ADVANCES IN CULTURE, TOURISM, AND HOSPITALITY RESEARCH

VOLUME 2

ARCH G. WOODSIDE

Editor
ADVANCES IN CULTURE, TOURISM, AND HOSPITALITY RESEARCH

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PREFACE

*Volume 2* contributes to the general theme of this *Advances* series by offering original, eclectic theories and field studies that focus on culture, tourism, and hospitality research. *Volume 2* includes chapters without length restrictions, giving authors the opportunity to provide more nuanced explorations of theory, method, and their findings, and so create articles that sharpen and deepen thinking to a greater extent than is usually possible in journal-length articles. Unlike handbooks of original essays, this *Advances* series aims to include chapters on topics and coverage heretofore missing from the literature, but that nevertheless build on prior scholarly contributions. Consequently, the primary objective for *Volume 2* is to provide must-read chapters unavailable from other sources—a wellspring providing exceptional insights and tools for applied researchers and scholars focusing on culture, tourism, and hospitality.

The members of the Editorial Board and the Editor of this *Advances* series encourage the reader to respond with review comments and by sending a chapter for consideration for publication in future volumes in this series. Please send chapters and review comments to the Editor as well as to one or more members of the Editorial Review Board.

Chapters in *Volume 2* appear in alphabetical order by the lead authors’ names. The first chapter, by Antónia Correia, Adriano Pimpão, both of the University of Algarve, and Geoffrey Crouch, La Trobe University, presents a revolutionary contingent view of how perceived risk can have both a positive and negative power in affecting destination tourism behavior. The author presents some curious results regarding tourists who seek high novelty yet return to the same destination—a chapter particularly worth reading for honing opposing mind views of culture, tourism, and hospitality research.

In the second chapter, Elspeth A. Frew, La Trobe University, defines and exemplifies industrial tourism research. Industrial tourism involves visits by tourists to operational industrial sites where the core activity of the site is non-tourism oriented. The chapter serves to explain the paradox of firms in the same industry embracing versus rejecting industrial tourism. Frew offers a continuum perspective for understanding the occurrence and management of industrial tourism operations.
In the third chapter, Kenneth F. Hyde, AUT University, offers a multiple view, theoretical and empirical report on independent-traveller decision-making. Hyde presents an intellectual feast in reviewing the literature – along the way the advanced theory includes useful explanations of simple and effective tourism heuristics to apply to pre-trip and on-the-journey problems and opportunities.

In the fourth chapter, Rhonda L. P. Koster, Lakehead University, provides an organizational and sociological study on mural tourism, looking at how mural tourism creation occurs and makes profound contributions to the well-being of rural Canadian communities. This makes for inspiring reading. Koster provides a landmark contribution that relates well to Frew’s and Hyde’s chapters.

In the fifth chapter, Chien-Wen Tsai, Ming-Hsin University of Science and Technology, provides a thorough explanation of the multiple relationships affecting leadership style and employee job satisfaction in international tourist hotels. Where executives treating employees as team members, this proves to be a particularly effective leadership style – at first blush, a finding of no great surprise. However, Tsai provides tools to achieve this valuable but illusive mode of executive thinking and action.

The final chapter offers action and outcome metrics for measuring the management performance of destination marketing organizations. Arch Woodside, Boston College, and Marcia Sakai, University of Hawaii, Hilo, build on their prior work by reviewing a series of studies that provide a longitudinal view of a continuation in poor performance assessment at both a DMO and a State Audit Office responsible for doing management audits for the legislative branch of government. What should be done when little or no change in executive behavior and poor performance outcomes occurs following continuously from one DMO management audit to the next? Woodside and Sakai review such audits and offer template tools to improve both DMO performance and auditor field research.

Reminder: please send comments on specific chapters and your own chapter for publication consideration for the next volume in this Advances series. Thank you for considering sharing your experiences and expertise in advancing the field of culture, tourism, and hospitality research.

Arch G. Woodside
Editor
PERCEIVED RISK AND NOVELTY-SEEKING BEHAVIOR: THE CASE OF TOURISTS ON LOW-COST TRAVEL IN ALGARVE (PORTUGAL)

Antónia Correia, Adriano Pimpão and Geoffrey Crouch

ABSTRACT

Risk is a major concern among tourists and the objective of this chapter is to investigate how different factors contribute to the overall perceived risk and how novelty motivations moderate this risk. The sample population of the study consists of 4,057 international tourists on low-cost travel visiting the Algarve, Portugal in 2005 and 2006. The research findings show that the sensibility towards the occurrence of any type of risk vary with the tourist's age, familiarity with the destination, and travel experience as well as their propensity to seek novelty. Furthermore, it finds that younger tourists are more apt to be novelty seekers and, simultaneously, less sensitive to risk, than older tourists are. Familiarity with the destination derives from previous visits, diminishes the sensibility to the risk, and increases the degree of novelty-seeking. This chapter discusses specific managerial and theoretical implications.
INTRODUCTION

Since its emergence in the United States in the mid-1970s, growth in the low-cost airline sector has been substantial. This new form of selling/buying travel has had a substantial impact on tourism, increasing the number of tourists all over the world, because of the explicit link between tourism and the cost of air transport, especially in the context of leisure travel.

