Residents' choice probability and tourism development

Manuela Pulina *, Marta Meleddu, Giacomo Del Chiappa

Deparment of Economics and Business (DiSEA), University of Sassari & CRENoS, Via Torre Tonda, 34, 07100 Sassari, Italy

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ABSTRACT

This paper aims to identify the factors that influence resident's choice of a particular type of tourism (i.e. "sea and sun", cruise, sport and cultural tourism). The case study presented is the city of Olbia (Sardinia, Italy). With its airport and port, Olbia is the gateway for the "Costa Smeralda" (Emerald Coast), one of the most well-established tourism destinations worldwide. The main objective is achieved by constructing a representative random stratified sample, for a total of 1208 interviews. Residents' choice about the level of investment they would prefer for each type of tourism activity is assessed by different probabilistic specifications, according to the statistical properties of the data. On the whole, evidence shows that even in a mature destination like Olbia, residents do not dislike tourism activity in all its forms. Policy and management implications are drawn on these empirical findings and suggestions for further research are given.

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1. Introduction

According to data from the World Tourism Organization (UNWTOa, 2012) year-on-year international tourism growth had slowed down in 2011. This setback was due to economic and political instability. In this scenario, Europe and Italy recorded a good performance, with growth levels above the average figure registered worldwide. The BIT Milan trade fair (2012), demonstrated that tourism, despite the current economic turmoil, can be considered as an anti-cyclical resource. Notwithstanding a macroeconomic environment characterized by deep shadows and economic uncertainty that depresses demand, particularly for the countries of the European Union, the current year promises positive glimmers. Worldwide, the UNWTO (UNWTOb, 2012) predicts growth of around 4% and international arrivals to reach the milestone of one billion at the end of 2012. Emerging economies (Asia, Africa and the Pacific) will regain the leadership in growth (between 4% and 6%), while Europe will experience growth of between 2% and 4%.

In spite of this optimistic outlook, overall, the hospitality sector in Italy, which ranks sixth in terms of international tourist arrivals (UNWTOb, 2012), is losing more ground in terms of customer satisfaction. This is mainly due to the reduced quality of accommodation, expressed in terms of star ratings, that is becoming a problem because of the untimely reclassification of the infrastructures. By now, many Italian hotels are past their best and unable to compete on international markets characterized not only by greater dynamicity, but also lower

prices than those charged by Italian operators (Trademark, 2012). A similar picture is also highlighted by the World Economic Forum (2012a, 2012b) where Italy ranks only 27th in terms of competitiveness, despite its incomparable cultural heritage. Indeed, Italy ranks first for its cultural and mixed cultural-natural heritage sites, accounting for 5.8% of the global offer (overall 753 sites listed worldwide). These facts show that Italian operators must expand their horizons and learn to adopt a worldwide perspective, in order to gain better competitive market segments, while exploiting the outstanding range of regional historical, artistic and cultural identity. One question that arises from this general outlook is to ask which of the many possible tourism developments is more likely to increase their competeness.

A key issue for achieving tourism development and sustainability objectives is to take into account the host communities' attitudes (Fredline & Faulkner, 2000; Hung, Sirakaya-Turk, & Ingram, 2011), aims and preferences towards this economic activity, especially when considering island destinations (Chen, 2006; Del Chiappa, 2012). In the literature, there are many papers that deal with attitudes of residents towards tourism development. The present study contributes to the current literature by analysing different segments of tourism development, rather than tourism as a generic activity (e.g. Ishikawa & Fukushige, 2007; Mason & Cheyne, 2000). As pointed out by several authors (King, Pizam, & Milman, 1993; Lindberg, Molstad, Hawkins, & Jamieson, 1999), residents who may negatively regard a type of tourism, may be more favourable, however, towards another type of tourism development. Hence it is important to evaluate perceptions of residents – as they are the main local stakeholders – before investing in any given type of tourism.

The main objective of this paper is to assess which factors influence the perceptions of a representative local community towards different segments of tourism development. To this aim, the city of Olbia located in the North-East of the island of Sardinia (Italy) is

* Corresponding author. Tel.: +39 0792017342; fax: +39 0792017312.
E-mail addresses: mpulina@uniss.it (M. Pulina), mmeleddu@uniss.it (M. Meleddu), gdelchiappa@uniss.it (G. Del Chiappa).

considered as the case study. This Italian city, with its airport "Olbia-Costa Smeralda" and port, is especially interesting because it is the gateway for one of the most well-established marine tourism destinations in Italy and in the world. To pursue this research aim, empirical data are obtained for a representative sample of 1208 residents in Olbia who were asked to express their willingness to invest in four main types of tourism, namely: the classical "sea and sun", sport tourism, cultural tourism and cruise tourism. On this basis, a quantitative approach is used that involves probabilistic modelling in order to assess what socio-economic and demographic determinants influence residents' choices. Empirical findings can help local agents to better identify future paths of growth, thanks to the attitude expressed by the local community.

