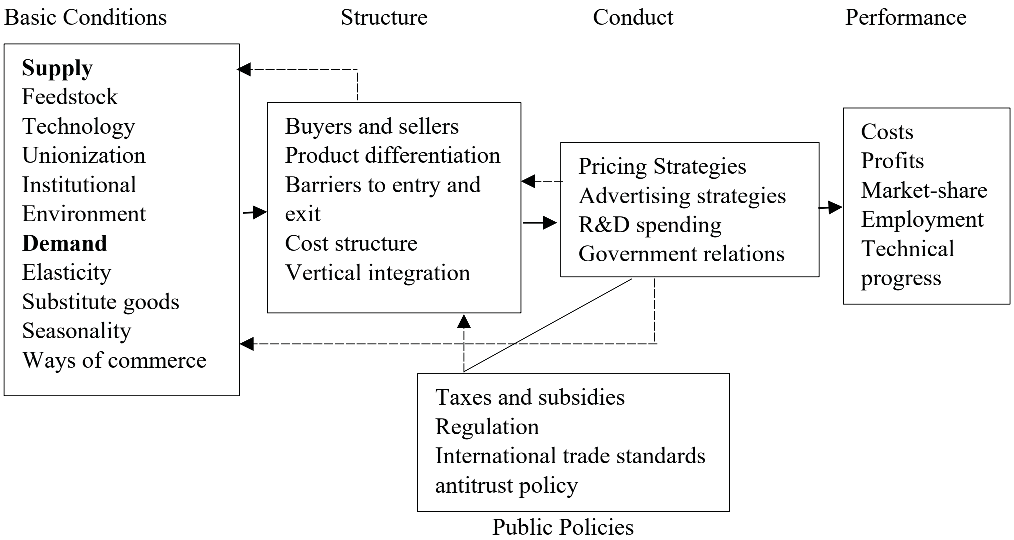
Regarding the specificities of the model, the structure deals precisely with the functioning of the market, considering whether it is a monopoly, an oligopoly, or even presents a structure that is closer to competition, in which economic activity it operates, which are the main companies in the sector, among other aspects. Here it is important to carefully analyze the degree of industrial concentration observed in a sector. For Kon (2017), industrial concentration is considered one of the most relevant factors to understand competition.

Regarding conduct, the SCP model analyzes the strategies employed by companies operating in the sector, to sustain themselves and maintain the market structure. Among the strategies used, it is possible highlight advertising strategies to attract consumers, strategies for the mentioned product differentiation – observed in physical and quality aspects, from the customer service to a well-made cover of a book, and even strategies to prevent new companies from entering the sector (Matyjas, 2014). The conduct is seen as way to determine the performance (Sawyer, 2019).

In terms of performance, the impact of the sector's activities on the economy is evaluated, from a macroeconomic point of view, that is, how much employment is generated by the sector, what is the percentage of the sector in relation to the Gross Domestic Product, what is the market share of the main companies in the sector – the market-share – the profitability of these companies, among others. It can be said that the sector provides gains for society from an economic point of view (Matyjas, 2014).

Throughout the development of the model, it has undergone several modifications, and will certainly continue to do so. The presence of the government has already been included as one of the spheres that can influence the structure, conduct and performance, through public policies, and even the premise of Scherer (1990), that it is necessary to establish a meaning starting from the structure in towards performance, has already gone through several discussions, showing that the conduct also affects the structure, for example, implying a movement contrary to what was initially established. The following figure shows the basic configuration of the SCP model:

Figure 1 – SCP Model



Source – Adapted from Hasenclever & Torres (2013).

A recent example of continuous advancement in theory is the study by Lopes (2016), in which a proposal is made to integrate the SCP model and the neo-schumpeterian theory, which deals mainly with the behavior of innovation. The central argument of the study is that the variables analyzed in terms of both the structure and the conduct, as well as performance, are highly influenced by technological advances, and for this reason these theories could be applied together.

Regarding criticism, as highlighted by Verdu and Mario (2018), the model presents a static view of a sector, not being able to analyze the dynamics of its evolution, but only a momentary record of the present its characteristics. However, this must be considered part of the evolution of the theory, behavior expected and welcomed by science. With the evolution of human behavior, technological advances, and the change in some of the needs of individuals, the theory is adapting according to the new reality. Besides that, the SCP model has been used in several industries, from those dealing with markets with more specific goods to broader sectors (Britton, Clark & Ball, 1992).

Lei (2006) establishes pillars for the study of industrial economics using the SCP model and game theory specifically for the case of the tourism industry. Precisely considering the model's characteristic of being static, under the scope of neoclassical economics, Lei (2006) argues that the use of the SCP model has some advantages. An important aspect is that as the model can be applied to different industries, it allows comparison between industries, being more useful if evaluated as a tool to capture essential relationships between variables. Another point is that the variables present in the model are interrelated, so that the phenomenon of endogeneity is very present, and the model allows the identification of effects between them.

Method

This study uses the exploratory research method. According to Gil (2019), exploratory research is a type of research with a social bias, whose expected product is more in-depth knowledge about a given topic. This type of research at a social level allows the analysis of a chance with its characteristics and specificities, including bibliographic and documentary survey necessary for a better understanding of the phenomenon – in this case, data from the different spheres of the tourism sector – and may have the advantage of identifying even factors that were not initially considered important for the intended analysis.

