

Impacts of the Euro on the Slovenian Tourism Industry

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This paper examines the impacts of the Euro adoption in Slovenia on its tourism. For this purpose, the empirical research among foreign tourists in Slovenia was conducted on their perceptions of the Euro adoption in Slovenia during the second half of 2007. The multivariate factor analysis was performed, which confirmed the four common dimensions of the Euro impacts on Slovenian tourism: attractiveness, costs, expensiveness, and comparison. The mean values of the analyzed items indicate the most positive impacts of the Euro on the direct price comparison and the easiness of comparison among tourist destinations in the Euro zone. The empirical results suggest that the Euro adoption has had the greatest impacts on better comparisons among tourist destinations in the Euro zone, followed by a significant decline in travel-operational costs. The increase in the expensiveness of the destination among foreign tourists is confirmed, whereas no significant improvement in the attractiveness of Slovenia as a tourist destination was proved after the Euro adoption.

Key Words: the Euro adoption, European Union, Slovenian tourism, multivariate factor analysis

JEL Classification: C42, E42, F36, L83

Introduction

The literature about tourism suffers from a lack of studies concerning the effects of the Euro adoption on the attractiveness and competitiveness of tourist destinations. The tourist sector has failed to attract research about the Euro impacts on tourism (Gil-Pareja et al. 2007). Notwithstanding, this open question is a very crucial research topic with policy implications, since the Euro as a national currency will be also adopted in some

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other, particularly Central and Eastern European, countries in the future. This might explain why studies about the Euro impacts on tourism are focusing especially towards these non-Euro zone countries and their tourism industry (e. g. Bieger and Laesser (1999) for Swiss tourism; Jenkins (2001) for the UK hospitality industry; Ratz and Hinek (2006) for Hungarian tourism).

At the time when the European Union (EU) was founded in the late 1950s with the Treaty of Rome, the modern tourism in Europe was beginning to develop. The phase of the modern tourism development has been characterized by a strong tourism development and a steady growth of tourists' arrivals and tourism expenditures, but there has also been emerging a strong competition among existing and new tourist destinations.

Since the 1990s the Single European currency (Euro) has been introduced in fifteen EU countries.³ The EU drafted the Treaty of Maastricht in December 1991, and signed it in February 1992, which provided a basis for the Euro. Five economic and monetary conditions (called the Maastricht convergence criteria) that have to be fulfilled before a state is allowed to join the European Monetary Union (EMU) were decided in the Treaty of Maastricht.⁴ To become a member of the Euro zone, Slovenia had to satisfy the set Maastricht convergence criteria. On 27 June 2004 Slovenia entered the Exchange Rate Mechanism ERM2. The aim of the ERM2 entry was to ensure the stability of the Slovenian Tolar/Euro exchange rate in agreement with the competent European institutions. Finally, on 1 January 2007 Slovenia adopted the Euro as the 13th country to enter into the Euro zone. Now, since Slovenia has entered the Euro zone, we can evaluate the concrete effects of the Euro adoption on the Slovenian inbound tourism. For this purpose, research was undertaken on effects of the Euro adoption among the foreign tourists visiting Slovenia.

The goal of the research is to analyse possible effects of the Euro adoption in Slovenia from the foreign tourists' point of view and, thus, to examine the consequences of the Euro for the Slovenian inbound tourism. It is presumed that the adoption of the Euro in Slovenia has had impacts on the attractiveness and competitiveness of the Slovenian tourism industry. The results can foresee and anticipate the possible effects of the Euro adoption on tourism in countries that will adopt the Euro in the future. The field research work with the written questionnaire (table 1) was conducted in 2007. Consequently, the short-term pre- and post-Euro adoption effects are reflected in the research.

TABLE 1 Questionnaire on Euro impacts on Slovenian tourism

Please, give your personal opinion on the statements below, where 1 means 'I strongly disagree', 2 means 'I somewhat disagree', 3 means 'I neither agree nor disagree', 4 means 'I somewhat agree', and 5 means 'I completely agree'.

