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Investment decisions in the early stages of the tourism area life cycle

Abstract

The aim of the paper is to develop an index that would enable public and private entities to identify the general locations for tourism investments within destinations nearing to an end of their involvement stage or entering the development stage of their life cycle. The central part of the process, which is structured on a multidimensional comparative analysis, is the construction and computation of the composite index describing the investor appeal of an emerging tourist destination. The data acquired in the process comes from official statistics and direct interviews with representatives of public authorities. The method has been applied to compute investor appeal of a rural destination in Poland and to identify the most favourable investment areas within it. The investor appeal of a destination not only depends on the attractions offered by it but on the quality of infrastructure and services, as well as population ratios and public finances. The research has also revealed a generally low competitive potential of a destination relative to other tourism areas in Poland. The approach proposed in the paper is addressed equally to private sector investors, public sector agencies, particularly local governments.

Keywords:

tourism destination; TALC; tourism planning; tourism investment; Poland

Introduction

The expectations of economic and social benefits afforded by tourism development encourage new areas to enter the global tourism market. According to the tourism area life cycle (TALC) model (Butler, 1980), they start from the exploration stage, with small-scale tourist activity on the one hand, and limited transport accessibility and poor supply of tourism facilities on the other. A basic stimulant of tourism development is the investment activity – further development requires not only improvements in tourist accommodation, catering or entertainment facilities but, above all, technical

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and transport infrastructures as well as social services used by local communities and tourists alike. The main challenge is to stimulate impulses needed to further develop tourism economy in an area and facilitate the destination's shift from the early stages (exploration and involvement) to the development stage of their life cycles.

In many circumstances the role of the public sector can be important in such a transition, Especially in Europe, where the public sector is often the main, but not the only, proprietor, manager and promoter of the infrastructure and its own tourism resources as well as the coordinator of strategic planning in tourism and the promoter of a destination as a whole, including the private tourist sector. One can stress that, given the low level of tourist activity, a shift from the exploration to involvement and then development stage, creates a dilemma for local authorities who have to consider the pros and cons of supporting a new, exciting but risky, economic activity. In the early stages of the life cycle, tourism is seldom the prime economic activity (as it is in the following stages of the cycle) but local governments could perceive it as a modus for restructuring their traditional economies and as a strategic direction for their development (Keller, 1987). Therefore, in order to develop tourism, local authorities (or the public sector in general) need to apply a selective approach to identification of areas which can be treated and offered as general locations for future private and public investments. The key questions are: where should investments which accelerate tourism development be concentrated within a destination? How should the most favourable general locations for future private investments be determined (on a hitherto undeveloped land) and how should investors be motivated into taking action? Analyses of the early stages of destinations' life cycles do not always appreciate the role of the private investor in the context of its influence on the shape of the cycle (Weiermair, Peters & Schuckert 2007).

The paper attempts to answer the above questions by developing an index that would enable the identification of designated areas as general locations for future public and private investments within destinations at early stages of their life cycles. A tourism destination is defined as a well-defined geographical area that attracts visitors or represents a primary tourist gathering spot (Hall, 2000; Haywood, 2006). In this paper it is also treated as a part of bigger territory, namely a region, which is a fairly large area of a country. A destination can be divided, often in an administrative way, into smaller areas – districts, communes, localities etc. From the marketing point of view, a destination is also a perceptual concept, which, according to Buhalis (2000, p. 97), "can be interpreted subjectively by consumers, depending on their travel itinerary, cultural background, purpose of visit, educational level and past experience".

The territory of every destination has unequal investor appeal. That is why an analysis using the composite index is needed to identify the potentially most profitable (or the least risky) areas as locations for tourism investments, satisfying the following requirements: highest possible return on assets, concentration of investment efforts in designated areas and most efficient use of limited resources.

Such analyses could be particularly useful in emerging Eastern European markets, where new areas, hitherto not visibly present in the tourism market, have an ambition, often supported by EU structural funds, to develop tourism. The problem is that information, such as the availability of infrastructure and services or the competitive profile of a given destination – readily accessible in developed markets – are often difficult to obtain in emerging economies. In such cases published statistical data do not provide precise and reliable guidelines for investment locations. It is beyond doubt that investors will be interested in these markets; however, they will be reluctant to incur additional expenses in costly field investigation at the stage of the feasibility study. Hence, such investors should be interested in a pre-selection of destinations and particular areas within them which, subjected to further analysis, might show potential for a subsequent feasibility study and ultimate investment decisions.

