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Tourism in Cyprus: Recent Trends and Lessons from the Tourist Satisfaction Survey †

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Abstract

Tourism has traditionally been a major source of income and a driver of economic growth in Cyprus. Over the last few years however, tourism as an economic activity has entered a slowdown phase and the Cypriot tourist product has undergone a continuous loss of competitiveness, due to both exogenous and endogenous factors. This paper provides an overview of tourism in Cyprus by presenting developments over time and making comparisons with competing Mediterranean countries. The weaknesses of the tourist product are identified by analysing data from the Tourist Satisfaction Survey, for the period 2005 – 2006.

Keywords: Tourist satisfaction, repeat visit, value for money.

1. Introduction

Tourism has been a major engine of growth for the Cyprus economy in the post-1974 period. The development of a tourism infrastructure in the difficult years after the invasion was instrumental in achieving the impressive economic turnaround of the late 1970s and early 1980s. The sector grew rapidly throughout the 1980s and 1990s. Revenues from tourism exceeded 20% of GDP throughout most of the latter decade. In the last few years however, the sector seems to have come to a standstill. Tourist arrivals peaked at 2.70 million in 2001 and have yet to return to that level; they were 2.40 million in 2006. Similarly, revenues peaked at 1.27 billion Cyprus pounds (CYP), or 2.17 billion Euro (EUR), in 2001; in 2006 they were CYP1.03 (EUR1.76) billion. The contribution of the tourism

† The Survey is conducted by the Economics Research Centre of the University of Cyprus in cooperation with the Cyprus Tourism Organisation, for the construction of a tourist satisfaction barometer, for the period 2005 – 2009.

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sector to national income has dropped even faster. Revenue from tourism as a percentage of GDP was 12.3% in 2006, down from 20.6% in 2000.

The slowdown in the tourism sector has been a cause of concern in both industry and policy circles. Most industry experts seem to agree that Cyprus is no longer competitive as a tourist destination. Increased competition, rising costs and a deteriorating infrastructure are the reasons most often cited for Cyprus's loss of competitiveness. Several countries such as Croatia, Turkey and Egypt have emerged as popular tourist destinations in the last few years. This has increased competition among countries trying to attract tourists and has put downward pressure on prices. Newly established tourist destinations are at a lower level of development and operate with significantly lower costs than Cyprus does. It is therefore very difficult to compete against them in terms of price. The alternative strategy is to differentiate Cyprus's tourist product and compete by offering higher quality. Doing so would require substantial investments in order to upgrade an ageing infrastructure that can no longer provide a high quality tourist experience.

The purpose of this paper is twofold. Firstly, we aim to provide a comprehensive picture of the state of the Cypriot tourist sector in relation to its past performance and the performance of competing markets. Secondly, we seek to identify the strengths and weaknesses of the Cypriot tourist product by analyzing the findings of the Tourist Satisfaction Survey, which has been carried out on a continuous basis since January 2005. The impressions formed by tourists of a destination visited as well as the perceptions of potential visitors are key elements in marketing a destination successfully and in determining its competitiveness (Ahmed 1991). The image of a destination and the consequent satisfaction or dissatisfaction of visitors with various aspects of the destination affect their choice when considering alternative destinations (Ahmed 1991), the amount spent during holiday and the decision to repeat the visit (Stevens 1992). Quality perceptions and customer satisfaction increase positive word-of-mouth communication and visiting intentions and in addition limit price sensitivity (Gonzalez *et al*. 2007). Thus, a detailed analysis of the responses in the Tourist Satisfaction Survey can provide valuable insights into the problems and prospects of the Cypriot tourist sector.

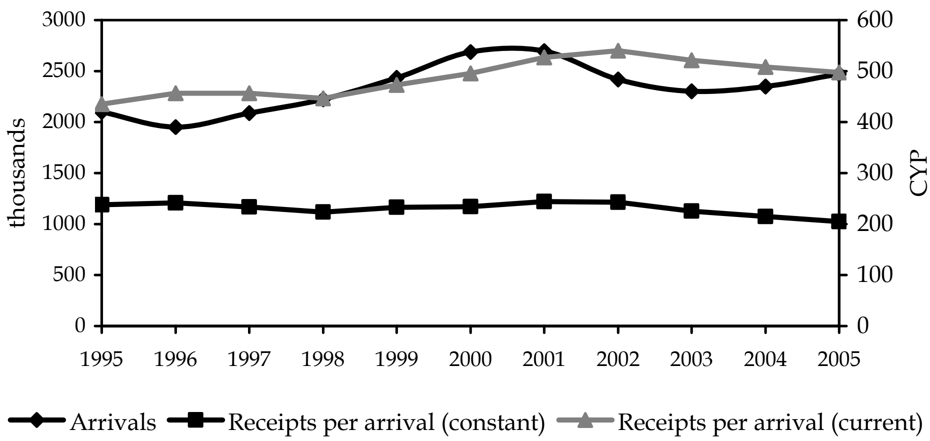
2. Tourism trends

The Strategic Plan for Tourism Development 2003-2010 was prepared by the Cyprus Tourism Organisation (CTO) with the intention of providing a roadmap for the future development of the Cyprus tourism sector. The ultimate target according to the Strategic Plan is the maximisation of income earned from tourism. This can be achieved, inter alia, through increases in tourist expenditure in Cyprus and in the number of arrivals (CTO 2007). Since receipts from tourism and tourist arrivals are among the crucial determinants of a country's success in tourism, an overview of the evolution of these variables for Cyprus is provided below.