A1	The Euro allows me to directly compare prices in Slovenia with prices in other Euro zone countries.	1	2	3	4	5
A2	The Euro makes me feel that I get greater value for money in Slovenia than in my country.	1	2	3	4	5
A3	Not having to exchange currencies for travel to Slovenia represents an important reduction in travel costs for me.	1	2	3	4	5
A4	The fact that the Euro is used in Slovenia reduces the time I need for travel preparation.	1	2	3	4	5
A5	Slovenia is now a more expensive destination than it was before it adopted the Euro.	1	2	3	4	5
A6	Travelling in Slovenia is now more expensive than travelling to destinations outside the Euro zone (for example Croatia, Bulgaria, Hungary).	1	2	3	4	5
A7	Travelling in Slovenia is now as expensive as travelling to other destinations within the Euro zone (for example Austria, Italy).	1	2	3	4	5
B1	Travelling in Slovenia is now easier for me because of the Euro.	1	2	3	4	5
B2	When I made my travel decisions, I chose Slovenia because the Euro is used as the national currency.	1	2	3	4	5
B3	I will probably travel to Slovenia more often than I would otherwise because the Euro is used as the national currency.	1	2	3	4	5
B4	Slovenia has become better known as a destination than it was before the Euro was introduced.	1	2	3	4	5
B5	Slovenia has become a more attractive destination than it was before the Euro was introduced.	1	2	3	4	5
B6	Slovenia has a better image now than it had before it introduced the Euro.	1	2	3	4	5
B7	It is easier to compare prices in Slovenia to other destinations inside the Euro zone (for example Austria, Italy) since Slovenia adopted the Euro.	1	2	3	4	5

• Please, indicate your age group: (a) 19 or below, (b) 20 to 29, (c) 30 to 39, (d) 40 to 49, (e) 50 to 59, (f) 60 or over.

• What country are you from? _____

• Gender: (a) male, (b) female.

The paper proceeds as follows. The next section provides a review of the literature. After that the research design is explained. Following this,

data sources, methods and empirical results are discussed. The concluding remarks are presented in the last section.

Review of Related Literature

More than 300 million people use the Euro as their own national currency, and the number will increase with the further Euro adoption particularly in some new member states of the EU. Prior to the Euro coming into physical circulation, Torres Marques (1998) argued that the Euro currency is potentially a major instrument for decisively improving the present overall trends in the European tourism industry.

According to the European Commission (2007), positive impacts or benefits of the Euro adoption can be classified into several categories: easier travel for people (no need for currency exchange, and better compared prices), impacts of the single market (no exchange rate fluctuations and transaction costs, price transparency, enhances competition by allowing for easier price comparison, better investment decisions and more investment opportunities), impacts on the financial market, macroeconomic impacts on the economy as a whole (for example price stability, sound public finances, and lower interest rates), impacts on the international role of Europe, and impacts on political integration. Indeed, there are many impacts of the Euro on tourism.

It is clear that the Euro creates a more transparent economic environment by eliminating exchange rate risk and uncertainties in tourism inside the Euro zone (WTO 1998). Additionally, within the Euro zone, the exchange rate is no longer a factor of relative price competition, since it is not possible through real exchange rate depreciation to take possible advantages to lower the relative price of tourism products vis-à-vis competitors in the Euro zone. Altogether, inside the Euro zone, exchange rate costs have been eliminated.

The stability of the economic environment in the EMU was confirmed also by the limited effect of the Euro adoption on prices. The statistical analysis by Eurostat showed that price increase linked to the Euro changeover in the Euro zone in 2002 ranged within 0.12% to 0.29% compared to the 2.3% of inflation (measured by HICP), but the most significant part of the total effect of the Euro changeover took place between December 2001 and January 2002 within the range of 0.09% and 0.28% (Eurostat 2003, 5). However, Eurostat indicated that the Euro changeover had led to some price increases in specific sectors, such as restaurants, cafes and hairdressers, recreational and sporting services. Some of these

are internationally non-tradable services that are targeting not only visitors and tourists, but particularly domestic consumers. According to the European Commission (2007), because of the regular purchases of these kinds of services, the effect on public opinion may have been notable. The first analyses in Slovenia, undertaken by the Institute of Macroeconomic Analysis and Development (IMAD) have shown that: firstly, the contribution to price rises that can be linked to the adoption of the Euro in Slovenia is comparable to a corresponding contribution in the Euro zone in 2002; secondly, the price increase of services in the hospitality sector can be largely associated with the Euro adoption and explained by corrections and rounding-up of prices; thirdly, the price increases due to the Euro adoption were estimated at 1.8% in December 2006, and at 1.4% in January 2007 when the price increase was taking place (as in other EMU countries) in two months, i. e. in the month prior to the Euro adoption and in the subsequent month (IMAD 2007, 9).

