Theory of tourism demand

Presently, considerable research in the field of economics of tourism since the 1970s led to well established models and methodologies to quantify tourism demand. Main factors that proved its significance are for example income in the country of origin, relative tourism prices at the destination, or substitute prices of an alternative destination.

On the other hand travel motivation has been a focus within destination choice theories. The typical tourist undertakes several steps before deciding for a vacation destination. Each stage is influenced by internal and external stimuli and the tourists intention maximize its utility, thus to ' make the most of it'.

It becomes apparent that the root of total tourism demand lies within both economic and socio-psychological theories. It is the intention of the thesis to therefore propose a combined framework. In order to prove its validity a survey will be conducted to capture stereotypes associated with Ireland and the Irish and to what extend this influences Ireland as a destination choice. The results will then be incorporated into the new framework to help future research testing other variables.

Literature Review

Theory of Tourism Demand

Research differentiates between two major approaches to analyze tourism demand: Tourism economists mainly consider an economic framework while travel motivation mainly applies a socio-psychological framework (Goh, 2012). The following paragraphs will go into more detail on each of the

theories to illustrate that tourism demand can be derived from theories of destination choice as well as market demand theory.

Although studying the characteristics of tourism is a comparably new era starting in the 1960's, this industry's excessive growth has also led to an equally extensive evolution as a field of study and consequently its methods and findings.

Neoclassical economic theory usually assumes a multi-stage budgeting process for every choice for a certain product or service. Within a tourism context this process can be divided as in Figure . Additionally, each stage corresponds to a utility maximization problem where the consumer subconsciously intends to maximize the utility of the choices within the given budget constraint (Smeral & Weber, 2000). As Figure illustrates the budget line shows how different combinations of tourism expenditure could be allocated to the destinations, but the indifference curve shows that the tourist wishes to allocate set proportions of the budget to each (Sinclair & Stabler, 1997).

The most recent review papers by Song and Li (2008) and Song et al. (2012) summarize the research progress made in respect of approaches, applied methods, innovations, emerging topics, research gaps, and directions for future research. According to their assessment a number of researchers have created and tested a variety of demand models for different destinations in order to quantify its impacts. Most commonly the number of arrivals is used as the indicator for total tourism demand of a destination, although tourist expenditure, and tourist nights in registered

accommodations were chosen in some studies. Predominantly considered determinants that empirically proved to have an impact on tourism demand were:

- Income in country of origin

- Relative tourism prices at destination

- Substitute prices of alternative destination

- Travel cost

- Marketing expenditure

- One-off events

(Song, et al., 2009)

While total impact and its explanatory variables have been thoroughly investigated through several econometric models, little attention is placed to the social context of tourism decision making: " Traditional demand theory does not explain how preferences and tastes are formed and change […]" (Sinclair & Stabler, 1997, p. 29).

Decision-making processes, its components and generalized frameworks have been widely researched over the past decades (Crompton & Um, 1991; Woodside & Lysonski, 1989). Decrop (2005) for example classified the factors of tourist's decision-making process into six cognitive constructs:

- Tourist perception

- Learning and attitude

- Personality and self-concept

- Motivation and involvement

- Emotion

- Context

On the contrary, Crompton and Um (1991) explain how tourist's perception of a destination is influenced by internal and external inputs (see Figure). Connecting the findings of Heung et al. (2001) review about major vacation motives and Gallarza et al. (2002) findings on attributes related to the destination image, it becomes apparent that research exploring factors influencing destination choice has been extensive.

Despite the wide recognition of Um and Cromptons's framework of a multi-stage destination choice and acceptance that beliefs and attitudes are related to destination preferences, they are some restrictions when it comes to the act of purchasing a vacation at a destination. During the early stage of selecting a destination socio-psychological factors such as image or beliefs are significant indicators in specifing which destination evolved to a late consideration stage. However, the ultimate selection depends to a higher magnitude on perceived inhibtors acting on a potential traveler such as monetary constraints (Crompton & Um, 1992). According to Crompton and Um's findings in the consumer behavior, tourism, and recreation choice literature "…constraints should be integrated into the cognitive choice process." (Crompton & Um, 1992, p. 97)

Figure : Framework of decision-making process by Crompton and Um (1991) (Source: Own illustration)

Similarly, very few prior studies focused on the influence of socio-psychological factors on demand itself. During the 1970's several studies concluded that a large number of explanatory variables affecting demand

are too small to have a significant influence, but if aggregated "…are likely to be as important as prices and income in determining travel growth." (Goh, 2012, p. 1862). Additionally, O'Hagan and Harrison (1984) again proved the high significance of non-economic factors in their study.

