ECONOMIC IMPACTS OF ALL-INCLUSIVES:
ALL-INCLUSIVE EXPENDITURE, MOTIVATION & LINKAGES IN THE BALEARIC ISLANDS

MEMORIA D' INVESTIGACIO

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CHAPTER ONE
INTRODUCTION

1.1 The Background

With tourism preferences continuously being shifting, all-inclusive (AI) holidays maintain their dominancy in many sun and sand destinations (Corcoran et al., 1996; Falzon, 2003). Mediterranean and Caribbean represent the major inclusive destinations worldwide, with European countries (Britain and Germany) and the US leading the markets for such holidays (Tourism Intelligence International: TII, 2000a, b). AIs are the vacations where practically everything is included in a single pre-paid price including meals, snacks, beverages, sport equipment and instructions, government taxes and gratuities; and the use of cash is eliminated from the holiday experience (TII, 2000a). AI travellers prefer the entire tour experience to be arranged for them (Heung and Chu, 2000) by the series of what Enoch (1996) refers as 'surrogate parents' in the shape of tour agents or operators (packagers) for paying them in advance (Philips and Webster, 1983). Usually such packagers are based in the tourist-generating countries, which makes a major portion of the all-inclusive economic benefits to remain in their countries (Hemmati and Koehler, 2000; Alegre and Pou, 2006).

Since everything has been prepaid for in the tourist-generating country, the AI tourists are less motivated to spend extra money at the destinations. At the destinations, they stay in enclaves that are often located in the isolated environments, thus reducing their chances to interact with the locals and spend in the local economy (Freitag, 1994; Abdool & Carey, 2004). According to Enoch (1996), package tourists in effect, never visit the places they travel to, because they spend their days in the isolation of the tour bus and their nights in the sterilize environment of the hotel. Reid (1992:75) has named the all-inclusive resorts as the "concentration camps of leisure", while Issa and Jayawardena (2003:167) describing the all-inclusive modal as a "necessary evil". Mbaiwa (2005: 159) portrayed the enclave tourism as an "internal colonialism", because the goods and services available in the enclave facilities are usually beyond the financial means of the local communities and the natural resources in a host region mostly benefit outsiders while the majority of locals derive little or no benefits.

Moreover, Ceballos-Lascurain (1996) describes the AI mode as a tourism that is concentrated in remote areas in which the types of facilities and their physical location fail to consider the needs and wishes of the surrounding communities. However, the AI product is not standardized globally but, more adapted in terms of the intensity of the bundles, the location and the

operations of the resorts offering the product, depending on the destination visited. In the Caribbean, the AIs are treated as unified product, with the AI resorts located in the typical holiday areas, within which guests become permanently isolated from the hosts. Above all, resorts offering AI are more specialized; offering exclusively AI bundles which carry a considerable number of services. Unlike Caribbean, in the Mediterranean destinations and when referring to the Balearic Archipelago, the AI package tour is normally offered as one of the product lines offered in the hotel; as most hotels offering AIs, offer simultaneously other boarding basis such as half board and or full board. The contents of the AI package are lighter than in the Caribbean and because of the developmental aspect of the destination, the isolation factor has proved impossible. Therefore, most of them are located in the cities and in the residential areas of the local community.

In the Balearics, the AI modal was first introduced in 1950 when Blitz opened an inclusive vacation club, Club Mediteranee or Med Club in Mallorca as a response for what Issa and Jayawardena (2003) describe as a demand for a unique escape from the hardships of post-war in Europe. Since then, the AI demand in the islands has been growing, with the British and German packagers, very keen to develop the product. Alegre and Pou (2006) estimate the AI demand growth rate of 70.35% in the Balearics from 2002 to 2004 alone, moving from respectively 9.58% to 16.32% of the total arrivals. Tourism represents about 85% of the GDP in the Balearics (Hoti, et.al, undated; Parrilla, et. al, 2006), which is made up of the islands of Mallorca, Minorca, Ibiza and Formentera. With the total area of 5,014 km^2, the Balearic Archipelago is a home to 1,008,938 people (GIB[1], undated). On average, 10 million tourists visit the Archipelago every year; with at least 60% of them to Mallorca.

In 2005 and 2006 for instance, total arrivals, were respectively 11,626,188 and 12,577,829 tourists; of which 62.7% and 61.5% respectively went to Mallorca. Britain and Germany are the main tourist-generating countries to the Balearics, accounting for at least 60% of the arrivals (Juaneda and Sastre, 1999; Falzon, 2003; Hoti, et al., 2005). In 2005 and 2006, the two nationalities together represented respectively 63.4% and 60.9% of the arrivals (IB-Dades Informatives, 2006). The fact that tourism is a lifeline in the Balearics, everything remains constant including capacity, the growth of AI demand implies the decline of the conventional tourism, in which all other expenditure apart from transport and bed is incurred at the destination. This would have severe impact on the local economy.

[1] Govern de les Illes Balears

Nevertheless, because the AI demand is still mounting, while the consumption at destination is still doubtful (Issa and Jayawardena, 2003; Alegre and Pou, 2006), studying the factors explaining its demand is important in order to come up with the strategies and policies to create a situation which would make the all-inclusive demanders better-off without making the tourism suppliers and the destination stakeholders worse-off. Because destinations that offer all-inclusive holidays compete between each other, for any destination to impose or simply rule out the AI experience is not feasible, unless there is knowledge of why does the tourist prefer AI holidays to other tour modes. To understand the factors explaining the demand for all-inclusives is to contemplate on the motivation of tourist to choose that kind of holiday experience. Knowledge of tourist motivation according to Crompton and McKay (1997), paves the way for creating better products and services. Tourist motivation according to Pearce et al., (1998) is the global integrating network of biological and cultural forces which gives value and direction to travel choices, behaviour and experience. Economic theory believes that consumers have special preferences consistent with their choice among alternatives (Wong and Kwong, 2004). Hence, knowing factors motivating the choice of the AI tours among tour options is essential in order to understand the AI tourist preferences.

Concerning the supply, most AI enclaves are alleged to be operated by multinational companies whose head quarters are usually based in the foreign countries, away from destinations; which allow narrow economic benefits go to the local economies. According to Freitag (1994), AI enclaves create an economic situation whereby the lower-classes are exploited as a source of cheap labour with the foreign companies reaping most of the economic benefits. Abdool and Carey (2004) have shown that most AI resorts in Tobago were owned by the outsiders and most of the all-inclusive expenditure were not reaching or remain in the economy of Tobago because it was pre-paid in the tourist generating countries. Godwin (2006) adds something else that, because AI resorts deal with foreign guests, they always prefer to source their inputs internationally, which multiplies leakages.

However, even with such economic criticisms, AIs have already gained a place within the whole tourism landscape; so it is not easy to rule out their operations. The way forward is the creation and promotion of integrations or linkages between tourism providers, local businesses and residents in order to share the tourism benefits. Linkages in the destination are encouraged to achieve economic development (Dieke, 1993; Godwin, 2006; Meyer, 2006). Expansion of linkages connotes the increase of usage of other economic sectors, which stimulates the economy

as a whole and creates synergy effects between different sectors of the economy. According to Godwin (2006), through linkages, hoteliers can work with local supply chains to buy locally-produced products, employs local staff, and creates opportunities for local producers to sell arts and craft or tourism services to guests.

In many tourism-specialized economies, especially in the sun and sand destinations where the AIs continue maintaining their dominance, local linkages are necessary. It is not reasonable, for instance, to extend public tax money towards tourism infrastructures only to provide a few enclaves with captive guests while the hosts can not sell them anything. The problem now is the mechanisms through which the adjustment to the new demands can be achieved without denying the demands of the hosts; therefore makes the AI modal a topical issue in many destinations. The concern is that, the enclosure of the AI tourists leads to their under-spending at the destination economy (Issa and Jayawardena, 2003; Alegre & Pou, 2006). In the Balearics, hosts have witnessed a massive transformation in the hotel sector, shifting from conventional bed-breakfast to offer the AI holidays. In Mallorca alone, the AI supply grows at a growth rate of about 64% moving from 153 AI enterprises in 2004 to 195 in 2006. Every agent in the economy depends on tourism for his survival. Thus, given that AI supply and demand trends continue mounting, what would be their impacts on the economy? It was that background, that this study was triggered.

The study therefore, intends to respond to the three broad questions, with special attention given to the Balearics, which is one of the typical sun and sand destinations. (a) What is the contribution of all-inclusive tourists to the destination economy? (b) What motivate visitors to choose all-inclusive package tours when travelling? (c) How do AI hotels contribute to the local economy through local linkages?

1.2 The Study Objectives

Generally the study examines the economic impacts of all-inclusive package tours with special reference to the economy of the Balearic Islands. More, specifically the study:

1. Estimates the contribution of AI tourists to the destination economy by:
   - exploring AI tourist expenditure for their holidays to the Balearics
   - estimating the on-trip all-inclusive expenditure by consumption categories
   - measure the effect of all-inclusive existence at the destination on the number of visits, length of stay and tourism expenditure

2. Identifies factors motivating guests to choose all-inclusive tours when visiting Balearics.
3. Investigates the all-inclusive local linkages involving the all-inclusive hotel sector and the local suppliers in the Balearic Archipelago by:
    - Establishing the level of supply for the AI hotel sector at the destination.
    - Identifying the products that all-inclusive hotels purchase locally
    - Exploring the actors involved in the linkages between all-inclusive hotels as demanders and actors in the local economy as suppliers
    - Investigating on the nature of the contracts involved (if any) between AI hoteliers and their suppliers

1.3 Significance of the Study

The findings of the study would be relevant not only to the Balearic Archiplago but also globally since previous studies have demonstrated certain uniformity in economic models applied from country to country. More concretely:

1. Since, tourism is a lifeline to many sun and sand islands like the Balearics, critical policies to match industry priorities while meeting community needs with feasible tourism modals are indispensable. Measuring the economic impact of all-inclusives would assist destination stakeholders when making rational decisions concerning the future of the community. It is important to recognize that, as Britton (1991) has verified, tourism enterprises are not in the business of community development, but in the business of accumulating resources for themselves. Therefore rational policies are vital.
2. Tourisiers can make use of the all-inclusive motivating factors to strategically meet the needs of the AI market, with the aim of capturing the consumer surplus which is central element of the economy. As Murphy (1985) said, motivation is important for the development of tourism; because without the interest to travel, the tourism industry would not exist. Motivation is the main influencer of tourism demand patterns (Bogari et al., 2004). Policy-makers can still rely on the same identified motivating factors, but create conditions that would enable the AI tourists to interact with the hosts and spend more at the destination.
3. Since co-operation is one of the key components in creating a pleasant package tour, destination agents can capitalize on the potentials revealed in this study to effectively utilize local resources in order to jointly create an appealing holiday experience as part of economic development strategies. The study exposes the direction of the local resources employments, and the economic value of the hotel sector to the local economy; results which policy makers

can use to reliably and practically make policies and strategies that ensure that tourism operations have strong linkages with the rest of the local economy.

4. Still, very little body of literature about the subject under the study is available. Therefore any person who would be interested to research the same area of all-inclusive in the future, this study would serve as a base.

CHAPTER TWO
THE ALL-INCLUSIVE MODAL

2.1 Evolution of the All-Inclusives

The history of all-inclusives goes back to the 1930s when first applied by the Butlin's holiday camps in the Barry Island (Poon, 1998; Issa and Jayawardena, 2003). The Butlin's camps were built as means to provide cheap holiday experience to majority of the working-class families in Britain (Issa and Jayawardena, 2003). Later in the 1950s, the French origin Club Mediterranee or 'Med Club' developed the concept further through launching a holiday camp in the Island of Mallorca (George Washington University, 1997; Encyclopedia Club Med). According to Clark (2000), Club Med intended to eliminate extra charges that can sour the sweetest of vacations. However, by today's definition of all-inclusive, neither the Butlins' nor Club Med could fit in, because the 'AI provided in the Butlin's Camp services were still paid for in some form of currency at the destination. It was the same in the Club Med, where still one had to use plastic beads as currency to pay for services (Issa and Jayawardena, 2003). Two decades later in the 1970s, the product developed extensively, gained more market acceptance and spread from Europe to operate worldwide (Inskeep, 1991); and AI was considered as the main influence of the expansion of mass international tourist markets (Shaw and Williams, 1994). When tourism became popular in the Caribbean during the 1970s and early 1980s, a new brand of package tour resorts was established (Jayawardena, 2002; Abdool and Carey, 2004).

During that period, the original concept of Club Med was borrowed, modified and introduced to the Caribbean destinations; in which, the world-renowned, AI hotel companies like Sandals, were launched. By today's definition of AI, the Caribbean AI product lines were "more inclusive" because with cashless at a destination, a tourist was provided with almost everything he needed during his holiday (Jayawardena, 2002; Issa and Jayawardena, 2003). However, as time continues, more alterations are taking place, with the trends still showing Britain and Germany as the leading markets for such tours (TII, 2000a,b; Alegre & Pou, 2006). Since 1995 at least 50% of the British outbound tourists, been traveling through all-inclusives (Meyer, 2003). Also see the Appendices 3. Therefore, tour operators in Europe continuously being the world giant packagers. World of TUI, for instance, since 1998, has being including a credit note for the hotel boutique in the price of AI holidays. Thomas Cook, First Choice and Thomson have as well dedicated AI brochures.

Year 2006, for instance, saw Thomas Cook introducing All-inclusive Plus (Tomas Cook, 2006) which adds à la carte dining, premium branded alcohol, spa facilities and a wide range of sporting

activities for its AI clients. Thomson has at least 50 types of all-inclusives available in 25 destinations, targeting markets like families, wedding and couples (TII, 2000a:93).The modal is evolving in many areas and aspects. The more the time goes, the cheaper the AI modal becomes. Its average price in the UK, for example, was £959 in 1995, but in 1998 this had fallen to £780 and in 2000 to £450 (TII, 2000a: 96). From the marketing field, slogans such as Club Med "everything's included, including the fun" or Sandals "is for lovers"; or at Hedonism-"if it feels good it's included" are all accompanying the all-inclusives marketing strategies (Henthorne & Miller, 2003). It is undeniable fact from the described evolution that, as tourism product, the AI modal has remained a continual phenomenon in every sense.

2.2 The Concept of All-Inclusives

To comprehend the all-inclusive concept, we need to first conceptualize the package tours. Sheldon and Mak (1987) define a package tour in general as a combination of many components of a vacation such as transportation, accommodation, sightseeing, and meals which are sold to customers at a single price. According to Middleton (1991), the package tour comprises of any two or more elements of transport, accommodation, food, destination attractions, and other facilities and services. Middleton (1994) later described it as a prearranged combination of at least two items, such as transportation and accommodation, offered for sale for a period of more than twenty-four hours. Holloway (2000) describes the concept as the itineraries put together by a tour operator or other supplier, usually incorporating at least three elements, transportation, accommodation and transfers, and some packages may also include additional services like excursions. WTO (2004) define a package tour in detain as a 'tourism product' provided by a tour-operator which elaborates it and sells it directly or through travel agencies, in which travelers receive a combination of products associated to a trip, which are made of more than one of the following tourism services: transport, accommodation, food, sight seeing, entertainment and others (ibid: 153).

Due to variability of contents included in various packages, a number of modals have been introduced to the market, ranging from very 'basic package' to 'all-Inclusive' packages (Sheldon and Mak, 1987; Yamamoto and Gill, 1999; Wong and Kwong, 2004). The classification of the types of package tours depends on the level of the prearranged travel services. The basic package includes only transport and accommodation (Wong and Kwong, 2004); while the all-inclusives add almost everything that tourist may need at a destination. Alegre and Pou (2006) and Alegre and Juaneda, (2006) have categorized the package tour into five modals: transport and bed;

transportation, bed plus breakfast; transportation plus half board; transportation plus full board; and all-inclusives.

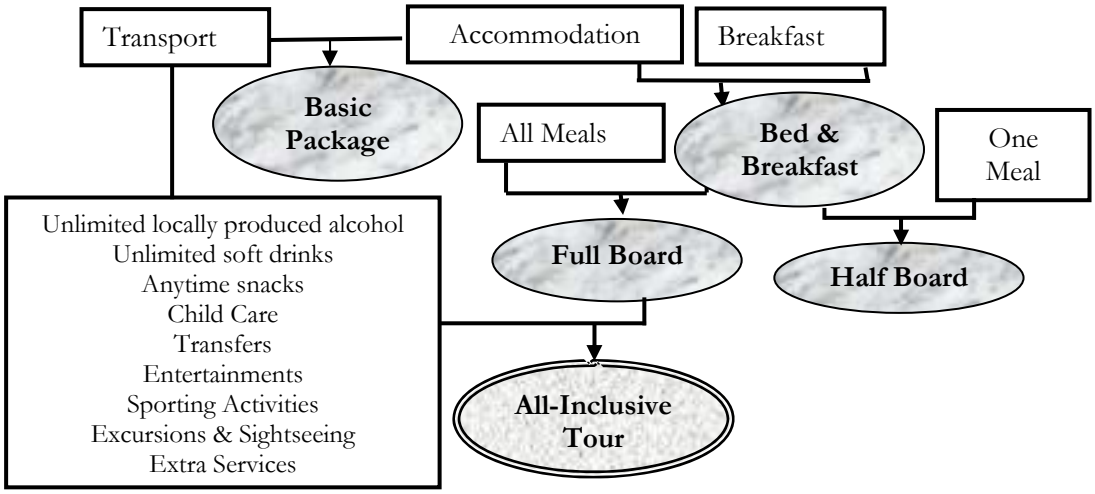
The AI, which is the focus of the study, has been defined by Sheldon and Mak (1987), Morrison (1989), and Heung and Chu (2000), as a trip planned and paid for a single price in advance, which covers a broad range of items from commercial transportation and accommodation to meals and sightseeing, sometimes accompanied by an escort or guide. Middleton (1994) defines it as an inclusive form of travel, organized by intermediaries; in which the tour represents a bundle of tourism goods and services, marketed as one particular product or brand and sold at an inclusive price. Holloway (1998) prefers to define the AI modal as integrated travel services, which are bought in bulk by the tour operator, assembled, and resold to customers as a package including different services.

TII (2000a) refers AI as vacations where virtually everything is included in a pre-paid price-from airport transfers, baggage handling, government taxes, room, all meals, snacks, drinks and cigarettes, the use of facilities, equipment and certified instructors; also includes gratuities (tips and service charges) and nightly entertainment. And that the use of cash is eliminated from the holiday experience and visitors know in advance the exact cost of their holiday (ibid). Quoting Paris and Zona-Paris (1999), Issa and Jayawardena (2003) pointed out special attributes of all-inclusives as: promises consistency and quality-good beverages and fare, safe and comfortable accommodation, caring staff, and plenty of accessible activities. What is more according to the authors is that all-inclusives do not bear any kind of surprises (unless surprise is part of the package), especially on unexpected costs during vacations.

In the AI operations, the producer of the packages is the packager; be it a travel agent or tour operator, while its elements are fabricated by several tourism providers. The packager buys several parts or elements of tourism, including transport, accommodation, meals, entertainments and others; assembles them into a finished product, known as the 'all-inclusives', which finally sells it in a single price to a tourist. Once purchased, the tourist starts disassembling the final product back to its original state through consumption, normally starting and ending with the element of transport. The product diminishes stage by stage based on consumption until it finishes with the transport. The consumer of it senses the end of the product when he is no longer a tourist but, a citizen of his original country. Many studies have tried to describe the basic features of this tourist, while focusing more on when he is already at the destination. Britton

(1982) for example writes that, the AI tourists are transported from international transport terminals to hotels and resort enclaves, again travel between resort clusters and finally return to the primary urban areas for departure.

Fig. 3 Types of Package Tours



Source: Developed in this Study, 2006

Using observed features, Smith (1989) portrays them as visitors, who arrive en masse, wear name tags, assigned to numbered buses, counted aboard, and are continually reminded to get on the right bus. Focusing on behavioral perspective, Basala and Klenosky (2001) describe this tourist as a visitor that preferring to experience the host community through the protection of "environmental bubble" that allows him to interact and function at a familiar level of comfort and security. On the other hand, this tourist has been described using psychocentric and allocentric personality types (Plog, 1973). In the latter, traveler is an adventurer who prefers exotic, while in the former; traveler is safety seeking who prefers the familiar. The package traveler suits with the psychocentric due to his safety seeking behavior (Schuchat, 1983; Quiroga, 1990 and Wong and Kwong, 2004) and because everything has been pre-planned, he does not expect any exotic. Lee and Crompton (1992) share the opinion that, pre-planned vacationers as novelty avoiding tourists who prefer familiars. AIs in this study refer to a trip pre-paid in advance in a single price, that includes bundle of services a tourist may need for his trip and vacation in the Balearics, including return ticket, ground transfers, accommodation, meals and drinks, sporting activities, entertainments and other services; and that the prepayments are done at the visitor's country of residence. Figure 3 summarizes the contents of each package, in which, *shaded ovals* present the bundle of services referred to as *package tours*.

2.3 All-inclusive Global Operations

All-inclusive package holidays are most popular in the Caribbean (Issa & Jayawardena, 2003; Abdool & Carey, 2004; Clark, 2000), Mediterranean (TII, 2000a, b; Alegre & Pou, 2006a) and American (Sheldon and Mak, 1987; Jorgensen & Solvoll, 1996; Davis & Morais, 2004) destinations. In a very recent the modal has gained market acceptance in other parts of the world like the Asian (Wong and Kwong, 2004; Wang et al. 2004; Bowen, 2001), African (Mbaiwa, 2002, 2005) markets and other parts of Europe (Corcoran et al., 1996; Jorgensen & Solvoll, 1996). As have already been said, the all-inclusive modal is not a worldwide standardized product, although to a large extent itineraries offered by travel agencies are similar with reference to entertainment and meals (Wong and Kwong, 2004). Box 1 presents one of the typical all-inclusive resorts in the Caribbean destinations as an example.

