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Issahaku Adam & Emmanuel Abeashi Mensah

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## Perceived spatial agglomeration effects and hotel location choice

Issahaku Adam<sup>a\*</sup> and Emmanuel Abeashi Mensah<sup>b</sup>

<sup>a</sup>*Department of Hospitality and Tourism Management, University of Cape Coast, Cape Coast, Ghana;* <sup>b</sup>*Department of Geography and Regional Planning, University of Cape Coast, Cape Coast, Ghana*

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Spatial agglomeration is a firm behaviour and mostly occurs because of competition among firms to enjoy spatial agglomeration effects and have the tendency to influence hotel location choice. However, the literature on urban tourism has mostly neglected the influence of perceived spatial agglomeration effects on hotel location choice, especially in the developing countries. The study assessed the influence of perceived spatial agglomeration effects in determining hotel location in the Kumasi Metropolis of Ghana. Data were collected from hotel owners in the Metropolis and analysed with the  $\chi^2$  test of independence and binary logistic regression. Four main perceived spatial agglomeration effects were found to significantly determine hotel location in the Metropolis.

**Keywords:** binary logistic regression; hotel location; periphery; spatial agglomeration effects

### Introduction

Spatial agglomeration can be viewed as a firm behaviour (Baum & Haveman, 1997; Baum & Mezias, 1992) and mostly occurs because of firms' competition to enjoy spatial economies. Conventional thoughts on physical collocation suggest that physical collocation implies greater competition and hence poor performance (Chen, 1996; Egan, Chen, & Zhang, 2006). However, physical collocation may not necessarily imply only competition. Firms that collocate may also benefit from such behaviour even though competition cannot be ruled out when collocation occurs. With regard to the hotel industry, efficient and proactive management may result in external spillovers that may act as shift factors, which will affect the cost–output relationships, and thus the economic performance and competitiveness of the hotel. Positive spatial spillovers or agglomeration effects, also called as thick market (Viladecans-Marsal, 2004), are an indication that productivity is more efficient if it is spatially concentrated; thus, hotels may benefit from spatial agglomeration (Rosenthal & Strange, 2003).

Two types of spatial agglomeration are usually described in the hotel industry, namely production enhancements and heightened demand (Chung & Kalnins, 2001, 2004; Marshal, 1920). Production enhancement agglomeration effects are those external economies that tend to enhance the quality and efficiency of production or service delivery in hotels. In the hotel industry, production enhancement agglomeration effects mostly centre on flow of information that leads to the adoption of efficient means of service delivery (Chung & Kalnins, 2001). The agglomeration force has been described as the existence of informational spillovers among firms. Production enhancements are,

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\*Corresponding author. Email: [gadofirst@hotmail.com](mailto:gadofirst@hotmail.com)

however, subjected to distance decay such that hotels that are located beyond a certain radius will not benefit from it.

Demand-heightened agglomeration occurs as a result of customers' habit of asking for price quotations during the purchase process. Hotels, therefore, tend to collocate to form what is called "hotel district" (hotel cluster) in order to attract large pool of clients to the site. Demand-heightened agglomeration is originally thought to be associated with a physical product; however, evidence has shown that it also occurs in service industries such as the hotel industry (Adam, 2013; Baum & Haveman, 1997). Thus, because hotel clients are rational beings, all other things being they will want to visit an area with hotel cluster with the aim of getting lower room rates owing to the competition that may exist among the hotels. In this respect, the volume of guests frequenting the "hotel district" will be more; hence, hotels can take advantage. Also, hotels signalling their existence through advertising or other kinds of information services would attract tourists in the area and will consequently benefit other hotels located nearby. However, it is argued (Baum & Haveman, 1997; Baum & Ingram, 1998; Gutierrez & Urtasun, 2006) that because consumers are attracted by those traits signalled, it is expected that only hotels that are similar to those doing the signalling will benefit from agglomeration demand externalities.

Subsequently, when deciding on optimal locations, hotel owners or location decision-makers will need to assess ex-ante where agglomeration benefits are more likely to exist and hence, the importance of perceived spatial agglomeration effects in location choice. Thus, the perception of location decision-makers on the existence of spatial agglomeration effects will guide the location decision-making and ultimately the final location that will be chosen for the sitting of the hotel. Also, hotel location decision-makers will have to also consider the dynamics of agglomeration effects because it can affect the level of efficiency of their operations. Perceived spatial agglomeration effects on the part of the location decision-makers is therefore central in location decision-making.