The article is composed of six parts. Following the introduction, a characteristic of early stages of the TALC concept (Butler, 1980) is presented. Further, a characteristic of tourism investments is provided, followed by a presentation of the proposed method of investment location pre-selection. Subsequently, a case study of a potential rural destination in Poland is used for its verification. The article is concluded with the discussion of drawbacks, limitations and possible applications of the method.

Early stages of the tourism area life cycle

According to the TALC concept proposed by Butler (1980), the following stages can be identified in the evolution of a tourism destination: exploration, involvement, development, consolidation, stagnation, and post-stagnation (decline, stabilization or rejuvenation). From its inception, the TALC concept itself has been in transition and evolution (e.g. Agarwal, 1997; Hall, 2006; Haywood, 1992; Johnston, 2006; Strapp, 1998), and its utility has been verified numerous times in the research of different types of destinations. Most studies are based on destinations in advanced or final stages of their life cycles, or areas experiencing renewed growth due to their rejuvenation (e.g. Agarwal, 1997; Cooper, 1990; Knowles & Curtis, 1999; Meyer-Arendt, 1985; Weiermair et al., 2007). The early stages of the life cycle are usually shown in a historical perspective, and processes occurring during these stages are presented as natural, spontaneous, clearly mechanistic, driven by market forces. Researchers rarely attempt an in-depth and separate analysis of individual phases. This may be due to the model assumptions and the descriptive character of the TALC: research subjects are mainly destinations where the complete life cycle has been observed, or at least where the involvement and development stage phenomena can be identified. In reference to emerging destinations, however, the TALC analysis could still successfully be used for the forecasting and planning of tourism development (Butler, 2000, p. 291).

The common features of the first two stages of the TALC – exploration and involvement – such as low tourist numbers and a secondary role of tourism in a local economy, are the reasons why such areas are said to be in an emerging stage. Johnston (2006) calls these stages collectively a pre-tourism era in which "resorts generally have

a 'sleepy' appearance" (p.19). Upon closer inspection, however, it is apparent that there are material differences between these stages. The exploration stage starts as a result of irregular and small-scale visits of individual tourists, mainly allocentrics and explorers (Butler, 1980). The number of facilities used by visitors is very small, and new specific facilities are not built. The area is in the process of being discovered as a destination, both from the visitor perspective and – in relation to economic benefits – from the local community perspective (Butler, 1980). Existing enterprises usually operate at break-even point or negative profitability and personal incomes in the local community are relatively low (Buhalis, 2000, p. 105).

The involvement stage is thus characterised by a growing number of facilities and amenities provided primarily or even exclusively for visitors, an increased number of marketing instruments used at the destination level, and the engagement of local governments. Butler (1980) stressed that "the first pressures [are] put upon governments and public agencies to provide and improve transport and other facilities for visitors". As a result of these processes, the number of visitors and return visits in the destination systematically grows.

A shift from the exploration to the involvement stage, and later from the involvement to the development stage, requires a critical change, whose significance can only be compared to that of the rejuvenation phase. The nature of that change is the emergence of local entrepreneurship and investment activity of local businesses and government. The importance of innovativeness and creativity of local entrepreneurs as a driving force of tourism development is noted by Russell and Faulkner (1999), as well as Weiermair and Kronenberg (2004). Russell and Faulkner call local entrepreneurs 'movers and shakers' of tourism industry development.

