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Artificial Neural Networks versus Box-Jenkins Methodology in Tourism Demand Analysis

Fernandes, Paula (*pof@ipb.pt*)
Department of Economics and Management
School of Technology and Management (ESTiG)
Polytechnic Institute of Bragança (IPB)
Apartado 134, 5301-857 Bragança, Portugal
Tel: +351273313050, Fax: +351273313051

Teixeira, João (*joaopt@ipb.pt*)
Department of Electrical Engineering
School of Technology and Management (ESTiG)
Polytechnic Institute of Bragança (IPB)
Apartado 134, 5301-857 Bragança, Portugal
Tel: +351273313050, Fax: +351273313051

Ferreira, João (*jjmf@ubi.pt*)
Department of Management and Economics
University of Beira Interior (UBI)
Pólo IV - Edifício Ernesto Cruz, 6200-209 Covilhã, Portugal
Tel: +351275319600, Fax: +351275319601

Azevedo, Susana (*sazevedo@ubi.pt*)
Department of Management and Economics
University of Beira Interior (UBI)
Pólo IV - Edifício Ernesto Cruz, 6200-209 Covilhã, Portugal
Tel: +351275319600, Fax: +351275319601

ABSTRACT

Several empirical studies in the tourism area have been performed and published during the last decades. The researchers are unanimous upon considering that in the planning process, decision-making and control of the tourism sector, the forecast of the tourism demand assumes an important role.

Nowadays, there is a great variety of methods for forecasting that have been developed and which can be applied in a set of situations presenting different characteristics and methodologies, going from simple approaches to more complex ones.

In this context, the present study aims to explore and to evidence the usefulness of the Artificial Neural Networks methodology (ANN), in the analysis of the tourism demand, as an alternative to the Box-Jenkins methodology. ANN has been under attention in the area of business and economics since, in this field, it presents this methodology as a valid alternative to classical methods of forecasting allowing its application for problems in which the traditional ones would be difficult to use (Thawornwong & Enke, 2004). As referred by Hill *et al.* (1996) and Hansen *et al.* (1999), ANN shows

ability for improving time-series forecasts by mining additional information, diminishing their dimensionality, and reducing their complexity. In this way, for each methodology treatment, analysis and modeling of the tourism time-series: "Nights Spent in Hotel Accommodation per Month" registered between January 1987 and December 2006, was carried out since is one of the variables that better explains the effective tourism demand. The study was performed for the North and Center regions of Portugal. Considering the results, and according to the Criteria of MAPE for model evaluation in Lewis (1982), the ANN model presented an acceptable goodness of fit and good statistical properties and is, therefore, adequate for modelling and prediction of the reference time series, when compared to the results obtained by the methodology of Box-Jenkins.

Keywords: Artificial Neural Networks; Backpropagation; Box-Jenkins Methodology; Time Series Forecasting; Tourism Demand.

JEL: C01; C02; C22; C45; L83.

1. Introduction

Countless empirical studies have been undertaken and published in the field of tourism in recent years, and they are unanimous in considering that the forecasting of tourism demand has an important role to play in the planning, decision-making and control of the tourism sector (Witt & Witt, 1995; Wong, 2002; Fernandes, 2005; Yu & Schwartz, 2006).

Currently available in the field of forecasting are a wide range of methods that have emerged in response to the most varied situations, displaying different characteristics and methodologies and ranging from the simplest to the most complex approaches. The Box-Jenkins forecasting models belong to the family of algebraic models known as ARIMA models, which make it possible to make forecasts based on a given stationary time series. The methodology considers that a real time series amounts to a probable realization of a certain stochastic process. The aim of the analysis is to identify the model that best depicts the underlying unknown stochastic process and which also provides a good representation of its realisation, i.e. of the real time series. Another methodology that has had countless applications in the most diverse areas of knowledge and has been used in the field of forecasting as an alternative to the classical models involves the use of models based on artificial neural networks. These non-linear models first appeared as an attempt to reproduce the functioning of the human brain, with the complex system of biological neurones being their main source of inspiration.

The aims of this current research are to investigate and highlight the usefulness of the Artificial Neural Networks methodology as an alternative to the Box-Jenkins methodology in analysing tourism demand, and to assess the performance and competitiveness of tourist destinations by main supply markets. The first methodology has aroused great interest in the field of economic and business sciences, since, from the research work undertaken so far, it can be seen that this represents a valid

alternative to classical forecasting methods, providing a response to situations that would be difficult to treat through classical methods (Thawornwong & Enke, 2004). Hill *et al.* (1996) and Hansen *et al.* (1999) state that ANN demonstrate a capacity for improving time series forecasting through the analysis of additional information, reducing its size and lessening its complexity. To this end, each of the above-mentioned methodologies is centred on the treatment, analysis and modelling of the tourism time series: "Nights Spent in Hotel Accommodation per Month". Due to its characteristics, the series Nights Spent in Hotel Accommodation per Month is considered a significant indicator of tourist activity, since it provides information about the number of visitors that have taken advantage of tourist facilities. The study was undertaken for two regions of Portugal: the North and Centre regions. Thus, the analysis undertaken in this research will be based on a study of the Nights Spent per Month recorded in the North region [DRN] and the Nights Spent per Month recorded in the Centre region [DRC]. The data observed cover the period between January 1987 and December 2006, corresponding to 240 monthly observations over the 20-year period.

The current research is structured as follows: after the introduction, the methodologies that are used, namely the artificial neural networks and the Box-Jenkins methodology, will be presented in the second section. Next, the time series "Nights spent per Month by tourists" is presented and analysed for the regions under study, with models being built and tourism demand being forecast for the years 2005 and 2006. In section three, an assessment will be made of the competitiveness between the tourist destinations analysed. Finally, in section four, the conclusions will be presented and possible future developments will be suggested.

2. Artificial Neural Networks versus the Box-Jenkins Methodology

2.1. Methodologies Used

The methodology proposed by Box and Jenkins, in 1970, makes it possible to undertake an analysis of the behaviour of time series, based on a joint double study: on the one hand, there is an autoregressive component that is established in accordance with the previous statistical history of the variables considered and, on the other hand, there is a treatment of the random or stochastic factors, specified through the use of moving averages. Due to their delineation scheme and operative resolution, these models allow for the incorporation of seasonal analyses and the isolation of the trend component, also making it possible to go deeper into the interrelations between these components, which are integrated into the evolution of the series under study (Parra & Domingo, 1987; Chu, 1998). The models introduced by Box and Jenkins exclusively describe stationary series, or, in other words, series with constant mean and variance over time and autocovariance dependent only on the extent of the phase lag between the variables, so that one should begin by checking or provoking the stationarity of the series (Pulido, 1989). These are the so-called ARIMA (*Autoregressive Integrated Moving Average*) models, which are quite suitable for short-term forecasting and for the case of series that contain seasonal variations (Witt & Witt, 1995).

