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Free Riders in Tourism

by

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Preface

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Contents

Abstract ... 7

What is free riding? ... 7
- Theory on public goods ... 7
- Free riders in tourism ... 8
- Definition ... 8
- Different kinds of free riding ... 8
- The actors in tourism ... 8

Free riding in relation to the destination ... 9

Free riding in relation to other tourism elements ... 9

Free riding in relation to marketing ... 10

Free riders in relation to associations ... 13

Destructive free riders ... 14

Motives for free riding ... 14

Strategies dealing with free riders ... 15
- Is free riding good or bad? ... 15
- Free riding in relation to the destination ... 15
- Free riding in relation to other tourism elements ... 16
- Free riding in relation to marketing ... 16
- Free riding in relation to associations ... 17
- Destructive free riders ... 17

Means ... 17

Conclusions ... 18

References ... 19

Figures and Tables

Figure 1. Optimising destination marketing ... 11
Figure 2. The effect of free riders ... 12

Table 1.The effect on the contribution after the arrival of a new attraction ... 9
Table 2. The prisoners dilemma applied to tourism marketing ... 10
Table 3. Contributors to destination marketing on Bornholm. 1999. ... 13

Abstract

Free riding describes the situation where individuals or enterprises achieve benefits that they have not paid for. In tourism free riders are people or enterprises that get part of a demand that is generated without their contribution. This theme is of special interest in connection with tourism and marketing because destination-marketing is to the benefit of all enterprises at the destination, but some of them do not contribute to the marketing. They are free riders. There is strong evidence that this phenomenon is more prominent in the tourism industry than in other businesses because the tourism industry is characterised by a great number of very small businesses with a weak economy and many enterprises entering and leaving the business. To encourage co-operation between these kinds of actors is a difficult task.

This working paper describes different degrees of free riding in tourism. At the mild end of the scale is the situation where all enterprises are free riders in relation to the destination. At the other end of the scale we have the destructive free riders who are damaging tourism at the destination. Furthermore it has been proved that free riding causes non-optimal marketing.

On this basis the paper discusses some possibilities for policy against free riders. The authorities are advised to include attitudes towards free riding in tourism policy, but they ought to be careful because free riding may not be that bad for society and may even reinforce competition. It is, however, important that the authorities oppose destructive free riding.

What is free riding?

Theory o f public goods

One day the owner of a ride in an amusement park decides that he does not need a man selling tickets. Instead of that he places a box where the visitors are obliged to put a €1 coin before entrance. There are, however, some visitors who do not pay. They just take a free ride. These kind of people are called free riders. They enjoy without paying.

The importance and the effects of free riding and policies preventing free riding originate from the theory of public goods (e.g. Lotz, 1996, pp. 70-75, Mueller, 1989, pp. 34 and 272, Bohm, 1973, p. 44 and Musgrave & Musgrave, 1989, p. 44).

At first, we have a kind of collective consumption where it is impossible to exclude individuals. If, for example, people in a street want street light, they can buy it themselves. But it may occur that not all the inhabitants in the street want to contribute. However, these people also benefit from the light. As this problem arises in many streets in the town, it is a natural action that the inhabitants who are willing to pay encourage the local authorities to pay for the streetlight. In that way all people are forced to contribute by paying their taxes.

Second, there are cases where it is possible to exclude users. Thus, only some inhabitants use the parks in the town. So it would be possible to fence the park and ask for an entrance fee. But, as the park is established, it seems inappropriate not to permit everybody to use it. Furthermore, a payment system has considerable costs for fencing and ticket collection. So it is possible to exclude users but it is not desirable. The best solution is to give free entrance and let the authorities pay. The same goes for a number of services, such as streets, harbours, television, etc.

The examples are so many that - as expressed by Mueller (1989, p. 319) – they penetrate the discussion about public financing of collective services, because the risk of free riding necessitates legislation and public financing.

A frequently used example from a non-public sector is the membership of trade unions. Workers who are not members of the union achieve the same benefits as their membership-paying colleagues. So, in order to avoid free riders unions may try to force employers exclusively to engage workers who are members of the union.

Free riders in tourism

It is not by accident that the trade union example is mentioned in this context. The tourism industry is characterised by a great number of actors. There are plenty of possibilities for being free rider. Furthermore, many companies in the tourism sector are small, they have a weak economy and survival in the short run is their main objective. In this line of business it is very hard to organise collective action.

