

THE FACTORS INFLUENCING THE DECISION ON THE LOCATION OF HOTELS DEPENDING ON THEIR SIZE IN POLAND

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Introduction

In general, hotel location involves selecting a specific country, region and settlement unit (commune or town), where a hotel enterprise could be located (Damborský & Wokoun, 2010; Godlewska, 2001). The location of tourist enterprises, such as hotels, is fundamental to the size of the tourist demand and thus affects the economic efficiency and profitability of the hotel (Lado-Sestayo, Otero-González, & Vivel-Búa, 2014; Parte-Esteban & Alberca-Oliver, 2015; Puciato, 2016; Puciato & Dziedzic, 2016; Půlpánová & Simová, 2012; Simová, 2011; Simová & Zemanová, 2011; Sohrabi, Vanani, Tahmasebipur, & Fazli, 2012).

The location of a hotel depends on many factors, associated with the availability and cost of production factors, market potential, and stimulating instruments adopted by local authorities used to attract potential investors. The importance of individual location factors varies and may depend, inter alia, on the size of the hotel. Since, with increasing distance from metropolis centres, the size and structure of the accommodation base changes (Napierała & Adamiak, 2013). It can therefore be assumed that different factors may decide about the location of small, medium and large hotels.

The aim of the article is to indicate the most important factors determining the location of newly built hotels in Poland, depending on their size.

1. Literature Review

Hotel location factors for all hotel enterprises can be divided into three groups: the availability and production cost factors, market potential, and stimulating instruments adopted by local authorities to attract potential investors.

The first group of factors are: investment costs (including land availability and cost), labour costs, and the costs of transporting materials needed for the hotel services. Investment costs are incurred primarily at the design and construction stages. Large hotels are highly capital-intensive, therefore these costs must be carefully examined in the decision making process, especially since they shape such important indicators for investors as the return on equity and payback period (Januszewska & Januszewski, 2009). Labour costs constitute a very important location factor for hotels of all sizes (Godlewska-Majkowska, 2010; Ussi & Wei, 2011). They must be considered especially by large hotels offering a wide range of services provided by numerous and well-qualified staff. Transport costs can have a significant share in the operating cost structure, especially in the case of small and medium hotels, characterized by poor transport accessibility and the occurrence of non-availability of workforce.

The volume of tourism demand is another important factor influencing the decision on the location of hotels of any size (Kundu & Contractor, 1999). The demand is shaped by the type and number of tourist attractions (Gołembski, 2002; Kowalczyk, 2001; Ussi & Wei, 2011), which may be natural or anthropogenic values. Kowalczyk (2001) and Napierała (2013), assume that a small hotel is an object with up to 100 rooms, a medium hotel has from 100 to 350 rooms, and a large hotel is that of more than 350 rooms. In the research, we adopted this classification. In later analyses, medium and large hotels, owing to the similarities concerning their location factors, were considered together as one group.

It should be noted that the volume of the tourist supply can also influence location decisions concerning small, medium, and large hotels (Puciato, 2012; Puciato, Łoś, & Mrozowicz, 2013). This is mainly due to the fact that tourists, when choosing reception areas, are increasingly looking for products that could meet a variety of their needs. A large number of tourist enterprises may contribute to the growth of the tourist traffic in a specific location (Dziedzic, 1998). On the other hand, a large number of businesses operating on the local tourism market may negatively affect location decisions. An abundance of competitors can become a localization barrier for small and medium hotels.

In the case of large hotels, the “agglomeration effect” appears to be a particularly significant location factor (Yang, Wong, & Wang, 2012; Zizka & Rydvalova, 2014). It is associated with external benefits of a hotel location in large cities. The presence of different kinds of business centres, large enterprises, special economic zones, science and technology parks may determine a high level of accommodation services. This effect also includes better access to skilled workforce and suppliers. Another important hotel location factors can be communication accessibility (Ferri, 2004; Yang et al., 2012) and proximity to the demand stream. The best locations in this regard are city centres, city exit points, and areas around airports, train stations and highways.

