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ANALYSIS OF "ALL-INCLUSIVE" TOURISM MODE IN THE BALEARIC ISLANDS

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Tourism market forces in most tourism driven economies and mature tourism destinations shift from the 'conventional independent' to 'all-inclusive' (AI) tour mode. Using Majorca as a case study, this paper analyses the AI mode: its supply and demand sides. Through specific tourist and desk surveys conducted in 2006, it was revealed that until May 2006,the population of AI accommodation suppliers in Majorca was around 195; 36% of which offer 'exclusively AI' product. Moreover, above 85% of tourists visiting Majorca were package tour customers; with at least 15 percent travelling through the AI tours. Noticeably, an AI tourist spends less than overall average tourist's expenditure per day at the destination, but spends more at the country of origin. Challenges are identified and recommendations given to improve the welfare of the economy.

Keywords: *All-inclusive demand and supply, Balearic Islands, Majorca*

JEL Classification: *L83, M1, O1*

INTRODUCTION

All-inclusive (AI) demand and supply in most tourism driven economies and mature destinations, like Balearic Islands, are growing extensively. In the Balearics, the AI mode appeared for the first time in 1950 when the French company 'Club Mediterranee or Club Med' established their tented village in Alcúdia on the island of Majorca (Issa and Jayawardena, 2003). However, the mode has received a significant attention in recent years. Among the reasons are, first, it has been increasingly seen as one of the main incentives when tourists choose a destination (Tourism Intelligence International, 2005). Second, giant tour operators in Britain and Germany; which are the main tourist markets for the Balearics (Hoti et. al, 2005; Diari de Balears, 2006), prefer AI deals as

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they persuade mass tours which provide them with economies of scale on tours organized (Alegre and Pou, 2006; Anderson et al., 2009).

As a response to the mass inflows of the AI customers, numerous establishments in Balearics have been scrapped and rebuilt in the form of integrated tourist complexes (Cladera, 2006; Comissió Experts "tot inclos", 2005). Many are still moving away from offering 'traditional independent' to 'partially' or 'exclusively' AI package (Ultima, 2006; El Mundo, 2006; Conselleria de Turisme, 2006a, b; Anderson, 2008)

This paper is well-timed when various stakeholders seek to know the status of the AI mode at the islands, considering that tourism is the lifeline of the Balearics, which contributes at least 80% of archipelago's GDP (Hoti, et.al, 2005; Parrilla, et. al, 2006). For revenue purposes, tourism authority would like to know the AI distribution channels available at the destination and the currency injected to the economy from the AI tourist. Tourisiers like tour operators on the other hand, would like to know the size of the AI demand, supply categories, and places available at the destination in order to design appropriate marketing strategies. This paper therefore provides answers to the sought information through analysing the AI supply and demand in Majorca.

Majorca represents not only tourism driven economies and mature tourism destinations, but also is considered as one of the most visited destinations in the Balearics and the Mediterranean basin (Anderson, 2009). Concretely, the paper establishes the AI supply size and estimates its demand and expenditure at Majorca. The rest of the paper is organized as follows. The theoretical part comes before the research methods, then followed by the findings and finally the conclusion.

LITERATURE REVIEW

All-inclusive Concept

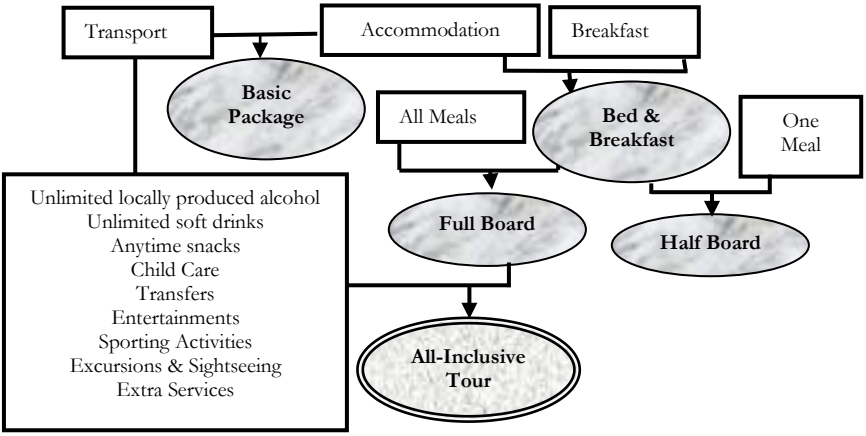
The concept of AI in tourism has received a scant attention in academic arena. However, there are a number of definitions from various scholars (Sheldon and Mak, 1987; Morrison, 1989; Middleton, 1994; Holloway, 1998; Issa and Jayawardena, 2003). AI package tour according to Sheldon and Mak (1987) and Morrison (1989), is a trip planned and paid for a single price in advance, which covers a broad range of items from commercial transportation and accommodation to meals and sightseeing, sometimes accompanied by an escort or a guide.