Thus, in order to use the Box-Jenkins methodology, one must first identify the series and remove the non-stationarity, so that one or more transformations need to be made to the values of the series in order to obtain another stationary series (with transformed original values). Although they preserve the general structure of the series, such transformations have considerable effects on the set of data, making its actual study easier, altering its scale (and possibly diminishing its amplitude), reducing asymmetries, eliminating possible outliers, lessening residuals and finally achieving the aims in question: stabilising variances and linearising trends (Otero, 1993; Fernandes & Cepeda, 2000). After the series has been identified, its parameters need to be estimated and then an assessment must be made of the adjustment. If necessary, a new model will have to be found that better describes the phenomenon in question. Finally, there comes the forecasting phase.

In this sense, the ARIMA model (*p,d,q*), in which *p* corresponds to the order of the Autoregressive process (AR), *d* is the number of differences or integrations, and *q* corresponds to the order of the Moving Averages process (MA), is represented by the following expression (Murteira *et al.*, 1993; Zou & Yang, 2004):

$$\left(1 - \phi_1 B - \ldots - \phi_p B^p\right)\left(1 - B\right)^d Y_t = \left(1 - \theta_1 B - \ldots - \theta_q B^q\right)e_t \qquad [1]$$

or also, in a more summarised form, by:

$$\phi_p\left(B\right)\nabla^d Y_t = \theta_q\left(B\right)e_t \qquad [2]$$

ARIMA models are normally used with quarterly, monthly or even weekly, daily or hourly data, or, in other words, in a context of short-term forecasting. For such purposes, ARIMA models are used to capture seasonal behaviour, in a manner that is identical to the treatment of the regular (or non-seasonal) component of the series. In such applications, it is not customary to work with just one ARIMA model (*p,d,q*), but with the product of the models: $\text{ARIMA}\left(p,d,q\right)\left(P,D,Q\right)_s$ in which the first part corresponds to the regular part and the second to the seasonal part, corresponding to the following expression (Murteira *et al.*, 1993; Zou & Yang, 2004):

$$\phi_p\left(B\right)\Phi_P\left(B^S\right)\left(1 - B\right)^d\left(1 - B^S\right)^D Y_t = \theta_q\left(B\right)\Theta_Q\left(B^S\right)e_t \qquad [3]$$

The forecasts made with the ARIMA model, based on historical data, are given by the forecasting function:

$$Y_t^*\left(m\right) = \text{E}\left\{Y_{t+m} / Y_t, Y_{t-1}, Y_{t-2}, \ldots\right\} \qquad [4]$$

Another methodology that has been afforded some attention by the scientific community in recent years, showing some advances in the knowledge of management sciences, is based on the use of artificial neural networks (ANN). ANN are models that are frequently found within the broad field of knowledge relating to artificial intelligence. They are based on mathematical models with an architecture that is similar to that of the human brain. A neural network is composed of a set of interconnected artificial neurons, nodes, perceptrons or a group of processing units, which process and transmit information through activation functions. The connections between processing units are

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known as *synapses*. The functions most frequently used are the linear and the sigmoidal functions - the logistic and hyperbolic tangent functions - (Rodrigues, 2000; Fernandes, 2005). It should also be mentioned that the neurons of a network are structured in distinct layers (better known as the input layer, the intermediate or hidden layer and the output layer), with the ones most commonly used for the forecasting of time series being the multi-layers or MLP[1] (Bishop, 1995), so that a neuron from one layer is connected to the neurons of the next layer to which it can send information, Figure 1, (Fernandes, 2005). Depending on the way in which they are linked between the different layers, networks can be classified as either *feedback* networks[2] or *feedforward* networks[3].
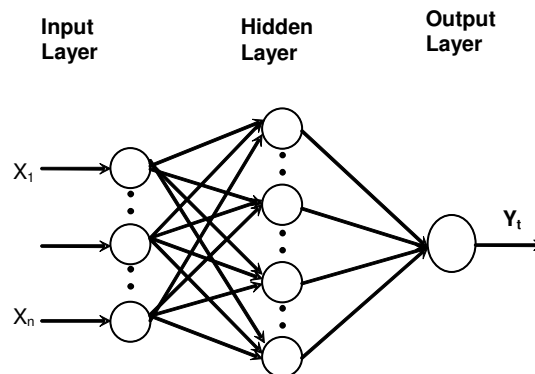

Figure 1. Structure of a *Feedforward* Artificial Neural Network (Adapted from Haykin, 1999:13).

The specification of the neural network also includes an error function and an algorithm to determine the value of the parameters that minimise the error function. In this way, there are two central concepts: the physical part of the network, or, in other words, its architecture, and the algorithmic procedure that determines its functioning, or, in other words, the way in which the network changes according to the data provided by the environment (Haykin, 1999).

It is also important to mention that for the ANN to learn with experience they have to be submitted to a process known as training, for which there are different training algorithms. One of the most frequently used algorithms in the forecasting of time series is the *backpropagation*[4] algorithm or its variants, which are distributed into two classes: (*i*) supervised and (*ii*) unsupervised (Haykin, 1999). For the first case, during the training process, there is a "teacher" that provides a set of training cases, and a training case consists of an input vector X and the corresponding output vector Y. Learning involves the minimisation of the output error, which is achieved by adjusting the weights of the connections according to a certain rule. In the second case, there is a set of inputs, so that the training algorithm tries to group the data according to patterns presented by these, thus following a rule of self-organisation (Haykin, 1999; Fernandes, 2005).

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[1] Multilayer Perceptron.
[2] The connections allow information to return to places through which it has already passed and also allow for (lateral) inter-layer connections (Fernandes, 2005).
[3] Information flows in one direction from one layer to another, from the input layer to the hidden layer and then to the output layer (Fernandes, 2005).
[4] This algorithm seeks the minimum error function in the demand space of the weights of the connections between the neurones, being based on gradient descent methods. The combination of weights that minimises the error function is considered to be the solution for the learning problem. The description of the algorithm can be analysed in Rumelhart and McClelland (1986) and Haykin (1999).

In short, a value produced by a *feedforward* network, with a hidden layer, can be expressed as follows (Fernandes & Teixeira, 2007):

$$Y_t = b_{2,1} + \sum_{j=1}^{n} \alpha_j f \left(\sum_{i=1}^{m} \beta_{ij} y_{t-i} + b_{1,j} \right)$$ [5]

where,

m, number of nodes in the input layer;

n, number of nodes in the hidden layer;

f, sigmoidal activation function;

$\{\alpha_j, j = 0, 1, \ldots, n\}$, vector of weights that connects the nodes of the hidden layer to those of the output layer;

$\{\beta_{ij}, i = 0, 1, \ldots, m; j = 1, 2, \ldots, n\}$, weights that connect the nodes of the input layer to those of the hidden layer;

$b_{2,1}$ and $b_{1,j}$, indicate the weights of the independent terms (*bias*) associated with each node of the output layer and the hidden layer, respectively.