Wong and Kwong (2004) mention one of the main distinguishing characteristics of the all-inclusive tourists that, they usually prefer geographically nearer countries. Their findings are well supported in the past studies as well as what actually prevails in the all-inclusive operations worldwide. Sheldon and Mak (1987) have for example cited Hawaii as the main AI destination for American and Canadian markets. Likewise Wong and Kwong (2004) found that, all-inclusive package tours are the most popular travelling mode for Hong Kong people and that Southeast Asia and China represent the destinations for that market. Alegre and Pou (2006) and TII (2000a, b) have shown that the German and British AI tourist prefer the Mediterranean destinations, with the former citing Balearics as the main destination. Moreover, Jorgensen and Solvoll (1996) have shown that the main destinations for the Norwegian AI tourists include Spain, Turkey, Greece and Cyprus or Bulgaria; which together receive 84% of the Norwegian outbound AI tourists. Mbaiwa (2005) on the other hand has shown South Africans as among the main AI tourists to the Okavango Delta in Botswana.

BOX 1: A typical All-inclusive Resorts in the Caribbean
Offers a wide range of activities including: - Round trip airport transfers and baggage handling - Government hotel tax - Tips, gratuities, service charges - All meals - Unlimited drinks

- Anytime snacks
- 2 gourmet specialty dining restaurant
- Air-conditioned rooms (and suites) with king-sized beds, hair dryers, clock/radios, telephone, safe, satellite TV with movie channel
- Exercise/weight rooms/fitness centre
- Nightly entertainment
- Indoor games room, movies
- Pool tables
- White sand beaches
- Scuba diving, snorkelling, sailing, windsurfing, Hobie Cats (including certified instruction)
- Canoes, kayaks, paddle boats, glass-bottom boats, water-skiing
- Sauna, whirlpool, steam baths
- 2 freshwater pools
- Swim-up pool bars
- 3 tennis courts (day & night)
- Racquet ball, squash, table tennis, volleyball, basketball
- Lawn chess
- Shuffleboard, horseshoes, croquet
- Playmakers (hosts & hostesses)
- Discotheque
- Piano bar
- Group and meeting facilities
- Golf (18) holes, including green fees
- Offshore island
- Stay at one, vacation at all six, and
- Stay at one, dine at all six

Source: Tourism Intelligence International, 2000a: pp.95

Going back to our research area, Balearic Archipelago is among typical all-inclusive destinations in the Mediterranean basin. Among its noticeable features, is its leading role in Spain in terms of receiving many package tourists per annum (Instituto de Estudios Turísticos: IET, 2004). Package tourists, in this context, consist of visitors who buy at their countries of origin, transport plus any other service they consume during their vacation at the Islands including accommodation, breakfast, half board, full board, and above all all-inclusive package tours. It has been estimated that at least 85% of the tourist arrivals during high seasons travel on package tours (Juaneda and Aguiló, 2000; IET, 2004; Alegre and Pou, 2006b). According to Alegre and Pou (2006b), of the arrivals from 2002 to 2004 consecutively, 88.34%, 90.22% and 88.32% respectively traveled on package tours. Nationality-wise, German, British and Spanish tourists were leading. In 2005 for example, of the German, British and Spanish tourist arrivals, 61.6%, 58.0% 36.8% respectively, traveled on package tours. Likewise in 2006, of the same nationalities 57.2%, 59.4% and 33.7% respectively traveled on package tours (IB-Dades Informatives, 2005, 2006).

The growth rate of the all-inclusive demand in the Balearic Archipelago is also an emergent phenomenon. All-inclusive demand in this context can be described as a desire to travel through all-inclusive package tour, combined with the ability to purchase it. As also shown in Table I between 2002 and 2004 alone, the all-inclusive demand in the Archipelago has increased by 70.35%, rising from respectively 9.58% to 16.32% of the total arrivals (Alegre and Pou, 2006b). Germany and British tourists were also leading in this mode of travel; representing respectively 17% and 9% of the respective nationality arrivals in 2003; as well 21.5% and 15% of the respective nationality arrivals in 2004 (ibid). Moreover, most of AI tourists to the Islands are repeaters, with the authors (ibid) showing that in 2002 and 2004 at least half of them had been at the destination in the past.

Tabla I Services Bought at the Country of Origin (%) 2002-2004

Tour Mode	2002	2003	% change	2004	% change
Transport Only	11.66	9.78	-16.12	11.68	19.42
Transport & Bed	29.28	23.13	-21.00	21.13	-8.65
Transport, Bed & Breakfast	6.01	5.66	-5.82	6.01	6.18
Transport & Half Board	38.29	44.50	16.22	39.33	-11.62
Transport & Full Board	5.17	3.69	-28.63	5.52	49.60
All-Inclusive	9.58	13.25	38.31	16.32	23.17
TOTAL	100.00	100.00		100.00	

(Source: Modified from Alegre and Pou, 2006b)

In addition, when estimating the tourism expenditure in the Balearics, Alegre and Pou have shown that, this type of segment tends to spend lesser at the destination than the overall expenditure per tourist. Their estimates show that, in 2004 the average daily expenditure per tourist in the islands was € 100.1; but an AI tourist had spent 9.3% less. At the country of origin, that tourist had spent 9.13% more; while at the Balearics had spent 39.2% less. Table II presents the estimates. In relation to the expenditure by alternative kinds of tour modes, their estimates have revealed that in totally, the tourists who bought only transport and transport & bed at their country of origin, have spent respectively 19.9% and 3.2% less than the overall average daily expenditure per tourist.

In contrast, the ones who included breakfast, half board or full board in the pre-paid price, have spent respectively 23.5%, 6.2% or 12% more. Likewise in their country of origin, the tourists who bought only transport or transport plus accommodation, have spent respectively 56.3% and 10% less than the overall average daily expenditure per tourist in the country of origin. But the

tourist who added breakfast, half board or full board apart from transport and bed on the pre-paid price at the country of origin, they have spent respectively 15.1%, 12.9%, and 21.9% more than the average daily expenditure per tourist at the country of origin. In general, a tourist who has pre-paid for any other tour mode has spent more at the Balearic Islands than the all-inclusive tourist. However, tourists who bought half board and full board have spent respectively 4.6% and 4.1% less; while the ones who bought transport, transport & bed or transport, bed & breakfast have spent respectively 39%, 7.8% and 37.1% more than the average daily expenditure per tourist in the Archipelago.

Table II Average Daily Expenditure per Tourist in 2004 (Euros €)

Tour mode	Total	Country of Origin	Balearic Islands
Transport Only	80.06	27.02	53.03
Transport & Bed	96.81	55.66	41.13
Transport, Bed & Breakfast	123.54	71.22	52.31
Transport & Half Board	106.24	69.83	36.41
Transport & Full Board	112.02	75.40	36.61
All-Inclusive	90.70	67.50	23.20
TOTAL	100.01	61.85	38.16

(Source: Alegre and Pou, 2006, p.9)

2.4 Critical Analysis of All-Inclusives

All-inclusive package tours have been argued using different perspectives: demand, cost and business, social and ecological. Using the same perspectives TII (2000a) has summarised the strengths and weaknesses of the AIs in Table III. From demand viewpoint, Titanont and Chantradoan (2004) and Eakin and Faruqui (2000) argue that, tourists take advantage of bundling arise from complementarities of the product, the convenience and lower search cost of one-stop shopping, the introduction of new services and the perception of added value. The main argument is that, a visitor, who would have bought only bed, and go to a neighborhood restaurant, now is caught to buy the two from the same supplier when bundling the two with a single price. In this regard, price bundling controls the demand arising from the sharing of the consumer surplus between the products.

Guiltinan (1987) argues in terms of consumer's added value that the value that customers place on one product is so much higher than its price and that combined value of two products exceeds the bundled price. Schmidt (1979) and Wickens (2000) argue using social perspectives that through packaging, the tourist-host problems are reduced, due to minimal tourist-host interaction, which Buhalis (2000) interprets as an "artificial or staged" relationship. Packagers act

as buffers between tourists and the unknown, arranging the trip, interpreting, and handling problems which might arise (Schmidt, 1979). Because of this interrelation gap, Wickens (2000) concludes that, the tourists stay enjoyable, free from any problems or unpleasant experiences. Focusing on the travel-party sentiments, TII (2000) argues that, with AIs, the potential for embarrassment, stress or conflict that the spending of money could create is avoided because financial decision-making have been pre-made.

Cost and business perspectives have been argued using economies of scale potentials. According to Enoch (1996) and Buhalis (2000), tour organizer, who buys in bulk, is able to offer accommodation, meals, and transport at a lower price than that which is available to the independent tourist. From business stance, the all-inclusives bring certainty in planning and inventory controls. According to TII (2000), the resorts know in advance how many meals will be needed on a particular day, and therefore adjust purchases and inventory of food and beverages with greater certainty than other types of resorts. Also in hotels, the expenditure for computer facilities to track guest expenditure is virtually eliminated; which saves resources in terms of time, training, maintenance, and equipment and energy costs (ibid.). Considering the sustainability of resources at the destination, Buhalis (2000) argues that, the modal entertains mass tourism which call for massive developments of tourism facilities; if surpass the carrying capacity, it endangers the sustainability of resources of the destination. Similarly, Pattullo (2000) argues that, because all-inclusive resorts tend to be bigger and also built in ecologically vulnerable and remote areas, they impact more forceably at construction stage. In contrast, Schmidt (1979), argues that, as the hotels enclave the tourists, it limits the inflows of the tourists to the particular places, and therefore control the movements of the masses, which in this case defends and protects the destination's natural resources.

Table III Strengths and Weaknesses of All-Inclusives

Strengths	**Weaknesses**
Value for money	Excessive animation, buffet line
Tourists can plan holidays better, knowing up front what the cost will be	Low inclination to spend outside the budget
Easier for travel agents to sell and they get commissions on the whole package	All-inclusives resorts pay out higher commissions package
Simplifies relationships between hotels and guests, and minimizes capital expenditure on computer equipment to track guests bills	High expenditure/investment in skilled labor
Simplifies inventory and stock procedures as all meals are pre-paid	Theft difficult to control
Eliminates the money relationship between hosts and	Eliminates money incentives for workers

guests (no tipping allowed)	
Guests do not have to leave hotel so value-added from spin-off activities is captured by the hotel	Potential for linkages outside of the hotel (e.g. taxi drivers, restaurants) can be limited
Tourists can feel secure in a well-planned and orchestrated environment	Leads to enclave type tourism: limits local participation and interaction of tourists in local community
Creation of skilled, flexible and empowered staff	Staff can be easily exploited and overworked
Minimum size of 150 rooms seems to be necessary	Not as well suited for smaller properties
Introduces another category of vacation and possibly new markets. Adds diversity to destination	Unable to take advantage of walk-ins, cruise passengers and business lunches as would conventional hotels

Source: Tourism Intelligence International, TII (2000a)

CHAPTER THREE
ALL-INCLUSIVE EXPENDITURE

3.1 Conceptualization of Expenditure

All-inclusives modal has lots of implications, but the main rests on the distribution of the tourism expenditure between the main three stakeholders: tourist-generating country or region, tourist-receiving country/region and the tourist herself. According to Aguiló, et. al (undated) and Sard, et al. (2002), packagers, who are usually based in the visitors' home economies, use package tour as a pricing-strategy to win more customers through economies of scale on tours sold. Likewise, tourist-receiving countries promote tourism not just for the sake of head and bed, but for tourism earnings; and a lucid tourist wants to maximize utility from possible inexpensive tours. Studies claim that in most cases, the tourist and the origin economy gain more from all-inclusives deal than the destination economies (Wong and Lau, 2001; Issa and Jayawardena, 2003; Alegre and Pou, 2006).

By definition, tourism expenditure refers to the total consumption expenditure made by a visitor or on behalf of a visitor for and during her trip and stay at the 'destination' (United Nations/World Tourism Organization, 1994). The word 'destination' refers to any significant place visited on a trip (WTO, 2005b); and to be called 'tourism expenditure', Sheldon (1990) argues that must comprise consumption at the site or within the study area that would not have occurred without tourism. Mules (1998) described expenditure as a predictor and input to portray the functioning of the national economy, and to estimate the impacts on such variables as GDP, employment, and wage income. Consumption referred has been defined in WTO (1995), as the value of goods and services used by or for tourism units (visitors). Normally, tourist consumption conforms to the "final consumption" in the Systems of National Accounts (SNAs)[2] (WTO, 1995; 2004; OECD, 1996). However, that is not the case for package tours, as WTO (2004) admits the difficulties involving the classification and treatment of the consumption in package tour within SNAs and Balance of Payment. The package tour in WTO (2004) is not considered as a 'product' on its own, but rather as a collection of different tourism services; because otherwise, the demanders of the 'product' would then no longer be purchasing the embodied tourism services.

[2] the business visitors' consumption is treated as intermediate consumption in the SNA (WTO, 2004)

Arguing on the significance of tourism expenditures, Mihalic (2002) emphasises that, tourism is an expenditure-driven economic activity and that, consumption of tourism is at the centre of the economic measurement of tourism and the foundation of economic impacts of tourism. According to Britton (1983) and Wells (1997), tourism expenditure determines the economic direction of a region. Frechtling 2006), Vanhove (2005), Mihalic (2002), Tyrrell and Johnston (2001), Vaughan et al. (2000) and Frechtling (1994) share the opinion that, tourism expenditure is the center for analysis of the economic impact of tourism at a destination. Economic impact begins when a visitor to a destination spends any amount of money on any product in that area.

The direct recipients of that expenditures use the money to earn income, pay wages, and pay taxes thus creating a direct impact on the local economy. When businesses and their employees spend their income in the local economy, they create an indirect impact by supporting additional jobs, wages, salaries, proprietary income and tax revenues. The sum of the direct and indirect impact equals the total economic impact of traveller expenditures (Stynes, 1997, 2002). For the same reason, all-inclusive expenditure in this study has been defined as total expenses of all individuals in travel party that may be incurred during the trip from transportation (return ticket), accommodation, meals, entertainment, shopping (including souvenir), ground transport, communication (telephone calls, internet, etc), vehicle and equipment rentals and total expenditures.

3.2 Categorization of Tourism Expenditure

Tourism expenditure varies according to travel mode or the services sought. For instance Tasci et. al. (2003) found that, package travellers spend almost double on lodging than other travellers. Chhabra (2003) reveals that, tourists in general spend more on lodging, followed by shopping, food and beverage, and finally gasoline. WTO (1995, 2000) categorizes tourism expenditure into three, depending on the time incurred. The first category is the *pre-trip expenditure,* in which the preparation and undertaking of the trip are funded. In this category, services which will be used entirely on the trip such as transport, package tours, accommodation and travel insurance are included (WTO, 1995:8) and WTO (2000) emphasizes that the purchase of a package tour or international transportation to another country, should be treated in the visitor's residence (origin) country.

The second category is *on-trip expenditure,* which includes expenses incurred when travelling and at the destination like the purchase of small durable goods for personal use, ground transport,

souvenirs and gifts for family/friends (Manente and Minghetti, 1998; WTO, 2000). *Post-trip expenditure* is the third category, which includes other travel-related expenses incurred in the country of origin after returning from the trip. It has been noted however that, tourism expenditure, according to WTO (1995, 2000) and European Commission (1998), does not include cash or donations made to private persons or institutions which do not represent payment for tourism products, also does not include purchases for commercial purposes, capital-type investments or transactions (e.g. real estate, cars, boats, etc.), even if they may in the future be used for tourism purposes. If it happens that the capital good, like a car, is purchased during the trip specifically for use on the trip and is sold during the trip, WTO (1995) proposes that, it is the net cost, i.e. purchase cost *plus* the running cost *minus* sales price that should be included in the tourism expenditure.

3.3 Estimating Tourism Expenditure

To estimate the actual expenditure, the study deals with the pre- and on-trip expenditures. Therefore the study estimates the (i) Total expenditure (in the country of origin and on destination), (ii) Average expenditure per tourist at the destination, (iii) Average daily expenditure per tourist at the destination. However, because we focus on *all-inclusive expenditure,* which is just a single segment in tourism; we have also introduced a new variable, which is missing in tourism literature: (iv) The total expenditure influenced by the availability of AI product per se. The following section expresses the equations that have been developed in this study to estimate the tourism expenditure of any tour mode, in our case, all-inclusive expenditure.

3.3.1 Total All-Inclusive Expenditure (in the Country of Residence & Destination)

In aggregate, total all-inclusive expenditure includes pre-payments at the visitor's country of origin, which usually cover at least *return ticket* and *tourist accommodation*; and the total on-trip expenditure, which covers expenses like shopping, communication, entertainments, etc. Equation 1 expresses the computation of total all-inclusive expenditure. However, the equation is not limited to the AI segment only; it can be used to computes total tourism expenditure of any tour mode.

$$E_t = \sum_{i=1}^{n} [c_i + m_i] \qquad (1)$$

Where E_t denotes total all-inclusive tourist expenditure in time t; c_i is the expenditure incurred in the country of origin by travel party i; m_i denotes the expenditure incurred at the destination by travel party i; and n is the number of all-inclusive tourists in the sample.

3.3.2 Average Expenditure per All-Inclusive Tourist at the Destination

The total expenditure produce estimates of mean visitor expenditure per tourist, which, when multiplied by the number of qualified visitors produces the estimate of visitor spending (Crompton, et al., 2001). This can be computed using Equation 2.

$$\overline{m}_t = \frac{1}{n}\sum_{i=1}^{n} m_i \Big/ p_i \qquad (2)$$

Whereby:

$$m_i \Big/ p_i = \vartheta_i \qquad (3)$$

Where, $\overline{m}_t$ denotes the average expenditure per all-inclusive tourist at the destination. p_i is the number of people in a travel party *i*; and ϑ_i is the average expenditure per tourist within travel party *i* at the destination.

3.3.3 Average Daily Expenditure per All-Inclusive Tourist at Destination

The average expenditure produces estimates of mean daily expenditure per person, which, is the expenditure per person per day at a destination.

$$D_t = \sum_{i=1}^{n} d_i * p_i \qquad (4)$$

Note that:

$$d_i * p_i = \phi_i \qquad (5)$$

Where D_t denotes number of stays at destination by all all-inclusive visitors; d_i is the length of stay per tourist within the travel party *i*; while ϕ_i denotes the length of stay in aggregate by the whole travel party *i*. So, using Equation 3, we can express average daily expenditure per tourist as shown in Equation 6.

$$\overline{\eta}_t = \frac{1}{n}\sum_{i=1}^{n} \frac{\vartheta_i}{d_i} \qquad (6)$$

Where $\overline{\eta}_t$ denotes the average daily expenditure per tourist at the destination.

3.3.4 Expenditure Affected by the Availability of All-Inclusive Product per Se.

We additionally define expenditure affected by the AI presence as the expenditure that has been incurred at a destination which could not have been incurred if there were no all-inclusives at the

destination. Procedurally, we compute the differences between the length of stay at the destination in the current trip and the days that a tourist could have stayed if there were no all-inclusive product at the destination. For the tourists who could not have come to the destination in the absence of AI product, the length of stay of the current trip should be treated as the days that a destination could have lost. Then we multiply the average daily expenditure by the number of days affected. Quantitatively, this was done as follows:

$$E_{\Delta INCLU} = \sum_{i=1}^{n}\left[\frac{\vartheta_i}{d_i} * d_{affect}\right] \quad (7)$$

Whereas $E_{\Delta INCLU}$ denotes expenditure affected by the all-inclusive presence at the destination and:

$$d_{affect} = d_i - \delta_i \quad (8)$$

$$D_{affect} = \sum_{i=1}^{n}[d_i - \delta_i] = \sum_{i=1}^{n} d_{affect} \quad (9)$$

Where D_{affect} is the total number of days explained by the presence of all-inclusive holiday experience at a destination, d_{affect} =Days of tourist i that are influenced by the availability of all-inclusive products at the destination.; while δ_i stands for the length of stay of tourist *i* if there were no all-inclusive products at the destination. Note that a tourist, who could still have visited the destination even in the absence of all-inclusive product, has three possibilities:

$$d_i < \delta_i \quad (10)$$

$$d_i = \delta_i \quad (11)$$

$$0 \leq \delta_i \leq d_i \quad (12)$$

Equations 10 to 12 correspond to the responses that, a tourist could have stayed for respectively more days, the same or less days with relative to the length of stay in the current trip; all in the absence of all-inclusive holiday experience at the destination. The value of $\delta i = 0$, if a tourist could not have come.

3.4 Methods of Collecting and Estimating Tourism Expenditure

Since we are now aware of the main variables of interest: total, average, and daily tourist expenditure, both in the country of origin and at destination, the next step is consideration of the methods of capturing and estimating such variables. Smith (1995) prefers to categorize the methods into three: observation, administrative record keeping and surveys. Other methods of obtaining the estimates of visitor's expenditure include the use of existing data, direct

observation, house hold surveys, visitor's surveys and tourism establishment surveys (Davidson-Peterson Associates, 2006; Frechtling, 2006; WTO, 2005c; Dattilo, et. al, 2004; Lian and Denstadli, 2003; Pou and Alegre, 2002; Madre and Maffre, 2001; WTO, 2000; Rylander et.al, 1995; Smith, 1995; Burd, 1991; Church, 1969).

3.4.1 Existing Data

As the name suggests, this method involves the use of already collected data (WTO, 2000). These data are often available at the city, region, state level and so forth. Pou and Alegre (2002) for example, used the data from state level, the Spanish Family Expenditure Survey (SFES) for the period 1985-1996 to analyse the household demand for tourism services. Smith (1995) gives the main advantage of such method, as to provide a researcher with more time to focus on analysis because less or no time need be spent on data collection, coding, inputting and editing. And according to WTO and Frechtling (2006), it is important to check whether the required data are available, before undertaking any new collection of visitor expenditure data. However, of its main weaknesses, according to Smith is that, researcher becomes constrained by the contents of the original survey and any peculiarities of the original sample.

