



River tourism development: The case of the port of Brussels



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ABSTRACT

River tourism becomes for many ports an important development area that often requires additional infrastructure investments. As such there is a need to understand whether such investments are legitimized by the expected economic impacts. To this end we develop a scenario planning method to assess the economic impacts of river tourism on a port region in terms of added value, created employment, port revenues, and fiscal impact. We illustrate the method through the case of Brussels, which involves desk research, 19 interviews with diverse stakeholders, macroeconomic data and workshops with senior port management. The case illustrates step-by-step how to determine economic impacts under different scenarios. We argue that such an exercise aids port managers with examining the business case for river tourism and to determine the optimal level of investments in river tourism infrastructure. We conclude by offering managerial recommendations and discuss how the method can be applied to other cases.

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1. Introduction

Many of the world's great rivers are used for touristic purposes. In this paper we focus on two of such touristic activities, namely river cruises and river events. River cruises are multi-day journeys to appealing riverside destinations. The river cruise ships typically offer onboard suites, dining facilities and leisure amenities. Recent investments by operators and ports have given a new impulse to the river cruise industry. According to CLIA (2012), the industry experienced a 10% annual growth between 2007 and 2012, with the greatest growth occurring on Western European waterways. The popularity is however not limited to Europe, and many other ports and rivers around the world are experiencing growing interest as well (Prideaux & Cooper, 2009). A second form of tourism is business-related and concerns river events. We focus on event ships that sail to different ports to host corporate events, such as product presentations and company parties. We observe that many ports welcome these ships, even though reliable statistics on the river event market appear absent. In this paper we define river cruises and river events together as river tourism.

In contrast to the more mature sea cruise industry, river tourism is emerging and several developments confront port authorities with opportunities and challenges. For instance, the recent growth of the river

cruise industry resulted in the saturation of popular ports during peak-periods. We observe this, amongst others, in Amsterdam and popular destinations along the Rhine and Danube rivers. As a consequence these ports need to invest in quay facilities to enable sustainable growth. For ports in the proximity of such popular destinations, opportunities exist as well. They can, for instance, attract ships that could not reserve a berth at the more popular destination or compete on port dues. Additionally, we observe that river cruise operators are actively developing new journeys in order to retain old and attract new customers. For this reason non-traditional river cruise ports are increasingly visited, including ports in cities that are not located along popular itineraries, but are well-known enough to attract a significant number of customers. On top of promoting new cities, we observe a more radical approach that focuses on the marketing and development of rivers that previously were not offered. For instance, several European players are expanding their offers to the Amazon and Mekong river (Divino & McAleer, 2009; Laws & Semone, 2009; Prideaux & Cooper, 2009). Hence, industry growth and the pro-active development of new itineraries by river tourism operators can have significant implications for inland ports.

There are good reasons for port authorities and local governments to welcome these developments. For port authorities, river tourism can act as an additional source of income through port dues and the provision of associated services. Local governments, on the other hand, can expect positive fiscal impacts from tourist expenses. This is especially relevant because river cruise passengers generally are wealthy and eager to purchase local goods and services (Bauer, 2010).

However, several challenges exist that port authorities and local governments should reckon with. Similar to sea cruises (Lekakou, Pallis, & Vaggelas, 2009), ample factors influence the attractiveness of

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ports for touristic purposes, including the location and quality of the quay. Yet, many inland ports have industrial activities and/or urban logistics organized in the same limited area of waterbound operations (Dooms, Haezendonck, & Valaert, 2013). As a consequence ports often lack the facilities and surroundings that align with the requirements of the river tourism industry. If inland ports are therefore to consolidate a position as a river tourism destination, they are often required to make considerable investments to become a more attractive stop-over. As such, port managers should question whether the benefits of attracting touristic activity are higher than the costs (Brida & Zapata, 2010; McCarthy, 2003).

Typically, two factors complicate such investment decisions. First, river tourism is relatively new for many inland ports. Historic figures are therefore insufficient to legitimize investments and forecasting methods are called for. Second, the value of river tourism is captured by a broad range of actors. Local tourist expenses, for instance, can be significant, but do not necessarily flow back to the port authorities. For this reason port authorities could be more inclined to invest in industrial projects, even though the region as a whole would profit more from river tourism. Investment decisions thus need to account for different forms of economic value that legitimize co-financing by local authorities.

In this paper we develop a scenario planning method to assess the potential economic impacts of river tourism on a port region. To the best of our knowledge, such a method has not been applied to river tourism, but could serve as a powerful tool for strategic decision making by port managers and policy makers (Prideaux, Laws, & Faulkner, 2003; Song & Li, 2008). We shall apply the methodology on the Port of Brussels, after which we elaborate on the tool's wider applicability and validity for ports that want to conduct such an analysis. The paper is structured as follows. In the next section we provide a survey of the literature on forecasting economic impacts, and why scenario planning is a suitable tool for our study. Next, we develop and illustrate the scenario planning method by leveraging a case study on the Port of Brussels. Additionally, we present the results of the study. Afterwards we elaborate on the managerial value of the methodology and give guidelines on how the results need to be interpreted. We end the paper by discussing the broader applicability of scenario planning for river tourism and elaborate on the study's limitations.

