

## EFFECT OF DISTANCE IN THE BEHAVIOURAL PATTERNS OF LONG HAUL AND SHORT HAUL BUSINESS OVERNIGHT VISITORS TO HONG KONG

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### ABSTRACT

*Distance decay is one of the key concepts critical in determining market behaviour, tourism demand and demand forecasting aspects, destination choice etc. Most previous literatures on distance decay have been done mostly from the perspective of travel from one market to multiple destinations. Few studies that have taken the opposite approach have focused on pleasure tourists or vacation overnight visitor sector. This study looked into the effect of distance factor taking an opposite approach in the context of profiles and behavioural patterns of 3 short haul and 3 long haul business overnight visitor (non-discretionary travel) markets to Hong Kong and compared them. The 3 short haul business overnight markets analyzed was Singapore, Malaysia and India and the 3 long haul business overnight visitor markets analyzed was UK, Germany and France. Since there is little or no literature on significance of distance factor in business travel to Hong Kong, this study looked at the differences in visitors' profiles, their leisure-related behaviour and activities engaged by both short haul and long haul pleasure tourists and short haul and long haul business overnight visitors even though their main purpose of travel is different. The study found the same differences in profiles and behavioural patterns of short haul and long haul business overnight visitors to Hong Kong as found in the previous studies on pleasure tourists.*

**Keywords:** *Distance decay, short haul and long haul markets, behaviour, business overnight visitor.*

### INTRODUCTION

Geographical factors have played a significant role in movements of tourists across the globe. Distance decay has been one of those factors critical in determining market behaviour, tourism demand and demand forecasting aspects, destination choice etc. (H. Lee, Basak, Law, & Leung, 2011; McKercher & Lew, 2003; McKercher, Chan & Lam, 2008). Distance decay is a concept that has been instrumental in initiating different spatial interactions and has therefore been referred to as "one of the key laws of geography" (Elridge & Jones, 1991; Mckercher & Lew, 2003; McKercher et al., 2008). Distance decay theory according to McKercher et al. (2008) "suggests that demand for any good or service should decline exponential as distance increases".

Hong Kong's "position as international aviation hub and gateway to Asia/China provides it with the opportunity to act as either as a main destination for some visitors or as

an attractive stopover destination for others enroute to their final destination” (McKercher, 2010). This study will look into the segment of overnight business visitors to Hong Kong and seek to find whether distance decay has any effect though business travel are non-discretionary in nature . Three source market segments short haul and long haul are taken into consideration. The short haul will consist of Malaysia, India and Singapore and long haul will consist of Germany, France and UK. There are few or no studies conducted on the impact of distance decay in the case of business overnight visitors in the context and therefore this study focuses on the profile of business visitors and behavioural aspects and activities based on the data on business overnight visitors of Hong Kong Tourism Board (HKTB) for the year, 2010, to detect the impact of the distance decay theory, if there is any.

### **Hong Kong as a Destination for Business Visitors**

Hong Kong is one of the main commercial centres of the world as well as one of the leading urban attractions of the world. Often termed as the “world city”, Hong Kong attracts considerable number of visitors from across the world not just for the above reasons but also for its importance as a one stop tourist destination and an aviation hub in the Far East of Asia (McKercher, 2010). Being one of the leading business and financial centres of the world, Hong Kong attracts both long –haul and short haul business visitors. Some of the leading long haul business source markets of Hong Kong are USA, UK, Canada, Germany, France and Australia and the leading short haul markets (other than Mainland China, Macau and Taiwan) are Japan, South Korea, Singapore, Malaysia, Thailand, Indonesia, Philippines and India (HKTB,2010). The total number of visitors for business and meetings in 2010 was 3423600 which constituted 11% of the total tourist arrivals for the year. The leading long haul market for in terms of business tourist arrivals in 2010 for Hong Kong was USA with 310,356 arrivals (HKTB, 2010). The leading short haul market for 2010 was Japan with 214,136 arrivals (HKTB, 2010). Hong Kong provides one of the best opportunities for shopping in the world and business visitors especially short haul have been observed to be active in shopping and purchasing of retail, fashion, discretionary items including tobacco, alcohol and food stuff. Garments, leather goods are also some of the items high in demand among business visitors. Hong Kong offers one of the best accommodation, meeting and dinning as well as nightlife facilities to business visitors. The average rating for hotels and dinning for business visitors in HK for 2010 based on the HKTB data of 2010 was 76% and 85% respectively as above average satisfaction (HKTB, 2010). The rating for Hong Kong as a shopping destination for business visitors was 84% as above average satisfaction.

