



Evaluation NBTC 2016-2018

management summary

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Authors:

Pim den Hertog
Tessa Groot Beumer
Melvin Hanswijk
Robbin te Velde
Frank Bongers



Management summary

For decades, national as well as local governments all over the world have invested in *destination marketing organisations* (DMOs) to promote their region as an attractive tourist destination. In the Netherlands, tourism policy was decentralised under the 2011-2015 Agreement, while its Ministry of Economic Affairs and Climate (EZK) is responsible for the country's inbound tourism. In the current drawdown period, EZK provides the Netherlands Board of Tourism and Conventions (NBTC) with a maximum subsidy of EUR 8.5 million a year (excluding wage and price adjustments) to promote inbound tourism and business visits. In addition, NBTC is more than 50 percent funded by a large number of both public and private parties involved in carrying out projects and providing services for destination Netherlands. NBTC is an independent organisation, responsible for positioning, developing and marketing the Netherlands at home and abroad. Its objectives are therefore broader than the role for which EZK currently provides subsidies. In 2018, NBTC had an average staffing level of 65 FTE, of which 42 percent are employed at ten branches abroad.

Objectives and evaluation

The terms of the EZK subsidy have been determined for a period of four years under the 2016-2019 Agreement. They include several indicators and corresponding targets that have to be achieved within this period, namely:

1. The amount of international visitors based on marketing activities: 6.2 million
2. International expenditure based on marketing activities: EUR 4.1 billion
3. The number of visits to the online platform Holland.com: 50 million
4. The economic value of international convention bids thanks to NBTC involvement: EUR 72 million
5. Third party co-funding: a minimum of 50 percent.

Besides achieving these targets, NBTC has to make sure its activities stimulate the sector's understanding of the market by sharing knowledge about relevant original markets, trends and developments.

The aim of this evaluation is to assess NBTC's performance regarding achieving these targets and in a broader sense examine its legitimacy, efficiency and effectiveness over the period 2016 to 2018. The evaluation is used to report to the House of Representatives and can also form part of the negotiations for a new funding agreement between EZK and NBTC (2020-2023). There are several important aspects in this evaluation. Firstly, the exponential growth of tourism has led to growing doubts from NBTC and EZK but also the House of Representatives, about concentrating on increasing the number of tourists. Consequently, NBTC, in agreement with EZK, has shifted its focus from absolute growth, to growth in space and time (HollandCity dispersion strategy). The emphasis is on the future-proofness of the relevant indicators and more specifically the current monitoring method. Thus the causality between the indicators and NBTC's ultimate objectives can be disputed (additionality issue) despite earlier advice proposing an adjusted style of examination. In light of this changed focus on dispersion and additionality, the latest evaluation therefore looks at the relevance and suitability of the current set of indicators.

Approach to the evaluation

This evaluation made use of extensive desk studies to look into the actual NBTC organisation, the rationale for DMOs like NBTC, tourism policy and the relevant debates as well as trends

and international developments in the tourist sector, including its role in the economy and in society. In addition, extensive interviews were held with NBTC, its collaborative partners and other stakeholders (including a group session with local and regional DMOs). Case studies were also carried out on national tourist organisations (NTOs) in Denmark, Flanders and Sweden in order to place NBTC's remit and performance in an international perspective. Finally, a quantitative impact analysis looked at whether the additionality of NBTC's activities could be demonstrated and even justified. The work for the evaluation was carried out between January and April 2019.

Main conclusions

Our conclusions are as follows:

