1. Introduction: Aims and scope of the study

1.1 Purpose of the study and the research problem

This study investigates the effects of several factors that can cause dynamics in tourism demand. This is achieved by tracing several relationships that could exist in a small island destination that specializes in tourism. Dynamics in the context of this study delineates a pattern of development that deviates from the proportional (monotonous) assumption. The goal of this study is not to model dynamic developments in tourism demand, but to identify a number of factors that can cause dynamics in tourism demand, and, ultimately, tourism development.

The conventional thinking is that small island destinations can only grow up to a certain limit, because they are small, lacking the scale to expand their markets of goods and services (Croes, 2011). Also, defeatist views may consider the findings from island studies to have only insular validity. Yet, as will be detailed in the further course of this chapter, tourism can be an engine of long-term growth for these small island destinations. Furthermore, the findings from island studies could have generic significance for the tourism literature.

The importance of tourism demand studies is lodged in the fact that tourism demand is the foundation upon which all tourism-related business decisions are predicated (Song et al., 2009). For some countries, such as many small island destinations, it is also the lifeline of their economy, since it supports income, jobs, foreign exchange and the like. In light of the importance of tourism demand, it becomes increasingly necessary to develop adequate insight into the factors that determine its outcome (Vanegas & Croes, 2000).

There are numerous influences that can cause dynamics in tourism demand (and, thus, tourism development) over time. These range from changes in behavior, recurring or cyclical variations, to unforeseen events. Yet, while tourism development has been acknowledged by the literature as being dynamic (see, for example, McKercher, 1999; Russel & Faulkner, 1999; Baggio, 2008), the understanding of its causal factors remains limited. This is the case because of three problems that can be distilled from current tourism demand studies. Firstly, research on tourism demand has been structured around only a small number of explanatory variables. For example, according to Goh (2012), most studies on the determinants of tourism demand have concentrated mainly on economic factors such as income and prices. In another study, Croes (2010) found income, price, exchange rate, transportation costs, and marketing expenditure among the
most cited determinants of international tourism demand, a finding that was based on a review of more than one hundred studies. Song et al. (2009), in turn, consider population in source countries, prices (own as well as substitutes), tourists’ tastes, marketing activities, tourists’ expectations and habit persistence, and one-off effects (here one may think of situations such as an oil crisis) as the most important drivers of tourism demand, that are mentioned in the literature. The consequence of these limited views of the determinants of tourism demand is that other potential explanatory variables, such as weather conditions, have remained under-researched. A second consequence is that most tourism demand studies have been based to a large degree on annual data (compare, for example, Lim, 1997; Vanegas & Croes, 2000; Bicak et al., 2005; Croes & Vanegas, 2005; Dritsakis, 2008; Song & Li, 2008; Croes, 2010; Sookram, 2011; and Petrevska, 2012). This approach to data use blanks out potential influences that may be occurring at more frequent periodicities, for instance, on a monthly level. In turn, this blank spot means that a partial view of the determinants of tourism demand is produced, thereby limiting the percipience of its workings. A third consequence is that existing tourism demand studies have paid limited attention to so-called bilateral effects involving tourism demand, particularly from the perspective of tourism demand being influenced by the same factor that it commands. For example, Ridderstaat et al. (2013a) have reviewed the relationship between tourism and economic growth in 28 studies, and found that only slightly more than a third of these had considered the possibility that economic development at the destination could actually have a bearing on tourism demand. Furthermore, while the literature has amply considered the effect of tourism on the quality of life of residents of a destination (here one can refer to Perdue et al., 1991; Crotts & Holland, 1993; Andereck & Vogt, 2000; Kim, 2002; Fredline et al., 2005; Gjerald, 2005, Sdrali & Chazapi, 2007; Andereck et al., 2007; Marzuki, 2009; Andereck & Nyaupane, 2010; and Meng et al., 2010), none of these studies has recognized the possibility that the quality of life of these residents could, in its turn, influence tourism demand for a destination. Indeed, this two-way relationship has only recently been explored and established by the literature (Croes, 2012; Ridderstaat et al., 2014). This incomplete understanding of the causality relationship reduces the accuracy of our insight into those mechanisms that cause changes in tourism demand.

The consequence of these shortcomings is that our understanding of the determinants of tourism demand in both the short- and long-term remains confined to a few explanatory influences, mainly economic variables. Such a limited view restricts proper insight into the developments that occur in tourism, and which could be of salient interest to the survival of many destinations. A view like this also limits the creative approach necessary for
undertaking successful tourism studies, i.e., by not stimulating an
environment where new ideas on tourism development could be channeled
through tourism investigations. Similarly, this way of thinking has
implications for the advancement of theories that explain tourism
development. This study wishes to advance the current discourse on these
issues.

1.2 Research framework

For a long time, researchers believed that tourism development followed a
Newtonian type of behavior, with a tendency towards linear relationships,
equilibrium and structured simplicity (Russel & Faulkner, 1999; Faulkner,
2000). Under Newtonian physics, a system operates like a well-behaved
machine in a predictable universe; one where causal relationships are
simple, clear and linear (Tetenbaum, 1998), and where the dissected system
components are assumed to be stable and static in nature (Zahra & Ryan,
2007). The linearity approach also implied that small changes in the initial
condition of a system would likely produce small changes in the end (Russel
& Faulkner, 1999). However, empirical realities have disputed this steady-
state paradigm.

