

# Consumer Protection and Destination Competitiveness

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# Agenda

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Defining Consumer

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Benefits of Supplier Competition

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Consumer Protection in Tourism

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Market Failure v Consumer Protection

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Destination Competitiveness

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Issues and Challenges

# Defining Consumer

- Persons to whom goods or services are marketed
- Persons who have entered into transactions with suppliers
- Users of particular goods
- Recipients/beneficiaries of goods or services
- Persons who seek 'best' value and provide signals to suppliers on required product characteristics

# Benefits of Supplier Competition

When suppliers respond to signals sent by well-informed and confident consumers:

- Leads to lower costs
- Improved product quality
- Greater innovation
- Higher productivity
- More dynamic and efficient economy that promotes consumer well-being

# Consumer Protection in Tourism

- Form of government regulation
- Aims to protect consumer rights, fair trade competition and free flow of truthful information in marketplace
- Designed to prevent businesses from gaining unfair advantage over competitors
- Provide additional protection for disadvantaged

# Market failure vs Consumer Protection

- Information asymmetries
- Disproportionate market power
- Limit to consumer benefits
- Reduce gains from competition

**Market Failure**

- Includes regulatory and non-government measures
- Protect interests and promote positive outcomes for consumers
- Aims to improve consumer wellbeing
- Can remove or mitigate risk to consumers

**Consumer Protection**

# Consumer Protection Legislation

## Global Development

UNWTO  
proposal

Unfair competition,  
wanton price hikes,  
forced goods  
purchases concerns

Consumer rights,  
prosperity and  
wellbeing are core  
values

European  
Union



Consumer  
legislation

Australia

Single national fair  
trading and consumer  
protection law

China



South  
Africa

'Fair, accessible  
sustainable  
marketplace' legislation  
for consumer rights

# Consumer Protection as Determinant of Destination Competitiveness

Neither a 'push' nor a 'pull' factor

## CONSUMER PROTECTION

- Unlikely to motivate a tourist to travel
- Prevent dissatisfaction rather than create satisfaction
- More efficient market operations
- Fair /equitable legal system

## DESTINATION COMPETITIVENESS

- Hygiene factors (Hertzberg)
- Safety and security
- image
- Destination management
- Quality of service
- Positive Word-of-mouth
- Creating and maintaining customer loyalty
- Promotes consumer confidence

• Ethical business behaviour



# Destination Competitiveness

Major grouping of specific determinants



Destination Management



Service Quality



Fair and Equitable Legal System



Ethical Business Behaviour



Safety and Security



Destination Image

# Destination Competitiveness

Major grouping of specific determinants



## Destination Management

- effective competition in climate of trust



## Service Quality

- appropriately reliable and responsive



## Fair and Equitable Legal System

- transparency in policy making



## Ethical Business Behaviour

- fair treatment/ value for money



## Safety and Security

- reliability of products/ services & financial/physical safety



## Destination Image

- customer loyalty and repeat visitation

# Issues and Challenges in the Tourism Context

Unstable Tourism Environments

Changes in Tourist Demographics and Consumer Values

Dynamics of the Tourism Industry

Growing Product Complexity

Information Failure

The influence of technological change

# Issues and Challenges

## Unstable Tourism environments



## Dynamics of the Tourism Industry



### Differences in:

- 'Remote environment' disruption effects
- Exposure to risk (Parsons, 1996):
  - Immediate crises-little warning
  - Emerging crises – slow to develop
  - Sustained crises- last weeks/years
  - Strategies depend on time, extent of control and magnitude of incident
- Structure, dynamics, market players
- Multinational distribution system
- Internet transactions
- Prepayments financial loss risk
- Responsibility for losses
- Overbooking services

# Issues and Challenges

## Growing Product Complexity



- Greater product variety
- Intermediary reliance
- Product bundling
- Contract rigidity
- Misleading & deceptive conduct
- Unconscionable conduct
- Product safety issues

## Information Failure



### Consumer information

- Limitations on access

### Tourism Products & Services

- Experience
- Credence

### Consumer disadvantages

- Fraudulent conduct
- 'adverse selection'
- Restrictive business practices
- Tarnish flow on effect
- Redress problems
- Bait advertising

# Issues and Challenges

Changes in Tourist Demographics and consumer Values



- Characteristics of the evolving tourist
- Desire to self-differentiate
- Specific needs, demands and expectations
- Demographic changes
- Safety and information disclosure
- Service provider disclaimers

Influence of technological change



- Effect of information technology
- Challenges re global transactions and redress
- New fraud opportunities
- Legislative response

# Conclusion

- Consumer legislation a necessary condition for sustainable destination competitiveness
- Destination managers need to ensure policy development is underpinned by soundly based research on consumers and consumer issues

## **Some challenges for further research:**

- What types of consumer protection mechanisms best complement consumer law?
- What impact does enhanced consumer protection have on total visitor experience?
- How aware are visitors to any destination of their consumer rights?
- Does association between consumer protection and destination competitiveness vary according to a destination's stage of economic development?

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