The Euro may be seen as an important tool for the attractiveness and competitiveness of tourist destinations in the Euro zone countries as it can bring many advantages to the tourism industry, as was already discussed in the 1990s' (Leu 1998; Keller 1998; Raffling 1998; Shackelford 1998). Keller (1998) divided the impacts of the Euro on tourism into two categories: macroeconomic impacts and structural impacts (such as price transparency). Following Keller, macroeconomic impacts include reinforcement of the European economic and political integration and growth within the Euro zone that causes lower interest rates and thus less expensive investments in tourism, which enhances competitiveness. On the other hand, according to Leu (1998, 8), the Euro contributes to the expansion of freedom of travel since its use reduces the costs and time spent on currency exchange, as well as mitigating administrative problems and even possible cheating on the currency exchange. In addition, Shackelford (1998, 11) lists three benefits of the Euro for the consumers. They are: firstly, simplicity of transactions since tourists have to carry only one, a single currency; secondly, transparency in use, represented by a greater familiarity with the purchasing-power of the Euro, which enables better comparison of prices; and, thirdly, elimination of costs and time in the economy regarding exchange of currencies.

Raffling (1998) also argues for several benefits of the Euro, such as: easier price calculation, no foreign exchange risk and costs, fewer currencies – thus making daily life easier, image corrections through price transparency and, consequently, higher travel budgets. In fact, price trans-

parency enables price comparability inside the Euro zone and, as such, increases price competition among the tourist destinations inside the Euro zone. Therefore, it reduces prices in the long-run and leads to the improvement in price-to-value ratio. However, contrary to the theoretical expectations, Ratz and Hinek (2006, 594) found a lack of increased competition in the Hungarian tourism industry vis-à-vis the other European tourist destinations as a result of the Euro introduction. This suggests that not only monetary, exchange rate factors, but particularly structural and real economy factors are important for competition in the enlarged Euro zone tourist markets.

Furthermore, Gil-Pareja et al. (2007) argue that the Euro has induced effects also on the expansion of business tourism as a consequence of the positive impact of the EMU on trade creation. Indeed, several papers found a positive impact of the Euro on merchandise trade developments. Therefore, this implies that international tourism in the Euro zone is fully affected by several impacts that the Euro has brought to this area. Moreover, shifts in international tourism flows were predicted and thus expected because of the removal of the exchange rate (Smeral and Weber 2000, 997). However, so far we have not found any study, made after the Euro adoption, to confirm or reject these predictions and expectations of the Euro adoption on tourism.

So far, most of the literature on the Euro effects on tourism dates from the period before the Euro adoption in 2002 (e. g. WTO 1998; Keller 1998; Leu 1998; Raffling 1998; Shackleford 1998; Bieger and Laesser 1999; Socher 1999; Smeral and Weber 2000; Jenkins 2001) or refers to data prior to the Euro adoption (Mazanec 2002; Kanada 2003), or else it relies on investigation into Euro impacts outside the Euro zone. For example, Ratz and Hinek (2006) examined the Euro impacts in Hungary. Similarly, Bahar and Kozak (2006) investigated on the Euro impacts on tourism in Turkey in 2004, irrespective of whether the respondents were from the Euro zone or not. Nevertheless, according to the findings of Gil-Pareja et al. (2007), the impact of the Euro on tourism is greater when the Euro is effectively circulating in the economy rather than when it was simply a unit of account (before the year 2002). Thus, the research regarding the Euro impacts on tourism in the Euro zone after the Euro adoption might be crucial for understanding the attractiveness and competitiveness of tourist destinations within the Euro zone as well as externally. Unfortunately, it has received relatively little attention in the literature with the exception of the study by Gil-Pareja et al. (2007).