Bernini and Guizzardi (2010), Issahaku and Francis (2014), Januszewski (2009) and Pin-Ju and Shin-Yi (2011) indicate that the stimulating instruments adopted by local authorities to attract potential investors are important in the hotel location selection process. They may include fiscal instruments (taxes and local fees and their rates, as well as subsidies and grants), planning and administrative instruments (development and functional strategies, e.g. development of tourism, zoning plans, administrative decisions, real estate management quality, etc.), information instruments (investment and economic advisory), and infrastructure instruments (construction and modernization of infrastructure).

2. Materials and Methods

In the first phase, to create an initial list of the most important hotel location factors, we used two methods: the deductive method for

literature analysis, and the diagnostic survey method with the questionnaire technique. This phase of research took the following steps: (1) identification of the most important factors of hotel location, (2) exploratory research of the distinguished list of factors and final specification of the most important location factors. In the (1) step we based on: Damborský (2010), Jirásková (2015), Jofre-Monseny et al. (2014), Kundu & Contractor (1999), Lado-Sestayo (2014), Napierała (2013), Puciato (2012), Sohrabi et al. (2012), Ussi & Wei (2011), Yang et al. (2012), Zhang et al. (2012). In the (2) step the list of factors formulated as a result of literature studies was subjected to research with diagnostic survey method (in-depth categorized interview). The questionnaire designed by the authors, consisted of seven open questions, regarding aspects of the general location and specifications of respondents. Managers and owners of 24 hotels participated in the survey; they had agreed to participate in the study. The 24 surveyed hotels represented approximately 29% of all hotel enterprises taken into account in the second phase of the research. The survey was conducted in the first half of 2011. Based on a survey we carried out verification of location factors extracted from the literature and specified the final list of factors and their measurements.

In the second phase, quantitative analysis was applied. The preliminary list of hotel location factors and their measures was subjected to statistical analysis. Statistical data from secondary sources were obtained from hotels and municipalities of the three analysed provinces (the data sources were: telephone interviews, municipal offices web pages, and the Public Information Office), as well as from the Central Statistical Office in Warsaw (Local Data Bank). The collected data included both the characteristics of the hotels and measures describing the specified location factors. The research was full in character because it covered all hotels launched in the period of 2000–2009 ($n = 72$) and all municipalities ($n = 408$). The main statistical method applied was stepwise logistic regression with backward elimination of regressors. The software used in calculations was SPSS 20 and Statistica10 StatSoft.

The spatial scope of the research included the area of south-western Poland, i.e. the provinces of Lower Silesia, Opole, and Silesia.

The provinces are diverse in terms of cultural, social, economic, and natural conditions, and are characterized by different attractiveness as tourist destinations. We believe that the large regional diversity of this part of the country allows formulating assumptions relating to the whole area of Poland.

The time range of the statistical data analysis covers the years of 2000-2009. Year 2000 opens the analysed period owing to the fact that it is considered the end-point of the political and economic transformation in Poland. Year 2009 closes the analysis for two reasons. Firstly, because in the course of the research process, in 2010-2013, the complete statistics regarding subsequent periods were not yet available. Central Statistical Office in Warsaw publish data on regional statistics with approximately one year delay. Secondly, after 2009, there appeared a soaring rate of the hotel market growth in Poland (supply shock due to the European Football Championship in 2012 in Poland), and therefore this period, in the opinion of the authors, should not be included in the analysis. The assessment of the hotel location factors, that emerged as a result of this event can, in opinion of the authors, lead to the formulation of erroneous conclusions.

3. Results

The literature analysis and survey results allowed to create an initial list of hotel location factors (Tab. 1) that could be subjected to a statistical analysis proposed by Panek (2009).

We used statistical verification to assess the informational value of variables. To evaluate their discriminative ability we employed positional coefficient of variation, according to Młodak and Słaby (2010). After calculations, we left variables which had a coefficient of variation satisfying the inequality:

$$V(x_j) \geq \varepsilon, (j = 1, 2, \dots, m) \quad (1)$$

In the paper, the value of $\varepsilon = 10\%$ was adopted.

