Title          Tourism and Economic Development: Retaining Competitive Advantage through Clustering, Learning and Innovation in the Costa Del Sol

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TOURISM AND ECONOMIC DEVELOPMENT: RETAINING COMPETITIVE ADVANTAGE THROUGH CLUSTERING, LEARNING AND INNOVATION IN THE COSTA DEL SOL

by

Ana Belén Martín Fernández

A thesis submitted for the degree of Doctor of Philosophy of the University of Luton

August 2002
DECLARATION

I declare that this thesis in my own unaided work. It is being submitted for the degree of Doctor of Philosophy at the University of Luton. It has not been submitted before for any degree or examination in any other University.

Ana Belén Martín Fernández
Luton, 9th of August of 2002
I dedicate this work to my mother, who always believes in me.
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Abstract
This research investigates the role of clustering, learning and innovation in retaining competitiveness in an existing tourism area in a peripheral region of Europe. To do this it draws on the tourism resort area known as the Costa del Sol in southern Spain. Structurally, it focuses on hotel and catering businesses, which are considered to be at the heart of the tourism industry. Tourism is shown not only to be fundamental to the development of this coastal agglomeration, but also critical to the development of the province of Málaga (of which the Costa del Sol is a part) and the wider region of Andalucia. Hence the need to examine the evolution of tourism, the sources of competitive advantage and how such advantage can be retained in a globalised marketplace. The key proposition is that retaining competitive advantage can best be achieved through learning and innovation and that agglomerations provide a milieu in which learning and innovation are stimulated. Agglomeration theory and the role of learning and innovation are tested through an examination of the spatial and temporal evolution of hotel and catering businesses and through questionnaire surveys covering these businesses. In particular, the surveys are directed at addressing the issues of learning and innovation and assessing the extent to which the Costa del Sol operates as a ‘learning region’. Questionnaire work met with severe problems of non-response despite being undertaken in conjunction with local business organisations. Nevertheless, sufficient responses were obtained to provide some tentative answers to the questions being posed and to provide the foundation for further research. The principal conclusions were that the Costa del Sol has acted as a growth pole and seedbed for business development, and that learning and innovation are promoted as much by competition as by co-operation. Finally, some public policy implications are drawn from these conclusions.

Key Words
agglomeration, competitiveness, Costa del Sol, growth pole, hotel and catering industry, innovation, learning region, Spain, tourism
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CHAPTER 1: INTRODUCTION

1.1 The Aim of the Research

The overall aim of this research is to investigate how existing tourism areas can retain their competitive advantage in the face of increasing competition. To do this the study focuses on the Spanish tourism industry because of its leading position in world tourism. Specifically, the Costa del Sol (southern Spain) is taken as illustrative of the potential of similar tourism spaces located in peripheral regions within the European Union (for example in southern Italy or Greece).

A number of strategies for retaining competitive advantage are explored. Particular attention is given to the advantages associated with tourism business agglomerations, geographical clusters of businesses, and to theories of learning and innovation within these clusters ('learning regions'). This theoretical framework has largely been developed within the context of high-technology manufacturing industries. In a novel way, this study attempts to extend the application of this theory to tourism business clusters. A further original feature is the focus on the relatively neglected catering industry within the tourism sector.

The results of this research have important public policy implications in that an understanding of the role of learning and innovation in tourism complexes is considered a prerequisite to any government intervention aimed at contributing to the continued success of such complexes and to broader regional development around them.
1.2 Research Outline

The thesis begins by demonstrating the importance of the tourism industry in the Spanish economy at the national, regional and local levels (Chapter 2). At the national level Spain is one of the largest tourism markets in the world by the number of tourist visits. The focus then narrows to one of the seventeen administrative regions (comunidades autónomas), that of Andalucia in southern Spain, a region characterised as peripheral in relation to both Spain and the European Union. Tightening the focus further picks out the province of Málaga, one of the eight provinces that make up the region of Andalucia (Figure 1.1). Finally, the research concentrates on the tourism business agglomeration of the Costa del Sol, a ribbon of urban development punctuated by a series of high-density resorts in municipalities along the coast of the province of Málaga (Figure 1.2).

Figure 1.1. The province of Málaga in Europe.

![Maps of Spain, Andalucia, and Málaga](image)

It is argued that the Spanish tourism industry has quite distinctive characteristics that need to be understood prior to the analysis of any specific part of it. These features provide the context in which the analysis of the development of the Costa del Sol as a tourism area is conducted. The characteristics of tourism in Spain cover both the process of development and the business environment in which tourism development has occurred. Particular importance is attached to the control exercised by foreign
capital, to the operation of the town planning system, to seasonality and to the structure of Spanish tourism businesses.

The discussion moves on to examine some of the theories underlying the process of tourism development, particularly the contributions to theory made by Spanish researchers. It is explained that research into tourism development in Spain originated among government organisations concerned with a rapidly growing economic sector and has only recently become part of the curriculum of academic institutions.

Tourism has operated as an ‘engine’ of economic development in many countries. At the same time the effectiveness of the industry in this respect has frequently been criticised. It is argued that, in the case of Spain, many of the fears concerning tourism development are unfounded. Tourism has been a relatively resilient and stable economic sector, continuing to grow throughout the second half of the twentieth century even during downturns in the economic cycle (WTO 2002).

The region of Andalucia and the province of Málaga display many of the characteristics of peripheral areas. However, the Costa del Sol may also be viewed as a core area within this periphery. Throughout the latter part of the twentieth century the Costa del Sol has been a successful tourism destination. Its prosperity is dependent on the tourism industry, and the affluence of the surrounding region is dependent on the continued success of the Costa del Sol. Hence the crucial importance of maintaining the competitive advantage of tourism businesses in the area. The discussion outlines some possible strategies for achieving this goal.

In Chapter 3 the thesis examines the two sectors at the heart of the tourism industry - hotels and catering. The importance of these sectors is underlined through their contributions to income generation, employment and the business fabric of both the province and the Costa del Sol. One notable point is that despite the importance of the catering sector little work has been undertaken on it. Within hotel and catering businesses different categories of establishment are identified prior to an analysis being
undertaken of their characteristics in terms of the number of establishments, places offered and geographical distribution.

The structure and organisation of hotel and catering businesses is described, leading to an analysis of the position of these businesses within the regional economic system using regional input-output tables. This analysis demonstrates the importance of these sectors in the regional production system. The sectors display strong linkages with other sectors and a large proportion of all inputs is derived from within the region. This results in strong regional multiplier effects.

In Chapter 4 the idea that the Costa del Sol functions as a ‘seedbed’ for tourism business formation is examined, along with the influence of the agglomeration on the surrounding area. The assessment is made largely through a temporal and spatial analysis of the evolution of hotel and restaurant businesses (the temporal analysis spanning the period 1989-1999). Significant differences are revealed in the evolution of hotels and restaurants. Nevertheless, both types of enterprise have grown reinforcing the Costa del Sol as a tourism business agglomeration. In parallel with intensification of hotel and catering businesses in the Costa del Sol, these types of businesses have also become more common inland. It is argued that an understanding of the process of development in this region can provide lessons for other areas undergoing a similar process of development.

In Chapter 5 the focus centres on the sources of competitive advantage lying behind the development of the Costa del Sol. It is suggested that these sources have been based on such factors as the natural environment and low prices, features that can be relatively easily duplicated in other regions. Thus the traditional base of competitive advantage is vulnerable to competition. There are also signs of maturity, and even decline, in the traditional tourism model. Hence it is argued that it is crucial to identify alternative ways to retain competitiveness and maintain market position. A discussion of competition theory precedes the key proposition in the thesis, that retaining competitive advantage can best be achieved through learning and innovation.
The discussion identifies the relationship between traditional theories of agglomeration and more recent ideas that link clustering and industrial districts with the processes of learning and innovation. It is shown that the literature on learning regions has largely ignored tourism regions, focusing instead on high-tech manufacturing regions.

This research attempts to examine some of the ideas on learning and innovation within the context of the tourism agglomeration of the Costa del Sol, especially the hotel and catering industries in this agglomeration. Following the theoretical analysis in previous chapters, Chapter 6 describes the implementation and results of questionnaire surveys covering the hotel and catering sectors in the Costa del Sol with a view to testing some of the theory. In particular, the surveys are directed at addressing the issues of learning and innovation and assessing the extent to which the Costa del Sol operates as a 'learning region'.

In summary the thesis has as its goals the following objectives:
- to study the current situation and recent evolution of the tourism agglomeration of the Costa del Sol as a case study of tourism development in a peripheral region of Europe;
- to reassess the role of tourism in economic development;
- to identify various strategies for retaining competitive advantage;
- to probe the nature of business agglomeration and clustering in the tourism industry;
- to identify the location factors that contribute towards tourism business start-ups and the geographical spread of these businesses;
- to explore the processes of learning and innovation and the factors that influence them; and
- to assess the influence of the public sector on clustering, learning and innovation processes.
1.3 The Case Study Area: Málaga and the Costa del Sol

The territory of Spain is divided into three main tiers of administrative areas: regions, provinces and municipalities. This research is based in the province of Málaga, one of the eight provinces comprising the region of Andalucia (Figure 1.1). Within this province the research concentrates on the municipalities along the coast, which together form the tourism zone known as the Costa del Sol (although the Instituto Nacional de Estadística -National Statistics Institute – limits the definition to the municipalities of Benalmádena, Estepona, Fuengirola, Málaga, Marbella, Mijas, Nerja, Torremolinos and Torrox (Figure 1.2).

The geographical location of the Costa del Sol provides some natural advantages as a tourism destination. The climate is one of the mildest in Europe with an annual average temperature between 18 and 25 Celsius and relatively low rainfall. The name Costa del Sol (Coast of the Sun) comes from the fact that it is possible to enjoy sunny weather on average for more than 300 days a year (SOPDE 1996a). In addition, the seasonal and daily temperature range is moderated by the influence of the Mediterranean and the protection from continental influences afforded by the coastal mountain ranges. Along the coast numerous wide sandy beaches provide the second ingredient of sun and sand holidays. Further natural attractions are offered by beautiful and diverse landscapes inland.

Added to the attractions of the natural environment is a rich cultural landscape embodying a heritage spanning human occupation of the region since the Stone-Age. The city of Málaga was an important Phoenician settlement. The amphitheatre in the city attests to Roman occupation. Arabic occupation is imprinted everywhere on the cultural landscape, from the castles in Málaga to the faces of many of the indigenous population. More recently a new wave of Arabic influence is reflected in the villas and Arabic cultural artefacts of Marbella. Both the ‘golden age’ of trade with the Americas and a much-neglected nineteenth century industrial heritage are preserved in the city of Málaga.
Accessibility to the region has been improved dramatically over the last twenty years. Access to foreign countries and other regions of Spain is provided by the recently enlarged and rebuilt Málaga airport (to the west of the city and between the city and Torremolinos), which has a capacity to handle 12 million passengers a year. Modern highways connect the region to the national motorway system. Rail connections link the city with Madrid in around four hours, a time that will be cut by around a third with the completion of a new high-speed track to join the existing high-speed line from Seville to Madrid in Córdoba. Finally, modern port facilities, ferry and cruise services are found in Málaga and along the coast in Algeciras. Within the province, considerable improvements have also been made to the road network, improving the accessibility of both coastal resorts and the interior.

Although the Costa del Sol is an almost continuously built-up ribbon of urban development, the character of this development varies. The provincial capital, the city of Málaga, contains some half-a-million people, the fourth largest city in Spain. To the west of the city (the West Coast) most of the hotel accommodation is concentrated, along with a wide range of other tourism businesses, including marinas, golf courses, casinos, night clubs and amusement parks. This zone, embracing the municipalities from Torremolinos to Estepona is the area most commonly associated with the label Costa del Sol.

To the east of the city (the East Coast) is a rather different form of tourist development, relying more on apartments, second homes and lower key tourism developments. This area has been slower to develop partly because of the difficulties of travelling through the city from the airport (on the western side of the city) and the limited capacity of the coastal road. These difficulties have recently been overcome by the completion of the city by-pass and the construction of the Mediterranean coastal motorway that offers a fast road to link the airport to Nerja at the eastern end of the province.
Figure 1.2: Municipalities along the Costa del Sol.
1.4 Studying Tourism
Tourism as an economic activity is a relatively recent development. People have always had the urge to travel and romantic adventurous travellers have existed in every age. But the phenomenon of mass tourism, at least in Spain, began less than fifty years ago, made possible by higher standards of living, changing lifestyles and economic and technological advances in industrially developed economies. In the 1950s the population of north-west Europe started to travel in larger numbers to the European Mediterranean coast. This phenomenon took-off in the 1960s and has not stopped growing since. During this time demand for tourism throughout the world has risen more strongly than average growth in Gross Domestic Product (WTO 1997), creating an increasingly important global tourism industry with extensive linkages throughout the economy.

The tourism product and the tourism industry display a number of characteristics. The tourism product is complex and consists of many component parts. It is intangible. Consumers cannot touch or feel the vacation experience before they purchase it. Tourism is perishable, the tourism product cannot be stored, it needs to be consumed at the same time that it is produced. The tourism industry is international and predominantly a service industry (Sheldon 1997). One further important characteristic is that the tourism product has to be consumed in-situ and thus the market has to be moved to the product.

A fundamental problem of studying tourism lies in its dispersal throughout the economy and the fact that it is often difficult to unravel that part of a business’s activity geared towards tourism demand from that part that satisfies non-tourist demand. Tourism itself has been defined as “the temporary movement to destinations outside the normal home and workplace, the activities undertaken during the stay and the facilities created to cater for the needs of the tourists.” (Mathieson and Wall 1982, p.1). However, it is difficult to separate tourism flows and tourism activities from non-tourism flows and activities. The two overlap. A definition of the tourism sub-system is given by Pedreño Muñoz and Monfort Mir
(1996, p.432) who state that it is formed by a set of activities embracing transport, accommodation, catering services and leisure activities, together with the commercial establishments and complementary services related to tourism, such as travel agencies, tourism guides, car hire etc. Once again, the activities in the tourism system are intertwined with non-tourism activities. Thus tourism as an economic activity is both difficult to isolate for analysis and difficult to measure. Nevertheless, the hotel and catering sectors clearly lie at the core of tourism activities.
CHAPTER 2: THE TOURISM INDUSTRY IN SPAIN

2.1 Introduction
The focus of this chapter is on the relationship between tourism and development at a number of spatial levels: in Spain, in the region of Andalucia, in the province of Málaga, and particularly in the Costa del Sol. The chapter is divided into six sections. It starts with evidence of the significance of tourism at national, regional and provincial levels of the economy, leading to a focus on the Costa del Sol (section 2.2). The distinctive attributes of the tourism industry in Spain are outlined in section 2.3, providing an insight into its general characteristics. A review of existing literature related to tourism and development, especially along the Costa del Sol, is presented in section 2.4, illustrating the attention given in academic discussion in Spain to the industry in recent years. This section highlights the lack of research on learning and innovation in the tourism industry in the Costa del Sol. Section 2.5 assesses the role of tourism as an ‘engine of growth’. In section 2.6 the characteristics of the Costa del Sol in relation to the concept of peripherality are examined. Finally, in section 2.7 there is a discussion of the current situation in the Costa del Sol. It is argued that the area faces a potential decline in its competitive position and that this situation requires a search for new competitiveness strategies.
2.2 Tourism in the Spanish Economy

One measure of the magnitude of the tourism industry in Spain is the number of tourist visits. Other measures used to gauge the importance of tourism in the economy include variables such as employment, income generation and contributions to the production system and balance of payments (Sinclair and Bote Gómez 1996). Tourism has also contributed to the image of Spain and to the opening of the economy to the world.

In the middle of the 1990s the Spanish tourism industry represented approximately seven per cent of global tourism income. Spain ranked as the second country in the European Union and third in the world (behind the USA and France) by the number of tourists entering the country, with 47.8 million tourists in 1998 (IET 1999). According to forecasts by the World Tourism Organisation (WTO), Spain will rank first in Europe within the coming 10 years based on the assumption that the number of tourists visiting Spain will grow at a rate three per cent above the European average (WTO 1996).

At the national level, tourist production represents about 10 to 12 per cent of GDP, while direct and indirect employment accounts for is 9 to 10 per cent of the total Spanish working population (IET 1999 and INE 2002). Tourism income recorded in the Balance of Payments in 1998 was 4,400 million pesetas (Banco de España 1999). Historically, income from tourism has helped to compensate for deficits in the balance of merchandise trade.

The magnitude of tourism income is even greater when multiplier effects on other parts of the economy are taken into account, because 95 per cent of tourist goods and services are generated inside the Spanish production system. Tourism imports are small and the sectors that are effected by tourist demand are diverse: trade, finance, food and agriculture, energy, personnel services, etc (Figuerola, Arranz, Prado and Allende 1996).
2.2.1 Tourism in Andalucia

Within Spain the importance of tourism varies from region to region. The distribution of the number of tourists staying in hotels by region illustrates the importance of Andalucia (Figure 2.1). In 1998 this region accounted for the largest proportion of tourists accommodated in Spain, 20 per cent (more than 9 million) of the total. Andalucia was followed by Cataluña with 16 per cent (7.5 million), Balearic Islands with 12 per cent (5.5 million) and Madrid with 11 per cent (5 million).

Figure 2.1: Regional distribution of travellers using hotels in Spain 1998

Source: SAETA 1999

To evaluate the importance of the tourism industry in Andalucia, the contribution of tourism to the wealth of the region and to employment creation is examined. Its magnitude is difficult to determine because there is no clear delimitation of tourism as an economic sector and because of the overlap of tourist consumption with the consumption of residents. Residents can use tourism businesses and services as part of their normal consumption, but this cannot be considered as tourism demand because it is undertaken by residents and not by tourists. Restaurants, for example, cater for both tourists and residents. The problem stems from the impossibility of differentiating
between these two types of consumption. Therefore, there is no specific measure for tourism production in some types of businesses.

The impact of tourist demand on the regional production system in 2001 (including direct and indirect effects) has been calculated at some 13.2 billion euro or 13 per cent of regional GDP (SAETA 2002). The impact on employment has been calculated at around 160,000 jobs, nearly 7 per cent of all employment in Andalucia, of which 24 per cent are people in the hotel and catering sector (SAETA 1998). There are also multiplier effects of tourist expenditure on the rest of the economic system. Eighty-nine per cent of total tourism expenditure arises from foreign tourists and the rest from domestic tourism (ibid). To assess the regional impact of these statistics it is necessary to consider the origins of the tourists. Spending by tourists from within the region has less impact on the economy than the spending of tourists from outside the region because the latter inject additional income into the region. Similarly, in assessing multiplier effects it is important to know what percentage of tourist products and services are generated inside Andalucia and what percentage are imported from the rest of Spain.

Regional input-output tables provide an analytical framework for assessing the indirect impacts of tourist expenditure on the regional economy. The most recent tables are the National Tourism Input-Output Tables for 1992 (IET 1996). The Tables indicate that catering, accommodation and transport services account for nearly 50 per cent of the total direct effects generated by the tourism sector and more than half of the total tourism employment creation (SAETA 1998).

2.2.2 Tourism in the Province of Málaga

The distribution of tourists inside the region of Andalucia illustrates the geographical concentration of tourism in the province of Málaga (Figure 2.2). The province, with its more than 150 kilometres of beaches, temperate climate along the coast and diverse landscapes (Cerezuelo Navarro and Ayala Montoro 1987), attracts around a third of all tourists to the region (followed by Granada, Cádiz and Almeria with approximately a sixth each). It also contributes almost 55 per cent of the total tourist production in the
region, illustrating the strong concentration of tourist businesses in this province (SAETA 1997).

Figure 2.2: Provincial distribution of tourists in Andalucia in 1998

Source: SAETA 1999

2.2.3 Tourism in the Costa del Sol

According to the National Institute of Statistics (Instituto Nacional de Estadistica, INE), the tourist area known as the Costa del Sol (formed by the municipalities of Benalmádena, Estepona, Fuengirola, the city of Málaga, Marbella, Mijas, Nerja, Torremolinos and Torrox) accounts for 98 per cent of the tourists accommodated in the province of Málaga. As this group of municipalities receives such a high proportion of all the tourists to the province, it dominates the tourism statistics for the province.

Inside the province, the western part of the Costa del Sol (Benalmádena, Estepona, Fuengirola, Marbella, Mijas, and Torremolinos) displays a clear dependence on the tourism industry. In the eastern part of the Costa del Sol (Algarrobo, Nerja, Rincon de la Victoria, Torrox and Velez-Málaga) the economic base of municipalities is divided
between the tourism industry and agriculture. The city of Málaga has a more diverse economic structure.

Tourist production in the province represents over a quarter of provincial gross domestic product (SAETA 1999). The hotel and catering sectors represent nearly 40 per cent of the tourist output of the province. These sectors have links with almost the whole of the economy, but the main links are with manufacturing industry and agriculture. There are an extensive set of trading relationships between tourism businesses and small local intermediate suppliers. This web of linkages is extremely beneficial to the local economy as it provides a milieu in which businesses are constantly being created.

There are leakages of tourism expenditure from the province. Some 20 per cent of gross production linked with tourism arises from outside the province, promoting beneficial economic effects in other parts of Spain and overseas (Lozano Peña and Rastrollo Horillo 1996).

2.3 Distinctive Characteristics of the Spanish Tourism Industry

A close look at the Spanish tourism industry helps explain its specific characteristics and contributes to an understanding of how it has reached its position in the international tourism market. These characteristics are even more remarkable in the case of the province of Málaga and especially the Costa del Sol.

2.3.1 Development led by demand and the requirements of tour-operators

Tourism development in Spain has not been a planned phenomenon (Barke and France 1996; Marin Cots 1981 and 1996). It has been spontaneous. The causes of spontaneous growth can be found in the rapid growth of tourist demand and the lack of Spanish control over development (Figuerola Palomo 1999).
The Spanish tourism supply model, and the consequent impacts on such areas as the environment, town planning, public services and transport, has been defined by the character of demand. Hence, the importance of understanding the nature of demand. As the most recent study by the Spanish Tourism Institute (Instituto de Estudios Turísticos) indicates, nearly 90 per cent of visitors come to Spain for leisure (Figure 2.3; IET 1999). The percentage is very similar for visitors to Andalucia. The main holiday motivations are the climate (28.6 per cent of visitors), monuments (16.2 per cent) and beaches (9 per cent), followed by relations with the local population, cheap prices, good quality services, the environment and other factors (SAETA 1998).

Figure 2.3: Motivation to travel to Spain in 1998

![Pie chart showing the percentage of visitors in Spain in 1998]

Source: IET, 1999

In the Costa del Sol the attractions are the climate and beaches in nearly a third of the tourist visits. A high proportion of tourists return (more than 10 per cent) because of the good relationship between the price and the quality of tourist services in the area (SOPDE 1996b). Securing repeat visits is important in retaining market share. Return visits are also an indicator of the competitiveness of the area.
The origin of tourists to the Costa del Sol is different from that at the national level. In Spain more than 91 per cent of tourists come from Europe, one quarter of all tourists come from the UK and a further quarter from Germany (IET 1999). In the Costa del Sol nearly half of the tourists are Spanish and more than a quarter are British. The German inflow is some 5 per cent lower than at the national level. Spain has also tended to attract tourists with medium and medium-low income (ibid).

The geographical origin of tourists is a key issue because the evolution of tourism demand is closely linked to changes in the political economy, income levels and standards of living in the countries of tourist origin. However, the high proportion of Spanish tourists in the Costa de Sol acts as a cushion ('shock absorber') when there are downturns in international tourist demand.

Another important factor influencing the evolution of tourism services in Spain is the means of transport used by foreign tourists travelling to Spain. The data show that nearly three-quarters arrive by plane (Figure 2.4). Málaga airport alone handles some eight per cent of inbound tourists (IET 1999). This pattern of arrivals contributes to the faster development of municipalities located close to airports, since it is at these locations that industries develop supplying tourism related products such as transport, accommodation and catering services. The car is the second most important means of transport used. Of all tourist arrivals to the Costa del Sol 46 per cent arrive by plane and 41 per cent by car: SOPDE 1996b). The consequences of reliance on car travel are reflected in the services needed next to the road systems (petrol stations, catering and accommodation services).
Figure 2.4: Means of transport used to travel to Spain in 1997

![Pie chart showing transportation methods.

Aeroplane 72%
Car 22%
Cruise ship 1%
Train 5%]

Source: IET, 1999

The type of accommodation used determines in large measure income generation. At the national level the proportion of tourists who stay in hotels reaches half (IET 1999). In the Costa del Sol it is below 40 per cent, with a bigger share staying in private houses (of which 16 per cent are owned by the tourists; SOPDE 1996b). Considering that hotel accommodation generates more income and jobs than house renting or house buying, the larger the proportion of tourists accommodated in hotels the greater the economic impact. However, foreign investment in local property stimulates growth in the construction industry and in other related sectors. In both situations (hotels and house renting/buying) visitors use local leisure and tourism facilities and therefore inject cash into the local economy.

More than 40 per cent (IET 1999) of overseas visitors use intermediaries in arranging their holidays. This situation not only means that the type of transport and accommodation used is determined in the country of origin, but also that part of tourist spending never reaches Spain. This leakage illustrates the strong dependence of the tourism sector on foreign tour-operators. For the Costa del Sol the percentage of
visitors using intermediaries is lower but still very significant (30.5 per cent of visitors use holiday packages purchased in their own countries; SOPDE 1996). Not having control over distribution channels is a handicap in deciding on important strategic issues such as those relating to marketing and the positioning of tourism businesses in the global market.

2.3.2 An atomistic and fragmented business sector
The tourism sector is dominated by a mass of small firms plus a few large ones that are capable of operating in international markets. Unlike many other Spanish economic sectors, the tourism sector has for a long time been competitive at the international level.

One of the risks in attracting foreign investment is the leakage of tourism income to foreign countries. On the other hand, the attraction of foreign investment has a positive side as it helps to transform the sector in areas such as marketing, management and organisational practices as well as injecting investment and creating employment. Foreign investment in tourism has also influenced other sectors of the economy related to tourism.

Since the tourism sector is composed of many small businesses (70 per cent of Spanish tourism businesses are small, without salaried staff, IET 1999), its entrepreneurial character reflects the particular attributes of these businesses. Most small firms are owned by families and self-employed entrepreneurs. They are able to offer their products and services at very competitive prices and the services have a highly personal flavour, which enables these businesses to adapt their products to very different segments of the market. Also the labour required is not highly skilled, providing employment opportunities for the unemployed, the less skilled, and those without many qualifications. Employment of these groups has diverse consequences for the nature of employment in the industry and for the industry itself. Much employment is of a casual nature and low skilled, often accompanied by low productivity and exploitative practices (Bote Gómez, Marchena Gómez and Santos Pavón 1999).
The negative side of small businesses lies in their lower levels of investment, which can hold back innovation. They are also characterised by a high rate of business formation and closure. This scenario is very different from big businesses and chains, which have high investment levels and where the day-to-day management and administration is not usually in the owner’s hands.

Fragmentation is especially acute in the hotel and catering sectors where the sales made by big enterprises represent less than 20 per cent of the total sales of the sector. By contrast, in the transportation and communication sector this percentage exceeds 60 per cent of sales (IET 1999). Further characteristics of hotel and catering businesses in Málaga and the Costa del Sol are described further in Chapter 3.

2.3.3 Seasonality
The seasonal nature of tourism demand is a particular challenge to the tourism industry. Almost half of foreign tourists enter Spain during the summer months (from June to September), reaching a maximum in the month of August (Figure 2.5).

Figure 2.5: Tourist arrivals in Spain by months in 1997

Source: IET, 1999
To demonstrate the seasonal nature of tourism at the sub-national level it is necessary to consider the number of nights that tourists stay in the region. Málaga has the lowest seasonal variation of the coastal provinces in Andalucía. Nevertheless there is a clear concentration of foreign tourists in the months of July, August and September. Domestic tourists display a different pattern of demand, compensating for the low demand by foreigners outside the summer months and smoothing the annual pattern (Figure 2.6). As the Costa del Sol receives around 98 per cent of the total tourists to the province of Málaga, it displays the same pattern as that for the province as a whole (SAETA 1998).

Figure 2.6: Travellers lodged in hotels in Andalucía in 1998

![Graph showing the number of travellers lodged in hotels in Andalucía by month, broken down by foreigners, Spaniards, and total.]

Source: SAETA, 1999

This ebb and flow of visitors has important repercussions on the labour market because of the great number of temporary contracts required to match the seasonal pattern of demand. Employment in tourism has a staff turnover (rotation in a post) larger than in the rest of the economy, affecting productivity and the quality of the tourist product.
Adding this rotation feature to some of the previous ones associated with small businesses casts doubt on the quality of employment creation.

One specific problem posed by seasonality is that during the low season some businesses have to close due to the fact that they cannot cover their fixed costs of operation. Another problem is that in peak periods the local infrastructure and public services become saturated.

2.4 Tourism and Development: some Spanish Contributions

The enormous importance of tourism in the Spanish economy, and more specifically in the province of Málaga, has been demonstrated in previous sections of this chapter. However, until recently both statistics and research on tourism in Spain have been very limited. In the following section some of the most recent and influential research is reviewed.

Interest in economic development is not new. Indeed, there have been many studies of the relationship between tourism and economic development (for example Aurioles Martin 1998, De Kadt 1979, OECD 1973, WTO 1975, Valenzuela 1991, Williams and Shaw 1999). Numerous theories on economic development were put forward in the 1960s and 1970s, when agriculture and manufacturing were considered basic to development. However, the service sector in general, and tourism in particular, were given little attention in some of the more well known theories: for example, the theory of economic growth stages (Rostow 1960), structural change (Chenery 1977; Lewis 1955) and international dependency (Cardoso 1972; Frank 1969; Dos Santos 1969). There was no distinct tourism development theory among Spanish economists (Bote Gómez 1996).

Economic development in Spain has differed from that in other north-west European countries in that industrialisation was late in coming (concentrated in the industrialisation decade of the 1960s) and then overtaken by the growth of services in the late twentieth century. The tourism sector was the strategic sector in the transition
phase from autarchy to a more open economic system in the 1960s. The Spanish experience could therefore both provide an example for less-developed countries in similar situations and help to incorporate tourism in the theory of economic development.

