

## **PART VII**

# **TOURISM DEMAND AND ECONOMIC ISSUES**



# ANALYSIS OF THE INFLUENCE OF TRAVEL ORGANIZATION MODE ON LOW COST CARRIER'S TOURIST DEMAND. THE SPANISH CASE ON FOREIGN TOURISM

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## ABSTRACT:

Asymmetries of information and risk aversion play a relevant role in tourism demand. Insufficiently informed and high risk aversion tourists are very prone to organize their leisure travel through a package tour supplied by a tourist agency. Yet informed and low risk aversion tourists tend to organize their holidays by their own using more and more the new communication and information technologies. This translates to tourism microeconomic models a problem that has rarely been addressed, the endogeneity of the travel organization mode variables. In this paper we deal with this relatively unanswered question and show how to estimate a model of low cost carrier (LCC) demand in which endogeneity of the travel organization mode variable is controlled for in a fairly simple way.

Our empirical results show the importance of dealing with the endogenous character of travel organization mode variables in order to make appropriate evaluation of the impact of these variables on the tourist's demand. In particular, with Spanish data on foreign tourism, we find that treating the travel organization mode as endogenous modifies in percentage its contribution to the demand for LCC.

**Key Words:** low-cost carriers, binary choice model with selectivity, individual unobserved heterogeneity, models with many qualitative variables.

## INTRODUCTION

Transport has played an important role in tourism development, and this topic has received broad support in the literature. In the last years, the air transport has experienced a rapid growth in the number of operating companies, and particularly in low cost carrier (LCC). The fast development of LCC has been related to three factors, as signaled by Dobruszkes (2006). First, the demand for air transport is connected with economic cycles and significant fixed costs linked to aeroplanes ownership; second, the price of air transport as a limiting factor for a large portion of the population; and third, airline liberalizations allow free creation of new services and encourage the establishment of new airlines. The combination of low-cost airlines and low-cost airports has been significant in terms of increasing gains to the passengers that can be summarized as facing lower air fares, using smaller airports with shorter waiting times for baggage, shorter walking times at airports, etc. (see Barrett, 2004).

Although there is an extensive body of research about the consumer choice of destination (see Papatheodorou, 2001 for a complete revision), few of them, to the best of our knowledge, analyses the LCC option as a method for the tourist trip experience. In particular, it is reduced to some mainly descriptive papers (O'Connell and Williams, 2005; Mason, 2001), or others on very specific questions (Proussaloglou and Koppelman, 1999; Carlsson and Löfgren, 2006). Given that the relatively new phenomenon of LCC has important repercussions for tourist decisions, the aim of this paper is to analyse the microeconomic determinants of the tourists' LCC choice for foreign tourism arriving to Spain. The current paper contributes to the literature analysing the LCC choice on the tourist sector by assuming that tourists compare the stochastic utility of several alternatives and selecting the one that maximizes their utility.

In this paper we use a probit model with sample selection in which the probability of tourist LCC choice is conditional to travel by air and, also, we introduce into the model the fact that some explanatory variables can be endogenous. The model has been estimated using the 2008 wave database from Egatur (*Encuesta de gasto*

*turístico*) the Spanish Foreign Tourist Expenditure Survey. It is a questionnaire answered by 81,697 foreign tourists visiting Spain and requests information on tourists' socioeconomic characteristics, attributes of the trip and other relevant variables including the airline choice. The most important characteristic of the sample used in this paper is that the database collects information about the LCC choice without problems of selection bias because the data include all types of tourists arriving to Spain and not only those who arrives by air.

## EMPIRICAL MICRO ANALYSIS

### *Conceptual Framework*

A low cost carrier (also known as a no-frills or discount carrier) is an airline that offers generally low fares in exchange for eliminating many traditional passenger services. The model represented by the LCC is not an innovation, some of the LCC are linked to major and traditional airlines companies, but its evolution has quickly become the dominant management model and through the development of the Internet has experienced the most growth. There is a wealth of literature on the growth of LCC and their development (see, for example, Doganis, 2001; Lawton, 2002; and Williams, 2001). Even though many airlines offer fares at a reduced rate on one or more of their routes at particular times, the simple act of offering cheap fares does not necessarily make them a LCC. LCC emerged in the 1990s with the specific aim of operating with a lower cost structure than traditional operators in order to create lower fares (Alamdari and Fagan, 2005; Calder 2002; Lawton 2002; Doganis, 2001).

Greater efficiency and cost savings have been achieved in a variety of ways, most notably through increased aircraft and crew utilisation aided by the use of aircraft operated in a single class with more seats than would be possible with business class. LCC tend to operate a single type of aircraft, a strategy that produces economies of scope in aircraft maintenance and flexibility in the use of crew. Savings is achieved by selling tickets directly to customers (often through Internet and call centre ticket sales) and therefore by-passing travel agents distribution channels, re-engineered business processes and negotiation to gain reductions in airport charges (Calder, 2002; Lawton, 2002; Doganis, 2001). It follows from the comparison between LCC and the full service companies (FSC), that the latter are based, generally, on higher operating costs and on account of the extra services provided, for which a premium price is charged (Hunter, 2006). Tourists such as business passengers with a need for frequent scheduling, inter-flight flexibility and ground service linkages are the backbone of the FSC market, for which a premium fare is paid, with differentiation being offered through personal space and comfort on-board, in flight entertainment and free food and alcoholic drinks, frequent flier programmes, free airport lounges and use of major city airports (typically with higher landing charges). All these features raise seat costs.

### *Tourist approach*

In this paper, we are interested in the microeconomic determinants of LCC demand in an air passengers demand modeling framework (see Warner, 1962; Ben-Akiva, 1973; McFadden, 1974; Domencich and McFadden, 1975). Air tourists seek information; identify their options based on their previous air experience, and carrier and fare class preferences; and evaluate their options to select the most attractive carrier, flight, and fare combination. The air tourist is therefore viewed as a rational decision maker who actively searches for options that satisfy his/her air plans, evaluates the identified options, and selects the option with the highest overall utility that satisfies his/her individual scheduling constraints (Prousaloglou and Koppelman, 1999).

In order to structure the choice process about flight alternatives related with tourism purpose, we consider a utility function of a representative tourist which includes passenger transport services. In this context the consumer balance will be reduced to maximize the utility function subject to the budget constraint defined on the basis of prices of goods and income level of the tourist. The probability that a tourist  $i$  will choose to travel by LCC equals the probability associated with a positive difference in the comparisons between the utility derived from travelling by LCC and the utility related with a FSC. However, one only observes this probability if tourist travel by air. In this context, our model will be reduced to the following equations:

$$Y_i^* = \beta' X_i + u_i, \quad [1]$$

$$C_i^* = \gamma' Z_i + v_i, \quad [2]$$

where  $C_i = \mathbf{1}[\gamma' Z_i + v_i > 0]$ ;  $Y_i = \mathbf{1}[\beta' X_i + u_i > 0]$   $C_i, \forall C_i = 1$ ;  $Y_i$  is unobserved,  $\forall C_i = 0$ ;  $Y_i=1$  stands for a tourist who travel with LCC;  $C_i=1$  for a tourist who travel by air;  $X, Z$  are determinant variables matrices and,  $\beta, \gamma$ , are parameters. Under joint normality  $u_i, v_i$ , are the error terms for equations distributed as bivariate normal with mean zero, unit variance, and  $\rho = \text{Corr}(u_i, v_i)$ . After controlling by observables our model allows for correlation between unobservables in equations [1] and [2]. As is well known, when  $\rho \neq 0$ , standard probit techniques applied to equation [1] yield biased results, and the probit model with sample selection provides consistent, asymptotically efficient estimates for all the parameters in such models.

Also, asymmetries of information and risk aversion play a relevant role in tourist choice. Insufficiently informed and high risk aversion tourists are very prone to organize their travel through a tourist package supplied by a tourist agency. Yet informed and low risk aversion tourists tend to organize their travel by their own using more and more the new communication and information technologies. This translates to tourism economic models a problem that has rarely been addressed, the endogeneity of the travel organization mode variables. In our model, this would mean that in equation [1] there is an endogenous variable, package tour ( $TO_i$ ). We have opted to solve this question with a two step corrected estimation, which produces inefficient, but consistent, estimation with the following steps. First, estimate the reduce form model for the endogenous variable by maximum likelihood (ML) probit and obtain its predictions. Second, substitute predictions obtained in previous step in place of observed  $TO_i$  in [1] and estimate the system [1] and [2] by ML probit with selectivity. Third, calculate appropriate corrected variance-covariance estimations; Murphy-Topel (1985), see also Muro, Suárez and Zamora (2010).

### *Empirical analysis*

In this section we present the empirical results of the analysis proposed in the last section. All specifications include a group of common variables which have related with characteristics that can influence tourist's trip choices and the possibility to undertake certain activities. These types of variables are related with tourists' characteristics and trip attributes, for example: age, level of education, level of income, size of tourist group and purpose and organization of the trip. Also, a group of variables shows specific characteristics related with the main decision: the choice to travel with a LCC as opposed to FSC. Variables included in this vector are: labour market status, country of residence, main destination, and the use Internet in order to reserve the trip. In the selection equation we included other specific variables which only affect the conditional choice (the choice to travel by air or by road). In this group we have considered variables related with the distance. We define dummy variables to identify country of residence with border with Spain and, also, tourist main destination with border.

Also, as we signal, insufficiently informed and high risk aversion tourists are very prone to organize their travel through a tourist package supplied by a tourist agency. The use of a package tour can indicate a fear to new technologies and introduce an endogenous variable in our specification.

Table 1: Determinants of the demand for Low Cost Carrier. Definition of the variables

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<u>Tourists' characteristics:</u>	
<u>Age of the tourist:</u>	The socio-demographic information have been defined including four categories about the age of the tourist: tourist under 24 years old, tourist between 24 and 44 years old, tourist between 45 and 64 years old and tourist over 64 years old.
<u>Level of education:</u>	The educational level has been established in three different categories: Basic, Secondary and University Education.
<u>Labor market status and job category:</u>	The occupational situation has been measured establishing five different situations: Employed, Students, Retired or pensioners and Other occupation.
<u>Country of residence:</u>	The origin market that has been considered identify tourist came from: France, Germany, United Kingdom, Italy, Nordic Countries and rest of the world.
<u>Level of income:</u>	The influence of income considers the following income levels: High income level, Middle income level, and Low income level.
<u>Purpose of the trip:</u>	The principals motives of the visit Spain which are considered identify Work and Business relations, Sun and Beach motive and Others motives.
<u>Organization of the trip:</u>	This variable recognizes if the tourist have visited Spain with a package tour or not.
<u>Trip attributes:</u>	
<u>Size of group:</u>	The size of the group identify if the tourist travels Alone or in a Group of more than one persons.
<u>Tourist main destination:</u>	The principal tourism destinations in Spain considered are: Andalusia, Balearic Island, Catalonia, Community of Valencia, Madrid and other destinations.
<u>Other control variables:</u>	
<u>Use Internet for transport reservations (booking):</u>	This variable reflects the use of Internet by tourist for transport reservations

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The data has been collected from the 2008 wave of EGATUR (*Encuesta de Gasto Turístico*) the Spanish Foreign Tourism Expenditure Survey, whose main objective is the quantification of non-resident tourists coming to Spain and their expenditure. The survey is a questionnaire answered by 81,697 foreign tourists visiting Spain and collected on a monthly basis in the frontiers. The EGATUR sample provides a very rich data set related to the tourists' behaviour, socioeconomic categories, attributes of the trip and other relevant

variables. To highlight the importance of the different ways to come to Spain, it is important to remark the importance of the airport in general as a way of coming to Spain, with more than eighty per cent of tourist travelling by air, if we analysed these air tourists, we show that the greater number of these correspond to LCC, with a percentage of 53.1%.

In general independent variables have been defined as dummy variables which take a value of 1 if the tourist belongs to the category specified and 0 otherwise (see Table 1 for the definition of the variables). Table 2 presents the percentage of the LCC tourist analysed in the whole sample and in the air passenger sample and we distinguish three types of independent variables: tourist' characteristics, trip attributes and other control variables. While most of the characteristics are similar across the samples, it is important to remark the growing importance of the LCC tourist in the air sample versus the total sample of the United Kingdom tourist, retired, with medium level of income, without package tour and using Internet for booking the trip.

Table 2: Percentage of LCC tourist by tourist' characteristics, trip attributes and other control variables

	<u>Total Sample</u>	<u>By Air Sample</u>		<u>Total Sample</u>	<u>By Air Sample</u>
<b><u>Tourists' characteristics</u></b>			<b><u>Trip attributes</u></b>		
<b>Age</b>			<b>Size of group</b>		
<= 24 years old	9.71%	10.41%	Alone	27.89%	30.34%
24 < age < 45	47.92%	50.05%	More than one	72.11%	69.66%
44 < age < 65	33.01%	31.34%	<b>Tourist main destination</b>		
age > 64	9.36%	8.20%	Andalusia	10.02%	10.68%
<b>Level of education</b>			Balearic Island	11.29%	12.79%
Basic education	7.06%	4.01%	Catalonia	21.94%	25.11%
Secondary education	38.13%	39.67%	Community of Valencia	22.91%	15.58%
University education	54.80%	56.32%	Madrid	9.09%	8.82%
<b>Occupational situation</b>			Rest of the Regions	13.87%	15.72%
Employed	76.17%	77.77%	<b><u>Other control variables</u></b>		
Student	7.36%	8.04%	<b>Use Internet for transport reservations</b>		
Retired	11.46%	9.04%	Yes	48.87%	55.71%
Other	5.00%	5.15%	No	51.13%	44.29%
<b>Country of residence</b>					
Germany	19.00%	21.03%			
France	14.53%	6.46%			
United Kingdom	29.85%	33.66%			
Italy	7.36%	7.99%			
Nordic Countries	4.90%	5.54%			
Rest of the world	24.35%	25.32%			
<b>Level of income</b>					
High	25.79%	23.59%			
Medium	72.38%	74.79%			
Low	1.83%	1.62%			
<b>Purpose of the trip</b>					
Leisure	67.80%	67.75%			
Work and business relations	14.52%	15.73%			
Other purpose	17.68%	16.53%			
<b>Organization of the trip</b>					
With package tour	23.55%	26.54%			
Without package tour	76.45%	73.46%			

The results of the estimations of a probit model with sample selection and endogenous variable, equation [1] and [2], are reported in Table 3. The socioeconomic variables of tourists are introduced to explore differences in sensitivity to different aspects of air carrier. Differences by origin market show that German tourists present the lower probability of travelling by LCC. The greatest probability of travelling by air corresponds to countries without border with Spain and reflects the expected pattern for different groups of tourists and the relative importance that tourists place on the additional time spent unproductively at the fly time to the destination.

Table 3: Estimation and Marginal Effects of the probit model with sample selection<sup>a</sup>

<i>CC vs FSC</i>	Coef.	Std. Error		<i>Air vs. Road</i>	Coef.	Std. Error	
<b><u>Age</u></b>				<b><u>Age</u></b>			
<= 24 years old	0.114	(0.035)	***	<= 24 years old	0.094	(0.057)	*
24 < age <= 44	-0.063	(0.028)	**	24 < age <= 44	-0.002	(0.039)	
44 < age <=64	-0.123	(0.027)	***	44 < age <=64	-0.184	(0.034)	***
<b><u>Level of education</u></b>				<b><u>Level of education</u></b>			
Basic education	0.182	(0.032)	***	Basic education	-1.131	(0.028)	***
University education	-0.185	(0.013)	***	University education	0.125	(0.019)	***
<b><u>Occupational situation</u></b>				<b><u>Occupational situation</u></b>			
Employed	-0.045	(0.025)	*	Employed	-0.140	(0.429)	***
Student	0.030	(0.035)		Student	0.399	(0.069)	***
Retired	0.041	(0.033)		Retired	-0.682	(0.048)	***
<b><u>Country of residence</u></b>				<b><u>Country of residence with border</u></b>	-1.931	(0.019)	***
Germany	-0.192	(0.118)		<b><u>Level of income</u></b>			
France	0.752	(0.080)	***	High	0.333	(0.059)	***
United Kingdom	1.360	(0.091)	***	Medium	0.997	(0.057)	***
Italy	0.912	(0.099)	***	<b><u>Purpose of the trip</u></b>			
Nordic Countries	-0.816	(0.191)	***	Work and business rel.	0.681	(0.035)	***
<b><u>Level of income</u></b>				Leisure	0.230	(0.227)	***
High	-0.227	(0.046)	***	<b><u>Size of travel group</u></b>			
Medium	-0.096	(0.045)	**	Alone	0.842	(0.029)	***
<b><u>Purpose of the trip</u></b>				<b><u>Tourist destination with border</u></b>	-1.325	(0.019)	***
Work and business rel.	-0.279	(0.021)	***	<b><u>Constant</u></b>	1.706	(0.076)	***
Leisure	-0.015	(0.017)					
<b><u>Package tour</u></b>	28.591	(3.082)	***				
<b><u>Size of travel group</u></b>							
Alone	-0.068	(0.029)	**				
<b><u>Tourist main destination</u></b>							
Andalusia	18.093	(1.896)	***				
Catalonia	18.044	(1.956)	***				
C. of Valencia	19.475	(2.019)	***				
Madrid	19.626	(2.089)	***				
Rest of Spain	19.656	(2.125)	***				
<b><u>Use Internet</u></b>	0.564	(0.012)	***				
<b><u>Constant</u></b>	-20.474	(2.164)	***				
Correlation coefficient	-0.176	(0.047)	***				
Censored obs.	10,399						
Uncensored obs.	71,298						
Log pseudolikelihood	-52,880.6						

<sup>a</sup> Individual reference: Rest of the world, Canary Island, without package tour, more than 64 years old, size of group over two, secondary education, low level of income, other labour market status and job category, no use Internet for booking.

\*\*\*Level of significance 1%, \*\*level of significance 5%, \*level of significance 10%.

Madrid and the Community of Valencia are the main destinations for the LCC sightseer while the Canary Islands shows the lowest probability for LCC choice. This result can be explained not only in terms of a shadow price argument, but also by the existence of secondary airports used by LCC or location advantages. From the supply side, one feature of the LCC is the use of secondary or regional airports to reduce their costs as much as possible, see Warnock-Smith and Potter (2005). Concerning the selection equation, the Communities without border with other countries present a greater probability than border Communities of travelling by air, as expected. Economic variables such as income should also influence the tourists' choice of air carriers. It is evident that consumer income plays an important role, as less wealthy consumers are more price-conscious and hence more susceptible to a switch between airlines as a result of changes in fares. Therefore, the coefficients for income variables have the expected signs and when a tourist have more income, then the probability of travel with a FSC versus a LCC increases, and also travel by air versus road. The difference in coefficient values by trip purpose shows that the tourist is more likely to travel by air or by FSC.

These results indicate that business passengers are much more sensitive to time delays than leisure tourists. In transport planning, it is essential to analyse how habits and acquired environmental knowledge influence trip choice, (see Gärling and Axhausen, 2003). Examples of such indicators should be the organization of the trip. The trade-off among package holidays has a positive effect in the probability of travel by LCC. The explanation of this result can be found in the different method of planning a trip, directly or indirectly through distribution channels such as travel agents. With the deregulation of airlines, a new tourism distribution system has emerged that required a better knowledge of their environments and of the transportation system, and the LCC have emerged to obtain market advantages of a better understanding of the needs and wants of individual tourists.

Also evidenced in Table 3 is the fact that the use of Internet for transport reservations increases the probability of travelling with a LCC. This is one of the most important characteristics of this type of companies, which prefers direct access to a consumer only through call centers and the Internet. The environmental knowledge also influences the transport choice. It may be assumed that the cost of searching for new alternatives is generally too high and the expected gains associated with new alternatives too uncertain. In this situation, passengers reuse past solutions. If we analyse tourists with ten or more visits to Spain, we can observe that they prefer to travel with LCC.

Finally, the statistical significance of the correlation coefficient suggests that controlling for the likelihood of travel by air versus road is critical to determining the effects of travel with a LCC. Also, the negative point estimate implies that the unobserved factors affecting the probability of travel by air or by LCC are negatively correlated. In other words, the two outcomes are negatively correlated after controlling for tourists' characteristics and the attributes of the destination itself. An explanation for the negative correlation observed between unexplained tendencies to decide to travel by air and to select a LCC could be the differences in transport services prices of the alternative transports for foreign tourism arriving to Spain. The tourist may have interest in travel by air for the comforts (included in price), and the LCC don't include all these comforts (such as press or meals) to reduce the cost as a strategy to offer lower prices. An additional explanation for the negative rho could be found in carriers' decisions. These managerial practices of the FSC have resulted in product differentiation that discriminate between loyal customers and newcomers offering frequent-flyer programs aimed to induce passenger loyalty or making differentiation in price by market segments.

## CONCLUSIONS

The impact of low-cost airlines and low-cost airports on fares and passenger numbers in air transport in Europe has been a significant growth in the last years. Given that the LCC has important repercussions for tourist trip decisions, the aim of this paper is to analyse the microeconomic determinants of the tourists' LCC choice for foreign tourism arriving to Spain in 2004. Using a probit model with sample selection we have estimated the probability of a LCC choice, for the tourists that prefer to travel by air as opposite to other types of transports. Our results show the importance of the LCC for tourist decisions. To define factors influencing trip decisions the results show that passenger travelling on LCC place great importance to the use of Internet for booking the trip, to planning the tour without package, with a trend towards shorter holiday stay and with knowledge of Spain (more than ten visits). In general, the tourist who visits Spain and chooses travel by LCC is a person with a secondary level of studies, low level of income, which comes from Netherlands and United Kingdom and goes to the beach in Andalusia and Community of Valencia.

It is important to remark that tourist who travels by air, including LCC passengers, come from far countries without border with Spain and go to Communities without border with other countries, so, and as we expect, the distance factor are crucial to explain the decision of travel by air. Also, the air tourists plan the trip with a package tour, and without knowledge of Spain.

The proxy variables to the effect of switching cost in airline choice show that these costs have a positive effect in order to select a trip with a LCC. For example, variables such as the use of a package tour to plan the tour, the repeated purchase that represents a fear of new technologies, or tourist habits, present significant and positive coefficients in the choice of travel with a LCC. This idea allows us to point out that the managerial practices of the FSC should go guided toward discrimination of the price that originate different market structures, for instance, with a product differentiation that allows discrimination between loyal customers and newcomers or discrimination for the use of new technology in order to buy a ticket.



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# AN ANALYTICAL FRAMEWORK TO ASSESS TOTAL VISITS TO A DESTINATION WITH IMPLICATIONS FOR TIME-DIMINISHING RETURNS

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## ABSTRACT

Previous literature has shown that important variations exist over time regarding the extent of repeat visits to tourist destinations. This paper provides an analytical framework to account for time discrepancies in behavior and helps predict repeat visits to a destination at different time points. A three-parameter Weibull distribution and a 50-period numerical simulation exercise were carried out to illustrate ways in which the pattern of repeat visits affects total visitors through time. Several scenarios representing different parameters of the distribution and different intensities of initial trips are illustrated. Implications for destination managers and further research extensions are suggested.

**Key Words:** Repeat visits, tourist destinations, recency-frequency theorem, and simulation.

## INTRODUCTION

Previous literature has shown that variations occur through time in the extent of tourists' repeat visits (Baloglu & Erickson, 1998; Feng & Jang, 2007; Opperman, 2000b). Econometric studies have underlined the importance of repeat visit findings of both international tourism flows (e.g., Akal, 2004; Cho, 2003; Johnson & Ashworth, 1990) and the demand for individual attractions (e.g., Darnell, Johnson, & Thomas, 1990, 1998). Such studies have illustrated the explanatory role that lagged dependent variables play in predicting visits. They imply that a visit in the current period affects the likelihood of a repeat visit in a subsequent period. Nonetheless, econometric models have not distinguished clearly between categories of visitors: repeat and non-repeat. Further, tourism forecasting has mainly used parameters such as income, price, exchange rate, time availability, and discretionary income, while ignoring frequency and recency due to their complexity (Li, Hong, & Witt, 2005; Sinclair & Stabler, 1997; Song & Witt, 2003).

Markov Chains have been used to analyze the patterns of travelers' flows to a destination (Baloglu & Erickson, 1998; Beaman, Kozak, & Huan, 2001; Taplin, 2002) and to specific attractions (Xia, Zeephongsekul, & Arrowsmith, 2008). These studies applied first-order dependence to examine the dynamics effecting different events (e.g., a first visit motivating a tourist to become a repeat visitor). Markov studies, however, have relied on initial-state probabilities that assumed homogeneous transition probabilities throughout time. This latter condition contradicts the frequency-recency theorem in previous literature, which has argued that tourists who have visited a destination more recently are more likely to return, with the likelihood of return decreasing over time (Baloglu & Erickson, 1998; Gyte & Pheps, 1989; Oppermann, 2000b).

Lastly, by acknowledging the importance of entrance and exit flows, Darnell and Johnson (2001) approximated a mathematical schema to measure repeat and total visits to an attraction. Although they placed an upper limit on return trips, their model did not include variable frequencies to account for time span or visit history, as does the Markov approach.

This paper adds to previous studies, as little research has been conducted on predicting destination choice based on consumer type, while also considering varying time behavior. This study examines the way in which repeat visits affect the visit flow to a destination over time. This study also sheds light on an analytic tool that predicts the probability of visitors returning to a specific location. Nothing about this analytical approach, however, restricts it to destinations; indeed, it can also be applied to specific tourist attractions and activities.

This paper is organized as follows. Section 2 establishes an analytical framework by approximating the temporal return likelihood of travelers to a sunny destination over five time periods, using a three-parameter Weibull density function. Data is taken from a study of French, German, and English travelers surveyed in December 2009, who had visited a sunny destination for the first time prior to the survey. Pilot studies conducted for the December 2009 survey calibrated the time periods for revisit intent to provide the most inclusive time intervals for revisits to occur. Section 3 presents a simulation, showing the ways in which the pattern of repeat visiting

can affect the total visit flow through time. This paper concludes by considering implications and suggesting avenues for future work.

## ANALYTICAL FRAMEWORK

### 1) Temporal Dimension of First-Time Visits

This paper starts by examining the temporal dimension of an initial visit to a destination, undertaken by individual  $i$  at time  $j$ . Subsequent to his/her first visit, individual  $i$  may decide to either return or not return to that destination in the future. If the purpose of a traveler's first visit is to gather information in order to decide about a second visit (Milman & Pizam, 1995; Um & Crompton, 1992; Woodside & Lysonki, 1989), such an individual can be described as a checking-it-out (CIO) visitor and is likely to return in the future if he liked the destination. If the purpose of a first trip is to see or visit a particular site, the visitor may be described as a one-time only (ITO) visitor (Uysal & Hagan, 1993) and is likely not to return, at least not in the near future.

If  $X_i$  represents an individual's likelihood of not returning, then  $(1-X_i)$  represents the individual's likelihood of revisiting. Thus,  $X_i$  represents the probability of a CIO tourist not liking the destination for one reason or another and deciding not to return; thus, it also represents the probability of a first-time visitor being a ITO tourist. Likewise,  $(1-X_i)$  represents the probability of a CIO tourist liking the destination and deciding to return. Further, if  $M_j$  persons initially visit a destination at time  $j$ , the  $M_j$  population is composed of individuals who have different characteristics and thus different probabilities of returning at any time  $t > j$ . Hence, the total number of returns at different time points,  $t$ , is given by  $\sum_{i=1}^{M_j} (1-X_i) \times \Pr\{v_{t-j}\}$ , where,  $t-j$  represents the time

distance between the initial and return visit times to a destination.

To trace and simplify the analysis, we assume that the population visiting a destination is homogeneous. This supposition is supported by Oppermann (2000a), who argued that first-time tourists at a destination are, in a way, homogeneous because none have experience with the destination. Consequently, many tourism models in previous literature have presumed homogeneity among visitors (Baloglu & Erickson, 1998; Kozak, Huan, & Beaman, 2002). As a result, the individuals in our model have the same likelihood of returning,  $(1-X)$  and equal probability of return,  $\Pr\{v_{t-j}\}$  at various time points,  $t$ . Thus, if  $M_j$  is the number of initial visitors to a destination at time  $j$ , the number of revisits at any time  $t < T+j$ , induced by  $M_j$ , is given by  $M_j \times (1-X) \times \Pr\{v_{t-j}\}$ . Where,  $T+j$ , represents an upper-limit point in time after which travelers will not likely return. Thus,  $T$  is the time interval for revisits to take place. The tourism literature supports this approach, including Oppermann (1998), who argued that as more time passes, the intent to revisit diminishes and, at a certain point, that intent vanishes.

