

## Chapter 2

# Definitions and Key Concepts

### Learning Outcomes

On the completion of this chapter you will:

- Understand the key terms used in the study of the tourism sector.
- Identify the definitions officially adopted by national and international organizations.
- Understand the indicators used to measure tourism flows.
- Reflect on the role of the economics of tourism with respect to other disciplines in studying the tourism phenomenon.

## 2.1 Introduction

Tourism is a highly complex phenomenon and can be fully understood only by adopting a multidisciplinary approach (Chap. 1). In fact, the tourism activity has been studied by many disciplines, being economics, geography, sociology, management and history the most productive; however, this book will focus only on the analysis of the economic aspects surrounding the tourism activity. Hence, our approach should contribute to the deep understanding of tourism as an economic phenomenon, by leaving to other disciplines the task of providing a more complete picture of how tourism works.

The main goal of this chapter is to present the key terminology and indicators of tourism, their interpretation in the context of economics, with the aim of reducing, if not eliminating, any degree of ambiguity in the use of such terms. Accordingly, this book will use the standard toolbox and methodology of economics given that the Economics of Tourism can be understood as an applied

discipline positioned within the broad borders of the economic science (Candela and Figini 2009, see also Sect. 1.4).

The economic relevance of tourism is remarkable, the UNWTO—the United Nations World Tourism Organization (2010) estimates that tourism is roughly 9 % of the global Gross Domestic Product (GDP) and 8 % of world employment. Nevertheless, measuring the economic contribution of tourism in a national economy is not an easy task. There are statistical issues which need to be discussed, particularly related to the definition and the classification of concepts linked to both the demand and the supply side of tourism.

As a demand side example, we can consider a tourist who purchases food or meals in the destination. The purchasing activity per se is not specific of tourism, as this consumption would have also happened in the place where the tourist lives. However, it is possible that the *tourist–consumer* could modify the composition and the value of the purchase since different types of goods and different prices are available at the destination.<sup>1</sup> Hence, some questions arise: should we consider such variations of consumption within the study of the Economics of Tourism? And if so, how do we quantify and aggregate the data?

From the supply side, there are companies which are particularly relevant for the tourism activity although their target is not limited to the tourism sector, for example, railways companies or shopping businesses. Should we also study those companies when analyzing the tourism supply? Is it possible to unequivocally identify a comprehensive *tourism industry*?

These are only some of the key challenges for the Economics of Tourism, which will be investigated in detail in this book. To start with some definitions and key concepts, this chapter is organized as follows. In Sect. 2.2, we will provide a definition for our object, the Economics of Tourism, while the methodology of study will be discussed in Sect. 2.3. The concepts of *tourism* and *tourist* will be defined in Sect. 2.4, while Sect. 2.5 will provide a discussion on the key features of *tourism output* (*tourism product*). In Sect. 2.6, we will describe the main indicators for the measurement of the tourism activity.

## 2.2 The Economics of Tourism

The Economics of Tourism investigates all the economic aspects derived from the activity of a tourist. In our context, the adopted approach is based on the idea of a standard type of tourist (*representative tourist*) defined as an *individual who, for*

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<sup>1</sup> For example, tourists are more inclined to eat *fajitas* when they travel to Mexico rather than in their home country. Similarly, the personal consumption of wine increases on average when tourists locate themselves in France or in Italy.

*leisure or other purposes, temporarily leaves the place of residence for being hosted in a destination, activating successive economic effects that are worth investigating.*

The tourism phenomenon starts in the tourist's place of residence, at the moment when the planning of the trip and of the spending happens. Then, it becomes real with the trip toward the destination, where the tourist expects accommodation, entertainment, amenities, and *loisir*.

The French term *loisir* (leisure), which we often use to indicate a bundle of free time and recreational activities (Dewailly and Flament 1995), is appropriate to summarize the tourist's activity. Let us consider the example of a person who loves country lifestyle and, during her free time, helps a farmer in the vineyard: the same activity is working time for the farmer while it is *loisir* time for his guest. Hence, the difference between working time and leisure time is central and directly points to the economic theory of individual labor supply (see Sect. 6.2).

Once the destination is reached, the tourist may stay for a short or for a long period of time, and enjoys the tourism activities (accommodation, attractions, entertainment, etc.) that justified the choice of the destination. In this destination, the tourist will demand goods and services, spending part of her income. Once the tourism trip is over, the tourist will return to the place of residence.

Although such description of the tourism phenomenon is still incomplete and imprecise (see Sect. 2.4), it permits to identify and follow the *traces* left behind by the tourist during the trip, thus spotting a series of economic issues which are the object of study for the Economics of Tourism. These can be defined as: (a) the economic analysis of the tourism space; (b) the economic problems derived from investment in private infrastructures which compound the tourism supply in the destination (hotels, attractions, etc.), as well as public infrastructures (highways, airports, hospitals, etc.); (c) the organization of tourism markets (carriers, tour operators, travel agencies, etc.); (d) the analysis of tourism demand and tourism expenditure; (e) the multiplier effect of tourism expenditure on aggregate (regional or national) employment and income; (f) the effects on the international economy in terms of currency markets and balance of payments.

In today's world, such a description of the representative tourist, which reminds us of *Goethe's Italian Journey*, no longer corresponds to the tourism phenomenon that we observe in a post-modern economy (Battilani 2001). The increase of percapita income, the increase of leisure time due to the reduction of the working hours, the evolution of the welfare state, a greater individual mobility, the transport revolution of low-cost airlines, the economic globalization, the spreading of competition and the usage of the Internet, and the heterogeneity and the plurality of the tourism experience are all factors that make more challenging the qualitative and quantitative identification of tourism.

The simple model of *departure-trip-stay* explained before for a traditional tourist is then no longer valid for the investigation of tourism in the current context.

Among the many reasons why such simple model does not reflect the complexity of the tourism activity we can highlight that:

- Nowadays, tourism does not necessarily imply staying overnight, otherwise certain small tourism destinations such as Republic of San Marino or Andorra would be underestimated. Additionally, today's free time constraints and changing tastes are some of the factors that explain the change in holiday patterns, that is, on average the tourist takes more holidays throughout the year but each one of a shorter length of stay. These changes have direct and indirect economic consequences for tourists, businesses, and destinations.
- Traveling does not necessarily imply tourism. We can find many examples of individuals traveling for non-tourism purposes (e.g., diplomatic envoys or military personnel). This issue will be discussed in detail in the definition of tourist (see Sect. 2.4.1). On the contrary, some researchers argue that tourism does not necessarily imply traveling, since one could be a tourist in the place where he lives. According to Raffestin (1986):

I do not mean simply strolling around, but that a person could apply on his territory a different pattern of observation; in this sense there would not be a geographical but a sociological movement, a modification in the level of perception by the tourist: the trip is not only horizontal and real, but also vertical and abstract.

(Raffestin 1986, p. 1. *Our translation*)

We are so used to think that taking a trip is such a necessary component of tourism that Raffestin's rationale may sound paradoxical and consequently it is necessary to give further arguments to support it either from: (a) a psychological/motivational point of view (for instance, there might be a psychological disposition to tourism—although the trip does not take place—when a person buys a guidebook or watches a documentary to know something about a certain destination), or from: (b) an economic perspective (for example, for an Italian wine producer there is not any significant difference between a bottle of his wine purchased by a German person in Berlin in an Italian restaurant or by the same person as a tourist during a holiday in Italy). To summarize, nowadays the trip needs to be interpreted in a broader sense, not only as a movement from the tourist's region of origin but also as a sociological and psychological “movement” as well, with several consequences in terms of spending analysis. However, in contrast to the above debate on the “philosophical” distinction between tourism and trip, for our purposes the trip is still the key element of the tourism phenomenon. Therefore, the statistical definition of tourism treats the tourist's physical movement in the space as the necessary feature of tourism (see Sect. 2.4.1).