Middleton (1994) describes it as an inclusive form of travel, organized by intermediaries or middlemen; in which the tour represents a

bundle of tourism goods and services, marketed as one particular product or brand and sold at an inclusive price. According to Holloway (1998), the AI mode is integrated travel services, which are bought in bulk by the tour operator, assembled, and resold to customers as a package including different services. Holloway (2000) goes further and describe the AIs as itineraries put together by a tour operator or other supplier, usually incorporating at least three elements, transportation, accommodation and transfers, although some packages may include additional services such as excursions.

However, stakeholders view the AI mode differently. Using the case of Caribbean, for example, Issa and Jayawardena (2003) terms it as a 'necessary evil', because, movements are extremely constrained, whereas tourists can find themselves quite literally 'imprisoned' on buses and boats, and in enclave resorts. The AI resorts trap all the visitors in their compounds and practically offer them everything. Issa and Jayawardena, however, commend the AI mode as an important product innovation in the international tourism market place, as it packages various elements of tourism product. But still, there are no acceptable common elements, as the tour packages range from the very basic to the most complete.

Figure 1 Type of Package Tours



Source: Anderson et. al. (2009)

The basic package includes transport and accommodation (Botti, et al., 2007). The most complete product adds services like luxury private transfers, spa treatments, accommodation at a five-star resort, sporting activities, sightseeing tours and excursions (Wong and Lau, 2001; Abdool and Carey, 2004). As it can be realized from Figure 1, Anderson et al (2009) categorise the packages into five: basic package; bed and breakfast; half board; full board; and AI.

All-inclusive Demand and Supply

To conceptualize the demand and supply terms, also known as market forces in Claveria and Datzira (2009), is important in order to deal with the issues revolving around the AI mode. Explicitly, Anderson (2008:3) describes the AI demand as a desire to travel through the AI package tour, combined with the ability to purchase it or the readiness of tourists to acquire the AI product in exchange of a certain amount of money. In the same manner, the author gives the operational definition of the AI supply as that quantity of AI product that AI suppliers are willing to sell at a given price level.

AI suppliers according to Paris and Zona-Paris (1999) include the enterprises that may have AI boarding basis for all its guests or only a segment of the guests as an AI resort. Also Millington et. al (2001) considers AI supplier as any holiday complex offering AI holidays which apart from accommodation, also include several swimming pools, bars, and restaurants, a stretch of private beach, landscape gardens and a variety of sporting facilities. Extraordinarily, clothes are now added to a package by giant European tour companies like Touristik Union International (Tourism Intelligent International, 2005).

RESEARCH METHODS

The Balearic Archipelago is made up of the islands of Majorca, Minorca, Ibiza and Formentera. This study has involved Majorca where the first AI village by “Club Med”, was launched in the 1950s (Issa and Jayawardena, 2003). Majorca receives at least 75% of the archipelago’s annual tourist arrivals (Conselleria de Turisme, 2005). Moreover, almost 80% of the AI accommodation capacity in the Balearics is in Majorca (Anderson, 2008).

To carry out the objective of the study, an extensive desk research was done to identify cases in Majorca which offer AI boarding basis. As described in the previous section, our definition, and thus an identification

of the AI suppliers follows that of Paris and Zona-Paris (1999) and Millington et. al (2001). Thereafter, the descriptive analysis was done based on each identified case and eventually the aggregate of the studied population, using mainly tabulation and chart techniques. Moreover, a visitor-exit-survey (n=843, α=.05, e=±3%) was conducted at the Airport of Palma de Mallorca during the summer of 2006. The reasons for choosing exit-survey and in the summer were to capture the actual expenditure and it is estimated that at least 50% of tourism in the Balearics concentrates in summer (Conselleria de Turisme, 2005).