Figure 1 shows tourist arrivals (in thousands) in Cyprus for the period 1995-2005 together with tourism receipts per arrival in constant (1981) prices and current prices. Arrivals exhibit a rather cyclical pattern with the lowest and highest point occurring in 1996 and 2000 respectively. The drop in arrivals in 1996 may be associated with the violent incidents at the cease-fire line in August of that year. After 2000, arrivals were declining possibly due to the September 11 terrorist attacks and the war in Iraq. Signs of recovery of arrivals appear in 2004 and in 2005. Receipts per arrival in constant prices move steadily over the years in the range of CYP200 – CYP250, though a downward trend emerges after 2001. Notably, after 2000, tourism receipts, in constant prices, decrease at a greater rate than the rate of change in tourist arrivals. This decline is accompanied by a decrease in receipts per arrival in current prices, despite their overall upward trend between 1995 and 2005.

FIGURE 1

Arrivals and receipts per arrival in constant (1981) and current prices, 1995-2005



Source: World Development Indicators (Word Bank 2007) and Statistical Abstract 2005 (Statistical Service of Cyprus 2006c).

Table 1 shows tourist arrivals in Cyprus and expenditure per person by tourists' country of usual residence for 2006 along with the corresponding changes from 2005.

TABLE 1

Arrivals and expenditure per person by country of usual residence

	Arrivals		Expenditure per person		
Country	2006	% change from 2005	2006 (CYP)	2006 (EUR)	% change from 2005
UK	1360136	-2.3	450.47	769.67	5.6
Germany	152808	-16.4	385.35	658.41	4.7
Sweden	94028	6.7	344.66	588.89	8.8
Denmark	30802	4.2	341.45	583.40	4.8
Finland	30333	3.6	318.96	544.98	5.1
Norway	50664	4.9	402.87	688.34	-7.1
Russia	114763	17.6	563.78	963.27	16.5
Greece	126768	-2.6	233.58	399.09	-3.4
France	37779	-28.4	384.76	657.40	5.6
Ireland	47463	-10.0	481.36	822.45	-1.0
Switzerland	41337	2.8	443.28	757.39	-5.8
Netherlands	28210	-4.4	433.35	740.42	2.5
Belgium	24267	6.1	451.98	772.25	14.6
Austria	23788	-35.7	423.82	724.14	10.6
Italy	17865	-11.6	450.64	769.96	3.4
Israel	34197	-16.5	206.55	352.91	-2.5
USA	20048	-9.1	426.91	729.42	19.3
Other Countries	165004	7.3	397.58	679.31	6.7
All Countries	2400924	-2.8	427.88	731.08	5.1

Source: Tourism Statistics (Statistical Service of Cyprus 2006b, 2007) and Cyprus Tourism Organisation.

The individual countries that appear on the table are countries to which the CTO will direct its efforts for implementing predetermined marketing strategies until 2010 (CTO 2007).[1] In 2006 over 80% of travellers who arrived in Cyprus were residents of an EU member state and nearly 57% of travellers arrived from the United Kingdom. Overall, arrivals in 2006 were reduced by 2.8% in comparison to 2005. Arrivals from Austria exhibited the largest decrease followed by arrivals from France. The largest percentage increase in arrivals from 2005 was reported for the Russian market.

Despite the decrease in arrivals, tourist expenditure (per person) in Cyprus increased by 5.1% in 2006 in comparison to 2005. This indicates that tourist spending in Cyprus either remained at 2005 levels or increased. Travellers from Russia are the highest spenders (per person), followed by tourists from Ireland. An important factor influencing the level of tourist expenditure in the country of visit is the length of stay. For 2006 the average duration of stay in Cyprus was 10.4 days. Visitors from Israel and the United States displayed on average the briefest (4.3 days) and longest (11.6) stay, respectively. Consequently, tourists from Israel exhibited the lowest per person expenditure for 2006. However, taking into account the length of their stay reveals that they incurred the fifth highest *per day* expenditure of CYP47.85 (EUR81.76). Tourists from Italy and Russia who incurred the highest per day expenditure spent on average CYP51.51 (EUR88.01) and CYP51.14 (EUR87.38) per day, respectively.

Next we provide some comparisons of Cyprus to some of its main Mediterranean competitors with respect to tourist arrivals and tourism receipts. Table 2 shows tourist arrivals, tourism receipts and receipts per arrival for various Mediterranean countries. All countries except for Italy experienced an increase in their arrivals between 2004 and 2005, with Turkey recording the highest growth rate. Cyprus has the largest percentage decrease in arrivals between 2000 and 2005, second to Italy, whereas arrivals in Turkey for the same period grew over 100%. Arrivals in Egypt, Croatia and Slovenia grew at the impressive rates of 61.1%, 45.2% and 42.7% respectively.

In terms of growth rates of tourism receipts for 2004 – 2005, Turkey again ranks first, followed by Egypt and Slovenia. Cyprus and other mature tourist destinations such as Spain, Greece and Portugal exhibited lower growth rates. Between 2000 and 2005 Cyprus was the worst performer

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[1] Some criteria for targeting a country for marketing purposes include: the number of holiday trips, daily expenditure per person, average length of stay in Cyprus, accessibility and the country's gross national income per capita (CTO 2007).

amongst the competitors shown in the table in terms of receipts growth. Examining receipts per arrival (in US$) for 2004, Cyprus ranks fourth with US$959 per arrival, only US$128 lower than Slovenia, which ranks first among the countries shown in the table. However, receipts per arrival for Cyprus decreased between 2004 and 2005 as the growth in tourism receipts was slower than the growth rate in arrivals for the same period. Comparing Cyprus to some of its competitors in terms of percentage change in receipts per arrival between 2000 and 2005, the picture is somewhat disappointing. All the other EU countries shown in the table achieved higher growth rates. The considerably lower percentage changes in receipts per arrival for Turkey and Egypt are associated with the small differential between the percentage change in arrivals and receipts between 2000 and 2005.

