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An Effect of Tourism Price as a Measurement Tool to Evaluate the Economic Efficiency of Tourism

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Abstract

This study give emphasis to the critical role of tourism pricing in enhancing the economic efficiency of the sector. It highlights that higher average tourism costs contribute significantly to a country's economic value by maximizing profits. Strategies such as service quality improvement, diversification, and the creation of new commercial opportunities are identified as key measures to boost this metric. Moreover, the research emphasizes the complexity of pricing as a management tool, advocating for policies that account for seasonality, currency fluctuations, service standards, and local economic demands. These measures are essential for ensuring the sustainable growth and long-term stability of the tourism industry.

Keywords: tourism price, tourism spending, average tourist spending, tourists' expenditure and economic efficiency.

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Introduction

The tourism development is closely linked to several economic factors, among which prices deserve special emphasis. Prices not only influence tourists' travel intentions but also shape their spending patterns, thereby playing a crucial role in determining the economic efficiency of tourism. The contribution to the country's economy are evaluated on the tourist flow and government revenue through tourism price analysis. This article discusses how tourism pricing affects the economic efficiency of tourism.

The average expenditure of a tourist during their visit to the country plays a significant role in assessing the economic efficiency of the tourism sector. The average tourism cost is the amount of expenses gained by a single tourist during their trip. It is considered as the main measurement tool for determining the country's overall tourism revenue and economic benefit. By analyzing this indicator, the tourism industry can assess its overall economic impact, improve economic policies, and enhance service quality. This article analyzes the impact of average tourism cost on economic efficiency.

Literature review

Gavurová, Ivanková, Rigelský, and Přívarová (2020) likely examine the intricate relationship between

tourism spending and economic competitiveness, particularly in OECD countries. It discusses previous studies emphasizing the role of tourism expenditure as a driver of economic growth and its contributions to enhancing the global competitiveness of nations. The research probably explores specific components of tourism spending—such as business tourism, leisure tourism, and outbound expenditure—and their varying impacts on economic performance.

It also highlights the significance of the Global Competitiveness Index (GCI) as a comprehensive metric for evaluating competitiveness and underscores the need for empirical studies linking tourism expenditure patterns to competitiveness outcomes. The authors likely critique gaps in existing research, such as the limited exploration of distinct spending categories or regional benchmarking, thereby justifying their multi-variable, analytical approach to understanding these dynamics in a global context.

Nguyen Phuc Canh and Su Dinh Thanh (2020) likely explore the economic implications of tourism, particularly domestic tourism, as a stabilizing factor in reducing economic vulnerability. It reviews prior studies on the Economic Vulnerability Index, emphasizing its role in capturing a country's susceptibility to external shocks and economic risks. The research probably highlights the unique contributions of domestic tourism spending in mitigating exposure to vulnerabilities, contrasting it with the effects of international tourism. Additionally, the review may address the disparities in the impact of tourism across income levels, noting that domestic tourism tends to have a more pronounced stabilizing effect in low- and lower-middle-income countries.

Brida, Lanzilotta, and Moreno (2022) likely explore key themes in tourism economics, particularly the allocation of tourist expenditures across various categories such as accommodation, food, and other services. It would discuss prior research on the factors influencing spending behavior, including destination-specific attributes, seasonality, tourist demographics, and travel preferences. The article emphasizes the importance of understanding expenditure patterns to classify tourists and predict their economic contributions effectively.

Canh Phuc Nguyen (2023) studied the role of institutional frameworks—both formal and informal—in shaping individual attitudes, behaviors, and travel-related decisions. The review emphasizes previous research exploring how formal institutions, such as governance quality, regulatory frameworks, and economic stability, influence tourism activities, including domestic and international spending patterns.

Nava, Osti, and Zoia (2023) likely examine the shift in tourism strategies from mass tourism to targeting high-spending visitors, with a focus on quality over quantity. It discusses previous research on tourist expenditure patterns, particularly the economic significance of distinguishing between leisure and business travelers. The article emphasizes the importance of understanding expenditure behavior for effective destination marketing and economic recovery planning, particularly in the wake of disruptions caused by the COVID-19 pandemic.

The reviewed literature collectively underlines the multifaceted relationship between tourism spending and economic dynamics, highlighting its role in driving growth, reducing vulnerability, and enhancing competitiveness. Studies emphasize the diverse impacts of tourism expenditure, from stabilizing low-income economies through domestic tourism to boosting economic efficiency and global competitiveness in OECD countries via business and leisure spending. The research further explores nuanced behaviors, such as the allocation of expenditures across categories and the role of destination-specific attributes, seasonality, and demographics. They also identify gaps in integrating tourism spending analyses with broader economic and institutional metrics, offering fertile ground for future research and practical applications in policymaking.

