Understanding the Domestic VFR Travel Market in the Philippines

by

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ABSTRACT

According to the results of 2005 Household Survey on Domestic Visitors (HSDV) conducted by the National Statistics Office and the Department of Tourism, 43.5 percent (23.7 million) of the 54.8 million Filipinos 15 years old and over traveled within the country during the period April 1 to September 30, 2005. The survey further reported that Filipinos travel mainly to visit relatives and/or friends as reported by more than half (55.6 percent or 1.2 million) of those who traveled. Forty nine percent, comprising 12.0 million domestic travelers spent overnight(s) in their places of destination and usually stayed in the house of relatives or friends.

The visiting friends and/or relatives (VFR) segment in the Philippines is a substantial portion of the domestic tourism market. Recognizing that the VFR market segment also exerts an economic influence on receiving communities, this paper aims to examine the extent of research undertaken about the VFR market segment. The traditionally marginal interest in the VFR market has been replaced by a recent upsurge of research about these travelers. To accomplish the new objective of this paper, an extensive review of literature was undertaken. More research effort is needed to investigate the heterogeneity within the Philippine VFR domestic market. Future research can be done incorporating other variables, including demographics, trip planning, and information sources, and thereby further refining the Philippine domestic VFR typology.

Key words: visit friends and relatives travel market, Philippine domestic visit friends and relatives market, visit friends and relatives market profile

I. Introduction

Capitalizing on the enormous potentials of tourism, the Philippine government has embarked for more than thirty years on tourism development as a major economic thrust. The Philippines is an archipelago of 7,107 islands endowed with rich natural resources, a colorful history and a unique culture. The country’s attractions are many and diverse supporting wide range of tourist products offered to both domestic and international tourists. However, tourism performance was highly dependent on the peace and political stability of the country.

The visiting friends and/or relatives (VFR) segment in the Philippines is a substantial portion of the domestic tourism market. In this regard, it was the intention of this paper to apply a VFR model to better understand the Philippine domestic VFR market. The data from the 2005 Household Survey on Domestic Visitors were examined and explored to further segment the VFR market and identify the demographic and trip characteristics of the VFR market segments. However, the data from the 2005 Household Survey on Domestic Visitors
had inherent limitations for further statistical processing and analysis so the original objective of the paper was not achieved.

Recognizing that the VFR market segment also exerts an economic influence on receiving communities, this paper proceeded in exploring the VFR travel market and examined the extent of research undertaken about the market segment. The traditionally marginal interest in the VFR market has been replaced by a recent upsurge of research about these travelers. To accomplish the new objective of this paper, an extensive review of literature was undertaken.

The paper is organized as follows: First, VFR as one of the main purposes of trip according to UNWTO is discussed to establish a common perspective and understanding of the main focus of the research. Next, the review of past research on the VFR market is presented. Finally, the measurement issues and implications of the VFR activities and expenditures to the construction of the Philippine Tourism Satellite Account are explored.

II. Visit friends and/or relatives as main purpose of trip

Travelers fall into four main types: holidaymakers, those visiting friends and relatives, those traveling for business purposes, and a heterogeneous group of people traveling for “other” purposes.

According to UNWTO, visit friends and/or relatives is one of the main purposes of trip. In statistical practice, VFR is often combined with the one of leisure, recreation and holidays when the purposes are split between leisure and business purposes.

UNWTO further detailed that VFR trips includes visiting relatives and/or friends, taking home leave; attending weddings, funerals or any other family event, short term stay to see for the sick or old. However, it seems in some of these cases VFR trips have nothing to do with holiday trips.

Holiday, VFR, business and other have been standard classifications of trip purpose in the countless international, national and regional visitor studies.
III. Past research on the VFR travel market

Past research on the VFR market can be categorized into three distinct groups of studies: (1) relative magnitude of the VFR market, (2) marketing and economic contributions of VFRs, and (3) heterogeneity of the VFR market.