There can be two approaches to a launch of a tourism destination. One is the path independence theory which argues that many processes are kick-started by random events occurring at the very beginning (Mahoney, 2000). So a destination could just as well "take-off" because of a random, difficult to foresee event that would have a significant impact on subsequent processes. In opposition to the path independence theory there is a concept emphasizing the role of the public sector in initiating and supporting development processes in tourism (Golembski & Bednarska, 2002; Lickorish, Jefferson, Bodlender & Jenkins, 1991; see also Mihalić, 2002). The public sector involvement in creating tourism infrastructure and even some elements of superstructure is needed to encourage private investors to play an active role in a sector with no track record in the area. Engagement of the public sector in the shift from early to mature stage of the life cycle is important as it alleviates the vicious circle situation, whereby an increase in tourism demand depends on a greater supply of better quality services. This in turn is difficult to achieve without costly investments for which there are no funds because tourism demand is low. Therefore, Weiermair (2008) states that the change can be driven by the market or by the state intervention in the form of specific government strategies, policies, legislation and programmes.

It has to be emphasised, however, that the growth of tourism investments is the main driving force shifting a destination from the exploration through involvement stage to the beginning of further development. Given, however, the low level of economic development of a prospective tourism destination, tourism investments should be defined broadly which is, after all, consistent with a greater structural diversity of the tourism sector compared with other sectors of the economy.

Investment site selection in tourism

Like in any other sector of the economy, investments in tourism can focus on a company's physical resources, ie. on building up tangible assets and enhancing the company's productive capacity, or they can be treated purely as capital investments expected to yield future cash inflows at a satisfactory rate of return. The resultant variety of definitions of investment is the consequence of different approaches applied to the problem of investing. In literature, generally, two approaches can be encountered: the tangible assets approach (Gorynski, 1981; Hall & Taylor, 1997; Kamershen, McKenzie & Nardineli, 1991) and the financial approach (Jajuga & Jajuga, 1994; Johnson, 2000; Modigliani & Miller, 1958; Levy and Sarnat, 1990). However, at the time of investment planning, both, the tangible and financial aspects have to be considered, as they are inseparable. By combining these two aspects, Gawron (1997) defines investments as "purposefully expended cash resources of a company aimed at increasing its future income" and adds that they "create or enhance the company's tangible, financial and intangible assets" (p. 13).

Taking into consideration the heterogeneous and complex nature of tourism, the typology of tourism investments must take into account the functions performed by investments. Some investments are inseparably connected with the area's tourism function, while others play ancillary or supportive roles. Opportunities for investing in tangible assets in the tourism sector are enormous. Hence, investment decisions at the microeconomic and mezo-economic level are not simple. Investment decision-making is a complex multistage process determined by the nature of the investment cycle (Behrens & Hawranek, 1993). It is also a key process from the viewpoint of economic efficiency and return on the invested capital since these performance metrics determine sustainable growth.

In the early stages of the investment cycle, when traditional appraisal methods such as *Net Present Value* (defined as the sum of the present values of future individual cash flows) or *Internal Rate of Return* (the discount rate that makes the net present value of all cash flows from a particular investment equal to zero) cannot be used (Brigham & Houston, 2004), decision makers have to process a large amount of information whose correct valuation has a bearing on the ultimate return on investment. This is particularly relevant to the stage of "identification – opportunity study" of a general nature, where there is more than one universal method of site selection or viability appraisal of an investment project (Behrens & Hawranek, 1993).

There are mainly descriptive methods of investment site selection in the literature (Gawron, 1997; Gołembski & Bednarska, 2002; Jachna & Sierpińska, 1998; Johnson, 2000; Lumby, 1994; Porter, 1980). The problem seems to be exceptionally complex within tourism destinations, since such spatial units can be described with an indefinite number of variables. Therefore, in order to select the most favourable location, the geographic and economic environment of a potential destination must be subjected to a valuation process to assess its suitability for tourism development and location of projects.

In the appraisal of geographic areas it is worthwhile to use taxonomic methods, also known as multidimensional comparative analyses. Developing the destination's investor appeal composite index is based on such a method. In the age of globalization and free flow of investments, foreign investors often face the task of selecting suitable locations for their projects on the basis of limited information. Furthermore, in the phase of opportunity studies it is important to minimize investment outlay, hence a relatively inexpensive and quick pre-selection method, enabling appraisal of several location possibilities, is particularly valuable. A multicriterial analysis, proposed in the next section of this paper, has the additional advantage of a free selection of valuation criteria to suit the purpose defined by the investor. It could, therefore, serve as a universal method to be applied in diverse industries and spatial units. Moreover, considerations presented here apply to, both, private and public sector investments (the latter can rely on partial co-funding from EU structural funds).