Policy and legitimacy

1. The decision underlying the subsidy for NBTC in the period 2016-2019 is mainly aimed at stimulating inbound tourism and is insufficiently based on a broader welfare-theoretical perspective of tourism's role in the leisure economy. The emphasis for managing NBTC (regarding the subsidy) lies in the set of five targets. This set does not sufficiently take into account the potential positive and negative effects of stimulating inbound tourism.
2. EZK has given NBTC a relatively fair amount of scope to choose which tasks and activities it undertakes, which EZK implicitly controls. A mild form of controlling the guidelines (except for a generic key objective and the five targets), allows NBTC some freedom to conduct its tasks as it sees fit.
3. The tasks and roles NBTC carries out at present are theoretically legitimate based on various forms of market failures. The main types of failures that justify the subsidy granted to NBTC are the public good character of both destination branding as well as well the knowledge and data provided for a greatly fragmented sector. Further, destination development is falling behind because parties do not succeed in making the supra-regional and cross-sector links needed for developing tourist destinations. This market failure (more precisely coordination failure) theoretically legitimises government intervention as well. Finally, the campaigns aimed at promoting the Netherlands in the international convention market, coupled with typical Dutch economic strengths or societal challenges can be theoretically legitimised on the basis of market failures due to information asymmetry.
4. The fact that its activities and roles are legitimate does not mean NBTC is the only organisation tackling these tasks and functions. Facilitating and centrally organising destination branding is NBTC's most uncontroversial role. For providing and coordinating a key knowledge and data role and destination development, it is not evident that NBTC is the (only) appropriate party to perform this role, while attracting international conference and business meetings is a task relatively close to the market.
5. Besides market failure, government failure to offer NBTC subsidies is also a realistic risk that can potentially disrupt the market. We refer specifically to the potentially counter-productive impact of the 50/50 funding that is required in the subsidy to NBTC and possible disruption to the 'market' for developing tourist destinations (for local and regional DMOs and business service providers). Associating the tourism sector too closely with stimulating inbound tourism and the related economic activities (thereby overlooking the other societal roles of tourism) can also be considered as a potential government failure.

NBTC's internal operation (efficiency)

6. The public-private cooperation and funding model means that NBTC uses its resources efficiently and that public as well as private parties can play their part in making activities demand-driven. The downside is that NBTC becomes more dependent on parties that can fund the activities and collaborative partners are more often considered as funders (rather than partners). Moreover, NBTC engages in fewer activities for parties that provide less or no financial input (thus damaging NBTC's public image). This can be seen as partial demand steering, especially for those who possess sufficient financial means.
7. The comparison with benchmark NTOs shows that NBTC completes a wide range of tasks on a relatively low budget. NBTC also receives a smaller government contribution measured in absolute terms of budget per inhabitant, per visitor and per FTE than the benchmark NTOs.
8. The 2015 to 2018 period before the current evaluation saw a significant improvement in efficiency, partly as a result of the subsidy then being halved.
9. The reorientation towards dispersion of tourism led to NBTC spending relatively more time and money on the alignment with and between regions (high processing costs). The activities aimed at positioning and promoting new destinations to new target groups require customisation and therefore greater effort. Moreover co-funders show less willingness to joint-invest in this type of activity.
10. NBTC has not awaited the new subsidy agreement and by the look of its broader task concept, is already in transition. Alongside the traditional destination branding and marketing roles, NBTC is taking on its knowledge and data role more actively as well as destination development. If the budget remains the same or drops further due to reduced co-financing combined with an expansion of tasks, there is a danger that new activities will be carried out to the detriment of other basic roles like destination branding.

Achieved output

11. NBTC is on track to reach the target values agreed with EZK on at least 4 out of the 5 indicators. The progress with achieving these target values is closely monitored and EZK receives a bi-annual report of the situation.
12. The way the effect measuring is currently done and the availability (or rather: lack) of suitable data means it is not (reasonably) possible to determine quantitatively the entire breadth of NBTC's additionality. For specific activities where quantitative data is available (target values 1 and 2: number of international visitors and their expenditures), the effectiveness seems to be limited.
13. During the funding period, target values 1 (international visitors) and 3 (number of holland.com visitors) have become less important in the dialogue between EZK and NBTC. The autonomous growth of tourism and the increasing debates on whether tourism is damaging the liveability of some tourist destinations, have meant a less stricter eye is kept on these target values.
14. Target value 4 (economic value of bids) is primarily aimed at increasing visitor numbers. This target stimulates obtaining several large international conferences/business meetings (volume), up till now less linked with economic and knowledge specialisations (Top sectors) or societal challenges ((the Netherlands' preferred profile).