Results

Average expenditure is an indicator that directly shapes tourism revenue. A high level of this indicator leads to an increase in the overall economic benefit from tourist visits to the country. The more tourists spend in the country, the more resources enter the local economy, and the more services and production sectors develop.

The relationship between average expenditure and economic efficiency is expressed as follows:

- High average expenditure means that tourists spend more money, which is beneficial for the economy.
- Low average expenditure reduces economic efficiency because even though tourist inflows may be high, the income from them remains low.

The average tourism expenditure affects the local economy in several ways. Expenditures made by tourists create a multiplier effect for the national economy, through which each amount spent on tourism is recycled and multiplied in the local economic system. For example, when the average expenditure is high, tourists buy locally produced goods or use various services, which stimulates the growth of sectors. An increase in the average amount of tourism spending creates new jobs in the services, trade, and hotel sectors. More funds spent return to the state budget in the form of taxes and contribute to economic stability.

Increasing average tourist spending can further enhance economic efficiency. Therefore, the tourism strategy can be improved in many areas to increase average expenditure. Creating new services and experiences that are appealing to tourists - such as cultural festivals, gastronomic events, exclusive tours - increases their spending. High-end hotels and services encourage tourists to spend more. Also, offering discounts on premium services will help to increase tourist expenditure. Economic benefits can be increased by offering tourists a wide range of trade and commercial services, souvenirs, and local products.

When average tourism expenditure increases, it creates a multiplier effect on the local economy. Every amount spent by tourists in tourism affects other sectors and generates additional economic benefits. For example, an increase in tourist spending leads to higher incomes for local residents and entrepreneurs, which ensures increased consumption in the local trade and services sector. If the economic efficiency of the tourism sector is high, it becomes attractive for investment, leading to the opening of new tourist attractions, recreation areas, and hotels.

There is an opportunity to ensure long-term economic efficiency by increasing average tourism expenditure. Higher average spending is achieved through:

- Creating new tourist destinations and opportunities: The introduction of new routes in local areas encourages tourists to return and allows them to increase their spending.
- Supporting sustainable tourism: By promoting sustainable tourism, not only tourism development is considered, but also its environmental and social impacts, which will lead to an increase in average expenditure in the long term.

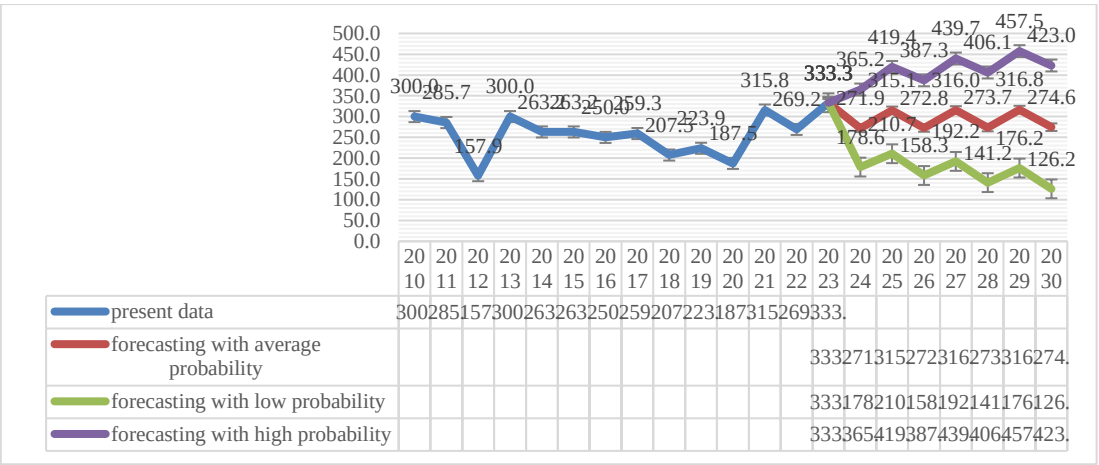

Chart 1. "Tourism Price Trends and Forecast with Confidence Intervals (2010–2023)"[1]

[1] It has been made and analyzed by the author.