It is still worth saying that one of the uses of a study like this is to serve as a parameter for public policies that can be formulated for the tourism sector, even more so in a post-pandemic context, in which the sector is one of those included in a slower pace of recovery, as it offers a type of good considered superfluous, and which was negatively impacted by the necessary measures of social isolation and restrictions on the movement of individuals between countries.

The data was selected based on the main components of structure, conduct and performance, explored in the theoretical foundation section of this work, in the search to characterize the Italian tourism sector as completely as possible, and provide explanations about how the three parts of the model are related to each other. The choice of the hotel segment to represent the sector's structure occurred because it is the main component of the sector's infrastructure and is often more related to the performance of indicators related to employment, investment, and income in the sector. However, it is important to highlight that the analysis in general is not based only on the hotel sector, since the tourism sector is diversified, and is made up of segments such as travel agencies, restaurants, as well as tourist attractions themselves.

Besides that, the data used in the analysis are those required for the analysis of the SCP model, as illustrated in figure 1. The sections were divided into basic conditions, structure, conduct and performance, while the part of public policies and government actions are addressed throughout each one of the parts of the model. The analysis period in most cases includes data up to 2019. When already available, data for 2020, 2021 and 2022 were added, taking due care that these data present significant impacts due to the pandemic.

Regarding the data used, reports from important bodies for the sector, both national and international, will be analyzed. For the first case, this paper considers the Osservatorio Nazionale del Turismo and the Agenzia Nazionale Turismo, among others. Regarding general bodies, the World Tourism Organization, the World Travel and Tourism Council, among others that can provide useful information for analysis, are used as data sources. Information from national bodies on macroeconomics will also be consulted, such as that provided by the Istituto Nazionale di Statistca (Istat), the Italian central bank, Banca D'Italia, among others.

Basic Conditions: Supply and Demand

The tourist supply can be expressed as the set of goods and services that are available to the consumer looking for the tourist activity. Among them, it is possible to highlight the natural attractions of a place, such as beaches, mountain areas, the climate, and attractions considered artificial, such as museums, theme parks, religious temples, also considering the structure for receiving tourists, such as hotels, hostels, and other accommodation facilities (Lage & Milone, 2009). This makes the factors of production land and labor crucial to enable the provision of the service.

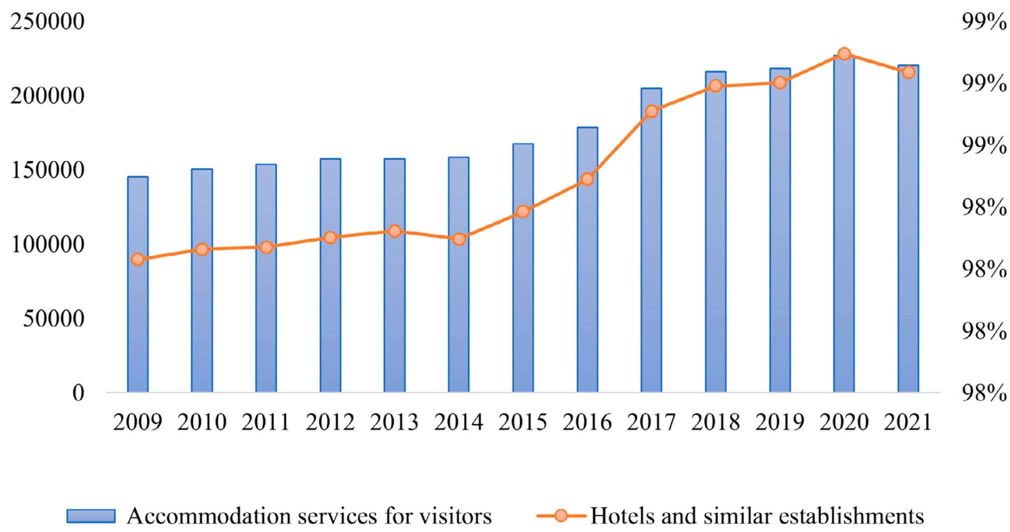
However technology is also important, especially from the point of view of the hotel chain, and for airlines – which, although they are another sector, are related to the possibility of carrying out tourism. A current example of the presence of technology in the sector is the reservation system of the Airbnb platform, which has facilitated the search for accommodation in recent years. Besides that, tourism can be considered as a service distributed heterogeneously throughout the territory, as each location will have its own characteristics, and there is no standardization of what will be offered when comparing one location with another (Lei, 2006).

First, it is worth highlighting some characteristics of the tourist supply, which are valid not only in the case of Italy, but for tourism in general. One of them is intangibility, the fact that the tourist supply cannot be demonstrated or previewed before its purchase, so that the purchased product is something expected/estimated, which will only be seen in the way it really is when the consumer has already is consuming it.

Another crucial point is the perishability or impossibility of storage, since tourism is a service provided when it is already being consumed, making it impossible for it to be stored for later consumption. This implies another characteristic of the tourist supply, the inseparability, which means fact that the tourism service is consumed at the same time it is produced, making it difficult to measure consumer satisfaction (Lei, 2006; Lage & Milone, 2009).

