

EXAM WITH ANSWERS

Module: Tourism Policies and Fashion, Art and Food Industries

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GENERAL RULES:

- **Duration.** 60 minutes.
- **Modality.** Written

PART 1: TRUE/FALSE (8 questions)

Instructions: Read each statement below carefully. Place a **T** on a separate blank sheet, indicating the question number, if you think a statement is **TRUE**. Place an **F** if you think the statement is **FALSE**. Every right answer will ensure you **1 point**. If you have questions, raise your hand on **TEAMS** platform and ask your teacher, preferably before starting.

1. National tourism means domestic and inbound tourism. F

Tourism means the activity of visitors taking a trip to a main destination outside their usual environment, for less than a year, for any main purpose, including business, leisure or other personal purpose, other than to be employed by a resident entity in the place visited.

Three types can be distinguished, according to the origin and destination of visitors:

- **domestic tourism** means visits within a country by visitors who are residents of that country.
- **inbound tourism** means visits to a country by visitors who are not residents of that country.
- **outbound tourism** means visits by residents of a country outside that country.

Derived groupings:

- **national tourism** means domestic and outbound tourism.
- **internal tourism** means domestic and inbound tourism.
- **international tourism** means inbound and outbound tourism.

2. Economic leakage in tourism is when money spent does not remain in the same sector but ends up elsewhere. F

Unfortunately, the tourism industry doesn't always provide just positive effects and there are also several negative economic impacts of tourism to be considered. There are many hidden costs to tourism well documented in the tourism literature. However many tourists are unaware of the negative effects that their actions may cause.

In the slide are reported some of the most prominent negative economic impacts of tourism. **Economic leakage** in tourism is when money spent does not remain in the country but ends up elsewhere; therefore, limiting the economic benefits of tourism to the host destination. The biggest reasons of economic leakage are multinational and internationally-owned corporations, all-inclusive holidays.

3. The gender pay gap or gender wage gap is the average between the remuneration for men and women who are working. F

One of the major challenges of different employment condition in tourism and hospitality industry is the **unequal treatment** (gender pay gap): The gender pay gap or gender wage gap is the average difference between the remuneration for men and women who are working.

4. Tourism seasonality is the tendency of tourist flows to become concentrated into relatively short periods of the year with a great pressure on facilities and businesses ability to provide a good service. V

5. For prestige products, the demand curve slopes downwards. F

For prestige products, the demand curve slopes upwards. The higher price is perceived as being an indication of a high quality good. The prestige goods may be perceived as delivering more value. Demand in such circumstances can actually increase as the price goes up

6. Value-based pricing is a strategy of setting prices primarily based on a consumer's perceived value of a product or service. V

A key objective of the marketing managers is to explore customers' attitudes toward particular price changes. Value-based pricing is a strategy of setting prices primarily based on a consumer's perceived value of a product or service. Value pricing is customer-focused pricing, meaning companies base their pricing on how much the customer believes a product is worth.

7. Demand = f (propensity, resistance). Propensity relates to the relative attractiveness of various destinations and it is measured by those costs an individual has to bear for enjoying a travel experience. F

The demand for travel to a particular destination is a function of the person's propensity and resistance to travel between origin and destination areas.

Demand = f (propensity, resistance)

Propensity can be thought of as a person's predisposition to travel which is determined largely by his or her psychographic profile (i.e. Lifestyles, Interests, Opinions, attitudes, and beliefs) and travel motivation, as discussed in the previous lectures. In addition, a person's socioeconomic status will have an important effect on propensity.

Resistance, on the other hand, relates to the relative attractiveness of various destinations and it is measured by those costs an individual has to bear for enjoying a travel experience.

8. The 12 aims for an agenda of sustainable tourism do not account for economic issues. F

Economic viability: Ensure the viability and competitiveness of tourism destinations and enterprises, so that they are able to continue to prosper and deliver benefits in the long term.

PART 2: MULTIPLE CHOICE (8 questions)

Instructions: Read each question carefully, and then **REPORT THE ANSWER**, and the related question number, that best fits the question on the same sheet. Every right answer will ensure you **1.5 points**. If you have questions, raise your hand on **TEAMS** platform and ask your teacher, preferably before starting.

