WP 97 ACCOMMODATION COLLABORATIVE BUSINESSES AND MICRO ENTREPRISES: EXPLORING ENGAGEMENT IN REGIONAL TOURISM CLUSTERS

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ABSTRACT

Clusters are promoted as ‘drivers of economic development and environmental sustainability’ (United Nations World Tourism Organization). While the benefits of firm cluster engagement are well-recognised, many Australian micro-enterprises (MEs) and collaborative businesses in the rising ‘sharing economy’ have little interaction with their over-arching industry cluster. The aim of this study is to explore how and why tourism MEs engage in cluster initiatives. Adopting an IMP model to explore tourism cluster ME engagement, data is collected from both cluster experts and ME accommodation operators. Analysis of qualitative interviews is used to illicit factors influencing ME cluster engagement.

Keywords: tourism clusters, micro-enterprises, sharing economy, regional tourism, IMP Group

INTRODUCTION

Clusters are a feature in regional development, offering increased competiveness and improved economic performance (Porter, 2003). Important attributes of clusters include skilled labour access, supplier savings, shared infrastructure costs, knowledge, innovation, shared marketing and a collective voice (Navickas & Malakauskaite, 2009). Clusters are known to improve competiveness and are often inspired by private and public sector initiatives. A number of cluster facilitating agents exist in tourism with such initiatives incorporating national, state and local organisations. Example bodies include Destination Management Organisations (DMOs), Regional Tourism Organisations (RTOs) and Local Tourist Authorities (LTAs) (Enright & Newton, 2004; Valente, Dredge, & Lohmann, 2015). These tourism regional clusters compete for funds and for membership, with many lacking a vision and common goal (Haugland, Ness, Grønseth, & Aarstad, 2011). NSW RTOs
providing a pertinent example as they undergo a review and revision of their ‘destination management plans’ (DNSW, 2015a).

Irrespective of the accepted benefits of cluster engagement many enterprises choose not to participate (Lindqvist, Ketels, & Sölvell, 2013). Although we have some understanding of the determinants influencing member participation (Delgado, Porter, & Stern, 2010) there is limited literature on ME tourism operator engagement in clusters. MEs domination of regional tourism industries identifies this as worthy of further investigation.

This research investigates two important tourism regions in NSW: Central Coast and Hunter Valley. Key cluster leaders are expected to provide detailed insights about the level of interest in cluster development and identify perceptions as to why or why not industry members are engaging. The context for this case study is the self-contained (s/c) ME tourism accommodation sector. Another important reason for revisiting tourism-related MEs is the rise of collaborative businesses colloquially termed the ‘sharing economy’ in the sector. This economy is estimated by the UK government to reach US $335 billion by 2025 (Wosskow, 2014). Such growth is supported by online platforms such as Airbnb, One Fine Stay and Stayz.

**LITERATURE**

Cluster theory explains that agglomeration or clustering in one location leads to benefits to various firms and linked suppliers, services and institutions (Håkanson, 2005). Research on clusters is transdisciplinary and includes economics, (Krugman, 1994) management, (Porter, 1998) and more recently regional studies, knowledge management and marketing (Connell, Kriz, & Thorpe, 2014; OECD, 2001). This transdisciplinary approach has led to differing definitions of the term ‘cluster’ (Martin & Sunley, 2003). For the purpose of this research the emphasis here is placed on a management perspective and with regional tourism clusters a major context. This research adopts the widely accepted regionally applied definition of clusters as a ‘geographically proximate group of interconnected companies...in a particular field, linked by commonalities’ (Porter, 2000, p. 16). Clusters are therefore typically regional concentrations of industry related firms.

Cluster ‘initiatives’ are deliberate interventions by stakeholders, aimed to improve a region’s competiveness through a collaboration of cluster members working to develop mutually beneficial resources and activities (Ketels, 2013).
‘Cluster initiatives are organized efforts to increase the growth and competitiveness of clusters within a region, involving cluster firms, government and/or the research community’ (Ketels, 2013, p. 1).

In the tourism industry, cluster initiatives are commonly viewed as a positive influence on regional tourism development (Shakya, 2009). The cluster environment of the tourism industry is complex and dynamic with linkages between multiple stakeholders, often with differing views, interests and power relationships (Graci, 2012). Tourism cluster initiatives are interventions to assist cluster development, which rely on cluster managers and facilitators to help actors share information and coordinate endeavours (UNIDO, 2013). Cluster facilitators are responsible for governance clusters strategies for performance achievement, collective actions, and to solve related problems. Enterprises can include all sizes of enterprises from multi-nationals to MEs.