Existing data from the financial institutions can also be the main sources of tourist expenditure data. Sheldon (1993) for instance, found that bank records of foreign exchange transactions are most commonly used methods of tourist expenditure data collection. Countries measure foreign expenditures within their borders through accounting for foreign-exchange purchases by these visitors. The central banks compute the amount of national currency sold to visitors each period through reports from agencies making such currency sales. The validity of this method depends on the system's ability to (i) distinguish foreign transactions generated by international visitors from all other transactions (relevance principle), (ii)include all transactions undertaken by international visitors (coverage principle); (iii) Ensure that the transactions are recorded, identified, and transmitted accurately to the central bank (accuracy principle) (WTO 2000). However, this method has been abandoned in Europe since 2001 when European nations took part in the European Monetary Union (EMU) and introduced a common currency policy of Euro.

3.4.2 Direct Observation

Observation refers to the structured collection of information through systematic observation and measurement of empirical phenomena (Smith, 1995). For example, Bowen (2002) served as a

single-participant observer on a soft adventure inclusive tour to record and analyzes satisfaction with the experience among fellow travellers. Also Davis and Morais (2004) used participant observation to map tourist flows around the destination. Frechtling (2006) has also proposed actual observation on the visitors' purchases, where an analyser can observe visitors' purchasing food, gasoline, lodging, and other items by following him around and recording purchases. However, Frechtling (2006) gives a caution that, observation may change visitor patterns of expenditure.

3.4.3 Household Surveys

House hold surveys method involve interviewing family units about the expenditure they have incurred in different expenditure categories (Dattilo, et. al, 2004; WTO, 2005c; Davidson-Peterson Associates, 2006). Examples include the Spanish Family Expenditure Survey (Encuesta Continua de Presupuestos Familiares), which is quarterly household survey, that monitors households consumption on tourism activities in the country. For methodological intention, this survey replaces 12.5% of the households in every quarter (Pou and Alegre, 2002: 7). Tourism expenditure is captured during continually household surveys on consumption expenditures, personal income, or consumer preferences. To capture tourism expenditure includes asking respondents to distinguish local purchases from those made on qualified trips out of the usual environment (WTO, 2005c; Vanhove, 2005; Kim, et. al., 1998). However, this method has received strong criticism concerning its recall bias, or memory effects due to the lapse of time between trip and surveys (Lian and Denstadli, 2003; Madre and Maffre, 2001; Rylander et.al, 1995; Burd, 1991).

3.4.4 Tourism Establishment Surveys

The tourism expenditures go direct to hotels, transport, restaurants and sports or entertainment facilities. These are the appropriate respondents for data on tourist expenditure (Davidson-Peterson Associates, 2006). However, it is difficult for them to distinguish receipts from visitors and residents (Mules 1999; Fleming and Toepper, 1990). According to Sheldon (1990), this method is complicated because establishment receipts may include local spending; also analysers may overlook establishments where visitors spend money; and infact, cannot provide any depth on the number of visitors, length of stay, or origin. In addition, due to fear of competition, respective managers may be reluctant to share data on their business operations (Carlsen, 1995; Vaughan, et. al, 2000).

Establishment survey is also useful when estimating the extent local linkages: which sectors within the local area purchase goods and services from each others (Vaughan, et. al, 2000). If the local restaurant purchases food from wholesalers locally, more of the tourist expenditure will accrue as local revenue. For sectors important to tourist trade, it can be useful to estimate the percent of each purchase that is produced locally. Therefore, interviews with knowledgeable people in each sector can provide this information.

3.4.5 Visitor Surveys

Most studies on tourism expenditure commend visitor surveys. Lovejoy (2003:7) for example, points out that, the best way to measure the impact of visitor spending is to use surveys to determine the amount and type of goods that travellers tend to purchase, and then to estimate the portion of output visitors support in key industries. Also according to Frechtling (2006) visitor surveys provide an accurate basis for subsequent economic impact analysis as well as comparisons to other industries. Visitors' survey involves interviewing a visitor about his or her trip expenditure.

There are five options of when to conduct visitor surveys: during visitors' entry (*entry-surveys*); while in the area under study (*on-site-surveys*); during exit (*exit-surveys*) (Chhabra, et al., 2003; Daniels, et al., 2004; Crompton, et. al, 2001); *en-route-surveys,* which conducted while passengers are travelling on an airplane, train, bus, or ship to or from the destination (Armoogum and Madre, 2003; Office of Travel and Tourism Industries, 2004), and after visitors return home (*post-trip-surveys*) (Daniels, et al., 2004). Studies show that entry-surveys, on-site-surveys and en-route-surveys of arriving passengers are the least preferable because; the information on actual expenditure can not be captured. The post-trip survey neither, due to the difficulty of recalling rate or non-response bias and impossibility of getting in-contact with the foreign tourists. However, Lovejoy (2003), Tasci et. al. (2003), Vaughan, et al. (2000), Frechtling (1994a) and Haynes (1975) recommend exit-survey method as it provides the most accurate and actual visitor-expenditure information.

Visitor surveys have been used for many purposes. For instance, the Spanish Institute of Tourism Studies (IET) every year conducts entry- and exit- surveys national wide on all tourism related statistics, including expenditure (Instituto de Estudios Turísticos, 2004; Illes Balears-Dades Informatives, 2005). Likewise, in collaboration with the University of Balearic Islands, the government of Balearic has used exit-surveys at the airports in 2003 in order to estimate the

tourism expenditure from British and German tourists who have stayed in hotels or apartment-hotels and whose length of stay was at least four days (Alegre and Juaneda, 2006). Finally, Stynes (1997) elaborates on the specific technical aspects of measuring tourism expenditure: reliable visitation data, an accurately defined study region, clearly defined spending categories, a definitive unit of analysis (e.g., visitor party per day), and a separation of residents from non-residents.

3.5 Summary of the Chapter

All-inclusives modal has a lot of implications, but the main rests on the distribution of the tourism expenditure between the main three stakeholders: home economy, host economy and the tourist. Tourism expenditure is the total consumption expenditure made by a visitor or on behalf of a visitor for and during her trip and stay at the destination. All-inclusive expenditure is total expenses of all individuals in travel party that may be incurred during the trip from transportation (return ticket), accommodation, meals, entertainment, shopping (including souvenir), ground transport, communication (telephone calls, internet, etc), vehicle and equipment rentals and total expenditures.

Tourism expenditure can be categorized into pre-, on-, and post- trip expenditure. Pre-trip expenditure covers the preparation and undertaking of the trip. On-trip expenditure includes expenses incurred when travelling and at the destination. Post-trip expenditure includes other travel-related expenses incurred in the country of origin after returning from the trip. However, tourism expenditure does not include cash or donations made to private persons or institutions which do not represent payment for tourism products, also does not include purchases for commercial purposes, capital-type investments or transactions, even if they may in the future be used for tourism purposes. If it happens that the capital good, like a car, is purchased during the trip specifically for use on the trip and is sold during the trip, it is the net cost, i.e. purchase cost *plus* the running cost *minus* sales price that should be included in the tourism expenditure.

To estimate the actual expenditure from all-inclusive segment, main four variables should be considered: (i) Total expenditure (in the country of origin and on destination), (ii) Average expenditure per tourist at the destination, (iii) Average daily expenditure per tourist at the destination. (iv) The total expenditure influenced by the availability of AI product per se. Methods of capturing the estimates of visitor's expenditure include: existing data, house hold surveys, central bank data, direct observation, visitors surveys and tourism establishment surveys.

CHAPTER FOUR
ALL-INCLUSIVE MOTIVATION

4.1. Tourist Motivation

What motivate a person to choose one travel style against many alternatives has received a scant attention in literature. However, it is worthwhile to mention that there are numerous literatures about tourism motivation in general, and various are useful in this chapter. Previous studies on tourist motivation include Maslow (1970), Wahab (1975), Dann (1977), Crompton (1979), Pearce. & Caltabiano (1983), Moscardo and Pearce (1986), Pearce (1991, 1993), Mansfeld (1992), Fodness (1994), Cha, et.al (1995), Galloway (1998), Gnoth (1997), Pearce, et. al (1998), Bieger and Laesser (2002), Sirakaya et. al (2003).

Tourist motivation according to Pearce et al., (1998) is the global integrating network of biological and cultural forces which gives value and direction to travel choices, behavior and experience. Gnoth (1997) describes it as the driving force that is cognitive in nature; observable and objectively measurable; that indicates object-specific preference. Also, Crompton (1979), Pearce (1991, 1993), Cha et.al (1995), Sirakaya et al. (2003) and Pearce and Lee (2005) describe motivation as the driving force behind all actions, and a starting point for understanding tourist behavior and traveling decisions. Wahab (1975) emphasized the importance of the whole area of tourist motivation and its role in tourism development. Later it was argued by Mansfeld (1992) that travel choice and tourist behavior could be understood better if travel motivation theory and measurement are improved. Also Fodness (1994) endorsed that, effective marketing would be impossible without an understanding of consumers' motivation.

Crompton and McKay (1997) justify the reasons for understanding motivation: One, knowledge of tourist motivations would pave the way for creating better products and services; two, satisfaction with tourism with experiences is intrinsically related to initial motives of tourists, and three, motives must be identified and prioritized first, before one can understand tourist decision-making processes. Gnoth (1997) indicates that knowledge of the tourist motivation can be used by managers and planners to determine trends and usage level of particular resources at the destination. Accordingly, to supplement the motivation area, this section reviews theories of tourist motivation and focuses more on motivation for choosing all-inclusive mode.

4.2. Theories of Tourist Motivation

There are scores of motivation theories in tourism literature, but the frequent cited ones include the "push & pull factors" compendium theory (Tolman, 1959; Dann, 1977; Crompton, 1979; Mill & Morrison 1985; Cha, et.al, 1995;Gnoth, 1997; Alegre & Juaneda, 2006); wanderlust and sunlust motives (Mansfeld, 1992; Corcoran, et. al., 1996); hierarchy-of-needs theory (Maslow, 1954, 1970); travel career ladder (Moscardo & Pearce, 1986; Pearce, 1990; 1993; Peace et.al, 1998); dichotomies (Mayo and Jarvis, 1981; Hyde and Lawson, 2003); trichotomy-of-needs theory (McClelland, 1965). However, some have been considered more relevant to clearly explain our subject matter.

We begin with the 1970s Gray's theory of wanderlust and sunlust (Mansfeld, 1992; Corcoran, et.al., 1996) which tells why people travel. Wanderlust represents the desire to move from 'known' to an 'unknown' place, while the sunlust is the desire to get specific facilities that do not exist in the tourist's home place (ibid.). Corcoran et. al (1996) identified the 'sunlust' with the package tourism to sun and sand destinations when they were analyzing the summer outbound package tourists from Dublin. Sunlust motive helps us understand why many sun and sands destinations are flooded during summers: tourists flow to enjoy the climate and activities which are missing at their homes. However, Gray's theory only partially helps us understand why people travel to certain destinations, but it does not tell us why they choose certain styles of traveling, like all-inclusives.

The reason why people travel has also been linked to the 'Push & Pull factors' dimensions (Tolman, 1959; Dann, 1977; Crompton, 1979; Mill & Morrison 1985; Cha, et.al, 1995; and Gnoth, 1997; Alegre & Juaneda, 2006). The push and pull theory argues that people travel because they are pushed by their own internal forces and pulled by external forces of the destination attributes (ibid). Push factors include individual's attitudes, interests, opinions, knowledge, and needs for a holiday; while pull factors include destination attributes like climate, facilities, benefit expectations, and images promoted by the destination (Crompton, 1979; Gnoth, 1997). The push and pull factors are modified by social economic, trip attributes and demographic factors of an individual such as age, gender, income and family life cycle stage (Uysal & Hagan, 1993). This theory, however, focuses only on the intrinsic motivation to travel, and the characteristics of the destinations to satisfy a need. It does not focus entirely on the motivation of tourists to choose a certain travel style; therefore can not be considered in understanding the motivation for all-inclusive tourists.

The travel career ladder (TCL: Moscardo and Pearce, 1986; Pearce, 1990; 1993; Peace et.al, 1998), takes us a step further. TCL, which was borrowed from Maslow's (1970) needs hierarchy theory of motivation, emphasizes that people have a range of motives for seeking out holiday experiences and that the tourist motivation comprises of five levels of needs: relaxation, safety, relationship, self esteem and development and self actualization/fulfillment needs (Pearce and Lee, 2005). Taking one of the levels, like the 'need for safety', for instance, and consider reasons for tourists choosing the all-inclusives include "personal safety" (Anderson and Langmeyer, 1982; Schuchat, 1983; Quiroga, 1990; Wickens, 2000), then we can consider TCL as one of useful theories in understanding motivation for all-inclusive tours.

A tourist's choice of travel styles has also been explained using dichotomous perspective. In dichotomous, an individual choice might be a result of the balancing between two opposing motivational forces. Mayo and Jarvis (1981) describe the two forces as traveler's need for complexity and need for consistency or according to them, "a desire for novelty and a desire for routine" (ibid). The two desires have also been explained in Cohen (1972), Poon (1998) and Keng and Cheng (1999). Cohen (1972) and Keng and Cheng (1999) give four alternative tourist roles, based on the desire for novelty or familiarity: organized mass tourists, individual mass tourist, explorer and drifter. The organized mass tourists purchase a package tour, to minimize exposure to the unfamiliar. The individual mass tourist takes short sightseeing trips to provide a blend of familiarity and novelty. The explorer travels on self-guided tour and tries to get off the beaten path while maintaining comfortable accommodation and reliable transportation. The drifter forgoes tourist establishments and seeks to envelop himself in the host's culture.

Lastly, using the *'old and new tourist'* perspective, Poon (in Corcoran et al., 1996) explains the old tourists as the searchers for the sun, are cautious, and follow the masses; it does not matter where they travel because the vacation is treated as an escape from the stress of urban life. In contrast, new tourists are more unstructured, adventurous, with a lower level of vacation planning and a desire to do what comes on the spur of the moment. The old tourist perspective has been associated with package tourist as the desire for this segment has always being the sun and sand, regardless of destinations they visit.

4.3. Choice Models

The choice of the travel mode has been associated with many factors, including, consumer characteristics (age, gender, education, and occupation of the traveler, etc); traveling characteristics (length of stay, size of travel party, and previous travel experience, etc) and modal characteristics (Sheldon and Mak, 1987; Morrison et. al, 1993; Hsieh et.al, 1994, Ryan, 1995; Enoch, 1996). However Ryan (1995) gives an interesting hint that, for many people, package holiday is a 'habitual action' and such; people rarely consider the reasons behind the preference. We make two assumptions. First, a visitor party decides to visit a particular destination if, and only if, the all-inclusive package tours are available. Second, a visitor has decided to visit a particular destination; so the remaining decision is the model of travel; whether through all-inclusive or independent tour. Then, we borrow from Sheldon and Mak (987:13) the model which explains the factors affecting the vacation mode choice, which can be expressed as:

$$P_{ij} = f_i(X_i, T_j, M_j) \qquad (13)$$

Whereby, visitor *i* will choose to travel on a certain vacation mode *j* with some probability P_{ij}. Probability, P_{ij} is determined by certain visitor attributes, traveling attributes and modal attributes. X_i denotes a vector of visitor attributes for visitor *i*; T_j is a vector of traveling attributes; while M_j denotes a vector of modal attributes for mode *j*.

4.3.1 Visitor Attributes

All-inclusives holidays may be more attractive to certain types of consumer than to others. Focusing on age factor for instance, Horneman et al. (2002) mention that senior travelers place a higher preference on a 'reliable package' than the general traveling population, because "above all, they want security, safety, and confidence that they will be satisfied with the tourist experience". According to Quiroga (1990), tourists older than 45 are most likely to choose a package holiday and Anderson and Langmeyer (1982) show that, people over 50 are the most likely to buy package tours because they need security. Foster (1986) and Quiroga (1990) show that mature travelers prefer package tours to relieve themselves of the worry of planning the details of a trip, making arrangements, and coping with emergencies. This had also been said by Sheldon and Mak (1987), that mature travelers prefer package tours to avoid physical requirements of independent travel mode (e.g. baggage handling).

Another group which has shown special interests on package tours is single ladies. According to Sheldon and Mak (1987) single women prefer to travel on a package tour for safety and security

reasons. Also Enoch (1996) states that many of the participants on package tours are first-time travellers, and people who, because of lack of foreign language skills (inbound-foreign-visitors), are hesitant to travel on their own. Enoch adds that social class and or status are factors influencing the choice of package tours. The package tours appeal to upper middle-class people who are too busy to spend time on arranging a trip themselves. Likewise, for the wealthy travellers, Schuchat (1983) argues that, it is because of their lack of time; although Sheldon and Mak (1987) argue that wealthy people demand luxurious services that are missing in package tours, so they are more likely to avoid all-inclusives. Thus, the visitor attributes affecting vacation choice can be expressed as:

$$C_i = f_i\,(\text{NATIONALITY, AGE, GENDER, INCOME}) \qquad (14)$$

Where NATIONALITY: the nationality of an individual; AGE = age of the visitor; GENDER =sex of a visitor; INCOME = the wealthy of a visitor.

4.3.2 The traveling attributes

Sheldon and Mak (1987) suggest three traveling attributes that may affect the choice of the vacation mode as, length of stay, the number of destinations visited on the trip, and whether the trip is to a foreign destination. They then found that, first-time visitors to a destination generally have higher information needs than repeat visitors; therefore the former prefer package tours. Also according to the authors, visitors with less time to arrange a trip, also with limited length of stay at a destination may prefer package tours than otherwise. Also Wickens (2002) found a first-time tourists were keen to package tour holidays. Package tours are priced per person basis; as such each person pays the same price, regardless of age (Sheldon and Mak, 1987). With independent tour, often hotels may permit children to stay free with adults, which is sometimes not with package tours. The authors (ibid: 14) claim that sometimes the package tour are less attractive to larger party sizes and especially to parties traveling with children.

Moreover, although not frequently cited in the literature, accommodation has been an important factor to explaining the travel style to be used. For example, a tourist who plans to stay in the family, friend or second homes, is more likely to choose 'only transport'. Likewise, the one who plans to stay in the apartments may choose 'self catering' boarding basis. But the guest who wishes to stay in hotels or resorts, is more likely to prefer 'transport and bed', 'bed and breakfast', 'half board', 'full board' or 'all-inclusive' The model that presents the travel attributes can be expressed as follows:

$$T_j = t_j\,(\text{PARTYSIZE, REPEAT, DAYS, ACCOM}) \qquad (15)$$

Where PARTYSIZE denotes the number of people in a travel party; REPEAT denotes the previous visits to the same destination; DAYS denote the length of stay during the current visit; ACCOM stands for the type of accommodation stayed during the vacation.

4.3.3 Modal attributes

Using results from the Touche Ross survey (1975), Sheldon and Mak (1987) conclude that package tours are bought due to convenience (26%), cheaper price (22%), and unfamiliarity with destination (13%) and see more, do more (12%). Also TII (2000a) gives reasons cited by the UK market for all-inclusives, including, value for money (57%), knowing how much they are going to spend in advance (42%), good for families (39%), and the wide range of facilities and entertainments offered in all-inclusives (37%). Regarding uncertainties and the risks that may arise during the holidays, Enoch (1996) argues that package tour is a rational and an effective way of traveling to countries with strange cultures, unreliable transportation, and doubtful standards of hygiene. Also according to Schuchat (1983), Quiroga (1990) and Wong and Kwong (2004), a tourist choose package tours because of not having to worry about things. Buhalis (2000), Rojek (1993) and Wickens (1997, 2002) hold that because many holidays are characterized by minor negative side-effects such as health problems, package holiday offers guidance to visitors; and makes a tourist feel safe if anything goes wrong. In concluding, Wickens (2002) states that, with package tour, everything during the trip happen within the margins of safety while enjoying the 'strangeness' of the travel experience.

Concerning the relationships and interactions, Quiroga (1990) and Wong and Kwong (2004) state that package tourists take advantages of the ease of getting to know each other. Because children get the inbuilt-facilities to play with, in the absence of close supervision from their parents, this gives parents more chance for socialization and building relationships. Likewise, Schmidt (1979) argues that tourists may find social support from the group, which provides "opportunities for sharing experiences in confronting the unfamiliar in a collective way". Crompton (1979) and Quiroga (1990) admit that, package tour acts as an effective substitute for the group of family or friends on holiday, so as to avoid conflicts within the family or problems of compatibility.

Economies of monetary and time resources also been mentioned as contributing factors. According to Wong and Kwong (2004) with package tours, visitors get more for their lesser

money. Ryan (1995) and Buhalis (2000) mention that AI tours facilitate the information seeking and reservation processes for the tourists hence little planning is needed. Sheldon and Mak (1987) said that many travelers perceive package tour to be cheaper than independent travel. According to the authors, 56% of the respondents involved in the Touché Ross survey believe that package tours were cheaper than similar travel arrangements booked separately, while 11% perceived them to be more expensive (ibid:14). Enoch (1996) argues the same, that a package tour is usually cheaper than an independent trip to the same places. The modal attributes can be expressed as follows:

$$M_j = m_j(\text{SAVETIME, NONEED-ARRANGE, RELAXATION, MONEY, BUDGET, CHILDCARE, QUALITYOFMEAL, SAFETY, LANGUAGE, CONTACTS, CULTURE, TRANSPORT, HYGIENE, MORESPORTS, SCHEDULE, SPORTRANGE, MY FAMILY, CHEAPER}) \quad (16)$$

Where SAVETIME denotes Saving time for organizing the tour; NONEED-ARRANGE is no need to arrange trip; RELAXATION denotes get more time for relaxation; MONEY denotes high value for money; BUDGET denotes avoid running out of budget at the destination; CHILDCARE is the child care services; QUALITYOFMEAL is the quality of meal; SAFETY is to feel safe; LANGUAGE is no worrying about the language differences; CONTACTS is establish social contacts; CULTURE is no fear of strange cultures; TRANSPORT is reliability of transportation at the destination; HYGIENE is No doubting about the standards of hygiene; MORESPORTS is do more sports within a limited amount of time; SCHEDULE is enjoy the flexibility of the schedule of the hotels; SPORTRANGE is wide range of sports and entertainments; MY FAMILY is more appropriate for family; and CHEAPER denotes get more services for lesser money.