It took the academic world up until the late 1990s to challenge existing
views; only in this time-period, this notion of tourism being a linear
development was put aside. Researchers have recently come to understand
that tourism is not an isolated phenomenon, and its development is affected
by a range of both internal and external events. This reality points to the
notion that tourism is an open system (Hall & Lew, 2009; McDonald, 2009)
that is exposed to both human (inter)actions and acts of nature. The
unshielded features of tourism make it highly unlikely that it would follow a
linear path, at least not for a sustained time period. Understanding the open
system characteristic of tourism requires delving further into the internal and
external forces that cause this phenomenon to become dynamic.

1.2.1 Tourism from an internal perspective

From the internal perspective, tourism is understood to incorporate different
kinds of stakeholders, each with their own interests, viewpoints, and needs.
The literature distinguishes four types of stakeholders in tourism (Lage &
Milone 2001; Goeldner & Ritchie, 2012). Firstly, there are the tourists who
look for different types of experiences or physical/psychological
satisfactions that maximize the utility of their trip (Lage & Milone, 2001).
Their demand may be subject to different factors that could change with
time, including disposable income, prices of the goods and services relative
to the prices of substitutes, cost of living, marketing and promotional expenditures, prices of competing destinations, political situation at the destination, exchange rates differentials, physical distance, and motivations of the tourists (Wall & Mathieson, 2006; Croes, 2010). Demand itself is also subject to variations over time, because of the changing personification and profile of the tourist. New generations of tourists are gradually replacing older ones. For example, Baby Boomers are currently being replaced by Generation Y in terms of generational dominance (Pendergast, 2010). Many members of Generation Y are experienced travelers and have a strong awareness of travel opportunities, and a sturdy interest in visiting domestic and overseas destinations by themselves (Glover, 2010), providing possible directions for future tourism demand. Development of new tourism markets can also affect demand over time. For instance, China, as an emerging tourism country, is currently the fastest growing outbound tourist market, and is projected to become one of the largest tourism countries to tap from in the years to come (Li et al., 2011).

Secondly, there are businesses that regard tourism as an opportunity for profit-making by providing goods and services that the tourism market needs (Goeldner & Ritchie, 2012). Businesses can affect tourism demand through their price-setting behavior and the quality of the services rendered. For example, the own-price elasticity of demand is normally negative (Song et al., 2009), meaning that if businesses were to increase their prices, this could, ceterus paribus, affect tourism demand negatively. Furthermore, the quality of the provided service is an important factor in the overall tourism experience, and one which ultimately dictates the success of the tourism business (Kandampully, 2000).

Alternatively, businesses are susceptible to developments in tourism demand, both on the short- and the long-term. On the short-run, for example, seasonality could affect tourists’ decisions pertaining to spending (Goh, 2012), which could have implications for the profitability of businesses. Moreover, periodical variations in the flow of tourists could give rise to situations of over-capacity, non-utilization of infrastructure, decrease in the work force and absence of investments during low seasons (Pegg et al., 2012). In turn, these could cause reduced profitability and productivity (Karamustafa & Ulama, 2010). Over the long-run, businesses could benefit from the reinforcing effects of increasing returns of tourism specialization (Arthur, 1996). For example, the positive economic outcome attributed to tourism development could generate additional revenues for the government, making it possible for the latter to allot more funds to tourism promotion, which could ultimately benefit those businesses involved in tourism.
Furthermore, the tourism business constantly evolves over time, in a process that is aided to some extent by technological innovations such as the creation of the World Wide Web (which has led to diverse marketing improvements that had an impact on many tourism businesses). For example, the internet has already caused a far-reaching reduction in traditional marketing and sales intermediaries such as travel agencies (Hjalager, 2010). Moreover, information technology can generally enhance the coordination of national, regional, and global activities, thereby creating new opportunities for tourism businesses, and enhancing their competitive advantage (Zhang et al., 2009).

Thirdly, one can consider the community at the destination itself, which could have important participants in tourism. Residents of a destination comprise of a range of different groups of people, each with a different view of tourism, including (see Swarbrooke, 1999: 123):
- Those who own tourism enterprises;
- Those employed in the local tourism industry;
- Those who are entrepreneurs and who are not involved in the tourism business;
- Those who are not employed in the tourism industry, and are generally unaffected by the industry; and
- Those whose lives are adversely affected by tourism.

The attitude of these groups of people can change over time as tourism develops (Vargas-Sánchez et al., 2011). For example, Harrill (2004) found that low-to-moderate tourism development was perceived as beneficial to the community, but as development increased, residents’ perceptions could quickly take a turn for the negative. A negative attitude could prove harmful for tourism, given that it could affect residents’ support for its further development. Unhappy residents may exhibit hostile behavior towards tourists, making the latter feel unwelcomed and unwilling to repeat their visit to the destination. Besides support, residents could also affect tourism development through their educational background. The tourism experience hinges on the interaction between the tourist and the quality of the labor force in the tourism industry, which could have a bearing on the willingness of tourists to return to the destination and their word-of-mouth (or word-of-mouse) recommendations to others (Carmihael, 2006; Ridderstaat et al., 2013b). Another way through which residents could affect tourism development is by deliberately trying to misuse tourists for their own benefit (Ridderstaat et al., 2014). This could happen when citizens overcharge or short-charge tourists for services rendered (Harris, 2012), or when they commit more serious offences against tourists, for example robbery or
murder. These types of misbehavior against tourists could jeopardize future tourism development, and may require serious attention from policy-makers.