### 2) Total Number of Visits at Time $t$

Next, we can use the expression of the number of revisits at any time,  $t$ , induced by  $M_j$  presented above, to calculate the total number of visitors,  $V_t$ , at any time,  $t$ , which is given by the initial arrival at time  $t$  plus all revisits, such that

$$V_t = M_t + \sum_{j=0}^t M_j \times (1-X) \times \Pr\{v_{t-j}\}, \quad \forall j < t,$$

Where,  $M_j$  represents the initial number of visitors at time  $j$ , and  $\Pr\{v_{t-j}\}$  represents the probability of revisits at time  $t$  for the population initially visiting at time  $j$ .

	Time					
	0	1	2	3	T	T+1
0	$M_0$	$M_0 * (1-X) * \Pr(v_1)$	$M_0 * (1-X) * \Pr(v_2)$	$M_0 * (1-X) * \Pr(v_3)$	$M_0 * (1-X) * \Pr(v_T)$	
1		$M_1$	$M_1 * (1-X) * \Pr(v_{2-1})$	$M_1 * (1-X) * \Pr(v_{3-1})$	$M_1 * (1-X) * \Pr(v_{T-1})$	$M_1 * (1-X) * \Pr(v_T)$
2			$M_2$	$M_2 * (1-X) * \Pr(v_{3-2})$	$M_2 * (1-X) * \Pr(v_{T-2})$	$M_2 * (1-X) * \Pr(v_{T-1})$
3				$M_3$	$M_3 * (1-X) * \Pr(v_{T-3})$	$M_3 * (1-X) * \Pr(v_{T-2})$
J					$M_j * (1-X) * \Pr(v_{T-j})$	$M_j * (1-X) * \Pr(v_{T+1-j})$
T-2					$M_{T-2} * (1-X) * \Pr(v_2)$	$M_{T-2} * (1-X) * \Pr(v_3)$
T-1					$M_{T-1} * (1-X) * \Pr(v_1)$	$M_{T-1} * (1-X) * \Pr(v_2)$
T					$M_T$	$M_T * (1-X) * \Pr(v_1)$
T+1						$M_{T+1}$
$V_t$	$M_0$	$M_1 + M_0 * (1-X) * \Pr(v_1)$			(i)	(ii)

Table 1 A Schematic Representation of the Total Number of Visitors at any Time  $t$ ,  $V_t$ .

- (i)  $V_T = M_0*(1-X)*Pr(v_T) + M_1*(1-X)*Pr(v_{T+1}) + M_2*(1-X)*Pr(v_{T+2}) + \dots + M_j*(1-X)*Pr(v_{T+j}) + \dots + M_{T-2}*(1-X)*Pr(v_2) + M_T*(1-X)*Pr(v_1) + M_{T+1}$   
 $VT = M * (1-X) * F(T; \lambda, K, j) = M * (2-X)$  For equal initial arrivals,  $M_j$
- (ii)  $V_{T+1} = M_1*(1-X)*Pr(v_T) + M_2*(1-X)*Pr(v_{T+1}) + \dots + M_j*(1-X)*Pr(v_{T+j}) + \dots + M_{T-2}*(1-X)*Pr(v_3) + M_{T-1}*(1-X)*Pr(v_2) + M_T*(1-X)*Pr(v_1) + M_{T+1} * 2$   
 $VT+1 = M * (1-X) * F(T+1; \lambda, K, j) = M * (2-X)$  For equal initial arrivals,  $M_j$

Table 1 presents a schematic representation of the total number of visitors at any time  $t$ ,  $V_t$ . Beyond time  $T$ , which is equivalent to the interval between revisits and any time point  $T+j$ , returns since the earliest period are replaced by revisits from the latest period. In this way, the number of total revisits remains steady in the case of a constant flow of initial visits,  $M_j$ . For example, at time  $T+1$ , visitors from period 0 cease to return, while initial visitors from period  $T$  begin revisiting in  $T+1$  with probability  $(1-X) \times Pr\{V1\}$ . Thus, for equal initial visits,  $M_j$ ,  $V_{T+1} = M_j \times (2 - X) = V_T$ , remains constant or steady as shown above.

### 3) Probability Function of Revisits over Time

Next, it would be useful to identify the time frame  $T$ , during which the revisits occur and the revisit probabilities between time  $j$  and  $T+j$ . This will suggest the number of revisits at each interval between  $j$  and  $T+j$ . For this purpose, an online questionnaire was administered in December 2009 to French, English, and German travelers aged 18 years and older. Because well-established destinations represent the ideal ground for testing repeat visitations across time (Kozak, 2001), and because destinations close to travelers' residences may cause spurious repeat visits (Yim & Kannan, 1999), a screening question was included. This question asked whether respondents had taken at least one plane trip lasting two hours to visit a sun destination for the first time in the six months prior to the survey.

Choosing a time frame for the study was an important decision because prior literature includes no single accepted definition of time frame during which revisits might occur (Ajzen, 1991; Eagley & Chaiken, 1993; Feng & Jang, 2007). Pilot studies conducted for the December 2009 survey calibrated the time periods for revisit intent to provide the most inclusive time intervals for revisits and indicated that intent to return can be measured using five time periods—in year 1; in year 3; in year 5; in year 10; and in year 20. Respectively, these correspond to immediate, short-, mid-, and long-term, which covers return intentions over all possible times.

In total, 1,500 questionnaires were delivered to generate a final sample of 450 usable surveys (150 from each nationality), resulting in an average response rate of 29.4%. The questionnaire included two sections. In the first section, respondents were asked about the number of times they expect to return in the coming 20 years to the destination they specified they visited for the first time six months prior to the survey. In the second section, respondents were asked about their intent to return as measured over the five time periods as noted above. These time periods were found to represent the time intervals during which revisits can occur. These later questions were measured using a 7-point Likert scale ranging from 1 = very low to 7 = very high. The literature supports the wide-range Likert scale because it ensures that the data are close to being continuous (Johnson & Ashworth, 1990)

Data from the survey was then analyzed using @Risk 7.0, using the distribution fitting function specifying continuous absolute sample. Results of the analysis showed the probability function for return,  $Pr\{v_{t-j}\}$ , at any time  $t$  following an initial visit at time  $j$ , approximates a three-parameter Weibull density function:

$$f(t : \lambda, k, j) = \frac{k}{\lambda} \times \left(\frac{t-j}{\lambda}\right)^{k-1} \times e^{-(t-j/\lambda)^k} \text{ for } t \geq j, \text{ and } f(x; k; \lambda) = 0 \text{ for } t < j,$$

With  $k = 0.8$  representing the shape parameter;  $\lambda = 10$  representing the scale parameter showing the average number of revisits per individual over a given time period; and  $j$  being the location parameter of the distribution.  $j$  also reflects the time of first visits, such that  $t-j$  indicates the elapsed time prior to returning. To make the analysis more observable, we assumed similar characteristics for the destinations through time. Thus, the revisits probability function,  $f(t; \lambda, k, j)$ , did not account for destination-specific characteristics such as available attractions and facilities, distance and travel time from the individual's home, marketing efforts, and so on through the intensity of first visits,  $M_j$ , and return parameters,  $\lambda$  and  $k$ .

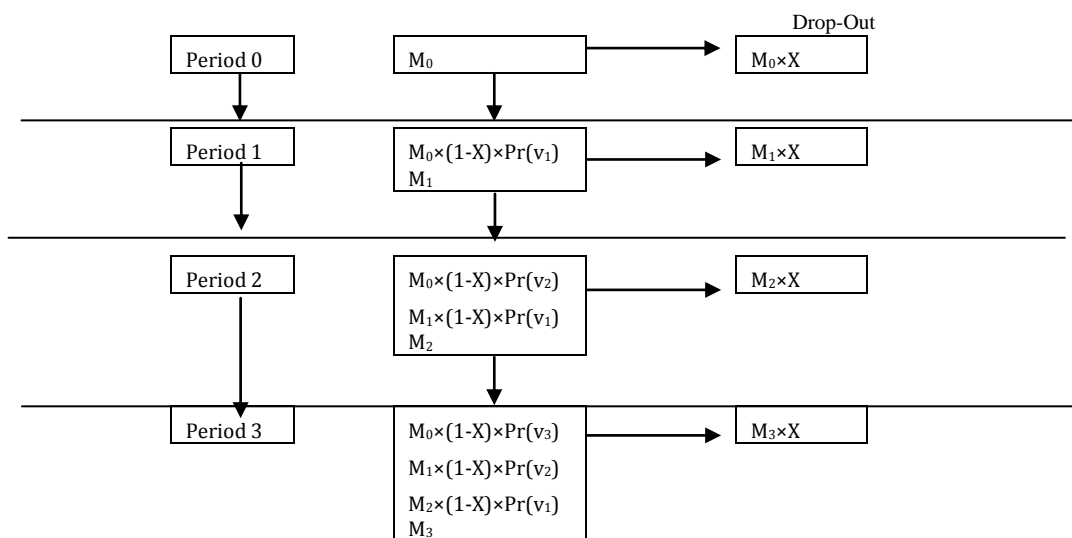
In this example of the timing and likelihood of tourists' returning to a destination, with  $k = 0.8$ , a decreasing return rate is implied, signifying that travelers tend to return quickly to a destination, with the revisit rate decreasing as time goes on. The preceding assumption for  $k$  endorses previous tourism literature on revisit intentions (Baloglu & Erickson, 1998; Gyte & Phelps, 1989; Oppermann, 2000b), which has contended that people tend to return to destinations they have visited before and that the intent to return decreases over time. Thus, the behavior of travelers over time is satisfactorily explained by using the Weibull probability distribution.

## SIMULATION AND RESULTS

This section presents the results of a numerical simulation over 50 periods following the first visits to a destination to help demonstrate how visit flows through time might be determined by the pattern of repeat visits. To identify some of the fundamental influences at work, this simulation makes several simplifying assumptions, corresponding to those established in the previous section:

- 1) The destination attractiveness and marketing efforts, the quality of the visitor experience offered, and its competitive position remains constant throughout the 50 periods. This assumption permits us to abstract such affects as management action, although such factors are likely to influence repeat visit patterns (and the initial visit  $M_j$  and return parameters  $\lambda$  and  $k$ ).
- 2) The initial populations,  $M_j$ , at the beginning of each period carry the same characteristics as previous periods.
- 3) Only  $(1-X)$  proportion of the  $M_j$  initial population that visited the destination is likely to return.
- 4) Only one visit can be undertaken per time period per individual.
- 5) The probability of revisiting in any period  $t$ , for all individuals visiting at time  $j$ , is  $\Pr\{v_{t-j}\}$  given by a Weibull distribution; it decreases through time until  $T+j$ .

Fig. 1 uses these assumptions to show the derivation of visitor flows for the first three periods. By the beginning of the fourth period (not shown), the population consists of the following groups: (i) Number of individuals who initially visited the attraction at time 0, did not drop out and decided to return in  $t = 3$ ; (ii) Number of individuals who initially visited the attraction at  $t=1$ , did not drop out and decided to return in  $t = 3$ ; (iii) Number of individuals who visited the attraction for the first time at period 2, did not drop out and who decided to return in time  $t = 3$ ; (iv) Cohort that entered at the beginning of period 3. These individuals are undertaking their first trip to the destination.



**Figure 1. Repeat visits and their effect on visit flows: a three-period simulation**

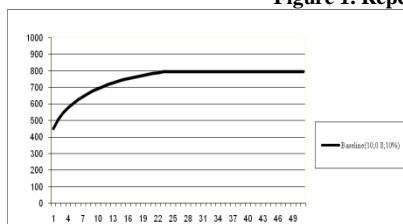


Figure 2. The time path of visitor numbers: baseline parameters profile.

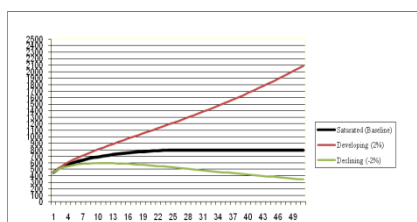


Figure 3. The time path of visitor numbers: growth and decay profiles.

In the baseline simulation in Figure 2, the base values for  $M_0$ ,  $\lambda$ ,  $k$ , and  $T$  are given by the survey study, where:

- (a)  $M_0=450$ ; Growth=0%.
- (b)  $\lambda=10$  revisits on average every 20 periods;  $K=0.8$  and  $T=20$  years.
- (c)  $X=10\%$ , and is agreed on by previous literature on revisits (Darnell & Johnson, 2001).

In the baseline simulation illustrated in Figure 2, visitor numbers rise until period 20 and then stabilize. The initial rise is generated by the high pace and eminent probability of returns in early years ( $\lambda=10$  and  $k=0.8$ ), induced by new visits at times  $j$ . Period 20 represents the end of the cycle,  $T$ , after which revisits from period  $j$  are replaced by the most recent time revisits, and so on, keeping the number of revisits steady from this point onward.

Compared to the baseline simulation, Figure 3 applies different growth rates of initial visits. Two illustrations are used: 1) a growth case (2%) and 2) a decay case (-2%). In the first case, we see a permanent increase in visits over time. The effect of the growth in initial visits, though, is lower than the effect of revisits during the first 20 periods. This is reflected in the rising rate of increased visits subsequent to period 20. In

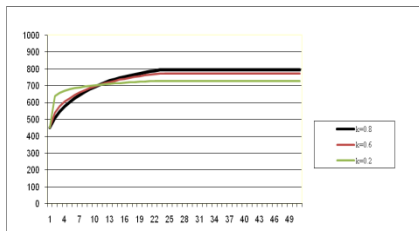


Figure 4. The time path of visitor numbers: Different  $k$  parameters.

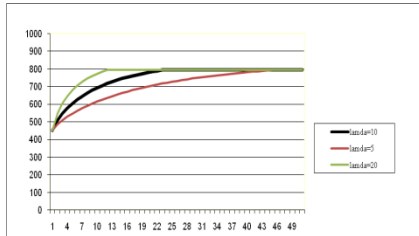


Figure 5. The time path of visitor numbers: different  $\lambda$  parameters.

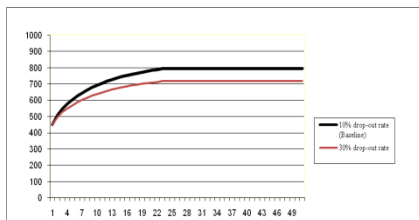


Figure 6. The time path of visitor number: different drop-out rates.

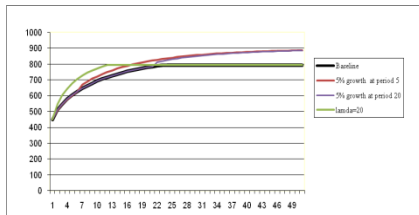


Figure 7. The time path of visitor numbers: different growth scenarios.

the second case, an increase in the number of visits during early periods translates into a slight rate of decrease until period 20. Following period 20, the pace of decrease is higher, and the drop in initial visits is no longer sustained by repeat visits from previous periods.

Compared to the baseline setting, Figure 4 varies  $k$ , or the shape parameter, of the distribution. The higher the  $k$ , the higher the probability of visitors returning in early periods. Subsequently, the higher the  $k$ , the shorter the time interval during which a repeat visit is likely to occur, and the faster the stabilizing level (in this example, 793 visits) is reached. The lower the  $k$  however, the more lengthy and lasting the return rate is, lasting past period 100 (which is difficult to show on this graph), until reaching the stabilizing stage of 793 visits.

Figure 5 applies different revisit averages to the 20 periods compared to the initial scenario. The higher the  $\lambda$ , or the average number of repeat visits over period  $T$ , the higher the early growth and the faster the stabilizing level of visits is reached. Thus, the more loyal or frequent the travelers (i.e., the higher the return rates,  $\lambda$ ), the more they tend to come back (higher increase), and the more they keep returning.

Figure 6 varies the drop-out rate of visitors from that illustrated in the initial scenario, where  $X=10\%$ . Increasing  $X$  to 30% leads to a simple shift downward of the visits path, while keeping the same characteristics (increasing early trend and the same upper limit point  $T$ , corresponding to phase 20). This result can be explained by the fact that we did not alter the distribution parameters,  $\lambda$  and  $k$ .

Finally, to find the best way to stimulate visits to a destination, growth in initial visits, or growth in the number of returns over a given period, we again begin with the baseline scenario represented in Figure 7. In the first scenario, we implement a growth of 5% in period 5, which results in a shift up in the initial path starting period 6. This leads to a higher stabilizing level of visits over time. In the second scenario, we implement a growth of 5% in period 20, which results in a shift up in the initial path starting period 21. This also leads to a higher stabilizing level of visits over time (similar to the level reached in the first scenario). In the third scenario, we increase the return rate from 10 to 20 visits, which results in an increase in visits for early periods, after which we reach the same stabilizing level as the initial path, but less than the steady level reached in scenarios one and two. Thus, as we will discuss in the conclusion, it is better for the destination to boost new visits than to intensify repeat visits.

## CONCLUSION, LIMITATIONS, AND FUTURE RESEARCH

The schemas presented in this paper include further advances and fewer restrictions in pursuing a more realistic representation of repeat visits over time. Thus, by considering dynamics over time, this paper highlights some relevant information for managing destinations.

First, we identify an appropriate time interval during which a purchase (in this case, travel) may or may not take place. In addition, by assuming visitors' characteristics are homogenous and an average rate of return per given period, and by incorporating the recency paradigm using a Weibull function, the current study allows us to compute total visits at all times induced by a first visit to a location. Second, the simulations importantly show that rapid early growth in saturated locations or destinations experiencing decay is temporary. Third, the time profile of repeat visits (i.e., distribution parameters), has important implications for visit flows. A key challenge for management is how they can influence that profile. Pricing, developing new attractions, and increasing marketing effort are ways to encourage repeat visit rates, but much will depend on the destination's objectives.

Most importantly, the number of first-time visitors and their dropout rates have the most significant and enduring impact on total visits over time because of the multiplying factor through time. First-time visitors are the most efficient tool policy makers have to boost travel to a destination (through promotions, marketing, etc.). Moreover, the earlier this is done, the more the destination will benefit from returns over a longer period of

time. The only element that affects the probability of making another visit is the time lag between the initial visit and return visits to the destination. This limitation opens the door for further research.

Future investigation can build upon this preliminary approach by looking at the effects on visiting probabilities of factors over which destination managers can exercise some control such as a destination's relative attractiveness and all associated costs of a visit within the destination's control. Distinguishing between different destinations (rather than assuming destinations are homogeneous as assumed in this study), would greatly help management forecast demand movements. Arguably, an even more perplexing combination of visitors can be introduced and modeled, such as frequent and less frequent travelers. Finally, extensions of the current research could consider short-period cycles with seasonal influences, which would offer a more comprehensive approach for approximating visit flows through time.

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# THE IMPACT OF CRISES ON TURKISH TOURISM IN THE LAST DECADE

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## ABSTRACT

Tourism demand is accepted to be highly affected by both consumer's economic status and the host country's political and security issues. As travel is not in the first two stages of Maslow's Hierarchy of Needs, it is not among the compulsory consumption expenditures and holiday plans are one of the first to be changed or cancelled in case of any threat against the tourist's "biological and physiological" or "safety needs". Likewise, as tourists need to relax in a safe environment, they will choose a country or region without any terror incidents or does not have any political problems with their country. The aim of this paper is to determine the degree and direction of the effects of national and global crises on tourism movements to Turkey since the beginning of new millennium. Crises will be evaluated as two main categories; Financial Crises and Political Crises. In order to reach the aim, a comparison of global incoming and outgoing tourist numbers will be made between time periods before, during and after these crises, considering some other effects. For instance, a significant relationship between the decrease of tourist numbers to Turkey in 2006 and any national or global crisis will be searched. Furthermore, any change in the number of tourists from tourist origin countries affected by global crises will be questioned. The outcomes can be helpful for decision makers to see what kind of crises affect tourist flows and in which direction, so that they can take necessary precautions on time.

**Key Words:** Global Crises, National Crises, Financial Crises, Political Crises, Tourism, Turkey

## INTRODUCTION

In today's modern and global information society, an outcome cannot be related to just one independent variable. Being one of the most popular economic activities in the world, development of tourism has to be evaluated along with the economical, political, socio-cultural, safety environment. In this study, the developments in Turkish inbound tourism will be examined within the conditions of the neighbor economies, Europe and the whole world between the years 2000 and 2010. Statistics will be reflected in the light of important incidents gone through; any national, regional or global economic, political crisis or health, social, safety problems.

## CRISES BETWEEN YEARS 2000 - 2004 AND THEIR EFFECTS ON TOURISM

The beginning of new millennium, and in particular 2000, with the attraction of special events, was an exceptional year for tourism, when international arrivals increased by 7% (WTO, 2002a). First in Asia and towards the end of the year in the western countries such as Germany and the USA, worsening economic situation had a negative effect on international travel (WTO, 2002b).

### **Turkish National Crisis of November 2000 & February 2001**

Turkey entered 2000s with an unsustainable internal debt dynamic, an unhealthy financial system and various structural problems; and it lost its economic strength due to the external factors brought by globalization. Turkish Lira gained a higher real value than expected; there was a fast recovery in domestic demands, an increase in the prices of energy, and developments in Euro-Dollar parity. Thus; current accounts balance deficit became much greater than expected in 2000. This worried the domestic and foreign market and caused a decrease in foreign source inflows. Liquidity shortage in the country increased the rate of interests towards the end of the year, so; foreign investors started to get out of the country. As a result, Turkish currency was left to float against foreign currencies. The volume of trade got reduced with the crisis, some companies faced the risk of closing down and rate of unemployment increased (Apak & Aytac, 2009). The shocks which started in the financial sector in 2000-2001 crises affected the real sector in a short time (Eğilmez, 2008). With a huge recovery both in tourist arrivals (10,428,153) and receipts (\$7.6bn) over 1999 with almost 40% and 47% respectively in 2000 (TÜİK, 2010), Turkey hosted German tourists most with a share of 21.8% and English (8.8%), Russians (6.5%), Americans (4.9% with 515 thousand), French (4.3%) and Dutch (4.2%) ranked after (T.C. Kültür ve Turizm Bakanlığı, 2008).

### **Global Issues at the New Millennium's Start-up**

During the first eight months of 2001, the effects on inbound tourism were especially felt in Americas, South Asia and the Middle East. But the September 11 terrorist attacks on the United States hit the global tourism in general. The crisis, instead of stopping travels, changed the consumers' travel habits, visiting closer, familiar and accessible destinations by individual transportation (WTO, 2002b). As a result, international tourism arrivals decreased (-0.6%) in 2001, while some of the northern Mediterranean destinations were the fastest

growing in the world. Although it slowed down after previous year, Turkey was on top by growth of 12.4% (WTO, 2002a). Visitors from Germany (24.8%), the UK (7.3%), Russian Fed. (6.5%), Holland (5.5%), Bulgaria (4.7%) and France (4.5%) were the most helpful for this growth rate. Number of American visitors decreased by 16.6% and the US went down to seventh place (T.C. Kültür ve Turizm Bakanlığı, 2008). World tourism receipts decreased by -2.6%, which exceeded decrease in volume, both because of September 11 and the economic downturn already felt before. The consumers' shift of travel habits depressed spending levels even more (WTO, 2002c). Tourism receipts of Turkey increased more than the arrivals by almost 32% (TÜİK, 2010).

In 2002, global tourism seemed to be recovering and growing, except some politically unstable regions such as Middle-East, but the Bali attacks on 12<sup>th</sup> of October threatened Asian and global tourism (WTO, 2002b). The areas depended on U.S. generating markets, the U.S. as a destination and the Arab-Muslim world were the most affected (WTO, 2002d). In 2001 and 2002, international tourism suffered from global weak economy and uncertainty because of terrorism and Iraq conflict. The economic downturn (mostly in Western Europe, Germany in particular) gave way to price sensitivity against tourism products and cost cutting on business travel. These changes caused late bookings and shifts in demand. Low-cost airlines grew and the internet strengthened by means of organizing and booking trips as well, which increased individual travel (WTO, 2003a). In 2002, Turkey led European countries in terms of growth in tourist arrivals with an increase of 19% (WTO, 2003b) and receipts also increased by 18% (TÜİK, 2010). Germans led the arrival rankings by 26.3% share with almost 3.5 million tourists, and then came the UK, Russian Federation, Holland and Bulgaria. Turkey lost a lot of Americans so that the US had a share of 1.9% placing in the twelfth position with less than half of 2000's visitor number (T.C. Kültür ve Turizm Bakanlığı, 2008).

In 2003, as the Iraqi war started in March, air traffic demand, interregional travel and travel to destinations closer to the region (that includes Turkey, after performing rather well in January and February) decreased rapidly. But the impact of SARS emerged in April on the affected destinations and business was more severe (WTO, 2003a). Arrivals dropped 9% in Asia and the Pacific due to SARS panic. In 2003, international tourism expenditures of most of the important European outbound markets decreased. With the appreciating exchange rate of the Euro, travels outside the euro zone offered strong price competitiveness. One of the countries benefited from this redistribution, Turkey recovered impressively quickly and strongly from the negative figures of the period from March to May, recording increases in both July (+10%) and August (+17%), closing the year by an increase of almost 4% comparing with 2002 (WTO, 2004a). Again, Germans led the arrivals ranking with a share of 23.8% with less arrivals than 2002, Russians (9.1%) passed English visitors (7.8%), Bulgarians (7.2%) passed the Dutch (6.7%) and Iranians (3.5%) passed decreasing French (3.4%). With almost 223 thousand arrivals, Americans were down in fourteenth place with a share of 1.6% (T.C. Kültür ve Turizm Bakanlığı, 2008). Although increase in tourist arrivals slowed down due to the Iraqi war, continuation of increase in tourism receipts from 2003 was provided by starting of the expatriates' travel related expenses in Turkey to be recorded as tourism revenue (Şahin, 2007). The receipts increased by 11%, which was rather a slower one comparing with the previous year (TÜİK, 2010).

In 2004, global tourism recovered (with 10.3%) from the previous years' negative impacts, even it was less affected by the geopolitical situation (bombings), travel confidence returned, but the only shock came at the end of the year. The seaquake and following tsunami in the Indian Ocean hit Indonesian island of Sumatra, some other islands and close coasts (WTO, 2005a). Turkey had a big step forward with almost 26% in arrivals and 20% in tourism receipts in 2004 (TÜİK, 2010). Although increasing in numbers, share of German tourists towards Turkey continued decreasing to 22.7%, where Russians, English, Bulgarians, the Dutch and Iranians increased by means of shares as well. Ranked seventh, French visitors also increased but their share was less (3.1%), and Americans were ranked fifteenth with 1.7% share, although number of arrivals increased (T.C. Kültür ve Turizm Bakanlığı, 2008).

## **2005-2010 PERIOD AND TOURISM'S OUTLOOK**

Despite the issues facing global tourism industry in 2005 (some of which were terrorism, natural disasters, health issues, rises in oil price, exchange rate fluctuations and other economic and political problems), international arrivals achieved another record (UNWTO, 2006a). Maintaining its position as the fourth most important destination in the Mediterranean and the sixth in Europe, Turkey entered the ranking in the ninth position, after a rise of 26% in 2004 and another increase of 21% in 2005 (UNWTO, 2006b). Top 7 source countries to Turkey ranked in the order like previous year, Germany, Russian Federation, the UK, Bulgaria, Holland, Iran and France, all increased by arrival numbers. Greek tourists entered the list in seventh place with 585 thousand and 2.8% share. The Americans climbed up to eleventh place with 2.1% share and 435 thousand visits (T.C. Kültür ve Turizm Bakanlığı, 2008). At the end of the year, series of problems for Turkish international tourism started. Following the outbreak of avian flu, although there was no indication that the virus could spread from human to human, there were increasing concerns about the disease. Companies, countries and

international organizations developed plans against all eventualities (UNWTO, 2006a). These plans include cancellations of great amount of bookings for all kinds of travel towards Turkey.