Despite the increasing attention on hotel location selection in academic cycles in the past, evidence suggests that research on issues related to the influence of spatial agglomeration effects on hotel location choice still remains unexplored (Adam, 2013; Adam & Amuquandoh, 2013; Begin, 2000; Chung & Kalnins, 2001, 2004; Gordon & McCann, 2000; Jaffe, Trajtenberg, & Henderson, 1993; Porter, 1990). Chung and Kalnins (2001, 2004) observed that despite the growing literature on hotel location decisions within the realm of urban tourism, there is a paucity of research work on the role of spatial agglomeration effects on location decisions. Also, Baum and Haveman (1997) and Folta, Cooper, and Baik (2006) pointed to a seemingly growing discontent with the broad generalizations made with regard to hotel location decisions and suggested that researchers in urban tourism should focus their work on specific aspects of location factors so as to determine the individual contributions of each dimension of location factor.

In addition to this, most of the literature on hotel location decisions has focused on Western countries with little attention being given to Africa including Ghana. This phenomenon has compelled writers like Akyeampong (2007) to contend that factors that influence hotel location selection in the Western countries are similar to those in Africa and hence similar spatial structure can be observed between the Western countries and those in Africa. Also, Adam (2013) and Adam and Amuquandoh (2013) highlighted that there is replete of research regarding hotel location selection in Ghana even in major tourism cities such as the Kumasi Metropolis. In their view, Ghanaian tourism researchers need to research into the interface between hotel development and spatial agglomeration because agglomeration economies are only perceived as being relevant in the manufacturing industry. For Adam and Amuquandoh (2013), perceived spatial agglomeration has a

bearing on hotel location choice even though the nature of such relationship needs to be established through empirical enquiry. In this vein, little is known about the potential influence of perceived spatial agglomeration effects on hotel location choice in Ghana and hence this knowledge gap needs to be filled. Subsequently, the study aims at determining the influence of perceived spatial agglomeration effects on hotel location choice in the Kumasi Metropolis of Ghana.

A study of this nature has the tendency to contribute to both practice and knowledge in the area of hotel location choice. In terms of practice, the findings may inform city planners and tourism administrators on how hotel owners perceive hotel clusters in the Metropolis. Thus, the study will lay bare as to whether spatial clusters are seen as competition and hence potential failure of one's hotel or a potential reference point for enjoying external economies of scale. Closely related to this, city planners and tourism administrators may get to know the influence of perceived spatial agglomeration effects on hotel location choice. This will help them to plan to influence the location of hotels to suit desired patterns so as to improve on the spatial beauty and coherence of the Metropolis as a tourist destination. The study also has the potential to inform potential hotel investors on whether to collocate with other hotels in the Metropolis or to avoid collocation. Thus, the study will ascertain whether hotels like to collocate or not. In its contribution to the literature, knowledge of hotel location factors in the Metropolis and Ghana is minimal and, specifically, that of the interrelationships between perceived spatial agglomeration effects and hotel location choice is non-existent. The study, therefore, has the potential to provide knowledge on these issues within the Ghanaian context and thereby help to bridge the knowledge gap.

### **Theoretical framework**

The New Economic Geography perspective of industrial location was used to guide the study. The New Economic Geography argues that the substantial changes that occur within the economic environments of firms have increased the importance of flexibility and encouraged reliance on external rather than internal economies of scale (Bathelt & Hecht, 1990; Beyers & Lindahl, 1996; Markusen, Hall, & Glasmeier, 1986; Poire & Sabel, 1984; Scott, 1988, 1993; Sommers & Carlson, 2000; Yang, 2004). This theory contests that the issue of industrial location is seen as part of the broader question of constructing an optimal relationship between a firm's customers and suppliers. In other words, firms will choose to locate closer to other firms of similar characteristics in order to gain from external economies.