In the fourth place, governments are another important partner in the development of tourism. The general rule is that the greater the importance of tourism to a country’s economy, the greater the involvement of its government in tourism (Wanhill, 2005). Governments generally have several roles to play in tourism development. For one, governments see tourism as an economic factor that provides employment and income to citizens, while also benefitting governments themselves in the form of foreign exchange and tax receipts from tourism expenditures (McKercher, 1999; Lage & Milone, 2001). In this context, governments can act as catalysts in tourism development (Jenkins & Henry, 1982), i.e., by planning tourism growth through mechanisms like access permits, developing and building permissions, zoning, road development and the like (Ryan, 2002). Governments also have the task of synergizing businesses and the community for a successful tourism performance, i.e., by creating collaboration and networks among these stakeholders (Ramayah et al., 2011). Networking has a crucial role when it comes to mobilizing information and resources, and for engaging stakeholders in cooperative processes (Lemmetyinen & Go, 2009). Governments also have the task of making the tourism destination accessible for the tourists. Access is vital for a proper functioning of the tourism system (Rutherford et al. (2014), where transport plays a key role in opening up the destination (Lohmann & Pearce, 2012), through (a) movement of tourists between their place of origin and the destination; and (b) movement of tourists within a destination (Lohmann & Duvall, 2011). Also, governments often have an important role to play in promoting tourism development through direct subsidies (e.g. purchasing of services, building infrastructure, and regulating security) (Reece, 2010). Furthermore, governments can intermediate in situations of market failures and/or market distortions that justify the intervention of governments to improve the market performance (Smeral, 2012). Market failures, for example, can manifest in environmental degradation, including air and water pollution, and soil contamination. Governments can contribute towards remedying these market imperfections through, for example, providing public goods such as clean beaches and streets, public safety, as well as brand image, all of which could influence the destination choice of tourists (Croes, 2011). These roles require an active government that constantly plans, monitors, and takes corrective actions, should these be required.

The relationship between the government and tourism is non-stationary over time. According to Hall (1999), tendencies to privatize and commercialize government functions, coupled to political rationales such as ‘new right’, corporatist or neo-conservative economic agendas, have caused
a dramatic shift in governments’ role in tourism. This implies, according to the author, that the traditional public administration model, which was based on implementing government policy for a perceived public good, had to make room for a corporatist model that emphasizes efficiency, investment returns, the role of the market, and relations with stakeholders. For example, in the case of the island of Aruba, its government established a *sui generis* Aruba Tourism Authority (ATA) in 2011, as a unique independent legal entity within the public sphere, aimed at a more flexible, effective and proactive organization\(^3\) that will allow the ATA to execute its new strategic role.\(^4\)

Tourism development is, thus, dynamically influenced by the changing behavior of different stakeholders over time. However, this is just one dimension of the drivers of dynamics in tourism.

1.2.2 Tourism braving external events

As an open system, tourism is also affected by external factors that are becoming more threatening over time. This is the case because tourism exhibits the signs of a globally-oriented export activity (Romão et al., 2011), where the world has become a global village (Neuts & Nijkamp, 2012). The number of tourists worldwide has grown tremendously over the last six decades, increasing from 25 million in 1950 to more than 1,087 million by 2013 (UNWTO, 2011, 2014). Many countries have become participants in this activity. While in 1950, some 96.4% of the total international arrivals was absorbed by the American and European regions, by 2013 these two regions only accounted for 54.8% of the total international arrivals.\(^5\) At the same time, the Asian and Pacific regions have become influential recipients of tourists in time, from a share of 0.8% in 1950 to nearly 30% in 2013.\(^6\)

However, globalization had also made tourism vulnerable to global risks (Ritchie, 2004; Maditinos & Vassiliadis, 2008); these may well have an impact on tourism development. In recent years, the global tourism industry has been affected by many crises and disasters, for example, terrorist attacks, political instability, and economic recession (Ritchie, 2004). According to Faulkner (2001), there is a virtual certainty that every tourism destination will be experiencing some type of disaster at some point in time.

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\(^4\) See Croes et al. (2011).

\(^5\) Source: author’s calculation based on data from the World Tourism Organization.

\(^6\) See previous footnote.
External impacts appear in many forms, including wars, technological advances, political outcomes, economic developments, recurring sport events, weather factors, and terrorism. These external factors can also have different contours, given that their outcome may be expected or unexpected, man-made or natural, positive or negative (Ridderstaat et al., 2013b, 2013c). Factors like these could be slow-moving (like the effect of climate change on tourism) or rapidly and shocking (like a tsunami or an earthquake). According to Laws et al. (2007), the spectrum of these types of events can range from local (like a fire at a resort, or the Bali bombings of 2002 and 2005) to more global (like the 2003 SARS outbreak). The media can play an important role in informing the public, but may also exacerbate the impact of events through sensationalistic reporting (Laws et al., 2007). The Natalee Holloway disappearance in Aruba in May 2005, for example, caused an international media frenzy that endured for many months, probably also impacting the island’s tourism (Central Bank of Aruba, 2006). In general, the damage regarding tourism could be expressed in terms of lost arrivals, visitor nights or spending, but it could also take more serious forms like loss of life, damage to infrastructure, loss of homes, and economic and cultural damage (Laws et al., 2007).

