

DESTINATIONS' COMPETITIVENESS AND TOURIST SATISFACTION SURVEYS: AN ECONOMIC ANALYSIS

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1. Introduction

The marketing research literature has extensively analysed the concept of customer satisfaction over the past decades with the aim to measure and explain it. Following Oliver (1980) the concept of consumer satisfaction (also called positive disconfirmation) has been mainly related to the difference between expected and perceived performance for a product or service experience (the expectancy disconfirmation theory, see Oliver, 1997), where satisfaction is the result of a subjective evaluation process.

Tourist satisfaction surveys are widely employed within tourist destinations to get the tourist viewpoint of the specific different attributes or characteristics and of the destination as a whole. Tourist assessments, represented by direct information given explicitly in tourist satisfaction surveys, are also interpreted as a basis to measures competitiveness of any given destination, since competitiveness is a key element of a destination strategy. The implicit assumption for such interpretation is that tourists perceptions will provide an implicit comparison between different attributes of competing tourist destinations based on their past experiences (Kozak and Rimmington, 1999, Dwyer and Kim, 2003).

In this paper we try to establish whether tourist satisfaction surveys are useful for assessing destination competitiveness through the lens of economics. In particular, we first analyse the consequences of the composite nature of the tourism product and the evolution of consumer preferences for the tourist's choice of a destination. Then we analyse how the *experience good* nature of the tourism product is likely to affect tourist's destination choice because of the high costs associated to information search.

Both slowly evolving preferences, suggested by the “directional choice theory”, and a satisfaction risk associated to the information search for an *experience good*, indicate that tourists are more likely to change more frequently destination than type of tourism. Therefore, the sample population involved in tourists satisfaction surveys tends to display the features required in order to provide useful direct and indirect information for destination competitiveness analysis. The first can be

useful to identify the strengths and weaknesses of a destination tourist product, the latter to assess its performance with respect to competing destinations, and both can provide valuable information for developing future destination strategies.

2. Quantitative analysis of tourism destination: performance

The notion of destination competitiveness is central to tourism research, especially after the striking performance experienced by the tourism sector in terms of growth in the recent decades at any level, *i.e.* international, national, regional and local. Tourism destinations, having its own competitiveness set which depends on the characteristics of its tourism product compared with alternative tourism products supplied by other destinations, can be regarded as competitive units facing global competition (Bieger, 2002). Therefore, for destinations it is of utmost importance to identify their relative strengths and weaknesses since they are competing with each other for taking a place in the *consideration* or *awareness set* of their potential tourists (see Woodside and Lysonski, 1989 and Um and Crompton, 1990). As a consequence, measuring tourist destination competitiveness has become a principle task for destination managers and policy makers, as well as a significant part of tourism literature (e.g. Goodrich, 1977, Ahmed, 1991, Pearce, 1997).

Performance and competitiveness are assumed to be strictly linked in the international economics and business literature. Measures and/or indicators of tourism destination performance and/or competitiveness comprise both objective and subjective measures reflecting quantitative and qualitative information, respectively. The performance of tourist destinations can be measured quantitatively by analysing the contribution of tourism to overall economy, using variables like value added and employment. The ability of a destination to display a positive performance of these economic indicators, such as an increase in absolute values, rising percentages over total GDP or employment or positive growth rates, provides indirect evidence of destination overall competitiveness. Nonetheless, indicators referring to the tourism sector face some measuring problems related to the difficulty in distinguishing its contribution from other sectors' contribution because of the interrelated nature of tourism.

The most widely used quantitative indicators of a destination performance are several visitors' statistics such as the number of tourist arrivals, the length of overnight stays, the volume of tourists receipts and the level of expenditure per tourist. The performance of such indicators is generally evaluated by calculating percentages or transforming level values to percentage changes over the previous year. Again, positive and/or increasing values of such indicators are indicative of a

good performance of the destination and generally associated to a positive assessment for destination's competitiveness. In addition, these statistics are generally used by policymakers and destination managers to evaluate the successfulness of past strategies with respect to public and private sector tourism stakeholders (firms and organizations) and also to develop future strategies¹.