The equation also indicates the use of a linear activation function in the output layer.

2.2. Presentation and Analysis of the Time Series Behaviour

The series Nights Spent in Hotel Accommodation per Month is considered a significant indicator of tourist activity, since it provides information about the number of visitors that have taken advantage of tourist facilities, in this case in the North and Centre regions of Portugal.

Thus, the analysis undertaken in this research will be based on a study of the series Nights Spent per Month recorded in the North region [DRN] and Nights Spent per Month recorded in the Centre region [DRC]. The data observed cover the period between January 1987 and December 2006, corresponding to 240 monthly observations over the 20-year period (see Appendix A, Tables A.1 and A.2). The values of the series were provided by the Portuguese National Statistical Office (INE).
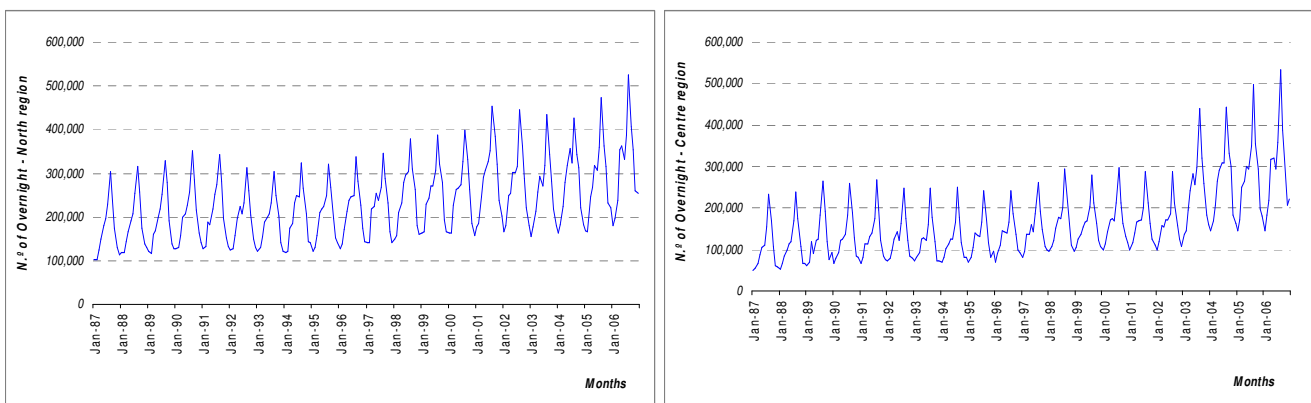

Figure 2. Overnights in the North and Centre regions of Portugal, from 1987:01 to 2006:12.

The two series are shown in Figure 2, so that it can easily be seen from their behaviour that there are irregular oscillations suggesting a non-stabilisation of the average and the presence of seasonality (maximum values in the summer months and minimum values in the winter months), i.e. the values of the nights spent in hotel accommodation depend on the time of year.

2.3. Models Construction

2.3.1. ARIMA Model

In order to apply the Box-Jenkins methodology, the time series need to be converted into stationary series in the first phase. Thus, with a view to stabilising the variance of the series, these were transformed by applying the natural logarithm to each one: LRN and LRC, respectively for the North region and for the Centre region.
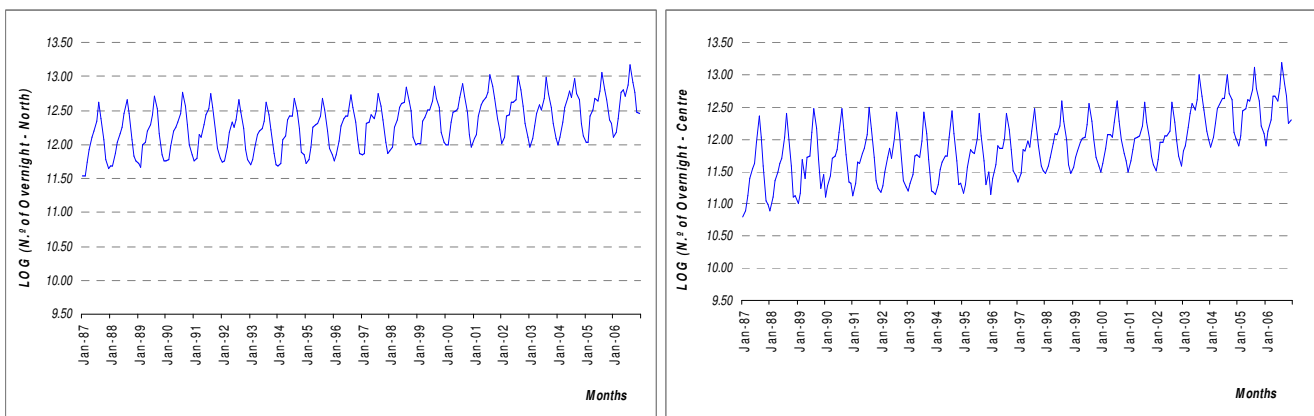

Figure 3. Transformed Original Data, for the period from 1987:01 to 2006:12.

From the analysis of Figure 3, it can be seen that the series continue to be non-stationary, but some stabilisation was achieved in terms of variance, while an increasing trend was also noted, together with the existence of periodical movements. Thus, in continuing the study of the series, the whole analysis will be based on the transformed series and the period from January 1987 to December 2004. The years 2005 and 2006 will only be considered in order to analyse the performance of the constructed model, or, in other words, they will be used as a test group.

Since, after the transformation had been made, with the application of the natural logarithm, it was not possible to convert the series into stationary series, another transformation had to be made through the use of differencing[5].

The series under study was made stationary through the application of a simple differencing $\left[\nabla Y_t = Y_t - Y_{t-1} = (1-B) Y_t \right]$ and a seasonal differencing $\left[\nabla_s Y_t = Y_t - Y_{t-s} = (1-B^s) Y_t \right]$. This is the same as saying that successive transformations and differencings were applied between the observations separated by the seasonal period (every 12 months), with the previous series being transformed into

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[5] It is advisable to minimise the differentiations of the data (in order to avoid overdifferencing), since differencing gives rise to an increase in the variance of the forecasting error (Murteira *et al*., 1993).

new series. Thus, the results of the new series, which will be used as the basis for the application of the Box-Jenkins methodology, are given by the expressions, for the North region [6] and the Centre region [7]:

$$\left(1-B^{12}\right)\left(1-B\right)LRN_t \qquad\qquad [6]$$

$$\left(1-B^{12}\right)\left(1-B\right)LRC_t \qquad\qquad [7]$$

The following phase requires the identification of the models. This process is based on the analysis of the correlograms of the Autocorrelation Functions (ACF) and the Partial Autocorrelation Functions (PACF). The identification of the seasonal and non-seasonal components is made separately by resorting to theoretical models (Otero, 1993; Fernandes, 2005).