Research method

The general assumption of developing the investor appeal index is supported by the fact that in destinations newly introduced to tourism there is a discrepancy between tourism appeal and investor appeal. As was discussed above, in spite of substantial tourism potential, significant levels of investment are usually required to ensure further development of the tourism industry. Moreover, the level of investor appeal is not the same for the whole territory of a destination. The main purpose of using the multicriterial analysis is to create a detailed appraisal of individual areas within a destination and to indicate the most attractive ones from the point of view of an investor.

The first step of the research process is to divide the destination into territorial units – smaller areas. The criterion – administrative, geographical or technical (i.e. the square grid) – should be chosen due to the availability of credible statistical information, based on mandatory reporting and supplemented with information derived from a questionnaire survey.

Next, a principle is adopted whereby the more factors (conditions for the development of tourism) are considered, the more precise the evaluation of the researched unit is. These factors must be formulated as relative indicators reflecting their importance through the weights assigned to them individually; in most cases the reference base should be a territorial unit (km²) or a population unit (e.g. 10 thousand inhabitants).

Finally, the hierarchy of analysis levels should be set. The individual factors used in the evaluation are treated as items and subsequently grouped into dimensions, and dimensions into aspects, and therefore should carefully be selected to facilitate this process. In this way it is possible to compute composite indexes for dimensions and aspects. The overall composite index for the whole destination can be computed from the indexes calculated for the aspects.

In an attempt to identify conditions for the development of tourism, two aspects of equal weight have been defined with the corresponding composite indexes. The first aspect describes the overall appeal of a destination's unit from the potential visitor's point of view, while the second aspect relates to the appeal of a destination's unit from the potential investor's point of view, which looks for opportunities to reduce initial investment outlays and the running costs of business. Only this aspect is the subject of detailed discussion in this paper.

The aspect of investor appeal has been defined by the following dimensions: level of services, technical infrastructure, population ratios and labour market and public finances. According to Behrens and Hawranek's (1993) and Tribe (1999), with the exception of the demand indicators (which are the component of a destination's visitor appeal), these are the main external factor conditions taken into consideration by the potential tourism investors within a decision making process in a new area. The 'level of services' dimension is formed by the services and facilities which are not part of the tourism superstructure, but are expected by those travelling: shops, culture and entertainment, transport services (petrol stations, car service stations), health services, pharmacies, banks and cash machines, and telecommunication services. The potential investors perceive their activity as a component of the overall tourism product so they usually adopt the visitor's point of view during the investment site selection process. The 'technical infrastructure' dimension has been created on the understanding that no investment is carried out without the necessary public utilities as water treatment and sewage disposal in place – in new destinations the density of these networks per territorial unit and population unit is equally important. Items constituting the third dimension demonstrate the strength of the local economy (unemployment rate, number of businesses, population density etc.). The last dimension – 'public finances' – has been created on the assumption that tourism development is partially dependent on the financial condition of the local authorities. This section also covers such items as levels of total revenue, incomes and investment expenditure, as well as expenditures on culture, heritage, sport, tourism and roads maintained.

The assessment procedure is characterised by seven stages. In the first stage, the database is composed in the form of tables for the assessed territorial units (areas), showing the values of individual items that make up the respective dimensions. The tables are in the form of $m \times n$ matrices, where m refers to the number of evaluated territorial units and n refers to the number of assessed items.

In the second stage, each item, dimension and aspect has been assigned a weight (Table 1). The use of weights comes from the conviction that variables constituting partial criteria of assessment represent different degrees of importance in the final evaluation. The issue of weights is the most sensitive and arguable part of the method as it is up to the researchers to decide whether or not the weights for the assessed criteria should be equal or varying. A similar problem affects the dimensions (which make up the aspects). Therefore, a decision has been made to vary the weights, bearing in mind that such an assessment is not entirely objective. However, despite the subjectivity of weight assignment, the number of items used in the research should minimise the effects of assumptions wrongly made, and the final result will more closely reflect the true position than if equal weights were used. Only the aspects are of equal weight.

