Session A1

Coordination and Growth in Tourism-Led Economies: When Self-Interest Does Not Suffice - Federico Inchausti-Sintes and Moisés Navarro Sánchez

The relationship between coordination and economic growth can be framed within new contemporary theories on economic growth. These theories surge to expand previous ideas, such as those based on the macroeconomic relationship between savings and investment or productivity to explain economic development and growth. However, although those theories are valuable, they lack full explanatory power to address all the reasons behind economic growth. New models focus on coordination problems to explain economic development or the lack of it.

The current economy is complex. Many activities must be accomplished simultaneously by several economic agents with a certain degree of complementarity, to assure minimum quality levels requested by consumers. In this regard, we understand complementarity conditions as the action of an agent that affects and is affected by other agents' actions, requiring some level of coordination to achieve the desired goal. In total absence of coordination, the economy would move to an undesired equilibrium (bad equilibrium), meaning lower growth rates rather than to a desired one. Furthermore, coordination problems leading to undesired equilibriums may arise even in perfect information conditions. I.e. agents know the good equilibrium, but they do not achieve it.

In the context of tourism, the need for coordination arises when understanding the complexity of the tourism product. Briefly, the latter can be defined as a composite good formed mainly by accommodation and catering services (private goods) and environmental attributes (public goods) that enrich the tourism experience, shape the tourism image and, finally, foster the generation of value-added at the destination. As a result of this complementarity, a proper provision of public goods is mandatory to attract high-quality tourists willing to pay more for these goods and to ensure long-lasting economic growth. This relationship is especially needed in mature destinations, which are currently facing increasing competition for cheaper ones. However, these attributes are mainly non-excludable - users cannot be barred from accessing or usage-, but the use of other tourists can erode them; reducing the availability and quality for the rest of visitors and, in the last term, damaging the destination. In such conditions, one question may arise: how do agents coordinate themselves to achieve maximum efficiency in resource allocation?

To shed light on this issue, authors have developed a theoretical dynamic general equilibrium model. Briefly, it is a small-open economy, where capital and labour are perfect mobile and it is characterized by two types of sectors: the tourism sector and the rest of the economy. The former is disentangled into high-quality and low-quality tourism. High and low-quality tourists are defined similarly. Each one demands a complex good, including high/low quality tourist good (each one depending on its own type of tourist) and the public good; where each type of tourist pays a different price to enjoy it. More precisely, high-quality tourists are accommodated in dearer hotels and value more public goods (higher complementarity), but both, high-quality tourists and low-quality ones, share the environmental goods (environment, weather conditions, cultural heritage, etc). Given this difference in the willingness to pay for public goods, this can lead to an inefficient allocation of resources to maintain the quality/stock of the public good. In this case, as shown by the preliminary results, when the supply of the public good falls as a consequence of bad coordination, at stock or quality level, this impacts greater on high-quality tourists. As a result, the former

are crowded out by low-quality tourists generating a lower economic growth (bad equilibrium). On the contrary, when a good coordination is achieved, and the provision of the public goods is above expectation, the tourism destination reaches a good equilibrium where high-quality tourists crowd out low-quality ones.

The implications for mature destinations, well beyond the consolidation phase, are clear. A misallocation of resources due to the prevalence of coordination failures can make the difference between passing into decline as tourism destination or, in case of good coordination, entering in a rejuvenation phase. I.e. in order to reach the latter, improvements in tourism facilities should be made, vis-a-vis with proper management of public goods. On the policy front, while the implementation of measures to improve the overall tourism product is crucial to achieving sustainable economic growth in tourism-driven economies, we believe that this could trigger prices increases that would end hurting the destination. To avoid the side effects of quality improvement policies we suggest that policy makers and tourism managers to develop, at the same time, differentiation policies to maintain the attractiveness of the destination while targeting more inelastic tourists.

And Suddenly, The Rain! When Surprises Shape Experienced Utility - Paolo Figini, Veronica Leoni and Laura Vici

When analyzing user-generated content, such as online reviews and ratings, an emerging body of literature concerns the effect of offline content, finding evidence that environmental, weather conditions, and other situational factors affect both review engagement and rating performance. An unexplored topic is related to the role of expectations and this study examines how unexpected weather events, labeled as suprises, affect the utility of experience goods reported in online rating systems. Conditional to the time of traveling (seasonality), a tourist might form a belief about the type of activities to carry out when on holiday or decide whether to travel depending on the weather forecasts. On these premises, a surprise (e.g., unexpected sunshine or unexpected rain) could impact the overall value of the experience and be captured by hotels' ratings. This paper aims to investigate whether online ratings capture the impact of such shocks and whether they create additional biases in service evaluation. To this end, we analyze more than 300,000 online reviews for accommodation services listed on Booking.com in two popular Italian tourism destinations differing for their tourism mix (Milan and Venice) between September 2019 and February 2020. The study finds that surprises have a significant impact on experienced utility, with the effect varying based on the direction of the surprise. In particular, findings confirm the existence of a statistically significant effect of weather surprise on online reviews, with good news positively affecting the final score and negative ones driving down satisfaction with hotel services. Additionally, in line with the hedonic adaptation theory, we find that the duration of consumption moderates the surprise effect, reducing its impact on reported utility. Results are robust to several specifications and, differently from most of the existent literature on online reputation, we control for room fares, hence considering the important role of value for money when judging services.

Tourism Industry Performance and Regional Heterogeneity: A Best Practice Change Approach - Barnabe Walheer, Nicolas Peypoch and Linjia Zhang

Performance evaluation is crucial for the tourism industry, as it is the key to strategy formulation and the primary source of sustained competitive advantages. Recently, regional heterogeneity in the Chinese tourism industry has been pointed out by many scholars. The geographical location, natural resources and the economic and cultural differences in each region generate different impacts on the tourism industry. Besides, regional governments conduct different policies to support their tourism industry development. In this paper, we seek to evaluate the performances of the Chinese star-rated hotel industry while recognizing regional heterogeneity. The distinguishing features of our empirical analysis are: First, we use a tailored database for 30 provinces over 2008-2018. Second, we recognize regional heterogeneity by partitioning provinces into three regional groups. Third, we are the first to study performance changes within regional groups over time. Besides, this paper also comes with a methodological contribution by developing a new concept of the best practice change (BPC) index. The BPC index complements existing entity or group performance measurement indexes, allowing us to study performance changes between and within groups intuitively and coherently. Our results suggest an industry performance regress due to the activity diversification and new high investments. We also identify the leading and following regions and provinces and present the reasons for their performance. Finally, our results highlight important patterns that can benefit Chinese managers and policymakers.