Observing the ACF and PACF for the two series, after simple and seasonal differencing based on a 95% confidence interval, Figure 4 would seem to suggest, for both series:

(i) an ARMA (0,1) process, for the non-seasonal component, since, for both series, the first estimation coefficient of the ACF is significant, with the rest tending towards zero, while the initial values of the PACF are significant, and fall away exponentially;

(ii) as far as the seasonal component is concerned, the estimated ACF and PACF also suggest an ARMA process (0,1) in view of the values of the ACF estimated for the lags 12 and 24 (the first one being significant, whilst the second one has no expression) and in view of the values of the PACF for the same lags, both of which are significant.
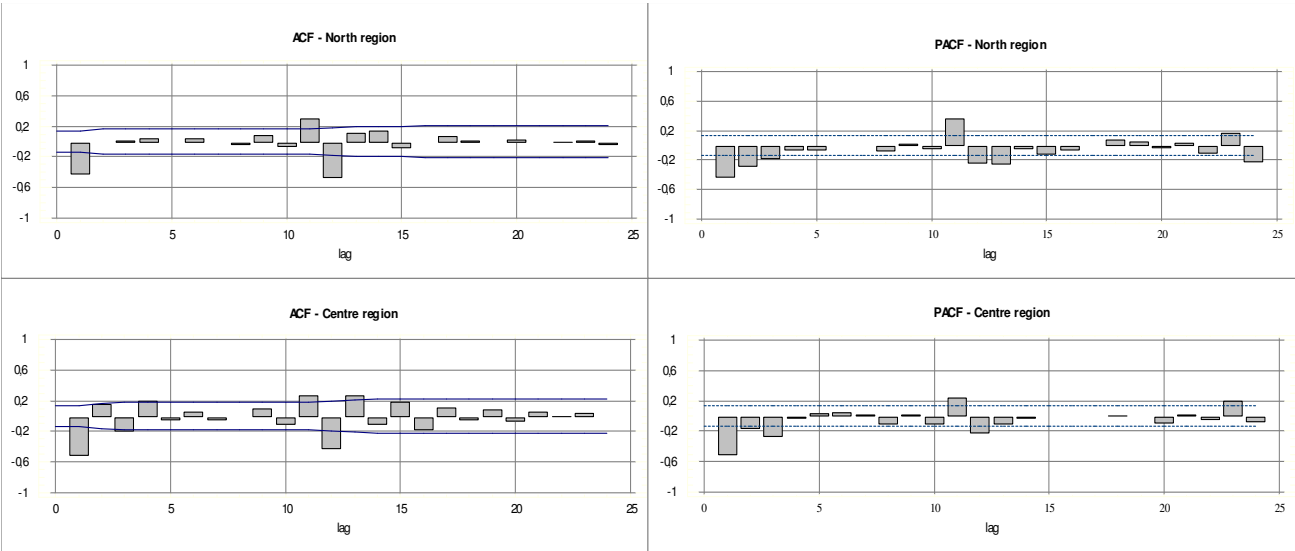
Figure 4. Estimated ACF and PACF of the series after simple and seasonal differencing for the two regions.

The analysis undertaken previously suggests the same models for both series, $M1 = ARIMA\left(0,1,1\right)\times\left(0,1,1\right)_{12}$ and $M2 = ARIMA\left(1,1,1\right)\times\left(1,1,1\right)_{12}$.

Once the ARIMA models that are best suited to the series have been identified, the values of the parameters of the linear functions that define them need to be determined. The method used for

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estimating the parameters ϕ and θ is the least square method, with the following results being obtained.

Table 1. ARIMA Models Summary.

ARIMA Models	Models per Region	Parameters	Lags	Coefficient	Standard Deviation	t-ratio	p-value	White Noise Standard Deviation
M1	North region (MRN$_1$)	Moving Average	1	0,654218	0,0534728	12,2346	0,000000	0,0574563
		Moving Average	12	0,757521	0,0446032	16,9835	0,000000	
	Centre region (MRC$_1$)	Moving Average	1	0,602289	0,0548320	10,9842	0,000000	0,0829513
		Moving Average	12	0,662380	0,0520395	12,7284	0,000000	
M2	North region (MRN$_2$)	Autoregressive	1	0,132364	0,104493	1,26673	0,206742	0,0573292
		Moving Average	1	0,733003	0,070979	10,327	0,000000	
		Autoregressive	12	-0,125477	0,095449	-1,31459	0,190167	
		Moving Average	12	0,703627	0,066186	10,6309	0,000000	
	Centre region (MRC$_2$)	Autoregressive	1	0,008005	0,117814	0,067954	0,945891	0,0833587
		Moving Average	1	0,600721	0,094128	6,38196	0,000000	
		Autoregressive	12	-0,012083	0,110839	-0,109013	0,894630	
		Moving Average	12	0,658766	0,080228	8,21113	0,000000	

The analysis of the statistical difference estimated for model 1 (M1), for the two series, shows that the two models are significantly different from zero, at the 5% significance level, or, in other words, the t ratios for the estimated parameters lead to the conclusion that both coefficients are statistically significant, which is the same as saying that the absolute values for the t ratio are higher than 1.96 for each estimated parameter, so that it can be said that the coefficients are statistically significant and must remain in the model (Table 1). The same is not true for model 2 (M2), since it is proved that the coefficients associated with the components AR(1) and AR(12) do not allow for the rejection of the null hypothesis of the theoretical parameter, or, in other words, the values of the t statistic that are lower than 1.96 allow for the conclusion that the coefficients are not statistically significant, so that, taking the principle of parsimony into account, such parameters must be excluded from the models.

As far as the invertibility of the two components - seasonal and non-seasonal – are concerned, the conditions of invertibility exist for both models, since the estimates of the parameters of the components of the moving averages are, as a module, lower than unity. The autoregressive processes are invertible by nature.