In Table 1 I present an example of the way quantitative data analysis is usually carried out by looking at several statistics about arrivals and stays in San Benedetto del Tronto in 2010 and 2011. Absolute numbers of tourist arrivals along with year-to-year growth rates from 2010 to 2011 and the average duration of stay in the two years are displayed.² Two main findings emerge from the analysis of quantitative data shown in Table 1: a significant increase in the number of tourist arrival, and a large decrease in the average length of stay, where both results are much more evident for foreign than for domestic tourists. Indeed, despite the large increase in arrivals, especially for foreign tourists, the decrease in the average duration of stay, from 9.2 to 8.9 days for domestic and from 8.5 to 7.8 days for foreign tourists, respectively, represents the main cause of concern for local private and public stakeholders. Indeed, since the average duration of stay depends on the economic conditions in the countries of origin as well as on the price of the tourist product, neither the first, given the lasting unfavourable international economic conditions, nor the latter, given the downward pressure on prices determined by increased competition from newly established tourist destinations, are likely to provide good news for the local tourism sector in the years to come. Therefore the possibility to avoid a reduction in total stays is linked to the ability of the destination to go on compensating the decrease in the average length of stay with increasing arrivals.³ However, because of the dependence of arrivals on the attributes affecting the tourist's choice of the destination, such a possibility is strictly related to its ability to continuously gaining competitiveness with respect to alternative national and Mediterranean sun-and-sea destinations, that is their traditional competitors.

¹This is especially true when the performance of the tourism destination is compared to geographically close competing destinations.

²I am well aware that any analysis of the performance of a tourism destination cannot be based upon two years' values of visitors' statistics. Nonetheless, since my aim is just descriptive, in the sense of showing how these statistics are generally employed by firms and organizations involved in the tourism sector, I think that this should not be a great limitation for the analysis.

³The recent increase in arrivals experienced by many national sun-and-sea destinations exogenous factors that affect the destination country (weather conditions, political stability, etc). fact the increase in tourist arrivals could just be the results of a temporary exogenous reduction of supply of some Mediterranean seaside tourism destinations in countries such as Tunisia and Egypt because of the recent political instability.

Table 1 – *Tourists arrivals and stays in San Benedetto del Tronto in 2010 and 2011.*

	Domestic			Foreign			Total		
	2010	2011	Δ%	2010	2011	Δ%	2010	2011	Δ%
Arrivals	149.001	152.905	2,6	25.126	26.358	4,9	174.127	179.263	2,9
Stays	1.388.723	1.400.875	0,8	213.454	205.694	-3,6	1602.177	1.605.569	0,2
Aver. stay	9,3	9,1		8,5	7,8		9,2	8,9	

Data source: Osservatorio Regionale del Turismo, Regione Marche.

3. The composite nature of the tourism product and the evolution of preferences

The quantitative statistics usually employed as measures of the economic performance of the destination are to be interpreted with caution as indicators of destination competitiveness because of the composite nature of the tourism product. Indeed, the tourism product is a collection of services, mostly intangible and perishable, and facilities supplied by many individual providers with the aim to satisfy tourists' needs. For this reason the sector tourism comprise a broad range of different organizations and firms, both private (like hotel companies, airlines, travel agencies, etc., and various professional and industry organizations) and public (like government and local authorities).

The analytical framework provided by the traditional neoclassical theory of consumer's behaviour cannot be considered appropriate to deal with the consumer choice of the tourist given the specific features of the tourism product. Indeed, tourists' preferences rather than being expressed in terms of goods have to be expressed in terms of the characteristics or attributes generated by those goods (and services).

According to Lancaster's characteristics model (Lancaster, 1966, 1971) consumer utility is assumed to be derived from the characteristics or attributes produced by goods and services. Goods produce characteristics in fixed proportions, the relation between the goods and product's attributes being of technical nature. Therefore, the consumer maximizes

$$U(z) \quad (1)$$

subject to

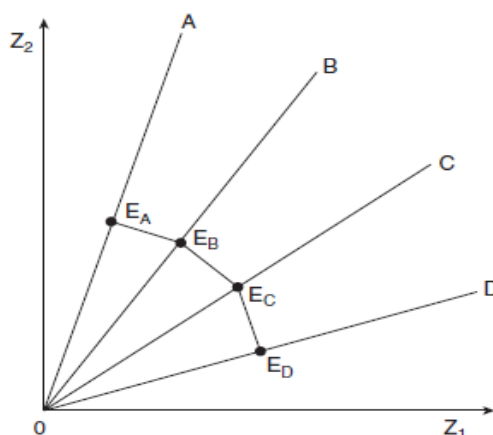
$$z = bx \quad (2)$$

$$E \geq px \quad (3)$$

with $z, x, p_x \geq 0$ and where z is a vector of characteristics, b is the matrix of consumption technology coefficient transforming days in characteristics, x is a vector of days spent in each destination and p_x is a vector of prices per day visit in each destination.