The analysis of information capacity of variables was based on the parametric method, proposed by Hellwig (1990). The threshold value of the correlation coefficient is arbitrarily determined and is used to reduce the set of variables by removing those satisfying the following condition:

$$r_{j,j'} > r^*, (j, j' = 1, 2, \dots, m) \quad (2)$$

In the paper, the value of $r^* = 0.5$ was adopted.

The main statistical method that we used was logistic regression. The dependent variable was running (yes = 1) or not running (no = 0) a new hotel in the municipal area in a given year. The explanatory variables were diagnostic ones (measures describing the location factors) characterizing all the municipalities located in the analysed provinces (see Tab. 1). The study assumed a 2-year delay between the dependent variable and the explanatory variables because, as practice proves, the economic average investment process takes approximately two years.

We used stepwise logistic regression with backward elimination of regressors. Hence, a subsequent iterative elimination of variables with the highest value level of significance *ex post* for the Wald chi-square test in the corresponding logistic regression models was performed.

The selection of variables to the regression model allowed for the choice of a set of such independent variables that both are statistically significant and give the best fit, as evidenced by their level of probability $p = 0.00$ and the value of statistics goodness $\chi^2 = 122.02$. This means that the presented models differ significantly from the one that contains only the intercept, and the location factors considered significantly affect the decisions to run new hotels in the analysed municipalities. The models also predict well the dependent variables, as evidenced by the values of the Nagelkerke R^2 coefficient of determination, which are 0.33 and 0.37. Tab. 2 shows the models for hotels, depending on their size.

In the case of small hotels, the following should be considered the most important location conditions: the communication availability, investment incentives (planning and administrative instruments), and tourist attractions. The chances for running hotels of this size increased with the rise of the value of indicators describing these location factors. Important for small hotels were also: the intensification of competition (the higher the competition, the less likely a new hotel is to rise), the supply of tourist services, the availability of investment land, the degree of local economy internationalization (the larger the supply of

Tab. 1: Hotel location factors

Group of factors	Location factors	Measurement	Expected impact on location
Availability and cost of production factors	Access to qualified personnel	Occurrence of secondary or higher education in tourism professions: yes (1), no (0)	+
	Labour costs	Average monthly wage [PLN]	-/+
	Availability of investment lands	Total municipal land area [ha]	+
	Land prices	Average transaction price for 1 m2 of land for housing development [PLN/m2]	-/+
Market potential	Economic development level	Revenues of the municipality per capita [PLN]	+
	Internationalization of the economy	Number of business entities with foreign capital registered in the REGON system	+
	Urbanization	Number of economic entities	+
		Population density [inhabitants/m2]	+
	Communication availability	Local public communication: yes (1), no (0)	+
		Long-distance public communication: yes (1), no (0)	+
		Distance from the nearest motorway/expressway [km]	-
	Tourism demand volume	Number of nights annually (all tourists)	+
		Number of nights annually (foreign tourists)	+
	Local demand volume	Retail sales in current prices [PLN]	+
	Tourist assets	Presence of objects included in the UNESCO List of World Heritage Sites: yes (1), no (0)	+
		Spa status or occurrence of unique tourist attractions: yes (1), no (0)	+
		Presence of national or scenic parks: yes (1), no (0)	+
	Supply volume	Number of gastronomic entities	+
		Number of entities in arts and entertainment	+
Number of entities in sports and recreation		+	
Competition in the sector	Number of hotels, motels, and guest houses: competition in the hotel sector	-/+	
	Number of hotels: competition in the same market segment	-/+	
Profitability of the hotel industry	Profitability of hotels [PLN]	+	
Incentives	Fiscal incentives	Preferential rate of property tax: yes (1), no (0)	+
		Incentive system for investors: yes (1), no (0)	+
	Planning and administrative incentives	Tourism in the development strategy plan: yes (1), no (0)	+
		Zoning planning: yes (1), no (0)	+
		Number of foreign cities or municipalities partners	+
	Information instruments	Tourism spending per capita [PLN]	+
Access to free consultancy: yes (1), no (0)		+	

