



Domestic tourism demand of urban and rural residents in China: Does relative income matter?



Yang Yang^{a,*}, Ze-Hua Liu^b, Qiuyin Qi^c

^a School of Tourism and Hospitality Management, Temple University, Philadelphia, PA 19122, USA

^b Department of Land Resources and Tourism Sciences, Nanjing University, Nanjing 210093, China

^c Department of Geography, University of Florida, Gainesville, FL 32611, USA

ARTICLE INFO

Article history:

Received 2 May 2012

Accepted 23 February 2013

Keywords:

Domestic tourism demand
China
Multilevel model
Relative income

ABSTRACT

The aim of this research is to investigate the domestic tourism demand of urban and rural residents in China. Based on the data from the National Household Tourism Survey, we specify Chinese domestic tourism demand as a function of absolute income, relative income, domestic tourism price, and substitute price. As a major contribution of this study, relative income is measured using the distance between individual income and average income over a city/province. Based on the estimation results from multilevel models, this paper highlights the effect of relative income on domestic tourism demand in some sub-regions of China. Furthermore, regional differences between residents in different sub-regions and different patterns of determinants between urban and rural residents are identified and discussed.

© 2013 Elsevier Ltd. All rights reserved.

1. Introduction

The tourism industry boomed in China following the “reform and opening up” policy instituted in 1978. The initial incentives for tourism development were based on political and economic considerations, and inbound tourism was given priority in China and treated as the backbone of the tourism industry for a substantial period. Therefore, little attention had been focused on the development of domestic tourism. However, over the past decade, rapid economic growth has contributed to the improvement of living conditions and real growth in the income of Chinese citizens, thereby promoting domestic travel. According to the statistics from China National Tourism Administration, domestic tourist arrivals in China increased from 240 million in 1985 to 1610 million in 2007. During the same period, domestic tourism receipts increased from 8 billion RMB to 777 billion RMB, with an average annual growth rate of 23.12% (CNTA, 2008). In 1999, the Golden Weeks—long public holidays encompassing Labour Day, National Day, and the Spring Festival—were introduced in China to stimulate domestic travel. These long public holidays strongly spurred the growth of China’s domestic tourism because they provided additional leisure time for travelling to both short-distance and long-distance destinations. In 2007, 417 million domestic tourists travelled during the

three Golden Weeks, and the overall tourism receipts added up to 182 billion RMB, accounting for 23.37% of the total domestic tourism receipts in that year (CNTA, 2008).

Together with the rapid growth of Chinese domestic tourism, an increasing demand exists for tourism literature in this field for policy and marketing suggestions. Using a sociological approach, Wang (2004) proposed a theoretical model to understand the factors that contribute to tourism consumption, including social stratification, policy change, and the marketisation of the economy. Another paper by Wu, Zhu, and Xu (2000) identified three major factors that promote domestic tourism in China: income growth, leisure increase, and structural adjustment of the national economy. Using spatial analysis tools, Yang and Wong (2013) found that a high disposable income level and a strong propensity to travel among residents might contribute to the prosperity of certain domestic tourism hotspots. Among a handful of studies that estimate demand for domestic tourism in China, certain determinants have been identified empirically, including income (Cai, Hu, & Feng, 2001; Cai & Knutson, 1998; Gu & Liu, 2004; Wang, 2010), infrastructure (Wang, 2010), leisure time (Cai & Knutson, 1998), and the effect of special economic zones (Cai et al., 2001). However, these studies have overlooked the effects of price on domestic tourism demand and have not considered the dichotomy of domestic tourism demand between urban and rural residents.

In past tourism demand research, personal disposable income (which represents the absolute income of each individual) was used as the dominant measure of the income effect (Lim, 1997). However, tourism demand research has not taken relative income

* Corresponding author. Tel.: +1 215 204 8701; fax: +1 215 204 8705.

E-mail addresses: yanggator@gmail.com (Y. Yang), liuzehua@nju.edu.cn (Z.-H. Liu), qiuyinqi@ufl.edu (Q. Qi).

into account. Although certain studies have advocated the inclusion of relative income in tourism demand modelling (Sauran, 1978), to the best of our knowledge, no empirical study has yet adopted this approach. Relative income, or personal income with respect to a certain benchmark, tends to affect domestic tourism demand because implicit income comparison affects individual economic decision-making (Cole, Mailath, & Postlewaite, 1992; Cole, Mailath, & Postlewaite, 1995). Moreover, relative income can be treated as a proxy for the socio-economic status of each individual (Coleman, 1960). As documented by many previous articles, socio-economic status/class influences people's attitudes towards tourism, tourism behaviour, and expenditures on tourism activities (Moeran, 1983; Mok & Defranco, 2000; Song, Peter, & Liu, 2000). Therefore, it is reasonable to assume that relative income should be an important determinant of domestic tourism demand.