Examples of Spanish contributions to economic development theory include:

- ‘Tourist development without external dependency’ (Bote Gómez 1988 and 1990), which details a strategy for creating a tourism industry to regenerate small and rural areas. This strategy involves the use of existing building structures and the local population to manage development (bottom-up development).

- Theory of ‘structural fitting’ (SGT 1990 and 1994) explains the possible crisis of the ‘sun and beach’ tourism product due to the differences between the local facilities (structures) offered and changing patterns of international demand. The solution suggested is to improve the range, quality and competitiveness of local businesses.

- Theory of sustainable tourist development (Prats 1994 and 1995, Vera Rebollo 1988) shows how tourism operates as an engine of development to improve the living conditions of the resident population. It is related to ‘structural fitting’ but is focused on environmental issues.

- Theory of convergence (Bote Gómez, Huescar and Vogeler 1991), developed by economic historians, refers to the gap between more- and less-developed countries. In the Spanish case this gap includes the lower technological level of the Spanish economy in relation to more technologically advanced European countries, to the small size of tourism businesses and to the limited number of international tourism companies. Closing this gap depends on the creation of international tourism businesses that can compete in the international economy. For this to occur requires a continuous process of learning and innovation.

Turning to the instruments to study tourism, Spanish contributions include the integration of tourism in Input-Output tables (IET 1996 and Figuerola 1976), the tourist balance of payments (IET 1978), and specific tourism satellite accounts (Quevedo 1983, Figuerola 1985 and INE 2002). These types of instruments have also been used

Interest in the tourism sector in Spain did not start in universities, where degree courses on Tourism did not begin until recently. Public organisations, mainly the central government (for example, the Instituto de Estudios Turísticos) began to investigate the sector because of tourist growth in the 1950s and 1960s. At that time tourism as an economic sector began to be included in national economic plans.

Following democratisation and decentralisation in the early 1980s, governments of regions with important tourism sectors also began to investigate the phenomenon. This was the case in Andalucia where the regional government (Junta de Andalucía) established a Department of Tourism (Consejería de Turismo). A very innovative strategic development plan for the tourism sector in Andalucia – Plan DIA (Plan de Desarrollo Integral del Turismo en Andalucia) – was produced in the early 1990s (Junta de Andalucía 1993). This plan was used as a model by other Spanish regions and also referred to by agencies outside of Spain (Sinclair and Bote Gómez 1996). The regional government of Andalucia also established a specialised regional statistics agency for the analysis of the tourism sector, which produces periodic publications and tourism studies (Sistema de Analisis y Estadísticas del Turismo en Andalucia; SAETA).

In addition, in the province of Málaga many different studies have been carried out by public bodies such as the Patronato de Turismo (an agency combining several public organisations) and some individual local authorities (municipalities). Important municipality plans have included one to improve the competitiveness of tourism in Torremolinos (Ayuntamiento de Torremolinos 1992). This municipality has suffered from the consequences of a lack of urban planning in the past. It was an object lesson for other resorts to avoid.

When tourism businesses have increased in number, private associations have emerged to support their interests. Some of these private associations are AHECOS (Hotel
managers association for the Costa del Sol), AHEMA (Hotel and catering businesses association for the province of Málaga), APROINSOL (Association for property developers of the Costa del Sol) and the Colegio de Economistas de Málaga (Economists’ association).

Despite the significance of the Costa del Sol for the economy of Andalucia, and especially the province of Málaga, there are few academic doctoral theses that have been undertaken there. Those that have been conducted have been mainly in the universities of Málaga and Seville (in the departments of Economics and Geography). The reason for this limited output lies in the fact that specific university departments dedicated to Tourism were not established until the late 1990s.

Some of the theses that have been undertaken touch on subjects connected to the current study. Marin Cots (1981) studied the tourism economy and its influence on the urban development of the Costa del Sol, with special reference to the case of Torremolinos. His contributions include a definition of ‘tourist space’ and an explanation for the development of such space. Landa Becerral (1990) focused on the functioning and structure of the tourist sector, looking for a competitive strategy for businesses. He suggested a strategy of aligning the price of products to consumers’ incomes. Maliin Rojo (1993) analysed the organisational characteristics of hotel businesses in the Costa del Sol. This was a microeconomic study, distinguishing different phases in the evolution of the Costa del Sol as a tourist zone and their influence on cultural development. The uniqueness of Martin Rojo’s study lies in its focus on the ‘tourism business culture’ as a distinct characteristic of tourism businesses in the Costa del Sol. Other academics too, mainly from the UK, have studied tourism in the Costa del Sol (Barke and France 1996, Sinclair and Bote Gómez 1996), examining a wide range of aspects covering the economy, geography and society.

2.5 Tourism as an Engine of Growth
Tourism can be considered as a revitalising and invigorating element for the economic system. This conclusion can be justified by reference to indicators such as the high per capita income in tourist areas and the creation of new jobs. Yet this positive aspect of
the tourism industry has been criticised in several studies carried out by international bodies from the 1970s onwards (OECD 1973 and WTO 1975).

In these studies there are four main criticisms levelled against the tourism industry as an engine of growth:

1. The fragility of tourism demand makes it inappropriate as a strategic industry on which to base the economic growth of a country. In general, tourism is considered too sensitive to international economic cycles because the tourist product or service has been seen as a 'luxury good'. Demand depends too strongly on the phase of the economic cycle.

However, this criticism does not appear to accord with Spanish experience. In spite of the different cycles in the evolution of the national and international economy, the growth of Spanish tourism demand has been continuous over the years. Even during the economic crisis of the 1970s there was no large fall in tourism demand (Figure 2.7). An explanation for this situation may lie in the treatment of tourism by consumers of developed countries as a 'good of the first necessity' (IET 1996). This would explain the resilience of tourist demand during periods of recession. The phenomenon may also be understood by differences in the timing of the economic cycle in Spain from that in countries of tourist generation, enabling domestic tourism to compensate for the decline in foreign tourist demand.
2. The contribution of the tourism industry to the rest of the economic system is sometimes not as great as might be expected. The explanation for this shortfall arises from the high level of imports often required to satisfy tourist demand, notably when the country is not able to produce the tourist goods itself. One of the effects is a deficit on the Balance of Payments resulting from a higher level of imports than exports. Also a high level of imports reduces the multiplier effect of tourist demand on the rest of the economic system and, as a consequence, levels of employment and income creation are reduced.

In the case of Spain, the country has been able to produce most of its tourist products. Therefore the multiplier effects of the tourism industry on the Spanish economic system have been considerable. Moreover, the balance on the tourism account in Spain has not only always been positive, it has also compensated for the ‘normal’ deficit on the balance of merchandise trade.

The employment generated by the tourism industry in Spain during the 1990s has been quite high, but the quality of the jobs created has not been very good because in the
majority of cases they are temporary jobs requiring low skills. In spite of this fact, any employment creation is beneficial in an economy where unemployment levels have been unacceptably high.

3. Tourism development can create a dependence on developed countries for goods and services that cannot be produced domestically.

As explained above, tourism demand may stimulate increased imports. Other elements of dependence may be created by an increase of foreign direct investment. When investment flows are concentrated in the hands of foreign-owned corporations or intermediaries (tour-operators), decision-making power, as well as marketing and distribution channels for tourist products, is transferred abroad.

Contrary to the experience in many developing countries, the more developed Spanish economy has been able to produce nationally the majority of goods and services demanded by tourists. Levels of foreign investment have been pretty high and these investments have not only been concentrated on direct investment in tourism businesses in Spain, but also directed at investment in property.

The critical weakness of the Spanish tourism industry has been in the loss of control over external distribution and marketing channels. In the early years of tourism development in Spain there was little awareness of the negative implications of this situation. The degree of loss of control is explained by the nature of a large segment of foreign tourism in Spain, designated as ‘sun and sea’ mass tourism. This segment was built on the strategy of holiday packages, sold in the countries of tourist origin. It meant that control over who sold the tourist product, who bought it, and the way in which the business was conducted, was not under Spanish control.

It should be added at this stage that in the marketing of tourism there has been a high level of oligopoly. The market has been dominated by a few major European tour-operators (in the late 1990s by Thomson, now under German ownership, Owners Abroad, now First Choice, and Airtours), that collectively catered for two-thirds of the market. Today, the power of these marketing organisations is even greater when it is
considered that they display a degree of vertical integration from marketing, through transportation to accommodation, giving them complete control over the distribution channels of the tourist product.

4. Environmental and social impacts.
Tourism development affects the environment and society of the tourist resort. As tourists arrive in the host country they need to use not only the tourist facilities but also the public services designed for the local population, leading to over-use of services and deterioration of the landscape.

Despite there being few published studies about the environmental impact of mass tourism in Spain, the damage to the coastal areas where there are tourist agglomerations is evident. Lack of planning in the past has resulted in an 'unplanned model' of development (Marchena Gómez 1989). The lack of urban planning has created many problems that have been difficult to solve. For example, the number and density of high buildings along the coast constructed without reference to the impact on the landscape or the capacity of the public infrastructure to accommodate the requirements of tourists (Marin Cots 1981).

Another repercussion of the rapid growth of tourism is the change in consumption habits and the sense of cultural identity of the local population. This impact is attributable to the interaction between residents and foreigners, which can induce each group to imitate the other in an attempt to adapt to the new environment. There are two interpretations of this process. One is the loss of cultural identity, the production of a global culture. The other is cultural enrichment (Priestley 1983).

There are more positive effects too. One of these is the opportunity to improve the image of the tourist resort and its promotion. In some cases tourism may even have a favourable impact on the commercial and political relationships between the country and the rest of the world. This is what happened in Spain after the Franco regime. Tourist inflows helped to promote the country and contribute to the opening up of the economy.
The tourism industry in Andalusia can be seen as a set of activities capable of generating dynamic growth in the economy. Tourism can be considered as an 'engine of growth', because its growth has been faster than the rest of the economy, because of the many linkages of tourism with other sectors and the strong multiplier effect. The causes of this more rapid growth lie in the increase of disposable incomes in countries of tourism demand, improvements in the quality of tourism services, and improvements in accessibility due to lower transport costs.

2.6 Peripherality and Tourism Dependence

Peripheral is used to designate areas with specific characteristics, notably a lower level of economic development relative to neighbouring areas. This differentiation is often measured by economic variables such as level of unemployment and per capita income. A more elaborate set of characteristics have been listed by Botterill et al. (1997):

- The most evident disadvantage for the peripheral area, from a manufacturing and service delivery standpoint, is its remoteness from mass markets and distance from suppliers. This situation means higher transportation costs, which are an important factor in today's very competitive environment.

- Internal economic linkages tend to be weaker at the periphery than at the core. This scenario produces a weakness of regional multiplier effects. Thus the creation of economic activities in the periphery will tend to have comparatively limited secondary impacts.

- Peripheral areas often lack effective control over major decisions affecting their economic and social well-being. These decisions are taken in core areas, where the key economic and political institutions are based and the headquarters of major companies are located. As a consequence, people in peripheral regions often feel a sense of alienation because of the lack of control over their own situation.
Migration flows tend to be from the periphery to the core. The outcome is a loss of people from the younger, more active and skilled groups. Since many peripheral locations are also important tourism destinations, tourism can help to counteract the imbalance in the population caused by net out-migration. However, the inflow of retired people will tend to exacerbate the demographic ageing of the population.

- Peripheries are characterised by a comparative lack of innovation, because productive and managerial resources are concentrated at the core.

- Information flows within the periphery and from the periphery to the core are weaker than those from the core to the periphery.

- Government may be required to play a greater role in promoting economic development in the periphery than in the core.

- Peripheral areas are also distinguished by their geographical attributes. They are often characterised by beautiful landscapes and seascapes.

Several, but not all, of the previous characteristics are present in Andalucia. Prior to the 1960s, the economic base was agriculture with only a small manufacturing sector. This paucity of manufacturing reduced the possible multiplier effects from tourism development. The Spanish core is Madrid, the home of central government, state political institutions and the headquarters of many businesses and business organisations. Madrid and a secondary core in Barcelona have attracted a great number of skilled working people from Andalucia.

The delivery of the tourism product is mainly through small and medium-size family businesses. Often family and social relationships determine the way in which these enterprises operate. Sometimes they are inward looking, failing to appreciate the potential advantages of global developments and opportunities.
Andalucia displays many of the characteristics of a peripheral area. It is geographically remote from core areas within Spain and Europe. However, the phenomenon of ‘distance shrinkage’, resulting from improvements in transport and communications technologies (Castells 1996, Harvey 1989) is being translated into reality by new physical transport connections (motorway, high-speed rail and air routes) together with the spread of information technologies. The regional industrial fabric remains weak and unable to maximise the benefits of business in the region (although the tourism sector is stronger than most other sectors in this respect). While there has been a delegation of power from Madrid to Seville, as part of the political process of decentralisation, many decisions affecting the region are still taken in Madrid. Whereas large net migration losses from the region ended in the early 1970s, there continues to be migration within the region from the interior municipalities to the cities and coastal areas where there are more education and employment opportunities. Finally, there is a substantial volume of foreign capital in the region.

Looking specifically at the Costa del Sol, the improvement of economic and social conditions has been extensive thanks mainly to tourism development. There is now an effective planning system, with the majority of planning decisions being taken either locally or in conjunction with the regional government. Nevertheless, a large slice of the investment capital remains in foreign hands.

2.6.1 Core/Periphery and ‘Growth Centres’
Core and periphery ideas have also been developed at the intra-regional level. Perroux’s concept of a structural ‘pole’ of economic dynamism was translated into the spatial concept of ‘growth centres’ (Boudeville 1972, Friedman 1972, Hirschman 1958, Myrdal 1957, Perroux 1955, Richardson 1978). The growth centre is a complex of activities spatially concentrated around a propulsive industry (Boudeville 1972). Within these centres a process of cumulative development and innovation is assumed to occur, which ‘trickles down’ to the periphery through employment, suppliers, market relations and administrative organisations (Friedman 1972, Richardson 1978).
The Costa del Sol, as an agglomeration of dynamic businesses, may function as a core area inside the peripheral region of Andalucia. Here the tourism sector performs the role manufacturing industries were assumed to play in the growth centres of the 1960s. Although, unlike traditional growth centres, the Costa del Sol was unplanned, the public sector is now trying to fill some of the gaps left by private initiative, to plan the area’s future development, to promote its growth and to ensure that the benefits extend into surrounding areas. Hence under this conceptualisation, the Costa del Sol is a core area and the rest of the region its periphery. An important point in this context is to analyse the extent to which innovation occurs in the Costa del Sol, since this is a typical characteristic of core areas. This is one of the questions to be answered in the current study.

On balance, the Costa del Sol displays characteristics of both peripheral and core areas. It is located on the geographical periphery of Spain and Europe, it has beautiful landscapes and seascapes, and there is a lack of control over many decisions affecting the economy and society. But there are also core area characteristics. It is one of the wealthiest areas in Andalucia. It additionally displays a pattern of net inward migration associated with employment opportunities, access to facilities and good communications links.

Periphery is not only a matter of location but also a matter of power relations. Thus to find out where decision power lies is an important question. This is because it should not be forgotten that one of the distinctive characteristics of a periphery is its relationship with a powerful ‘other’ area (the core area). A critical point is whether or not decisions over the area’s development are in local hands. In the Costa del Sol, while physical planning decisions are generally in local hands, economic ones often are not.

2.7 The Need to Retain Competitive Advantage and Create Sustainable Development
There is a high geographical concentration of tourism establishments in the province of Málaga, about 33 per cent of the total in Andalucia (see Figures 2.8 and 2.9). Within the province, 98 per cent of the tourism businesses are located in a group of municipalities that constitutes the Costa del Sol. Within these municipalities businesses are concentrated along the littoral in a linear businesses agglomeration.
Figure 2.8: Tourist establishments by province in 1996

The factors that made possible the emergence of this agglomeration were various and different from those required now to retain the competitiveness of the area. This situation results from changes in the structure of the tourism industry and the development of competition from other resorts around the Mediterranean and elsewhere in the world. Excessive specialisation on the tourism industry has lead to an extreme dependency on this sector, creating strategic risks for the region should the tourism industry fail.
The major expansion of the tourism industry in Spain in the 1960s was the result of several factors, some of them internal to the Spanish economy and some external. These factors combined to produce the rapid growth of the Costa del Sol (Salmon 1992; Valenzuela 1991; Bote Gómez and Sinclair 1996).

The early tourism model was based on mass tourism. Its strength lay in static comparative advantages, namely sun, sea and sand offered at low prices. Following the liberalisation of markets to international trade and their increased homogenisation, it has become necessary to develop new strategies to compete globally. Static comparative advantages must be transformed into dynamic advantages characterised by continuous upgrading and diversification of tourism products (Vera Rebollo and Marchena Gómez 1996).

Growth of the Spanish tourism industry in the 1990s has been assisted by a number of factors. These include: an upturn in the economic cycle in Spain from 1993; successive
devaluations of the currency in 1992, 1993 and 1994; a decrease of the inflation differential within tourism origin countries; and the security situation in a number of rival Mediterranean countries.

Following membership of the European Union in 1986 and European Monetary Union in 1999 the Spanish economy now operates within a very different context to that in the past. The Spanish government has relinquished considerable autonomy over economic policy at the national level. For example, devaluation against currencies of the eurozone is no longer an option for maintaining competitiveness.

The necessity for learning and innovation becomes obvious when the various elements of the contemporary economic situation are listed. This list includes: the loss of devaluation against other eurozone members as a route to competitiveness; rising factor prices; substitute products in other countries with lower factor costs; changing tourist preferences; business fragmentation; and the ‘mature life-cycle’ stage of many resorts (Butler 1980, Cooper 1993, Antón Clavé 1993, Marchena Gómez 1995). Other factors that make the Spanish tourism industry vulnerable to competition are: the tendency to receive tourists with lower spending levels, spatial concentration of production, employment and income generated in tourist destinations and urban areas, and leakage of income through the repatriation of profits from foreign investment and the operations of foreign tour-operators (Sinclair and Bote Gómez 1996). It is evident that the tourism industry must become more competitive within the context of long-term sustainability.

Most attempts to develop competitiveness models in Spain have taken into consideration Porter’s theory of competitive advantage (Porter 1980, Camisón Zornoza, Bigné and Monfort 1994). Diversification and specialisation are the strategies most used to improve competitiveness.

In the tourist industry there are well-defined strategies to improve competitiveness (Barney 1997). Some of these are:
- Economies of scope: These are derived from the more intensive use of factors of production through diversification to create lower costs.

- Synergy of costs: Lower costs may be derived from producing new services through exploiting the existing structure of production without having to make large capital investments.

- Synergy of demand: Lower costs may also be derived through the use of data on customers to offer them new products. Both synergies of costs and of demand can also increase income, experience and knowledge. However, it is essential to plan the specific situation carefully to avoid imitation by rival enterprises.

- Process and product innovations: This is the most sustainable strategy in the medium and long-term because of the high cost of introducing equipment and the knowledge required to develop new products. These innovations work as barriers to other businesses. This strategy is only sustainable in the long-term through continuous research activity and the development of new equipment.

- Brand value: This is a subjective value (depending on each segment of the market). It has diverse components such as the trust of consumers in the brand, the perception of quality or the association of the brand with famous persons, particular places, etc. Nowadays brand name has a very important value in a globalised economy, where the brand can transmit a whole range of qualities that provide security to customers in internationalised markets, facilitating exports.

- Portfolio of preferential clients: Service businesses try to retain their clients as long as possible. To do so several strategies are used: preferential tariffs, discounts according to the length of time they have been customers, different labels to distinguish them, creation of clubs or associations, etc. This policy has several advantages, including retaining a constant number of customers and the opportunity to operate a database to market new products or promote specific products in specific market segments.

- Location advantage: This refers to the benefits of a strategic location.

- Managerial idiosyncrasy: This refers to the specific way in which business tasks are realised, the rules of communication, the structure and organisation of business, training techniques, etc. Good planning of all of these can improve efficiency and
productivity as well as allow continuous learning inside the organisation. As these are not observable by rivals, it is difficult to imitate them.

- Information techniques: These are very important because they can help to retain competitive advantage through the reduction of costs. They can also increase differentiation from other businesses, building up barriers to new entrants in the market place.

When the service offered by the business is highly intangible, an increase in the value of the brand and the preferential relationships with clients are the most beneficial strategies to follow. An innovation is more sustainable over time where the investment needed is heavy and thus the barriers to replication are high.

Other options to improve competitiveness are: the identification of different types of tourism products by firms and identification of the products and services that are likely to be in demand by tourists and then making improvements to these. Public promotion can be used to attract other segments of the tourism market and thereby reduce seasonality and the spatial concentration of tourism. Many of these options and others will be analysed in the following chapters.

2.8 Conclusion
A number of conclusions can be drawn from the above examination of the tourism industry in the Spanish economy. One of them is the key role of tourism as an ‘engine of growth’. The role of tourism has been even more important in Andalucia, which has generally lacked an internationally competitive manufacturing sector.

There have been some criticisms about the strength of tourism as the basis for development because of the assumed fragility of tourism demand, its sometimes weak economic contribution, the possibility of dependence on developed countries and other negative environmental and social impacts. However most of these negative characteristics are not present in the case of Andalucia.
However, the Spanish tourism industry does display some weaknesses. These include:
dependence on foreign tour-operators;
a legacy of unplanned development;
fragmentation of tourism businesses and
high seasonality.
These weaknesses, together with the growth of competition, place a question mark over
the future of the industry.

To retain the industry’s competitive position it is necessary to identify new strategies.
Continuous innovation is the most sustainable strategy as it is difficult for others to
imitate because of the high costs of new equipment, the need for continuous research to
develop new products or techniques, and the advantages of being ‘first-in-the-market’.
To be innovative requires a learning aptitude in order to gain the required knowledge in
a changing environment.

This raises several questions such as:
What are the factors that facilitate innovation?
Can these factors be found in the tourism industry?
If so, is it possible to talk about tourism learning regions?
What influence can a tourism learning region have on its hinterland?
Is the Costa del Sol an example of a tourism learning region?
These and other related questions will be addressed in the following chapters.
CHAPTER 3: HOTEL AND CATERING INDUSTRIES IN THE PROVINCE OF MALAGA

3.1 Introduction
This chapter looks at the characteristics of the hotel and catering sectors in the province of Málaga. The first part (section 3.2) outlines the importance of these two sectors within the tourism industry and the lack of research into them. The discussion then moves on to examine questions of definition (section 3.3), the specific characteristics and organisational attributes of the sectors (sections 3.4 and 3.5). The organisational structure of the sectors is analysed further in section 3.6 through the use of Regional Input-Output Tables. These Tables illustrate the strong linkages of both sectors with the rest of the regional economy. The chapter concludes by suggesting that there is an integrated production network based around hotel and catering businesses. It is argued that the nature of this production network deserves more attention than has been given to it so far because of its contribution to the regional economy.
3.2 Importance of the Hotel and Catering Sectors in the Tourism Industry of the Province of Málaga

Analysis of the importance of the hotel and catering sectors within the provincial economy is complicated by the scarcity of statistical data and the complicated structure of these activities, which are interconnected with many other sectors in the regional and national economy. Some attempts have been made to measure these sectors by public bodies and individual academics (Patronato de Turismo de la Costa del Sol, Junta de Andalucía, Lozano Peña and Rasstrillo Horrillo 1996, Figuerola 1997). However, their findings should be interpreted with caution because of the unreliability of the data. Overall, the paucity of research on the hotel and catering sectors in the Costa del Sol has led some authors to describe these sectors as of 'unknown relevance' (relevantes desconocidos) (Delgado Molina 1996).

As has been demonstrated in Chapter 2, Málaga is of great importance as a tourism destination. The province of Málaga receives nearly half of the tourists who stay in Andalucía (Figure 3.1) and two-thirds of all tourists to Andalucía include a visit to the province (SAETA 1998, 1999).

Figure 3.1: Provincial distribution of overnight stays of tourists in Andalucía in 1998

Source: SAETA, 1998
To meet the needs of visitors to the province accommodation facilities have been enlarged and catering services strengthened. Málaga accounted for one-quarter of the total number of hotels and more than one-third of all the restaurants in Andalucia in 1999 (SAETA 1999).

It has been calculated that tourism in Málaga generates about one-quarter of the provincial GDP (Lozano Peña and Rastrillo Horrillo 1996). Hotel and catering businesses contribute about 40 per cent of the total provincial tourism production (ibid). This significant involvement in tourism production results from the concentration of these types of businesses in the province and the fact that nearly 90 per cent of hotel and catering businesses in the province are located within the municipalities of the Costa del Sol (ibid).

With a low rate of imports, the sectors are able to generate wealth without the need to import resources from outside the province. In other words, they are able to act as a ‘driving force’ in the local economy because of their linkages with other economic sectors, especially agriculture, fishing, food and drink industries and services, and because of their labour intensive character. The quantity and variety of agricultural production inside Málaga reduces leakage of income from the province.

The region of Andalucia is the source of most of the inputs used in tourism (a tenth of tourism inputs) (ibid). However, hotel and catering businesses draw on very few imports. Construction also displays a low requirement for extra-regional inputs. Construction activities are boosted by demand for tourist residences, which represents 40 per cent of the value of demand for construction work (ibid). The induced and indirect effects of tourism demand over the rest of the economy are examined in the last section of this chapter.

With regard to the labour market, the high level of unemployment in the south of Spain is well known. Tourism is a labour intensive activity. Employment creation in the
sector is even more notable in the province of Málaga (nearly a third of total employment in the province). Self-employed people in the tourism industry form the most stable segment of the labour market in the area. Unemployed people from other sectors often decide to open tourism businesses as an avenue of employment (Ruiz Galdón 1996).

Hotel and catering businesses together account for about half of the provincial tourism employment. Within the province of Málaga there is a clear concentration of both hotel and catering establishments along the coast, especially along the western stretch. Catering businesses represent the largest proportion, four times the number of jobs as in hotel businesses. There are also indirect employment effects over other economic sectors such as manufacturing and agriculture (SOPDE 1996).

3.3 Hotel and Catering Sectors: Definitions and Classifications

The hotel and catering sectors contain a great number of diverse businesses. Therefore, it is necessary to specify which ones are covered by this research.

In the accommodation sector there are various segments. A hotel establishment is defined by the National Statistics Institute (INE) as a production unit that provides accommodation services within the same physical structure (building) and in which one or more persons work (INE 1999). Within this mode of production four different categories of establishments are defined in Spain: hotel (including the state-owned paradores), hostal, motel and pension (ibid). This research focuses on hotel establishments, since these conform to the same characteristics as other hotel establishments in Europe. Within this type of accommodation the quality of services provided is recognised by sub-dividing hotels into sub-categories by star ratings from one-star to five-star or luxury category.

In the case of the catering sector the criterion used to classify establishments is their principal economic activity - that is, selling food or drinks to consume mainly within the establishment where they are sold (otherwise take-ways businesses would be
included). Usually food is also cooked within the same establishment (INE 1997). Within the catering sector the classifications are not so clear as in the case of accommodation. Designations are numerous and sometimes the designation for the same type of establishment varies according to the geographical area of Spain. The National Statistic Institute identifies restaurants (restaurantes) equivalent to ‘restaurants’ in other parts of Europe. These serve cooked food and drinks to be consumed inside the establishment. Cafeterias (cafeterias) are classed as establishments that provide drinks and fast food, normally just grilled or pre-cooked meals. Bars (bares) are establishments that concentrate on the sale of drinks and snacks (INE 1997). In Andalucia there are also other catering establishments. These are traditional country restaurants (ventas) and beach restaurants (chiringuitos, that vary widely in their quality, prices and type of structures). These types of catering establishments are included under the designation of restaurants or cafeterias by the National Statistics Institute according to their individual characteristics.

In the current study only restaurants and cafeterias are analysed because their main economic activity is the provision of food and drink and they are comparable with other establishments across Europe. Bars are excluded, since the data for these are very unreliable.

Classification of restaurants is by the number of forks (tenedores), from one for the lowest category to five for the highest category. Cafeterias are classified by the number of cups (tazas), from one for the lowest to three for the highest category.

Finally, this study only considers catering services that are found in independent outlets and not those that form a part of other establishments such as services provided in hotels, private businesses and public institutions.
3.4 Hotel and Catering Sectors: Characteristics

3.4.1 Hotels
The hotel sector in the province of Málaga is characterised by the predominance of medium to high quality establishments. Sixty-five per cent of hotels are classified as three to five-star establishments. These contain 89 per cent of hotel beds (the Spanish term plazas in hotels is translated throughout this thesis as beds, signifying accommodation in beds). Within this group three-star hotels form the majority, 44 per cent of all establishments and 48 per cent of all hotel beds.

There are significant differences in the average size of hotels according to their category. As can be seen from Figure 3.2 the average size of a five-star hotel in Málaga is ten times larger than a one-star hotel.

Figure 3.2: Average size of the hotels in the province of Malaga by categories in 1999

![Figure 3.2: Average size of the hotels in the province of Malaga by categories in 1999](image)

Source: IEA, 2000

For the purpose of showing the distribution of hotels and restaurants, the 99 municipalities in the province of Malaga are divided into four groups: West Coast, East Coast, City and Inland. The West Coast covers the municipalities of Benalmádena,
Estepona, Fuengirola, Manilva, Marbella, Mijas and Torremolinos (seven municipalities). The East Coast covers Nerja, Rincón de la Victoria, Torrox-Costa, and Vélez-Málaga (four municipalities). The City refers to the municipality of Málaga. The rest of the municipalities (eighty-seven) are located in the interior of the province and form the Inland group. The total number of hotels in the province in 1999 was 259 establishments (IEA 2000). Their distribution by category and geographical location is shown in Table 3.1.

Table 3.1: Distribution of hotels by category and geographical area in 1999.