4.4. Summary of the Chapter

Tourist motivation refers to the global integrating network of biological and cultural forces which gives value and direction to travel choices, behavior and experience. Theories have explained why traveling and why with a certain travel style, including the push & pull factors compendium theory, the expectancy theory, the hierarchy-of-needs theory, the travel career ladder the dichotomies and trichotomy-of-needs theory. These theories are modified by visitor attributes, traveling characteristics and modal attributes to explain the motive for the choice of specific style of travel.

Visitor attributes include age, status, nationality, and gender; traveling attributes include length of stay, party size, and number of previous visits; while modal attributes include saving of resources

in terms of money and time, social interaction, sport and entertainments range and family preference. An all-inclusive tourist wants to get most out of the journey and get most for their money, while not having to worry about things and with little planning in advance. We also saw that, important function of the package tour is to make sure that the tourists stay enjoyable, free from any (social) problems, or any unpleasant experiences. Finally the interesting precaution we have come across is that, tourists do not always have to know why they choose a certain mode of tour or holiday.

CHAPTER FIVE
ALL-INCLUSIVES LINKAGES

5.1 Introduction

Generally, hotels prefer AI deals because above all, packagers, who are usually based in the tourist-generating countries, make all the necessary negotiations and financial arrangements with the guests on their behalf. Since everything has been prepaid for, hotels are relieved from keeping track of the tourist movements and bills; which minimizes expenditure on capital equipment like computer as well as human and time resources. And most of the hotel requirements are procured in advance with more assurance since hotels know in advance the exact number of their guests, and the lengths of their stays. The fact that prepayments have been done at the origin and the guests are kept in enclaves at the destination, then the study intends to find out who is collaborating with the enclaves at the destination. The rest of the chapter is organised as follows. The chapter begins with the literature review about the subject of local linkages. Next with reference to the Balearics, it presents the AI supply at the destination; the products that the AI hotels purchase; the actors involved in the linkages between AI sector as the demander and the rest of actors as suppliers; and finally the chapter presents the nature of the contracts involved between AI hoteliers and their suppliers.

5.2 The Concept of Local Linkage

The concept of linkages was first introduced in the 1950s by Hirschman as the activities-induced-activities; meaning that, the ongoing activities induce agents to take up new activities (Drejer, 2002; 2003). According to Drejer (2003), its inception aimed to identify the key sectors that are central for economic development through demand-supply maximal effects. The maximal effects were measured in terms of the extent of supply-demand interrelationships between the key sector and the rest of the economy. Linkages have been categorized into backward linkage and forward linkage (Zuo, 2006). The former are demand oriented, while forward linkages are associated with output utilization. In tourism settings, according to Cai et al. (undated), forward linkages measure the relative importance of the tourism sector as supplier to other industries in the economy, whereas backward linkages measure its relative importance as demander from other industries.

In economic terms, mechanism through which economic activities involve the locals without the meddling of foreign transactions is known as the local linkages. Tourism industry does backward linkages with the local economy as means to get their operational input including manpower, materials and information (Culpan 1987; Poon, 1993; Pattullo, 1996; Goodwin and Bah, 2003;

Mitchell and Page, 2005). Pattullo (1996) describes local linkages econometrically as the proportion of domestic food to imported food utilized by the tourism industry. Also Overseas Development Institute (ODI, 2006) defines local linkages as the mechanisms through which, well established businesses build economic links with micro-entrepreneurs, small enterprise, and residents in their local economy.

Linkages in tourism are effective mechanisms through which economic development can be achieved through local participation (Lundgren, 1975; Belisle, 1984; Culpan, 1987; Bowen et al, 1991; Dieke, 1993; Poon, 1993; Goodwin and Bah, 2003; Meyer, 2006). Expansion of local linkages connotes the increase of usage of other economic sectors in the destination which stimulates the economy as a whole and creates synergy effects between different sectors of the economy (Meyer, 2006). Main three areas of local linkages have been identified as procurement from local suppliers; employment of human resources from local labor market; and partnerships (ODI, 2005, 2006; PPT, 2006 a, b). Figure 4 depicts an example of local linkage in a tourism destination. Hotel sector may link with local economy through recruitment and training of locals; supporting the development of local arts, crafts, cultural products and tourism services; also working with tourism businesses and encouraging tourists to spend in the local economy. However, the usage of linkages has failed in many destinations due to various factors, others beyond the capacity of locals.

Most of the tourism providers usually prefer to source their input wherever they can take advantage of already-known suppliers, take advantage of bulk purchasing discounts, reliability of supply, the quantity and quality of supplies or to cater for tourists' tastes (Belisle, 1984; Bowen et al, 1991; Dieke, 1993; Goodwin and Bah, 2003; Meyer, 2006). Torres (2002, 2004) and Momsen (1986) have shown that, massive importation of meat by Caribbean resorts is done to cater for the demand of tourists who prefer the grain-fed flavour of US beef. In generic terms, the final product from the AI resorts is made up of many suppliers as exemplified in Table IV. Should all the requirements sourced locally (if at all available), the economic benefits of AIs to local economy could have been immense. Due to natural characteristics of services of intangibility and inseparability, the human resource has often been the most important linkage between tourisiers and the local economy. The linkage to local economy is induced through the payment of salaries and wages.

Table IV Main Requirements in All-Inclusive Establishment

Requirements	*Supplies*
Overall requirements & utilities	Service of Gas, Electricity, Water, Garbage disposal, Sewerage treatment; Government Tax; human resources; Expatriates/ Consultancies; R&D; Promotion; Health Experts; Construction, Transport, Fuel, Telecommunication, Laundry, etc
Restaurant & Bar	Food supplies, fruits, vegetables, beverages, etc
Sports facilities	Children facilities, old people facilities, disable, etc
Guest amenities	Recycled paper, Handmade soaps, etc
Soft Furnishing	Table mats, Arts, Crafts, Candles, etc
Accommodation	Furniture, Mattresses, Bed linens, etc
Operational supplies	Uniforms, etc
Outsourcing	Laundries, Floristry, Entertainments, Retail, etc

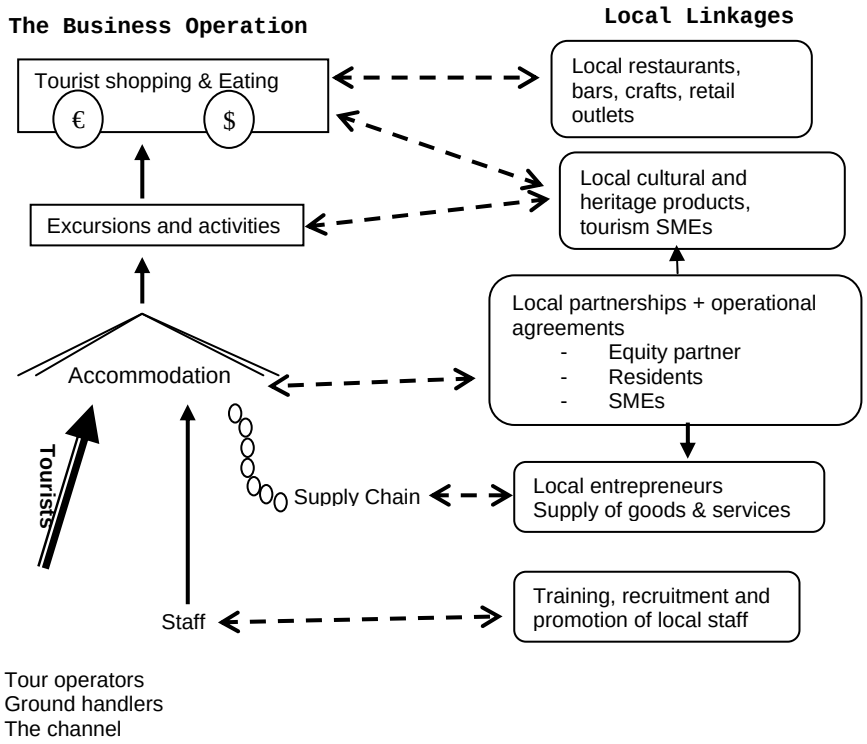
According to Palmer (1979), tourism is a labor intensive activity which leads to greater employment; thus stimulating economic development. Employment opportunities created by the tourism industry can be direct, indirect or induced (Mamoozadeh and McKEE, 1990; Archer, 1977). Those employed direct in the tourism business, like hotel proprietors, and employees form the direct employment group. Employees from industries that are supplying inputs to hotels, like fishing, agricultural and construction create another group, indirect employment. Finally, as the households spend their salaries, they induce more employment in other sectors (ibid.). However, the amount of employment generated at the local economies depends on the strength of local linkages. As labour intensive in nature, hotel industry, for instance, requires a large number of employees. And when thinking of AI resorts with massive facilities and activities; they even require more people than the rest (Abdool & Carey, 2004) in the areas of rooms, sport activities, restaurants and bar, etc.

5.3 Empirical studies on Linkages in Tourism

Most recent empirical studies about the local linkages in tourism include Meyer's (2006) background paper to stimulating pro-poor linkages between the tourism industry and local people in the Caribbean destinations. Her paper focused on the potentials of linkages to the local economy while looking more on the tourism-agricultural linkages. She found that there were negative trends in the local linkages due to the growing presence of all inclusive packages and increasing competition. Similarly, Ashley (2006) explores the participation of locals in the Luang Prabang economy by assessing four sub-chains of the tourism value chain: accommodation, food and drink, handicrafts, and excursions. The findings show that, the food and drink sub-chain

were the main sources of earnings for the locals, followed by hand crafts. She finally identified linkages that involve handcrafts, agricultural and fisheries.

Fig. 4 Local Linkages in Tourism Industry



(Source: Overseas Development Institute (ODI, 2006), ODI *Briefing Paper, pp. 2)*

When analysing on the linkages and leakages on local supply and imports, Mitchell (2006) suggests the ways in which governments and tourisiers at the destination can support initiatives to reduce leakages. Leakage is the process whereby part of the foreign exchange earnings from tourism, rather than being retained by tourist-receiving countries, is either retained by tourist-generating countries or repatriated to them in the form of profits, income and royalty remittances, repayment of foreign loans, and imports of equipment, materials, capital and consumer goods to cater for the needs of international tourist and overseas promotional expenditures (Benavides, 2001). Mitchell and Page (2005) and Meyer (2006) define then as the part of the price of the holiday paid by the tourists that leaves a destination or never reaches the destination due to the involvement of foreign based transactions.

Leakages in tourism have been categorized into three: internal (import-coefficient leakages), external (pre-leakages), and invisible (foreign exchange costs associated with resource damage or deterioration) (Benavides, 2001; Kaosa-ard, 2005; Meyer, 2006). Internal leakages occur when

tourists pay locally, but that payment or a part of it is used to import some of the inputs used in tourism industry. This occurs where the local economies are weakest owing to sparse factor endowment or inadequate quality of goods and services (Benavides, 2001). In the islands for instance, internal leakages are significantly high, due to narrow resource base for producing required goods and services (Spinrad, 1982; Meyer, 2006) needed in tourism industry. Kaosa-ard (2005) argues that, financial leakage is likely to be high in countries where there is little manufacturing and service capacity.

External leakages are the total value added captured in tourist generating countries due to the involvement of intermediaries. That is the difference between amounts paid for in tourist generating countries and received in host countries (Meyer, 2006; Benavides, 2001). External leakages are considerable high in the AIs; where packagers (usually) based in the origin countries buy several services, assemble and resell them to visitors as a package (Holloway, 1998). Sometimes the cash that reaches the destination is just enough to cover the local expenses incurred by the host resorts only (Hemmati and Koehler, 2000; Wong and Lau, 2001; Abdool and Carey, 2004) while the rest of tourism spending leaks away. Invisible leakages conversely, involve the real losses or opportunity costs related to resource damage or deterioration, like, tax avoidance, informal currency exchange transactions, and off-shore savings and investment (Meyer, 2006).

Karammel and Lengefeld (2005) report the German Technical Cooperation (GTZ)'s study on socio-economic impact of inclusive resorts and large hotels in Jamaica, Nicaragua and the Dominican. The study involved two resorts owned by Sandals; in which, first, local employment was up to 99% of permanent employees. Second, about 50% of respondents were having high job security job security and employees report that, working at Sandals enabled them to support their immediate and members of their extended family; also were comfortable with the salary scheme that includes health insurance, a pension scheme and life insurance. Sandals Small Farmers' Programme Co-operatives buy at least 50% of fruit and vegetables produced locally. Mbaiwa (2005) has analysed the socio-economic impacts of enclave tourism in the Okavango Delta in Botswana. His findings have revealed that the foreign domination and ownership of tourism facilities, which occupied more than half (53.7%) of the tourism facilities in the area, has lead to the repatriation of tourism revenue, domination of management positions by expatriates and lower salaries for citizen workers. He then concludes that enclave tourism has minimal impact on local economy in the Okavango Delta due to weak linkages with the domestic

economy with high leakages. The same was found by Abdool and Carey (2004) when exploring the economic impact of the AI hotel sector on the economy of Tobago. Their study reveals that, of the cases studied, nine AI hotels which were accounting for 33% of the total room capacity were directly supporting 9.1% of employment on the island. However, according to the authors, significant proportions of the tourism expenditure do not reach or remain in the economy of Tobago because it was pre-paid in the tourist generating countries and most AI resorts in Tobago were owned by the outsiders.

However, not all the AI operations connote negative images; others have succeeded to have good image to the community surrounding them. For example, Issa and Jayawardena (2003) explain the way SuperClubs and Sandals, which are the leading AI hotel companies in the Caribbean support indigenous businesses by buying food provisions from local farmers and markets and hard goods from local manufacturers. In addition these hotel companies include in their tourist schedules the tourist excursions, and visits to crafts markets and local shops and promote contact between guests and inhabitants. In addition, local vendors and artists are invited to the properties and given spaces on the hotel area beach to set up stalls and sell their wares. Likewise, Goodwin and Bah (2003) show how linkages in Gambia, which involve hotels and local juice-sellers, beach vendors, craft sellers, taxis, local authorities, and a local NGO have improved sales opportunities and services for locals and tourists.

But still, according to UNEP (2002), about 80% of the general AI expenditures go to the airlines, hotels and other international companies who often, their headquarters are based in the foreign countries. Pattullo (1996) found that, at least 70 cents on every dollar in the foreign exchange earned in Caribbean from AI has been converted to imports. Freitag (1994) studied the effects of enclave tourism in a small coastal town near Puerto Plata. A 160-room international class hotel was built by members of the national elite on land sold to it by a local elite family. Restaurants in town bought their produce and fish locally, while hotel usually shopped in the cities of Puerto Plata and Santiago. Some 116 local people were employed during peak season, all in low-status positions. Wages were high by local standards, and many residents considered jobs there more desirable. He concludes that most enclaves are operated by global capital and trans-national organizations through a series of spatial networks that allow only limited economic benefits to accrue to the local communities.

Oppermann (1993) found that formal sector in tourism operation entails high leakages in the form of profit transfers, repatriation of funds to the foreigners in managerial positions, and large imports of food and other items. Oppermann (1993) also found that, hotel operations entail high leakages in the form of repatriation of funds to the foreigners in managerial positions. Interestingly, Poon (1993) found that, the superior performance in the all-inclusive industry in Caribbean was related to the quality and innovativeness of managerial personnel, rather than ownership or foreign presence. She therefore recommends among other things, the use of local human resources. Singh (1989) likewise has studied the leakages from hotel spending in Kullu-Manali area of Himachal Pradesh. He concludes that input importation slices off the possible gains from tourism. Lundgren (1975) found that hotel-generated importations in Caribbean resorts were induced by the lack of ability of the local economy to meet the hotel demands. In such situations, areas of local linkages were more limited and weak; hence high imports and subsequently leakages.

5.4 All-Inclusive Supply in the Balearic Islands

All-inclusive supply in this context refers to the all-inclusive facilities and or services available for sale to the tourists. As have been said in the introduction chapter, usually AI package tours are distributed by the packagers who are based in the tourist-generating countries; and therefore the AI tourists start enjoying the AI product, via transport, before reaching the destinations. At the destinations, all-inclusive supplier is mainly the accommodation sector, which in the Balearic Islands consists of hotels, hotel apartments, apartments, holiday villages and hostels. The definitions of these establishments in the context of Balearic Islands are given in the IB-Dades Informatives (2005, 2006:70-71) as follows. Hotels are establishments providing tourist accommodation and dining room services, with or without complementary services that, due to configuration, does not have the appropriate installations for the preparation and the consumption of foodstuffs within accommodation unit.

Hotel apartment, in addition to provide tourist accommodation and dining room services with or without complementary services, offers, due to configuration and services, the appropriate installations for the conservation, preparation and the consumption of foodstuffs within all or some of the accommodation unit. Apartments provide bed without dining room services, and that has, due to configuration and services, the appropriate installations for the conservation, preparation and the consumption of foodstuffs within all or some of the accommodation unit. Holiday villages are establishments whose location, installations and services allow clients, under

predetermined schemes, to enjoy their holidays in direct contact with nature, providing them, for a fixed price, bed with full-board, with the possibility of practicing sport and participation in group leisure activities. However, holidays villages built with a social aid orientation and on a non-profit making basis by public corporation or bodies are not included in the given definition. Hostels offer both bed and meals, conforming or not to full board at the choice of the client and excluding hostel residencies.

Mallorca is the main destination for the AI holidays in the Balearics, and therefore the main part of the Archipelago's AI supply is hosted in Mallorca. For that reason, presented in the next step are the facts about the all-inclusive supply in Mallorca, including their typology, categories, trends and proportions in relation to the existing capacity. The analysis has been divided into two parts, with the first part covering the overall AI establishments, while the second covers the exclusive AI establishments. Exclusive AI establishments specialize in offering all-inclusive only; while in the former, the establishments offer also other types of boards like half board or full boards in addition to the all-inclusive package. Table V presents the Overall AI supply in Mallorca during the three years 2004/06 consecutively.

Overall AI establishments in Mallorca in 2004, 2005 and 2006 were 153, 168 and 195 respectively. This means that the AI supply sector grows extensively at a growth rate of at least 64%, growing by 9.8% (2004-05), 16.07% (2005-06) and 27.5% (2004-06). Zonal wise, Llevant is leading, hosting 26.8%, 30% and 27.1% of the total AI supply in the respective years. In this zone the growth rates from 2004-05, 2005-06 and 2004-06 were respectively 22%, 8%, and 31.7%. Following Llevant (41 establishments) in 2004 were Calvia (30 establishments), Nord (22 establishments) and Badia Palma (21 establishments). Likewise following Llevant in 2005, were Nord (28 establishments), Badia Palma (27) and Calvia (24); and in 2006, were Nord (38), Calvia-Andratx (28), and Badia Palma (27).

Table VI summarizes the typology of AI supply in Mallorca. During the period 2004/2006 consecutively, hotel sector occupied more than half of the AI supply in Mallorca, representing respectively 60.7%, 55.9% and 53.3% of the total. Following hotels, in quantity, were hotel apartments then apartments, which together accounted for 36.0%, 40.5% and 42.5% in 2004 to 2006 consecutively respectively. Holiday villages and hostels represent minority, together accounting for less than 5%, although the latter shows a sharp growth rate than the rest of supply. Overall sector growth rates were 9.8% and 16.1% during 2004/05 and 2005/06

respectively. Of the general AI establishments, a total of 62,555 places, 72,556 places and 86,770 places were available during 2004, 2005 and 2006 respectively; the growth rate of 16.0% and 19.6% for the 2004/05 and 2005/06 periods respectively. Apartment places have shown the highest growth rate of 78.1%, followed by hotel apartments (35.3%) within 2004/05 time period. Likewise during 2005/06 the two types of accommodation were leading in terms of growth, representing 26.2% and 26.5% respectively. However, most of places were found in the hotels throughout the three years, accountable for more than half of all AI places found at the destination. Following were hotel apartments then apartments. Holiday villages have remained static throughout, both in number of establishment and places in the period 2005/06, where in the prior period they were declining in quantity.

Table V Overall AI Establishments in Mallorca

ZONE	TOWN	AI ESTABLISHMENTS					
		2004	%	2005	%	2006	%
NORD	Alcúdia	15	14.4	17	16.7	21	19.5
	Platja Muro	2		5		7	
	Can Picafort	5		6		10	
BADIA DE PALMA	Arenal	9	13.7	13	16.1	11	13.8
	Platja de Palma	7		11		12	
	Can Pastilla	2		-		-	
	Cala Blava	2		2		2	
	Cala Major	1		1		-	
	Sant Agust	-		-		1	
	Maioris	-		-		1	
CALA d'Or	Cala d'Or	13	9.2	9	5.4	15	8.2
	Cala Ferrera	1		-		1	
LLEVANT	Portocristo	1	26.8	1	30.0	-	27.7
	Cala Millor	16		22		20	
	Sa Coma	7		4		13	
	S'Illot	2		4		8	
	Cala Bona	2		1		1	
	Cala Mandia	2		3		3	
	Calas de Mallorca	10		10		6	
	Cala Estany	1		1		-	
	Cala Domingos	2		-		2	
	Costa dels Pins	-		-		1	
CAPDEPERA	Cala Ratjada	11	9.8	16	13.1	11	11.3
	Cala Mesquida	2		2		3	
	Canyamel	2		1		1	
	Font de sa Cala	-		3		3	
CALVIÀ-ANDRATX	Portals Nous	1	19.6	-	14.3	-	14.6
	Palmanova	7		7		8	
	Magaluf	3		2		4	
	Santa Ponsa	10		5		5	
	Peguera	8		8		8	
	Camp de Mar	-		1		1	
	Cala Vinyes	-		1		2	

SUDEST - CALES	Colònia St. Jordi	1	3.9	-	2.4	-	2.6
	Portocolom	2		2		4	
	Cala Mondragó	2		1		1	
	Cala Figuera	1		1		-	
POLLENÇA	Port de Pollença	4	3.3	2	2.0	2	2.1
	Cala Sant Viçens	1		1		2	
SOLLER	Port de Soller	-	-	1	0.6	1	0.5
TOTAL		153	100.0	168	100.0	195	100.0

(Source: Govern Balear. Conselleria de Turisme, 2004,2005, 2006a)

Categorically, majority of the AI establishments are 3-Stars; representing at least 60% of the total supply throughout the three years; followed by 4-Stars, 2-Stars and One-Star. The 5-Stars so far do not offer AI packages. Incrementally, One-Star category was leading in 2004/05; however, the same category has shown a decline in the following period, in which Four-Star was leading by 41.4% growth rate. 3-Star category was increasing at a constant rate of ±12%. Following 4-Stars is 2-Stars category in terms of the rate of growth in 2005/06.

