

DO TOURIST CLUSTERS BOOST HOTEL PERFORMANCES? EVIDENCE FROM ITALY

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Abstract.

Clusters are defined as geographical concentrations of interrelated firms and institutions in a particular industrial sector. Literature on clusters, notwithstanding the received intense criticism, has widely recognized that the concentration of businesses in a specific area promote the competitiveness of local enterprises.

The cluster concept has also been extended to non-industrial sectors, such as culture and tourism, coining the term of cultural cluster, cultural district, tourism cluster and tourism local systems, hypothesizing also the same effects on firms competitiveness. Despite the relevance of the cluster concept also in tourism studies, the contribution of the agglomeration of firms to the performance of firms is often taken for granted and most researches on tourist cluster are limited to specific case study.

The aim of this research is to test and measure the effects of the cluster in the tourism industry and in particular whether tourism firms, and in particular the hotel industry, have better performance if they are located inside clusters.

In order to investigate this aspect, we first proceed to map tourism clusters in the Italian territory using 2011 ISTAT Census of Industry and Trade throughout the methodology of location quotients, as applied in other contributions. We then analyse the economic performances (ROA, ROS RevPAR, etc.) of more than 11,000 hotels located in Italian territory in last 5 years from AIDA database, verifying if their performances are different according to their location in the identified tourist clusters or if their performances can be explained by their structural characteristics or by the cluster recent economic trend.

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1. Introduction

The application of the cluster theory to tourism has long been of unquestionable interest in the first place tied to competitiveness problems and then as a means of fostering innovation (Nordin, 2003). Research literature reveals that cluster theory has been suitably adapted to the peculiarities of the tourism sector and provides a spatial and organisational model that promotes competitiveness, innovation and local development (Lazzeretti and Petrillo, 2006; Cooper, 2006; Novelli et al. 2006; Shaw and Williams, 2009).

Porter (1998) defines clusters as geographical concentrations of interrelated firms and institutions in a particular industrial sector. Literature on clusters, despite intense criticism (Martin and Sunley, 2003), has widely recognised that the concentration of businesses in a specific area promotes the competitiveness of local enterprises and their innovation capabilities (Porter, 2003; Baptista, 2000, etc.). This has extended the concept of clusters even in non-industrial sectors, such as tourism and culture, through hypothesising and testing the effect of competitiveness and innovation on firms' performances on firms' performances (Boix and Capone, 2006; Piero-Signes et al., 2014; Segarra-Oña et al., 2012; Bresciani et al., 2012).

The concentration of firms in a territory as a determinant of enterprise competitiveness extended some time ago to the tourism industry, (Novelli et al., 2006) culture and creative industries, leading to the coining of terms such as cultural cluster, tourist cluster, tourist districts (Hjalager, 2000; Maulet, 2006; Lazzeretti and Capone, 2008), cultural districts (Lazzeretti, 2003) and creative cluster (De Propris et al., 2009).

Despite the importance of the cluster concept in the field of tourism studies, because much literature has focused on the agglomeration of manufacturing firms in a territory, the effect of concentrations of tourism firms on their performances is often taken for granted, and most of the early contributions are limited to case studies of tourist destinations (Getz, 1993; Pearce, 1998; Judd, 1993).

The aim of this research is to test and measure the effects of clustering in the tourism industry and establish whether tourism firms, in particular the hotel industry, have better performance if they are located inside a cluster. This work departs from a recent stream of research investigating the contribution of clusters to tourism firms' performances (Piero-Signes et al., 2014; Enz et al., 2008; 2005; Capone, 2014; etc.). This work aims to contribute to this debate by focusing on the hotel industry in Italy, as a country based on concentrations of small and medium-sized enterprises and a nation highly specialised in the tourism industry.

The reference literature in this area is multidisciplinary, meaning that many disciplines converge on the following themes: contributions of strategic management on the location of enterprises and their strategies, regional and urban economics, economic geography and tourism studies from a business and economic perspective. Therefore, a large body of literature contribute for different purposes focusing on the same subject, namely, the contribution of the cluster on the competitiveness of firms or regions.

To investigate this aspect, we first proceed to map tourism clusters in the Italian territory using 2011 ISTAT Census of Industry and Trade using the methodology of location quotients, as applied by other contributions on the tourism industry (Boix and Capone, 2006). We then analyse the economic performances (ROA, ROS RevPAr, etc.) of more than 11,000 hotels located in the Italian territory over the last 5 years from the AIDA-Amadeus database to verify whether their performances are affected by their location in the identified tourist clusters, structural characteristics, recent economic trends of the cluster.

The results allow us to show that hotels within tourist clusters have had significantly better performances in the last five years than those firms located outside the clusters, but the results significantly change depending on the type of tourist cluster and the characteristics of the hotel.

2. Tourism clusters and firms performances. Focus on the hotel industry

The growing interest in industrial clusters began with studies carried out by Porter (1998) and later widened to a world level through activities of the 'Institute for Strategy and Competitiveness' at Harvard Business School in Boston. Porter (1998) pointed out that in a globalised economy, competitive advantages are increasingly associated with local, territorially embedded economies. He defined a cluster as a geographic concentration of interconnected companies and institutions in a particular field (Porter, 1998).

The European Community (EC, 2003) adopted this viewpoint, stressing that clusters can be important for policies supporting innovation and that attention should be given to the relationships and interdependencies among actors in the production value chain of goods and services.

The intuition that similar or complementary economic activities tend to concentrate in one area can be traced back to the seminal work of Marshall (1890) and his formulation of external economies of localisation. In the last decade, increasing attention has been paid to the investigation of clusters and to the way in which such industrial settings promote the competitiveness of local firms (Becattini et al., 2009). It is widely recognised that geographical clustering results in enhanced returns and growth for local firms (Ellison and Glaeser, 1999; Rosenthal and Strange, 2001).

In the agglomeration literature, it is possible to recognize three different forms of external economies (Rosenthal and Strange, 2003): qualified labour pools, specialized suppliers and knowledge spillovers. The first point corresponds to say that the concentration of a certain industry in a particular territory allows the formation of a specialized labour pool, also thanks to knowledge diffusion in the territory. The second point concerns the fact that being part of a cluster allows to turn to specialized suppliers who are geographically near, so that transportation as well as supervision and transaction costs are reduced, and face-to-face contacts intensified. Finally, the third point regards knowledge spillovers, that is a faster and cheaper spread of knowledge due to geographical proximity, more frequent contacts and the building of trust among operators, who develop a symbolic capital in reputation.

Also Porter pointed out that in a typical tourism cluster, the quality of the visitor's experience depends not only on the appeal of the primary attraction but also on the quality and efficiency of complementary business: "a host of linkages among cluster members result in a whole greater than the sum of its part. In a typical tourism cluster, for example, the quality of a visitor's experience depends not only on the appeal of the primary attraction but also on the quality and efficiency of complementary businesses such as hotels, restaurants, shopping outlets and transportation facilities. Because members of the cluster are mutually dependent, good performance by one can boost the success of the others" (Porter, 1998, 77).