In terms of external events, many authors have made a distinction between disasters and crises (Moreira, 2007). Faulkner (2000: 15), for example, defines a crisis as ‘a situation where the root cause of an event is, to some extent, self-inflicted through such problems as inept managers, inappropriate management structures and practices or a failure to adapt to change.’ Disasters, on the other hand, are defined by the author as ‘situations where an enterprise (or collection of enterprises in the case of a tourist destination) is confronted with sudden unpredictable catastrophic changes over which it has little control.’ (Faulkner, 2000: 15). The main distinction between these constructs is contingent upon whether human action (from within a system) could have avoided the event. If so, the event could be categorized as a crisis. If not, it is considered to be a disaster. Regardless of the nature of crises or disasters, tourism is highly vulnerable to such influences (Sönmez et al., 1999). Yet, external events do not always have to be categorized as a crisis or a disaster. A study by Ridderstaat et al. (2013b) provided a non-exhaustive list of events that could affect tourism development, including recurring weather seasonality and sports events such as the World Cup Soccer or the Olympic games, all of which could also impact tourism at specific destinations.

Such external events can suddenly shape the future along an unpredictable path, creating, for some time, high levels of uncertainty, with a weakened or lost sense of control (Holling, 2005; Moreira, 2007). In the case of tourism destinations, these externalities could mean that previously
stable tourism communities could plunge into a state of chaos, often because of a dramatic decrease in visitors numbers (McKercher, 1999).

1.2.3 Vulnerability and resilience defining the intensity of the dynamics in the tourism system

The previous two subsections have shown that tourism is an open system exposed to both internal and external events that cause dynamics in this phenomenon. This brings to the front two key characteristics of the structure and workings of the tourism system that ultimately define the scale of dynamics experienced by the system. The first one is vulnerability, which refers to the susceptibility of a system to disturbances, given their exposure and sensitivity to perturbations and their ability to adapt from these distresses (Nelson et al., 2007). According to O’Brien et al. (2004), vulnerability is inherently a differential concept, given that risks or changes and the ability to cope with them vary across physical space as well as among and within social groups. Furthermore, vulnerability varies depending on the unit of analysis (e.g., country or region, community or social group). Moreover, vulnerability is on itself dynamic, meaning that it may change over time as underlying structures and conditions change, according to the authors.

The second key feature delineating the strength of tourism dynamics is resilience, which can be defined as the amount of change a system can experience and still maintain the same function and structure while retaining options to develop (Nelson et al., 2007). The conventional way to look at the resilience concept was from an engineering\(^7\) or ecological perspective\(^8\), but the economic interpretation of resilience is becoming more attractive to the scientific community (Modica & Regianni, 2014). According to the latter authors, economic resilience can be considered in terms of either engineering resilience, or ecological resilience, or both kinds of resilience. On the one hand, economic resilience seems to be focused on the analysis of the speed with which a system returns to its pre-shock condition (engineering resilience), and, on the other hand, on the capacity of a system to reach new possible equilibriums (ecological resilience) (Modica &

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\(^7\) The engineering resilience view concentrates on stability near an equilibrium steady state, where resistance to disturbance and speed of return back to the steady state are important (Holling, 1996).

\(^8\) The ecological resilience view emphasizes an interplay between resilience (defined as the ability of these systems to absorb changes and still persist) and stability (defined as the ability of a system to return to an equilibrium state after a temporary disturbance) (Holling, 1973).
Regianni, 2014). Available interpretations of economic resiliency, provided by the authors, however, suggest that combinations of both engineering and ecological resilience seem more prominent. For example, Brigulio et al. (2006: i) defined economic resilience as ‘the ‘nurtured’ ability of an economy to recover from or adjust to the effects of adverse shocks to which it may be inherently exposed.’ Hill et al. (2008: 2-3) defined regional economic resilience as the ability of a region ‘to recover successfully from shocks to its economy that either throw it off its growth path or have the potential to throw it off its growth path but do not actually do so.’ Rose (2007: 384) defined economic resilience as ‘the ability of an entity or system to maintain function (e.g., continue producing) when shocked.’

Destinations may be inherently vulnerable because they are open to both internal and external human and natural factors (Tita, 2014), and may have different capabilities to cope with the changes and disturbances originating from these factors. Their level of resilience, which is policy-induced (Brigulio et al., 2008, 2009), determines how well these places could effectively respond and positively adapt to the increasing variations and disorders (Biggs & Stoeckl, 2012). Convergence of vulnerability and resilience conditions in the end determines the strength of the dynamics in the tourism system.

1.3 Tourism theories

Currently, no single theory has the ability to explain all developments occurring in tourism, given the complexity of this phenomenon. This study will not pursue this goal either. The following are three examples of theories that have been applied in tourism investigations. Some studies have, for example, taken recourse to Chaos\(^9\) Theory to explain tourism development (e.g., Faulkner & Valerio, 1995; Russel & Faulkner, 1999; Faulkner, 2000; Zahra & Ryan, 2007; Maguire, 2012; Boukas & Ziakas, 2013). Chaos Theory considers systems as inherently complex and unstable (Russel & Faulkner, 1999; Faulkner, 2001). Consequently, this instability makes it extremely difficult to adequately predict the future of these systems (Nijkamp & Reggianni, 1991, 1995, 1998; McKercher, 1999). Chaos Theory is based on the notion of ‘sensitive dependence on initial conditions’ (the so-called Butterfly Effect), which holds that small changes in input could quickly become overwhelming differences at the end (Gleick, 2008).

\(^9\) Chaos is described as a complex, unpredictable, and orderly derangement, in which behavioral patterns disentangle in irregular but similar forms (Tetenbaum, 1998).
It follows that even seemingly insignificant events could be sufficient to create instability and cause changes of such magnitude that the integrity and coherence of the entire system becomes threatened (Faulkner, 2001). According to the latter author, a system pushed into chaos by some kind of crisis or disaster may be restored to a condition resembling the pre-crisis/disaster situation, or a totally new state.

