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Tourist seasonality and the role of markets

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ABSTRACT

This paper proposes three methodologies for measuring and analyzing tourist seasonality from a market-side perspective and empirically implements them for Spain as a whole. Firstly, seasonality is analyzed by means of monthly concentration indexes and the coefficient of variation is especially recommended. Secondly, the role of markets is explored through an additive inequality decomposition technique. Thirdly, the primary economic determinants of tourist seasonality are assessed through a dynamic panel data model. The main results are firstly that seasonality in Spain has worsened since 2008, coinciding with a strong growth in overall demand; secondly that three markets generate two thirds of the seasonality, with the pattern of the UK tourists of special concern; and thirdly that aggregate demand models suggest that prices, exchange rates and especially income levels are significant explanatory factors. The authors believe that the methodologies used, and the country-specific results obtained, are broadly applicable in marketing and tourist public strategies.

1. Introduction

From the standpoint of tourism management, tourism seasonality is a problem of considerable magnitude (McEnniff, 1992). Some authors, such as Baum and Hagen (1999), state that seasonality is not only a climate question but also rather a more complex organizational and marketing issue. The main consequences of seasonality can be encapsulated in four aspects (Martín Martín, Jiménez Aguilera, & Molina Moreno, 2014). Firstly, seasonality can be damaging in economic terms because of inefficient use of resources and assets, with periods of saturation that can affect service quality and tourist satisfaction, thus endangering the maintenance of a positive long-term relationship with tourists from the marketing perspective (Jang, 2004). These periods are followed by under-use with consequent problems of corporate profitability. Secondly, seasonality affects employment through its influence on incentives for investments in human resources and productivity. Thirdly, there are environmental consequences, not only on the atmosphere (both directly and indirectly), but also in terms of erosion, vegetation, wildlife and waste. Finally, the social consequences need to be highlighted, considering the dual nature of seasonality and the effects it has on the resident population and their satisfaction levels.

Many tourism destinations are affected by the negative effects of this imbalance. Hence, tourist destinations with protracted seasonality problems should design management and marketing plans to combat it or to manage demand in the high seasons. Marketing and management of the destinations is seen not only as a sales tool but also as a means of

achieving a complex range of strategic objectives that contribute to regional development (Buhalis, 2000). Consequently, it is important to have a clear understanding of the seasonality phenomenon to design effective marketing strategies.

Although researchers have attempted to identify and classify causes of seasonal patterns (Baron, 1975; Baum & Hagen, 1999; Butler & Mao, 1997; Butler, 1994; Frechtling, 1996), detailed quantitative research into their nature is limited (Butler, 2001). In this regard, the present paper proposes a series of methodologies related to the measurement and the analysis of sources of seasonality that may be thought of as constituting a toolbox for future analysis in a global context. The primary methodological and empirical interest lies in understanding the role of source markets as a tool for making marketing policy recommendations. A better understanding of the specific role of the seasonal patterns in markets of origin would be useful for destination marketers and planners in strategy development, given that it would allow the identification of the most responsive ones. Pike and Page (2014) claim that this area is perhaps the most neglected one in global destination marketing.

The methodological and empirical contribution of this analysis is twofold. Firstly, the paper proposes analyzing seasonality by market through inequality techniques. The coefficient of variation is an aggregate measure which is little used in the literature. This analysis decomposes it by source (e.g. markets) by applying the Shorrocks (1982). method. Such decomposition by source (i.e. additive decomposition of seasonality) has already been carried out by Duro (2016), Fernández-Morales (2003), Fernández-Morales, Cisneros-Martínez,

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and McCabe (2016) and Fernández-Morales and Mayorga-Toledano (2008). Duro (2016) is the main reference for the current paper, but there the Shorrocks-decomposition is applied to a selection of Spanish provinces and to hotel demand, which is a more restrictive tourist demand indicator (a macroeconomic panel data model by markets is also proposed, to explore the relevance of some reasonable explanatory factors in an econometric way). In the other three papers, an additive decomposition by markets is also carried out, but for the Gini Index.

The results obtained are helpful in two ways when designing marketing strategies. Firstly, the list of explanatory factors would be determined by tourist consumer theory and therefore variables such as income and prices types play a central role (Crouch, 1994a, 1994b). Secondly, given the expected formation of habits, a dynamic specification would be employed, leading to the proposition, with seemingly satisfactory results, of a specific dynamic panel data model. This is estimated using the DIFF-GMM technique (Arellano & Bond, 1991). This approach has only been used by Rosselló, Riera, and Sansó, (2004) and Turrión-Prats and Duro (2016). The current paper is innovative in offering a series of methodologies for measuring and analyzing seasonality from a market perspective. These are in most cases underutilized and may constitute a toolbox for other analysis and cases.

These methods are empirically applied to Spain which is third in the world in terms of international tourist arrivals and second in terms of tourism earnings. Tourism is one of the most important sectors in its economy with a contribution to the GDP around 11% in 2014 according to Instituto Nacional de Estadística (INE, 2014) data. The country as a whole has been used as the subject of analysis for a number of reasons. Firstly, because a large proportion of foreign tourists who visit Spain move around once that they arrive in the country, it seems reasonable to analyse these flows as a whole. Secondly, a more practical reason, it should be noted that the authors only had sufficiently complete monthly details of international tourists broken down by source markets for the country as a whole. The analysis was conducted for the period 2000–2014.