Most research hypothesises that tourist clusters improves firms' competitiveness (Cristina et al., 2010; Lazzeretti and Petrillo, 2006). Despite the relevance of the cluster concept in tourism studies, the agglomeration of firms on the performance of tourism firms is often taken for granted.

Other research used the cluster as a means of developing the tourism industry with a particular emphasis on developing countries (Nordin, 2003), while others (Novelli et al., 2006) focused more on specific case studies such as the Healthy Lifestyle Tourism Cluster in the UK by investigating the concepts of clusters, networks and tourism business innovation.

Despite the wide use of the cluster concept in the tourism industry (Cristina et al., 2010), few quantitative studies exist on the effects of the cluster on tourism firms (Brouder and Eriksson, 2013).

A series of seminal contributions on the localisation effect on hotels is one of Baum and others analysing the Manhattan Hotel Industry in the US. Baum and Mezias (1992) found that a hotel's competitors and customers are partly determined by the hotel's location, while Baum and Havenam (1994) found some results in other enlarged context. Ingram and Baum (1997) analysed the failures of Manhattan hotels between 1898-1980 underlining that chain affiliation aids survival in

longitudinal hotel failures and that the size of the hotel matters. Ingram and Inman (1996) analysed hotels at Niagara Falls focusing on the evolution of hotel populations, failures and foundings of the new hotels. The authors underlined that when institutions promote collaborations with other hotels, failures decline. Ingram (1996) analysed U.S. hotel chains' strategies and failures between 1896 and 1980, increasingly underlining the role of chain and affiliation strategies. More recently, Ingram and Roberts (2000) analysed the Sydney hotel industry focusing on friendship networks and performances.

Chunk and Kalnins (2001) analysed the population of hotels and motels operating in Texas in 1992 and found that independent hotels and smaller hotels gain the most from localisation centrality, while smaller establishments are harmed. Kuah (2002) reviewed the advantages of locating small businesses in a tourist cluster, while Michael (2003) pointed out that in Australia, rural towns' micro-market clustering theory offers one alternative for enhancing regional economic growth.

Enz et al. (2008) analysed the competitive dynamics and pricing behaviour in the US hotel industry identifying strategies of co-location in geographical clusters and finding that the benefits of co-location are higher for low quality hotels than for luxury ones. Enz et al. (2005) focused on the agglomeration effects in the US lodging industry, while Enz and Canina (2010) investigated the European hotel industry and hotel performances (RevPAR) at the country level. Carvallo (2010) analysed the performances of the European hotel industry, while Boix and Capone (2008) found that a higher concentration of hotels in a territory leads to increased growth in the tourist industry.

Sainaghi (2011) analysed the hotel industry in Milan identifying the most important performance determinant as the centrality within the destination. Focusing on performance determinant, Lazzeretti et al. (2004) analysed the Florence and Seville hotel industry from 1939-1998, Tsang and Yip (2009) analysed Beijing and Urtasun and Gutierrez (2006) analysed Madrid from 1936-1998. The studies underlined that results change according to the hotel location, but they also depend on the size and quality of the firm.

Many studies focus on innovation as an effect of localisation in tourist clusters (Hjalager, 2000); Jackson (2005) confirmed this aspect in China's tourist cluster. Other studies confirm that tourist clusters are important for regional development (Iordache et al., 2010; Boix and Capone, 2008). Shaw and Williams (2009) reviewed the importance the role of cluster in knowledge transfer. Weidenfeld et al. (2010), analysing the tourist attractions in Cornwall, underlined that knowledge transfer and innovation diffusion are more common among firms that offer a similar product and are located far apart geographically.

Another group of studies dealt with the cluster mapping methodology and identification using qualitative and quantitative methodologies (Santos et al. 2008). Even though some studies applied the concepts of the industrial district to tourism (Hjalager, 2000) or local tourism systems (Lazzeretti and Capone, 2008), quantitative methodologies identified tourism agglomerations with location quotients. Scott et al. (2008) proposed a method for mapping tourist destinations and clusters using Social Network Analysis, while Yang and Wong (2013) identified Chinese tourist cities using exploratory techniques to map tourism cluster using tourist flow and spatial analysis.

In synthesis, several studies have identified the important role of the cluster concept for the overall competitiveness of tourism businesses; however, it is possible to identify some key differences.

A line of research at the intra-regional level analysed the location between the centre and the periphery. For example, Baum and Mezias (1992), Chunk and Kalnins (2001), Sainaghi (2010; 2011) and Lazzeretti et al. (2004) leading to a stream of research on hotels' location strategies.

Other research analysed the effect of the cluster on specific cases to identify the contribution of concentration on innovation (Nordin, 2003; Hjalager, 2000) and the dissemination of knowledge (Shaw and Williams 2009) and competitiveness (Weidenfeld et al., 2010).

The quantitative research focused more on analysing how the performances of tourism firms change, particularly that of hotels, such as Enz, Canina and Harrison (2005; 2008), Carvallo (2010) and Segarra-Ones et al. (2012), which investigated different performances of hotels based on their location in geographical clusters.

We identified some common determinants that provoke different performances at the firm level that will be useful in the empirical part of this work:

- The size of the hotel, its quality (in stars) and its possible affiliations to well-known/international chains sometimes changes the results linked to the location because large firms may in some cases be equally competitive in a poor cluster, whereas small firms fail to compensate for the deficiencies of the system alone (Enz et al., 2005; 2008).

- Depending on the analysed segments of tourism and the type of tourism clusters in which firms are located, the results differ depending of its location. For example, the role of the local system is crucial in urban tourism, while in rural tourism, other variables come into play (Segarra-Ones et al., 2012).

- The structure of the local system where the firm is located and whether the local system can reconstruct autonomously affects the ability of a whole tourism value chain to satisfy visitors (Boix and Capone, 2008).

- The lifecycle of the cluster (Butler, 1980; Getz, 1992, etc.) in which the hotel is located could affect firm performance, for example, a firm could be located in a high concentrated cluster, but if the destination is in a cycle of decline the firm's performance will not improve.

2.1. A biblio-metric analysis on the cluster concept in tourism

In order to confirm the previous literature review and also to analyse the cluster concept acceptance and its evolution in Tourism studies as in other contributions (Lazzeretti et al., 2013), we perform a biblio-metric citations analysis on the ISI web database on the citations report. We have elaborated a database of journal articles on ISI web database with topic the term cluster², agglomeration, location and tourism³.

The query has been elaborated from 1990 till 2014. As before the term cluster was not used in the literature (Lazzeretti et al., 2013). The study has been conducted on journals' articles in social sciences in theme of: *Economics*, *Business Economics*, *Economics Geography* and *Urban Studies*. We constructed a database of 1.100 articles⁴.

