



CONTENTS

<i>Preface</i>	xvii
Introduction	1
Tourism Demand and Supply	2
The demand for tourism	2
Tourism supply	2
The price mechanism	3
Tourism and market structure	4
Strategic pricing in tourism	4
Tourism Forecasting	5
Tourism's Economic Contribution and Economic Impacts	5
The economic contribution of tourism	5
Measuring economic contribution: Tourism Satellite Accounts (TSA)	6
The economic impacts of tourism	6
Economic evaluation of special events	7
Tourism Investment and Taxation	8
Investment by tourism firms	8
Investment in tourism infrastructure	8
Taxation and tourism	9
Tourism and Transport	9
Tourism and the Environment	10
Valuing tourism's environmental effects	10
Economic instruments and environmental protection in tourism	11
Tourism, Growth and Sustainability	12
Tourism and economic growth	12
Tourism and sustainable development	13
Destination Competitiveness	13

Tourism Demand and Supply

CONTENTS

1	The Demand for Tourism	17
1.1	Introduction	17
1.2	Factors Influencing Tourism Demand	17
1.2.1	Demand for tourism	18
1.2.2	Demand for a tourism product	18
1.3	Tourism Demand and Elasticity	20
1.3.1	Price elasticity of demand	21
1.3.2	Income elasticity of demand	26
1.3.3	Cross-price elasticity of demand	28
1.3.4	Marketing (advertising) elasticity of demand	31
1.4	Measuring Demand for International Tourism Arrivals	32
1.4.1	Dependent variables	34
1.4.2	Independent (explanatory) variables	35
1.4.3	Statistical testing	44
1.5	Conclusions	45
2	Tourism Supply	50
2.1	Introduction	50
2.1.1	Tourism products are not like other products	52
2.2	Factors Influencing Tourism Supply	52
2.2.1	Tourism supply and price	54
2.2.2	Tourism supply and non-price factors	55
2.3	Tourism Supply and Elasticity	57
2.4	Production, Costs and Supply	59
2.4.1	Production	59
2.4.2	Costs	60
2.4.3	The relationship between production and costs	62
2.4.4	External economies	67
2.4.5	Economies of scale versus economies of scope	68
2.5	Private Costs and Social Costs in Tourism	69
2.6	Supply Chain Management	69
2.6.1	Supply chain	69
2.7	Conclusions and Policy	72
3	The Price Mechanism	75
3.1	Introduction	75
3.2	The Price Mechanism	76
3.2.1	Excess demand	77
3.2.2	Excess supply	78

3.3	Changes in Equilibrium Price	78
3.3.1	Changes in demand	78
3.3.2	Changes in supply	79
3.3.3	Changes in both demand and supply	80
3.4	Outcome of Market Equilibrium	80
3.4.1	Economic efficiency	81
3.4.2	Welfare maximization: consumer and producer surplus	82
3.5	Limitations of the Price Mechanism	83
3.5.1	Market power influences prices	83
3.5.2	Consumer sovereignty is less powerful than often assumed	85
3.5.3	Imperfect information	86
3.5.4	Economic inequality	86
3.5.5	Externalities	87
3.5.6	Economic instability and government intervention in markets	88
3.6	Conclusions and Policy	89
4	Tourism and Market Structure	91
4.1	Introduction	91
4.2	Market Structure	92
4.2.1	Perfect competition	93
4.2.2	Monopoly	95
4.2.3	Monopolistic competition	97
4.2.4	Oligopoly	99
4.3	A Framework for Policy Analysis: S-C-P	101
4.3.1	Market structure	103
4.3.2	Conduct	104
4.3.3	Performance	113
4.3.4	Public policy	114
4.3.5	Limitations of S-C-P framework	115
4.4	Rise of the Sharing Economy	116
4.5	Conclusions and Policy	119
5	Strategic Pricing in Tourism	122
5.1	Introduction	122
5.2	Cost-Based Pricing Strategies	124
5.2.1	Cost-plus (mark-up) pricing	124
5.2.2	Pricing for profit maximization	126
5.2.3	Marginal cost pricing	127
5.2.4	Peak load pricing	128