## **LITERATURE REVIEW**

### **Distance Decay theory in Tourism**

In the context of tourism research, the application of distance decay theory has been evident since more than 40 years and in the tourism sense it means that the interactions between a destination and different source markets decreases with the increase in distance (Lee et al., 2011; McKercher & Lew, 2003; McKercher et al., 2008). The most common cause for this is tourists would prefer visiting destinations that meet their wants closer from a their place of origin than those located far as it appears economical, requires less time for travelling and saves more time to spend at the destination and requires less physical energy (McKercher, 2010). In terms of past literature on distance decay in tourism, one of the significant ones

where this concept was discussed were by Greer & Wall (1979) who identified relationship between distance and demand where demand diminishes after a certain point of distance. Subsequently the concept was used by Bull (1991), Lee et al. (2011), McKercher (1998), McKercher (2010), McKercher et al. (2008), McKercher & Lew(2003), Nyaupane, Graefe & Burns (2003), Yeoman & Lederer (2005). In these studies, the theory of distance decay was tested and expanded to various contexts. Some of the significant findings among these studies were the identification of a third pattern evident in a secondary peak found at a point widely separated from the source market and identification of zone located between the source market and the point of secondary peak where there was no tourism referred to as Effective Tourism Exclusion Zone (ETEZ) by McKercher & Lew (2003). The ETEZ as suggested by McKercher & Lew (2003) could be made of spatial or product voids and they also hypothesized that the ETEZ “could also distort tourist movements”. Added to this were the studies of McKercher et.al. (2008) where it was found that distance factors played little or no role where market access and level of tourism development distorted tourist movement in both short haul and long haul travel. Lee et al. (2011) discussed on validity of distance decay and pulling power was a major determinant of demand of travel to destinations beyond the ETEZ zone. However as mentioned earlier most of these studies mainly focused on leisure or pleasure tourists, the purpose of this study is to examine the observations made on distance decay in those previous studies in the context overnight business visitors. McKercher (2010) took an alternative approach to examine the connection between distance, demand, and tourist behavior in the context of multiple destinations to one market. Furthermore, the study found that reduction of tourist volumes over a distance is a manifestation of the reduction of demand across certain segments rather than all segments and distance is the inherent reason of obstruction reflected in critical points where collective outcomes of certain “deterministic variables reach a stage beyond which the destination becomes unattractive to different segments” (McKercher, 2010). Since this study focuses on business travelers to Hong Kong and when there is no literature available on the distance decay factor in this visitor sector, it looked into the aspects of visitor behaviour and profiles common to both long haul and short haul pleasure visitors and business visitors. Results and findings of previous literatures on distance factor in long haul and short haul pleasure visitors sector to Hong Kong have therefore been referred to identify and test the effect of distance dynamics in the business visitor sector to Hong Kong.

## **METHOD**

The study looks into interactions of these two segments of source markets in Hong Kong in terms of market share, average length of stay, gender, travel companion, marital status, travel arrangements, tour itinerary and activity related issues, places visited in Hong Kong, visitor spending, satisfaction levels with data derived from the on business overnight visitors of Hong Kong Tourism Board (HKTb) for the year, 2010. Based on the observations in these aspects, it will be seen whether distance decay factor has an impact in respect of tourist profile and the intensity of activities of business overnight visitors belonging to the short haul and long haul segment. The three markets for long haul, UK, Germany and France analysed in this study are distanced between 5402 miles to 5989 miles from Hong Kong and the three markets for short haul, Singapore, Malaysia and India are distanced between 1561 miles and 2000 miles from Hong Kong respectively( McKercher,2010). The source markets of Mainland China, Macau and Taiwan have not been considered for this study as it appears from the HKTb, 2010 data that these markets do not fall in the category of major short haul markets of Hong Kong and China Mainland and Macau are considered as domestic markets

(McKercher, 2010). Lee et al., (2011) in their study taking the opposite approach also did not consider the inclusion of China Mainland and Macau SAR as those were not indicative of the actual international destinations from the perspective of international travel from Hong Kong. The data for business overnight visitors for 2010 has been presented in five categories which are business overnight visitors profile, activities taken/places visited, spending pattern, trip satisfaction and shopping for the long-haul market segment and the short-haul market segment. The data for the segments are then compared. The 5 data categories have been presented from Table 1 to Table 5. All the areas falling under each data category table have been represented in terms of mean percentage combining all the 3 long haul markets selected for the long haul segment and the mean percentage combining all the 3 short haul markets selected for the short haul segment for this study. In other words, the mean scores reflect the central tendency of a variable or an area in each table. In certain cases, under a variable/area a certain market in each segment may have a percentage score exceptionally different from the other two not reflected in the mean percentage score as a result of the uniqueness of the very market. Such cases are explained under each table wherever such exceptions have occurred.