Tourists on low-cost travel are rational passengers who give priority to value for money, often book trips over the internet, and actively collect information about the products they want to buy. Despite the information he/she has, risk is still present in their choice. Effectively, the role of risk in daily life is part of human experience and its importance is even more evident in tourism due to the characteristics of tourism products, especially their intangibility (Roehl & Fesenmaier, 1992) and the fact that the tourist places themselves in unfamiliar environments.

Previous research on perceived risk focuses on negative outcomes that follow from high risk-taking behavior. The focus of these studies is on whether or not, and if so, by how much, consumers perceive risk in particular buying or consuming decisions and how they deal with that risk. Raju (1980) assesses risk as a behavior construct that has unexpected consequences that may be negative or positive (Reisinger & Mavondo, 2005). This assumption of risk derives from Kahneman and Tversky’s prospect theory (1979), which argues that individuals perceive possible choice options as potential gains and/or losses. Raju (1980) introduces the concept of optimum stimulation level (OSL) that stipulates that each individual has a preferred level of stimulation regarding environmental stimuli, governed by the degree of novelty-seeking, ambiguity, and complexity. The main assumption is that there is some optimum level of risk that the tourist is willing to take, and that this is the result of his or her personality and socio-demographic characteristics (Slovic, 1964). Welker (1961) argues that the level of novelty-seeking depends on past exposure and familiarity with the stimulus. Thus novelty-seeking is an exploratory behavior.

The exploratory behavior perspective of risk assumes that consumers may seek risk to increase stimulus complexity in order to escape boredom (Cox, 1967; Dowling, 1986; Hoyer & Ridgway, 1984). In fact, novelty-seeking is important in understanding tourist behavior in general (Petrick, 2002). In this two-dimensional framework, the assessment and perception of risk is a mix between, on the one hand, the risk that the tourist desires or is willing to take (such as eating new foods or styles of cuisine) and, on the other hand,
risks associated with vacation consumption that a tourist may prefer to avoid (such as drinking contaminated water). Most studies on tourists engaging in some type of travel risk generally focus on why individuals are ready to take risks while on vacation when such behavior is not normally typical in everyday life. These studies argue that people perceive tourism as a framework of time and space which offers the opportunity to feel less restrained and more adventurous. This perspective follows Cohen’s (1972) novelty-seeking scale. Lee and Crompton (1992) develop a 21-item instrument that measures the novelty-seeking construct for the tourism context. They define novelty-seeking as a multidimensional construct which consists of six overlapping dimensions: change from routine; escape; thrill; adventure; surprise; and boredom alleviation. These studies, although of valuable insight, are limited, however, providing insight into only one side of risk behavior. While emphasizing conduct marked by excitement, these studies ignore the mechanisms that might constrain novelty-seeking behavior.

The assumption that tourist behavior, characterizing some level of risk-taking, is limited derives from the works of Beck (1992, 1995) and Giddens (1990, 1994, 1998) who raise the issue of a risk society. Specifically, Beck and Giddens emphasize the increasing awareness of current consumer risk and worry. Thus, it is reasonable to assume that consumer awareness of risk is not absent even when he or she is on vacation. This leads to the need to develop a better understanding on how tourists perceive risk.

Jacoby and Kaplan (1972) identify five types of perceived risk (financial risk, performance risk, physical risk, social risk, and psychological risk) since adopted by several authors (Cheron & Ritchie, 1982; Mitra, Reiss, & Capella, 1999; Stone & Gronhaug, 1993; Stone & Mason, 1995). Roselius (1971) introduced time risk. Some studies (Stone & Gronhaug, 1993; Stone & Mason, 1995) apply these six dimensions. Additionally, satisfaction risk appeared in a study regarding perceived risk and leisure activities (Cheron & Ritchie, 1982). In addition to the seven perceived risk types in the study of Roehl and Fesenmaier (1992), Sönmez and Graefe (1998b) added three other types of risk: health risk, the possibility of becoming sick while traveling to or at the destination; political instability risk, the possibility of becoming involved in the political turmoil of the country being visited; and terrorism risk, the possibility of being involved in a terrorist act.