Another theoretical framework that has been applied by the tourism literature is the so-called Endogenous Growth Theory, which originated from the seminal works of Romer (1986) and Lucas (1988). This theory considers economic growth as primarily being driven by endogenous influences, and not by forces that impact it from the outside (Romer, 1994). According to Stimson & Stough (2011), factors such as regional resource endowments, human capital, technology, entrepreneurship and institutionalism (including the role of leadership) are important features of this theory. The Endogenous Growth Theory revolves around the notion of increasing returns to economic growth (Cortright, 2001), and has been applied in tourism studies, particularly when it comes to the long-term economic effects of tourism specialization (Lanza et al., 2003; Adamou & Clerides, 2009, 2010; Figini & Vici, 2010; Ridderstaat et al., 2013b).

A third theoretical underpinning that has been frequently applied by the literature is the Social Exchange Theory, which involves the trading and sharing of resources between individuals and/or groups (Harrill, 2004). In the context of tourism, such an exchange is necessary in order to develop this phenomenon (AP, 1992). The main premise of this theory is that people will favor the exchange and support of tourism development if the benefits were to exceed the costs of tourism and if they personally valued these benefits (Jurowsky et al., 1997; Andereck et al., 2005; Carmichael, 2006). Although the outcome of the Social Exchange Theory has been aligned with residents’ support of tourism development, the theory could equally resonate with the effect of the exchange on the tourists themselves. Tourists could, for example, find themselves feeling unwelcome or not well-served in the context of exchanges with residents, and they may consequently not be willing to return to the destination. In other words, tourists’ willingness to return to a destination is another outcome, next to residents’ support that could be explained by the Social Exchange Theory. This theory has been applied in tourism studies, among others, to explain the perceptions and attitudes of residents (e.g., Perdue et al., 1987; Jurowski et al., 1997; Gursoy et al., 2002; Lee & Back, 2003), and to analyze the impact of tourism on residents’ quality of life (e.g., Andereck et al., 2007; Andereck & Nyaupane, 2010).

While the presented theories may, to some extent, explain the findings of the studies in this dissertation, the goal here is completely different, i.e.,
to provide building blocks that will improve our understanding of tourism demand dynamics, and will produce theoretical propositions that will strengthen the theory formulation process, a much-needed enterprise as will be argued further in this chapter.

1.4 A small island destination as a case study

There is no generally accepted definition of what exactly constitutes a small island destination. McElroy (2006) defines a small island as one that has fewer than 1 million inhabitants and that is smaller than 5,000 km² in area. Croes (2011) confines the term small island to isles with a population of less than 1.5 million people, in line with the criterion proposed by the Commonwealth Secretariat/World Bank Joint Task Force on Small States (2000).

Small island destinations are not only small, but are also typically characterized by several challenges, including their remoteness, geographical dispersion, vulnerability to natural and man-made disasters, fragility of ecosystems, constraints on transport and communication, and lack of natural resources (Brigulio, 1995; Croes, 2011; Seetanah, 2011). Furthermore, these destinations are often reliant on tourism, because of the openness of their economies, relative location and the costs associated with production and trade (Roberts & Lewis-Cameron, 2010).

Given the small size of these nations, the conventional thinking is that their smallness may limit their economic growth, because of the difficulties in achieving economies of scale in a wide range of basic economic activities (Read, 2001). However, a small but growing number of studies that explore the relationship between tourism and economic growth of small islands (Durbarry, 2004; Adamou & Clerides, 2009/2010; Croes, 2011; Ridderstaat et al., 2013a) suggests that tourism can be an engine of long-run growth in these countries, and that there are options available that can be used to overcome the problems of scale. A study by Croes (2011), for example, proposed adding culture as a tool for propelling growth in small island destinations.

According to the World Travel and Tourism Council, tourism specialization (measured by the direct and indirect contribution of tourism to the gross domestic product) varied between 9.0% (Sao Tome & Principe) and 94.0% (Maldives) in 2013 (Table 1.1). The contribution of tourism to employment varied between 8.1% (Sao Tome & Principe) and 89.2% (Aruba), whereas at least eight of the selected small island destinations had a Human Development Index (HDI) of 0.758 or higher, which is deemed a high level of human development by the United Nations. Aruba ranks high in all three dimensions, indicating that the island enjoys a high level of
tourism and employment specialization and human development. This makes the island an excellent laboratory for investigating dynamics in tourism development.

Table 1.1: Tourism contributions and human development index (HDI) in small island destinations