Thus, external economies can be generated for all firms in proximity. This behaviour results in the spatial concentration of firms in a certain location often termed as spatial agglomeration. Subsequently, perceived spatial agglomeration may influence the choice of location for a hotel. In case the location decision-maker perceives external economies to be associated with such clusters, he or she may choose to locate closer to another hotel. However, if spatial agglomeration is perceived as competition, then the hotel owner may choose to locate far away from other hotels. It is, however, worth noting that the nature and volume of spatial agglomeration effects as suggested by the New Economic Geography will depend on the structure of the agglomeration in terms of the size of the firm's involved, nature of services provided, and the ancillary services that are attracted to the agglomeration sites. In the case of the hotel industry for instance, it has been proved that smaller hotels tend to enjoy more agglomeration effects when they locate closer to bigger hotels (Chung & Kalnins, 2001). Also, the closer the agglomeration to ancillary services

such as attractions and conference grounds the higher the agglomeration effects they may be associated with such site.

## Methodology

The study setting is the Kumasi Metropolis which is the regional capital of the Ashanti Region in Ghana. Ghana is divided into 10 administrative regions with the Ashanti Region as one of them. The Kumasi Metropolis is located between latitudes 6.35°N and 6.40°N and longitudes between 1.30°W and 1.35°W. In terms of vegetation, it is located in a transitional forest zone. The Metropolis covers a land area of approximately 254 km<sup>2</sup>. The population of the Metropolis is approximated to be 1,889,934 as in 2009. Currently, the Kumasi Metropolis is ranked second in Ghana in terms of land area, population size, social life, and economic activity to Accra (the nation's capital city). The Metropolis is home to the Ashanti Kingdom, one of the famous historical kingdoms in Africa and famous for its importance as a trading post in gold. Presently, the Metropolis serves as a major traversing point in the country where most of the major roads in the country converge. Travellers to both the northern and southern parts of the country transit through the Metropolis (Figure 1).

## Data collection

The study was based on data collected from 153 hotel owners in the Kumasi Metropolis in November 2010. There were 190 hotels in the Metropolis as in November 2010 when the study was being conducted (Ghana Tourist Board [GTB], 2010). All the hotels were, therefore, included in the study, considering the number of hotels available and the

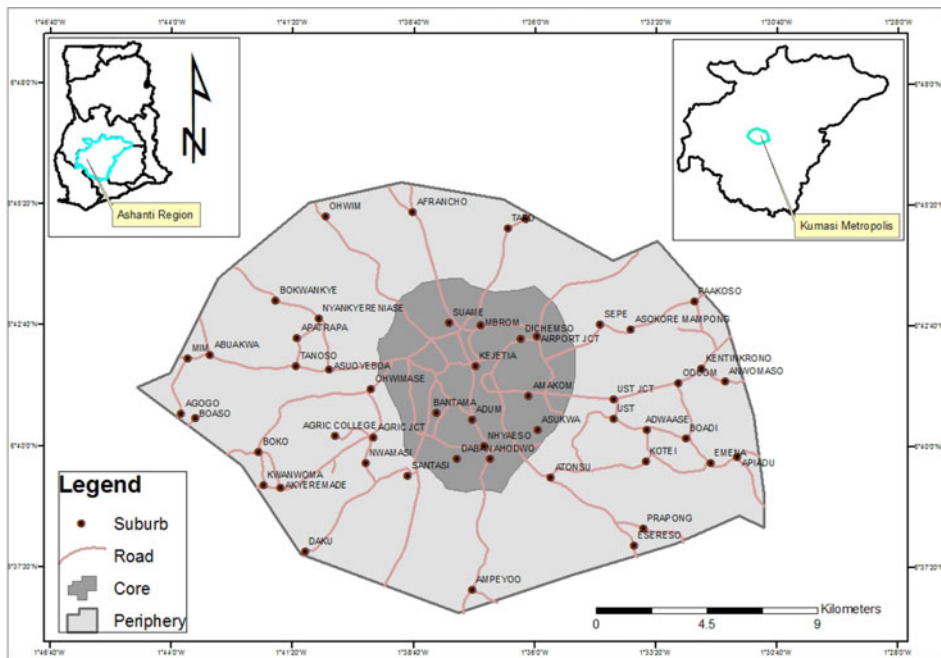


Figure 1. Map of the Kumasi Metropolis.

quantitative research paradigm guiding the study. For this reason, a census was considered appropriate for the study. However, during the data collection exercise, 37 hotels were excluded from the study either due to the death of the key location decision-maker or due to their unavailability, and hence were excluded from the study. Subsequently, data were collected from the remaining 153 hotels.