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Five-star</th>
<th>Four-star</th>
<th>Three-star</th>
<th>Two-star</th>
<th>One-star</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Coast</td>
<td>9</td>
<td>33</td>
<td>73</td>
<td>23</td>
<td>8</td>
<td>146</td>
</tr>
<tr>
<td>City</td>
<td>0</td>
<td>7</td>
<td>5</td>
<td>10</td>
<td>6</td>
<td>28</td>
</tr>
<tr>
<td>E. Coast</td>
<td>0</td>
<td>3</td>
<td>13</td>
<td>10</td>
<td>6</td>
<td>32</td>
</tr>
<tr>
<td>Inland</td>
<td>0</td>
<td>7</td>
<td>21</td>
<td>14</td>
<td>17</td>
<td>59</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>50</td>
<td>112</td>
<td>57</td>
<td>37</td>
<td>265</td>
</tr>
</tbody>
</table>

Source: IEA 2000

The West Coast includes the highest number of both establishments and hotel beds; 56 per cent of all establishments and 85 per cent of all hotel beds in the province. The higher proportion of beds in this area compared with the province as a whole is due to the presence of higher category establishments. The West Coast contains all the five-star hotels, 66 cent of four-star hotels and 65 per cent of all three-star hotels in the province.

Along the West Coast, Torremolinos and Marbella provide the largest number of beds (32 per cent and 21 per cent respectively of the total in the province) and the largest number of establishments (20 per cent and 13.4 per cent respectively). By category, although the West Coast specialises in three, four and five-star establishments, there are some differences between municipalities (Table 3.2). The greatest specialisation in five-star hotels is in Mijas, followed by Estepona, Marbella and Benalmádena. Marbella specialises in four-star establishments together with Estepona. Fuengirola and Torremolinos focus on three-star hotels.
Table 3.2: Index of Specialisation of hotels by category and geographical area in 1999.

<table>
<thead>
<tr>
<th>Index</th>
<th>Five star</th>
<th>Four star</th>
<th>Three star</th>
<th>Two star</th>
<th>One star</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Coast</td>
<td>2</td>
<td>1.3</td>
<td>1.1</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>City</td>
<td>0</td>
<td>1.6</td>
<td>0.5</td>
<td>1.9</td>
<td>0.6</td>
</tr>
<tr>
<td>E. Coast</td>
<td>0</td>
<td>0.5</td>
<td>0.9</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Inland</td>
<td>0</td>
<td>0.6</td>
<td>0.8</td>
<td>1.1</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Index calculation: Percentage of all the hotels of a particular category in area A/ percentage of all hotels in the province located in area A.

Source: IEA 2000

The city of Málaga has the lowest number of hotels of the four areas in the province (9 per cent of the total in the province), it being only one municipality. Specialisation is in two and four-star hotels. Considering the large number of passengers who use Málaga airport and the importance of the province as a tourist resort, a larger number of hotels and hotel beds might have been anticipated in the city. Yet, only five per cent of all hotel beds in the province are located in the city.

The East Coast has the second lowest number of hotels of the four areas in the province (12 per cent). The area is characterised by low category establishments (one and two-star hotels). There are exceptions to this pattern. For example in Rincón de la Victoria 75 per cent of hotels belong to the three-star category, and in Nerja nearly 18 per cent of hotels are in the four-star category.

The large number of Interior municipalities (87) account for 23 per cent of the total hotels within the province. This area has a similar average distribution of hotels by category as on the East Coast, with a large proportion of one and two-star establishments (Table 3.2). But looking at the number of beds it is clear that even though there are a large number of hotels inland, the proportion of beds provided is only five per cent of the provincial hotel total (Figure 3.3). The reason for this discrepancy is that inland hotels are relatively small in relation to establishments located along the West Coast.
In the interior, the municipalities of Antequera and Ronda stand out by their number of establishments, eight (3 per cent of the provincial total) and nineteen (7 per cent) respectively. However, these two together represent only 2.35 per cent of the total number of hotel beds in the province. In both municipalities the majority of the establishments belong to low categories.

Figure 3.3: Distribution of hotel places in the province of Malaga in 1999

Source: IEA, 2000

3.4.2 Catering sector

Both restaurants and cafeterias sell food and drink to be consumed inside the establishment, but in the case of cafeterias less time is given over to food preparation than in the restaurants and sometimes not cooked in the same establishment where it is sold. This distinction is made by the domestic statistical sources from where the data used in this study have been collected (INE 1997).
3.4.2.1 Restaurants

In contrast to hotels, a large percentage of restaurant establishments fall into the lower categories indicating the provision of fewer services. More than half of the total number of restaurants in the province of Málaga fall into the lowest one-fork category, and 40 per cent in the two-fork category.

As with hotels, higher category establishments have a higher mean size (Figure 3.4). Five-fork restaurants have a mean size of 133 seats (throughout this thesis the Spanish *plazas* in restaurants and cafeterias is translated as seats), one-fork restaurants a mean size of 60 seats. Because of the similarity in the average number of seats in medium and low category establishments (60 to 70 seats per establishment) the distribution of seats is parallel to the number of establishments.

Most of the high category restaurants are located in the coastal municipalities. The only luxury five-fork restaurant in the province is situated in Marbella. The West Coast also contains the largest number of low category restaurants.

As shown in Table 3.3, the municipalities of the West Coast contain more than 60 per cent of the total number of restaurants in the province, the city of Málaga has the second largest proportion, less than 20 per cent, Inland and East Coast municipalities about 10 per cent each. Along the West Coast, Marbella is the municipality with the most restaurants in this area (434) and Manilva is the one with the least (32). Only quite recently has Manilva really begun to attract tourists and to exploit the advantage of being located so close to the established resorts of Estepona and Marbella. The East Coast displays a significant proportion of medium-high quality restaurants (four-forks): 15 (60 per cent) of the total of this category in the province. Vélez-Málaga is the municipality with the largest number of restaurants (116) in this area, followed by Nerja with 72 restaurants. Algarrobo has the lowest number, 23 restaurants. It is a comparable to Manilva in being distant from Málaga airport but close to more traditional tourism resorts.
Table 3.3: Distribution of restaurant establishments by category and geographical area in 1999.

<table>
<thead>
<tr>
<th>Restaurants</th>
<th>Five-fork</th>
<th>Four-fork</th>
<th>Three-fork</th>
<th>Two-fork</th>
<th>One-fork</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Coast</td>
<td>1</td>
<td>6</td>
<td>145</td>
<td>671</td>
<td>650</td>
<td>1473</td>
</tr>
<tr>
<td>City</td>
<td>0</td>
<td>2</td>
<td>15</td>
<td>120</td>
<td>264</td>
<td>401</td>
</tr>
<tr>
<td>E. Coast</td>
<td>0</td>
<td>15</td>
<td>34</td>
<td>97</td>
<td>141</td>
<td>287</td>
</tr>
<tr>
<td>Inland</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td>66</td>
<td>165</td>
<td>237</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>25</td>
<td>198</td>
<td>954</td>
<td>1220</td>
<td>2398</td>
</tr>
</tbody>
</table>

Source: IEA 2000

Looking at the Index of Specialisation by geographical area (Table 3.4), the East Coast displays a specialisation in medium and high and category restaurants (three and four-forks). This is opposite to its character in relation to hotels. Rincón de la Victoria and Vélez Málaga both exhibit a specialisation in four-fork restaurants. In contrast, the West Coast specialises in two and three-fork establishments with the exception of Benalmádena, which is specialises in four-fork restaurants, and Marbella with the only five-fork restaurant existing in whole the province. Benalmádena and Torremolinos show a strong presence of one-fork restaurants. In the City of Málaga more than 65 per cent of restaurants belong to the one-fork category. Finally, in the interior municipalities the distribution is quite peculiar. They specialise in one and four-fork restaurants.

Table 3.4: Index of Specialisation of restaurants by category and geographical area in 1999.

<table>
<thead>
<tr>
<th>Index</th>
<th>Five-fork</th>
<th>Four-fork</th>
<th>Three-fork</th>
<th>Two-fork</th>
<th>One-fork</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Coast</td>
<td>0</td>
<td>0</td>
<td>1.2</td>
<td>1.1</td>
<td>0.8</td>
</tr>
<tr>
<td>City</td>
<td>0</td>
<td>0</td>
<td>0.5</td>
<td>0.7</td>
<td>1.3</td>
</tr>
<tr>
<td>E. Coast</td>
<td>0</td>
<td>5</td>
<td>1.5</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Inland</td>
<td>0</td>
<td>1</td>
<td>0.2</td>
<td>0.6</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Index calculation: Percentage of all the restaurants of a particular category in area A/ percentage of all restaurants in the province located in area A.

Source: IEA 2000
Turning to the number of seats, the previous geographical distribution does not alter a great deal. For the City of Málaga the percentage increases by four percentage points (from 17 per cent of establishments to 21 per cent of seats). The East Coast municipalities and the inland ones show a similar proportion of seats as establishments. On the West Coast, 90 per cent of establishments and the same percentage of seats belong to the one and two-fork categories. Although, there is a concentration of restaurant businesses, as in the case of hotels the quality category is lower in this area.

Figure 3.4: Average size of restaurants by category in the province of Malaga in 1999

Source: IEA, 2000

### 3.4.2.2 Cafeterias

Analysis of cafeteria businesses shows similar results to those for restaurants. There is a large geographical concentration along the West Coast (72 per cent of the total number of establishments in the province) and a high proportion of the lowest quality cafeterias (one-cup). From Table 3.5 some more detailed conclusions can be drawn. In the whole province the percentage of low category establishments (one-cup cafeterias) exceeds 90 per cent of the total and only one per cent belong to the three-cup (luxury) category. Another distinction from the pattern of hotels is that high quality cafeterias
are located in the city of Málaga (75 per cent of the total in the province). In the case of hotels the high quality ones are located along the West Coast and high quality restaurants are along the East Coast. Cafeterias along the West Coast comprise mainly medium (two-cup) and the low category (one-cup) establishments. These represent more than 70 per cent of the total number of cafeterias in the province.

Table 3.5: The distribution of cafeterias by category and geographical area in 1999.

<table>
<thead>
<tr>
<th>Cafeterias</th>
<th>Three-Cup</th>
<th>Two-Cup</th>
<th>One-Cup</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Coast</td>
<td>1</td>
<td>28</td>
<td>341</td>
<td>370</td>
</tr>
<tr>
<td>Town</td>
<td>3</td>
<td>7</td>
<td>81</td>
<td>91</td>
</tr>
<tr>
<td>East Coast</td>
<td>0</td>
<td>3</td>
<td>39</td>
<td>42</td>
</tr>
<tr>
<td>Inland</td>
<td>0</td>
<td>1</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>39</td>
<td>472</td>
<td>515</td>
</tr>
</tbody>
</table>

Source: IEA 2000

The pattern of specialisation (Table 3.6) is the same in the West Coast and interior municipalities with the strong presence of low and medium category cafeterias (one and two-cup). Only Fuengirola on the West Coast has one high category cafeteria. The city of Málaga displays a greater specialisation in medium and high category cafeterias. On the East Coast low category (one-cup) cafeterias are most common. Nerja is the exception in this area with 13 per cent of its cafeterias in the medium category.

Table 3.6: Index of Specialisation of restaurants by category and geographical area in 1999.

<table>
<thead>
<tr>
<th>Index</th>
<th>Three-Cup</th>
<th>Two-Cup</th>
<th>One-Cup</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Coast</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>City</td>
<td>3</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>E. Coast</td>
<td>0</td>
<td>0.8</td>
<td>1</td>
</tr>
<tr>
<td>Inland</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Index calculation: Percentage of all the cafeterias of a particular category in area A/ percentage of all cafeterias in the province located in area A.

Source: IEA 2000
Regarding the different size of establishments in different categories, Figure 3.5 shows that the average size of high quality cafeterias is more than twice that of the low quality ones. Even so, the gap does not modify the geographical and quality distribution by seats; the percentages are equivalent to those described previously.

Figure 3.5: Average size of cafeterias by category in the province of Malaga in 1999

Source: IEA, 2000

3.5 Organisational Characteristics of the Hotel and Catering Businesses

3.5.1 Hotel sector

Firms in Andalucia have the common characteristics of being mostly small and medium-size businesses. Tourism is no exception. The average size of hotel establishment is small to medium (171 beds) in Andalucia, although this size increases in higher category establishments (Junta de Andalucia 1993).

In Málaga the mean size of hotel establishment is higher than that for Andalucia. This reflects the fact that many of the hotels in this area are of medium and high quality (three, four and five-star) compared with the rest of Andalucia, where low and medium category establishments are predominant. The average size of this kind of establishment in the province of Málaga varies depending on the category, from nearly
364 beds in the luxury establishments to less than 35 beds in low quality ones (Figure 3.2).

In terms of employment there are approximately 91 employees per hotel establishment in Andalucia. The number of jobs rises with the quality of the establishment. Thus for hotels in the five-star category the number amounts to 243 jobs. Equally, because of the high average category of hotels in the Costa del Sol, employment generation surpasses the mean level for the rest of the region (ibid).

The average age of most of the hotel buildings is quite old (about 25 years) in the Costa del Sol. Hotel accommodation has its roots in the great expansion of tourism demand in the 1960s, when three-quarters of buildings existing in the mid-1990s were constructed (Junta de Andalucia 1998). Given the age of hotels and the quality of many of the original buildings, it is clear that many now require renovation and modernisation.

One of the problems characterising the hotel sector is the low flexibility of these businesses. The high gross fixed investment required to open a hotel (high start-up costs) acts as a barrier to new entries in the sector. The fixed scale of hotel buildings also makes it difficult to adjust the capacity of the establishment to fluctuations in tourism demand. Fixed scale causes operating losses when the building and other factors of production associated with the hotel are operating below capacity (as measured for example by occupancy rates). It may not be worth keeping a hotel open if revenue cannot cover variable costs and at least make some contribution to fixed costs. Other possible side effects of fixed scale are the problems of survival in times of recession. Such hard times may lead to the closure of businesses.

In the late 1980s, and even more so in the 1990s, there was a clear propensity for horizontal integration of hotel establishments into chains (for example, the Meliá and NH chains). This was more common among four-star hotels than among establishments with a lower classification. The reasons for this situation can be found in increasing competition, the need for capital to renew buildings and to adopt technology and innovations in the establishment, to gain control over the distribution
channels and improve bargaining power with the tour-operators. In Andalucia, business concentration has been greatest along the Costa del Sol, an area characterised by higher category hotels.

Another organisational feature has been the tendency for hotel businesses to join private associations. The Association of Hotels of the Costa del Sol (AEHCOS), for example, represents 90 per cent of the hotel establishments along the Costa del Sol (Aguilar Gutierrez and Crespo Munoz 1996). The association’s role is quite diverse. It promotes the interest of its members and tries to assist them financially and technically. It provides representation for small and medium-size firms that do not have enough power to be heard in the public sector or to negotiate agreements with tour-operators. AEHCOS also functions as a catalyst for the adoption of innovations and new technologies through the provision of information.

Hotels have been in a position of weakness as regards marketing because of their reliance on foreign tour-operators. Nearly 90 per cent of the hotel businesses along the Costa del Sol have some kind of agreement with tour-operators to safeguard at least a minimum of demand throughout the year. These contracts are most common in three and four-star hotels. Five-star hotels tend to belong to big chains, which have their own distribution and marketing channels. These hotels specialise in tourists with high spending power who travel independently.

3.5.2 Catering sector: restaurants
This sector has different organisational attributes to that of the hotel sector. One attribute of these businesses in Andalucia is their high level of management and staff turnover (both owners and employees). Another is that they act as a ‘shelter’ or ‘refuge’ for unemployed people since they require mainly low-level skills. A third attribute is that for more enterprising people it is a sector that has low start-up costs, signifying low barriers to entry.

A key issue arising from the characteristics of the catering sector is the lack of formal education of staff (the majority of the entrepreneurs are self-educated), which has
damaged the image of this sector (Flores Senti 1997). However, this lack of professional qualifications is compensated for by the quality of services offered in relation to the price paid for them. The causes of this positive relationship are found in the good quality of the indigenous food and traditional character of the cuisine. Features such as poor presentation of meals and tables, or badly dressed waiters (with poor manners to match), detract from the competitiveness of businesses. These problems are not common to all the categories of establishments. In better quality businesses the standard of service and food is at least consistent with their category.

There is not the same tendency to horizontal integration of restaurant businesses as there is in the hotel sector. Restaurant businesses are predominantly small family businesses. This lack of integration or partnership results in a weaker sector, lacking competitive and purchasing power.

Fast-food chains are growing quite quickly, although they still only represent a small proportion of the total current market. The strategy of fast-food chains is predominantly to buy existing restaurants. Some entrepreneurs have seen in the franchise a good opportunity to reorganise their businesses.

The demand for restaurant services mainly arises locally from the local population (in Spain eating-out is a common practice) and from domestic and foreign tourists lodged in the neighbourhood. In very few cases is the establishment sufficiently well known to attract clients from long distances. Hence the catering sector relies strongly on the local accommodation sector and other nearby leisure attractions.

Two features provide catering firms with the capacity to remain in the market when there is a downturn in demand. One is that family firms tend to employ members of the family, relatives and friends during periods of high demand. These people are generally employed without legal contracts and therefore the owner has the facility to reduce staff during periods of low demand and thereby contain costs. In some cases staff do not receive a salary or remuneration. As with the accommodation sector the labour factor is the heaviest cost in service businesses because of their labour intensive
character. The second feature relates to low property costs. Frequently restaurants occupy only part of a building, the rest of which is used for other purposes, including the family home. Also catering businesses need less space to develop their activities than accommodation businesses.

Ninety-seven per cent of catering establishments in the province are designated as low category ones (one and two-forks), the opposite of the quality classification in the hotel sector (Delgado Molina 1996). One explanation is that the fiscal structure means that higher category businesses have to pay higher taxes. Overall, the categorisation of these establishments does not reveal their real quality (ibid).

3.6 Structure and Linkage in the Hotel and Catering Sectors

A tourism firm, like other companies, is an open organisation linked to other businesses. It has relations with customers on the demand side and with suppliers on the supply side. A distinctive attribute of these sectors is the wide range of sub-sectors related to them.

Catering establishments also supply their products or services to both tourists and local consumers. Therefore it is difficult to quantify the part of production that satisfies tourism demand and the part that caters only to residents.

The economic impact of expenditure in tourism businesses extends to other sectors both locally and across regional and national boundaries. The magnitude of the total impact (the multiplier) will depend on the local economic structure and the links that exist between tourism businesses and the rest of the national system. Tourism expenditure impacts on several areas. It contributes to the income of the people involved in the tourism sector and it stimulates the production structure to supply inputs to tourism businesses.
Part of the increase of income has direct effects over the economy because of the extra cash introduced into the system. This injection stimulates an increase in consumption and savings, depending on the decisions made by the recipients of the cash flow. If the propensity to consume is higher than the propensity to save, the impact of tourism income will be greater. That is because in the first case there will be further injections of cash into the economic system. Part of the prices paid will be channelled into public sector income through taxes (perhaps to improve the infrastructure or public services) and other money will go to increase income in other sectors. Although this process repeats itself though successive rounds of expenditure, it is not endless. The length of time this multiplier persists depends on the extent of leakage from the system, that is, the proportion of extra-income not re-injected into the economic system via spending. Leakage is caused by various factors including personal savings, taxes, wages and profits earned by workers from outside the area, and imports. Thus the money re-spent is less every time, but each round of expenditure has the effect of increasing the income of the local area.

The production structure will also be affected. This is because the increase in demand for typical tourism services (such as accommodation and catering) will increase the demand for intermediate outputs from suppliers. This is a direct effect on the production system and can be measured by the value of intermediate outputs. As the tourism sector has links with many other economic sectors, all of them will be affected by an increase in tourism demand. This is why the tourism industry acts as an 'engine' of development.

To analyse the impacts on the economic system it is useful to study which other industries and productive sectors are linked to the tourism industry. This can be done from the information provided in Input-Output tables. In the current study, the Regional Input-Output Tables for Andalucia for 1990 (IEA 1994) have been used to examine the linkage structure of the hotel and catering (restaurants and cafeterias) sectors.
An examination of the Input-Output tables shows the percentages of the total inputs from other sector that are needed to produce the hotel and catering product (Figures 3.6 and 3.7). The calculations have been based on a total of 299,954 million pesetas for the catering sector and 67,799 million pesetas for the hotel sector of intermediate expenditure on inputs. The inter-sector relationships are very different as between the catering and the hotel sector.

3.6.1 The catering sector

More than half of the total inputs to the catering sector are related to the food and drink industries (Figure 3.6). The drinks sector accounts for nearly 40 per cent of the total value of all intermediate inputs, revealing the strong link with this sub-sector. Within the drinks industry the salient segment is ‘wine and alcoholic drinks’ (vinos y alcoholes), followed by ‘beers’ (cervezas). Of the food industries, meat products account for 7.5 per cent of inputs.

The second group of sectors are related to agriculture and fishing. These contribute 14 per cent. Fishing is the principal sub-sector, accounting for more than seven per cent of all inputs, followed by ‘fruit and vegetables’ (4.6 per cent).

Services, embracing financial services, insurance, wholesaling and retailing have considerable importance too. Services provided to other businesses (producer services, some 2.4 per cent of the total inputs) and sales services (more than 7 per cent) are of particular importance. These linkage patterns demonstrate the influence that catering has on the development of other services.

Also relevant is the relationship with wholesale businesses. According to the regional Input-Output tables nine per cent of the inputs incorporated into the catering product are obtained from bulk distribution.

There are other sectors which supply catering businesses but these are of less importance. Transport and Communications provide three per cent of the value of all inputs, ‘Energy, Gas and Water suppliers’ another three per cent.
3.6.2 Hotels

The hotel sector has a different linkage composition to the catering sector, showing a more even distribution of inputs among sectors (Figure 3.7). ‘Other services’ account for 27 per cent of all inputs. This is to be expected since hotels are more dependent on the supply of services than are catering businesses, which also supply goods (food and drinks). Services provided to other businesses are the leading source of inputs from the service sector (with more than 12 per cent of all inputs). The outsourcing of services in the hotel sector is high because of the cost saving that can be gained, especially by small and low category hotels that are unable to provide all services from internal sources.

Food and drink industries account for 21 per cent of all inputs. However, in contrast to the catering sector, food industries are more important than drink industries as food is complementary to the accommodation service offered by hotel establishments. Within the processed food sector meat products are again the leading sub-sector (6.6 per cent...
of all inputs). In the drinks sub-sector ‘wine and alcoholic drinks’ account for 3.1 per cent of all inputs.

Figure 3.7: Percentage of other sector inputs into hotel sector

Agriculture and fishing account for 12 per cent of all inputs to the hotel sector. As in the catering sector, fishing is the most significant (5.3 per cent), followed by ‘fruit and vegetables’ (nearly 4 per cent).

Inputs from wholesale services have the same weight (9 per cent) as in the catering sector. Transport and Communications are more significant in the hotel sector (8 per cent of all inputs). ‘Energy, Gas and Water’ jointly account for more than double the proportion of inputs to that in the catering sector.

Linkage to the Construction sector is five times larger in percentage terms than in the catering sector, revealing the more intense linkage of the hotel sector with construction. However, the strength of this linkage varies with the level of activity in hotel construction and refurbishment.
Another characteristic worthy of note is the linkage inside the hotel and catering industry. About three per cent of inputs to the hotel sector come from the catering sector, which supplies hotels with food and drinks.

Some authors have studied the influence of tourism businesses over the rest of the economy in Spain. The conclusions have a common note: the underestimation of the final impact (Barke and France 1996, Bull 1996, Sinclair and Bote Gómez 1996). Sinclair and Bote Gómez (1996) measured the spill-over into the rest of the economy in the province of Málaga using the Keynesian income multiplier. To carry out the calculations they considered the links that facilitate the multiplier effects and also the leakage abroad from the income generation process. Their study suggested an approximate value for the tourism multiplier of 0.72 for provincial GDP and 0.54 for disposable income.

Sinclair and Bote Gómez also suggested that the process of tourism income generation was quite fast through time, 75 per cent of the process occurring during the first year. Also the multiplier value was higher for establishments of low categories (although the absolute value of expenditure in these businesses is lower). The analysis of the multiplier for different types of businesses is interesting for the current study because it indicated that even for three and four-star hotels the multiplier was high (0.5 for the first year) and also quite large for catering businesses (0.41 for the first year).

The indirect effect of tourism can be estimated with Input-Output tables for Andalucia. Lozano Peña and Rastrillo Horrillo (1996) used this method to find out the amount of provincial input within final tourism production (53 per cent of the final tourism production). They showed that the hotel and catering sectors have a low level of imported inputs, different from other sectors such as agriculture, machinery and metallurgy in which many capital goods rely on external intermediate inputs (64, 70 and 80 per cent respectively of the production is imported). These results indicate that the degree of integration of the hotel and catering sectors into the provincial production fabric is high.
3.7 Conclusion

This chapter has emphasised that the importance of tourism businesses shown in Chapter 2 is even more relevant when the analysis focuses on the hotel and catering sectors, particularly hotel and restaurant businesses. A large tourism demand has generated a service sector that not only contributes substantially to the development of the production system but also creates a large volume of employment.

Hotel and catering businesses are very different not only because of their economic nature but also because of their organisational characteristics. On average, hotel establishments within the province of Málaga are of a high quality, with foreign ownership in many cases, while restaurants are of lower quality and are predominantly locally owned.

The low flexibility of hotel establishments and the large volume of fixed investment required to start-up, together with the powerful role of tour-operators guiding demand to establishments after previous agreements, have functioned as barriers to new entries into the market. At the same time smaller establishments have joined forces (horizontal integration) to form private associations to face the competition from hotel chains.

Although in the catering sector there is much more fragmentation, cooperation between businesses has not developed.

All of the points mentioned above limit the favourable effects of tourism expenditure in the area. Despite the wide range of sectors related to tourism and large numbers of tourists who visit the area, the provincial production system is not integrated enough to gain all the potential benefits.

In the next Chapter (4) there is an analysis of the evolution of hotel and catering businesses.
CHAPTER 4: TEMPORAL AND SPATIAL EVOLUTION OF HOTEL AND RESTAURANT BUSINESSES

4.1 Introduction
An examination of the evolution of hotel and restaurant businesses carried out in this chapter shows the growth and spread of these businesses in and away from the Costa del Sol. It is suggested that this patterning supports the idea of the Costa del Sol functioning as a ‘seedbed’ for the creation of new businesses. An analysis of the recent expansion of hotel and restaurant establishments is made over the eleven to twelve year period from 1988/1989-1999.

Initially, the temporal evolution is studied for both types of establishments, hotels and restaurants (section 4.2). The intention is to relate the evolution of these businesses with the possible factors that have influenced the opening of new businesses. Exploration of the spatial evolution tests the impact of the agglomeration of businesses along the Costa del Sol on surrounding areas (section 4.3). Geographical elements in locations away from the Costa del Sol are examined to assess their influence. Finally, in section 4.4 the role of the Costa del Sol in the economic system of the province of Málaga is analysed against some theoretical ideas relating to regional economic development.
4.2 Temporal Pattern of Tourism Business Evolution
The incorporation of Spain into the emerging mass tourism market in the 1960s coincided with the opening of the Spanish economy to the outside world. Spain quickly became a tourist power of the first magnitude.

The Spanish government played a critical role in the development of the tourism industry. It promoted the tourism sector through: the abolition of entry visas; beneficial credit terms for hotel and restaurant construction; controlled hotel prices (keeping them at a low level); a system of inspection and quality control; and finance for training schools (Barke and France 1996).

External developments common to other European Mediterranean countries helped the tourist boom in the middle of the twentieth century. Technological improvements in aircraft reduced the costs and time necessary to travel long distances. Changes in the structure and organisation of the travel industry and the industrialisation of package tours (transportation plus accommodation within lower and middle-income budgets) reduced the costs of foreign holidays and also removed the difficulties of organising them. Finally, the rise in disposable incomes and leisure time in north-west Europe stimulated demand for foreign holidays.

The expansion of tourism in Spain is divided into three main periods (Camisón Zornoza, Bigne and Monfort 1994). From 1959 to 1973 there was a continuous rise in demand, mainly international demand. This was the 'mass tourism boom' period, which slowed down because of the international oil crisis in the 1970s. After that, and until 1987, rates of growth were lower than in the previous period and therefore the increase in the number of hotel establishments and beds in them was also lower. From 1987 to 1999 expansion in the number of establishments was more continuous. The number of beds provided accelerated due to an increase in the average size of establishment associated with tourism business restructuring (Bote Gómez, Marchena Gómez and Santos Pavón 1999).
The evolution of the pattern of demand at the national, regional and provincial levels is similar from 1989 to 1999. Although, taking the rates of growth of tourists accommodated in hotels (Figure 4.1) the Spanish trend is smoother, while growth rates are higher in Andalucia and in Málaga.

Figure 4.1: Growth rates of visitors in hotels 1993-1998

![Graph showing growth rates of visitors in hotels 1993-1998](image)

Source: SAETA, 1999

The evolution of tourism business in the province of Málaga reflects the evolution of tourism demand. In the early period of tourism development in the 1950s and 1960s the opening of businesses was uncontrolled. No registration was required in a public directory of businesses nor records kept at the provincial level. Therefore, lack of data makes it difficult to analyse such development.

As Barke and France (1996) have pointed out, the growth of tourism demand is generally not recorded very clearly in changes in the provision of tourism facilities. Changes are best recorded in the evolution of accommodation. This is because statistics on hotel accommodation have been the most important...
and accurate type of official statistics collected. Figures on the number of apartments and other types of tourist accommodation are less reliable as their registration is less reliable (Barke 1991, Salmon 1992).

To analyse the evolution of tourism businesses in the province of Málaga the source of data chosen is that collected by the Regional Statistic Institute of Andalucia (Instituto de Estadistica de Andalucia, IEA). Although there are many other sources of this kind of data collected by private associations (AHECOS, AHEMA, AMAER), these data differ greatly and the data are generally not collected by the associations themselves. Also the IEA data are used at international level as the official data because of the requirements on tourism businesses to register in a public register (REAT: Registro de Establecimientos Turísticos de Andalucía) when they are opened. For these reasons the IEA data are used in this analysis.