The phenomenon of free riding has a particular importance in relation to tourism marketing. The reason is that destination marketing is a service for the benefits of all the enterprises at the destination. However, many do not contribute to that marketing. They are free riders.

In the light of this evidence, it is surprising that there is very little literature on free riders in tourism. A literature search has discovered a number of titles on free riding and public goods. The latest phenomenon is taping music and films from the Internet. But about free riding in tourism it has not been possible to find one single title.

Definition

In the first sections some examples of the phenomenon of free riders are given. Therefore, it is not necessary to define free riding. In this paper the term describes *a situation where individuals or enterprises achieve benefits that they have not paid for.* In tourism *a free rider is an enterprise that gains part of a demand provided without its contribution.*

Different kinds of free riding

Taking this definition there are many ways of free riding in tourism:

1. Free riding in relation to the destination. An enterprise gets benefits by establishing itself in an already developed tourism destination.
2. Free riding in relation to other tourism elements. An enterprise can locate as neighbour to a tourism attraction and in that way get customers among the visitors to the neighbour.
3. Free riding in relation to marketing. The tourism enterprise does not contribute but benefits nevertheless from the marketing paid for by other companies.
4. Free riding in relation to national and regional associations.

The consequence is that free riding is an annoyance for individuals, enterprises and organisations who pay for the advantages that free riders benefit from as well. These advantages may, however, be more or less of a problem:

1. Loyal enterprises. There are enterprises that are not members of an organisation but which still support the objectives of the organisation. They may even contribute economically. The Danish Association of Hotel Owners (Horesta) is at the same time an organisation for the employers (negotiating wages with the unions) and a trade association (i.e. professional co-operation). Some businesses do not want to participate in the employers' association but support professional co-operation.
2. Passive enterprises. This is the typical free rider, which contributes neither with money nor with other kinds of active support.
3. Destructive enterprises. These are enterprises that damage the conditions for other enterprises by breaking common rules.

In this paper the phenomenon of free riding will mostly be analysed theoretically. The few empirical examples relate to the Danish context.

The actors in tourism

The tourism sector is characterised by a great number of actors (see e.g. Coopers, Shepherd and Wanhill, 1998, part three). They are public, private and mixed private/public. Some are policy makers, others provide services to tourists. Some of them are core actors in the sense that dealing with tourism is their most important activity.

This gives a huge number of possibilities for free riding. As an example we can look at the organisations in tourism. In the relations between organisations vertical free riding is a well known phenomenon. Typically, we have a national organisation (e.g. for hotels), regional organisations and local organisations. If one organisation on a lower level does not follow the national strategy or does not pay the mother organisation, we have a free rider situation.

Horizontal free riding is possible as well. If, for instance, the national hotel organisation is able to persuade the government to implement legislation in favour of the tourism sector, the organisations for restaurants, camp sites, etc. benefit from the initiative as well. They are free riders.

Obviously an analysis of relations in the tourism sector and of the possibilities of free riding is a study in itself. It is, however, beyond the scope for this article.

Free riding in relation to the destination

Tourism businesses locate where the tourists come. In this way they can be regarded as free riders in relation to the destination. The tourists want to experience nature, cities, etc. They do not come to visit a hotel or a pub. On the other hand, the tourism businesses and other facilities are necessary to make the destination attractive.

One could argue that this excample extends the use of the concept of free riders too widely. Like all other businesses, the enterprises in the tourism sector are looking for optimal location and that does not make them free riders.

A destination may, however, be destroyed by too many actors. The number of tourists in a resort has an upper limit. Traffic, pollution and overcrowding may reduce the quality of the destination so much that visitors stay away. This was the case in Mallorca in the 1970s. In this way, the most recently erected hotels can be regarded as destructive free riders.

Free riding in relation to ot her tourism elements

At the destination the same phenomenon may be observed in relation to the most visited attractions. It may for instance be the souvenir shop outside the cathedral that gains turnover from the visitors to the bigger attraction.

The phenomenon of free riders in relation to other tourism elements raises a principal question: do the tourism businesses and attractions substitute each other, i.e. are they competing, or do they complement each other and all contribute to increased turnover? Both situations occur. The different options are examined below.