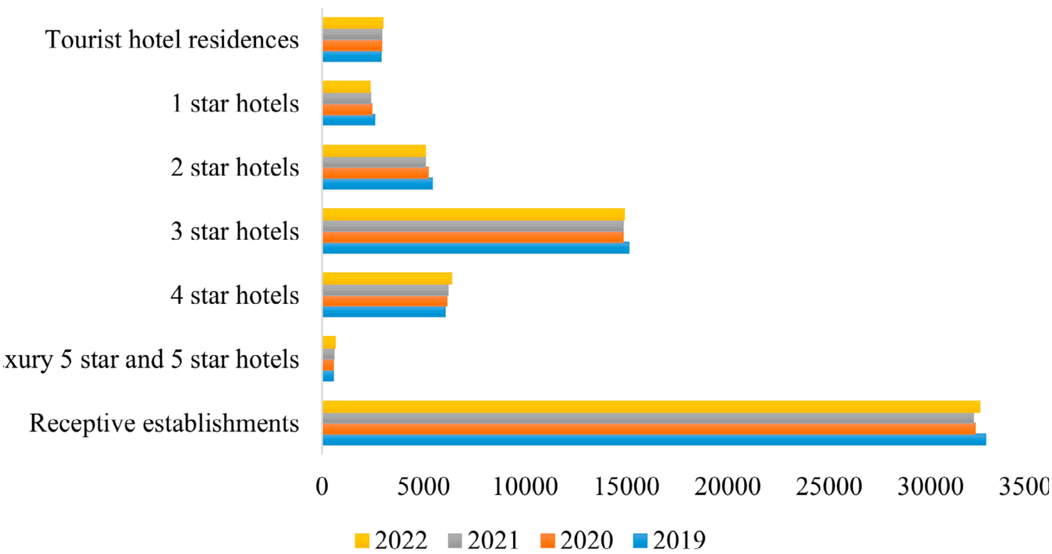
Considering all tourist establishments, using as a criterion to have as the main activity or at least as the activity that generates most of the added value something aimed at tourism, it is possible to say that Italy has the following data regarding accommodation services:

Graph 1 – Supply of hotels and similar establishments in Italy, between 2009 and 2021



Source – OECD (2021).

Graph 2 – Tourist establishments in Italy from 2019 to 2022



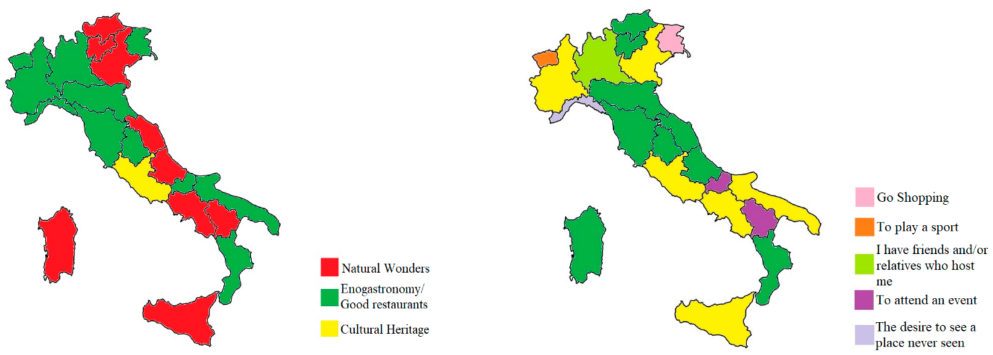
Source – ISTAT (2022).

Considering the hotel structure for receiving tourists in Italy, most of the demand for them is concentrated in 3-star hotels. With slight variation in the number of tourist establishments between 2019 and 2020, it is still possible to see a small retraction, which is probably a consequence of the pandemic. The hotel structure is an element that can be more flexible, although for this to increase, a high initial investment is necessary.

It is important to highlight this element at the beginning of the analysis, as this possibility of changing the supply does not occur on other fronts of the tourist supply, being possible to observe it in the hotel infrastructure, in the airlines, which are an important segment related to the tourism sector. Most of the tourist supply is completely inelastic. An interesting example is found in the book by Tribe (2003, p. 97), "In the Sistine Chapel, long lines form, but they are accommodated in a creative way, creating more and more turns on the way from the Museum of Vatican to the Chapel." This means that no matter the size of the demand, the capacity to receive tourists in a location will not increase. In this way, the interaction between supply and demand will generate price increases for the tourism activity according to seasonality.

In Italy it is also possible to count on tourism that has distinctive characteristics according to the region. On the next map it is possible to see the attractions for tourism according to the region. Both from the companies' point of view – that is, the perception of what is offered – and considering the reasons listed that drive tourism demand, the search for enogastronomic experiences stands out, in addition to natural beauties and the opportunity to know cultural, artistic and monumental heritage, points that will be deepened next.

Map 1 – Main attractions of tourism in Italy in 2018 (reasons for holidays) and 2019 (according to the perception of companies)



Source – ISNART (2021).

