
The explosive expansion and consolidation of the balearic hotel sector, 1964-2010

● JOAN CARLES CIRER COSTA

Escuela Universitaria de Turismo de Ibiza

Introduction

In 1903, the *Grand Hotel* of Palma de Mallorca was inaugurated.¹ Overnight, this magnificent establishment made Palma the tourist capital of the Spanish Mediterranean. Sadly, though, it was not an economic success; within a very short time it became clear that the business model chosen by the Majorcan innovators was excessively luxurious and expensive and was unable to attract potential tourists in sufficient numbers.² Nonetheless, after a series of false starts, by the time of the outbreak of the First World War, the island of Majorca had managed to establish itself on the European tourist map.

Throughout the 1920s, Majorca's new tourism model became firmly consolidated and during the following decade the industry registered significant growth. In the 1930s, hotel businesses spread out along the coastlines of Majorca and Ibiza, and the port of Palma became a major international tourism hub, visited every day by several ocean liners and by practically all the numerous cruise ships sailing through the Mediterranean. The number and variety of hotel firms multiplied, and auxiliary firms of all kinds appeared: shipping agencies, tourist guides, taxi services, firms providing excursions by train, coach, boat and plane, and suppliers specializing in the goods and articles required by the hotels. By 1935, Majorca was home to a tourism cluster of con-

1. Cirer (2009).
2. Cirer (2012).

Fecha de recepción: septiembre 2013

Versión definitiva: enero 2014

Revista de Historia Industrial
N.º 56. Año XXIII. 2014.3

siderable size and complexity, an industrial district which extended its networks to the neighbouring island of Ibiza – though not to Minorca.³

In the 1930s, Palma de Mallorca was already Spain's international tourism capital. In 1933, Palma received more than 40,000 foreign passengers, all of them tourists – more than any other Spanish port.⁴ In the same year, the Balearics had more foreign tourists registered in hotels than any other Spanish province bar one, with almost 15,000 visitors.⁵ The succession of military conflicts that began in 1936, however, stopped the Balearic tourism sector in its tracks, and the immediate post-war period signalled the end of the islands' tourism model: Spain's isolation meant that the port of Palma was struck off the newly reinstated colonial and cruise ship routes, and the disappearance of foreign tourists forced the larger hotels out of business. The small family concerns – *hostales* and *fondas* – resisted thanks to the small flow of visitors from Catalonia in mainland Spain, especially newly-weds.

The reactivation of tourism in the Balearics was made possible by the expansion of air transport. In 1949, the first charter flight from Europe landed in Palma, and in the following year the airport of Son Bonet recorded its hundred thousandth passenger. By around 1950, the Balearic Islands had managed to reassert their position in the Spanish tourism sector, and in the following decade the explosive growth of the local hospitality industry established the archipelago as the principal holiday destination in the Mediterranean, a position it would continue to hold for the rest of the century.⁶

How can we define this product that the Balearic hotel owners have sold with such success for more than a hundred years? At one level, the answer is obvious enough – temporary accommodation and complementary tourist services. But these are only intermediate goods, a way to fulfil the tourists' ultimate objective, which is a concept as vague as “enjoying themselves” or “having fun”. The prototypical clientele of the islands has never included entrepreneurs attending business meetings, or conferences, or people visiting friends and relatives. The tourists who have visited the Balearic Islands en masse since the mid-twentieth century seek leisure and entertainment, because selling holidays is “selling dreams”.⁷

3. Cirer (2006, 2009). Somewhat surprisingly, in the 1930s Minorca (unlike Ibiza) did not follow the Majorcan tourism model, even though its business community had capital and room for manoeuvre. An analysis of the uneven evolution of the industry in the different islands might shed light on the mechanisms behind its development, but is beyond the scope of this study.

4. Spanish National Institute of Statistics yearbook for 1934. Total maritime traffic at the principal Spanish ports.

5. Spanish National Institute of Statistics yearbook for 1934. Foreign tourists registered in each of the Spanish provinces.

6. Papatheodorou (2002).

7. Ashworth and Goodall (1990), p. 175.

Selling dreams is difficult, but buying them is difficult as well. The purchase of a tourist package holiday is a risky enterprise in which buyers stand to lose a large amount of money and valuable leisure time if they are not satisfied. For prospective tourists, prior access to information is particularly important.⁸ In the case of a large tourist destination, the main source of information for a potential visitor is word of mouth.⁹ Each satisfied visitor becomes a supplier of future customers, generating what are known as information economies of scale. In this respect, as the opinion surveys completed by holidaymakers show, the success of the Balearics has been total.¹⁰

Who are the recipients of the services offered by the Balearic hotel firms? The demand has been practically always been from abroad, mainly from Germany and Britain.¹¹ Concentrating on the period under analysis here, during the 1960s and 1970s, the Balearic hotel firms targeted international markets almost exclusively; it was only during the 1980s that they turned to a Spanish market which was gradually beginning to offer business opportunities.¹²

Objectives

The time frame for our study begins in 1964, when the first detailed statistics for hospitality were published, and ends in 2010; that is, our analysis starts at a time when the sector was becoming consolidated and the first hotel chains were emerging, and finishes at a point when the market presented several years of zero growth and the process of expansion of the local firms had reached maturity, as reflected by the scale of their operations and the high level of internationalization.

Over this period, the Balearic tourism sector fed off a demand which was predominantly exogenous, due to the limited commercial capacity of the islands' tourism firms. Until the twenty-first century, direct contact with the customers at the moment of purchase was monopolized by European tour

8. Klein and Leffler (2010), p. 634.

9. The direct word-of-mouth transmission of information has always been the main channel for the promotion of large tourist resorts. Not even the spectacular increase of social networks in recent years has replaced friends and acquaintances as the main source of tourist information. Jacobsen and Munar (2012), p. 42.

10. In fact customer satisfaction is the cornerstone of the Balearic tourist market. Several studies have sought to identify the reasons for the high rates of repetition among visitors to the islands: Cladera (2009); Jacobsen, (2002); Jacobsen and Dann (2009); Kozak (2001) and Ryan (1995).

11. Of every three visitors to the Balearics between 1966 and 2006, one was British and one was German.

12. The first survey of tourist spending in the Balearics, carried out in 1985, found that Spanish tourists spent only half as much as their foreign peers during their stay. The gap has narrowed since then.

operators who also dominated air transport and offered standard transport and accommodation packages.

Once in their destination, tourists consume a variety of goods and services outside their places of accommodation. These goods and services make up the *complementary offer*, a term that reflects the subsidiary nature of the restaurants, bars, car rental firms and so on with respect to the airlines and hotel firms. The airlines and hotel chains are the cornerstone of the islands' tourist industry and will be the focus of attention in this study. We concentrate on the analysis of the Balearic hotel sector as a whole, and leave aside the evident differences in the tourism models of each individual island¹³ and the evolution of individual firms.¹⁴ What we aim to stress is the importance of the interactions that emerge when hundreds of firms of all sizes share a single market, and to demonstrate that their coexistence is key to an understanding of the competitiveness which they have shown as they expanded their activity all over the world.

We start our analysis with a description of the data and sources used, and then place the Balearic hotel sector in context. First we assess the importance of tourism in the Balearic economy and the position of the islands' tourist firms in the Spanish and international markets. We then use the annual statistical data to identify the phases of development of the Balearic tourist accommodation sector, and then turn our attention to the nucleus of the tourist industry: the hotel firms. We do this by adopting a fundamentally entrepreneurial method of analysis, based on the classic models of Industrial Organization¹⁵ to determine the distribution of the market and its level of competitiveness. We then assess the role of firms from outside the islands and, finally, introduce the concept of the industrial district as a useful theoretical model for defining the format adopted by the Balearic tourist economy.

Statistical and bibliographical sources

As far as the sources are concerned, our entrepreneurial focus has a direct precedent in the seminal study by Antoni Sastre entitled *Mercat turístic balear*, with its vast range of statistical tables which constitute our principal source of information. These data are complemented for 1999 by the data offered by

13. A recent study which uses the physical characteristics of the hotel infrastructure to classify the models existing in each island is Cirer (2013b).

14. Several studies have described individually the processes of expansion experienced by hotel firms based in the Balearic Islands. Among them, the most interesting are by Groizard and Jacob (2004) and Álvarez et al. (2005).

15. Clarke (1985).

Alcover and Sard for Majorca and by Cirer for Ibiza and Formentera.¹⁶ The data corresponding to 2010 were obtained by the author. These sources were used to create the hotel rankings presented here for the years 1975, 1980, 1992, 1999 and 2010 and with them the indicators of market concentration and competitiveness.

