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Tourist districts and internationalization of hotel firms

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HIGHLIGHTS

- We analyse the relationship between tourist districts and internationalization of hotels.
- Agglomeration of tourism firms and generated institutional knowledge foster hotels to internationalization.
- Nevertheless, above factors do not attract foreign hotels to tourist districts.

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ABSTRACT

The present paper brings together two lines of research that the literature has more often than not studied separately: the generation of externalities in industrial districts; and the international strategy based on location advantages. The application of industrial district approach principles serves to identify the tourist holiday districts situated along the Spanish coastline. This is followed by an analysis of the extent to which the degree of firm agglomeration specific to each district, as well as the presence of institutions generating specific technical knowledge, influence the globalization of the tourism sector, both regarding internationalized Spanish hotel chains and foreign hotels installed in Spain.

1. Introduction

The concentration of firms related to the same economic activity has been studied in numerous industrial sectors, mainly through the concepts of cluster and industrial district. From the industrial district theory, the main explanation of this behavior lies in the positive externalities generated through the agglomeration of firms, which lead them to become more competitive. Such externalities may be caused by various factors characteristic of an industrial district, either because firms have their suppliers closer, because a specialized labor market has been created, or because the different agents present in the district share their knowledge to achieve higher competitiveness.

On another level, the literature in recent years has also highlighted the role played by firm agglomeration in internationalization processes, since it is very often the firms belonging to an industrial district or to a cluster that, exploiting the competitive advantage that they have at a national level, decide to become internationalized by deploying their resources and capabilities in other countries. In parallel, the resources and technical knowledge generated in a district or cluster can also exert a force of attraction for foreign firms. Location in specific geographical areas, as opposed to the classical literature vision with a national scope, thus acquires more relevance when it comes to internationalization processes and those associated with economic globalization in general (Dunning, 2009).

In this context, the main objective of our paper is to investigate the extent to which firm concentration in industrial districts constitutes the most important motive of internationalization and, at the same time, the main poles of attraction for foreign investment. This topic has received very little attention in specific literature and the novelty of this paper lies in the fact that the aforementioned objective is going to be sought for service firms and, more precisely, for hotels located on the Spanish coast and specialized in sun-and-

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beach holiday tourism.

If our objective is achieved, not only will an answer be given to the question posed with regard to the role performed by districts within firm internationalization and globalization processes but also empirical evidence will be added to the applicability of the industrial district theory to the tourism sector, that is to say, to the tourist district theory.

Our decision to leave urban tourism and other holiday segments (snow, rural, cultural …) aside and to focus this paper on sun-and-beach holiday tourism is due, amongst other reasons, to the fact that Spain is one of the most important destinations in this segment, as shown by the tens of millions of foreigners who are attracted to it every year. Furthermore, this allows for higher homogeneity in the hotel sector analyzed, since all the firms are competing inside the same business model. This is the case even though sun-and-beach tourism does not follow the same pattern throughout the Spanish coastline, insofar as the degree of maturity and saturation on the Mediterranean coast and in the Canary and Balearic archipelagoes is much higher than on the northern Bay of Biscay coast.

The paper is structured into the following sections. The initial literature review makes it possible to put forward a number of hypotheses for their subsequent verification. Our attention focuses on the one hand on the origin of the tourist district theory from the same principles governing the industrial district theory and, on the other hand, an effort is made to connect the tourist district theory with firm internationalization and globalization processes. This is followed by an explanation of the methodology used and a description of the results obtained with the final section dedicated to discussion, conclusions, and the main implications derived from the study.

2. Literature review

2.1. From the industrial district to the tourist district

Many existing terms in the literature have been more or less synonymously used to describe the phenomenon of concentration between similar firms or firms related to the same activity at a specific location (Malmberg & Maskell, 2002). Amongst them stand out 'industrial district,' 'spatial cluster,' 'business location,' or 'firm agglomeration.' The main idea underlying this geographical concentration is that firms are located at a certain place because this allows them to obtain some type of advantage or externality which goes beyond their own internal capabilities.