For simplicity we have an attraction A at the destination in the year 0. A has a contribution a_0. In year 1 a new attraction or another kind of tourism business, B, is set up in the area. In year 1 the contribution of the two enterprises is a_1 for A and b for B. The possible economic situation for the two actors is described in Table 1.

Table 1. The effect on the profit after the arrival of a new attraction

Profit of A a_1	Profit of B b	Profit of both a_1+b	Case
$a_1 > a_0$	$b > 0$	$a_1+b > a_0$	1
$a_1 > a_0$	$b < 0$	$a_1+b > a_0$	2
$a_1 > a_0$	$b < 0$	$a_1+b < a_0$	3
$a_1 < a_0$	$b > 0$	$a_1+b > a_0$	4
$a_1 < a_0$	$b > 0$	$a_1+b < a_0$	5
$a_1 < a_0$	$b < 0$	$a_1+b < a_0$	6

In *case 1* we have a synergy effect. They both gain from the co-existence. This is the so-called *cluster effect.*

In *case 2* it has, evidently, been bad business for B to settle in the area. But the result is apparently that A has increased its contribution and so much so that the increase can balance the deficit of B. If A's increased profit is caused by the arrival of B, we have in this case a positive cluster effect as well, even though B has red numbers in the bottom line. B is obviously not a free rider.

In *case 3* A's increase in contribution can not balance B's deficit. It is not a positive cluster effect for the destination. But B is not a free rider.

In *case 4* A has had a declining contribution whereas the figure for B is positive and bigger than the decline A has faced. Using the contribution as a measure, there is a positive cluster effect. B may be regarded as a free rider. It is a case where A has created the market (and paid for the marketing).

Also in *case 5* B may be regarded as a free rider. B has done good business but, as the total contribution declines, there is a negative cluster effect.

In *case 6* the entry of B has had the result that both enterprises suffer deficits. B's free riding may destroy them both.

It is important to notice that the contribution is used as the measurement above. We could as well have used the profit, the turnover or the employment. That leads to different conclusions. Even in the cases where both A and B have deficits, there may be an increase in the employment and turnover in total. That situation can, however, only continue if the attractions are subsided. Thus case 6 describes a well-known situation: We have one well doing attraction. Then a similar one settles in the area. The total number of visitors increases and so do the number of people engaged, but there are not visitors enough to give a positive contribution for any of them. The coal mine attractions in Wales is an example.

Free riding in relation to marketing

The free rider phenomenon in tourism is most significant in relation to the marketing of a destination. It is often a serious problem for the development of a destination that not all the enterprises gaining from tourism also contribute to the marketing. Those who do not contribute are free riders.

The problem can be described by using the so-called prisoner's dilemma (Mueller, 1989, p. 9): assume we have only two tourism enterprises at the destination, A and B. Without any marketing the profit is 5 units for both. This situation is described as case 4 in Table 2, where (5,5) denotes the profit for (A,B).

Table 2. The prisoner 's dilemma applied to tourism marketing

Profit	A Active marketing	A Does no marketing
B Active marketing	Case 1 (8-1,8-1) = (7,7)	Case 2 (6,7-1) = (6,6)
B Does no marketing	Case 3 (7-1,7) = (6,7)	Case 4 (5,5)

Assume that A and B agree that both of them offer 1 unit for marketing. The result is an increase in the profit for both to 8. This increased profit must be reduced by the marketing costs, i.e. 1 unit for both, and so the net profit is 7 units for both. That is case 1. Both A and B can now count a net-profit of 7. So it is an advantage for both to invest 1 unit in marketing.

In case 2, only B spends 1 unit on marketing, and in case 3 only A does so. In case 2, A is a free rider as B is a free rider in case 3.

If only B does any marketing any (case 2) it is evident that both will gain if A also spends 1 unit on marketing, i.e. it is an advantage for both to move from case 2 to case 1. If, vice versa, only A does marketing, B will not gain by using 1 unit on marketing. Only A increases his profit by moving from case 3 to case 1. So, if A is the first to invest in marketing, B has no incentive to join. He is just as well off being a free rider.

In the following a broader approach to the free rider problem in relation to destination marketing is analysed. The jumping-off point for the analyses is shown in Figure 1. B(m) denotes the total income generated by tourists at the destination. B(m) is dependent of the expenditures on marketing m, so B(m) increases as more money is spent on marketing. Tourism incomes are in this example defined as net-income for the destination and in principle include positive and negative externalities. Thus, B(m) denotes the remaining revenues when all kinds of costs are deducted except marketing costs.