It is worth discussing the types of tourism that work as attractions in Italy. According to the last map, it is observed that one of the reasons that most drive the demand for tourism is the search for enogastronomic experiences, that is, wine and Italian cuisine act as attractions for visits in the country. In this sense, it is worth highlighting the importance of a good infrastructure in this sense, to accommodate the demand of these segments.

In the case of the *ristorazioni* segment, which would be the restaurants taken into account as part of the infrastructure of the tourism sector, these accounted for around 20% of tourism expenses in the period from 2018 to 2020, being behind only to accommodation expenses (Banca D'Italia , 2021a). This highlights the importance of this segment to boost tourism activities. In the case of Italy, it has already been emphasized that one of the reasons that most drive the demand for tourism is precisely the search for enogastronomic experiences.

As an example, according to the report by Garibaldi (2020), pizza was one of the most searched terms on internet sites from 2017 to 2019 when talking about enogastronomic tourism from countries such as the United States, China, France, Spain, Germany and the United Kingdom, that is, by the countries that most seek Italy as a tourist destination, as it will be possible to verify later in this discussion. This indicates an opportunity to take advantage of something that is part of the country's cuisine and history to boost tourism, creating museums, themed tours, among other events that can attract the interest of tourists. The city of Naples, for example, which is the birthplace of the creation of Margherita pizza, certainly receives many tourists who are looking to try pizza in the city where it was created, and this has a positive effect on the tourist economy of the place. This is supported by data from ISNART (2021), which shows the enogastronomic reason as the second most important reason for looking for tourism in the Campania region, according to the perception of companies for the year 2019, being slightly behind the demand for tourism. discover natural wonders.

Seasonality is also a key factor in understanding the behavior of tourism demand. It is possible to observe a peak in the number of tourists in Italy in the month of July and August, due to the school holidays and the summer weather that attracts tourists. For this reason, at the end of the year, there is a lower rate of tourists looking for Italy as a destination (UNTWO, 2021). Furthermore, the *Ferragosto*[1] holiday, which is celebrated on the August 15th, is considered very important for Italians, marking the end of the holiday for some, and still celebrating, according to Catholic tradition, the Assumption of Mary into heaven.

According to the most recent report by the WTO (2022), Italy in 2019 was the 5th country that received the most tourists in the world, and the third that received the most tourists in European Union, behind France and Spain.

The main countries that send tourists to Italy are Germany, the United States, France, the United Kingdom and China. According UNWTO (2021), it is possible to say that most tourism in Italy is due to the destination chosen for vacation (43.5%), with tourism for other reasons/personal reasons being second. (40.9%). In addition, the most used means of transport to access the country is by land (56.9%), followed by air (41.3%).

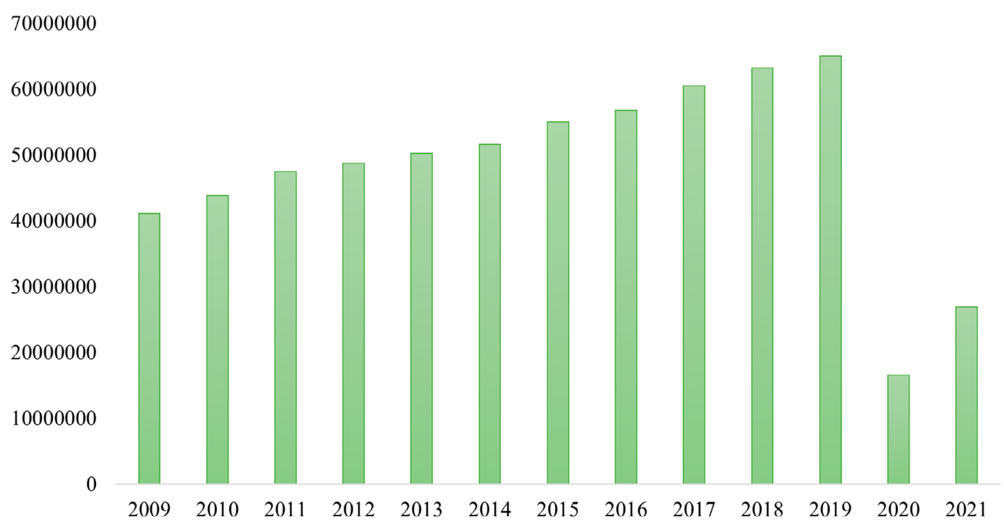
It is possible to observe a greater flow of incoming tourists who are residents of the North of the country. This is probably result of the differences in development between regions in Italy. The North is more developed compared to the South, which remains more agricultural and has higher rates of violence and social problems. This difference is due to historical reasons, which are recorded in the literature since the moment after the Italian Unification, in 1861. The *Questione Meridionale* precisely discusses the reasons why throughout the development of Italy, the South ended up having more difficulties in relation to

1. The August 15 is called *Ferragosto* by a derivation of the Latin expression, *feriae augusti*, created at the time of Emperor Ottaviano Augusto (Santaguida, 2020).

the North, and for that reason it finds itself today in an economically less developed situation.

