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TOURISTS' PREFERENCES FOR THE ALL-INCLUSIVE SYSTEM AND ITS IMPACTS ON THE LOCAL ECONOMY

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ABSTRACT: The purpose of this study is to verify whether the experiences and preferences of people with high wages and higher education who visited all-inclusive resorts can contribute to the development of the local economy. The methodology used is descriptive statistics and principal components analysis among people with high wages and education in Belo Horizonte, a major city in the state of Minas Gerais, Brazil. Results indicate that early definition of values and protection against price increases in the destination, at the time of the trip, are the two main advantages of the all-inclusive system. Furthermore, people assigning a higher level of importance to drinks reduced the importance of other items such as food and infrastructures, among others. Most participants are unlikely to consider the possibility of eating at a restaurant outside the hotel or visiting different local attractions that are not mentioned in the package and they have no interest in renting a car in the destination. The study suggests that public managers should carefully evaluate resorts' all-inclusive system. **Keywords**: all-inclusive, tourist expenditure, local economy.

INTRODUCTION

The discussion about the tourist contribution for the local economic development has been raised in the last three decades, mainly in relation to the impacts of hotel chains and resorts adopting the all-inclusive system on a local economy (Seow, 1981; Summary, 1987; Domros, 1989; Poirier, 1995; Master and Prideaux, 2000; Krippendorf, 2001; Bowen, 2001; Issa and Jayawardena, 2003; Sugiyarto, Blake and Sinclair, 2003;

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Tosun, Timothy and Öztürk, 2003; Sahli and Nowak, 2007; Dritsakis, 2008; Anderson, Juaneda and Sastre, 2009; Anderson, 2010). Tourism is a sector of the economy that has suffered from large transformations over the past few years. In spite of the influence of technology and information being one of the key causes of these transformations, the adoption, primarily by *resorts*, of the all-inclusive system has been frequent in developing countries. However, what would the installation problem of these all-inclusive resorts be in terms of the impact on the local economy?

In the all-inclusive system, the tourist usually buys a package that may entitle them to food, drinks, entertainment, tours, childcare, spas and different leisure activities per age group, among other services, depending on the package to be purchased. However, in this system, restaurants, shops, bars, car rentals, venues, parks and museums, among others, would suffer a loss of business and a reduction in their occupation rates because tourists will spend most of their time and money in the establishment with the all-inclusive package. This establishment often has headquarters in tourist-emitting regions. This can hinder the development of the economy in destinations or limit the scope of its influence; thus, it reduces the multiplier effect of tourist expenditure on all other activities (Zhou, Yanagida, Chakravorty and Leung, 1997; Sequeira and Nunes, 2008; Wattanakuljarus and Coxhead, 2008).

Moreover, suppliers who often have no links with the local economy, design the purchase of goods and services at the time the package is bought. This can reduce the number of local entrepreneurs in the destination and can lead to a situation in which the resort overtakes and replaces the destination itself. Therefore, it would be possible for guests of resorts with an all-inclusive system to exhibit consumption behaviours that contribute little to the development of the local economy. Thus, the aim of this paper is to verify whether the experiences and preferences of people with high wages and higher education who visited all-inclusive resorts can contribute to the development of the local economy.

To investigate this research problem and to achieve this objective, the paper will use descriptive statistics and main components analysis as a methodology. Data will be obtained through the application of questionnaires among people with high wages and education in Belo Horizonte, a city in the state of Minas Gerais, Brazil, with people who have already stayed at a resort with an all-inclusive system. This paper intends to contribute to the theory in relation to the subject by indicating that consumption behaviour of tourists and their preferences may reduce the impact of their spending on the local economy, if hosted in an establishment that offers an all-inclusive system.

LITERATURE REVIEW

The number of studies that deal specifically with the all-inclusive system and its impacts on local economies is small, but has been growing in this last decade (Heung and Chu, 2000; Master and Prideaux, 2000; Andriotis, 2002; Valhouli, 2003; Wong and Kwong, 2004; Smith, 2007; Akama and Kieti, 2007; Gokovali, Bahar and Kozak, 2007; Kozak, Gokovali and Bahar, 2008; Soldati, 2010; Anderson, 2010; Agarwal, 2012). The original all-inclusive concept was introduced in holiday camps in Britain, during the 1930s, but the tourists paid for drinks, tips, and other services separately (Issa and Jayawardena, 2003). Nowadays, the literature conveys a wide diversity of the definition of the all-inclusive system.