FINDINGS

All-inclusive Supply in Majorca

Accommodation sector is the core of tourism supply at the destination, which in Majorca is categorized into hotels, apartments, agro-tourism establishments, guest houses, camps, holiday villages, Fonda, hotel apartment, hotel residence, rural hotel, hostels, hostel residents, boarding house, apartment residence, and interior tourism establishment (Conselleria de Turisme, 2005:71). The distinguishing characteristics of these facilities are given in Conselleria de Turisme (2005). Hotel is an establishment that provides tourist bed and dining room services, with or without complementary services that, due to configuration, does not have the appropriate installations for the preparation and the consumption of foodstuffs within accommodation unit. Hotel apartment, in addition to provide tourist accommodation and dining room services with or without complementary services, offers, due to configuration and services, the appropriate installations for the conservation, preparation and the consumption of foodstuffs within all or some of the accommodation unit.

Apartments provide bed without dining room services, and that has, due to configuration and services, the appropriate installations for the conservation, preparation and the consumption of foodstuffs within all or some of the accommodation unit. Holiday villages are establishments whose location, installations and services allow clients, under predetermined schemes, to enjoy their holidays in direct contact with nature, providing them, for a fixed price, bed with full-board, with the possibility of practicing sport and participation in group leisure activities. However, holidays villages built with a social aid orientation and on a non-profit making basis by public corporation or bodies are not included in the given definition. Hostels offer both bed and meals, conforming or not to full board at the choice of the client and excluding hostel

residencies. In 2005 there were 153 AI accommodation establishments in Majorca but that figure increased to 195 in 2006; which is an increment of 27%. The enterprises are located in Llevant (27%), Calvià (19%) and Northern (14.4%) zones (Conselleria de Turisme, 2006a, Table 1).

Table 1 Overall AI Establishments in Majorca in 2005

Zone	Town	Establ.	Subtotal	Places
	Alcúdia	15	22	11, 014
NORD	Platja Muro	2		
	Can Picafort	5		
	Arenal	9	21	9,253
BADIA DE	Platja de Palma	7		
PALMA	Can Pastilla	2		
	Cala Blava	2		
	Cala Major	1		
CALA d'Or	Cala d'Or	13	14	4,089
	Cala Ferrera	1		
LLEVANT	Portocristo	1	41	16,916
	Cala Millor	16		
	Sa Coma	7		
	S'Illot	2		
	Cala Bona	2		
	Cala Mandia	2		
	Calas de Mallorca	10		
	Cala Estany	1		
CAPDEPERA	Cala Ratjada	11	15	5,391
	Cala Mesquida	2		
	Canyamel	2		
CALVIÀ	Portals Nous	1	29	11,156
	Palmanova	7		
	Magaluf	3		
	Santa Ponsa	10		
	Paguera	8		
SUREST -	Colònia St. Jordi	1	6	2,420
CALAS	Portocolom	2		
	Cala Mondragó	2		
	Cala Figuera	1		
POLLENÇA	Port de Pollença	4	5	153
	Cala Sant Viçens	1		
TOTAL			153	62,555

Source: Govern Balear. Conselleria de Turisme, 2006a

Hotels and hotel-apartments dominated the AI accommodation supply, representing at least 80% of the total. Of which 61% and 20.3% were respectively hotels and hotel-apartments. See Table 2.