Before marketing the tourism incomes are B(0). As the marketing costs increase, the incomes grows as indicated by B(m). In the beginning B(m) is equal to B(0) because there are some initial costs for marketing before it is possible to influence the market. The line C is determined by

$$C = B(0) + m$$

Thus, the difference between B(m) and the line C denotes the increased net income generated by the marketing. This increased income is called G(m) and so

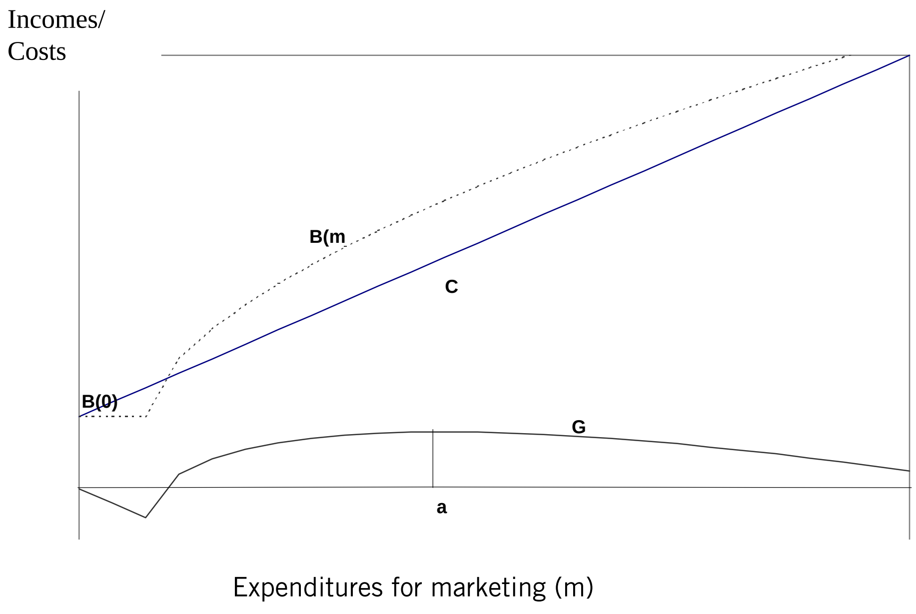
$$G(m) = B(m) - C = B(m) - B(0) - m$$

The maximum value of G occurs for m = a. The difference between B(m) and C is greatest at this value of m. The maximum is determined by

$$G'(m) = B'(m) - 1$$

Thus G'(m) = 0 as B'(m) = 1, i.e. when the marginal revenue is equal to the marginal costs for marketing (=1). This corresponds to m = a. If the destination spends more money than a the costs will exceed the increased revenue.

Figure 1. Optimising destination marketing



In fact, the problem is usually not to spend too much. On the contrary, many destinations have to be content with a smaller budget.

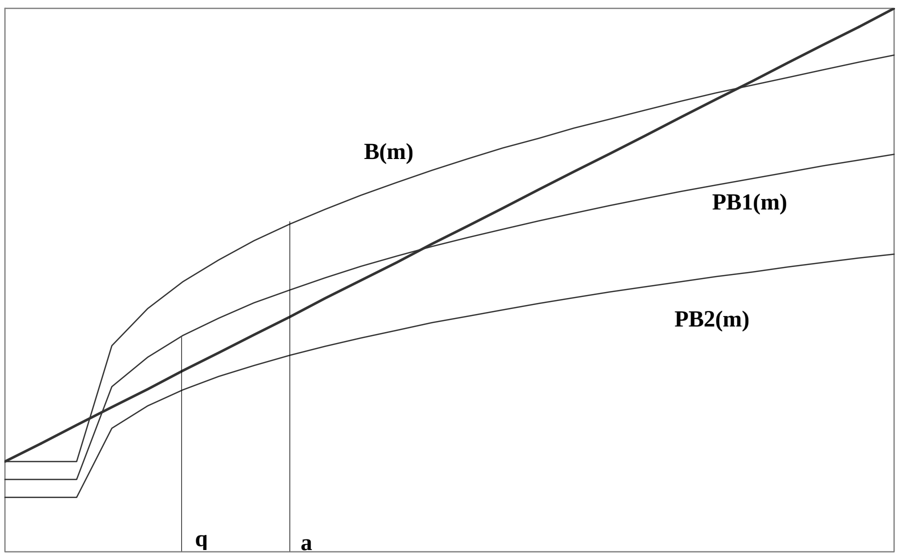
The free rider problem occurs if only some of the actors contribute to the marketing. Let us assume that only a part of the actors, say p, contributes to the marketing. So, the other part of the actors, i.e. (1-p) will be free riders. It is further assumed that the incomes generated by tourists are shared in this proportion between the contributors and the free riders. Thus, pB(m) will go to the contributors and (1-p)B(m) will go to the free riders. This case is shown in Figure 2 where PB1(m) indicates the share of the contributors' incomes, i.e. PB1(m) = pB(m).