TABLE 2

Tourist arrivals and tourism receipts for Mediterranean countries

	Arrivals			Receipts			Receipts per arrival		
Country	2004 (thousands)	% change 2004-2005	% change 2000-2005	2004 (US$, millions)	% change 2004-2005	% change 2000-2005	2004 (US$)	% change 2004-2005	% change 2000-2005
Croatia	7912	7.0	45.2	6848	9.0	168.3	866	1.8	84.7
Cyprus	2349	5.2	-8.0	2253	3.4	20.0	959	-1.7	30.5
Greece	13313	7.2	9.0	12872	6.7	48.9	967	-0.5	36.6
Italy	37071	-1.5	-11.3	35656	-0.7	28.8	962	0.8	45.2
Malta	1156	1.3	-3.7	790	-1.9	27.0	683	-3.2	31.9
Portugal	11617	-	-	7846	1.1	51.3	675	-	-
Slovenia	1499	3.7	42.7	1630	10.5	86.6	1087	6.5	30.8
Spain	52430	6.0	16.0	45248	5.8	59.8	863	-0.2	37.7
Turkey	16826	20.5	111.5	15888	14.2	137.7	944	-5.2	12.4
Egypt	7795	5.8	61.1	6125	11.9	57.7	786	5.8	-2.2

Source: Tourism Market Trends, 2006 Edition – Annex (World Tourism Organisation 2006).

The trends in tourism presented in this section reveal that over the last few years Cyprus has entered a slowdown phase with respect to tourism as an economic activity shown by the declining trend in arrivals and receipts per arrival, as well as by the low growth rates in receipts and expenditure per person. According to Tourism Statistics (Statistical Service of Cyprus 2004, 2006a, 2006b, 2007) revenue from tourism has been decreasing since 2001, with some signs of recovery in 2005, but the positive growth rates reported onwards are very close to inflation levels. Moreover, tourist expenditure per person in Cyprus has decreased since 2002 with the only positive percentage change having occurred in 2006.

Overall the rather unfavourable developments of tourism over the last years in Cyprus are a combination of exogenous and endogenous factors. The war in Iraq, the crisis in Lebanon, terrorist incidents in other countries and the rise in transportation costs due to increases in oil prices are events that negatively affected tourism. In addition, structural problems with the Cypriot tourist product per se, worsen the position of Cyprus as a destination in terms of value for money (i.e. the relation between the price paid and the quality offered), rendering it less competitive compared to other destinations. One-dimensional development (sun and sea), outdated hotel accommodation, unsatisfactory infrastructure and facilities, poor image of the built environment, perishing cultural identity and pressure on the natural environment and resources are just some of the challenges that the Cypriot tourist product is currently facing. On top of that, cheaper emerging destinations in the Mediterranean as well as enhanced tourist products supplied by traditional competitors make it more difficult for Cyprus to maintain its share in the tourist market, given the relatively high operating costs and the current pricing schemes (legitimate or illegitimate).

Demand for tourism for a destination depends on the economic conditions in the countries of origin and also on exogenous factors that affect the destination country (weather conditions, political stability, etc). However, if we view a tourist destination as a company that sells its (tourist) product, a determinant of the future demand is tourist satisfaction with the product. Insofar as tourist satisfaction is translated as intention to repeat the visit, longer stay in future trips, increased consumption (expenditure) in the destination or recommendation of the destination to others, an analysis of tourist satisfaction (with the various aspects of the tourist product) provides useful insights into factors affecting tourist satisfaction and therefore the destination's competitiveness. Once these factors are determined, we can identify the strengths and weaknesses of the product as well as the factors that need to be addressed so as to enhance the product. Furthermore, we obtain valuable information as to what variables can be used as policy targets or tools and what policy recommendations need to be made to better the country's performance and competitiveness. The next section provides such an analysis using data for Cyprus.

3. An empirical analysis of tourist satisfaction

A variable of interest in assessing the performance of a tourist destination and in designing national tourism policies and marketing strategies is tourist satisfaction. In this section we examine the factors affecting (i) tourist satisfaction with the overall stay in Cyprus, (ii) the likelihood that tourists will repeat their visit to Cyprus and (iii) tourist dissatisfaction with Cyprus in terms of value for money.

3.1. Data[2]

The data are collected at the departure lounges of Larnaca and Paphos airports, via personal interviews conducted by means of a questionnaire. This includes questions about demographics, socioeconomic characteristics, the purpose of visit to Cyprus, the frequency of holidays abroad, trip details, places of overnight stay, areas visited and the type of accommodation. Furthermore, respondents are asked to evaluate aspects of the tourist product (accommodation, restaurants, transportation, natural and built environment, infrastructure, entertainment), Cyprus with respect to various dimensions (safety, hospitality, overall stay and value for money) and the likelihood of a repeat visit to the island.[3] In carrying out the evaluations respondents provide ratings - on a scale from 1 (lowest) to 5 (highest) - or, provide verbal responses of the form 'better', 'about the same' or 'worse'. The data are being gathered continuously over four phases: January-March, April-June, July-September and October-December, using stratified sampling with respect to the countries of origin of travellers. For the peak period of arrivals, July-September, the sample targeted is 2000 interviews and for the remaining phases the target is 1000 for each, giving a total of approximately 5000 observations per year. The sample in the analysis that follows covers the period between January 2005 and December 2006.