The main reason for omitting relevant variables in tourism demand theory is its difficulty to define and collect accurate measures (Song & Witt, 2000). Attempts to integrate socio-psychological factors into tourism demand models have failed due to the lack of appropriated procedures and econometric models. As most these factors are more commonly interrelated a new more complex modeling approach would have to be designed and tested. As Stabler notes: " Though motivations and preferences, in which images are embodied, are acknowledged as being important, they tend to be ignored by ' main stream' economists, because they are either assumed to be relatively stable and therefore do not influence the model, or are considered too complex to cope with." (Stabler, 1988, p. 137)

In summary, apart from each other the economic perspective as well as the socio-psychological aspect has been subject to extensive research. Both fields of study realize their incompleteness when it comes to assessing tourist behavior and demand. However, to fully comprehend and measure the tourism demand, theories of destination choice and theory of market demand should be combined to create an in-depth understanding (Goh, 2012).

Stereotyping

Social categorizing allows people to respond quicker to a range of perceptual impressions. As Lustig and Koester (1999) state the way humans process can be broken down into three aspects:

1. Conceptual categories[1]
2. Ethnocentrism[2]
3. Stereotyping

For this thesis most important, is the effect of " stereotyping". First mentioned by Lippmann in 1922 it refers to a selection process to simplify our perception of others; creating " pictures in our heads" (Lippmann, 1922, p. 5). Basically, the cognitive representations of a group influence our thinking, judgment and behavior of people within that group. Hewstone and Brown (1986) defined three characteristics of stereotypes:

Often individuals are categorized, usually on the basis of easily identifiable characteristics such as sex or ethnicity.

A set of attributes is ascribed to all (or most) members of that category. Individuals belonging to the stereotyped group are assumed to be similar to each other, and different from other groups, on this set of attributes.

The set of attributes is ascribed to any individual member of that category (p. 29)

Thus, after defining an out-group, " they", on the basis of their differing characteristic to oneself, the dissimilarities are emphasized and extended in order to create a more distinct division between the social groups. Last, the

characteristics are attributed to all members of that group, resulting in a person not being treated as an individual, but as a typical example of a category (Lustig & Koester, 1999; Hinton, 2000).

Before judging, people rarely gather a sufficient amount of information from various resources. Most commonly, they had a direct experience with a few people of the out-group, received information and opinions second hand such as from friends or relatives, were influenced by the output of the mass media, or just general " pigeonhole" thinking (Brewer, 1996). These sources that form a stereotype initially are moreover the multipliers and causes for stereotypes shared by an entire social group. As Stangor and Schaller (1996, pp. 4-5) mention: " From one perspective stereotypes are represented within the mind of an individual person. From the other perspective, stereotypes are represented as part of the social fabric of a society, shared by the people within the culture. […] Because group values and group behavior provide the underlying foundation of stereotyping, stereotypes only have meaning to the extent they are culturally shared." Stereotyping is therefore not only an individual problem, but when they are shared within a society; they have a considerable (positive or negative) impact on the labeled individual or group.

As diverse and intricate as the environment appears to be and as useful as it seems to simplify this complexity by structuring, the more dangerous it becomes to misjudge and have inaccurate assumptions. Judd and Park (1993) assessed three major phenomena resulting from stereotyping: The so-called " out-group homogeneity effect" causes the person in the in-group to consider members of the out-group to be much more similar to one another than in reality. Second, humans tend to make wrong or

inappropriately exaggerated assumptions about the group average, such as when all US Americans are assumed to be friendly and service-oriented, but also superficial. Third, the phenomenon of prejudices occurs when there is a " negative valence inaccuracy", thus a negative attribute is weighted more important while the positive is being ignored or underestimated. For instance, when visiting the US a tourist could stereotype all Americans being superficial or insincere (the negative attribute), but disregarding the fact that they are highly service and customer oriented (positive attribute). Conversely, one can show a " positive valence inaccuracy".

As Kunda and Scherman-Williams already proved in 1993 imprecise stereotyping can eventually lead to false interpretation of ambiguous incidents. Consider, for example, the unambiguous event of losing a soccer game. Ethnic stereotypes could relate the failure to laziness if the team was from Germany or low ability if the team is Kazakhstani. " Thus, stereotypes will affect judgments of the target's ability even if subjects base these judgments only on the act, because the stereotypes will determine the meaning of the act." (Kunda & Sherman-Williams, 1993, p. 97)

Stereotypes even have consequences for future behavior. An investigation by Seta and Seta (1993) revealed the following results:

The stereotype would persist even after the subjects were exposed to a disconfirming behavior as they expected a future action would compensate for the atypical behavior

If a subjects stereotype would be consistently challenged by a member of the stereotyped group then expected compensatory behavior would cease.

Nevertheless, the subject still expects another member of the group to " make up" for the disconfirming behavior.

This way people are still able to anticipate certain future events without making it necessary to revise their deeply set beliefs and values.