The second main source of data comprises the annual reports of the Official Chamber of Commerce, Industry and Navigation of Palma de Mallorca and Ibiza, published since 1964, and its *Gazette*. We also used the official statistics for tourism published by the Ministry of Information and Tourism and the Balearic Government. This last set of data is published annually and includes detailed information dating back to 1964 regarding the inflow of tourists and the tourist accommodation on offer. Since 1985 we also have data for spending by visitors to the islands and their average stay. By combining all these data, we have been able to define the different phases of growth in the tourist sector.

As regards the bibliography, several studies of the general evolution of the Spanish tourism market are available, for example the analyses by Esteve and Fuentes (2000), Fernández (1991) and Moreno (2007) which provide a fundamentally institutional and macroeconomic focus. A similar study, though with a greater sensitivity towards the business world, is *50 años del turismo español* edited by Bayón in 1999. Studies offering a general overview of the island context are *Turisme a les Illes Balears (1950-2005)*, by Seguí (2006), the special issue devoted to tourism in the journal *Estudis Baleàrics* in 1990 and *Welcome! un segle de turisme a les Illes Balears*, published by the *La Caixa* Foundation. A previous publication with very similar aims to the present study, although limited to Ibiza and Formentera, is *Dinàmica de la estructura del sector hotelero en Ibiza y Formentera. 1960-2000*, by Cirer (2010). Rivas (2012) analyses the structure of hotel ownership, and Martorell and Mulet have devoted several studies to the analysis of the Balearic hotel chains, above all their process of internationalization.¹⁷ The final result of the geographical distribution of coastal tourism in the Balearics has recently been analysed by Cirer (2013b), while Arrom, Picornell and Ramis (2008) have assessed the impact of tourism on rural areas. Two recent studies of the environmental impact are Hof and Schmitt (2011) and Murray (2012).

16. Sastre (1995); Alcover and Sard (2000); Cirer (2010, 2013b).

17. Martorell and Mulet (2009, 2010).

Pride of place in the islands' economy

Tourism is not just the principal source of income in the Balearic Islands, but in fact it totally dominates the islands' economy. In terms of regional GDP, the Balearic Islands' specialization in the hotel industry is overwhelming compared with other regions of Spain; between 2000 and 2008 it accounted for an average of 21.4% of regional GDP, compared with the national average of only 6.7%.¹⁸ The Canary Islands come second, with a proportion of 14.9%; in none of the other fifteen regions is the proportion above 8%. This situation dates back many years; in fact, between 1964 and 1995 more than a quarter of Spain's hotels were located in the Balearic Islands.¹⁹ Since then, the growth of the offer in the rest of Spain has brought the islands' percentage down to its current level of 20%, but in 2010 the islands still had more beds than any other region in Spain including Catalonia. The dependence of the Balearic economy on tourism is even more striking if we realize that, in terms of proportion of regional GDP, agriculture and industry in the islands represent only a third of the Spanish average; on the other hand, *Construction* and other services such as *Trade*, *Transport* and *Finances* present percentages comparable to those of most Autonomous Communities.

These data indicate a concentration on the hotel trade, but also on tourism in the broad sense. This concentration is also reflected by an analysis of the sectorial distribution of Balearic firms.²⁰ In 2009, the Balearics were home to 2.7% of all Spanish firms, but to 7.7% of firms in the hotel trade, 7.2% of the restaurants, 7.5% of the airlines and 12.5% of car hire firms. Additionally, the island firms operating in the various tourism subsectors were, on average, substantially larger than in the rest of Spain. Counting only businesses with more than 500 employees, the Balearic Islands had 24% of the large hotel firms, 44% of air transport firms and 50% of the big travel agencies.²¹ The Canary Islands, on the other hand, are home to a comparable number of hotel firms – 20% of the Spanish total – but do not have a single airline or travel agency.

The trend is repeated in other complementary business activities. Using the *Yellow Pages* as our source, we find that the Balearic Islands have more firms advertising under the heading *Souvenirs* than any of the other fifty Span-

18. This figure corresponds to the average contribution of the hotel sector to regional GDP over the period 2000-2008 (Spanish National Statistics Institute, Regional Accounts of Spain).

19. National Statistics Institute yearbooks, 1965-2012.

20. The data used in this section are from the National Statistics Institute's directory of firms for 2009.

21. The strong presence of non-hotel tourist firms in the Balearic Islands has been a constant feature of the industry's development throughout the twentieth century. Some of the largest Spanish travel agencies such as *Viajes Iberia* were created in Majorca in the 1930s, and the Majorcan airline *Spantax* was one of Europe's leading charter airlines in the 1960s and 1970s.

ish provinces; they come third in the sections *Discotheques* and *Hostelry machinery* – in both cases behind Madrid and Barcelona – and fifth for *Amusement Parks*. The intensive exploitation of tourism has given rise to a network of firms of all kinds and sizes – restaurants, bars, shops, leisure services, and so on – and others offering specialized services to hotels or other businesses that deal directly with tourists. So the Balearics are home to a group of large firms in all subsectors of the tourism industry providing complementary services which stand out above the dense, gelatinous mass²² of small and medium-sized hotel firms.

Finally, we should stress that this is a productive sector with an entrepreneurial structure of its own, sited in a tourist destination that in many ways is unique. Not only do the Balearics receive far more visitors than other Mediterranean islands such as Malta, Cyprus and Crete,²³ but their locally-created hotel chains are on a completely different scale to those found in these other islands. Not even in other Spanish beach tourism destinations do we find hotel firms with a comparable degree of capacity for expansion and international aspirations.²⁴

The Balearic hotel firms in the Spanish and international contexts

In the mid-1950s hospitality in the Balearics underwent dramatic growth; all the large hotels operating in the 1930s reopened – with the exception of the pioneer, the *Grand Hotel* – and new establishments were built. The sector attracted innovative entrepreneurs, who were quick to respond to the changes in demand during the period.²⁵ The newcomers to the business realized that the ground rules had changed: forerunners of the great hotel chains of the future,²⁶ they established a new entrepreneurial philosophy and introduced novel organizational structures to bring down costs. The opening of new air-

22. Lazerson and Lorenzoni (1999).

23. For Malta, see Oglethorpe (1985) and Bramwell (2003); for Crete, Andriotis (2002) and for Cyprus, Sharpley (2000).

24. Monfort, (2002), p. 16.

25. A sociological exploration of these changes is particularly complex and goes beyond the scope of this study, but we should stress the substantial differences between the tourists who arrived in Majorca in the 1930s and the ones that followed them twenty or thirty years later. The pre-war visitors were keen to “see things” – the island’s landscapes and caves, its architecture, its cultural and anthropological features – whereas the prototypical tourists of the 1960s had no interest in visiting or getting to know the island and sought little more than relaxation. Besides, the purchasing power of the new tourists was notably lower than that of their predecessors. Cirer (2009), p. 347.

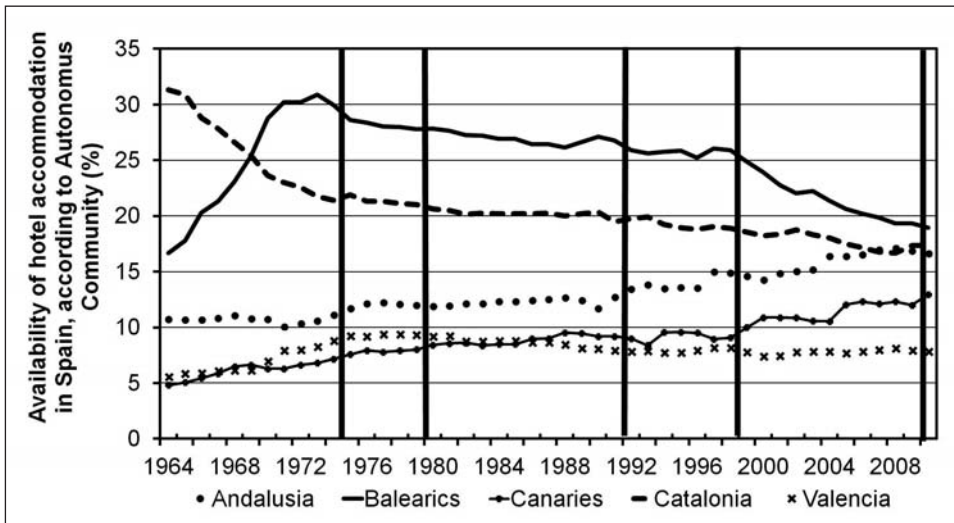
26. A good example of the new type of hotelier was Juan Riu, founder of the chain that bears his name. In 1954 Riu introduced an organizational scheme that included the hiring of *forfaits* with a German tour operator and the systematic rotation of tourists via charter flights. Soriano (1996), p. 139.

ports in Majorca and Ibiza in the early 1960s marked the arrival of mass tourism in the Balearics and also the effective end of the tourist model initiated in 1903 with the opening of the *Grand Hotel*.