The data were collected with a questionnaire. The questionnaire was structured into two sections. The first section focused on hotel characteristics including the year of establishment and location (core or periphery) of the Metropolis, and number of rooms, type of ownership, and category of hotel. The second section covered the perceived spatial agglomeration effects considered by hotel owners. Hotel owners were asked to rate various statements on agglomerations effects in order of importance as it applied to their location choice. The scale ranged from 0 to 10 where 0 implies that the statement was not considered at all, whereas 1–10 represented the magnitude of importance in terms of the influence of the statement on location choice. The questionnaire took 3 weeks to be administered (2–23 November 2010). The administration of the questionnaire was done with the aid of three field assistants. Before their participation in the study, the field assistants were given 3 days training, which lasted from 25 to 28 September 2010. The procedures followed in the training included mock exams for classmates as well as interpretations of the questionnaire into Twi (local language).

### *Data analyses techniques*

Aside the descriptive statistics on the perceived spatial agglomeration effects considered by hotel owners in their hotel location decision-making, two main statistical techniques were used in the study namely  $\chi^2$  test of independence and binary logistic regression. First, the relationship between hotel location in the Metropolis (core or periphery) and the extent to which its owner considered spatial agglomeration effects in the choice of the location was explored with the  $\chi^2$  test of independence at a significance level of 0.05.

To achieve this, first the Metropolis was delineated in line with available “hotel district” or clusters. Thus, the spatial distribution of hotels in the Metropolis points to two sections of agglomeration in the Metropolis (Adam, 2013). Also, the trend of agglomeration in the Metropolis during the past decade has been in terms of the core and periphery; hence, in order to examine the effects of perceived spatial agglomeration benefits, the two urban spaces are the only available evidence of agglomeration in the Metropolis. For these reasons, the dependent variable (hotel location) was based on the core and periphery of the Metropolis.

Again, for the purpose of enhancing the interpretation of the results, the original scale of 0–10 on which hotel owners rated the extent to which perceived spatial agglomeration effects influenced their location choice was categorized into two, where 0–5 represented less consideration, and 6–10 represented high consideration.

Second, a binary logistic regression model was used to determine the influence of perceived spatial agglomeration effects on location choice in the Kumasi Metropolis using a 0.05 statistical significance criterion. One main advantage of the binary logistic regression model is its ability to accept independent variables of varying measurement levels (Sweet, 1999). Subsequently, the dependent variable, which is the hotel location, was recoded into a binary function with 0 representing periphery and 1 indicating core. In other words, each of the perceived spatial agglomeration effects was expected to fall into one of the dichotomous categories. The characteristics of the output are displayed in Table 3. They are the Exp ( $B$ ) which represents the odds ratio, the Wald value, and the

significance ( $P$ ) which shows the degree of importance the individual predictor has on the entire model,  $B$  and the SE which represents the standard error. To be considered significant to the model, a predictor variable should have a combined odds ratio value of  $>1$  and a significant ( $P$ ) value of  $<0.05$  (Kinnear & Gray, 2002; Pallant, 2005; Sweet, 1999). When the Exp ( $B$ ) or odds ratio is  $<1$ , increasing values of the variable correspond to decreasing odds of the event's occurrence and vice versa.

## Results

The study revealed that the hotel owners were highly influenced by some of the perceived spatial agglomeration effects in deciding where to locate their hotels (Table 1). The perceived agglomeration effect that was considered most was the fact that hotel owners wanted to site their hotels in locations that had similar hotels (7.20) in terms of scale to what they wanted to operate. Another spatial agglomeration effect highly considered by hotel owners was the desire to locate in the midst of hotel clusters (8.90), irrespective of the scale of hotels available in such clusters.

Also, hotel owners wanted to locate closer to other hotels with the aim of benefiting (8.96) from a common pool of inputs such as labour and information spillovers. The desire to locate closer to tourism-related businesses such as attractions, restaurants, and night clubs in order to enjoy the market such businesses are likely to generate for them was highly rated (9.48). However, the idea of locating closer to smaller hotels than what was intended by hotel owners (5.29), choosing a location that will enable owners benefit from client spillover (5.07), bigger hotels (4.22), and fear of losing by collocating (4.47) were all moderately rated.