The chart provides a detailed view of tourism price dynamics in Uzbekistan over time, offering insights into historical trends, current realities, and future forecasts. From 2010 to around 2016, tourism prices remained relatively stable, but a notable decline followed. This could be attributed to various factors such as economic reforms, global economic conditions, or regional competition impacting pricing. Post-2016, there is evidence of recovery, with tourism prices showing an upward trend by 2021. This recovery could reflect increased investments in tourism infrastructure, promotional campaigns, and improved accessibility for international and domestic travelers. The red forecast line shows a consistent rise in tourism prices for the coming years, indicating optimism in the tourism sector. This aligns with Uzbekistan's efforts to position itself as a competitive and attractive travel destination. The upper bound (purple line) indicates potential high-end growth scenarios, reflecting increased demand for luxury tourism or economic improvements. The lower bound (green line) represents a more cautious outlook, suggesting challenges such as slow recovery from global disruptions or limited growth in demand.

Uzbekistan has been investing heavily in its tourism sector through visa liberalizations, cultural heritage promotion, and infrastructure development. These efforts may have positively influenced the growth trajectory depicted in the forecast. The sharp decline seen historically could represent global or regional events, such as the COVID-19 pandemic, which disrupted global travel and caused a dip in tourism revenue. The gradual recovery and optimistic forecast reflect confidence in Uzbekistan's ability to attract tourists post-pandemic, with strategic positioning in cultural and Silk Road tourism. Growth in domestic tourism could play a significant role in stabilizing prices and reducing economic vulnerability. The forecast suggests room for attracting high-spending international tourists, which would help achieve sustainable tourism revenue growth. Addressing seasonal fluctuations and diversifying tourism products could help stabilize growth and achieve higher confidence in forecasts.

The chart underscores Uzbekistan's evolving tourism landscape, showcasing resilience and future potential. Policymakers and stakeholders can leverage these insights to design pricing strategies, promote Uzbekistan's unique cultural and natural assets, and ensure sustainable growth in the tourism sector.

From 2022 onward, the forecast (red line) suggests steady growth in tourism prices, which could indicate expectations of recovery and increased demand in the tourism sector. The green line represents the lower limit, showing the minimum expected price levels. The purple line represents the upper limit, showing the maximum price levels. The spread between these lines widens over time, indicating increasing uncertainty in future predictions. There was a sharp decline at one point (likely due to a global event like the pandemic).

From 2022 onward, the gradual upward trend suggests optimism for growth in the tourism market, though there’s significant variability between optimistic and pessimistic scenarios. This chart provides useful insights for stakeholders in tourism for pricing strategies, risk assessments, and market recovery planning.

Strategic price management has a significant impact on the economic efficiency of tourism. For example, travel agencies, hotels, and other service providers try to increase efficiency through seasonal price adjustments. Increasing prices will boost income in the short term, but in the long run, there is a possibility of a decrease in tourist flow.

Price changes affect economic efficiency in various ways. An increase in prices during the peak season will enhance economic efficiency in the short term, but as prices decrease after the season ends, revenue will decline again. When setting prices, the national currency exchange rate and inflation levels are also taken into account. Since tourism is dependent on currency fluctuations, prices are adjusted according to changes in the exchange rate. Different prices are set for various tourist segments. Prices for domestic and foreign tourists differ, which serves to increase economic efficiency.

The high or low price is directly related to the quality of services for tourists. High prices typically represent high-quality services, and upscale hotels, exclusive services, and resorts are offered to tourists. Low prices help create budget options and tourism opportunities for a wider audience.

The economic efficiency of tourism can be increased by correctly establishing the relationship between quality and price. When high-quality services are provided, tourists are willing to pay more, which increases economic efficiency. In the case of low prices, mass tourism will increase, which will boost economic returns, but may affect infrastructure in the long term.

Conclusion

The average cost of tourism plays an important role in determining the overall economic value that tourists contribute to the country's economy. A high average cost increases the economic efficiency of tourism, as tourists increase overall economic profits by spending more money in the country. To increase the average cost indicator, it is necessary to implement measures such as diversification, improving service quality, and creating new commercial opportunities. This can ensure long-term development and economic stability of the tourism sector.

Tourism pricing is a complex and comprehensive concept as a tool for evaluating economic efficiency. A correct pricing policy plays a significant role in managing tourist flows and increasing economic efficiency. When managing tourism prices, it is necessary to consider seasonality, national currency rates, the quality of tourist services, and the demands of the local economy. This can ensure long-term development and sustainable economic efficiency of the tourism sector.

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