

Distance Effect and Cognitive Proximity: A Study of Space Competition  
Strategy in Tourism Industry

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Abstract

As distance is often one of the main factors in a tourist's decision to visit a given location, travel agencies often attempt to lower the impact of geographic distance through promotion and related efforts. The focus of this paper is on the business strategy of travel agencies in a competitive market. We examine methods to shorten two kinds of distances within a homogenous market consisting of two competing travel agencies. Specifically, we first deal with the question of how to shorten the cognitive distance between the effect of the business management of a travel agency and a tourist's psychological status. We then address the impact of geographic distance on the tourist's choice of travel destination. Through an endogenous business strategy, we discuss the differentiated strategies under the three-stage game process, acquiring a better understanding of the relationship between proximity investment sizes and pricing. The results show that free-rider effect is the decisive factor in a travel agency's investment decision. We also find that non-cooperation is a better strategy for a travel agency in a competitive market.

Keyword : riction of distance, cognitive distance, space competition