Table 1
**WEIGHTS FOR THE DIMENSIONS IN
THE INVESTOR APPEAL ASPECT**

Dimension	Weight
I.1. Level of services	0.32
I.2. Technical infrastructure	0.25
I.3. Population ratios	0.23
I.4. Public finances	0.20

The third stage is the unification of the system of items' preference. Individual items used in the assessment of territorial units have the form of stimulants or destimulants (a stimulant is, for example, the total wooded area per unit of surface, a destimulant is, for example, the emission of pollutants). The direction of preference should be unified. For clarity of calculation, it is best to have all assessed items as stimulants. In converting destimulants into stimulants, a method known as the shift relative to the maximum has been used (Table 2):

- if the initial item x_j is a stimulant it becomes y_j without conversion

$$y_{ij} = x_{ij}$$

- if the initial item x_j is a destimulant, the following conversion formula is used:

$$y_{ij} = x_j \max - x_{ij}$$

where:

- i - the territorial units number ($i = 1, \dots, m$),
- j - the item number ($j = 1, \dots, n$),
- x_{ij} - value of feature j in district i ,
- y_{ij} - value of a stimulant item j in territorial units i ,
- $x_j \max$ - the maximum value of item j in the assessed territorial unit.

Table 2

**UNIFICATION OF THE PREFERENCES OF ITEMS
AND NORMALIZATION OF STIMULANT ITEMS – AN EXAMPLE**

Territorial unit	Initial values x			Item - stimulant y			Normalized item N		
	x1	x2	y1	y2	y3	x3	N1	N2	N3
	stim.	destim.	stim.	stim.	stim.	stim.			
G1	100	3.4	0	100	0.29	0	0.83	0.35	0.00
G2	121	2.1	6	121	0.47	6	1.00	0.56	0.67
G3	45	1.2	8	45	0.83	8	0.37	1.00	0.89
G4	90	7.8	9	90	0.13	9	0.74	0.16	1.00
Max	x	x	x	121	0.83	9	x	x	x

In the fourth stage stimulant items are normalized. They are obtained by dividing the value of a factor by the corresponding reference value. The reference value has been taken as the highest value of a given stimulant item observed in the assessed territorial units, where:

N_{ij} is normalized value of item j in territorial units i and $y_j \max$ is the maximum value of a stimulant item j in the assessed territorial unit. The values of normalized items, indicating the degree to which the model item is realized in the assessed territorial units, are fractional numbers in the 0-1 range; if $n = 1$ it means that the unit in terms of the assessed item is 100% equal to the model (Table 2).

In the fifth stage the composite indexes for a dimension are calculated (Table 3). They are obtained as the weighted average of the normalized item in a dimension:

$$Md_i = \sum_{j=1}^n w_j \times n_{ij}$$

where:

- w_j – indicator (j) weight in dimension d ,
- n_{ij} – normalized value of item j in territorial units i ,
- Md_i – composite index for territorial units i in dimension d

Table 3

**CALCULATION OF THE COMPOSITE INDEX
OF DIMENSION (D) – AN EXAMPLE**

Territorial unit	N1	N2	N3	Composite index (D)
Weight	0.50	0.30	0.20	n/a
G1	0.83	0.35	0.00	0.520
G2	1.00	0.56	0.67	0.802
G3	0.37	1.00	0.89	0.815
G4	0.74	0.16	1.00	0.618

In the sixth stage, the composite index for the aspect is calculated, as the weighted average of indexes of the dimensions in an aspect (Table 4):

$$MS_i = \sum_{k=1}^l W_k \times Md_i$$

where:

- k*** – dimension number ($k = 1, \dots, l$),
- W_k*** – weight for a "*k*" dimension,
- Md*** – composite index for a dimension,
- MS_i*** – composite index for an aspect in territorial units ***I***.

Table 4

**COMPOSITE INDEXES FOR DIMENSION (D)
AND AN ASPECT (A) – AN EXAMPLE**

Dimension/ Aspect	D1	D2	Composite index (A)
Weight	0.400	0.600	n/a
G1	0.520	0.321	0.406
G2	0.802	0.654	0.705
G3	0.815	0.371	0.548
G4	0.618	0.162	0.344

The last stage is ranking of the territorial units of a destination according to the index order within each dimension and aspect. The highest value of the index highlights the most favourable location for tourism investments.