### *Perceived spatial agglomeration effects by location*

Table 2 suggests that with the exception of hotel owners who wanted to site their hotels in locations with similar hotels to what they wanted to operate, availability of hotel clusters, benefiting from other hotels, and availability of tourism-related businesses, there were no significant relationships for the remaining statements regarding perceived spatial agglomeration effects and hotel location.

In terms of wanting to locate in areas that have similar hotels available, most hotel owners whose hotels were in the core highly considered (65.5%) it as compared with their counterparts in the periphery who gave it little consideration (16.9%). Higher ratings were found to be associated with hotel owners whose hotels were in the periphery (95.7%) in terms of locating in the midst of hotel clusters. However, hotel owners with hotels in the

Table 1. Perceived spatial agglomeration effects.

Statement	$N$	Mean	SD	Cronbach's $\alpha$
Availability of similar hotels	153	7.20	1.02	0.87
Availability of bigger hotels	153	4.22	0.98	0.87
Availability of smaller hotels	153	5.29	1.11	0.88
Availability of hotel clusters	153	8.90	1.21	0.86
Benefiting from other hotels	153	8.96	1.02	0.86
Fear of losing by co-locating	153	4.47	0.89	0.91
Clients spillover	153	5.07	0.92	0.86
Availability of related tourism businesses	153	9.48	0.99	0.91
Overall score	153	7.16	1.01	0.90

Table 2. Perceived spatial agglomeration effects and hotel location.

Location	N	Statements		$\chi^2$	P value
		1–5 (%)	6–10 (%)		
<i>Availability of similar hotels</i>					
Core	63	34.5	65.5	22.31	0.000*
Periphery	90	83.1	16.9		
<i>Availability of bigger hotels</i>					
Core	63	49.2	50.8	16.28	0.090
Periphery	90	48.4	51.6		
<i>Availability of smaller hotel</i>					
Core	63	69.2	30.8	23.21	0.056
Periphery	90	85.5	14.5		
<i>Availability of hotel clusters</i>					
Core	63	27.6	72.4	52.94	0.000*
Periphery	90	95.7	4.3		
<i>Benefiting from other hotels</i>					
Core	63	30.9	69.1	39.03	0.000*
Periphery	90	88.7	11.3		
<i>Fear of losing by co-locating</i>					
Core	63	61.5	38.5	4.47	0.790
Periphery	90	61.5	38.5		
<i>Clients spillover</i>					
Core	63	36.5	63.5	23.69	0.000*
Periphery	90	81.8	18.2		
<i>Availability of related tourism businesses</i>					
Core	63	28.8	71.2	51.12	0.000*
Periphery	90	95.7	4.3		

\*Significant at  $P \leq 0.05$ .

core gave low ratings to the influence of availability of hotel clusters. Benefiting from other hotels received higher ratings in the core (69.1%) than in the periphery (27.6%).

Owners in the core had higher ratings (63.5%) for clients spill over than those in the periphery (18.2%). The study revealed that the availability of related tourism businesses such as night clubs, restaurants, and attractions was considered by owners in the core (71.2%) than in the periphery (4.3%). Although no significant relationships were observed between the other three perceived spatial agglomeration effects and hotel location, some patterns emerged. As evident in Table 2, about half of both owners in the core and periphery highly considered locating in areas with bigger hotels. In addition to this, availability of smaller hotels was not highly considered by owners in both the core (30.85) and periphery (14.5%) of the Metropolis. Fear of losing by co-locating with other hotels did not really influence the choice of locations either in the core (38.5%) or in the periphery (38.5%).

### *Influence of perceived spatial agglomeration effects on hotel location choice*

Overall, the binary logistic regression model (Table 3) proved to be a good predictor of hotel location in the Kumasi Metropolis by hotel owners as indicated by the Omnibus tests



Table 3. Influence of perceived spatial agglomeration effects on hotel location.