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[2] The data are collected by a research company in the context of Tourist Satisfaction Survey (Clerides *et al.* 2006a, 2007).

[3] The questionnaire is answered by one member (over 18 years of age) of the travelling party, which can be for example a family or a couple. A group of friends travelling together is not considered a travelling party but rather different travelling parties. The results presented are weighted by the number of persons in the travelling party.

To provide an overview of tourist satisfaction with Cyprus we present, in Table 3, the proportion of travellers who rated their overall experience with various aspects of the Cypriot tourist product and with the island in general with the highest rating (5). The picture appears somewhat improved in 2006, compared to that of 2005, as the percentage of tourists giving the highest rating is larger, for the majority of the aspects shown in the table. The most problematic feature in both years appears to be the infrastructure, whose poor image is the result of the substandard condition of airports, ports, pedestrian and cycling facilities, public restrooms and to a lesser degree road signs and network (Clerides *et al*. 2006a, 2007).

TABLE 3

Percentage of tourists giving the highest rating (5)

Aspect rated	2005 %	2006 %
Accommodation	45	48
Restaurants	36	41
Bus service	25	30
Taxi service	24	20
Car hire	36	42
Natural environment: cleanliness	18	43
Natural environment: protection/preservation	10	41
Built environment	16	36
Archaeological, cultural sites and monuments	49	46
Infrastructure	4	7
Activities and entertainment: variety	40	49
Activities and entertainment: quality	36	50
Activities and entertainment: value for money	17	33
Organised trips within Cyprus	61	45
Cruises outside Cyprus	50	42
Shopping in Cyprus	6	19
Overall stay	30	43
Repeat visit	51	53
Value for money [a]	31	23

Note: [a] The figures for this aspect refer to the percentage of tourists stating that Cyprus is 'worse' than other destinations in terms of value for money.

Another aspect of Cyprus which fully satisfied only small proportions of tourists relates to shopping. Due to the low ratings given for the prices of staples and value for money for goods being sold in Cyprus, the percentages of travellers rating their overall shopping experience in

Cyprus with the highest rating was low. Activities and entertainment opportunities such as amusement parks, nightlife, sports as well as cultural activities and events are considered to be too expensive for the quality they offer to the visitor (Clerides *et al*. 2006a, 2007). As a result, Cyprus was characterised as 'worse' than other destinations in terms of value for money by nearly one in four tourists interviewed in 2006.

The cleanliness and protection/preservation of the natural environment (beaches, trails, nature and forest parks) as well as the overall image of the built environment, constitute components of the Cypriot tourist product that require particular attention by both the authorities and individuals.

3.2. Econometric analysis

Below the determinants of tourist satisfaction or dissatisfaction with Cyprus are investigated using probit models.[4] We study the effect of various socioeconomic and travel characteristics as well as time effects on (i) the probability that tourists are satisfied with their overall stay, (ii) the probability that they will visit Cyprus again[5] and (iii) the probability of finding Cyprus worse than other destinations in terms of value for money.[6]

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[4] For details see Clerides *et al.* 2006b. Ordered probit models could have been used instead, given the fact that there is an ordering in the responses/ratings. However, it was observed that a relatively small proportion of tourists gave low ratings, which was especially acute in some questions. Consequently, the transformation of the ordered responses into binary variables, which indicate satisfaction versus non-satisfaction, together with the use of binary models seemed to be a more appropriate modelling strategy.

[5] The dependent variables are binary taking the value 1 when the response is the highest rating (5) and 0 when the response is any of the remaining lower ratings (1-4). Thus the dependent variables take the value 1 when tourists rated their overall stay or their chances of revisiting the island in the future with 5 (on a scale from 1-5), and 0 otherwise. Hence, in the case of overall stay we model the probability of complete satisfaction and in the text 'satisfaction' refers to 'complete satisfaction'.

[6] The dependent variable is binary taking the value 1 when the response is 'worse' and 0 when the response is 'about the same' or 'better'. Thus the dependent variable takes the value 1 when tourists state that they found Cyprus worse than other destinations in terms of value for money and 0 otherwise. The reason for using this dependent variable is due to the fact that only a small proportion of tourists (14.5%) found Cyprus to be better than other destinations in value for money terms. On the other hand, a significant proportion (27%) found Cyprus to be worse than other destinations.

3.2.1. Socioeconomic and travel characteristics

Table 4 shows the marginal effects of various socioeconomic and travel characteristics on the probability that the respondents (i) are completely satisfied with their overall stay, (ii) are very highly likely to repeat their visit to the island and (iii) state that Cyprus is 'worse' than other destinations in terms of value for money.[7] By 'marginal effect of a characteristic on the probability' we mean the change in the probability from an infinitesimal change in the characteristic, if the latter is a continuous variable (e.g. expenditure). In the case of a discrete explanatory variable (e.g. whether the respondent visited Cyprus by purchasing a package holiday), the 'marginal effect of a characteristic on the probability' is the change in the probability when the characteristic changes form zero to one, indicating the absence and presence of the characteristic respectively. In computing the marginal effect of a characteristic all the other explanatory variables are evaluated at their sample means. The characteristics shown in parentheses are used as the bases to which comparisons are made.

