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WHY PEOPLE TRAVEL TO DIFFERENT PLACES

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Abstract: This study aims at providing an economic explanation for the observed variety in the actual consumer choice of destinations. Despite its contribution to tourism research, the traditional demand theory is insufficient to justify comprehensively the direction of tourist flows in space and time, mainly because it cannot account for the importance of product differentiation and corporate power. To address these issues, the Gorman/Lancaster characteristics framework is applied to tourism and a comparative exercise is undertaken in six different fields. The theoretical conclusions are appealing as they match demand and supply, offering a holistic answer to the question of tourist choice and a useful benchmark for further research in the area. **Keywords:** demand, characteristics, differentiation, industrial organization. © 2000 Elsevier Science Ltd. All rights reserved.

Résumé: Pourquoi voyage-t-on à des endroits différents? Cette étude vise à donner une explication économique à la variété dans les choix de destinations de la part des consommateurs. Malgré sa contribution à la recherche en tourisme, la théorie traditionnelle de la demande ne suffit pas pour expliquer complètement la direction des flux touristiques dans l'espace et le temps, surtout parce qu'elle ne tient pas compte de l'importance de la différentiation du produit et du pouvoir d'entreprise. Pour aborder ces points, le cadre des caractéristiques de Gorman et Lancaster est appliqué au tourisme, et on entreprend un exercice comparatif dans six domaines différents. Les conclusions théoriques sont intéressantes, car elles marient la demande avec l'offre, donnant une réponse holistique à la question du choix touristique et un repère utile pour la recherche future. **Mots-clés:** demande, caractéristiques, différentiation, organisation industrielle. © 2000 Elsevier Science Ltd. All rights reserved.

INTRODUCTION

Destination choice has always been a central issue in the tourism management literature. In most cases research has sought to justify the direction of the observed flows by relying rather scholastically on the analytical framework provided by the traditional demand theory. In particular and following the separability paradigm (Deaton and Muellbauer 1980b), a representative consumer is assumed to allocate financial resources among the tourist and the non-tourist products at a first stage, in a way that maximizes his/her utility given the existing constraints; subsequently the quan-

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tities to consume are from each tourist good on a similar rational basis.

This line of thinking is most apparent in the empirical work on tourism demand. The majority of econometric models follow a time-series, single-equation approach whereas in a more advanced context a number of demand systems is also estimated. In the first case, the dependent variable (usually the number of arrivals in a particular destination) is regressed on the tourist's disposable income and a group of cost factors for the examined area and its competitors, such as prices of local tourist products, exchange rates, and transportation costs (Archer 1976; Artus 1972; Gray 1966; Johnson and Ashworth 1990; Sheldon 1990; Witt and Martin 1987). In some occasions dummy variables are introduced to pick up the effect of special events (Gunadhi and Boey 1986; Loeb 1982; Witt and Witt 1992). Moreover, the inclusion of lagged variables or of a time trend (Martin and Witt 1988; Witt 1980) captures dynamic elements unless these are explicitly modeled (Syriopoulos 1995).

The construction of demand systems is closer to the ideal of microeconomic theory as complementarity or substitutability with other tourism areas is fully taken into account. Most of the literature applies the Almost Ideal Demand System originally developed by Deaton and Muellbauer (1980a); the market shares of the destinations under consideration are regressed on the representative tourist's total expenditure, the price of each area, and a composite price index. Dummy variables or a trend are also introduced. Policy implications are drawn on the basis of the estimated income and price elasticities (O'Hagan and Harrison 1984; Papatheodorou 1999; Syriopoulos and Sinclair 1993; White 1985).

Despite its contribution and prominence for tourism research, however, the application of the traditional demand theory in tourism suffers from a number of serious drawbacks, as it ignores the particularities of the product. First, the assumption of a representative tourist who visits simultaneously all the destinations under consideration is highly unrealistic. In fact, consumer heterogeneity is a stylized fact and all the efforts of marketing aim at discovering and targeting specific leisure groups. Moreover, tourism cannot be compared to supermarket shopping, as the former is a time-consuming activity applied to different spatial entities.