Statements	B	SE	Odds ratio	Wald	Significance (P)
Availability of similar hotels	0.657	0.211	4.546	4.128	0.002*
Availability of bigger hotels	1.452	0.417	8.124	0.271	0.087
Availability of smaller hotels	1.325	0.413	2.334	0.384	0.098
Availability of hotel clusters	2.152	0.121	8.001	11.607	0.021*
Benefiting from other hotels	1.845	0.213	6.752	8.032	0.041*
Fear of losing by co-locating	2.153	0.021	9.267	0.277	0.414
Clients spillover	0.716	0.012	5.087	5.027	0.027*
Availability of related tourism businesses	1.948	0.421	3.121	2.053	0.030*
Constant	2.111	0.451	1.92	1.91	0.000

\* $P \leq 0.05$ .

of model coefficients [ $(\chi^2 = 108.621, 28), P = 0.000$ ]. This was further confirmed by the Hosmer and Lemeshow test [ $(\chi^2 = 5.766, 8), P = 0.673$ ]. For the model to be a good predictor, the  $P$  value of the Hosmer and Lemeshow test has to be  $> 0.05$ . However, the  $P$  value for the Hosmer and Lemeshow test was 0.673. This indicates a strong reliability of the model. Meanwhile, Pallant (2005) argues that this is the most reliable test of model fit in a binary logistic regression model.

The model predicted 53.2% of hotel locations in the Metropolis. This was indicated by the Nagelkerke  $R^2$  of 0.532. Even though the model proved to be a good indicator of the influence of perceived spatial agglomeration on the choice of location, not all variables proved to be significant in determining hotel location. The most significant influence on hotel location choice was exerted by the availability of hotel clusters. Hotel owners who considered locating in the midst of hotel clusters were eight times more likely to choose a location in the core of the Metropolis.

The regression model (Table 3) indicated that hotel owners who wanted to benefit from other hotels were six times more likely to locate in the core. Another variable of significant contribution to hotel location choice is the possibility of client spill over. Hotel owners who wanted to take advantage of clients spill over were five times likely to locate in the core than in the periphery. Another significant influence on the model was made by owners' desire to locate in areas with similar hotels to theirs. Owners who desired to locate in areas with similar hotels were four times likely to choose a location in the core over that in the periphery. The availability of tourism-related businesses significantly influenced the location choice of owners in the Metropolis. The results of the study indicated that there was three times probability that hotel owners who considered the availability of related tourism businesses will choose a location in the core over that in the periphery.

## Discussion

The study revealed that there are different spatial agglomeration effects that are considered by hotel owners in the Kumasi Metropolis. It was observed that all the eight indicators of perceived spatial agglomeration effects were considered differently by hotel owners in the Metropolis. By indication, perceived spatial agglomeration effects are not measured by just a variable but rather by a number of variables as revealed in the study. This finding is, however, not surprising because it is normally expected that rational beings will consider a

myriad of factors when considering a phenomenon rather than a single factor. In the view of Folta, Cooper, and Baik (2006), Baum and Haveman (1997), and Chung and Kalnins (2001, 2004), perceived spatial agglomeration effects maybe demand heightened or production enhancements.

However, the study revealed that the considerations given to each of the perceived spatial agglomeration effects differed. It was observed that the availability of similar hotels, availability of hotel clusters, benefiting from other hotels, and the availability of related tourism businesses were highly considered by hotel owners in the Metropolis as compared with other perceived spatial agglomeration effects in the study. This was expected as Baum and Ingram (1998) and Pearce (1998) observed that even though spatial agglomeration effects exert some influence on hotel location choice, not all the agglomerations effects were equally considered by the owners. This they argued may be due to the scale of operations of the intended hotel. This finding also draws parallel with the common Ghanaian notion of competition where it is normally thought that a small business entity should not locate closer to another small business but rather to a bigger and upscale business. In this sense, depending on the type of hotel the owner intends to operate, the owner may consider different perceived spatial agglomeration effects differently.

The study revealed that perceived spatial agglomeration effects are a significant determinant of hotel location choice in the Metropolis. As indicated by the study, over half of the variation in hotel location was explained by perceived spatial agglomeration effects. This finding is consistent with the New Economic Geography theory which stipulates that economies of scale tend to determine the location choice of firms (Beyers & Lindahl, 1996; Bull, 1994; Sommers & Carlson, 2000; Yang, 2004). This theory contests that firms will choose to locate closer to other firms in the same industry in order to enjoy spatial agglomeration effects (economies of scale). However, four of the perceived spatial agglomeration effects were significant in determining hotel location as observed from the regression model with availability of hotel clusters making the highest significant contribution followed by benefiting from other hotels, availability of similar hotels, and availability of tourism-related businesses. With regard to hotel clusters, it is generally anticipated that locations with such characteristics will be able to reduce the time and cost of search for comfortable accommodation by guests and hence most guests are likely to prefer such locations (Chung & Kalnins, 2001). Subsequently, hotels will choose such locations in order to benefit from such guests behaviour.

