Destination Attractiveness, Winner's Curse, White Elephants and the Prisoner's Dilemma: Is there a solution?

Tourism plays a prominent role in today's service economy; it is a major income and job generator and contributes significantly to regional development and modernisation. Policymakers are, therefore, interested in promoting tourism; to avoid, however, the side effects of unsustainable growth, emphasis in developed countries is gradually shifting away from standardised mass tourism: product differentiation and quality improvement are regarded as prerequisites to raise tourism receipts especially on a per capita basis. Among other tourism sectors, the MICE industry looks particularly promising as its profile is consistent with the new trend both from a demand and a supply side perspective. To increase destination attractiveness, public authorities or even private entities may decide to invest heavily on grandiose infrastructure, which becomes a white elephant as costs are never fully recovered. Alternatively, they may decide to outbid competing destinations by offering conference organisers or related intermediaries too preferential terms to benefit; this winner's curse can be equally detrimental. Collaboration with other destinations is often perceived as a solution to this impasse. But the prisoner's dilemma and the incentive to cheat make coordination fail particularly when suppliers are fragmented and buyers have strong bargaining power. Is there a strategy to raise destination attractiveness and be profitable at the same time? The answer lies mainly on choosing infrastructure and partners carefully: appropriate size, flexibility and strategic alliances should be used in an integrated manner to reduce substitutability and increase a destination's negotiation power in the longer term.