Within a few years, the islands had recovered their position at the head of the Spanish hospitality industry and by 1964 the Balearics had more hotel beds – slightly more than 50,000 – than any other Spanish province, followed by Girona with 42,000. In terms of Spain’s present-day Autonomous Communities, Catalonia led the way with 31% of the total, followed by the Balearic Islands with 18%. Chart 1 shows that the islands had overtaken Catalonia by 1969; in 1971, the Balearics had 31% of the hotel beds in Spain and in fact the island has maintained this leading position until the present day. From 1970 until the end of the century the number of hotel beds in the Balearics grew at a rate slightly below that of the rest of Spain and its proportion fell to 25% in 1999. In the first decade of the new century, the Balearics lost ground to Andalusia and the Canary Islands.

These data are sufficient to show that the Balearic archipelago was the centre of Spain’s hotel business throughout the period under study. Indeed, the importance of the Balearics in the hospitality sector is reflected not just by the number of hotels in the islands, but also by the fact that many establishments on the mainland and in the Canary Islands were built by Balearic hotel firms, and many others were bought by Balearic hotel chains or operate under franchise. Nor did the expansion of the Balearic entrepreneurs stop

CHART 1 • Evolution by Autonomous Community of number of hotel beds in Spain between 1964 and 2010



Source: Spanish National Institute of Statistics, yearbooks 1965-2012.

TABLE 1 ▪ *The Balearic hotel chains from an international perspective. Geographical distribution of chains by Autonomous Community – in the case of Spanish firms – and by country among Mediterranean hotel firms listed among the 300 largest in the world. Only data corresponding to strictly Mediterranean firms are included – i.e., their head offices must be on the coast, and not for example in Madrid or Paris.*

Autonomous Community	Chains	Rooms	Country	Chains	Rooms
Balearics	6	260,566	Portugal	2	15,168
Catalonia	4	43,520	Egypt	1	12,536
Canaries	1	7,626	Greece	2	12,056
Andalusia	1	5,974	Israel	2	11,422
Spanish Mediterranean+Canary Islands	12	317,686	Italy	2	9,665
			Croatia	1	6,175
			Malta	1	5,425
			Cyprus	1	4,544
			Turkey	1	4,405
				13	81,396

Source: *Hotels* magazine, September 2011, pp. 21-30.

at the Spanish border: as soon as they were in a position to do so, these firms entered the international arena, where they met with considerable success. In 2010, six island firms appeared among the world's 300 largest hotel chains: *Melià*, *Iberostar*, *Barceló*, *Riu*, *Fiesta* and *Blau*, all of them but one based in Majorca – *Fiesta* is based in Ibiza.²⁷ They are also very well placed: they rank 15th, 20th, 26th, 30th, 85th and 268th. All these firms are genuine multinationals with establishments in a wide range of countries, offering their services in highly competitive international markets.

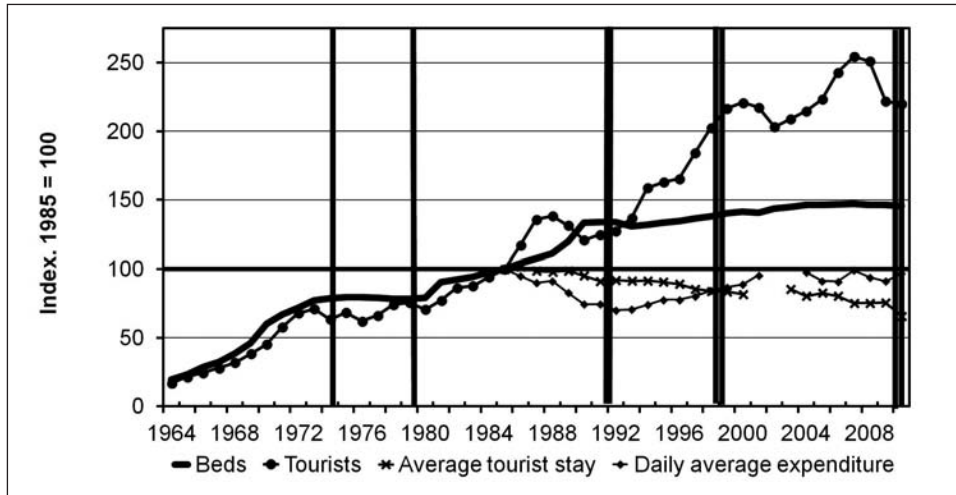
Some interesting conclusions can be drawn from this table regarding the importance of the large hotel firms based in Spain and in particular in the Balearic Islands:

- 1) The dominance of the Spanish chains in the Mediterranean context is overwhelming: 80% of the rooms and hotels belong to Spanish firms, located in the Balearics, the Mediterranean coastline or the Canary Islands.
- 2) Inside Spain, the Balearic firms are by far the most important, managing in total more than 260,000 rooms.

27. *Hotels* magazine, September 2011, pp. 21-30. Each year this US publication presents a list of the world's 300 largest hotel firms.

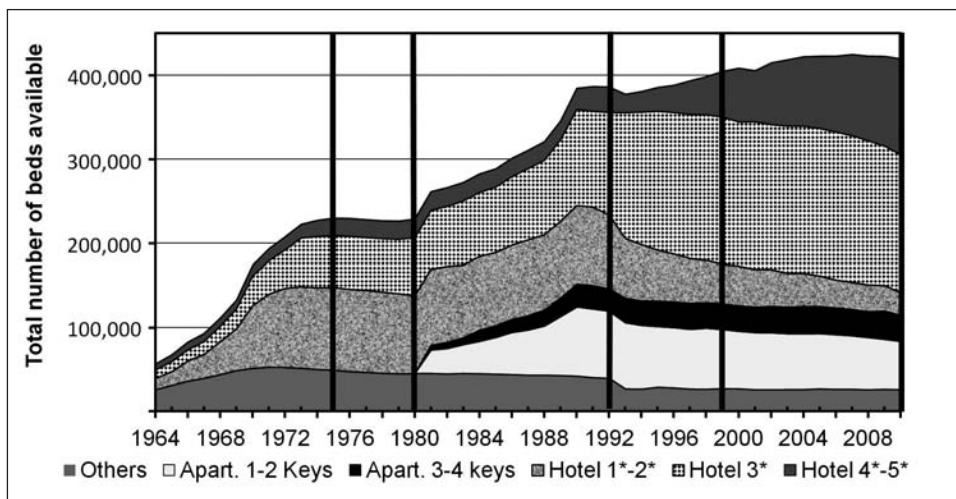
3) Hospitality is a strictly family business. All the firms in the Balearics and most of the firms in the rest of Spain belong to family groups: *Husa* – Gaspart; *H10* – Espelt; *Lopesan* – López Sánchez.

CHART 2 - Evolution of the tourist accommodation – measured in beds available – inflows of tourists at the islands' airports (1964-2010), average stay in days and average daily spending of these tourists measured in 2010 euros (1985-2010)



Source: Chamber of Commerce. Ministry of Information and Tourism. Government of the Balearic Islands. National Statistics Institute.

CHART 3 - Evolution of accommodation of various types in the Balearic Islands – measured by number of beds

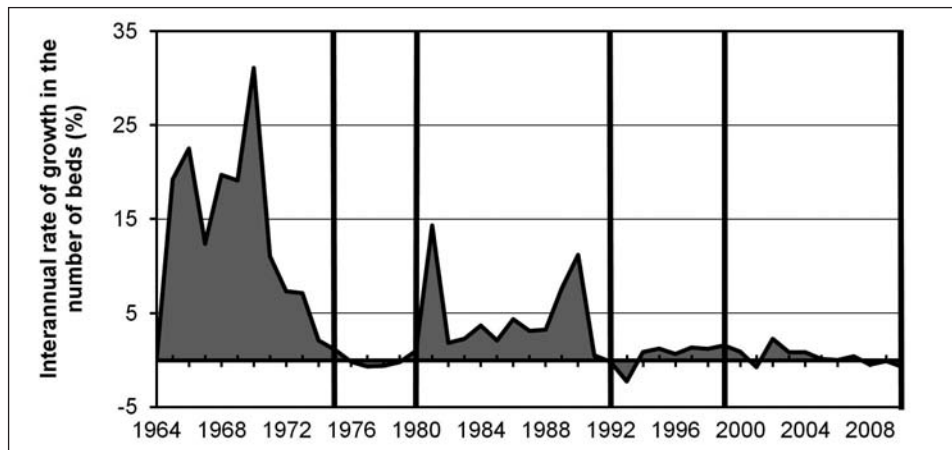


Source: Chamber of Commerce. Government of the Balearic Islands.