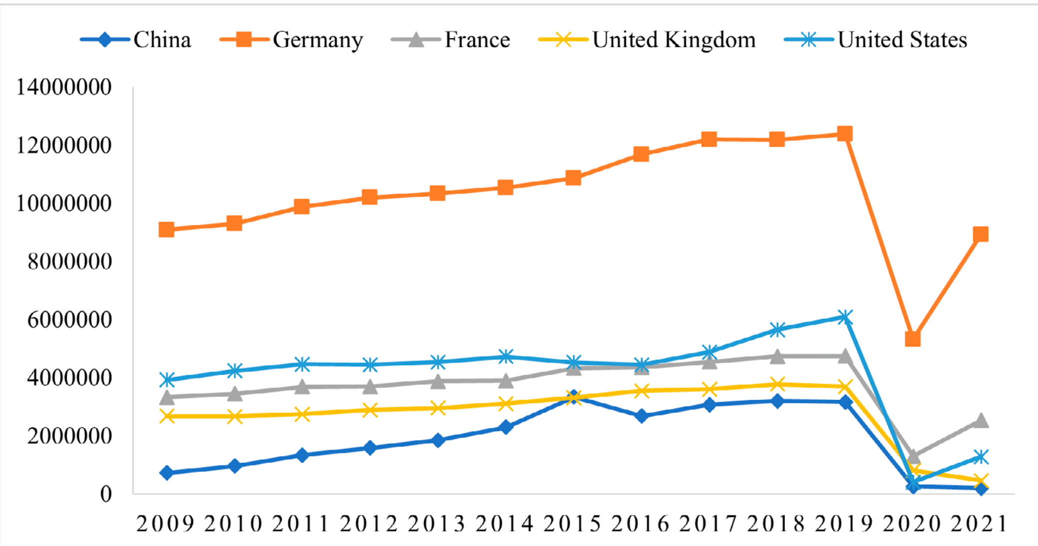
As international tourism is considered something superfluous, therefore having a high price elasticity of demand. In addition, consumer preferences greatly influence the choice of destination, who will often prefer to visit a place with more attractions and facilities from an infrastructure point of view. Another factor considered determining for the choice of destination is the price of goods and services in the chosen location, not just the hotel and the restaurants, but the prices of goods, thematic tours, among others. All these factors together will influence the consumer's choice between Italy and another possible destination.

Graph 3 – Tourist arrivals in Italy, from 2009 to 2021



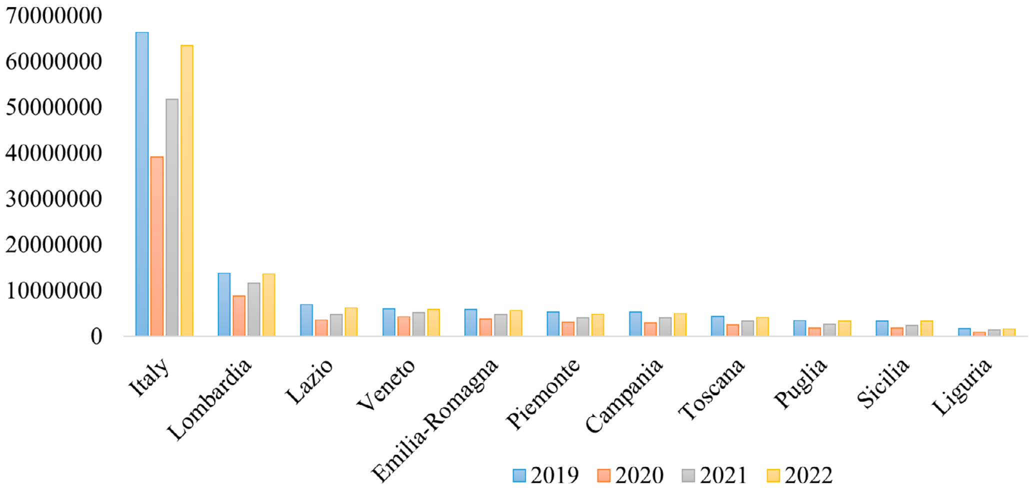
Source – OECD (2021).

Graph 4 – Main markets that send tourists to Italy, from 2009 to 2021



Source – OECD (2021).

Graph 5 – Arrivals of Italian tourists by customers' region of residence, from 2019 to 2022



Source – ISTAT (2022).

It is still necessary to consider substitute goods for tourism. If they have a cheaper price, the consumer will probably prefer these goods over tourism. This last aspect is extremely related to the income distribution conditions of a population. If there is greater consumer satisfaction with other more essential goods than with tourism, the demand for tourism will be greater (Lage & Milone, 2009).

Regarding the aspect of unionization, Italy is a country that has a strong historical tradition in the segment, specifically from the fascist period, in which unions were an important allied base of the government of Benito Mussolini. Currently, pluralism is one of the main characteristics of organizations in the country, so that there are large associations with national representation by economic sector, besides the presence through smaller related associations, throughout the national territory (Bubbico, 2018). Specifically in the tourism sector, as this is a relatively new activity in relation to the unionization model initially thought for the corporate environment, unionization is more difficult to implement. Furthermore, in general it is possible to observe a drop in unionization rates in the country over the last decades (Rodrigues, 2009).