- Finally, due to the increase and diversification of tourism destinations, it is no longer possible to apply an *ex ante* identification of tourism territories. Specifically, the tourism space is no longer defined just as a place of natural, artistic, cultural, and historical attraction but, more generally, as a “supply of territory”.

As an example, the location of some of the most important historical events may become tourism destinations when tourists start visiting them.

The data suggest that war stimulates promotional, emotional, military and political tourism, and that war-related tourism attractions are the largest single category known.

(Smith 1998, p. 202)

The former location of the Twin Towers of New York becomes an important place to be visited by tourists in Manhattan; similarly, a forgotten location on the countryside can be seen as appealing and transformed in a tourism destination for farmhouse holidays. In other words, when the potential demand is transformed in effective demand any territory can become a tourism destination. Hence, in a world with high mobility, the tourism destinations are more and more difficult to identify or delimit. An example is the success of *artificial landscapes* such as water parks, amusement parks or, more in general, theme parks.

The Economics of Tourism establishes its historical roots in the Economics of Outdoor Recreation (EOR), which mainly deals with holidays and short trips to public gardens and natural parks (Clawson and Knetsch 1969; McConnell 1985, and cited references; see Sinclair and Stabler 1997, pg. 1–14, for an analysis of the historical evolution of tourism; see Moore et al. 1995, for a discussion on the relationship between tourism and leisure). Although these recreational trips do not constitute the key objects of study for modern Economics of Tourism, this field borrows from the EOR one of its key models for an introductory identification of the founding moments of the tourism experience. They are the following five:

1. The *anticipation* phase comprises the decision and planning of the recreational activity. If this phase leads to the act of purchasing, the recreational experience begins.
2. The *outward journey* is the physical movement to the place of destination. The duration of the trip can vary, the EOR distinguishes three categories of journey: (a) *user-oriented* places that are easily accessible such as gardens, playgrounds, etc.; (b) *resource-based* places that require longer trips, such as mountains, national parks, etc.; (c) *intermediate* places which are outdoor tourism destinations that can be reached for a day or a weekend. To be precise, according to the EOR the trip should be seen not only as a disutility, linked to a sacrifice of time needed to reach the destination but also as a key element of the tourism activity, characterized by its own intrinsic utility.
3. The *experience* phase, which consists of the direct fruition of the recreational activities located in the destination. This applies to typical outdoor activities such as hunting, fishing, camping, swimming, or picnicking. The experience phase also includes the minitrips to close-by sites and visits to friends and relatives living nearby.
4. The *return journey* (the inverse phase of the outward journey) is the movement from the destination to the region of origin. The itinerary of the return journey does not necessarily coincide with the outward journey, depending on whether or not a different itinerary from destination to origin (that does not involve the exact same sites and towns that have been already visited during the outward journey) exists. Finally, it is important to stress that the traveller's psychological

attitude during the return journey, which usually precedes returning to the ordinary routine, is usually quite different from the attitude during the outward journey.

5. The *memory* is the phase to recall the tourism experience, this happens when the recreational activity is totally over.

It is relevant to highlight that the five stages of the EOR notably coincide with the phases identified in the departure–trip–stay model that we explained earlier as the standard model for the Economics of Tourism. Also notice that in the EOR model the phases of anticipation and memory are fundamental also from an economic point of view. In the anticipation phase, the tourist spends time and resources deciding when, how, and where to go on holiday. In the memory phase the tourist shares the experience with other people, e.g., friends and relatives, thus possibly affecting future recreational activities. For the Economics of Tourism, *cultivating* and *sharing* the memory of a trip are central moments of the holiday since they may influence future repetitions or decisions of a new trip. Interestingly, there may also be more direct economic effects linked to the memory phase, such as the cost of printing the photos of the holiday. By explicitly exploring the economic aspects of the memory phase (for example, the importance of *word-of-mouth*, in Sect. 10.6.3) we will introduce new topics within the Economics of Tourism.

## 2.3 The Use of Models in the Economics of Tourism

A scientific theory provides answers to open questions and addresses the complexity of the phenomena under scrutiny by proposing models, that are interpretative patterns of the real-world complexity. To that respect, the Economics of Tourism is

### Notes 2.1. The Scientific Method and the Use of Models in Economics

Scientists seek to fully understand life phenomena, and thus their investigation cannot be limited to the mere description of such phenomena but should answer to all the *why* questions regarding their happenings. The scientific method can be seen as an itinerary that provides an interpretation (that can be defined as correct) of the real world. Without entering into the epistemological debate, we present here the main steps of the scientific method in a schematic manner. The scientific method begins with (a) the initial observation of a phenomenon, follows with (b) the inductive step to establish the assumptions and hypotheses related to the phenomenon, and (c) the deductive process that allows to move from the initial hypothesis to the propositions in a logical and coherent manner, finalizing with (d) the empirical verification which permits accepting or rejecting the hypotheses employed.

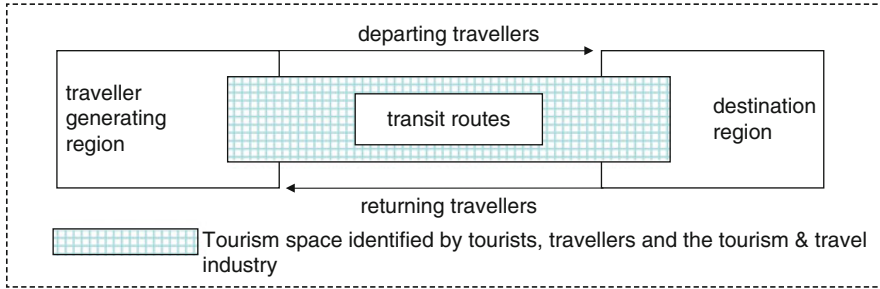
This rationale used by scientists in examining phenomena is the adopted methodology by the natural and social sciences, and therefore, it is also used in Economics. In particular, Economics applies the scientific method through the use of models, which are abstract representations of reality that economists use for explaining past economic events as well as predicting future ones. In this sense, a model must be judged on the basis of internal, logical coherence, and the ability to explain economic facts, and not on its strict adherence to reality. In fact, there exists already a perfect model of the reality, which is the reality itself! But reality is so complex and full of background noise that needs to be simplified by extracting only the important concepts which are considered useful to explain a certain phenomenon. This is done with a process of abstraction that is made possible through the use of models.

not different from other social sciences and, indeed, adopts the same scientific method (Notes 2.1, see also Tribe 2011).

There are various ways of defining a model, and each discipline that studies tourism tends to adopt different approaches. In the context of Economics of Tourism, the approach followed consists of moving from the first intuitions of the tourism phenomenon—explained in the previous section, to more rigorous content. One of the simplest and most popular models used in tourism is Leiper model (1990) which defines tourism as a *system* composed by three key dimensions:

- The *tourist*. The tourist is the main element of the system and therefore its definition and classification should be provided first.
- The *space*. In Leiper model, the tourism space is divided into three geographical regions: (a) a *traveller generating region*, which is the market generating the tourism activity and where the stimulus which motivates the trip begins; (b) a *destination region* in which most of the economic impact of the tourism activity takes place; (c) the *transit routes*, generally intended as the journey through space and time that is needed to reach the destination, and technically includes all the sites that can be visited along the way.
- The *travel and tourism industry*. The travel and tourism industry can be seen as a system of entrepreneurial and organizational activities that are involved in the production of tourism services. This industry includes, for example, accommodation, transport, the firms and organizations supplying amusement and entertainment services, and products to tourists.

Leiper model presents a framework which enables the definition of tourism as a system (Fig. 2.1); this perspective allows us to understand the overall process leading to tourism from both the demand and the supply side and in which the three key elements interact with each other. Among the several advantages of adopting Leiper's model, we can remark that the model is rigorous and flexible at the same



**Fig. 2.1** Tourism as a system: the Leiper model

time, thus allowing us to identify, on the one hand, different types of tourism activities (e.g., from mature types of tourism, like cultural tourism, to emerging ones, like environmental tourism) and, on the other hand, any scale of travel (from day trips to intercontinental ones). Hence, this approach is helpful to understand how many elements and organizations are involved in the process of creating the tourism experience and that its structural components belong to a unique *system* where they interact with each other.