Of the current hotel stock in the province of Málaga, hotels constructed before 1950 represent no more than two per cent (Table 4.1). The number of hotels in the province was very low until the 1960s, when the ‘tourism boom’ exposed the shortage of accommodation, infrastructure and complementary services. Then business growth began. During the 1960s a large number of hotels were constructed. Thus, a significant proportion of existing hotels were constructed in the period 1959-1973 (in the late-1990s about one-third of the total within the province). At this time hotel establishments were designed to supply services to a ‘sun and beach’ holiday demand, which defined the features of the accommodation sector and set the path of development that is seen today.
The construction of new hotels increased in the second half of the 1980s, when countries started to recover from the economic problems of the 1970s and early 1980s, and Spain became a member of the European Community. Growth in the 1980s continued, although it was noticeably slower (by 20 percentage points) than in the previous decade. The reasons lay in the slower rate of growth of tourism demand.

Growth in the number of hotel establishments fell in the first half of the 1990s. These were critical years, associated with a deterioration in the international image of Spanish resorts. A change in the nature of demand towards low-income tourists, saturation of the built environment and the ageing fabric of many resorts contributed further to this deceleration of the growth process. In the second half of the 1990s there was a pronounced rise in the number of hotels as demand once again grew strongly (Figure 4.2).

Table 4.1: Development of hotels in Andalucia and Málaga (3, 4 and 5-star only).

<table>
<thead>
<tr>
<th>Year Of Construction</th>
<th>Malaga</th>
<th>Andalucia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1950</td>
<td>2 %</td>
<td>6 %</td>
</tr>
<tr>
<td>1951 to 1960</td>
<td>9 %</td>
<td>5 %</td>
</tr>
<tr>
<td>1961 to 1970</td>
<td>35 %</td>
<td>23 %</td>
</tr>
<tr>
<td>1971 to 1980</td>
<td>33 %</td>
<td>25 %</td>
</tr>
<tr>
<td>1981 to 1990</td>
<td>13 %</td>
<td>21 %</td>
</tr>
<tr>
<td>1991 to 1996</td>
<td>8 %</td>
<td>21 %</td>
</tr>
</tbody>
</table>

Source: Dirección General de Turismo, Junta de Andalucia 1997.

4.2.1 Hotels

The number of establishments in the province of Malaga grew by more than 50 per cent (from 167 to 261) in the twelve years 1988 to 1999 inclusive (Figure 4.2). Only in 1993, 1995 and 1998 was there no growth or a small decrease. During 1993 there was no growth (the total number decreased by one establishment). In 1995 there was a reduction in the number of
establishments of nearly three per cent (from 210 to 204 establishments). The increase during the following two years (1996 and 1997) accelerated rapidly to add 20.5 per cent (from 204 to 246 establishments). In 1998 there was another small decrease (around 3 per cent), but in 1999 the number jumped by more than ten per cent on the previous year.

Figure 4.2: Evolution of hotels by category in the province of Malaga 1988-1999

During the period under consideration the evolution of each of the categories of hotel varied. The number of five-star hotels hardly increased over the whole period, there was just one more establishment in 1999 than in 1988, although there were some variations from year to year with a gradual increase from 1988 to 1991 of one establishment per year. In 1992 there was a sudden fall of 47 per cent in the number (from 11 to 7 establishments) to recover in 1996 to roughly the same number as at the beginning of the period.
Growth was more pronounced in the case of four-star hotels. The number of establishments grew from 22 in 1998 to 48 in 1999. Over the whole of the period there was no reduction in the number of establishments; only in 1990 and 1991 was there no growth.

The rapid growth of three-star hotels was a significant feature of change in the number and composition of hotels by category. They increased by nearly 50 per cent between 1988 and 1999 (although even in this category the number declined in 1993 to recover the following year).

The two-star hotel category fluctuated, with small falls in 1989, 1994, 1995 and 1998, but ended the period up by 38 per cent. Finally, the lowest category, that is one-star hotels, experienced a similar development to that of two-star establishments, falling in number in 1989, 1995 and 1998, but ending the period with a 73 per cent increase.

In terms of hotel beds, the overall number of beds increased by 28 per cent (from 43,569 to 55,886 beds). This was only half of the percentage increase in establishments (56 per cent), reflecting a decrease in the average size of establishment over the period (Figure 4.3).
The maximum number of beds was reached in 1997, but the maximum number of establishments in 1999. Despite these minor differences, the overall pattern was one of accommodation growth. The years which broke this trend were 1993, 1995 and 1998. However, the following years (1994, 1996 and 1999) presented a recovery.

The evolution of the number of beds was different for different categories of hotels. Whereas the number of beds in four-star hotels displayed steady growth (more than doubling) without any fall during the period (1988-1999), the number of beds in two-star hotels fell by more than 30 per cent.

For beds in five-star and three-star hotels the trend was a moderate increase of some 15 per cent (from 2,836 to 3,274 in five-star hotels and from 23,994 to 27,748 beds in three-star ones). The number of beds in one-star hotels increased more slowly, by only 6 per cent (from 1,267 to 1,344 beds).
In relation to the evolution of the number of establishments and their size, the data show that while the number of establishments has increased (12 per cent for five-star, 118 per cent for four-star, 50 per cent for three-star, 38 per cent for two-star and 73 per cent for one-star hotels), their size has either remained static (high category hotels) or fallen (in the case of medium and low category hotels).

### 4.2.2 Restaurants

The expansion of restaurants was not as marked as in the case of hotels. From 1988 to 1999 their number increased by 15.5 per cent (from 2,075 to 2,375 establishments). Over the period the years in which there was a decline in number were 1991 (when the minimum number of establishments was recorded at 1,862), 1995 and 1998. The maximum number of restaurants (2,435) was recorded in 1997 (Figure 4.4).

Figure 4.4: Evolution of restaurants by category in the province of Malaga 1988-1999

Source: IEA, 2000
Some variations in growth can be distinguished between the five categories of restaurants (Figure 4.4). The lower categories showed similar patterns of growth (as was the case with lower category hotels). All of them have grown moderately during the period: one-fork restaurants by more than 18 per cent (from 1,028 to 1220), two-fork restaurants by some 9 per cent (from 877 to 954) and three-fork restaurants by nearly 33 per cent (149 to 198). The lowest number of one, two and three-fork restaurants were recorded in 1991 (with 946, 798 and 108 respectively). But while the maximum number of three-fork restaurants was in 1997 (202), the maximum number of one and two-fork restaurants was in 1999 (1,220 and 954 respectively). The number of four-fork restaurants also grew significantly, by more than 38 per cent (from 18 to 25). The only category of restaurants that declined in number over the period was the five-fork one, which showed a continuous decline of more than 66 per cent.

Growth in the number of seats in restaurants was greater than growth in the number of establishments (Figure 4.5), nearly 25 per cent more seats being recorded in 1999 than in 1988 (from 127,957 to 159,475 seats in total). Thus, in contrast to the picture in hotels, where the average size of establishment declined, in the case of restaurants the average size increased.
By category of restaurant, the evolution of the number of seats paralleled that for the number of establishments. Growth in the number of seats in one, two and three-fork restaurants was similar (28 per cent, 26 per cent and 14 per cent respectively). Seats in four and five-fork restaurants also fell with the number of establishments, but the fall was less marked (a decrease of some 13 per cent for four-fork restaurants and 80 per cent for five-fork restaurants). This tendency towards a decrease in the size of high quality establishments was analogous to that seen in hotels.
4.2.3 Some conclusions

Some conclusion can be drawn from the analysis of hotels. The first is the general pattern of growth in the number of establishments and beds. There were two inflexions in this trend in 1995 and 1998, the causes of which could be found in the over-capacity created by the 1992 World Fair in Seville (Expo'92) and in the increase of other types of accommodation such as apartments and camping sites.

The other clear trend was the decline in the size of hotels. There was a tendency for the average size of establishments to fall, the number of hotels growing almost twice as quickly as the number of beds offered.

By category, three and four-star hotels were the ones that experienced the highest growth. The number of luxury five-star hotels did not grow. This could be a sign of the changing pattern of demand towards tourists from lower-income segments of the market. Also the high costs of maintaining five-star establishments made it more difficult for these to be kept open in the face of a seasonal pattern of demand.

In 1993 the economy shrank (-1.2% GDP growth; Banco de España 1999) and there were no new hotels opened. Faster growth in the second half of the 1990s could be related to expansion in the domestic economy, which encouraged domestic tourist demand.

The evolution of restaurants was similar to that of hotels. In 1995 and 1998 the number of establishments did not grow. But the difference for restaurants was that in 1991 there were an exceptionally low number of establishments. Also the number did not increase as much as hotels. One cause was the fact that many hotels had their own restaurant. These hotel restaurants also catered for tourists and visitors not staying in the hotel.
By category, five-fork restaurants declined by 66 percent from 3 to 1 establishments. In contrast, the number in the lowest category, one and two fork restaurants increased enormously (by 28 and more than 26 per cent respectively). This could have been caused by an increase in taxes on high category establishments. Therefore, some owners preferred to register their businesses in a lower category where they were subject to a lower rate of tax.

Restaurants, in contrast to hotels, increased in average size. The reasons for this were related not only to the evolution of tourism demand but also to the changing habits of the local population, who were tending to eat out more frequently than in the past as disposable incomes rose.

4.3 The Spatial Evolution of Tourism Businesses
The province of Málaga displays a strong concentration of hotel and restaurant establishments within the region of Andalucia. In the province there is also a pattern of concentration in specific municipalities. Torremolinos has the largest number of hotels and Marbella the largest number restaurants. Business agglomeration in municipalities along the Costa del Sol has diverse effects on other municipalities within the province.

From the existing pattern of hotels it can be observed that the oldest ones (those built before 1950) are located in Ronda and the city of Málaga (Table 4.1). Almost all the hotels built from the 1950s to the 1960s were located between Estepona and Torremolinos (the West Coast). The 1960s saw development of the East Coast and the City (30 per cent of the current total). In the 1970s the West Coast recovered its leadership (90 per cent of the current total) with Marbella and Torremolinos getting most of the new establishments. In the 1980s there was a more even distribution of development along the coast. More recently, development in the Interior, East Coast and the City has gained momentum. The result is a more mature set of hotels along the West Coast.
Hotel development in response to mass tourism had its origin in the municipality of Torremolinos in the 1950s (at that time it was just a district of the city of Málaga). As demand grew investors looked for new locations to build accommodation facilities. Associated with this spread of accommodation was the growth of other tourism businesses and an accompanying infrastructure. Mass tourism facilities quickly swamped earlier developments that had catered for the aristocracy and high-income groups, especially among the British and Spanish.

To understand the geographical spread of tourism businesses in the province of Málaga it is necessary to observe the causes and tendencies of tourism demand. The major attractions of the province were the weather, the beaches and the sea. Therefore hotel and restaurant businesses concentrated along the coast to meet this demand. Other advantages of the province in the early years of mass-tourism development were improved access to tourist origins (mainly Britain and other north-west European countries) made possible by better air transport, the stable political situation, similarities of culture, still relatively underdeveloped areas, and relatively low prices. For investors and developers there were also advantages to be gained from low labour costs in an industry that was labour intensive.

Proximity to Málaga airport opened Torremolinos and neighbouring resorts to mass international tourism. Mass tourism was associated with an increase in building density, the loss of exclusiveness and the process of land speculation. The process was mainly in foreign hands, with many hotel developments controlled by overseas tour operators (Alarcón Urbistondo 1996).

Some factors have been critical in the evolution of the municipalities of the Costa del Sol. As Esteve Secall (1982) has demonstrated, proximity to the airport and good road accessibility constituted an advantage because accessibility minimised costs and journey times. However, easy accessibility
was not the sole determinant of tourism development. Barke and France (1996) have noted that Churriana never became a centre for tourism development because it was too close to the airport and suffered from noise pollution.

Some facts in the evolution of the main tourist municipalities in the Costa del Sol help to explain the current geographical spread of tourism establishments:

- In Torremolinos the character of tourism development changed from high-class tourism to mass tourism based around an enormous growth in three-star hotels and cheap apartments. The lack of an adequate planning framework (Marin Cots 1996) meant that new construction tended to follow the existing lines of communication (at that time the N340 road), whilst at the same time being as close to the beach as possible.

- West of Torremolinos, in Benalmadena, Spanish property developers were mainly responsible for urban development. A marina (Puerto Marina Benalmádena) and an amusement park (Tivoli World) were constructed to promote the resort.

- In the late 1960s Fuengirola followed the style of development in Torremolinos, with perhaps more of an emphasis on attracting families. In the 1980s a large number of apartments were built in the municipality for the time-share market.

- Marbella benefited from the patronage of the rich and famous. Nowadays, many people from the European and Arab aristocracy enjoy their stay in this resort. Even so, there has been a shift in the last decade from the aristocracy to well known people from the world of business, fashion and sports.

- Estepona joined the tourism market later because of its greater distance from the airport and the intervening opportunities for development. Foreign package-tour holiday-makers dominated its expansion, where previously it had been a resort used largely by domestic tourists. Its proximity to Gibraltar attracted foreign speculators in the 1980s.
- The municipality of Mijas has a short coastal section between Fuengirola and Marbella, and a large inland expanse behind Fuengirola. The former has developed as a tourism resort, while the inland area has remained as a day-trip attraction for tourists. This resort expanded in the 1980s, largely due to its proximity to Fuengirola.

- The city of Málaga has not developed into a resort because of the poor quality of the beaches at the time of the ‘tourism boom’ and because its hotels had been converted into hospitals and hospices, leaving the town with a relatively poor accommodation supply (although considerable efforts are currently being made to rectify this and create an urban tourism centre). The number of hotels in the municipality fell dramatically in 1987 when Torremolinos was segregated as an independent municipality from Malaga.

4.3.1 Hotels
The geographical spread of hotels in the 1990s can be seen in Figure 4.6. The pattern of development over the period 1989-1999 shows an intensification of development along the coast, a gradual move inland, and a spread of hotels downward through the urban hierarchy.

In recent years there has been a clear trend towards the location of hotels in less-developed tourist zones in the interior, close to recreational facilities, natural parks and the transport network (for example in Alhaurín el Grande, Benaoján, Coin, Casarabonela and Jubrique). Thus in the period 1989-1999 hotels spread to 23 municipalities that did not previously have any hotels. This trend has been promoted by the growth of rural tourism demand and by enormous improvements in accessibility within the province associated with new road construction and the upgrading of existing roads. It has also frequently been assisted by public funds.

There were several reasons for this increase in the number of hotel establishments in less-developed areas. In the late-1980s there was a shift in
tourism demand and in tourist preferences. Tourism supply had to be restructured to adapt itself to this transformation. Some tourists sought more active holidays and some became more respectful of the physical environment. Some also looked for higher quality services. No longer were sun and sand sufficient.

The increasing density of development along the West Coast, along with improved road access (notably the eastward construction of the Autovía del Mediterráneo), have stimulated new development along the East Coast. Thus the number of hotels in the municipality of Nerja increased from nine in 1989 to 14 in 1992. The pattern was repeated in Torrox, Veléz-Málaga, Rincon de la Victoria and Frigliana. The latter is an example of an inland municipality that has been favoured by its proximity to an expanding beach resort (Nerja).

In the middle of the 1990s hotels spread inland. Although, there were important sites in Antequera (with the only five-star hotel located in the interior of the province) and Ronda (with four hotels already there in 1989 and important monuments that have made it a tourist location since Roman times). These two locations saw a more than fourfold increase in their accommodation facilities from 1989 to 1999.

Monuments and the beautiful landscapes have been obvious attractions in the inland resorts, as too have been religious events, distinctive gastronomy and a rich culture. These attributes and changes in consumer demand account for the expansion of tourism demand in the late-1990s.

Expansion in tourism demand has been fostered by the development of new transport infrastructure, improved marketing (including the internet) and government assistance.
The spread of hotels inland began quite recently. Its causes can be found in changes in tourist demand and the over-crowded situation in some of the coastal resorts. Tourists were looking for more active pursuits during their holidays and they were more environmentally conscious. In the interior of the province of Málaga there was a great diversity of landscapes as well as interesting gastronomy, monuments and several resorts with sports facilities (for example, golf, horse-riding, walking and climbing).

Not only was there a spread of tourism development away from the coast, but also away from established inland tourism centres. This could be seen most clearly around the town of Ronda, development spreading into surrounding municipalities such as El Burgo, Benaojan and Jubrique (which until recently had few visitors and no accommodation facilities but which now have new hotels).

It is possible to distinguish different types of 'emerging' tourism locations. One type combines a long history as a visited location because it is beautiful, has exotic landscapes or monuments. This is the case in Antequera and Ronda. These centres also influence the surrounding municipalities, which benefit from their proximity and develop complementary tourism services for visitors who pass through them.

Another type of 'emerging' location is that which is isolated from the main tourism resorts. One sub-type is the roadside location where travellers can rest and eat - the motel. This is essentially a spontaneous development. A second sub-type is the creation of niche tourism locations for sports, hobbies, etc. These are planned developments. Some of these have sports facilities, restored typical rural houses, a range of themes for hobbies (wine, history, painting, bird watching, etc.) and innovative ideas that are of interest to niche groups.
Figure 4.6: Evolution of Hotel establishments from 1989 to 1999
It should be noticed that the scale for the number of hotels on each map is different.
Source: IEA, 2000
Hotels in the province of Málaga in 1989

Hotels in the province of Málaga in 1991

Hotels in the province of Málaga in 1993
Hotels in the province of Málaga in 1995

Hotels in the province of Málaga in 1997

Hotels in the province of Málaga in 1999
4.3.2 Restaurants

The spread of restaurants (Figure 4.7) has been different to that of hotels, partly because this kind of business also caters to local demand. Therefore restaurants are influenced both by changes in tourism demand and by changes in the demand from residents.

There is also an interrelationship between hotel start-ups and restaurant provision. New hotel accommodation raises the potential number of customers for outside catering establishments, although hotel restaurants may cater for both their own customers and for those from outside the hotel. This interrelationship may sometimes be masked by the designation of restaurants as cafeterias, or even as bars, to avoid inclusion in the higher taxation bracket of restaurants.

In municipalities where new hotels have not opened, other factors have led to the growth of restaurant provision. One is improved accessibility as noted with hotels, although in this case it is linked to an increasing pattern of day-trips. Another is the growth of non-hotel accommodation in the area, for example in apartments, holiday homes or on campsites. A third factor may be the development of a new recreational resource, for example a countryside park. Examples of restaurants opening in municipalities that previously had no such provision are in Alcaucín, Algatocín, Ardales, Canillas de Albaida, Comares and Yunquera.

There have also been increases in the number of restaurant establishments in municipalities along the coast linked to the major tourism resorts and in the number of restaurants in the city of Málaga, where the number of restaurants increased by nearly 20 per cent (from 330 to 401 restaurants).
Figure 4.7: Evolution of Restaurant establishments from 1989 to 1999
It should be noticed that the scale for the number of restaurants on each map is different.
Source: IEA, 2000
Restaurants in the province of Málaga in 1989

Restaurants in the province of Málaga in 1991

Restaurants in the province of Málaga in 1993
Restaurants in the province of Málaga in 1995

Restaurants in the province of Málaga in 1997

Restaurants in the province of Málaga in 1999
4.3.3 Some conclusions

Tourism has changed the economy in most coastal municipalities from agriculture to a services based one accompanied by a more intensive form of agriculture. Tourism has created and conditioned the process of urban and economic development in the area. In general this has been a positive development, but it has left the economy dependent on the tourism industry.

Tourism has created employment throughout the economy, especially in the service and construction sectors. Such employment opportunities have drawn people of working age from the interior creating a pattern of migration from the interior to the coast. While the population of the coastal municipalities has increased dramatically many inland municipalities have experienced population decline (López Cano 1985). Between the 1960s and 1980s this tendency of the population to emigrate from the interior municipalities to the coast left 70 per cent of the provincial population living in coastal municipalities (ibid). The majority of people moved into municipalities along the West Coast (Marin Cots 1996). Urban growth and population growth along the East Coast were lower (ibid).

The pattern of growth along the coast shifted in the 1990s, with faster growth along the East Coast. This was partly a result of the construction of the motorway, which linked the airport with the East Coast without passing through the city of Málaga (alleviating what was a big traffic bottleneck). Improved accessibility was given to an area in which there had already been considerable foreign investment (especially by British and German developers in residential developments and apartments as opposed to hotels) in municipalities like Nerja and Torre del Mar.

Although overall there is a high concentration of tourism businesses along the Costa del Sol, some spatial differentiation exists both between and within municipalities. Some zones specialise around tourist accommodation, others around related facilities and complementary services such as restaurants,
pubs, clubs, sport facilities and so on. There are also residential areas. Many of these residential areas were initially dormitory areas but have since developed into more integrated communities, examples being Las Lagunas (Mijas), Arroyo de la Miel (Benalmadena), San Pedro de Alcántara (Marbella).

Communications improvements have facilitated access to interior municipalities making them more attractive both as residential areas and as new centres of tourism. In these areas, tourism initially played a complementary role in the economy. In many cases it has since grown to become the principal source of income.

Municipalities near to Antequera, such as Fuente de Piedra, Campillos, Archidona and Vilanueva del Rosario have seen new hotels and complementary tourism services appear in the 1990s. These inland municipalities have seen their populations increase because of new employment opportunities, business start-ups and improved access to other employment centres. They are good examples of the beneficial situation facing municipalities that are located close to other successful tourism resorts or are found along the communication routes that link them to other key locations.

4.4 The Functioning of Agglomerations
A large number of tourism businesses, especially those in the hotel and catering sectors, are concentrated along the Costa del Sol in what can be considered a linear tourism agglomeration. This section provides evidence of the role of this agglomeration as an incubator of new businesses. Evidence for this role is demonstrated by the continuous growth of businesses in the agglomeration and the spread of businesses from it to other parts of the province. The following discussion also looks at the factors that promote this agglomeration.
The theory used to explain agglomerations has evolved through time. The traditional hypothesis contends that agglomeration economies are the basis for urban-industrial growth (Myrdal 1957, Hirschman 1958, Berry 1970, Boudeville 1972). Weber was one of the early theorists to introduce the concept of agglomeration into industrial location theory (Friedrich 1929, Richardson 1978). His ideas on agglomeration economies were focused on economies of scale that could offset greater transport and labour costs in manufacturing industries.

Uncertainty increases with distance from the market place and other related firms (Richardson 1978), influencing different industries in different ways. Common effects of this uncertainty are reductions in the availability of risk capital, reducing the size of businesses and making them more dependent on external services. But this phenomenon also favours external economies and agglomeration because new firms tend to be located close to similar ones in order to reduce risk and facilitate information flows.

It can be argued that uncertainty reinforces agglomeration because entrepreneurs prefer to locate new businesses in the area where the business was founded, thereby retaining contacts with suppliers and customers. Here entrepreneurs are familiar with the environment and they usually try to imitate other successful businesses. Thus a tourism business agglomeration, such as the Costa del Sol, attracts new tourism business formation.

The notion that an agglomeration of similar and successful businesses, such as exists in the Costa del Sol, can work as a ‘seedbed’ for new firms is derived from the above argument. Successful agglomerations reinforce rapid growth and innovations, thereby maintaining advantages over other locations. They also create communication economies and attract more innovative firms and entrepreneurs who intend to learn from current ones. That could be true in the case of some municipalities in the Costa del Sol and inland areas. Here
the opening of new establishments contributes to growth and the introduction of innovations.

Perroux’s growth-pole concept (1955), and its spatial derivative the growth centre, also relate to the concept of agglomeration. It was based on the creation of artificial growth centres attracting industries through the provision of industrial and social structures and transport facilities, as well as subsidies. The intended result was the economic growth and development of the surroundings regions in which these growth-poles were set (see section 2.5.1).

Growth centres have been used as regional planning instruments to accelerate development in a region. However, certain requirements are needed. These include entrepreneurs willing to invest in the area and to create industries serving national and international markets, decentralised political and administrative systems with efficient provincial and local government institutions, the possibility of connecting the growth centre with markets, and supporting infrastructures.

Agglomeration economies have been classified in various ways. One classification distinguishes internal economies of scale (internal to individual plants or firms), localisation economies (economies external to the plant or firm resulting from the agglomeration of related businesses) and urbanisation economies (where economies are derived from the overall concentration of different businesses. Richardson (1978) identifies three kinds of agglomeration: household agglomerations (concentrations of population), business agglomerations (concentrations of firms) and social agglomerations. This last one is quite important because it can underpin the other two. Efficiency in public services attracts people and firms and can contribute to an environment in which innovation develops.
Analysis of the nature of agglomeration economies has suggested that their explanation lies in transport-cost economies (for commodities), by backward and forward linkages, and communication economies (for services), by the export of information and services. These traditional explanations have been less convincing for contemporary agglomerations.

Agglomeration economies continue as a key component of locational economic behaviour: their generation, how they function and their effects over the rest of the economic and social system. How to explain the development of agglomerations remains open. Perhaps the concentration of businesses at the same location maximises the demand of related firms and services at the same time as it minimises transport costs. These ‘agglomeration advantages’ increase the returns to scale because of transport advantages (best location to serve determined demand), information advantages (as information flows will be greater inside the agglomeration) and the possibility of reaching a position close to a monopoly.

Nevertheless, it is unlikely that all the agglomeration advantages will persist indefinitely. Over time returns to scale will be exhausted and congestion costs will grow (diseconomies of scale will set in). This could be the case in some municipalities of the Costa del Sol during the peak season (June, July and August, as shown in Chapter 2). For example, during this period there are insufficient public services, the airport and roads become congested, there is not enough water and beaches are over-crowded. These are examples of the problems created by the concentration of tourists in one area. Congestion may also contribute towards the spread of people and businesses looking for nearby locations with similar advantages as the agglomeration but without the disadvantages of congestion.

Therefore it is necessary to look for a position in which agglomeration diseconomies are avoided. This can be promoted by the public sector through the encouragement of businesses to locate at new sites and the provision of
infrastructure in these locations. Market forces frequently lead to the over-development of agglomerations, although they may also induce entrepreneurs to relocate their businesses because of congestion costs.

During the last decade much public effort has gone into tourism promotion and investment, including in rural municipalities. For example, ‘theme’ routes have been created (such as those for wine, history or culture), country houses have been restored for use as tourist accommodation, small businesses initiated, improvements made in services, and there have been presentations at international events. The municipalities most favoured have been those served by good communication routes.

In the process of creating new centres the original agglomeration functions as a ‘seedbed’ for new businesses and even new ideas or innovations. The new centres operate as ‘embryonic’ centres, attracting activities (firms and service providers) because of savings on rents and community costs. This can create locational interdependence between the agglomeration and ‘embryonic’ centres.

A classification of the factors that influence the opening and closure of businesses was proposed by Keeble et al in 1993. These factors were demand-side variables, plus the supply of business founders and resources to set-up businesses, and the policy environment.

Demand-side variables are important because firms provide goods and services to a market, thus local demand conditions are significant. These conditions can be measured by rates of GDP growth or population growth, both of which are positively related to the opening of firms. Other factors are good expectations of profitability, which attract business people. A good supply of business services can reduce the likelihood of business failures.
Factors affecting the number of potential business founders include the rate of unemployment. A high rate of unemployment can stimulate the opening of businesses. But high unemployment will have a negative effect on the demand side because of the reduction in demand. Thus Keeble suggests that the net effect of a high rate of unemployment can be either positive or negative in relation to the opening of businesses.

Demographic structure is also a factor in business formation. An elderly population is less likely to seek self-employment. Women have a lower propensity to go into business than men. Ethnic origin is less clearly related to business start-ups.

In relation to the occupational structure of the labour force, experience shows that a large proportion of business founders come from the professional working population: skilled technical and managerial grades. From here the role of the area as a ‘training region’ (one dimension of a learning region) can be deduced, where future business people learn how firms work within a specific industry or sector. This training or learning period can also provide opportunities to identify market possibilities and to build up or network with suppliers and/or customers.

The local industrial structure is another important factor, since it is this structure that provides the seedbed for business start-ups. From the above study, it appears that the service sector is fertile ground for training business founders. In addition, the size of businesses can influence the rate of new firm foundation. This is because employees in small and medium size enterprises (SMEs) are in closer contact with market opportunities and they are more familiar with SME operations. Thus a large number of small-scale businesses provide fertile ground for new business formation.

The policy environment relates to the support given by local authorities and other public bodies to small business activity. The results are mixed. Taxation
and interest rates are not so important in the regional context because of homogeneity within national boundaries, but they are at the national level over time.

Johnson and Parker (1996) tried to study the interdependence between the births and deaths of firms. They found that there is a little direct relationship between them and a range of economic variables.

All these relationships between the above factors and the predisposition of an area to function as a ‘seedbed’ or ‘nursery’ for new businesses leaves many questions open for future research.

4.5 Conclusion

This chapter has illustrated the growth and geographical spread of hotel and catering businesses in the province of Málaga. Over time there has been an almost continuous increase in the number of both hotel and restaurant establishments. But while the average size of hotels tended to diminish that for restaurants tended to rise.

Geographically, there was an increase in the number of hotels and restaurants in coastal municipalities and a spread of these establishments into the interior. There were also signs of the spread of tourism businesses around established tourism centres in the interior.

It has been argued that the Costa del Sol can be considered as an agglomeration of tourism businesses. The hypothesis has been presented that the processes at work within this agglomeration have contributed both to the development of new businesses within it and to the spread of tourism businesses to other parts of the province. It is suggested that the Costa del Sol has operated as a ‘seedbed’ for new business development.
Some of the new explanatory factors for the development of agglomerations lie in internal competition, learning and innovation (Porter 1990, Morgan 1997, Malmberg and Maskell 1999). Throughout the previous chapters the small size and family ownership of business has been stressed. Proximity clearly favours communication and learning among these businesses. Informal networking between suppliers and customers within the agglomeration also makes the learning process easier. Within such an area employees too can obtain the experience necessary to open their own businesses. This crucial process of learning and innovation forms the subject of the next chapter.
CHAPTER 5: RETAINING COMPETITIVENESS THROUGH LEARNING AND CLUSTERING

5.1 Introduction

This chapter focuses on the theory behind competitiveness. In the first part (section 5.2) there is a general overview of the different theories that have been advanced to explain the nature of competitiveness. At the same time the importance of retaining a competitive advantage along the Costa del Sol is emphasised. Subsequently various options are described as to how competitive advantage can be achieved. Special attention is paid to clustering, learning and innovation as possible options (section 5.3). Finally, the concept of a ‘learning region’ is explored and its application to the Tourism Industry is examined. The characterisation of a ‘learning region’ is compared with the attributes of the Costa del Sol. Other examples of tourism learning regions are also suggested (section 5.4).
5.2 Evolution of Competition Theory and Explanation of the Importance of Retaining Competitive Advantage in the Costa del Sol

Globalisation has created increased competition at all levels in the economy, picking out variations in the competitive capacity of each country. In the context of tourism businesses, globalisation is inherent to the sector. Yet it is very complicated to apply competition theories to the tourism sector as the tourist product is a service and most of the competition hypotheses have been developed for goods (material products).