According to Çiftçi, Düzakın and Önal (2007, p. 269), "*this system consists of a package in which the price is fixed and includes food, beverages, accommodation and other amenities*". This system is already preferred by a wider group of customer segments representing both Europe and North America. The main reason for such a preference is the possibility of not having to spend money unexpectedly during the trip, which could undermine the family budget.

The all-inclusive system is predominantly practiced by resorts, which are, according to Papatheodorou (2004, p.219), "powerful conglomerates share the markets with a competitive fringe (…) in peripheral destinations." The resorts are criticized not only due to the small economic impact they have on the host community, but also for the scarce contact between hosts and guests (Anderson, 2010). Concerning this, Freitag (1994) suggests that the resorts are not designed to promote the economic integration within the local community. However, the growing number of resorts worldwide proved that this has become a profitable business for travel agents (full packages increases your revenue) and also because many tourists clearly appreciate the concept of paying a price before leaving on a vacation (Swarbrooke, 1999).

In the Caribbean, this system is extremely popular among hotels. In the Dominican Republic, for example, 72% of all the accommodation capacity is in all-inclusive hotels (Tourism Intelligence International, 2000). The principal all-inclusive resorts are in the Caribbean, mainly in Jamaica, where the adoption of the all-inclusive system is a way of protecting tourists who visit the country from violence and crime (Issa and Jayawardena, 2003).

According to Aichholzer, Spitzenberger and Winkler (2003), the all-inclusive system has more supporters, mainly due to the advances in technology, which save people more time and money when planning a trip. In addition, the advantages for tourists when purchasing an

all-inclusive package may be the lower expenditure at the destination, prior knowledge of the full program (including itineraries, tours, menus), increased safety, the possibility of obtaining higher-quality services assuming their easier and more efficient supervision, leisure tailored to the age group of each family member, and so on. Travel agencies and hotel groups gain many advantages from using the all-inclusive system, because, in general, tourists who spend more time in the hotel setting are automatically forced to consume more of its products and services (Kozak et al., 2008).

The all-inclusive system facilitates economies of scale, solves or minimizes logistics problems in the destination, reduces costs – hiring locals due to the bargaining power of the hotel chains allows greater control over operations and even channels nearly in full (Menekse, 2005; Zoghbi-Manrique-de-Lara, Aguiar-Quintana and Suárez-Acosta, 2013) – mainly by the travel agencies – and also enables tourists to allocate financial resources to their trip. In addition, Çiftçi et al. (2007) claim that while the profit margin of the non-all-inclusive system is 25% on average, those who adopt this system reach 35% to 40% profitability. Finally, Marzuki (2012) states that local residents have the advantage of gaining more income that directly leads to improving the local economy in this system.

A special criticism in relation to resorts that offer an all-inclusive system is that, generally, they must offer simultaneously a stable quality while extending themselves in offering rates that typically include all food, land and water activities, drinks, and tips (Issa and Jayawardena, 2003). However, "the all-inclusive hotels typically present its food offerings through a buffet aimed at reducing labour cost and allowing for the standardization of food," without paying attention to its quality (Smith and Spencer, 2011, p.95).

On the other hand, several authors point out the disadvantages of this system (Anderson, 2012), such as the restriction on tourists to have their meals in the same restaurant every day, experiencing the same environment, and limiting sightseeing, among others (Table 1). If tourists go sightseeing independently, it tends to occur when there is no predefined activity or meal at the accommodation site and it reduces the tourists' freedom to explore local tourism attractions that are not included in the program, which does not allow them to gain a better understanding of the local culture. Table 1 shows the relevance and impact that the all-inclusive system can have on the local economy of a tourist destination.