Figure 1 illustrates the characteristic space when the consumer faces both budget and time constraints, with characteristics z_1 and z_2 displayed on the horizontal and vertical axis, respectively. A, B, C and D represent different destinations of a same type of tourism⁴ which displays different combinations of the characteristics z_1 and z_2 . The area formed by $0-E_A-E_B-E_C-E_D-0$ gives the consumer's opportunity set since each point E_A, E_B, E_C and E_D provide indirect information about the maximum number of days X_A, X_B, X_C and X_D that may be spent in each destination given the available expenditure for travelling purpose and the price per day in each destination.⁵ Thus the line $E_A-E_B-E_C-E_D$ gives the efficiency frontier in terms of the combination of the characteristics z_1 and z_2 .

Figure 1 – Characteristic space.



Note: Figure from Tussyadiah et al., (2006).

Given the tourist's objective to choose the bundle of characteristics that maximize his/her utility, the optimum of the consumer is located at the tangency point between the indifference curve and the characteristics frontier $E_A-E_B-E_C-E_D$. The preferences of the individual over the consumption of each type of characteristic are given by the utility function. Then given tourist's preferences,

⁴A, B, C and D could also refer to different destinations characterized by different types of tourism.

⁵ E_A, E_B, E_C and E_D provide direct information on the maximum amount of characteristic that may be consumed and indirect information about the number of days through the consumption technology matrix b .

specified over characteristics, the choice of a destination coincide with the choice of an optimal combination of desired destination's characteristics of the tourism product at that destination. maximizing the quantity of the "consumed" characteristics.

The tourist's choice of a destination is therefore based on the comparative evaluation of the different attributes or characteristics associated to the set of alternative destinations, in analogy to what research in consumer behaviour suggests about product choice criteria for that the choice decision what happens when purchasing any type of technological good. Take for example the case of the purchase of high-tech goods like cameras, mobile phones or laptop computers: the consumer's choice is based upon the comparison of a certain number of features, the so-called technical specifications, like pixel resolution, capacity, size and weight, battery, etc. among models that are otherwise similar for the price and other attributes. In sum, just as consumer's choice of a specific hi-tech good is mainly driven by its technical specifications, tourist's choice of destinations is driven by destinations' specific attributes.

To summarize, as the choice of a particular destination depends on how much tourism product' attributes match with tourist's preferences, the assessment of the different attributes or characteristics of the destination tourist product is considered essential to measure destination's competitiveness (Zairi, 1996, Kozak, 2004). These assessments have been mainly obtained by conducting surveys based on the tourists' level of satisfaction because by incorporating the tourists' point of view it is possible to obtain crucial direct information about the different attributes or characteristics of a destination and hence a destination's performance (Alegre and Garau, 2009).

Finally, as regards the consumer preferences the traditional theory assumes that they are exogenously given with indifference maps given once and for all. In this way the consumer is supposed to be aware of all consumption opportunities and to make the best choice out of them. Georgescu Rogen's (1936) approach to consumer theory, known as the theory of "directional choice", suggests to consider preferences to be defined only locally, with indifference surfaces evolving over time depending on the consumer's past experiences of consumption and current position in the choice space. "In the theory of directional choice, man's choice is rather like that of a worm which, from any position, chooses some direction and then moves along it" (Georgescu Rogen, 1968, p. 255). Hence, as suggested in Agliardi (1988) the directional choice theory can be used to explain how tourist's movements in the choice space are the result of the evolution of consumer preferences which, by experimenting different tourism products, is allowed to subsequently adapts his/her destination choice.

4. The search for information for an *experience good*

According to the recent advances in the economics of information literature tourism markets can be represented as imperfect markets, where participants act in a context of with asymmetric and incomplete information (Candela *et al.*, 2012). Over the last 50 years tourism has continuously grown with the tourism flow, mostly originating from developed countries, now globally distributed all over the world. Such a rise in the extension of the zone covered by tourist supply make consumers confronts with an impressive amount of information as to the possible alternative destinations. Within this context of growing tourism supply consumers are unlikely to have complete information about the available alternatives. Indeed, although the Web makes any destination “searchable” and lowers the cost of gathering and sharing information, the huge amount of information available on Internet and the opportunity cost related to the online information search makes the incomplete information assumption still hold.