The present study examines how novelty-seeking construct, representing a risk the tourist is willing to take (Lee & Crompton, 1992), influences the construct-perceived risk, which corresponds to risk tourist prefer to avoid (see, for instance, Mitchell & Vassos, 1997; Roehl, 1988; Sönmez, 1994;
Um & Crompton, 1992). Additionally, this study assesses the role of previous experience, familiarity with the destination, and socio-demographic characteristics in terms of perceived risk and novelty-seeking behavior.

This chapter includes an exploratory and confirmatory analysis that depicts what the dimensions relating to novelty-seeking and perceived risk are in tourists on low-cost travel. Further, it shows a structural model that characterizes how socio-demographics, familiarity, and previous experience affect novelty-seeking behavior and the perceived risk. Therefore this chapter contributes to the literature, by means of a confirmatory factor analysis (CFA), to show that the antecedents of novelty-seeking and perceived risk are not well understood and require further research (Lepp & Gibson, 2003; Petrick, 2002). Further, a structural model assesses whether perceived risk varies according to novelty-seeking, previous travel experience, familiarity with the destination, and the socio-demographic profiles of participants. Previous research has shown evidence that these variables are antecedents of perceived risk and novelty-seeking, but has produced varied findings regarding the direction of the influence (Carr, 2001; Lepp & Gibson, 2003; Roehl & Fesenmaier, 1992; Sönmez & Graefe, 1998a, 1998b). Furthermore, the influence of these variables on novelty-seeking and perceived risk, to the authors’ best knowledge, has never been tested by means of a structural model.

THEORETICAL FRAMEWORK

The concept of risk first arises in economic theory in the 1920s (Knight, 1948). This concept is a critical factor in the decision-making processes (Dowling & Staelin, 1994). Expected utility theory (EUT) supports the central role that risk plays in decision making (Von Neumann & Morgenstern, 1947). It states that utility is a subjective judgment about the value of choices in the context of uncertainty and risk. A variant of EUT is prospect theory of Kahneman and Tversky (1979), which states that individuals perceive possible choice options as gains and/or losses. Prospect theory introduces the value function and argues that decisions are not solely rational. In fact, individuals tend to perceive losses more intensively than they perceive gains. In terms of the attitude towards risk, both theories assume that risk affects the shape of the utility or value function (Weber, Blais, & Betz, 2002) of the consumer and, therefore, that the level of risk aversion or risk seeking underlies different shapes of the utility function.
The value function from prospect theory defines deviations from a reference point, which is normally concave for gains (implying risk aversion) and, commonly, convex for losses (risk seeking); being generally steeper for losses than for gains (risk aversion). According to this theory, risk averse choices relate to prospects perceived as gains, and when the prospects are perceived as losses, the choice is more likely to be risk seeking. This theory shows that irregularities in consumer behavior relate to the way that a consumer perceives risk. Bauer (1960) defines perceived risk in terms of the consumer's perceptions about uncertainty and possible adverse consequences. Although researchers widely accept perceived risk as an important construct in the decision process and therefore in applied marketing and consumer research, perceived risk has been neglected in tourism behavior contexts (Lepp & Gibson, 2003; Verhage, Yavas, & Green, 1990; Yavas, 1987).

LITERATURE REVIEW

Risk perceptions directly affect the decision-making process (Lepp & Gibson, 2003; Mitchell, 1999; Sönmez & Graefe, 1998a) at its various stages (Moutinho, 1987). Bauer (1960) argues that consumers face the purchasing process with a myopic view, based on his/her perceptions of risk.

The concept of risk has been widely studied in marketing (Cunningham, 1967; Mitchell, 1994; Stone & Gronhaug, 1993). However, this concept is still an emergent concept in the tourism research field. Tsaur, Tzeng, and Wang (1997) define tourist risk as the possibility of unfortunate events during travel, particularly at the destination. Moutinho (1987) provides a comprehensive analysis by establishing a relationship between travel behavior and perceived risk that is "a function of uncertainty and consequence". He also identifies four aspects of perceived risk: (1) uncertainty inherent in the product; (2) uncertainty in the place and mode of purchase; (3) degree of financial and psycho-social consequences; and (4) the subjective uncertainty experienced by the tourist.

Most of the previous research assumes that perceived risk is necessarily regarded as a negative outcome. In contrast, Bauer (1960) suggests that people are willing to take risk and adjust their behavior to suit this target, although, individuals do not seek objective dangers per se, but rather attempt to match their skills and competence with the situational risk (Martin & Priest, 1986). This assumption shows that there are two levels of risk: the risk that tourists are willing to take and the perceived risk that
concerns the probability of not getting what they expected. Several authors assume that experiencing risk is an inevitable motivation for those involved in adventurous activities (Ewert, 1989), meaning that these tourists seek novelty or excitement.