## ANALYSIS

The analysis commences with the comparison between long-haul and short-haul business overnight visitor profiles for the year 2010 as displayed in Table 1. The market share of the long-haul and short-haul segments of business overnight visitors for 2010 does not reveal much of a difference. However, the short-haul market contributed more in terms of overnight business visitor arrivals i.e. 0.09% compared to 0.07 % of the overnight long haul business visitors as evident from Table 1.

**Table 1: Long Haul and Short Haul Business Overnight Visitor Profile, 2010.**

<b>LONG HAUL (UK, GERMANY AND FRANCE)</b>		<b>SHORT HAUL (MALAYSIA, SINGAPORE, INDIA)</b>	
<b>Areas</b>	<b>Mean Percentage</b>	<b>Areas</b>	<b>Mean Percentage</b>
Market Share	0.07% (247,554)	Market Share	0.09% (320,221)
Gender		Gender	
1. Male	78%	1. Male	74%
2. Female	22%	2. Female	26%
Age Group 36-55	64%	Age Group 26-45	62%
Marital Status		Marital Status	
1. Married	70%	1. Married	76%
2. Unmarried	30%	2. Unmarried	24%

*Length of stay		Length of stay	
1. 3 Nights or less	<b>59%</b>	1. 3 Nights or less	<b>69%</b>
2. 4 Nights or more	41%	2. 4 Nights or more	31%
Travel Companion		Travel Companion	
1. With companion	36%	1. With companion	45%
2. Without companion	64%	2. Without companion	55%
No. of Visitations to HK		No. of Visitations to HK	
1. First Time	25%	1. First Time	19%
2. More than Once	75%	2. More than Once	81%
Travel Arrangements		Travel Arrangements	
1. Guided Tour	3%	1. Guided Tour	3%
2. Non-guided tour	97%	2. Non-guided tour	97%
Tour Itinerary		Tour Itinerary	
1. HK Only	28%	1. HK Only	64%
2. Multi-destination	72%	2. Multi-destination	36%

*\*Table 1 continue*

Both the long-haul and short-haul markets had overwhelmingly more male arrivals than females with the mean percentage of males in short-haul i.e. 78% slightly higher than that of long-haul business overnight visitors which is 74%. This is unlike of some previous studies on long-haul markets comprising different segments which found more females from the short-haul market than those from long-haul (McKercher, 2010). However, it must be noted that the percentage of male business visitors from India was 88% exceptionally higher compared to male business visitors from Singapore and Malaysia which had both 68% of males. Most long-haul business visitors were in the age group of 36-55 while short-haul business visitors were relatively younger falling in the age group of 26-45 as evident from Table 1. Such observations were noticed in previous studies (McKercher, 2010). The mean percentage of married short-haul business overnight visitors was found to be slightly higher than that of long-haul visitor business visitors. Long-haul business overnight visitors were found to be more keen on travelling alone than short-haul overnight business visitors as revealed from the Table 1. This affirms the findings of previous studies where long-haul visitors were more likely to travel alone than short haul visitors who preferred to travel with friends and relatives (McKercher, 2010). However, in the short haul market, Malaysia had

equal number of business visitors who traveled alone and who came with friends, relatives or in groups.

In terms of the length of the stay, both long-haul and short-haul business overnight visitors mostly stayed for 3 nights or less. 69% of short-haul business overnight visitors preferred more to stay not more than 3 nights as against long-haul business overnight visitors 59% of which preferred to stay the same length of days. This is indicative of the fact that short-haul visitors prefer staying shorter than long-haul visitors in Hong Kong (McKercher, 2010). Most long-haul and short-haul business overnights visitors are repeat visitors and both were also found to have visited Hong Kong on a non-guided tour or as independent travelers as apparent from Table 1. Moreover, most short-haul business overnight visitors identified Hong Kong as their only destination to visit whereas majority of long-haul business overnight visitors preferred multi-destinations like China Mainland and Macau apart from Hong Kong as evident from Table 1.

