

*Factors Influencing Hotel Occupancy in Jamaica: the Role of Events
1991 – 2008*

by

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Abstract: The aim of this paper is to establish the primary economic determinants of hotel occupancy in Jamaica by reviewing for the period January 1991 to December 2008. The rationale is to help policymakers of Tourism and Hospitality management identify factors that have the biggest impact on hotel occupancy. The empirical results showed that stopovers, length of stay, events such Air Jamaica Jazz & Blues festival and to a lesser extent Reggae Sumfest are the main economic factors affecting occupancy levels. The study, also, seeks to establish whether seasonality affects hotel occupancy.

Key Words: hotel occupancy, stopover, regression, Air Jamaica Jazz & Blues Festival, Sumfest

Introduction

Jamaica attracted approximately 0.004% of international tourist guests in 2006 (WTO) and was ranked 89 (out of 176 countries) in absolute size within the world travel and tourism industry but is placed 19 in terms of relative contribution to the national economy (World Travel and Tourism Council-TSA Report, 2008). The sector brings to the economy several important benefits in the short run but to ensure that the industry provides a greater contribution in the long term the industry has to be strategically managed (Hayle et al., 2009).

The two most critical contributions to the economy are the earning of much needed foreign exchange and the creation of employment. During the period 1996-2006, international tourism receipts almost doubled moving from US\$1b to US \$1.9 b (Bank of Jamaica, 2007). Today, the industry's earnings represent some 17% of the country's GDP and 37% of total export earnings (Bank of Jamaica, 2007) thus, making the industry the leading source of foreign exchange inflows to the country's balance of payments. Even though the industry is not the largest contributor to real GDP it is now recognized as the leading architect of jobs creation, accounting for some 80,000 direct and 180,000 indirect jobs at the end of 2007 (Global

Travel & Tourism Partnership, 2008) while at the same time the industry was projected to generate, both directly and indirectly, 1 in every 3.7 jobs by 2008 (WTTC).

Published data (Bank of Jamaica, 2007) show that tourism is not only the fastest growing economic sector but has emerged, over the last decade, as the most dominant form of economic activity within the Jamaican economy. In spite of operating in a stagnating macro economy which grew, on average, by 1.27 percent per annum over the period 1997-2006 (Statistical Institute of Jamaica, Annual), the industry recorded growth rates in excess of 5% per annum with arrivals moving from 1.2 to 1.7 million, over the same period.

The apparent strong growth in arrivals and gross international receipts, notwithstanding the industry is consistently plagued with excess room capacity which limits its ability to make a greater contribution to the national economy. This point is underscored when a comparison is made of the industry's occupancy level with those of its major competitors in the region. At the end of 2006, Jamaica with a hotel room stock of 24,947, managed to achieve an occupancy rate of 61.4% thus suggesting that the industry has some 9,630 excess rooms or 38.9% unused capacity (Jamaica Tourist Board, 2007). In contrast other tourism jurisdictions in the region, such as Aruba, British Virgin Islands, the Dominican Republic, and Mexico (Cancun) which are in close proximity and are perceived as Jamaica's principal competitors, have rates of 80.7%, 83.4%, 74.24% and 76.4%, respectively (Caribbean Tourism Organization, 2004) which are significantly higher than that achieved by the Jamaican industry. Jamaica is a more mature destination than these competitors and many of its rooms represent a legacy from the early days of tourism. They are owned by small local operators who have been in business for a long time. Politicians have studiously avoided asking or even daring to suggest that some of this excess capacity ought rightfully to exit the sector. The owners of this room stock can act as service providers to the sector by providing residential room stock for hotel workers but they might not be suitable for the sector itself. This option however may have to be explored if Jamaica's hotel occupancy, a measure of its competitiveness, is to improve.

High occupancy levels not only make a location desirable but can induce investors to maintain or even increase their investments (Law and Hung,1998) Identifying and, understanding some of the factors that impact on hotel occupancy will not only facilitate proper strategic planning but is necessary if the process of destination management is to be effective (Jeffery et al..2002)

The challenge to maintain or even improving occupancy levels within the hotel subsector will become more critical if the planned targets, as set out in the tourism master plan (2000) requiring room stock to move from 24,947 to 35,000 units by 2010, were to be achieved. For this reason the main research focus of the paper is to identify some of the critical factors and, in particular, to understand the influence of events on occupancy levels within the industry.

The paper, however, begins with an analysis of trade liberalization in tourism services and its impact on the sector followed by a discussion of the fiscal incentives extended to the sector. In the next two sections the empirical framework, sources of data and methodology are examined. The potential impact of events on hotel occupancy is explored and the way forward is discussed in the final two sections of the paper.