Method verification

In 2009, the method discussed in this paper was applied to compute the investor appeal of a rural destination in Poland, an area of high tourist potential in an early stage of its life cycle. Rural destinations can be characterized as remote areas of an agricultural profile, with a low density of population and widely dispersed enterprises, communities and administrative structures. They can be identified and marketed as places to visit, where enjoyment of the countryside and countryside activities is a primary motive; and where natural resources and cultural traditions have a strong influence on the visitor experience (European Commission, 1999).

Many rural areas are potentially attractive for tourists by virtue of their natural features and, at the same time, they are not particularly attractive from the standpoint of potential investors who might be discouraged by the poor technical and services infrastructure. These are typically agricultural and forest regions characterised by poorly developed industries and services. A survey conducted in a destination called "Kraina Pogrzybka" ("Bay Bolete Land") within the Lubuskie Province (Figure 1) confirmed this assumption.

Figure 1
THE SURVEYED DESTINATION



Source: Województwo Lubuskie (2010).

The destination is located in West-Central Poland, 70 kilometers from the German border (Figure 1). It is situated relatively close to large cities which could become a source of tourists for this destination. From Skwierzyna, situated right in the centre of the region, the distance to Poland's Western border-crossing in Kostrzyn is only 70 kilometres, another border-crossing in Słubice is 80 kilometres away, the distance to Berlin is 150 kilometres, to Gorzów 30 kilometres, Szczecin 120 kilometres, and Wrocław 250 kilometres. The area includes 9 districts: Bledzew, Dobiegniew, Drezdenko, Przytoczna, Pszczew, Santok, Skwierzyna, Stare Kurowo and Zwierzyn. In 2008, the local tourism partnership working within the framework of the "Leader +" program was established to support the socio-economic development of these communities.

The destination offers natural attractions: extensive forests, a number of clean lakes, clean air, and unpolluted soil. A low population density and low degree of urbanization add to the tourist appeal of this area. In the last fifteen years tourist accommoda-

tion facilities in the destination have substantially improved. Many high quality facilities have been constructed, whereas many old, fully depreciated facilities, remnants of the so-called social tourism of the communist era, have been liquidated (Gołembski & Olszewski, 2008).

The lowest administrative municipal district (commune) was chosen as the basic territorial unit considered in the research. Statistical data for the assessed districts, based on mandatory reporting, were supplemented with information derived from a questionnaire survey among all local authorities.

Table 5

THE FACTORS (INDIVIDUAL ITEMS) AND THEIR WEIGHTS IN EACH DIMENSION

Dimension / Item	Weight
The level of services	
• Number of cultural and entertainment facilities per 1 thousand inhabitants	0.14
• Number of sports and recreation facilities per 1 thousand inhabitants	0.14
• Number of shops per 1 thousand inhabitants	0.12
• Number of petrol stations per 1 thousand inhabitants	0.10
• Number of car service stations per 1 thousand inhabitants	0.08
• Mobile telephone coverage: coverage area / total area (arithmetic mean for all operators)	0.08
• Number of internet cafes, hot-spots per 1 thousand inhabitants	0.08
• Number of pharmacies per 1 thousand inhabitants	0.06
• Number of outpatient clinics and community health centres per 1 thousand inhabitants	0.06
• Number of banks per 1 thousand inhabitants	0.05
• Number of bureaux de change and ATM's per 1 thousand inhabitants	0.05
• Number of post and telecommunications outlets per 1 thousand inhabitants	0.04
Technical infrastructure	
• Total length of water networks (km) per 1 thousand inhabitants	0.25
• Total length of water networks (km) per 1 km ² of area	0.25
• Total length of sewage networks (km) per 1 thousand inhabitants	0.25
• Total length of sewage networks (km) per 1 km ² of area	0.25
Population ratios and labour market	
• Number of businesses registered in section H (hotels and restaurants) / number of private businesses	0.25
• Unemployment rate	0.23
• Population density (number of inhabitants per 1 km ²)	0.22
• Number of registered private sector businesses per 1 thousand inhabitants	0.15
• Number of businesses registered in section H (hotels and restaurants registration) per 1 thousand inhabitants	0.15
Public finances	
• Total revenue per 1 thousand inhabitants	0.25
• Investment expenditure relative to total expenditure	0.20
• Income generated and retained within the commune relative to total district revenue	0.20
• Expenditures on culture, protection of cultural heritage, tourism and sports relative to total expenditure	0.20
• Public roads maintenance expenditure relative to total expenditure	0.15