Competitiveness is a quality that has been described in several ways. A general definition is the ability to offer goods and services of similar or superior quality (that is substitute products) to other producers (Flores Sentí 1997). This quality could be applied to a whole country, a sector, a firm or even an individual plant.

The analysis of competitiveness within neo-classical economic theory has limited the role of the entrepreneur to merely a co-ordinator of inputs trying to maximise benefits but restricted by the market situation. Within this framework, when economists attempted to assess the factors behind tourism competitiveness attention was addressed to the competitiveness of a country or region, rather than to tourism businesses or firms.

Then, ideas about international competitiveness were developed. If the theory of comparative advantage is adapted to international tourism markets, it explains that international tourism businesses are more competitive when they acquire an advantage in costs over their competitors because of where they are located. Hence, competitive advantage is derived from the factor endowments and the economic policy of each location.

However, these theories are inadequate in that they present a static analysis. They do not take into account the realisation that factor endowments can change along with the economic and political situation of every region. Thus, in an open market within a globalised economy the capacity to differentiate the product is a key issue.
'Evolutionary' economic theory takes a different viewpoint on the economy, emphasising history, institutions and the environment. These new, more socially embedded, theories are based on actors having incomplete information (that is they face uncertainty). Lack of complete information (resulting in uncertainty) and other variables (time, feedback mechanisms and changing structures) are taken into consideration in this type of economic analysis (Lambooy 1998). Institutional economics views organisations and values as very important factors. It focuses on changes in business structures, firms and the economic actors themselves (Lundvall and Johnson 1994, Storper 1994).

Regional economics raises space as a key element to be taken into account, emphasising distance as an important factor influencing business development (Morgan 1997). This approach is very suitable for tourism businesses as the tourist product or service is linked to a specific location and it is the demand that has to move to the supply site (as distinct from the position with manufacturing industries). Hence the geographical factor is a clear determinant of the location of the establishment in the hotel and catering sectors.

Agglomeration economies have traditionally been studied in regional economics, which have seen them as a functional concept describing an intensification of external economies in a production system. This conceptualisation in an abstract economic space separates agglomeration economies into localisation and urbanisation economies (Chapter 4). An example of agglomeration is Perroux’s (1955) ‘growth pole’ concept or group of firms that are linked together with a ‘key industry’ to form an industrial complex.

Porter (1990) refers to various sources of competitive advantage within his concept of a ‘cluster’. The cluster is a complex grouping of factors that influence the competitiveness of businesses in the cluster. These factors include: the geographical area, the relationships among firms within and outside the industry, support services, environmental factors and institutional policies, plus other factors such as the role of the government, chance and the institutional factor. His approach to the analysis of the
‘cluster’ is the ‘diamond’. In the diamond the determinants of competitiveness are firm strategy, the structure and rivalry between companies, demand conditions and the supporting sectors.

One problem with Porter’s model is its limited analysis at the firm level. Also the multi-service nature of many tourism organisations creates great complexity. Therefore, because of the multiplicity of industries within the tourism sector, a much wider concept of competitiveness has to be developed, requiring a certain level of cooperation (Hassan 2000).

Marshall (1919) brought a much broader view through a sociological approach to the analysis. He considered an agglomeration (‘industrial district’) as a geographical concentration of small businesses belonging to the same industry, with at least two characteristics: mutual knowledge/trust and an industrial atmosphere. The main problem with the Marshallian interpretation is the suitability of agglomeration economies to secure the competitive advantage of small and medium-size enterprises in the global economy as they stimulate incremental innovations through improvement of workforce qualifications and skills. But traditional industrial Marshallian districts do not guarantee the generation of endogenous technical development (Simmie and Kirby 1998, Malmberg and Maskell 2001).

In recent years, economic geographers have shown a special interest in the role of knowledge in creating and sustaining industrial competitiveness and in the role of location in the process of learning. There are advantages of being in the right type of local milieu, the benefits of spatial proximity between economic actors, the existence of agglomerations and patterns of regional specialisation (Malmberg 1997 and 2001).

There is a rapidly growing interest in learning issues, which are related to the development of a knowledge-based economy. Yet this is not a new concern in the economic literature. Schumpeter (1939) considered that the source of economic growth is innovation. He also attributed the origin of innovation to the figure of the entrepreneur as the dynamic element behind economic evolution. This position
contrasted with that of the neo-classical economists who treated the entrepreneur as a passive actor trapped by market forces, without much autonomy to act, having only the capacity to react in the face of changes in the market.

Observation of various successful tourism businesses at the international and national level (for example Disney or the Sol-Meliá hotel group) suggests that they base their advantage on a continuous process of innovation giving them qualities that their competitors cannot imitate.

When innovative initiative is left to the firms, they follow different strategies to achieve a competitive position in the market. Firms try to form value-added partnerships, strategic alliances or joint ventures. They also make more collaborative relationships with their suppliers. Large companies that try to be ‘self-sufficient islands’, sourcing, researching and innovating internally, have had to change their strategy. The tendency is to open information flows of knowledge with key suppliers and customers (Morgan 1997).

This collaborative attitude is based on the culture of the economic activity in different milieux. To understand it, three dimensions should be studied:
- the trust in the business context in which the learning process is developed,
- the co-operative attitude within the work place; and
- the existence of a network that links firms with their suppliers.

5.2.1 Competitive advantage and the Costa del Sol

With reference to southern Spain, the Costa del Sol has a leading role in the tourism market and has been in this position for a long time. Nevertheless, the tourism market is changing constantly and it is difficult to retain competitive advantage.

From studies of the Costa del Sol (Patronato de Turismo 1996, Fuentes Garcia 1996) it is known that generally tourists appreciate the climate most, followed by attributes such as good entertainment and nightlife. The advantage of the tourist product thus rests on a very weak base. The climate will not change in the short-term but there are
other places with a similar climate. Also it is cheap and easy for other resorts to imitate the amusements and nightlife available along the Costa del Sol.

For developing countries the major difficulty in reproducing the conditions found along the Costa del Sol lies in the construction of the necessary infrastructure and in guaranteeing security and hygiene. Reproducing these features involves high costs.

The government of Andalucia, in conjunction with national, European and private support, has undertaken substantial investment spurred on in the 1990s by preparations for the World Fair in 1992. The problem is that these investments were directed at developing an infrastructure for tourists with medium and low incomes, thus ‘fixing’ the future development of the industry (path dependence).

Various recent developments have highlighted the weaknesses. New destinations have appeared in the tourist market offering a substitute product (sun and sea) at cheaper prices. These competitors have a price advantage derived from their lower labour and other costs. The price position of Spain is connected to rising costs plus the loss of devaluation as a strategy to retain price competitiveness against other eurozone member states. Therefore, other sources of competitiveness must to be sought.

Several authors (Marchena Gómez 1995, Junta de Andalucia 1993) have indicated that the area of the Costa del Sol has been showing signs of ‘maturity’. Maturity occurs when a resort starts to reach critical ranges of carrying capacity, at which point tourists start to become disenchanted with the accompanying deterioration (Buttle 1980). Some of the signs of maturity are: a decreasing number of tourist arrivals; lower rates of repeat visits; reduced length of stay; increasing seasonality; the attraction of tourists with lower spending rates; a slowdown in new business development; closure of business establishments; safety and security breakdowns, and negative community attitudes because of overcrowded conditions. Although not all of these conditions exist in the Costa del Sol, some of them do (Marchena Gómez 1995).
When these characteristics begin to appear, strategies to improve competitiveness must be adopted with the utmost urgency. Two possible strategies are to try to stabilise the situation or to reverse it. Stabilising the situation is associated with the strategy of maintaining market position relative to competitors. This can focus on an examination of the resource attributes that are a unique source of competitive advantage. In the case of the Costa del Sol these attributes are mainly the climate (warm temperatures and long hours of sunshine), the location (coastal and close to the countries of origin of tourism demand) and the natural resources (beautiful landscapes, sparse population and scenic diversity). Also important social and cultural factors contribute to these advantages, such as an awareness of tourism among local citizens and the indigenous culture.

The key to maintaining market position is in protecting natural resources and so continuing to draw tourists to the area, whilst avoiding overcrowding. Careful planning is required to develop intermediate strategies that involve the different social actors, that is, the public and private sectors, environmental groups and representatives of the local community.

On the demand side it is important to be selective in the kind of tourists attracted to the resort. As the tourist market it is not homogeneous and is in constant flux, it is necessary to continuously update information about trends and try to anticipate their consequences and possible impacts.

Quite recently different niches and specific tourism segments have emerged with a focus on environmental issues. This has been termed the 'global niching phenomenon' (Hassan 2000). It includes ecotourism, green tourism, heritage tourism and adventure tourism. All these niches emerge because of global environmental pressures and the diversification of traveller demand.

The second set of strategies, involving the reversal of a market decline, can embrace the development of innovative products or services or the targeting of different market segments.
Alternative ways to achieve or retain competitive advantage are dispersed throughout the economic literature and are not always related to tourism (some were referred to in Chapter 2). They include developing: economies of scope, synergies of costs, synergies of demand, product and process innovations, increasing ‘brand’ value, developing preferential client portfolios, spatial advantage, managerial idiosyncrasy and information techniques. Other strategies for strengthening the position in the tourism market are: diagonal integration; combining related services to improve productivity and profitability; building closer customer relationships; lowering production costs; creating wealth from information and networks; influencing the competitive environment by developing first-class employees; developing client and worker loyalty; developing long-term relationships with suppliers; and seeking an advantageous position in the value chain by building strategic alliances (Poon 1994).

Various lines of research into tourism carried out from macroeconomic, sociological, geographical and town-planning points of view, have contributed to the analysis of tourism. Yet these approaches have been inadequate to explain the competitive development of products and firms in Spanish tourism.

Competitiveness cannot be considered any more as a quality that is directly attributable to a country or economic sector. Rather the competitiveness of a region is dependent on the enterprises that are included in it. This has generated a wide discussion, resulting in alternative approaches that analyse the competitiveness of tourism enterprises from the standpoint of the consumer, the environment, the organisation, and the resources and capacities of the firm (Camisón Zornoza 1996).

In this context, product quality is a strategic objective to optimise the competitive position of the firm within the market. This implies an offensive and strategic focus instead of the previous defensive and tactical one. Developing superior quality is a key factor in generating competitive advantage and producing a differentiated economic rent. Higher quality will be difficult to imitate by competitors as each firm has to find the exact way to raise the quality of its products or services.
5.3 Achieving Competitive Advantage through Clustering, Learning and Innovation

Classical competitive strategies for tourism business are based on the optimal satisfaction of demand, gaining leadership in quality, developing innovations, and reinforcing the strategic position in the market (Hassan 2000).

To maximise customers' satisfaction, a possible intermediate strategy is to link marketing activities and product development with the objective of tailoring the product or service to the needs of the tourist. The development of human resources, continuous improvement in processes and the use creative of technology are required to be a leader in quality.

As described in section 5.2.1 strengthening market position can be achieved by various strategies of which innovation can be the most difficult because it requires an aptitude for continuous learning. Recently there has been a rapidly growing interest in learning issues. This has emerged from the fact that many firms have shifted from static price competition towards dynamic improvement, which favours those who can create knowledge more quickly than their competitors (Chandler 1992, Patchell 1993, Porter 1990).

In general, learning is considered as the knowledge gained by study, instruction or scholarship; the act of gaining knowledge; and any relatively permanent change in behaviour that occurs as a result of experience. Almost all learning processes involve interaction among different pieces of knowledge to combine them into something new, the accumulation of skills or knowledge through the experience of production and the creative destruction of knowledge. This last one arises because some old routines and habits can block potentially fertile learning processes and therefore must be destroyed as part of the creation process (Gregersen and Johnson 1997). In this context, 'learning' comes from the needs of businesses to adapt to the continuously changing and complex environment.
Learning, as a process, leads to new knowledge and innovation. Entrepreneurs of different kinds use knowledge to form innovative ideas and projects, some of which find their way into the economy in the form of innovations. Nielsen (1994) argues that when learning processes have been institutionalised and feedback loops for knowledge accumulation have been built in, the economy as a whole is learning by interacting in relation to both production and consumption (knowledge-based-economy).

If this conceptualisation of the learning process is applied to the economic context, then a distinction can be drawn between learning as a deliberately organised process and learning as an unintended outcome of normal economic activities (Maskell and Malmberg 1999). The basic conditions to promote tacit knowledge by developing informal 'learning by doing' and 'learning by using' can be found in territorially embedded agglomerations, where innovations are likely to be developed (ibid). Usually, the innovations created by this kind of learning are incremental ones.

From this point of view, innovation can be considered as a social process because it does not occur in a vacuum. Innovation requires a productive and social network within which it can occur. The environment in which firms act and interact with other firms constitutes a general framework for innovations, that is institutional structures, social values and political cultures. Thus, institutional, social and political factors are relevant in the learning process.

The advantages of agglomerations as learning environments can be found in several theories. Marshall (1919) developed the concept of an 'industrial district' as the district that derives from an industrial atmosphere and shows vitality and incessant change of techniques. Becanttini (1990) has resurrected this concept around the idea of flexible specialisation in the fast-growing industries of Italy. They started off as conglomerates of small firms using technology flexibly and creating regional institutions that enhance cooperation and competition among firms.
Studies of ‘industrial districts’ in the United States have demonstrated how they have developed along different paths (Piore and Sabel 1994). Some of these districts have emerged as small firms from local university communities. As soon as these expand they have turned to the local government for support, for example in the form of vocational training, employment services, financial and tax aid or public transportation and communication networks. A second path to the development of ‘industrial districts’ is through the activities of ethnic minorities specialising in a specific industrial sector, creating institutions and networks that strengthen the district. A third path involves the vertical disintegration of large firms. An ‘industrial district’ emerges around the large firms comprising small subcontractors, which creates niche markets for traditional small firms and opportunities for the start-up and growth of new firms.

Porter (1990) has also argued that competitive advantage is created and sustained through a highly localised process. He points to the crucial role of location as the source of skills and technology to improve or sustain competitive advantage. Geographical concentration enhances strong competition because it stimulates a fast diffusion of new technologies, helps in upgrading suppliers (through intensive competition and cooperation with customers), puts pressure on political support and stimulates firms to fund local training and research centres.

Storper (1991) has attempted to connect economic geography and innovation. He explains the importance of regional economies for the association between agglomeration and organisational and technological learning. The reasons that he gives for this association are: localised input-output relations of traded interdependencies that constitute webs of user-producer relations essential for information exchange; and untraded interdependencies (such as the labour market, regional conventions, norms and values, public institutions) that contribute to the process of economic and organisational learning and coordination.

Networking is very often used as a technique to obtain external sources of relevant information. A regional network-based industrial system (a group of firms, connected through formal or informal economic relationships, localised inside a region) promotes
collective learning and flexible adjustment that could be due to the region's dense social networks and open labour markets, which encourage experimentation and entrepreneurship.

Spatially clustered innovative areas have been studied and described mainly in central metropolitan areas and for high-technology production. Weber (1929) and Isard (1951) contributed to agglomeration economics with their studies of heavy primary and secondary industries. Their agglomeration theories argued that location was mainly a function of transport costs, the physical characteristics of goods and the frequency of distribution. Nowadays, the locational freedom provided by modern information technology and transportation mean that an agglomeration can form independently of the characteristics of the local area.

Nevertheless, a significant factor is the advantage of being able to have continuous face-to-face contacts with other firms and customers to negotiate and coordinate activities. This face-to-face contact is of greater value than the benefits of lower factor prices in alternative locations with less-intensive face-to-face contact because of distance. Normally, innovative firms will tend to locate next to other firms performing similar innovative activities (MaCann 1995).

It is also likely that firms from similar production sectors will locate together because they will probably have similar input-output trading linkages, require the same kind of labour skills, and have similar suppliers or customers. There is a limitation where the agglomeration process forces up local factor prices creating uncompetitive local costs (for example wages), and perhaps congestion costs persuade innovative firms to seek alternative locations (agglomeration diseconomies).

There are two weaknesses in the theoretical interpretation of agglomeration economies in relation to innovative activity. The first is that, while economies of scope can contribute to high productivity standards it does not mean that they will also be able to generate a large enough innovation capacity for firms to retain competitiveness in the globalised economy. The second weakness arises from the possibility of an inward
looking viewpoint developing that ignores external economic changes. This introspection stems from the functional and territorial integration of the agglomeration. Businesses may concentrate on reducing costs to remain competitive rather than on promoting technological development. However, none of these has been tested by empirical studies.

Agglomeration economies are closely related to competitiveness as they make reference to the possibility of networking as a strategy for gaining competitive advantage for small and medium-size firms. Within clusters, collaboration and competition are held to take place among firms (Lambooy 1998). Both are essential. Collaboration means more opportunities and competition can induce innovation. Hence, an optimal mix of collaboration and competition makes a successful cluster.

Sabel (1994) has suggested that the industrial district balances competition with cooperation among firms. While forces of competition keep firms flexible and innovative, encouraging a better utilisation of available resources, cooperation contributes to the integration and sustainability of the district.

The literature on interactive learning points to cooperation as an important strategy in promoting innovation. Therefore increasing attention has been given to cooperation between firms, and between firms and local authorities as a source of international competitiveness. Close inter-firm cooperation and the existence of a supporting institutional infrastructure at the regional level can be seen as the main factors of some successful industrial districts like Emilia-Romagna in Italy (Asheim 1996).

Through networking the objective is to create a strategic advantage over competitors outside the network. Networks open access to various sources of information. Thus networked firms have a considerably broader learning interface than non-networked ones.
There has also been a discussion about the best territorial extent of innovation systems. The idea started within national limits (Lundvall 1992). However, research programs supported by the European Commission have found that there is no single identifiable model of a national innovation system (Nelson 1993). Research at the regional level has taken some elements of national innovation systems and linked them to business networking, technology transfer and vocational training within regions (Cooke and Morgan 1994). The nature of the innovations is one of the reasons why innovation systems are not treatable at the national level. Thus a regional focus could help to identify the key factors in the development of innovation systems.

Despite the fact that the concept of regional innovation systems is quite recent, it is possible to find earlier studies that make reference to similar ideas, such as ‘regional innovation policies’, ‘innovative milieu’, ‘regional technology policies’ and ‘regional innovation potential’ (Cooke 1998).

Although, the tendency has been to consider learning and knowledge creation mainly in leading-edge technology activities, the creation of learning and knowledge is also essential in medium and low-technology industries. It is important to analyse the day-to-day innovation of their operations in such areas as production organisation, marketing and distribution, where learning can take different forms such as know what’ and ‘know how’ (Lundvall 1992).

Breschi (1995) used empirical indicators to identify spatial patterns: the degree of concentration and dispersion among innovative areas, stability in the hierarchy of innovative areas and the spatial distribution of new firms entering the innovative scene. He found that the intensity of spatial agglomeration of the innovative process differs remarkably across sectors. But there is nothing so specific about tourism businesses.

Harrison et al. (1996) provided empirical support for the hypothesis of urbanisation economies in explaining spatial patterns of innovation and economic development. However, Staber (1996) found little evidence for the hypothesis that business relations are embedded in local social structures, that firms use the institutional framework as a
support for their innovation activities, or that firms cooperate with related firms in the area. But his study is of a static situation; it does not take into account relationships between sectors over time.

Wiig and Wood (1997) have used outputs as an indicator of innovation: the proportion of a firm’s sales generated by product innovations introduced in the market within a three-year period (product innovation being defined as a significantly altered product or slightly altered product). Their evidence shows that many firms are innovative in the way that they introduce new and altered products. In this sense, and contrary to popular belief, traditional industries are more innovative than chemical or other high-tech industries. This empirical work does not cover the impact of innovations in the tourism industry. It looks at very successful high-tech sectors. Neither does it examine the whole range of possible innovations, such as process innovations, which are perhaps of greater relevance to tourism.

Most of the empirical research carried out in relation to innovation applies to sectors other than tourism. Thus more empirical work is needed in order to be able to provide answers to general questions related to tourism such as:

- Under what circumstances does spatial proximity between collaborating or rival firms make them perform better?
- Do industrially specialised regions generally develop better than diversified regions?
- How far, and along which paths, does knowledge spill over?
- Is it the local, regional or national level that is most important in defining innovation or knowledge systems?
- What kind of positive external effects are spatially mobile, and which are immobile and only shared by institutions included in a specific territory?
- Are some factors immobile in the early phase of the product/innovations cycle and made mobile later?
- Are the policy implications and facts which common sense and economic theory do not explain worth exploring?
There are several approaches to the study of innovations. At the microeconomic level (the level of the enterprises) they can be classified into product and process innovations or combinations of both (Goddard 1992). Product innovation refers to the introduction of new products or services. Process innovation refers to the implementation of new equipment or procedures in the production process with no change in the final product or service.

The impact of innovations on the economic structure of the industry (macroeconomic level) looks at the dynamic process under which innovation occurs. A distinction can be drawn between radical innovations and incremental innovations.

Radical innovations are those that most influence the economic structure of the industry. Their effects will depend upon the particular production system. Further competitiveness will depend on the kind of industry linkages that exist with the customers, suppliers and the rest of the market. Abernathy and Clark (1985) recognised diverse types of radical innovations: architectural innovations, niche creation innovations and revolutionary innovations. Architecture innovations effect the architecture of the production system, creating new industries or completely reforming old ones. They modify the technological linkages inside the sector as well as linkages with suppliers. An example of these innovations are the computer reservation systems that have reorganised tourism marketing, making the connection of the individual tourism businesses to customers more direct and hence providing customers with better information about what is available. Also new intermediate firms can fill gaps in the new distribution channels.

Incremental or regular innovations are the result of the cumulative effect, almost invisible, of improvements in the production process or in the quality of the service or product, over a significant period of time. They do not produce disruption in the existing linkages of the industry and their effects over competitiveness are less obvious than with radical innovations. It is a precondition of incremental or regular innovation to have a developed organisational environment that develops managerial skills.
Niche creation innovations exploit new market opportunities using existing technology. They tend to disrupt existing marketing linkages, more than technological linkages, within and outside the sector, because the aim is to bring the needs of the customers close to the product supplier. The required precondition is the existence of interdependencies between suppliers and the attractiveness of their products. Closer customer-supplier relations are exemplified by new technologies (virtual reality ones) that allow consumer to 'experience' a travel product through a computer created reality.

The effect of revolutionary innovations is the destruction of the established technical and production tasks. They produce the most drastic change. This is the case where technology replaces human resources, leading to the standardisation of services. An example is that of self-service catering where the customer does not have the assistance of waiters and menus are standardised.

All these diverse kinds of innovations in the tourism industry have consequences for the internal and external linkages of the sectors and on the internal efficiency and productivity of the firms. Therefore competitiveness and market conditions are altered too, not only within the tourism industry, but also between tourism businesses and all the related sectors within the economic system.

5.4 Towards the Identification of Tourism Learning Regions

The concept of a learning region is quite abstract. It makes reference to a region that provides the organisational and institutional framework, which in turn provides the economic, spatial and cultural characteristics that facilitate the learning process inside that region.

This concept comes from the field of regional development and the role of learning (which has developed out of the literature on innovation). The concept of a learning region is linked with various levels of learning: by individuals, firms, organisations etc; pointing out the social aspects of the learning process in a region and also the
increasing integration of the actors in a certain territory. Thus it is connected with the established concept of agglomeration economies.

It has been argued that regions with agglomeration economies have better opportunities to develop a strong knowledge base (Malmberg and Maskell 2001). Here the importance of interactive learning in spatially delineated industrial systems is stressed as support for innovation.

Given the importance of the learning process it is important to try to find answers to the questions: which attributes of a location maximise the opportunities for learning, and what are the precise characteristics of a learning region?

This idea of a learning region is closely connected with the capability of small and medium-size enterprises in industrial districts to break path-dependency and change technological trajectory through radical innovations. This endogenous innovative capacity confers the flexibility needed to transform the district into a learning region and to exploit the benefits of learning-based competitiveness (Asheim 1996). Asheim has focused on manufacturing and high technology industries.

There have been several attempts to explain the characteristics of a region or area that maximise the opportunities for learning. Malmberg (1997) has grouped these characteristics into three categories, such that the learning region will have an industrial configuration, technological infrastructure and certain cultural features and institutions. The industrial configuration refers to a degree of specialisation and interrelatedness of the industrial base of a region. This configuration provides flexibility, dynamism and a good chance of contacts that will allow information to flow. Technological infrastructure is related to the analyses of innovation and technology systems. This includes the ability of universities, research and technical facilities and firms within a region to collaborate and learn from each other. Learning and innovation are directly related to industrial creativity and the regional supply of external technological resources. Finally, culture and institutions are very heterogeneous and comprise all the intersections of the economy with society. The learning region's dense
social networks and open labour markets encourage experimentation and entrepreneurship, promoting collective learning and flexible adjustment. Cooke (1995) cites the conditions in learning regions as high self-identification, an information and learning capacity, strong supporting institutions (for example chambers of commerce, business associations and innovations centres), institutional integration, trust, entrepreneurial culture and others.

Within agglomerations there is a high density of social and economic relations providing opportunities for unplanned meetings and sustained and structured relations. Even small and weak businesses can survive in highly developed agglomerations because of the differentiation and specialisation associated with their system of outsourcing. Thus agglomeration advantages are obvious.

Agglomeration economies are strongly connected with the socio-economic infrastructure of the region. The advantages of this spatial structure can be summarised in five key factors: scale, differentiation or specialisation, information, organisation and dynamic external effects.

Marshall enumerated the factors that give these advantages to agglomerated firms belonging to related industries. He believed that external economies of scale are due to the pooling of a local labour market formed by experienced workers, to the provision of intermediate inputs in great variety and low costs and to the local information flows that spread ideas through learning and accumulate them in the area.

There are many difficulties associated with applying these theories to the tourism industry, because the literature on innovation and learning is based mainly on manufacturing industries rather than services (Hjalager 1994). Some of the difficulties are:
A large part of the literature on innovation analyses patenting. Patenting data constitute a collection indicator, quite homogeneous across borders, facilitating comparison across regions and countries. This kind of information is not available for the tourism industry because many of the innovations involve intangibles.

The size of innovative firms cannot be found by the standard approach because there is no registered information in the tourism industry about research departments or funded research organisations.

The literature on innovation is very much concerned with government policies supporting and promoting innovation as subsidiaries, transaction devices, human resources development initiatives, etc. There are no studies evaluating these for the tourism industry.

Innovation processes, together with the speed and mode of transfer of innovations, have not been studied in the tourism industry. However, this line of research could be the most interesting and perhaps the methodologies will be transferable.

Very few exploratory studies have been carried out about innovation within the tourism industry. Poon (1988 and 1994) has studied the Caribbean and the innovative strategy of ‘all-inclusive’ tourism. Following Schumpeter (1965), she considers tourism innovativeness as the indigenous capacity to engineer tourism combinations of goods/services, methods of production, markets, sources of raw materials and organisations and to respond creatively to changes taking place in the tourism industry. Thus to be innovative means to be creative and to deliver new ideas and services to the tourism market. From Poon’s point of view, innovation leads to true indigenous development. She also points out that technological change is only a form of innovation. To be totally innovative the firm should also be innovative in its organisation, management, marketing, sources of supply, and in introducing new products or services to the market. Therefore the people who use and develop these innovations are the crucial element, including their managerial and entrepreneurial skills, experience and intelligence. Another key point is the transferability of the
innovations that are generated in the area. Transferability, together with desirability and profitability, determine the capacity to generate competitive advantage over imitators and diffusion through tourism firms.

Hjalager (1994) has analysed innovation in the tourism industry but with a much more general overview. Again, Schumpeter's ideas are taken as a starting point and are adapted to a service industry. In the same way as in manufacturing, the entrepreneur is the main link between technical inventions and commercial innovations, but the rest of the innovation theories are not transferred to the tourism industry because of the problems previously described.

The predominant mechanisms for introducing innovations are technology-push and demand-pull. The former is explained by improvements in the delivery of existing services, which can improve the quality of existing services and even create new service activities. The second mechanism refers to the provision of new services in response to changes in customers' demand.

Basically, technology-push innovations are motivated by the intention of improving the efficiency and reducing the cost of delivering existing services. Efficiency improvements and cost reductions can lead to the extension of markets for improved products or services and, if the new product has a better performance, new markets can appear for these products. As a consequence there will be an expansion of output and employment. An example from the catering industry is where incremental technological innovations in food processing and preservation have rationalised these activities to meet the changing lifestyle of consumers, resulting in pre-cooked food and fast-food chain stores.

Demand-pull innovations require an assessment of customer needs and preferences. The role of emotions and ideologies in the innovation process is very important because tourism services are mostly intangible and perceptions of them are subjective. This is the case for customers who live in big cities and urban agglomerations who look for holidays in more natural environments. To satisfy this market niche many
rural houses have been restored and villages revitalised, resulting in new environmental holiday experiences.

The combination of technology-push and demand-pull mechanisms results in a structure of linkages in the area influencing innovation mechanisms. This is what could be labelled a 'tourism regional innovation system'. This idea is closely related to the concept of a 'tourism learning region', a localised network system within the tourism industry that facilitates innovation.