Given that the model M2 showed fragile characteristics, it does not take us any further forward in the analysis and the analysis will only be continued for model M1 (for both regions), with this being the model selected for the Box-Jenkins methodology. Thus, once the statistical quality of the model has been assessed, it is important to assess the quality of the adjustment, which is based on the analysis of the respective residuals. In fact, if this correctly explains the series in question, the estimated residuals will behave in a similar fashion to that of a white noise.
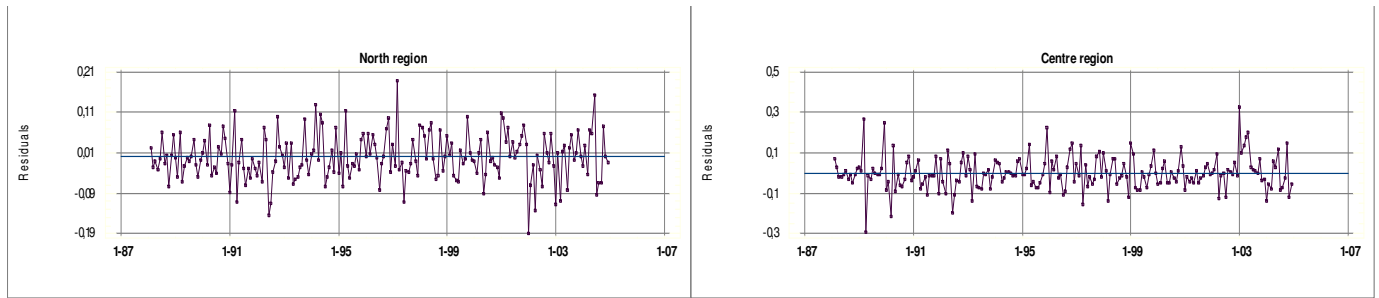
Figure 5. Graph of the residuals for model M1, for the two regions.

From the analysis of Figure 5, some atypical residuals can be noted for the North region for the years 1992, 1997, 2001, 2002 and 2004, as well as some fluctuations in the months of March and April. This last occurrence may be due to the fact that Easter is a movable holiday. As far as the residuals corresponding to the year 1992 (July and August) are concerned, these may be justified by the Gulf War, and, in the case of 1997, for the same months, by the instability of the Russian market and the conflict in the Balkans. For 2001, the behaviour of the residuals may be based on the fact that, in that year, the city of Porto was the European Capital of Culture, as well as the fact that the historic centre of the city of Guimarães and the Alto Douro Wine Region had been classified by UNESCO as World Cultural Heritage sites. These two factors undoubtedly aroused the curiosity of both Portuguese and foreign tourists, encouraging them to visit the North region. Once UEFA's decision to make Portugal the host country for EURO2004 - the European Football Championship - became known, and after the aggressive promotional campaign in other European countries had begun in earnest in 2002, a possible justification can be found for the behaviour of the residuals for 2002 and 2003. In 2004, and for the months of May and June, coinciding with EURO2004, the behaviour of the residuals is justified by the holding of this sports event, since 5 of the 10 football stadiums used for the tournament are situated in the North region.

Further based on Figure 5, and now undertaking the analysis for the Centre region, for 1989, 1990 and 1997, the behaviour of the residuals may be justified by the movable Easter holiday, since this took place in the months of March and April. For June 1992, justification may be found in the Gulf War, leading tourists to choose the Centre region for their holidays, and in January 2003, the behaviour may be based on the fact that in recent years the local authorities of the Centre region have been investing more heavily in the promotion and organisation of cultural events, as well as in creating better facilities for winter sports, namely skiing and snowboarding, which attract people to the region, essentially in the winter months.

Thus, since the suitability of the residuals of model M1 had been explained for the two regions, an overall analysis was made of the residuals using Box-Pierce statistics. For the model of the North region and for the lag 24, the Q-value was 16.6893 and the p-value 0.780268; for the model of the Centre region and for the lag 24, the Q-value was 25.5231 and the p-value was 0.272722. It may therefore be concluded that one can accept the idea that the residuals of the estimated models follow the pattern of a white noise since the p-values associated with the Box-Pierce contrast test are different from zero.

To sum up, bearing in mind the different criteria analysed for the assessment of the models, it may be said that, for each of the regions, the models are expressed by the following equations:

$$MRN_1 = \nabla\nabla_{12}LRN = \left(1 - 0,654218B\right)\left(1 - 0,757521B^{12}\right)e_t$$
$$\left[t_1 = 12,2346\right] \quad \left[t_{12} = 16,9835\right]$$

[8]

$$MRC_1 = \nabla\nabla_{12}LRC = \left(1 - 0,602289B\right)\left(1 - 0,662380B^{12}\right)e_t$$
$$\left[t_1 = 10,9842\right] \quad \left[t_{12} = 12,7284\right]$$

[9]

It should be stressed that this provides conclusive proof that the most appropriate model for capturing the behaviour of a series is forecasting, which in this way determines the effectiveness of the study. This procedure will be undertaken in section 2.4.

2.3.2. The Artificial Neural Networks Model

The ANN model selected for the case study of each of the series DRN, North region, and DRC, Centre region, was of the multi-layer type, in which three layers are used: input layer, hidden layer and output layer, with a structure of the feedforward type. The logistic sigmoidal activation function [Logsig] was used in the hidden layer, while the linear activation function was used in the output layer, as this is the one that provides the best results for architectures of this type. The resilient backpropagation algorithm, a variant of the backpropagation training algorithm, was used for training the network. The selection of this algorithm was based on the fact that it had produced satisfactory results in studies undertaken by the authors Fernandes (2005) and Fernandes and Teixeira (2007). The networks used in this study have the following architecture: 12 nodes in the input layer, corresponding to the last 12 values of the series, 4 nodes in the hidden layer and 1 in the output layer, corresponding to the forecast of the value for the following month, or in other words (1-12;4;1). The estimation/forecast was produced on a monthly basis, i.e. it is a one-step-ahead forecast. The training process used for updating the weights was the batch training method.

The time series with the original data were divided into three distinct groups: the training group (the first 216 observations for the DRN series and 216 observations for the DRC series, considering that the observations used for the validation were not considered in the training); the validation group (12 observations, corresponding to the year 2004 for the DRN series; for the DRC series the observations used were: January 1999, February 2004, March 2002, April 1996, May 2003, June 2000, July 1998, August 2004, September 1997, October 2001, November 1994 and December 2003; it was decided to extract these observations for the DRC series as they were believed to be a 'good' representation of the total group, given its behaviour and because of the authors' knowledge of the phenomenon under analysis); and the test group (24 observations, corresponding to the years 2005 and 2006).

It should be stressed that a pre-processing was undertaken of the input data and output data, corresponding only to a normalisation between -1 and 1, for both series. After this processing, each of the series was trained with the introduction of more variables into the models, the highest value of the series plus the average of the observed data, in the first stage. In the second stage, since no

satisfactory results were obtained, besides the use that was made of the variables mentioned earlier, the drift - difference - of the peaks was also included in the model. Again, no satisfactory results were obtained for the validation group, for both series, so that it was decided to use another type of pre-processing, passing to the logarithmic domain. Improvements were noted in the final results produced for the two series, although these improvements were not significant in the case of the DRC series. Since the problem for the DRN series had been solved - minimised - another pre-processing procedure had to be tried for the DRC series, with the aim of "cleaning" this series. It was therefore decided to apply a simple differencing and another seasonal differencing to the series in the logarithmic domain, or, in other words, successive transformations and differencings were applied between the observations separated by the seasonal period (every 12 months). More satisfactory results were obtained, transforming the DRC series into a new series. In this way, the new series that served as a basis for the whole study were: the DRN series in the logarithmic domain and the DRC series in the logarithmic domain with the application of one simple and another seasonal differencing.