Table 1  
Top 10 Destinations - International Tourist Arrivals - Million (2000-2009)

Rank	Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1	France	77.2	75.2	77.0	75.0	75.1	75.0	77.9	80.9	79.2	74.2
3	United States	51.2	44.9	43.5	41.2	46.1	49.2	51.0	56.0	57.9	54.9
2	Spain	46.4	50.1	52.3	51.8	52.4	55.9	58.0	58.7	57.2	52.2
4	China	31.2	33.2	36.8	33.0	41.8	46.8	49.9	54.7	53.0	50.9
5	Italy	41.2	39.6	39.8	39.6	37.1	36.5	41.1	43.7	42.7	43.2
6	United Kingdom	23.2	22.8	24.2	24.7	25.7	28.0	30.7	30.9	30.1	28.0
7	<b>Turkey</b>	9.6	10.8	12.8	13.3	16.8	20.3	18.9	22.2	25.0	25.5
	Previous ranks	(19)	(17)	(16)	(15)	(12)	(9)	(11)	(9)	(8)	(7)
8	Germany	19.0	17.9	18.0	18.4	20.1	21.5	23.6	24.4	24.9	24.2
9	Malaysia	10.2	12.8	13.3	10.6	15.7	16.4	17.5	21.0	22.1	23.6
10	Mexico	20.6	19.8	19.7	18.7	20.6	21.9	21.4	21.4	22.6	21.5
11	Austria	18.0	18.2	18.6	19.1	19.4	20.0	20.3	20.8	21.9	21.4
12	Hong Kong	8.8	13.7	16.5	15.5	13.7	14.8	15.8	17.1	17.3	16.9
<b>Total</b>		<b>687</b>	<b>684</b>	<b>703</b>	<b>690</b>	<b>761</b>	<b>802</b>	<b>846</b>	<b>901</b>	<b>919</b>	<b>880</b>

Source: WTO, 2002e; WTO, 2004b; WTO, 2005b; UNWTO, 2007b; UNWTO, 2010a; UNWTO, 2010b

Bomb attacks in Turkey and the Israel/Lebanon conflict seriously dented demand for some destinations in 2006 (UNWTO, 2006c). Despite negative effects on global tourism like terrorism, health scares due to avian flu and increasing oil prices, international tourism closed the year with an average growth of 4.9%. Low-cost airline travel, shorter stays, more frequent travel and opening up new destinations were the trends of the year. In general, there were still various uncertainties in different areas, most significant of which are; concerns over climate change, fear of human flu pandemic with a mutation possibility of avian flu, increasing interest rates and currency fluctuations. In particular, Europe faced some challenges like new terrorist threats that caused stricter security controls at airports, bad weather conditions and flooding in several regions, and oil price increases pushing up airfares. Slowdown of Southern and Mediterranean Europe by only 4% increase of arrivals, mostly affected by the 7% fall in arrivals in Turkey. This can be attributed to increased political tension caused by the Israel-Lebanon crisis, terrorist attacks and threats in the country, the turmoil caused by the Danish caricatures' incident early in the year (UNWTO, 2007a), killing of a priest in Trabzon, exaggerated publications about the effects of avian flu epidemic by international press and Germans staying home during Football World Cup Finals. Due to all above mentioned national and international crisis that influenced the country, tourism revenues also fell by 7%. According to the arrivals by source country, while German (19%), Bulgarian, Dutch and Iranian tourist shares decreased, French tourist share was even (3.3%) and visitors from Russian Federation (9.4%), the UK (8.5%), Georgia, the USA (2.7%) and Ukraine increased their shares in 2006, the least three also increased number of arrivals (T.C. Kültür ve Turizm Bakanlığı, 2008).

As growth of global tourism industry continued in 2007, Turkey rebounded in the first half of the year due to Istanbul's performance with numerous events, organizations, attractions and promotions of arts and cultural life (UNWTO, 2007b). Figures remained the same and even better with the peak summer season despite political stress (UNWTO, 2007c) (elections, assassinations, tension between the army and the government party), several terrorist attacks (like in Eastern, Central and South-Eastern regions) and drought that reminded of global warming. At the end of the year, in spite of some bad news from Turkish aviation (plane crash on November 30<sup>th</sup> killed 57 people and two hijackings occurred), Turkey staged a solid recovery with an increase of 18%. Price competitiveness for European markets due to stronger Euro is one of the reasons of this comeback (receipts also increased by almost 10%). But Turkey attracted more and more tourists from Russia and other CIS countries as well (UNWTO, 2008a). Increase in Russian tourist numbers was 33%, and its share increased to 10.6% after Germany (17.8%) with 4.1 million. The UK sent 1.9 million tourists (8.2%), Bulgaria's share was 5.3%, Iran (4.53%) passed Holland and the US climbed up to eighth position (643 thousand) with a share of 2.8% (T.C. Kültür ve Turizm Bakanlığı, 2008).

### 2008 Global Financial Crisis

The global crisis which started in the USA in the second half of 2007 with the collapse of bonds market based on real estates got worsened with the breakdown in the American and European financing and banking system (Okumuş, 2010). The global crisis that was expected to remain limited to developed countries, yet in a very short time, affected the real sector of developing countries, as well, and spread over fast. Turkey was not affected over the banking sector, which became strong as it was restructured following the 2001 crisis, but over production, import financing and unemployment problems of the real sector (Sönmez, 2009).

Table 2  
Top 10 Destinations - International Tourism Receipts – Billion \$ (2000-2009)

Rank 2004	Country	Income (billion \$)									
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1	United States	82.4	72.3	66.7	64.3	74.5	81.8	85.8	96.9	110.0	93.9
2	Spain	30.0	32.9	33.8	39.6	45.2	48.0	51.1	57.6	61.6	53.2
3	France	33.0	29.6	32.7	36.6	45.3	44.0	46.3	54.3	56.6	49.4
4	Italy	27.5	25.9	26.9	31.2	35.7	35.4	38.1	42.7	45.7	40.2
5	China	16.2	17.8	20.4	17.4	25.7	29.3	33.9	37.2	40.8	39.7
6	Germany	18.7	17.2	19.0	23.1	27.7	29.2	32.8	36.0	40.0	34.7
7	United Kingdom	21.9	15.9	20.5	22.7	28.2	30.7	34.6	38.6	36.0	30.0
8	Australia	9.3	7.6	8.6	10.3	15.2	16.8	17.8	22.3	24.8	25.6
9	Turkey	7.6	8.9	11.9	13.2	15.9	18.2	16.9	18.5	22.0	21.3
	Previous ranks	(13)	(11)	(12)	(9)	(8)	(8)	(9)	(10)	(9)	(9)
10	Austria	9.8	12.0	11.2	14.0	15.6	16.1	16.6	18.7	21.6	19.4
<b>Total</b>		<b>478</b>	<b>466</b>	<b>480</b>	<b>524</b>	<b>633</b>	<b>679</b>	<b>744</b>	<b>858</b>	<b>941</b>	<b>852</b>

Source: WTO, 2002c; WTO, 2004b; WTO, 2005b; UNWTO, 2007b; UNWTO, 2010a; UNWTO, 2010b

### Impact of 2008 Global Financial Crisis on Tourism

The sub-prime mortgage market crisis spread to Europe (first UK, Spain and Ireland), Asia and the Pacific and other regions, had its first impact on travel and tourism demand by August and September 2008, from the most important source regions (UNWTO, 2008b). The growth in international tourist arrivals slowed worldwide (only 2%), even stopped in Europe, due to economic factors like the credit crunch, deepening financial crisis, goods and oil price rises through summer and on-going exchange rate fluctuations, all of which damaged business and consumer confidence and caused global recession (UNWTO, 2009a). Concerns about terrorism also raised many challenges for the global tourism industry (Schwab, 2009). Despite the general deceleration, several destinations around the world reached very positive figures. Turkey, for instance, continued to reinforce its position in the international level, thanks to the attractive exchange rate for the Euro zone source countries and relaxed visa regime for Russian Federation and the Middle East (UNWTO, 2008b). While in 2008 tourist arrivals to Turkey increased by 13% and receipts by 19% (TÜİK, 2010) and top ten source countries increased their outgoing visitors, shares of Germans (16.8%), Bulgarians, Dutch, and Americans (2.6%) dropped. Visitors from the US increased to almost 680 thousand, but their ranking was down to tenth position. Shares of Russian Federation (10.1%), the UK (8.24%), France (3.4%), Georgia (3.2%) and Ukraine (2.8%) increased (T.C. Kültür ve Turizm Bakanlığı, 2011).

A Europe-wide poll for the European Travel Monitor in 2008 suggested that, in 2009, 48% of Europeans would definitely go on a holiday, 32% of them would travel at least as often as in 2008, 14% less and only 6% of them announced they would not travel at all. However, while Norwegians and Finns were eager to travel in 2009, Italians and Britons were less willing to make travel plans (ETurbo News, 2009a). According to another travel research from IPK International, 40% of Europeans would change their travel plans due to the economic crisis, such as domestic travel, shorter periods, and cheaper destinations or less expenditure while on holiday (ETurbo News, 2009b).

In The Travel & Tourism Competitiveness Report 2009, it was interpreted that, although this crisis is severe, it could not be compared with past crises such as September 11 attacks, SARS, or Iraq War. People still wanted to travel and, once the economic recovery starts, huge pent-up demand was expected. (Girgis & Ibrahim, 2009). In the first eight months of 2009, outbound trips by European tourists decreased by 12%, and expenditures by 15%, according to the ITB World Travel Trends Report. Germans made 5% less trips abroad. (ETurbo News, 2009c). In the whole year of 2009, besides the severe impact of the global economic crisis and related effects, outbreak of the influenza A (H1N1) virus added another reason to worry about the tourism demand (UNWTO, 2009b). After a sharp decline in tourist arrivals in the first eight months of 7%, global tourism showed signs of recovery by completing the year with 4% loss, Europe scored worse with a negative 6%. Several countries reported positive arrival figures in 2009 and Turkey was among them (UNWTO, 2010b). Number of arrivals increased by almost 3%, but tourism receipts decreased by more than 3% (TÜİK, 2010), which can be because of visitors' decision of shorter period and less expenditure while on holiday. Although Germans made 5% less international travel, number of German visitors to Turkey reached 4.5 million with a share of 16.6%, which is still decreasing. Russians (10% share) decreased their travel to Turkey as well, but number of tourists from the UK (9% share) increased although they made less travel abroad. Bulgarians also increased; Iranians passed the Dutch and Georgians passed French visitors. Americans began decreasing by means of numbers and share (2.5%), but climbing up one position to be ninth. Ukrainians suddenly fell down to thirteenth position from ninth place of previous year, from 730 thousand to 575 thousand. Italy, on the other hand took over tenth place with 635 thousand visitors (T.C. Kültür ve Turizm Bakanlığı, 2011). Despite price competitiveness over Euro zone

destinations, Turkey was ranked 31<sup>st</sup> in Europe and 56<sup>th</sup> overall in the TTCI (The Travel & Tourism Competitiveness Index) in 2009, losing two places after 2008. Despite its several advantages, worries about safety and security (92<sup>nd</sup>), health and hygiene (62<sup>nd</sup>), and ground transport infrastructure problems (railroads and ports) held back its overall tourism competitiveness (Blanke, Chisea and Herrera, 2009).

In 2010, European travelers started emerging from the financial crisis and visiting foreign countries. A survey by European Commission in 2010 showed that, 80% of Europeans wanted to travel for their holidays. The same figure realized as only 65% in 2009 and 67% in 2008. However, nearly half of this 80% would stay in their own countries. Especially citizens of southern countries shared this idea more (84% of Turks, 78% of Croats, or 62% of French). On the contrary, the Scandinavians and the Dutch (between %84 and 89%) were eager to travel to foreign destinations, mostly for sun and sea (Tourism Review, 2010).

Recovery from the effects of global financial crisis and economic recession went on in 2010 for international tourism with nearly a 7% growth in arrivals. The hardest hit Europe's recovery was not so strong (by 3%), besides the closure of its airspace in April by the Icelandic volcano eruption, problematic air conditions in some parts in December and economic uncertainty neither helped. Turkey reported a 6% growth throughout the year, due to confidence in the regional economy and rising demand for business and incentive travel. Some of the big events were Formula 1 Grand Prix and World Basketball Championships and Istanbul being the European Capital of Culture 2010 (UNWTO, 2010c; UNWTO, 2011). Tourism receipts continued decreasing with 2% this time (TÜİK, 2011), with less spending tourists. German tourists decreased their number of arrivals and share (15.3%) among others, Russians passed 3 million with a share of 10.9%, English increased by numbers and share (9.3%), Iranians (6.6%), Bulgarians (5%) and Georgians (3.9%) increased in number as well. While the Dutch (3.8%) and French (3.2%) decreased both by numbers and share, Syria (3.1%) with 899 thousand visitors, came out of nowhere to take over ninth place from the US and push them down to twelfth position (T.C. Kültür ve Turizm Bakanlığı, 2011).

## CONCLUSION AND REMARKS

In the last decade, Turkish tourism has gone through hard times, both because of national and global crises. The severity of some global crises was felt the same in Turkey, while sometimes the sector resisted negative effects more successfully. During some crises, Turkey performed well despite general setbacks, during some others, while global tourism was on the rise, Turkey suffered decreases in tourist arrivals and receipts. Competitiveness of weaker Turkish Lira against Euro and some other currencies is one of the supports to Turkish tourism, although this is a problem in general. In order to be more resistant, precautions have to be taken not later than the other countries; technological improvements have to be followed closely and adapted rapidly; solutions must be put into practice, like low-cost airlines, diversification of tourism products, destinations or opening to different source markets.

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# TARGETING THE MARKET: SEGMENTATION OF DOMESTIC TOURISTS FOR YOR ISLAND, THAILAND USING THE CORRESPONDENCE ANALYSIS TECHNIQUE

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## ABSTRACT

This paper uses correspondence analysis technique to identify the best target market for Yor Island, a tourism destination that has to compete with six other destinations in the same region for its primary market i.e. the domestic tourists. Using data from a survey of 400 randomly selected respondents, the analysis have shown that Yor Island should focus on single or married government servants and middle income graduates between the age of 25-30 years old from Songkhla Province. However, the analysis findings must ideally be strengthened with information on sources of information and media preferences to be effective.

**Key Words:** target marketing, market segmentation, correspondence analysis, Thailand

## INTRODUCTION AND STUDY OBJECTIVE

World Travel & Tourism Council (WTCC) has predicted that tourism would be expanding at the rate of 4% annually by 2020. Such expansion would mean more competition among destinations to attract the market. To remain attractive, destinations need to find their own uniqueness so that they can stand out against the competitors. Thus destination positioning is an increasingly important strategy for any competing destination. However, a positioning exercise requires identifying the correct target market so that communication strategies can be designed more effectively. This paper looks at this issue in the context of Yor Island, a tourism destination that has to compete with six other destinations in the same region for its primary market i.e. the domestic tourists. Specifically it uses correspondence analysis to segment the respondents in order to identify the best target market for Yor Island.

## METHODOLOGY AND RESULTS

In this study, a series of correspondence analysis can reveal the relationship between the 7 destinations and socio-demographic of respondents. In marketing research, correspondence analysis is a technique for scaling qualitative data (Malhotra et al., 2005). Under this technique, a contingency table data is used to derive inter-point distances between the row and column categories (Carroll, Green, and Shaffer, 1986). The most common form of contingency table would be cross-tabulating objects and attribute (Hoffman and Franke, 1986). Interpreting the contingency table is an easy task in simple example, however, it become very complex to interpret in larger contingency table. Chi square test of independence is another analytical procedure that can be applied to a contingency table. This statistical test is used to determine whether the rows and columns are independent of one another, whether there is a statistically significant dependence between the rows and columns (Bendixen, 1996). In addition, the nature of dependency between the rows and columns of the contingency table can be extracted by representing the row or column profiles graphically (Bendixen, 1996). According to Hair, Jr. et al., (2010), the advantage of correspondence analysis that it can be applied to any contingency table and portray a perceptual map relating the categories of each variable in a single perceptual map (Hair, Jr. et al., 2010). Furthermore, the use of perceptual map produced from a correspondence analysis can assist a researcher to gain additional insights ((Malhotra et al., 2005).

In this study, the correspondence analysis was used to detect relatively homogeneous grouping of individuals in development of market segments (Green, *et al.*, 1989). In order to produce the results of correspondence analysis, socio-demographic variables were operationalized as nominal scales. Graphical information on the



relationship of destinations (column variables) and socio-demographic variables (row variables) in a two dimensional solution presents results of the correspondence analysis. The singular values for the dimensions extracted from the data indicated a two-dimensional solution. Singular value is a statistical measure describing the number of dimensions. The singular value should exceed 0.2 in order to be considered as a viable dimension (Hair, Anderson, Taham, and Black, 1998).

The results of correspondence analysis can be interpreted as a point-point model (Carroll, Green, and Shaffer, 1986). Under this model, the proximity between a pair of points of column and row variables was used to interpret the strength of the underlying relationship between them (Malhotra, 1996 cited in Kim and Agrusa, 2004). This is, the closer a point is located, and the stronger relationship is indicated (Borg and Groenen, 2005).

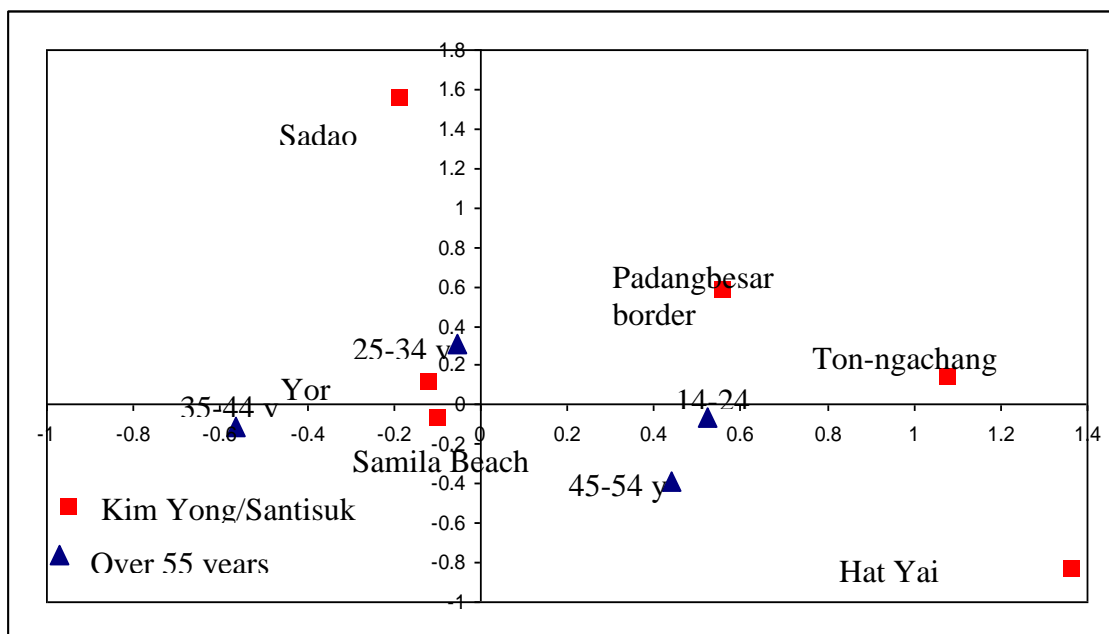


Figure 1: Correspondence analysis between destinations and age

In the correspondence analysis between seven destination and age groups, two principal components collectively explained 91.4% of the variance, with 81.2% of the variance (singular value = 0.197) accounted for by the first dimension and 10.2% of the variance (singular value = 0.70) accounted for by the second dimension. From the results of the correspondence analysis, the proximity between the the 7 destinations in the joint space was interpreted. As can be seen Figure 1, the position of Yor Island is close to the respondents aged 25-34 years old which indicate that domestic tourists aged between 25-34 years old prefer to visit Yor Island. Likewise, the tourists preferring Samila Beach are between 35-44 years old. As for the tourists going to Hat Yai Manucipal Park were between 45-44 years old and those who were more than 55 prefer to go to Kim Yong Market. Finally, the tourists aged less than 25 year old preferred Ton-Ngachang Waterfall.

With regard to the explained proportion of inertia of correspondence analysis between the 7 destinations and education level accounted for 83.8% of the variance, with 49.9% of the variance (singular value = 0.173) for the first dimension and 33.9% of the variance (singular value = 0.142) for the second. Relatively little information (variation) is lost (16.2%). Considering the distances between place and educational level in the two dimensional joint displayed in Figure 1, it can be seen that respondents who completed bachelor degree were located close to Yor Island, indicating undergraduates preferred visiting to Yor Island. The respondents who completed higher than bachelor degree preferred traveling to Samila Beach. On the other hand, those who completed at college level were pleased to travel to Ton-Ngachang Waterfall. Finally, the respondents who completed at high school level preferred to go to Kim Yong Market.

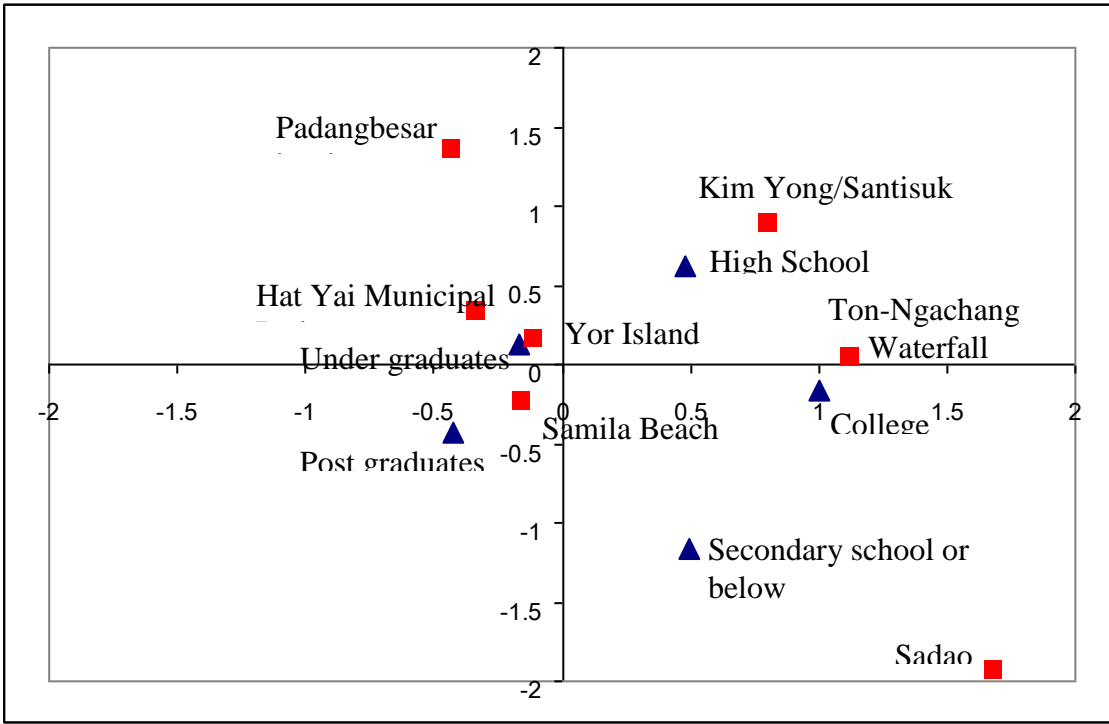


Figure 2: Correspondence analysis between destinations and Education

For the final correspondence analysis which analyzed the relationship between the 7 destinations and occupation, two principal components accounted for 78.6% of the variance, with 52.1% of the variance (singular value = 0.258) for the first dimension and 26.5% of the variance (singular value = 0.184) for the second. With regard to the results of the correspondence analysis, the respondents who work for the government or state enterprise preferred to travel to Yor Island the most, followed by the ones who are temporary employees. Meanwhile the respondents who preferred going to Samila Beach the most were those who work for a company and are business owners. As for the respondents who have no income, they preferred to go to Kim Yong/Santisuk Market. In addition, respondents who are students showed a preference for Ton- Ngachang Waterfall.

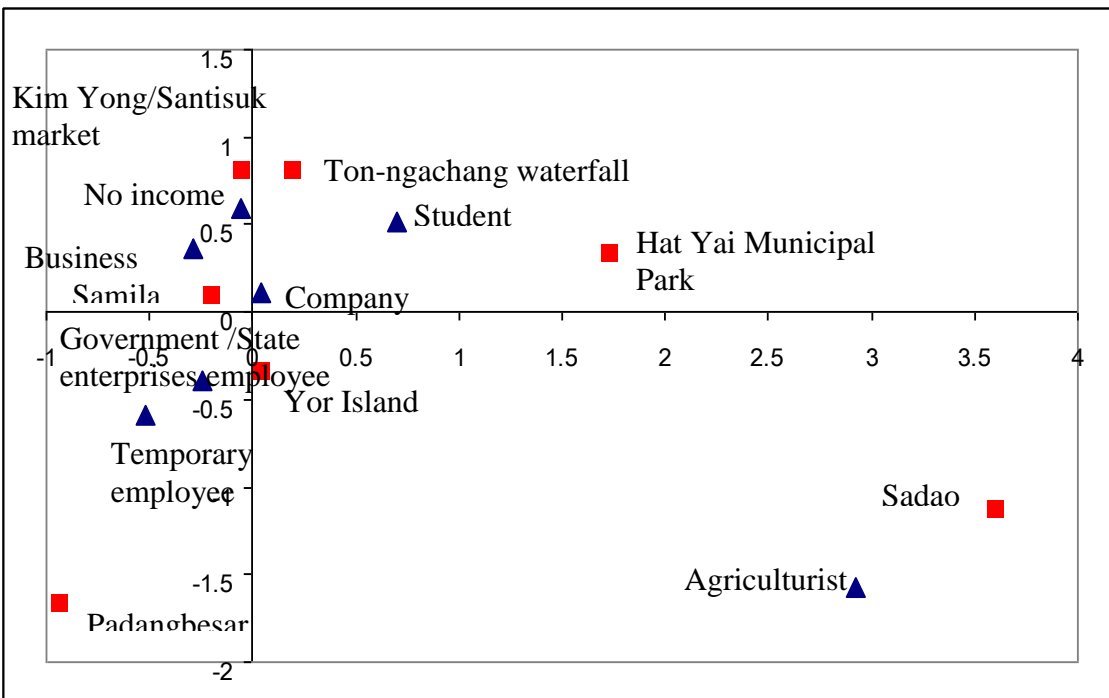


Figure 3: Correspondence analysis between destinations and occupation

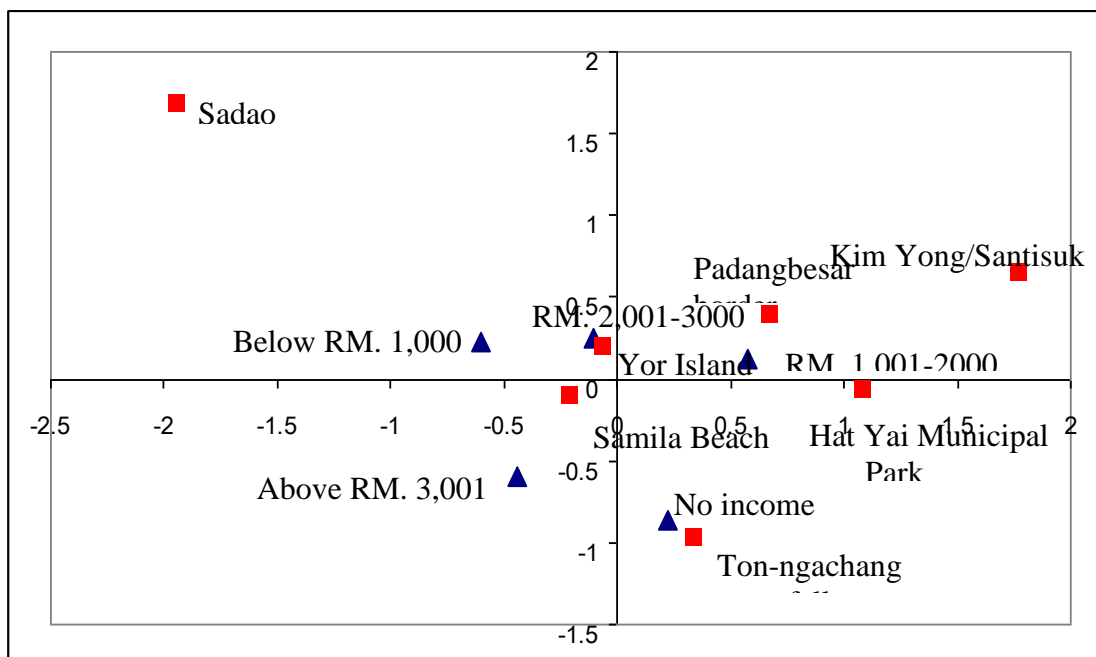


Figure 4: Correspondence analysis between destinations and income

Figure 4 above shows the results of correspondence analysis between the 7 destinations and monthly income. The two-dimensional solution accounted for 83.9% of the variance, with 63.7% of the variance (singular value = 0.245) by the first dimension and 20.2% of the variance (singular value = 0.138) by the second dimension. The results of the correspondence analysis show that respondents who earn between RM2,001-RM3,000 monthly preferred to travel to Yor Island. The respondents who earn more than RM. 3,001 monthly preferred to travel to Samila Beach. Whereas respondents who preferred to go to Hat Yai Municipla Park earn RM. 1,001 – 2,000 monthly. Lastly, the respondents who have no income preferred to go to Ton- Ngachang Waterfall.