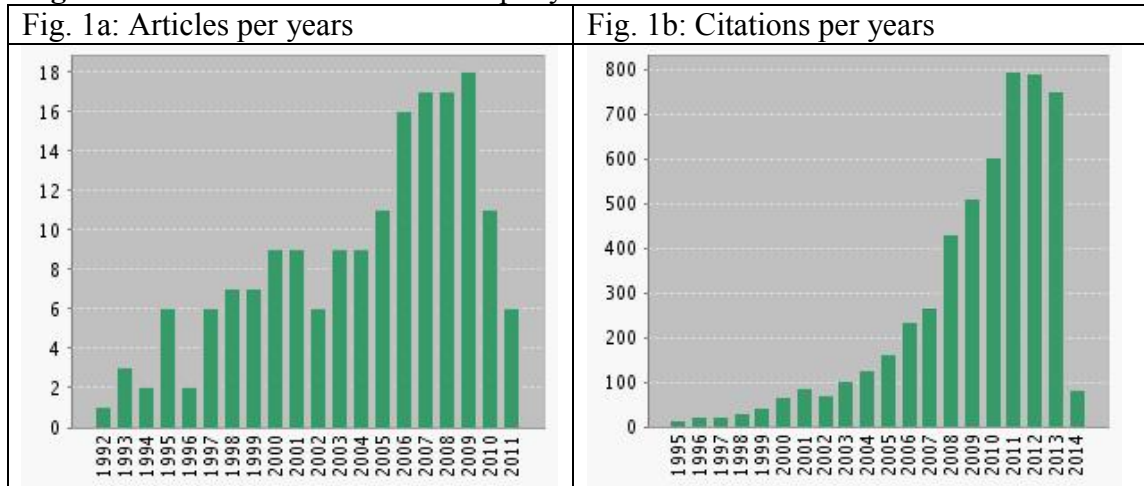
Figure 1 presents the evolution of citations during last 10 years, confirming the increasing important of cluster and agglomerations in tourism studies.

² We have also consider the term district and tourist local system, but they are not relevant as the term cluster, from the number of citations pont of view.

³ Regarding tourism we have generally consider tourism and tourism industry, but also specific query with hotel industry and lodging industry.

⁴ Cluster and Tourism hanno fornito 316 contributi, district and tourism hanno fornito 260 contributi, agglomeration 76 e tourism and hotel location (choices and strategies) 446.

Figure 1: Publications and Citations per years.



Source: our elaboration on ISI Database.

Contributions have been then reduced to 150 with a threshold of 10 citations per articles. A further selection on abstracts and relevance to this research has limited the database to 40 most cited article (Tab. 2). Tab. 1 presents the most cited Journals, confirming the relevance of location and cluster concept in management studies. Most cited journals are the top rated journal in management as *Administrative science quarterly*, *Management Science* and *Strategic Management Journal* (mostly for location strategies in hotel industries), the list includes also other top rated journals in tourism studies as *Annals of tourism research* and *Tourism Management*. Contributions in tourism journals are clearly more numerous, but less cited that in top rated management journals.

Most 40 cited articles have been cited more than 1.500 times, an average of 37 each one. Citations are pretty concentrated as they represents the 41% of total citations of the database. We present the 40 most cited articles in Tab 2.

Table 1: Most cited Journals.

Journal	Citations	Contributions	% citations
Administrative science quarterly	563	3	36%
Management science	246	2	16%
Tourism management	238	8	15%
Strategic management journal	196	3	13%
Annals of tourism research	104	5	7%
Academy of management journal	62	1	4%
Journal of management	36	1	2%
Omega-international journal of management science	30	1	2%
Journal of small business management	26	1	2%
International journal of contemporary hospitality management	18	3	1%
Cornell hospitality quarterly	15	1	1%
International journal of tourism research	11	1	1%

Source: our elaboration on ISI WEB database.

Source: 40 most cited articles.

Table 2: Most cited articles on clusters, firms agglomerations and firms location in tourism (c>10).

Article title	Authors	Journals	Pub. Year	Citations
Localised competition and organisational failure in the Manhattan hotel industry, 1898-1990	Baum, J.; Mezias, S.	Administrative science quarterly	1992	260
Survival-enhancing learning in the Manhattan hotel industry, 1898-1980	Baum, JAC; Ingram, P	Management science	1998	216
Making the next move: How experiential and vicarious learning shape the locations of chains' acquisitions	Baum, JAC; Li, SX; Usher, JM	Administrative science quarterly	2000	172
Love thy neighbour? Differentiation and agglomeration in the Manhattan hotel industry, 1898-1990	Baum, JAC; Haveman, HA	Administrative science quarterly	1997	162
Chain affiliation and the failure of Manhattan hotels, 1898-1980	Ingram, P; Baum, JAC	Administrative science quarterly	1997	141
Agglomeration effects and performance: A test of the Texas lodging industry	Chung, W; Kalnins, A	Strategic management journal	2001	90
Networks, clusters and innovation in tourism: A UK experience	Novelli, M.; Schmitz, B.; Spencer, T.	Tourism management	2006	81
Tourism routes as a tool for the economic development of rural areas - vibrant hope or impossible dream?	Briedenhann, J; Wickens, E	Tourism management	2004	80
Agglomeration effects and strategic orientations: Evidence from the US lodging industry	Canina, L; Enz, CA; Harrison, JS	Academy of management journal	2005	62
Organizational form as a solution to the problem of credible commitment: The evolution of naming strategies among US hotel chains, 1896-1980	Ingram, P	Strategic management journal	1996	57
Resource-seeking agglomeration: A study of market entry in the lodging industry	Kalnins, A; Chung, W	Strategic management journal	2004	49
A review of innovation research in tourism	Hjalager, Anne-Mette	Tourism management	2010	41
Location matters: Where we have been and where we might go in agglomeration research	McCann, B. T.; Folta, T. B.	Journal of management	2008	36
Knowledge transfer and management in tourism organisations: An emerging research agenda	Shawa, G; Williams, A	Tourism management	2009	33
Developing regional tourism in China: The potential for activating business clusters in a socialist market economy	Jackson, J	Tourism management	2006	32
Clusters in regional tourism - An Australian case	Jackson, J; Murphy, P	Annals of tourism research	2006	31
Innovation behaviour in the hotel industry	Orfila-Sintes, F; Mattsson, J	Omega-international journal of management science	2009	30
Social capital, geography, and survival: Gujarati immigrant entrepreneurs in the US lodging industry	Kalnins, A; Chung, W	Management science	2006	30
Destination networks - Four Australian cases	Scott, N; Cooper, C; Baggio, R	Annals of tourism research	2008	29
Identifying performance measures of small ventures - The case of the tourism industry	Haber, S; Reichel, A	Journal of small business management	2005	26
Knowledge transfer and innovation among attractions	Weidenfeld, A; Williams, A M.; Butler, R W.	Annals of tourism research	2010	19
Strategic groups in the hospitality industry: Intergroup and intragroup performance differences in Alicante, Spain	Claver-Cortes, E; Molina-Azorin, J F.; Pereira-Moliner, J	Tourism management	2006	18
Competitive Pricing Decisions in Uncertain Times	Enz, C A.; Canina, L; Lomanno, M	Cornell hospitality quarterly	2009	15
Hotel performance: state of the art	Sainaghi, R	International journal of contemporary hospitality management	2010	14
Tourist districts in Paris: structure and functions	Pearce, DG	Tourism management	1998	14
The role of cluster types and firm size in designing the level of network relations: The experience of the Antalya tourism region	Erkus-Oeztuerk, Hilal	Tourism management	2009	13
Hotel location in tourism cities - Madrid 1936-1998	Urtasun, A; Gutierrez, I	Annals of tourism research	2006	13
Convention industry and destination clusters: Evidence from Italy	Bernini, C	Tourism management	2009	12
PLANNING FOR TOURISM BUSINESS DISTRICTS	Getz, D	Annals of tourism research	1993	12
Clustering and Compatibility between Tourism Attractions	Weidenfeld, A; Butler, R W.; W, Allan M.	International journal of tourism research	2010	11

Source: our elaboration on ISI web database. Articles with at least 10 citations.