As the contributors pay all the marketing expenses the optimum is now

$$GT1(m) = p(B(m) - B(0)) - m$$
$$GT1'(m) = pB(m) - 1 \quad < B'(m) -1$$

So, in the case where only some of the actors contribute to the marketing, the optimal value is lower than in the case where all the actors contribute. In this example the new optimum is q. So we fail (a-q) to achieve the optimal value of m for the destination as such.

Figure 2. The effect of free riders



PB2(m) shows a situation where the number of contributors is so low that it does not pay at all to invest in marketing. The contributors costs exceed the generated incomes. So, because of the existence of free riders, the destination has no marketing at all, although it would have been an opportunity for all the actors.

When a tourism enterprise considers whether to contribute to the collective marketing or float as a free rider, it complicates his decision that at the same time he must estimate how much he is willing to use on *local marketing.* The objective of external marketing, as shown in Figures 1 and 2, is to attract visitors. The objective of local marketing is to promote the enterprise to tourists who have already arrived at the destination.

If the enterprises act rationally, they will – as in Figure 1 - use just that amount of money on local marketing that income generated by the last Euro spent is exactly €1. Further there are reasons to believe that the optimal budget for local marketing is far lower than the optimal value of external marketing. This because the visitors are already at the destination, they have chosen accommodation, and there are limits to how much they can eat and how many souvenirs they can carry home. Thus, the effect of local marketing is limited to encouraging some people to eat more expensively, getting them to visit more attractions and persuading them to buy more goods.

However, the single enterprise does not necessarily behave in that way. It may very well conclude that it can earn more by marketing its own business to visitors instead of participating in the collective marketing. A restaurant or grocer may consider that it is better off by investing money in local marketing. It gains its profit from local marketing by convincing tourists that they should visit. As many enterprises are in the same situation, the result may be fierce competition and it may very well be a zero-sum game. The final result may be regarded as a dilemma for destination marketing - because of free riding, the destination spends less than optimum on external marketing and because of local competition it uses more than optimum on local marketing.

The validity of this dilemma is indicated by the following example from Bornholm, a Danish island in the Baltic Sea.

Table 3. Contributors to destination marketing on Bornholm, 1999

	Percentage
Hotels and boarding houses	63
Holiday apartments	69
Summerhouses, agents	61
Camp sites	84
Youth hostels	54
Attractions	59
Restaurants	35
Supermarkets	39

Source: Data from Destination Bornholm (regional destination marketing company).

Table 3 shows a high proportion of contributors in the accommodation sector. Sixty-three percent of the hotels, 69 % of the holiday apartments, 61 % of the agents hiring out summerhouses and 84 % of the camp sites contribute to collective marketing. The proportion of contributors among hotels with more than 20 beds is even higher. The figure in the table is influenced by the fact that there are many very small hotels and boarding houses on Bornholm which receive the same visitors every year; thus they have no need for marketing (Lundtorp and Rassing, 1998).

The figures for restaurants and supermarkets are much lower. Although tourists generate one third of the turnover in the supermarkets, only 33 % of the latter contribute to collective marketing (Rafn, 1995). The same can be observed for the restaurants, although they get almost all their earnings from tourism (most of the restaurants are closed in the winter).

Free riders in relation to associations

The magnitude of free riding is not an exact figure. Tourism enterprises may be organised or not organised in various networks so it is not possible to present a clear estimate of the extent unless the kind of business is specified as well as the kind of organisation. Thus, a tourism enterprise is invited to join one or more national, regional and local associations. As it is inconvenient and costly to join them all, the enterprise has to choose.