Table 1 - Strengths and Weaknesses of All-Inclusive System

Strengths	Weaknesses
Tourists can plan holidays better, previously knowing what the cost will be	Low tendency to spend outside the budget
Simplifies relationships between hotels and guests, and minimizes capital expenditure on computer equipment to track guests bills	High expenditure/investment in skilled labor
Eliminates the money relationship between hosts and guests (no tipping allowed)	Eliminates money incentives for workers
Guests do not have to leave hotel as value-added from spin-off activities is captured by the hotel	Potential for connections outside of the hotel (e.g. taxi drivers, restaurants) can be limited
Tourists can feel safe in a well-planned and orchestrated environment	Leads to enclave type tourism: limits local participation and interaction of tourists in local community
Creation of skilled, flexible and empowered staff	Staff can be easily exploited and lead to overwork

Source: Adapted of Tourism Intelligence International, TII (2000a).

According to Suklum (2006), almost one-third of tourists hosted in Bodrum, Turkey, never participate in any economic, social, or other activities outside the hotel premises. However, from the point of view of the development of the local economy, Çiftçi *et al.* (2007) state that a large amount of the expenses of tourists stay in their countries of origin and do not move to the host destination. It is estimated that about "80% of travellers' expenditures go to the airlines, hotels and other international companies (who often have their headquarters where the travellers come from), and it does not go to local businesses or workers" (UNEPTIE, 2011), mostly to less developed countries. An empirical study by Kozak et al. (2008) suggests that those who bought all-inclusive vacations spend about 36% less than half-board seekers. Tourists staying at hotels spend approximately 16% less than those staying in apart hotels. These findings are supported by the following studies. For example, with a sample population of 1360 participants to determine the economic impact of all-inclusive holidays in the Balearic Islands, Anderson (2012) observes that all-inclusive tourists spend less than other tourists who buy any other kinds of tours.

In practical terms, they make this statement because travel agencies create partnerships with large international hotel groups, which results in the rates charged that prevent the setting up of smaller ventures in destinations where the all-inclusive system is predominant. Still in this context, another consequence for the development of the local economy seems to focus directly on bars and restaurants, since in the all-

inclusive system the meals – previously paid for – are usually taken in the hosting environment's facilities, discouraging the search for this type of establishment in the destination.

Therefore, the Organization of American States (OAS, 2004), in its research conducted in Jamaica, compares the impact of the all-inclusive system of the tourism industry with other types of systems and finds that, in spite of attracting large amounts of resources, the multiplier effect on the economy is lower than in other sectors because, in this modality, the hotels import more products and create fewer job opportunities. Other segments of the economy (besides food) may also be affected if the all-inclusive system prevails in the destination (Anderson, 2010; Bladh and Holm, 2013). In this regard, the all-inclusive service restricts the mobility of guests in leaving the hotel, especially in relation to food, which they have already paid for and which is served at predetermined times (Anderson, 2010). As a result, those who prefer 'all-inclusive' type of holidays tend to have less probability of staying longer than those choosing a 'half-board' accommodation (Gokovali, Bahar and Kozak, 2007).

There is a possibility that tourism taking place on these terms does not contribute significantly to the reduction of inequality and poverty, since, according to the Pro-Poor Tourism Organization, the necessary conditions for poverty reduction are the intensive use of local manpower, the effective participation of the informal sector and the possibility for consumers to travel to the product. This scenario seems to be more typical of underdeveloped regions, where the arrival of tourism may end up generating the disappearance of traditional economic sectors. For example, Bladh and Holm (2013) observe that those countries with their destinations or accommodation facilities offering all-inclusive services are usually characterized by a relatively lower level of prices and higher corruption.

Besides, sometimes "the economic income produced by tourism does not rebound into the local community and this can bring unfair situations and social tensions as the host population is not benefiting from tourism and is losing rights over the local resources" (Caballero, 2002). This possibility shows how relevant it is to understand the impacts of the all-inclusive system on the tourist destination.

Although there is a lack of studies proving the relationship between local economic development and the adoption of the all-inclusive system, the latter has further conditions for the vertical integration of the tourism industry (since the business generates its own inputs rather than resorting to the market). Bladh and Holm (2013, p.339), with their research carried out among 3,798 hotels offering all-inclusive products, suggest that "contracts mitigate a hold-up problem and that the severity of this problem varies with regard to the hotel's distance from the

resort centre." According to Moura (2006), the variety of services offered by the resort is enough to attract the tourist, not depending on visits or activities outside the premises of the resort. Finally, it is unclear whether the adoption of such a system is a trend. In limited cases and in the near future, tourists will travel to a particular hotel instead of a specific tourist destination.