The paper is organized in the following way. The next section contains a review of the literature. The third section some of the main methodological aspects associated with the measurement of seasonality by market and the econometric model with which the analysis of explanatory factors will be undertaken. The fourth section gathers together the main empirical results obtained from Spain while the final section contains the main conclusions to be drawn from this work.

2. The academic literature on seasonality

Seasonality can be defined as the seasonal imbalance appearing in tourist flows and can be summarized by various indicators (Butler, 1994). Starting with the study of Baron in 1975, where this topic is introduced for the first time, the academic literature has devoted considerable attention to researching tourism seasonality from different points of view. An excellent survey by Koenig-Lewis and Bischoff (2005) establishes the main areas of research and notes large gaps that need to be filled. Six areas stand out: the definition itself; the measurement aspects; the analysis of the causes; the consequences and impacts; the implications for policy; and the analysis of consumer behavior. The present paper focuses specifically on the measurement aspects and the analysis of causes.

The existing literature suggests that seasonality should be measured by means of summary indicators (Butler, 1994). Most authors such as Fernández-Morales et al. (2016), Fernández-Morales and Mayorga-Toledano (2008), Koenig-Lewis and Bischoff (2005), Lundtorp (2001) and Wanhill (1980) opt to use the Gini coefficient (Gini, 1912) as indicator due to its stability and lack of sensitivity to outliers. However, the Gini Index gives more weight to changes in observations (months-periods) located around the mean (Duro, 2016). To address this issue, the literature offers alternatives indicators, such as the Theil family of indices (Theil, 1967), Atkinson family indices (Atkinson, 1970) or the

coefficient of variation (Duro, 2008, 2016). On a methodological level, the measurement of seasonality used in the present study follows the line of previous studies, based on summary indices and taking months as basic seasonal units (Lundtorp, 2001; Martín Martín et al., 2014; Rosselló et al., 2004; Tsitouras, 2004; Wanhill, 1980). Mainly because of the uniform treatment it gives to months, the paper uses the coefficient of variation instead of the Gini coefficient. To analyze the role of the different markets (the basic analytical unit), an additive decomposition is performed which involves disaggregating seasonality as a sum of the weights attributable to each market. This role will depend on the specific seasonality (monthly concentration) and weight of the market in question in relation to overall demand. Typically, previous literature in this field proposes using an additive decomposition of the Gini coefficient (Cisneros-Martínez & Fernández-Morales, 2016; Fernández-Morales & Mayorga-Toledano, 2008; Fernández-Morales et al., 2016; Fernández-Morales, 2003; Halpern, 2011). Such decompositions can, however, be discussed (Goerlich, 1998). In particular, Duro (2016) emphasizes the appealing features associated with the use of the Shorrocks' method (1982), which is a variance decomposition type.

Regarding the determinants of seasonality, numerous studies, such as Baron (1975), Butler (1994), Frechtling (1996), Butler and Mao (1997), Baum and Hagen (1999), Koenig-Lewis and Bischoff (2005) and Andriotis (2005), attempt to identify and classify factors that help to explain seasonal patterns. These studies conceptually propose very diverse determinants focused mainly on natural and institutional factors (Allcock, 1994; Calantone & Johar, 1984; Commons & Page, 2001; Connell, Page, & Meyer, 2015; Higham & Hinch, 2002). The first type includes variables of a climatic nature, whereas institutional factors refer to school or working holiday periods, or cultural events. However, other studies emphasize the link between seasonality and the variety of the tourist product offered by the destination (Cuccia & Rizzo, 2011; Martín Martín et al., 2014). Authors such as Donatos and Zairis (1991), Pegg, Patterson, and Gariddo (2012) and Sutcliffe and Sinclair (1980) analyze seasonality in each destination using the most common method in this field, that of time series. In this paper, however, the main approach is to explain seasonality patterns in economic terms and with aggregate data (markets). Key variables associated with the demand model include tourists' income and relative prices. This approach is used, for instance, by Rosselló et al. (2004) where this relationship is investigated for the Spanish Balearic Islands in respect to their two main markets, the British and the German ones. Their analysis shows that, inter alia, income, prices and nominal exchange rates have significant impacts on seasonality.

Because of the negative effects attributed to seasonality, the analysis of strategies to combat it has received particular attention in the literature. Such strategies might be grouped as follows: The first of these is related to product diversification through creation of different tourism products for different seasons. Within this, the most common strategy for combatting seasonality is to stage events and festivals. This allows the tourist season to expand, to increase and diversify the attractive of the destinations and to attract tourists to new locations (Getz, 2008). Some authors, such as Brännäs and Nordström (2006) in a study for Sweden, have found that festivals and special events had a positive net effect, due to the average visitor staying longer during festival periods.

To achieve organizational goals, an essential element is to determine the needs and wants of target markets (Kotler, 1984; Middleton, 1992). Related to this, the second strategy is that of market segmentation and therefore the identification of different demand motives. This coordinates supply and demand in a more effective way, considering that tourists who mainly travel in the off season have been attracted for reasons other than the beaches (Baum & Hagen, 1999). Spotts and Mahoney (1993) compare tourists to Michigan in the fall with those in the summer and find that these tourist types are distinct. They state that to attract visitors in the off-peak season it is necessary to establish

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