



Article Title

Differences in seasonal price patterns among second home rentals and hotels: empirical evidence and practical implications

Citation

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Abstract

Hotels and second home rentals are two of the most important tourist accommodation options in Spain. In terms of seasonality, almost all previous studies have analyzed tourism demand from the point of view either of total arrivals or the number of tourists lodged in a single accommodation type (hotels, rural accommodation, etc). However, there are no studies focusing on price seasonality or comparing seasonality among different accommodation types. By using seasonality indicators and a price index constructed by means of hedonic methods, this paper aims to shed some light on seasonal pricing patterns among second home rentals and hotels. The paper relies on a 2004 database of 144 hotels and 1,002 apartments on the Costa Brava (northeast Spain). The results show that prices for second home rentals display a smoother seasonal pattern than hotels due to reduced price differences between shoulder (May and October) and peak periods (August).

Conclusion

The analysis of seasonality is generally focused on the demand side, while how to overcome problems for local residents, policy makers and managers remains an important issue. Sun-and-beach destinations like the Costa Brava in Spain face historically high demand during a couple of peak periods in the summer. This paper has contributed to the analysis of the supply side, examining price evolution during the entire tourist season. Moreover, an analytical comparison of two different accommodation options, such as hotels and second home rentals, has not previously been presented. Both these factors allow us to improve on the results of previous studies which examine only the overall tourist sector from either the demand or the supply side. We applied various statistical analyses to a database of 144 hotels and 1,002 second homes on the Costa Brava. First, we measured seasonality using three unit-free indicators. We can confirm

that hotels are more seasonal than second homes in all of them. Second, a hedonic price methodology was considered a key and very little studied solution to analyze price seasonality controlling by other variables that influence price, such as star rating, characteristics and distance to the beach. In addition, it contributes to the creation of a price index that permits us to compare seasonality patterns by type of accommodation. The main results from the regressions carried out confirm that hotels have a sharper summer peak price than second home rentals. Prices in May and October are lower in hotels than second homes, both compared to prices in August. In June and September, they have similar pricing trends compared to August. We can also conclude that second homes have two peak periods (July and August), while hotels have one (August). In terms of future research, and in order to identify differences in pricing tactics, it would be interesting to explore aspects of the demand side: demand profiles and length of stay. In this regard, interviews or questionnaires in a qualitative research study on the area (Costa Brava) might serve to reach some conclusions. On the supply side, the quality of the offer (an in-depth evaluation of accommodation establishments' star rating) and a capital cost structure (fixed and variable costs) might be helpful. The commercialization channel is another element that could affect pricing policy. Policy makers and managers can also set individual and mixed pricing strategies to smooth seasonality in shoulder and off-season periods. Attention might be concentrated on overcoming calendar restrictions, improving the complementary offering and promoting different strategies for different focus groups. Second homes can also be occupied during off-season periods given an appropriate public incentive system. Finally, extending this analysis to other important types of lodgings, such as campsites and rural houses, could provide a complete cross-section analysis of the accommodation industry. This would also be very useful for tourism marketing, in terms of developing different strategies for each sector in the Costa Brava.