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The Milan World Expo 2015: Hospitality operating performance and seasonality effects

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ABSTRACT

This paper explores the effects generated by the Milan Expo 2015 on local hotels, with a particular focus on seasonality and operating performance. Four different seasonal periods are considered and ten hypotheses formulated. The analysis adopts a longitudinal approach based on STR data.

The findings support an overall significant reduction of seasonality. The main effects relate to weak seasonal periods, when demand is predominately centered around only one segment. Concerning operating performance, occupancy, ADR, and RevPAR registered higher values in 2015, demonstrating significant growth when compared to previous years. RevPAR increased in all four periods, especially during the lowest seasonality (112%), triggered by occupancy (50%) and rate (41%). The case study also establishes a qualitative benefit, in that, within the three seasonalities, rates increased more than occupancy, thus improving financial margins. Finally, the Expo reduced the performance gaps between the four seasonal periods.

1. Introduction

Events and mega events can influence the performance of tourism destinations and firms operating in such contexts. Evans (2015) suggests that events and hospitality are inextricably linked. There is extensive and ever-increasing literature focusing on measuring the impacts, effects, and externalities generated by these special occasions (Getz, 2008). After undertaking a comprehensive analysis, Getz and Page (2016) observe that researchers focus their attention more on non-economic issues and impact, but that “full cost and benefit evaluations are rare and it is exceptional to see proper consideration of opportunity costs or key externalities like security and infrastructure costs for mega events” (p. 620).

This paper locates itself within the aforementioned debate and aims to contribute towards filling a research gap by exploring the benefits generated by the universal exposition Milan World Expo 2015 on local hospitality firms and their performance. A review of the literature suggests two main effects generated by events: the ability to change destination seasonality and the economic benefits generated for the destination and local firms (Connell et al., 2015).

Concerning the first impact (*seasonality*), Connell et al. (2015) state that “seasonality and responses to its management in tourism enterprises forms a somewhat limited area within tourism research” (p. 284), and other previous studies in this field are consistent with such conclusions (e.g. Hinch and Jackson, 2000; Jang, 2004). Many studies

suggest the ability of special events to reduce the effects generated by seasonality (Getz, 2012; Ritchie and Beliveau, 1974). However, the focus is more on “extending the season” during off-peak periods (Baum and Hagen, 1999) rather than proposing a quantitative analysis regarding the ability of such events to reduce seasonality, in addition to there being a prevailing focus on peripheral areas (Hohl and Tisdell, 1995) and on winter festivals (Foley and McPherson, 2007).

With a few exceptions (e.g. Fourie and Santana-Gallego, 2011), previous studies do not quantitatively measure the effects generated by events on seasonality, but instead focus on some other aspects, such as exploring motivation in visiting festivals (Dewar et al., 2001), highlighting the importance of events in maintaining interest and activity during off-peak periods (Baum and Hagen, 1999), exploring the ability of events to balance economic development (Higham and Ritchie, 2011), improving culture (Müller and Pettersson, 2006) and quality of life (Foley and Mcpherson, 2007), evaluating social impacts (Kim et al., 2015), developing a theoretical framework of event management and identifying research gaps (Getz, 2008), or simply clarifying the nature and scope of festival studies (Getz, 2010). Furthermore, papers focusing on events, festivals, and sport on the one hand, and seasonality on the other, usually only propose qualitative analysis (Higham and Hinch, 2002). This is unexpected, considering that events are frequently suggested as a primary strategy to manage seasonality; Getz and Page (2016), in their aforementioned review, state that event tourism “can be leveraged for maximum value in combatting seasonality of demand”

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Table 1
Effects generated by the Milan Expo on operating performance – synthetic level.

Statistics					
Year			Occupancy	Real ADR	Real Revpar
2004–2014	N	Valid	2024	2024	2024
	Mean		63.08%	146.62	96.74
	Median		65.08%	142.91	94.14
	Std. Deviation		18.11%	31.02	44.47
2015	N	Valid	184	184	184
	Mean		77.33%	195.46	153.95
	Median		76.60%	193.51	147.23
	Std. Deviation		12.68%	31.63	45.86
	Variation		14.25%	48.85	57.21
	Variat.%		23%	33%	59%

(p. 597; Table 1). Based on this literature analysis, the ability of events to manage seasonality in destinations operating all year round remains a clear gap in the literature. Therefore, this study's first research question (RQ) aims to quantitatively explore the effects generated by the Milan World Expo 2015 on the seasonality of the hotel sector.

RQ 1. What are the quantitative effects generated by the Milan World Expo 2015 on the *seasonality* of the hotel sector?