<table>
<thead>
<tr>
<th>Specialization</th>
<th>Contribution to employment</th>
<th>HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anguilla</td>
<td>67.5</td>
<td>69.6</td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td>78.5</td>
<td>71.8</td>
</tr>
<tr>
<td>Aruba</td>
<td>87.0</td>
<td>89.2</td>
</tr>
<tr>
<td>Bahamas</td>
<td>49.3</td>
<td>58.6</td>
</tr>
<tr>
<td>Barbados</td>
<td>38.3</td>
<td>37.8</td>
</tr>
<tr>
<td>Bermuda</td>
<td>15.6</td>
<td>20.6</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>24.0</td>
<td>25.7</td>
</tr>
<tr>
<td>Cyprus</td>
<td>19.5</td>
<td>20.9</td>
</tr>
<tr>
<td>Dominica</td>
<td>29.9</td>
<td>27.7</td>
</tr>
<tr>
<td>Fiji</td>
<td>37.8</td>
<td>34.1</td>
</tr>
<tr>
<td>Former Netherlands Antilles</td>
<td>33.7</td>
<td>36.7</td>
</tr>
<tr>
<td>Grenada</td>
<td>22.2</td>
<td>20.5</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>14.9</td>
<td>15.4</td>
</tr>
<tr>
<td>Jamaica</td>
<td>28.4</td>
<td>26.0</td>
</tr>
<tr>
<td>Kiribati</td>
<td>22.3</td>
<td>19.4</td>
</tr>
<tr>
<td>Maldives</td>
<td>94.0</td>
<td>86.7</td>
</tr>
<tr>
<td>Malta</td>
<td>26.6</td>
<td>27.4</td>
</tr>
<tr>
<td>Martinique</td>
<td>10.4</td>
<td>10.8</td>
</tr>
<tr>
<td>Mauritius</td>
<td>28.1</td>
<td>26.6</td>
</tr>
<tr>
<td>Sao Tome &amp; Principe</td>
<td>9.0</td>
<td>8.1</td>
</tr>
<tr>
<td>Seychelles</td>
<td>61.7</td>
<td>61.8</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>12.6</td>
<td>11.0</td>
</tr>
<tr>
<td>St Kitts</td>
<td>26.5</td>
<td>25.2</td>
</tr>
<tr>
<td>St Lucia</td>
<td>39.9</td>
<td>43.4</td>
</tr>
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<td>St Vincent and the Grenadines</td>
<td>21.4</td>
<td>19.6</td>
</tr>
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<td>Tonga</td>
<td>14.8</td>
<td>15.4</td>
</tr>
<tr>
<td>UK Virgin Islands</td>
<td>74.8</td>
<td>87.7</td>
</tr>
<tr>
<td>US Virgin Islands</td>
<td>26.6</td>
<td>30.0</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>53.0</td>
<td>46.9</td>
</tr>
</tbody>
</table>

Source: World Travel and Tourism Council; United Nations Development Program; HDI for Aruba was based on a study by Ridderstaat et al. (2014).

It can be argued that the results of island studies do not have to be specifically tied to islands, and, therefore, do not need to have isolated validity. As stated by Quammen (1996: 120, 139): ‘Islands are distinct from mainlands in that they represent simplistic exaggerated versions…of exactly those evolutionary processes that occur on mainlands.’ According to
Baldacchino (2004: 278), an island is the best comparison for a mainland, ‘since the processes and dynamics that occur habitually on a mainland may be enhanced and exacerbated in an island setting.’ If these conditions apply, island study findings could have a much broader significance for tourism knowledge than people would initially expect, thereby rendering support for using the island of Aruba as a case study.

It is also true that case studies have been perceived by some scholars as being a weak approach, often leading to un-confirmable conclusions (Xiao & Smith, 2006), while not possessing generalizing qualities and not suitable for full-fledged research (Flyvbjerg, 2006). According to the latter author, it is, however, incorrect to assume that case studies cannot provide reliable generalizing information. In fact, he propounds, much of what we know about the empirical world has been produced by case study research. Furthermore, Xiao & Smith (2006) have examined case studies in tourism research through a content analysis, and concluded that the prevalent arguments of case studies as being conceptually and analytically weak were not justified, and that the case study approach has contributed considerably towards tourism and to scholarship in the field. According to Yin (2009), the goal of an individual case study is merely to expand and generalize theories (analytical generalization), and not to enumerate frequencies (statistical generalizations). In other words, the method does not seek to produce findings that are representative in a general sense (Veal, 2006), but rather to articulate new ideas based on acquired evidence (Smith, 2010). At least one case is needed, according to Eisenhardt & Graebner (2007), to create theoretical constructs, propositions and/or mid-range theories from case-based empirirical evidence. It is clear from the above that case studies, even if confined to a one-country study such as the island of Aruba in the current analysis, could well merit consideration in empirical investigations.

1.5 Research questions

The study addresses the following main question:

*What is the contribution of this study to the determinants of tourism demand dynamics in the literature, from the perspective of a small island destination?*

The aim here is to map the findings of the presented empirical investigation to the literature on tourism demand dynamics, specifically from the vantage point of small island destinations. To answer this main question, the following sub-questions were formulated:
What are the new ideas that this study brings to the tourism demand dynamics discourse in the literature, from the perspective of a small island destination?

What is the contribution of this study to new theoretical propositions, from the perspective of a small island destination?

The aim of this study is, thus, to present new ideas (sub-question 1), and to formulate new theoretical propositions (sub-question 2) that will contribute towards advancing the base of the tourism literature.

1.6 Research relevance

The study’s relevance is lodged in the contributions it is expected to make to the tourism literature. As a case study, this investigation is expected to bring forward new ideas that can contribute towards advancing the tourism demand dynamics literature. New understandings in the form of concepts and methods of analysis can expand the avenues of future studies on tourism demand dynamics. The study also contributes to the literature by advancing theory-building in tourism studies. While the number of published studies on tourism has been spreading aggressively over the years, the contribution of investigations to theory building has remained in a stagnant mode. As Goeldner (2005: 49) puts it: ‘Researchers have spent relatively little time creating theory, even though a serious need to focus on tourism theory building exists.’ Similar critical remarks have emanated from Athiyaman (1997) and Moriarty (2012). This study intends to contribute to these lacunae in tourism theory-building by advancing the creation of new theoretical insights through new theoretical propositions.