This paper contributes to the current body of tourism demand literature in three major ways. First, although a few studies have attempted to consider the relative income effect on tourism, this paper represents one of the first attempts to quantify this effect using an empirical model. By including this variable, we expect to capture the influence of implicit income comparison on tourism demand in the sense that tourism demand also depends on the gap between the individual's actual income and selected benchmarks. Because tourism demand research has been criticised for lacking the inclusion of non-economic factors, our research represents an important attempt in investigating this sociological/psychological variable within tourism demand analysis. Second, this study applies a multilevel model to analyse tourism demand under a rigorous tourism demand analysis framework, and the model both captures the hierarchical structure of our dataset and allows for slope heterogeneity over different areas. The results from the models discussed in this paper could aid both the governmental and private tourism sectors in understanding the domestic tourism demand of Chinese residents, and provide insights into resource allocation to satisfy residents' tourism demand. Third, because the urban–rural dichotomy induces different tourism demands for urban and rural residents (Gu & Liu, 2004), by comparing the results from models of urban and rural residents, practitioners could be able to carry out more specific tourism planning and marketing strategies aimed towards distinct segments of domestic tourists.

The rest of this paper is organised as follows. Section 2 discusses the research hypotheses adopted in this study to investigate domestic tourism demand in China. Section 3 describes the data sources and models used in this study, and Section 4 presents and explains the estimation results. Finally, Section 5 presents several conclusions and implications based on the findings of this study.

2. Research hypotheses

After reviewing the previous literature on domestic tourism demand analysis, tourism marketing in China, and sociological analysis of tourism consumption, we propose several research hypotheses regarding the Chinese domestic tourism demand model.

An analysis and understanding of tourism demand is necessary for increasing our knowledge of the relative importance of diverse economic determinants (Cooper, 2003). Guided by the traditional demand theory, domestic tourism demand can be specified as a function of disposable income, tourism price, and substitute price (Allen, Yap, & Shareef, 2009; Hamal, 1996; Seddighi & Shearing, 1997). Income has been identified as a crucial determinant of domestic tourism demand, which is consistent with the fact that domestic tourism is a “normal” commodity. Wang (2010) established a VAR model to analyse Chinese domestic tourist arrivals and found income to be an important factor. Cai and Knutson (1998) modelled Chinese domestic personal trips and reported that GNP

was a significant factor. Furthermore, Cai et al. (2001) used a cross-sectional sample of thirty-five cities to study domestic tourism demand in China, and the income elasticity was estimated to be 0.30. Another empirical paper by Gu and Liu (2004) investigated the relationship between domestic tourism demand and household income and found that income was the major determinant of Chinese domestic tourism demand. According to the results from previous studies, the first hypothesis is proposed as follows:

Hypothesis 1. Personal absolute income has a positive influence on domestic tourism demand in China.

From a further review of domestic tourism demand studies, considerable variations have been observed in the estimated income elasticities across various countries. Although certain studies have confirmed the positive effect of income on domestic tourism demand (Garín-Muñoz, 2009; Roget & Rodríguez González, 2006; Seddighi & Shearing, 1997; Taylor & Ortiz, 2009), other studies have reported contradictory evidence. Salman, Shukur, and von Bergmann-Winberg (2007) investigated the domestic tourism demand function of Swedish tourists and suggested that real income was not of great significance. In a study on Australian domestic tourism demand, Athanasopoulos and Hyndman (2008) found that income growth was negatively correlated; the authors concluded that as income increases, a greater number of citizens are likely to travel abroad instead of domestically. This negative impact of income on Australian tourism demand was also confirmed by Allen et al. (2009) through co-integration analysis; this group suggested that the coefficient of income levels could be negative in the long run. Taken together, these findings suggest the heterogeneity of the absolute income effect, which varies across different research areas. To test this heterogeneity, we propose the following hypothesis in addition to Hypothesis 1:

Hypothesis 1a. The effect of absolute income varies across different cities/provinces in China.

As stated by the traditional demand theory, the own price of domestic tourism is expected to exert a negative effect on domestic tourism demand, whereas the substitute price has a positive effect (Song & Li, 2008). According to the domestic tourism literature, domestic tourism prices have been measured in different ways. Certain studies have applied a single measurement, i.e., the overall consumer price index (CPI) (Salman et al., 2007), the relative CPI or other price indices relative to an origin (Garín-Muñoz, 2009; Quayson & Var, 1982; Seddighi & Shearing, 1997), and the price index for domestic holiday travel and accommodation (Athanasopoulos & Hyndman, 2008; Hamal, 1996), whereas others have applied more than one price variable to capture the price effects of different components on domestic tourism (Allen et al., 2009; Roget & Rodríguez González, 2006). To measure the substitute price, most studies have specified the price index of outbound tourism (Allen et al., 2009; Hamal, 1996). However, among studies on Chinese domestic tourism demand, no known research has incorporated any price measure into empirical models. To fill this research gap, we propose two hypotheses with respect to the effects of price factors on Chinese domestic tourism demand:

Hypothesis 2. The domestic tourism price has a negative influence on domestic tourism demand in China.

Hypothesis 3. The substitute price for domestic tourism has a positive influence on domestic tourism demand in China.

Apart from the absolute income of individual residents, relative income also tends to influence tourism demand, an observation that has been overlooked in the previous literature. Relative income refers to personal income relative to a benchmark, i.e., the average income in a society/country (Alpizar, Carlsson, & Johansson-

Download English Version:

<https://daneshyari.com/en/article/7422317>

Download Persian Version:

<https://daneshyari.com/article/7422317>

[Daneshyari.com](https://daneshyari.com)