Tourism is also an example of a market characterized by asymmetric information about the quality of the tourism product among market participants. Indeed, while tourist can only have a sort of “average” information about the quality of the tourism product, tourism providers and intermediaries are likely to know the real quality of the products and services offered (or at least to have better knowledge than the counterpart). To traditional solutions like signalling, screening and legal protections, Internet has recently added as a remedy to attenuate the effects of asymmetric information in the tourism market by making readily available an immense amount of information about tourism destinations, products and services.

But also in the hypothesis that the tourist can fill the information gap in terms of completeness and asymmetry, the search for information is still called for because the quality of tourism products cannot be fully and accurately evaluated before purchase. Indeed, because of the intangible and service nature of many of the attributes of the tourism product its quality cannot be objectively assessed using readily available information until after consumption. Following Nelson’s (1970) definition the tourism product is an “experience good”, as opposed to search goods whose quality can be fully evaluated at relatively low cost prior to its purchase and consumption. Almost all the constituent parts of the tourism product are “experiences (Smith, 1994) because tourists take part to the production process, being production and consumption of the tourist product not separable. Furthermore, weather conditions at the destination are generally central to overall trip satisfaction, but they cannot be known in advance. For all these reasons the attributes associated with the tourist product quality are likely to be mostly discoverable after gaining experience with the product.

In terms of the search for information, dealing with an experience good means that one needs to compare the certainty utility of a safe and known tourist product (destination) with the expected utility of an uncertain tourist product (destination). But this means in turn that the search for information, in contrast to what happens with search goods, is likely to be particularly costly, since the search for information can coincide in the limit with the holiday price. Hence, given that the holiday price is generally quite high with respect to other forms of consumption and that the holiday frequency is quite low, generally each individual goes on vacation just a few times each year, the consumer is likely to associate a very high-risk to a tourist product or a destination quite far from his previous travel experience (Casarin, 2005). As a consequence, the consideration set (Hauser, 1978) for these high-risk perceivers tourists is likely to be formed by a few safe alternatives in terms of type of tourism and destinations, since they can prefer a lower, but known with certainty, satisfaction level, represented by a previous travel experience, rather facing the risk of being dissatisfied with a new travel experience.

5. Tourists satisfaction surveys and destination competitiveness

Competitiveness research has shifted its attention from quantitative to qualitative analysis because of the problems in interpreting quantitative information and also because the qualitative attributes of a destination are likely to essentially drive its quantitative performance. Indeed, tourist destination competitiveness is generally evaluated by analysing the findings of tourist satisfaction surveys which are mainly conducted through the questionnaire instrument (Clerides and Pashourtidou, 2007). The idea of tourist satisfaction surveys for assessing tourism destination competitiveness stems from recognizing that the success of a destination is implicitly linked to its ability to closely match better than other destinations tourist preferences and those (subjective) attributes of the tourism product considered to be important by tourists.

These qualitative data are generally collected by submitting a face-to-face questionnaires to a sample of tourists during or at the end of their vacation with the aim of detecting tourist satisfactions of several destination attributes, such as hospitality, infrastructure, nightlife and entertainment, shopping facilities, outdoor activities, safety, etc. Tourist satisfaction judgements matters because such beliefs are likely to positively affect future consumer behaviour, for example by increasing customer loyalty, influencing repurchase intentions and leading to positive word-of-mouth or complaint behaviour (see Dimitriadis, 2006, and Faullant and Matzler, 2008).

Measurement of tourists' satisfaction levels can encounter a number of problems: the choice of the interview method, the sample design, the timing and placing are all highly critical issues in tourism satisfaction surveys that can cause the results to be unreliable (Casarin, 2005). In addition to such drawbacks, tourist satisfaction surveys can suffer from an additional shortcoming when the findings from such surveys are used to obtain information about a destination competitiveness.⁶ An implicit assumption in order to have accurate comparisons between destinations' performances is that the sample be representative from the perspective of consumer behaviour. Specifically, in order to be able to provide valuable insights on the relative competitiveness of a destination, the sample of respondent should have direct knowledge, in terms of experience of other destinations, of the same type of tourism so that their information set can include destinations that are in competition each other. Otherwise, the findings from these surveys are unlikely to provide any accurate comparative information about the quality of attributes of the tourism destination product.