These links and networks can be within the tourism industry, with suppliers or customers and with public and semi-public institutions. Networks within the tourism industry can be between firms of the same kind (horizontal networks) or between firms and complementary services (vertical networks). Producer-consumer links (external links) are between the individual tourism firm and its customers, as the firm makes an effort to solicit opinions from customers, and between the tourism firm and its suppliers. Public links are usually derived from the regulatory activity of public organisations that advise about such matters as safety precautions, environmental protection, hygiene and tax payments, and from the facilities provided by public institutions such as infrastructure, education and training, research and development programs.

Factors facilitating the diffusion of innovations are: an open business environment that encourages entrepreneurship (as the entrepreneur is considered the main innovator); an industrial structure with substantial financial power or easy access to funding; institutional links between agents to filter information; extensive use of licensing and franchising; and an active and demanding public sector to speed up and diffuse the innovations. These factors can be viewed as requirements for a tourism learning region.

Another important contribution to this field has been offered by Arrigoni (1998), who adapts the concept of a Marshallian 'industrial district' to the leisure sector: the 'Marshallian leisure district'. This concept is used to describe an agglomeration of bars and restaurants in Milan (Italy). She explains that the restructuring of catering
businesses in the area (induced by tourism) leads to the emergence of specialised catering areas.

It is clear that a pre-condition for the development of a leisure district into a tourism learning region is a ‘humus’ of entrepreneurs in the area who are willing to adjust to change through profitable innovative activity. This condition will lead to the consolidation of an agglomeration of businesses belonging to the same sector. If they are successful, a flow of new entries and a developing organisational structure will tend to encourage a spontaneous form of collaboration.

With time, passive imitators and those seeking profits will be attracted to the area, forming a more dense agglomeration of businesses. Professional associations will emerge along with a supportive public administration. Thus a district based on informal economic relations among family and friends will develop a common district culture and perhaps institutionalised networks.

5.5 Conclusion

For many years the Costa del Sol has benefited from some ‘natural’ advantages (an attractive natural environment and cheap prices). However, these advantages provide a very weak basis for sustaining competitive advantage over time, since they are easy to find in other tourist resorts. Consequently, the area requires an alternative strategy to retain its competitiveness in the international tourism market.

Different theories have tried to explain competitiveness from different angles. The advent of globalisation required that these theories incorporate a stronger international dimension. The ‘local’ is clearly linked to the ‘global’ as in Swyngedouw’s (1992) concept of ‘glocalization’. In this spectrum of scales, economic geographers have focused on smaller geographical areas (regional or local) and on the role of agglomerations in economic development and competitiveness.

Several options have been reviewed in this chapter. Spatial clustering is emphasised as a mechanism for maintaining competitive advantage because it facilitates cost
reduction and an environment of dynamism and flexibility. Clustering is also claimed to enhance learning and innovation through intense competition among firms and development of collaborative activities.

The concept of the Costa del Sol as a ‘tourism learning region’ is based on the realisation that it is a large agglomeration of tourism businesses with a dense network of internal linkages, including support networks provided by informal and professional associations and by the public sector. In such agglomerations it is claimed that there is a capacity for stimulating knowledge spillover and various forms of learning and adaptation. In the following chapter this concept is investigated through empirical research.
CHAPTER 6: THE SURVEYS AND THEIR RESULTS

6.1 Introduction
This chapter describes the hotel and restaurant surveys carried out as part of this research and analyses their results. An explanation of the survey methodologies used in this thesis is in section 6.2. The aims, design and structure of the surveys are explained in conjunction with the sampling frames used (6.3). Section 6.4 deals with the practical aspects of implementing the surveys: the experience of testing and carrying out the surveys and the methods used to improve response rates. Section 6.5 presents the results. The chapter ends with a summary of the principal conclusions (section 6.6).
6.2 Survey Methodologies

The lack of documented data (published and un-published) on learning and innovation in the study area meant that some form of original data collection was necessary. A combination of methods were selected involving postal questionnaires, face-to-face structured interviews, in-depth open-ended discussions with key actors and agencies, and participant observation. These different techniques allowed a range of both quantitative and qualitative information to be collected.

Initially one questionnaire outline with open questions was developed to cover both the hotel and restaurant sectors. Then, following discussion with key informants (Appendix A) two postal questionnaires were developed, one for the hotel sector and one for the restaurant sector (see section 6.3 Questionnaire Development and 6.4 Questionnaire Implementation) with a combination of open and closed questions (Appendix B and D). A postal questionnaire was decided on because of the time saving involved in comparison with face-to-face interviews. In addition, support from local agencies reduced the cost disadvantages of the method, while a covering letter from the relevant professional association (Appendix C) aimed to increase the authority of the questionnaire and hence improve the response rate above the 30 per cent level normally associated with this type of survey (Robinson 1998).

Following a poor response in the initial round of postal questionnaires, follow-up telephone calls were made and the questionnaires faxed out again. As a result the hotel questionnaire achieved an acceptable response level (40 per cent). However, because the response rate to the restaurant questionnaire remained low, it was decided to undertake a series of face-to-face structured interviews guided by the original postal questionnaires. Various strategies were adopted to gain a rapport with the respondents (Section 6.4 Questionnaire Implementation). Structured interviews enabled guidance to be given to the respondents and probing for clarification of responses. Because the technique is very time demanding, it was
not possible to carry out the large number of interviews necessary to achieve a statistically valid sample (section 6.4).

In-depth open-ended discussions with key actors and agencies were used in the initial development of the survey - to frame the questions, organise the logistics of the postal questionnaire and develop the follow-up strategies - and in gaining a deeper understanding of the business environment of hotel and restaurant operation. In particular, an assessment of the problems of gaining information from these businesses was formed, from which strategies to overcome the problems were developed.

Finally, a form of participant observation was adopted in attending a number of conferences held by hotel and restaurant associations at which the topics of competitiveness, learning and innovation were discussed, and observing the activities of hotel and restaurant businesses. In total, a considerable amount of time was spent in the company of the people being observed, followed by reflection on theory in the light of observation. The fact that the researcher was a local person meant that it was possible for a closer relationship to be built between the researcher and the people being observed and for a deeper understanding of responses to be gained from the language being used. At the same time, it was recognised that this form of data collection involves an element of subjectivity.

Data collected was entered into an electronic database (Microsoft Access), which was used in conjunction with an electronic spreadsheet package (Microsoft Excel) to analyse the data and produce graphical output. In addition, these packages were used with the GIS software Map-Viewer version 2.10 to produce the cartographic output (Appendix K).
6.3 Questionnaire Development

The two principal aims of the questionnaire were to find out:

- How the innovation process works within the hotel and restaurant sectors of the tourism industry?
- What is the role of the tourism business agglomeration of the Costa del Sol in relation to the surrounding area?

These aims were broken down into specific objectives concerned with revealing:

- the entrepreneurial structure of hotel and restaurant businesses;
- the mechanisms promoting innovation in the tourism industry (sources of information, factors influencing the adoption of innovations, barriers to the adoption of innovations, and the results and outcomes from the application of innovations);
- the previous experience and training of entrepreneurs,
- the formal linkages within the sector (for example associations, chains and franchises), the informal linkages (relationships with other entrepreneurs, suppliers and customers) and the benefits from these linkages.

Questionnaire design is perhaps the most crucial element of the survey methodology, since it determines the output of the empirical element of the research. Survey design - the structure and content of the survey - arises out of the theoretical background and objectives of the research. In addition, the content of the questionnaire was derived from open-ended interviews with key actors belonging to public institutions, private associations and entrepreneurs in the tourism sector along the Costa del Sol.

The steps followed in the questionnaire design were:

1. literature review, interpretation of relevant documentation and observation;
2. informal interviews with key informants in the tourism sector;
3. design of the questionnaire with the advice of private associations, following previous analysis of the existing documentation and the information needed to develop the research;
4. pilot test of the questionnaire by formal interview;
adjustment and tailoring of the questionnaire in response to the results from the pilot survey;
mailing of the questionnaire with two letters and support from the private business associations;
questionnaire follow-up with a reminder phone call, plus the faxing of the questionnaire again to non-respondents;
face-to-face interviewing of restaurant businesses because of the low postal response rate;
database building with the hotel questionnaire results (using Microsoft ‘Access’ software);
analysis of the questionnaire results and interpretation of the answers from the restaurant interviews;
drawing conclusions.

The questionnaire was structured into the following parts (Appendix B and D):
1: Location: This section dealt with the influence of several factors in the location and start-up decisions of establishments. Questions were asked about the importance of communication routes, the business cluster, cost factors (for example, labour and finance), the market situation (expectations) and general aspects (for example, the environment, economy and public policy). (Question B: Localización).

2: Innovation: This section dealt with innovation and diffusion in the tourism industry. Because of the nature of this industry it is not amenable to treatment through standard innovation indicators (such as patents for manufacturing industries). Therefore the indicators used to study innovation in tourism were subjective. Owners/managers were asked their opinions about types of innovation carried out in their establishments (see Table 6.1); the source of information on innovations, barriers and incentives found in the adoption of innovations; and how innovations were financed (Question C: Innovación).
Table 6.1: Typology of Innovations in Hotel and Catering Businesses

<table>
<thead>
<tr>
<th>TYPE OF INNOVATION</th>
<th>EXAMPLES</th>
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<tr>
<td>Process</td>
<td>- Restaurant billing</td>
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<tr>
<td></td>
<td>- Checking-in/out systems</td>
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<td></td>
<td>- Computerised reservation systems</td>
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<td></td>
<td>- Technology innovation</td>
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<tr>
<td>Transactions</td>
<td>- Arrangements to buy food</td>
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<td></td>
<td>- Arrangements to buy linen</td>
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<tr>
<td>Distribution/ Sales</td>
<td>- Use of web pages for promotion or sales</td>
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<td></td>
<td>- Customer mailing list</td>
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<tr>
<td>Information</td>
<td>- Management information systems</td>
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<td></td>
<td>- Booking information systems</td>
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<td></td>
<td>- Software packages for administration</td>
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<tr>
<td>Management</td>
<td>- Management structure and role changes</td>
</tr>
<tr>
<td>Product/ Services to</td>
<td>- Changes in type of food and presentations</td>
</tr>
<tr>
<td>customers</td>
<td>- “All inclusive” facilities within accommodation prices</td>
</tr>
<tr>
<td>Information Technology</td>
<td>- Hardware</td>
</tr>
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<td></td>
<td>- Software</td>
</tr>
</tbody>
</table>

Based on Hjalager 1994

3: Education and Training: The learning region concept and its possible identification with the Costa del Sol area was approached through establishing the education, training and experience of the owners/managers (Question D: Aprendizaje y Formación).
4: Externalisation of Services: Networks and linkages within the industry were identified with associations, chains, franchises and outsourcing services (Question E: Asociaciones y Acuerdos and Question F: Externalización de Servicios).

The sample frame was obtained from the public administration (Junta de Andalucía: REAT, IEA) and private associations (AEHCOS, AEHMA) for both, hotels and restaurants. Due to the divergence between these data sources it was necessary to compare both and use only the establishments that were listed on both of the databases.

Because the research was focused on the tourism agglomeration of the Costa del Sol and its sphere of influence, the geographical area in which the surveys were undertaken was the province of Málaga. The reason for this geographical restriction was the high percentage of all the accommodation supply in Andalucía located in this province (Chapter 3).

Establishments were selected on the basis of a sample frame that distinguished East and West Coast municipalities, the Interior and the city of Málaga. The justification for the division of the coastal municipalities was that these two coastal zones have distinctive tourism characteristics (Chapter 4).

The sampling procedure was different for hotels and restaurants. For the hotels there were 155 establishments listed in both private and public databases (IEA, REAT and AEHCOS). These represented more than 90 per cent (nearly the entire population) of the three, four and five-star hotels listed in the public database (REAT). These categories of hotels were chosen for the survey because they represented nearly 80 per cent of the total number of hotel beds in the province of Málaga (IEA 2000).

In the case of restaurants sampling was more difficult because of the large number of establishments. Limited time and resources did not allow for a large enough study to be statistically representative of the total population. Eighty restaurants were selected (nearly four per cent of the total number of restaurants in the province) with the advice of the president of the private association AEHMA. Then the questionnaire was tested
and distributed in a similar way to that for the hotels. The response rate, however, was very low (8.5 per cent). Therefore, the original sample was used as the basis for interviews. This was the only avenue open to increase the information.

The sample of restaurants was not representative of the total population (which itself was not clear as there was a great divergence of restaurant denominations, categories, sizes and cuisine specialities). Despite the lack of statistical validity in the sample, the information gathered was considered useful for an exploratory study, unique in this topic area and in the Costa del Sol. The information acquired provided an idea of what was happening in this sector, a benchmark for further research.

The questionnaires revealed some distinctive characteristics of hotel and restaurant businesses, thereby contributing to the main aim of this study. The questionnaire results also provided a reference for researchers who wish to investigate a similar tourism resort in other peripheral Mediterranean areas within Europe.

6.4 Questionnaire Implementation

Different experiences were recorded with the implementation of the hotel and restaurant questionnaires.

In both cases (hotels and restaurants) the questionnaires were distributed by post. Each mailing contained two covering letters (Appendix C and E) and a stamped addressed envelope addressed to the tourism research centre (SAETA) in the city of Málaga. One of the covering letters explained the objectives of the research and the other came from the respective business association president (AEHCOS and AEHMA), informing respondents of the aims of the questionnaire and asking for their collaboration in this piece of relevant and innovative research. The reason for this approach was that from the pilot questionnaire it was found that there was a sensitivity and reluctance to answer some of the questions.

In the case of the hotel questionnaire the first posting was sent in August 1998. Only 10 per cent of the questionnaires were returned by the winter. During the following
summer (1999) a reminder phone-call was made accompanied by a second distribution of the questionnaire, this time by fax. This strategy increased the response rate to nearly 40 per cent.

In the case of the restaurant questionnaire, and following interviews with several sector specialists and restaurant owners (Appendix A), the postal questionnaires were mailed out, each with two covering letters and a stamped addressed envelope. The response rate was very low. Even after a reminder phone call and a second sending of the questionnaire by fax (in cases where that was possible) the response rate remained very low (less than 8.5 per cent). The main reason given for non-response was lack of time. As a result of the low response rate it was decided to undertake face-to-face interviews guided by the original questionnaire. Due to time and resource limitations only seventy interviews were conducted.

The experience of interviewing restaurant owners helped to gain a better understanding of their idiosyncrasies. Some of the most relevant learning experiences were:

- Restaurant owners showed a constant fear of giving away any economic or employment data, probably because of a large number of irregularities in financial and employment procedures. As a result, a few of the quantitative questions were changed for more qualitative questions, which sought more general opinions about the topics.

- The reason given by restaurant owners for not collaborating was often that of not having sufficient time. This lack of time could be real in some cases because the interviews were undertaken during the summer (tourist peak time). Unfortunately there was little alternative to conducting the survey at this time since many restaurants are only open during the main tourism season.

- It was found that some interviews were better started through informal conversation, pretending to be a customer. In other cases taking notes from outside the establishment or counting the seats, etc. aroused interest. This approach was sometimes more successful than a direct approach to the owner.

- Interviews were facilitated by the interviewer adopting an open and understanding attitude towards the problems of the business. Also a bit of complaining about the
economic situation facing businesses was a successful tactic in creating a comfortable atmosphere and drawing out information from the interviewee (even though this approach risked influencing the answers).

Seventy restaurants were visited. From these a great deal of information was obtained. But most of the questionnaires were not fully completed. Therefore the information is partial and not subject to precise statistical analysis. Also the results cannot be viewed as necessarily representative of the total population of restaurants within the province. It is more of an exploratory study that leaves many questions open for future research.

6.5 Survey Results
To display the results of the surveys it was necessary to distinguish between the hotels and restaurants. The reason for this distinction was not only the difference in the findings, but also the different techniques used in each survey (the hotel questionnaire was open to statistical treatment, that for restaurants was not).

The numerical results from the hotel questionnaire were entered into a database (using Microsoft ‘Access’ software) prior to analysis. Presentation of the results followed the structure of the original questionnaire (Appendix H and I).

6.5.1 Hotels
A: Identification
General questions were included in this part such as establishment name, category, type of enterprise (independent, chain, franchise), location and details of the person who answered the questionnaire.

From the total of hotels that answered the questionnaire:
More than 70 per cent were independent establishments, underlining the high proportion of individual businesses within the sector.
Three-quarters of hotels that belonged to a hotel chain were four-star hotels, indicating the positive correlation between high quality establishments and incorporation into a hotel chain.
More than half the hotels were located in the municipality of Torremolinos.

In relation to the quality rating of the hotels:
More than half belonged to the three-star category.
Three and four-star hotels accounted for more than 80 per cent of the sample, emphasising the fact that hotel establishments in the Costa del Sol are characterised by a medium/high quality standard as shown in the official statistics (Chapter 3).

B: Location
By geographical location the coastal municipalities accounted for the greater part of the hotels as described in Chapter 3. However, in more recent years hotels have spread into the interior (Chapter 4).

Location conditions are relevant because they have a great influence on the decision by entrepreneurs to move into a region and open new businesses. Location factors include local industrial structure, availability of business education and training, the social status of entrepreneurs, salary levels and attitudes towards risk-taking (Richardson 1979).

People with entrepreneurial attitudes tend to arise in, or be drawn towards, centres of innovation, where agglomeration economies already exist. In these areas business agglomeration enables informal relationships among entrepreneurs, which stimulates innovative attitudes (Chapters 4 and 5).
Location preferences may be strong enough to guide the choice of site, influencing the development of the area. Some of these preferences are related to the psychological benefits of being within a familiar environment and the greater risks of adapting to new environments. The social network of personal contacts may be important. These subjective factors are more difficult to elicit and measure as in many cases even the entrepreneur is not aware of them.

Locational preferences have an impact on the growth of the business agglomeration, reinforcing the agglomeration and spreading businesses through surrounding areas. The factors considered most influential in the choice of hotel and restaurant business location were:

- accessibility to customers;
- local tourism attractions that act as magnets for customers;
- lower investment costs than other locations (given the dimensions and characteristics of the establishment);
- the presence of tax incentive to support business development in the area;
- low exploitation costs (especially low labour costs because of the service nature of hotels and restaurants and their labour intensity); and
- the social and political environment (it should be stable and supportive of business) (Figuerola Palomo 1991).

Many of these factors are similar within a region, greater variations occurring between regions and countries. Nevertheless, there are distinctions in some of the factors between and within municipalities in the Costa del Sol.

The location assessment contained 20 different factors extracted from a previous literature review and made in conjunction with exploratory interviews with key informants. Entrepreneurs were asked to rank the location factors from one (least importance) to ten (greatest importance). The location factors were: proximity to a port, airport, road, railway station; frequency and quality of transport services, existence of other accommodation services in the area, local culture and leisure facilities, the environmental situation, potential of the tourist area, good marketing of
the area, proximity to suppliers, local workers with related experience, low investment
costs, availability of self-funding, public support for investment, favourable tax system,
good expectation of returns, low labour costs, good expectation of the evolution of
demand, a high number of potential customers, a stable political and economic
situation, and the character and open mentality of the residents (Appendix B).

In the first general analysis of this part of the questionnaire, the most relevant factors
influencing the choice of hotel location by order of preference were:

- Natural environmental qualities such as the geographical situation, the weather and
  climate, the quality of the beaches (where coastal areas were concerned) and the
  existence of natural parks.
- The tourism potential of a site, such as other tourism and leisure attractions.
- Good marketing of the resort is also a positive factor, especially where international
  demand is concerned because of the difficulty of penetrating international markets.
- A stable social and political situation.
- A local labour force with adequate experience and knowledge.
- The existence of more hotels and accommodation supply within the same zone. This
  suggests the importance of agglomeration and the building of ‘leisure districts’
  (Arrigori 1999).
- Ownership of capital to invest in hotels.
- Expectations of a good return on investment.

Other less important factors were proximity to a transport terminal (sea/airport,
bus/train station), low investment costs and access to public funding on favourable
terms.

The results were relatively consistent across all the hotel categories. The tourism
potential of the area was important for all the hotel categories. For low and medium
category hotels the natural environment was also very important, while for the higher
category hotels promotion of the resort was a critical factor. In all hotel categories the
existence of other hotels and a good supply of accommodation were considered
positive factors. This might appear to be a disincentive for new business start-ups because of the consequent high level of competition in the area. But in practice hotel owners saw it as a positive factor, supporting the idea that a tourism business agglomeration attracts further business development.

In relation to the four geographical areas within the province of Málaga, natural environmental characteristics were considered of most value in the city of Málaga and the coastal municipalities. In the interior of the province, where tourism is becoming of increasing importance, expectations of high returns, potential tourism demand and a stable social situation were considered most important. There remains uncertainty over the development of the interior because of environmental concerns. The rural tourist market is still young compared with the mature sun and sea market of the coastal municipalities.

C: Innovation
According to Fenández Sánchez and Fernández Casariego (1988) there are many factors that can provide opportunities for innovation. Innovation may come from the need to improve the production process or from the need to adapt to changes in the business environment. For example, changes in the business environment may arise from increased equipment costs, which can then affect investment decisions. Alternatively, expansion of demand may require enlargement of the establishment. Other exogenous causes of innovation can arise from changes in demand resulting from demographic and cultural change in domestic and foreign markets.

The innovation process is facilitated by close relations with customers, which help to detect changes in customer tastes and their perception of product quality. Also, proximity to customers enables businesses to listen to customers and respond with new or modified tourism products.
Economic factors that influence the budget for adopting new technologies are:
- earnings expectations;
- sales levels;
- total investment already in the current budget;
- percentage of production capacity in use;
- competitors' research budget; and
- market share or potential market share if there is an improvement in the production process or product.

To analyse the influence of these economic factors it is necessary to access the detailed internal data of a business. This is almost impossible to realise by questionnaire because of business confidentiality as evidenced by the pilot questionnaire.

Other factors of a non-economic character that can influence the innovation process are:
- the number of employees in each establishment with sufficient flexibility to adapt to innovative tasks;
- the age of the owner/manager: the literature on innovation suggests that innovative activity is inversely related to age, that older people are also less likely to adopt innovations, are less flexible and less open to new ideas (ibid);
- an efficient communication system within the business and with the business environment (clients and suppliers) is an advantage in the diffusion of innovation;
- ethical pressure by public opinion on decisions by entrepreneurs;
- ease of imitation (the existence of protection for innovations through licences or patents).

Most of these factors are more qualitative and therefore data sources do not exist. But the researcher is able to gather relevant information and to gain an idea of the current situation through interviews and questionnaires.
To explore innovation in the hotel and catering sector, the elements taken into account that influenced the development of new technologies, production processes, product improvements and new products were:

- Incentives that motivate the entrepreneur to adopt or to develop innovations within the establishment: geographical proximity to research centres, public economic support, good communication networks, employees with specific skills and knowledge, good economic expectations, emergence of technological innovations related to tourism, changes in demand, increased competition, etc. (see C1).

- Barriers to the development of innovations: lack of co-operation with others entities, lack of information and promotion of research programs, lack of research infrastructure, lack of skilled workers, high risk of capital investment, lack of public support, high costs of adoption, lack of consultants in the tourism sector, excessive bureaucracy, fear of imitation or to the risk of being the first to innovate, lack of knowledge of innovation applications, others (see C2).

- Information sources and channels used by entrepreneurs to update their knowledge of developments in the sector: friends or local businesses, consultants, specialised journals, public institutions, public training centres, universities or research centres, businesses associations or suppliers (see C3).

- Public support for the hotel and catering sector (for example subsidies, soft loans and special lines of credit). The procedures for securing public funding may be so long and complex that they are a disincentive to seeking such funding, thus negating the role of public funding as a helpful supportive tool for the entrepreneur (see C4).

- The results of the adoption of innovations in terms of better product quality, more efficient productive process or better adaptation to the seasonality problem (see C4).

Innovation was dealt with in the questionnaire in parts C1, C2, C3 and C4 (in Appendix II the headings are the same as in the original Spanish questionnaire).

C1: In this part, the question asked the entrepreneur to rank, from one to ten, the different factors considered less or more important as incentives driving the innovation processes in their establishment. These incentives referred to the central hypothesis of this study that the Costa del Sol is a tourism business agglomeration in which
competitive pressures generated within the agglomeration promote the development of new and better quality products and lower prices. Entrepreneurs are driven to differentiate their product from the rest of the establishments.

From analysis of this point, the communications network and a good economic situation were rated highly. Other important factors were the appearance of new technologies that could have an application in the sector, the existence of a skilled labour force, and the possibility of good training. Spatial proximity to a research centre or university and the availability of grants and funding for research were the lowest rated factors in the innovation process among hotel establishments.

When differentiating the answers by category of establishment the ratings were quite different. For two-star hotels the main factor was a good economic situation with high expectations of returns, followed by the emergence of new technologies. Three-star hotels tended to place greater value on a good communications network and a good economic situation. Four-star hotels valued the economic situation most and new technologies in the market. Among five-star luxury hotels most weight was given to the existence of well-qualified and skilled workers. It is also important to note that there was a positive correlation between the category of the hotel and the importance attached to competitiveness as an incentive to innovate.

There was relatively little variation in responses by geographic area. Hence the economic situation was universally the leading factor in promoting innovation in hotel businesses. Along the coast and in the city of Málaga businesses also emphasised the role of the communications network. In the interior of the province businesses emphasised changes in consumer preferences (perhaps because it is more difficult to detect these changes in isolated locations), new technologies and the rise of competition in the tourism market.

C2: This question was formulated in the same way as the previous one. In this case the question asked the entrepreneur to place in rank order the obstacles to innovation in their establishment.
The predominant obstacle to innovation was given as lack of government support. This was followed by the high cost and risk of investment, and the long bureaucratic process required by the public sector in matters associated with innovation. Lack of government support was given as the most important obstacle in every hotel category except the lowest one, where high costs of adoption were cited as a greater obstacle.

There were significant spatial variations in these responses. In the city of Málaga high costs were considered very important. For inland hotels lack of information on innovations was considered the major obstacle, illustrating the importance of being in the core area for access to information. Businesses along the East Coast stressed the importance of the long bureaucratic processes as the major obstacle. Along the West Coast hotel entrepreneurs stressed lack of public support as the major barrier.

C3: In this part entrepreneur were asked for the sources of information that were used to keep up-to-date with innovations, changes in the tourism market and the general situation in the sector.

Personal contacts (friends and local entrepreneurs) were cited as the most important source of information by some 75 per cent of the interviewees. Other popular information sources were specialised journals, advertisements and news from the public institutions. Suppliers and business associations were also quite frequently used. Little importance was attached to the presence of universities and research centres.

C4: After being asked if any innovations had been adopted in the establishment during the last 10 years, entrepreneurs replying in the affirmative were asked to evaluate the impact of the innovations. They were also asked which financial sources were used to acquire the innovations and if there had been any collaboration with other entrepreneurs or organisations (for example, professional associations and suppliers) in developing the innovations.
More than 95 per cent of the hotel businesses questioned had adopted some kind of innovation within their establishments over the last 10 years. In more than 76 per cent of cases finance for these innovations came from their own funds. Of this 76 per cent, more than 40 per cent combined their own funds with borrowed funds. There were very few cases of public funding.

In more than 80 per cent of cases the repercussions of these innovations were an improvement in the quality of the accommodation and/or complementary services. In some 70 per cent of cases there was also an increase in efficiency (because of the reduction in costs and/or time). The least important repercussions were better adaptation to seasonality.

About 60 per cent of entrepreneurs stated that they had collaborated with others in the development or adoption of innovations (other accommodation businesses and their suppliers were the most often named).

Almost all those questioned replied that they used information technology (IT). They used it for general accounting and invoicing in all of the cases. In only some cases was it used to keep track of inventories, stock keeping, management and personnel. There was a low exploitation of the potential of IT. Some 10 per cent carried out marketing activities with IT and only two per cent analysed profitability and cost-effectiveness with IT facilities.

D: Learning and training

Here the questionnaire explored the previous education, training and experience of entrepreneurs.

The typical hotel entrepreneur in the province of Málaga can be described as a mature person, aged on average between 40 and 50, and male in more than 90 per cent of cases. The data revealed the predominance of men in jobs with high responsibility in this sector. The few female hotel managers worked in medium and medium/high quality establishments and only in the coastal municipalities.
Educational background was of a graduate in some 70 per cent of cases with work experience in the tourism sector of some 20 or 30 years on average before securing a management post. Within the tourism sector previous experience had most commonly been gained in the accommodation and catering sector.

All managers of high quality hotels in the survey had received a university education. In low quality hotels the percentage of managers with non-university education was greater. In the city of Málaga and along the East Coast the length of work experience was lower (an average of 10 years) than along the West Coast where the average was over 20 years.

By geographical origin, more that 60 per cent of entrepreneurs came from within the province of Málaga. The area where training was most common and the area considered best to gain work experience was the West Coast, supporting the idea of a tourism learning region.

At the time of the survey there was a strong tendency to go overseas to gain work experience. This was almost obligatory in the case of high quality hotels. One of the advantages in this was exposure to a second language (the most appreciated being English and German). The preference to train outside Spain was stronger among younger employees. England and Germany were very popular choices as over half of all foreign tourists come from these countries.

E: Business associations and linkages

The aim of this question was to analyse the linkages between businesses within the hotel sector. The entrepreneur was asked if the establishment belonged to any business association, what kind of services they received from these associations and if there were any significant deficiencies in the services that were available.

Nearly three-quarters of the establishments belonged to some kind of private business association. This was a clear indicator of the tendency for small and medium-size
hotels to associate as a survival strategy in the face of the emergence of big hotel companies and chains with substantial market power.

For all members of professional associations, information was the most popular service they received. Yet most of them admitted that this information was not enough.

Other services provided by the business associations were training for employees, promotion and marketing. The latter are very costly activities for the individual business owner and are therefore valued.

Only one-quarter of those questioned declared that they received financial advice or financial services from the business associations. Services provided were mainly consultancy ones and almost never included any special deals for credit or loans.

F: Sub-contracting of services
In response to questions on outsourcing activities, more than half of the entrepreneurs replied that they did sub-contract some services from other local businesses. These sub-contracted services were frequently undertaken previously by the hotel, but it had been found that it was cheaper to have them performed by more specialised outside agencies. This was a crucial finding as the availability of specialised sub-contracting services provides a cost advantage for hotels and creates a network of businesses.