For each of the situations described earlier, 250 training sessions were realised, selecting the results from the best training session and choosing the ANN with the best results in the validation group, for each of the series. It should also be mentioned that the validation group was used for each of the series, to interrupt learning iterations when the performance in this group did not improve after 5 successive iterations. The realisation of several training sessions is justified because the initial values of the weights are different in each training session, with different solutions also being arrived at, so that these may have significantly different performances. The criterion used for choosing the best model, for each of the series under analysis, was the root mean square error (RMSE[6]) in comparing the results obtained by the network with the values observed.

The different choices tried out and described in the previous paragraphs were based on the research work undertaken by Faraway and Chatfield (1998), Thawornwong and Enke (2004), Fernandes (2005), Fernandes and Teixeira (2007).

2.4. Forecasting Tourism Demand and Performance Evaluation

In this section, the results for the test group (years 2005 and 2006) will be analysed, comparing the values observed with the values forecast for the two series and using the two methodologies. Later, the forecasts produced for the years 2005 and 2006 will also be analysed and compared with the nights spent in hotel accommodation per month recorded during these same years. It should be mentioned that the forecasting for the months of the years 2005 and 2006 was undertaken without using as an input any value observed for the year in question. Instead, the values previously forecast for that year were used as the inputs corresponding to the months of that year. Equations [4] and [5] were the ones used for calculating the forecasts for each of the methodologies used, Box-Jenkins and

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[6]

$$RMSE = \sqrt{\frac{\sum_{t=1}^{n}\left(A_t - P_t\right)^2}{n}}; where: A_t, original\ value\ in\ the\ period\ t; P_t, forecast\ value\ in\ the\ period\ t; n, total\ number\ of\ observation\ used.$$

Artificial Neural Networks, respectively, which furthermore were based on the inverse process of the transformations made.

Through this analysis, the aim was to check whether the models found continue to accompany the oscillations of the series and to produce acceptable forecasts for tourism demand, for the regions under study.

Thus, with the aim of observing whether the chosen model produces acceptable forecasting errors, the following criteria will be calculated for the forecasting errors: absolute percentage error (APE) and the mean absolute percentage error (MAPE), given by the equations:

$$APE = \left| \frac{Y_t - P_t}{Y_t} \right|; Y_t, observed\ value\ and\ P_t, forecast\ value. \qquad [10]$$

$$MAPE = \frac{1}{n} \sum_{t=1}^{n} \left| \frac{Y_t - P_t}{Y_t} \right|; Y_t, observed\ value\ and\ P_t, forecast\ value. \qquad [11]$$

The criterion adopted for analysing the quality of the values forecast with each of the models was based on the MAPE classification proposed by Lewis (1982), which is presented in the following table.

Table 2. MAPE Criterion for the Assessment of a Model, Lewis (1982).

MAPE (%)	Classification of the Forecasts
<10	High Accuracy
10-20	Good Accuracy
20-50	Reasonable Accuracy
>50	Unreliable

With the aim of assessing the model's predictive capacity, forecasts were made for the years 2005 and 2006, which can be seen in Figure 6 and Table A.3, in the Appendix. If we analyse this figure, it can be seen that the values estimated by the models accompany the behaviour of the original series, or, in other words, the models obtained succeed in accompanying the oscillations of the series with the number of Nights Spent per Month in Hotel Accommodation in both the North region and the Centre region of Portugal. However, for both regions, there was a significant gap in some months between the forecast values and those that were actually observed, which makes it possible to say the model did not manage to incorporate some facts occurring in the years under analysis.
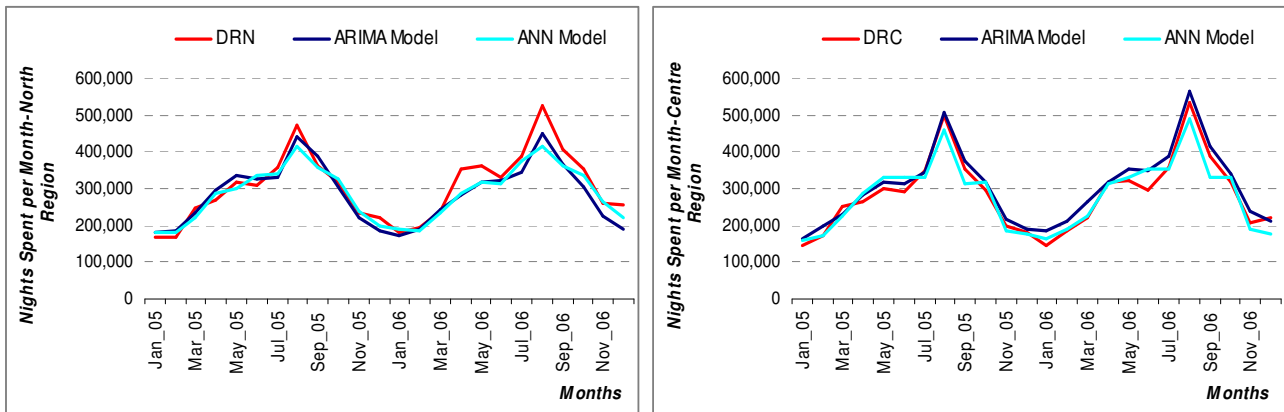
Figure 6. Original Nights Spent and Prediction Tourism Demand with ARIMA and ANN models, for both regions, in the period 2005:01 to 2006:12.

Presented in Table 3 are the values of the absolute percentage error (APE) and the mean absolute percentage error (MAPE). From the analysis of the error values and also based on the criteria established by Lewis (1982) and presented in Table 2, it may be said that the models successfully produced highly accurate forecasts for 2005, since the MAPE has values of lower than 10%, for each of the models. However, for 2006, whilst the Artificial Neural Networks model continued to present highly satisfactory values of lower than 10%, for both regions, the same did not occur when the values of the ARIMA model were analysed. Despite presenting satisfactory values, which can be fitted into the interval that makes it possible to classify the forecasts as displaying "Good Accuracy", when compared with those from the Artificial Neural Networks model, these same values were slightly increased. When the MAPE was calculated for the test group (including the years 2005 and 2006), for each of the regions, it was seen that, for the North region, the ARIMA model presented a value of 9.39% and the Artificial Neural Network model one of 7.79%. Similar values were also produced for the Centre region, 9.48% and 7.80%, for the ARIMA model and the Artificial Neural Networks model, respectively. This fact is interesting, given that, for example, the artificial neural networks models constructed for each of the regions were subjected to different pre-processing procedures, despite their having used the same network. It would be interesting to continue to apply this methodology in future studies, with the aim of observing whether the constructed models continue to display the same behaviour.