With respect to the overall stay, higher expenditure per person[8] has a negative impact on the probability of complete satisfaction. In the extreme situation where expenditure per person doubles the probability of complete satisfaction with overall stay falls by 0.034. For example if a travelling party with expenditure per person x has a probability of satisfaction equal to 0.4, then a travelling party with expenditure per person $2x$ has a probability of satisfaction equal to 0.366, other characteristics being the same.

According to CTO's Strategic Plan, increased expenditure per person (in real terms) is an indicator of the quality of the tourist product and of the success in repositioning Cyprus as a destination that offers great diversity of experiences in a small geographical area (CTO 2007). Empirical results do not provide clear indications that support the above argument, as tourists with higher per person expenditure are less likely to be satisfied

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[7] A full set of parameter estimates for the three models is available upon request.

[8] Expenditure includes airfare, accommodation and other expenditure incurred in Cyprus. For a very small proportion of respondents (4%) who visited Cyprus on individual arrangements the amount stated does not include airfare. In the estimations expenditure is expressed in 'per person' terms by scaling it with the number of adults and children in the travelling party, assigning weights 1, 0.5 and 0.3 to the first adult, persons of 15 years of age or older and children under 15, respectively.

TABLE 4

Effects of characteristics on probabilities

	Overall stay	Repeat visit	Value for money
Travelling party characteristics			
Logarithm of expenditure per person	-0.034**	0.029**	0.006
Absence of children	-0.024**	-0.003	0.017*
Married	0.027**	-0.006	-0.012
First time in Cyprus	-0.070**	-0.166**	0.039**
Frequent traveller i.e. over 1 trip per year	-0.019**	0.014	-0.045**
Travel characteristics			
Length of stay	0.002**	0.003**	0.002**
Package holiday	-0.117**	-0.119**	0.005
Car hire	0.058**	0.035**	-0.016**
Use of taxi	-0.098**	-0.032**	-0.002
Use of bus	-0.013	-0.036**	-0.032**
Participation in organized trips in Cyprus	0.086**	-0.067**	-0.040**
Area of overnight stay (Protaras)			
Ayia Napa	-0.126**	-0.088**	0.008
Countryside or hill resorts	-0.088**	-0.060**	-0.010
Larnaca	-0.047**	-0.054**	0.024**
Limassol	-0.088**	-0.102**	-0.017
Nicosia	-0.054*	-0.160**	0.060**
Paphos	-0.117**	-0.022	-0.101**
Polis	-0.107**	-0.018	-0.093**
Type of accommodation (Less luxurious/free)			
5* Hotel	0.000	-0.034**	-0.012
4* Hotel	0.036**	-0.060**	-0.023**
3* Hotel	0.020	-0.058**	-0.019
A class apartment	-0.071**	-0.134**	0.013
B class apartment	-0.027	-0.105**	0.045**
Tourist village	0.035	-0.083**	0.047**
Tourist villa	0.023	-0.048*	-0.104**
Country of usual residence (UK)			
Germany	-0.026*	-0.271**	0.149**
Greece	0.099**	0.083**	0.044*
France	-0.075**	-0.348**	0.288**
Ireland	0.016	-0.112**	0.042**
Russia	0.005	-0.128**	0.069**
Scandinavia	-0.035**	-0.194**	0.008
Western Europe	-0.039**	-0.256**	0.189**
Eastern Europe	-0.032*	-0.243**	0.195**
Middle East	-0.012	-0.155**	0.383**
Gulf	0.036	-0.136**	0.110**
Other	0.112**	-0.178**	0.194**

TABLE 4 (contd)

Effects of characteristics on probabilities

	Overall stay	Repeat visit	Value for money
Respondent's age group (Under 30)			
30-39	-0.053**	0.042**	0.018
40-49	-0.026*	0.014	0.025*
50-59	0.003	0.021	-0.001
60 and above	0.027	0.038**	-0.024
Respondent's education level (Primary)			
Secondary	-0.152**	0.021	-0.041*
Post-secondary	-0.153**	0.029	-0.109**
University	-0.097**	0.180**	-0.104**

Note: The symbols '**' and '*' indicate that the effect is statistically significant (different from zero) at 5% and 10% level of significance, respectively. Absence of the symbols indicates that the effect is not statistically different from zero at 10% level of significance. The level of significance (5% or 10%) represents the probability of erroneously concluding that the effect is different from zero when the true effect is zero.

with their overall stay, meaning that increases in the particular variable cannot be interpreted as enhancements in the quality of the destination as perceived by tourists.

Travelling parties consisting only of adults are less likely to state complete satisfaction with their visit on the whole, compared to adults who accompany children. For example if a travelling party with children has a probability of complete satisfaction with their overall stay equal to 0.5 then a travelling party with the same characteristics, except for the presence of children, has a probability of satisfaction equal to 0.476. Both first comers to Cyprus and frequent travellers are less probable than tourists who have visited Cyprus in the past and people who travel once a year or less frequently, respectively, to remain fully satisfied with their stay.

Longer stay on the island, the use of a hired car and participation in organised trips within Cyprus tend to increase the probability of satisfaction. Coming to the island on a package holiday as opposed to making individual arrangements for the trip and using a taxi while in Cyprus lower the probability that tourists will remain completely pleased with their stay, with the former factor having the largest negative effect.

The Protaras area is more likely to please tourists as those who stay in any other area have a significantly lower probability of satisfaction (by 0.05-0.13), with the most dissatisfied being those who picked Ayia Napa. Tourists who stay in A class apartments appear to be the least satisfied with their stay in Cyprus, while travellers who choose 4* hotels are found to be the most pleased.