Second, the static nature of the traditional demand theory cannot account for the evolutionary features of the tourism product, namely the emergence of new destinations and the withering of others (Butler 1980). More importantly, however, conventional microeconomics assumes the existence of a homogeneous good and does not consider disparities in the horizontal dimension. This is a serious drawback as variety is a central issue in leisure studies. In fact, the well-known mathematical model of horizontal differentiation introduced by Dixit and Stiglitz (1977) cannot be applied satisfactorily in the context of tourism. In addition to the previous points of criticism, this approach assumes symmetric consumer preferences over the variety of goods. On the other hand, it is highly

unlikely that a tourist would ever treat the Greek tourism product in a similar way to the Chinese or to the Mexican one. Although it can be argued that symmetry may survive within a narrower group of destinations (such as in the Eastern Mediterranean Region), the traditional theory fails to explain clearly the foundations of such a classification process. Same conclusions hold for disparities in the vertical dimension; mainstream microeconomics cannot account for quality differentiation which is also very crucial in tourism.

Last but not least, the classical theory can only function within a competitive environment where the producers act as pathetic price takers, who are incapable of coordinating their strategies or of manipulating tourist flows. However, if the trend towards global market consolidation through mergers and acquisitions (*The Economist* 1998) is combined with the gradual emergence of dual industrial structures in tourism (Papatheodorou 2000), it becomes apparent that the suppliers are potentially able to reap the advantages of their oligopolistic and oligopsonistic power to the detriment of consumers and destinations (Debbage 1990). As a result, the competitive framework is invalidated and a serious identification problem (Gujarati 1988) emerges in the empirical demand research since the latter ignores the importance of the tourism supply side altogether.

For all the above reasons, it is believed that the mainstream demand theory cannot justify satisfactorily the movement of tourist flows in space and time. Therefore, in order to face the classical caveats and offer a holistic answer to this challenging problem, the present paper applies the Gorman/Lancaster characteristics framework (Gorman 1980; Lancaster 1966, 1971) in the context of tourism. The idea is definitely not new, as Rugg (1973) and Morley (1992) have previously dealt with this topic. Interestingly, however, the analytical potential of this framework has not been fully explored and its appropriateness for tourism has not been clearly stressed. This paper introduces a discrete choice version of the model and a comparative exercise is undertaken with graphical support. The implications for policymaking and future research are also discussed.

TOURISM AND CHARACTERISTICS THEORY

In contrast to the traditional consumer theory where the economic agents derive utility directly from goods, Gorman and Lancaster argue that utility is related to the consumption of the products' intrinsic properties, namely characteristics. Preferences are assumed to be well behaved, and in addition to the budget constraint, a system of equations representing the consumption technology is introduced on the constraints side. This technology is universal, objective, linear, and additive and describes a transformation process with goods as inputs and characteristics as outputs. Formally, the collection of the ith characteristic z_i possessed by some collection $(x_1, x_2, \ldots, x_N)$ of goods j is given by the equation:

$$z_i = \sum_{j=1}^{N} b_{ij} x_j \tag{1}$$

where b_{ij} is the consumption technology coefficient.

The Model

Rugg (1973) was the first to apply the characteristics approach to tourism, by introducing the following model in a system of N destinations:

$$\begin{aligned} \max \quad & U = f(z_{\text{tour}}) \\ \text{s.t.} \quad & z_{\text{tour}} = G x_{\text{tour}} \\ & Y \geq p_{\text{tour}} x_{\text{tour}} + p_{\text{trans}} c \\ & T \geq c' x_{\text{tour}} + p_{\text{trans}} c \\ & z, x, p, d \geq 0 \quad Y, T \geq 0 \end{aligned} \tag{2}$$

where U is the consumer's utility function, z_{tour} is the column vector of tourist characteristics in each destination, G is the matrix of consumption technology coefficients, x_{tour} is the column vector of the composite tourism product defined as the number of days spent in each destination, p_{tour} and p_{trans} are the row vectors of the composite prices and transport costs, respectively, d_{trans} is the row vector of transport time between the origin and each of the available destinations, c is a column vector whose elements are all one, Y is available expenditure, and T is time available for tourism. All elements are considered to be non-negative. The problem may be solved by using non-linear programming methods.

The explicit assignment of origin and destination tags in this model, however, creates a paradox of location. In particular, the time constraint encapsulates the distance factors between the origin and the destinations; nothing is implied about the distance among the various destinations. Unless the tourist is assumed to travel to a single destination, this problem may put the whole characteristics space mapping into question. Consequently, internal consistency requires the adoption of a discrete choice framework, where the consumer travels solely to the resort that is associated with the highest utility (Ben-Akiva and Lerman 1985; Morley 1994); after all, multi-destination tourism has only a very minor share in the real world.