It is evident from the findings that owners' desire to benefit from other hotels through production enhancement agglomerations was significant in determining hotel location choice in the Metropolis. This finding confirms the notion that production enhancement agglomeration is important in the maximization of a hotel's profit (Baum & Haveman, 1997; Chung & Kalnins, 2001; Egan et al., 2006). Production enhancement agglomeration effects such as information spill overs on best practices and current trends help to improve on the overall service delivery.

Baum and Mezias (1992) and Gordon and McCann (2000) observed that hotel owners tend to adopt different location strategies based on their perceptions of spatial agglomeration effects. For instance Baum and Haveman (1997) indicated that in the Manhattan hotel industry, smaller hotels tend to locate closer to bigger hotels and vice versa. Meanwhile, the results of the regression model have indicated that the desire to locate closer to hotels of similar size and structure was a significant predictor of hotel location. This may be due to the general notion that clients are drawn to business clusters and hence locating closer to hotels of similar nature will give them advantage to cash in on clients of other similar hotels. It was, however, not surprising that the

availability of tourism-related businesses emerged as a significant predictor of hotel location choice. Such businesses as restaurants, entertainment centres, and attractions tend to serve as catalysts that will attract guests to hotels in the form of tourists (Adam, 2012; Akyeampong, 2007). In this sense, it is only rational that the hotel owners favour such a factor.

### **Conclusion and implications**

Spatial agglomeration effects are determinants of hotel location choice in the Kumasi Metropolis. Despite the notion that physical proximity necessarily translates into competition and for that matter reduces the chances of survival (Egan & Nield, 2000), this study has demonstrated that the “why” and “how” hotels locate where they locate can be sought in perceived spatial agglomeration effects. Perceived spatial agglomeration effects such as availability of similar hotels, availability of hotel clusters, benefiting from other hotels, availability of bigger hotels, availability of smaller hotels, fear of losing by co-locating, and availability of related tourism businesses all help to account for some explanation as to why hotels locate where they do in the Kumasi Metropolis.

It is evident from the study that four main spatial agglomeration effects, namely availability of similar hotels, availability of hotel clusters, benefiting from other hotels, and clients’ spillover significantly predicted hotel location choice in the Kumasi Metropolis. Thus, these four main perceived spatial agglomeration effects determined whether a hotel will locate in the core or periphery of the Metropolis. This, therefore, confirms the assertion by the New Economic Geography that underpinned this study which postulates that external economies of scale (spatial agglomeration effects) determine the choice of location of firms (Bathelt & Hecht, 1990; Beyers & Lindahl, 1996; Scott, 1988, 1993; Sommers & Carlson, 2000; Yang, 2004). However, it is the demand-heightened spatial agglomeration effects that significantly determined the location of hotels in the Metropolis. Even though the production enhancements spatial agglomeration effects may influence hotel location choice, it is mostly the demand-heightened agglomerations that exert the greater influence on hotel location choice.

The findings suggest that hotel owners in the Kumasi Metropolis were concerned with spatial agglomeration effects in their choice location. Even though the concept of spatial agglomeration has been neglected in urban tourism because of the emergence of new business networks in technological economies of today, it still matters in the context of our Ghanaian settings. This implies that hotel clusters are likely to emerge in the Metropolis in future and hence city planners (Kumasi Metropolitan Assembly) can intervene through land use planning and planning regulations to re-orient the spatial distribution of hotels in the Metropolis in order to suit desired patterns. This may improve on the spatial coherence of hotels in the Metropolis and subsequently improve on the spatial beauty and appeal of the Metropolis.

The study finding that four main perceived spatial agglomeration effects determine hotel location choice in the Metropolis has implications for further research. It is evident from the paper that detailed research on availability of similar hotels, benefiting from other hotels, availability of hotel clusters, and availability of related tourism businesses through a qualitative approach as they pertain to hotel location will throw light on hotel location choice in the Metropolis. In the same vein, this observation suggests that the magnitude of the four main spatial agglomeration effects may vary from city to city even in Ghana and across Africa. Further research is needed in other cities in Ghana and across Africa to determine their relevance in those settings.

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