Tourists from most countries have a smaller probability of being fully satisfied with their overall stay than visitors from the United Kingdom. However, tourists from Greece and Other countries have a higher probability of satisfaction by 0.099 and 0.112 respectively, compared to tourists from the United Kingdom.

Tourists aged between 30 and 49 are less likely to be fully satisfied with their visit, compared to tourists under 30. Travellers who attained a secondary or higher education have a lower probability of satisfaction than less educated visitors.

Regarding the probability of visiting Cyprus again, tourists with higher expenditure per person have greater probability of repeating their visit in the future. Visitors who come to Cyprus for the first time have a lower probability of returning by 0.166, compared to tourists who have visited the island previously.

Longer duration of stay in Cyprus as well as the use of a hired car as opposed to other means of transport, tend to make visitors more inclined to repeat their visit. On the contrary, visitors who use taxi or bus services, tourists who participate in organised trips and those who come to the island on a package holiday, seem to be less likely to return.

Despite the international tendency for more but briefer holidays during the year, the length of the stay of visitors in Cyprus can be used as an indicator (among and in relation to others), for monitoring the performance of the destination (CTO 2007). The empirical results above seem to corroborate the use of such an indicator, as there is a positive relationship between the duration of stay and tourist satisfaction and intention to return. Moreover, efforts to attract 'longstayers' on the island is a plausible strategy, particularly as there is evidence of high likelihood for this group to repeat their visit.

The positive opinion formed about Cyprus by travellers who used hired cars as opposed to the rather disappointing experience of bus and taxi users point to the severe weaknesses of the transportation sector in Cyprus. Failure of the public transport is evident in relation to connections between airports and cities/towns, links of tourist areas with city centres, connections between areas of tourist interest and inland areas and high taxi fares (due to the absence of meters) accompanied with low standards of service and professionalism (CTO 2007). The modernisation of the public transport network is thus imperative, especially as the percentage of tourists arriving to Cyprus by individual arrangements (and therefore responsible for their personal transport) is increasing.

Tourists who stay in Ayia Napa, Larnaca, Limassol, Nicosia, the countryside or in hill resorts have a smaller probability of repeating their visit than those who stay in Protaras. Even though many resources were channelled to the development of the hotel industry, in most cases, at the expense of the natural environment, overnight stay in any type of paid accommodation constitutes a deterrent factor for tourists' return to Cyprus.[9] This finding is along the lines of the common consensus that the hotel industry needs modernisation as well as motives for the withdrawal of low category rating accommodation.

Tourists from almost all origin countries have a smaller probability of coming back to Cyprus than visitors from the United Kingdom, with the French having the smallest probability of returning followed by the Germans. The only exception is the tourists from Greece, who have, by 0.08, a higher probability of revisiting than the British.

Travellers aged 30-39 and over 60 appear more willing to repeat their trip to Cyprus than younger tourists. The same applies for travellers who obtained a university education.

The findings in relation to a repeat visit should be interpreted with caution since the expression of low likelihood of repeating the visit to a destination may be associated with tourists' search for new holiday experiences rather than the direct dissatisfaction with the destination in question. A case in point is tourists who stay in 4* hotels whose chances of returning to Cyprus are lower than those of tourists who stay in less luxurious/free accommodation, 5* or 3* hotels and in tourist villas. However, tourists who opt for 4* hotels seem to be the most satisfied with their overall stay and the least dissatisfied with the value-for-money aspect of Cyprus, second to travellers who stay in tourist villas.

The estimated model for value for money refers to the probability that travellers found Cyprus to be in a worse position than other destinations in terms of value for money. Thus we refer to the probability of dissatisfaction with the cost paid in Cyprus for goods and services, in relation to their perceived quality, compared to other destinations visited recently. Effects with a positive and negative sign, increase and decrease

[9] They are less likely to return than tourists who stay in less luxurious or free accommodation. However, travellers who stay with friends/relatives or in their owned houses have obvious reasons for revisiting Cyprus.

the probability of tourist dissatisfaction respectively. In particular, first time travellers in Cyprus have a higher probability of being displeased with value for money to tourists who have visited the island before. Travellers who stay longer in Cyprus also tend to rank it as inferior to other countries with respect to value for money, hence more expensive for what it has to offer. On the contrary, frequent travellers as opposed to those who do not travel often as well as tourists who hire cars, use the bus or participate in organised trips in the island, as opposed to those who do not, have a lower probability of finding Cyprus more expensive than other destinations.

Most areas of overnight stay do not seem to affect tourists' opinions about Cyprus regarding value for money. However, tourists who stay in Nicosia or Larnaca are more likely to find Cyprus a worse deal than what other destinations offer compared to visitors who stay in Protaras. Those who choose Paphos or Polis are less likely and therefore less dissatisfied with the overall cost incurred for their holidays in Cyprus. The choice of 4* hotels or tourist villas for overnight stay lowers the probability of viewing Cyprus as an expensive destination. On the other hand tourists who opt for B class apartments or tourist villages have a higher probability of expressing dissatisfaction with value for money in Cyprus than tourists in other types of accommodation.

Compared to the British, tourists from almost all other countries are more likely to find the island more expensive than other destinations for the goods and services it offers. In particular, tourists from the Middle East have the highest probability, of regarding Cyprus as a less desirable destination in terms of value for money. Other highly dissatisfied tourists with the prices of goods and services in Cyprus are those from France, Other countries, Eastern and Western Europe and Germany.