Diagrammatically, the analysis is encapsulated by Figure 1, where quantities of facilities and attractions are measured on the horizontal and vertical axis, respectively. Visits to destinations A, B, and C generate characteristics in the proportions a, b, and c, as shown by rays OA, OB, and OC, respectively. These *rays of characteristics* summarize the information contained in the consumption tech-

nology and indicate the bundles of characteristics obtained for different amounts of the tourist product.

Given the transport costs and tourism prices, the maximum purchasable number of vacation days (non-integer problems aside) with respect to the tourist's expenditure constraint, is shown by the points *K*, *L*, and *M* for resorts *A*, *B*, and *C*, respectively. These points are called *vertices* and correspond to non-dominated bundles of characteristics. Similarly for the time constraint, one obtains points *F*, *G*, and *H*. The two constraints may be disjoint, so that the tighter one dominates, or may intersect in a notional way. In this case, the tourist's efficient choice set consists of the bundles represented by points *F*, *G*, and *M* for resorts *A*, *B*, and *C*, respectively. The point that corresponds to the highest attainable indifference curve is called *vertex optimum* and provides the solution to the utility-constrained maximization problem. In the example here, the optimal choice is resort *B*, whose ray of characteristics intersects with the indifference curve U_0 at point *G*.

Having the above in mind, the existence of more than one resort in the real world may be plausibly justified by the presence of taste heterogeneity and/or constraint disparities at an aggregate level. In the following, the argumentation is further illuminated by a comparative exercise that focuses on effects related to expenditure and time impediments, prices, consumer preferences, quality, infor-

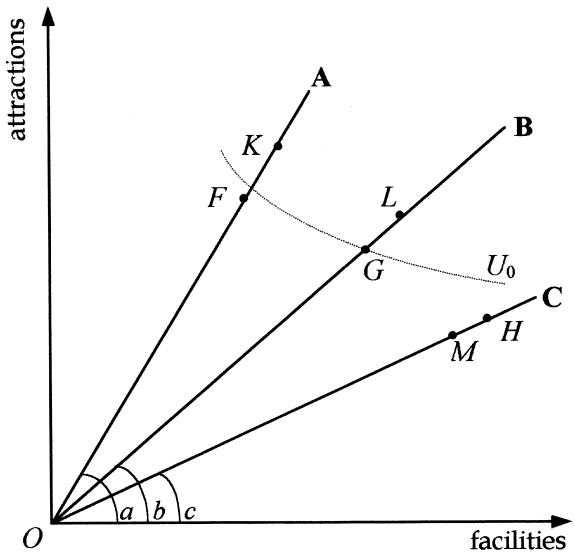

Figure 1. Application of the Characteristics Model to Tourism

mation and advertising, agglomeration, and, finally, the emergence of new destinations.

The Comparative Exercise

Expenditure and Time Constraints. An exogenous increase (decrease) in available expenditure or time for tourism shifts the corresponding points outwards (inwards) in a parallel way. For example, a higher salary or an enlargement of the paid vacation period boosts tourist activities. However, changes in the time constraint can also be endogenous and affected by transport innovations, which, though universally applied, may favor only a particular destination. For example, whereas up to the mid-60s, the South was Britain's Côte d'Azur, competition-induced rapid technological innovations in the air transport industry rendered the Mediterranean and later the Caribbean Region widely accessible to British tourists. Given the superiority of the latter regions in terms of sunlust characteristics, the British summer resorts entered gradually into a period of crisis.

The time shrinkage of the world has also been accompanied by transport price reductions in real terms; as a result, changes in the time constraint affect the expenditure one as well. Two further examples of interdependence come to mind. First, unless vacation is paid, the well-known trade-off between remuneration and leisure affects substantially the relative position of the two constraints. As an illustration of the second, one may consider the choice between two transport modes with costs (travel time) c_1 (t_1) and c_2 (t_2), respectively, where $c_1 < c_2$ but $t_1 > t_2$. In this case, the consumer considers the *generalized differential cost* of mode 2, D_2 (Quandt 1970):

$$D_2 = (c_2 - c_1) + a(t_2 - t_1), \quad a > 0 \tag{3}$$

where $(-a)$ is the rate of substitution between cost and time. In other words, if the consumer enjoys a journey time decrease $a\Delta t$, the user is ready to pay for a cost increase equal to ΔC in order to remain indifferent. This rate is assumed to be the same for all individuals in the same income class; however, it is found to increase in its absolute value with the level of prosperity. Said differently, as one's income grows, the time available for tourism rises, since one is willing and able to switch from low cost/slow transport modes, to high cost/fast ones. The secluded, albeit luxurious resorts of the Caribbean have benefited from this trend.

