



Monitoring and benchmarking the performance of a destination's hotel industry: The case study of Bilbao in 2014[☆]



Noelia Oses^{*}, Jon Kepa Gerrikagoitia, Aurkene Alzua

Centro de Investigación Cooperativa en Turismo – CICtourGUNE, Mikeletegi Pasealekua, 71-3.Solairua, 20009 Donostia, Spain

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ABSTRACT

Monitoring the performance of a destination is essential for effective destination management. As the hotel industry is one of the main destination management stakeholders, it is important to have an agile monitoring system to evaluate its performance. This paper presents a monitoring and benchmarking system to analyse and evaluate the hotel room prices of a destination based on data collected from an online travel agent. The proposed method provides guidelines for data collection and preparation and a starting-point analysis for monitoring and benchmarking hotel room prices. The method is applied to the case study of Bilbao both to track its performance during 2014 and compare it with the two other capitals in the Basque Country. The results show that Bilbao's hotel room prices suffered a drop during the first four months of the year and reveal the role that each hotel played.

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1. Introduction

Tourism is an extremely competitive industry where effective destination management and marketing are necessary to compete. Destination management organisations (DMO) need to be empowered to play a leading role within the tourism industry, managing and supporting the integration of resources, activities, and stakeholders through policies and actions.

The competitiveness of tourism destinations strongly depends on whether the information needs of stakeholders are satisfied (Back, Enkel, & Krogh, 2007; Buhalis, 2006). Although the main obstacle for tourism measurement is the lack of available data in real time, destination management can be significantly enhanced by applying state-of-the-art methods of Business Intelligence based on the Internet. The Internet, and the World Wide Web in particular, have made available a whole host of data that is ready to be collected and analysed. The Internet distribution channels (IDC) that allow comparing hotel room prices and booking them are one such example.

One of the main destination management stakeholders is the hotel industry. Thus, it is important to have an agile monitoring system to evaluate its competitiveness and performance within a destination. Our group works on developing methods for estimating tourism metrics based on digital footprint. Data available publicly on the Internet is

collected daily. For this study, hotel room price data has been collected from the IDC *booking.com*. The validity of this approach for studying hotel prices has been established (Oses, Gerrikagoitia, & Alzua, 2015a).

This paper proposes a method for the monitoring and benchmarking of a destination's hotel room prices based on the price data collected from an IDC. The proposed method has been tested using Bilbao's hotel prices during 2014 as a case study. Bilbao is one of the capitals of the three provinces of the Basque Country (Spain) and its largest city. It is an example of a post-industrial city that has undergone a significant renaissance of its economy by moving into the service sector. Tourism, as one of the economic sectors present in it, used to reflect the industrial nature of the city. The accommodation infrastructure catered for visitors attending meetings and key events, such as the International Machine-Tool Exhibition, and did not expand much until the official announcement of the construction of the Guggenheim Museum of Bilbao. That was the turning point for the type of visitors overnighing in the city, from exclusively business visitors to a combination of business and leisure. Since then, the number of rooms has been increasing steadily for the last few years, producing a very competitive sub-sector.

Nevertheless, since early 2014, the performance of the hotel industry of the main tourism destination of the Basque Country, Bilbao, is irregular comparing with competitors and with its own historical series. In this uncertain context, destination managers only have official statistics and the hotel occupancy survey as their main information sources for decision-making, and those have proven insufficient. Thus, this research is motivated by the need for insight to empower destination managers to take effective actions and expand the evidence base for policymaking.

The result of this research is a sound method for monitoring and benchmarking the performance of the hotel industry of one or more

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^{*} Corresponding author.

E-mail addresses: noelia@nofcon.com, [NoeliaOses@tourgune.org](mailto>NoeliaOses@tourgune.org) (N. Oses), JonKepaGerrikagoitia@tourgune.org (J.K. Gerrikagoitia), AurkeneAlzua@tourgune.org (A. Alzua).

Table 1
Number of hotels by category and destination.

City	Hotel category	Count
Vitoria-Gasteiz	1	4
Vitoria-Gasteiz	2	6
Vitoria-Gasteiz	3	6
Vitoria-Gasteiz	4	3
Vitoria-Gasteiz	5	1
Bilbao	1	3
Bilbao	2	6
Bilbao	3	7
Bilbao	4	13
Bilbao	5	4
Donostia-San Sebastian	1	7
Donostia-San Sebastian	2	9
Donostia-San Sebastian	3	5
Donostia-San Sebastian	4	13
Donostia-San Sebastian	5	1

destinations, taking into account both the macro (general destination trends) and micro (individual hotels) levels, that provides a deeper level of understanding of the pricing practices.