The description of tourism as a system has proved quite influential and has been further developed by the specific literature;<sup>2</sup> following (McIntosh et al. 1995) tourism can be defined as a *complex system* in which four key elements interact: (1) the tourist, who generates the demand for tourism experiences; (2) the businesses, which produce the demanded goods and services; (3) the political and administrative system, which affects the organization and development of tourism supply and demand in the destination; (4) the host community, including the part not directly involved in the tourism activity.

Although in this basic model everything in the system is interdependent, each of these components has to be studied in an isolated manner to gain deep understanding on the characteristics of tourism, and this book, only focusing on the economic dimensions of tourism, is not an exception. While we deal with the analysis of the main characteristics of tourism demand and tourism supply in the next chapters, the rest of the second chapter is devoted to the detailed definition of tourism and tourist, and their measurement.

<sup>2</sup> Leiper model has been widely used, for example, in cultural tourism (Richards 2002) or in sport tourism (Hinch and Higham 2001). For an overview, see Hall and Page, 2006. It is also recommended to keep in mind that, in addition to Leiper model, the complexity of the tourism phenomenon has also been studied from the perspectives of both the Chaos Theory and the Theory of Structural Instability (see McKercher 1999; Russell and Faulkner 1997, 1999, 2004; Faulkner 2001; Blake et al. 2003; Ritchie 2004).



## 2.4 Tourism and the Tourist

As a result of the difficulties exposed in the previous section, to define tourism and the tourist is certainly not an easy task. Notwithstanding, it is an essential task to accomplish from both theoretical and practical perspectives, given that the measurement of the economic effects of tourism closely depends on the chosen definition. Indeed, the problem of defining the tourist is interconnected to the problem of measuring the tourism sector itself (see Sect. 2.6).

### 2.4.1 *Some Definitions of Tourism and Tourist*

As definitions may vary according to whether we focus on psychological, sociological or economic aspects of tourism, it is worth pointing out that our main objective here is to identify the definition that allows measuring the extent of tourism flows in the most precise way as regards the ability to pick out the economic impact of tourism.

The first question to address is very simple: who is the tourist? Although from a general point of view we could use the definition given at the beginning of Sect. 2.2, from a statistical perspective there exist many definitions that have been used by official national statistical offices. This heterogeneity does not simply stem from the confusion of concepts but is also a direct consequence of the objective difficulty of theoretically identifying the tourism phenomenon. The coexistence of different definitions is often a problem faced by international tourism organizations, particularly in the attempt to provide a uniform theoretical content and measurement criterion. The UNWTO (United Nations World Tourism Organization) has a central role in providing the definition, terminology, and criteria related to the measurement of tourism. As a result, a series of recommendations have been adopted by the commission for statistics of the United Nations (UNSTAT) and published under the title “Recommendations on Tourism Statistics” by UNWTO and UNSTAT in 1994. Since 1995, all the data gathered by national statistical offices and then transferred to the UNWTO follow such internationally accepted criteria, and therefore it is possible to undertake cross-country comparisons.<sup>3</sup>

Prior to giving the UNWTO’s definition of tourism, let us briefly present a “historical” evolution of the definition of tourist. These definitions appear to be more technical than conceptual since they pay special attention to the typology of tourist and the constituent elements of the tourism activity. The word “tourist” appears for the first time in English at the beginning of the nineteenth century and the first definition, in chronological terms, was given by Herman Von Schullard in 1910:

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<sup>3</sup> To learn more about the functions, instruments, and objectives of the UNWTO, read Case Study 15.2, along with Sect. 15.5.2.

[Tourism is] the total sum of operators, mainly of an economic nature, which directly relate to the entry, stay and movement of foreigners inside and outside a certain country, city or a region.

(Gilbert 1990, p. 8)

In order to ensure that this definition is not too restrictive, the concept of “foreigner” should be understood, broadly speaking, not only as a tourist from another country but more simply as “non-native guest”. The successive definition of 1937, given by the League of Nations, is indeed more precise on that issue and specifies that:

A tourist is the individual that spends a period of time of at least 24 h in a country different than that of residence.

This definition has two key features: on the one hand, by making no reference to the motivation behind the trip, it implicitly considers tourists all individuals who travel for either leisure or business; on the other hand, those people who arrive to a destination with the objective of living there for business, work, or personal reasons are not tourists.

The motivational factor is instead the key component of the definition of “visitor” which was adopted in 1968 by the *International Union of Official Travel Organization* (which became the *World Tourism Organization* and now UNWTO):

A visitor is defined as the person who travels to a country other than that of residence, for any reason other than paid work.

While in the definition by the League of Nations the emphasis was made in the length of stay, i.e., at least 24 h, this last definition makes an important distinction, since the word “visitor” is used. The visitor is anyone who travels, according to certain motivations. Then, we can technically call “day-tripper” or “same-day visitor” anyone who stays in the destination less than 24 h while it is technically called “tourist” anyone who stays in the destination more than 24 h (in other words, a visitor who stays overnight is a tourist).

The process of defining tourism experienced a decisive and definitive step forward when, with the joint efforts of UNWTO and UNSTAT, the definition of tourism was approved, with universal acceptance, in 1994:

The activities of persons travelling to and staying in places outside their usual environment for less than a year, for any main purpose (leisure, business or other personal purpose) other than to be employed by a resident entity in the country or place visited.

This definition pivots around three main dimensions on which tourism has to be defined and distinguished from other forms of travel: (1) the *movement*, that is, where does the tourist travel? (2) The *time*, that is, for how long does the tourist travel? (3) The *motivation*, that is, why does the tourist travel?

- (a) As regards the movement, the UNWTO defines tourism as the activity of travelling outside the usual environment of an individual: this is intended as the geographical area (though not necessarily a contiguous one) within which

the person conducts his/her regular life routines. Hence, tourism does not involve commuters (e.g., students or workers) who regularly travel for their daily activities. We might be tempted to provide a negative rather than a positive definition, that is, by listing what tourism is not: any movement within the region where the person commonly lives, the daily trips due to study, work, health care, family, or shopping; any temporary or permanent change of a person's residence; any temporary or permanent movement aimed at the production of income; any movement of diplomats, military personnel, political refugees, stateless persons, and nomads. The key limitation of relying on the negative definition of tourism is that it does not provide information about the reasons that bring a person to change her routine behaviors in favor of a trip. At the same time, it is important to note that the person who, for example, decides to tour her town of residence definitely undergoes a psychological experience as a tourist (see Sect. 2.2) but without being registered as tourist. This prevents us from effectively analyzing the economic effects of such experience.

- (b) As regards time, the maximum length of stay is defined, in contrast to earlier definitions, 1 year; beyond that limit the travel is not considered tourism. Interestingly, the UNWTO defines as visitor any person travelling, independently on whether or not they stay overnight in the destination. Then, *tourists* (or overnight visitors) are defined as the subset of visitors staying overnight, while the *same-day visitors* (or excursionists) do not stay overnight.
- (c) As regards the motivation, the purpose of visit could range from leisure to business, from visiting friends and relatives (VFR) to culture and heritage interests, and many others (see Sect. 2.4.2). However, it is essential to understand that the UNWTO definition of tourism does not include purposes of visit related to the exercise of an activity remunerated in the visited place. This restriction correctly prevents us from qualifying migrant workers as tourists, since they travel with the goal of finding (or accepting) a job in the visited destination. On the contrary, any employee of companies not resident in the visited region, as well as self-employed persons staying for a short period of time (less than a year) to provide a service such as the installation of equipment, repair, consultancy, etc. or travellers entering in business negotiation with companies located in the destination, or looking for business opportunities (including buying and selling), or participating in trade fairs are considered (business) tourists.