TABLE 2 ▪ *Beds available in different types of tourist accommodation in the years analysed*

Year	Beds					Mean annual rate of growth in each period (%)				
	<i>Hostales Others</i>	<i>Apart-ments</i>	<i>Hotel 1*2*</i>	<i>Hotel 3*</i>	<i>Hotel 4*5*</i>	<i>Hostales Others</i>	<i>Apart-ments</i>	<i>Hotel 1*2*</i>	<i>Hotel 3*</i>	<i>Hotel 4*5*</i>
1964	26,144		13,407	10,100	7,042					
1975	49,472		98,547	61,393	20,601	6.0		19.9	17.8	10.3
1980	45,432		92,682	68,459	22,192	-1.7		-1.2	2.2	1.5
1992	39,482	106,799	87,395	122,380	30,281	-1.2		-0.5	5.0	2.6
1999	27,212	101,178	46,969	175,228	54,435	-5.2	-0.8	-8.5	5.3	8.7
2010	25,920	88,811	26,999	163,746	114,507	-0.4	-1.2	-4.9	-0.6	7.0

Source: Chamber of Commerce. Government of the Balearic Islands.

CHART 4 ▪ *Interannual rate of growth in the number of beds available in the Balearic Islands*

Source: Chamber of Commerce. Government of the Balearic Islands.

Phases in the evolution of the tourist accommodation sector

Table 2 shows the official data for the number of beds available in the Balearic Islands between 1964 and 2010. Its evolution is presented in charts 3 and 4. Broadly speaking, the development of the tourism industry can be divided into six stages:

- 1) 1964-1973. Explosive growth. As Chart 4 shows, at the end of the 1960s annual growth rates were around 25%. The effect of this expansion on each of the four islands was inversely proportional to their starting points: Minorca, the island with the lowest levels of tourism at that time, multiplied its offer tenfold, and Ibiza and Formentera multiplied their offer fivefold. Within a space of ten years, all the island economies were monopolized by tourism. As regards categories, the growth was spread more or less evenly between 1, 2 and 3 star hotels, while 4 and 5 star hotels grew at less than half the average rate and *hostales* and *pensiones* even less. This differential growth caused a strong concentration in the middle and lower-middle segments.
- 2) 1974-1980. First recession. The explosive growth of the previous stage came to an abrupt halt; the sector had to undergo major reorganization as a result of the fall in demand and the collapse of large European tour operators such as *Court Line*. More than 200 lower-range establishments disappeared – *hostales*, *pensiones* and 1-star hotels – with more than 6,000 beds, along with three of the ten 5-star hotels offering 670 beds, representing 28% of the top-end offer. As a result, the market concentration in the middle and lower-middle ranges increased considerably.
- 3) 1981-1990. Period of expansion, thanks mainly to the appearance of a new product: lower-range tourist apartments. At this time, the Balearic beach tourism model became firmly consolidated, offering standardized packages and low prices. The tourism market in the Mediterranean had reached maturity both in terms of the activity of the tour operators²⁸ and in terms of the hotel offer. The middle range based on 2- and 3-star hotels continued to grow slowly, but the higher categories did not. Chart 4 shows that the rates of growth were sustained and high, with an accumulated annual rate of 5.3%.
- 4) 1991-1993. A brief but profound recession. The number of visitors fell drastically, and their level of spending as well – chart 2. The abrupt fall in demand hit the highest and lowest segments particularly hard. Between 1990 and 1995, 408 hotels, 15% of the total, closed down. Particularly striking was the disappearance of hotels in the upper range – 4-star and especially 5-star hotels, in fact, half of the 5-star hotels closed. Many of those that continued were obliged to scale down, forfeiting one or two of their stars as a lesser evil.
- 5) 1994-2004. Slight growth in the offer of around 1% per year, as a result of the drastic reduction of the lower range offer – above all 1- and 2-star hotels – combined with a notable increase in beds in 4- and 5-star hotels.

28. Klemm and Parkinson (2001), p. 369.

- 6) 2005-2010. Zero growth. The offer stabilizes around 420,000 beds. In the latter years there has been an extensive process of reconstruction and modernization of old establishments, which has helped to raise the standards of the mid-range category across the board. In 2010, 5-star hotels offered almost 9,000 beds and 4-star hotels more than 105,000, representing a sevenfold increase in the offer of the medium-high and high ranges since 1993. Over these 17 years, the total number of beds available in the islands increased by a mere 11%.

Charts 2 and 4 show the change in tendency caused by the recession in the early 1990s, since when the evolution of the inflow of tourists and hotel accommodation has no longer gone hand-in-hand. Until then, the successive increases in the demand had been matched by increases in the number of beds available in the islands, but from 1994 the two figures begin to diverge clearly. The explanation is to be found in two fundamental factors: the reduction in the average stay, and the increase in holiday home ownership. In 1985 the prototypical tourist spent an average of 13.55 days in the islands, but by 2010 this figure had fallen to below nine days. For their part, holiday homes began to be a force to be reckoned with in the mid-1980s. Sastre notes that in 1987 alone 40,000 new places became available thanks to the construction of apartments,²⁹ many of which eventually became holiday homes. The two factors were favoured by the reduction of air transport costs which allowed northern Europeans to visit more than one destination per year; this meant that they could reduce the time spent in each one, or visit the same destination on more than one occasion, a practice that is obviously a strong incentive for acquiring summer holiday homes.

What these two periods of recession had in common was that in the short term their strongest effect was felt in the highest and lowest sections of the market. The market became concentrated in the middle and lower-middle range, following a prototypical pattern in classical evolutionary mechanisms,³⁰ but in the long term they have had very different consequences. The first recession represented a “breather”, a pause in the rhythm of spectacular growth which then recovered partially in the 1980s, but the second marked the beginning of a new phase in the evolution of the market. In the last fifteen years the pattern has clearly changed, with the absolute growth in terms of numbers being replaced by a mass reconversion towards higher categories. The low and lower-middle segments have fallen significantly; the middle range held up, and the upper range has expanded spectacularly, as chart 3 shows.

29. Sastre (2000), p. 5.

30. Matthews (1984); O’Neill and Carlbäck (2011).

Competitiveness of the sector

To analyse the development of the hospitality sector's competitiveness, we classify all the firms by order of number of beds offered and then divide them into six groups:

- 1) The first three firms.
- 2) The six firms from 4th to 9th place.
- 3) The 12 firms from 10th to 21st place.
- 4) The 24 firms from 22nd to 45th place.
- 5) All the other firms considered to be chains in this study – those with more than 500 beds in at least two establishments.
- 6) Beds belonging to firms that do not constitute a chain. This group includes all the beds officially recorded that have not been assigned to a chain.

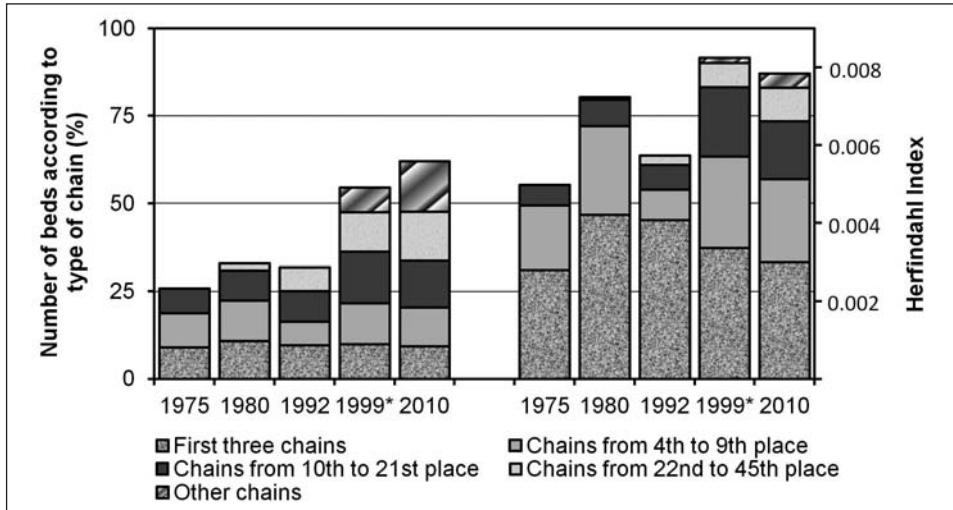
After classifying the firms, we calculated the concentration indices and the Herfindahl index – see Table 3 and Chart 5.