A tourism enterprise may be a loyal contributor to one co-operative and at the same time be a free rider in relation to others.

Destructive free riders

Destructive free riders are not merely free riders. Because of the way they do business, they destroy the market. They not only abstain from participating in the marketing of the destination, by breaking rules, they also reduce the quality of the destination and in that way reduce the total amount of earnings from tourism in the destination. Destructive free riders are characterised by getting advantages through actions that reduce the total turnover. They are breaking written and unwritten rules.

According to the kind of actions they take destructive free riders may be placed in three categories:

1. Free riders in the first category sell a product that reduces the image of the destination. They may - in contrast to other businesses in the area - offer poor service, dirty rooms, etc. Even if there is a relation between service and price, this may give an impression of discount and so the enterprise may damage the destination's image. Another destructive action is to offer services that are not in harmony with other experiences at the destination. A porno shop in an idyllic village will immediately destroy its image.

2. Free riders of the second category break local rules. Typical examples are: I) the quality of service delivered does not coincide with the advertised product; II) agreement on opening hours, etc. is not respected; III) the enterprise does not show respect for the environment because it is noisy, has ugly signposting or horrible outfitting.

3. The third category of destructive free riders acts illegally. Such enterprises keep prices low by tax avoidance and by engaging people on unemployment benefits, i.e. they are registered as unemployed and not in work or they are unregistered foreign workers. They all accept a low salary. Another kind of illegal action pursued is breaking environmental laws or flouting working conditions. All these kinds of actions create unfair competition.

Motives for free riding

To choose the free rider position in relation to marketing may be evaluated as a moral question or as a simple economic calculation.

The moral evaluation relates to solidarity with the other businesses in the area. Does the enterprise want to join them or to stand outside the community? For the single enterprise the number of enterprises in the area influences this consideration. If there are only a few it is more difficult to be a free rider than if there are many. If there are only a few, the enterprise cannot free ride incognito and the pressure from other businesses may be significant. When there are many actors at the destination it is different. In this case it is easier to hide.

If the enterprise has no moral scruples about being a free rider, economic calculations may determine the owner's decision.

If he is convinced that there will be no marketing if he does not participate, he will have a significant economic incentive to contribute to destination marketing. If, on the other hand, marketing will be carried out regardless of his participation (he may for instance be a new supplier in the established market) his economic incentive is very low. If he contributes, the money used for marketing will increase with his contribution and - as shown in Figure 1 - earnings will increase. His share of the increased earnings is, however, so little that only in an extreme case will it correspond to his contribution. The calculation is as follows.

At the destination we have n enterprises. Each of them contributes with v € to the marketing. The total budget is b and $b < a$ (Figure 1). The earnings for the destination thanks to the last participants are:

$$\Delta G = \frac{\partial B}{\partial m} v - v = v(\frac{\partial B}{\partial m} - 1)$$

The last participant pays v but he gets only 1/n of the marginal earnings. Thus, his calculation is

$$\Delta G_n = \frac{1}{n}\frac{\partial B}{\partial m} v - v = v(\frac{1}{n}\frac{\partial B}{\partial m} - 1)$$

This figure will only be positive in the extreme situation where his marginal profit is greater than his contribution. The economic calculation proves clearly that it pays to be a free rider.

In the calculation of free riding in relation to associations further benefits and offers must be included. In the following the Danish Association for Hotels, restaurants and attractions (Horesta) is used as an example (interview with Horesta).

The association offers some advantages to its members such as consultancy service, a magazine and different kinds of discount. Further, the association has developed a system for Internet booking. Of great importance to hotels is that membership is a precondition for star classification. To be labelled a four star hotel, the hotel must be a member of Horesta. So the free rider misses some advantages by not being a member of Horesta.

Clearly, hotels enjoy the greatest advantages by being a member. Just as they have by participating in destination marketing. Consequently, 80 % of the hotels in Denmark are members, corresponding to 90 % of the turnover. On the other hand, only 10 % of the 12 000 restaurants are members of Horesta, although they count for 50 % of the turnover. The figure for the restaurants is, however, influenced by the fact that there is a competing national association especially for small restaurants.

Strategies for dealing with free riders

Is free riding good or bad?