2. Related work

A ‘destination’ can be understood as a set of products, services, and natural and artificial attractions able to draw tourists to a specific place, where the geographical location is simply one of the factors that comprises a destination (Leiper, 1995). UNWTO defines a ‘local tourism destination’ as ‘... a physical space in which a tourist spends at least one overnight. It includes tourism products such as support services and attractions and tourist resources within one day’s return travel time. It has physical and administrative boundaries defining its management, and images and perceptions defining its market competitiveness’ (World Tourism Organization, 2007). Thus, a destination is a complex entity whose component parts are interdependent, a change in one has ramifications for all the others (Presenza, 2005).

Tourism is an extremely competitive industry and to compete effectively destinations have to deliver excellent value to visitors (World Tourism Organization, 2007). It is vital that the various components of the destination that impact the visitor’s stay are managed and coordinated to maximise customer value throughout the visit. Thus, effective destination management is necessary to allow destinations to maximise tourism value for visitors while ensuring local benefits and sustainability (World Tourism Organization, 2007). UNWTO defines ‘destination management’ as the co-ordinated management of all the elements that make up a destination (attractions, amenities, access, marketing and pricing) (World Tourism Organization, 2007). The role of the DMO should be one of leadership within the tourism industry, encouraging professional standards and the development of cooperative arrangements which maximise industry effectiveness. Though DMOs have typically undertaken marketing activities, there has been a shift of the DMO’s role from the only-marketing orientation to a complete management orientation (Presenza, 2005). In other words, the role of a DMO is to manage and support the integration of different resources, activities and stakeholders through suitable policies and actions (Manente, 2009).

Assessing the destination’s competitiveness is at the heart of the situation assessment that DMOs must carry out as part of strategic

Table 2
Percentiles for the absolute magnitude of price changes for the three capitals.

95%	96%	97%	98%	99%	100%
42.50	47.00	52.30	60.50	90.00	12,145.58

Table 3
Percentiles for the proportional change of price changes for the three capitals.

95%	96%	97%	98%	99%	100%
1.31	1.34	1.38	1.45	1.59	128.29

planning (World Tourism Organization, 2007). To evaluate how the tourism product is performing both research and information are necessary. Potential sources for this information include occupancy surveys, attraction surveys, tourism surveys on domestic and inbound visitors, Tourism Satellite Accounts (TSA), local economic impact models... Obtaining information from these sources can be costly in terms of money and time, but, without data, the formulation of a policy framework remains an abstract exercise (Ritchie & Crouch, 2003). Thus, it is important to have monitoring systems for destinations to support the decision-making process (Manente, 2009). The focus, then, is on the importance of measuring, monitoring, and interpreting tourism as an economic phenomenon at the local destination level (Manente, 2009). The optimum level for destination management and tourism planning in most countries is at the sub-national level (Manente, 2009; World Tourism Organization, 2007). Some authors defend that the relationship between economic analysis and destination management must be strengthened (Manente, 2009). However, the previously mentioned information sources often do not provide the necessary data disaggregation at the local level.

Three major elements must be considered for monitoring: competitive and/or collaborative analysis (how the destination relates and compares to other destinations), audit of the destination and its attributes, strengths and weaknesses, and monitoring and evaluation of policies and their outcome (Manente, 2009; Ritchie & Crouch, 2003). Additionally, among the 32 tourism stakeholders identified (Sheehan & Ritchie, 2005), one of the most important according to DMO executives is the hotel industry (Presenza, 2005). This paper focuses its attention on the first monitoring element, competitor analysis, and the hotel industry as one of the main stakeholders in the destination management.

Identification and tracking of competitors is an important part of destination management (World Tourism Organization, 2007). Benchmarking is an essential element of measuring a destination’s progress and performance. Such comparison and measurement can fulfil various objectives, such as tracking a destination’s performance over time or comparing it against other destinations’ performance. Effective competitor evaluation and benchmarking requires valid and reliable information and knowledge of competitors. There is often a perception that tourism intelligence and knowledge is extremely expensive and difficult to find and extract (World Tourism Organization, 2007). Existing information on tourism at local level generally does not provide a sound basis for analysis (Manente, 2009). Information is frequently

Table 4
Date pairing scheme for aligning target dates for 2013 and 2014.

Date pair	2013	2014
1	2013-01-02	2014-01-01
2	2013-01-03	2014-01-02
3	2013-01-04	2014-01-03
4	2013-01-05	2014-01-04
5	2013-01-06	2014-01-05
.	.	.
.	.	.
.	.	.
361	2013-12-28	2014-12-27
362	2013-12-29	2014-12-28
363	2013-12-30	2014-12-29
364	2013-12-31	2014-12-30
	2013-01-01	2014-12-31

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