3. Research methodology

To verify the hypotheses proposed earlier in this paper, we need to first identify tourist clusters in the Italian territory and then propose a methodology to map tourist clusters using a tourist *filière* and then analyse the different economic performances of hotels on the basis of their locations along a time period. The next paragraph will deal with the first issue, next pages with the second one.

3.1. Identification of geographical clusters

The concentrations of the tourism industry in the country can be examined using simple industry-specialization statistics (such as the concentration index and the Gini index) or more sophisticated measures, which take into account the existence of natural advantages and agglomeration economies (that is, the Ellison–Glaeser indexes). However, these statistics are non-spatial and only rely on the industrial dimension, so that they do not provide information about the place where an industry is concentrated. The territorial dimension is taken into account by territorial indexes of specialization, or clustering, where a wide range of methodologies are available (Von Hofe and Chen, 2006).

Our choice is to identify tourist clusters using the LQ mapping methodology as it has been widely applied in several different contexts and countries (Porter, 2003; De Propris, 2009) and also applied to the tourism industry (Boix and Capone, 2006).

The ‘clustering’ is usually calculated through location quotients (LQ). LQ measures if in a territory (city, regions, etc.) there is a higher concentration of that industry in comparison to the national average. In other words, it underlines if in that specific place is specialised in the selected industry⁵.

We have then to define which are the economic activities to be included in the ‘tourism industry’. The tourism industry is generally considered as comprising a number of various activities such as recreation, accommodation, tour operators and transport activities. In previous studies (Lazzeretti and Capone, 2008) the tourism industry was analysed as being mainly composed of the *HoReCa* sector - as represented by Hotel, Restaurants and Café employees. A wider set of economic activities has been also developed in other contributions (Segarra-Ona et al., 2012) as there is no formal consensus to define tourism in a statistical way.

We refer here to the contribution by the European Commission (2003) introducing a Model of Competitiveness for the tourist sector including transport, accommodation, restaurant and other food facilities and recreational activities. Therefore we collected data on Hotel and other accommodation, Restaurants, bar and catering, Travel agencies and tour operators (63.3), and Art and entertainment and recreation activities⁶. Selected NACE rev. 2 economic activities are presented in Tab. 3.

⁵ There is not a perfect index in order to analyse the concentrations in the territory anyway the LQ is one of the most used and supported.

⁶ See also Boix and Capone (2006) that considered a similar set of economic activities.

Table 3: Tourism filière per NACE economic activities

Accommodation 55.1 Hotels and similar accommodation 55.2 Holiday and other short-stay accommodation 55.3 Camping grounds, recreational vehicle parks and trailer parks 55.9 Other accommodation	Libraries, archives, museums and cultural activities 91.01 Library and archives activities 91.02 Museums activities 91.03 Operation of historical sites and buildings and similar visitor attractions 91.04 Botanical and zoological gardens and nature reserves activities
Restaurant and food/beverage service activities 56.1 Restaurants and mobile food service activities 56.2 Event catering and other food service activities 56.3 Beverage serving activities	Sports activities and amusement and recreation activities 93.1 Sports activities 93.2 Amusement and recreation activities
Creative, arts and entertainment activities 90.01 Performing arts 90.02 Support activities to performing arts 90.03 Artistic creation 90.04 Operation of arts facilities	Travel agencies and tour operators 79.1 Travel agency and tour operator activities 79.9 Other reservation service and related activities

Source: our elaboration from European Commission (2003).

Therefore, in order to identify tourist clusters, we apply to local labour systems (LLS) in Italy the concentration index, constructed in its classical form:

$$LQ_{fs} = \frac{E_{fs}}{E_s} \bigg/ \frac{E_f}{E}$$

where E_{fs} is the number of employees in local units in the local system s specialising in the *tourist filiere*; E_s is the number of employees in local units in the local system s ; E_f is the number of employees in the country specialising in the *tourist filiere*; and E is the total employment in the country. An LQ above 1 indicates that the place has a specialization (concentration) in tourism activities that is above the national average. Data was collected from the 2011 Italian Industry and Trade Census at 3 digits level.

Regarding the territorial dimension, we use of Local Labour Systems (LLS) which interpret the daily work commuting flows of a locality. The use of LLS of territorial analysis has two main advantages. LLS allow one to go beyond the administrative definitions and refer to the effective industrial organization of each territory; LLS are territorial units more suitable for socio-economic analysis, and refer to the intensity of links between the residents and the labour force in a given place.

4. Mapping tourist clusters in Italy 2011

There are 214 tourist cluster with an LQ larger than. For a better representations of LQ, data are represented in 4 classes in Fig. 2: no specialised, low, medium and high specialisation.

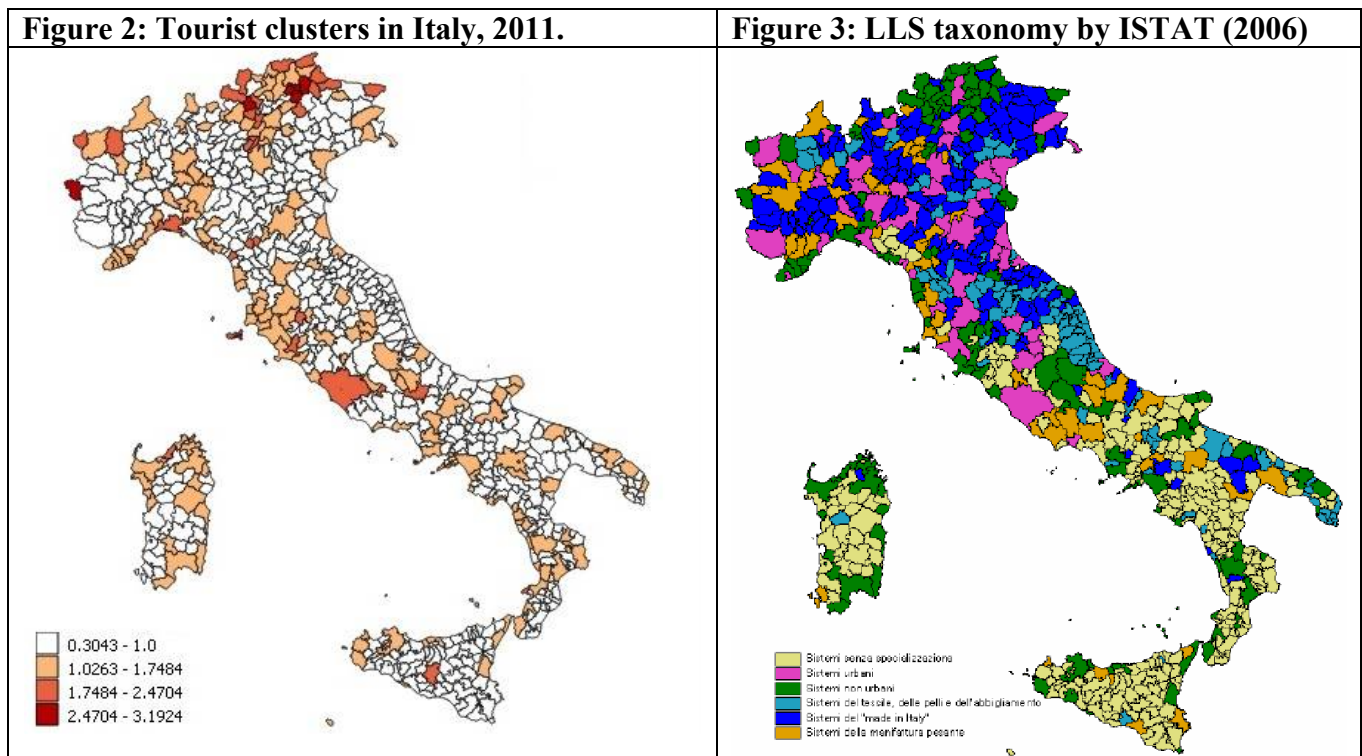
The highest values are concentrated in the North (Trentino and Alto Adige) and Centre of Italy (Liguria, Toscana and Lazio). The figure also shows Art Cities like Florence, Rome and Venice, places specialising in the three Ss (Sun, Sand and Sea), skiing destinations (the Alps, in particular Trentino Alto Adige), and lake localities (such as around Lake Garda). Also south localities are well represented as Capri, Amalfi, and islands' tourism destinations.