It should further be stressed that some of the values recorded for the APE, for the years 2005 and 2006 and for both regions, were higher than 10% and 20%, resulting from the fact that the models showed some difficulty in making good forecasts whenever events occurred that caused them to significantly alter the observed values, despite their continuing to be classified as reliable forecasts. These facts may, for example, be a consequence of the high level of promotion in international markets that has been afforded to the regions under analysis. At the same time, local authorities have also invested more heavily in the promotion and organisation of cultural events and the holding of theme-based trade fairs, amongst other events. For the North region, investments were made in the promotion of some tourist destinations, such as the Douro International Natural Park and the Alto Douro Wine Region, while, in the Centre region, attention was paid to promoting and investing in the creation of better facilities for winter sports, namely skiing and snowboarding, which attract people to

the region, essentially in the winter months. Since they were not incorporated into the models, all these factors mean that the models themselves have some difficulty in producing forecasts that lead to a very low APE, so that mechanisms need to be created that make it possible to minimise errors, such as, for example, working with intervention variables.

Table 3. Comparison of Prediction Accuracies, in the period 2005:01 to 2006:12.

Months	North Region				Centre Region			
	2005		2006		2005		2006	
	ARIMA (APE)	ANN (APE)	ARIMA (APE)	ANN (APE)	ARIMA (APE)	RNA (APE)	ARIMA (APE)	ANN (APE)
January	7.4%	8.5%	3.9%	4.8%	11.9%	8.2%	25.8%	12.6%
February	11.2%	9.0%	3.8%	5.8%	15.9%	1.1%	14.9%	1.9%
March	4.5%	10.7%	2.3%	1.1%	8.8%	9.9%	21.3%	2.5%
April	10.0%	6.0%	20.2%	18.9%	7.4%	8.1%	0.2%	1.9%
May	5.8%	5.0%	12.6%	12.4%	6.1%	10.5%	9.6%	2.6%
June	5.8%	8.5%	2.3%	5.8%	6.6%	12.7%	19.0%	19.4%
July	7.8%	5.0%	11.9%	3.2%	1.5%	4.9%	8.0%	1.8%
August	6.9%	11.8%	14.1%	21.0%	2.3%	8.0%	5.6%	8.0%
September	7.5%	1.4%	9.7%	10.6%	6.2%	11.3%	7.3%	14.8%
October	4.1%	4.0%	13.4%	4.6%	8.6%	7.4%	7.3%	4.0%
November	5.4%	1.8%	13.0%	2.0%	8.9%	6.5%	13.5%	9.0%
December	15.8%	11.0%	26.1%	14.2%	5.8%	0.8%	4.8%	19.5%
MAPE	*7.7*	*6.9*	*11.1%*	*8.7%*	*7.5*	*7.4*	*11.4%*	*8.2%*

From the analysis carried out previously, it was seen that there is only a slight difference between the values obtained for the MAPE, with the two models constructed with the different methodologies and for both regions. It may, however, be inferred that the Artificial Neural Networks models presented satisfactory statistical and adjustment qualities, showing themselves to be suitable for modelling and forecasting the reference series, when compared with the models produced by the Box-Jenkins methodology, or, in other words, the Artificial Neural Networks methodology may be considered an alternative to the classical Box-Jenkins methodology, in the analysis of tourism demand.

4. Conclusion and Future Work

Portugal has had a similar experience to other countries where tourism has been an activity that generates wealth and plays an increasingly significant role in the country's economy.

In such a context, the public or private organisations that are closely linked to the tourism sector and have been implemented in the regions under study (the North and Centre regions of Portugal) must devote their energies to building mechanisms that allow them to anticipate the evolution of tourism demand, with the aim of creating favourable conditions for visitors to these tourist destinations.

This research has sought to investigate and highlight the usefulness of the ANN methodology as an alternative to the Box-Jenkins methodology, as well as to construct models with these two methodologies that make it possible to analyse and forecast tourism demand for the regions under study. The data predicting future national and international tourist flows, i.e. nights spent by tourists in hotel accommodation for the years 2005 and 2006, were presented and analysed, and then compared with the values that were in fact observed. In the case of the model constructed with the Box-Jenkins

methodology, for the two regions under analysis, the $ARIMA(0,1,1) \times (0,1,1)_{12}$ model was the one that was best suited to analysing the behaviour of the reference series, for both regions, making it possible to produce forecasts for the variable of tourism demand. Although they had distinct pre-processing procedures, the models constructed with the ANN methodology were based on a feedforward structure and trained with the resilient backpropagation algorithm, while the logistic sigmoidal activation function was used, with four neurones in the hidden layer. Each value of the series depends directly on the twelve preceding values. The forecasts were made monthly. The models obtained with the ANN methodology present quite satisfactory values, closely following the behaviour of the series that formed the basis for this study.

Thus, in view of the analysis that was carried out, it was concluded that the models obtained, for the two methodologies and for both regions, are valid for the sets of data that were used as a support and presented satisfactory statistical and adjustment qualities, showing themselves to be suitable for modelling and forecasting the reference series. Results show that the neural network methods with prior data processing in time series forecasting perform better compared to the Box-Jenkins method, which made it possible to infer that they can be considered an alternative to the Box-Jenkins methodology. Since the models showed some difficulty in making good forecasts for some events, it is suggested that these should be included in the model in the future, for example using intervention variables for this purpose. This is a challenge that the authors propose to take up in future research, with the aim of obtaining forecasts that are closer to those that are actually recorded and thus ensuring greater accuracy for the models.

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APPENDIX A

Table A.1. Value of the Original Series, for the period between 1987:01 and 1996:12, North region (cont.).

YEARS MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
January	102.447	118.011	122.217	126.671	126.826	124.194	121.469	118.606	122.480	126.910
February	102.123	117.547	116.837	129.802	131.653	127.474	129.284	122.988	130.393	139.403
March	125.401	142.687	160.658	158.701	188.999	157.536	154.734	175.261	156.645	172.393
April	150.042	167.118	169.326	197.757	182.290	196.087	189.142	185.525	209.263	213.973
May	180.430	189.823	199.158	207.876	219.187	223.918	198.402	232.075	218.666	239.142
June	197.113	207.729	218.595	227.159	251.295	207.907	207.216	248.237	222.720	245.264
July	229.293	254.523	252.634	257.633	273.927	231.801	231.453	246.274	247.589	248.398
August	304.847	315.113	329.014	351.500	341.490	312.026	304.576	322.366	320.750	336.086
September	238.542	258.287	278.074	284.867	283.378	259.023	249.583	266.094	269.433	280.769
October	173.503	174.359	189.664	216.286	197.241	205.400	202.792	206.256	196.466	225.734
November	130.187	137.933	138.683	162.062	152.554	149.289	141.976	144.803	152.340	175.438
December	114.229	128.774	127.730	139.683	132.802	130.963	120.748	139.706	140.643	143.163
TOTAL	*2.048.157*	*2.211.904*	*2.302.590*	*2.459.997*	*2.481.642*	*2.325.618*	*2.251.375*	*2.408.191*	*2.387.388*	*2.546.673*

Table A.1. Value of the Original Series, for the period between 1997:01 and 2006:12, North region.