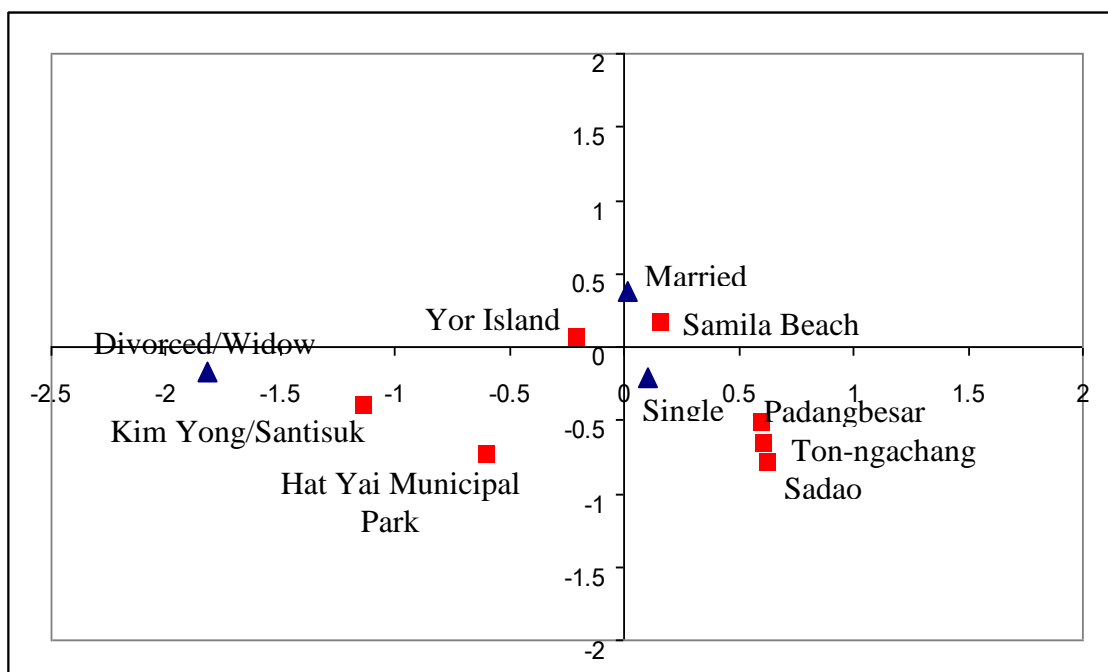


Figure 5: Correspondence analysis between destinations and marital status

Results of correspondence analysis between the 7 destinations and marital status are reported in the figure above (Figure 5). The first two principal components accounted for 100% of the variance, with 72.4% of the variance (singular value = 0.131) for the first dimension and 27.6% of the variance (singular value = 0.81) for the second.

The results of correspondence analysis indicated that the respondents who are married and single like to visit both Yor Island and Samila Beach. As for the divorcees and widowers, they preferred to go to Kim Yong/Santisuk Market.

The last figure below (Figure 6) shows the results of correspondence analysis between the 7 destination and residence area of the respondents, the first two principal components accounted for 100% of the variance, with 66.3% of the variance (singular value = 0.146) by the first dimension and 33.7% of the variance (singular value = 0.104) for the second. From Figure 4.24, it was found that the respondents who have residence area in Songkhla Province preferred Samila Beach the most and Yor Island second. As for the ones from other Southern provinces, they preferred Hat Yai Municipal Park. Domestic tourists who came from other regions preferred Ton-Ngachang Waterfall.

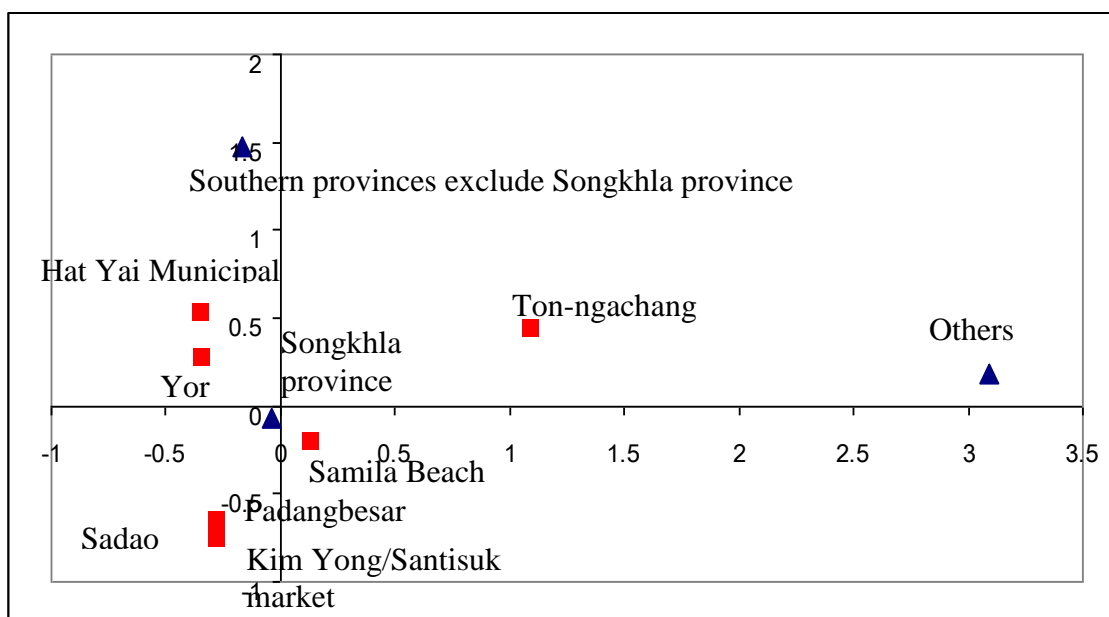


Figure 6: Correspondence analysis between destinations and residence area

## DISCUSSION AND CONCLUSION

As shown in this study, correspondence analysis can be a straightforward tool for determining relations between the socio demographic characteristics of the market and destinations. In this manner, destination marketers can easily determine its correct target market and design communication strategies that suit the target market. For example, the analysis has shown that Yor Island should focus on single or married government servants between the age of 25-30 years old. They should also ideally be middle income earner with at least an undergraduate degree. However, the correspondence analysis findings must be further strengthened with descriptive data such as their sources of information and media preferences before a really effective marketing can be designed to attract those tourists to Yor Island.

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# CRITICAL APPROACH TO TOURISM CONFIDENCE INDEX OF UNWTO AS EARLY WARNING SIGNAL FOR TOURISM INDUSTRY

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## ABSTRACT

United Nations World Tourism Organization (UNWTO) has been periodically conducting email survey panels with tourism experts in order to keep track of the performance and prospects in the tourism industry. Since 2005, prospects of experts have been employed to create Tourism Confidence Index (TCI) by UNWTO. It is targeted to find out whether if there is conclusive evidence to predict upcoming four months via TCI in especially global crises periods. TCI was not being able to predict significantly for the upcoming four months period at destination level, but it significantly predicts to % change in world arrivals.

**Key Words:** EWS, Forecasting, Tourism Confidence Index, UNWTO Panels

## INTRODUCTION

For tourism industry, 2003 was globally struggling period which to be encountered sharply declines in arrivals. SARS outbreak, Iraq War, global terrorism phobia and persistently weak economy, these were the determinants surrounding global tourism, when the United Nations World Tourism Organization (*hereafter UNWTO*) kicked off Panel of Tourism Experts (*hereafter PTE*).

### An Overview on UNWTO Panels of Tourism Experts

The UNWTO Panel of Tourism Experts is based on the results of an email survey conducted by the UNWTO Secretariat among selected representatives from public and private sector organizations and companies. In a brief, questionnaire by email each expert has been asked to evaluate the past four months as well as the upcoming same period of time (UNWTO 2005).

Characteristically, PTE looks like Delphi Inquiry Panel survey to obtain qualitative data from specialists, professionals, journalists, advisors, executives, policy makers, planners, marketers, promoters and so on from both private and public enterprises. Panelists do not know the others and their responses. Nevertheless, there is no evidence about further rounds to revise and/or to minimize the variances among panelists` response. PTEs are not a scientific way to obtain and analysis qualitative data to create purposively scientific information. UNWTO also warns about *results are broken down by region and by sector of activity these breakdowns should, however, be interpreted with caution as they may in some cases be based on a relatively small number of responses`* (UNWTO 2005).

Purpose of PTEs is stated by UNWTO as *in order to keep track of the performance and prospects in the tourism sector`* (UNWTO 2003a). PTEs is expected to allow performance and prospects to be compared over time, as well as providing a comparison of the actual performance of the past four month with prospects forecast for the same period four months earlier (UNWTO 2005).

It is not wrong to say PTE and World Tourism Barometer (*hereafter WTB*) were twins and both are developed by UNWTO Market Intelligence and Promotion Section. In order to be able to assess the evolution of tourism for the *WTB*, PTEs have been established from a broad range of countries and sectors. As a survey, PTE has been repeated every four months since May 2003. Terms were planned as three times in the year: first term January-April, second term May-August, and third term September-December. *WTB*, the media that announces results of PTEs, is also published three times -January, June and October- in the year. So, each release of *WTB* announces the latest results of PTEs. PTEs had been conducted at seven times from May 2003 to June 2005 with a five- point scale ranging from (1) much worse to (5) much better. After October 2005, the results of PTEs has been started to be announced as Tourism Confidence Index (*hereafter TCI*).

The TCI is based on the results of PTE. It has been developed on June 2005, however, announced with new scaling way on October 2005. The scale used for indication has been transformed to be more in line with usual practice for confidence indicators. For TCI, members of the PTE are asked once every four months by e-mail to answer the following questions (UNWTO 2005c):

- *What is your assessment of tourism performance in your destination or business for the four months just ended (or about to end) as against what you would reasonably expect for this time of the year?*

- *What are the tourism prospects of your destination or business in the coming four months compared with what you would reasonably expect for this time of year?*

Panelists select one of the following five options:

- **Much worse (0);** *`Much worse than what would reasonably be expected`*
- **Worse (50);** *`Worse than what would reasonably be expected`*
- **Equal (100);** *`Equal with what would reasonably be expected`*
- **Better (150);** *`Better than what would reasonably be expected`*
- **Much better (200);** *`Much better than what would reasonably be expected`*

The responses of panelists for first question above have been considered and processed as *`evaluation of previous four months`*. A value above 100 means that the number of participants who above 100 means that the number of participants who evaluate the situation as *`better`* or *`much better`*, outnumber the participants who reply *`worse`* or *`much worse`*. Panelists are also invited to include a quantitative assessment in their own words (UNWTO 2005b). Similarly, the responses of panelists for second question above, have been considered and processed as *`prospects for upcoming four months`*

Results are averaged and broken down by region (since 1<sup>st</sup> term on June 2003) and by activity (since 4<sup>th</sup> term on June 2004). Criteria to categorize panelists by regions mainly depend on region in which operated. Some who are operating in more than one region are considered as *`global operators`*. Both responses from regions and activity (also for evaluations and prospects) are being enriched with *`world average`* in order to compare globally. The number of experts rose up 340 from 100 countries/territories, whilst it was 100 from 60 at the beginning on June 2003, however averagely 250-300.

### **Early Warning Systems and Forecasting Support Systems in Tourism Industry**

Early warning is actually an idea, a spirit, an inspiration that refers to remove or reduce uncertainty and risks in spatial and temporal environment. As an inspiration for business contexts, early warning is originated from defense strategies (The Distance Early Warning Line) of U.S. Army Forces in 1950s. H. Igor Ansoff (1975), who argued *Warning Signals Theory*, put forward that unexpected facts and cases in environment should be taken by management as warning signals. The early warning signal is functional, when and where it can be punctually, purposively and effectively included to decision making process in business environment (Teplitz 1995).

In early warning system hereafter (EWS), the data inputs contain past data (time series), forecasts, and judgments of experts as well. For tourism industry, accurate forecasting is seen as the most important component of early warning system. This is because the demand fluctuations have a large effect on travel and tourism operations. Quantitative forecasting methods are often employed to reduce uncertainty and to plan operations in tourism industry. Nevertheless, on tourism demand, there are many effective factors which are should be considered by judgments (Yuksel 2007). The most common way to maximize forecasting accuracy is to combine statistical methods and judgment (Blatterg and Hoch 1990; Lawrence et al 1999:

In some studies, even so not to be purposively for tourism or EWS, those inputs have been combined and processed systematically as forecasting support systems (*hereafter FSS*) last decade (see for example Caliusco et al 1998; Fildes et al, 2006; Goodwin et al 2007; Smith, Mentzer 2009; Thomassey et al 2005). An ideally designed FSS should be: acceptable to users, easy to use, flexible with a range of appropriate facilities and methods, viable for commercial software, and suitable to mix of judgment and statistical methods (Fildes et al 2006).

## **SECONDARY DATA ANALYSIS TO EXAMINE THE PERFORMANCE OF TCI AS PREDICTOR**

### **Research Methodology**

The research process contains five steps: Formulating research question, research design, data collection and transformation, data analyzing and concluding/reporting.

#### *Research Question*

The questions aimed to answer in this study are:

- (1) At the particular destination, does the TCI run significantly as early warning signal for four months upcoming period?
- (2) Does the TCI run significantly as early warning signal globally for upcoming four months period?

### ***Research Design***

This study quantitatively approaches to conduct research and to explain phenomenon. It has been planned and designed as secondary data study. It is targeted to explore research problems and areas for further qualitative and quantitative researches to describe the facts as well. Due to shorter data series, inconsistency of input data and lack of primary data input, it is not aimed to conduct casual research and to establish relationship to test hypothesis.

For the first research question, it is targeted to examine quantitatively the performance of TCI by region as predictor for any destination from respective region. As mentioned earlier, TCI is broken down by region and by activity for the time being. Therefore, the data required is unavailable at the destination/country level. The TCI by region is being averaged from responses of experts who are operating in various destinations in the same region. So, as average of the region, it is expected and assumed that TCI by region to reflect expectations of experts from any particular destination in respective region. In this context, five various destination countries/territories have been selected from each region. The criteria of selection are: \* first, particular region; \*second, proper data availability (both panel data and arrivals) for June 2003-Jan 2011 period;\* third, popularity of the destination in the region. The destination selected from each regions are Turkey from Europe, Singapore from Asia Pacific, Bahamas from Americas, Tunisia from Africa and Egypt from Middle East.

For second research question, it is planned to examine quantitatively the performance of world average of prospects (TCI) and the prospects of global operators as globally predictors of international tourist arrivals. Two types of qualitative data, world average of TCI, and TCI of global operators -who are operating more than one region- have been employed as first input data group. Second group of input data was world arrival statistics.

### ***Data Collection and Transformation***

The research process has two series of input data. Firstly the TCI as results of PTEs, secondly the international tourist arrival statistics. Particularly percentage change in tourist arrivals (both destination and global level) is vitally important to examine the performance of PTEs as predictor. Past data required has been obtained and transformed purposively from UNWTO World Tourism Barometer editions from June 2003 to Jan 2011.

The important threshold to collect past data was inconsistency in time periods between PTEs and international tourism statistics announced by UNWTO. For example, percentage change in International tourist arrivals is announced by UNWTO monthly, quarterly (every three months period) and yearly. However, the evaluations of experts are based on past four month period, while the prospects of experts for upcoming four month period.

Destination level tourist arrivals are obtained and provided to UNWTO by National Tourism Organization of respective country or territory. So, for International tourism statistics (arrivals, receipts, expenditure etc.), UNWTO is not data maker but data taker and organizer. In most cases, the countries or territories cannot obtain and/or deliver to UNWTO actual tourism statistics on time. As periodical nature of the publication, it frequently occurs data unavailability in WTB releases. Thus, in case of unavailability of respective data, for particular destination and/or period, the closest and most convenient one had to be transformed purposively. On the other hand, regarding to results of PTEs, the scale, questioning, breaking down in PTEs, had been changed by UNWTO. Moreover, the UNWTO had redesigned WTBs within various tabulation and presentation ways of PTE results several times since 2003. Therefore, lack of respective data for particular region and/or period, had to be resolved unavoidably by transforming.

### ***Data Analyzing***

Two series of data input (TCI and Arrivals) have been analyzed via quantitative methods both at destination and global level. By analyzing quantitatively, it is targeted to find out conclusive evidence whether if there is conclusive evidence to predict upcoming four months via TCI in especially global crises periods. In that context, input data obtained from UNWTO, has been analyzed and tabulated via Regression, OLSM, Fitted line Plot Analysis within SPSS and MINITAB software programs. The series employed by regression analysis (both as predictor and response) are belong to exactly same periods of the year.



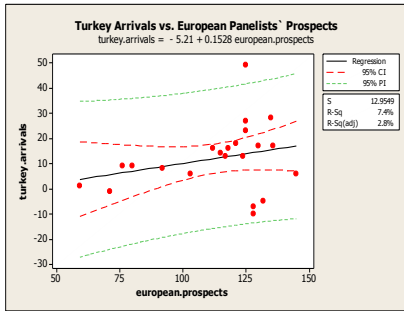


Figure 1; Turkey Arrivals vs. TCI

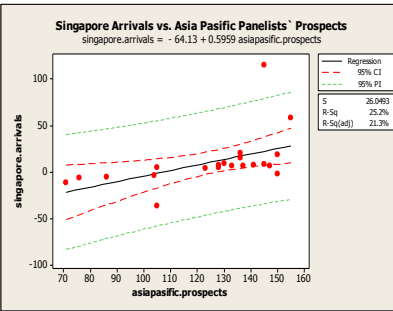


Figure 2: Singapore Arrivals vs. TCI

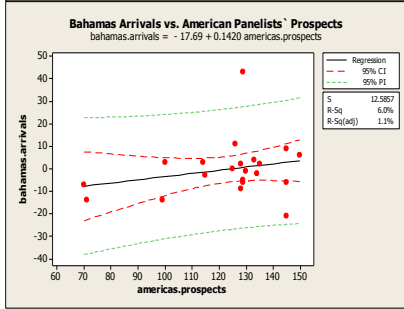


Figure 3: Bahamas Arrivals vs. TCI

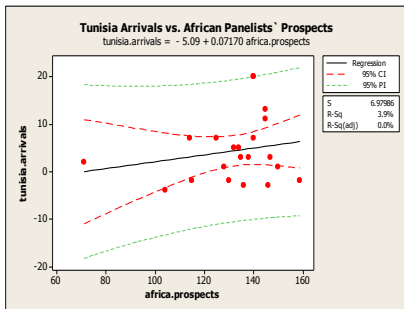


Figure 4: Tunisia Arrivals vs. TCI

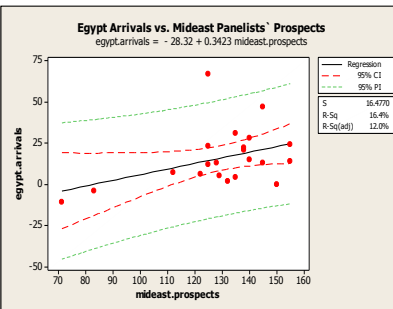


Figure 5: Egypt Arrivals vs. TCI

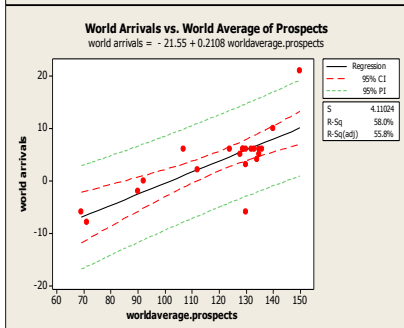


Figure 6: World Arrivals vs. W. TCI

As seen on the FIGURE 1- and TABLE 1- Prospects (TCI) of European Panelists were not significantly (Confidence Interval 0.95) predictor for Turkey's upcoming four months period. Similarly prospects (TCI) of global operators were not being able to predict the arrivals to Turkey. Relatively, the world average of prospects (TCI) was better predictor for Turkey, but it was not significant enough (see TABLE 1 line # 1,2,3)

The F and T statistics indicated significant relationship between Prospects (TCI) of Asia-Pacific Panelists and Singapore's arrivals, However, it is still weak predictor for Singapore's upcoming four months period with low Rsquared (0.25.2) and Durbin-Watson Statistics (1.3961). Prospects (TCI) of global operators and world average of prospects (TCI) were not significant predictor for the arrivals to Singapore (Confidence Interval 0.95) (see FIGURE 2- and TABLE 1 lines# 5-6).

Neither regional nor global prospects (TCI) of panelists has significant and regressively relationship with Bahamas's arrival for upcoming four month period (Confidence Interval 0.95). Similarly world average of prospects was not be able to predict (see FIGURE 3 and TABLE 1 lines# 7,8,9)

As illustrated on the FIGURE 4- and TABLE 1- Prospects (TCI) of African Panelists were not significantly predictor for Tunisia's upcoming four months period. Similarly prospects (TCI) of global operators were not being able to predict the arrivals to Tunisia (Confidence Interval 0.95). Relatively, the world average of

prospects (TCI) was better predictor for Tunisia, but it has low Durbin-Watson Statistics (1.00) (see TABLE 1 lines# 10,11,12).

Prospects (TCI) of Mid-eastern Panelists were not significantly predictor for Egypt's upcoming four months period (Confidence Interval 0.95). Similarly prospects (TCI) of global operators were not being able to predict the arrivals to Egypt. Relatively, the world average of prospects (TCI) was better predictor for Egypt, but the regression coefficients and Durbin=Watson statistics are low (see FIGURE 5, TABLE 1 lines 13,14,15)

The F and T statistics indicated significant relationship between world average of Prospects (TCI) and World's arrivals, even so, it has low Durbin=Watson (1.16)  $R^2$  (0.59) was satisfactory (Confidence Interval .095). On the other hand, Prospects (TCI) of global operators were not significant predictor for world arrivals, as much as world average of prospects (TCI) (see FIGURE 6- and TABLE 1 lines#16-17).

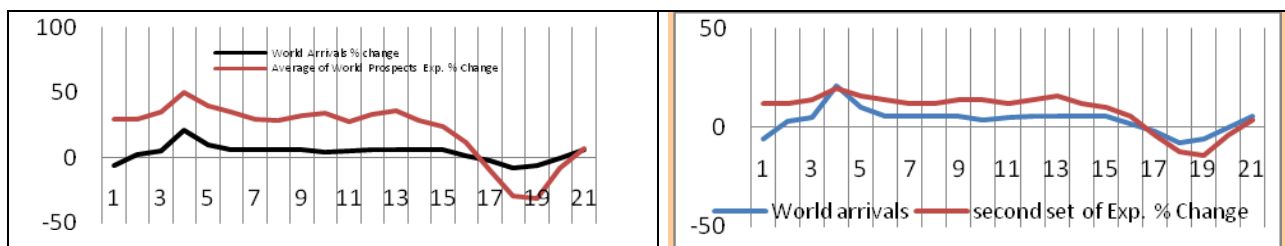
**Table 1. Summaries of Regression Analysis**

No	Predictor	Co Ef	SE CoEf	R	$R^2$	$R^2$	T	F	P	Durbin-	Response
1	European Pros.	0.15280	0.12090	0.0740	0.028	0.000	1.26	1.60	0.221	1.0480	Turkey Arr.
2	Ave. of W. Pros.	0.23810	0.12630	0.1580	0.113	0.035	1.88	3.55	0.075	1.0912	Turkey Arr.
3	Global Opr. Pros.	0.08110	0.10330	0.0300	0.000	0.000	0.78	0.62	0.442	1.0582	Turkey Arr.
4	Asia Pacific Pros.	0.59590	0.23520	0.2520	0.213	0.101	2.53	6.42	0.020	1.3961	Singapore Arr.
5	Ave. of W. Pros.	0.57140	0.27190	0.1890	0.146	0.000	2.10	4.42	0.049	1.1217	Singapore Arr.
6	Global Opr. Pros.	0.22660	0.22430	0.0510	0.001	0.000	1.01	1.02	0.325	1.1461	Singapore Arr.
7	Americans Pros.	0.14200	0.12890	0.0600	0.011	0.000	1.10	1.21	0.284	1.6717	Bahamas Arr.
8	Ave. of W. Pros.	0.14720	0.12560	0.0670	0.018	0.000	1.17	1.37	0.256	1.6610	Bahamas Arr.
9	Global Opr. Pros.	0.03426	0.09889	0.0060	0.000	0.000	0.35	0.12	0.733	1.6458	Bahamas Arr.
10	African Pros.	0.07170	0.08194	0.0390	0.000	0.000	0.88	0.77	0.392	0.9366	Tunisia Arr.
11	Ave. of W. Pros.	0.14923	0.06257	0.2300	0.190	0.071	2.39	5.69	0.028	1.0002	Tunisia Arr.
12	Global Opr. Pros.	0.10473	0.04881	0.1950	0.153	0.046	2.15	4.60	0.045	0.9463	Tunisia Arr.
13	Mid-Eastern Pros.	0.34230	0.01773	0.1640	0.120	0.033	1.93	3.73	0.069	1.0591	Egypt Arr.
14	Ave. of W. Pros.	0.40960	0.05420	0.2710	0.232	0.149	2.66	7.06	0.016	0.9236	Egypt Arr.
15	Global Opr. Pros.	0.12930	0.13450	0.0460	0.000	0.000	0.96	0.92	0.348	0.9026	Egypt Arr.
16	Ave. of W. Pros.	0.21082	0.04118	0.5800	0.558	0.489	5.12	26.21	0.000	1.1604	World Arr.
17	Global Opr. Pros.	0.11502	0.04064	0.2970	0.260	0.125	2.83	8.01	0.011	1.1731	World Arr.

### Interpretations on Results

As mentioned earlier, none of predictors were being able to predict significantly for the upcoming four months period at destination level. It can be explained with the some extreme cases at destination/region level in especially crises periods. However, as the averaged prospects and arrivals globally minimize and tolerate the impacts of extreme cases at which regional/destination level, the world average of prospects (TCI) significantly predicts to % change in world arrivals.

First Set of Expected Percentage Changes 0-100-200 -100-0-100%								Second Set of Expected Percentage Changes 0-100-200 -50-0-50%							
TCI	Exp. % change	TCI	Exp.% Change	TCI	Exp.% change	TCI	Exp.% Change	TCI	Exp. % change	TCI	Exp. % change	TCI	Exp.% change	TCI	Exp.% change
0	-100	100	0	50	-50	150	50	0	-50	100	0	50	-20	150	20
5	-95	105	5	55	-45	155	55	5	-47	105	2	55	-18	155	23
10	-90	110	10	60	-40	160	60	10	-44	110	4	60	-16	160	26
15	-85	115	15	65	-35	165	65	15	-41	115	6	65	-14	165	29
20	-80	120	20	70	-30	170	70	20	-38	120	8	70	-12	170	32
25	-75	125	25	75	-25	175	75	25	-35	125	10	75	-10	175	35
30	-70	130	30	80	-20	180	80	30	-32	130	12	80	-8	180	38
35	-65	135	35	85	-15	185	85	35	-29	135	14	85	-6	185	41
40	-60	140	40	90	-10	190	90	40	-26	140	16	90	-4	190	44
45	-65	145	45	95	-5	195	95	45	-23	145	18	95	-2	195	47
						200	100							200	50



**Figure 7- The Contributions of Various Expected Percentage Changes**

According to results, 18<sup>th</sup> term in PTE (Jan-April 2009) is the most extreme case to predict % change in arrivals at regional and global levels. 2009 was the crises period in international tourism due to H1N1 Pandemic outbreak and global economic recession at all. Concurrently 19<sup>th</sup> term (May-August 2009) was also another unusual observation due to same negative effects globally. Secondary important extreme observations occurred at 3<sup>rd</sup> and 4<sup>th</sup> terms of PTEs in the most regions except Americas. These terms came across 2004 January-August. Unpredictable, the increase was experienced globally in international tourism movements. Experts and UNWTO specialists were explaining this situation as reaction to previous year's (2003) depressed figures due to the Iraq war, SARS and the weak economy (UNWTO 2004c).