Kanada (2003) studied the Euro effects on tourism in Tenerife (Spain) and found that tourism flows to the Tenerife tourist destination declined after joining the EMU. He explained this fact by a price increase in Tenerife due to a price convergence across the EMU (since Spain was treated as a low-price country) that outweighs any increase in demand due to reductions in transaction costs and currency risks. Furthermore, Kanada states that tourism flows to Germany increased after joining the EMU because of a price convergence (since Germany was treated as a high-price country). Smeral and Weber (2000, 1000) forecasted the changes in international tourism that are induced by the Euro adoption, which raises tourism export in the hard-currency countries (for instance in Germany or Austria) by improving price competitiveness, while it lowers tourism export in the soft-currency countries (for instance in Italy). In addition, Jenkins (2001, 228–9) argued that there will be downward pressures on prices in the Euro area, especially where prices are high, because tourists seek better value-for-money, which may easily be identified by better comparison of prices in the Euro as a single currency. Similarly, Bahar and Kozak (2006, 241) found that Turkey has a higher competitive power in prices than its counterparts in the Euro zone (for instance France, Spain, and Greece). However, Gil-Pareja et al. (2007) investigated the Euro effects on tourism in 2004 in the EMU-12 members and found that the EMU boosts tourism flows by having a positive and significant effect on tourism, which is quite widespread across tourist destination countries of the EMU.

Research Design

The Euro contributes to the profile and positioning of ‘Destination Europe’ in world tourism (Leu 1998, 7). Moreover, according to the aforementioned literature review, we can derive an assumption that the adoption of the Euro results in more attractive and competitive tourism in the Euro zone. In addition, the question on the importance of the Euro for competitiveness vis-à-vis the non-Euro zone using cross-exchange rates is estimated in different models of destination competitiveness.⁵ The effects of the Euro adoption can be found in several factors of tourism destination competitiveness. For instance, real exchange rate (De Keyser and Vanhove 1994), awareness/image/brand and cost to value ratio (Ritchie and Crouch 2000), and price competitiveness (Gooroochurn and Sugiyarto 2005) that are found as factors of tourism destination competitiveness. Nevertheless, there is a lack of studies in the field of tourism

competitiveness research to investigate and assess the Euro impacts on the attractiveness and competitiveness of tourism destinations inside the Euro zone. Hence, we argue and set a hypothesis that the Euro adoption has made the Slovenian tourist destination more attractive and competitive. Based on the literature review, we try to explore foreign tourists' perceptions of the Euro adoption in Slovenia.

Data Sources and Methods

A written questionnaire for the current study was designed (see table 1 for more detail) to estimate the perception of the foreign tourists that visited Slovenia during the second half of 2007 on price and non-price impacts of the Euro adoption on Slovenian tourism attractiveness and competitiveness. The written questionnaire is divided into two main parts. The first part of the questionnaire comprised 14 five-point Likert-type scales in order to investigate how respondents perceive the effects of the Euro adoption, where 1 indicated 'I strongly disagree', 2 indicated 'I disagree', 3 indicated 'I neither agree nor disagree', 4 indicated 'I somewhat agree' and 5 indicated 'I strongly agree'. The second part of the questionnaire comprised three questions and examined basic questions on the demographic characteristics of respondents in order to classify them by age, country of origin and gender. The questionnaire was translated from Slovenian into English, German and Italian for the purpose of the survey. A pilot test was conducted with 21 foreign tourists to ensure clarity and comprehensibility of the written questionnaire.

The survey was conducted among foreign tourists. For this purpose the foreign guests of 7 Slovenian hotels were asked to complete the questionnaire. The hotels were randomly selected. The important factor for choosing the hotel was the willingness of hotel managers to ask their guests to participate in the survey. The data were collected in the second half of 2007. The written questionnaires were given to the hotel guests at the hotel reception desk when they checked into the hotel, asking them to complete and return the questionnaire at the reception desk. A total of 139 usable questionnaires from the foreign tourists were collected from the survey. We are aware that among possible limitations is the size of the sample, since there were 1,751,332 foreign tourist arrivals in Slovenia in 2007 (see <http://www.stat.si>). However, we believe that our sample is representative as it was conducted in the most important Slovenian tourist destinations and within them in the hotels that are important by the number of foreign tourist arrivals and overnight tourist stays.

