

Inbound Tourism and Tourists' Preferences for Accommodation Quality

The global expansion of international tourism demand has increasingly led to overtourism, prompting many destinations to shift their policy focus from increasing the number of inbound tourists to enhancing the quality of tourism experiences. The effectiveness of such quality-oriented strategies critically depends on the extent to which foreign tourists value the quality of tourism services. Despite its importance, however, existing studies have neither rigorously quantified tourists' preferences for quality nor systematically examined the determinants of cross-country heterogeneity in these preferences.

Using detailed microdata from the Japanese accommodation sector, this study quantifies foreign tourists' preferences for accommodation quality by country of origin and investigates the factors underlying cross-country differences in these preferences. We estimate a logit demand model in which the estimated residuals capture tourists' perceived quality of individual accommodations. By dividing these residuals by the estimated price coefficient, we derive tourists' willingness to pay (WTP) for accommodation quality. While conventional quality indicators, such as star ratings, are not consistently available across countries or regions, our approach can be applied whenever accommodation demand data are available, making it broadly applicable across diverse settings.

By examining the relationship between the constructed WTP measure and observable accommodation attributes commonly associated with quality, we show that the estimated WTP serves as a reasonable and informative measure of accommodation quality. We then compare WTP for accommodation quality between foreign and domestic tourists. The results indicate that although foreign tourists exhibit a degree of price sensitivity similar to that of domestic tourists, they place significantly greater value on accommodation quality. In other words, foreign tourists are more willing to accept higher prices in exchange for higher-quality accommodations, as the associated utility gains outweigh the additional costs. This tendency is particularly pronounced among tourists from countries with higher per capita income levels but diminishes as the geographic distance from Japan increases.

These findings suggest that a shift in tourism policy from quantity-based to quality-based strategies may be less effective for destinations that primarily attract tourists from high-income but geographically distant countries. Instead, targeting tourists from geographically closer countries, even those with relatively lower income levels, may be a more effective approach. Overall, our results provide policy-relevant insights for governments and tourism-related businesses by identifying source countries whose tourists exhibit stronger preferences for accommodation quality.