Tabla VI The typology of the Overall All-inclusive Supply in Mallorca for the period 2004-2006

TYPE	2004		2005		% Change	2006		% Change
	No.	**%**	**No.**	**%**		**No.**	**%**	
Hotels	93	60.7	94	56.0	+01.2	104	53.3	+10.6
Hotel Apartments	31	20.3	37	22.0	+19.4	50	25.7	+35.1
Apartments	24	15.7	31	18.4	+29.2	33	16.9	+6.5
Holiday villages	4	2.6	03	1.8	-25.0	03	1.5	0.0
Hostels	1	0.1	03	1.8	+200.0	05	2.6	66.7
TOTAL	153	100.0	168	100.0	+09.8	195	100.0	+16.1
TYPE	**Place**	**%**	**Place**	**%**	**% Change**	**Place**	**%**	**% Change**
Hotels	37,885	60.7	38,643	53.3	+02.0	44,493	51.3	+15.1
Hotel Apartments	15,026	20.3	20,327	28.1	+35.3	25,658	29.6	+26.2
Apartments	6,087	16.0	10,838	14.9	+78.1	13,707	15.8	+26.5
Holiday villages	3,001	3.0	2,064	2.8	-31.3	2,064	2.4	00.0
Hostels	556	-	684	0.9	+23.0	848	0.9	+24.0
TOTAL	62,555	100.0	72,556	100.0	+16.0	86,770	100.0	+19.6
CATEGORY	**No.**	**%**	**No.**	**%**	**% Change**	**No.**	**%**	**% Change**
1 Star	11	7.2	14	8.4	+27.3	12	6.1	-14.3
2 Stars	18	11.8	19	11.3	+05.5	23	11.7	+21.1
3 Stars	95	62.0	106	63.1	+11.6	119	61.1	+12.3
4 Stars	29	19.0	29	17.2	00.0	41	21.1	+41.4
TOTAL	153	100.0	168	100.0	+09.8	195	100.0	+16.1
CATEGORY	**Place**	**%**	**Place**	**%**	**% Change**	**Place**	**%**	**% Change**

1 Star	2,580	7.20	2,751	3.9	+06.6	3,191	3.6	+16.0
2 Stars	5,773	11.80	4,847	6.7	-16.0	7,040	8.2	+45.2
3 Stars	40,315	62.00	49,472	68.2	+22.7	54,345	62.6	+9.9
4 Stars	13,887	19.00	15,486	21.2	+11.5	22,194	25.6	+43.3
TOTAL	62,555	100.00	72,556	100.0	+16.0	86,770	100.0	+19.6
CAPACITY	No.	%	No.	%	% Change	No.	%	% Change
≤100 places	11	7.20	11	06.5	0.0	14	7.2	+27.3
101-200 places	22	14.40	30	17.8	+36.4	32	16.4	+06.7
201-300 places	26	17.00	48	28.6	+84.6	59	30.2	+23.0
301-500 places	45	29.00	28	16.8	-37.8	34	17.5	+21.4
501-1000 places	44	28.20	45	26.8	+02.3	46	23.6	+02.2
> 1000 places	05	3.30	06	03.5	+20.0	10	5.1	+66.7
TOTAL	153	100	168	100.0	+09.8	195	100.0	+16.1

Like in the categorical distribution, most of accommodation places are found in 3-Star category, where at least 62% of places are offered. This category was also leading in terms of growth rate in the period between 2004 and 2005, although the pace of its growth has slowed down in the subsequent period. In the contrast, a number of places offered in 2-Star category was declining in the prior period, but has sharply risen by 45.2% within the 2005/06 period. However, a notable increment is in the 4-Star category, in which just within two years the sector has grown at 60%, moving from offering 13,887 places to 22,194 places. This may imply the change of taste and preferences of the market, moving from 3-Star, which was used to be the main accommodation for all-inclusive market (i.e. demand follows the supply), or the supply has decided to follow the demand.

With respect to capacity, in 2004, at least half of the AI unit were each equipped with places between 301-1000. The establishments with 301-500 places were dominating; followed by the ones with places between 501 and 1000. Only 7.2% of the establishments were having at most 100 places. Those with places between 201- 300 and 101-200 together accounted for 31.4% of the total. However, in 2005 and 2006, the category which was offering 201-300 was dominating, showing a notable growth rate of 84.6% in the first period; with the one with 301-500 places declining by 37.8%, and the same category rise by 21.4% in the following period. The period between 2005 and 2006 saw a massive increment in the category which offers at least 1000 places, which may signal the beginning of *'Carribeanizing'* the Mediterranean destinations, in terms of composing massive-type of AI facilities.

5.5 Exclusive All-inclusive Suppliers in Mallorca

Table VII shows the distribution while Table VIII and Figure 5 present the Typology of Exclusive All-inclusive Supply in Mallorca in 2006 and or 2003. In 2006, out of 195 overall establishments that were offering AI boarding basis in Mallorca, 30.3%, which is equivalent to 59 establishments were offering all-inclusive exclusively (Conselleria de Turisme, 2006b; Ultima, 2006; El Mundo, 2006). This is an increment of 73.5% moving from 34 establishments in 2003 (Conselleria de Turisme, 2003). The total number of 26,828 places was available in exclusive AI supply, which was likewise located in the seven zones of Mallorca as follows: Llevant (34%), Badia de Palma (17%), North (15.3%), Calvia (15.2%), Capdepera (8.5%), Cala D'Or (6.7%) and Sudest Cales (3.3%).

Of the 2006 exclusive all-inclusive establishments, 3-Stars were dominating, representing about 66.1% of the total; followed by four stars (20.5%) while 6.7% for each 1-Star and 2 Stars. Because of the domination reason, more accommodation places were found in the 3-Stars, followed by 4-Stars, 2-Stars and finally 1-star establishments.

Table VII Exclusive All-inclusive Establishments in Mallorca

ZONE	TOWN	2003			2006		
		ESTABL.	TOTAL	%	ESTABL.	TOTAL	%
NORTH	Alcúdia	4	7	20.6	5	9	15.3
	Playa de Muro	1			1		
	Ca'n Picafort	1			3		
	Aucanada	1			-		
BADIA DE PALMA	Arenal	5	8	23.5	5	10	17.0
	Playa de Palma	-			2		
	Cala Blava	-			1		
	Sant Agusti	1			1		
	Maioris	-			1		
	Cap Blanc	2			-		
CALA D'OR	Cala d'Or	1	2	5.9	4	4	6.7
	Cala Barca Trenca	1					
LLEVANT	Cala Millor	2	7	20.6	8	20	34.0
	Sa Coma	2			4		
	S'Illot	1			2		
	Cala Mandia	-			1		
	Calas de Mallorca	1			3		
	Cala Domingos	1			2		
CAPDEPERA	Cala Ratjada	1	3	8.8	5	5	8.5
	Cala Mesquida	1					
	Canyamel	1					
CALVIA	Palmanova	2	4	11.8	3	9	15.2
	Magaluf	1			2		
	Santa Ponsa	-			1		
	Peguera	1			3		
POLLENÇA	Cala S. Viçens	1	1	2.9			
SUDEST CALES	Portocolom	1	2	5.9	1	2	3.3
	Cala Mondragó	-			1		
	Cala Romantica	1			-		
TOTAL		**34**	**34**	**100.0**	**59**	**59**	**100.0**

Source: Ultima (May 23, 2006), pp. 18; Conselleria de Turisme (2006b, 2003)

Moreover, establishments that offer 201-400 places and from 501 to 1000 were majority; each category represents 27.1% of the total. Those with 401-500 places represent 20.4% of the total and 13.5% occupy 101-200 places. However, most AI facilities were having between 201 and 1000 places. Like in the overall AI supply, of the exclusive AI establishments, hotels and hotel-apartments dominate, together representing 78% of the total. Apartments represent 17% while holiday villages and hostels accounted for 5% of the total.

Tabla VIII The Typology of Exclusive All-inclusive Supply in Mallorca in 2006

TYPE	No. of Establishments	%of the establishments	Places available	% of places
Hotels	29	49.1	13,431	50.1
Hotel-Apartments	17	28.9	9,850	36.7
Apartments	10	17.0	2,236	8.4
Holiday villages	1	1.7	660	2.5
Hostels	2	3.3	561	2.1
TOTAL	59	100.0	26,828	100.0
CATEGORY				
1 Star	4	6.7	1,065	4.0
2 Stars	4	6.7	1,487	5.5
3 Stars	39	66.1	18,277	68.1
4 Stars	12	20.5	5,999	22.4
TOTAL	59	100.0	26,828	100.0
CAPACITY				
≤100 places	4	6.8		
101-200 places	8	13.5		
201-400 places	16	27.1		
401-500 places	12	20.4		
501-1000 places	16	27.1		
> 1000 places	3	5.1		
TOTAL	59	100.0		

5.6 Proportion of the All-inclusive supply within the Accommodation Capacity

In the next step, the all-inclusive supply share in relation to the available accommodation capacity at the destination has been examined. The data used include the establishments based in Mallorca that offer AIs in addition to other boarding-basis, which in the tabulations are referred as 'overall AI supply (OAS)', thereafter incorporated in the analysis is the exclusive all-inclusive supply (EAS). We have in addition, imported the Existing Capacity (EC) data from the IB-Dades Informatives (2004; 2005; 2006). Table IX presents the proportion of AI supply within the accommodation establishments. From the analysis we can conclude that, almost all the holiday villages in Mallorca offer all-inclusive boarding basis.

In the 2006 overall establishments, 15.6% of the selected establishments were offering all-inclusives, with only 4.7% exclusively. Moreover, of the available hotel apartments and hotels, respectively 29.1% and 18.7% were offering AI, with accordingly 9.9% and 5.2% exclusively. Only 5.7%, 7.4% and 8.0% of the apartments were offering all-inclusives; while hostels have

shown a growing trend moving from 2.9% in 2005 to 4.9% in 2006. However this information does not tell us much of the size of the respective establishments, as having big number of establishments only does not guarantee the big number of occupants.

Tabla IX Percentage of All-inclusive Supply within Accommodation Establishments in Mallorca

TYPE	NUMBER OF ESTABLISHMENTS*						
	2004		2005		2006		
	EC (No.)	*% of OAS wrt EC*	*EC (No.)*	*% of OAS wrt EC*	*EC (No.)*	*% of EAS wrt EC*	*% of OAS wrt EC*
Hotels	556	16.7	557	16.9	556	5.2	18.7
Hotel Apartments	158	19.6	165	22.4	172	9.9	29.1
Apartments	422	5.7	417	7.4	410	2.4	8.0
Holiday villages	4	100	03	100.0	02	50.0	100.0
Hostels	106	.9	104	2.9	103	2.0	4.9
TOTAL	1246	12.3	1246	13.5	1253	4.7	15.6
	(Places)		(Places)		(Places)		
Hotels	149,960	25.3	149,960	25.8	149,087	9.0	29.8
Hotel Apartments	65,334	23.0	67,048	30.3	70,061	14.1	36.6
Apartments	51,357	11.8	50,695	21.4	49,634	4.5	27.6
Holiday villages	2,904	100.0	2,618	78.8	1,778	37.1	100.0
Hostels	6,217	8.9	6,012	11.4	5,883	9.5	14.4
TOTAL	275,772	22.7	276,333	26.3	276,443	9.7	31.4

*EC: Existing Capacity, OAS: Overall All-inclusive Supply, EAS: Exclusive All-inclusive Supply

Therefore we analyse the AI share rate with respect to the existing accommodation places. Even though, we still have data deficit about the portion of the all-inclusive places within the overall all-inclusive establishments. Like in the establishment analysis, holiday villages prove to be all-inclusive suppliers in isolation. Also in the analysis we can figure out that 25% to 30% of all the places in hotels found in Mallorca were available for the AI market within the period 2004 to 2006. In addition, 9% of the hotel places were exclusively AI offers. With respect to hotel apartments, about 23% to 37% of the places were accessible for the AI market during the same period 2004 to 2006; with 14% exclusively. About 12% to 28% of places in the apartments, with exclusive 4.5% were among offers to the AI market.

In all the cases, hostels were the least category in serving this market niche, where only 9% to 14% of places were available to the AI in 2004 to 2006 respectively, with 9.5% exclusively AI in 2006. Noticeably, in all the categories there is an upward shift in the trend from one year to another; in overall moving from 22.7% in 2004 to 31.4% in 2006, equivalent to an aggregate growth rate of 38.3%. This confirms that the AI demand is considerably growing and so as to the

all-inclusive supply. The basic challenge to the destination holders, therefore, is the implication of the observed trends to the destination economy.

CHAPTER SEVEN
METHODOLOGY OF THE STUDY

6.1 Research Design

We consider the significance of choosing appropriate research designs in order to achieve a good 'fit' between the research objectives, data requirements and analytical techniques. To achieve the study objectives, both quantitative and qualitative data are required, which have triggered the necessity of both exploratory and descriptive research designs. The qualitative approach involves gathering a great deal of information about a small number of people, while, quantitative approach involves statistical analysis and relies on numerical evidence to draw conclusions or to test hypotheses (Veal, 1979). It is worth to mention that, analysis of the results will rely more on quantitative approach.

6.2 Study Area and Sampling Procedure

This study has involved Mallorca, which is the largest Island in the Balearic Archipelago (Conselleria d'Economia et. al., undated). Mallorca is where the AI by *Cub Med*, was born more than five decades ago (George Washington University, 1997); and was the first island to develop its tourism in the archipelago (Meaurio and Murray, 2001) where today, majority of package resorts are hosted (Aguilo, et al., 2003). Two groups of population formed our statistical units. Inbound guests to Mallorca form the first group. Since some come with companion(s), we use the term *'travel party'* to denote the group of people travelling together and sharing the same travelling characteristics.

The second statistical unit is composed of establishments that offer AI in Mallorca. Using the internet, tour operators' brochures, published and unpublished reports, AI hotels were identified according to their boarding basis. Paris and Zona-Paris (1999) describe any hotel or resort that may have all-inclusive package for all the guests or only a segment of the guests as an 'all-inclusive resort'. Until May 2006, out of 162 establishments that were offering AI package in Mallorca, 59 offer 'exclusively all-inclusive'; which is equivalent to 38.6% of the total (Ultima, 2006; El Mundo, 2006, Conselleria de Turisme, 2006b). The full list of AI hotels in Mallorca has been established, as shown in the appendices.

The population of AI tourists to the Balearics is infinite, so we take the number of AI tourist arrivals in 2004 as a baseline. In 2004, the AI segment represented 16.32% of all tourists to Balearics (Alegre and Pou, 2006). For precision, tourists from the rest of Spain (outside Mallorca)

were equally treated as inbound tourists. Two parameters were estimated (1) the average expenditure of AI tourist (2) the tourist's motivation for choosing AI tours. To capture the first parameter, every individual/group had equal chances of being selected, in which, one individual from every travel party was involved. That individual must be in-charge of the cash of the respective group, and that, sampling without replacement was observed. Sampling without replacement involves removing previously-selected party from the population before subsequent selections to avoid the possibility of the same individual appearing in the sample more than once. Therefore, formula 17 by Cochran (1977) was used to calculate the sample size.

$$n_0 = \left[\frac{z\alpha/2}{e} \right]^2 pq \qquad (17)$$

Where n_0 denotes the sample size, z is the standardized normal variable, given a specified confidence level (in this case, 1.96 for 95% confidence level), *a* denotes the level of significance, s is the standard deviation of the variable in population and e is the sampling error that shows the desired level of precision. p is the estimated value for the proportion of a sample that will respond a given way to a survey question. Due to lack of prior information, p=0.5 and q is $1-p$. Also with the previous information to calculate the sample variance, s^2, Equation 18 could as well be used to compute n_0.

$$n_0 = \left(z_{\alpha/2} s / e \right)^2 \qquad (18)$$

Whereas:

$$s^2 = \frac{\sum \left(x_i - \overline{X} \right)^2}{n-1} \qquad (19)$$

Where, S^2 denotes the sample variance, x_i denotes observation *i, n* represents number of observations and $\overline{X}$ denotes the sample mean. Again, in estimating the second variable, *visitor motivation*, formula 20 which was suggested by Cochran (1977) for sampling without replacement, was used to compute a sample size.

$$n_0 = \left[\frac{z\alpha/2}{e} \right]^2 pq \qquad (20)$$

Where p is the estimated value for the proportion of a sample that will respond a given way to a survey question. Due to lack of prior information, p=0.5 and q is $1-p$. Hence, using either of the equations, with the sampling error reduced to ±3 percent, at the 95% confidence level, n_0 = 1067 respondents. Our sample size is consistent with the suggestion of Stynes (1997) of having a sample of at least 50 to 100 when analyzing the economic impact of a specific tourist segment. Finally, the sample selection in AI establishments will be based on convenience sampling. Respondents will be obtained on the basis of interview-acceptance; in which prior contact to the AI hotels will be done, to ask for interviewing possibilities and appointments.

6.3 Data Collection Methods and Procedures

There are two types of data: secondary and primary data (Veal, 1997); both of which were used in this study.

6.3.1 Secondary Data

Secondary data involves previous collected data or information by individuals, institutions or agencies for purposes other than those of the current research study, which include official statistics, technical reports, trade journals and so forth. This study has utilized various secondary sources, including IB- Dades Informative (2005), Comissió Experts "tot inclos" (2005), Alegre and Pou (2006), Cladera (2006), INE (2006), Ultima (2006), El Mundo (2006) and Conselleria de Turisme (2006a, b), to mention just a few.

6.3.2 Primary Data

The primary data has been described by Veal (1979) as, the new data to be collected for the research at hand. Two methods were used to gather primary data: visitors' surveys and tourism establishment surveys.

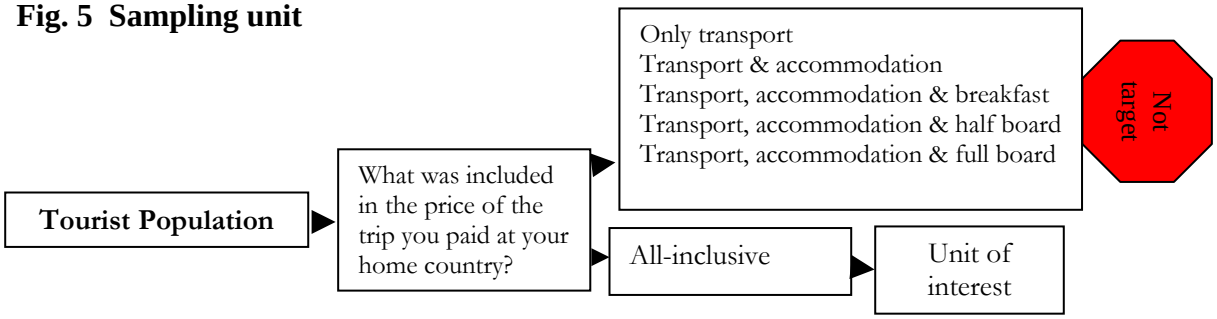
6.3.2.1 Visitors Surveys

Visitor-survey was employed for data collection. It is estimated that, at least 50% of tourism in the Balearics concentrates in summer (IB-Dades Informatives, 2005). The exit-survey at the Airport of Mallorca was done during the summer of 2006, in August and September by researcher and other three research assistants; of them, two were students of Master in Tourism Administration at the University of Balearic Islands. The reason for choosing exit-survey is to capture the actual expenditure. Palma Airport is the biggest airport in the Balearics, in terms of tourist traffics (IB-Dades Informatives, 2005). Semi-structured questionnaire which was designed in consultation with academics and practitioners with professional experience in data collection

instruments, was self-administered, handled to respondents and retrieved after has been completed. Taking into account potential language barrier, the questionnaire was translated into five languages: English, French, German, Italian and Spanish. These languages were chosen using the fact that, most tourists to Mallorca are respectively named nationalities (IB-Dades Informatives, 2005).

The definition[3] of a visitor was captured in Q1 and Q5; in the former, respondent was asked to show the main purpose of the trip and in Q5, the length of his or her stay. Identifying an all-inclusive tourist at the departing gates was not easy. To rule out the not-all-inclusive visitors, two elimination tactics were included in a questionnaire. The straight forward one was the title of the questionnaire *"QUESTIONNAIRE ABOUT ALL-INCLUSIVE TOURIST EXPENDITURE"*. For the not-required who were not dropped in the first place, the closed-question 2 *"What was included in the price of the trip you paid at your home country?"* was the second elimination option. Six options were given: Only transport; Transport & accommodation; Transport, accommodation & breakfast; Transport, accommodation & half board; Transport, accommodation & full board; and All-inclusive. Figure 5 presents how Q2 functions more precisely.