Furthermore, the study is expected to contribute to the tourism literature through the applied investigations in this study, in particular related to the following aspects:

**Cyclicality and seasonality dynamics in tourism**

Investigations in this area are expected to contribute towards the literature on the cyclicality and seasonality of tourism demand. For example, the research provides further insight into how business cycles interact with tourism demand cycles in terms of synchronization, cointegration, duration, and equality of effects. Also, the study contributes to the seasonality literature by comparing monetary and non-monetary seasonal patterns, using three dimensions (pattern, amplitude, and timing), and by determining the
causality running from the seasonal factors of both pull and push climate elements to those of tourism demand.

Tourism development, economic growth, and quality of life nexus

This study contributes towards the literature by analyzing the triadic relationship between tourism development, quality of life, and economic development, whereby the latter acts as a mediating factor. The nexus between tourism specialization and economic growth is an extant debate, particularly in the case of small island destinations. The available literature on the relationship between these two constructs shows mixed findings for small island destinations. For example, Adamou & Clerides (2009/2010) found that tourism specialization yields a decreasing return on future economic growth, while the study results by Holzinger (2010) and Croes (2011) suggested an increasing returns effect of tourism specialization on economic growth. This study contributes to furthering this debate. In addition, the study contributes to the literature by offering a more profound understanding of the relationship between tourism development and quality of life. This link is not new. Already in 1981, the World Tourism Organization adopted the relationship between tourism and quality of life as the theme of its World Tourism Day Celebration. Yet, for a long time, the relationship has been considered in a one-sided fashion only. Over the course of a number of years, many studies on this relationship have been produced (such as Perdue et al., 1991; Crotts & Holland, 1993; Andereck & Vogt, 2000; Kim, 2002; Fredline et al., 2005; Gjerald, 2005; Sdrali & Chazapi, 2007; Andereck et al., 2007; Marzuki, 2009; Andereck & Nyaupane, 2010; and Meng et al., 2010), in which the impact of tourism on the quality of life of residents constituted the core of said investigations. This has been the conventional approach towards exploring the relationship between tourism development and quality of life. Parallel with this research strand, however, there were more implicit signs that the relationship could be bilateral. The connection between tourism development and quality of life is a developing story, and this study contributes towards a better understanding of the relationship between tourism development and the quality of life of residents of a destination, by allowing for the possibility that the relationship between these two constructs could be bilateral, and by introducing economic development as a mediating variable between both concepts. Moreover, this study analyzes the triadic relationship between tourism development, quality of life, and economic development, both from an objective (macro-based) and a subjective approach (micro-based). Such an integrated approach for analyzing the relationship between tourism development and quality of life has only been suggested by the literature.
(e.g., Costanza et al., 2007; Das, 2008; Kazana & Kazaklis, 2009; and Stiglitz et al., 2009), but, as far as is known, it has never before actually been tested.

1.7 Hypotheses

Hypothesis testing involves the evaluation and possible validation of a particular idea by means of the available evidence. This study involves two main propositions that are presented below, whereby each proposal includes a series of hypotheses that will be validated (or not) over the course of this study.

Proposition 1: Short-sequence tourism demand in Aruba is affected by both cyclical and seasonal factors.

\[ H_1: \] Business cycles have an impact on tourism demand cycles to Aruba.

\[ H_2: \] The seasonal patterns of tourist demand in numbers and in expenditure in Aruba differ importantly, in terms of pattern, amplitude and timing.

\[ H_3: \] Seasonal factors of weather in Aruba and, respectively, both the United States, and Venezuela are important in determining the seasonality of tourism demand from the latter two countries.

\[ H_4: \] It is possible to by-pass the problems of quality deterioration in seasonal unit root tests by transforming the data from time series-based to panel-oriented.

Proposition 2: There is a unilateral-bilateral, direct-indirect relationship between tourism development, economic growth, and quality of life.

\[ H_5: \] From an objectively-based study approach, the relationship between tourism development and economic growth in Aruba is bilateral, confirming the validity of the Reciprocal Hypothesis.

\[ H_6: \] From an objectively-based study approach, there is a two-way direct and indirect relation between tourism development and quality of life in Aruba.
H₁: From an objectively-based study approach, economic growth has a mediating role in the tourism development-quality of life relationship.

H₈: From a subjectively-based study approach, there is a two-way direct and indirect relation between tourism development and quality of life in Aruba.

H₉: From a subjectively-based study approach, economic growth has a mediating role in the tourism development-quality of life relationship.

H₁₀: The results of the objectively-based study on the relationship between tourism development and quality of life in Aruba are confirmed by those of the subjectively-based study.

1.8 Outline of the research

Subsequent to this introductory chapter, this dissertation consists of three main sections, each containing two to three studies that structure each segment (Figure 1.1). Part I is a general exploratory section, in which tourism development is analytically associated with quality of life as well as shocks or disturbances. Chapter 2 (‘Tourism development, quality of life and exogenous shocks: A systemic framework’) proposes an analytical framework that describes the relationship between tourism development, quality of life of residents, and shocks and disturbances. This framework sets out to provide a clearer understanding of the nature of both tourism development and quality of life of residents, and considers ways of improving both. Additionally, the framework provides prospects for improving the readiness and receptiveness of actors, while potentially speeding up the recovery after shock events.

Chapter 3 (‘The force field of tourism’) proposes a similar conceptual framework, building this structure further by incorporating endogenous growth as an additional driver of tourism development and by including three theoretical perspectives, each having the potential to explain tourism growth from a different angle.