We can complete the task of defining tourism by recalling some other definitions that alternatively assume a holistic approach and underline, in a more comprehensive way, all phenomena associated to tourism flows. Jafari's definition of 1977 is:

Tourism is the study of man away from his usual habitat, the industry which responds to his needs, and the impact that both he and the industry have on the socio-cultural, economic, and physical environments.

(Jafari 1977, p. 6)

whereas in 1979 the *British Tourism Society* claimed, on the basis of the definition provided by Burkart and Medlik (1974), that:

Tourism is deemed to include any activity concerned with the temporary short-term movement of people to destinations outside the places where they normally live and work, and their activities during the stay at these destinations.

The use of a holistic definition has many limitations from a statistical point of view, but helps underline that the investigation of tourism requires an interdisciplinary approach and the participation of numerous researchers from different branches of the social sciences. For example, those aspects related to territorial and spatial features are analyzed by the Geography of Tourism; the historical evolution of tourism is of interest for the History of Tourism; the issues related to the tourism production are a topic of investigation for Management studies; instead, the Psychology and Sociology of Tourism are interested in the individual or social motivations for travelling; the transportation system and urban planning are studied by Engineering; and so on.

Hence, the holistic definition of tourism makes economics only one of the numerous research fields interested in tourism. The corollary of this view is that to correctly understand the tourism phenomenon, the Economics of Tourism should collaborate and be nourished with other disciplines as well. In other words, tourism can be metaphorically seen as a *cross section of a society*, where all the aspects of social life are involved. Lundberg et al. (1995) stress on this idea by stating that:

Tourism [is] an umbrella concept.

(Lundberg et al. 1995, p. 4)

### 2.4.2 *The Taxonomy of Tourism*

After providing the definition of tourism, we should now move on to its classification and wonder how many types of tourists and tourism there exist. Among the many classifications, the most important one comes from the UNWTO and UNSTAT conventions and makes reference to the three key dimensions in the definition of tourism: the type of movement, the purpose of visit, and the length of stay.

The first distinction makes reference to the tourist's trip and is simplified by the Table of Mobility (Table 2.1). This can be read by columns according to the tourist's region of origin (the tourist could come from the same country or from abroad) and it can be read by rows according to the tourist's destination (the tourist could travel to the same country or abroad). In this way, we can identify the four basic types of tourism:

1. *Domestic tourism*: activities of a resident visitor within the region of reference.
2. *Inbound tourism*: activities of a non-resident visitor within the region of reference.
3. *Outbound tourism*: activities of a resident visitor travelling to other regions of the world.

**Table 2.1** The table of tourism flows

	Origin within the region	Origin outside the region
Destination within the region	1. Domestic tourism	2. Inbound tourism
Destination outside the region	3. Outbound tourism	4. Transit tourism

4. *In transit tourism*: activities of a visitor while passing by or crossing a region which is neither the region of origin nor the region of destination.

In Table 2.1 it is also possible to identify other typologies of tourism, which are often used to distinguish the different types of travellers:

5. *National tourism* is the sum of both domestic and outbound tourism, in other words, it corresponds to tourism activities by residents of the region of reference (sum of the flows 1 and 3).
6. *Internal tourism* is the sum of both domestic and inbound tourism, that is, tourism in a specific region by residents and non-residents (sum of the flows 1 and 2).
7. *International tourism* is the sum of both inbound and outbound tourism, that is, tourism that implies crossing over the borders of a region (sum of the flows 2 and 3).

As one may have noticed, the word *region* has been used in the above classification. This was done deliberately and is intended to be unspecific. In the most common specification, *region* may refer to a country, but the same classification could be used to monitor tourism of a region within a country (a state, province, or a city) or, similarly, the term *region* can also refer to an international level (for example, the European Union).

The second classification deals with the reasons why people decide to travel. What are their motivations or purposes of visit? They can be classified as:

- *Leisure purposes*. This consists of the traveller having free and leisure time at the traveller's own expense. For example, tourists going to the beach, to the mountains, or to the lakes for holidays, or visiting historical sites or art cities. Also, many tourists travel as supporters of a sport team or participant in a sport event, or simply visit family and friends who live far away.
- *Professional reasons*. These are trips where expenses are usually paid for by a company, organization, or institution. Some examples of this are: (a) trips to where a person is participating in a congress or a conference; (b) trips to where a person is meeting or working with clients or suppliers; (c) trips to where a person represents a company, organization, or institution at trade fairs.
- *Other personal reasons*. There are many other reasons for a person to travel: education and training, health and medical care, religious pilgrimages, and shopping.

The third classification distinguishes the types of visitor according to the length of stay:

1. *Excursionists* (or *same-day visitors*, or *day-trippers*): visitors who stay in the destination less than 24 h, thus not staying overnight.

2. *Tourists*: visitors who travel for more than 24 h. These types of trip imply that the visitors stay overnight in the destination, at least for one night.

A widely accepted convention also allows us to distinguish between: (a) holidays (this involves staying at least four consecutive nights in a different region from where the tourist lives); (b) short-term holidays (this involves spending one to three nights in a different region from where the tourist lives).

There exist other methods to classify tourists according to different characteristics (for further details refer to Smith 1988; Cooper et al. 2008; Wall and Mathieson 2006). Of particular interest are the classifications of tourists according to:

- *Socioeconomic variables*: age, gender, level of education, employment status, work status (full-time versus part-time), type of activity (including students and retired), the composition of the travel party (going alone, with friends, with family), the organization of the trip (with a tour operator, individually organized).
- *Characteristics of the trip*: the time of the year when the trip takes place, how far the destination is, the transportation means used.
- *Type of spending*: the different categories of expenditure associated with tourism (the cost of transportation, the cost of accommodation, the purchase of food and dining out, tickets or entrance fees, buying souvenirs, etc.).
- *Type of accommodation*: hotels, motels, hostels, campsites, bed and breakfast, rented apartments, or staying with friends or relatives.

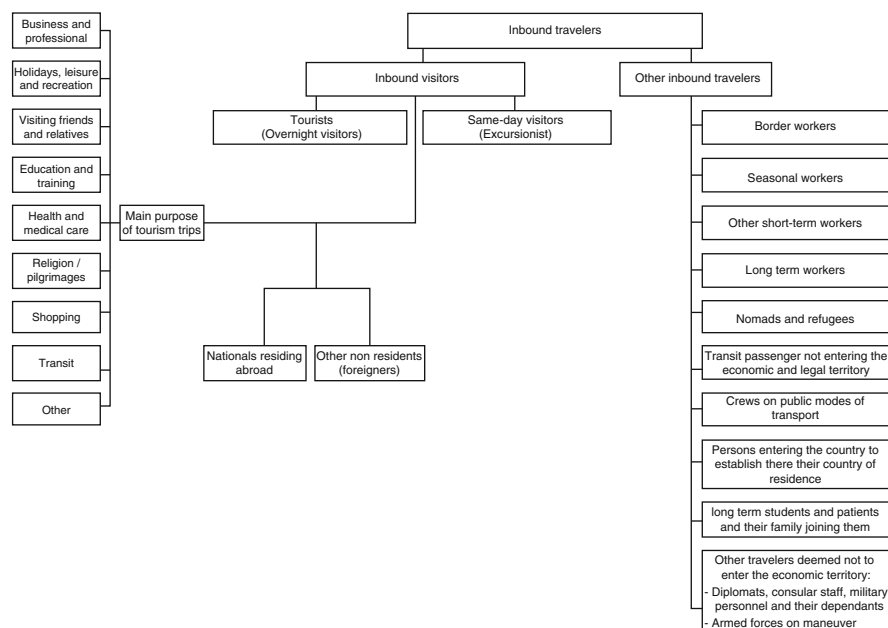
Note that the details of these classifications should be clearly defined in order to be able to correctly gather data or for measuring purposes.