YEARS MONTHS	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
January	140.430	148.218	163.696	162.389	176.690	165.653	155.527	162.900	168.100	180.700
February	141.183	157.415	165.988	162.637	186.586	181.005	177.818	181.900	166.800	195.100
March	219.465	209.929	228.149	226.010	245.261	249.214	214.106	224.600	247.000	237.200
April	224.382	232.767	242.744	262.865	291.395	253.274	258.519	279.800	268.500	352.600
May	253.833	280.326	269.854	264.497	306.743	302.028	293.531	317.300	316.900	361.200
June	238.334	296.612	270.126	273.881	325.568	301.465	271.454	355.300	307.700	331.500
July	266.993	303.866	306.031	324.962	351.955	314.560	318.706	324.400	358.500	388.400
August	345.672	377.645	385.868	397.405	452.581	444.991	433.211	426.900	472.400	524.500
September	288.409	309.700	321.248	331.155	383.793	361.181	343.534	342.100	362.200	406.500
October	232.052	263.522	280.597	263.217	319.417	287.383	281.472	311.500	315.900	353.300
November	166.835	180.796	193.062	186.445	238.925	221.910	219.463	221.200	233.400	258.800
December	141.349	161.273	166.990	157.210	202.351	179.766	178.439	182.800	221.300	254.700
TOTAL	*2.658.937*	*2.922.069*	*2.994.353*	*3.012.673*	*3.481.265*	*3.262.430*	*3.145.780*	*3.330.700*	*3.438.700*	*3.844.500*

Table A.2. Value of the Original Series, for the period between 1987:01 and 1996:12, Centre region (cont.).

YEARS MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
January	48.413	53.251	60.593	66.389	67.712	72.006	73.457	69.142	70.798	69.186
February	53.932	66.257	70.923	78.898	81.963	78.873	82.466	80.463	81.326	89.418
March	67.949	84.982	118.949	91.836	114.931	98.200	93.210	101.582	104.727	110.697
April	88.730	97.751	88.999	121.039	112.756	124.425	125.441	113.765	139.292	145.682
May	103.595	112.881	122.323	125.580	130.316	141.334	127.772	125.687	133.419	142.172
June	111.331	120.029	126.325	138.110	140.715	121.020	122.687	125.656	130.530	141.044
July	154.594	167.631	182.117	183.161	175.843	163.168	158.791	166.728	164.749	166.283
August	233.117	240.183	263.974	259.879	267.754	247.192	247.527	250.555	242.433	241.940
September	168.602	176.127	190.951	190.030	193.701	175.842	176.980	177.707	171.988	187.513
October	106.730	107.174	118.864	127.891	123.425	121.295	118.980	116.944	116.247	137.972
November	62.249	67.058	75.367	83.646	85.675	84.867	72.739	80.985	80.925	100.324
December	58.618	67.540	94.352	82.305	76.662	78.134	72.227	81.664	97.189	93.096
TOTAL	*1.257.860*	*1.360.864*	*1.513.737*	*1.548.764*	*1.571.453*	*1.506.356*	*1.472.277*	*1.490.878*	*1.533.623*	*1.625.327*

Table A.2. Value of the Original Series, for the period between 1997:01 and 2006:12, Centre region.

YEARS MONTHS	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
January	82.964	95.078	105.697	97.748	97.835	99.913	136.669	144.481	146.800	146.300
February	95.439	106.779	123.941	112.210	117.057	118.807	146.512	169.494	172.000	184.500
March	137.757	122.126	136.214	141.973	138.851	156.803	196.309	206.316	251.100	219.800
April	136.194	151.959	155.533	173.166	164.615	154.440	240.487	263.603	264.200	317.200
May	159.817	176.390	165.865	173.781	168.582	172.775	282.940	290.185	299.900	320.500
June	144.019	173.863	169.182	167.906	171.690	172.701	256.314	308.510	293.000	294.000
July	185.696	200.270	203.694	211.569	200.343	185.184	297.678	308.175	348.200	358.000
August	262.815	294.081	280.780	296.264	287.122	288.336	439.293	442.413	496.700	534.200
September	193.321	216.871	214.071	213.978	211.241	211.734	319.576	331.474	353.900	388.300
October	147.357	162.655	161.856	162.932	163.283	158.020	257.783	300.534	294.200	316.100
November	107.827	109.382	122.468	131.786	125.344	125.915	183.431	182.155	198.200	208.200
December	100.364	96.465	108.546	116.821	110.652	108.691	161.020	163.759	179.200	221.000
TOTAL	*1.753.570*	*1.905.919*	*1.947.847*	*2.000.134*	*1.956.615*	*1.953.319*	*2.918.012*	*3.111.099*	*3.297.400*	*3.508.100*

Table A.3. Values Forecast for the Models, for the period between 2005:01 and 2006:12.

	North Region				Centre Region			
	Year 2005		Year 2006		Year 2005		Year 2006	
	ARIMA Model	ANN Model	ARIMA Model	ANN Model	ARIMA Model	ANN Model	ARIMA Model	ANN Model
January	180.579	173.626	182.389	189.349	164.330	158.907	184.061	164.766
February	185.481	187.654	181.870	183.731	199.311	173.894	212.067	187.964
March	235.924	242.683	220.635	234.591	228.927	226.225	266.561	225.229
April	295.228	281.367	284.692	285.916	283.693	285.479	317.873	311.094
May	335.197	315.652	301.171	316.248	318.323	331.353	351.116	328.840
June	325.419	323.895	333.732	312.298	312.205	330.240	349.908	351.012
July	330.532	342.132	340.731	376.036	342.810	331.239	386.499	351.520
August	440.017	450.663	416.740	414.580	508.285	456.970	564.198	491.349
September	389.361	367.067	357.019	363.306	375.764	313.744	416.813	330.920
October	302.841	305.864	328.557	337.129	319.465	315.830	339.159	328.694
November	220.912	225.089	237.594	264.057	215.853	185.341	236.406	189.486
December	186.379	188.159	196.989	218.612	189.648	177.854	210.464	177.856
TOTAL	*3.427.870*	*3.403.851*	*3.382.119*	*3.495.853*	*3.458.614*	*3.287.076*	*3.835.125*	*3.438.730*