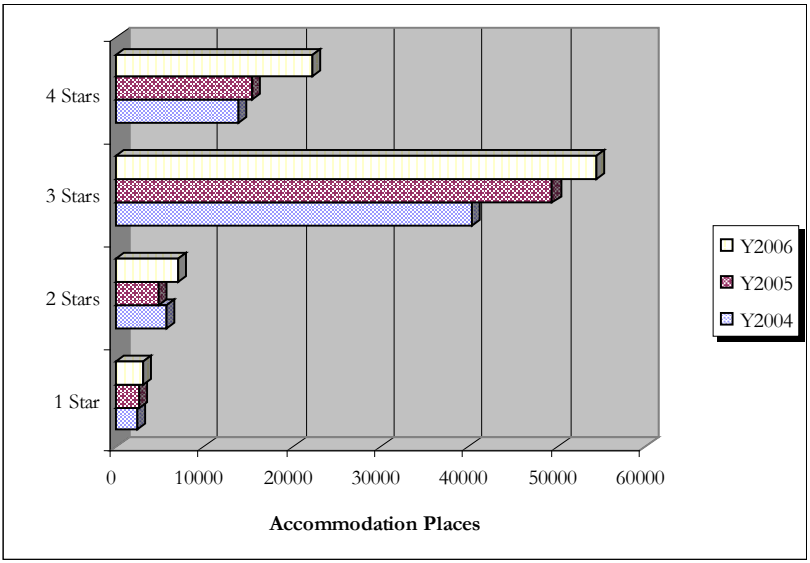
Table 2 The typology of AI establishments in Mallorca as in 2005

Type	Establi.	%	Places	% Establ
Hotels	93	61	37,885	60.70
Hotel - Apartments	31	20.3	15,026	20.30
Apartments	24	16	6,087	16.00
Holiday villages	4	2.6	3,001	3.00
Hostels	1	0.1	556	-
TOTAL	153	100	62,555	100.00

Source: Govern Balear. Conselleria de Turisme, 2006a

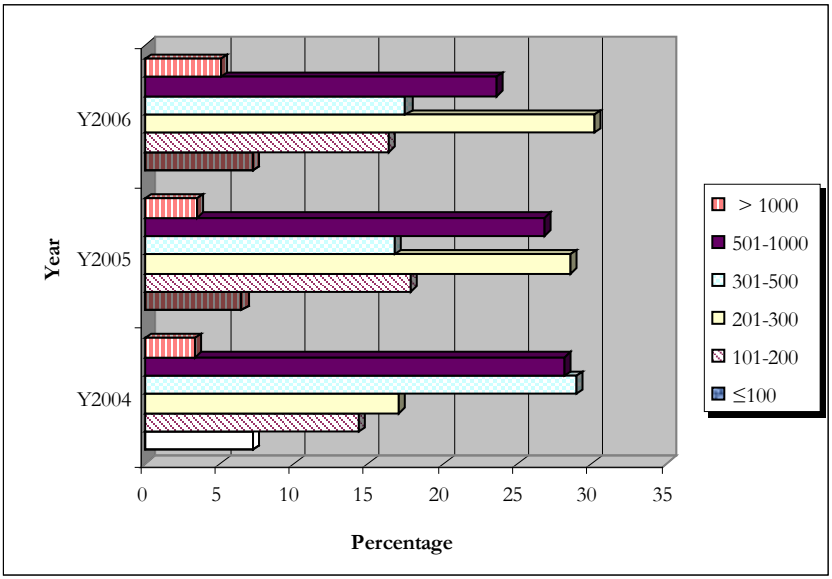
Majority of the AI suppliers are 3 stars; representing 62% of the total. The five stars so far do not offer AI packages. Figure II shows the distribution of the AI firms on the basis of official ratings.

Figure 2 Categorical Distribution of the AI Establishments in 2004-2006



Moreover, at least 14.4% of AI establishments are each equipped with places between 101 and 1000. Precisely, the establishments with places between 301 and 500 and from 501 to 1000 dominate the AI supply. Following are those with places between 201 and 300, and from 101 to 200 as shown in Figure III.

Figure 3 AI Accommodation Places Available in 2004-2006



Moreover, apart from the establishments that offer AIs simultaneously with other boarding basis such as half board, the significant part of the supply offers the AIs exclusively. Exclusive AI establishments specialize on offering AI package only, whereby until May 2006, more than 30% of the AI suppliers in Majorca offered exclusive AIs (Ultima, 2006; El Mundo, 2006, Conselleria de Turisme, 2006b) as it is summarized in Table 3.