Fig. 5 Sampling unit



The party size was captured in Q3, the objective being to measure the average expenditure per AI tourist, both, in the country of origin and at the destination as captured in Qs 7 and 8 respectively. Q4 shows the major concentration of AI business at the destination. The days of stay for an all-inclusive tourist are important determinant of expenditure as it was captured in Q5. Qs 6a and b require the effect of AI product on the visits. Q6a captures the ability of AI to convert a 'non-visitor' to 'visitor', whereas Q6b measures the effect of AI product on the length of stay. We assume that, in Q6a 'Yes' means AI has zero effect on the visits, while 'No' response implies a positive effect of AI on the visits; which means the number of days spent in Q5 would

[3] Visitor in this study follows the WTO's definition as "any person travelling to a place other than that of his or her usual environment for less than 12 months and whose purpose visit is other than the exercise of an activity remunerated from within the place visited (WTO, 2005).

have been lost as well as the expenditure at destination, perhaps expenditure at the country of origin could have been incurred to go somewhere else where the AI products are available, therefore we can not guarantee that Q7 expenditure will be lost. Q6b, 'the same number of days' can have effect on the expenditure if at all, conventional tourist, with the same number of days, has an expenditure which is different from that of all-inclusive tourist.

However, we were aware of the comments of Sheldon and Mak (1987:13) that visitors may not know the prices of the individual components [especially accommodation & transport]; because they purchase the entire package either from a travel agent, who is a retailer of vacation products and not usually responsible for creating tour packages, or from a tour operator, who creates the package and publishes, and then distributes the brochures. Therefore, aggregate payments both in the country of origin (Q7a) and at the destination (Q8a) were considered important, even if categorical expenditure could not be obtained.

Q9 is a likert-type profile scale to capture factors motivating tourists to choose all-inclusive tours when visiting Mallorca. Eighteen factors have been identified, with five scales from 1: 'totally agree' to 5: 'totally disagree'. Furthermore Qs. 10 and 11 measure the loyalty of tourists towards all-inclusives. First they ask for the number of previous visits to Mallorca, and the number of travels through all-inclusive arrangements. For accuracy, specific years of visits and AI purchases were captured. The post-purchase decision is captured in Q11 'a' and 'b', which show the general trend of AI tours in Mallorca, which can as well explain the tourists' contentment with the destination and AI product. Finally the respondent's characteristics were captured in Qs. 12 to 16, including respectively nationality, age, gender, occupation, and household gross annual income.

6.3.2.2 Tourism Establishment Survey

Hotel survey provides us with important information about the boarding characteristics as well as establishments' purchasing pattern, employment profile, and occupancy rate, bed tax and hotel tax. As have been said, until May 2006, out of 162 establishments that were offering AI package in Mallorca, 59 were 'exclusively all-inclusive' establishments. The exclusive AI enterprises are situated in the seven zones of Mallorca. For representative purpose, the sample has been distributed amongst seven zones, where in each zone, AI establishments were selected. The semi-structured questionnaire was used to interview the general managers of the selected hotels. The bed tax should be collected at autonomous levels where rates are readily available. The hotel

tax is one of the most objective methods to measure tourism-related economic activities. In this method, one needs to know average room rates, tax rates and total tax revenues. From these variables, one can calculate total paid hotel nights in the Balearics.

CHAPTER SEVEN
ESTIMATION OF ALL-INCLUSIVE EXPENDITURE

7.1 Introduction

The next Chapter deals with the applications of the theoretical component into a real setting through the analysis of the AI expenditure from the AI tourists who visited the Balearics in a summer of 2006. The rest of the section is organised as follows. The demographic and travelling characteristics of the respondents have been presented first, which also include the analysis of the travelling characteristics on the basis of the nationalities of the respondents. Then the presentation of the length of stay and the types of accommodation stayed during their vacation followed, before the exercise of estimating the AI expenditure in general. Also estimated are regression models to explain the determinants of the tourist expenditure. The section is closed by the estimation of the effects of the AI presence at the destination on the visits, length of stay and on expenditure; which also involve the estimation of the maximum impact of the AI presence at the destination.

7.2 Demographic and Travelling Characteristics of the Respondents

Of the computed sample size of 1067 in the methodology section, a response rate was 79%, which is equivalent to 843 respondents. Table XIV gives the summary of their demographic characteristics. German and British respondents dominate; together accounted for 72.6% of the total. Majority were aged at least 45 years. Female tourists occupy more than half of the respondents. The employed and retired respondents were dictating. Majority of the households earn gross incomes of between 20,000 and 30,000 Euros per annum; with more than half of the households getting at most €30,000. With respect to their traveling characteristics, the results which are also presented in Table XV have revealed that, the AI tourists come to Mallorca specific for vacation purposes.

Majority were accompanied by up to three people in a group; with the group of fours dominating. Three-Star hotels were their main accommodation, where majority stayed for 6-8 days, followed by those who stayed for 13-16 days. Fascinatingly, at least 60% of the respondents have said that they would have come to Mallorca even if there were no all-inclusive holiday experience at the destination; with significant proportion of them (85%) showing that they would have even stayed for the same number of days, they have stayed in the current trip. More than half of the respondents had previously been to Mallorca at least once; of them 56.2% came

through all-inclusives; majority once. Almost all respondents were planning to revisit Mallorca in the future with 71% of them through AIs.

Table XIV. Selected Demographic Characteristics of Respondents (n=843)

Respondent characteristics	Percentage (%)	Cum. %
Nationality:		
German	42.5	42.2
British	30.1	72.6
Spanish	8.7	81.3
French	4.0	85.3
Italian	4.7	90.0
Others	10.0	100.0
Age:		
Below 25 years	8.7	8.7
26-44	25.9	34.5
45-64	24.1	58.6
Above 64	41.4	100.0
Gender:		
Female	53.7	53.7
Male	46.3	100.0
Occupation:		
Unemployed	5.1	5.1
Employed	49.6	54.7
Retired	42.3	97.0
Student	3.0	100.0
Annual gross household income:		
Below €20,000	18.0	18.0
€20,000-30,000	36.2	54.2
€30,001-40,000	17.5	71.8
€40,001-50,000	8.6	80.3
€50,001-60,000	8.8	89.2
Above €60,000	10.8	100.0

Furthermore using the same traveling characteristics of the respondents we have analyzed if there are differences across nationalities. Table XVI presents the summary of the findings. It was found that, there is no significant difference with regard to the party size as most of respondents regardless of their nationalities were accompanied by up to three people in a group. While majority of the rest of respondents have shown that they were two in a group, majority of British respondents were accompanied by three people and the majority of Spanish respondents were three people in a group. With respect to the type of accommodation they have stayed during the vacation, with the exception of Italian tourists whose main accommodation were in the 4-Star hotels, the rest had preference on the 3-Star hotels over other alternatives. Regarding their length of stay at the destination, there were two peaks, 6-8 days and 13-16 days; although the former

was the length of stay for the majority. These two peaks were clearer to all nationalities except for the Spanish category.

Table XV Selected Travelling Characteristics of Respondents (n=843)

Respondent characteristics	Percentage (%)	Cum. %
Party Size:		
Alone	8.4	8.4
You & other 1person	24.3	32.7
You & other 2persons	21.6	54.3
You & other 3persons	25.1	79.5
You & other 4persons	10.6	90.0
You & other 5persons	4.4	94.4
You & other 6persons	1.8	96.2
You & other 7persons	1.5	97.7
You & other 8persons	2.3	100.0
Type of Accommodation:		
1-star hotel	.2	.2
2-star hotel	6.9	7.1
3-star hotel	64.7	71.8
4-star hotel	25.0	96.8
Other	3.2	100.0
Length of Stay in Mallorca:		
Less than 6 days	4.4	4.4
6-8	52.0	56.3
9-12	14.9	71.3
13-16	28.0	99.3
More than 16	.7	100.0
Would still have come in the absence of AI at destination:		
Yes	64.1	64.1
No	22.3	86.5
Not sure	13.5	100.0
Length of stay in the absence of AI at destination:		
More days	4.8	4.8
Same number of days	85.0	89.8
Less days	4.6	94.4
Not sure	5.6	100.0
Number of Previous Visits to Mallorca:		
None	42.0	42.0
One Trip	21.0	63.0
Two Trips	13.9	76.9
Three Trips	7.5	84.3
Four Trips	4.0	88.4
More Than 4 Trips	11.6	100.0
Previous All-inclusive tours to Mallorca:		
None	43.8	43.8
One Trip	33.3	77.1
Two Trips	15.3	92.4
Three Trips	4.3	96.7
Four Trips	1.2	98.0
More Than 4 Trips	2.0	100.0
Planning to re-visit Mallorca:		

Yes	89.4	89.4
No	10.6	100.0
Re-visit through All-inclusive tours:		
Yes	71.0	71.0
No	29.0	100.0

It was also revealed that majority (64.1%) have said that they would have come even in the absence of the AIs at the destination. In this aspect the Spanish tourists lead, while British, Italian and 'other' tourists were below the overall, though majority of them said that, they could have come anyway. And with regard to the length of stay if there were no AIs, regardless of the nationality, most of them could have stayed for the same number of days. A significant proportion, relative to the overall, of the French and Italian nationalities, have said that they would have stayed for respectively more and less days than the actual length of stays in their current trip. With the exception of French and Italian respondents, more than 50% of the rest of nationalities have said that they have been to Mallorca before the current trip. Majority has made a one trip, but the noticeable portion of the German previous-comers has shown that they have done so more than four times.

In overall, more than half of the respondents have in the previous bought all-inclusive package tours to Mallorca. More specifically, 71.4%, 69.2%, 57.1%, and 54.7% of respectively Italians, others, Germans and British said that they had bought all-inclusive package tours to Mallorca before the current trip. The study has also found that, led by Germans and British nationalities, 89.4% of respondents were planning to re-visit Mallorca; of them, 71.0% through all-inclusives; whereby Italian, Spanish and British were leading.

Table XVI Crosstab of Respondent Characteristics by Nationality

	NATIONALITY						Total
	German	British	Spanish	French	Italian	Other	
Party size:							
Alone	8.1%	5.9%	11.0%	20.6%	5.0%	11.9%	8.4%
with 1person	27.4	18.1	21.9	35.3	52.5	14.3	24.3
with 2persons	20.1	21.7	34.2	20.6	17.5	19.0	21.6
with 3persons	25.1	26.4	23.3	11.8	20.0	31.0	25.1
with 4persons	12.3	11.8	4.1	5.9	-	11.9	10.6
with 5persons	2.2	8.3	4.1	-	5.0	3.6	4.4
with 6persons	1.7	2.4	1.4	-	-	2.4	1.8
with 7persons	.6	3.9		2.9	-	-	1.5
with 8persons	2.5	1.6		2.9	-	6.0	2.3
Type of Accommodation:							
1star hotel	.3	-	-	-	-	1.2	.2
2star hotel	7.8	8.3	4.1	8.8	2.5	2.4	6.9
3star hotel	59.8	68.5	69.9	64.7	35.0	83.3	64.7
4star hotel	29.9	19.3	26.0	23.5	55.0	7.1	25.0
other	2.2	3.9		2.9	7.5	6.0	3.2
Length of Stay in Mallorca:							
Less than 6 days	3.6	3.5	5.5	11.8	5.0	6.0	4.4
6-8	41.1	51.6	72.6	58.8	72.5	69.0	52.0
9-12	18.7	15.7	16.4	8.8	2.5	3.6	14.9
13-16	36.0	27.6	5.5	20.6	20.0	21.4	28.0
More than 16	.6	1.6					.7
Would still have come in the absence of AI at destination:							
Yes	64.5	61.0	83.3	67.6	57.5	57.1	64.1
No	25.4	27.2	12.5	5.9	17.5	11.9	22.3
Not sure	10.1	11.8	4.2	26.5	25.0	31.0	13.5
Stay in the absence of AI:							
More days	3.9	3.9	6.6	13.0	4.3	6.3	4.8
Same number of days	87.0	85.1	80.3	78.3	82.6	85.4	85.0
Less days	4.8	4.5	4.9		13.0	2.1	4.6
Not sure	4.3	6.5	8.2	8.7	-	6.3	5.6
Previous Visits to Mallorca:							
None	35.5	45.3	39.7	52.9	82.5	38.1	42.0
One Trip	18.2	25.2	28.8	11.8	10.0	22.6	21.0
Two Trips	12.8	9.4	16.4	20.6	5.0	31.0	13.9
Three Trips	9.8	7.1	8.2	-	-	4.8	7.5
Four Trips	3.4	5.9	1.4	11.8	2.5	1.2	4.0
More Than 4 Trips	20.4	7.1	5.5	2.9	-	2.4	11.6
Previous AIs to Mallorca:							
None	42.9	45.3	59.1	50.0	28.6	30.8	43.8
One Trip	36.4	36.7	25.0	25.0	42.9	19.2	33.3
Two Trips	12.1	10.1	9.1	18.8	28.6	46.2	15.3
Three Trips	4.8	5.0	2.3			3.8	4.3
Four Trips	2.2	-	-	6.3	-	-	1.2
More Than 4 Trips	1.7	2.9	4.5	-	-	-	2.0
Planning to re-visit Mallorca:							
Yes	93.6	95.3	79.5	85.3	67.5	75.0	89.4
No	6.4	4.7	20.5	14.7	32.5	25.0	10.6
Re-visit through AIs							
Yes	71.6	62.8	75.9	65.5	85.2	90.5	71.0
No	28.4	37.2	24.1	34.5	14.8	9.5	29.0

7.3 Length of Stay and Type of Accommodation Stayed

Figure 6 shows the accommodation stayed during the vacation while Figure 7 illustrates the average length of stay in days on the basis of nationality. The survey has revealed that, an average length of stay, regardless of the nationality was 8.92 days. However, German and British tourist had stayed beyond that average; with the former staying for 10.31 days while the British tourist staying for 9.45 days. On average, the rest of other nationalities have stayed below the overall average length of stay for an AI tourist. Noticeably, majority of them prefer to stay in 3-star and 4-star hotels regardless of their nationalities. Specifically, at least 60% of the respondents have stayed in 3 star hotels. 4-Star hotels were the second option; together accounting for 25.0% regardless of the nationalities. However Italian respondents have shown more preference on 4-Star hotels to other types.

Figure 6 Type of Accommodation on the basis of Nationality

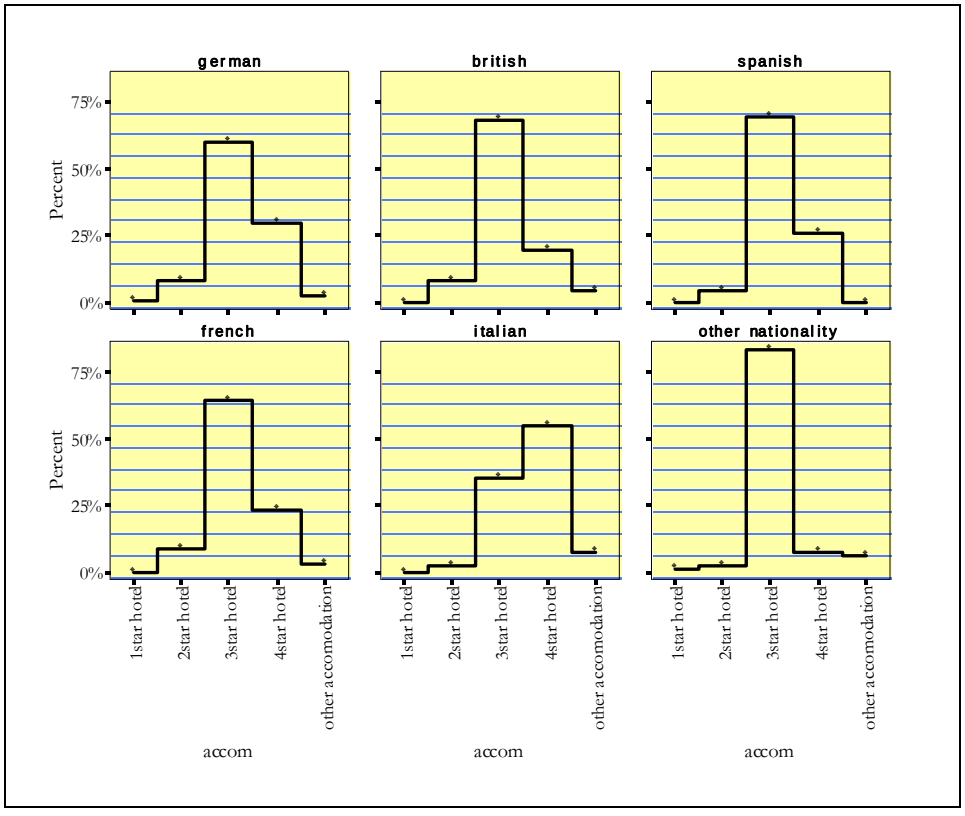
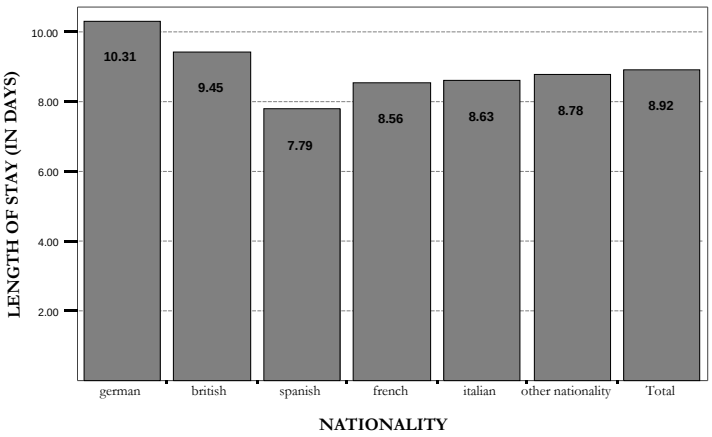


Figure 7 Average Length of Stay per Tourist in days



7.4 Estimating the All-Inclusive Expenditure

This section has employed Equations 5 to 10 in subsection 4.4 to estimate total and average expenditure per tourist and per day based on respondent's characteristics. To begin with, the expenditure at the countries of origin was reported in various currencies, of which had to firstly be converted into Euro. The exchange rate for a British pound (£) in August and September, 2006, the period of data collection, was respectively 1.47854 EURO and 1.48097 EURO; while a Germany Deutschmark was equivalent to €0.51 (http://www.oanda.com/convert/classic). Interestingly, the main tourist market for the Balearics is Europe, therefore EURO (€) was the currency used by majority of respondents.

7.4.1 Expenditure Categories

Expenditure was divided into two broad categories according to the place of incurrence: in the country of origin (COR) and at Mallorca (MAL). The first category includes the price of the package tour which includes transport (return ticket), accommodation and other items. However, most respondents could give the lump sum price of the package they bought at the country of origin but hardly give the breakdown of the expenditure incurred that covers, for example, accommodation and transport, as they basically bought the ready made packages. For that reason Table XVII reports the average expenditure per tourist per day in totally, at the country of origin and in Mallorca without the expense breakdowns, but on the basis of accommodation stayed. It was revealed that whoever stays in other types of accommodation apart from the hotels has spent more at the destination than the rest. For example a German tourist who stayed in other kind of

accommodation, had spent 121.6% more at Mallorca than overall average daily expenditure per German tourist in the area.

It was the same for the British, French, Italian and others, who spent respectively 34.8%, 39.4%, 37.1%, and 19.3% more than the average daily expenditure per tourist corresponding to the named nationalities. In overall, apart from the 1-Star hotel occupant whose expenditure in totally, country of origin and in Mallorca were respectively € 87.41, €66.25 and €21.16, (which was below the overall average), any tourist who stayed in 3-star hotel had spent less in totally, in the country of origin and in Mallorca, compared to the ones who stayed in any other types of accommodation. This might explain the reasons for the tourist preference of 3-star hotel over other categories. It was not surprising to find higher consumption for the tourists who stayed in the 2-Star hotels relative to 3-Star or others because this can be explained by many factors including the cost of return ticket.

When distributing expenditure according to the accommodation stayed, it was found that, the overall average were € 129.77, 103.74 and €27.43 in totally, country of origin and in Mallorca. The German tourist has spent €102.60, €74.78 and €27.52 in totally, country of origin and in Mallorca respectively, which was 20.9% less in totally, 27.9% less in the country of origin and .3% more in Mallorca. On the other hand, the British tourist has spent 7.4% less in totally, 5.9% less in the country of origin and 14.9% less in Mallorca. The Spanish tourist has spent 21.4% less in totally, 23.7% less in the origin and 9% less in Mallorca. It was different for the French tourist who spent more than average daily expenditure per tourist in every category; spending 14% more in totally, 12.9% more in the country of origin and 12.1% more in Mallorca. The Italian tourist has spent 10.5% more in totally, 13% more in the origin, but has spent 12.1% less in Mallorca.