In conclusion, stereotypes are highly subjective, but because experiences and events are shared through various channels, it can eventually lead to a shared consensus. Although categorizing helps an individual to cope with an ambiguous environment more efficiently, caution has to be exercised to avoid unjust judgment of other's behavior. Stereotyping is a strong set of beliefs and values, which is difficult to overcome for an individual and consequently even less likely for an entire social group.

Conclusion

Literature review gives a scattered insight into tourism behavior and demand. The field of tourism economics with its consistent developments in methodological innovations, research progresses, and different approaches consists of a comprehensive body of knowledge and theoretical foundations. Similarly, extensive research in the tourist behavior area and especially the understanding of decision-making process has led to a number of frameworks and assessment methods. Apart from each other, both have empirically and qualitatively evidence for a number of factors influencing the consumer equilibrium – the point at which the tourist's economical constraints intersects with the consumer indifference curve. Thus, market demand is proven to be depicted from economical as well as socio-

psychological theories. However, only very few studies attempted to combine and investigate their relationship and impact.

Factors influencing destination choice and destination image are many. Stereotypes are one of numerous causes shaping personality and beliefs. Due to its persistent nature and difficulty to overcome deeply held principles, stereotypes proved to be highly influential on expectations towards future situations & people's behavior. Thus, although stereotyping is a commonly known phenomena its implications into tourism theories is yet limited.

The literature gave a profound understanding of economic and non-economic tourism theories as well as origin and impact of stereotypes on social behavior. It is the papers intention to prove a significant relationship between stereotypes and its influence on destination choice.

Research Problem
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It is evident from the literature that market demand as well as destination choice theory face constraints when trying to explain the complexity of tourist's choices. Despite their methodological developments in econometric models over the past decades, integrating qualitative as well as quantitative measures has failed due to lack of available data or complexity. Similarly, socio-psychological frameworks tend to omit inhibitors and constraints such as budget.

From the research problem identified above, the research question can be formulated as follows:

To what extend can stereotypes be classified as a relevant factor influencing tourism demand?

In other words, the author will intends to link both economic and socio-psychological factors into tourism demand theory. Further, it is hypothesized that stereotypes have a significant impact on the decision-making process of tourists and thus tourism demand in general.

Research Objectives

The research objectives are generated from the research question and should provide clearer sense of purpose and direction for the researcher (Baker, 2000). The following research objectives arise from the hypothesis above:

Establish a framework that includes both socio-psychological and economic factors

Song et al. (2012) as well as Song & Li (2008) noted in their review papers that developments in tourism demand are limited to quantifiable measures. During their early works Crompton & Um (1992) realized as well that the destination choice process is not limited to intrinsic motivators. Goh (2012) recently proposed an initial framework linking destination choice and theory of market demand.

Investigate on stereotypes existing towards Ireland/Irish

Seta & Seta (1993) found that stereotypes deep-rooted and difficult to overcome. Stereotypes about Ireland and the Irish are widespread which could be due to its high emigration throughout the previous centuries. Since

its subjective nature social science has not scientifically named or analyzed existing stereotypes. It will ths become essential to collect primary data.

Analyze connection between existing stereotypes and willingness to choose Ireland as a vacation destination

The multi-stage destination decision-making process has most commonly been researched by Crompton & Um (1991; 1992) and Decrop (2005). Influencing factors are numeral and their magnitudinal impact depends on the stage of the process as well.

Assess to what extend the economic tourism demand formula can be extended by the socio-psychological factors

Research integrating socio-psychological aspects with tourism demand theory is limited. For example, Goh (2012) was able to link the factor weather with tourism demand theory. Based on the framework established from the first objective the author intends to generalize the findings.

Research Method
The methodology outlines how the research objectives are to be achieved within the given time frame and explains the rationale behind the chosen method (Saunders, et al., 1997). Special emphasize is to be placed on the research design, data collection, and ethical implications.

Research Design
In order to resolve the above mentioned research objectives a triangulate approach has been chosen, applying both quantitative as well as qualitative methods.

First, in order to fully comprehend and test the relationship between stereotypes and tourism demand, a framework needs to be created which stems from economical as well as consumer choice theory. This inductive and more discovery-oriented approach is necessary due to the lack of available research and quantitative data that combined the two fields of study. Through an investigation of the literature about economic tourism demand and socio-psychological theory, the exploratory research will confidently result in a comprehensive tourism demand framework. Additionally, it will clarify the authors understanding about the separateness and consequently help to successfully commence with subsequent objectives (Heath & Tynan, 2010).

The main focus of this thesis will rely on a positivist approach though, thus deducing a hypothesis from the theory and empirically testing it (Saunders, et al., 1997). The intention is to quantitatively prove a causal relationship between stereotypes and tourism demand. From the literature review it can be concluded that socio-psychological factors play a major role when deciding for a destination and as a result imply to have certain impact on tourism demand of that destination. However, this hypothesis has not been tested yet.