The industrial district theory has its origins in the work of Marshall (1890/1920), who managed to determine what types of externalities are generated through the concentration of firms in a specific geographical area. These externalities come from three main sources: (1) the exploitation of common resources and infrastructures developed within the geographical area in question, as well as greater accessibility to local suppliers and distributors; (2) the creation of a large labor market, with a specialized and efficient workforce; and (3) the knowledge transfer which takes place between the agents located in the territory *(knowledge spillovers)*, since they form part of the local networks and belong to the same cultural environment.

Becattini (1979) took the baton from Marshall (1890/1920) to lay down the foundations of the industrial district theory. This author offers one of the most widely accepted definitions of 'industrial district': "a socio-territorial entity characterized by the active presence of both a human community and a group of firms inside a natural and historically delimited area" (Becattini, 1990). According to this definition, three requirements must be fulfilled for us to speak about an industrial district: (a) firms have to be SMEs associated with a single activity sector; (b) this activity sector has to be predominant in the geographical area; and (c) an identification has to exist between its resident population and the activity developed by firms. Following this approach, the small- and medium-sized enterprises (SMEs) located in an industrial district consequently obtain better results than those located outside it due to the appearance of certain externalities linked to geographical concentration ('district effect'). In other words, it is supposed that decreasing or constant performances exist at the firm's internal level, while performances increase inside the district at an aggregated level; hence the reason why SMEs tend to concentrate in places where other firms belonging to the same sector already exist, since it helps them become more competitive.

The industrial district theory owes its name to the fact that it has mainly been applied to the secondary sector, that is, to industrial sectors. However, its validity has recently been demonstrated in service sectors, among which hospitality and tourism stand out in Spain. The truth is that the concentration of tourism firms at one particular destination has traditionally been explained from the demand point of view. Firms obviously and undoubtedly tend to be located at destinations which are more attractive for tourists, either because of their inherited resources —cultural, natural … — (McCann & Folta, 2008; Rigby & Brown, 2013) or due to the presence of other firms with a varied complementary product (Papatheodorou, 2001). However, the question that needs to be asked is whether the agglomeration of firms leads to positive externalities, apart from attracting tourists, which these firms can use to achieve a higher level of competitiveness. If the answer is yes, one could say that it is convenient for tourism firms to be based in areas with other firms of the same sector, following a criterion that is closer to the supply side. That is how the tourist district theory arises; its research still finds itself in an incipient stage, though.

From this point of view, a tourist district is not just a destination able to attract tourists thanks to its resources —demand criterion— (Pearce, 1998) but neither does it constitute a simple agglomeration of small- and medium-sized enterprises belonging to the same sector —supply criterion— (Canina, Enz, & Harrison, 2005; Chung & Kalnins, 2001) since it not enough that the tourism companies represent the main economic activity, the resident population of the geographical area in question must also form an integral part of that activity (Marco-Lajara, Claver-Cortés, Úbeda-García, & Zaragoza-Sáez, 2016).

Chief amongst the papers which have applied this theory, in addition to the theoretical study by Hjalager (2000), are the empirical research works carried out by Lazzereti and Capone (2008) for the case of Italy, and by Marco-Lajara, Claver-Cortés, and Úbeda-García (2014), Marco-Lajara et al. (2016) in relation to Spain. All of them coincide in the utilization of Local Labor Systems (LLSs) as a territorial unit to identify tourist districts. Other researchers who have dealt with this issue in Spain include Álvarez and González (2006), Aurioles, Fernández, and Manzanera (2008), Miret, Segarra, and Hervás (2009), although the latter characteristically use the province or, in the best of cases, the *comarca* [small region] as the unit of analysis to identify districts. On the whole, these studies determine that hotels located in a tourist district are more profitable, not only because they succeed in increasing their revenues but also because they manage to reduce their costs (Marco-Lajara et al, 2016). This additionally provides empirical evidence about the applicability of the industrial district theory to the tourism sector or, expressed differently, about the validity of the tourist district theory.

One of the best explanations for the higher profitability generated by agglomeration can be found in the externalities due to the knowledge exchanges taking place in the territory (Gilbert, McDougall, & Audretsch, 2008). In the case of tourist districts, the literature establishes that firms find it much easier to create and accumulate knowledge because of the interaction that they