TABLE 3 ▪ *Beds managed by each group of chains according to size*

Group	Beds				
	1975	1980	1992	1999*	2010
1. First three chains	20,714	24,624	37,228	35,966	39,164
2. Chains from 4 th to 9 th place	22,382	26,597	26,219	42,165	46,716
3. Chains from 10 th to 21 st place	16,340	19,448	33,527	52,029	55,395
4. Chains from 22 nd to 45 th place		4,695	25,906	40,956	58,867
5. Other chains				25,208	60,408
Other firms	170,577	153,401	263,457	163,635	159,433
Total	230,013	228,765	386,337	359,959	419,983
Herfindahl Index	0.005	0.007	0.006	0.008	0.008

* The data for 1999 do not include Minorca.

CHART 5 • Evolution of number of beds managed by the different groups: evolution of the Herfindahl Index for the Balearic Islands



The trend in chart 5 is clear: most of the establishments eventually become part of a chain. In 1975, 74% of beds were in independent establishments, but by 2010 this percentage had halved to 38%. The trend has been systematic: only in 1992, after the large-scale introduction of apartments, did the process stop, and then only momentarily.

This phenomenon has not affected the sector's competitiveness. The 260,550 places belonging to chains in 2010 were spread out between 108 different firms. The hotel chain has become the dominant element of the tourist accommodation sector in the Balearics, relegating the independent establishment to second place, but this has not created a situation of oligopoly. The percentage of beds managed by the three largest firms in the sector oscillated around 10% of the total between 1975 and 2010, and the nine largest, together, have never obtained more than 25% of the market quota. At certain times, firms such as *Sol-Melià* in Majorca³¹ and *Fiesta* in Ibiza³² have been leaders in the price setting process,³³ but they have never reached a position of genuine market dominance.

So the Herfindahl Index shows that the key feature of the island accommodation market has been competitiveness. Between 1980 and 2010 the index ranged between 0.007 and 0.008. These values are remarkably low: far below

31. Sastre (1995), p. 56. "*Sol Melià* is the true market leader in the Balearic hotel industry."

32. Cirer (2010), p. 83. *Fiesta Hotels* reached a market quota of 18.6% in Ibiza in 1990.

33. Ramon (2001).

the value of 0.15 which is normally considered indicative of a moderately concentrated market³⁴ and which other authors have obtained for much larger markets such as the UK.³⁵

This maintenance of a high level of competitiveness over time seems at odds with the trends towards concentration that characterize many sectors of the economy. It seems natural to expect that levels of competitiveness will differ from firm to firm: the most efficient ones will increase their market share and will gradually squeeze out their rivals. This has not happened in the Balearic hotel trade because the competitiveness of the local firms has enabled them to seek out opportunities in other destinations, initially in Spain and then later in the rest of the world. The systematic broadening of the potential market has more than compensated for the trend towards business concentration.

Five firms: *Sol*, *Barceló*, *Riu*, *Iberostar* and *Fiesta* have more hotels outside the islands than inside, and run more than 40 establishments in total. Table 4 displays their development, and highlights a common trend: in 1975 they were already important firms –with the exception of *Iberostar*³⁶– they enjoyed steady growth from that point onwards and, after reaching their peak –*Sol* in 1992, the others in 1999– have significantly reduced the number of beds managed in the islands while simultaneously consolidating their position in the Spanish and international markets. Naturally, this expansion consumed financial and human resources. As these large firms reduced their presence in the islands, the market segments they considered non-strategic fell vacant, and were immediately occupied by firms such as *Grupotel*, *Protur* and *GPS* which were growing but had not extended their operations outside the islands. These developments show that the mechanism proposed by Cirer³⁷ to account for the evolution of the chains in Ibiza also applies to the whole of the Balearic archipelago: the growth of hotel firms in the island market has a ceiling, and when this ceiling is reached, the expansion outside the initial base begins before the emergence of predatory practices that lead to situations of oligopoly.

34. The US Federal Trade Commission proposes the value of 0.15 as a cut-off point for detecting concentrated markets. US Department of Justice, p. 19.

35. Davies (1999), p. 299. Davies obtains a Herfindahl Index of 0.151 for the British hotel market between 1989 and 1994, indicating that the market is dominated by six or seven firms.

36. *Iberostar* had been one of Spain's largest travel agencies since 1956. It moved into hotel management in 1986. This firm is one of the few examples of vertical integration in the Balearic tourism market in the twentieth century: in more recent years, this type of integration has become more frequent.

37. Cirer (2010), p. 86.

TABLE 4 • Evolution of the number of beds managed in the islands by the large chains with investments abroad

Chain	1975	1980	1992	1999 *	2010
<i>Sol</i>	8,721	11,543	21,963	12,352	16,359
<i>Fiesta</i>	2,695	4,894	9,630	12,972	9,748
<i>Iberostar</i>			1,138	9,241	7,700
<i>Riu</i>	2,176	3,470	4,713	7,486	5,469
<i>Barceló</i>	3221	4438	4671	5145	4499

* The data for 1999 do not include Minorca.

The role of capital from outside the islands in the Balearic hospitality industry

A striking finding is the fact that, of the 45 largest hotel firms operating in the Balearics, only three have their headquarters outside the islands: *Hotasa*,³⁸ *Stella Polaris*, and *Sunwing*. These three firms are ranked 17th, 44th and 45th among the island firms. This suggests that the presence of non-island-based capital in 2010 in the hotel sector is marginal in stark contrast to the initial period, when in 1975, for example, the firms funded mainly by external capital offered almost 40% of the beds belonging to chains – and 10% of the total offer.

The German firm *Iberotel* and the British firm *British Caledonian Hotels* are representative cases. *Iberotel*, created in Majorca, had more than 7,000 beds in the Balearics in 1980, but then reduced its presence in the islands and eventually transferred all its establishments to *Riu* in 1993. Far from closing down, however, *Iberotel* continued its international expansion throughout the Mediterranean, building hotels in Tunisia, Turkey and Egypt, where it remains well consolidated today.³⁹

British Caledonian Hotels was also created in the Balearics with foreign capital. At its peak it had eleven hotels on the islands with some 4,000 beds, in addition to other hotels in Europe and Africa. In the 1980s the airline that led the group ran into economic problems and sold its hotel division, which broke up into two parts: the Majorcan concern was taken over by the *Sol* chain and the rest –the *Copthorne* group– was sold to *Tara Hotels* and later became part of the *Millennium* group, one of the largest hotel groups current-

38. At the time of writing, *Hotasa* belongs to the *Nueva Rumasa* business group which has gone into receivership and so is unlikely to continue operating in the short term.

39. The *Iberotel* webpage states that in 2011 the firm had 18 hotels in Egypt, three in Turkey, three in the United Arab Emirates, two in Germany and one in Italy.

ly in operation.⁴⁰ The same sequence is repeated in both these cases: a foreign group sets up a hotel firm in the Balearic Islands in the 1970s; the firm grows and reaches a position of prominence in the 1980s; it is then overtaken by local businesses and leaves the Balearic market, but continues to grow and build hotels in other parts of the world.

The Spanish group *Rumasa*, which had more than 5,000 beds in the islands in the early 1980s, was also funded by external capital. In 1983, it was declared bankrupt and taken over by the Spanish government, which eventually sold all its hotels to the Majorcan group *Sol*.

By the mid-2000s, this process was coming to an end. In 2006, for example, the Majorcan firm *Hoteles Globales-Optursa* acquired the ten hotels –with more than 4,000 beds– in the possession of the *Acorn* group in the Balearics. That is, when the multinationals entered the Spanish market on a massive scale in all the productive sectors,⁴¹ they effectively abandoned the Balearic hotel market to local firms. This process has culminated in the practical disappearance of foreign capital from the Balearic hotel sector – with the significant exception of luxury 5-star hotels.

Balearic hotel firms in perspective

Although the size of the island chains has increased notably over the period of almost fifty years covered here, oligopolistic practices have not emerged. The chains have grown systematically, absorbing an increasingly large proportion of the tourist accommodation in the Balearics. This phenomenon has not been reproduced elsewhere in the Mediterranean tourism sector. In fact there is no obvious explanation for it; what we find is a complex set of factors which have had different influences at different times:

- 1) As noted above, the recurrent recessions eliminated the smaller firms, in general the ones least equipped to survive a drastic fall in income. These firms faced major difficulties in obtaining adequate funding; the emergence of any disruption that could cause a delay in the projected income could force a tourism firm out of business. In this precarious situation, independent hoteliers were often obliged to sell their hotels or to seek refuge inside one of the large hotel chains.⁴²

40. According to *Hotels* magazine, the *Millennium & Copthorne* group was 37th in the world ranking in 2010, managing 101 hotels and 28,797 rooms. *Hotels*, September 2011, p. 26.

