‘Putting a Smile on the Parrot’s Face’
An Exploration of the All-inclusive Debate

Prof. Dr. Alexis Papathanassis
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PAPAGAYO RESORT VS. TUI CRUISES

All-Exclusive on Land (Land Resorts) vs. All-Inclusive at Sea (Floating Resorts)
My Last Holiday in Curacao...
An ‘All-Exclusive’ Expensive Holiday!
Excellent Facilities.... Poor Breakfast.... Expensive Restaurants in the Area... No All-Inclusive / Full-Board Option!
# All-Exclusive... A Benefit for tourism and the local community?

**All Inclusive is not just a Tourism Low-Budget Issue**

<table>
<thead>
<tr>
<th>Coffee capsules for room coffee machine = € 3.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel sunbed cost = € 20</td>
</tr>
<tr>
<td>Impossibility to charge on the room – must carry credit card and pay all hotel bars and restaurants separately</td>
</tr>
<tr>
<td>No hotel shuttle bus to city-centre (Only expensive taxis – up to € 50 – or unreliable busses)</td>
</tr>
<tr>
<td>Supermarket prices at European levels (resort enclave and town)</td>
</tr>
<tr>
<td>2 our of 3 reserved excursions were cancelled last minute</td>
</tr>
</tbody>
</table>

Disposable Tourism Income and time spent on mainly hotel amenities

Low Experience Value

Holiday Cost for 9 Days x 2 Persons = € 4600 Booking + 2300 Spending => approx 383 Euro / Person Day

Opportunity Cost of Alternatives

“Rip-off Destination” Image

Feedback to travel agent back home

‘Word of Mouth’

No intention to revisit destination

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Destinations cannot determine the Disposable Income in the source markets... Regardless whether high or low. But they can manage the Holiday Value-for-Money they offer.
<table>
<thead>
<tr>
<th>'All-Exclusive' vs. 'All-Inclusive'</th>
<th>'Restricted All-Inclusive' vs. 'Differentiated All-Inclusive'</th>
<th>'Premium All-Inclusive' vs. 'Armband Tourism'</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Both can have a negative impact on customer satisfaction</td>
<td>• Binary question: “All-Inclusive or not?” is not pertinent</td>
<td>• All-Inclusive does not necessarily mean ‘Low-cost / budget / quality tourism...</td>
</tr>
<tr>
<td>• Both do not necessarily imply spending benefits for the local community</td>
<td>• Relevant question: “What-Inclusive? And for Whom?”</td>
<td>... It can also mean care-free, high-value for money tourism...</td>
</tr>
<tr>
<td></td>
<td></td>
<td>... Inclination to revisit destination...</td>
</tr>
<tr>
<td></td>
<td></td>
<td>... Available budget to spend outside the hotel...</td>
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UNDERSTANDING ALL-INCLUSIVE

Not to be confused with ‘Enclave Tourism’
All Inclusive Levels

**All-Inclusive Holiday**
- Another term for tour operator package including:
  - Flight
  - Accommodation (with Full Board Catering Option)
  - Transfer from and to Airports
  - Excursions usually not included in the package (unless it is a round trip)

**Enclave Tourism**
- Isolated, self-contained Holiday Resorts / Resort Complexes
- Controlled environment – ‘Ringfencing’ of Tourists’ Expenditure

**All-Inclusive Catering**
- Essentially a low-cost full-board catering option (including drinks)
- Mainly preferred by families and price-sensitive guests
- In a number of countries a necessity due to health & safety as well as due to lack of alternatives in the resort area (e.g. Dom Rep)

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**Key Drivers**

- **Convenience – Reduction of Transaction / Information Costs**
- **‘Share of Wallet’ / Vertical Integration**
- **Reduction of Holiday Budget Overrun Risk**

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**Key Question**

- Destination / Tourism Income Leakages?!
## Tourism Enclaves...

**A Symptom of Developing Tourism Economies and Lack of Tourism Policy?**

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| • Limitations of local infrastructure  
• Lack of local entrepreneurship / Non-competitive local offering  
• Dependence on external funding  
• Market segment focus (Mono-culture) | • Tailored to specific tourist segment  
• Focused profile of a resort = Targeted Marketing  
• Foreign ownership = foreign investment  
• Dependence on local supply chain = Indirect Economic Contribution  
• ‘Cocooning’ – Limit scope of cultural and environmental externalities | • Dependence on foreign investment and distribution  
• Tourism Income Leakage  
• Limited experience with local culture and society – Lack of Authenticity |

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All-Inclusive is a Service...
Not a Tourism Form or Segment!
Tourism Enclaves are Controlled Environments.
Service serves the Guest... Control serves the Host!

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TOURISM STRATEGY

Architecture vs. Regulation

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Conceptualising ‘All-Inclusive’

Transaction Cost Theory

‘All-Inclusive Diffusion’

Source Market / Holiday Guests

‘TC Drivers’

All-Inclusive Holiday

Content Provision / Sales

Transfer / Transportation

Accommodation

Catering (F&B)

Excursions, Local Shopping

Destinations / Local Economy

Enclave Tourism

All-Inclusive F&B

Information Complexity / Standardisation (Individual vs. Packaged Holiday)

Transaction Risk / Frequency of Purchase (Holiday Budget Control)

Lack of Trust / Risk of Opportunistic Behaviour (Tour Operator Branding and Resort Reputation)

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Which Model Do You Prefer for Tourism as a Destination?