2. Assessing future economic impacts

Economic impact assessment is used by ports to determine the legitimacy of infrastructure investments (Chang, 1978; Kinsey, 1981; Nijdam, Van der Lugt, & Van der Biessen, 2010; Waters, 1977). This holds not only true for industrial, logistic, or conventional (ferry) passenger activities (Acosta, Coronado, & Cerban, 2011; Bryan, Munday, Pickernell, & Roberts, 2006; Gripaios & Gripaios, 1995) but also for touristic and leisure activities (Guerrero, Selva, & Medina, 2008). However, these studies focus for a great part on sea cruises (Dowling, 2006; Dwyer & Forsyth, 1996, 1998; Rodrigue & Notteboom, 2013).

We do not question the significance of such studies, but note that several differences exist between sea cruises and river cruises. For one, sea cruises focus mostly on itineraries (Marti, 1990; Rodrigue & Notteboom, 2013) whereas river cruise operators sell destinations. Port selection criteria and expected growth expectations are therefore dependent on a set of different factors. Another factor is that sea cruise passengers generally do not spend a lot in the cities where they disembark (McCarthy, 2003). A potential explanation is that the sea cruises offer an incomparable range of onboard facilities, such as swimming pools, ice skating rinks, and cinemas. In the absence of such amenities, river cruise passengers are more likely to make large expenses in each of the cities they visit. This also could follow from the different passenger profiles, which significantly impact the kind of expenses that are made (Brida, Bukstein, Garrido, & Tealde, 2012).

Therefore we believe that methods for analyzing the economic impact of sea cruises are not transposable to river tourism, which is in need of its own methodology. We observe nevertheless that such a contribution is, to the best of our knowledge, absent in the academic literature. Some contributions highlight economic aspects of river cruises (Johnson & Moore, 1993), but none offer a method that ports can use to assess the economic impact of river tourism. Moreover, a significant impediment to applying economic impact studies for river tourism is that such activities are relatively new for many ports. As such, ports cannot build on historic data to determine economic impacts and legitimize investments. Advanced forecasting methods are therefore called for.

Forecasting in the tourism industry is a common practice. Song and Li (2008) find between 2000 and 2006 no less than 119 academic studies on tourism demand modeling and forecasting. They take stock of the diverse methods and suggest that no single method outperforms the others. However, they do underline that scenario planning as a tool in tourism forecasting deserves future study, as forecasting alone is not enough to anticipate on future situations. This is in line with the recommendations of Prideaux et al. (2003), who explore the limitations of forecasting methods in light of unexpected tourism shocks. After analyzing the political and economic crises in Indonesia after 2007, and the consequent effects on tourism, they argue that traditional forecasting methods do not sufficiently account for risks. Scenario planning, they argue, can help to better understand and anticipate on the uncertainties that pertain to future situations.

Scenario planning has been around for almost 40 years and is commonly used for business planning purposes (Bradfield, Wright, Burt, Cairns, & Van Der Heijden, 2005). It is a proven tool for comprehensive decision making in complex and uncertain environments that is used by both public and private organizations (Schoemaker, 1991; Wilkinson & Kupers, 2013). Scenario planning sets itself apart from other methods as it focuses on how several variables interact simultaneously, rather than scrutinizing one variable in isolation (Schoemaker, 1995). As such it is a method to create narratives that do not get bogged down by minor details, so to stimulate a compelling discussion on potential futures (Schoemaker, 1995). Another argument in favor of scenario planning is that the influence of variables on a project is often subjective due to the uncertainty that increases over time and various other complexities. Rather than denying this, scenario planning allows for the inclusion of expert opinions whose input can be leveraged to develop grounded and plausible scenarios. As such, the tool embraces both conflicting and supporting opinions rather than omitting the subjectivity that is inherently part of planning. A final argument in favor of scenario planning is the possibility to incorporate both qualitative and quantitative aspects (Bradfield et al., 2005), so to enable more comprehensive decision making.

At this point it is important to emphasize that scenarios and forecasting are not the same thing (Zentner, 1982). A main difference is that scenarios aim to display a number of possible futures, whereas a forecast aims to illustrate the most likely future. Scenarios are therefore plausible descriptions of potential future that can support strategy development by making decision makers aware of uncertainties and risks. Hence, the utility of scenario planning lies in the comprehensiveness of the different scenarios and the quality of the consequent discussion amongst strategic decision makers on the respective scenarios. A key strength of scenario planning is indeed the ability to force participants to acknowledge the complexity of a project and discuss this, rather than offering one official future (Schoemaker, 1995).

Scenario planning is especially useful to inform infrastructure investments. The reason being is that the economic and financial impacts that follow from an investment often depend on long-term developments that are surrounded by uncertainty and risk (Acosta et al., 2011; De Brucker, Verbeke, & Winkelmanns, 1998). This relates to stakeholder complexities and the time it takes before the project actually materializes. Especially with regard to the construction of transport infrastructure this holds true (Dooms, 2010). Following

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