Finally, it is important to acknowledge the differences between international and domestic visitors especially in terms of classification. In the following subsection, a discussion of the main particularities of the international visitor and the domestic visitor from an economic perspective is given.

#### 2.4.2.1 The International Tourist

As already outlined, we call *international tourist* any person who travels to a foreign country and stays a minimum of 24 h (or at least one night) and a maximum of 1 year. Consequently, we identify as distinctive features of the international tourism crossing an international border and fulfilling a minimum and maximum length of stay. With respect to the purpose of visit, it is possible to distinguish between leisure, business, health or visiting friends and family whereas the border-crossing trips motivated by paid jobs, study (such as attending college or university), or migration are not included in international tourism.

In 1963, the concept of *international visitor*, which comprises both the tourist and the day-tripper (excursionist) was introduced. In 1981 the statistical classification was completed by adding the definition of *international travellers* to the one of international visitors. International travellers include, as non-visitors,



**Fig. 2.2** Classification of international travellers. Source: UNWTO (2007), p. 18

international migrants (people who enter a country and stay for more than 1 year), and those who fit into any of the following groups: (a) people, along with their families, who are looking for a job in another country; (b) diplomats, members of the army, their subordinates, and their families; (c) refugees; (d) nomadic peoples; (e) people who live in one country but work in another; (f) travellers who transit in the country.

In contrast, the following groups are considered international visitors by convention: (a) the crew of ships and aircrafts; (b) business or trade travellers including technicians, but only if they lodge in the destination country for less than a year; (c) employees of international organizations such as FAO, UN, etc.; (d) people who live abroad and return to their country of origin temporarily.

The last official convention, signed in 1994, finally considered as international visitors the sum of: (a) *international tourists*, those who spend at least 24 h (or stay overnight at least for one night for the above described purposes) and less than 1 year in the country of destination; (b) *international day-trippers*, those who spend less than 24 h in the country of destination.

International day-trippers consider those *same-day* visitors who arrive and leave the country of destination on the same day; *cruise ship passengers*, but only if they stay on board overnight (otherwise they would be put in the same groups as international tourists); *crew members* (including military crew members on warships) as long as they stay on board overnight.

Figure 2.2 shows all these criteria jointly with the purposes of visit. Additionally, it also takes into account those groups of travellers who are not included in the

official tourism statistics, by showing in a clear way how the tourism phenomenon is classified.

#### 2.4.2.2 The Domestic Tourist

The study of domestic tourism had not been of particular interest until the second half of 1970s, in contrast to the attention paid to international visitors. Unlike its international counterpart, domestic tourism rarely involves language barriers, exchanging currency, or applying for a visa and, consequently, domestic tourism is far more difficult to identify and measure than international tourism. Until 1991, based on the 1981 and 1983 indications by the UNWTO, it was common procedure to apply the recommendations adopted for the international visitor to the domestic visitor as well. However, the UNWTO in 1991 indicated specific criteria and recommendations to classify and measure domestic visitors.

According to these criteria, we call *domestic visitor* a person who resides in a given country, regardless of nationality, who travels to a location within the same country (but different from the place of residence) for no longer than 6 months, for any motivation except for the case of paid job in the visited location.

Similarly to the classification of international visitors unfolded in the previous sub-section, here domestic visitors comprise: (a) *domestic tourists*, who spend at least 24 h (or at least one night), but less than 6 months in the destination; (b) *domestic excursionists (domestic day-tripper)* who spend less than 24 h in the destination.

Having outlined so far the many existing caveats in the issue of tourism definition and measurement, we can now move on to the definition of the tourism product.

## 2.5 The Heterogeneity and Plurality of the Tourism Product

The tourist's activity, from an economic perspective, is expressed by the demand of goods and services in the region of destination. It is precisely in the destination that the great part of the tourism activity takes place and where the economic issues of production, employment, localization, quality, etc., arise.<sup>4</sup>

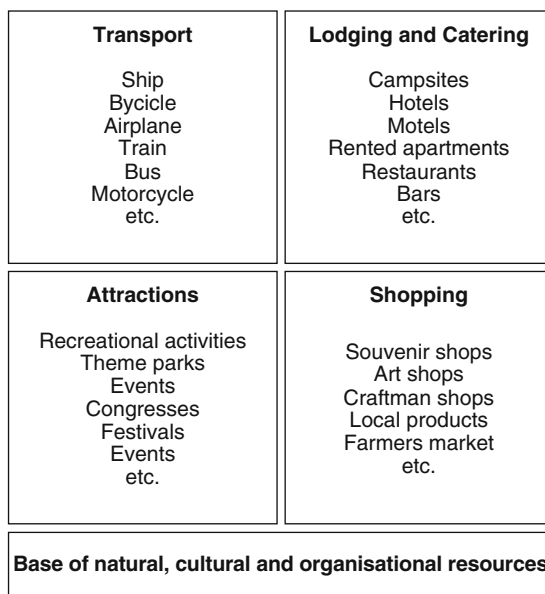
But, how can we define the output of the tourism sector? What do tourism enterprises produce? And what are the main characteristics of the tourism product? Since the 1970s there has been an ongoing debate on how to define the tourism product which, arguably, is not as easy as to define "cars" the output of the automotive industry (on the definition of the tourism sector, see Sect. 3.2). Whereas some authors argue that the tourism output refers to the concept of (only) a service, an intangible service

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<sup>4</sup> However, it is worth underlining that a portion of the tourist spending might take place in the region of departure before the trip.



**Fig. 2.3** The tourism product as a basket of goods



which the tourist enjoys while in holidays, supplied by system of enterprises and identified as tourism product (Wahab 1975), others perceive tourism output as a complex mixture of goods and services (Gilbert 1990).

In the Economics of Tourism the second perception is prevalent and, in fact, tourism product is defined as a *bundle of goods and services*:

Tourism spending is constituted by a plurality of heterogeneous goods and services which are purchased during or for the holidays: transport, lodging, catering, support services for example in beach or skipass, leisure and entertainment and, finally, other goods purchased in the destination (shopping).

(Gardini 1986, p. 5, *Our translation*)

In this textbook we define the tourism product (or tourism output) as a *basket of different goods and services demanded by the visitor during the tourism experience*. A basket which contains, in technical sense, products with the same aim, the holiday.

Figure 2.3 clearly shows this idea of basket of different products, which can be classified in to four main groups:

1. *Transport*, in any form (by road, by sea, by air);
2. *Lodging and catering*, ranging from fancy restaurants and five-star hotels to simple kiosks on the beach;
3. *Attractions*, it is in this area where a massive diversification of tourism services is present, according to the consumers' preferences, to the supply or to the innovation of products;
4. *Shopping*, which involves retailers, artisans, artists, etc.

**Table 2.2** Heterogeneity and plurality in the tourism product

Type of tourist	Accommodation in hotel	Accommodation in a rented apartment	Local restaurant	Seafood restaurant	Beach services	Night club
Ulysses	1	0	0	2	1	1
Columbus	0	1	1	1	2	0

In addition, as observed in Fig. 2.3, the tourism product is always based on both natural and cultural resources which constitute the *territory*: nature, the landscape, beaches, mountains, historical monuments, the heritage, art cities, and local villages are the primary inputs of the tourism product (Briassoulis and van der Streten 1992).

The tourism product can be described and examined according to two criteria: *heterogeneity* and *plurality*. We name by heterogeneity the list of different goods and services which compound the tourism product, and by plurality we name the diversity of the list among tourists, which ultimately defines the different types of tourism.

Let us introduce an example where Ulysses and Columbus are two people who enjoy travelling and thus both decide to spend one day on the beach, but their choices are different. To start with, only Ulysses stays in a hotel, while Columbus has rented an apartment. In addition, Ulysses has seafood both for lunch and dinner while Columbus wants to taste all local food specialties. Finally, Columbus spends the whole day on the beach while Ulysses lies on the beach only in the afternoon since he plans to spend the evening at the night club.