Prices. The price of the tourism product p_{tour} is given by the weighted sum of the prices in its constituent industries, mainly accommodation, entertainment, and catering. Similarly, the transport price p_{trans} incorporates all transport modes used during the trip. In both cases, the ability of each industry for mark-up pricing can be quantified by the following mathematical formula, which relates price with marginal cost, elasticity of demand, and competitive con-

duct (Porter 1983):

$$\frac{P-MC}{P}=-\frac{\theta}{e},\quad P\geq \text{ATC} \tag{4}$$

where P, MC stand for price and marginal cost, respectively, e is the price elasticity of demand, θ is a measure of the industry's competitive conduct, and ATC represents average total cost; unless price is higher than ATC, industrial sustainability is undermined.

Price ranges between the levels determined by perfect (or Bertrand) competition $P=MC$ for $\theta=0$ and profit maximizing monopoly $P=eMC/(1+e)$ for $\theta=1$. In other words, the competitive conduct measures the degree of coordination within the industry group; a large (close to one) value of θ reflects the existence of market cartelization. It is suggested that the conduct depends on the prevailing industrial conditions (Scherer and Ross 1990):

$$\theta=g(C,\mathbf{B},\mathbf{X}) \tag{5}$$

where C measures industry concentration, $\mathbf{B}$ is a vector of entry barrier measures, and $\mathbf{X}$ represents a set of other industry characteristics. In addition, as a significant number of vacations is sold by tour operators, the competitive conduct of these intermediaries and the resulting bargaining game with the tourism suppliers should be explicitly taken into consideration. In other words, a more formal analytical treatment requires that θ in Equation (4) should be replaced by η, where:

$$\eta=h(\theta,\varphi) \tag{6}$$

and φ is an aggregate measure of the competitive conduct in the tour operators industry.

It should be noted, however, that although the relation between concentration, entry barriers, and conduct is relatively clear in a static context, the interdependence of these variables in a strategic dynamic environment complicates significantly the price forecasts. For example, in order to disfavor market entry the incumbents may engage in limit pricing; otherwise, and following the Schumpeterian paradigm (1996), they may utilize their profits for research and development on product innovation and achieve an endogenous decrease of their production costs.

Having the above in mind, differences in prices among the various resorts may be attributed to a variety of reasons. First, the existing spatial configurations may involve technologies associated with different cost structure. For example, urbanization in resort A may be based on small hotels with low fixed outlays but high unit costs, whereas resort B may be characterized by large establishments which rely on scale economies. Similarly, A may be accessible only by ship, whereas B may offer a wider selection of transport modes. Second, the demand sensitivity in price changes may vary across resorts for reasons of uniqueness.

Most importantly, however, one should explicitly consider the role of competitive conduct. The market structure of the small hotels in resort A of the previous example may be close to perfect competition and hence vulnerable to tour operation oligopsonists. On the other hand, ship-owners in A may take advantage of their accessibility monopoly and acquire super-profits. In general, the higher the price of a resort, the lower the maximum purchasable number of days in it. Consequently, a price increase shifts the choice set points to the left, whereas a price decrease shifts them to the right. For example, the decision of suppliers in resort B to form a cartel may lead a considerable number of tourists to shift to C or A, *ceteris paribus*. In the context of international tourism, differences in competitive conduct may be powerful enough to generate substantial deviations from the law of one price, both for spatially fixed and for tradable tourism goods.

Consumer Preferences. These are given by the utility function, and the curvature of U_0 indicates the relative importance of the two characteristics in Figure 1. In Plog's (1973) terminology, the allocentrics are expected to exhibit a greater interest for attractions than facilities; thus, their utility curve is relatively flat. The opposite is expected for psychocentrics, whereas Figure 1 is closer to the description of a midcentric. If for some reason consumers become more facilities oriented, they may choose resort C instead of B, *ceteris paribus*. Within a dynamic framework, allocentric endogenous preferences encourage dispersion of tourist flows, whereas psychocentric ideology induces the fortification of prevailing concentration patterns among destinations. As argued later, spatial and environmental considerations are very important in this context.