Table 3 Exclusively "AI" Establishments in Mallorca as in May 2006

Zone	Town	Establ.	Total
NORTH	Alcúdia	5	9
	Playa de Muro	1	
	Ca'n Picafort	3	
BADIA DE	Arenal	5	10
PALMA	Playa de Palma	2	
	Cala Blava	1	
	Sant Agusti	1	
	Maioris	1	
CALA D'OR	Cala d'Or	4	4
LLEVANT	Cala Millor	8	20
	Sa Coma	4	
	S'Illot	2*	
	Cala Mandia	1	
	Calas de Mallorca	3	
	Cala Domingos	2	
CAPDEPERA	Cala Ratjada	5	5
CALVIA	Palmanova	3	9
	Magaluf	2	
	Santa Ponsa	1	
	Peguera	3	
SUDEST CALES	Portocolom	1	2
	Cala Mondragó	1	
TOTAL		**59**	**59**

Source: Ultima (May 23, 2006), pp. 18

Of the exclusively AI establishments, three stars represent majority (66%). Table 4 shows the distribution of the exclusively AI firms on the basis of official ratings.

Table 4 Categories of Exclusively "AI" Establishments (May 2006)

Rating	No. of Establish.	% of Establish.	Places	% of Places
1 Star	4	6.7%	1,065	4.0%
2 Stars	4	6.7%	1,487	5.5%
3 Stars	39	66.1%	18,277	68.1%
4 Stars	12	20.5%	5,999	22.4%
Total	59	100.00%	26,828	100.00%

Source: Govern Balear. Conselleria de Turisme, 2006b

Moreover, establishments that offer places between 201 and 400 and from 501 to 1000 are majority; each category represents 27.1% as shown in Table 5.

Table 5 Distribution According to Capacity (May 2006)

Places	Establishments	Percentages
At most 100	4	6.8%
101-200	8	13.5%
201-400	16	27.1%
401-500	12	20.4%
501-1000	16	27.1%
At least 1000	3	5.1%
Total	59	100.0%

Source: Govern Balear. Conselleria de Turisme, 2006b

Of the exclusively AI establishments, hotels and hotel-apartments dominate, representing respectively 49.1% and 28.9% of the total. Table 6 displays the typology clearly.

Table 6 The Typology of Exclusive AI Establishments (May 2006)

Type	Establish	% of Establ.	Places	% of Places
Hotels	29	49.1%	13,431	50.1%
Hotel-Apartments	17	28.9%	9,850	36.7%
Apartments	10	17.0%	2,236	8.4%
Holiday villages	1	1.7%	660	2.4%
Hostels	2	3.3%	561	2.4%
Total	59	100.00%	26,828	100.00%

Source: Govern Balear. Conselleria de Turisme, 2006b

Analysis of All-inclusive Demand

At least 85% of tourists visiting the Balearics, and Majorca in particular, use package tourism. For example, from 2002 to 2004, of the tourists to the Balearics, respectively 88.3%, 90.2% and 88.3% travelled on package tours; whereas 'AI' tourists were accountable for at least 10% (Anderson 2008; Anderson et al., 2009). Table 7 gives the different types of tours during the three years 2002/04 consecutively.

Table 7 Services Bought at the Country of Origin from 2002-04

The Pre-Paid Service at the Country of Origin Include (%)		Year		
		2002	**2003**	**2004**
Transport plus	Transport Only	11.66	9.78	11.68
	Accommodation	29.28	23.13	21.13
	Bed and Breakfast	6.01	5.66	6.01
	Half Board	38.29	44.50	39.33
	Full Board	5.17	3.69	5.52
	All-Inclusive	9.58	13.25	16.32
Total		100.00	100.00	100.00

Source: Alegre and Pou, 2006

The point to note from Table 7 is that AI niche is extensively growing at a rate of 70.4% between 2002 and 2004 alone. German and British tourists are the main markets of this type of holiday; with in 2003 and 2004, respectively 17% and 21.5% of German and 9% and 15% of British tourists to Balearics traveled on AI tours. Also in 2005, 61.6% and 58.0% of respectively German and British tourists to Balearics, traveled on package tour, while Spanish package tourists represented 36.8% (Conselleria de Turisme, 2005:61-63).