Source: own analysis

Tab. 2: Logistic Regression Results for the Dependent Variables: the Creation of a Small Hotel (Model 1) and a Medium or Large Hotel (Model 2), and the Independent Variables: Measures Describing the Location Factors

Hotel size	Location factor	Measurement	B	Standard error	Wald chi-square test	Significance	95% Wald confidence interval	
Small B0 = -6.62 $\chi^2 = 88.65$ $p = 0.00$ $R^2 = 0.31$	Availability of investment lands	Total municipal land area [ha]	0.01	0.01	1.09	0.00	1.00	1.00
	Land prices	Average transaction price of 1 m ² of land for housing development [PLN/m ²]	-0.02	0.01	4.01	0.03	0.96	1.00
	Internationalization of the economy	Number of business entities with foreign capital registered in the REGON system	0.01	0.01	1.06	0.01	1.00	1.03
	Communication availability	Local public communication: yes (1), no (0)	1.87	0.49	14.56	0.00	2.49	16.95
	Tourist assets	Spa status or occurrence of unique tourist attractions: yes (1), no (0)	1.27	0.52	5.96	0.01	1.30	9.81
	Supply volume	Number of gastronomic entities	0.02	0.01	4.07	0.00	1.01	1.03
	Supply volume	Number of entities in arts and entertainment	0.16	0.04	16.09	0.00	0.78	0.93
	Competition in the sector	Number of hotels, motels and guest houses – competition in the hotel sector	-0.18	0.04	20.25	0.00	1.10	1.30
	Planning and administrative incentives	Tourism in the development strategy plan: yes (1), no (0)	1.71	1.05	2.65	0.10	0.71	42.91
Medium and Large B0 = -5.03 $\chi^2 = 97.16$ $p = 0.00$ $R^2 = 0.44$	Land prices	Average transaction price of 1 m ² of land for housing development [PLN/m ²]	-7.25	1.46	24.66	0.00	1.15	1.63
	Tourist assets	Presence of objects included in the UNESCO List of World Heritage Sites: yes (1), no (0)	6.51	2.03	10.28	0.00	0.00	0.08

Source: own study based on empirical research

Note: B – the model parameter estimates, standard error – asymptotic standard errors of the parameter estimates, Wald chi-square test – the value of the Wald chi-square statistics which examines the significance of the parameters, significance – probability levels for the Wald test, 95% confidence interval – the lower and upper limit of the 95% confidence interval of parameters, B0 – the value of the constant (intercept), χ^2 – the value of the statistics goodness of the model, p – the level of probability of the statistics goodness of the model, R^2 – the Nagelkerke coefficient of determination

services, the availability of investment lands, and the degree of economy internationalization, the greater the chances for the emergence of a new hotel), as well as land prices (the higher the price, the less likely a new hotel is to rise).

In contrast, low land prices and the presence of anthropogenic tourist attractions had the greatest impact on the emergence of medium and large hotels.

4. Discussion

The research reveals communication availability as the most important hotel location condition in case of small hotel enterprises. The results are partially consistent with those obtained in the empirical research by Yang, Wong, and Wang (2012). According to them, access to public goods, such as local public communication, can be essential. However, they indicate that urbanization, not only communication availability itself, as well as the "effect of agglomeration" are more important in the case. Other studies (Zhang, Guillet, & Gao, 2012; Obregón-Biosca, Chávez-Usla, & Betanzo-Quezada, 2014; Jofre-Monseny, Marin-Lopez, & Viladecans-Marsal, 2014) prove that as well.