Total employees of the *filiere* add up to 2,426,000 (14.7% of the employment in Italy), in line with other estimation of the industry in 2001. Employment in the tourist clusters accounts for around 7,630,000 employees, where 1,418,000 are in the selected tourist activities (18.6% of their total employment). In the tourist clusters, the average firm size is around 8 employees per firm, and 90% of the firms have less than 20 employees, confirming an industrial structure mainly based on SMEs.

Similar results have been also found in other contributions for the entire territory of Italy (Lazzeretti and Capone, 2008) or specific regions as Trentino Alto Adige (Della Lucia, 2006).

Figure 3 shows the taxonomy carried out by ISTAT of Italian local systems according to their prevalent specialization (ISTAT, 2006).

The ISTAT taxonomy subdivides the Italian territory on the basis of its main specialisation in 'urban systems', 'tourist systems', 'agriculture systems', 'port and shipbuilding systems', 'industrial districts' and 'large enterprises systems or heavy industry' (ISTAT, 2006). This can be useful to analyse if different typology of local systems determine different performances of hotel.Green systems are mainly those specialized in tourism, and partly coincide with the identified tourism clusters, however many systems with high concentration of tourist firms were not identified, because they do not have a prevalent specialization in tourism. In fact, Figure 3 aims to classify Italian local systems according to their specialization not to map the specialized systems in tourism.



Source: Author's elaborations, 2011.

5. Analysis of hotels performances inside and outside tourism clusters

5.1. Research design and methodology

To validate the previous hypothesis, a sample is analysed comprising a total of 11,759 Hotels in Italy in the 2013 AIDA database for the period 2008-2012. The analysed samples represents around 48% of the total hotel population in Italy, that in the 2011 ISTAT Census of Industry and Trade amounts to 24,381.

7,197 hotels are located outside identified tourist cluster, while 1,451 are located in high specialised cluster, 1,330 in medium specialised clusters, and 1,785 in low concentrated cluster, as defined in the previous sections according to the LQ concentrations.

Moreover, as different hotel characteristics could lead to different results also a variable SIZE is considered in order take account the dimension of the hotel and therefore also the overall quality of analysed sample⁷. The ‘micro’ hotels are those with less than 10 employee and they represents the 66% of the sample (7,000), ‘small’ hotels are those with fewer than 50 employees and they are 33% of the sample (over 3,000), ‘medium hotels’ are those with less than 100 employees and they are the 3% (over 200), while the large hotels employ more than 100 employees and represent the 2% of the sample (115).

Finally, in order to take into account different typology of tourist cluster and eventually diverse tourism segments, we adopt the ISTAT taxonomy (Fig. 2) that divides the Italian territory on the basis of its main specialisation in ‘urban systems’, ‘tourist systems’, ‘agriculture systems’, ‘port and shipbuilding systems’, ‘industrial districts’ and ‘large enterprises systems’ (ISTAT, 2006). This help to differentiate the analysis in order to consider also different characteristic of the clusters in hotel performances, i.e. cluster usually more concentrated in urban systems could boost more hotel performances than in other systems.

In the second part of the study, an ANalysis Of VAriance (ANOVA) was performed using the SPSS program. The analysis compares whether the performances of hotel located inside clusters significantly differ from the values achieved by hotels located outside clusters as in other contributions (Ching-Hui et al., 2010; Del-Val Segarra-Oña et al., 2012).

The ANOVA analysis indicates whether the null hypothesis indicating the equality of the means for a given level of significance should be accepted or rejected. In other words, it is an attempt made to verify whether the means of the variables analysed were significantly different between the groups analysed.

Usually REVPAR (Revenue per Room) is the most used proxy to investigate Hotel profitability (Chung and Kalnins, 2001; Canina et al., 2005), but as the REVPAR is not available in the database, we decided to use traditional profitability variables as also accepted in other contributions (Del-Val Segarra-Oña et al., 2012; Kukalis, 2009)⁸.

ROS and EBITDA (earnings before interest, taxes, depreciation and amortization per employee) was chosen as the variable to be used to measure “profitability”, since it is considered to be one of the most reliable and popular indicators for measuring and comparing financial profit (Del-Val Segarra-Oña et al., 2012). All the variables regard a period of five years 2012-2008.

Also Ebitda/sales and a variable SIZE have been considered in order also to eliminate any correlation existing among size and economic results.

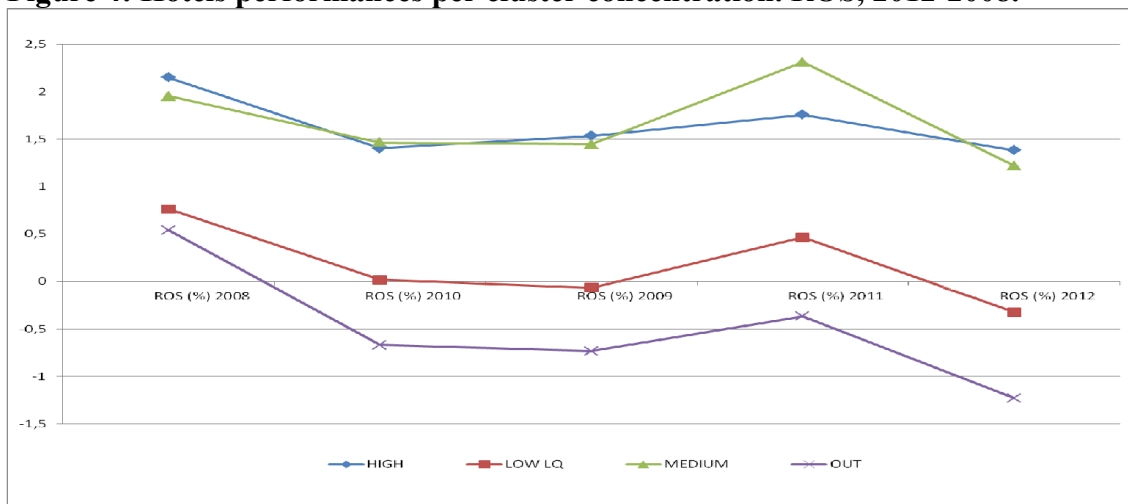
⁷ In this context, also considering the hotel’s stars could be useful, but unfortunately this variable was not available.