Information technology and cleaning services are the most commonly sub-contracted services. Specialised external operators can provide these services not just at a lower cost than the hotels themselves but also to a higher standard. Thus the overall quality of services provided in the hotels is increased.

Another advantage of sub-contracting is time saving, leaving more time for core activities directly related to accommodation services and providing personal attention to clients.
This tendency to outsource complementary activities within hotel businesses also has a beneficial influence on the whole local economic activity system. Strengthening the system through the impetus it gives to the creation of related businesses, business specialisation and diversification.

6.5.2 Restaurants
Restaurants were studied through face-to-face interviews because of the difficulties found with the questionnaires (section 6.2).

A: Identification
The sample included a great diversity of establishments, not just by category but also by the kind of food served, size and type of enterprise. The majority were classified as low category establishments, but many had sought a low category because of the lower tax rates applied to them. As a consequence the real quality of the products and services in the restaurants is underestimated.

There were considerable spatial variations in the type of food served in restaurants. In restaurants situated in the Interior the cuisine was more traditional and meat was the base of the food. Along the coast, cooking was linked more with fish. There was also a clear distinction between the East and West Coast municipalities. Along the East Coast there was an tendency towards traditional Spanish cooking, while along the West Coast there was a much greater influence from international cooking (English, followed by Indian and Italian cuisine). This foreign influence along the West Coast was so strong that in some cases the establishments had foreign names and even the menus were in a foreign language, with English as the predominant language (a consequence of the large number of British tourists and residents in these municipalities).

The distinctive character of restaurant provision in the city of Málaga is derived from the coexistence of an extensive traditional Spanish gastronomy plus an international one, with an increasing number of attempts to innovate by combining the two.
In relation to the size of the establishments, the sample was not representative and therefore no specific comments could be made beyond the fact that the sector was characterised by small, family businesses (INE: Dirce, several years).

B: Location

This question followed the same pattern as in the hotel questionnaire. Several factors were repeatedly cited in the interviews as being important with regard to the location of restaurants. The local natural environment, views and climate were considered most important, followed by satisfactory cultural and leisure facilities (such as historic buildings, theatres and sport facilities). These attractions drew people to particular areas and customers to restaurants.

In general the active promotion of the image of the resort by the public administration and the characteristics of the tax system were both influential factors in selecting a place to open a new restaurant. These factors were relevant when different regions or countries were considered, but within the same province there was little variation.

Business costs were not mentioned in many cases, probably because there is little spatial variation in these costs. It should be borne in mind that more than 40 per cent of the total costs of restaurant businesses are labour costs (Delgado Molina 1996).

Another attraction for restaurant start-ups was that of areas which already had a large number of catering businesses. This would confirm the idea that the agglomeration of specialised catering businesses acts as a ‘magnet’ for new businesses, contributing towards the development of ‘leisure districts’ (Arrigoni 1999).

Restaurant entrepreneurs located in the interior of the province cited different factors when they chose the location for a new restaurant. For them the existence of a skilled local labour force and a concentration of other restaurants in the area were not considered decisive factors.
C: Innovation

This part of the interview was very similar to the innovation section in the hotel questionnaire. It tried to answer the same questions (Appendix D). It began with factors that stimulate or induce innovations in restaurant establishments. From the interviewees' answers it was apparent that the economic situation was a key factor taken into account by all the entrepreneurs when considering any kind of innovation. Another factor influencing the innovation process was access to a good transport and communications network that linked the establishment with the rest of the province. Other factors influencing innovation included the possibility of requesting public economic support to develop innovations and provide existing workers with the skills and technical knowledge to use them. Employees would then be able to improve on the innovations and the entrepreneur would gain the maximum profitability from the investment.

There were two external factors influencing the adoption of innovations in restaurant businesses. On the one hand, demand-side factors can encourage innovations. Such factors include changes in customer preferences and increased competition in the sector due to the opening of new restaurants in the area. Continuous change in customer preferences requires restaurants to up-date their products and services and to look for different ways to satisfy their customers. Increased competition has the same effect, driving the entrepreneur to search for new sources of competitiveness. On the other hand, from the supply side, some of the determinants of innovation are the new technologies that are adaptable to catering establishments.

Some factors were not considered important in influencing the adoption of innovation. These factors were geographical proximity to universities, technology parks and research centres. This response explains the almost non-existent relationship between catering establishments and the scientific community.

Obstacles to innovation cited by entrepreneurs were the high costs of adoption and the high risk of investment associated with uncertainty over the potential benefits of innovations in comparison with their costs. In addition, there was widespread lack of
knowledge over the use and application of existing technological innovations. The high ‘personal risk’ of being the first to try something new (the risk of losing ‘face’) and the fear of being imitated by competitors, and thereby losing any acquired advantage, were also considered barriers to innovation. The shortage of expertise and advice and the lack of government support for innovation in the restaurant sector (as revealed by long and complicated administrative processes) were also mentioned in some interviews.

The sample was insufficient to differentiate answers by category of restaurant or geographical location.

When entrepreneurs were asked about their information sources on innovation the answers were unanimous, informal contacts with friends and local businesses. Formal sources were the newspapers and some public organisations (local and regional government agencies such as the Development Institute for Andalucia (Instituto de Fomento de Andalucia), the provincial tourism promotion agency (Patronato de Turismo) and the tourism department of the regional government (Consejeria de Turismo). Only high category establishments and those located along the coast (chiringuitos de playa) used professional associations to gain information, because they had a greater proportion of establishments belonging to these associations.

In relation to the introduction of innovations in the last 10 years, all interviewees stated that they had introduced some kind of innovation. The source of finance for innovations was generally their own funds. In only a few cases, involving beach establishments (chiringuitos de playa), had public co-finance been used.

The results of the adoption of innovations were considered to be an improvement in product or service quality and an increased capacity to meet seasonal variations in demand. In very few instances was there an increase in profitability.

In relation to information technology (IT) most interviewees replied that they used it in some way. But the criteria used to define IT were very wide, ranging from the use of basic cash registers to specially tailored software. The operations carried out with IT
were general accountancy, including invoicing and cash registering in all the restaurants. It was observed that high category establishments made better use of IT, using it for a greater variety of tasks such as management, personnel and inventories. Only a few restaurants used IT as support for marketing activities, in mailing clients and profitability studies.

D: Learning and training

As in the hotel questionnaire, this part of the survey dealt with questions concerning experience, education background, training, geographical origin and employee profiles.

Most of the restaurants were family businesses managed by the owner. This person was typically over 40 years old, male, from within Andalucia (mainly from an inland municipality) and in possession of a basic education. This profile reflects the tourist boom of the 1960s and early 1970s, which drew a large number of people from interior rural municipalities to the coast.

Employment was predominantly on a fixed-term basis. In many cases work in restaurants was unregulated, being undertaken by family members and friends without contracts especially in the peak season.

Training was generally acquired within the catering sector through daily working tasks (learning by doing). It was uncommon to find people with specific catering training (although there are local public and private catering training establishments (for example, La Consula, La Hacienda, Escuela Bellamar).

Recruitment was principally through local newspaper advertisements and by word of mouth from friends. The use of employment agencies was not very widespread (private employment agencies being a relatively recent development in Spain).
E: Business associations and linkages

The aim of this part of the interview was to find out the proportion of establishments that belonged to a business association and the services received from them. Approximately 90 per cent of establishments located on the beach were members of a business association. Restaurants in the city of Málaga and in the interior of the province were much less commonly members of an association. For these restaurants there was no single association that represented their business interests. This lack of association underlined the fragmentation of the sector, leaving individual restaurants isolated in their competition with the big catering chains and franchises that were beginning to dominate the market.

Business association would appear to be a key requirement in this sector, as it can be used to gain information, provide advice and training, and to secure lower prices from suppliers through bulk purchase.

F: Sub-contracting of services

One of the aims of this question was to map some of the linkages within the sector, but as the answers were very diverse it was not possible to generalise. Nevertheless, some of the restaurant managers (nearly half of those interviewed) replied that they did sub-contract services from other businesses. Sub-contracted services were mainly supporting activities such as marketing, economic and financial advice, IT maintenance, and cleaning services. The repercussions of sub-contracting were said to be lower running-costs and an increase in the available time for core catering services and customer attention.
6.6 Conclusion

The surveys had two principal objectives. The first was to gain an understanding of the tourism business agglomeration of the Costa del Sol, the factors that contributed towards its development and the role it played in the region. The second was to illuminate the process of innovation in the tourism industry, specifically in the hotel and restaurant sectors. These two sectors were covered by separate surveys and analysed separately.

Hotels were found to be mainly independent establishments with larger establishments often being associated with higher category hotels and ones belonging to hotel chains. Within the Costa del Sol, Torremolinos (the origin of the Costa del Sol business agglomeration) was the municipality with the largest number of hotels (see Chapter 3).

The restaurant sector was characterised by a diversity of establishment types, from those specialising in traditional cooking in the interior and East Coast municipalities, to those associated with international cooking on the West Coast and an innovative mixture of the two in the city of Málaga. Overall, the majority of establishments belonged to a low category.

For both hotels and restaurant businesses factors contributing to their growth, and thus to the growth of the agglomeration, were environmental conditions, tourism potential, public promotion and the availability of skilled labour. The existence of other hotel and restaurant businesses in the area was also considered a positive factor, supporting the idea that new businesses are attracted to agglomerations of similar businesses.

The spread of tourism businesses inland could be seen as a diversification of the mass sun and sea tourism product. Inland tourism development was the result of a concerted public and private effort to promote less developed areas within the province of Málaga, a process also underpinned by changes in tourism preferences. These changes were associated with a greater interest in environmental issues, local culture and more active pursuits.
Turning to the prerequisites for innovation, neither of the sectors (hotels or restaurant businesses) displayed a relation with research centres or universities. The prerequisites for innovation were found to be factors such as a healthy business situation, the existence of transport and communication networks and a skilled workforce. In some cases it was pointed out that changes in customer preferences exerted a great influence on innovation; so too did increased competition and the existence of new technology appropriate to the hotel and restaurant sectors. Obstacles to innovation were similar in both sectors (see Table 6.2). They were the high cost and risk of investment, lack of knowledge and lack of government support.

Table 6.2: Barriers to innovation in the Hotel and Catering sectors

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>BARRIER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>- Lack of research institutes</td>
</tr>
<tr>
<td></td>
<td>- Lack of support</td>
</tr>
<tr>
<td></td>
<td>- Excessive bureaucracy</td>
</tr>
<tr>
<td>Information</td>
<td>- Lack of general information</td>
</tr>
<tr>
<td></td>
<td>- Lack of knowledge of innovations</td>
</tr>
<tr>
<td></td>
<td>- Lack of knowledge of applications</td>
</tr>
<tr>
<td>Capital</td>
<td>- Lack of capital</td>
</tr>
<tr>
<td></td>
<td>- High risk of investment</td>
</tr>
<tr>
<td></td>
<td>- High cost of adoption</td>
</tr>
<tr>
<td>Labour</td>
<td>- Lack of hotel and catering consultants</td>
</tr>
<tr>
<td></td>
<td>- Lack of skilled workers</td>
</tr>
<tr>
<td>Others</td>
<td>- Lack of networking</td>
</tr>
<tr>
<td></td>
<td>- Fear of imitation</td>
</tr>
<tr>
<td></td>
<td>- Risk aversion attitude</td>
</tr>
</tbody>
</table>
Personal and business contacts were the main source of information on innovation in family-owned businesses. From this it is possible to suggest that informal social networks, embedded in a concentration of similar businesses, are very important in learning and innovation. In this milieu business formation more readily occurs.

Financial constraints were a major barrier to the adoption of innovations in both hotel and restaurant businesses. In most cases businesses drew on their own funds to finance innovation. The outcome of introducing innovations was generally very positive, especially in relation to improvements being made in the quality of services delivered. Hotels mentioned improvements in efficiency, while restaurant businesses suggested that they were better adapted to meet seasonal variations in demand. Some of the respondents declared that they collaborated mainly with their suppliers, identifying the principal area of cooperation in the agglomeration and denoting another form of networking.

In the section of the survey dealing with learning, clear differences were found between the educational background of hotel and restaurant business managers. Hotel managers, especially those managing large hotels, frequently had a university education, while restaurant managers generally only had a basic education. In both sectors employees typically ‘learnt by doing’. The preferred learning area was the West Coast, especially Torremolinos, from where skilled labour spreads to other areas of the province. Many of the people working in both sectors had originally come from the interior. These results suggest that the agglomeration of the Costa del Sol does operate as a learning region, where learning is achieved mainly through everyday work activity.

The accommodation and restaurant sectors are both very fragmented with a large number of independent establishments. Fragmentation puts local businesses at a disadvantage compared with international competition and foreign tour-operators. It also restricts their ability to innovate. Hotels displayed a greater degree of integration than restaurant businesses. Many had integrated horizontally, using chains or associations. In contrast, restaurant businesses were still showing little integration.
(except in the case of chiringuitos de playa). Many advantages could be gained from integration, including better access to information, training, marketing and financial advice. The headquarters of multi-establishment firms (chains) and professional associations have an important role in the learning and innovation process.

The propensity to outsource different services shows the continuous creation of a strong local network around the core tourism businesses of hotels and restaurants. Such outsourcing contributes towards business diversification and new business formation. It also promotes the creation of an agglomeration in which there is greater specialisation of labour and consequently greater efficiency. This greater efficiency is expressed through better quality services and the saving of time for hotels and restaurant businesses, allowing them to concentrate on their core business.

The survey thus supports the hypothesis that the tourism business agglomeration of the Costa del Sol displays some of the characteristics of a tourism ‘learning region’ and that a continuous process of innovation contributes towards the competitiveness of the area. However, there are weaknesses in the learning fabric of the area that could be strengthened to further enhance competitiveness. The implications for public policy of these findings are developed in the concluding chapter.
CHAPTER 7: CONCLUSIONS

7.1 Introduction
This chapter presents the principal conclusions of the research set against the aims and objectives listed in Chapter 1. It starts with the discussion of issues of transferring innovation theory from tourism sector (7.2). In section 7.3 addresses the role of tourism in economic development, concluding that while this has been overwhelmingly positive it has left the province of Málaga and the Costa del Sol dependent on one industry, tourism, which is vulnerable to competition from other tourism destinations. Section 7.4 underlines the key characteristics of the Costa del Sol tourism business agglomeration and the elements that contribute to this agglomeration functioning as a tourism learning region. A closing comment is made on the concept of a tourism learning region and the differences between hotel and restaurant sectors (7.4.1). Section 7.5 concludes the discussion on the role of the Costa del Sol as a 'growth pole' and as a 'seedbed' for the growth of tourism businesses and their dispersal away from the coast. It suggests that this 'trickle-down' effect has been most noticeable over the last ten years corroborating a time-scale suggested by Richardson (1976) of some thirty years before these effects become really noticeable. Section 7.6 echoes the title of the thesis. Putting to one side an important strategic objective of diversifying the economy away from tourism dependence, the thesis returns to the key proposition that retaining competitive advantage can best be achieved through a continuous process of learning and innovation. Finally, Section 7.7 underlines the assessment of the role of the public sector in clustering, learning and innovation and points to some further public policy implications. Throughout the thesis, the focus is on the hotel and catering sectors within the tourism industry and the conclusions informed by the survey undertaken of these businesses in the late 1990s.
7.2 Transferring theory from manufacturing to tourism sector

One important philosophical stance of the thesis is the application of the concept of 'learning regions', built principally around manufacturing industry, to the service sector. There are, of course, differences between these sectors but it is the proposition of this thesis that the differences are not so great as to negate the value of the concept in the sectoral setting of tourism, and the hotel and catering industries in particular. Indeed, the argument here is that the concept is as valid in the case of tourism agglomerations as it is in manufacturing agglomerations. Looking outside the traditional boundaries of investigation, whether it be to other sectors within the economy or to other branches of subject knowledge, is a fruitful source of new and valuable insights.

Manufacturing establishments transform material inputs into products which are either distributed to other manufacturers (intermediate goods producers) or through a distribution system to consumers generally scattered over a market area. In contrast, hotel and catering businesses provide a service which is consumed at the point of sale. Material linkages are thus a more important feature of manufacturing than they are of services. Competition is also more likely to arise from outside the area of production than in the case of services. In most other respects, although the importance attached to each factor may be different, as it is between different manufacturing industries, the range of considerations is the same for manufacturing and services. Moreover, the importance of transport costs in manufacturing industry has declined as new products have emerged, produced with new production technologies and assembled/distributed through more efficient transport systems. This has resulted in increasing importance being attached to other factors such as access to skilled labour and knowledge. In fact, as in other areas of economic activity, the boundary between manufacturing and services has become increasingly blurred.

Even in the original Marshallian industrial districts, although the economic advantage of firms was partly attributed to the localisation economies resulting from transfer cost savings, firms also benefited from access to inputs such as
specialised labour, services and know-how. There were economies of specialisation and this specialisation stimulated spin-offs and entrepreneurship (Amin 2000). These latter factors are as relevant in agglomerations of tourism services as they are in manufacturing. For example, specialised skilled labour is necessary in the form of cooks, entertainers and managers. A range of support services are required and access to knowledge is essential for maintaining competitiveness. There are even material flows that need to be managed.

Although the nature of innovations is different between sectors, as it is between different activities within sectors, there are many similarities in the innovation process. Competition is a powerful driving force of innovation in all sectors. Equally, it has been shown in this thesis that co-operation can provide important cost savings for tourism businesses and that co-operation with the public sector has a valuable role to play in creating an environment in which businesses can develop and flourish. The concept of a learning region, developed in relation to manufacturing industries, is thus equally valid as a framework for viewing the competitiveness of a tourism agglomeration and for formulating public policy designed to support and enhance competitiveness.

7.3 Tourism Economic Development: An Assessment

Tourism has transformed the economy of the region from one dependent on agriculture and a small traditional manufacturing sector to one based on tourism and tourism related services. Local, national and foreign investment has been attracted, which has in turn generated a substantial volume of employment. Private investment has been accompanied by public investment, especially in infrastructure facilities. Spatially, economic growth has been concentrated along the coast, creating a dense, multi-nuclei linear urban agglomeration known as the Costa del Sol, dominated by tourism and leisure and related businesses, a magnet for people elsewhere in the province, in Spain and beyond. Residential demand has reinforced tourist demand in stimulating new business development along the coast. Within the wider region of the province of Málaga and Andalucia, tourism has acted as an ‘engine of growth’ to promote the development of what is a peripheral region of Europe, providing an illustration of the potential of tourism development in other peripheral regions of Europe.
The extensive literature on the role of tourism in economic development cautions about the weaknesses that are frequently associated with it. Some weaknesses have been identified in the Spanish tourism development model: notably a lack of planning in resort development and dependence on foreign tour operators. Nevertheless, it has been argued here that many of the weaknesses attributed to tourism development have not been applicable to this region. Although some of the multiplier effects of tourism investment have inevitably leaked out of the region, sufficient has remained to create a large business agglomeration. Furthermore, although tourism has not been immune to business cycles, it has been more resilient than many other business sectors, displaying an almost unbroken pattern of growth from the late 1950s.

Despite this overall positive assessment, the industry is vulnerable to competition from existing and emerging tourism regions and, because the region is highly dependent on tourism, the regional economy is vulnerable to any loss in the competitiveness of local tourism businesses. Glocalisation is creating much stronger global competition between local tourism clusters as markets draw closer and competitors can more easily identify and imitate the advantages of others. In this climate it is crucial to seek new sources of competitive advantage.

7.4 The Costa del Sol Tourism Agglomeration

The Costa del Sol comprises a wide range of tourism, leisure, and tourism and leisure related businesses. Some of these businesses belong to national and international groups (for example, Sol Melia, McDonalds and Telepizza) but the majority of businesses are small, family owned enterprises. The former have access to national and international information fields from which learning and innovation can occur. The latter are more dependent on local information flows.

This research has shown that word-of-mouth and business associations are especially important for small businesses in the hotel and catering sectors. Business associations occupy a key position in the development of hotel and catering businesses in the Costa del Sol, providing a social network in which information flows support learning and
innovation. The survey showed that business associations are used by hotel and catering businesses as a source of information, training for employees, promotion and marketing, and in some cases as a source of finance. Business associations strengthen the network of entrepreneurs creating economies through association. They also contribute towards the efficient use of available resources. However, beyond business associations there was relatively little evidence of other forms of business co-operation or of significant benefits having been derived from public sector education, research and training bodies.

The circumstances that contribute towards learning and innovation in the area are diverse and some are exogenous, such as changes in consumer preferences and increased competition. But the process of clustering, the dense network of linkages and local competition also stimulate learning and innovation. The process of out-sourcing enables greater specialisation of labour within the cluster, providing economies of scale in a range of activities from laundry to financial services. These elements of competition, economies of scale and scope may be the more important sources of advantage within the agglomeration and drivers of innovation than the features of co-operation and access to public sector research bodies that have been attributed to learning regions.

Apart from the existence of one or two small hotel and catering institutes and tourism schools there has not until recently been any major tourism research institute in the region. Hence, it is not surprising that there was no evidence to suggest that the existence now of such a facility has contributed to learning and innovation in the hotel and catering sectors. Furthermore, although academic qualifications have become much more important in gaining access to senior positions in large tourism businesses, work experience remains essential in securing these positions.

Within the agglomeration, the small size of many businesses is often a barrier to the introduction of innovation, for example in information technology, especially because of perceived risk and limited access to finance. Critically, small size inhibits the raising of finance. Innovations that occur are often small in scale and almost invisible in the
daily work-place tasks. They accumulate slowly through time without disrupting linkages within the hotel and restaurant sectors. Loosening the bottlenecks faced by small businesses to innovation requires close examination by the public authorities.

7.4.1 Differences between hotel and restaurant sectors
Hotels and restaurants have been dealt with in this thesis as two separate sectors. In other studies they are frequently amalgamated into one, the Hotel and Catering sector, because hotels normally offer catering facilities and thus combine the two activities in one establishment. However, these two sectors have been shown to have some quite distinct characteristics (sections 3.4 to 3.7) that affect the form of competition they face and the type of innovative response made to raise competitiveness.

Firstly, in structural terms, hotels in the Costa del Sol are on average significantly larger businesses than restaurants, have higher start-up costs and fixed costs than restaurants. Secondly, the capital in hotels more often arises from outside the region. Thirdly, hotels are skewed towards medium and high quality establishments, while restaurants are in the majority of cases lower category establishments offering limited facilities. Fourthly, the linkage pattern of the two sectors is different. Fifthly, hotel establishments are more often integrated horizontally into chains in contrast to the individual family business typical of the restaurant sector. Sixthly, hotel managers more often have a higher level of training than restaurant managers. Seventhly, hotels are much more commonly members of professional associations than restaurants. Finally, the demand for hotel accommodation arises essentially from outside the local area. It is a more purely tourism activity. In contrast, demand for restaurant services is much more of a mixture of local or 'leisure' demand as well as non-local 'tourism' demand.

The result of these contrasts between the two sectors is that the nature of competition, the response to competition and the types of innovation are different between the two sectors. For example, hotel businesses more frequently face competition from outside the region, while for restaurants competition is essentially local. This, and the larger
size of hotels, may explain why hotels are more frequently members of business associations. In terms of constraints on competition, because hotel businesses are on average larger and more often belong to chains, they face less capital constraints (at least for small innovations). The fact that they more often belong to chains also means that for hotels learning and innovation, and linkage more generally, is more likely to extend beyond the region. The hotel business system is a less of a closed local system than that for restaurants. Despite these differences, both hotels and restaurants are labour intensive businesses that require careful control over labour costs to ensure competitiveness.

7.5 The Costa del Sol: A growth pole and seedbed for tourism businesses

It is suggested then that the Costa del Sol has operated as a growth pole within a peripheral region, and as a seedbed or nursery for the growth of tourism businesses and their dispersal into the interior of the province. During the 1990s the number of tourism businesses in the interior multiplied. In the past rural businesses were often financed by remittances from local people working abroad. Return migrants later contributing to the running of these businesses. More recently, some local businesses have been financed by money earned along the Costa del Sol and sometimes staffed and managed by people with experience gained from working along the Costa del Sol. In addition, the phenomenon of second-home development has recently spread away from the coast into the interior. The timing of these developments appears to conform to that predicted by Richardson in his assessment of the development potential of growth poles (Richardson 1976). In some cases the timing may be associated with life-cycle changes, e.g. young people moving to the coast to gain employment and acquire access to social amenities, then returning in later life to their places of birth. More generally, however, it can be attributed to the accumulation of development potential along the coast bursting outwards, aided by substantial improvements in infrastructure.

The phenomenon outlined above has implications for similar peripheral regions in Europe in that major tourism agglomerations can eventually promote more widespread development. The region of Andalucia is on the geographical periphery of both Europe and Spain. Its development, or more precisely the low per capita income of the region,
also owes something to the structure of economic and political power in Spain. Hence, in terms of geography, economy and power relations the region has been peripheral. However, the nature of peripherality has been altered by the decentralisation of political power in Spain and improvements in physical communications and information technology. Within the region the Costa del Sol, while arguably remaining on the periphery of political power relations, contains some of the most affluent municipalities in Spain and some of the wealthiest residents in the world.

7.6 Tourism and Economic Development: Retaining Competitive Advantage through Clustering, Learning and Innovation in the Costa del Sol

The key proposition in this thesis is that retaining competitive advantage can best be achieved through a continuous process of learning and innovation. Initially the Costa del Sol gained its advantage through natural endowments coupled to low prices and accessibility. These advantages have been diminished by the emergence of new tourism destinations and rising local prices. In addition the original model of tourism demand, based on 'package' sun and sand holidays around which the agglomeration developed, has been undermined by changes in patterns of demand. In this context, the traditional model of tourism development in the area must change if the Costa del Sol is to retain its competitive advantage.

Learning and innovation are by definition prerequisites for change. Thus retaining competitive advantage can best be achieved through a continuous process of learning and innovation. The thesis has demonstrated that the clustering of tourism businesses provides a milieu which is favourable to learning and innovation and in which new business development can occur. On balance, competition is probably a more powerful driver of learning and innovation than co-operation. But there is scope for co-operation both to overcome some of the bottlenecks to development, especially among small businesses, and to ensure a form of sustainable development.
7.7 Public Policy Implications

The Costa del Sol has developed primarily through private initiative. But as the region confronts the international competitive challenges of the new century the public sector has a crucial role to play in maintaining competitiveness. Primarily, the public sector has a direct responsibility for the environmental sustainability of tourism development and an appropriate business environment for private sector investment. The former involves substantial investment in physical infrastructure: in water supply and sewerage, power supply, transport, the protection and enhancement of cultural facilities, security, and improvements in the efficiency of land-use planning and development control.

Beyond improvements to the physical infrastructure, the role of the public sector lies in promoting an attractive business environment and strengthening learning and innovation. The public sector can be a facilitator of private sector initiatives, providing lines of finance, especially for small businesses, and a regulatory environment supportive of business development. There is too a role for research and development in public institutions in the region. The range of initiatives includes providing business courses tailored to the tourism sector, developing management techniques directed at the tourism sector, monitoring the impact of tourism activities and identifying strategic opportunities for tourism development.

The strategic role of the public sector revolves around identifying and undertaking development initiatives. In these activities local, regional and national government actions are now backed by European initiatives in tourism policy and in Structural Funding through the European Regional Development Policy (in which Andalucia is designated as an Objective 1 region), through the ‘Guidance’ section of the Agriculture Guidance and Guarantee Fund and through Social Fund measures. Rural tourism initiatives are specifically supported through individual programmes such as ‘Leader’, which are helping to spread tourism development away from the Costa del Sol. Thus the public sector has the capacity to learn from international experience, to identify innovation in tourism development and to implement development with domestic and European funds.
Spain has been a laboratory for the development of public policy in tourism. Policy has evolved from direct intervention in the industry in the 1960s to more liberal policies in which the public sector is concerned primarily with public infrastructure provision and enforcing the regulatory environment. In recent years Spain has also been an innovator in developing public institutions, research and policies oriented specifically at the tourism sector from which other peripheral regions in Europe can learn.

The Costa del Sol emerged as a spontaneous development, driven by market forces, which initially was blind to the natural environment and disrupted the traditional economy. Following close to fifty years of almost continuous development the agglomeration has been transformed into an 'engine of growth' for the regional economy, with the public sector exercising a much stronger control over its physical development and introducing a much needed element of environmental sustainability. The future sustainability of tourism development in the region will owe much to the continued actions of the public sector in infrastructure provision, land-use control, and the promotion of the Costa del Sol as a dynamic tourism learning region.
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APPENDIX A: Key Informants

Key informants were chosen from a list of actors within the tourism industry in the south of Spain. Some were researchers or academics, others held public office and many were entrepreneurs in the industry.

Juaquin Aurioles: Director of Tourism Policy in Andalucia (Director General de Politica Turística, Consejería de Turismo y Deporte, Junta de Andalucia).

Antonio Flores Sentí: The person in charge of the European Training Programme (Responsible del Programa de Formación Europeo, FORCEM).

Rafael Fuentes: Director of the provincial development agency (Sociedad de Promoción y Desarrollo, SOPDE, Diputación Provincial de Málaga).

Vicente Granados Cabezas: Tourism and regional development specialist at the University of Málaga.

Purificación Luque Pascual: Provincial representative of the regional government with responsibility for tourism activities (Registro de Actividades Turísticas, Delegación de Turismo de la Junta de Andalucia en Málaga).

Manuel Marchena: Professor of Tourism at the University of Seville.

Jose María Otero: Project director at the regional Tourism Statistics Research Institute (Sistema de Análisis y Estadística de Turismo en Andalucia, SAETA).

Inmaculada Martín Rojo: Tourism economist at the University of Málaga.

Francisco Mena: Deputy-chairman of the Costa del Sol Hotel Industry Association (vicepresidente de la Asociación de Empresarios Hoteleros de la Costa del Sol, AEHCOS).
Miguel Orellana: Provincial representative of the regional government department for investment and incentives in tourism (Subdirección para Inversiones e Incentivos, Delegación de Turismo de la Junta de Andalucía en Málaga).