Literature has tended to focus on medium to large enterprises in industry clusters, while few studies have examined small or MEs despite the fact that they are often the largest number of enterprises in a cluster (particularly tourism). MEs employing 0-4 employees represent 88% of all Australian business operators and are often the largest share of firm size in tourism clusters (ABS, 2013-14). The national tourism economy widely regards micro-enterprises as critical in tourism (Getz & Carlsen, 2005). This research focuses on ME involvement in the tourism accommodation sector, in particular on those operating small self-contained accommodation establishments. This sub-sector comprises a large number of operators and makes a significant contribution to a destination’s tourism economy. Because terminology of the sector is problematic (Lynch, McIntosh, & Tucker, 2009), Destination NSW’s (DNSW, 2015b) definition of ‘self-contained’ is used for holiday houses, apartments, cabins and cottages.

Drawing on the Industrial Marketing and Purchasing Group (IMP) framework of business relationships this study explores ME cluster engagement perceptions Employing IMP’s ‘AAR’ model (Ford, 2004; Håkansson & Snehota, 1995) four central concepts are central to this research:

Tourism cluster initiatives: organised efforts of the cluster members or government programmes aimed to increase regional cluster competitiveness. Cluster initiatives include training, marketing, and advocacy amongst others.
ME cluster engagement: draws from ‘Conceptual customer engagement’ model (van Doorn et al., 2010). Engagement is a concept used in employee and marketing research studies, but is rarely applied to tourism.

IMP relational approach: employs AAR model dimensions of actor bonds, activity links and resource ties to explain dyadic cluster business relationships (Håkansson & Snehota, 1995).

ME operator characteristics draws from studies of tourism and entrepreneurship to help explain to ME operator engagement (Thomas, 2007).

The overall question to guide the research is: How do ME tourism operators’ perceptions help explain ME engagement in regional clusters? Sub-questions gather data from both key cluster initiative organisers, and MEs.

RESEARCH METHODS

This comparative case study of two regional tourism clusters in NSW adopts a theory-building approach to investigate the research questions through collection of qualitative data (Charzam, 2006). Multiple cases are more robust than single cases (Yin, 2003) and provide a sound strategy to expand and generalise theory (Eisenhardt, 1989). Research method uses two sets of in-depth qualitative interviews in the NSW tourism regions of the Central Coast and Hunter Valley Wine Country. Cases both from regional NSW clusters have similar tourism visitor numbers. Stage 1: semi-structured interviews with tourism cluster experts, to gather data on cluster organisation and initiatives. Stage 2: ME operator interviews to collect data on cluster engagement in two regions. The criterion of theoretical saturation (Glaser & Strauss 1967) will be adopted.

PRELIMINARY BACKGROUND RESEARCH FINDINGS

This section outlines background research of secondary data to uncover the resources, activity links and actor networks available to the self-contained operator using the IMP approach.

Resources
Resources for regional clusters are available from government grants. Cluster resources may be allocated according to size of tourism visitors to a region. Both tourism clusters attract similar numbers of visitors. Central Coast received 1.3 million domestic overnight visitors, down by 4.1% year on year (CCTI, 2013-2014). Hunter Valley report 1.4 million visitors to the cluster per year (HWTA, 2015). Small tourism firms can access information from government web sites. State tourism marketing resources is available on the ‘visit NSW’ web site (NSW, 2013).

Activities

Cluster activities mainly focus on advertising and promotion. Access to regional co-operative marketing funds are allocated to state tourism regions (DNSW, 2015b). A minimum requirement for a tourism area to class as a region for grant purposes is two local government authorities (LGAs). The Central Coast cluster comprises two LGAs, Wyong and Gosford. The Hunter Valley cluster was supported by one LGA, Cessnock. Following the launch of a private-public partnership in 2015 the Hunter Valley Wine cluster is now supported by two LGAs. The cluster organisation boundaries now follow the Hunter Valley wine growers’ locality, including Cessnock and Singleton council areas.

While ME accommodation firms dominate the tourism accommodation segment (DestinationNSW, 2013), the numbers of ME accommodation holiday rental are unknown. This ME sector appears to fluctuate in size with 1,804 paid advertisers on the largest holiday rental web site, Stayz Central Coast, in October 2012 (Stayz, 2012) declining to 1,443 in November 2013 (Stayz, 2013) and 1,340 in October 2015 (Stayz, 2015). Central Coast has experienced new entrants such as Airbnb with 266 listings in 2015.

Table 1 Central Coast RTO highlights a low membership of four compared to Hunter Valley fifty-two (HVWTA, 2015). The Hunter Valley figure is down on previous years. From years 2006 to 2012 the Hunter Valley accommodation directories listed 110-121 self-contained properties. This declined to 82 properties in 2013 and then to 47 in 2013 when funds were withdrawn by Cessnock LGA. The 2015 accommodation listing highlights, the first growth in Hunter Valley listings since 2006.