The scale (earlier in PTEs and later for TCI), was designed to gather qualitative data purposively. So, when the percentage change in arrivals is tried to predict and explain with data obtained qualitatively, the scale does not fit well to analysis quantitatively. In other words, when the UNWTO changes the scale and also questioning in PTEs with expectations of % changes, TCI may not be more significant predictor, but, most likely it gives a closer relevant range about changing in arrivals. To explain this argument, two sets of expected % changes have been created versus present TCI scale. On the FIGURE 7- It can be seen that, first set is not so precisely designed as for lowest level (0) -100% changes, for equal level (100) 0% change and for highest level (200) 100% change. Second set is more precious and sensitive to possible expert perceptions on the wording of TCI scale (much worse, worse, equal, better, much better). In this context, the range from the equal to better/worse is designed smaller changes (-20% to 0 and 0 to 20%) than the range from better/worse to much better/much worse (-50% to 20% and 20% to 50%). The diagrams located under the each set, illustrate the differences between actual arrivals and expected arrivals. So, to add expected % change set appointed precisely, will increase to usefulness of TCI not only as predictor but also evaluator. Additionally, the time series as input data employed for regression were relatively shorter (22 terms). So it is expected to get higher and significant predictability with longer series in further quantitative or qualitative researches.

## CONCLUSION

Volatility structure of the tourism movements or fluctuations in tourism demand is the continual challenge for decision makers, planners, professionals and operators as well in the tourism industry. Therefore, to overcome challenges to make decision and to make business within ambiguous, uncertain and risky international environment of tourism, significant or insignificant predictors are welcomed by respective decision makers in both private and public sector.

It was targeted to figure out whether if there is conclusive evidence to predict upcoming four months via TCI in especially global crises periods. Briefly, TCI was not being able to predict significantly for upcoming four months period at destination level especially in crises periods, while the average of world TCI was significant enough globally. According to results, due to H1N1 Pandemic outbreak and global economic recession first half of 2009 was the most extreme case at all. Second extreme case was the first half of 2004 because of the unpredictable the increase as reaction to previous year's (2003) depressed figures due to the Iraq war, SARS and the weak economy.

Although it was insignificant predictor for crises period, when the TCI is considered overall, it is not wrong to say TCI was positively related with arrival trends at both destination and global levels. Moreover, the series employed by analysis were relatively short. For further quantitative studies longer series will be available. PTE is globally synchronized and well-organized long-period survey conducted by UNWTO. So, as innovative and unique idea; valuable input; supportive effort and leading indicator, TCI should be continued and improved by UNWTO.

The scale, questioning, rephrasing, rounding, and analyzing methods in PTEs should be revised and redesigned according to needs of public and private bodies in tourism. Weaknesses of PTEs practically can be resolved within FSS methodology. However, it should be noted that consistency would be necessary for a FSS to recognize particular individual traits so that appropriate guidance could be provided (Goodwin et al 2007).

**REFERENCES:** Please contact authors for references.

## ISRAELI TOURISM TO TURKEY: A LOVE STORY AGAINST ALL ODDS

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### INTRODUCTION :

At the beginning of the 90<sup>Th</sup>, Turkey was perceived in Israel primarily as a rather cheap summer destination offering mainly Sea & Sun vacations.

In the battle for the hearts and minds of Israeli tourists, a distinct strategy was set of deepening and broadening the “**Brand Personality**” of Turkey so as to present it as an experience-rich tourist destination that has it all: A land of contrasts and extraordinary landscapes, a cradle of ancient civilizations set against a contemporary culture, a friendly and attractive bridge between East and West.

The repositioning of Turkey away from the sun and sea repertoire and attracting new "quality" tourists was at the core of our communication strategy, namely presenting Turkey as **a multi-faceted lifestyle tourist destination.**

The lifestyle communications strategy helped to distinguish Turkey from its geographically close competitors such as the Sinai Peninsula, Cyprus, Rhodes, Greece and certain Mediterranean countries in Europe.

The marketing strategy was geared to attract new upper quality Israelis, based on segmentation of the target audience in Israel according to parameters of age, lifestyle, occupation and favorite pastimes.

Meticulous and precise audience segmentation helps to significantly broaden the tourism repertoire of Turkey so as to satisfy the dreams and desires of multiple target audiences in Israel's diverse society.

**560,000 Israelis visiting Turkey in 2008 secured its prominence as Israel's number one outbound tourism brand, indicating that branding of a country, similar to many consumer products, has to be emotionally appealing with high conversational and celebrity value.**

### Earthquake aftershocks

The devastating earthquake of August 1999 in Turkey has changed the way Turkey's tourism authorities have contemplated their worldwide marketing strategies.

Following the tragic lose of thousands of citizens and the total destruction of vast living areas as it was portrayed on TV screens around the globe, Turkey's leaders of economy decided to allocate massive financial resources in order to communicate to the world that despite the horrified earthquake affects Turkey remains a safe heaven to tourists.

In doing so Turkey advocated its determination to secure the country's prime source of income, namely tourism.

Zimet Marketing & Communication agency in Tel-Aviv was one of several agencies around the world that were chosen to help in realizing Turkey's strategy "Business as usual", namely, demonstrating Turkey's commitment and determination to overcome the marketing affects of the earthquake by emphasizing that most of Turkey's tourist attractions were untouched.

Our post-crisis marketing approach in 2000 helped in restoring the Israeli tourism market confidence towards Turkey while in order to strengthen Turkey's appeal to potential Israeli visitors we have embarked on a massive PR campaign mainly hosting Israeli reporters in Turkey in order to present the country as a safe tourist destination through positive media coverage.

As it turned out, the year 2000 marked an all-time record: 311,000 Israelis visited and toured Turkey- an impressive increase of 54% compared to 1999, the year of the earthquake.

## A BOOMING DECADE

For the past 9 years we have served Ankara's Ministry of Culture and Tourism in promoting tourism to Turkey via focused campaigns geared to effectively respond to the changing marketing environment in each of those years.

Although Israel is a rather small country, it ranks amongst the top 10-15 largest source countries for incoming tourism to Turkey.

The image of Turkey, a Moslem country, has always been a unique marketing challenge in the process of promoting tourism from Israel to Turkey.

To tackle the challenge, our promotional campaigns continuously reshape Turkey's image to express the enjoyable and contemporary attractions of the country. In so doing, we have successfully offset the negative perception of a political reality wherein Israel is banned by most Moslem countries in the world, thus, creating an apriori prejudicial Israeli attitude towards Turkey.

Our practical experience working with Turkey has clearly proven that promoting tourism to Turkey should always contain a pragmatic **Crisis Management Strategy** to cope with severe political, security and economical challenges.

## A POLITICAL CRISIS TAKES ITS TOLL

Following the bitter long lasting Israel-Palestinian conflict, Turkey's political leaders frequently express publicly blunt declarations against Israel, threatening to undermine the stability of political relations between the two countries.

On November 6, 2002, just 3 days after the general elections in Turkey, bringing Mr. Tayyip Erdogan to power, the newly elected Turkish Prime Minister released a public "bomb- shell" accusing Israel's Prime Minister Ariel Sharon of managing a "Terror policy" against the Palestinians in the occupied territories of Israel.

This declaration made it to the front pages of the Israeli media and aroused an enormous anger of Israelis against Turkey, a traditionally friendly ally of Israel.

Threats against Israelis visiting Turkey were loud and clear and for our agency it clearly signaled the urgent need of creating a distinct and creative strategy to offset the upcoming implications to the volume of the potential wave of Israeli tourism to Turkey.

As it turned out, one of the most effective measures of tackling this crisis-of- confidence was to initiate a personal interview with Mr. Erdogan on Channel 2, Israel's most viewed TV channel.

When Nir Arad, the iconic foreign editor of Channel 2 asked Mr. Erdogan during the interview as to his opinion in regards to the feelings of insult of so many Israelis dedicated to tourism in Turkey – Mr. Erdogan sounded crystal clear in answering "We love Israeli tourists and will always make our utmost to host them in the best possible way".... That was a "dream-come-true" declaration to our marketing efforts in promoting Turkey, and only than we could have started to expect the first signs of the unofficial Israeli boycott on tourism to Turkey to be fading away.

**Seven years later** in January 2009, the same Mr. Erdogan, now in his second term as Turkey's PM, publicly blamed Israel in a series of harsh accusations following the offensive military operation of Israel against the Hamas political organization in Gaza.

PM Erdogan suggested that Israel should be expelled from its UN membership on account of "Killing innocent children and old people while violating principal human values"....

This time, it was too much to bear for the Israeli public.

## **BOYCOTTING TURKEY**

The Workers' Unions of Israel, representing the majority of working places in the country, have declared an official boycott against Turkey, thus, omitting the brand "Turkey" altogether from all catalogues where holiday opportunities for 2009 were listed.

It was only obvious that at all those working places where the executive management was traditionally subsidizing up to 90% of the workers' summer vacation expenses, finding an alternative destinations to Turkey for the coming 2009 summer holiday was the only option.

This unprecedented boycott was proved to be one of the only marketing boycotts ever declared in Israel's history that really succeeded to fulfill its prime target – to **practically ban Israeli tourism to Turkey**.

The circa 50% decrease in the number of Israelis visiting Turkey in 2009 was considered to be a clear outcome of the spontaneous though very effective boycott.

## **MANAGING A TERROR CRISIS**

November 6, 2003 could have turned out to be a doomsday for one of the most successful overseas tourism icons, i.e. Turkey, for many Israelis. On that day, terrorist bombs shattered two Synagogues in the bustling center of Istanbul, killing 24 people, many of them Jewish Turks who were killed or injured during prayers.

The Israeli foreign Ministry issued a warning to Israelis "to reconsider plans to visit Turkey because of the obvious threat to safety" resulting in numerous cancellation of Israel's El-Al flights to Istanbul.

Two weeks later, on November 20, 2003, Turkey was again shattered by a suicide terror act in Istanbul, this time against two British public targets in the city, leaving 27 people dead and some 450 wounded.

The result was obvious again: Israelis gave-up visiting Turkey, mainly Istanbul, which has been a favorite destination for many Israelis, who admire the attractions of this charming city, a mere two hours flight time from Tel Aviv.

The emerging perception of Turkey as an unsafe tourist destination became a threat and was further intensified by the aggressive campaigns of competing "Sea-Sun" peaceful destinations of such neighboring countries as the Red Sea of Egypt, Cyprus and Greece and the relatively affordable Eastern European countries, such as Croatia, Slovenia, Romania and Bulgaria that were becoming more and more competitive to Turkey.

**No tourism destination is immune from crisis**, nor is Turkey which has for years, suffered from constant Kurdish terror in its cities, but on November 6, 2003 the future of Israeli tourism especially to Istanbul seemed gloomy.

Following the impact of frequent national Israeli Travel Advisory warnings regarding Turkey, it was only obvious to us: restoring the trust of Israelis in a safe Turkey should be the core of our agency's **post-crisis marketing strategy**.

We realized that a passive reaction to the mistrust of Israelis could turn out to be a disaster for the future of Israeli tourism to Turkey.

## **A PRAGMATIC BRANDING STRATEGY**

The marketability of any destination is always vulnerable to sudden changes in market perception. Political or economical instability or a sudden crisis can transform the reputation, desirability and marketability of most popular tourism destination overnight. This is always our prime concern in dealing with tourism to Turkey

A research conducted by our agency towards summer 2004 indicated that Turkey is mostly associated with the "Sea, Sun" image. We considered this to be a threat to Turkey because "Sea, Sun" image promises are becoming a commodity in the world of tourism.

The core concept of our Branding Turkey strategy following these research findings was to practically **reinvent Turkey** in the minds of Israelis by creating public awareness that there's always something new to discover in Turkey for the perceptive Israeli tourist.

#### **The Branding Vision:**

In order to build a strong and fashionable brand for Turkey, we have created the '*Made in Turkey*' tag line, which we believe expresses the core asset of the Turkish brand. The terminology "*Made in...*" is adopted from the world of fashions, hi-tech, automotive and the likes and displays the feelings of contemporary, pride and originality.

Headlines used in our TV, newspapers and magazines, outdoor and internet Media campaigns were: *Romance made in Turkey, Escape made in Turkey, Wow made in Turkey*, etc., thus fully demonstrating the precious natural treasures that Turkey possesses, and conveying the perception that Turkey is a land of Fantasy.

The visuals in our Media campaign portraying Turkey's attractions were carefully selected and involved the photographic creations of famous Turkish photographers such as Izzet Keribar, as well as distinguished Israeli leading artists.

The "*Made in Turkey*" campaign's image was designed in a flexible manner in order to be used as a "Seal of Quality" in a wide variety of national promotional channels.

#### **A Lifestyle Agenda:**

Our core promotional strategy was based on the premise that when consumers make brand choices - including holiday destinations - they are making *lifestyle statements* since they are buying into not only an image but an emotional relationship as well

The first stage of our branding building process was to establish the core values of our destination vis-à-vis Turkey's key competitors. Those values were carefully selected in order to adhere to the perceptive life style tastes of the Israeli consumer who expects his holiday to be a unique, exciting, rewarding and satisfactory experience in every aspect.

#### **Desirable Amenities:**

In our Media campaign we portrayed a wide range of appealing visuals presenting exquisite life style amenities such as local cuisine and gourmet foods, natural and cultural heritage scenery, white river rafting, Jules Verne style hot air ballooning, romantic night life ... **the more you tell, the more you sell** was our motto.

#### **Gastronomic Tourism:**

Realizing that the quality and variety of foods is a major life style concern in the destination selection process amongst Israelis, we created a unique advertisement presenting an eye-catching and mouth watering panorama of a dining table laid out with the most popular local dishes entitled : "*M...m....m... made in Turkey.*"

#### **Emotional Tourism:**

Taking for granted that a perfect holiday could mean the most appropriate venue for nurturing a love affair, we created another advertisement entitled: "*Romance made in Turkey*" presenting a magical view of a romantic Café scene on the banks of the Bosphorus river in Istanbul.

#### **Adventure Tourism:**

Israeli youth, including those who have completed a long national service in the Israeli armed forces, are enthusiastic adventure seekers who roam around the globe to exotic places in the Far East and in South America. In order to grab the attention of these restless adventurers, we designed an advertisement titled "*Adrenalin made in Turkey*" to tempt them to join a rafting experience on the wild waters of the Choru river in North Eastern Turkey.

#### **World of Fantasy Image:**

The Food, Romance and Adventure themes portray the image of a "World of Fantasy" that Turkey is associated with. In order to underline the exciting life style opportunities that Turkey has to offer, a creative platform was created to convince the potential tourist **to revisit Turkey** on more than one occasion. Our expectations of widely enlarging Turkey's circle of fans in Israel derives from the conviction that a diversified Turkey will always attract Israelis who seek affordable thrills in areas as geographically close as possible.

### **Turkey's Brand Campaign Accomplishments:**

- a) Our Branding strategy for Turkey proved to be a powerful platform to combat the almost "Force Majeur" instability and volatile environment scenario in the Middle East region.
- b) The slogan "*Made in Turkey*" develops into a formidable vehicle of promoting tourism to Turkey and also became a popular buzz word in Israel.
- c) The Media and PR campaign helped to present new Turkish destinations that were barely visited in the past, like Cappadocia, Safranbolu, the Kackar mountains and remote sea side havens, thus contributing to the well-being of local communities in Turkey.
- d) The spirit of our campaign emphasized Turkey's **sense of authenticity** in a myriad categories ranging from natural treasures to most promising urban attractions

### **A LOVE STORY COMES TO AN END?**

The number of Israeli tourists who visited Turkey starting 2000 up to 2008 was on a steady rising curve. This has indicated that despite the alarming signals following the political, economical and mainly security incidents, the promotional strategy proved to be effective..

In 2009 this optimistic reality was severely shattered on account of two phenomena; the political upheaval following Israel's military operation in Gaza and the world economic crisis following the sub prime scandal in the USA.

This time, the "image remedy" we have used in our post-crisis campaign has not proved to be as successful as in so many crisis situations in the past.

In contrast to the crisis situations in earlier years , the 2009 crisis was fueled by the Internet or rather say by the talkback messages widely presented on Israel's leading Internet portals that proved to be extremely effective in creating a sharp decline in the demand for tourism from Israel to Turkey.

Most of these talkback messages were practically calling Israelis to boycott Turkey and what became obvious was the fact that Turkey continues to be traditionally perceived by so many Israelis first and foremost as a tourism destination.

No one in Israel seemed to consider that despite the political crisis, Turkey and Israel share a huge bi-lateral trade, a reality which could have been an excuse for not breaking the rule of keeping politics out when business and tourism are concerned.

The wave of devastating effects following the internet "Artillery" messages against Turkey was rolling like a snow ball, getting bigger and bitter by the hour.

To respond to this alarming pro - boycott campaign against Turkey, we have worked out a policy, rather than a strategy, to try and soften the harsh effects of the public's anger by direct interaction with the Israeli public.

In a concentrated effort to persuade the Israeli public that Turkey remains "the favorite tourism destination that is always welcoming Israelis in Turkey", a selected team of some 50 Turkish hoteliers, most of them representing high-profile clubs and hotel chains, were invited to Israel to meet and talk directly to the local media and to Israeli leaders of tourism – an unusual as well as unprecedented phenomenon.

No doubt, 2009 was not a marketing honeymoon in regards of selling Turkey to Israelis .... Only towards the beginning of the third quarter of 2009, we start to recognize a slow "back to the norm" situation, namely more Israelis practically call off the boycott, but the total number of Israelis visiting Turkey in 2009 dropped dramatically by close to 50% to a mere 300,000 tourists.

The year 2010 indicated even more hardships to market the Turkish tourism brand in Israel.

As the political upheavals between Israel and Turkey were frequently emerging, the numbers of Israelis visiting Turkey were deteriorating and the final figure at the end of the year was an all-time-negative record, namely only 100,000 Israelis set foot in Turkey.

Will the Turkish tourism brand ever return to its primacy in the souls and pockets of so many Israelis as it used to be the case for almost a whole decade? Times will tell.



## ILLUSTRATIONS

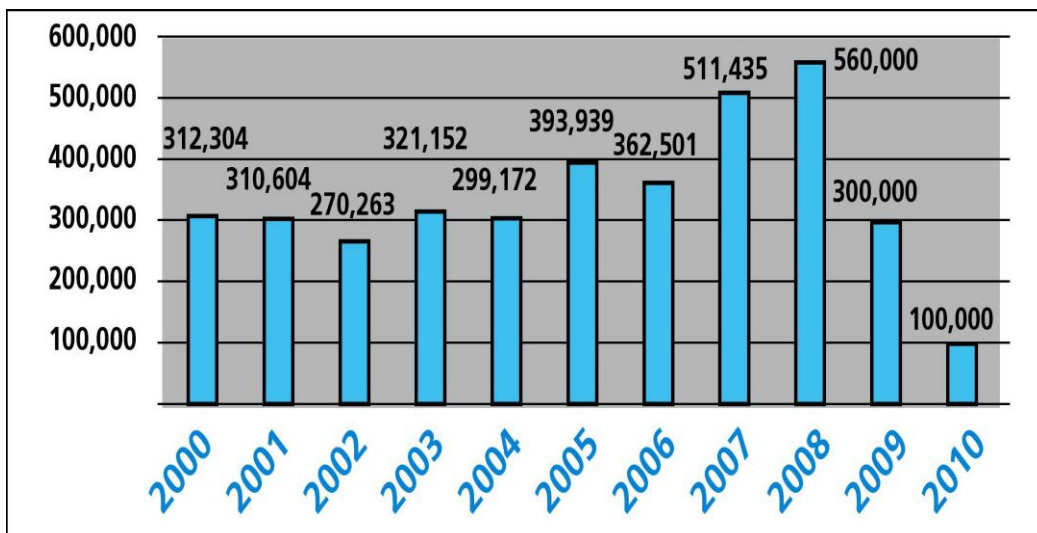
Made in Turkey branding campaign:



### Distribution of tourists arriving in Turkey In 2008 by nationalities

1. GERMANY	4 415 525
2. RUSSIAN FED.	2 879 278
3. U.KINGDOM	2 169 924
4. BULGARIA	1 255 343
5. NETHERLANDS	1 141 580
6. IRAN	1 134 965
7. FRANCE	885 006
8. GEORGIA	830 184
9. UKRAINE	730 689
10.U.S.A	679 445
11. ITALY	600 261
12. BELGIUM	596 442
13. ISRAEL	558 183
<b>TOTAL NUMBER</b>	<b>26 336 677</b>

### Number of Israelis visiting Turkey annually.



# ATTAINMENT OF THE MILLENNIUM DEVELOPMENT GOALS THROUGH TOURISM IN CENTRAL AFRICA: IMPLICATIONS FOR LOCAL ECONOMIC DEVELOPMENT IN CAMEROON

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## ABSTRACT

This paper examines the role and contribution of tourism to local economic development and in the attainment of the Millennium Development Goals of poverty alleviation and environmental sustainability in the biodiversity endowed Central African sub-region. The concept of local economic development is examined and through field observations and semi-structured interviews with tourism industry stakeholders in Cameroon, an analysis of tourism's role and future in local economic development and in the attainment of these goals is undertaken. The core challenges presently inhibiting tourism's development thereby limiting its contribution to economic development, poverty reduction and environmental conservation in Cameroon are identified and a framework within which tourism's contribution can be increased is proposed.

**Key Words:** Cameroon, local economic development, poverty alleviation, environmental conservation, sustainable tourism

## INTRODUCTION

The development and use of tourism as one of the tools to be used in fostering local economic development (LED) and in the eradication of extreme poverty and hunger while making sure that environmental sustainability is guaranteed especially in developing countries was proposed in the Millennium Development Goals (MDG) adopted by the United Nations in New York in September 2000. Two thirds of the way through, though acknowledging tourism's importance as an important tool for LED and the attainment of the MDGs, countries in the Central African sub-region have not given it the attention it deserves. As a result, tourism's impact as a motor for LED still has to be felt though substantial efforts have theoretically been made by some governments in the sub-region especially in Cameroon and Gabon to increase the level of environmental protection. While examining the concept of LED in relation to the MDGs in sub-Saharan Africa (SSA) this paper identifies the issues that have contributed in making the attainment of the MDGs 1 and 7 (i.e. extreme poverty eradication and ensuring environmental sustainability) through tourism a distant reality in Cameroon. It concludes by proposing a framework which if adopted and judiciously implemented could help in changing this trend and make LED through tourism a reality.

## RESEARCH OBJECTIVE

Cameroon's abundant cultural and natural diversity, its triple colonial heritage (German, English and French) coupled with relative peace and political stability are key ingredients which if well harnessed give it an added advantage of developing a successful tourism industry that could go a long way in contributing to the attainment of the MDGs of poverty alleviation and environmental conservation and sustainability thereby fostering local economic development. However, since the adoption of these goals, the use of tourism to achieve objectives 1 and 7 seems to be mitigated in Cameroon. With just five years left, this paper aims to find out if and how successful tourism has been contributing to the attainment of these goals and therefore LED after promises of development and investment by the government in the sector. The paper exposes key developmental and management challenges and proposes a framework within which these could be resolved thereby making tourism an important contributor to LED.

## LOCAL ECONOMIC DEVELOPMENT AND MILLENNIUM DEVELOPMENT GOALS IN SUB-SAHARAN AFRICA

There are a good number of poverty alleviation strategies in sub-Saharan Africa all linked to local economic development which in itself entails the creation or setting up of conditions that promote the stimulation of new opportunities in both rural and urban regions with limited opportunities for economic growth (World Bank, 2003). If successfully planned and implemented while incorporating many local government and private sector functions such as environmental planning, business development, infrastructure provision, real estate development, finance, good governance and accountability, equitable and active stakeholder participation and ownership, LED can lead to poverty alleviation and environmental sustainability (Rodriguez-Pose & Tijmstra, 2007). Self-reliance, survival and poverty alleviation rather than finding and creating niche markets, local economy strengthening and increasing competitiveness are some of the key focal points of the majority of LED projects in sub-Saharan Africa (Binns & Nel, 1999). Most often, the social aspects take precedence over the economic aspects with all strategies drawn up by local governments without consultation of the local business

communities and other stakeholders. As a result, most of these strategies do not generate the expected results in terms of economic growth and job creation (Rodriguez-Pose & Tijmstra, 2007; Hinderson, 2003). During the last two decades however, changes in the political economy of many countries have significantly altered conditions for LED in sub-Saharan Africa. Decentralisation, democratic pluralism and economic liberalisation as well as advances in information and communication technologies (ICT) and managerial changes have significantly brought the world closer (Rogerson & Rogerson, 2010; Helmsing, 2003; Helmsing, 2005). Decentralisation has led many communities to actually assume responsibility for their own development. In many communities, decentralisation and community empowerment has led to the diversification of economic activities, specialisation and increased performance by the different economic sectors, creation of partnerships between local communities and other stakeholders, simplified and active participation in the planning, realisation and monitoring of the necessary hard and soft infrastructure as well as the necessary social and economic overhead capital put in place to serve the industry and the community as a whole (Rodriguez-Pose & Tijmstra, 2007; Helmsing, 2003; Helmsing, 2001). This encourages a sense of community, promotes self-help and empowerment and ensures better management of the community's natural, physical and human resources thereby stimulating the economy and creating jobs within these communities (Helmsing, 2003; Helmsing & Egziabher, 2005). Well planned and managed LED projects and policies can thus bring about significant improvements in the natural, social and economic environments of the communities where they are carried out and tourism if well developed and managed can be one of its motors. However, the tourism industry's growth, appeal and contribution to LED does not only depend on the natural and cultural environments. It largely depends on the supply and provision of competent and efficient hard and soft infrastructure by other industrial sectors and manufacturing clusters as well as better operational, technological and financial management skills that are presently underdeveloped in many SSA countries in general and Cameroon in particular.

### **CAMEROON OVERVIEW**

Located between West and Central Africa in the Gulf of Guinea with English and French as the official languages and just 6.5 hours away from continental Europe, Cameroon which received 572,728 visitors in 2010 has been described as "Africa in miniature" because of its topographical, floral, faunal and multicultural diversity (MINTOUR, 2010). Cameroon has a total surface area of 475 442 km<sup>2</sup> and had a population of about 19.5 million inhabitants in 2009 (BBC, 2010). The country's strategic location has given rise to a vast floral and faunal diversity and density. In fact, Cameroon has one of the highest concentrations of endemic species on the African continent apart from the island of Madagascar and was in this regard classified by the World Bank and the World Wide Fund (WWF) as one of the 13 countries worldwide with the highest amount of biological diversity (Riley & Riley, 2005; Vivien, 1991).