However, the implicit hypothesis at the basis of tourist satisfaction surveys for destination competitiveness measurement can be questioned on the ground of the changing structure of tourism demand. Consumers' behaviour in tourism has changed, calling for higher quality standards and differentiation of the tourism product. Higher quality expectations and attention to value for money, more frequent but shorter vacation breaks taken throughout the year, more selected choices for new destinations and new tourism products, also through an increase in use of technology and internet for booking, increased awareness for the environment and sustainable tourism, and specialized forms of tourism are all example of this changing behaviour. These recent trends in consumers' behaviour in tourism can be challenging for the possibility of using tourist satisfaction surveys for determining a destination competitiveness.

The consumers surveyed in tourists satisfaction surveys are generally obtained from a random sample within a population of tourists linked by the choice of the same destination. Thus, unless the destination is multi-tourism, the data collected in the survey refer to tourists that display similar preferences with respect to types of tourism and destination attributes. These features of tourists satisfaction surveys prove useful in order to assess the relative competitiveness of a tourist destination because the respondents are tourists which:

- are required to evaluate features (characteristics) of the tourist product such as accommodation, restaurants, transportation, natural environment, infrastructure, pedestrian and cycling facilities, entertainment, safety, hospitality and value for

⁶An exception is provided by those surveys that explicitly ask respondent to compare destinations' attributes (e.g. Goodrich, 1977, 1978, Javalgi *et al.* 1992, Dieke, 1993).

money; and

- have experience of the specific type of tourism as well as of alternative destinations.

The economic analysis of consumer behaviour and tourism product presented in the previous sections suggests that the sample population of the tourists satisfaction surveys shows the features required in order to provide useful information about destination competitiveness. Indeed, although consumers' behaviour tends to change continuously for some aspects, *i.e.* destination preferences, booking behaviour etc., there is no support to the hypothesis of a rapidly changing face of consumers' behaviour. If we consider the tourist's attitude towards risk in the case of an *experience good* and the tendency of individual preferences to evolve slowly with respect to different types of tourism, it is not surprise that previous travel experiences are likely to represent a significant factor in the destination selection process (Woodside and Lysonski, 1989) and to exert more influence on future travel intentions than information acquired from external sources (Mazursky 1989). Therefore, both the slowly evolving preferences evidenced by the "directional choice theory" and the satisfaction risk associated to the information search for an *experience good* suggest that tourists are more likely to change more frequently destination than type of tourism. As a consequence, travellers with different motivations will show not only different purchasing patterns, but also a low degree of substitutability to tourisms with different features (heritage and cultural resources rather than beaches, sun or ski slopes).

To summarize, tourist satisfaction surveys can be very useful to identify the strengths and weaknesses of a destination tourist product and assessing its performance with respect to competing destinations. Indeed, as tourists get experience about other destinations their assessments can be considered not only a direct evaluation of the quality and overall performance of the specific destination, but they can also provide an indirect (implicit) comparison between facilities, attractions and service standards of different competing destinations (Laws, 1995).

6. Conclusions

Although tourist satisfaction surveys have been developed to provide information about the level of tourist satisfaction, they can represent a valuable source of information about a destination's overall competitiveness. Indeed, the economic analysis of consumer behaviour and tourism product suggests that the sample population used in these surveys is likely to be composed by tourists displaying similar preferences as to the type of tourism as well as previous

experiences of other competing destinations and thus can provide crucial direct information about the quality of a destination's tourism product along with an indirect comparison with different destination competitors. In this way tourists' viewpoint obtained from satisfaction surveys can allow identification of the relative strengths and weaknesses of the destination and facilitate public- and private-sector stakeholders' implementation of policies so as to improve competitiveness of the destination as a whole.

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SUMMARY

Destination competitiveness and tourist satisfaction surveys: an economic analysis

Tourist satisfaction surveys are widely employed within tourist destinations to get the tourist viewpoint of the specific different attributes or characteristics and of the destination as a whole. Tourist assessments, represented by direct information given explicitly in tourist satisfaction surveys, are also interpreted as a basis to measures competitiveness of any given destination, since competitiveness is a key element of a destination strategy. The implicit assumption for such interpretation is that tourists perceptions will provide an implicit comparison between different attributes of competing tourist destinations based on their past experiences. In this paper we try to establish whether tourist satisfaction surveys are useful for assessing destination competitiveness through the lens of economics. We claim that tourists' viewpoint obtained from satisfaction surveys about a destination's competitiveness can allow identification of the relative strengths and weaknesses of the destination and facilitate public- and private-sector stakeholders' implementation of policies so as to improve competitiveness of the destination as a whole.