15. We question the role that NBTC plays in the conversion (target value 3). Although NBTC does not offer booking services, it does showcase paying organisations, thereby limiting the freedom to communicate destinations. NBTC justifies this by highlighting the fact that holland.com can also offer a bookable product for less well known destinations. NBTC also notes that bookings have to be facilitated, because otherwise, potential visitors not booking the Netherlands could easily 'slip away' to destinations in other countries.
16. The current ratio of target value 5 (50 percent co-funding other parties) is partly counter-productive. The 50/50 funding requirement ensures on the one hand that NBTC connects with the problems now facing collaborative partners (demand driven), but can also have an adverse effect, in some cases making the interests of co-funders too dominant and not necessarily in alignment with NBTC objectives.

Outsiders' assessment of NBTC

17. People are generally satisfied with their collaboration with NBTC (especially its traditional marketing role). At the same time NBTC does still tend to favour its own offering, and is its financial collaboration financially motivated due to the greater need to obtain resources from collaborative partners.
18. Many of NBTC's activities still rely on the traditional role of a destination marketing organisation. According to the majority of stakeholders, NBTC carries out its tasks in a professional way.
19. The narratives ('verhaallijnen'), events and thematic years have above all helped to improve the collaboration between NBTC and regional parties.
20. Commercial parties praise NBTC's role in attracting international conferences and business meetings. This role helps to raise the Netherlands' economic profile (business climate, knowledge landscape).
21. Opinions differ regarding the expansion or rather sharpening of NBTC's roles. Not everyone is convinced that NBTC is sufficiently equipped to expand the knowledge function. There are other parties working in this domain. The destination development role in particular evokes discussions among local DMOs and so NBTC must take care not to compete with them. NBTC could have a management role (super-regional) as driving force and liaison to enable the parties involved to (jointly) develop destinations. Generally speaking, people view the lack of a policy vision on (an expansion of) NBTC roles as a shortcoming.
22. Conducting tourism policy requires collaboration between various levels, from local to national, but it is not yet a foregone conclusion that NBTC can fulfil the role of connecting factor.

Recommendations and agenda for new agreement

Based on the evaluation we carried out and following on from the conclusions above, we present our recommendations:

1. Reconsider the narrow objective of stimulating inbound tourism in favour of a broader welfare-theoretical perspective on tourism policy.
2. Approach the tourism/hospitality sector as a means of shaping the realisation of a wider societal assignment (contributing to for example liveability, mobility, cultural awareness) along with a better dispersion of inbound tourism.

3. The nature of the management relationship should feature more prominently during the discussions on the new subsidy agreement.
4. Identify explicitly the tasks that EZK assigns to NBTC and determine for what roles NBTC is responsible in the long term and for what roles NBTC is the central facilitator. EZK could present clearer objectives in its brief to NBTC, including the roles NBTC is expected to fulfil with the subsidy provided.
5. Maintain the public-private character of NBTC, but make sure that for each role and any underlying activities, the ratio of EZK resources or required third party funding is clear. Investigate to what extent the legal structure for this would have to be adapted and if a distinction could be made between a publicly financed basic allowance and a project allowance funded by third parties (DAEB construction).
6. Consider the possibilities to better facilitate NBTC in any expansion or strengthening of its roles.
7. Compose a stronger narrative describing how NBTC activities contribute to the agreed objectives and reconsider the use of indicators and target values in their current form.
8. Extend the support for NBTC among stakeholders and fine-tune the options and proposed activities more pro-actively with the field.
9. Attract international conferences and business visits that specifically match the typical economic strengths and societal challenges featured in the new mission-driven innovation policy; also link this with attracting international business and knowledge workers (including students).
10. Examine to what extent EZK as policy department can forge links with departments that play a part in the wider role of tourism and business visitors, such as Ministry of Infrastructure and Water Management (IenW), Ministry of Education, Culture and Science (OCW), Ministry of Foreign Affairs (BuZa) and Ministry of the Interior and Kingdom Relations (BZK).



Contact:

Dialogic innovatie & interactie
Hooghiemstraplein 33
3514 AX Utrecht
Tel. +31 (0)30 215 05 80
www.dialogic.nl