Ulysses' and Columbus' short holiday can be formally described in Table 2.2, which shows both the heterogeneity of goods and services included in the tourism product and summarizes the key differences between their types of holiday. In the table, the quantity of the different goods and services purchased in 1 day by each type of tourist are reported.

This representation of the tourism product can be easily generalized. The tourism product is always compounded by a list of heterogeneous products given that, on the one hand, there is not one single industry producing all the products purchased by tourists and, on the other hand, any branch of the economic activity does not produce goods and services only for tourists. Even hotels, which are often identified with the tourism sector, represent only one part of the tourists' spending and, although marginally, they can offer their services also to clients other than tourists.

Furthermore, there are so many types of tourism (business, religious, sport, mountain, cultural and heritage, sea and sand, spa, etc.) that such plurality could authorize the use of the word *tourisms*.

If we return to Fig. 2.3 it is possible to underline the fact that tourism output always makes a reference to a territory. In other words, any good or service must be referred to the consumption region which, following Leiper model (see Fig. 2.1), can be classified as *transit region* (goods and services consumed while the tourist is travelling to the destination) or *destination region* (goods and services consumed in

the destination). Therefore, tourism output should be interpreted as a *sorted* list, a *basket of goods and services that are referred to different types of tourism and to different regions*. A formalization of this definition follows.

Given a generic good or service represented by  $x_{ij}$ , where  $j = 1, 2, 3, \dots, n$ , is the  $j$ -th good or service and  $i = 1, 2, 3, \dots, m$ , is the  $i$ -th type of tourism, the tourism output in destination  $r$  is defined as a set of goods and services  $x_{ij}$  which take a positive value if  $j$  is chosen by the  $i$ -th tourism and takes zero if  $j$  does not belong to the basket of the  $i$ -th tourism.

$$[x_{ij} \geq 0, j = 1, 2, 3, n | i; r]$$

For any given destination, the heterogeneity of products and the plurality of types of tourism are the two dimensions that justify the use of a matrix to identify the tourism output. In the matrix:

1. The unit of measure of the goods and services is the tourism day (henceforth referred as overnight stay).
2. The heterogeneity of the product appears in the columns. The  $j$ -th column is denoted with the vector  $\mathbf{X}_j$ , where  $j = 1, 2, 3, \dots, n$ , being  $n$  a finite number.
3. The plurality of types of tourism appears in the rows. The  $i$ -th row is denoted with the vector  $\mathbf{T}_i$ , where  $i = 1, 2, 3, \dots, m$ , being  $m$  a finite number. It is worth noticing that within this matrix notation, all visitors (tourists and day-trippers) are included: for day-trippers, the value of the accommodation services will take the value of zero.

Hence, the matrix of the tourism output  $\mathbf{\Pi}$  can be represented as:

$$\mathbf{\Pi} = [x_{ij}] \text{ with } i = 1, 2, \dots, m \text{ and } j = 1, 2, \dots, n \quad (2.1)$$

or, in extended form, as:

—	$\mathbf{X}_1$	$\mathbf{X}_2$	...	$\mathbf{X}_n$
$\mathbf{T}_1$	$x_{11}$	$x_{12}$	...	$x_{1n}$
$\mathbf{T}_2$	$x_{21}$	$x_{22}$	...	$x_{2n}$
...	...	...	...	...
$\mathbf{T}_m$	$x_{m1}$	$x_{m2}$	...	$x_{mn}$

where  $x_{ij}$  indicates the quantity of good or service  $j$  in the basket for tourism  $i$  on a tourism day. In this matrix, we find  $x_{ij} = 0$  when the product  $j$  is not demanded by tourism  $i$ , and  $x_{ij} > 0$  when the product  $j$  is included in the type of tourism  $i$ . For example, any museum service can be null in the case of trekking and hiking tourism, but positive in the case of cultural tourism. In the case of day-trippers, the row corresponding to this type of tourism would present zeros in those columns related to lodging, given that such type of tourism does not imply any overnight stay in the destination.

We must point out that the values taken by  $x_{ij}$  can be either integers or fractions considering that each coefficient has 1 day as reference unit. If we take the example of a cultural holiday consisting of a 4-day visit, this implies staying four nights in the region of destination, eight meals, the visit to two museums, and five guided excursions to monuments, the corresponding daily values will be: one stay at the hotel per day, two meals per day, half visit to museums per day, and  $5/4$  guided excursions to monuments per day. Therefore, the values to be introduced in the matrix in the row corresponding to that type of cultural tourism will be: 1 stay at a hotel, 2 meals, 0.5 museum services, and  $5/4$  excursions.

Tourism typologies change over time and consequently, matrix  $\Pi$  should indicate a reference date. In other words, the *matrix of tourism output has a historical dimension*. Therefore, we will include new rows for new types of tourism and we will eliminate rows for obsolete ones. Likewise, the diversification or change in tourism habits will be reflected in the corresponding row either adding or deleting goods and services or modifying the coefficients.

It is important to note that matrix  $\Pi$  strictly refers to the goods and services that constitute the tourism product and, therefore, those elements that are not part of the tourism experience are not included. Despite occasional (for instance, clothing souvenir) or important purchases (for example, handicraft) happen during the tourism trip, they do not strictly constitute characteristic elements of the tourism product and hence they do not appear in  $\Pi$ . Although this expenditure is taken into account as an activity of the *tourist as an ordinary consumer* and appears in Fig. 2.3 in the tourism basket, thus entering into the statistics of tourism expenditure (see Sect. 2.6.3) it is conceptually important to distinguish and separate those goods and services that are characteristic elements of the tourism product (accommodation, attractions, transport), thus appearing into  $\Pi$ , from the ordinary acts of consumption of the tourist as a consumer. To clarify, in the case of a tourist who eventually decides to purchase a book on the history of the visited destination, this purchase is not part of the tourism product of “cultural tourism” but it is an option of the tourist as a consumer. This will be further developed in Chap. 5, where the difference between the *tourist–consumer* and the *consumer–tourist* will be described in detail.

## 2.6 The Measurement of Tourism

We have reviewed the challenges in the definition and classification of the tourism phenomenon stemming from the diverse concepts of tourism and tourists (see Sect. 2.4) and now we turn our interest into a new task. Since tourism is fundamentally characterized by the mobility of tourists throughout the territory, either in transit or within the destination, this adds more issues in the statistical measurement of tourism, since measuring something in movement is certainly a more challenging activity.

### ***2.6.1 On the Tracks of the Tourist***

In order to measure the tourism phenomenon, it is essential to understand where the tourist “makes tracks” and to identify those moments and places when and where the tourist should be checked in order to have a complete picture of the tourism flows. For that purpose, it is important to determine which activities are strictly referring to the tourist behavior.

The common techniques to gather statistical data of the tourism phenomenon consist of market research carried out through: (a) tourism enterprise surveys; (b) accommodation surveys; (c) household surveys; and (d) frontier surveys. Each of these is, individually, insufficient to provide a complete picture of the tourism phenomenon and hence the measurement of tourism flows and expenditure should consider a mix of all of the previous surveys.

As regards international tourism, the elementary source of data to survey inbound tourism comes from the act of crossing borders (providing the number of foreign incoming tourists) and the act of demanding local currency which is recorded by financial institutions (providing foreign tourists’ spending). Likewise, this method permits surveying outbound tourism. By following these tourists’ tracks, it is possible to obtain a sufficiently precise estimate of the international tourism flows. The gathering of statistical techniques have to be adapted to different situations, for example, the type of borders. It is easier to obtain figures of tourists travelling by air or by sea than by road. In fact, in the latter case, tourism flows are often estimated by the data collected at hotels and other accommodation establishments.