Can you meet the corresponding Challenge?

**Tourism Architecture Domain** *(Control the Triggers)*

- Transaction Risk / Relative Price
- Information Complexity / Standardisation
- Perceived Risk of Opportunism

**Transaction Costs**

**Governance Structures** *(Control the Outcome)*

- Revenue Concentration & Vertical Integration
- High TC -> Hierarchies
- Low TC -> Markets
- Revenue Dispersal & Competition

**‘Control’ Challenge**

- ‘All-Inclusive’ Tourism Model

**‘Competitiveness’ Challenge**

- ‘Independent Traveller’ Tourism Model

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‘Increase Production Costs’ Approach
Regulate All-Inclusive – Are You Competitive Enough?

Tourism Architecture Domain
(Control the Triggers)

Information Complexity / Standardisation
Perceived Risk of Opportunism
Transaction Risk / Relative Price

Transaction Costs (vs. Production Costs)

Transaction Costs

Governance Structures

‘Control’ Challenge
Approach - Increase ‘Production’ Costs relative to Transaction Costs:
- Guest Tax
- Hotel Unit Taxation
- Urban Planning
- ‘Cabotage-Like’ Regulations for Hotels operating in Greece

‘Competitiveness’ Challenge
Competitive Capability of:
- Country in the Source Markets (and TO Portfolios)?
- Destination in the Region?
- Local Restaurant in the Area (incl. Hotel Restaurant)?

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‘Reduce Transaction Costs’ Approach

Less ‘Leakage’ plus ‘Competitiveness’ through eTrust Development

Tourism

Architecture

Potential Effects:
- Less Dependency on TOs
- Reduced attractiveness of All-inclusive F&B
- Removing incentives for Tourism enclaves
- Enabling SME Competition

Regulation Domain

(Control the Outcome)

Approach - Decrease ‘Transaction’ Costs relative to Production Costs:
- Reliable Content Provision and Accessibility (Informed Guest)
- Price Comparability & Transparency (Empowered Guest)
- Dynamic Packaging (Flexible Guest)

‘Control’ Challenge

‘Competitiveness’ Challenge

Governance Structures

High TC -> Hierarchies

Low TC -> Markets

Revenue Concentration & Vertical Integration

Revenue Dispersal & Competition

‘Independent Traveller’ Tourism Model

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Competitiveness and Value-for-Money is about Managing the Service and Regulating the Environment... Not Visa Versa!
Tourism Supply Chain Balance of Power

The ‘Right’ Trust for the ‘Right’ Product

Degree of Standardisation / Commoditisation

High

Low

Relative Price / Transaction Risk

High

Low

Information Intensity

(Complexity of Product Description)

Low

High

±AFFECTIVE TRUST

(High reliance on tacit information)

±COGNITIVE TRUST

(High reliance on explicit information)

BASIC TRUST

(Low reliance on information)

Last-minute offers

Holiday package

Single components (flight, hotel)

Cruises

Expeditions / study trips

Itinerary-built holidays / MICE

X

Y

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Branding **without** Content Management **is like** an Empty Promise. Keeping Promises **fosters** Trust and trust **is the cornerstone of** Reputation!
### Key Messages

<table>
<thead>
<tr>
<th>Message</th>
<th>Details</th>
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<tr>
<td>There are <strong>various levels</strong> and forms of ‘All-Inclusive’</td>
<td></td>
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<tr>
<td>‘All-inclusive’ does not necessarily have negative impacts on <strong>local economies and guest satisfaction</strong></td>
<td></td>
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<tr>
<td>‘All inclusive’ is a <strong>service</strong> and not a tourism form</td>
<td></td>
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<tr>
<td>Tourism Income Leakages and ‘Armband Tourism’ are primarily a result of <strong>competitiveness and urban policy deficiencies</strong></td>
<td></td>
</tr>
<tr>
<td>Regulating ‘All-Inclusive’ is not <strong>Managing</strong> it – It may result to decreased competitiveness</td>
<td></td>
</tr>
<tr>
<td>‘All-Inclusive’ is driven by <strong>content</strong> (lack of) availability and <strong>financial risk</strong></td>
<td></td>
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<tr>
<td>Investing in <strong>content management and ICS</strong> is the key to addressing the causes of the negative ‘All-inclusive’ symptoms</td>
<td></td>
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</tbody>
</table>
Don’t blame the parrot for not singing... Blame the cage!
Research Functions:
- Founder & Chairman of the Cruise Research Society ([http://www.cruiseresearchsociety.com](http://www.cruiseresearchsociety.com))
- Co-Director of the Institute for Maritime Tourism (IMT) ([http://www.imt.hs-bremerhaven.de/](http://www.imt.hs-bremerhaven.de/))

Administrative Functions:
- Dean of Studies – Faculty of Business & Economics
- Chairman of the CIM Examinations Committee
- Member of the CIM Study Affairs Committee