41. Valdaliso (2004), p. 31.

42. Practically all the long-term credit available in the 1950s and 1960s came from the public sector in the form of *loans for hotel owners*. In the Balearics, the concession of these loans often depended on the hotelier's contacts. Hernández and Mancha (1980).

- 2) Practically all the pioneering establishments were set up by family firms. As the years passed and management responsibilities had to be passed on to the new generations, the succession process was not always a smooth one. In some cases the firms became excessively fragmented, and in others the heirs were more interested in other kinds of business: as the hotel trade was profitable, significant gains could be made by selling the assets to the surviving firms, which thus had an excellent opportunity to expand further.⁴³
- 3) Pressure from European tour operators. Many studies have described the mechanisms used by tour operators in their negotiations with local hotel owners.⁴⁴ Tour operators all prefer to negotiate with small family hotel firms,⁴⁵ because of the difference in size; when the hotel firms are large enough to oppose or limit the operators' oligopolistic practices, this asymmetry disappears.⁴⁶ But, under strong commercial pressure, many small entrepreneurs were forced to yield to larger firms.

Another interesting feature in the process is the systematic specialization of all the firms in the hotel trade. As they expanded, the Balearic hotel chains did not diversify, as seems to be the norm in other economic sectors.⁴⁷ The explanation for this anomaly once again lies in the special characteristics of the tourist sector. Normally, firms offering a limited number of products eventually adapt very well to the local market, but their products are relatively unattractive in global terms. This obviously hinders their geographical dispersion. In tourism, however, the product is always global by definition, even in the highly frequent case of specialization in a particular nationality or customer profile: a chain that concentrates on catering for German families, for example, accumulates a know-how that will be useful not just in the Balearics but in Málaga and Cancún as well.

Our analysis of the rates of growth of tourism has identified six stages in the development of the industry in the Balearics. Simplifying further, we can reduce this to two stages – charts 2, 3: from 1964 until 1993, and from 1994 until 2010. In the first stage, the sector concentrated on the middle and lower-middle range, an option that required strict cost control in order to be able

43. The ownership of the first hotels was extremely diverse given the lack of available capital. As the firms grew, ownership became systematically concentrated. Cirer (2010), p. 74. Ramon (2001).

44. Sastre (1995); Klemm and Parkinson (2001); Bastakis et al. (2004).

45. Tapper (2001).

46. Davies and Downward (2001).

47. Binda (2009), pp. 112-113.

to offer a competitive product at a low price.⁴⁸ This strategy had three main components:

- 1) The across-the-board standardization of package holidays comprising travel, accommodation and hotel transfers. The system exploited the capacity of planes, buses and hotels to the full, and eliminated down time. One of its collateral effects was that it put the smaller establishments under immense pressure; they were always the ones most affected during economic downturns.
- 2) Reduction of wage costs. This was initially possible thanks to the mass immigration of workers from poorer areas of Spain, most of whom stayed on the island only during the summer months when they were in employment. At the start of the 1970s, the successive rises in wage costs led the entrepreneurs to introduce a second stage of technological and organizational change including self-service restaurants, the mechanization of kitchens and laundry services, elimination of administrative staff through outsourcing, the progressive introduction of computerization,⁴⁹ and so on.
- 3) During the 1980s, lower category apartments were introduced on a massive scale, again in an attempt to control costs – in this case by significantly reducing the level of services offered to the customer.

When the strategy of cost reduction and low prices reached its limit in the 1990s, the islands' hotel firms shifted their commercial focus towards the middle-high and high ranges, and even to luxury five-star hotels. Since that time, the range of hotels on offer has been transformed and the different chains have concentrated on specific market segments,⁵⁰ abandoning the generalist approaches that dominated the 1960s and 1970s. The rapid spread of business practices that obliged entrepreneurs to take risks and to make large investments indicates that the basic mechanisms of the industrial district remained very much in place in the first decade of the twenty-first century.

The industrial district: the key to the success of tourism in the Balearics

The introduction and rapid spread of these organizational, commercial and technological innovations were possible thanks to the high level of com-

48. In fact this strategy was applied by most of the Spanish export firms in this period. Valdaliso, (2004), p. 19. Spain offered clear incentives for the provision of mass tourism services at the lowest possible prices. Sánchez (2001), p. 211.

49. Alenyar (1990); Mulet (1990).

50. Cirer (2013).

petitiveness of the Balearic tourism market and its structure as an industrial district. Any small improvement spread rapidly through the islands thanks to the high degree of labour mobility,⁵¹ and also to the fact that the islands' travel agencies and transport firms and the tour operators themselves all worked with several hotel owners at the same time. This permeability spread to Ibiza and Minorca, as most of these service firms were present in the other islands as well and the Majorcan hoteliers also responded quickly to the opportunity to expand.⁵²

The presence of a multitude of firms offering the same product, a flexible and mobile labour market, and the existence of widespread specialized knowledge constitute three of the main elements of the canonical Marshallian industrial district. The fourth –the presence of competitive providers of supplies and complementary services⁵³– has already been demonstrated in our description of the islands' business structure. If to these factors we add the presence of a clearly differentiated society directly involved in the productive structure of the region,⁵⁴ then the concept of "Italian-style" industrial district following the paradigm described by Becattini emerges in full force.⁵⁵

The existence of the characteristic mechanisms of the industrial district is also reflected in the rapid emergence of institutional organizations such as the Tourism Board of Mallorca, founded in 1905, and the Tourism Boards of Minorca and Ibiza, both founded in the 1930s. The Balearic Hotel Federation was created in 1977, and played a decisive role in withstanding the pressure from foreign tour operators to bring down prices on a massive scale;⁵⁶ since then, it has acted as an influential lobbyist in the defence of the inter-

51. Historically, the immense majority of the island hotels closed in winter and hired their employees on temporary contracts. As a result, workforce mobility was extremely high. Montserrat (1990); Ramon (2000).

52. The island of Formentera has always diverged substantially from the norm and its development is particularly interesting, but because of its small size we will not consider it here.

53. Marshall (1920).

54. In the Balearics the existence of a highly differentiated society is a geographical phenomenon rather than a social one, – given that they are islands.

55. Becattini (2004), pp. 19-29. Becattini defines the industrial district as a socio-territorial entity constructed from a dense network of business interdependences, with two main features:

- a) A community of people with specific characteristics that distinguish them from others in the vicinity and given them a personality of their own. This social group should be homogeneous but at the same time open to the exterior.
- b) A set of interrelated firms that share the territory with this community. These units of production usually manage only one of the stages required by the productive process that predominates in the territory.

56. Various models have proposed that predatory prices can only emerge when there are asymmetries in the information available: see, for example, Guiltinan and Gundlach (1996). In the case of a well-established industrial district, the free spread of information removes these potentially destructive asymmetries of information. Similarly, Ottati (1994), p. 470, proposes that the informational structure inherent in the industrial district limits potentially self-destructive price wars.

ests of the tourism entrepreneurs. This process of *institutionalization* is noted by Feldman et al. and Porter as a key characteristic in the stage of cluster maturity.⁵⁷

The absence of vertical integration in the Balearic tourist trade also conforms to the theoretical postulates⁵⁸ of the industrial district. The islands' hotel owners have only very recently become shareholders in European tour operators, and even then on a limited scale.⁵⁹

The tourism cluster in the Balearics seems to present some of the characteristic features of all the industrial district models we find in the literature: the Marshallian model, the Italian model and the American model.⁶⁰ The district is competitive because it has a clearly defined brand image inside the Mediterranean area; this image is also segmented, since each of the four islands has a distinctive character of its own. Inside the district, the constant competition between all the firms –large and small hotel businesses and suppliers of complementary goods and services– encourages adaptation across the board to the changes in demand. No one firm has been able to take a dominant role, and individually they all are dispensable. Elsewhere, the powerful international expansion of the large island firms is a clear demonstration of their competitiveness; their evolution inside the dense island environment has equipped them with skills and knowhow that can be immediately applied in any other location planning to develop seaside tourism.

Conclusions

The key to the success of the hotel business in the Balearic Islands between 1964 and 2010 was the recovery and renovation of the industrial district created during the 1930s and its ability to adapt to the changing conditions of the international tourist market.

The specialization in the middle and lower-middle range between 1960 and 1993 was the result of the specific circumstances in the islands, rather than a conscious decision; in the long term, the entrepreneurial viability of the move has been amply demonstrated. A generation of new hotel owners

57. Feldman et al. (2005), p. 136. These authors contend that industrial clusters that survive reach a final stage of maturity characterized by a stable dynamic equilibrium in which the initially informal relations that gave rise to the birth of the cluster become institutionalized. Porter (1990) also assigns a key role to the activity of entities such as universities.