METHODOLOGY

The tourism literature shows that tourism is positively correlated with income (Lee, Choong-Ki, and Seyoung Kang, 1998), which, in turn, is highly correlated with the education level of the individual (Fu, 2011; Rattsø and Stokke, 2011). Therefore, the population who is most likely to engage in tourism is made of people with high incomes and higher education levels. A higher education institution is representative of that universe consisting of people with this profile. Thus, the researchers randomly selected 100 subjects from the universe of students and assistant professors graduating in management from the largest private institution of higher education of Belo Horizonte (capital of the state of Minas Gerais, Brazil) with error margins at a 95% confidence level. The choice of this sample was due to the existence of at least 15 years of schooling – in Brazil, the median schooling is 7.2 years (IBGE, 2010) – and higher wages than the national average (IBGE, 2010), i.e., a group that has considerable demand for travel and leisure.

The authors applied questionnaires for three weeks during the month of September 2011. Initially, we interviewed 185 students and teachers during the month of August 2011, on the premises of the University and outside school hours. From this figure, 100 respondents remained in the final stage. This reduction occurred because they only considered those interviewees who had already hosted in a hotel with an all-inclusive system. Therefore, the answers were not given based on assumptions and expectations, but from a real experience. The questionnaires were tabulated, processed, and the data were analyzed using SPSS (Statistical Package for Social Sciences) version 11.5 for Windows.

The questionnaire consisted of a total of eight questions, divided into three blocks of interest: the first was designed for the identification of the sample (age, gender, income, marital status and number of children); the second comprised three questions regarding the characteristics of the all-inclusive system, such as the importance of the presence or absence of a number of items in the package and the advan-

tages and disadvantages that may occur; and, finally, the last question discussed the respondents' attitude in probabilistic terms, to determine, in a destination supported by the all-inclusive system, e.g., the chances of having meals in restaurants outside the premises of the hotel or visiting a local tourist attraction not covered by the package in terms of transportation and admission.

The methodology used in this work consisted of the descriptive statistical analysis of data and main component analysis (PCA). In the principal component analysis, a set of variables is transformed into another set and called the principal component. In this case, each principal component is a linear combination of all the original variables (Varella, 2008). Thus, each component provides the primary statistical information, different from the other, which does not exist in the analysis of the original variables. While the original variables have the same statistical significance, the first principal components are so important that it is possible to ignore the rest.

In accordance with Vicini and Souza (2005), the goal of the PCA is not to explain the correlations between the variables, but finding mathematical functions between the initial variables that explain much of the existing variation in the data and allows to describe and to reduce these variables. According to Mingoti (2005), principal component analysis's major objective is to "explain the variance and the covariance of a random vector, composed by a p-variable random, through the linear combination of the original variables, which are called principal components."

The principal components that better explain the data variability are obtained in descending order, which means the ones that are the most important first (Alves and Souza, 2004). In this paper, the main purpose of the use of principal component analysis was to construct – based on the principal component responsible for the majority of the data variability – a ranking of variables that have greater importance (a larger proportion of the total variance) to the tourist in an all-inclusive system.

The authors chose the number of principal components using the percentage of total variability explained which establishes a limit and verifies the number of eigenvalues needed to achieve it. In this work, the limit was close to 60%, because, according to Johnson and Wichem (2002), if the number of principal components is too small, there may be an exaggerated reduction of dimensionality and a lot of information may be lost. If it is large, it may not meet the reduction targets. The participants assessed items, such as food, trips to local attractions, transfers, drinks and fun in the infrastructure of the accommodation, on a scale from 1 to 5, where "1" represents "not important" and "5" refers to "absolutely important" at the time of purchasing the trip in

this modality. To obtain these results, the authors used multivariate analysis, specifically principal component analysis.