Novelty-seeking appears in the literature as a motivation. However, in terms of its association with perceived risk, few research studies are available (Lepp & Gibson, 2003). Cohen (1972) explored the construct of novelty-seeking in depth by developing a widely accepted tourist typology that identified four types of international tourists based on their preference for novelty-seeking or familiarity. Since the work of Cohen (1972) other researchers have also investigated the construct of novelty-seeking as a motivation, but few have considered the role of novelty-seeking as a measure of perceived risk (Lepp & Gibson, 2003). Novelty-seeking is a curiosity/exploratory drive that counters the desire for familiarity (Jang & Feng, 2007).

The arousal of a desire for novelty-seeking may relate to personal traits and psychological characteristics influenced by socio-demographic and psychographic variables. Previous studies have investigated the perceptions of risk based on personal characteristics (Roehl & Fesenmaier, 1992; Sönmez & Graefe, 1998b). Lepp and Gibson (2003) explore tourist role or type and Lepp and Gibson (2003), Sönmez (1998), and Sönmez and Graefe (1998a, 1998b) examine the role of previous travel experience. Sönmez and Graefe (1998b) report on how information search and education affected perceived risk. Other variables investigated include life-cycle stage and age (Gibson & Yiannakis, 2002; Lepp & Gibson, 2003), gender, destination image, familiarity (Lepp & Gibson, 2003), and nationality (Hurley, 1988; Seddighi, Nuttall, & Theocharous, 2001).

Perceived risk relates to novelty-seeking (Lepp & Gibson, 2003), and tourists differ in terms of the degree of familiarity they have with, and novelty they seek in, a destination (Pearce, 1982, 1996). Although, research on novelty-seeking behavior focuses primarily on the role of motivation (Crompton, 1979; Dann, 1981), more recently research provides scales to measure novelty-seeking behavior, and exploratory and risk-taking behavior (Lee & Crompton, 1992; Mo, Howard, & Havitz, 1993; Yiannakis & Gibson, 1992).

According to Lepp and Gibson (2003), differences among tourists in terms of novelty-seeking behavior transpose into differences in the level of perceived risk. Surprisingly, the hospitality and tourism domains do not yet integrate perceived risk and novelty-seeking, which are likely to influence the tourist's current and future decisions.
CONCEPTUAL MODEL

The conceptual model consists of two phases of analysis: an exploratory factor analysis (EFA) followed by a CFA. This allows for the identification of two latent variables: perceived risk and novelty-seeking. Next, a structural model evaluates how the latent variable, novelty-seeking, and the three observed variables, familiarity, previous experience, and age, influence perceived risk.

The dependent variable of this model, perceived risk attempts to establish the extent to which tourists on low-cost travel perceive the level of risk associated with their travel to Algarve, Portugal – the context for this particular study. The EFA extracts the latent variables, novelty-seeking and perceived risk, as two multidimensional constructs derived from the literature, leading to the following hypothesis.

H₁. a set of novelty-seeking dimensions comprises the latent variable, novelty-seeking.

Novelty-seeking behavior appears as a multidimensional concept that comprises thrill, adventure, surprise, and boredom alleviation (Lee & Crompton, 1992). Studies based on this scale, in general, show that the dimensions of the novelty-seeking construct are consistent with Lee and Crompton (1992) with minor differences in terms of surprise and thrill (see for instance, Petrick, 2002; Chang, Wall, & Chu, 2006).

H₂. a set of risk dimensions comprises the latent variable, perceived risk.

Previous studies adopt the five dimensions identified by Jacoby and Kaplan (1972): financial risk, performance risk, physical risk, social risk, and psychological risk (Cheron & Ritchie, 1982; Mitra et al., 1999; Stone & Gronhaug, 1993; Stone & Mason, 1995). Beside these dimensions, other studies introduce new factors such as, satisfaction (Cheron & Ritchie, 1982) and political instability (Mc Cleary & Whitney, 1994; Seddighi et al., 2001; Sönmez & Graefe, 1998a), showing that the perceived risk is a multi-dimensional concept.

Fig. 1 depicts a hypothetical causal model of the interactions among the latent variables perceived risk and novelty-seeking and the observed variables of familiarity with the destination, travel experience, and age.

The hypotheses deriving from the structural model are as follows.

H₃. The age of the tourists on low-cost travel relates negatively with the amount of novelty they seek.