It is pertinent to bring to the discussion the institutional aspect related to the Italian tourism sector. According to Monticelli Greenwood (2020), the tourism activity in the country still faces difficulties in representation, and deals with a complex legislation for the sector, which creates obstacles for a better perception of the real and potential benefits of the tourism industry, mainly in terms of positive externalities to the rest of the economy. A few associations carry out dialogues between companies in the sector and the government, which makes cooperation and recognition of the real needs of the sector difficult.

Structure

The productive chain of the tourism sector must encompass activities related to the activity of the sector itself, which add value to the final product – which is tourism itself. In this way, segments such as hotels and other types of accommodation, restaurants, transport, travel agencies, among other correlates, can integrate the tourism production chain. In resume, in the case of tourism, the focus for defining the elements of the production chain must be given to demand, including activities that provide the necessary infrastructure for the service to function (Decree n. 79, 2011). Tourism is part of the tertiary sector of the economy, also classified as a service sector.

According to Icardi (2020) the current tourism production chain can be conceptualized as having at its starting point the necessary infrastructure for the reception of tourists, which includes transport, and which can communicate directly with the final customer. This first point in the chain communicates with tour operators, which in turn control travel agencies and other channels for selling tourist packages to consumers, including those that take place through internet platforms, dissemination of destinations on social networks, among others. Tour operators, travel agencies and virtual communication channels can also communicate directly with the final customer, who ends the chain.

Regarding the history of the sector the Italian tourism sector began with the idea that the country should be considered mainly as a destination for tourists, and not as an issuing country, due to the slow modernization that it has experienced within of the European context. After the First World War, it is noted that tourism occupies a more central place in the economic debate, placing the country as an actor. In the period between the World Wars the country promoted social tourism, and from the second half of the 20th century it was possible to observe the rise of the mass tourism in Europe, which occurred together with the consolidation of the European Union. Subsequently, the country began to invest in greater use of its historical and cultural heritage, and developing tourism through the Mediterranean Sea, especially in relation to other European countries (Berrino, 2011; Medaglia; Silveira, 2010; Panazzolo, 2005).

Regarding the market structure itself, it is possible to analyze the tourism market in some segments, as mentioned above. The hotel segment is vast and admits many companies. Product differentiation is present, and there is competition between companies in the segment. As illustrated in **Graph 1**, establishments that receive tourists exceeded 218 thousand in 2019, the latest data made available by the OECD.

On the other hand, tour operators, who create tour packages sold by travel agencies, appear in smaller numbers, concentrated in the North of the country. With the presence of concentration in some specific companies, according to data from the associations EBNT & FIAVET (2018), for the year 2016 the groups Geo Travel Network (headquartered in Turin) + Welcome Travel (headquartered in Turin), UVET Travel Network (headquartered in Milan), Gattinoni Mondo di Vacanze (headquartered in Milan) and Bluvacanze (headquartered in Milan) controlled just over 5,700 travel agencies, out of the then 8,500 existing in the country. So, here there is already the presence of a more oligopolistic market structure.

Furthermore tour operators are the most vertically integrated actors, both downstream and upstream, as they manage to control the travel agencies responsible for selling travel packages to tourists, in addition to being able to determine the characteristics of the supply with the choice of suppliers (Brull, 2014).

In general, the sector has low barriers to entry, more focused on aspects of product differentiation, which is guided by aspects related to customer perception and the strategies of companies in the sector. However, factors such as the infrastructure of the place to be visited, including ease of access, conservation of historical monuments, gastronomy, among others, end up working as product differentiation factors. Recently, the availability of reservations and purchases of travel packages on the internet facilitates research by tourist demand, being an essential element of differentiation (Morvillo & Becheri, 2020).

One of the key factors for product differentiation in the case of tourism, beyond to what a place may offer from a more tangible point of view, are also intangible factors, such as the very consolidation of the identity of the local people. Simeon (2013) demonstrated in his study that music, for example, can function as a factor related to tourism, using Neapolitan music as an example, it was possible to identify that it acts as one of the elements of consolidation of the identity of the city of Naples, attracting tourists to the place.

About innovation, the tourism sector has a great opportunity for growth in technology. According to data from Osservatorio Innovazione Digitale nel Turismo (2021) 88% of structures that receive tourists in Italy need at least one digital instrument to manage the processes. Hence the importance of better developing digital sales platforms for travel packages and hotel reservations, in addition to using the internet as a channel for publicizing local attractions.

Another concern should be product innovation, since an increasingly growing and diversified demand is projected. The Piano Strategico del Turismo (Ministero del Turismo, 2016) mentions that Italy is at an incipient stage regarding the use of technological innovation in the tourism sector, when compared to the main countries that are competitors in this sense. The role of the internet as the main booking tool is also mentioned, as well as a tool used to obtain information about the place to be visited. To satisfy the growth in technological demand in the sector, it is necessary to consider the greater speed of transformation in the processes, which requires an emphasis on the professional qualification of workers in the sector, so that they know how to extract maximum efficiency from integration in terms of how the sector works can offer.