⁸ See Chen, Koh and Lee (2011) for a comparison of RevPar, ROA and EPS.

5.2. Results and discussion

First of all we investigate the results of the analysis, presenting the evolution of 11.000 hotels performances subdivided on the basis of their localisation, if inside or outside. Figure 4 presents the average ROS from 2008-2012 for the 11.000 analysed hotels. The hotels localised in the most specialised cluster (high and medium concentrations) demonstrate to achieve a relevant higher profitability during all the period. In fact the ROS goes from 2% in 2008 in average until 1,5% in the 2012, remaining positive albeit the crisis. The hotels located instead outside the cluster since 2009 record a negative ROS and the trend is then more and more worsening. The hotels in clusters with low specialization defend themselves better, but they also register a negative ROS in 2012.

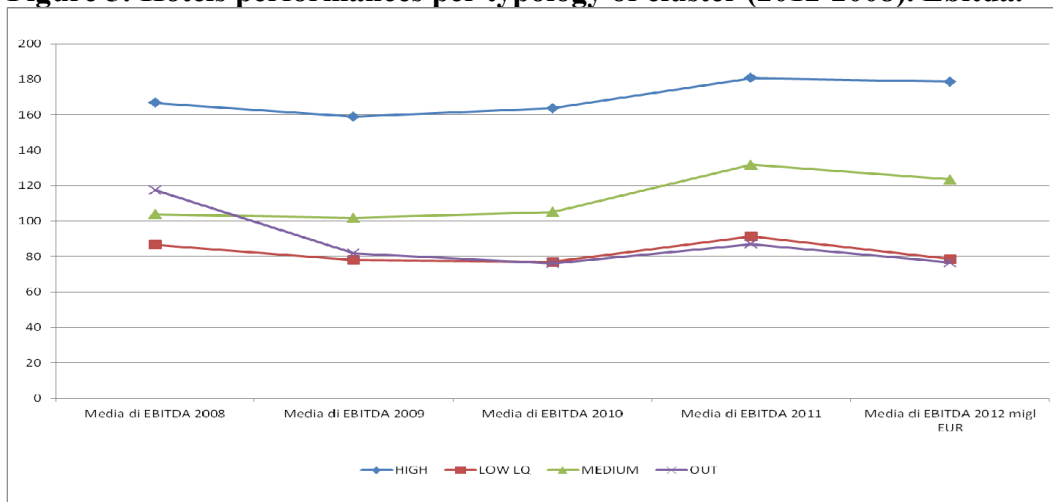
Figure 4: Hotels performances per cluster concentration. ROS, 2012-2008.



Source: Author elaborations.

This results are also similar if we analyse the average EBITDA (Fig. 5). Indeed here the hotels located in the highly specialized clusters are detached from others, passing for the whole period 160 K€. Here it has to be noted that this value is growing despite the crisis up to 180 K€. The hotels located in both low-concentrated clusters and out of tourist cluster show similar performances. The cluster with a medium concentration are halfway between the two types already described.

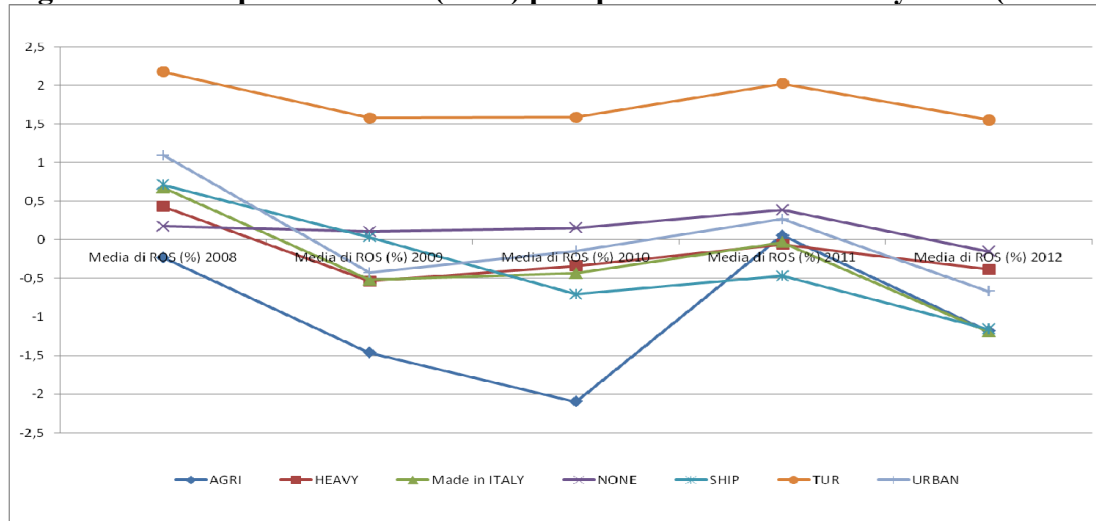
Figure 5: Hotels performances per typology of cluster (2012-2008). Ebitda.



Source: Author elaborations.

We now analyse the hotels performances based on the location in the different taxonomy of local systems identified by ISTAT (2006) and presented in Fig 3. As expected, the hotels located in the tourist systems registered better performances than others. The other local systems have similar performance and it is difficult to identify some particular trends. The hotels located in urban systems have better performances than the others, while from 2010 onwards hotels located in low-specialized systems record better results. This could be due that those systems with low specialization in manufacturing are those systems with a better relationship with the environment and the territory, mostly diffused in the South Italy.