9. Psychographic segmentation is the process of:

- a. creating clusters of customers who share similar characteristics (e.g. social class, lifestyle, interests, etc.) and then grouping them together. X**
- b. dividing the market into groups that are identifiable in terms of physical and factual data.
- c. grouping firms which provide similar travel experiences for visitors.

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The answer b is the **demographic segmentation** involves dividing the market into groups that are identifiable in terms of physical and factual data. The demographic variables may include; age, gender, income, occupation, marital status, family size, race, religion and nationality. These segmentation methods are a popular way of segmenting the customer markets, as the demographic variables are relatively easy to measure.

10. The market segments must possess the following characteristics:

- a. measurability, substantiality, accessibility, actionability. X**
- b. measurability, sustainability, accessibility, actionability.
- c. measurability, substantiality, flexibility, advocacy.

A: Measurability. It must be possible to measure the size and purchasing power of the segment. **Substantiality.** substantiality expresses the notion that the segment chosen as the target market must be large enough to be profitable. **Accessibility.** This refers to the degree to which one may reach and serve segments. For example, the market segments should be accessible in terms of geography and economy. **Actionability.** This relates to the degree to which effective programmes can be redesigned to attract and serve relevant segments.

11. The relative responsiveness of changes in demand to the changes in price is known as elasticity. Particularly, the demand is inelastic if:

- a. the percentage change in demand is greater than the percentage change in price which caused it.
- b. the percentage in demand is less than the percentage change in price which caused it. X**
- c. the responsiveness of demand is exactly proportional to the change in price.

12. A Pigouvian tax:

- a. corrects for the divergence between the market price and the social marginal cost of a negative externalities by being set equal to the external marginal cost. X**
- b. is a distortion in the market and amplifies the divergence between the market price and the social marginal cost.
- c. corrects for market failures by being set equal to the external total cost of the negative externalities.

13. The process of policy formulation in tourism industry is conceptualized as containing distinct sub-stages grouped into:

- a. definitional phase, the analytical phase, the operational phase, and the evaluation phase.

b. definitional phase, the analytical phase, the operational phase, and the implementation phase. X

c. agenda setting, impact analysis, policy formulation, policy implementation, and policy evaluation.

14. The balance of payments, also known as balance of international payments, summarizes:

a. the value of a nation's total export goods and services minus the value of all the goods and services.

b. the total amount of consumption, investments and exports.

c. all transactions that a country's individuals, companies, and government bodies complete with individuals, companies, and government bodies outside the country. X

15. The marginal propensity to consume (MPC) is defined as:

a. the willingness to consume of an individual based on the total available income.

b. the proportion of an aggregate raise in income that a consumer spends on the consumption of goods and services, as opposed to saving it. X

c. a relevant index negatively affecting the income multiplier.

16. There are several measures to appraisal the actual tourism demand. One is based on the "amount spent" obtained as:

a. the estimation on the tourist expenditures by multiplying visitor-days or visitor nights by the average per-year expenditure.

b. the estimation on the tourist expenditures by multiplying visitor-days or visitor nights by the average per-day or per-night expenditure with reference to a specific time frame of interest. X

c. the total amount of expenditures for taxation.

PART 3: OPEN QUESTION (3 questions)

Instructions: Read each question carefully and then **ILLUSTRATE** the topics assigned on a blank sheet. Please write **LEGIBLY**. Any given answer will give you up to a maximum of **4 points**. If you have questions, raise your hand on **TEAMS** platform and ask your teacher, preferably before starting.

17. Outline, in your words, why tourism imports do affect the balance of payments and economic conditions generally.

The **balance of payments** (BOP), also known as balance of international payments, summarizes all transactions that a country's individuals, companies, and government bodies complete with individuals, companies, and government bodies outside the country. These transactions consist of imports and exports of goods, services, and capital, as well as transfer payments, such as foreign aid and remittances.