The same plan mentioned above is the regulatory framework in force in the Italian tourism sector at the time this research is written, under the exercise of the Ministry of Tourism (OECD, 2020), demonstrating the need to review the goals, now contemplating the effects of the pandemic both for the economy as a whole and for the sector specifically.

Regarding the prospects for the sector, about the reception of tourists, the pandemic seems to have slightly altered the main markets that send tourists to Italy. According to **graph 4**, in which it is possible to verify that Germany, the United States, France, China and the United Kingdom are the countries that most send tourists to Italy. Although the data for the year 2020 from the OECD is not yet available, analyzing the statistics of occupied tourist establishments for the year 2020 available in the base of ISTAT (2022), considering the country of origin of the guests, it is observed that Germany maintains first place, but Switzerland and Liechtenstein, France, Austria, the Netherlands, and the United Kingdom follow. This is a clear impact of the pandemic. Through the movement restrictions imposed, the largest flow of tourists to Italy is from neighboring countries or other European countries.

It would be important to review the sector's strategic plan, which works as a regulatory framework, bringing the impacts of the pandemic, and the sector's recovery strategies for the coming years, bearing in mind that the tourism sector is one of those that will take time to overcome the effects, both on the economy and specifically on the sector, since it is a service sector considered largely as a superfluous good. Therefore, investing in communication and digital sales after the movement restriction measures are relaxed, as well as continuing to promote local attractions is essential to sustain this recovery in the long term, mainly to satisfy the diversification of demand.

Finally, other points are pointed out because of the pandemic in the sector, such as the consequences of the indebtedness of companies in the sector in the period before the worsening of the pandemic, the deterioration of working conditions, as well as the expected reduction in the volume of cash flows business (Demma, 2021).

Conduct

A relevant aspect in terms of product differentiation in the tourism sector is advertising. The government and large companies in the sector use advertising, with an emphasis on promoting the natural and cultural characteristics of the place to be visited, together with strategies for valuing cultural heritage – such as the organization of cultural events – seeking to adapt the characteristics of its supply. Besides that, companies take advantage of advertising to promote their own brands, in addition to the place to be visited as a tourist destination (Foglio, 2015).

As mentioned in the section on structure, features that consolidate the identity and uniqueness of a location are crucial to attracting tourists to the place. According to Bizzarri and Cheschin (2020), who analyzed the attractiveness of Italian tourism for the period after the COVID-19 pandemic, these factors will contribute to making it a tourist destination preferred by consumers.

Still in this field of advertising, one cannot fail to mention again the importance of making reservation systems and purchases of travel packages available online, to allow access to information about the place to be visited, and about the characteristics of the travel package.

Regarding pricing strategies, for companies in the hotel industry, the price provided for the daily rate must be able to meet the costs of various services – such as cleaning, hotel living areas, food, among others – in addition to being able to segment customers by consumption ranges, according to the category of hotels and, even in the same hotel, by the prices of rooms with more services available. In the case of restaurants, factors such as location, type of restaurant – pizzeria, restaurant with local specialties, fast-food, etc – size and number of employees, among others, are decisive for the price that will be charged (Foglio, 2015).

In the case of tour operators, the company's pricing strategy must consider that the travel package offered must be more attractive to the customer rather than traveling on their own, and still be profitable for the company that offers the package (Foglio, 2015). Thus, it is necessary to consider that many tourist companies obtain discounts on values for visiting museums, cultural monuments, meals in establishments, hotels, tickets, among others, by purchasing the number of tickets in greater quantity. This can work as an attractive element for the tourist.

The package offered also generally offers time savings, as the customer will not need to search for reservations for each attraction they wish to visit individually, as the package often already offers all this in an organized manner, and then the customer would only look for separate attractions that were of particular interest to them.

Finally, the institutional aspect and relations with the government. The Ministero del Turismo is responsible for providing support to the sector. According to data from the Piano Strategico del Turismo (Ministero del Turismo, 2016) from 2017 to 2022, in which the effects of the pandemic on the world economy had not yet been predicted, some of the central goals for the development of the sector would be to strengthen aspects of the Italian art and culture, valuing technological and organizational innovations, fostering competition in the sector and improving marketing strategies. Furthermore, one cannot fail to mention that the government plays an important role with regard to the conservation of historic sites, parks, as well as in the implementation of strategies to promote local culture.

Performance

The tourism sector is relevant to the Italian economy, so that in 2018, the most recent data provided by the World Bank (2018), the direct contribution of the travel and tourism segment as a percentage of the Gross Domestic Product was 5.5%, with slight variation in relation to the immediately previous years. Until then, the forecast was that this percentage would increase in the following years, but the impact of the pandemic has not yet been evaluated.

Regarding the contribution of the tourism sector to imports and exports, according to the data in the table below, it is possible to perceive the impact of the pandemic on the balance of trade, which in 2019 was €17.2 billion, falling to €7.8 billion in 2020, and showing a slight recovery from the previous year in 2021, reaching €8.6 billion (Banca D'Italia, 2021b). Restrictions on the movement of people, both internally and externally, were responsible for causing such a magnitude drop in the sector's trade balance.

It can be noted that the trade balance reflects the effects of the seasonality, already discussed in the section on the basic conditions of supply and demand, since in the period between November and March the values of the trade balance are relatively lower than in the other months, with a peak being observed in the months of July and August, as they are the hottest months and coincide with vacation periods.