The collected data were analysed using multivariate methods of analysis and employing the Statistical Package for Social Sciences (SPSS) version 14.0. Firstly, descriptive statistical analysis is used for the demographic data of respondents and for each of the Likert-type scale questions. Secondly, exploratory factor analysis (e. g., Kachigan 1991; Kline 1999; Hutcheson and Sofroniou 1999) was conducted to identify underlying dimensions of the Euro impacts on the Slovenian tourism industry.

Results

Descriptive statistical analysis (table 2) shows the collected demographic characteristics of the respondents in order to reveal their age, country of origin and gender characteristics. The respondents were by gender 49.6% male and 50.4% female. The largest age group was older than 60 years of age, represented by 33.8% of the respondents, followed by the 50-to 59-year age group of 20.9% of respondents. The majority of the respondents originated from Italy (61.2%), followed by Austria (19.4%) and the UK (11.5%). The structure of the foreign tourists in the sample differs from that of the structure of the foreign tourists in Slovenia. In fact, according to the data of the SURS (2008), the structure of the foreign tourists in Slovenia in 2007 was: 21% of Italian tourists, 12% of German tourists, 12% of Austrian tourists, 5% of tourists from the UK. Therefore, we can see that our sample includes a greater percentage of Italian tourists.

The multivariate factor analysis confirmed the existence of the four common factors explaining the impacts of the Euro adoption: attractiveness, costs, expensiveness, and comparison (table 3). The Principal Component methods with Varimax rotation were employed on all 14 items from the first part of the questionnaire. The eigenvalue criterion and Scree Plot were used to identify the number of common factor dimensions. The four common factors emerged with eigenvalues greater than 1. The four common factors solution was found to explain 66.7% of total variance across the 14 items. A Bartlett's test of sphericity indicated a statistically significant ($p = 0.000$) correlation matrix and a KMO produced value of 0.793. This reveals that a factor analysis solution was appropriate for the 14 items. Cronbach's alpha was computed for each common factor. Its scores ranged from 0.557 to 0.873. Thus, the results of the factor analysis are considered to be reliable.

The first common factor is labelled as 'Attractiveness' and includes five items with the highest weights greater than 0.8. They are items 'Decision on choice to travel to the destination', 'More frequent travel to destina-

TABLE 2 Descriptive statistics on the demographic profiles of respondents

	Frequency	%
<i>Gender</i>		
Male	69	49.6
Female	70	50.4
<i>Age group</i>		
19 years or below	5	3.6
20 to 29 years	14	10.1
30 to 39 years	20	14.4
40 to 49 years	24	17.3
50 to 59 years	29	20.9
60 years and over	47	33.8
<i>Country of origin</i>		
Austria	27	19.4
Belgium	1	0.7
Czech Republic	1	0.7
Germany	6	4.3
The UK	16	11.5
Italy	85	61.2
Netherlands	3	2.2

tion', 'Better known destination', 'More attractive destination because', and item 'Better image of a destination'. The second common factor is interpreted as 'Costs' comprising four items with the highest weights greater than 0.7 for the 'Feeling of greater value for money', 'Reduction in travel costs', 'Time reduction of travel preparation' and item 'Easier travel'. Item 'Decision on choice to travel to the destination' had a factor loading of 0.552 on the first common factor and 0.588 on the second common factor. However, since the item reflects attractiveness more than costs dimension, we decided to include it in the first common factor. The third common factor reflects three items with the highest weights greater than 0.8 that are associated with 'Expensiveness'. These items are: 'More expensive destination', 'More expensive than outside the Euro-zone' and 'As expensive as in other parts in the Euro-zone'. Each of the three items is 'negatively' worded, meaning that higher values of the results show less agreement with positive impacts of the Euro or, more specifically, they indicate negative impacts of the Euro. The last, fourth common factor