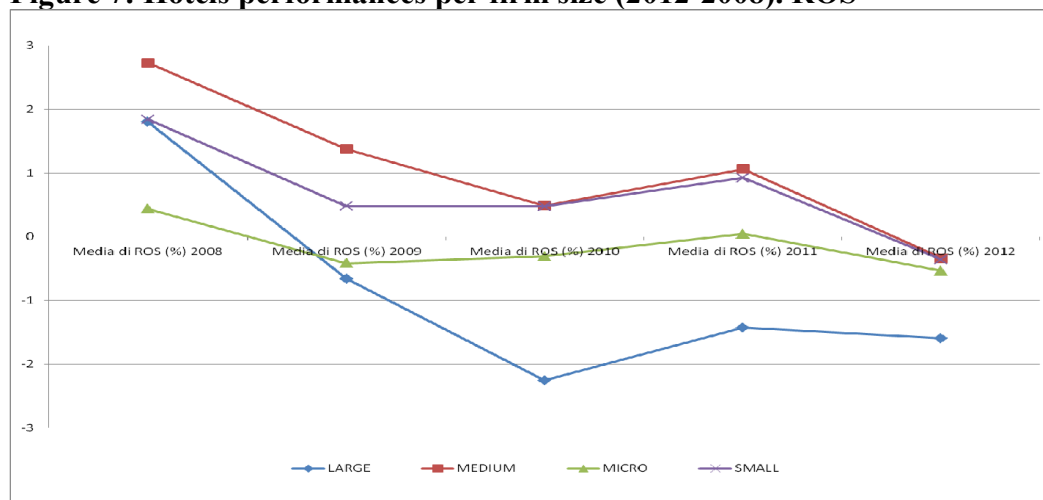
Figure 6: Hotels performances (ROS) per specialisation of local systems (2012-2008)



Source: Author elaborations.

It is then possible also to analyse the hotels' performances depending on their dimension. Figure 7 presents the hotels' performances per firm size. The overall trend is declining, however, the medium hotel (3%) and small hotels (31%), on average, have better performances, while large ones (2%) record the worst performance with a sharp decline from 2008 to 2012. Micro hotels (66%), which are the vast majority stood in the middle.

Figure 7: Hotels performances per firm size (2012-2008). ROS



Source: Author elaborations.

Tab. 4 presents the results of the ANOVA and some correlation analysis useful for interpreting results. The analysis of ROS, subdivided per different types of clusters, is significant for all the

considered years. The ROS of hotels localised in clusters of high and medium concentration is similar (in 2012 a little lower the performance of latter ones). The ROS of the hotels in clusters of low concentration results around zero, while it is negative for those hotels outside identified tourist clusters. The analysis of EBITDA and EBITDA / sales has similar trends, but with greater evidences. Same results emerge from the comparison of performances between ROS of hotels localised in cluster with high concentration and those outside clusters, but here the significance is not valid for all years.

The analysis of performances based on the SIZE variable confirms the results of Figure 6. Hotels localised in small and medium size firms are those who have the best results, although the analysis in 2012 is not significant. Regarding the typology of local systems carried out by ISTAT does not add much to our knowledge: tourist local systems record the best performances followed by urban systems.

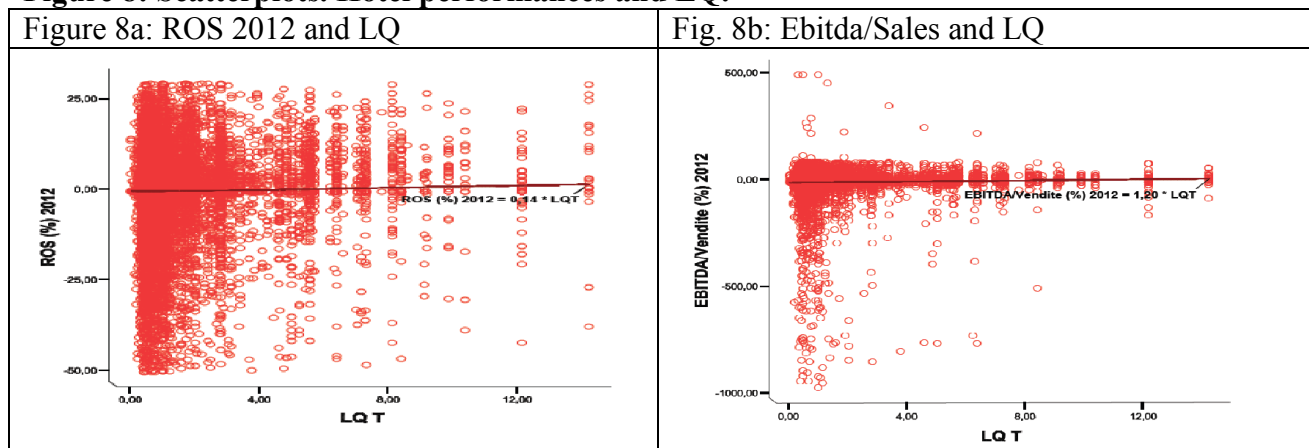
Finally, we present the results of an analysis of correlation between the LQ and the performance of the hotels located in different clusters. All the indexes of performances are positively correlated with the concentration of firms. The same results are also represented in the scatterplot (Fig. 8).

Table 4: ANOVA and Correlation Analysis

	Hotels performances (ROS)					
CLUSTER LQ	2012	2011	2010	2009	2008	Obs.
High	1.3826	1.7567	1.4020	1.5342	2.1501	1451
Medium	1.2212	2.3138	1.4633	1.4447	1.9554	1330
Low	-0.3239	0.4648	0.0176	-0.0665	0.7641	1785
Outside	-1.2256	-0.3668	-0.6690	-0.7323	0.5388	7197
TEST F	29.272***	27.154***	22.147***	25.363***	14.944***	-
High LQ	1.3826	1.7567	1.4020	1.5342	2.1501	1451
Outside	-1.2256	-0.3668	-0.6690	-0.7323	0.5388	7197
TEST F	2.268	3.439*	3.864*	0.928	21.734***	-
SIZE						
Large	-1.5944	-1.4280	-2.2552	-0.6622	1.8002	116
Medium	-0.3377	1.0584	0.4892	1.3775	2.7298	246
Small	-0.3608	0.9238	0.4731	0.4771	1.8389	3658
Micro	-0.5400	0.0442	-0.3090	-0.4196	0.4334	7743
Total	-0.4904	0.3244	-0.0683	-0.1055	0.9319	11763
TEST F	0.512	5.559**	5.352**	6.565**	18.476***	-
TYPE LLS						
AGRI	-1.1830	0.0565	-2.0963	-1.4649	0.2333	186
TUR	1.5528	2.0213	1.5871	1.5784	2.1735	1521
ID	-1.1942	-0.0339	-0.4361	-0.5216	0.6744	2619
LARGE IND	0.3864	-0.0608	-0.3398	-0.5365	0.4328	873
URBAN	-0.6676	0.265	-0.1488	-0.4268	1.0946	3997
SHIPS	-1.1594	-0.4697	-0.7060	0.355	0.7093	1374
TEST F	9.736***	6.6632***	7.487***	7.348***	6.103***	-
	Ebitda on Sales					
High LQ	8.9697	9.9194	10.6554	10.0734	10.1256	1451
Outside	-3.0498	1.0136	2.3431	1.8288	4.0131	7197
TEST F	14.487***	3.108*	2.009	0.659	0.076	-
	Correlations					
	ROS 2012	ROS 2011	ROS 2010	ROI	Ebitda/sales	Ebitda
LQ	0.081***	0.074***	0.069***	0.054***	0.060***	0.055***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

Source: Author's elaborations.

Figure 8: Scatterplots. Hotel performances and LQ.



Source: Author's elaborations.