The occurrence of free riding in tourism leads to two questions: 1) *Is free riding good or bad?* and 2) *Is it desirable for the community to oppose free riders in tourism?*

Clearly, free riding may be considered bad for some of the actors in the industry, but it may not be bad for the community. In this paper the focus is the public interest. Is it reasonable for the authorities to formulate policies dealing with free riders in tourism?

The main public interest in tourism is the creation of income and employment. Tourism is a means of development. It is not an objective in itself. Thus, the public interest is to have an optimal amount and kind of tourism that generates income and employment without harming local welfare and environment, i.e. the community must avoid unwanted externalities.

Free riding in relation to the destination

The public interest is to protect the environment and to avoid overcrowding. As discussed above, this is not a question to which free riding relates directly.

But as tourism businesses receive income from people who want to visit the destination and do not initially pay for the preservation of the area, this can be considered a free rider problem.

In relation to the destination tourism reates costs for nature maintenance, roads, etc. and these costs are typically paid by the authorities and not by the tourism enterprises. To compensate for these costs a natural suggestion would be for the tourism industry to pay the responsible authority, e.g. through some kind of tax. This procedure may be relevant in countries where itis difficult to finance the care of the destination in other ways and where taxes are paid by the tourists without significant reductions in the tourism turnover. In a northern European country, however, it is doubtful whether such a practice would be useful. Northern European countries already receive a great amount of money in taxes from tourism, e.g. VAT (Lundtorp, 1997). Furthermore it will be difficult to delimit the group which is supposed to pay the tax. Finally, a new tax immediately creates a series of problems. Care of the destination is in the interest of the local population as well and so a public good.

Free riding in relation to other tourism elements

At the destination the task of the public authority is to prevent too much traffic and deterioration of heritage. The authorities are often involved in tourism development, not only through planning, but by contributing to new attractions. When the authorities subsidise new attractions, they must be very careful not to finance new units that will compete with the existing ones so that none of them can survive (case 6 in Table 1).

Churches have a special position as attractions. Some of them are visited by a great number of tourists. Very often agencies organise visits, and outside the church there are souvenir shops, restaurants, etc. They all earn their money from tourism. But the churches get nothing, as free entrance is the custom. Furthermore, the churches or the parishes have no interest in the tourism and so they have little motivation to produce brochures or other material in order to promote tourism. To cope with that issue, Kirsten Blomgren suggests that the tourism industry should pay for this kind of material (Blomgren Jørgensen, 1996).

Free riding in relation to marketin g

Even though the tourism industry may be hurt by free riders, it is not entirely obvious that the local and national authorities should deal with the phenomenon. Free riding may lead to enhanced competition which is usually regarded as a positive initiative. Free riding may even innovation produce; thus prevention of free riders would counteract product development in tourism.

On the other hand, as demonstrated above, one consequence of free riding is non-optimal allocation of resources. Further, free riders may be damaging when they act against generally accepted social conditions.

As mentioned in the introduction, the free rider phenomenon is one of the major reasons for having public goods. If many benefit from a service but only a few want to pay for them, the rational solution is a tax-paid public service. Where to free riding in destination marketing is concerned it has been shown that the free rider phenomenon leads to solutions that are not optimal. Following the logic of the theory of public goods, the authorities should take over some of the financing of marketing.

The analogy is, however, not correct. It is citizens who benefit from public goods. But in this case it is the tourism industry. Just as the authorities are not subsidising trade unions because of free riders, they should not be expected to pay for local tourism marketing.

Thus, the conclusion is that the authorities should hesitate to contribute to local destination marketing.

At the national level it is reasonable for the state to pay part of the external marketing costs. To promote itself off-shore is a natural part of a country’s export policy and is the procedure in many countries. It is, however, also reinforced by the fact that the tourism industry itself is not able to provide sufficient money for this purpose.

Free riding in relation to associations

As the national and regional authorities have an interest in a well organised tourism sector, the state end regional authorities often participate and co-finance national and/or regional tourism organisations. But that gives no obvious reason for public intervention against free riders, especially where such organisations are composed of private companies. Coping with free riders is solely a problem for the industry.

As part of this study three people were interviewed. They are the managing director of Horesta (Njor, 2001), the managing director of the Danish Tourist council, an umbrella organisation for all the organisations in tourism, (Feier, 2000) and the manager for Destination Bornholm, the island's promotional and booking organisation, (Feerup, 2000).

