Article Title

The Financial and Economic Performance of Hotels in Spanish Beach Tourist Destinations

Citation


Abstract

This paper analyzes the differences in financial structure, size and profitability of hotels located in three main Spanish coastal areas: Costa Brava, Costa Dorada and Costa del Sol. The study focuses on the analysis of the financial statements of a sample of approximately 100 hotels, finding key differences in hotels’ performance in these three regional clusters of the hospitality industry. The three areas show significant differences in terms of hotel size, financial structure and economic performance. The hotels located in Costa del Sol are much bigger than the hotels located in the other areas but this also implies higher levels of debt and accordingly higher interest payments with a negative effect on the profits level. Hotels in Costa Dorada have a size that allows benefiting from economies of scale, with reasonable interest payments. This size combined with higher occupancy rates are the main reasons for the better economic performance of this area compared with the other two. Finally, we found that there exist exit barriers due to the specificity of the assets involved in the hotel sector.

Methods

The analysis of the hotel industry for the three coast destinations has been carried out using data from the official financial statements, comprising the period from 2007 to 2012. We have mainly used data from the balance sheets in order to gain insight into the size of the companies, their financial structure as well as their level of debt and wealth, in addition to their main investments. From the Profit and Loss statements, we collected data on sales, gross profit, net profit, the importance of interest payments and the level of profitability, considering the values for Return on Assets (ROA) and Return on Equity (ROE).

Results
According to the official data, the size of the hotel sector can be measured by the ratio of number of rooms per hotel. As previously mentioned, the Costa del Sol hotels are significantly larger, according to the average value of the total assets. Hotels located in Costa Brava are smaller with the average value of their total assets being equal to 3.8 million Euros. The Costa Dorada hotels are worth almost twice as much; their average value calculated at the 7.06 level. Finally, the hotels in Costa del Sol have an average value of 16.3 million Euros (Figure 1). This very significant difference can be explained considering the specific timing of the expansion in the lodging industry in each coast and the ease of building new hotels on the terrain of each coast.

Conclusion

Tourism is a key sector for the Spanish economy. One of the main industries related to tourism activity is the lodging industry. This research has studied the market structure of the hotel industry in three of the most important areas of the Spanish coast, Costa del Sol, located in the south of Spain near Malaga, Costa Brava, in the north of Barcelona and near the French border and Costa Dorada, in the south of Barcelona.