TABLE 3 Factor matrix explaining the impacts of the Euro adoption

Factors and items	(1)	(2)	(3)	(4)
<i>Factor 1: Attractiveness</i>		5.017	35.834	0.873
B6 Better image of a destination	0.849			
B5 More attractive destination	0.812			
B4 Better known destination	0.771			
B3 More frequent travel to the destination	0.598			
B2 Decision on choice to travel to the destination	0.552			
<i>Factor 2: Costs</i>		1.844	13.169	0.769
A3 Reduction in travel costs	0.767			
A4 Time reduction for travel preparation	0.701			
B1 Easier travel	0.684			
A2 Feeling of greater value for money	0.605			
<i>Factor 3: Expensiveness</i>		1.379	9.851	0.665
A6 More expensive than travelling outside the Euro zone	0.805			
A5 More expensive destination	0.794			
A7 As expensive as in other parts of the Euro zone	0.717			
<i>Factor 4: Comparison</i>		1.099	7.847	0.557
B7 Easier comparison	0.744			
A1 Direct price comparison	0.716			

NOTES Column headings are as follows: (1) factor loading, (2) Eigen-value, (3) variance (%), (4) alpha. $\kappa_{MO} = 0.793$. Bartlett's Test of Sphericity = 755.516 at $df = 91$ with a significance of $p = 0.000$.

is labelled as 'Comparison' and includes two items with weights greater than 0.7 for 'Direct price comparison' and 'Easier comparison'. Therefore, these results imply lower transactional and operational costs using the Euro across the Euro zone.

The mean values and standard deviations for the 14 analyzed items were calculated (table 4). The mean scores of the Likert's scale possible from 1 to 5 ranged from the lowest of 2.77 to the highest of 4.17. The results suggest that the adoption of the Euro enables better comparison of the tourist economy between Slovenia and other tourist destinations in the Euro-zone. In fact, the mean values of both items reflecting the common factor 'Comparisons' are the highest among all the items as they ranged between 4.14 and 4.17, respectively. The respondents had a

TABLE 4 Mean values and standard deviation of analyzed items

Factors and items	M	SD
<i>Factor 1: Attractiveness</i>		
B6 Better image of a destination	3.45	1.294
B5 More attractive destination	3.17	1.293
B4 Better known destination	3.44	1.287
B3 More frequent travel to the destination	3.03	1.523
B2 Decision on choice to travel to the destination	2.77	1.515
<i>Factor 2: Costs</i>		
A2 Feeling of more value for money	3.30	1.317
A3 Reduction in travel costs	3.63	1.247
A4 Time reduction for travel preparation	3.45	1.270
B1 Easier travel	3.84	1.270
<i>Factor 3: Expensiveness</i>		
A6 More expensive than travelling outside the Euro zone	3.25	1.235
A5 More expensive destination	3.54	1.249
A7 As expensive as in other parts of the Euro zone	3.04	1.334
<i>Factor 4: Comparisons</i>		
B7 Easier comparison	4.17	1.113
A1 Direct price comparison	4.15	1.335

NOTES M – mean value, SD – standard deviation.

relatively high level of agreement with the items regarding the common factor 'Costs'. Their mean values ranged between 3.30 for the item 'Feeling of greater value for money' to 3.84 for the item 'Easier travel'. There was less agreement among the respondents about the common factor 'Expensiveness' and the common factor 'Attractiveness'. The mean values of the items in the common factor 'Expensiveness' range between 3.04 and 3.54, indicating the perception of a more expensive destination after the Euro adoption. The items of the common factor 'Attractiveness' have mean values that ranged from 2.77 to 3.45. We have to stress that there is just one item with a mean value below the neutral answer 3.00 in the common factor 'Attractiveness'; this is item 'Decision on choice to travel to the destination' that regards the Euro impact on the decision to visit Slovenia. There is also a wide divergence of opinion among respondents reflected by relatively high standard deviations ranging between the lowest of 1.113 and the highest of 1.523 among the items. The widest

divergence of the opinions was with the item 'More frequent travel to destination', which states that tourists are likely to travel to Slovenia more often because of the Euro adoption.

Conclusion

The aim of the paper has been to answer the question of whether there are any impacts of the Euro adoption on the international attractiveness and competitiveness of the Slovenian tourist destination. The study has uncovered the characteristics of the Euro adoption in Slovenia as perceived by the foreign tourists. A great majority of the foreign tourists in our sample are Italian tourists. It was found that there are four common dimensions of the Euro adoption connected with the perceptions of the foreign tourists in Slovenia as the tourist destination particularly inside the Euro zone.