Table 1 - Trade balance of the tourism sector from 2019 to 2021, in millions of euros

	Credits			Debits			Balance		
	Foreigners' expenses in Italy			Italian spending abroad					
	2019	2020	2021	2019	2020	2021	2019	2020	2021
January	2.180	2.269	418	1.935	1.963	494	246	306	- 76
February	1.929	1.702	369	1.566	1.410	468	363	293	- 99
March	2.593	422	420	1.930	510	506	664	- 87	- 86
April	3.378	312	442	2.036	320	526	1.342	- 9	- 85
May	3.991	477	743	1.919	398	679	2.072	78	64
June	4.656	1.045	1.503	2.428	692	1.062	2.229	354	441
July	6.023	2.724	3.171	3.023	1.065	1.726	3.001	1.658	1.445
August	5.945	3.542	4.648	3.631	1.238	2.093	2.315	2.304	2.555
September	4.828	2.734	3.765	2.425	766	1.513	2.404	1.968	2.252
October	4.033	1.217	2.684	2.336	572	1.302	1.697	645	1.382
November	2.330	434	1.674	1.941	330	1.228	389	103	446
December	2.414	454	1.429	1.932	311	1.047	482	143	382
Total for the year	44.302	17.332	21.266	27.100	9.577	12.645	17.202	7.755	8.621

Source – Banca D'Italia (2021).

Regarding the profitability of companies in the tourism sector, also considering the impacts of the pandemic, there was a reduction in earnings, as expected after the beginning of the pandemic. It is estimated a 40% drop in the turnover of companies in the accommodation, restaurants, and entertainment sector, classifying them as the sectors most affected by the measures to contain circulation necessary after the beginning of the pandemic, further increasing the risk of insolvency for companies in the sector (Banca D'Italia, 2021c).

The tourism sector in Italy was responsible for employing between 6% and 7% of the country's total workforce between 2015 and 2021. Observing the data available for the segments "Service activities of agencies of travel, tour operators and booking services and related activities" and "Accommodation and restaurant services", considering the European NACE Rev2 classification, it can be noted that in the first segment the number of employees increased between 2015 and 2019, and it is not possible to infer what happened after the beginning of the pandemic, due to the lack of available data for the years 2020 and 2021 (ISTAT, 2022).

Regarding the second segment mentioned, a drop in the number of employees in the years 2020 and 2021 is identified, something expected after the beginning of the pandemic, when tourism worldwide was affected by social isolation policies, in addition to the economic factors that impacted negatively on travel income (ISTAT, 2022).

Table 2 – Employment in the tourism sector in Italy, by industry, in thousands of people

	2015	2016	2017	2018	2019	2020	2021
Service activities of agencies of travel, tour operators and booking services and related activities	52,3	53,6	55,9	56,7	59,5	-	-
Accommodation and restaurant services	1.455,3	1.515,5	1.631,4	1.674,8	1.696,8	1.513,3	1.479,5
% In relation to total employment	6,1%	6,3%	6,7%	6,8%	6,9%	6,1%	5,9%

Source – ISTAT (2022).

Final Considerations

This article aimed to apply the structure-conduct-performance (SCP) model to the tourism sector in Italy. Through an exploratory research, seeking a better understanding of the functioning of the tourism sector, with emphasis on the particularities of the Italian tourism sector, it was possible to understand its operation, evaluating the main gaps and obstacles that still exist for the development of the sector, being possible for many variables to already consider the impacts of the pandemic.

Care is needed to take into account that the tourism sector is very diversified, so that various activities can be contemplated for the exercise of their activities, such as companies in the transport sector, accommodation, restaurant, entertainment companies, in addition to the characteristic of each location, which ends up acting as an attraction for the sector, it was possible to identify aspects of the structure for some of the mentioned segments, as well as the conduct and performance.

Another point that ends up working in a way as a limitation of the research is that the SCP model was initially thought to be applied in the manufacturing sector, so that in the tourist activity some activities cannot be considered under the same measures.

As intervention measures for the sector, it would be necessary to think about a review of the Piano Strategico del Turismo, which contemplated until the year 2022, but without considering the resulting impact of the pandemic for the economy as a whole or for the sector specifically. This review will probably take place soon, both because of the proximity to the end of the period initially contemplated, and because of the changes brought about by the pandemic.

Another point, to be explored in future research, would be the intensification of the use of technology – for sales of packages, promotion of the attractions of the local culture, as well as for the dissemination of useful information to consumers - so that the sector can take advantage of it to facilitate the dissemination of interesting information to tourists, always taking into account the diversification of demand.

In addition, the sector as a whole needs to pay attention to the recovery conditions and incentives for companies in the sector after unfavorable financial results are verified due to the reduction in the volume of business in circulation in the sector.

Finally, as circulation measures are reduced not only within Italy, but worldwide, one should consider promoting events that are responsible for attracting tourists from other places, in addition to stimulating domestic tourism.

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Recebido em: 27 nov. 2022
Aceito em: 20 dez. 2022

Contribuição:

Autoria única