Table 8 Average Expenditure per Tourist per day1 (in Euros) in 2004

The Pre- Paid Service at the Origin Include		%	Daytot	Daycor	Daymal
Transport plus	Transport Only	11.68	80.06	27.02	53.03
	Accommodation	21.13	96.81	55.66	41.13
	Bed and Breakfast	6.01	123.54	71.22	52.31
	Half Board	39.33	106.24	69.83	36.41
	Full Board	5.52	112.02	75.40	36.41
	All-Inclusive	16.32	90.70	67.50	23.20
	Total	100.00	100.01	61.85	38.16

Nevertheless, AI mode has lot of economic implications, the main being the distribution of the tourist's euro between the main three stakeholders: country of origin, country of destination and the tourist. However, in most cases, the countries of origin and AI tourists gain more from AI deal than the destination economies. In 2004 for instance, the average expenditure per tourist per day overall at Majorca, was € 100.1;

but an AI tourist spent 9.3% less. On the other hand, the average expenditure per AI tourist per day at the country of origin was 9.13% more than its overall average expenditure; but at the Balearics, AI tourists spent 39.2% less than island's overall. Table 8 shows the average expenditure per tourist per day for the year 2004 (Alegre and Pou, 2006).

However, there is no common price charged for the AI packages; rather prices are mostly determined by the country of origin. As Table 9 presents, from our 2006 tourist survey estimates, the German AI tourist has spent 8.01% less than overall average expenditure per tourist in totally, also has spent 9.8% and 3% less in the origin and Majorca respectively. The same tourist has spent 21.7%, 23.7% and 19.4% less than the average daily expenditure per tourist in totality, in the origin and at Majorca respectively. The British tourist has spent 12.5%, 13%, and 12.4% less than average expenditure per tourist in overall, country of origin and in Majorca respectively. Also has spent 14.8%, 13.5% and 15.8% less than the average daily expenditure per tourist in totally, country of origin and in Majorca. The Spaniard spent 14.5%, 19.7% and 10.6% less than the average expenditure per tourist in totally, place of origin and in Majorca respectively; the same tourist spent 10.3% and 15.5% less than average daily expenditure per tourist in totally and in the place of origin; but has spent 13.7% more than the average daily expenditure per tourist in Majorca. French and Italian tourists have spent above the overall average and daily average on the origin and in total, but at Majorca, French tourist has spent 7.3% less on overall average.

Table 9 Average Expenditure per AI tourist & per day in Euro (€)

Nationality	Avetot	Avecor	Avemal	Daytot	Daycor	Daymal
German	873.30	696.45	173.87	91.63	72.93	18.23
British	830.83	672.04	157.08	99.71	82.67	19.03
Spanish	812.05	620.02	198.18	104.96	80.83	25.71
French	1059.23	893.03	166.20	136.39	113.30	23.09
Italian	1139.16	930.57	209.63	146.14	118.32	27.54
Other	981.68	823.54	170.61	123.45	103.27	22.07
TOTAL	949.38	772.61	179.26	117.05	95.22	22.61

Source: Anderson, 2008

Lastly, the tourist from other nationalities has spent above the average in totally and in the origin, but in Majorca, such tourist has spent 4.8% below the average overall average per tourist and 2.4% less than the average daily expenditure per tourist in Majorca.

CONCLUSION

This paper analyses the AI mode in Majorca, specifically its supply and demand. Generally, economic benefits of the AIs at the destinations are still questionable. This is contributed by the fact that, the all-inclusive tourists spend less at the destinations compared to the tourists who buy the least- inclusive tour product.

From that perspective, several implications have been drawn. If at the destination an AI tourist spends lesser than the overall average tourist and the AI supply is growing extensively, it is undoubtedly that the AI mode poses a threat on the traditional tourism; which will pull down the tourism expenditure. This is a challenge for the growth of the economy, and even worse for tourism-specialized economies. Moreover, the boom in the marketing of AI in Majorca is a big challenge that endangers the future of complementary services.

As a tourism-specialized economy, majority of businesses depend on tourism: restaurants, cafeterias, bars, hand crafts, taxi, buses, banks, etc. In an ideal situation, complementary services generate wealth in destinations and provide many opportunities. If AI resorts enclave tourists and offer them with almost everything they need, then it is a challenge for the survival of complementary businesses; and threat to the employment opportunities, tax revenues and incomes they generate to the economy. Hence, future studies should focus on the value chain analysis involving the all-inclusive tourism at the destination to estimate the economic benefits of the AI from supply side point of view.

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[1] Abbreviations Avetot, Avecor and Avemal represent the average expenditure per tourist in respectively in aggregate, origin and Majorca. Also Daytot, Daycor and Daymal stand for the average daily expenditure per tourist in aggregate, origin and Majorca respectively.