**Table 2: Long Haul and Short Haul Business Overnight Visitor (Shopping), 2010.**

<b>LONG HAUL (UK, GERMANY AND FRANCE)</b>		<b>SHORT HAUL (MALAYSIA, SINGAPORE, INDIA)</b>	
<b>Areas</b>	<b>Mean Percentage</b>	<b>Areas</b>	<b>Mean Percentage</b>
Garments	<b>30%</b>	Garments	<b>38%</b>
Misc consumer goods	<b>19%</b>	Misc consumer goods	<b>25%</b>
Leather Garments	<b>15%</b>	Leather Garments	<b>23%</b>
Food stuff, alcohol and Tobacco	<b>8.3%</b>	Food stuff, alcohol and Tobacco	<b>31%</b>
Rating on value for shopping (Above Average Satisfaction)	49%	Rating on value for shopping (Above Average Satisfaction)	54%
Rating on shopping in HK (Above Average Satisfaction)	78%	Rating on shopping in HK (Above Average Satisfaction)	78%

Table 2 data enables to compare between the types of shopping/purchasing done by short-haul and long-haul business overnight visitors. The data clearly reveals that short-haul overnight business visitors tend spend more on almost all kinds of items from garments to food, stuff, tobacco and alcohol and other retail items. Whereas long-haul visitors tend to spend less on above items as a result of Hong Kong being a secondary destination and are more likely to visit certain attractions and do less shopping. In terms of ratings on value for money spent for shopping and rating on shopping in Hong Kong, little or no difference is observed between long-haul and short-haul overnight business visitors.

**Table 3: Long Haul and Short Haul Business Overnight Visitor (Activities Taken/Places Visited)**

<b>LONG HAUL (UK, GERMANY AND FRANCE)</b>		<b>SHORT HAUL (MALAYSIA, SINGAPORE, INDIA)</b>	
<b>Areas</b>	<b>Mean Percentage</b>	<b>Areas</b>	<b>Mean Percentage</b>
<b>Shopping</b>	<b>57%</b>	<b>Shopping</b>	<b>69%</b>
Victoria	21	Victoria	17
Harbor Star Ferry	20	Harbor Star Ferry	13
Open Air Market	13	Open Air Market	19
Disco/Pubbing	20	Disco/Pubbing	11
Disneyland	NIL	Disneyland	5
Open Air-Ladies Market	8	Open Air-Ladies Market	9
Tsim Sha Tsui Waterfront	12	Tsim Sha Tsui Waterfront	11

As per Table 3, shopping seems to be more of an activity for short-haul business overnight than long-haul as also evident from Table 2. However, long-haul business overnight visitors are also observed to be doing mostly shopping as an activity. On the other hand, long-haul business overnight visitors are found to be more active in visiting places of cultural or outdoor attractions like Open Air Markets, Harbour Star Ferry, Victoria Peak even though most of them are not first time visitors whereas short-haul business overnight visitors are more likely to visit places like Disneyland and Open-Air Ladies Market though not very significantly high as evident from Table 3. In the short haul market, 33% of Indian business visitor were found to visit Victoria Peak while only 9% of Singaporean business visitors and 9% of Malaysian visitors were found to visit Victoria Peak. Long-haul overnight visitors tend to visit more of places of modern urban entertainment like discos, pubs, bars and night clubs than short-haul overnight business visitors.

**Table 4: Long Haul and Short Haul Business Overnight Visitor (Spending Pattern)**

<b>LONG HAUL (UK, GERMANY AND FRANCE)</b>		<b>SHORT HAUL (MALAYSIA, SINGAPORE, INDIA)</b>	
<b>Areas</b>	<b>Mean Percentage</b>	<b>Areas</b>	<b>Mean Percentage</b>
Spending Pattern		Spending Pattern	
1. Hotel Bills	54	1. Hotel Bills	44
2. Shopping	20	2. Shopping	32
3. Meals outside Hotel	16	3. Meals outside Hotel	14
Per Capita Spending-	HK\$8578.66	Per Capita Spending-	HK\$6813.66

Table 4 reflects the same trend as evident in Table 2 and Table 3 in terms of spending by short-haul business overnight visitors and long haul business overnight visitors. Short-haul business overnight visitors tend to spend more on shopping in their total spending in Hong Kong than long-haul visitors and long-haul visitors tend to do the opposite. Their spending is mostly in hotel bills. However, spending per capita by long haul visitors appear to be higher than short-haul visitors.