2. Literature review

Residents' perceptions and attitudes towards tourism development have been analysed throughout the tourism literature. Previous research showed that factors affecting residents' attitudes towards tourism can be categorized into extrinsic and intrinsic factors. The former refers to the characteristics of the destination, while the latter refers to characteristics of host community members (Faulkner & Tideswell, 1997). Among other extrinsic factors, researchers commonly consider the following: the degree or stage of tourism development (Doxey, 1975; Gursoy & Rutherford, 2004), the level of economic activity in the host area (Johnson, Snepenger, & Akis, 1994) and the degree of tourism seasonality (Fredline & Faulkner, 2000). Among the intrinsic factors, initially one can consider the perceived balance between positive and negative impacts (Dyer, Gursoy, Sharma, & Carter, 2007; Lindberg & Johnson, 1997). According to social exchange theory, if locals perceive that the benefits of development are greater than the costs (economical, environmental and socio-cultural), they are more inclined to support its further expansion (Ap, 1992). Other intrinsic factors include: geographical proximity to concentrations of activity (Fredline & Faulkner, 2000), the rural, urban or coastal area of residence (Nunkoo & Ramkissoon, 2010), length of residency (Gu & Ryan, 2008), degree of tourism concentration (Pizam, 1978), level of contact with tourists, economic reliance and dependence on tourism (Ap, 1992) and socio-demographic characteristics of residents (Belisle & Hoy, 1980).

Studies on residents' perceptions and attitudes have rarely attempted to compare different types of tourism: they either analyse the tourism offer as a whole, without studying/referring to residents' preferences for specific types of tourism segments, or they investigate rresidents' perceptions only for one specific type of tourism. For example, some of them focus on cruise tourism (Brida, Del Chiappa, Meleddu, & Pulina, 2012b; Brida, Riano, & Zapata, 2011; Del Chiappa & Abbate, 2012; Del Chiappa, Meleddu, & Pulina, 2012; Hritz & Cecil, 2008; Marušić, Horak, & Tomljenović, 2008). More recently, however, by employing a descriptive analysis on residents' perceptions and attitudes towards tourism development in the city of Messina (in the island of Sicily, Italy) Del Chiappa and Abbate (2012) showed that the local community would rather favour the development of historic/cultural tourism, followed by "sea, sun and sand" tourism, cruise tourism and sport tourism. Specifically, they showed several socio-economic and demographic variables (i.e. gender, age, reliance on cruise tourism, income, education, length of residence, residence-port distance, contact with tourists) as factors discriminating the extent to which respondents would like to support the four types of tourism. For example, gender differences are found to impact on the degree of support for sport tourism, where males support this type of tourism more than females.

It could be argued that residents' preferences may change depending on the type of tourism development involved. Gursoy, Chi, and Dyer (2010) present a structure equation modelling, to analyse Australian residents' perceptions of mass tourism – characterized by the presence of a high number of tourists in a destination – compared to alternative tourism – characterized a less commercialized development and a greater involvement of the local community. The authors find that both positive and negative perceptions of residents regarding tourism impacts should be examined. On the whole, findings reveal that even in rapidly developing tourist destinations, each individual's attitude towards development is likely to vary, which makes it almost impossible to come up with a win-win type of tourism development. The authors suggest that local developers and planners need to understand which factors are likely to influence their support for what form of development.

The present study links to this novel strand of research, further expanding the work by Gursoy et al. (2010) by taking into account which factors affect residents' preferences for four different types of tourism development in a well-established tourism destination.

3. The theoretical framework

3.1. The economic model

The economic literature usually refers to two distinct agents: consumers and producers. However, strictly speaking, residents cannot be neatly classified into either consumers or producers. In general, tourism literature considers a general concept of resident, without providing a proper economic definition. While it is well known that residents are the host community in a tourism destination, within the host community, individuals represent economic agents who may not be strictly defined as only producers or consumers of tourism. Hence, residents may be better defined as a composite economic agent (Meleddu, 2012). Specifically, a composite agent embodies both private and public interests and aims to maximize their welfare. Total welfare will be given by the actions he or she will take within the community acting both as a consumer and a producer. In addition, the behaviour of this composite agent depends on trade-offs between positive and negative externalities, that is benefits and costs deriving from the economic activity.

From a consumer point of view, the utility of the composite stakeholder i can be given by the choice he or she makes among different alternatives, j: $U_{ij} = V_{ij} + \varepsilon_{ij}$. The equation characterizes the indirect utility, following the random utility theory of a representative composite stakeholder by McFadden (1974). V_{ij} defines the aspects specific to the individual and their choice. Typically, it is composed by attributes of the choice and varies across them, as well as across individuals, and it is the representative utility that can be observed. ε_{ij}, the random component, is the part of utility deriving from unobserved features and not from individuals who chose to maximize their utility in a random way.

From a producer point of view, one can refer to Bailey and Richardson's (2010) ecological economics framework to analyse economic decision making in tourism. They include constraint factors such as physical, environmental and socio-cultural carrying capacity in the classical firm optimization problem, as follows:

$$\text{Max}\Pi = P.f(l, k) - wl - rk \quad \text{s.t.} \quad Y = f(l, k, \mu, \xi, \upsilon) \tag{1}$$

where P is the price, Y the output, l the labour, k the capital, w the wage rate, r the price of capital, μ the physical carrying capacities, ξ the environmental carrying capacities and υ the socio-cultural carrying capacities.

The complexity of economic decisions is a reflection of the unobserved attributes of individuals, such as preferences and interests that can vary over a population. In a sense, total welfare of a composite stakeholder may be defined as the sum of gained utility and