RESULTS

The predominant group of participants in terms of age range was the 18–25 group, representing 44%, followed by the group of 26-34 years, with exactly one-third of the participants. The sample is composed of 63% females and mostly unmarried people (64%), influencing the number who had children (only 31%). In this group, more than half had only one child (55%). Regarding their opinions about the trip with the all-inclusive system, 27% of the respondents consider this an "excellent" method. However, 38% of them consider it as a "very good" method. Less than 6% consider it bad or worse. The two main advantages that may exist on a trip with the all-inclusive system are the early definition of the amounts to be spent and protection against price increases at the destination at the time of the trip (Table 2). The reduction of the displacements in the destination and the increased sense of place security only accounted for 13% of the reports.

Table 2 - Main advantages on an all-inclusive trip

Amount to be spent is set in advance	71,26
Protection against price increases at the destination at the time of travel	55,17
Higher feeling of safety at the destination	28,74
Exclusive leisure moments for children and adults	14,94
Less displacements at the destination	12,64

To obtain these results, the authors used multivariate analysis, specifically principal component analysis (Table 3). The multivariate analysis chose the first two components that together explained the main 64.5% of data variability. The first structure, represented by the first component, accounted for 43.1% of the data variability and shows that individuals consider all the important items jointly. The item "beverages" has more variability among components. The second structure explains 21.4% of the data variability and shows that when someone assigned a high level of importance to drinks, also assigns low importance to the other items (or vice versa).

Table 3 - Covariance Matrix Eigen analysis

Eingenvalue	2,6873	1,3375	1,0367	0,7198	0,4569
Proportion	0,431	0,214	0,166	0,115	0,073
Cumulative	0,431	0,645	0,811	0,927	1
Variable	PC1	PC2	PC3	PC4	PC5
q7- food	0,271	0,2	0,418	0,141	0,832
q7- tour	0,281	0,687	0,134	0,512	-0,411
q7- transfers	0,365	0,39	0,079	-0,834	-0,112
q7- beverages	0,801	-0,549	0,077	0,126	-0,189
q7- entertaiment	0,271	0,185	-0,892	0,08	0,302

In a univariate analysis (Table 4), the results show that, individually, all the items are important. However, food is the item considered as the most important when purchasing a travel package for an all-inclusive system. The item considered as the second most important is entertainment, with an average rating above 4. The item "beverages" is placed last among the five existing items. Therefore, separately, the variable "beverages" is less important at the moment of the package acquisition in this modality.

Regarding the possibility of having food at a restaurant outside the all-inclusive hotel, one-third of the participants say that this possibility is less than 30%, and only 6% said that such a possibility is 100%. For only 13% of the respondents, there is no possibility to visit a local attraction that is not covered by the all-inclusive system in terms of transportation and admission. For 35% of the participants, the likelihood of this happening is less than 50%. Only 6% of the participants state that they would shop in places not covered by the all-inclusive system regarding transportation. However, for 60% of them, the possibility of purchasing it is not less than 70%. Finally, regarding the possibility of renting a car in the destination, only 1% would do this with certainty and 44% of the participants state that the possibility is less than 30%.

Table 4 - Importance of the items of travel acquisition

Variable	**Mean**	**Deviation**	**CV**	**Median**
Food	4,4598	0,873	19,58	5
Tour	3,989	1,062	26,63	4
Transfers	3,828	1,037	27,08	4
Beverages	3,517	1,47	41,78	4
Entertainment	4,161	1,055	25,36	5

1 – not important, 5 – absolutely important

DISCUSSION

The results indicate that most respondents consider the all-inclusive system to be very good; it opens up new possibilities for research. For example, if large businesses were better able to offer this modality, what would the impact on small and medium-sized hotels in this business be, since many do not have the conditions to maintain tourists on their premises for a long time? If the issue of security is a crucial factor of choice for establishments that offer the all-inclusive system, then could this modality contribute more in the short term to the development of tourism in less developed countries with latent social problems?