**Table 5: Long Haul and Short Haul Business Overnight Visitor (Trip Satisfaction)**

<b>LONG HAUL (UK, GERMANY AND FRANCE)</b>		<b>SHORT HAUL (MALAYSIA, SINGAPORE, INDIA)</b>	
<b>Areas</b>	<b>Mean Percentage</b>	<b>Areas</b>	<b>Mean Percentage</b>
Rating on hotels in HK(Above Average Satisfaction)	86	Rating on hotels in HK(Above Average Satisfaction)	80
Ratings on dining in HK(Above Average Satisfaction)	<b>92</b>	Ratings on dining in HK(Above Average Satisfaction)	<b>78</b>
Ratings on entertainment in HK(Above Average Satisfaction)	54	Ratings on entertainment in HK(Above Average Satisfaction)	61
Ratings on sightseeing in HK(Above Average Satisfaction)	64	Ratings on sightseeing in HK(Above Average Satisfaction)	67
<b>Visit again</b>	<b>76</b>	<b>Visit again</b>	<b>90</b>

Table 5 reveals not much of difference between short-haul business overnight visitors and long-haul business overnight visitors except for ratings on dining where long-haul visitors appear more satisfied than short-haul visitors while Hong Kong seems to be little more popular as a destination among short haul visitors than long haul visitors.

## **DISCUSSIONS**

The study therefore unfolds the differences and similarities in the profile and behavioural patterns between business overnight travelers of long-haul markets and short haul markets. The differences that were noticed in this study were in the areas of age group, length of stay, travel companion, tour itinerary, purchasing/shopping tendencies, activities/places visited, spending pattern and popularity of Hong Kong as a destination. There were many areas where there were similarities between long haul and short haul markets among which the number of visitations and travel arrangements appears to be most striking. The differences observed are reminiscent of the findings of a recent study conducted by McKercher (2010) on vacation overnight visitor/pleasure tourists to Hong Kong. As per McKercher (2010)



visitors from short haul markets tend to be more females, long haul visitors are found to be more elderly than their short haul counterparts. The study also found that short haul visitors tend to visit Hong Kong for a shorter period and are more likely to engage in shopping, visiting theme parks and places like open air markets and purchase of retail, personal fashion, garments etc. while long haul visitors tend to be engaged in places where they experience cultural differences as well as places like star ferry ride, Victoria peak, outdoor markets and attractions in Kowloon (McKercher, 2010). Therefore the effect of distance decay or dynamics seems to be existent in this case of business overnight visitors based on the above observances. The difference in profile and behavioral aspects of long haul and short haul overnight business visitors as also the case for vacation overnight visitors observed in previous studies are the unidentifiable but strong effects of the distance decay theory (McKercher, 2010). Hence it may also be indicative of the fact that the distance decay factor is an implied and a universal factor that applies in both long haul and short haul vacation overnight/pleasure visitors and business overnight visitors. However, further study is required to confirm the above finding.

Another aspect that was identified was the behavior of different segments towards a destination. With the exception of number of visitations and travel arrangements, this study also confirms that a particular segment from a nearby market may find a destination attractive while its counterpart located far away from the destination may find it less interesting (McKercher, 2010). The more popularity of Hong Kong as a destination, the more involvement in shopping activities, the consideration of Hong Kong as the main destination to visit, among short haul business visitors found in the study are indicative of this viewpoint. Moreover, for long haul business overnight visitor as it is the case for vacation overnight visitors, Hong Kong plays a key role as a distinct destination either as the main or stopover destination (Leiper, 1995; McKercher, 2010).

The similarities found between Long haul and short haul business visitors in this study were contrasting to the findings in the study of McKercher (2010) on long haul and short haul pleasure tourists. McKercher (2010) found that long haul vacation overnight visitors tend to be first time travelers to Hong Kong while in this study it was revealed that long Haul overnight business visitors are mostly repeat visitors. On the other hand, short haul vacation overnight visitors were found to be more likely to visit Hong Kong as a part of package tour as per McKercher (2010) whereas in this study short haul business overnight business visitors were found to be more likely to visit Hong Kong as independent travelers just like their counterparts in the long haul business overnight visitor market. These exceptions with regards to the number of visitations and travel arrangements may be due to the dynamics of business travel (non - discretionary in nature) that modifies the distance factor to some extent. To confirm this, future studies need to focus on investigating whether there is the presence of such non-discretionary factors in distance dynamics for long haul and short haul business overnight visitors to Hong Kong.

This study therefore provides an idea about the effect of distance factor in terms of the behavior of certain short haul and long haul business overnight visitor markets of Hong Kong by comparing with the behavior of pleasure visitors in previous in similar activities and profile aspects. It requires to be examined whether the same observations emerge from studying other major short haul and long haul markets to Hong Kong and where the effect of distance dynamics would also work in such cases. Moreover, this study was conducted based only on the data of Business overnight visitor arrival statistics of HKTB for 2010. Future studies need to look into the percentage/market share Hong Kong occupies as a

destination for outbound business travelers from the major source markets by looking into the outbound data of those respective source markets. This will help to determine the position of Hong Kong as a destination as well as their actual positions as source markets in terms of the distance decay theory.

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