As of 2005, 14% of Cameroonian territory was actually under some form of protection on paper and there were plans to increase this amount to 19% (especially after the World Bank's approval to finance Cameroon's Forest and Environmental Policy Development Program Project in 2006 thereby theoretically complying with the Millennium Development Goal of increased environmental conservation and poverty alleviation (World Bank, 2006). At the moment, there are 13 national parks, 3 of which are UNESCO-MAB biosphere reserves and one a UNESCO World Heritage Site; 18 wildlife reserves, 3 wildlife sanctuaries, 16 forest reserves and protected areas, 9 cloud (mountain) forest sites in the country covering a total surface area of about 6496499 hectares (MINTOUR, 2010). This is in addition to the 402 km of coastline with pristine sandy beaches near the foot of Mount Cameroon in Limbe (South West Region), around Kribi and Campo (South Region) and the islands of Manoca (Littoral Region) as well as an abundant multicultural diversity manifested in architecture, dressing, music, song and dance especially in the Western and Northern regions of Cameroon (Kimbu, 2010). Different forms of cultural and environmentally sustainable community benefit nature-related tourism, mountaineering and hiking, cultural and sun and sea tourism initiatives (in addition to an already existing safari tourism segment) promoting local economic development could be developed in and around these parks and sites of interest if the necessary planning, management and monitoring tools which would facilitate hard and soft infrastructure development and management were put in place. This adventure and discovery element makes Cameroon which according to Butler's (1980) tourism area life cycle is still at the (late) exploration stage a favoured destination of Plog's (1974) allocentric travellers and Cohen's (1972) explorers.

### **METHODOLOGY**

The paper adopts a qualitative approach in that the research is underpinned by 21 in-depth semi-structured interviews with key tourism industry stakeholders drawn from the public and private sectors and from NGOs in Cameroon co-opted using a purposive snowball sampling technique (Mason, 2002). In addition participant observation was undertaken in 6 potential and existing tourism development sites in the country. The questions focused on opportunities, challenges and threats to environmental protection, sustainable tourism and local economic development in Cameroon. A thematic content analysis of the collected data generated the key findings discussed hereafter.

## **FINDINGS AND DISCUSSION**

In spite of the Cameroon government's stated commitment of prioritising tourism development as one of the means of stimulating LED, analysis of the data revealed the existence of some core challenges resulting mainly from the absence of simultaneous complementary investments as well as support services and infrastructure in the tourism sector and in other related economic sectors which seriously impeded the industry's development and use as a LED strategy. Principal challenges included:

### **LACK OF FINANCE**

The lack of macro and microfinance for investment, infrastructural development and maintenance and human resources development in tourism and related sectors was considered by all interviewees to be a serious handicap. This scarcity was the result of little government support to the sector especially after the economic crisis and subsequent market liberalisation and introduction of structural adjustment programs in the mid 1990s whose impacts were still being felt. Financial scarcity was also caused by the decline in foreign direct investments (FDI) in Cameroon since the early 1990s notwithstanding the fact that between 1980s and 2000, global FDI grew more than 20 times from 67 billion to 1271 trillion (Helmsing, 2003). However Africa received only a tiny fraction of this FDI and its share actually dropped from 2.8% in the 1980s to 0.6% in 2000 (UNCTAD, 1999).

### **ABSENCE OF A TOURISM POLICY AND NON IMPLEMENTATION OF A GENERAL TOURISM DEVELOPMENT FRAMEWORK**

A tourism policy generally provides the guidelines and the reference points against which any developments in the sector should be evaluated (Dieke, 2006; Wood, 1980). That notwithstanding, Cameroon's tourism industry had no clear and concise development and management plan and policy nor a National Tourism Office to oversee the coordination, development and management of the various branches of the industry on the one hand and other sectors of the economy in general leading to conflicts of interest among the different stakeholders. Consequently well intentioned internationally sponsored projects such as the 2005 Tourism Sectoral Development Plan, the 2002 Tourism Marketing Plan and the 2008 Destination Branding Report which respectively outlined areas of development, strategies for marketing and branding the country as a tourism destination were never implemented (Emerging Markets Group, 2008; Expansion Strategies Inc., 2002).

### **CONFLICTING GOVERNMENT POLICIES AND STAKEHOLDER INTERESTS**

Actively involving all persons affected by proposed development and subsequent management is the underlying premise of stakeholder theory pioneered by Freeman in 1984. However, conflicting interests between stakeholders involved in community development is a key challenge to LED (Helmsing, 2005; 2001). That notwithstanding, cooperation and collaboration as well as integration and active participation are major issues that have to be seriously considered and addressed in any models that deal with the role of stakeholders in tourism planning, development and management (Hall, 2000; Tosun, 2000). That was not the case in Cameroon where governance is still largely centralised resulting in inefficiency, bureaucratic and administrative bottlenecks discouraging investments. In addition, there is very limited consultation and often passive participation of the other stakeholders especially the communities concerned. Short-term economic benefit often conflicts with and is prioritised over environmental conservation. Examples include the exploration and eventual exploitation of diamonds, gold, bauxite, nickel and cobalt within parts of the Boumba-Bek and Lobéké National Parks; the Kribi deep sea port and gas terminal construction project on the site where a marine park had been proposed (Baikong, 2009; Elvido, 2009); the Lom-Pangar Dam and the Mve-Ele hydroelectric dam projects in the Eastern and Southern Regions of Cameroon respectively whose construction will not only flood about 318 km<sup>2</sup> of the Deng Deng hardwood forest reserve but also parts of the Lom-Pangar Reserve (Ngala, 2009). These activities according to World Wide Fund for Nature (WWF) Cameroon will have serious negative socio-cultural, economic and environmental consequences in the communities and areas concerned because environmental impact assessments are poorly done and their recommendations are never fully implemented nor impacts carefully monitored (Elvido, 2009).

### **NON IMPLEMENTATION OF MANAGEMENT PLANS**

The effective implementation of five year management master plans introduced in Cameroon's parks in the 1990s clearly calling for the integration and profitable participation of local communities in park management and conservation as well as in the development of environmentally friendly sustainable tourism activities that promote LED in and around these parks as one of the means of reducing pressure on the parks' biodiversity leaves much to be desired. This is partly due to the inefficiency of most governments in sub-Saharan Africa and Cameroon in particular where government effectiveness was estimated at just around 30% in 2004 (Nelson, 2008; Kaufman, Kraay, & Mastruzzi., 2005). Biodiversity conservation and tourism development near or within parks is mostly realised thanks to the technical and financial assistance of international non-governmental organisations in duration-specific projects. Examples include the World Wide Fund for Nature (WWF) and the UK Department for International Development (UKDFID) sponsored Korup Project (1997-2002) in the Korup

National Park, the UKDFID – World Bank Global Environmental Facility (GEF) - German Agency for Technical Cooperation (GTZ) funded Mount Cameroon Project (1994 - 2002) and the German Development Organisation (DED) - GTZ funded Mount Cameroon Inter Communal Ecotourism Organisation project (1997-2005). These projects trained and retrained local community members in alternative income generating activities centred on conservation, farming and ecotourism (Kimbu, 2010). While they lasted, these projects were very successful in biodiversity conservation and stimulating LED in the communities by creating employment and assisting in other development projects such as village electrification and potable water provision. However, the departure of the foreign partners was often accompanied with a decline in management quality and maintenance of infrastructure leading to a drop in service quality and consequently visitor numbers. Thus without external support most management plans will hardly ever be implemented making government's commitment to conservation and promoting LED through tourism questionable.

### **HUMAN RESOURCE DEFICIENCIES IN MANAGEMENT AND TECHNICAL STAFF**

LED and environmental conservation can only be achieved with the right calibre of human resources needed to carry out developmental and conservation related tasks. Unfortunately this is not the case in Cameroon where just like in most countries of sub-Saharan Africa there is a mismatch between professional training and the needs of industry due to the poor state of higher education both in physical infrastructure and human resources (Rodriguez-Pose & Tijmstra, 2007; Helmsing, 2003). This has led to a scarcity of qualified personnel to work in the different industries resulting in inefficiency and mismanagement in both the public and private sectors. The presence of only two professional schools in the country for the training of senior forestry and wildlife engineers and mid-level forestry technicians and only a handful of institutions specialised in hospitality and tourism management education means that there is a shortage of skilled professional staff needed to oversee and carry out day to day management not only in the natural parks and sites but in other sectors of the tourism and hospitality industry in the country. All of Cameroon's national parks and reserves areas are understaffed. Consequently, the accessible ones are already over-poached and deforestation is a very serious threat (Nchandji, 2006; Nyang & Hamerlynck, 2006; MacAllister, 2005; Riley & Riley, 2005). In addition, the remoteness of most of these parks and sites coupled with low public sector wages in sub-Saharan Africa and Cameroon acts as a disincentive and makes it difficult to attract and retain qualified staff willing to work in the domain of conservation and in the tourism industry (The Commission for Africa, 2005; Helmsing, 2002). Tourism's contribution to LED in Cameroon will only be guaranteed if complementary upstream and downstream investments take place in immediate and related sectors of the chain.

### **TOWARDS THE IMPLEMENTATION OF A SUSTAINABLE TOURISM APPROACH THAT GUARANTEES LOCAL ECONOMIC DEVELOPMENT**

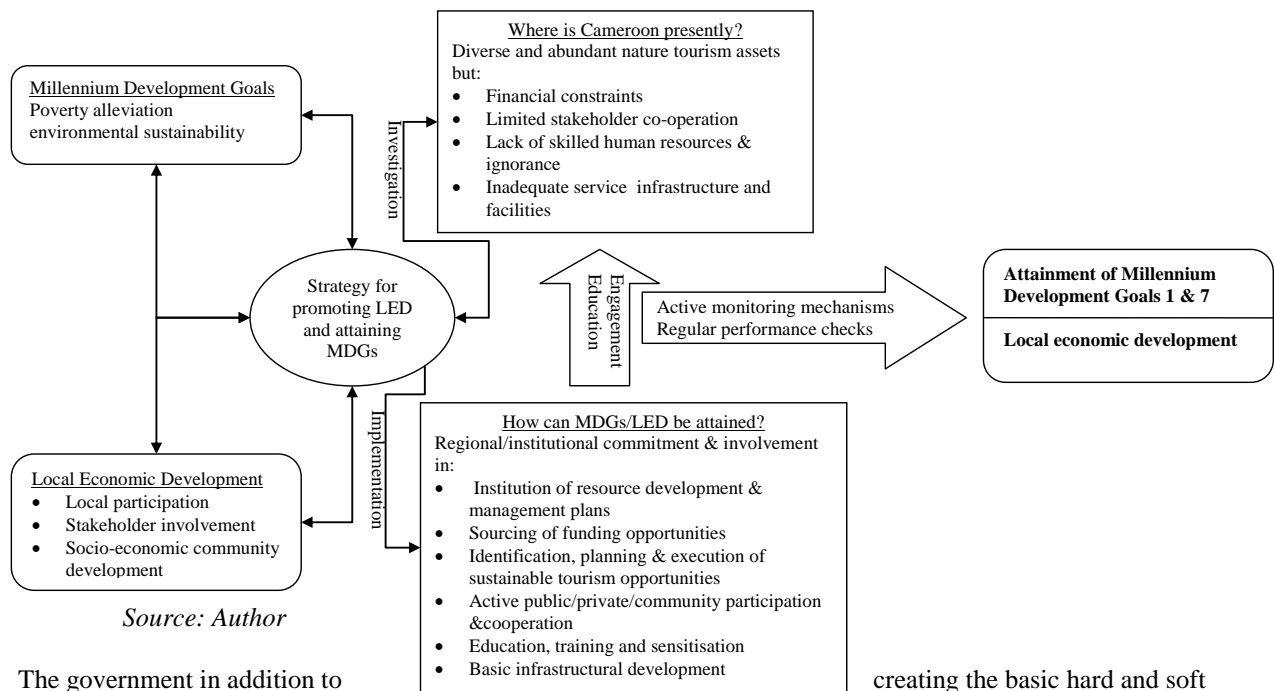
The absence of an effective tourism framework coupled with the lack of finance for the development and promotion of all other aspects of the industry relegates tourism in Cameroon to a secondary business. Those engaged in the industry consider it as an addendum to their other business interests because the sector is not sustainable enough to warrant their full attention. When tourism ventures are initiated in most communities, the enthusiasm of the locals is always very low because interested villagers soon realise that the proceeds from tourism are neither immediate nor regular and depend largely on the tourist season. Tourism's contribution to Cameroon's economy is thus very small, generating only 1.3% of total employment and contributing only 2.9% of the GDP in 2008 (Blanke & Chiesa, 2008).

In order to guarantee the effective transformation and utilisation of Cameroon's tourism potential as a key tool for attaining the MDGs of poverty alleviation and environmental sustainability and in so doing promoting LED, government and other private sector stakeholders would have to recognise tourism as being on a par with other economic sectors and having the capacity to generate revenue and substantially contribute to gross domestic product, create jobs and improve standards of living. Recognition and acceptance will see the Ministry of Tourism and related ministries provided with the necessary technical knowhow and budgets enabling them to put in place a sustainable tourism policy and strategy enabling the provision of the necessary hard and soft infrastructure which will facilitate the effective development and sustainable management of the country's tourism resources. In so doing, tourism's active contribution to LED will be ascertained. However, success in this will strongly depend on the degree and intensity of education and sensitisation of all tourism industry stakeholders on various aspects of conservation, tourism development and management that will have to be prioritised. Education will be provided by the government in conjunction with co-opted specialised international and national NGOs (Figure 1).

Active stakeholder participation will have to be encouraged and promoted. Interested members of local communities will have to be trained and empowered to create and manage their own micro and macro tourism projects as well as actively participate in all phases of the industry's development and management.

Autonomous national, regional and local tourism boards will have to be created by the government and regional authorities and charged with drawing up and implementing feasible strategies and plans for sustainable tourism development and management in the country as well as for professionalizing the industry.

Figure 1: Framework for the attainment of Millennium Development Goals (1 & 7) and LED through sustainable tourism development in Cameroon



The government in addition to creating the basic hard and soft infrastructure which at the moment are lacking in most of Cameroon’s tourism sites will have to reduce the administrative bottlenecks and adopt business friendly measures that will encourage both national investments and foreign direct investments. In addition, quality destination marketing (via the internet, tourism trade fairs attendances, etc) in the source markets of Europe and North America where very little is presently being done will have to be prioritised and carried out regularly.

**CONCLUSION**

Cameroon’s rich cultural and natural diversity make it a promising hotspot for the development of a sustainable tourism industry capable significantly contributing to the realisation of the Millennium Development Goals of extreme poverty alleviation and environmental sustainability. However this is presently not the case. Only the provision of the necessary hard and soft infrastructure which will harness these potentials coupled with efficient management will make it possible for the country to look into the future and be certain that tourism will one day become a key arsenal in the fight against poverty and environmental conservation and an important contributor to local economic development.

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## THE ROLE OF TOURISM ON REGIONAL DEVELOPMENT THE CASE OF VAN

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### ABSTRACT

The paper aims to make a contribution to the literature by presenting the strengths and weaknesses of the less developed regions in terms of the factors needed for tourism development targeting regional socio economical development, to be a guide for regional planners and policy makers. The paper first focuses on the process of the formation of interregional disparities and on the characteristics of less developed regions. After, national tourism policies are evaluated by presenting the factors needed for actualizing regional socio economical development and tourism sector development. In the second part Turkey and then in the third part Turkey's one of the most less developed NUTS 2 regions named Van examines as a case study in the context of the theoretical framework.

**Key Words:** Interregional disparities, less developed regions, regional development policies, tourism, Turkey.

### INTRODUCTION TO THE REGIONAL DISPARITIES AND TOURISM SECTOR'S POTENTIAL AS A DEVELOPMENT POLICY TOOL FOR LESS DEVELOPED REGIONS

Regional development can be defined as the success of a region on providing equal and acceptable quality of life for its citizens. Indicators of regional development are as follows: The level of activating regional potentials, competitiveness levels of the regional economy, the ability of attracting new investments, urbanization rate, the amount of capital, the level of equal distribution of income per capita, the success of generating employment possibilities, the developmental levels of the service sector. Indicators for regional development also includes: Information technologies, strong local dynamics such as the capacity of entrepreneurship, the ability to adapt to fast changing processes, activity of civil society and regional institutions, social solidarity, social-cultural values, the education level of the residents, and the ratio of the qualified labor force. In this context, less developed regions are the regions which failed to provide acceptable standards of life for their citizens (Leven, 1985; Gezici, 1998; Chatterji, 1988; Hansen, 1995; Murray, 1992; Illeris, 1993; Thirwall, 1989; Nijkamp and Van den Bergh, 1990).

In the post-war period, countries focused on national development which did not consider spatial distribution of welfare. Inequalities were thought to be necessary for achieving economic growth. Capital was limited, so it had to be disturbed in the most efficient way for attracting investments. Initial comparative advantages of regions are natural resources, socio-economical development levels, physical infrastructure, distance from the market area and the socio-political process of the regions that have shaped the locational choices of market powers and the national developmental policies. At the end of this process, advantaged regions developed by attracting not only capital but workers as well. Economic activities increased within the developed region; while the less developed regions's population, workforce, and potential for attracting investments declined (Cooper et.al 1989; Myrdal, 1972; Isard, 1975; Amos, 1995; Atalık, 1990; Hansen, 1995; Suarez Villa and Cuadrado Roura, 1993; Balchin and Bull, 1987; Chatterji, 1988).

Problems appearing after 1970 were caused by an interruption of real development and inter regional disparity problem areas. It was realised that economic growth was inadequately described as development without decreasing vacancies and poverty. Increasing income distributed unequally throughout the country was another problem. Excessive population in the developed regions caused environmental problems. Less developed regions became aware that their situation was exploited by more developed regions. National development policies started to be criticised. Development policies depending on the central government's technology and capital transfer to regions were not correct policies. It was understood that, the new development concept was a process which gave importance, power, and resources to regional and local communities. The interrelations, influences and administrative functions between regional and local units must run through the policies generated in this regional concept. In this context, less developed regions in a country have resources that have potential for development. During long periods of time, goods, services and information can be generated and new activities can be formed so development can be achieved by national public investments in infrastructure (Murray, 1992; Stöhr, 1987; Freidmann, 1973; Glasson, 1974; Amos, 1995).

A healthy economy is defined as a multi-dimensional economy which does not rely on only one sector (Burkart and Medlik, 1981). The tourism sector is an important tool for regional economical development by the “Multiplier Effect”. This effect vitalizes the tourism sector by generating employment and income and also by indirectly revitalizing other related sectors in the region (De Kadt, 1979; Burkart and Medlik, 1981; Archer, 1982; Henderson, 1976; Williams and Shaw, 1995).

Less developed regions are very suitable to develop tourism in three ways. First, since tourists prefer to stay away from crowded and industrialized places, peripheral and less developed regions, with their quiet and protected natural areas, have great potential for tourism development (Williams and Shaw, 1995; Pearce, 1992). Second, modern tourists are seeking local and unique tourism products. Third, tourism is harmonious with the concept that combines development with regional and local potentials and resources. Tourism develops better with local participation and is dependent on local resources and on peculiar local traditions (Williams and Shaw, 1995; Gezici, 1998; Eadington and Redman, 1991; OECD, 1994; Urry, 1987).

It is not possible for tourism to be the main development tool for all less developed regions. Every region must evaluate itself for factors needed for tourism development (Gezici, 1998). Developing tourism in a region depends on the following:: The quality of services and infrastructure owned, diversity of natural and cultural resources, safety, qualified labor force, financially secure, respect on the native culture and traditions, participation level of the residents into decision processes about tourism development, entrepreneurial culture of the residents on tourism development, institutional capacities and promotion facilities (Gezici, 1998; WTO, 1993; Cooke, 1982; Ashworth, 1994; Murphy, 1985; Inskeep, 1991; Cater and Goodbal, 1992).

The British, French, American and many other policy examples are proving the potential of the tourism sector as a tool of socio-economical development for the less developed regions, when realized within a successful planning process and method (Nijkamp and Bergh, 1990; OECD, 1994; Inskeep, 1993; Gezici, 1998).

## **ANALYSIS ON TURKEY**

There are socio economical disparities between urban and rural, between east and west, between Marmara, Aegean, Mediterranean regions and Northsea, South East Anatolia, East Anatolia regions in Turkey and also heterogenous characters inside their regions (State Planning Organization, 2003; Çakmak, 2006) (Figure 1).

The reasons of interregional socio economic disparities in Turkey can be explained in many ways. First, by giving reference to the disadvantaged conditions of the east regions such as being far away from the market, as well as cold terrestrial climate conditions with mountainous land, and there is high employment in agriculture sector where also wrong agriculture policies are used. Secondly, there are numerous disorderly rural settlements. Thirdly there are weak potentials in terms of all sectors; weak natural resources and lack of cooperating sectors. Finally, the structural transformation in national economy with liberalism efforts, central governmental system has not able to reach economic, social and political desantralization for regional development (OECD, 1988; Menteş, 2006; DPT, 2003; Bilen, 2002; Çakmak, 2006; Eraydın, 2006).

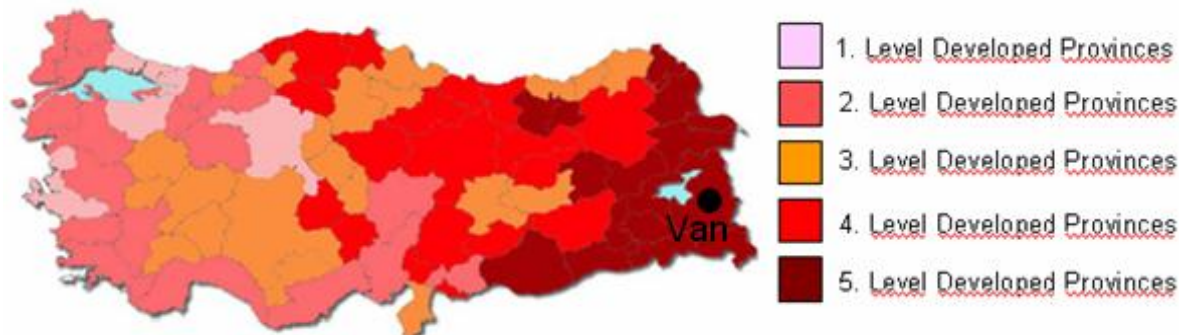
Regional disparities bring forth generally two main problem areas. These problems are metropolitan area problems caused by extreme growth and less developed regions. Problems of the less developed regions in Turkey are; losing of qualified laborforce and entrepreneur population caused by migration to the developed regions, decrease in the socio economical development indicators like income level, employment, education level, social services, physical infrastructure, economical dullnes, low entrepreneurial capacities, not being able to take share from the national industrial and commercial growth and not being able to attract investments (Menteş, 2006; DPT, 2003; Bilen, 2002; Çakmak, 2006).

The principle of “balanced distribution of the national development among the regions” was always in the national development policies, especially starting from the planned period. Turkey couldn’t reach a success story on regional planning (Tekeli,2006; Bilen, 2002; DPT, 2003; Çakmak, 2006). The main reasons discussed about the failure of the policy were; deficiencies of implementation and reexamination of the plans, focusing on investments, incentives polices instead of activating local potentials, central government and local authorities who did not internalized the local problems, the plan did not focus on developing local capacities and did not emphasize on human capital or on social structure (Bilen, 2002; Menteş, 2006; Tekeli 2006; Çakmak, 2006; Eraydın, 2006).

Tourism sector, from the first Five Year Development Plan period between the years of 1963-1967 till the end of the seventh plan period between the years of 1996-2000, always dealt with its contribution to the national economical growth and focused on the development of coastal mass tourism as priority regions with high tourism potentials in Aegea, Mediterrean and Marmara regions (Figure, 2). The eighth Five Year Development Plan between the years 2001-2006 was a breaking point in terms of the focus of the national tourism policies,

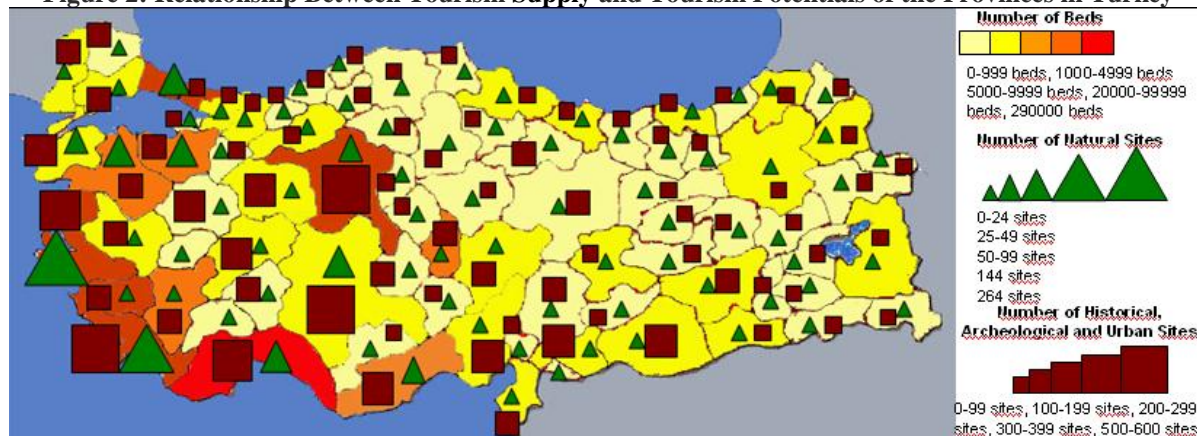
with stressing the role of tourism sector on providing socio economical development of the less developed regions in the country. The last development plan of Turkey for the years 2007-2013 is still continuing the same principle of the previous plan, with the policy of developing the less developed regions with alternative tourism types by activating the regional tourism potentials (State Planning Organization, Five Years Development Plans, 1963-2007).

**Figure 1: Regional Disparities in Turkey**



Source: State Planning Organization, 2003

**Figure 2: Relationship Between Tourism Supply and Tourism Potentials of the Provinces in Turkey**



Source: Municipality of Culture and Tourism, 2009; Turkey Statistics Institute, 2008.

Not only Five Year Development Plans, but also other plans prepared by central organizations and ministries, are focusing on the role of tourism on regional development, like “The Main Plan of East Anatolia Project” prepared by State Planning Organization in 2000, “Eastern Anatolia Development Programme, Regional Tourism Development Strategy” prepared by State Planning Organization in 2006 and “Turkey Tourism Strategy and Action Plan 2023” prepared by the Ministry of Culture and Tourism in 2007.

The investments in the region have to be financially secure in order to develop tourism sector. When Turkey is examined in this perspective, the ratio of tourism sector public investments is in low amounts within 0,005 % of all sectoral public investments (State Planning Organization, 2010). Financial attractivenesses of the less developed regions are still weak when compared to the developed regions of Turkey (Table 1).

**Table 1: The Distribution of Public Tourism Investments and Tourism Investment Incentive Certificates According to Groups of Development of the Provinces in 2010**

Development Level of the Province	Total Public Tourism Investment in 2010 (.000 TL)	Number of Tourism Investment Incentive Certificates in 2010
1. Level Developed Provinces	8273	23
2. Level Developed Provinces	61053	15
3. Level Developed Provinces	12307	2
4. Level Developed Provinces	13561	0
5. Level Developed Provinces	3070	0

Source: State Planning Organization, 2010 and Prime Ministry Undersecretariat of Treasury, 2010

## THE CASE STUDY OF VAN PROVINCE

The aim of this case study is, to investigate the strengths and weaknesses of a less developed region on tourism development. There are two reasons of choosing Van province as a case study. First one is, taking place in the most less developed NUTS 2 region of Turkey. Second is, being a currently tourism development area. The method of this case study consists of four steps. First step, provides the main characteristics and socio economic development indicators of Van (Table 2). Second step defines the recent characteristics and potentials of tourism in Van. Third step investigates the national policies and plans in terms of the impacts of tourism on regional development in Van. Fourth step, presents the results of the questionnaire applied on seventeen experts, with the aim of presenting the relationship between tourism potentials and regional development, obstacles and opportunities for future of Van.

Van province is located in the east of Turkey, on Iran border (Figure 1). It is one of the four provinces of TRB2 Van NUTS 2 region with the provinces of Hakkari, Bitlis and Muş. TRB2 NUTS 2 region is the most less developed one in Turkey (State Planning Organization, 2003). Socio economic development indicators of Van province prove its lagging position comparison to the rest of Turkey (Table 2).