Table XVII Average Daily Expenditure per tourist on the basis of Accommodation

		Average Daily Exp. per Tourist		
NATIONALITY	ACCOM	Total	COR	MAL
German	1star hotel	46.25	32.50	13.75
	2star hotel	125.67	95.68	29.99
	3star hotel	82.41	66.07	16.25
	4star hotel	98.07	80.06	16.63
	other acc.	160.59	99.60	60.99
	Total	102.60	74.78	27.52
British	2star hotel	116.50	91.97	24.53
	3star hotel	94.69	80.33	17.34
	4star hotel	93.58	73.55	19.99
	other acc.	176.03	144.58	31.46
	Total	120.20	97.61	23.33
Spanish	2star hotel	86.61	67.26	21.43
	3star hotel	101.67	77.78	24.92
	4star hotel	117.55	92.39	28.52
	Total	101.94	79.14	24.96
French	2star hotel	176.87	142.46	34.42
	3star hotel	114.26	94.77	19.50
	4star hotel	184.63	158.40	26.24
	other acc.	115.71	72.86	42.86
	Total	147.87	117.12	30.75
Italian	2star hotel	108.93	100.00	8.93
	3star hotel	128.14	102.47	25.67
	4star hotel	156.15	127.34	28.81
	other acc.	180.56	139.29	33.07
	Total	143.45	117.27	24.12
Other	1star hotel	128.57	100.00	28.57
	2star hotel	154.79	142.86	11.93
	3star hotel	110.38	92.90	17.68
	4star hotel	258.29	194.29	64.01
	other acc.	127.35	124.05	38.31
	Total	155.88	130.82	32.10
Total	1star hotel	87.41	66.25	21.16
	2star hotel	128.23	106.70	21.87
	3star hotel	105.26	85.72	20.23
	4star hotel	151.38	121.00	30.70
	other acc.	152.05	116.07	41.34
	Total	129.77	103.74	27.43

The expenditure was further broken down into amount spent in the country of origin and at the destination regardless of other attributes other than the nationality of a tourist as shown in Table XVIII. It was found that the German tourist has spent 8.01% less than overall average

expenditure per tourist in totally. Also has spent 9.8% less and 3% less in the country of origin and Mallorca respectively. The same tourist has spent 21.7%, 23.7% and 19.4% less than the average daily expenditure per all-inclusive tourist in totally, in the country of origin and at Mallorca respectively. The British tourist has spent 12.5%, 13%, and 12.4% less than average expenditure per tourist in overall, country of origin and in Mallorca respectively. The British tourist had spent 14.8%, 13.5% and 15.8% less than the average daily expenditure per tourist in totally, country of origin and in Mallorca.

It was also found that a Spanish tourist had spent 14.5%, 19.7% and 10.6% less than average expenditure per tourist in totally, place of origin and in Mallorca respectively. Interestingly, the same tourist had spent 10.3% and 15.5% less than average daily expenditure per tourist in totally and in the place of origin; but has spent 13.7% more than the average daily expenditure per tourist in Mallorca. French and Italian tourists have spent above the overall average and daily average on the country of origin and in totally, but at Mallorca, French tourist has spent 7.3% less on overall average. Likewise the tourist from the rest of nationalities has spent above the average in totally and in the country of origin, but in Mallorca, that tourist has spent 4.8% below than the average overall and 2.4% less than the average daily expenditure per tourist in Mallorca.

Table XVIII Average Expenditure per All-inclusive tourist & per day in Euro (€) #

Nationality	Avetot	Avecor	Avemal	Daytot	Daycor	Daymal
German	873.30	696.45	173.87	91.63	72.93	18.23
British	830.83	672.04	157.08	99.71	82.67	19.03
Spanish	812.05	620.02	198.18	104.96	80.83	25.71
French	1059.23	893.03	166.20	136.39	113.30	23.09
Italian	1139.16	930.57	209.63	146.14	118.32	27.54
Other	981.68	823.54	170.61	123.45	103.27	22.07
TOTAL	949.38	772.61	179.26	117.05	95.22	22.61

#tot: total, cor: country of origin, mal: Mallorca, Ave: Average, Day: daily expenditure

The range of the average expenditure per tourist in totally was €327, with the highest and lowest spenders being respectively the Spanish and Italian tourist. It was the same in the country of origin, where the range was €310.5, with the same nationalities being the highest and lowest spenders respectively. In Mallorca, the expenditure range was €52.55; but in this case the highest and the lowest spenders were respectively the Italian and British tourist. With respect to the average daily expenditure per tourist in totally, in the country of origin and in Mallorca the range were respectively €54.51, €45.39 and €9.31; with all cases, in totally, country of origin and in Mallorca the highest and the lowest spenders being respectively the Italian and German tourists.

We can therefore conclude that the lowest spenders among the selected nationalities were Germans and British.

Table XIX Average Daily Expenditure per Tourist Categorically (in Euro, €)

Nationality	Restaurant Café & Bar	Retail Shopping	Entertain. & Sporting	Communication	Rentals Vehicle & equip	Other expenses
German	7.98	8.24	4.19	.93	2.06	2.24
British	6.93	8.91	3.03	.97	1.19	25.46
Spanish	10.25	12.76	9.35	1.63	7.86	.00
French	10.07	7.19	6.45	2.32	8.23	2.95
Italian	10.58	8.72	10.39	2.94	8.03	.00
Other	7.00	11.85	3.93	1.15	1.73	3.88
TOTAL	8.80	8.61	6.23	1.66	4.85	8.63

As also shown in Table XIX, the main part of the tourist expenditure at the destination went to restaurant, bar and cafeteria; of which Italian, Spanish and French tourists were the highest spenders, while British, German and other nationalities being the lowest spenders. More specifically, in that category of expenditure, the British tourist has spent 21.3% less, while the Italian tourist has spent 20.2% more than the overall daily expenditure. Retail shopping and other kinds of expenses were following, with Spanish tourists leading by spending 48.2% more than the average daily expenditure per tourist on shopping category. The least expenditure went on communication (i.e. telephone, post, internet, etc.) where per day a tourist had spent only €1.66. All in all, the German tourist has spent more on retail shopping; the British tourist has spent more on other expenses, while per day the Spanish tourist has spent more on retail shopping. Moreover, on average the French and Italian tourists have spent more on restaurant, café and bar than on the rest of expense; and finally, tourist from any other nationality has per day spent more on retail shopping.

7.5 Estimating the Expenditure Regression Model

Using the data on expenditure from a sample of 843 all-inclusive respondents, we have estimated a least square regression model which presents two dependent variables: Logarithm of Average Daily Expenditure in Country of Origin and Logarithm of Average Daily Expenditure in Mallorca while sharing the same explanatory variables, which are the tourist and travelling attributes. The selected tourist attributes include the respondent's nationality, gender, age and the annual household income; while the type of tour mode, party size, type of accommodation, the effect of the AI presence, length of stay, and repetition levels make up the traveling attributes. Except for the party size and length of stay, which are continuous, all other attributes were

specified in the models by a certain number of explanatory dummy variables corresponding to each category. To avoid the dummy variable trap, one category in each factor was omitted from the model; and when combined, they form a reference group for interpreting the estimated results. The estimated equations are the following:

$$LOGDEXPCOR_i = \beta_0 + \sum_{j=1}^{31} \beta_j X_{ij} + \beta_{32} people_i + \beta_{33} people_i^2 + \beta_{34} days_i + \beta_{35} days_i^2 + \varepsilon_i$$

And:

$$LOGDEXPMAL_i = \delta_0 + \sum_{j=1}^{31} \delta_j X_{ij} + \delta_{32} people_i + \delta_{33} people_i^2 + \delta_{34} days_i + \delta_{35} days_i^2 + \omega_i$$

Whereby:

LOGDEXPCOR and LOGDEXPMAL denote respectively the Logarithm of Average Daily Expenditure in the Country of Origin and Logarithm of Average Daily Expenditure in Mallorca. X_{ij} denotes the dummy variable which equals 1 for individuals belonging to category j and 0 otherwise. *People* and *day* represent respectively the part size and the length of stay. The reference group in the model is characterized by the British male, aged 45-64 years, with annual household income of below €20,000, has stayed in a 3-stars hotel, he would have visited Mallorca even in the absence of the AIs at the destination, and stay the same number of days. He had visited Mallorca once before the current trip, through AI; and that tourist plans to re-visit Mallorca in the future, through the AI package tours.

Since the dependent variable has been transformed into logarithm, the coefficients of the two quantitative variables measure the percent change in the expenditure caused by a change in the respective explanatory variable. On the other hand, the coefficients of qualitative variables in the regression measure the difference in the mean daily expenditure for the tourist that has different characteristics from those of the reference group; while the mean for the reference group is the intercept. Because we can not assume a constant association between expenditure variations and the length of stay or the party size, we have introduced the quadratic functions for the two quantitative factors, i.e. days square and people square. Such introduction takes into account the inconsistencies which may arise when estimating daily expenditure that incorporates fixed expenses like transport.

The estimated results can therefore be interpreted as follows. First the nationality of a tourist influences the tourist expenditure either at the country of the origin, at destination or on both. For example, with respect to the British tourist, our reference group, a German tourist has spent

less in the two places, while the French tourist has spent less in Mallorca and the Italian tourist has spent more in the country of origin. The age factor has also played the influential role where the tourist with less than 25 year of age has spent less in the country of origin with respect to the one who was aged 45-64 years. Moreover with respect to the tourist who could have visited Mallorca even in the absence of the AIs at the destination, the tourist who could not have come has spent less at the country of origin.

Furthermore repetition levels were also significant although with different signs, as it appears in the model, the tourist who had never visited Mallorca before had spent more both at the country of origin and at the destination, with respect to our reference group, i.e. the one who has been to Mallorca once before. In contrast, the tourist who has made two trips has spent less at the country of origin. In addition, the tourist who has made three all-inclusive trips to Mallorca has spent less, both in the country of origin and at the destination; while the one with at most two previous AI tours to Mallorca has spent more, all with respect to the tourist who has made one previous AI trip to Mallorca. With respect to the tourist whose household was earning below €20,000 per annum the one with higher levels of incomes have spent more both in their country of origin and at Mallorca.

Quantitative variables have as well influenced the expenditure level of the tourist. More specifically, adding a day on the length of stay for a tourist was reducing her average daily expenditure both at the origin and in Mallorca. But by the introduction of the quadratic functions, any increase in the length of stay was adding the level of expenditure. It was also the same for the party size, where any additional travel unity was reducing the expenditure, but through inventing the quadratic functions, any additional unity was adding expenditure both at the origin and in Mallorca. Finally the average daily expenditure for a reference group in the country of origin and at Mallorca was the respective constants or intercepts, in the two areas of incurrence amounted to respectively €.5.64 and €4.62.

A LEAST SQUARE REGRESSION MODEL

Dependent Variable:	**LOGDEXPCOR**		**LOGDEXPMAL**	
Variable	Coefficient	t-Statistic	Coefficient	t-Statistic
Nationality				
X_1 German	-0.090053	-1.695282[c]	-0.184179	-2.343157[b]
X_2 French	0.073255	0.717698	-0.319868	-2.112183[b]
X_3 Italian	0.328719	2.733543[a]	-0.143734	-0.826202
X_4 Spanish	-0.090181	-1.119250	0.063838	0.524658
X_5 Other	0.030779	0.378541	-0.183915	-1.544854
Gender				

X_6 Female	-0.081251	-1.846944[c]	-0.075997	-1.162309
Age				
X_7 < 25 years	-0.145713	-1.783208[c]	0.088022	0.726268
X_8 26-44 years	0.022548	0.384283	0.015408	0.176938
X_9 > 64 years	-0.024723	-0.478334	-0.006733	-0.087368
Accommodation				
X_{10} 2-Stars Hotel	0.075464	0.846673	0.140619	1.072669
X_{11} 4-Stars Hotel	-0.013732	-0.293298	-0.045734	-0.664660
X_{12} Other	-0.197121	-1.747142[c]	-0.017074	-0.104446
Effect of the AI presence				
X_{13} No visits in the absence of AI	-1.328202	-2.864957[a]	-0.821688	-1.195391
X_{14} > days in the absence of AI	-0.123704	-1.310717	0.020035	0.137922
X_{15} Not sure of days	0.000573	0.006553	0.149336	1.165235
Repetitions to Mallorca				
X_{16} None previous trip	0.204889	2.336749[b]	0.286602	2.214859[b]
X_{17} Two previous trips	-0.153571	-2.050339[b]	-0.058465	-0.524123
X_{18} Three previous trips	-0.071034	-0.813571	-0.096975	-0.747403
X_{19} Four previous trips	-0.041406	-0.358234	-0.147041	-0.821303
X_{20} Above Four previous trips	0.033545	0.423768	0.016291	0.139218
X_{21} None previous AI trip	0.196534	2.260792[b]	0.375843	2.942769[a]
X_{22} Two previous AI trip	0.198892	2.237519[b]	0.289888	2.209446[b]
X_{23} Three previous AI trips	-0.351487	3.331147[a]	-0.419348	2.642379[a]
X_{24} Four previous AI trips	-0.009811	-0.058199	-0.135214	-0.520663
X_{25} No plan to re-visit Mallorca	0.095907	1.227622	0.063838	0.524658
X26 No plan for the AI re-visit in Mallorca	0.030779	0.378541	0.123575	1.034305
Annual Household Incomes				
X_{27} €20000-30000	0.034840	0.623257	0.098259	1.168338
X_{28} €30001-40000	0.125543	1.814164[c]	0.305991	2.945474[a]
X_{29} €40001-50000	0.160336	1.942283[b]	0.387862	3.157026[a]
X_{30} €50001-60000	-0.000175	-0.002009	0.131031	1.019462
X_{31} Above €60000	0.106382	1.331809	0.461377	3.884773[a]
Quantitative Variables:				
X_{32} Days	-0.144757	-4.550381[a]	-0.159406	-3.283937[a]
X_{33} Days square	0.003927	2.579535[a]	0.005084	2.198390[b]
X_{34} People	-0.217694	-5.056432[a]	-0.488175	-7.574145[a]
X_{35} People square	0.016097	3.427958[a]	0.030504	4.298636[a]
Average Daily Expend. for Reference Group:				
Constant	5.635086	29.59179	4.618738	15.91678
R-squared	0.392355		0.396785	
Mean dependent var	4.310069		2.732104	
F-statistic	9.172700		9.344383	
Prob(F-statistic)	0.000000		0.000000	

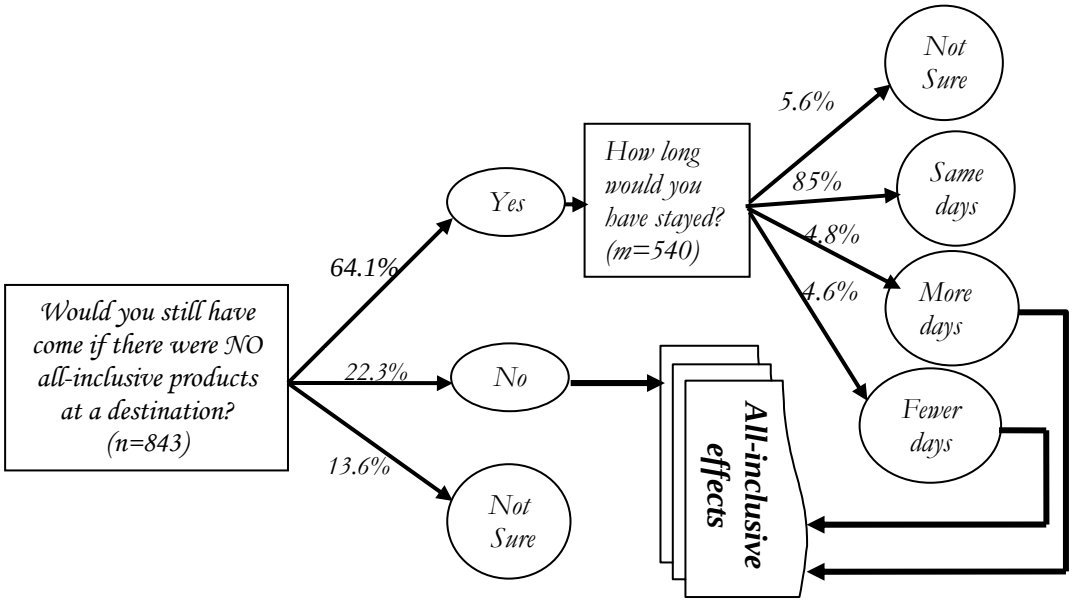
[a]P≤ 0.01 [b]P ≤ 0.05 [c]P ≤ 0.1

7.5.1 The Impact of the All-inclusive presence at the destination

The economic impact of all-inclusives can be estimated in many ways. In this study, the impact of all-inclusives on the Balearic economy has been estimated in terms of the tourism expenditure that could have been missed in the absence of all-inclusive holiday experience at the destination. The impact of all-inclusive holidays measured in terms of days, was corresponding to stays that could have been lost in the absence of AI holiday experience at the destination. In other words, the stays that have been gained due to the presence of all-inclusive holiday experience at the destination. There were two questions for the respondents to estimate both, the impact of the mode presence on the decision to visit and on the length of stay. Figure 8 presents the way in

which the two effects were captured in which the obtained results are also summarized. Of the respondents, 22.3% said that they would not have come, while 15% would have decided otherwise about the length of stay if there were no all-inclusive holiday experience in Mallorca.

Fig. 8 Effects of AI presence on the visits and length of stay



Source: Developed in this study

As expressed in Equations 8 to 10 in section 4.4, the length of stay that has been affected corresponds to summation of days of those, who could not have come (i.e. *with 'no' response,* considered as a positive effect of AI) and days that could have been reduced (i.e. *with 'less days' response,* a positive effect); while deducting the days that could have been gained, (i.e. *with 'more days' response,* a negative effect) in the absence of all-inclusive products in Mallorca for each subsequent visitor unity. After aggregating the expenditure data according to the influence of the AI presence at Mallorca, the following was revealed, as shown in Table XX. The tourist who could have come even in the absence of the AI, has in the current trip spent 4.6% more in totally; has spent 4.3% more in the country of origin, and has also spent 1.7% more in Mallorca. In contrast, the tourist who could not have come has spent less 6.2% less in totally, 2.7% less in the country of origin and also 11.8% less in Mallorca. The tourist who was not sure of the decision he or she would have made in case there were no all-inclusives in Mallorca, has spent 1.6% more in totally, 1.5% less in the country of origin and 10.2% more in Mallorca. Therefore we can conclude that, the tourist who could not have come if there were no all-inclusives in Mallorca was the lowest spender in totally, in the origin as well as in Mallorca. This means that the kind of

the customer this tourism product tries to attract has the least contribution on the economy of the destination.

Table XX Average Daily Expenditure per tourist based on the Effect of the AI presence in Mallorca

	Average Daily Expenditure per Tourist (€)		
Would you still have come in the absence of AI in Mallorca?	Total	Country of Origin	Mallorca
Yes	105.79	85.34	20.52
No	94.92	79.58	17.80
I am not sure	102.81	80.58	22.23
Total	101.17	81.83	20.18

Regarding the ones who would have come even in the absence of all-inclusives in Mallorca, their consumption varies on the basis of their pre-determined length of stay. For example, the tourist who said that he would have stayed longer than he did in the current trip, has spent 16.3% in totally, 21.1% more in the country of origin but has spent 7.1% less in Mallorca. However, the tourist who would have stayed for the same days as he did in the current trip, has spent 2.0% less in overall, 1.8% less in the country of origin and 6.3% less in Mallorca. The same consumption behaviour was shown by the tourist who would have stayed for less number of days, as he spent 12.5% less in overall, 15.4% less in the country of origin and 4.2% less in Mallorca. The one who said that, he was not sure of the number of days that he could have stayed in Mallorca, has spent more at the destination and less in both country of origin and the overall total. Table XXI presents the estimates. In addition, for estimating the impact of the AIs existence, we went further and borrow from a 2004 survey the latest percentage of all-inclusive arrivals in the Balearic Islands (Alegre and Pou, 2006b) and apply the ratio in the current year. Their study shows that in 2004, 16.32% of the tourist arrivals in the Balearics came through AI tour mode. We therefore, infer this percentage in the analysis, by assuming the same % of AI tourist arrivals in 2006, *ceteris paribus*. Total arrivals in 2006 was 12, 577,829 tourists (IB-Dades Informatives, 2006); which means, all-inclusive tourists in 2006 were 2,052,702 in total.

Table XXI Average Daily Expenditure per tourist who could have come in the absence of AI

	Average daily expenditure per tourist (€)		
If there were no AIs in Mallorca, how many days could you have come?	Total	Country of origin	Mallorca
More number of days	124.90	104.78	20.12
Same number of days	105.24	84.96	20.29
Less number of days	94.02	73.14	20.75
I am not sure	105.49	83.07	25.44
Total	107.41	86.49	21.65

Therefore, the stays that could have been lost in the absence of AI holiday experience in Mallorca, equal to 7041 days, which correspond to 2922 visitor units involved in a study. Using ratio analysis, if 7041 days correspond to 2922 visitor units, then, referring to the 2006 AI population, 2,052,702 visitor units should correspond to a total number of 4,946,295 stays that could have been lost if there were no all-inclusive products. With 2,052,702 tourists, the total and daily total expenditure for the whole population have been as presented in Table XXII. The total expenditure was €1,948,794,225; in the country of origin it was €1,585,938,092, while at Balearic the expenditure has been €367,967,360.5.

Table XXII All-inclusive Expenditure (N_{2006}=2,052,702)

	Expenditure in EURO (€)		
	Total	Country of origin	In the Balearic
Average expenditure per tourist	949.38	772.61	179.26
Av. daily expenditure per tourist	117.05	95.22	22.61
Total	1,948,794,225	1,585,938,092	367,967,360.5
Average Daily Total	240,268,769.1	195,458,284.4	46,411,592.22

However, if there was no all-inclusive product or holiday experience in the Balearics, the story could have been different. The total expenditure, at the country of origin and in the Balearics affected by the availability of AI product are shown in Table XXIII. Using average daily expenditure per tourist while inferring the length of stay that could have been lost, i.e. 4,946,295 days for 2,052,702 tourists, in the absence of the AI at the destination, at the origin and Mallorca, 29.7% of the actual expenditure could have been missed.

Table XXIII AI Expenditure affected by the presence of AI product (D_{affect}=4,946,295)

	Expenditure in EURO (€)		
	Total	Country of origin	Mallorca
Av. daily expenditure per tourist	117.05	95.22	22.61
Total	578,963,829.8	470,986,209.9	111,835,730
% of the actual expenditure	29.7%	29.7%	30.4%

AI expenditure in the country of origin could have been 29.7% less, while at Mallorca, all-inclusive expenditure could have been 30.4% less; all with reference to the total actual all-inclusive expenditure in Table J. More specifically, ceteris paribus, the tourist-generating countries and the Balearics together, could have missed a total of €578,963,829.8 from all-inclusive tourists, have it not the presence of all-inclusive holiday experience in Mallorca. At the country of origin, €470,986,209.9 could not have been spent, under the assumption that, the AI seekers would not have visited other destinations with all-inclusive holidays apart from Mallorca. In the Balearic Islands, €111,835,730 which has been spent by the all-inclusive tourists in Mallorca could have been missed.