In general, the tourists’ tracks are evident when they demand accommodation to stay in the destination. However, this is not a perfect measure of tourism flows given that, for example, it does not identify day-trippers or tourists who stay in holiday homes or hosted by friends and relatives. To overcome these difficulties, there exist indirect alternative ways of following the tourists’ tracks. For example, the use of proxy variables when the process of tracking down the tourist turns out imprecise, misleading or simply too slow has been suggested. In the Republic of San Marino, where the great majority of visitors are composed of excursionists coming from the nearby Adriatic coast, a measure of the number of day trippers is estimated analyzing the number of vehicles in public parking spots over a certain period of time. Alternative proxies are, for example, the change in the consumption of water and electricity or the amount and the composition of collected waste, these being suitable indicators to estimate the numbers of day-trippers or tourists who stay in holiday homes.

So far in Chap. 2, we have acknowledged that the concept of “representative tourist” should be considered obsolete, and that tourists’ tracks and behaviors often blend into those of non-tourists. Two of the main pitfalls of this situation are that: (1) the task of assigning available data to specific statistics of tourism is difficult to accomplish; (2) the points of investigation on tourism phenomenon tend to widen beyond control. Given these challenges, let us investigate in the following sections how we can quantify tourism flows and estimate tourism spending.

### 2.6.2 The Measurement of Tourism Flows

In the previous sections of this book, we had the opportunity to understand that certain key variables are closely related to the *tourist's movements*. And, according to the table of mobility (Table 2.1), these can be distinguished according to their origin (where the tourist lives) and destination (where the tourist goes). The main statistical variables that we use to measure tourism flows are three:

1. *Arrivals* ( $A$ ) defined as the number of visitors reaching the destination, regardless of the duration of their visit.
2. *Nights* ( $N$ ) defined as the total number of nights that the visitors spend in the destination (also called *overnight stays*).
3. *Average length of stay* ( $L$ ) defined as the average number of nights that visitors spend in the destination. This is measured by the ratio between the number of nights  $N$  and arrivals  $A$ :

$$L = \frac{N}{A} \quad (2.2)$$

If, in the period under observation for a hotel, only two tourists are accommodated, one staying for three nights and one staying for five nights, our indicators will measure:  $A = 2$  (two arrivals);  $N = 8$  (eight overnight stays) and  $L = 4$ .

Arrivals and departures are flow variables that naturally refer to a period of time (such as a month or a year) as well as referring to a destination region (such as a town, a state or a country), but could also be applied to a single hospitality unit (such as a hotel or a campsite).

It is important to remark the difficulties in measuring day trips, which is explicitly referred in the matrix of tourism output. For example, given a visitor that arrives at the destination  $d$ ,  $A_d > 0$ , but does not stay overnight,  $N_d = 0$ , the average length of stay for this tourism activity is zero.

Formally:

$$\text{if } A_d > 0 \text{ and } N_d = 0 \text{ then } L_d = \frac{N_d}{A_d} = 0 \quad (2.3)$$

Alternatively, it is possible to proxy day-trip visits by assigning the value of one to their overnight stays. This implies that:

$$\text{if } A_d = N_d \text{ then } L_d = \frac{N_d}{A_d} = 1 \quad (2.4)$$

Thus, the way we quantify day-trippers will ultimately affect the statistical measure of tourism flows and depends on which convention we decide to adopt

when measuring  $A_d$  and  $N_d$ . The expression (2.3), (the one accepted by the UNWTO) underestimates and expression (2.4) overestimates the correct measure of the length of stay.

Finally, we can also calculate an *index of saturation*,  $B$ , which is defined as the ratio between the number of overnight stays and the resident population in the destination,  $P$ , multiplied by the number of days of the period under scrutiny,  $D$ :

$$B = \frac{N}{DP} \quad (2.5)$$

For example, if the index is referred to a 1-year period,  $D = 365$ .  $D$  is introduced to increase the precision degree of this measurement since the local population stay every day in their residence region. Hence, the index of saturation measures the average daily number of tourists per resident of the destination. For example, if the value of overnight stays throughout the year is  $N = 1,000,000$  and the size of the local population is  $P = 5,000$ , then we calculate this index as  $B = 1,000,000 / (5,000 \times 365) = 0.548$ . The result indicates that in that destination there is an average of approximately “half of a tourist” per resident every day.

An alternative index of saturation,  $B'$ , can be computed as the ratio between the overall number of arrivals and the resident population in the region of destination:

$$B' = \frac{A}{P} \quad (2.6)$$

### 2.6.3 The Tourism Expenditure

Tourism expenditure refers to the amount paid for the purchase of goods and services, for and during tourism trips. It includes expenditure by visitors themselves, as well as expenses that are paid for or reimbursed by others (UNWTO 2007).

The issue of the timing of tourism expenditure is relevant. Tourism is particularly characterized by a temporal dimension which extends before and after the tourism trip. For the calculation of the tourism expenditure, the UNWTO (2007) states that all services delivered before the trip and clearly related to the trip, (for example, inoculations, passport visas, medical control, travel agency services, etc.) should be included in the tourism expenditure. In addition, all goods purchased before the trip that are intended to be used on the trip (specific clothes, medicines, etc.) or brought along as gifts, should also be included.

Moreover, during a trip a typical tourist consumes food, purchases grocery and artisan items, uses public and private transport, financial, administrative, and health services, and demands a wide array of leisure products. Not all these purchases can be clearly defined as tourist ones, in fact many of them are typical of regular consumers. Once more we face the complex nature of tourism, where there is an

amalgam of goods and services that can be purchased by tourists and non-tourists, making more difficult the measurement of tourism expenditure. This issue has two main consequences: (1) from a statistical point of view, the whole tourism expenditure is almost impossible to determine (unless precise tourist surveys are undertaken) since an important part of it is composed by ordinary consumption blended with the consumption of the residents; (2) from the Economics of Tourism point of view, it is useful to distinguish between the purchase of goods and services which are included in the matrix of the tourism product (the ones that, from this perspective, are worth investigating) and ordinary consumption, in which the tourist acts as a typical consumer and for which the standard theory of consumption applies.

Therefore, tourism expenditure can be classified in to:

- a) *Specific spending*, which arises as a direct consequence of the trip;
- b) *Ordinary spending*, which is made regardless of the trip (for example, shopping).

From the point of view of the tourist, the *real* or *effective* tourism spending is the sum between the *specific* spending and the *ordinary* spending during the trip and stay. Note that the ordinary spending can differ according to the various types of the tourist experience. Such a difference can be both qualitative (fully adapting to the habits of consumption in the destination) and quantitative (for example, the average number of meals consumed at a restaurant is generally higher during the tourist's stay than during daily life).

Another important distinction to analyze is between:

- 1. *Goods and services* purchased during the trip and the stay.
- 2. *Durable goods*, which are purchased for tourism purposes and can be used repeatedly for several years. Examples are holiday homes, boats, camping tents, camper vans, etc.

From our perspective, when we talk about *tourism expenditure* we are strictly referring to the tourists' spending of type *sub-1* while we refer to *tourists' investment* for those purchases of durable goods of type *sub-2* which usually allow for subsequent acts of consumption (see Sect. 5.6). Therefore, the definition of tourism expenditure provided at the beginning of this section does not include the tourists' investment in durable goods. Neither it comprises the money paid to relatives and friends, which does not represent payments for tourism goods or services.

It is important to remark that the use of the term "tourists investment" here does not correspond to the economic concept of *tourism investment* used in Economics of Tourism, or more in general in Economics, which is defined as any increase in the stock of public and private capital for tourism goals. This mainly consists of investment in tourism infrastructures (i.e., tourism ports, highways, public gardens, etc.) and in private capital (i.e., real estate investments in the hotel industry, restaurants, etc.). This change in the capital stock of tourism businesses is simply referred as investment.