As it was mentioned earlier, the investor appeal of a destination depends on the quality of its technical and services infrastructure, as well as on population ratios and local public finances. Each of these dimensions is made up of factors which are evaluated in-

dividually in each district, with a feature's impact on the overall score for each district dependant on the assigned weight. The items and their assessed values in each district and dimensions are shown in Table 5. The computations have been used to draw up a ranking of districts by individual dimensions, and to arrive at the final scores for the "Investor appeal" aspect for each of the nine surveyed districts (Table 6).

Table 6

RANKING IN INDIVIDUAL CATEGORIES (THE INVESTOR APPEAL ASPECT AND EACH DIMENSION)

Investor appeal aspect		Dimension: Level of services		Dimension: Technical infrastructure		Dimension: Population ratios		Dimension: Public finances	
District	Composite index	District	Dimension index	District	Composite index	District	Composite index	District	Composite index
Pszczew	0.719	Pszczew	0.626	Stare Kurowo	0.787	Pszczew	0.626	Santok	0.864
Santok	0.657	Drezdenko	0.610	Pszczew	0.754	Drezdenko	0.610	Przytoczna	0.813
Dobiegniew	0.639	Dobiegniew	0.540	Dobiegniew	0.737	Dobiegniew	0.540	Skwierzyna	0.772
Skwierzyna	0.585	Skwierzyna	0.528	Santok	0.669	Skwierzyna	0.528	Pszczew	0.650
Drezdenko	0.585	Zwierzyn	0.476	Zwierzyn	0.448	Zwierzyn	0.476	Drezdenko	0.629
Stare Kurowo	0.537	Santok	0.454	Bledzew	0.366	Santok	0.454	Dobiegniew	0.594
Przytoczna	0.505	Przytoczna	0.427	Przytoczna	0.362	Przytoczna	0.427	Stare Kurowo	0.470
Bledzew	0.471	Bledzew	0.400	Drezdenko	0.350	Bledzew	0.400	Bledzew	0.453
Zwierzyn	0.461	Stare Kurowo	0.353	Skwierzyna	0.301	Stare Kurowo	0.353	Zwierzyn	0.347

The top investor appeal rank has been awarded to the district of Pszczew, a result achieved primarily thanks to the highest assessment of the level of services and the quality of public finances. Worth noting is the fact that this district has ranked second in the technical infrastructure dimension and fourth in the dimension of population ratios and labour market. High scores for investor appeal have also been awarded to the districts of Santok and Dobiegniew. The Santok district has achieved the best result in the population ratios and labour market category in which the evaluation focuses on the quality of "soft" resources whose impact on the competitive advantage of tourist destinations increases (Porter, 1990; Vanhoe, 2005). In the remaining dimensions, the district of Santok has ranked at least sixth. The district of Dobiegniew, on the other hand, can attract investors with its high quality of technical infrastructure and the level of services (third place) – dimensions carrying the greatest weight in the computation of investor appeal.

Currently, the least attractive to investors are the districts of Zwierzyn, Bledzew, Przytoczna, and Stare Kurowo. Their low investment potential is evident, both, in the final composite index and the scores achieved in the four major dimensions. In the three most important dimensions they scored below 0.5, with the exception of Przytoczna in the population ratios dimension (owing to the declared low unemployment level and a relatively large number of tourism enterprises based in the district). The high scores achieved by all surveyed districts in the public finances dimension are due mainly to the Polish system of public finances, which is based on the principle of wealth redistribution and aimed at providing a level-playing field for local communities. As a result,

financial self-sufficiency of districts is low – only 39.34% of personal income tax and 6.71% of corporate income tax are retained in local budgets (*Ustawa o dochodach...*, 2003).