Quality, Information, and Advertising. Traditional economics has abstained from vertical product differentiation issues as quality is a value of the intrinsic properties of goods and consequently cannot be analyzed within the standard framework. This notional gap is covered suitably by the Gorman/Lancaster framework where a product is better qualified than another if it offers a larger bundle of characteristics for the same quantity. Moreover, in the case of incremental differences, better quality is associated with higher price so that all goods may remain on the efficient choice set. On the other hand, as a result of drastic quality disparities and innovations, a number of products may offer a dominated bundle of characteristics and consequently drop out of the market. The latter result deviates substantially from traditional consumer theory, which cannot account for market exit.

Quality disparities are apparent in tourism; hotel star classification and partition of the airplane's body into different service classes provide some good examples. Moreover whole resorts, regions, or even countries may be associated with a specific brand image (Urry 1990). Quality innovations may be used as a strategic variable in the competitive process; business magazines are full of

advertisements about new amenities in five-star hotels and business class air-seats. By providing these frills, the up-market global tourism suppliers try to justify their price premia and persuade consumers about their value for money. As shown by Keane (1996), the interpretation of high prices as a signal of quality is closely related to the experience nature of tourism and is most apparent in the case of repeat-visiting, where reputation effects are strong.

Not surprisingly, wealthier consumers are usually more willing to pay for high quality than the poorer ones, as they have a lower marginal utility of income and a higher taste parameter (Gabszewicz and Thisse 1979). As a result, and given the positive trend of world disposable income and leisure expenditure, up-market tourism areas are likely to prosper in the future to the detriment of regions which offer a cheaper but less sophisticated product. However, this has nothing to do with the Veblen effect of conspicuous consumption, which induces the tourist to pay a higher price for a functionally equivalent good simply for reasons of fashion, image, and prestige (Bagwell and Bernheim 1996). For example, occupancy rates in Mykonos are always very high, despite its expensiveness in comparison with other equally beautiful islands in the Cyclades, Greece.

Diagrammatically, quality issues may be treated similarly to information ones. The latter are particularly important within a time-series context, where it seems plausible for a consumer to acquire knowledge about the characteristics of a tourism product either through search and exposure to advertising or through personal ex-

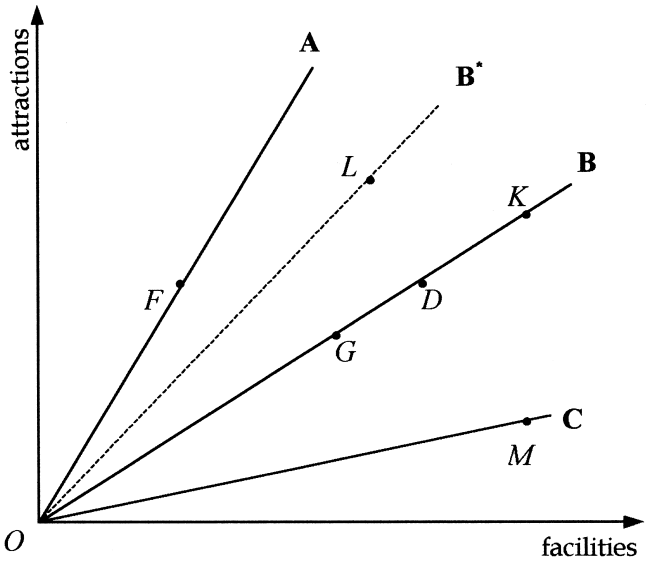

Figure 2. Tourism and Advertising

perience and repeat-visiting. In this case, utility becomes a function of *effective* tourist characteristics. Based on Auld (1974), Figure 2 illustrates some further points graphically.

More specifically, one assumes for simplicity that the two constraints do not cross, so that the focus is on the tighter one only; F, G, and M are the points of interest. Assume that, for some reason, quality in destination B improves or its marketing promotion is successful. One possible outcome is that the consumer becomes aware of receiving more of both characteristics from B in an unchangeable ratio. In this case, one observes a movement out along the OB characteristic ray, to a variable point called G'. If G' is between G and D, then all three countries remain efficient. If G' is between D and K, destination A becomes dominated by B and disappears, whereas if G' is to the right of K, then B is the sole place to be visited. However, it is also possible that the new quality (or information) elements affect consumption technology in such a way that the ratio of the two characteristics for destination B changes. In this case the relevant characteristic ray rotates. Consider, for example, the ray OB^* and the point L, where B dominates A, limiting choice between B and C.

