

Tourism Policy and planning

Exercise 5

A. Consider a given demand for overnight stays in a destination such as Rimini. As anywhere else, the willingness to pay for tourists depends on prices. If prices go up, they substitute it with other destinations, for example they will go to Ibiza to enjoy their summer. Show this movement on the graph below.

B. In addition, people who come to Rimini over the summer are looking for crowds and an extravaganza nightlife, and will only be willing to pay for the trip if there are many other people in the region. As soon as they realize that demand has reduced because of higher prices, some stop going there because they find the place with less people less interesting. Show this movement on the graph below.

Initially price is $v^1 = 20$, then it is increased to $v^2 = 30$.

- Without the bandwagon effect we have

$$N = 120 - 2v$$

C. What is N at price v^1 and v^2 ?

- With the bandwagon effect demand turns to

$$N = 160 - 4v$$

D. What is N at price v^2 ?

E. Draw the new demand curve that contains the bandwagon effect.

F. What is the slope of the new demand curve?