Summing up, the most favourable conditions for tourist investments, compared with other districts in the destination, exist in the districts of Pszczew, Santok and Dobiegniew. The biggest barriers to investment activity in the tourism sector have been identified in the districts of Zwierzyn, Bledzew, Przytoczna, and Stare Kurowo. The results also confirmed a generally low competitive potential of the evaluated destination compared with other regions in Poland. With relatively poor infrastructure development in Poland by European standards, the destination's tourism potential deserves an even lower assessment.

Application of the composite index

Investment decision-making is a complex multistage process. In the early stages of the investment cycle, the preliminary selection procedure involves a general and specific analysis of a possible investment location. A general location analysis is concerned with the selection of a destination and a smaller area, whereas specific location studies narrow the selection down to a specific site. In practice, investors should begin their analysis with a study of statistical data gathered from geographic regions, and subject the data to further processing and detailed analysis. Identifying the most favourable location for tourism investments (a destination or smaller units) is not a straightforward task since the number of variables describing a territorial unit can be virtually unlimited.

The main limitations of the proposed method should be discussed. Firstly, the grounds of comparison employed were the administrative districts of the destination. An extension of the analysis to all districts of the province would yield different indicator values of given divisions and different investor appeal also. Using other criteria of territorial division could also bring more precise outcomes. Secondly, the weights have been assigned subjectively by the researchers, which should be acknowledged as the most arguable part of the method. It could be complemented by more time consuming methods as the Delphi method. Thirdly, the factors which comprised the composite index have been chosen subjectively by authors as well, but the availability of credible data was the main determining factor in this case. Fourthly, the case study does not prove helpful if one is seeking independent variables such as the rate of return on investment or tourist numbers. However, it must be highlighted that the presented method applies to general location decisions.

The main strength of the proposed method is its high applicability, which should be viewed in two aspects. The first is an application for destinations in the early stages of the investment cycle when standard performance metrics are not available, and in areas at early stages of their tourism life cycle, when the number of visitors is very small and cannot be treated as a reliable indicator. The second dimension of applicability is adaptation by both public and private agencies. Moreover, the analysis performed in

the process can suggest a proper structure of investments at the involvement stage of a destination life cycle, supporting the further development of an integrated tourism product.

The composite index can be used by public sector investors, particularly local governments. Investing conditions at the regional level need to be thoroughly evaluated by them as both the hosts of administrative units (responsible for creating a favourable investment climate and identifying directions for strategic planning), and investors in their own right. The method offers also tangible benefits to private sector investors – it is not costly compared with a specific location study and allows them to increase the chances of making rational decisions, minimizing investment risk and providing for more efficient use of financial and material resources.

Not all investments offer equal returns on assets, and private investors are naturally inclined to invest in the most profitable ventures. This is where the supporting role of local authorities and other public institutions is important, particularly at the involvement stage and in the shift to the development stage of the tourism area life cycle. Oriented towards broader objectives, these entities can help with the construction of infrastructures and other facilities that do not meet the criteria of high profitability but are indispensable for the development of the destination's tourism product, which is crucial in the later stages of the life cycle. Public sector investment activity, however, can entail certain negative consequences. Public investments are less cost-effective, the process of asset construction tends to be prolonged, and there is a risk that private sector investors might get "washed out" of the market. To a large extent it depends on whether a public venture poses competition to the private sector or plays an ancillary, or even supporting role.

The further practical implication of the proposed method can be an extension of the territorial scope of the analysis up to the regional or even national level. It could be used by governments and destination management organisations as a supporting instrument for tourism planning and management.

Conclusion

Choosing the most favourable general locations for future investments is crucial in the early stages of the TALC for many reasons. First, it brings the highest possible rate of return on assets and could consequently be perceived as a positive stimulus for further tourist investment decisions in an area. Second, the practical results of the method could be used by local authorities as an incentive in reference to tourist investors who are mainly local entrepreneurs, do not represent adequate business experience and perceive the investment risk as relatively high. Investments are needed to achieve the involvement and subsequently the development stage of the life cycle. Third, accurate location decisions are the basis of sustained and planned development of tourism within a destination. This helps to avoid conflicts and negative effects in a locality and to prolong growth. Fourth, the comparative analysis leads to preferred structure of investments, facilitating the development of an integrated tourism product within a tourist destination.

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