The price competitiveness due to the Euro adoption is explained by the four common factors: Factor 1 (Attractiveness), Factor 2 (Costs), Factor 3 (Expensiveness), and Factor 4 (Comparison). The mean values of the analyzed items have revealed that there is a strong agreement among the respondents regarding the items that are included in the common factor 'Comparison'. The result suggests that a higher level of competitiveness in international tourism in the Euro zone is set through enabling easier and direct comparison of prices among the tourist destinations inside the Euro zone. Lower agreement is found with items regarding the common factor 'Costs' according to the mean values. Furthermore, there is an agreement with the items regarding the common factor 'Expensiveness' showing that, in the light of the foreign tourists in our sample, Slovenia is now a more expensive tourist destination than it was before the Euro adoption (mean score = 3,54) and it is also more expensive in comparison to the countries outside the Euro zone (mean score = 3,25). The latter finding depends also on cross-exchange rates or on real exchange rate developments of the Euro vis-à-vis other currencies, which has not been explicitly analyzed. However, this is in line with the findings of Smeral and Weber (2000) that countries with soft-currency will feel disadvantages in price competition after the Euro adoption. This disadvantage, however, can be surpassed in the long-run through structural and real economy improvements, whereas our focus has been on the better comparison of prices in the Euro zone. Contrary to our expectations, there is just a slight association between the Euro adoption and the increase of the attractiveness of Slovenia in the perceptions of the foreign

tourists. The mean values of the items that are included in the common factor 'Attractiveness' vary around the average score. The empirical results imply that the advantages of the Euro adoption are seen by better comparisons, lower travel-operational costs and just a slight improvement in destination attractiveness. The Euro adoption is not found as the main criterion among the respondents for choosing Slovenia as a destination to visit. Other items regarding the common factor 'Attractiveness' are all above the neutral answer. This is quite important for Slovenia for its positioning as an international tourist destination.

The elimination of exchange rate transaction costs and better price comparisons in the Euro zone have been clearly confirmed by the perceptions of the foreign tourists, but higher prices and just a slight increase in attractiveness of the tourist destination have failed to contribute to a more competitive environment of Slovenian tourism. Nevertheless, the research does shed some light on issues related with the Euro adoption effects on the tourism industry.

We are aware that among possible limitations is the size of the sample as an issue for future research. Among the possible improvements of the research is also the widening of the number of the variables in the questionnaires to be used in the multivariate factor analysis. Furthermore, among the issues for future research are the impacts of cross-exchange rate relations between the soft- and hard-currency countries. This can be investigated by an inclusion of the real exchange rate with issues of real exchange rate appreciation vs. depreciation and by different sample coverage focusing not only on the Euro zone tourists, but also on wider international tourist destinations. Lastly, further research is needed to investigate possible improvements in the competitiveness of Slovenian tourism in the long-run, vis-à-vis other new member states of the EU, that are caused by the Euro adoption.

Notes

- 1 In 2002, the Euro was introduced in twelve countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. Among the EU-15 at that time, Denmark, the United Kingdom, and Sweden remained outside the Euro adoption. In 2007, the Euro was introduced in Slovenia and in 2008 in Cyprus and Malta. Moreover, it is worth mentioning that the Euro is also used in transactions in some non-Euro zone countries, particularly as explained by Gros (2002), in the 'euroized' Balkans (Montenegro and Kosovo).

- 2 These five macro-economic convergence criteria are: an inflation rate of no more than 1.5 percentage points above the average of the three countries with the lowest inflation rates; nominal long-term interest rates not exceeding by more than 2 percentage points those for the three countries with the lowest inflation rates; no exchange rate realignment for at least two years prior to the Euro introduction; a government budget deficit not in excess of 3 percent of each country's GDP; and a gross debt to GDP ratio that does not exceed 60 percent.
- 3 We have to clearly underline that our focus is not on the Euro impacts in cross-exchange rate terms (e. g. Euro vis-à-vis US dollar or any other world significant currency), but rather on the importance of the Euro adoption for tourists that are visiting Slovenia. As the majority of them are from the Euro zone countries, our results are biased towards the Euro impacts on attractiveness and competitiveness of the Slovenian tourist destination inside the Euro zone.

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