Tourists aged between 40 and 49 are more likely than tourists in other age groups to find Cyprus expensive for what it has to offer. Tourists who completed the secondary or higher education level are less likely than the lesser educated tourists to find Cyprus expensive.

The results presented above point out that there are some characteristics to which particular attention should be given in the efforts to improve the Cypriot tourist product. These characteristics affect the impressions of tourists of Cyprus unfavourably, in terms of both overall stay and value for money, and make travellers reluctant to revisit the island. First comers to Cyprus, travellers staying in Nicosia or Larnaca and tourists from Germany, France, Western and Eastern Europe are groups that appear to be uniformly discontented, over the three aspects examined.

First comers to Cyprus appear to form stricter judgements than travellers who have visited the island before. This could be because they are better informed about alternative destinations, more experienced and more demanding compared to the known repeated visitors. Due to the sun-and-sea nature of the Cypriot tourist product, Nicosia was held back from developing into an attractive area for tourists. CTO suggests that local authorities should take an active role in marketing their district tourist product, using EU funds more effectively for promoting the natural and cultural features, archaeological sites and monuments in their districts as well as for restoring the local character and improving the quality of cultural events offered (CTO 2007).

According to the current trends, the Cypriot tourist product appears to have good prospects in the markets of Germany, France, Russia and countries of Eastern and Western Europe (CTO 2007). The success however of Cyprus as a tourist destination in these markets is encumbered by the high cost in air transport and the small number of scheduled flights. At the same time the share of Cyprus in the UK market, which is a source of satisfied and loyal clientele, must be maintained.

Finally, senior citizens seem to constitute a promising target group for repeat tourism since they are more likely to have desirable attributes i.e. 'longstayers' or off-peak visitors.

3.2.2. Time effects

In this part, we analyse the effect of the time of the interview[10] on the probability of tourist satisfaction with overall stay, the probability that tourists will revisit Cyprus and the probability of finding Cyprus worse than other destinations visited recently in value for money terms. We investigate the effect of each month irrespective of the year which the month is included in. Thus we provide a picture of the evolution of the effects over the year.

Figure 2 depicts the estimated effect for each month on the three probabilities under consideration. The effects plotted in Figure 2 are the estimated effects corresponding to each month variable from the estimated models shown in Table 4. Together with the estimated effects, the upper and lower endpoints of the corresponding 95% confidence intervals are also plotted to indicate whether the effects are significantly different from zero.

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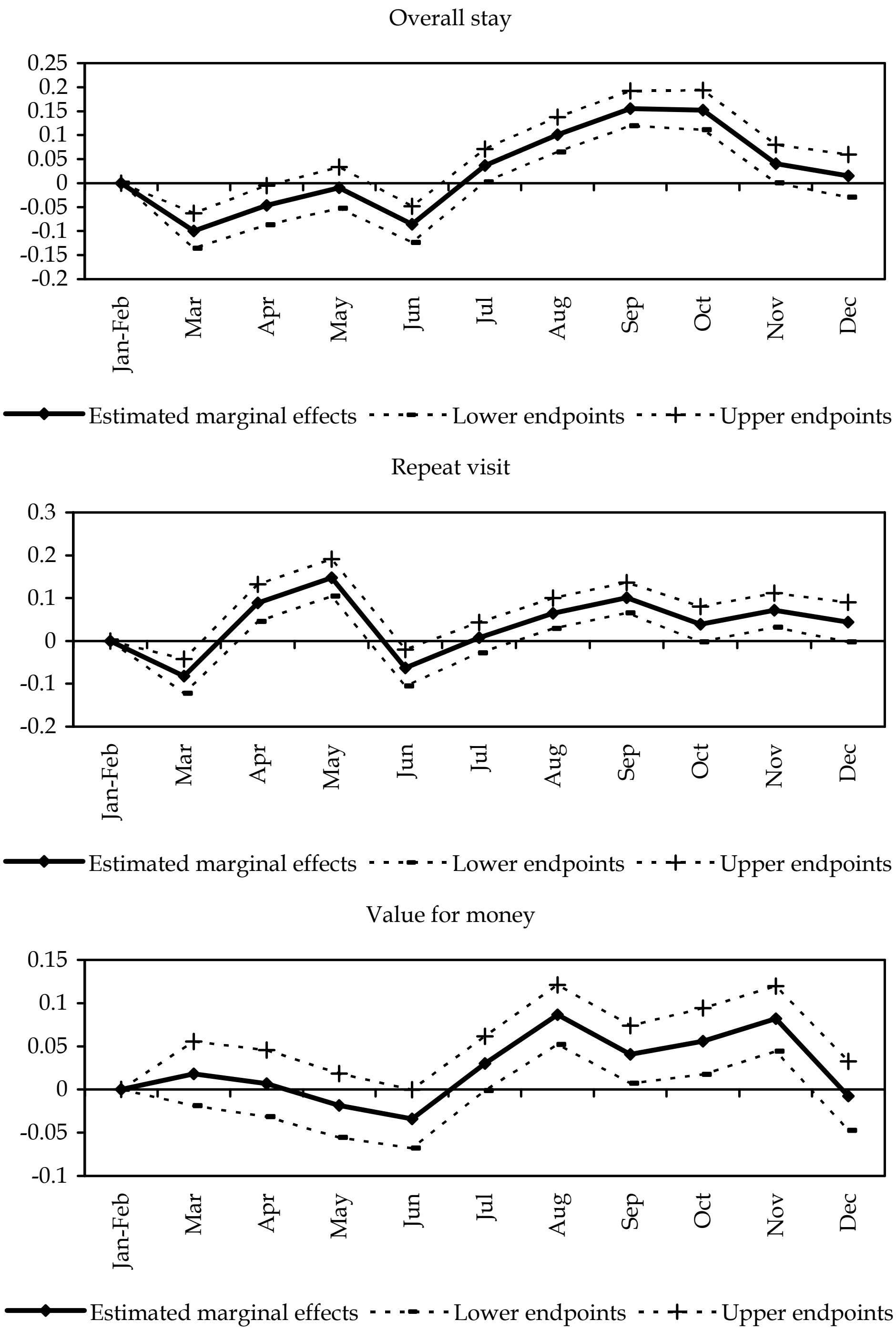
[10] In general, the month of the interview is closely associated with the time of the visit to the island, since the average length of stay in the sample is 11.4 days.