58. See Cainelli (2012), You and Wilkinson (1994).

59. In the early 2000s *Riu* and *Fiesta* acquired shares in the capital of the German tour operator TUI.

60. For a summary of the characteristics of the different kinds of industrial district proposed in the specialist literature, and its specific application to Spain, see Catalán, Miranda and Ramon (2011).

catered for this demand with imaginative organizational innovations which brought down costs and filled their establishments with entertainments of all kinds, and at the same time supported the creation of a complementary offer – bars, restaurants, shops, discos,⁶¹ amusement parks, and so on – which went far beyond the *typical Spanish* model proposed by the national government’s plans for tourism.⁶²

By targeting a specific market segment –not the most profitable, but the most populous – the Balearic industrial district generated appreciable economies of scale for costs which allowed reductions in price and for information – which intensified demand – acting throughout the cluster, not at the level of each particular firm. The high level of competitiveness kept supply costs down, and the rapid spread of innovation, the progressive adaptation to the different national markets and the accumulation of sufficient amounts of capital enabled the most efficient firms to expand their business. This expansion went in two directions simultaneously from the 1990s onwards: reconversion, and international expansion. With the end of the recession in the early 1990s, island firms of all sizes remodelled their offer to adapt it to the needs of progressively larger segments of the demand which offered greater added value. At the same time, the firms which had recorded the highest growth and now had large-scale hotel networks on the mainland and in the Canary Islands now embarked on the international adventure, expanding initially into the Caribbean and then later into the rest of America and Europe.

Finally, it should be stressed that an industrial district in operation for more than a century might have collapsed at practically any moment in its history, due to outside pressure or to stagnation.⁶³ This has not been the case in the Balearics, thanks to the island firms’ demonstrated capacity to ensure the flow of relevant information⁶⁴ and to their integration in local networks. Without this ability, the islands would have fallen into decline or would have become a standard tourist enclave like any other, dominated by firms from abroad.

61. For an example of the importance of the complementary offer centred on music, see Vicens (2012).

62. Sánchez (2001).

63. When the relations between firms become consolidated the value of the information and knowledge flowing between them gradually decreases, as the firms become increasingly similar to each other with regard to what they know and the technologies they use, Ter Wal and Boschma (2011) p. 927. Fujita and Krugman (2004), p. 203.

64. The principal source of information has always been direct contact with the customer, but an important role was also played by Spanish emigrants who lived in Switzerland, France and Germany to learn the language and the trade. Among other important sources of entrepreneurial information were the foreign hotel firms which set up in the Balearics in the 1960s. From the 1990s onwards, the internationalization of the large island chains ensured the arrival of the information flows necessary to avoid decline.

BIBLIOGRAPHY

- ALCOVER CASASNOVAS, Antonio and SARD BAUZÁ, María (2000), “Cadenas hoteleras y ciclo turístico en Mallorca”, *Anales de Economía Aplicada – ASEPELT*. Oviedo.
- ALENYAR, Miquel (1990), “Turisme i Hostaleria”, *Estudis Baleàrics*, 37, pp. 17-38.
- ALVAREZ, Jesús, CARDOZA, Guillermo and DÍAZ, Ramon (2005), “2005. Estrategia de internacionalización de Sol Meliá en América Latina”, *Academia-Revista Latinoamericana de Administración*, 35, pp. 107-134.
- ANDRIOTIS, Konstantinos (2002), “Scale of hospitality firms and local economic development – evidence from Crete”, *Tourism Management*, 23, pp. 333-341.
- ARROM MUNAR, J. M., PICORNELL CLADERA, M. and RAMIS CIRER, C. I. (2008), “Cambios de usos del territorio en el medio rural de las Islas Baleares”. *Actas del XIV Coloquio de Geografía Rural*, Murcia, 22, 23 y 24 de septiembre de 2008, pp. 233-246.
- ASHWORTH, G. and GOODALL, B. (1990), *Marketing Tourism Places*, Routledge, London.
- BASTAKIS, Constantinos, BUHALIS, Dimitrios and BUTLER, Richard (2004), “The perception of small and medium sized tourism accommodation providers on the impacts of the tour operators’ power in Eastern Mediterranean”, *Tourism Management*, 25, pp. 151-170.
- BAYÓN MARINÉ, Fernando (1999), *50 Años del turismo español. Un Análisis histórico y estructural*. Ed. Centro de Estudios Ramón Areces. Madrid.
- BECATTINI, Giacomo (2004), *Industrial Districts. A New Approach to Industrial Change*, Edward Elgar Publishing Limited, Cheltenham.
- BINDA, Verónica (2009), “La internacionalización de las grandes empresas en dos naciones mediterráneas, Italia y España, 1950-2002”, *Revista de Historia Industrial*, 40, pp. 95-123.
- BRAMWELL, Bill (2003), “Maltese responses to tourism”, *Annals of Tourism Research*, 30(3), pp. 581-605.
- CAINELLI, Guiulio (2012), “Agglomeration, Related Variety, and Vertical Integration”, *Economic Geography*, 88(3), pp. 255-277
- CATALÁN, J., MIRANDA, J.A. and RAMON-MUÑOZ, R. (2011), “Distritos, clusters y ventaja competitiva: interpretaciones y debates”, in CATALÁN, J., MIRANDA, J.A. and RAMON-MUÑOZ, R. (Eds.). *Distritos y clusters en la Europa del Sur*. Madrid. Lid Editorial, pp. 14-47.
- CIRER COSTA, Joan Carles (2006), *De la fonda a l’hotel*, Documenta Balear, Palma de Mallorca.
- (2009), *La invenció del turisme de masses a Mallorca*, Documenta Balear, Palma de Mallorca.
- (2010), “Dinámica de la estructura del sector hotelero en Ibiza y Formentera 1960–2000”, *Cuadernos de Turismo*, 26, pp. 69-90.
- (2012), “The beginnings of tourism in Majorca. 1837-1914”, *Annals of Tourism Research*, 39(4), pp. 1779-1796.

- (2013), “Price formation and market segmentation in seaside accommodations”, *International Journal of Hospitality Management*, 33, pp. 446-455.
- (2013b), *The role of geography in the success of the Balearic tourism industry*. http://mpr.aub.uni-muenchen.de/47701/1/MPRA_paper_47701.pdf
- CLADERA MUNAR, Magdalena (2009), *La repetición de la visita como variable clave en los destinos turísticos maduros*, Institut Balear d’Economia, Palma de Mallorca.
- CLARKE, Roger (1985), *Industrial Economics*, Blackwell Publishers, Cambridge.
- DAVIES, Brian (1999), “Industrial Organization. The UK Hotel Sector”, *Annals of Tourism Research*, 26(2), pp. 294-311.
- DAVIES, Brian and DOWNWARD, Paul (2001), “Industrial organization of the package tour industry: implications for researchers”, *Tourism Economics*, 7(2), pp. 149-161.
- ESTEVE SECALL, Rafael and FUENTES GARCÍA, Rafael (2000), *Economía, historia e instituciones del turismo en España*. Ed. Pirámide. Madrid.
- FELDMAN, Maryann P., FRANCIS, Johanna and BERCOVITZ, Janet (2005), “Creating a cluster while building a firm: entrepreneurs and the formation of industrial clusters”, *Regional Studies*, Vol. 39 (1), pp. 129-141.
- FERNÁNDEZ FUSTER, Luís (1991), *Historia general del turismo de masas*. Alianza Editorial. Madrid.
- FUJITA, Masahisa and KRUGMAN, Paul (2004), “The new economic geography: Past, present and the future”, *Papers in Regional Science*, 83, pp. 139-164.
- FUNDACIÓ “LA CAIXA” (2000), *Welcome! Un segle de turisme a les Illes Balears*. Fundació La Caixa. Barcelona.
- GROIZARD, José Luis and JACOB, Marta (2004), *Innovación transferencia de tecnología y desarrollo en empresas hoteleras. Estudio de las contribuciones de las empresas hoteleras de origen balear a las economías latinoamericanas*. UIB-Fundació Càtedra Iberoamericana, Palma de Mallorca.
- GUILTINAN, Joseph P. and GUNDLACH, Gregory T. (1996), “Aggressive and predatory pricing: A framework for analysis”, *Journal of Marketing*, 60 (3), pp. 87-102.
- HERNÁNDEZ ARMENTEROS, Juan and MANCHA NAVARRO, Tomás (1980), “La incidencia del Crédito Oficial en la oferta turística española”, *Revista de Estudios Regionales*, 1, pp. 209-250.
- HOF, Angela, and SCHMITT, Thomas (2011), “Urban and tourist land use patterns and water consumption: Evidence from Mallorca, Balearic Islands”, *Land Use Policy*, 28, pp. 792-804.
- JACOBSEN, Jens K. Steen (2002), “Southern Comfort: A Study of Holiday Style Patterns of Northerners in Coastal Mallorca”, *Scandinavian Journal of Hospitality and Tourism*, 2 (1), pp. 49-78.
- JACOBSEN, Jens K. Steen and DANN, Graham M. S. (2009), “Summer holidaymaking in Greece and Spain: exploring visitor motive patterns”, *Anatolia*, 20 (1), pp. 5-17.
- JACOBSEN, Jens K. Steen and MUNAR, Ana María (2012), “Tourist information search and destination choice in a digital age”, *Tourism Management Perspectives*, 1, pp. 39-47.