**Table 2: Socio Economic Development Indicators of Van Province**

Indicator	Year	Van	Turkey	Order in 81
Rank of Socio Economical Development	2003	75	81	75
Total Population Size (Number)	2000	877524	67803927	23
Average Household Size (Number)	2000	7,53	4,5	8
Employment in Agriculture Sector (%)	2000	67,17	48,38	25
The Ratio of Women Working Salaried to Total Population (%)	2000	2,14	8,81	73
Literal Population (%)	2000	68,5	87,3	78
The Ratio of University Graduates to the All (%)	2000	4,94	8,42	69
Lycee Schooling Ratio (%)	2000-2001	11,8	36,92	80
Gross National Product per Capita (TL)	2000	695	1837	75
Ratio of Asphalt Roads in the Rural (%)	2000	24,28	45,23	67

**Source: State Planning Organization Official Web Site, Regional Indicators, 2000-2003**

Van is not one of the provinces having high tourism potentials in terms of amount but it has also unique tourism potentials (Figure 2). Civilization in Van region starts from BC 4000 from Huri, Urartu, Pers, Macedonia kingdoms to Romans, Bizantians, Armenians, Russians, Ottomans and finally in the Republic of Turkey. The mosques, castles, graves, tombs, houses, bazaars, caravansaries and churches remained and 36.739 numbers of archaeological and ethnographical coins, tablets, seals, prints and hand manuscripts remained are reflecting the history of Van. There are recently 36 archaeological sites, 1 historical sites and 119 registered cultural assets in Van province (Turkey Statistics Institute, Cultural Statistics, 2008). Iranian pilgrimage trails targeting Syria and Christian trails targeting Akdamar Church are the two routes of religious tourism passing through Van province (Eastern Anatolia Development Plan, 2006). Local gastronomy settings are traditional breakfast tables and local foods selections, traditional hand made carpets and traditional hand made Savat silver ornaments are among the socio cultural heritages of the region that can be served as a part of tourism product. Natural attractivenesses in Van are in the mountainous land also Van lake by being the biggest lake of Turkey that has four islands inside and the plains. Van province's natural heritage areas are proved to have international importance in terms of sensitiveness and uniqueness by the criters of Key Biodiversity Areas, Conservation International, Bird Life International and Plant Life. The important natural areas in Van are where plants, butterflies, birds and fishes are populated. There are recently 3 natural assets and 7 natural sites in Van province (Turkey Statistics Institute, Cultural Statistics, 2008).

Tourists are coming to Van with the aim of cultural tourism. In the last two years, increased commerce affected the number of tourists incoming. In addition to this, Akdamar Island is started to affect the religious tourism with the ceremony made in 2010 (Results of the Expert Questinary, 2011). Despite presenting unique touristical attractions, tourism in Van is not developed yet when compared to Turkey (Table 3), but showing a positive trend in terms of number of tourists incoming till 2006 (Table 4).

National plans and policies focusing on the tourism and regional development of the less developed regions presented in the second part are also embracing Van province. The affective tourism types of these plans include cultural tourism, thermal tourism, winter tourism, eco tourism, sports tourism, lake tourism, religious tourism, business tourism, coastal tourism, yatch tourism and golf tourism. Financial supports for tourism are weak for in 2000-2010 period. Van did not have any tourism investment incentives. However, there have been totally 2

public tourism investments; one in 2005 and one in 2009 (Table 4) (State Planning Organization, 2010; Prime Ministry Undersecretariat of Treasury, 2010).

**Table 3: Tourism Indicators of Van Province Compare to the National Indicators**

2009	Total No of Tourists Incoming	No of Domestic Tourists Incoming	No of Foreign Tourists Incoming	No of Tourism Licenced Accom. Estab.	No of Municipality Licenced Accom. Estab.	No of Beds in Tourism Licenced Accom. Estab.	No of Beds in Municipality Lic. Accom. Estab.
Van	279.358	263.180	16.178	10	25	1.088	1.598
Turkey	45.065.161	25.760.739	19.304.422	3.379	7.115	608.765	633.745

Source: Turkey Municipality of Culture and Tourism, Tourism Statistics, 2009

**Table 4: Tourism Trends in Van and Turkey Between 2002-2009**

	2002	2003	2004	2005	2006	2007	2008	2009
Van	212.598	182.340	199.290	170.278	230.345	282.789	251.177	279.358
Turkey	29.494.579	27.387.887	31.476.115	34.569.092	33.756.204	43.775.362	40.518.018	45.065.161

Source: Turkey Municipality of Culture and Tourism, Tourism Statistics, 2009

A questionnaire is prepared to evaluate the relationship between proposed tourism types of national plans and the choices of experts. Therefore we asked the questions in order to evaluate the disadvantages of the region for tourism development, potentials and recent features of tourism sector, impacts of national tourism policies on region and the expectations from tourism sector on providing regional socio economic development in Van. A five points likert scale is used where the number one represented the most inconclusive or negative opinion and the number five represented the most effectual or the most positive opinion. Arithmetic average of the total points for each question reflected to results (Table 5). Seventeen experts from local, regional and national scales were participated into the questionnaire as following: One planning expert from Eastern Anatolia Development Agency (DAKA), the public relations director of Van Province Culture and Tourism Directory, one regional planning expert and two tourism sector experts from the State Planning Organization, one academician from YTU who is a member of Conservation Committee of Van, two public relations directors from two hotels in Van province, five commissioners from Van's local tourism agents and tour operators and one from an airline company and three residents of Van as representatives of Tourism and Hotel Management. The results of the questionnaire are as follows:

**Table 5: Expert Questionary Results**

	1	2	3	4	5
<b>Appropriate Tourism Types for Van</b>					
Cultural Tourism					x
Ecotourism and Nature Sports				x	
Winter Tourism, Coastal Tourism and Yatch Tourism			x		
Golf Tourism	x				
<b>Problem Areas Related to Tourism Development in Van</b>					
Governmental Conflicts			x		
Government's Low Tourism Organization Capacity			x		
Safety Problems or Bias on Terror			x		
Non-entrepreneur rezidents,			x		
Resident's Negative Attitudes Towards Tourists			x		
Lack of Skilled Laborforce				x	
Fast and Uncontrolled Urbanization in the Center				x	
<b>Van's Touristical Infrastructure Conditions</b>					
Accommodation Establishments			x		
Local transportation (Accessibilities of Touristical Attractions in Rural)			x		
Travelling Agencies and Promotional Activities			x		
Catering (Resaturants, bars)		x			
<b>Tangible Effects of National Tourism Policies on Tourism Development</b>					
Effects of National Tourism Plans and Policies				x	
Effects of Public Tourism Investments and Investment Incentives		x			
Expected Effects of Tourism on Regional Socio Economic Development				x	

Source: Case Study on Van Province, 2011

## CONCLUSION

Less developed regions have some disadvantages in terms of development. As a result of the case study, these disadvantages can be defined as safety problems, lack of qualified laborforce and lack of entrepreneurship. This shows the difficult and multi dimensional structure of the regional planning process. Because of this, regional development policies can not be copied from one region to another. It is clear that public investments and incentives are still very low in this region, and there has been no injection to the regional development. It is also important to provide the participation of the residents into planning processes, increasing their entrepreneur capacities to benefit from tourism development, providing connection between national and regional government and to suggest the suitable tourism types for the region according to their potentials. As conclusion, it would be better not to put very high expectations on tourism for regional development in a less-developed regions. However, it will be very beneficial to study the methods of realizing the dynamics of region in order to make disadvantages to the advantages for regional development.

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# UNTAPPED AND ILL PLANNED DOMESTIC TOURISM MARKET – VIEWS FROM DOMESTIC TOURISTS: THE CASE OF IRAN

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## ABSTRACT

The market for domestic tourism in Iran, despite its potentials, has been downplayed and the true value of this activity remains underutilized. This study is an attempt to explore the problems/bottlenecks associated with the lagging domestic tourism sector which is based on a survey of traveler's perception. Study has revealed that the supply-side components constituting the functioning system of tourism (i.e., attractions, transportation, promotion, information, and services) are devoid of the required planning that relates to the domestic market trend, as well as, with regard to the multiplicity of spatial characteristics of different regions/destinations.

**Key Words:** Domestic Tourism; Domestic Market; Economic Development; Domestic tourists; Iran.

## INTRODUCTION

Iran has experienced numerous turns and twists when it was engulfed in the upheavals of the 1970s (i.e., post-revolution) and 1980s (i.e., war with Iraq). Obviously, both decades of revolutionary transition at first from monarchy to Islamic Republic and then the subsequent war with Iraq, were not particularly conducive to tourism development. However, a gradual calm returned to the country by late 1990s. Demographic change accompanied by an increase in transportation mainly car ownership- allowed for a greater mobility of the population. The consequences of these developments have been an increase in both domestic and outbound tourism.

## CONCEPTUALIZATION

Despite domestic tourism's role in socioeconomic, as well as infrastructural development of the destinations, it has not received sufficient attention in terms of research and analysis. In the case of Iran, a spontaneous surge in domestic tourism was witnessed as the dust from the turmoil associated with revolutionary fervor began to settle. This study attempts to draw a clear picture of Iran's domestic tourism by examining the perception acquired by domestic tourists in relation to overall limitations, policies, facilities, and concerns regarding domestic tourism. Following questions are considered: What is the attitude of the domestic tourists in relation to the quality of the supply? What are the main deficiencies in domestic tourism regarding supply/development? To what extent does domestic tourism supply fulfill the desires of the market/demand?

## IRAN-COUNTRY PROFILE

With an area of about 1,648,000 km<sup>2</sup> (636,000 sq. mi), Iran ranks sixteenth in size among the countries of the world. Iran is about one-fifth the size of the continental United States, or slightly larger than the combined area of the western of America, which includes Arizona, California, Oregon, Washington, Nevada, and Idaho. ([http://en.wikipedia.org/wiki/Geography\\_of\\_Iran](http://en.wikipedia.org/wiki/Geography_of_Iran) with a population of over 70,472,846 million, and rapidly growing, 60% of the population lives in urban areas and the rest reside in scattered villages in rural areas. The median age of population is 27. The profile of the country can be described as dualistic in character, that is of rural and urban systems whereby urban regions have received privileges in terms of allocation of resources— a condition known as 'backwash' that biases against rural development (Bezemer and Headey, 2008) . This has produced an inter-regional and intraregional challenge in the form of imbalances symptomatic of mal-development loop (Burns, 1999). . Unfortunately, the political economy of Iran is straight-jacketed with unemployment running in double digits (12%), and an inflation rate of 17%, and with the level of the population below the poverty line at 18%, as well as, a restricted and hindered private sector (Illias, 2010).

## TOURISM IN IRAN

The statistics on tourism regarding movement in Iran is extremely scant and unreliable. It is also a fruitless effort to look for data before the Islamic Revolution of 1979. However, being an ancient culture with a long history, Iran has always attracted progressive travelers interested in studying and exploring the ancient land and its people (O'Gorman et al, 2007). Nonetheless, prior to the downfall of Pahlavi dynasty and the onset of

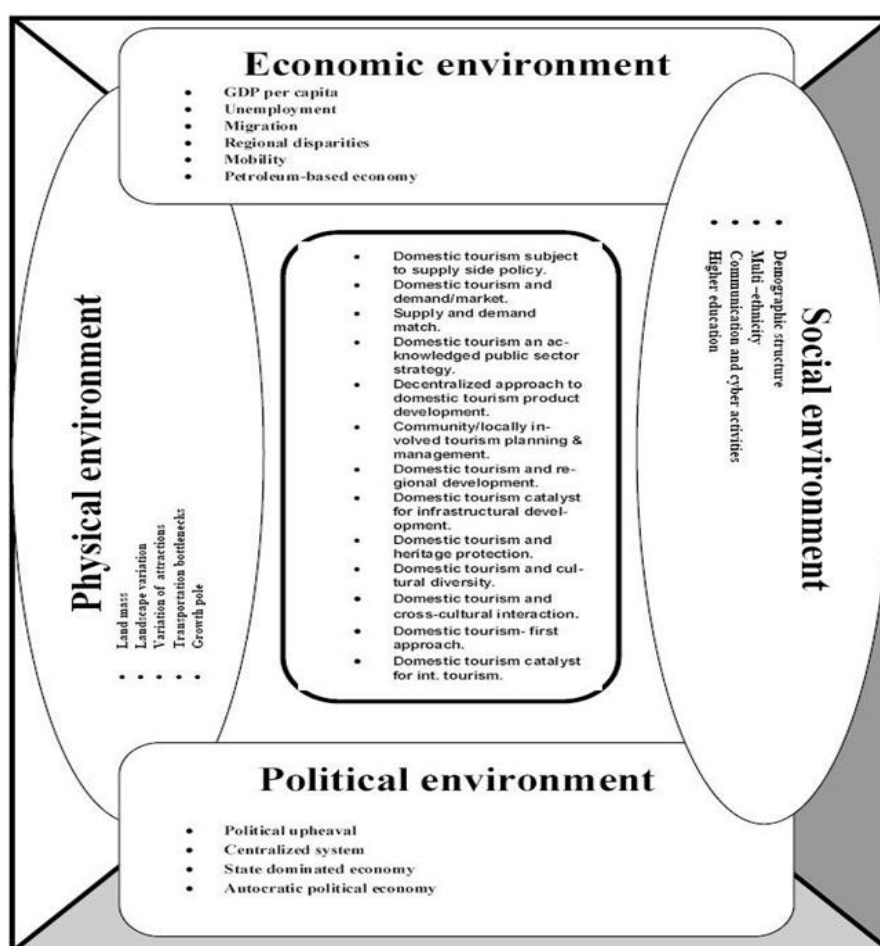


Islamic revolution, Iran's national tourism organization was established to pave the way for the institutionalization of the tourism sector, but the process of tourism development came to halt after the 1979 revolution. At present, international tourism is meager, but domestic tourism has risen by a significant amount. The assumption is that domestic tourism has not registered on the radar of policy makers as a dynamic and lucrative activity. Policy makers have failed to establish a clear strategy in terms of marketing and planning for this sector.

### THE HYPOTHETICAL MODEL

The hypothesis for guiding study model consists of the following main dimensions –social, political, economic, and physical elements as the main pillars of a domestic tourism system (see figure 1). Domestic tourism development in Iran is, and will be, the byproduct of the function of these dimensions in terms of their institutional behavior / involvement in the process, as well as, planning of this sector. In a comprehensive domestic tourism system the planning of each of these dimensions will have a certain degree of input towards the involvement, development, and consolidation (Butler, 1980) of this sector in terms of clear policies and agreed upon strategies. The emphasis is upon the supply side (development) and potential demand/market, which if properly matched then a highly lucrative domestic tourism system can possibly be in place (Gunn and Var, 2002).

**Figure 1.**  
**Hypothetical Model.**



### STUDY METHOD

Five hundred (500) questionnaires were administered of which 400 were distributed in various travel agencies in Tehran (the capital city), and 100 questionnaires were filled out in Chalooos (a popular resort in the Caspian Sea), by respondents from various hotels. A total of 483 survey questionnaires were collected and analyzed; 17 questionnaires were omitted from the survey due to lack of clarity and erroneous responses. Thirty three (33) questions were assessed based on the Likert scale –essentially a multiple indicator – on a 5-point scale ranging from ‘totally agree, agree, I have no idea (neutrality), disagree, and totally disagree’ (totally agree=1, agree=2, I

have no idea=3, disagree=4, and totally disagree=5). Five other questions were categorized differently as they could not be assessed based on Likert scale. One of these questions queried the pattern of travel (i.e., how often). Another question was asked to specify tourists' satisfaction with the facilities and accommodations (i.e., based on YES or No answer). One question was concerned with the duration of the trip while another question was asked to specify which season was most preferred to travel. Another question was asked to indicate the availability and accessibility of information prior to the trip.

## DATA ANALYSIS

The responses to the questionnaires were analyzed using SPSS version 13.0 (Center Space: 2007). Descriptive/graphic statistics were obtained which illustrated the mean, frequency and standard deviation. The results that were subjected to Likert scale measurement produced a bell shaped curve whereby the answers mainly clustered around the mean (value of Kurtosis/Skewness are also in line with the results). Over 50% of the respondents indicated 'totally agree' in response to the questions. Data analysis also revealed that the internal reliability of the indicators which made up the scale/index is consistent in meaning. The confident interval for the Cronbach's Alpha value is 0.95 percent, which is a validation of reliability coefficients. This is also obvious in relation to the standard deviation where an approximate bell shape curve was generated as the variation from the grand mean is minimal. Chi-Square test was extracted for the part 3 questionnaires which also included the level of significance. Regarding demographic dimensions, 4 questions were asked (age, gender, frequency of travel pattern, and education).

## FINDINGS

**Table 1.**  
**Descriptive statistics.**

Questions	Totally agree (t.a)	Frequency	Cumulative %	Agree (a)	Frequency	Cumulative %	Mean	St. D.
1	T.A	255	56.2	A	141	87.2	1.64	.888
2	T.A	268	55.7	A	190	95.2	1.51	.639
3	T.A	250	52.6	A	188	92.2	1.57	.691
4	T.A.	210	43.5	A	223	89.6	1.69	.722
5	T.A.	226	47.6	A	191	87.8	1.66	.724
6	T.A.	226	47.0	A	220	92.7	1.62	.673
7	T.A.	229	48.0	A	188	87.4	1.67	.763
8	T.A.	239	50.1	A	190	89.9	1.61	.709
9	T.A.	218	45.5	A	207	88.7	1.69	.763
10	T.A.	187	39.0	A	226	86.0	1.80	.797
11	T.A.	266	56.2	A	179	94.1	1.52	.695
12	T.A.	204	43.4	A	194	84.7	1.74	.768
13	T.A.	222	46.3	A	206	89.4	1.66	.700
14	T.A.	261	54.7	A	199	96.4	1.50	.600
15	T.A.	254	53.4	A	197	94.7	1.54	.672
16	T.A.	218	45.7	A	226	93.1	1.64	.692
17	Y.A.	242	50.6	A	208	94.1	1.58	.683
18	T.A.	253	53.4	A	192	93.9	1.54	.663
19	T.A.	222	46.0	A	221	91.7	1.65	.723
20	T.A.	267	55.4	A	185	93.8	1.53	.697
21	T.A.	278	57.8	A	183	95.8	1.49	.665
22	T.A.	283	59.2	A	169	94.6	1.49	.687
23	T.A.	208	43.3	A	239	93.1	1.66	.698
24	T.A.	190	39.8	A	207	83.2	1.80	.796
25	T.A.	233	48.4	A	195	89.0	1.67	.799
26	T.A.	184	38.3	A	249	90.0	1.73	.686
27	T.A.	147	30.7	A	242	81.2	1.94	.835
28	T.A.	198	41.9	A	232	91.1	1.68	.671
29	T.A.	194	40.7	A	245	92.0	1.70	.709
30	T.A.	186	39.1	A	240	89.5	1.74	.711
31	T.A.	186	39.2	A	236	88.8	1.74	.707
32	T.A.	184	38.6	A	185	77.4	1.95	.991
33	T.A.	222	46.4	A	199	88.1	1.69	.793

T.A. (totally agree). Frequency of the respondents to this option in the Likert scale.  
A.(agree). Frequency of the respondents to this option in the Likert scale.

The results indicate that if tourists have access to different modes of convenient transportation, the number of domestic tourists will increase. In relation to the purpose for traveling, this study revealed that traveling for the purpose of pilgrimage and business tends to be of low priority in comparison to traveling for leisure and refreshment, as well as, sightseeing. Respondents preferred hotels and villas that are available for rent. The study revealed that such preferences are also attributed to a lack of alternative forms of accommodation. This situation is more acute outside major urban areas. There is also a preference for VRF (visiting relatives and families) as a traditional pattern of accommodation pattern in Iranian society. In response to the traveling cost, respondents acknowledged the high cost of traveling as an important issue. Regarding the impact of travel on well-beings, the respondents were highly positive. They believed traveling enhances social and psychological benefits because respondents strongly believed that domestic tourism is a catalyst for cross-cultural intercourse among different ethnicities. Their views indicate that this can have positive national and political implications. Respondents also believed that domestic tourism generates great sympathy among Iranians to strive for better management and protection of heritage resources. However, regarding quality of accommodations and facilities respondents expressed their displeasure. The respondent's views on public sector's attitude regarding domestic tourism and its management were not positive as, they believed there is a complacent attitude towards overall organization and planning. On economic issues the respondents were highly positive, but the lack of information and access to information is another critical issue. For a complete statistical description, refer to tables 1 and 2. For a list of the questions, please see the appendix A.

**Table 2.**  
**Descriptive statistics.**

<b>QUESTION ON THE PATTERN OF TRAVEL /HOW OFTEN.</b>			
Annually	frequency	Cumulative %	
Once a year	109	26.1	
Twice a year	157	62.7	
Three times a year	80	81.4	
Four times a year	31	88.6	
Five times a year	35	96.7	
<b>QUESTION ON RESPONDENTS' SATISFACTION WITH THE FACILITIES THEY VISIT</b>			
response	frequency	Cumulative %	
no	327	69.4	
yes	144	100.0	
total	471		
<b>QUESTION ON THE DURATION OF THE TRIP.</b>			
response	frequency	Cumulative %	
Less than a week	107	22.5	
One week	167	57.7	
More than a week	127	84.4	
One month	46	94.1	
<b>SEASONALITY</b>			
response	frequency	Cumulative %	
spring	98	20.7	
autumn	30	27.0	
summer	261	82.1	
winter	21	86.5	
<b>QUESTION ON AVAILABILITY OF INFORMATION PRIOR TO THE TRIP</b>			
response	frequency	Cumulative %	
yes	74	15.7	
no	398	100.0	

## CONCLUSION

There is a tremendous potential for a highly dynamic domestic tourism sector in Iran. However, dissemination of information and the absence of a clear marketing policy are not in place. Even though pilgrimage tourism in Iran is highly popular, due to the religious orientation of the majority who are Muslim, plans to diversify the attractions and leisure activities is essential. As this survey revealed, people are willing to participate and consequently spend on recreation and tourism if the logistics are in place. For instance, accessibility is one of the major problems for the majority of people who do not have the opportunity to appropriate means of transportation for travel. This is reflected by inconvenience as expressed by the respondents in light of not having a private transportation system. The issue of transportation has been noticed by other scholars in different destinations (Wang, 2010). There is also a void in the area of education and training in tourism in general. Despite the slow development in this regard, the void is still large. The study also revealed that respondents recognize that domestic tourism is beneficial, not only economically, but also socially. Lack of sanitary resting areas and food outlets during journey was also another deficiency that negatively affected the demand market. However, respondents believe that domestic tourism can bring cross-cultural differences and

can enhance the degree of familiarity among people of diverse cultural and environmental value. Finally, despite the importance placed on domestic tourism (Seckelmann, 2002; Wang and Qu, 2004) and its contribution to developing countries, little research has examined the domestic tourists' perceptions, thus revealing a clear gap in the literature and providing much needed attention to the demand-side of domestic tourism development is greatly justified.

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## APPENDIX A. Survey questionnaire.

### Part 1.

- 1- Higher quality of the services in tourist facilities and accommodations will result in higher number of domestic tourists.
- 2-The historical resources are part of the heritage that attract domestic tourists.
- 3- Travelling in general leads to better social health.
- 4- Domestic tourism in Iran can contribute to local economy via promotion of handicraft production.
- 5- Domestic tourism can pave the way for the development of international tourism in Iran.
- 6- Domestic tourism can bring different ethnicities closer to each other, and enhance cross-cultural interaction.
- 7- Domestic tourism can lead to growth and expansion of local economies.
- 8- Domestic tourism can promote the protection and valuing heritage resources.
- 9- Facilities for domestic tourism in Iran are inadequate.
- 10- Domestic tourism can contribute to more interaction between different regions.
- 11- Domestic tourism can contribute to the cultural values and identity.
- 12- Domestic tourism in Iran has not managed properly.
- 13- Domestic tourism can have positive economic impact through job creation and mobility of capital.
- 14- Government has failed in promoting and management of domestic tourism sector.
- 15- Domestic tourism can help improve the national economy.
- 16- Domestic tourism leads to the expansion of cultural activities and artistic innovations.
- 17- Marketing domestic tourism has remained inadequate and lacks proper advertisement.
- 18- Domestic travelers are disappointed by the lack of adequate rest areas and facilities during their journey.
- 19- Domestic tourism needs better tour guides and trained human resources.
- 20- Domestic travelers are disappointed by the lack of hygiene in the food outlets during their journey.
- 21- Availability and accessibility to comfortable transportation is essential for a successful domestic tourism development.
- 22- Transportation terminals and related facilities are not managed properly and lack attractions.
- 23- Domestic tourism can alleviate the gap between rural and urban areas.
- 24- The major means of transportation to travel in Iran is ownership of private car.

- 25- Higher income will result in expansion of domestic tourism.
- 26- It is very safe to travel in Iran.
- 27- Domestic tourism lacks an organizational system by the government.
- 28- Domestic tourism can be an important industry in Iran because of landscape variation.
- 29- Domestic tourism is affected negatively because of inadequate air traveling means.
- 30- Domestic tourism organization in Iran does not understand the needs of the travelers.
- 31- Domestic tourists can be categorized to different segments based on their exceptions.
- 32- Traveling in Iran is more difficult than traveling to neighboring countries.
- 33- Domestic tourism can alleviate regional imbalances.

Part 2.

Demographic questions (age, education, gender, and frequency of travel pattern).

Part 3.

1. Pattern of travel/how often
2. Seasonality
3. Duration/length of stay
4. Access to information prior to the trip.
5. Satisfaction with the facilities.

# AN INVESTIGATION REGARDING THE MOTIVES FOR THE DEVELOPMENT OF ACCOMMODATION ESTABLISHMENTS – THE CASE OF ROMANIA

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## ABSTRACT

In the past decade, a rapid increase in the number of new hotels and other types of accommodation has been observed in Romania. However, the number of international and domestic tourists has not increased at a similar pace. Further, the number of studies concerning the major reasons for undertaking a hotel or an accommodation establishment project is limited. These reasons are important because they are connected to the main strategic objectives of the owner(s) and influence the success of future projects. The importance of these motives increases within the destinations that are not ranked as major or important, as in Romania's case.

**Key Words:** motives, accommodation, development, hospitality, Romania.

## INTRODUCTION

Within the decision making process of developing and operating a hotel/accommodation establishment one important factor is represented by the owner's motive/ motives on which the decision relies. In the long run, the motive or motives might have an important influence on the property management style and future strategy. Only one author, McDonough (2001, p.11), described clearly these motives and the present paper will investigate the list presented below; according to McDonough (2001) some of the major reasons for undertaking a hotel/ accommodation establishment project:

- to realize a return on the investment, such as that one which might be derived from a real estate investment trust (or REIT);
  - to establish a new hotel brand in a new location;
  - to rebrand an existing location from one operator to another by outright acquisition or merger;
  - to create a destination hotel in a new area;
  - to build as part of a large development deal (e.g. a hotel attached to a sports complex or a convention center);
- or
- to have a trophy or a vanity property..

While the Romanian hospitality industry has not yet reached a complexity level that would involve the presence of REITs, the aspects of hotels or other accommodation establishments being real estate investments were not ignored by the Romanian business people. As it follows, all the motives listed by McDonough were taken into consideration throughout the present research.

## ROMANIA'S POSITION AS A TOURIST DESTINATION

Using the UNWTO data for international tourist arrivals and for travel expenditures, among its neighboring countries Romania ranks on the last place (except for 1995), as the following table reveals:

Table 1

Romania as an International Tourist Destination						
International Arrivals (thousands)						
Country	1995	2000	2005	2007	2008	2009
Bulgaria	3,466	2,785	4,837	5,151	5,780	n/a
Croatia	1,485	5,831	8,467	9,307	9,415	9,335
Czech Rep	3,381	4,773	6,336	6,680	6,649	6,081
Hungary	2,878	2,992	9,979	8,638	8,814	n/a
Poland	19,215	17,400	15,200	14,975	12,960	n/a
Romania	762	866	1,430	1,551	1,466	n/a
Slovakia	903	1,053	1,515	1,685	1,767	n/a
Slovenia	732	1,090	1,555	1,751	1,771	n/a
Travel Expenditure in the Country (million USD)						
Country	1995	2000	2005	2007	2008	2009
Bulgaria	473	1,074	2,412	3,130	3,804	4,273
Croatia	1,349	2,758	7,370	9,233	11,267	9,205
Czech Rep	2,880	2,973	4,676	6,637	7,719	7,396
Hungary	2,928	3,733	4,120	4,739	6,033	n/a
Poland	6,614	5,677	6,274	10,599	11,771	9,853
Romania	590	335	1,052	1,060	1,192	1,671
Slovakia	623	433	1,210	2,026	2,584	n/a
Slovenia	1,084	961	1,795	2,218	3,074	2,746

Source: UN Data.