Concerning the *economic* impact, there is a long tradition of using econometric models to measure the costs and benefits generated by events (Dwyer et al., 2005; Uysal and Gitelson, 1994). Dwyer et al. (2010), within the broader tourism context, include state-of-the-art thinking on event tourism impacts and their assessment. Although income and value-added multipliers are typically used when converting direct event tourism spending into gross economic impacts, other authors have employed econometric modelling and, most recently, economists have been recommending the use of General Equilibrium Models (Dwyer and Forsyth, 2009; Dwyer et al., 2006). This econometric approach evaluates the overall economic impact generated by event management and therefore is not able to account for the benefits obtained by a specific sector, e.g. the lodging industry (Lee and Taylor, 2001). As stated in many studies, hotels play a pivotal role in both tourism destination (supply side) and tourism product (demand side) (Baggio and Sainaghi, 2016; Sheehan et al., 2007). For this reason, the ability to intercept the benefit generated by events on the industry is a relevant point. Furthermore, entrepreneurs and managers of this sector are interested in understanding the ability of such special occasions to improve their operating performance. Consequently, this study's second research question focuses on measuring the effects generated by the Milan World Expo 2015 on hotels' operating performance.

RQ 2. What are the quantitative effects generated by the Milan World Expo 2015 on the *performance* of the hotel sector?

The remainder of the paper is organized as follows. The next section positions the study within the broader literature, exploring the two research questions and developing hypotheses. The methods and the data used in the empirical study are examined in Section 3. Then, a discussion of the outcomes and implications is presented, along with limitations and possible future developments.

2. Literature review

Events and mega events are able to influence the performance of tourism destinations and firms operating in such contexts. There is extensive and ever-increasing literature focusing on measuring the impacts, effects, and externalities generated by these special programs (Getz and Page, 2016). The present paper locates itself within this debate and explores the benefits generated by the Milan World Expo 2015 on the hotel sector, analyzing both effects on seasonality and on

operating performance. Given this double focus, the following two topics are delineated. The identification of Milan seasonality is developed in Section 2.1 and then applied to measure operating performance (Section 2.2). Finally, some hypotheses are formulated so as to explore the possible effects generated by the Milan Expo (Section 2.3).

2.1. Seasonality of the Milan hotel sector

Seasonality is a central topic in hospitality (BarOn, 1975); not surprisingly, it is a prominent study area and represents one of the major distinctive elements of tourism and hospitality activity (Cuccia and Rizzo, 2011). There are many definitions of seasonality (Allock, 1995; Baum, 1999; Butler, 2001; Koenig and Bischoff, 2004); for the purpose of this study, the concept proposed by Butler has been adopted, according to whom seasonality is “a temporal imbalance in the phenomenon of tourism, [which] may be expressed in terms of dimensions of such elements as numbers of visitors, expenditure of visitors, traffic on highways and other forms of transportation, employment, and admissions to attractions” (p. 332). This definition has been used in previous studies focusing on seasonality (e.g. Duro, 2016).

Generally speaking, seasonality generates mainly negative implications, and for this reason hotel managers and tourism administrators cannot ignore it (Cisneros-Martínez and Fernández-Morales, 2015). Despite the high amount of published studies, seasonality and responses to its management in tourism enterprises form a somewhat limited area within hospitality and tourism research (Connell et al., 2015).

Recent papers suggest some important advances in representing and measuring seasonality. In fact, while in the past the prevalent focus was on annual demand variation, an emerging approach focuses more on monthly and weekly variation (Rosselló and Sansó, 2017). In this sense, while annual analysis is more influenced by climate and social factors, monthly and weekly analysis is more influenced by institutional factors and special events organized by the target destination, which is also similar to the approach proposed by Mauri (2012). In the present paper, we distinguish between these two levels of analysis and define them, respectively, as synthetic and analytic analysis. More specifically, synthetic analysis refers to the entire effects generated by the Milan Expo during the 184 days of this mega event, while analytic analysis centers on specific sub-periods, explored using daily demand variation (as clarified later).

Other authors suggest the role played by different segments in order to understand (or decompose) seasonality (Cisneros-Martínez and Fernández-Morales, 2015). For example, some papers depict the relevance of cultural tourists for managing seasonality in coastal destinations (Cuccia and Rizzo, 2011). From such an understanding, this study focuses on the main targets attracted by the Milan destination. Mega events are often used to manage or change the demand fluctuation of tourism destinations (Connell et al., 2015). In accordance to the two movements suggested by previous papers, the present article develops a segmentation of seasonality at both synthetic and analytic levels.

The first level (synthetic) focuses on the whole seasonality, considering the 184 days covered by the Milan World Expo 2015 (from 1 May to 31 October). This first seasonality is later defined as the “Expo period.” At this level, this paper measures the ability of the Milan Expo to influence hotel seasonality and operating performance. The second level of analysis (analytic) articulates the impacts, considering four main relevant seasonalities of the Milan destination, which are later defined considering the three main market segments attracted by the destination: business, exhibition (trade-fair), and leisure (Sainaghi and Canali, 2011).

The first group of clients (*business*) is the core market segment of the city and creates an intense demand variation, on the one hand, between midweek and weekend, and on the other, between working days and non-working days. The latter includes mainly religious (such as Christmas and Easter) and civil holidays (such as 1 May – Labor Day), 25 April (Liberation Day), and 2 June (Republic Day). Given the

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