- KLEMM, Mary and PARKINSON, Lynn (2001), "UK Tour Operator Strategies: Causes and Consequences", *International Journal of Tourism Research*, 3, pp. 367-375.
- KLEIN, Benjamin and LEFFLER, Keith B. (2010), "The Role of Market Forces in Assuring Contractual Performance", *The Journal of Political Economy*, 89 (4), pp. 615-641.
- KOZAK, Metin (2001), "Repeaters' behavior at two distinct destinations", *Annals of Tourism Research*, 28 (3), pp. 784-807.
- LAZERSON, Mark H. and LORENZONI, Gianni (1999), "Resisting Organizational Inertia: The Evolution of Industrial Districts", *Journal of Management and Governance*, 3, pp. 361-377.
- MARSHALL, Alfred (1920), *Principles of Economics*, London, Macmillan.
- MARTORELL CUNILL, Onofre and MULET FORTEZA, Carles (2009), "Análisis de la rentabilidad del sector turístico en las Islas Baleares. Políticas de reflotamiento" *Investigaciones Europeas de Dirección y Economía de la Empresa*, 15 (2), pp. 77-92.
- (2010), "La elección del modo de entrada en un mercado internacional. El caso de las cadenas hoteleras de Baleares en la región del Caribe y el Golfo de México." *Investigaciones Europeas de Dirección y Economía de la Empresa*, 16 (3), pp. 53-67..
- MATTHEWS, R. C. O. (1984), "Darwinism and Economic Change", *Oxford Economic Papers*, 36 (Supplement), pp. 91-117.
- MONFORT, Vicente M. (2002), "Estrategia competitiva y desempeño en la industria hotelera costera: evidencias empíricas en Benidorm y Peñíscola", *Cuadernos de Turismo*, 10, pp. 7-22.
- MONTERRAT I MOLL, Antoni (1990), "El turismo y el mercado de trabajo en las Baleares", *Estudis Baleàrics*, 37, pp. 97-107.
- MORENO GARRIDO, Ana (2007), *Historia del turismo en España en el siglo XX*. Ed. Síntesis. Madrid.
- MULET, Josep Lluís (1990), "Treinta años de turismo en las Baleares vistos desde la perspectiva empresarial", *Estudis Baleàrics*, 37, pp. 39-52.
- MURRAY MAS, Ivan (2012), *Geografies del capitalisme balear*. UIB – Tesis doctoral. Palma de Mallorca.
- OGLETHORPE, Miles (1985), "Tourism in a small island economy: the case of Malta", *Tourism Management*, 6(1), pp. 23-31.
- O'NEILL, John W. and CARLBÄCK, Mats (2011), "Do brands matter? A comparison of branded and independent hotels' performance during a full economic cycle", *International Journal of Hospitality Management*, 30, pp. 515-521.
- OTTATI, Gabi Dei (1994), "Cooperation and competition in the industrial district as an organization model", *European Planning Studies*, 2(4), pp. 463-484.
- PAPATHEODOROU, Andreas (2002), "Exploring competitiveness in Mediterranean resorts", *Tourism Economics*, 8(2), pp. 133-150.
- PORTER, Michael P. (1990) "The competitive advantage of nations", *Harvard Business Review*. March-April, pp. 73-93.

- RAMON FAJARNÉS, Ernesto (2001), *Història del turisme a Eivissa i Formentera*, Edicions Genial. Ibiza.
- RAMON TORRES, Mariano (2000), “El capital humà en el sector turístic. Estudi sobre els assalariats turístics a Eivissa”, *Estudis sobre el turisme a Eivissa i Formentera*, 1, pp. 61-71.
- RIVAS YARZA, Pedro A. (2012), *Estructuras de Propiedad y Gestión en el Sector Hotelero*. UIB – Tesis doctoral. Palma de Mallorca.
- RYAN, Chris (1995), “Learning about tourists from conversations: the over-55s in Majorca”, *Tourism Management*, 16 (3), pp. 207-215.
- SÁNCHEZ SÁNCHEZ, Esther M. (2001), “El auge del turismo europeo en la España de los años sesenta”, *Arbor*, 669, pp. 201-224.
- SASTRE ALBERTÍ, Antoni (1995), *Mercat turístic Balear*, Institut d’Estudis Baleàrics, Palma de Mallorca.
- (2000), “La planificación urbanística en el desarrollo turístico de las Islas Baleares”. *Anales de Economía Aplicada – ASEPELT*. Oviedo.
- SEGUÍ LLINÀS, Miquel (2006), *El turismo a les Balears (1950-2005)*. Documenta Balear. Palma de Mallorca.
- SHARPLEY, Richard (2000), “The influence of the accommodation sector on tourism development: lessons from Cyprus”, *International Journal of Hospitality Management*, 19, pp. 275-293.
- SORIANO FRADE, Francisco (1996), *Pequeña historia del turismo en las Baleares*, Los Íconos de Ferón, Palma de Mallorca.
- TAPPER, Richard (2001), “Tourism and Socio-economic Development: UK Tour Operators’ Business Approaches in the Context of the New International Agenda”, *International Journal of Tourism Research*, 3, pp. 351-366.
- TER WAL, Anne L. J. and BOSCHMA, Ron (2011), “Co-evolution of firms, industries and networks in space”, *Regional Studies*, 45 (7), pp. 919-933.
- U.S. DEPARTMENT OF JUSTICE / FEDERAL TRADE COMMISSION (2010), *Horizontal Merger Guidelines*, Washington, D.C.
- VALDALISO, Jesús María (2004), “La competitividad internacional de las empresas españolas y sus factores condicionantes. Algunas reflexiones desde la historia empresarial”, *Revista de Historia Industrial*, 26, pp. 13-53.
- VICENS I VIDAL, Francesc (2012), *Paradise of Love o l’Illa imaginada*, Documenta Balear, Palma de Mallorca.
- YOU, Jong-Il and WILKINSON, Frank (1994), “Competition and co-operation towards understanding industrial districts”, *Review of Political Economy*, 6(3), pp. 259-278.



The explosive expansion and consolidation of the Balearic hotel sector, 1964-2010.

ABSTRACT

Today, the Balearic archipelago is the largest tourist destination in the Mediterranean. The history of tourism in the islands goes back more than a hundred years, but the present-day configuration of the industry dates from the boom of the early 1960s, when it expanded rapidly to cater for the new market principally comprising holidaymakers from northern Europe. Over the past fifty years, the Balearic tourist trade has evolved and has adapted systematically to the changes in customer demand. The key to its adaptability lies in the industrial district structure adopted by the islands' entrepreneurs, which has enabled them to keep costs to a minimum and also to accumulate the capital necessary to finance their firms' expansion all over the world.

KEYWORDS: tourism, industrial district, hotels, Balearic Islands

JEL CODES: L14, L83, N74, N94



Expansión explosiva y consolidación del sector hotelero balear, 1964-2010

RESUMEN

En las Islas Baleares radica en el momento actual el mayor destino turístico del Mediterráneo. Su historia se remonta a más de cien años atrás, pero su configuración actual se determinó a partir de los primeros años sesenta, cuando su crecimiento adquirió carácter explosivo. Desde entonces, y hasta el momento actual, ha evolucionado sistemáticamente para adaptarse a la cambiante demanda de ocio turístico por parte de los europeos. La clave de esta adaptabilidad radica en la estructura de distrito industrial adoptada por los empresarios insulares, lo cual les ha permitido reducir los costes al mínimo y acumular el suficiente capital para financiar su expansión por todo el mundo.

PALABRAS CLAVE: Turismo, distrito industrial, hoteles, Islas Baleares

CÓDIGOS JEL: L14, L83, N74, N94