The food and entertainment industry would be the most affected by the all-inclusive system, as they are the items considered to be more important when purchasing a travel package this way, with a small probability of being consumed outside the accommodation. Then, the first contribution of this study is to show that the all-inclusive hotel did not establish business relations with the local people and businesses ex-ante the arrival of tourists, they certainly will not carry out new spending after arriving at the destination, which would reduce the impact on the local economy. Finally, all-inclusive hotels should be an intermediary between the tourist and the local entrepreneur, expanding the travel experience and increasing the chances of your return.

The results show that tourist attractions and car rentals could also be affected negatively, reducing the impact of the multiplier effect of tourism predomination when this is the modality used. Therefore, the second contribution of this study is to address that the impact of all-inclusive hotels on the local economy also depends on their sourcing policies, i.e., the more it is committed to local sources and suppliers, the more positive the impact will be. Perhaps the adoption of a seal by the all-inclusive hotels with the statement "I contribute to the local economy" or "establishment involved with local producers" could become a tool of interaction between the hotels and the community, being an opportunity for the hotel brand to achieve importance among its customers.

CONCLUSION AND IMPLICATIONS

The adoption of the all-inclusive system by resorts in association with travel agencies seems to be a trend. Although the generation of employment, income, and tax revenue is the main argument used by all-inclusive system defenders, the question is: what are the ef-

fects on the local economy? Although they are only a small sample, the participants in this study have a high income and high level of qualification, which is perhaps the predominant profile among tourists who are already using the system offered by all-inclusive resorts. The main advantage that may exist on a trip following the all-inclusive system is the early definition of the amounts to be spent at the destination at the time of the trip. This result shows that there appears to be a predisposition not to spend substantial amounts after the acquisition of the travel.

In comparative terms, the results of this study are similar to those found in the literature on the theme (Table 5). It is observed that the all-inclusive system is a modality much desired by tourists and that the tendency is actually spent out of the hotel environment. The first theoretical implication of these results is the need to expand the variables identified as the determinants of tourist expenditures. Despite the fact that traditional literature considers the type of accommodation as a determining factor, the modality of hosting offered certainly has some importance in the magnitude of these expenditures. The second theoretical implication of these results is that, although most of the literature suggests emphatically the economic benefits, the market structure of commercial activities associated with tourism should be considered for more precise analysis of the benefits generated for local agents.

One implication for the tourism industry – based on these results – is the need to balance the preferences of tourists (for this type of system) with the interest of local actors. This harmony is necessary to ensure that tourism is respected by the local population, to avoid friction, and to allow the social entrepreneurs to attract natives. It would not be interesting for academia that tourists assert "sightseeing or travel" in a given all-inclusive resort, without even mentioning the place or region where it is located. Since there is a considerable preference among tourists for all-inclusive hotels, the relationship between the hotel chain, the public, and local businesses should be intensified; otherwise, the positive and negative effects of this modality become neutral. This may happen if the all-inclusive system and all the tourist consumption only benefit the investor, especially if coming from other countries.

Table 5 - Comparison between the results of the research and literature results

Ours results	Other results	Author(s)
Only 6% of the participants state that they would shop in places not covered by the all-inclusive system; regarding the possibility of renting a car in the destination, only 1% would do this with certainty.	Tourists in the AI system are likely to spend less than tourists with other types of travel package. At Balearics Islands, AI tourists spent 39.2% less than the island's overall.	Anderson (2012)
For 65% of the respondents the AI system is very positive.	Less than 50% of the respondents regard the all-inclusive system positively.	Mok and Iverson (2000)
The main advantage on a trip following the AI system is the early definition of the amounts to be spent in the destination (71%).	The main advantage to 52% US tourists by AI system is the guarantee provided to obtain everything within a fixed price.	Çiftçi et al. (2007)
33% of the participants say that the possibility of having food at a restaurant outside the AI hotel is less than 30% and only 6% said that such a possibility is 100%.	Almost 33% of tourists hosted in Bodrum, Turkey have never participated in any economic, social, or other activities outside the hotel premises.	Suklum (2006)

Although its results provide some evidence to contribute to the literature of tourism economics and marketing, the limitation of this study is, of course, its sample nature, particularly the sample size. It is necessary to increase the sample and also to use different samples, both in terms of their characteristics and in terms of different regions. New techniques, such as a multivariate analysis, may also be used in order to open new avenues for future research.

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