We have heard much about the balance-of-payments problems of some rich countries, and, indeed, tourism imports and exports do affect the balance of payments and economic conditions generally. We define tourism imports as those expenditures made by Italian tourists in foreign countries. An easy way to remember this is to ask, "Who got the money?" If, for example, Spain received Italian funds, then we are importing tourism services by paying money which flow from Italy to Spain. Based on this principle, our balance-of-payments situation directly affects the gross domestic product (GDP) of our country (Y).

$$Y = C + I + G + (X - M)$$

where

- Y = gross domestic product
- C = consumer expenditures
- I = investments
- G = government expenditures
- X = exports
- M = imports

The formula you see projected comes from the income expenditure model of economics originally developed by John Maynard Keynes to explain fluctuations in production of goods and services and spending. By looking at the formula, we can see that if imports (M) exceed exports (X), then the difference (X – M) will be a negative number, and Y will thus be smaller. Thus, it is advantageous to the Italian economy to attract more visitor spending in the United States. These “tourism exports” are like credits and help the Italian economy. It is economically better to have foreign visitors come to Italy than it is to have Italian citizens travel abroad.

18. Please define the concept of carrying capacity and discuss about the different categories of carrying capacity of a tourism destination.

Carrying capacity was one of the earliest attempts to define the limits of tourism growth, as concerns over its impacts towards the environment.

The World Tourism Organization defines carrying capacity as “the maximum number of people that may visit a tourist destination at the same time, without causing destruction of the physical, economic, sociocultural environment and an unacceptable decrease in the quality of visitors’ satisfaction”

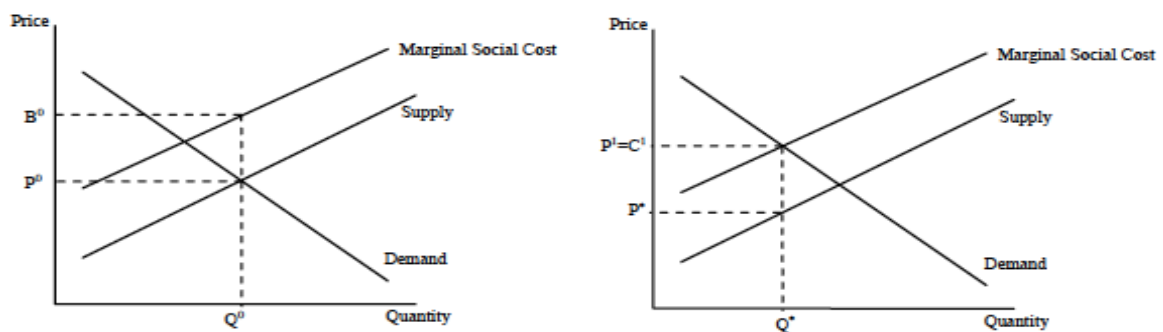
Getz (1983) discussed about five different categories of carrying capacity of a tourism destination: (i) physical, (ii) economic, (iii) social, (iv) ecological, and (v) political.

The **physical** specifically pertains to the WTO definition. It is the maximum use of a resource by tourists before it begins to be unacceptably degraded. The **economic** is the maximum use of a resource by tourists before leading to an unacceptable level of economic dependency. The **social** refers to the maximum use of a resource without causing unacceptable levels of negative feelings towards tourism among the locals. The **ecological** is the maximum use level without causing unacceptable damage to the natural environment of the resource. Finally, the political refers to the maximum use of a resource without causing political instability, such as conflicts over land rights or control of the incomes from tourism. The carrying capacity approach, in all these cases, attempts to quantify these concepts in terms of numbers of tourists.

19. Discuss about the implications of a negative externalities and the implementation of a tax to correct it. Showing it also by means of a graph will be particularly appreciated.

Externalities, or external effects, involve either a benefit or cost being incurred on a second party due to a decision made by a first party. The economic prescription for externalities is in general once they are identified, to measure them and apply a tax (for an external cost) or subsidy (for an external benefit) to correct the market. In the case of an external cost, the social cost of providing each additional unit of a product (the marginal social cost, shown in Figure 1) is higher than the private cost of providing that additional unit (the marginal private cost, which diagrammatically is represented by the supply curve).

Figure 1: An external cost, and the effects of a tax to correct it.



At an equilibrium where supply and demand are equal (Q_0), the total cost to society (C_0) must exceed the price paid by consumers (P_0). Once the size of the externality has been identified, a tax (equivalent to the difference between P_1 and P_2 in the right panel of Figure 1) can be imposed that leads to a new equilibrium quantity (Q^*) where the price paid by consumers (P_1) is equal to the marginal social cost (C_1). The new equilibrium will be at a lower quantity, and producers will receive a lower price (P^*) net of the tax than in the initial equilibrium (Q_0, P_0).