Part II explores the short-term dynamics of tourism development. This section analyzes the effect of a number of short-term forces on tourism demand, with particular emphasis on cyclicality and seasonality. Chapter 4 (‘The connection business cycles and tourism demand cycles’) investigates whether business cycles have a bearing on tourism demand flows. The economic situation in the source country, which is defined by cyclical
behavior, involves periods of spurts of growth followed by slowdowns over time. These cyclical movements have the potential to impact tourism demand, causing the latter to deviate from its long-term trend. Chapter 5 (‘Measuring pattern, amplitude and timing differences between monetary and non-monetary seasonal factors of tourism: The case of Aruba’) measures pattern, amplitude, and timing differences between the seasonal factors of monetary and non-monetary indicators of tourism development in Aruba. Measuring the co-movement of seasonal factors of both physical and financial flows in tourism allows for a better understanding of the dynamics of seasonality in this phenomenon. Chapter 6 (‘Impacts of seasonal patterns of climate on recurrent fluctuations in tourism demand: Evidence from Aruba’) investigates the effect of seasonal patterns of pull and push climate elements (rainfall, temperature, wind speed, and cloud coverage) on recurrent fluctuations in tourism demand from the United States and Venezuela to Aruba.

Part III probes into the relationship between tourism development, economic growth, and quality of life. Chapter 7 (‘Tourism and long-run economic growth in Aruba’) examines the long-term relationship between tourism development and economic growth in Aruba, and the question as to whether the relationship is unidirectional or bidirectional is explored. This study applies the basic assumption that there is a long-term linear relationship between tourism development and economic growth. As such, this study should be considered as a start-up to the more complex connections that are explored in the next two chapters. Chapter 8 (‘The tourism development-quality of life nexus in a small island destination’) assesses the nature of the linkages between tourism development, quality of life, and economic growth for Aruba. The assumption here is that there are both direct/indirect bilateral relationships between tourism development and quality of life, whereby economic growth acts as a mediating variable between the two constructs. The method applied in this chapter, also termed the objective approach, is based on macroeconomic statistics, which are believed to represent the individuals of the destination. Like in the previous section, Chapter 9 (‘Examining the tourism development-quality of life relationship in Aruba: A subjective approach’) also assesses whether there is indeed a bilateral relationship between tourism development and quality of life, again with economic growth as the mediating variable. The method of data collection and analysis in this chapter is based on micro figures, i.e., numbers collected through a survey among a representative number of residents in Aruba. The findings of this study are then compared with those of Chapter 8 to check if they are consistent. Figure 1.1 also indicates that there is a link between Chapter 8 and 9, since the findings of both
investigations are compared in order to determine whether the objective approach coincides with the subjective one.

This dissertation is ultimately the result of a series of eight investigations, each of them covering a particular aspect that could trigger tourism demand dynamics. The overview and evaluations of the literature on the specific studies are not presented in this introductory chapter, but are amply included in chapters 2-9. The results of Chapters 2-9 are synthesized in Chapter 10, where emerging ideas, and theoretical propositions, as well as managerial implications stemming from the conducted investigations are presented.

Almost all papers included in Chapter 2-9 were submitted to a journal, and the majority of these papers has already been published, while the remainder is currently either being prepared or being peer-reviewed (see Table 1.2).
1. Introduction: Aims and scope of the study

Part I: Exploratory analysis

2. Tourism development, quality of life and exogenous shocks: A systematic framework

3. The force field of tourism

Part II: Exploring the short-sequence relationships of tourism development

4. The connection business cycles and tourism demand cycles

5. Measuring pattern, amplitude and timing differences between monetary and non-monetary seasonal factors of tourism: the case of Aruba

6. Impacts of seasonal patterns of climate on recurrent fluctuations in tourism demand: evidence from Aruba

Part III: Exploring the relationships between tourism development, economic growth, and quality of life

7. Tourism and long-run economic growth in Aruba

8. The tourism development-quality of life nexus in a small island destination

9. Examining the tourism development-quality of life relationship in Aruba: a subjective approach

10. Conclusion

Figure 1.1: Schematic overview of the dissertation
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<th>Chapter</th>
<th>Title</th>
<th>Analytical approach</th>
<th>Authors</th>
<th>Journal</th>
<th>Status</th>
</tr>
</thead>
<tbody>
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<td>3</td>
<td>The force field of tourism</td>
<td>Exploratory</td>
<td>Ridderstaat, J., Croes, R. and Nijkamp, P.</td>
<td>Review of Economic Analysis</td>
<td>Published (2013)</td>
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<td>4</td>
<td>The connection business cycles and tourism demand cycles</td>
<td>Quantitative</td>
<td>Croes, R. and Ridderstaat, J.</td>
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<td>Under preparation for submission</td>
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<td>Tourism Economics</td>
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</tr>
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<td>8</td>
<td>The tourism development-quality of life nexus in a small island destination</td>
<td>Quantitative</td>
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<td>Journal of Travel Research</td>
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<td>9</td>
<td>A two-way causal chain between tourism development and quality of life in a small island destination: An empirical analysis</td>
<td>Quantitative</td>
<td>Ridderstaat, J., Croes, R. and Nijkamp, P.</td>
<td>--</td>
<td>Under preparation for submission</td>
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</tbody>
</table>

22
References


Kim, K. (2002). *The Effects of Tourism Impacts upon Quality of Life of Residents in the Community*. Dissertation submitted to the Faculty of the Virginia Polytechnic Institute and State University.


