



DESTINATION LOYALTY Consumers' Economic Behavior

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Abstract: This paper analyzes the phenomenon of repeat visits to a holiday destination from an economic perspective. The analysis is based on three types of economic theory models: reputation, market with limited information, and consumer behavior. Several hypotheses on tourist expenditure patterns are tested with data from one of the Mediterranean's leading sun and sand destinations. The results show the explanatory power of repeat visitation, knowledge, and quality of a place as a motivation for tourist expenditure. In accordance with their better knowledge, repeaters spend less than first-timers. On the other hand, preference for quality and sense of place attachment imply a higher expenditure. **Keywords:** destination loyalty, repeat tourists, consumer behavior, expenditure. © 2006 Elsevier Ltd. All rights reserved.

Résumé: Loyauté de destination: comportement économique des consommateurs. On analyse dans cet article le phénomène des visites répétées à une destination touristique dans une approche économique. L'analyse est basée sur trois sortes de modèles de théorie économique: réputation, marché avec une information limitée et comportement du consommateur. Plusieurs hypothèses sur les types de dépenses touristiques sont testées d'après les données d'une des principales destinations méditerranéennes de mer et soleil. Les résultats montrent le pouvoir explicatif des visites répétées, de la connaissance et de la qualité d'une destination comme motivation des dépenses touristiques. Conformément à leur meilleure connaissance, les visiteurs récurrents dépensent moins que ceux qui viennent pour la première fois. D'autre part, la préférence pour la qualité et l'attachement au site impliquent de plus grandes dépenses. **Mots-clés:** loyauté de destination, visiteurs récurrents, comportement du consommateur, dépenses. © 2006 Elsevier Ltd. All rights reserved.

INTRODUCTION

Numerous studies have explored the implications of loyalty in consumer behavior. This focus has been extended to include tourism, although its application to destinations is as yet limited (Baloglu 2001; Baloglu and Erickson 1998; Beaman, Huan and Kozak 2002; Bigné, Sánchez and Sánchez 2001; Darnell and Johnson 2001; Fyall, Callod and Edwards 2003; Gitelson and Crompton 1984; Kozak 2001; Moutinho and Trimble 1991; Oppermann 1996, 1997, 1998, 1999, 2000a, 2000b; Pyo, Song and Chang 1998).

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In marketing and tourism analyses, repeat visits have generally been regarded as desirable (Oppermann 2000b) because, among other things, it is thought, first, that the marketing costs needed to attract repeaters are lower than those required for first-time tourists; second, a return is a positive indicator of one's satisfaction; third, an inertial attitude of high repeaters increases their likelihood to return (Oppermann 1998). General research has also focused on the relationship between brand loyalty and price sensitivity, leading to the conclusion that loyalty reduces consumer sensitivity to price variations (Krishnamurthi and Papatla 2003). Likewise, a business with loyal consumers would be able to maintain higher prices than its rivals, and this attachment would thus be a business defense against rival competition (Wernerfelt 1991) as well as a way of guaranteeing the product's continued quality (Keane 1997; Shapiro 1983).

In economic literature, consumer satisfaction has been linked to higher business profits, through the generation of loyalty. Nevertheless, no definitive relationship has been confirmed between satisfaction and profitability (Anderson, Fornell and Lehmann 1994; Gurau and Ranchhod 2002; Hallowell 1996; Heskett, Sasser and Schlesinger 1997; Oliver 1999). The benefits that a high degree of loyalty represents for destinations will depend on possible differences in expenditure between repeat and first-time tourists. If both types have similar mean expenditures per day, the destination will benefit from visitor loyalty because it will be guaranteed a stable market share, with lower advertising costs and less sensitivity to price variations or potential problems with services. On the other hand, if repeaters spend less, the possibilities of offering both a high quality product and potentially renewing it to suit changing consumer needs, might be diminished.

Despite the key role it plays in the definition of marketing strategies, the relationship between levels of repeat visitation and tourist expenditure has not received much attention in the literature. What is explored is the phenomenon of repeat visitation in an empirical, marginal way within the framework of an analysis of tourist expenditure, with hardly any reference to models of consumer behavior (Agui-ló and Juaneda 2000; Bowen and Shoemaker 1998; Jang, Bai, Hong and O'Leary 2004; McQueen and Miller 1985; Mok and Iverson 2000; Oppermann 1996, 1997; Petrick 2004). Research using economic consumer models show two opposing trends in expenditure by repeat tourists. On the one hand, repeaters have a greater knowledge of the destination and thus can make a more efficient choice (based on lower prices) for all or some components of the cost of the trip. On the other hand, if quality ranks among their motivations, they will be prepared to pay a surcharge. A reduction in the holiday's non-monetary costs and risk aversion could also be linked with a surcharge.

This paper tests several hypotheses on repeat tourists' expenditure based on economic analyses of consumer behavior. With data from one of the Mediterranean's leading sun and sand destinations, the Balearic Islands of Spain, a model of tourist expenditure is estimated, examining the effect of repeated visitation, the knowledge of the

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