

# Chapter 6

## Spending and Consumer Behavior of Foreign Second Home Owners in Punta del Este, Uruguay

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### EXECUTIVE SUMMARY

*This chapter study and characterize the behavior of foreign second homeowners in Punta del Este, Uruguay, especially in terms of their spending. A multivariate analysis was used, based on 7.053 survey data collected from 2014 to 2019 by the Tourism Statistician Office. Agglomerative clustering was applied in search of a homogeneous group structure. The analysis identifies six homogeneous clusters that can be described using different variables, such as total expenditure, city of residence, travel group size, and days of stay. The results show that expenditure behavior, travel group composition, and trip characteristics are different among second homeowners. The individual characteristics in the groups analyzed are different; for example, the most numerous and lowest spending group, mostly uses the airport and travels in small groups. On the other hand, visitors classified in the highest spending group have longer stays and larger travel groups. These characteristics should be taken into account for the definition of management and marketing policies.*

DOI: 10.4018/978-1-6684-6919-4.ch006

## **INTRODUCTION**

### **Presentation**

Tourism is an internationally, nationally and regionally relevant economic activity positively affecting the balance of payments, employment and economic growth. Moreover, it is an activity that, before the crisis generated by COVID-19, showed certain dynamism. According to data published by the World Tourism Organisation (UNWTO, World Tourism Barometer, 2020; UNWTO, World Tourism Barometer, 2022), in 2019, international tourist arrivals reached 1.5 billion, up 7% compared to 2018. By 2020, the upward trend was expected to continue, but the negative impact of the pandemic caused global tourism to record its worst year ever, with international arrivals falling by 74%. One billion fewer international arrivals were recorded than in 2019 due to an unprecedented drop in demand and widespread travel restrictions. The situation improved in 2021 compared to 2020 but remained far below the values of 2019. International arrivals continued their recovery in January 2022, with more than doubled (+130%) compared to January 2021, representing an increase of over 18 million international tourist arrivals.

One of the main types of accommodation used by tourists is second homes or residences. We understand second-home tourism as tourism that covers all flows and actions that result from the visitor's trip and stay in a second home in Uruguay see (Hall C. M., 2014). Several international research has been carried out on second homes and their effects on planning and public policy, land use, environment, resident living conditions and on the economic impact on the destination (Hoogendoorn, 2010; Brida JG, 2010; Flognfeldt, 2013; de Oliveira, 2015; Volo, 2017). However, the topic is still new and many questions remain unanswered in relation to the economic effect of second homes on tourist areas development.

In this chapter, we apply the cluster analysis technique in search of homogeneous groups of foreign second homeowners or users in Punta del Este. It is the main seaside resort in South America in Maldonado, Uruguay. Tourism is its main economic activity, generating more than 40% of the local GDP. During the summer of 2022, Uruguay received 400,000 tourists with 40% of them visiting Punta del Este. This means 160,000 tourists, with a population of over 120,000 inhabitants and an estimated 22,000 hotel beds. This allow us to affirm that Punta del Este is a tourism destination where tourists stay mostly in second homes, either owned or rented. In addition, in 2011 according to Census data, there were 41,815 dwellings for temporary use and most of foreign second home owners or users are Argentines. On the other hand, according to data collected by the local government, from 2012 to 2020, 2.731.436 square metres were built, verifying the economic relevance of second home tourism for Punta del Este, the destination. Our research is important as it analyses second homes tourism expenditure, which is different from hotels and resorts tourism. For example, second-home owners pay for maintenance services, housing management, real estate taxes and property taxes that do not apply to hotel tourists. Also, the economic impact of this type of tourism on employment is different. The behaviour of second homeowners is unique, as they can visit the property regularly and stay for long periods. These peculiarities have an impact on the spending pattern. Despite this, second home owners' expenditures, especially in maintenance, cleaning, care services and taxes, are not considered in tourism accounting. And most of the academic research on tourism expenditure, particularly international tourism, refers to hotels and resorts. (Alonsopérez M. B., 2009; INE, 2011) .

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