Surprisingly none of them regards free riders as a problem for the tourism business as long as they are not destructive free riders. It is a fact of business and competition that there are enterprises which do not contribute to the marketing of a destination. In some cases the organisations even work together with actors who are defined as free riders in this paper.

Destructive free riders

It is clearly in the interest of the community to avoid companies which destroy tourism. However, some of the enterprises regarded as free riders may not be destructive. If, for instance, they are breaking local agreements on opening hours they may increase service for the visitors. By introducing new products they may prove to be innovative. Therefore, the authorities should be cautious about intervening without obvious evidence of destructive free riding. As mentioned below, the possibilities for intervention are somewhat limited. Some measures are not available to the authorities.

Of course, the authorities must cope with destructive free riders who break the law. But it is arguable whether they have an interest in dealing with other kinds of what in this article are defined as destructive free riders. If free riders are innovative and increase competition they should be left alone. If they are destroying the destination even without breaking the law, it may be necessary for public intervention.

Means

The means available for dealing with free riding may be positive (e.g. rewards), negative (e.g. prohibitions) or neutral (e.g. information). Some measures are in the hands of the industry - in some cases the industry together with the authorities - while others are only available to the authorities.

The most important means the industry can use are:

1. *Pressure.* The loyal contributors can put pressure on enterprises which are free riders. This method can be quite effective in locations with only a few enterprises. In this case they all know each other and it is difficult to avoid co-operation. It is different when the number of enterprises is high. In this case it is easier to hide as a free rider. A moderate kind of pressure is information. Companies are informed about the opportunities they gain as participants and they are lectured on the consequences of not showing solidarity through co-operation.

2. *Differentiation of dues.* As some of the enterprises at the destination have a stronger interest in co-operation than others, it is reasonable to differentiate the fee for participation. As indicated above, hotels have a strong interest in external marketing, whereas retail shops have less interest. So there are good reasons for demanding a higher fee from hotels than from shops.

3. *Boycott.* The co-operating participants can boycott the free riders in two ways: first they can refuse to accept advertisements and make no mention of free rider enterprises. This means is, however, a two-edged sword. In order to keep costs down it may be desirable to accept advertisements in local brochures. Furthermore, the brochures will not be giving a complete picture of the possibilities at the destination if more than one or two companies are omitted.

   Second, the participants can boycott services and commodities from free riders. The supposition is, however, that this weapon is difficult to enforce. It involves many enterprises taking part in the boycott even when this entails higher costs.

4. *Rewards.* In some cases co-operation provides rewards to the participants. Thus, hotels desiring star-classification must be a member of a hotel association.

5. *Lobbyism.* Finally, an oft-used tool is to put pressure on the local and regional authorities and the government to persuade them to intervene against free riders. This method is obviously most effective if the public intervention is targeted at destructive free riders.

It follows naturally that the authorities have more means at their disposal:

6. *License.* In some countries (e.g. Denmark) you need a licence to sell alcohol or to run a hotel. The license may include conditions that counteract free riders. The intention is to prevent destructive free riding, e.g. restaurants selling whisky to children. For tourism companies running a legal business, it is of course of great interest that the conditions apply to all actors in the market. It may also be in their interest to tighten up the conditions in order to make it more difficult to enter the market. Thus Horesta has suggested the government include new conditions for licensing (Njor, 2001). It is the association's view that the owner of a restaurant or hotel must have an approved education in law and order. To underline the importance of such rules, the association refers among other things to cases of fire that have resulted in many casualties. Such events are destroying the image of the industry, they argue.

7. *Legislation.* Legislation provides a number of possibilities preventing free riding.

8. *Town planning* is an effective tool for the local and regional authorities to preserve and enhance the quality of the environment. By including restrictions it can halt the actions of free riders who compete by damaging the environment.

9. *Police.* New legislation is not always necessary to cope with destructive free riders. Very often, more inspections by the authorities and the police can reduce the number of lawbreakers.

Conclusions

The free rider phenomenon penetrates the tourism sector. It may or may not be a problem for the country or the destination, but the phenomenon must not be ignored. Therefore, it is advisable to include attitudes towards free riding in the national, regional and local tourism policy. If it is desirable, the community can use its authority to introduce appropriate means to cope with free riders. Such steps should usually be taken together with the tourism industry and other relevant actors.

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