Rafael Pardos: Chairman of the provincial Hotel Industry Association (Presidente de la Asociación de Empresarios Hosteleros de Málaga, AEHMA).

Manuel Villafaina: Chairman of the Beach Establishments Association and director of the Hotel School Bellamar (Presidente de la Asociación de Establecimientos de Playa y Director del Hotel Escuela Bellamar).
APPENDIX B: Hotel Questionnaire in Spanish

A.-IDENTIFICACION:

1. Nombre del Hotel: ____________________________

2. Categoría (en estrellas): _______________________

3. Empresa: a) Independiente, b) Perteneciente a Cadena Hotelera, c) Franquicia, d) Otra forma de interdependencia: ___________________________

4. Municipio: ________________________________

5. Persona a quien dirigirse, para consultas o aclaraciones sobre el cuestionario: ___________________________

   Sr./Sra.:

   Cargo en el establecimiento: ___________________________

   Teléfono: ___________________________

   Málaga, a ___ de _______ 1998.

B.-LOCALIZACION: Indique la importancia de los siguientes factores para la elección de la localización del establecimiento. Puntuélos de 1 (menor importancia) a 10 (mayor importancia):

1. Proximidad a aeropuerto, puerto, estación de tren, conexión por carretera, etc. ___

2. Frecuencia o calidad de medios de transporte. ___

3. Existencia de abundante oferta de alojamientos en la misma zona. ___

4. Equipamiento cultural y de ocio: monumentos históricos, folklore, teatros, instalaciones deportivas, etc. ___

5. Condiciones naturales existentes: situación geográfica, climatología, calidad playas, parques naturales, etc. ___

6. Potencial de zona turística. ___

7. Buena promoción de la imagen de destino. ___

8. Proximidad de proveedores. ___

9. Trabajadores locales con la oportuna experiencia o formación. ___

10. Reducidos costes de inversión. ___

11. Disponibilidad de capital propio. ___

12. Facilidades públicas para financiación. ___

13. Régimen fiscal y legislación en vigor. ___

14. Bajos costes laborales. ___

15. Expectativas favorables de evolución de la demanda. ___

16. Presencia de consumidores potenciales. ___

17. Estabilidad social y política. ___

18. Situación económica regional. ___

19. Carácter y mentalidad de los habitantes. ___

20. Otros factores relevantes. ___________________________

C.-INNOVACION:

C.1.-ESTIMULOS: Indique la influencia que considera tienen los siguientes factores como impulsores del proceso de introducción innovaciones tanto de productos como de procesos en su establecimiento puntuándolos de 1 (menor importancia) a 10 (mayor importancia):

1. Proximidad geográfica a un centro universitario, parque tecnológico, centros específicos de investigación, etc. (UMA, PTA). ___

2. Disponibilidad de ayudas económicas o becas a la investigación o desarrollo de proyectos (IFA). ___

3. Buena red de comunicaciones (transportes y telecomunicaciones). ___

4. Existencia de trabajadores con especificas cualidades técnicas o posibilidad de cursos de formación (INEM). ___

5. Buena coyuntura económica con positivas expectativas de ganancias. ___

6. Aparición de nuevas tecnologías de aplicaciones concretas en el sector. ___

7. Cambios en las preferencias de la demanda. ___

8. Aumento de la competencia en el sector. ___

9. Otro: ___________________________
C.2.-BARRERAS: Indique cuáles de los siguientes son los obstáculos más frecuentes y difíciles de superar al hora de incorporar innovaciones en su establecimiento. Para ello puntúeles de 1 (menor importancia) a 10 (mayor importancia):

1. Falta de posibilidades de cooperación con otras empresas similares. ____ 8. Falta de consultores expertos en el sector. ____
2. Falta de información y promoción sobre investigación o programas técnicos. ____ 9. Burocracia ("papeleo" y costes administrativos). ____
3. Escasez de infraestructuras de soporte (centros de investigación e infraestructuras de comunicaciones). ____ 10. Miedo a la imitación o el riesgo asociado a ser "el primero en innovar". ____
4. Falta de personal cualificado. ____ 11. Falta de conocimiento sobre el uso y aplicaciones de innovaciones tecnológicas. ____
5. Alto riesgo de inversión de capital y pocas expectativas de retorno. ____ 12. Otros: ____________________________
6. Insuficiente apoyo gubernamental. ____
7. Altos costes de adopción. ____

C.3.-FUENTES DE INFORMACIÓN: ¿Cuáles son las que utiliza? Marque con una X las más utilizadas.

1. Amigos o contactos con empresas locales. ____ 5. Centros de formación para empresarios. ____
2. Consultorías de expertos. ____ 6. Centros universitarios o de investigación. ____
3. Revistas especializadas del sector. ____ 7. Confederaciones o asociaciones empresariales. ____
4. Instituciones públicas: IFA, Patronato de Turismo, Conserjería de la Junta, etc. ____ 8. Proveedores. ____

C.4.-INNOVACIONES TECNOLÓGICAS ADOPTADAS: Marque la respuesta más adecuada con una X. ¿añadida al final de la pregunta si ésta no se encuentra entre las opciones.

1. ¿Ha realizado alguna en los últimos diez años? S/N (Si la respuesta es negativa pase a la pregunta 6 de este apartado).
2. ¿Cómo la ha financiado?
   • fondos propios____
   • fuentes externas (crédito, préstamo, leasing, etc.)____
   • co-financiación pública____
   • otro: ____________________________
3. ¿Qué resultado ha apreciado desde su aplicación?
   • mejora en la calidad del producto ofreciendo____
   • mejora de beneficios____
   • mejor acoplamiento a la estacionalidad de la demanda____
   • aumento de la eficiencia____
   • otro____

4. ¿Ha colaborado con otras instituciones para la adopción o desarrollo de dicha innovación? S/N.
5. En caso afirmativo, indique cuál:
   • otra empresa del mismo grupo____
   • clientes____
   • proveedores____
   • competidores____
   • empresas conjuntas (joint ventures)____
   • expertos y firmas consultoras____
   • asociaciones de investigación____
   • organismos públicos de investigación____
   • universidades____
   • otros: ____________________________
6. ¿Utiliza medios informáticos para la gestión del establecimiento? S/N (Si la respuesta es negativa pase al siguiente apartado: D).
7. ¿Para que funciones concretas? Marque con una X de entre las siguientes:
   • Contabilidad general. ____
   • Facturación (check-in de llegadas de clientes, apertura de ficha, check-out de salida de clientes, facturación caja, etc.)____
   • Gestión de personal. ____
   • Inventario y gestión de stocks (inventario de economato y bodega, recapitulación de productos, reservas y planificación, asignación de habitaciones, etc.)____
   • Existencia de bienes muebles (lencería y otros). ____
   • Estudios de rentabilidad o de posibilidades de inversión (auditorías estadísticas a clientes, análisis de costes de distintos departamentos, estudios de rendimientos totales y sectoriales, cuadros de frecuencias y ocupaciones, otros.)____
   • Mailing de clientes para correspondencia y relaciones públicas. ____
   • Otros: ____________________________
D.-APRENDIZAJE Y FORMACIÓN DEL DIRECTOR O PROPIETARIO: Marque la respuesta más adecuada con una X ó añádala al final de la pregunta si ésta no se encuentra entre las opciones.

1. Edad:
   - Menos de 30 años
   - 31-40 años
   - 41-50 años
   - 51-60 años
   - Más de 61 años

2. Sexo:
   - H
   - M

3. ¿Cuántos años lleva desarrollando su actividad actual?

4. Nivel de formación:
   - Básica
   - Media
   - Superior o universitaria

5. Experiencia laboral previa:
   - Otros sectores donde ha trabajado
   - Area geográfica (Municipio)

E.-ASOCIACIONES Y ACUERDOS: Marque la respuesta más adecuada con una X ó añádala al final de la pregunta si ésta no se encuentra entre las opciones.

1. ¿Pertenece a algún otro tipo de asociación empresarial? S/N (En caso negativo pase al siguiente, al siguiente apartado: F).

2. ¿Qué tipo de servicios recibe de ellas?:
   - de información y asesoramiento
   - financieros
   - técnicos
   - laborales
   - económicos
   - de promoción y marketing
   - otros:

3. ¿Qué otro tipo de servicios le gustaría recibir?

F.-EXTERNALIZACIÓN DE SERVICIOS: Marque la respuesta más adecuada con una X ó añádala al final de la pregunta si ésta no se encuentra entre las opciones.

1. ¿Subcontrata a otra empresa para la realización de alguna actividad que realizaba con anterioridad en el mismo establecimiento? S/N (En caso negativo pase al último apartado: G).

2. ¿Cuál?:
   - comida precocinada
   - limpieza y mantenimiento del menaje
   - publicidad y marketing
   - mantenimiento de sistemas informáticos
   - limpieza del establecimiento
   - otras:

3. ¿Cuál ha sido el objetivo principal?:
   - aumento en la calidad del servicio ofrecido
   - disminución de los costes
   - posibilidad de dedicación a otras tareas del establecimiento
   - otro:

G.-OBSERVACIONES:
Indique las observaciones que considere oportunas referentes a las cuestiones anteriores:

GRACIAS POR SU COLABORACION.
Atención Sr. Director del Establecimiento

Estimado señor o señora:

Me dirijo a ud. para solicitarle su colaboración en la Tesis Doctoral sobre el Sector de la Hostelería que estoy desarrollando en la Universidad de London-Luton, y en coordinación con la Universidad de Málaga y Granada,

Es por ello que sea de gran utilidad la cumplimentación del cuestionario (en mayúsculas) que adjunto le envío. Ruego me sea remitido a la siguiente dirección en un plazo de 20 días:

Ana Martín Fernández
Estudios Econometricos SL
C/ Fresca, Nº 2 Atico.
29015 Málaga

Los objetivos del cuestionario son la verificación de que la aglomeración empresarial (no en el sentido de saturación, sino de localización próxima) puede conducir a una mayor eficiencia del conjunto empresarial, y a conocer los factores que influyen en la creación y adopción de innovaciones tecnológicas en el sector.

Por el carácter doctoral de dicha investigación se le asegura el completo anonimato de respuesta así como la explotación conjunta de los datos.

Agradeciéndole de antemano su apreciada colaboración y quedando a su disposición, se despide atentamente,

Ana Martín Fernández
Economista
Candidata a PhD
APPENDIX D: Restaurant questionnaire (Spanish)

A.-IDENTIFICACION:

1. Nombre del Establecimiento: ______________________________

2. Categoría: _______ tenedores ó _______ tazas (indique el número en el espacio que le corresponda).

3. Empresa: a) Independiente (familiar), b) Perteneciente a Cadena, c) Franquicia, d) Otra forma de dependencia:

4. Especialidad:

5. Municipio:

6. Persona a quien dirigirse, para consultas o aclaraciones sobre el cuestionario: Sr./ Sra.:

   Cargo en el establecimiento:

   Teléfono:

   Málaga, a _____ de ______ de 1998.

B.-LOCALIZACION: Indique la importancia de los siguientes factores para la elección de la localización del establecimiento. Puntúeles de 1 (menor importancia) a 10 (mayor importancia):

1. Proximidad a aeropuerto, puerto, estación de tren, conexión por carretera, etc. ______

2. Frecuencia o calidad de medios de transporte. ______

3. Existencia de abundante oferta de restaurantes y cafeterías en la misma zona. ______

4. Equipamiento cultural y de ocio: monumentos históricos, folklore, teatros, instalaciones deportivas, etc. ______

5. Condiciones naturales existentes: situación geográfica, climatología, calidad playas, parques naturales, etc. ______

6. Potencial de zona turística. ______

7. Buena promoción de la imagen de destino. ______

8. Proximidad de proveedores. ______

9. Trabajadores locales con la oportuna experiencia o formación. ______

10. Reducidos costes de inversión. ______

11. Disponibilidad de capital propio. ______

12. Facilidades públicas para financiación. ______

13. Régimen fiscal y legislación en vigor. ______

14. Bajos costes laborales. ______

15. Expectativas favorables de evolución de la demanda. ______

16. Presencia de consumidores potenciales. ______

17. Estabilidad social y política. ______

18. Situación económica regional. ______

19. Carácter y mentalidad de los habitantes. ______

20. Otros factores relevantes ______

C.-INNOVACION:

C.1.-ESTIMULOS: Indique la influencia que considera tienen los siguientes factores como impulsores del proceso de introducción de innovaciones en su establecimiento puntuándolos de 1 (menor importancia) a 10 (mayor importancia):

1. Proximidad geográfica a un centro universitario, parque tecnológico, centros específicos de investigación, etc. (UMA, PTA). ______

2. Disponibilidad de ayudas económicas o becas a la investigación o desarrollo de proyectos (IFA). ______

3. Buena red de comunicaciones (transportes y telecomunicaciones). ______

4. Existencia de trabajadores con especificas cualidades técnicas o posibilidad de cursos de formación (INEM). ______

5. Buena coyuntura económica con positivas expectativas de ganancias. ______

6. Aparición de nuevas tecnologías en la industria hostelera. ______

7. Cambios en las preferencias de los clientes. ______

8. Aumento de la competencia en el sector. ______

9. Otro: ______
C.2.-BARRERAS: Indique cuáles de los siguientes son los obstáculos más frecuentes y difíciles de superar a la hora de incorporar innovaciones técnicas en su establecimiento. Para ello puntúe de 1 (menor importancia) a 10 (mayor importancia):

1. Falta de posibilidades de cooperación con otras empresas similares.____
2. Falta de información y promoción sobre investigación o programas técnicos.____
3. Escasez de infraestructuras de soporte (centros de investigación e infraestructuras de comunicaciones).____
4. Falta de personal cualificado.____
5. Alto riesgo de inversión de capital y pocas expectativas de retorno.____
6. Insuficiente apoyo gubernamental.____
7. Altos costes de instalación.____
8. Falta de consultores expertos en el sector.____
9. Burocracia ("papeleo" y costes administrativos).____
10. Miedo a la imitación o el riesgo asociado a ser "el primero en innovar".____
11. Falta de conocimiento sobre el uso y aplicaciones de innovaciones tecnológicas.____
12. Riesgo personal.____
13. Otros:________________

C.3.-FUENTES DE INFORMACION: ¿Cuáles son las que utiliza? Marque con una X las más utilizadas.

1. Amigos o contactos con empresas locales.____
2. Consultorías de expertos.____
3. Revistas especializadas del sector.____
4. Prensa general.____
5. Instituciones públicas: IFA, Patronato de Turismo, Conserjería de la Junta, etc.____
6. Centros de formación para empresarios.____
7. Centros universitarios o de investigación.____
8. Confederaciones o asociaciones empresariales.____
9. Proveedores.____
10. Otros:________________

C.4.-INNOVACIONES TECNOLOGICAS ADOPTADAS: Marque la respuesta más adecuada con una X y añádala al final de la pregunta si ésta no se encuentra entre las opciones.

1. ¿Ha introducido alguna en los últimos diez años? S/N (Si la respuesta es negativa pase a la pregunta 6 de este apartado).
2. ¿Cómo la ha financiado?:
   - fondos propios____
   - fuentes externas (crédito, préstamo, leasing, etc.)____
   - co-financiación pública y privada____
   - otro:________________
3. ¿Qué resultado ha apreciado desde su aplicación?:
   - mejora en la calidad del producto ofreciendo____
   - mejora de beneficios____
   - mejor adaptación a la demanda____
   - aumento de la eficiencia____
   - otro:________________
4. ¿Ha colaborado con otras instituciones públicas o privadas para la adopción o desarrollo de dicha innovación? S/N.
5. En caso afirmativo, marque con una X la que corresponda:
   - otro restaurante o cafetería____
   - clientes____
   - proveedores____
   - competidores____
   - empresas conjuntas (joint ventures)____
   - expertos y firmas consultoras____
   - asociaciones____
   - organismos públicos de investigación____
   - universidades____
   - otros:________________
6. ¿Utiliza medios informáticos para la gestión del establecimiento? S/N (Si la respuesta es negativa pase al siguiente apartado: D).
7. ¿Para que funciones concretas? Marque con una X de entre las siguientes:
   - Contabilidad general.____
   - Facturación y caja.____
   - Gestión de personal.____
   - Inventario y gestión de stocks (economato y bodega)____
   - Existencia de bienes muebles (lencería y otros)____
   - Estudios de rentabilidad o de posibilidades de inversión.____
   - Mailing de clientes para correspondencia y relaciones públicas.____
   - Otros:________________
D.-APRENDIZAJE Y FORMACIÓN LABORAL: Marque la respuesta más adecuada con una X o añádale al final de la pregunta si ésta no se encuentra entre las opciones.

1. Edad del propietario/a:
   - Menos de 30 años
   - 31-40 años
   - 41-50 años
   - 51-60 años
   - Más de 61 años

2. Sexo:
   - H
   - M

3. ¿Cuántos años lleva desarrollando su actividad actual?

4. Nivel de formación:
   - Básica
   - Media
   - Superior o universitaria

5. Experiencia laboral previa:
   - Otros sectores donde ha trabajado
   - Area geográfica (Municipio)

6. ¿Ayuda esporádicamente algún miembro de la familia en el establecimiento? S/N.


8. ¿Realiza contrataciones temporales? S/N

E.-ASOCIACIONES Y ACUERDOS: Marque la respuesta más adecuada con una X o añádale al final de la pregunta si ésta no se encuentra entre las opciones.

1. ¿Considera útil la labor que desarrollan las asociaciones empresariales? S/N.

2. ¿Pertenece a algún tipo de asociación empresarial? S/N (En caso negativo pase al siguiente apartado: F).

3. ¿Qué tipo de servicios recibe de ellas?:
   - de información y asesoramiento
   - financieros
   - técnicos
   - laborales
   - gestión administrativa (permisos, concesiones, etc.)
   - económicos
   - de promoción y marketing
   - otros:

4. ¿Qué otro tipo de servicios le gustaría recibir?

F.-EXTERNALIZACION DE SERVICIOS: Marque la respuesta más adecuada con una X o añádale al final de la pregunta si ésta no se encuentra entre las opciones.

1. ¿Subcontrata a otra empresa para la realización de alguna actividad que realizaba con anterioridad en el mismo establecimiento? S/N (En caso negativo pase al último apartado: G).

2. ¿Cuál?:
   - comida precocinada
   - limpieza y mantenimiento del menaje
   - publicidad y marketing
   - mantenimiento de sistemas informáticos
   - limpieza del establecimiento
   - otras:

3. ¿Cuál ha sido el objetivo principal?:
   - aumento en la calidad del servicio ofrecido
   - disminución de los costes
   - posibilidad de dedicación a otras tareas propias del negocio (mayor especialización)
   - otro:

G.-OBSERVACIONES:
Indique las observaciones que considere oportunas referentes a las cuestiones anteriores:

GRACIAS POR SU COLABORACIÓN.
A la atención de Sr. Propietario/a.

Estimado señor o señora:

Me dirijo a Ud. para solicitarle su colaboración en la Tesis Doctoral sobre el Sector de la Hostelería que estoy desarrollando en la Universidad de Londres-Luton, y en coordinación con la Universidad de Málaga y Granada.

Es por ello que sería de gran utilidad la cumplimentación del cuestionario (en mayúsculas) que adjunto le envío. Ruego me sea remitido en un plazo de 20 días dentro del sobre que se incluye.

Los objetivos del cuestionario son la verificación de que la aglomeración empresarial (no en el sentido de saturación, sino de localización próxima) puede conducir a una mayor eficiencia del conjunto empresarial, y a conocer los factores que influyen en la creación y adopción de innovaciones tecnológicas en el sector.

Por el carácter doctoral de dicha investigación se le asegura el completo anonimato de respuesta así como la explotación conjunta de los datos.

Agradeciendo de antemano su apreciada colaboración y quedando a su disposición, se desplide atentamente,

Ana Martín Fernández
Economista
Candidata a PhD
APPENDIX F: List of Hotels that answered the questionnaire

Kristal
Apartamentos Pyr-Marbella
Sol Príncipe
Riu Belpayra
Torremolinos Beach Club
Villasol
Las Pirámides
Riu Mónica
Parador de Turismo de Nerja
Angela
Elimar
Nerja Club
Santa Marta
Amaragua
Los Naranjos
Plaza Cavana
El Pinar
El Puerto
Las Palmeras
Don Carlos
Puerto Benalmádena
Palmasol
Los Monteros
Guadalpin
Diana Park
Pueblo Camino Real
Acuarium
Don Paco
Las Vegas
Rincón Sol
Puente Romano
El Tiburón
Florida
Carihuela Park-Palace
Bali
Tryp Guadalmar
Málaga Palacio
Meliá Costa del Sol
Sol Elite Aloha Puerto
Parador de Turismo de Ronda
Pez Espada
Tropicana
Sol Elite Don Paco
El Paraiso
Don Paco
APPENDIX G: List of restaurants.

El Boqueron de Plata
La Sal
El Jardin
El Trasiego
Café Gibralfaro
Málaga Siempre
El Chinitas
La Taberna
Rocinante
El Trillo
Moreno
Los Marines
El Mesón de Pepe
Saborea
Aqui te espero
Playa Victoria
El Paseo
La Cristaleria
Bar Romano
Los Morenos
Nuevo Ventorrillo
Eugenio
El Tapetito
Hamburgueseria Yogui
Pizzeria La Romática
La Galeria
El Boticario
Los Meknes
El Varadero
La Banda
Los Flores
Los Campanillas
Las Palomas
La Trastienda
La Alegria
López
Miramar
El Marqués
El Molino de la Torre
La Escalera
La Boveda
The Red Lion
Bodega EL Paso
Molino de la Cruz
El Dorado
Pueblo Blanco
Sultán Park
Irish Time
Paco
Taj Mahal
El Ancla
The Fiesta
Cristales
The Golden Curry
The Office Bar
El Jardín Español
El Cordoés
El Trillo
Morgan
Juan
La Brasa
El Candil
El Varadero
Berrocal
Cortijo Real
Jose Luis El Segoviano
Los Cuatro Vientos
Mama Luchia
La Ventilla
Los Candiles
Los Morenos
Casa Paco
APPENDIX H: Questionaire results

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| <30 H 3 U | TURISMO, RESTAURACION/INGLATERRA |
| 51-60 H 12 M | INMOBILIARIO/NERJA |
| 51-60 H 37 U | HOTELERA |
| 41-50 H 10 M | HOSTELERIA/COSTA DEL SOL |
| 31-40 H 9 U | BARCELONA |
| 41-50 H 30 U | HOSTELERIA/ PALMA DE MAYORCA |
| 51-60 H 25 U | HOSTELERIA/MARRUECOS |
| 51-60 H 25 U | CONSTRUCCION |
| >61 H 20 U | OTROS HOTELES |
| 31-40 H 10 U | AGENCIA DE VIAJES/ MALAGA Y PROVINCIA |
| 51-60 H 20 U | AMERICA |
| 51-60 H 30 U | EL MISMO SECTOR/ TORREMOLINOS |
| >61 H 32 U | AYUNTAMIENTO |
| 51-60 H 30 U | VARIAS |
| 41-50 H 25 U | HOSTELERIA/ MARRUECOS |
| 31-40 H 13 U | HOSTELERIA |
| <30 H 2 U | HOSTELERIA/BARCELONA |
| 51-60 H >30 U | HOSTELERIA |
| 41-50 H 15 U | AGENCIA DE VIAJES/ MADRID Y COSTA DEL SOL |
| 41-50 H 10 U | SERVICIOS/ALMERIA Y HUELVA |
| 41-50 H 18 M | COSTA DEL SOL/ ALMERIA |
| 41-50 H 27 M |  |
| 41-50 M 18 M |  |
| 41-50 H 26 U |  |
| 31-40 H 6 M |  |

195
INFORMACION TECNICA, EVOLUCION DE LA ACTIVIDAD, R
ASESORIA DE GESTION

PROMOCION Y MARKETING
PROMOCION Y MARKETING, FINANCIERO

MAS INFORMACION GENERAL

ACTUALIDAD
APPENDIX I: Questionnaire results in graphs

LOCATION FACTORS

TOTAL VALUES

FACTORS

LOCATION FACTORS

AVERAGE VALUES

FACTORS

LOCATION FACTORS

MODAL VALUES

FACTORS

198
LOCATION FACTORS (FIVE-STAR)

LOCATION FACTORS (FIVE-STAR)

LOCATION FACTORS (FOUR-STAR)
INNOVATION BARRIERS (CITY OF MALAGA)

INNOVATION BARRIERS (EAST COAST)

INNOVATION BARRIERS (WEST COAST)
PERCENTAGE OF ESTABLISHMENTS INNOVATION ADOPTION

4.77%
95.23%

INNOVATION ADOPTION FUNDING

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INNOVATION RESULTS

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<td>84.61%</td>
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<td>B</td>
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<td>28.20%</td>
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<td>71.79%</td>
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PERCENTAGE OF ESTABLISHMENTS COLLABORATING TO INNOVATE

COLLABORATION ORGANISATION

INFORMATION TECHNOLOGY USED
INFORMATION TECHNOLOGY USE

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<th>TYPE OF FUNCTION</th>
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<td>GP</td>
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<tr>
<td>I</td>
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<tr>
<td>E</td>
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<tr>
<td>ES</td>
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PERCENTAGE OF ESTABLISHMENTS OUTSOURCING SERVICES

- Y: 45%
- N: 55%

OUTSOURCING MOTIVATION

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<th>TYPE OF MOTIVATION</th>
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<tr>
<td>C</td>
<td>57.89%</td>
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<tr>
<td>CO</td>
<td>73.68%</td>
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<tr>
<td>T</td>
<td>31.57%</td>
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TYPES OF OUTSOURCED SERVICES

PERCENTAGE OF ESTABLISHMENT MEMBERS OF BUSINESS ASSOCIATION

PRIVATE BUSINESS ASSOCIATION SERVICES

211
PERCENTAGE OF ESTABLISHMENTS BY OWNER AGE

- 12.50%
- 12.50%
- 25%
- 20%
- 30%

<30 YEARS □ 31-40 YEARS □ 41-50 YEARS □ 51-60 YEARS □ >61 YEARS

PERCENTAGE OF ESTABLISHMENTS BY OWNER/ MANAGER SEX

- 9.30%
- 90.70%

MAN □ WOMAN
PERCENTAGE OF ESTABLISHMENTS BY PREVIOUS WORKING EXPERIENCE

- 36.66%
- 63.33%

PERCENTAGE OF ESTABLISHMENTS BY WORKING EXPERIENCE IN GEOGRAPHIC AREA

- 20%
- 16.66%
- 63.33%

MALAGA PROVINCIA
OTHER SPANISH AREAS
OVERSEAS
INFORMATION SOURCES USED

PERCENTAGE OF ESTABLISHMEN

SOURCE OF INFORMATION

IF1: 77%
IF2: 40%
IF3: 69%
IF4: 67%
IF5: 22%
IF6: 18%
IF7: 58%
IF8: 55%
KEYS:

LOCATION FACTORS (B):
L1: proximity to airport, port, train station or road
L2: frequency and quality of transport services
L3: other type of accommodation services in the area
L4: local culture and leisure facilities
L5: environmental situation
L6: potential of the tourist area
L7: good marketing of the area
L8: proximity to suppliers
L9: local workers with related experience
L10: low investment cost
L11: availability of self-funding
L12: public support for investment
L13: favourable tax system
L14: good expectations of returns
L15: low labour costs
L16: good expectation of the evolution of demand
L17: high number of potential customers
L18: stable political and economic situation
L19: character and open mentality of residents

INNOVATION INCENTIVES (C1):
IE1: geographical proximity to research centres
IE2: public economic support
IE3: good communication networks
IE4: employees with specific skills and knowledge
IE5: good economic expectations
IE6: emergency of technological innovations related with tourism
IE7: changes in demand
IE8: increased competition

INNOVATION BARRIERS (C2):
IB1: lack of co-operation with other entities
IB2: lack of information and promotion of research programs
IB3: lack of research structures
IB4: lack of skilled workers
IB5: high risk of capital investment
IB6: lack of public support
IB7: high cost of adoption
IB8: lack of consultants in the tourism sector
IB9: excessive bureaucracy
IB10: fear of imitation or risk to be the first to innovate
IB11: lack of knowledge of innovation applications

INFORMATION SOURCES USED (C3):
IF1: friends or local businesses
IF2: consultants
IF3: specialised journals
IF4: public institutions
IF5: training centres for businessmen
IF6: universities or public research centres
IF7: business associations
IF8: suppliers
INNOVATION ADOPTION FUNDING (C4):
FP: self-funding
FE: soft loans or special lines of credit
CP: some subsidies from government

INNOVATION RESULTS (C4):
C: better product/service quality
B: increased profits
D: better adaptation to seasonality problem
E: more efficient productive processes

COLLABORATION ORGANISATION (C4):
E: other enterprise from the same group
CL: customers
P: suppliers
CO: competitors
F: joint ventures
A: expert consultants
OP: public organisations
U: universities

INFORMATION TECHNOLOGY USE (C4):
CG: accounting
F: check-in/out and invoicing
GP: human resources
I: inventory and stock management
E: inventory of non-standard goods
ES: studies of profitability and possible investment opportunities
M: mailing and marketing

OUTSOURCING MOTIVATION (F):
C: increase quality of supplied services
CO: decrease costs
T: more time for accommodation services

TYPES OF OUTSOURCED SERVICES (F):
C: pre-cooked food
LM: linen cleaning
P: publicity and marketing
I: IT maintenance
LE: house keeping

PRIVATE BUSINESS ASSOCIATION SERVICES (E):
I: information
F: financial
T: technical
L: labour
E: economic
P: promotion and marketing
APPENDIX J: Municipalities in the Province of Málaga
Source: SIMA (Sistema de Información Municipal de Andalucía), IEA.
### Municipalities in the Province of Malaga

**Source:** SIMA (Sistema de Informacion Municipal de Andalucia), IEA

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APPENDIX K: Software used in the production of the thesis

Microsoft Word 97 and 2000 to edit all the texts.

Microsoft Excel 97 and 2000 to represent graphically some of the data used from other research organisations.

Microsoft Access 97 and 2000 to store, manipulate and analyse field work results from questionnaire.

Map-Viewer version 2.10 to draw maps and link them to database.