CHAPTER EIGHT
DISCUSSION AND CONCLUSION

8.1 Introduction

This study was triggered by the fact that, all-inclusive holidays have continuously been maintaining their dominance in many sun and sand destinations. Because AIs rely heavily on foreign packagers, much of their expenditures remain in the tourist generating countries; therefore a major threat to tourism-specialized economies. Due to the AI demand growth, the author was interested to discover factors motivating AIs. Also to reveal the actors who collaborate or share the AI benefits with the AI hotels at the destination. In that line of thoughts, the study seeks to analyze the economic impacts of AIs by applying the theoretical part of the subject into real settings, with special attention given to the economy of the Balearic Islands. Explicitly the study (a) estimates the contribution of AI tourists to the destination economy; (b) identifies factors motivating guests to choose AIs and (c) estimate the contribution of AI hotel sector to the destination economy. The study involves demand and supply sides of the AI market, which lead to two research phases. The first two objectives (a) and (b) entail *Phase One*, through visitor survey; while (c) has involved AI hotels through establishment surveys at the destination as *Phase Two*.

8.2 Discussions for the Demand-Side Findings

8.2.1 Expenditure

Using the data from visitor exit-survey that was conducted in August and September 2006 in Palma Airport, the results present the interrelationships between, in one part, availability of the AI product at a destination and the holiday characteristics, decision to visit a destination and tourism expenditure; in the second part, between holiday characteristics and expenditure; and between decision to visit a destination and tourism expenditure on the third part. It also considers the subjective elements of a trip like demographic characteristics of a tourist; as they together explain the expenditure at the destination but, AI presence at the destination as a conditional factor. Regarding their travelling characteristics, AI respondents came to Mallorca specific for vacation purposes. Most of them were accompanied by 2 to 5 people in a group; with the group of fours dominating. Three-Star hotels were their main accommodation, where majority could stay for up to 8 days. More than half have visited Mallorca before, mainly once; whereby more than half had also came through AI arrangements, majority once. Majority were planning to revisit Mallorca in the future through AI mode.

Expenditure was divided into two broad categories: in the country of origin and at Mallorca. The first category includes transport (return ticket) and accommodation (depending on the tour). With exception of British, expenditure in 3-star hotel by other nationalities was below the average totals, which might explain the reasons for the tourist preference of 3-star hotel over other establishments. However, balancing between expenditure on return ticket and room rate was noticed. For example German AI tourist who stayed in 3-star hotel spent less in accommodation than the overall average room rate per German AI tourist; but has paid more on return ticket, than the overall average air fare for the German AI tourist. Likewise, Italian and Spanish who stayed in 3-star hotel spent less than overall in accommodation, but spent respectively more than overall for return tickets. That was not the case for a British tourist who stayed in a 3-Star hotel, where he spent more than the overall average room rate per British tourist; also on return ticket spending more than overall average expenditure per return ticket per British AI tourist.

Pertaining to the expenditure in Mallorca, the main part of it went to meals and drinks (restaurant, cafeteria & bar); retail shopping (souvenirs, gifts, films); entertainment (other sports and recreational services); communication (telephone, internet, and postal services); rental vehicle and equipment hire; and others. With regard to the impact of AI holidays, 22.3% of AI respondents said that they would not have come, while 15% would have decided otherwise about the length of stay if there were no AI holiday experience in Mallorca. Referring to the inferential population, and assume that in 2006, AI arrivals were the same as in 2004, then with 1, 874,672 visitor units, a total number of 4,946,295 stays could have been lost if there were no AI products. Using average daily expenditure per tourist while inferring the length of stay that could have been lost, i.e. 4,946,295 days for 2,052,702 tourists, in the absence of the all-inclusive package tours at the destination, at the origin and Mallorca, 29.7% of the actual expenditure could have been missed.

8.2.2 All-inclusives Loyalty

Moreover, the AIs loyalty was analyzed, bearing in mind that, more repeats signify the consumer loyalty over the product. It was found that, at least half of respondents have been to Mallorca before the current trip. The significant intention of re-visits to Mallorca from all respondents was shown, which communicates the consumer loyalty over the destination; that can be associated with customer satisfaction of the product which induces the post-purchase decision. We then examine whether the AI respondents were planning to repeat the AI purchases; also whether the

actual not-AI respondents were planning to buy AI tours in the future. Respondent's nationality, income, age and gender were then selected to explain repetition for visits and visits through AIs to Mallorca. The German, British or Spanish respondent was more likely to say that he has visited Mallorca before the current trip, than the rest of other nationalities. Also Italian respondent was more likely to say that he has previously bought AI to Mallorca than the German, British or Spanish respondent. However, the Spanish or German respondent was more likely to say that he plans to buy AI to Mallorca than British respondent.

Any respondent from a household with the gross annual income of at least €40 000 was more likely to say that he has previously visited Mallorca; and even with higher frequency than the one with below €40 000. Also, any respondent with income above €60 000 was more likely to say that, he does not plan to re-visit Mallorca in the future, than the one with income below €60 000; and respondent with household income at most €60,000 was more likely to say that he plans to re-visit Mallorca through AIs than the one with income above €60,000. Respondent with age above 64 years was more likely to say that he has bought AI to Mallorca, than the one with less than 64 years; also the respondent with such age was more likely to say that he plans to buy AIs than the one with fewer than 64 years. Male respondent was likely to say that he has been to Mallorca before; he has previously bought AIs and even with more frequency than his female counterpart. Female respondent was more likely to say that she plans to revisit Mallorca than the male; while male respondent was more likely to say that he plans to buy AIs in the future than the female respondent.

8.2.3 Discussions for the Supply-Side Findings

8.2.4 Works-in-Progress

Following our research objectives, we still have work-in-progress, including:

- The Chapter on Analysis of All-inclusive Motivation, hypothesis testing and development of modals for the previous analysis.
- The *second phase* of the research on the local linkages; which will involve the AI hotel sector as currently operating in the Balearic Islands. The phase comes, while there is distress that many AI enclaves are operated by global capital through a series of spatial networks; that allow only limited economic benefits to accrue to the local economies. Undoubtedly, existence of local linkages will connote the increase of usage of other economic sectors at the destination which stimulates the economy as a whole and creates synergy effects between different sectors of

the economy. Areas of investigation will include procurement from local suppliers; employment of human and material resources; use of tourism services offered locally; government revenues; local partnerships and others. However, the author is aware that, in many tourism-specialized islands, not all supplies are sourced locally due to their inherently narrow resource base and scarcity related to high population plus multitude of tourist. The study will disclose the reality. So far 162 AI hotels are in Mallorca, which are our target.

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A SAMPLE OF AVISITOR QUESTIONNAIRE

1. What was the main purpose of your trip to Mallorca?

[ ] holiday
[ ] business
[ ] conference
[ ]visit family/ friend
[ ] study
[ ]other:_____

2. What was included in the price of the trip you paid at your home country?

[ ] only transport
[ ] transport, accommodation & breakfast
[ ] transport, accommodation & half board
[ ] transport, accommodation & full board
[ ] all-inclusive tour

3. Of the amount you have paid, how many people were covered?

[ ] alone
[ ] you & other 1person
[ ] you & other 2people
[ ] you & other 3people
[ ] you & other 4people
[ ] you & other 5people
[ ] you & other 6people
[ ] you & other 7people
[ ] you & other 8people
other_____

4. Where did you stay during your trip?

[ ] 1-star hotel [ ]3-star hotels
[ ] 2- star hotels [ ]4-star hotels
[ ]other: _____

5. How many days did you stay in Mallorca?

_____Days

6.(a) Would you still have come if there were no all-inclusive products in Mallorca?

[ ] Yes [ ] No [ ] I am not sure

(b) If your answer in 6(a) is "Yes", how many days you could have stayed?

[ ] More days. No. of _____
[ ] The same number of days
[ ] Less days. No. of days_____
[ ] I am not sure

7(a) How much did you pay at your country of residence for this particular trip?

Amount	*Currency*

7(b) of that amount paid in 7(a), what part of it (in currency or %) covers:

	Amount	***%***
Accommodation		
Return ticket		

8(a) How much did you spend in Mallorca?

€

8(b) Of the amount spent in 8(a), what part of it (in € or %) covers:

Restaurant, cafeteria & bar?
€
%

Retail shopping (souvenirs, gifts, films, etc)?
€
%

Entertainments (other sports and recreational services)?
€
%

Communication (telephone, internet, postal service etc.) ?
€
%

Rental vehicles (vehicle and equipment hire)?
€
%

Other Expenses incurred in Mallorca

Expense	***€ or %***

9. How do you agree or disagree with the factors which motivate you to choose all-inclusive tour to Mallorca?

1: Totally Agree **3:** Neither Agree Nor Disagree
2: Agree **4:** Disagree **5:**Totally Disagree

	1	2	3	4	5
a. Saving time for organizing the tour myself					

b.	No need to arrange trip for my self					
c.	To get more time for relaxation					
d.	To have high value for money					
e.	To avoid running out of budget at the destination					
f.	Taking advantage of the child care services at the destination					
g.	To have assurance of the quality of meal at the destination					
h.	To feel safe at the destination					
i.	There is no worrying about the language differences					
j.	To establish social contacts					
k.	There is no fear of strange cultures					
l.	To have reliability of transportation at the destination					
m.	No doubting about the standards of hygiene at the destination					
n.	To do more sports within a limited amount of time					
o.	To enjoy the flexibility of the schedule of the hotels (e.g. opening and closing hours of bar and restaurant.)"					
p.	To enjoy wide range of sporting activities and entertainments					
q.	It is more appropriate for my family					
r.	To get more services for lesser money					

10. How many times have you been to Mallorca before this Trip?

[ ] none [ ] one [ ] two [ ] three [ ]four
[ ] more than four. Number of times_____

10(b) If you have been to Mallorca before, how many times did you stay in the "all-inclusive" establishments?

[ ] none [ ]one [ ] two
[ ] three [ ]four
[ ] more than four. Number of times_____

10(c) Can you please indicate in which year you have visited Mallorca, and show whether you traveled on all-inclusive or no

Year	Traveled on All-inclusive	
	Yes	No

[ ] I do not remember

11(a) Do you plan to re-visit Mallorca?

[ ] yes [ ] no

11 (b) If answer in 11(a) is "Yes", do you plan to stay in all-inclusive hotel?

[ ] yes [ ] no

12. Nationality

[ ]Germany [ ]British [ ]Spanish
[ ]French [ ]Italy [ ]Other_____

13. Age (in years)

[ ]below 25 [ ]26-44
[ ]45-64 [ ]above 64

14. Gender

[ ] female [ ]male

15. Occupation

[ ]unemployed [ ]retired
[ ]employed [ ]student

16. Household gross annual income (€)

[ ]less than 20 000 [ ] 40 001-50 000
[ ] 20 000-30 000 [ ] 50 001-60 000
[ ] 30 001- 40 000 [ ]more than 60 000

(1) Top 20 Destinations for Inclusive Holidays by UK Residents, 1998

Country visited	**Visits**	**Share (%)**
Spain	5,802,000	33.3
France	2,327,000	13.3
Greece	1,463,000	8.4
Turkey	831,000	4.8
United States	803,000	4.6
Italy	790,000	4.5
Portugal	716,000	4.1
Cyprus	658,000	3.8
North Africa	459,000	2.6
Caribbean	420,000	2.4
Netherlands	403,000	2.3
Malta	327,000	1.9
Austria	295,000	1.7
Belgium	285,000	1.6
Germany	229,000	1.3
Rest of Asia	199,000	1.1
Central & South America	192,000	1.1
Canada	149,000	0.9
Central & Eastern Europe	142,000	0.8
Switzerland	121,000	0.7

Source: Tourism Intelligence International (2000a), pp. 82

(2) UK residents' holiday visits abroad, by organization of holiday, 1995-2001

Year	Inclusive Tours (million)	%	Independent Holidays (million)	%	Total
1995	15.2	55	12.6	45	27.8
1996	13.9	52	12.9	48	26.8
1997	15.4	53	13.7	47	29.1
1998	17.4	54	14.9	46	32.3
1999	18.6	53	16.4	47	35.0
2000 (est.)	18.9	54	16.1	46	35.0
2001 (fore.)	19.0	55	15.5	45	34.5

Source: Meyer, 2003, pp.21

(3) Tourism Expenditure between 1984 to 2004 (current price)in the Balearics

Year	Aggregate Expenditure (Milions €)	↑↓ Rate	Real Expenditure (Milions €)	↓↑ Rate
1984	1,597.9	-	3,542.4	-
1985	1,504.2	-5.9%	3,077.6	-13.1%
1986	1,868.2	24.2%	3,498.9	13.7%
1987	2,057.9	10.2%	3,671.6	4.9%
1988	2,241.7	8.9%	3,818.5	4.0%
1989	2,230.4	-0.5%	3,587.1	-6.1%
1990	2,072.7	-7.1%	3,150.5	-12.2%
1991	2,224.0	7.3%	3,216.5	2.1%
1992	2,326.9	4.6%	3,201.3	-0.5%
1993	2,666.5	14.6%	3,524.4	10.1%
1994	3,512.8	31.7%	4,411.7	25.2%
1995	3,858.9	9.9%	4,617.4	4.7%
1996	4,053.7	5.0%	4,673.1	1.2%
1997	4,465.1	10.1%	5,029.1	7.6%
1998	5,112.6	14.5%	5,645.6	12.3%
1999	5,652.4	10.6%	6,098.8	8.0%
2000	6,050.4	7.0%	6,299.6	3.3%
2001	6,185.0	2.2%	6,190.5	-1.7%
2002	5,459.3	-11.7%	5,258.6	-15.1%
2003	5,951.3	9.0%	5,567.2	5.9%
2004	5,832.3	-2.0%	5,309.7	-4.6%

Source: Conselleria de Turisme, UIB (2006)

(4) Tourist Arrivals in the Balearic Islands from 2001-2005

Tourist flow of arrivals in the Balearic Islands, by air and sea			
Unit: number of tourists			
2005	**Total**	**Foreigners**	**Spanish**
Total Balearic Islands	**11.626.188**	**9.362.949**	**2.263.239**
By air sub-total	11.189.063	9.272.079	1.916.984
Mallorca	8.596.213	7.220.653	1.375.560
Menorca	1.007.166	758.471	248.695
Ibiza and Formentera	1.585.684	1.292.955	292.729
By sea sub-total *	437.125	90.870	346.255
Mallorca	205.942	63.995	141.947
Menorca	53.843	4.897	48.946
Ibiza and Formentera	177.340	21.978	155.362
2004*	**Total**	**Foreigners**	**Spanish**
Total Illes Balears	**11.486.683**	**9.271.487**	**2.215.196**
By air sub-total	10.898.019	9.163.924	1.734.095
Mallorca	8.248.708	7.008.504	1.240.204
Menorca	1.043.099	802.942	240.157
Ibiza and Formentera	1.606.212	1.352.478	253.734
By sea sub-total *	588.664	107.563	481.101
Mallorca	345.707	75.068	270.639
Menorca	53.991	9.008	44.983
Ibiza and Formentera	188.966	23.487	165.479
2003	**Total**	**Foreigners**	**Spanish**
Total Illes Balears	**10.263.220**	**8.148.939**	**2.114.281**
By air sub-total	9.670.218	8.080.038	1.590.180
Mallorca	7.160.210	6.007.320	1.152.890

Menorca	1.058.019	836.351	221.668
Ibiza and Formentera	1.451.989	1.236.367	215.622
By sea sub-total *	593.002	68.901	524.101
Mallorca	313.374	16.518	296.856
Menorca	61.174	4.419	56.755
Ibiza and Formentera	218.454	47.965	170.490
2002	**Total**	**Foreigners**	**Spanish**
Total Illes Balears	**9.623.656**	**7.837.018**	**1.786.638**
By air sub-total	9.095.678	7.773.650	1.322.028
Mallorca	6.607.960	5.644.466	963.494
Menorca	1.007.747	825.400	182.347
Ibiza and Formentera	1.479.971	1.303.784	176.187
By sea sub-total *	527.978	63.368	464.610
Mallorca	285.307	14.458	270.849
Menorca	57.458	4.982	52.476
Ibiza and Formentera	185.213	43.928	141.285
2001	Total	Foreigners	Spanish
Total Illes Balears	10.143.225	8.574.539	1.568.686
By air sub-total	9.757.005	8.492.853	1.264.152
Mallorca	7.090.875	6.193.280	897.595
Menorca	1.043.834	873.522	170.312
Ibiza and Formentera	1.622.296	1.426.051	196.245
By sea sub-total *	386.220	81.686	304.534
Mallorca	176.820	13.514	163.306
Menorca	48.469	6.187	42.282
Ibiza and Formentera	160.931	61.985	98.946

(*) Provisional data

Source: CITTIB elaboration from data's of AENA. Balearic Port Authority, **Balearic Institute of Statistics, http://www.caib.es/ibae/dades/ingles/turisme.htm**

SOME OF ALL INCLUSIVE ESTABLISHMENTS IN MALLORCA

Hotel	Board basis options
Acorn Pionero/Santa Ponsa Park	Bed & Breakfast / Half Board / Full Board / All Inclusive
Acorn Playa Santa Ponça	Half Board / All Inclusive
Acorn Sumba/Borneo	Half Board / Full Board / All Inclusive
Anba Romani Aparthotel	Half Board / All Inclusive
Amazonas	Exclusive All-Inclusive
Apolo	Exclusive All-Inclusive
Barcelo Ponent Playa	Half Board / Full Board / All Inclusive
Barcelo Cala Vinas	Self Catering / Bed & Breakfast / Half Board / All Inclusive
Barcelo Pueblo Park	Half Board / All Inclusive
Blau Mediterraneo Club Apartments	Self Catering / All Inclusive
Blau Punta Reina Club	Self Catering / Half Board / All Inclusive
Cala Ferrera	Half Board / All Inclusive
Cala Vinas	Self Catering / Half Board / All Inclusive
Calas Park Apartments	Exclusive All-Inclusive
Canarios Park	Exclusive All-Inclusive
Club Cala D or Gardens	Exclusive All-Inclusive
Club Eurocalas Aparthotel	Exclusive All-Inclusive
Club Hotel Morito	Exclusive All-Inclusive
Club Hotel TONGA	Exclusive All-Inclusive
Club Pollentia Resort Village	Bed &Break/HalfBoard/FullBoard/All Inclusive/RoomAlone
Comodoro	All-Inclusive only
Condes De Alcúdia	Half Board / All Inclusive
Don Pedro	Half Board / All Inclusive
Es Talaial Aparthotel	Exclusive All-Inclusive
Estoril	Exclusive All-Inclusive
Flamboyan Caribe	HalfBoard / All Inclusive
Hawaii Mallorca	Half Board / Full Board / All Inclusive
Hipotels Bahia Grande	Self Catering / Half Board / All Inclusive
Hipotels Don Juan	HalfBoard / All Inclusive
Hipotels Said	Half Board / All Inclusive
Honolulu Hotel	Half Board / All Inclusive
Hotel AMERICA	Exclusive All-Inclusive
Hotel Don Manolo	Exclusive All-Inclusive
Hotel LUX	Bed &Break/HalfBoard/FullBoard/All Inclusive/RoomAlone
Hotetur Belsana	Half Board / All Inclusive
Hotetur Lagomonte	Exclusive All-Inclusive
Iberostar Carolina Park	Self Catering / Half Board / All Inclusive
Iberostar Exagon Park	Half Board / All Inclusive
Isla Dorada Hotel	Exclusive All-Inclusive
Lancaster	Half Board / All Inclusive
Luna Park/Tropical Park	Exclusive All-Inclusive
Mac Júpiter Club	Exclusive All-Inclusive
Mac Marte Club Hotel	Exclusive All-Inclusive
Mac Saturn Club	Exclusive All-Inclusive
Marina Barracuda	Half Board / All Inclusive
Marina Corfu Hotel	Exclusive All-Inclusive
Marina Pax	Exclusive All-Inclusive
Mimosa Park	Half Board / All Inclusive
Ola Panama	Exclusive All-Inclusive
Ola Maioris	Exclusive All-Inclusive
Palia Maria Eugenia	Half Board / Full Board / All Inclusive
Palma Nova Palace	Half Board / All Inclusive
Palmanova	Half Board / All Inclusive

Panoramic	Half Board / All Inclusive
Playa Mar	Self Catering / Half Board / All Inclusive
Playa Blanca	Half Board / All Inclusive
President Hotel	Half Board / All Inclusive
Punta Amer	Half Board / All Inclusive
Riu Bravo	Exclusive All-Inclusive
Riu Camp de Mar	Half Board / All Inclusive
Riu Playa Park	Half Board / All Inclusive
Roc Carolina [ex Iberostar]	Half Board / All Inclusive
Roc Las Rocas	Self Catering / Bed & Breakfast / Half Board / All Inclusive
Rossella Aparthotel	Exclusive All-Inclusive
Samoa	Exclusive All-Inclusive
Simar Aparthotel	Exclusive All-Inclusive
Sol Balmoral	All Inclusive/Self Catering/Half Board
Sol Mirlos Tordos	Half Board / All Inclusive
Torre Blanca Club	All Inclusive/Half Board
Vista Odin	Half Board / All Inclusive
Viva Cala Mesquida Resort	Self Catering / Half Board / All Inclusive

Sources: http://www.medhotels.com/hotellist.asp?AID=12&c=1; http://www.holidayhotels.com/hotel_list.php?AreaID=12