

## CHAPTER 7

### Conclusions and Suggestions

#### 7.1 Conclusions

In the first case, we examine the conditional volatility and dynamic dependence (or co-movement) among Thailand, Singapore, South Korea and Japan. The dynamic Gaussian copula based GARCH model is applied to model the logarithm rate of the monthly China tourist arrivals in three destinations, with a sample size of 178 observations from January 1993 to October 2011. The volatility analysis shows that the volatilities of Thailand, South Korea, and Japan are highly persistent; however Singapore does not have such persistence. For the seasonal analysis, the summer holiday and the Chinese Spring Festival turn out to be quite significant and have positive effects at all destination in the GARCH model. The summer vacation and the Spring Festival are the Chinese tourism seasons; the competition is fierce between destinations. In addition, the empirical of dependence results imply that each of the conditional correlation is different between each two destinations and all of the conditional dependence changes over time. Evidently, Thailand and Singapore have the highest conditional dependence. The result indicates that Thailand and Singapore have a complementary relationship.

The Second case paper investigates dependence between tourism demand and exchange rate, using the case of China, and from a new perspective by using copula-GARCH models. To account for tail independence, tail dependence, time-invariant, and time-variant dependence, abroad family of copulas are applied to model the growth rate of the monthly exchange rate and tourist arrivals to China from the leading six tourism source countries, namely South Korea, Japan, Russia, USA, Malaysia, and Singapore, with a sample size of 216 observations from January 1994 to December 2011.

The dependence analysis shows that fluctuation of the exchange rate that has a negative effect on tourist arrivals on China from Japan and Malaysia and has a positive effect on tourist arrivals on China from South Korea, Russia, USA, and Singapore, but

the coefficient of dependence is not statistically significant. This result shows that the volatility of exchange rate is not a determinant factor in fluctuation of China's tourism demand from the countries being studied. Second, There are not extreme dependence Japan-CNY/JPY, USA-CNY/USD, Malaysia-CNY/MYR and Singapore-CNY/SGD pairs with , which imply extreme movements of CNY/JPY, CNY/USD, CNY/MYR and CNY/SGD, do not cause extreme movements of Japan, USA, Malaysia and Singapore outbound tourism demand to China, respectively. Third, there is weak support suggesting that when the currency of tourists from south Russia extremely depreciates, or CNY appreciates, tourists from Russia may extremely decrease. This suggests risk adverse behavior of tourists from Russia. Furth, introducing the tail dependence and dynamic dependence between growth rates of tourism demand and exchange rate add much to the explanatory ability of the model.

The third case examines co-movement of monthly Chinese tourist arrivals to Singapore, Thailand and Malaysia, with a sample size of 174 observations from January 1998 to June 2012. We find that positive relationships exist between the conditional shocks in these three countries. Moreover, the variations in monthly Chinese tourist arrivals in Singapore market strong influence of Chinese tourist arrivals in Thailand, and vice-versa. This influence weakens in run between Singapore and Malaysia and between Thailand and Malaysia. Third, there is a more probably that an extremely more (less) monthly Chinese Tourist arrivals in Singapore is likely to accompany extremely more (less) monthly Chinese tourist arrivals in Thailand, and vice versa. But this probably decreases in run between Singapore and Malaysia and between Thailand and Malaysia. Forth, that the dynamic conditional dependence between the conditional shocks of the three countries is not constant over time which is positive over time period.

## 7.2 Suggestions

According to analysis of China's outbound tourism demand, firstly, the empirical results show China outbound tourism demands are highly seasonal, with tourist arrivals being significantly concentrated in the peak tourist seasons. Especially the summer holiday and the Chinese Spring Festival turn out to be quite significant effects at the all destinations. The summer holiday and the Chinese Spring Festival are traditional

holiday in China. They are also the Chinese tourism seasons; the competition is fierce between destinations. Therefore, policy makers and destination managers should take some measures, for example, by providing a wide range of competitive tour packages, and reducing transportation cost to attract Chinese tourists.

Second, the empirical findings of this study imply that the destination countries have a dependence on each other. The findings of this study have important implications for policy makers and tour operators who sell holidays to these countries in order to make an accurate assessment about how the variations in Chinese tourist arrivals to one country affect Chinese tourist arrivals to other countries.

Third, the result indicates that Thailand and Singapore have a high complementary relationship. Therefore, the policy makers and destination managers in Thailand and Singapore need to consider forming strategic alliances to develop joint products and thus Thailand and Singapore can complement one another to attract China's outbound tourists. They can also consider signing an agreement on visas, like the Schengen visa. It is recommended that they consider signing the Southeast Asian agreement about visas to improve competitiveness.

Fourth, the tail dependence is found in some pairwise, suggesting there is more probably an extremely more (or less) Chinese tourist arrivals in one country is likely to accompany extremely more (or less) Chinese tourist arrivals in another country. This implication is for the tourism management, in general, and for the airlines, the lodging sector and tour operators who sell holidays to these countries in evading the risk and risk management during extreme events.

Fifth, government policies aimed to reduce tourist arrivals variability do not need to consider the effects of exchange rate fluctuations since it is not possible to explain the volatility of tourism arrival on the basis of exchange rate fluctuations.

Sixth, the volatility of exchange rate is not a determinant factor in fluctuation of China's tourism demand from the countries being studied. This could be attributed to the purpose of tourists who travel to China. According China National Tourism Administration Statistics, travel for meeting and business, visiting relatives and friends, work and crew and others account for 57.23% in 2012. This indicates shows that most

of tourists who travel China are price inelastic; they do not care about the change that the tour price changes due to fluctuations of exchange rate. Chinese tourism demand volatility may be caused by tourist preferences and economic conditions that originate from the tourism source countries, economic and cultural relationships between China and source countries, and promotional activities to China markets. If exchange rates influence tourists from some nations less than others in choosing China as a destination, then other price proxies may have more relevance than exchange rates, or that the nature resource's attractiveness trumps exchange rate considerations. Hence, government and policy maker should diversify tourism products, strengthen tourism infrastructure (such as: hotels, restaurants, transportation and other and other services) and extend the tourist season. Moreover, the government should design the marketing promotion, increase Internet distribution channels, publicity, advertising and promotion.

Last, travel agents do not need to worry about the reduction of competitiveness derived from exchange rate fluctuations. They should design different tour package according traveller preferences, improve the quality of service, offer a diversity of attractions and provide a wide range of competitive tour packages to attract tourist and enhance its competitiveness.