Another source of data that indicate a poor position for Romania is the *World Economic Forum* through its "Travel and Tourism Competitiveness Index". According to these figures, Romania ranks again on the last position among the neighboring countries which (also) are its direct competitors in attracting tourists (Table 2):

Table 2  
Romania's Competitiveness as a Tourist Destination

Country	2007	2008	2009
	Rank out of 124 countries	Rank out of 130 countries	Rank out of 133 countries
Bulgaria	54	43	50
Croatia	38	34	34
Czech Rep.	35	30	26
Hungary	40	33	38
Poland	63	56	58
Romania	76	69	66
Slovakia	37	38	46
Slovenia	44	36	35

Source: *World Economic Forum*.

## AN OVERVIEW OF THE ACCOMMODATION ESTABLISHMENTS' DEVELOPMENT IN ROMANIA

Data offered by the NIS (National Institute for Statistics, Romania) allowed tracing back the evolution of the Romanian hotel industry only to 1970. Table 3 below presents the most important (as number) accommodation establishments and the bed supply concentrated by the respective accommodations.

Table 3  
Development of Romania's Lodging Facilities

Year	Number of Accommodations				Bed Supply in Accommodations			
	Hotels	Villas and Bungalows	Tourist Pensions	Total <sup>1</sup>	Hotels	Villas and Bungalows	Tourist Pensions	Total
1970	497	1,309	n/a	2,385	85511	48,953	n/a	248,434

<sup>1</sup> The *Total* includes all of the other types of accommodations recognized by the regulations and registered by NIS.

Year	Number of Accommodations				Bed Supply in Accommodations			
	Hotels	Villas and Bungalows	Tourist Pensions	Total <sup>1</sup>	Hotels	Villas and Bungalows	Tourist Pensions	Total
1980	707	1,531	n/a	3,190	146,531	47,491	n/a	404,432
1985	784	1,464	n/a	3,330	161,497	48,287	n/a	410,575
1990	830	1,551	n/a	3,213	167,979	46,757	n/a	353,236
1995	813	1,324	128	2,905	163,828	30,616	1,117	289,539
2000	812	1,066	601	3,121	157,848	24,351	6,741	280,005
2005	993	1,021	1,553	4,226	164,102	20,120	22,061	283,194
2006	1,066	1,040	1,961	4,710	167,771	20,703	27,097	287,158
2007	1,081	974	2,028	4,694	168,857	19,974	28,877	283,701
2008	1,111	1,026	2,131	4,840	175,573	19,945	31,444	294,210
2009	1,170	1,012	2,290	5,095	179,479	20,325	36,436	303,486

Source: NIS (2000-2009).

As the data in the above table indicate, the Romanian accommodation sector is dominated by hotels, which represent (in average for the considered period): 23.65 % of the total lodgings and 50.58 % of total bed supply. While beginning with 2005 the combined number of pensions (urban and rural) overpasses the hotels in number, they concentrate slightly over 10 % of the total bed supply starting with 2006.

The distribution of the Romanian lodgings is still under the influence of development decisions taken during the communist regime which concentrated its efforts mainly towards the Romanian (Black Sea) littoral and spa resorts all over the country. The Romanian seaside concentrates 41.69 % of the total bed supply and the spa resorts account for 15.28 % (average figures for the period 1993 to 2009). Due to the accommodation developments that were registered starting with 2004-2005, the Romanian county residences<sup>2</sup> grew in importance and concentrate 16.83 % (average for the period 1993 to 2009) of the accommodation capacity at domestic level. This situation is in a total discrepancy with the tourist arrivals registered by the same destinations: the Romanian littoral attracted only 13.18 % of total tourists, the spa resorts only 11.52 %, while county residences attracted 46.76 % (average figures for the 1993-2009 time span). When only foreign tourists are taken into consideration, their preference for county residences (71.98 % chose this destination category) is obvious.

Ever since 1993, the Romanian lodgings have used a star classification system from 1 star (the lowest) to 5 stars (for luxury properties). The lodgings classified at 1 and 2 stars cumulate 64.31 % of the total bed supply – a situation due to the past communist decisions which were favorable to budget accommodations (mainly hotels) affordable for and encouraging domestic mass tourism. Most of those hotels remained at the same level for various reasons. Between 1993 and 2009, the number of mid-segment lodgings (3 stars) grew 6.5 times and the bed supply increased 2.32 times. The upper-class segment (4 and 5 stars) grew 5.8 times (in number) and 11.1 times (in bed capacity) during the same period. The preference for mid-segment and upper-class segment lodgings became obvious during the past 5 to 6 years when 1 star and 2 star accommodations became almost insignificant (both in number and bed supply) in the most important 5 Romanian cities.

The occupancy rate and the average length of stay are presented in table 4 below. As it can be observed, the occupancy rate does not overpass 50 % in any destinations (Table 4). Detailed data show a downward general trend for both indicators.

Table 4  
Average Occupancy Rate and Average Length of stay by Destinations

Destination	Average Occupancy Rate	Average Length of Stay (Days)
County residences (city of Tulcea excluded)	33.7 %	1.9
Littoral (Constanta county – Constanta city excluded)	46.0 %	6.1
Spa resorts	48.0 %	8.0
Mountain resorts	27.2 %	2.7
Danube Delta (city of Tulcea included)	23.9 %	2.1
Other destinations	22.8 %	2.3
Romania's level (entire country)	36.1 %	3.3

Source: authors' calculation based on NIS data, average values for 1994 to 2009.

<sup>2</sup> County residences are the main cities in each county; they host the administrative bodies of each county are found.



## MATERIAL AND METHOD

In order to investigate the reasons that motivate Romanian business people to develop or to buy accommodation establishments, the indirect method of observation was chosen. The information reported in the media (in this case *Capital Top 300* ranking the richest Romanian people for the years 2007, 2008 and 2009) was crossed with the information available in the official database for Romanian accommodation establishments. It was considered that the attitude of the richest people in Romania is mimicked by other people that consider themselves interested in owning and/or developing various businesses. The information was crossed and completed (where necessary) with the data available in the official data base offered by the Ministry of Regional Development and Tourism (<http://www.mdr.ro/index.php?p=4401>).

## FINDINGS

Based on the above mentioned sources, 58 positions<sup>3</sup> were identified to own hotels and/or other types of accommodation establishments in their business portfolios. Further 18 positions were identified as expressing the intention to develop/build hotels inside real estate projects they are currently developing. These positions were not included in the current research. From these 58 positions, 2 were excluded from the further analysis because they represented only minority positions (less than 20%) in companies that own and operate hotels. Only 2 positions, representing 3.57 % of the remaining 56, are dedicated exclusively to hotel/ accommodation establishment ownership combined with their operation; it is the case of Mr. Goshy who controls *Unita Tourism Holding SA* and Mr. Enache who controls *Continental Hotels SA*. The remaining 54 positions (96.43 %) own hotels inside their portfolios apart from other businesses.

For 45 positions (83.33 %) the real estate business was mentioned among other businesses in their portfolio; (situation that enhances the idea that hotels/accommodation establishments became opportunistic investments rather than dedicated ones).

From the remaining 56 positions, 6 were eliminated since their hotels could not be identified, and further 2 positions were also excluded because of their cross partnership (for further details, please see Pop & Coroş, 2011). Finally, 48 positions could be further included in the analysis. Of these 48, 23 positions (47.91%) own just one accommodation establishment; 5 positions (10.42%) own more than 10 accommodation establishments; the remaining positions own between 2 and 10 accommodations. These 48 positions cumulate a number of 192 accommodation establishments, with a lodging capacity of 17,042 rooms and 33,821 bed capacity (representing 3 % of the accommodation establishments, 12.00 % of the rooms, and 11.63 % of the bed supply at national level).

Of the 192 identified establishments, 121 (63.02 %) were hotels, while another 52 (27.08 %) were villas. The 121 hotels concentrate a number of 15,791 rooms (92.66 % of the lodging capacity of the 192 establishments) and 31,151 bed capacity (92.11 % of the bed capacity of the 192 establishments), while the villas cumulate only 584 rooms (3.43 %) and 1,222 bed capacity (3.61 %). At national level they represent 9.26 % of the total hotels and 17.60 % of the hotel rooms and bed supply. Of the 121 hotels possessed by the 48 positions, 13 (10.74 %) are branded hotels, concentrating 2,195 rooms (13.90 % of the owned hotels) and 4,327 bed capacity (13.89 % of the owned bed supply); the brands with the highest representation are: *Golden Tulip* and *Ibis (Accor)*. It should also be added that 54 establishments (28.12 %) are located in county residences (Bucharest included), concentrating 5,772 rooms (33.87 %), and respectively 11,367 bed capacity (33.61 %).

Of the 35 positions owning 2 or more accommodation establishments, 13 located their lodgings in the same county, frequently in the same city or town and 2 located them in neighboring counties. Usually, the location of the hotel properties is selected to correspond to the headquarters of the most important companies owned by the person/persons in the respective position. This situation reveals the lack of diversification in terms of location selection, and the occupancy rate being under the influence of the respective region's seasonality. The star ratings of the accommodations owned by the 48 positions reveals a concentration of 3 and 4 star accommodations (53.14 % of total accommodations) and 3 and 4 star hotels represents 51.59 % of total hotels; however, 2 star accommodations have an important share in the portfolio of 38.22%. In the case of hotels this rate is higher: 41.16 %. This concentration can be explained by an important wave of privatizations that took place in the lodging sector during the years of 2000.

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<sup>3</sup> For the present study the positions were considered and not the people, because some of these positions are held by business partners or families.

Further, the available data was evaluated on the basis of McDonough's (2001) classification of the motives for undertaking an accommodation business:

**Motive 1:** To realize a return on the investment.

**Findings:** As it was mentioned above, in Romania there do not yet exist REITs. In order to find out if the investment in accommodation establishments generated a positive or negative return, the research was limited to the 121 hotels. Behind these hotels we found 64 companies (all Romanian companies). Main portfolio of 44 companies out of 64 (68.75%) comprises hotel ownership and management, and 9 companies focus on other activities such as construction, petrol stations, selling of pharmaceutical products or cereal products etc. In other 11 cases hotel activities were a combination of other activities. A number of 29 companies own and operate only one hotel. According to the public financial data available on the website of the Romanian Ministry of Finances, 8 out of 44 companies declared profit for the entire analyzed period (1999-2009). The remaining 36 companies registered profit in 59.61% of the activity years. In average, 68.43% of the companies registered profit throughout 1999-2009. Due to the limited space of this paper, the focus was only on the existence of profit or loss and not on the amount registered. However, it is clear that at least the hotel dedicated companies registered profit in most of the cases, despite the effects of the crisis during 2008 and 2009. These findings were relatively unexpected, mainly for the years 2008 and 2009. Due to the fact that the large majority of the Romanian hotels always include at least one restaurant and/or bar, the positive return from the accommodation activity should be treated with care (it might be generated by the restaurant and/or bar rather than by the lodging activity) and with circumspection. The data regarding the positive returns are in discordance with the occupancy rate reported at national level.

**Motive 2:** To establish a new hotel brand in a new location

**Findings:** Only 5 cases have been identified: in Sibiu (*Continental-Forum Hotel*), three in Bucharest (*Phoenicia Hotel*, *Crowne Plaza*, and *Grand Hotel Continental*) and one in the Danube Delta (*Delta Nature Resort*). Given this limited number of cases, it becomes clear that the 48 positions under scrutiny are not (at least for now) trend setters in new hotel brands for Romania.

**Motive 3:** To rebrand an existing location from one operator to another by outright acquisition or by merger.

**Findings:** The following 5 cases were identified: *Athénée Palace Hilton* Bucharest, *Golden Tulip Mamaia*, *Hilton Sibiu*, 2 *Ibis* hotels (one in Bucharest and one in Constanta). While some may argue that a higher number of cases could be included here, most of the times no true rebranding took place and it was chosen not to include any other case among the findings.

**Motive 4:** To create a destination hotel in a new area

**Findings:** In this category the following 7 cases were identified: the former *Best Western Balvanyos Hotel* (currently *Grand Hotel Balvanyos*) developed in a mountain and spa resort; two *Ramada* hotels in Bucharest and one *Ramada* hotel in Sibiu; one *Ibis* hotel in Bucharest, and two *Golden Tulip* hotels, one in Sibiu and one in Cluj-Napoca. These accommodations became destination hotels mainly due to their affiliation to an international brand.

**Motive 5:** To build as part of a large development deal (e.g. a hotel attached to a sports complex or a convention center)

**Findings:** None of the positions under scrutiny undertook such a complex development project.

**Motive 6:** To have a trophy or a vanity property

**Findings:** The positions from *Top Capital 300* prefer to own hotels; the location of the owned properties shows a higher level of concentration in county residences (28.12 %) compared to 16.83 % at national level; if possible, the affiliation of the hotel at an international brand is sought (branded hotels represent 10.74 % for the positions under scrutiny); the 48 positions under scrutiny give preference to 3, 4 and 5 star accommodations (mainly in the case of hotels), owning these types of hotels above the average country level; in over 90 % of the cases, accommodations are owned as part of an existing group of companies and in over 70 % of the cases, inside the group a real estate business is mentioned.

## CONCLUSION

From all of these findings, it can be concluded that *the preference for having a trophy or a vanity property* is clearly highlighted for the 48 positions under analysis. In Romania, motives 1 and 6 seem to be the main reasons for developing an accommodation establishment (mainly a hotel). However, with the only exception of one position (Radu Enache) owning Continental Hotels SA which tries to create and segment brands for its hotels, no other position shows a clear strategy of improving lodging services under a domestic brand. In about 11% of the cases, international brand affiliation became the main strategy and it seems enough as long as the

accommodation establishment generates a profit (probably due to its restaurant and bar rather than the lodging activity) and can count as a trophy in various social circles. Having such an attitude towards the accommodation establishments under their control, it becomes difficult to foresee how the accommodation sector could support and improve Romania's image as an attractive tourist destination for domestic and foreign tourists alike.

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# ECONOMIC IMPACT OF TOURISM ON MALAYSIAN ECONOMIC GROWTH: AN INVESTIGATION USING BOUND TEST

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## ABSTRACT

This paper investigates causal relationship between tourism expansion and economic growth using ARDL cointegrating approach for annual data from 1974 to 2007. The results indicate that a long run relationship and addition unidirectional causality between two variables. Also these results show that the trade openness and exchange rate are Granger-caused economic growth. Thus, policies should be promote and increase international tourism demand and provide and foster the development of tourism supply so that the GDP can be increased resulting in a higher growth in Malaysia.

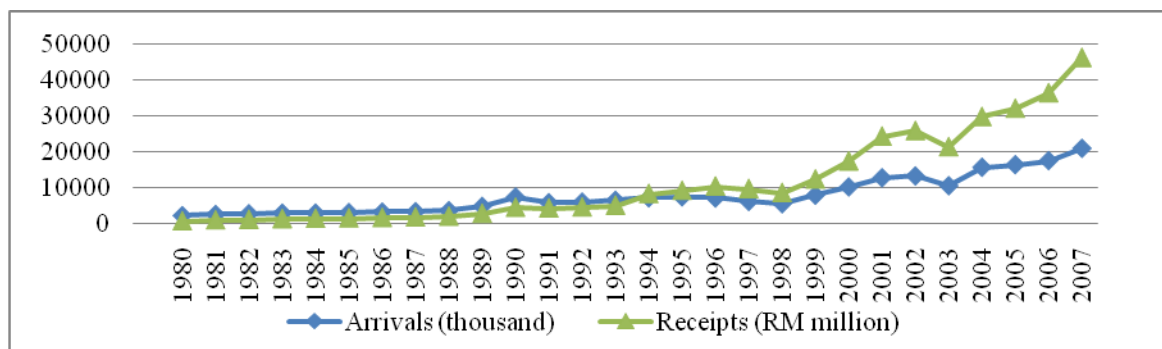
**Key Words:** Tourism Expansion, Economic Growth, Granger Causality, Malaysia.

## INTRODUCTION

The Malaysian government has serious attention to develop tourism industry after decrease in oil and the world economic recession in the middle of the 1980s. The Ministry of Culture, Arts and Tourism had established in 1987 and later upgraded it to the Ministry of Tourism in 2004. The government was also allocated amount of fund to tourism industry besides providing sufficient basic infrastructure. In 2006, tourism Malaysia received 30 percent more funding for advertising and other promotions in preparation for Visit Malaysia Year in 2007. The Malaysian government will spend RM 1.8 billion under the Ninth Malaysian Plan (2006–2010), on upgrading tourist destinations and infrastructure, as well as on marketing promotions in major source markets (Government Malaysia, 2006). Figure 1 shows the total tourist arrivals to Malaysia were 2.3 million and increased to about 21 million in 2007. In addition tourism receipts had increased from RM 0.7 billion in 1980 to RM 46.1 billion in 2007 at an annual average rate of 18.4 percent. The Gulf War in 1991, the Asian financial crisis in 1997, and the outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003 have negative affects on Malaysian tourism industry.

Figure 1

International Tourist Arrivals and Receipts in Malaysia, 1980-2007



## LITERATURE REVIEW

It is usually believed that tourism has contributed positively to economic growth as exports have strongly triggered economic expansion. The international trade theories are supportive of a positive relationship between export and economic growth (Thornton, 1997; Xu, 1996; Ahmed and Kwan, 1991). Some of the studies including Marin (1992) indicated that a unidirectional influence of exports growth on economic expansion in

developed countries such as United States, Japan, United Kingdom and Germany. Moreover, export promotion and economic growth have considerably reinforced each other in South American and African (Jin, 1995; Bahmani-Oskooee and Alse, 1993). In addition Kulendran and Wilson (2000) and Shan and Wilson (2001) found that a strong reciprocal relationship between international trade and international travel in Australia and China.

As in the export-led growth hypothesis, a tourism-led growth hypothesis would be based on the same arguments for which tourism would become one of the determinants of overall long-run economic growth, given the fact that tourism income from foreign tourists is export earnings for host countries. Theoretical models that regard a causal relationship between non-traded goods, such as tourism, and economic growth are a recent phenomenon (Kim et al., 2006). Table 1 shows that some researchers have demonstrated a Tourism-led growth hypothesis that supposes tourism to be a major factor of overall long-run economic growth (Lenza et al., 2003; Balaguer and Cantavella-Jorda, 2002; Brida et al., 2008; Zortuk Mahmut, 2009), and some of them indicated that the reciprocal causality relationship between tourism growth and economic development (Lee and Chang, 2007; Kim et al. 2006; Dritsakis, 2004; Durbarry, 2004). Acknowledgment of a causal relationship between international tourism and economic growth will have significant implications for the development of different tourism marketing and policy decisions.

Table 1  
Empirical Literature on Tourism and Economic Growth

Author(s)	Year	Empirical Method	Country	Causal relationship
Balaguer and Jorda	2002	ECM	Spanish	Tourism → growth
Brida et al.	2008	GCT	Mexican	Tourism → growth
Dritsakis	2004	ECM	Greece	Tourism ↔ growth
Durbarry	2004	ECM	Mauritius	Tourism ↔ growth
Kim et al.	2006	GCT	Taiwan	Tourism ↔ growth
Lanza et al.	2003	AIDS	13 OECD country	Tourism → growth
Lee and Chang	2007	Panel co-integration	55 OECD, Asia	Tourism → growth(OECD) Tourism ↔ growth(non OECD)
Oh	2005	GCT	Korea	growth → tourism
Zortuk Mahmut	2009	ECM	Turkey	Tourism → growth

Note: "Tourism → growth" denotes causality running from tourism development to economic growth. "Growth → tourism" denotes causality running from economic growth to tourism development. "Tourism ↔ growth" denotes bidirectional causality between tourism development and economic growth.

## MODEL SPECIFICATION AND DATA

This section identifies the autoregressive distributed lag (ARDL) model, or bounds testing approach (Pesaran et al., 2001), to examine the existence of long-run relationships between tourism and economic growth. Following Pesaran et al. (2001) we construct the vector autoregression (VAR) of order p, denoted VAR(p), for the following tourism-led growth function.

$$Z_t = \mu + \sum_{i=1}^p \beta_i Z_{t-i} + \varepsilon_t \quad (1)$$

where  $Z_t$  is the vector of both  $X_t$  and  $Y_t$ , where  $Y_t$  is the dependent variable defined as real GDP and  $X_t = [TOU_t, LF_t, GCF_t, ER_t, TO_t]$  is the vector matrix which represents a set of explanatory variables. The UECM procedures described above are important in the testing of at most one cointegrating vector between dependent variable  $y_t$  and a set of independents  $x_t$ . To derive our performed model, we have followed Case III, which are unrestricted intercepts and no trends. After imposing the restrictions  $\lambda_{xy} = 0$ ,  $a_0 \neq 0$  and  $a_1 = 0$ , our preferred equation for estimation now becomes as follows:

$$Dy_t = a_0 + \lambda_{yy} y_{t-1} + \lambda_{yx} x_{t-1} + \sum_{i=1}^{p-1} \gamma_i Dy_{t-i} + \sum_{i=0}^{p-1} \gamma_i Dx_{t-i} + \delta_t w_t + u_t \quad (2)$$

After imposing the restrictions  $\lambda_{xy} = 0$ ,  $a_0 \neq 0$  and  $a_1 = 0$ , the tourism-led growth function can be stated as the following unrestricted error correction model (UECM):

$$\Delta \ln \text{GDP}_{i,t} = \beta_0 + \sum_{p=1}^n b_p \Delta \ln \text{GDP}_{i,t-p} + \sum_{p=0}^n c_p \Delta \ln \text{TOU}_{i,t-p} + \Delta \ln \text{LF}_{i,t-p} + \sum_{p=0}^n \epsilon_p \Delta \ln \text{GCF}_{i,t-p} + \Delta \ln \text{ER}_{j,t-p} + \sum_{p=0}^n g_p \Delta \ln \text{TO}_{i,t-p} + \lambda_1 \ln \text{GDP}_{i,t-1} + \lambda_2 \ln \text{TOU}_{i,t-1} + \lambda_3 \ln \text{LF}_{i,t-1} + \lambda_4 \ln \text{GCF}_{i,t-1} + \lambda_5 \ln \text{ER}_{j,t-1} + \lambda_6 \ln \text{TO}_{i,t-1} + \delta D_{97} \quad (3)$$

Here  $\Delta$  is the first difference operator,  $\ln \text{GDP}$  is the log of real GDP,  $\ln \text{TOU}$  is the log of tourist arrivals,  $\ln \text{LF}$  is the log labor force,  $\ln \text{GCF}$  is the log gross capital formation,  $\ln \text{ER}$  is the log of exchange rate and  $\ln \text{TO}$  is the log of trade openness. From the estimation of UECMs, the long run elasticities are calculated from the estimated respective coefficients of the one lagged level explanatory (independent) variables divided by the coefficient of the one lagged level dependent variable. For example, in equation (3), the long-run tourism elasticities are  $(\lambda_2 / \lambda_1)$ .

In this study we use annual time series data from 1974-2007 to examine the long run equilibrium relationship and causal relationship between tourism expansion and economic growth in Malaysia. Table 2 shows the variables and sources of data used in this study.

Table 2  
Variables and Sources

Variable	Proxy	Description	Source
Economic Growth	GDP	Growth of GDP	World Development Indicator (WDI, 2008)
Tourism Expansion	TOU	Tourist Arrivals	Ministry of Tourism Malaysia (2008)
Trade Openness	TO	(Import + Export) / GDP	World Development Indicator (WDI, 2008)
Infrastructures	GCF	Gross capital formation (% of GDP)	World Development Indicator (WDI, 2008)
Exchange Rate	ER	Exchange Rate	International Financial Statistics (2008)
Labor	LF	Labor Force	World Development Indicator (WDI, 2008)

## EMPIRICAL RESULTS

The result of ADF and PP unit root tests confirm that all variables are non stationary at level. After the first differencing, all variables are of I(1) order. Next, we estimate the bounds test in order to determine if a long-run relationship exists between variables. The results of the Bonds tests are reported in Table 3. The F-statistic for testing the joint null hypothesis (no long run relationship between LGDP, LA, LLF, LER, LGCF, LTO) is rejected as  $F(\text{LGDP} | \text{LTR}, \text{LLF}, \text{LER}, \text{LGCF}, \text{LTO}) = 6.25$  exceeds the upper bound of the critical value bound of 5.79 at the 1 percent of significance level. Thus, the results suggest that a long-run relationship exists between tourism and GDP growth.

To investigation granger-causality relationship between tourism expansion and economic growth in Malaysia two cases were considered: (i) tourism does not Granger-cause GDP growth, and (ii) GDP growth does not Granger-cause tourism. The empirical results in column 1 (GDP dependent variable) indicate that tourism makes a significant contribution to economic growth in the short run. Specifically, the null hypothesis that tourism does not 'Granger-cause' real GDP could be rejected at the 1% level. Therefore, the hypothesis of tourism-led growth is valid in the Malaysian economy. This result is consistent with some previous studies also found that a tourism-lead growth (Durberry, 2004, Dritsakis, 2004; Kim et al, 2006; Lee and Chang, 2007). These results indicate that the trade openness and exchange rate are statistically significant at the 1 percent level to Granger-caused economic growth. This result is consistent with previous findings that trade openness Granger-cause tourism (Kulendran and Wilson, 2001; Shan and Wilson, 2001) and exchange rate Granger-cause tourism (Cantavella- Jorda, 2002; Dritsakis, 2004). The estimated coefficient of the ECM (-1) is equal to -0.602 and significant at 1 percent level. The rather high coefficient of the ECT suggests that the speed of adjustment back to equilibrium following a disturbance is fairly rapid by 60 percent over the following year.

Table 3

Results of Bound Test for Cointegration

F-Statistics	1%		5%	
	I(0)	I(1)	I(0)	I(1)
	4.01	5.79	2.86	4.32
F(LGDP/LTR,LTO, LGCF,LER,LLF)= <b>6.25</b>				
F(LTR/LGDP,LTO, LGCF,LER,LLF) = <b>4.56</b>				
F(LTO/LGDP,LTR, LGCF,LER,LLF)= 3.99				
F(LGCF/LGDP,LTR, LTO,LER,LLF)= 2.64				
F(LER/LGDP,LTR, LTO,LGCF,LLF)=2.56				
F(LLF/LGDP,LTR, LTO,LGCF,LER)=3.30				

Table 4

Results of Granger Causality

	Dependent Variable	
	$\Delta$ LGDP	$\Delta$ LTR
$\Delta$ LGDP	-	0.066 -0.649
$\Delta$ LTR	0.056* -0.001	-
$\Delta$ LTO	0.171* -0.002	0.377** (0.03)
$\Delta$ LGCF	0.004 -0.842	0.256** -0.044
$\Delta$ LER	0.136** -0.001	0.093** -0.014
$\Delta$ LLF	1.632* (0.000)	1.759 -(0.549)
ECM(-1)( t-Statistics)	0.602* (0.000)	0.409* -(0.001)
Diagnostic Tests		
Autocorrelation test	0.2064 (0.675)	1.3436 (0.380)
Reset test	0.0995 (0.734)	0.9471 (0.949)
Normality test	0.9132 (0.633)	0.7446 (0.986)
Heteroscedasticity test	0.0218 (0.684)	02.281 (0.147)

Notes: \* and \*\* denotes statistical significance at 1% and 5% level respectively.

## CONCLUSION AND POLICY IMPLICATION

The empirical results indicate that tourism makes a significant contribution to economic growth in the short run when GDP is dependent variable. Specifically, the null hypothesis that tourism does not 'Granger-cause' real GDP could be rejected at the 5% level. Therefore, the hypothesis of tourism-led growth is valid in the Malaysian economy. The estimated coefficient of the ECM (-1) is equal to -0.602 and significant at 1 percent level. Also these results show that the trade openness and exchange rate are statistically significant at the 1percent level to Granger-caused economic growth. Policy makers and decisions on the tourism related matters can be adjusted or modified such as the overall tourism budget, approval of private or governmental tourism projects, the scale of the worldwide promotion as a travel destination, and so on. Therefore, policies should be promote and increase international tourism demand and provide and foster the development of tourism supply so that the GDP can be increased resulting in a higher growth in Malaysia.

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