FIGURE 2

Month effects



Loosely speaking, a 95% confidence interval around the effect we seek to estimate is an interval that will include the true value of the effect with very high probability (0.95). In the cases where zero (horizontal axis) falls into the interval around the estimated effect, then the effect of that particular month is not different from zero.

January, is the month with the fewest number of observations. This is due to the fact that January is traditionally the month with the smallest number of arrivals. Therefore, for the purposes of the analysis January's observations are combined with those of February.[11] The combined effect of January and February is set to zero so that the remaining month effects are expressed as deviations from the combined January-February effect.[12]

Travellers tend to be more satisfied with their overall stay when they visit Cyprus between July and November, which is the time of the year that the sea-and-sun product is at its best. However, visiting Cyprus in June or March appears to affect the probability that tourists leave the island pleased negatively. Those who come to the island in May, September and April are the most likely to repeat their visit, while those who visit Cyprus in June are those who are the least likely to return. The month of visit does not seem to affect the probability that tourists find Cyprus a more expensive destination than others. Only tourists who are interviewed between August and November have a considerably higher probability of stating that Cyprus is inferior to other destinations in value for money terms.

Seasonality is a major weakness of the Cypriot tourist product, which is caused by its one-dimensional development (sun-and-sea). More balanced distribution of arrivals throughout the year is required, as the high concentration of arrivals during peak season (e.g. in 2006, 38% of total arrivals occurred between July and September), creates congestion especially in tourist areas, puts strain on the island's resources and hampers the efficiency and viability of enterprises in the tourist industry. CTO aims at extending the sea-and-sun clientele to the second and fourth quarter of the year as well as attracting tourism for special

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[11] Another reason for which January has a small number of observations is a technical constraint that forced the data collection process over the two years to commence in mid-January.

[12] The full set of 11 effects cannot be estimated due to the multicollinearity problem, consequently the month variable for January-February is excluded from the model and its value is set to zero.

groups/purposes during off-peak periods, such as senior citizens, conferences or sports.

The lower probability of satisfaction with overall stay during off-peak months and the higher probability of dissatisfaction with value for money expressed in October and in November indicate that tackling seasonality and redefining the Cypriot tourist product as a more diversified one than simply sun-and-sea, will not be an easy task.

6. Concluding remarks

The tourism sector has contributed immensely to the development of the Cyprus economy but is now in a state of relative decline. This was to a large degree inevitable. The sun-and-sea mass tourism that Cyprus has specialised in over the last thirty years is a low value-added, labour-intensive activity. It is a suitable vehicle for growth for countries that are relatively less developed and can offer tourist services at a low cost. As a country gets richer, its costs of providing services will rise. New, low-cost competitors will appear and the country will be priced out of the market. In order to avoid this outcome the tourist sector must make a strategic shift towards higher quality products and services.

The study revealed factors that influence tourist satisfaction or dissatisfaction with overall stay and value for money in Cyprus as well as tourists' intentions to repeat their visit. First comers to Cyprus, tourists who stay in Nicosia or Larnaca and travelers from France, Germany and from countries of Western and Eastern Europe are groups that have formed unfavourable impressions of Cyprus and should be attended to closely by decision makers. On the other hand, attracting retired senior citizens who are more likely to repeat their visit and come to the island during off-peak periods, appears a promising strategy. Furthermore, the strikingly low percentages of tourists who stated their complete satisfaction with the infrastructure as well as the widely expressed dissatisfaction with the value-for-money aspect of Cyprus should preoccupy the stakeholders in the tourism industry.

The relative decline of tourism is not necessarily bad for the overall economy. On the contrary, over-reliance on a single-sector is risky, especially when the sector is as volatile and vulnerable to exogenous shocks as tourism is. According to World Tourism Organization statistics, Cyprus is one of sixteen countries that had tourism receipts exceeding 15% of their GDP in 1998. Fourteen of those countries are islands and the other two are peninsulas. Ten of them have an area less than 640 square kilometers, which is about one fifteenth the size of Cyprus. Countries with such characteristics may have no other choice than to have an economy based on tourism. A country like Cyprus, with its excellent geographic location, highly educated workforce and membership in the European Union and the European Monetary Union, can and should have a more diversified economy.

Even though tourism is unlikely to ever regain the position of being the leading sector of the Cyprus economy, it can remain an important source of income for the country if appropriate steps are taken. Substantial investments are required from both the public and the private sector. Hotels need to be upgraded and geared towards high valued-added services. Public hygiene needs to be improved. Transportation networks need to be built and public transport must become available. The natural environment should be better protected and maintained. Town centres must be made attractive and pedestrian-friendly. All these are costly but worthwhile investments that will make Cyprus much more attractive and enjoyable to tourists and locals alike.

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