Other important factors in the hotel location selection process for small businesses are, according to our research, planning and administrative incentives implemented by local authorities. Findings by Bernini and Guizzardi (2010), Issahaku and Francis (2014), Januszewski (2009) and Pin-Ju and Shin-Yi (2011) are similar. According to their studies, an important factor in the selection process for hotel location are incentives, which affect the attractiveness of the area as perceived by potential investors. However, these authors particularly emphasize the importance of fiscal instruments, such as taxes and local fees. This remains in contrast with our results, showing that the most important factor is the existence of a tourism development strategy, which belongs to the group of planning instruments. Nevertheless, this is a signal for local authorities that if they want to compete for potential tourists today, they have to attract investors who contribute to improving local attractiveness (Medina-Muñoz & Medina-Muñoz, 2014; Stankova, 2014; Zizka, 2012).

According to our results, anthropogenic tourist attractions have the greatest impact on the emergence of medium and large hotels. Similar conclusions were reached by Bernini

and Cagnone (2014), Meler and Ruzic (1999) and Marco-Lajara, Claver-Cortes and Ubeda-Garcia (2014). On the basis of their results it can be stated that no increase in the tourist traffic is possible without a comprehensive tourist offer grounded on unique tourist assets. Our research results indicate that land prices exert a large negative influence on the location in the case of medium and large hotels (for independent hotels, this impact is slightly negative). Research conducted by Jirásková (2015) proves that this factor largely influences location decisions in all industries and business services.

In case of all hotel enterprises the market potential is essential which is consistent with Kundu and Contractor (1999), Gołembski (2002), Kowalczyk (2001), Ussi and Wei (2011). The stimulating instruments adopted by local authorities to attract potential investors are the most important for location of small hotels (Bernini & Guizzardi, 2010; Issahaku & Francis, 2014; Januszewski, 2009; Pin-Ju & Shin-Yi, 2011), whereas the availability and production cost factors are crucial for medium and large enterprises (Godlewska-Majkowska, 2010; Ussi & Wei, 2011).

Conclusions

The results of the study indicate clearly that there are differences in the location factors for independent hotels, conditioned by their size. Factors determining the location of small hotels differ from those influencing the location of a group of medium and large hotel enterprises.

According to our research the most important factors influencing location of small hotels are: communication availability, planning and administrative incentives, tourist assets. For medium and large hotel enterprises the most important are tourist assets and land prices.

In addition, it should be noted that the list of factors affecting the location of small hotels is much more extensive. The results can contribute to a better understanding of the motives of investors selecting a location and may have implications for economic policies, since they can focus local and regional authorities' attention on important determinants of reception areas investment attractiveness.

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Abstract

THE FACTORS INFLUENCING THE DECISION ON THE LOCATION OF HOTELS DEPENDING ON THEIR SIZE IN POLAND**Daniel Puciato, Agnieszka Gawlik, Bolesław Goranczewski, Piotr Oleśniewicz, Barbara Woś, Soňa Jandová, Julita Markiewicz-Patkowska, Mariusz Sołtysik**

The paper focuses on the relationship between a hotel location and its size in independent hotels operating in Poland. The aim of the article was to indicate the most important factors determining the location of newly built hotels in Poland, depending on their size. The spatial scope of the research included the area of south-western Poland, i.e. the provinces of Lower Silesia, Opole, and Silesia, diverse in terms of cultural, social, economic, and natural conditions, and characterized by different attractiveness as tourist destinations. The time range of the statistical data analysis covered the years of 2000-2009. In the initial phase, the authors applied the deductive method to perform literature analysis, and the diagnostic survey method with the questionnaire technique to identify the most important hotel location factors. Secondly, a quantitative analysis was performed to indicate the most significant factors determining the location of independent hotels in Poland, conditioned by the hotel size. The results of the study indicate clearly that there are differences in the location factors for independent hotels, conditioned by their size. The location of small hotels depends mostly on the communication availability, investment incentives, and tourist attractions. The location of medium and large hotels is mainly related to land prices and the presence of anthropogenic tourist attractions. The results can contribute to a better understanding of the motives of investors selecting a location and may have implications for economic policies, since they can focus local and regional authorities' attention on important determinants of reception areas investment attractiveness. The research should be extended in the future to include other hotel features, such as the degree of integration with other business entities, standard, organizational form, or capital origin.

Key Words: Location, location factors, independent hotels, Poland.

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