Both formal and informal advertising are expected to enhance the popularity of tourism. For example, during the 50s, the Mediterranean market was almost monopolized by Italy, as tourists were virtually unaware of any other country to visit in the region. However, gradually but steadily, the whole region was "discovered" and the market shares changed substantially (Papatheodorou 1999). In other words, information is an explicitly dynamic feature, which is also affected by reputation and endogenous preferences. Furthermore, the experience nature of the product renders the information and advertising channels controllable by the intermediaries to a significant degree. As a result, both the industrial organization of tourism and its relation with the suppliers of resort services are expected to influence the available information and bookings of packages.

Agglomeration. The assumptions of limitless linearity and additivity may be suitable for an agricultural consumption technology, but are problematic in the context of tourism, where space and environment generate interdependence of characteristics. In this sense, it is important to consider issues of spatial fixity and plasticity (Clark and Wrigley 1995). More specifically, while the ray slope may be constant at a single point in time, it is expected to change dynamically, because of the interaction between centripetal and centrifugal forces at an aggregate level. Persisting destination attractiveness induces sunk investment and favors agglomeration. In fact, tourism urbanization is associated with a multiplication of the available facilities for a given level of natural attractions. This may be pursued to such a degree that the destination divorces from the geographical environment (Wolfe 1952). As a result, the ray of characteristics becomes flatter over time. This trend is reinforced by environmental

degradation in case the increased tourism revenue is not used for the restoration and improvement of the attraction points. Tourism urbanization, however, is also associated with the creation of built attractions, such as theme parks; this latter trend renders the overall relation of facilities to attractions indeterminate. Complexity rises further, when one considers the implications of land rent increases and social intolerance, which discourage tourism development, both in terms of facilities and built attractions.

Again, industrial organization issues are important. Both within an intra-resort and inter-resort framework planners and managers may follow a product differentiation strategy in order to relax competition and counteract the effects of agglomeration shadows that a major resort may have on a smaller one. In this sense, the bundle and proportions of available characteristics may be strategically determined in a dynamically competitive framework.

Emergence of a New Destination. The explicitly systemic approach of the characteristics framework is further enhanced by its ability to account for the emergence of new resorts. The associated implications are interesting, particularly when the new destination dominates only partially, rather than fully, the existing ones. Figure 3 illustrates graphically this point.

Consider the characteristics ray *OD* for the new destination *D* and assume that the expenditure (time) constraint is associated with point *X* (*T*). In this case, destination *C* becomes dominated by *D* with respect to the time constraint, but remains efficient against the expenditure one. As a result, all four destinations remain on the

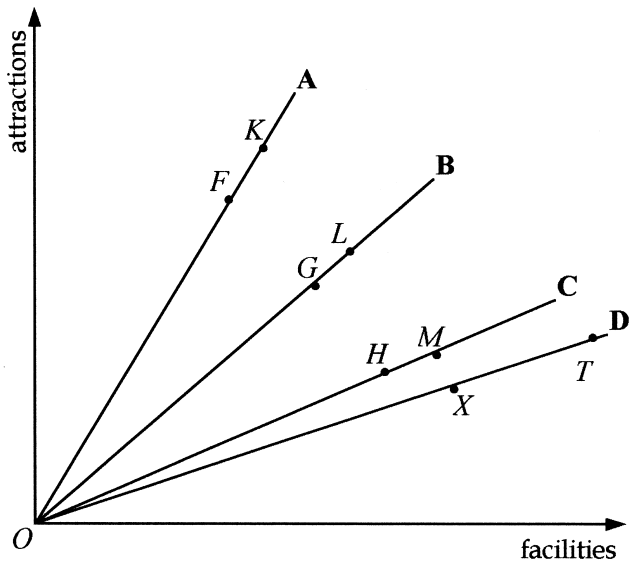

Figure 3. Introduction of a New Destination, the Case of Partial Dominance

efficient choice set consisting of bundles corresponding to points *F*, *G*, *H*, and *X*. However, if the expenditure constraint shifts sufficiently upwards and to the right, so that there is no notional crossing between the two constraints, then *C* disappears completely from the market. Given the positive trend of tourism expenditure on the one hand, and the relative rigidity of the "natural" time constraint on the other, this outcome seems plausible and provides a further explanation for the domination of the Mediterranean and Caribbean regions over the British sunlust resorts.