In order to do accomplish objectives two and three a survey will be conducted among people who have not visited or lived in Ireland. Conducting surveys allows the researchers to have more control over the research process and is widely perceived as authoritative by people in general (Saunders, et al., 1997).

According to an analysis from Ireland's national tourism board " Fáilte Ireland" its main markets are Britain, North America, France, and Germany (Fáilte Ireland, 2011). The author intends to collect sufficient amount of data from at least two source countries, namely United States and Germany. As the survey is standardized it will be easier to distribute to the different nations and later compare the received results. It aims at collecting cross-sectional data about the kinds of stereotypes existing towards Ireland and the Irish as well as the participant's willingness to choose Ireland as a vacation destination based on their held beliefs. Regression analysis will then allow the author to conduct the fourth step of positivist research: " Examining the specific outcome of the inquiry. It will either tend to confirm the theory or indicate the need for its modification" (Robson, 2002, pp. ??? 18-19)

According to Saunders et al. (1997) the data collected might not reach such a wide range as a qualitative research method would due to the limited number of questions a questionnaire can contain. However, in case the conducted survey does not give sufficient causal explanation, thus its validity and reliability cannot be assured, additional secondary data from a recent survey by " Fáilte Ireland" could be analyzed who interrogated tourists that have chosen Ireland as a vacation destination (Fáilte Ireland, 2011). It is important to note though, this data can only serve supplementary as a clear distinction between stereotypes and other reasons to choose Ireland has not been considered.

The reason for choosing a positivist approach is the advantages that come with it. Its deductive nature allows the application of a rigorous structure that

would make this hypothesis applicable to generalization and give an opportunity for further research to test other socio-psychological factors (Easterby-Smith, et al., 2001).

The last objective intends to incorporate the findings from the survey into the framework proposed at the beginning of the research applying the knowledge gained throughout the thesis. If the survey were to prove the causal relationship between stereotypes leading to higher likeliness to choose Ireland, the hypothesis demonstrated its validity. The fourth objective is to conclude to what extend the findings can be generalized and applied to other non-economic factors.

Data Collection

As mentioned above the main purpose of this thesis is a survey among US and German citizens collecting empirical data about stereotypes towards Ireland and the Irish as well as their willingness to choose Ireland as a vacation destination based on their held beliefs. Irish born as well as residents who previously visited Ireland are excluded. This specification is especially relevant as stereotypes root mainly from other people's experience (i. e. visitors to Ireland) and/or limited familiarity with the other social group (i. e. Irish emigrants) (Brewer, 1996).

The author targets to gain 50 utilizable questionnaires from each nation, totaling to n= 100. In order to ensure a high number of participants from Germany the survey will be translated into German as well.

Distribution will primarily be channeled as a web questionnaire through social media. This note only enables the survey to reach a wide range of

potential partakers and guarantees there anonymity, but also ensures a certain level of randomness which is one of the main challenges when conducting surveys. Although the author cannot fully exclude a connection with all the participants, the potentially exponential circulation minimizes this risk.

The data then will be used for a linear regression analysis in order to validate how the independent variable (stereotype) impacts the dependent variable (select Ireland as vacation destination). The linear regression will only be an approximation of the true relationship though, as it is not possible to include all the variables which may have an influence on the dependent variable (Koop, 2009). The omission of these variables in the model is referred to as the error term. The basic regression model is written as

where y equals dependent variable (select Ireland as vacation destination), coefficients $\hat{I}\pm$ and $\hat{I}^2$, x represents the independent variable (stereotype), and refers to the error term. A null hypothesis test will be applied to determine whether results are statistically significant.

Main problems arising using regression analysis can be autocorrelation, omitted variable bias and multi-collinearity (Koop, 2009). As the hypothesis is only testing the impact of one independent variable on one dependent variable, autocorrelation can be neglected. Similarly, multi-collinearity, evident through high p-values and low t-stats can be excluded as only one explanatory variable is applied. However, omitted variable bias can lead to unreliable coefficients if an explanatory variable which may have an impact on the dependent variable are omitted from the data set. However, as

mentioned above it is nearly impossible to include all explanatory variables, which is why the error term is included. The values of the coefficients will nevertheless be treated with caution.

Ethical considerations have to be taken into account as well. The online survey ensures the participants anonymity and no personal data will be collected. Additionally, it goes without saying that the author conducts this hypothesis in an objective and non-discriminatory manner. Stereotypes have a tendency to classify or even favor one social group over the other. The thesis is not intended to strengthen or overcome beliefs towards Ireland or the Irish, but to capture a ' snapshot' of existing stereotypes.