We must also stress on the classification of expenditure that refers to the sources of funding:



**Table 2.3** Consumption of the tourism product

Type of tourist	Accommodation in hotel	Accommodation in a rented apartment	Local restaurant	Seafood restaurant	Beach services	Night club
Ulysses	40,000	0	0	80,000	40,000	40,000
Columbus	0	60,000	60,000	60,000	120,000	0
Total	40,000	60,000	60,000	140,000	160,000	40,000

**Table 2.4** Additional consumption of the tourism product

Type of tourist	Accommodation in hotel	Accommodation in a rented apartment	Local restaurant	Seafood restaurant	Beach services	Night club
Ulysses	0	0	0	0	20,000	0
Columbus	0	0	0	0	0	20,000
Total	0	0	0	0	20,000	20,000

- Spending paid by the traveller;
- Spending paid or reimbursed by firms, such as for conferences or business meetings;
- Spending paid or reimbursed by the public administration, for meetings or missions carried out by its representatives.

Finally, let us return to the difference between *tourism product* and *additional consumption*. This is something that we previously studied in Sect. 2.5, explicatively identified by the matrix of tourism product on the one hand and by the additional purchases by a tourist that behaves as an ordinary consumer on the other hand. The use of indices of arrivals, overnight stays, and expenditure will allow us to better distinguish these two components of total expenditure.

We further develop the example of Ulysses versus Columbus (which we presented in Table 2.2) and assume that the destination receives 30,000 overall tourists classified as: 20,000 Ulysses-type of tourists with an average stay of 2 days and 10,000 Columbus-type of tourists with an average stay of 6 days. Then, the overnight stay is translated into 40,000 tourists who behave according to the first row of Table 2.2 and 60,000 who behave according to the second row. The total number of overnight stays is hence 100,000. If we multiply every row of Table 2.2 by the number of stays for each type of tourist, we obtain the matrix presented in Table 2.3.

Furthermore, let us also assume that Ulysses and Columbus might consume additional goods in the destination. For example, if we suppose that half of the Ulysses-type tourists buy one unit of beach services and one third of Columbus-type tourists pay the entrance fee for a club every night, we should introduce these items in Table 2.4 to represent all consumed goods. If we vertically sum up the rows of Table 2.3 and 2.4 we obtain the total consumption by the tourists in the destination, which is shown in Table 2.5.

We can now introduce the prices for each good and service (for example, 50 € per overnight stay at a hotel, 40 € per overnight stay at rented apartment, 20 € per meal at the local restaurant, 25 € per each fish-based meal, 10 € per each unit of beach service, 30 € for each entrance fee at the club) and calculate the tourist

**Table 2.5** Total consumption of the tourism product

Type of tourist	Accommodation in hotel	Accommodation in a rented apartment	Local restaurant	Seafood restaurant	Beach services	Night club
Total	40,000	60,000	60,000	140,000	180,000	60,000

**Table 2.6** Total tourism expenditure

Accommodation in hotel	Accommodation in a rented apartment	Local restaurant	Seafood restaurant	Beach services	Night club	Total expenditure
2,000,000	2,400,000	1,200,000	3,500,000	1,800,000	1,800,000	12,700,000

spending of each tourist and the tourism expenditure of all tourists, which is 12,700,000 € in our example (see Table 2.6). From a supply viewpoint, 12,700,000 € also corresponds to the aggregate revenue for the tourism firms of the destination in our example.

Furthermore, we can compute the individual tourist spending in the following ways:

- *Daily spending*, or spending *per day*,  $S_N$ , as the ratio between aggregate tourism expenditure ( $S$ ) and the number of nights spent at the destination:

$$S_N = \frac{S}{N} \quad (2.7)$$

- *Per capita spending*, or spending *per person*,  $S_A$ , as the ratio between tourism expenditure and the number of arrivals at the destination:

$$S_A = \frac{S}{A} \quad (2.8)$$

In our example,  $S_N = 12,700,000/100,000 = 127$  € and  $S_A = 12,700,000/30,000 = 423$  €. We can also apply the same calculation for each type of tourism. In our example, the Ulysses-type tourist has a higher spending *per day* (140 €) than the Columbus-type tourist (105 €). However, the Columbus-type tourist spends more per capita (630 €) than the Ulysses-type tourist (280 €). These indicators, calculated in real examples of types of tourists, can be very useful for tourism management and planning.

### 2.6.4 The Propensity to Travel

Complementary to the study of the tourism phenomenon and the measurement of flows and expenditure from the destination (or host region) perspective, we can

also focus on the population generating the tourism phenomenon. Therefore, given  $P$  as the population (i.e., number of inhabitants) in the region of origin,  $T$  as the number of tourists travelling from the region of origin (that is,  $T$  is a subset of  $P$ ) indicating the individuals from the region of origin who undertake at least one trip in a given period of time,  $V$  the aggregate number of trips undertaken in a given period of time, it is then possible to calculate the *net propensity to travel* ( $X_N$ ) as the percentage of tourists in the total population of the region of origin as:

$$X_N = \frac{T}{P} \quad (2.9)$$

The *gross propensity to travel* ( $X_G$ ) measures instead the average number of trips per person in the general population. Formally:

$$X_G = \frac{V}{P} \quad (2.10)$$

It is worthwhile to note that, although the maximum value for  $X_N$  is one (not more than 100 % of residents can be tourists), no general upper bound can be suggested for  $X_G$  (a tourist can take any finite number of trips during a given period of time).

We can calculate the *trip frequency* ( $F$ ), as the average number of tourism trips taken by the portion of the population who qualifies as tourists, by dividing (2.10) by (2.9):

$$F = \frac{X_G}{X_N} = \frac{V}{T} \quad (2.11)$$

It is evident that the richness of information obtained by crossing these data with those from the matrix of the tourism output creates a useful set of indicators which are key for managing and monitoring the tourism activity in a region. For instance, we could calculate the indicators (2.9)–(2.11) for each type of tourism.

It is interesting to note that the net and gross propensities to travel point out the number of tourism experiences (or tourism trips); however they do not provide any information regarding the length of the trip. Let us introduce now an indicator of the *total length of the trip* ( $Z$ ) outside the region of origin, which measures the total stay (in terms of number of nights spent outside the region of origin) and thus it is defined as the sum of the length of stay of each single trip taken by the population:

$$Z = \sum_{k=1}^K z_k \quad (2.12)$$

where  $k = 1, 2, \dots, K$  and  $z_k$  represents the length of each  $k$ -th trip. We can then obtain  $Z_P$  and  $Z_T$ , which measure the average number of tourism days, respectively, for the whole population ( $P$ ) and for the tourists only ( $T$ ):

$$Z_P = \frac{Z}{P} \quad (2.13)$$

$$Z_T = \frac{Z}{T} \quad (2.14)$$

Finally, if we divide  $Z$  by the number of trips, we obtain the average length of the trip,  $Z_m$ , as:

$$Z_m = \frac{Z}{V} \quad (2.15)$$

It is important to remark that in Sects. 2.6.2 and 2.6.3 our perspective of analysis was the region of destination while now, in Sect. 2.6.4, our perspective is from the region of origin of the tourists. While in Sects. 2.6.2 and 2.6.3 we defined the length of stay in the destination as  $L$ , here we define the length of the trip outside the region of origin as  $Z$ . The two indices  $L$  and  $Z$  will be equal when the analysis implies only one region of origin and one region of destination.

## Chapter Overview

- The Economics of Tourism investigates all the economic consequences derived from the activity of a tourist prior during and after the trip.
- Tourism is defined as the activities of persons travelling to, and staying in places outside their usual environment for not more than one consecutive year for leisure, business or personal purpose other than to be employed by a resident entity in the country or the place visited.
- Tourism is a complex phenomenon that requires analysis from a multidisciplinary approach.
- The tourism product (or tourism output) is a set composed by different goods and services demanded by the visitor during the holiday experience, including transport, accommodation, meals, entertainment, among other activities.
- Basic indicators for measuring the effects of tourism as an economic activity are: arrivals, overnight stays, length of stay, expenditure, composition of the tourism output (or tourism product), and propensity to travel.

The Economics of Tourism Destinations

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