Furthermore, it should be always borne in mind that the introduction of a new destination is almost exclusively determined by the effective knowledge about it. Whereas Butler's (1980) resort lifecycle argues that during the involvement stage, tourist activities in the terra nova are controlled by the locals, resorts are not unusually discovered and promoted by large tour operators from the origins or simply by externals to the region who possess the know-how. Government planning and investment may also produce instant resorts, as in the case of Cancún (Gordon and Goodall 1992). Again, the supplier's identity and the underlying industrial structure play a prominent role.

CONCLUSION

Therefore, it seems that the characteristics approach can offer an explicitly systemic framework, where actual destination choice is based on a set of solid microfoundations. Moreover, the drawbacks of the traditional demand theory are confronted in a neat and efficient way; taste heterogeneity and discrete choice in space are explicitly recognized, horizontal and vertical differentiation become inherent features of the model, and a number of dynamic issues such as information, advertising, agglomeration, and the emergence of new destinations is sufficiently addressed. Most importantly, the analysis reveals the importance of corporate power and industrial organization, whereas the graphical support offers an integrated mapping of the model and the comparative exercise. On these grounds, it is believed that the proposed framework provides a more profound, accurate, and holistic explanation of tourist flows than the traditional theory. As a result, it should be seriously taken into consideration both by researchers and policymakers.

As to implications for research, the characteristics framework is undoubtedly more complicated than the classical demand theory. Consequently, it is not surprising that it has not been applied extensively in the empirical tourism research so far. Generally speaking, the closest econometric methodology to this alternative approach is offered by the hedonic price analysis, where the price of a product is regressed on a set of characteristics (Lancaster 1971; Triplett 1975). The estimated coefficients measure the explanatory importance of these features for the observed value of the good. Moreover, these shadow prices may be subsequently used for the construction of a

budget and/or time constraint and assess the competitiveness of the particular product.

In the context of tourism, a hedonic price study would regress the cost of living in a particular destination (or the price of the respective holiday package in the case of inclusive tours) on a number of sunlust, wanderlust, and infrastructure characteristics (as well as on the various features of the vacation deal with the tour operator). The analysis could be facilitated by the construction of attraction indexes, similar to those used in location studies and in economic geography. In fact, this line of methodology has been followed to a large extent by the relatively scant empirical literature in the area, which aims at assessing the price competitiveness of package destinations and tour operators (Clewer, Pack and Sinclair 1992; Sinclair, Clewer and Pack 1990; Taylor 1995). It should be noted, however, that all these studies assume the existence of a competitive framework (Rosen 1974), whereas this analysis has stressed that tourism suppliers are potentially able to take advantage of their corporate power. The future research should take this issue seriously into account; one possible suggestion is the introduction of a two-step hedonic price analysis, where some of the initially estimated coefficients are subsequently regressed on a number of variables related to market structure and profitability.

Interestingly, the characteristics framework can provide useful advice to the tourism authorities and policymakers by stressing the particularities and interdependencies that emerge in the case of the product. At a first level, it should be widely understood that pricing policies should not be pursued independently from quality, advertising, and urbanization strategies, as they all affect the tourism product in different, albeit related, dimensions. Needless to say, sustainability considerations should play a dominant role in all cases (World Commission on Environment and Development 1987).

Most importantly, however, and in conjunction with the Tourism Satellite Accounts (World Travel and Tourism Council 1999), the characteristics approach contributes to the solution of the supply-side conundrum of tourism (Smith 1998). It should be apparent from the analysis of this paper that the actual destination choice is at least subject to the prevailing conditions in the transport, accommodation, and tour operation sectors. But in most regions or countries these activities are controlled by different ministries or departments; the proposed policies are rarely coordinated or may be even mutually invalidated (Wheatcroft 1994). Therefore, to face this problem the policymakers should overcome the emerging political economy difficulties and adopt a holistic approach to the industry by pursuing comprehensive policies which augment the bargaining power of their regions/countries and establish a more fair and stable business relation with the international tourism conglomerates. ■

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