Table 1: Cluster engagement – ME holiday rentals members listed regional tourism organisation web sites download 25 October 2015.
<table>
<thead>
<tr>
<th>web site</th>
<th>self-contained listings</th>
<th>self-contained listings</th>
</tr>
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<tbody>
<tr>
<td><a href="http://www.winecountry.com.au">www.winecountry.com.au</a></td>
<td>NA</td>
<td>52</td>
</tr>
<tr>
<td><a href="http://www.visitcentralcoast.com.au">www.visitcentralcoast.com.au</a></td>
<td>4</td>
<td>NA</td>
</tr>
<tr>
<td><a href="http://www.stayz.com.au">www.stayz.com.au</a></td>
<td>1340</td>
<td>726</td>
</tr>
<tr>
<td><a href="http://www.visitnsw.com.au">www.visitnsw.com.au</a></td>
<td>4</td>
<td>49</td>
</tr>
<tr>
<td><a href="http://www.airbnb.com.au">www.airbnb.com.au</a></td>
<td>266</td>
<td>224</td>
</tr>
</tbody>
</table>

**Actor bonds**

The leaders of the two RTOs have differing mission statements. Central Coast has a mission covering five economic, social and marketing themes, see table 2. Central Coast proposes enhancing the ‘natural advantage’, which is not explained, and then lists four other components: offer visitors a change to city life, drive tourist expenditure, enrich community assets and create employment (CCT, 2015). The Hunter Valley RTOs’ mission is more singular in direction: ‘excellence in wine quality and wine tourism’ (HVWTA, 2015) indicating an agribusiness activity focus.

**Table 2:** Cluster organisation mission statements

<table>
<thead>
<tr>
<th>Central Coast Tourism</th>
<th>Mission Statement</th>
<th>Source documents</th>
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<tbody>
<tr>
<td></td>
<td>‘Mission.[to] Enhance the Central Coast's natural advantage and offer visitors an antidote to city life; to drive a sustainable visitor economy, enrich community assets and create local employment’ (CCT, 2015)</td>
<td>‘Join Central Coast’ membership prospectus 2015-16. Central Coast Destination Management Plan for the Visitor Economy 2013 to 2017</td>
</tr>
<tr>
<td>Hunter Valley Wine and Tourism Association</td>
<td>‘Our Mission is to be the focus of excellence within Australian wine quality and wine related tourism’ (HVWTA, 2015).</td>
<td>Hunter Valley Wine Country Membership Prospectus 2015-2016</td>
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</table>

Dyadic relationships of cluster leaders influence cluster business plans. State government targets of doubling the visitor economy through management by RTOs in their destination (ASCOT, 2013). CCT and HVWTA have accepted this challenge. Plans are designed to
benefit all cluster firms and organisations whether or not a member of the regional tourism organisation.

Table 3 highlights major shifts in funding from 2014 to 2015. The Central Coast has lost the financial support of Wyong LGA. The Hunter Valley lost Cessnock council support after the association merged with the local wine industry association. Cessnock diverted their funding to support the visitors’ information centre.
Table 3 Cluster initiative funding directed via regional tourism organisations

<table>
<thead>
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<tbody>
<tr>
<td>Central Coast Tourism</td>
<td>Wyong council/Gosford</td>
<td>GCC /State /members.</td>
</tr>
<tr>
<td></td>
<td>council/Gosford council</td>
<td>Wyong council withdrawn funds. Status as RTO in doubt impacting State funding.</td>
</tr>
<tr>
<td></td>
<td>State/members</td>
<td></td>
</tr>
<tr>
<td>Hunter Valley Wine &amp; Tourism Association</td>
<td>Members only, Cessnock council withdrawn funds and Regional Hunter office in abeyance.</td>
<td>HVWC/Cessnock LGA &amp; Singleton.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expects funds from state now 2 councils supporting HVWT new ‘Alliance’.</td>
</tr>
</tbody>
</table>

Rise of the ‘sharing economy’

Collaborating businesses, known as the ‘sharing economy’ are impacting on these MEs. There has been a rapid growth in the last five years to projected American sales of US $335 billion (Saul & Anthony, 2014; Wosskow, 2014). Providers have progressed from internet sales activities to group meetings at regional levels, for example Airbnb group networks in localities. There is also a rise in traffic to small business information assistance online including online specialist blogs, for example vacation rental marketing blog (www.vacationrentalmarketingblog.com) and online community groups, LinkedIn, Airbnb. This new and rapidly changing dynamic will impact on cluster engagement within regions and needs considering.

References