Finally, we carried out a OLS regression analysis with dummy variables in order to isolate the effects of localization in clusters with different level of concentration (high, medium, low, outside), dimension of hotels (micro, small, medium and large) and type of local systems, as proposed also in another contributions (Peiró-Signes et al., 2013).

ROS and EBITDA / sales are the dependent variables of the models. The results of the analysis are presented in Table 5. As variables are dummies, the coefficient estimates can be interpreted as direct contributions of the performances.

The performances of the hotels are substantially higher in the higher concentrated clusters, confirming previous analysis. The performances of the hotels are twice as high in tourist cluster with medium and high concentration in Model 1, compared to hotels outside the cluster. The hotels localised in low-concentrated clusters record a differential of 0.9 greater than those localised outside clusters. It is about a difference of 2% in performances being in most concentrated clusters and being outside clusters. The ROS of hotels localised in clusters with high concentration is twice that those localised in low concentrated clusters.

The estimations on SIZE are not significant, only the size SMALL is statistically significant and indicates a better performance of small hotels than others, in particular of micro hotels. We remind it is also the most numerous group and therefore more statistical significant.

The result of the analysis of various typology of local systems (as defined by ISTAT) is partly significant. Only the tourist systems confirm the results of the previous section. Urban systems record a positive contribution to performances. Even Ports and shipbuilding systems record a positive value, identifying likely sun and sea destinations.

Finally, the performance of the hotels identified are different depending on their size. They are in fact hotels of small and medium-size dimension that benefit from being located in clusters, underlining the importance of the cluster to external economies of small SMEs.

The large hotels record a positive effect to performances but of smaller dimension. Largehotels are the only ones who show less negative performance even in low concentrated cluster, confirming from a certain point of view that large structures can avoid of being in a cluster, but their performances still benefit if they are localised inside clusters. Hotels outside clusters record the worst performances, but they are the large hotels that suffer the most, confirming the notion that the experiences of tourists is a complex product and therefore customer satisfaction also depends on the quality of the tourism industry at local level.

Finally, we have also tested if the life cycle phase of the cluster⁹ explain why some hotels performs better than others, but results of the different phases of cluster life cycle are not statistically significant.

6. Conclusions

The present work aimed to investigate whether the clustering of tourism firms contributes to their overall performances, using a specific case study on the hotel industry in Italy, as a tourist destination recognised at the international level.

The results demonstrate substantially better performances of firms located inside clusters despite firms located outside clusters. However, the results differ according to some variables.

Clusters with medium and high concentration showed the same results; the hotels that are located in medium-high clusters have similar performances. This shows that the concentration is a determinant factor in firm performance, but other aspects also influence the performance of the hotels.

Another important determinant is the typology of the local system where the hotels are located. The 'tourist systems' have positive effects on hotel performance, but also 'urban systems' and 'ports and shipbuilding' systems host hotels with better performances. In particular, 'ports and shipbuilding' systems are likely relevant because, in a country like Italy, these localities identify local seaside destinations and marinas.

Another important determinant of performance is the size of the firm. Large hotels seem to be able to achieve a positive performance in low concentrated clusters. On the other hand, large firms located outside of the cluster register negative performances. This shows that large firms can, on the one hand, develop good performances in a less structured cluster, while on the other hand, even large hotels are unable to overcome the shortcomings of the local tourist offer.

While small hotels demonstrate higher performances in high-medium concentrated clusters, they form the majority of analysed samples, and they are therefore better represented in structures used in analytical models.

Regarding some critical considerations of the analysis, we analysed some variables of profitability. Some existing research identified RevPAR as the best indicator to measure hotels performance. We intend to improve the analysis with this indicator in the future, albeit the AIDA database did not provide RevPAR.

Concerning the contribution of the artistic, cultural and natural local resources, the literature considers such aspects to increase the competitiveness of a tourist destination or cluster, but this is not empirically demonstrated. It would be interesting to analyse whether hotel performances also depend on the presence of an important endowment of artistic and cultural resources, for example, using the ranking of Italian sites developed by UNESCO.

Another future development could be to analyse other tourism firms (transport or travel agency), as clusters are composed of an integrated field of different industries and most existing studies have focused on the hotel industry. One last consideration regards the cluster life cycle model and the effect of the economic recession on considered data. In this work, as the cluster life cycle model is not particularly significant, we plan to develop this analysis in the future.

Despite its limitations, this study adds new knowledge to the application of the cluster to the tourism industry; however, further quantitative research is needed to confirm theoretical hypotheses at an international level.

⁹ We have considered here the trend of occupation from 2008-2011 in the cluster considering three phases: development phase as employment in increase with high rate; maturity with no or low employment growth and decline.

Table 5: OLS Estimations

Dependent variable	ROS 2012 (1)			Ebitda/Sales			ROS 2012 (2)			
Constant	-1.226*** (0.000)	-1.199*** (0.000)	-1.372*** (0.000)	-3,050*** (0.000)	-4,882*** (0.000)	-5,878*** (0.000)	0.668*** (0.000)	0.336 (0.123)	0.308 (0.698)	0.080 (0.922)
Outside							-1.894*** (0.000)	-1.561*** (0.000)	-1.558*** (0.000)	-1.492*** (0.000)
High	2.608*** (0.000)	2.617*** (0.000)	1.735*** (0.000)	12,020*** (0.000)	11,267*** (0.000)	9,172* (0.037)		1.047** (0.007)	1.055** (0.006)	-0.191 (0.787)
Medium	2.447*** (0.000)	2.446*** (0.000)	2.313*** (0.000)	10,344*** (0.000)	9,766*** (0.000)	9,538*** (0.000)				
Low	0.902** (0.005)	0.900** (0.005)	0.934*** (0.000)	4,553*** 0.017	4,322* (0.023)	4,167* (0.032)				
Micro									0.043 (0.956)	0.042 (0.957)
Small			-0.054 (0.826)		5,909*** (0.000)	5.772*** (0.000)			0.021 (0.979)	0.014 (0.986)
Medium			-0.002 (0.998)		4,562 (0.328)	4.252 (0.362)				
Large			-1.085 (0.341)		9,334 (0.165)	8,592 (0.203)			-1.027 (0.453)	-1.054 (0.441)
Urban			0.210 (0.443)			2,230 (0.169)				0.187 (0.495)
Tourist			1.159 (0.107)			3,472 (0.415)				1.623* (0.021)
Shipbuilding			0.183 (0.637)			2,351 (0.306)				0.146 (0.707)
Ind. District						-1,628 (0.547)				0.728 (0.111)
Heavy industry			0.664 (0.146)							
R2	0.086	0.087	0.089	0.065	0.076	0.078	0.076	0.080	0.080	0.084
R2 Adj.	0.007	0.007	0.008	0.004	0.005	0.005	0.006	0.006	0.006	0.006
Test F	29.272***	14.781***	9.315***	16.584***	11.328***	7.198***	67.984***	37.691***	15.252***	9.307***
Obs.	11,763	11,763	11,763	11,763	11,763	11,763	11,763	11,763	11,763	11,763

Source: our elaborations. Statistically Significance at: *** p<0.001; ** p<0.01; *p<0.1.

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