Relative Magnitude of the VFR Market in Domestic and International Travel

Seaton and Palmer’s (1997) asserted that the VFR market is growing worldwide and that for some destinations, it is the principal source of tourists. The importance of the VFR market has been emphasized from a few different perspectives. VFR has been consistently reported as one of the major motivations for domestic pleasure travel. This has been the case with countries across various continents. For example, a survey of domestic travel within Victoria, Australia, found that 28% of travelers were VFRs (Tourism Victoria 1986). While studying family travel in the United States, Hawkins (1986) found that 44% of U.S. domestic tourists were VFRs. Mason (1987) determined the main reason for family travel trips was VFR. In 1988, Denman reported that the VFR market represented a major portion of British tourism, accounting for 42% of all domestic trips. It has been suggested that VFR is the main motivation for leisure travel in some developing countries, possibly because local residents cannot afford other forms of leisure travel. Gunawan (1996) studied domestic tourism in Indonesia and noted that for Indonesian residents, VFR was the primary purpose of domestic travel, followed by holidays or recreation.

VFRs also constitute a significant segment of the international travel market, particularly for countries with a strong immigration tradition (Paci, 1994; Seaton and Palmer, 1997). Chadwick (1984) reported that VFR continued to be the main reason for more than half the visits of U.K. residents to Canada. In an initial study on Australian VFRs and repeat visitors to New Zealand, a steady growth in VFR visitors was found, and it was determined that 80% of the VFRs were repeat visitors (New Zealand Tourism Board, 1986). Devas (1986) noted that foreign visits to South America were dominated by business travelers and VFR traffic. Hunt (1992) reported that VFRs represented a very strong segment of Poland’s international travel market. Gillmor and Kockel (1994) found that a distinctive feature of Irish tourism was the large ethnic component. In 1990, 41% of overseas visitors gave VFR as the reason for their visit. Bywater (1995) discovered that there was a strong VFR element to arrival patterns to New Zealand due to its historical development and the current flow of immigrants. The Tourism Forecasting Council (1997) in Australia projected that the VFR and business travel segments will provide a major stimulus to overseas travel. In their study of
trends in outbound tourism from Taiwan, Huang, Yung, and Huang (1996) found that VFR was the biggest outbound travel segment, with Japan, Hong Kong, and Mainland China receiving the largest numbers of visitors. While examining the organization and socioeconomic impact of international tourism in China, Gormsen, Lew, and Yu (1995) noted that a large proportion of foreign currency earnings are derived from the business and VFR sectors. Theuns (1995) stated that the international tourist travel to Western Samoa consisted largely of business travelers and expatriate Samoan VFRs, although nearly 60% of visitor nights were not spent in hotels.

The literature review revealed that in mature travel destinations (e.g. United Kingdom and Australia) the growth in VFR travel is higher than the other forms of travel (Hay, 1996; King, 1996). The research literature clearly confirms that both the domestic and international VFR markets are sizable.

Marketing and Economic Contributions of VFR Travel

VFRs have been found to have distinct behavior patterns that call for tailormade marketing attention (Chen and O'Leary, 1998; Morrison, Hsieh, and O'Leary, 1995; Seaton and Tagg, 1995). Thus, the traditional assumption that VFRs are not noticeably different from other leisure/vacation travelers does not seem to be accurate. It seems that the VFR market has unique characteristics which are of value for tourism marketing organizations.

Seaton and Palmer (1997) determined that VFR travel was more equally distributed throughout the year and actually peaked in months of traditionally low general tourism volumes. In studies of domestic VFRs, Seaton and Palmer (1997) and Fache (1994) found that VFR trips tended to be shorter than all others. In contrast, other studies have determined that international VFRs have longer-than-average lengths of stay. Seaton and Palmer (1997) hypothesized that the duration of domestic VFR trips is shorter than the duration of international VFR trips. In addition, the role of VFRs as an effective word-of-mouth communication channel has also been recognized (Meis, Joyal, and Trites, 1995; Morrison, Hsieh, and O'Leary, 1995).

Travel spending patterns have always been a focus of great research interest in tourism. Recent research shows that the economic value of the VFR market has been underestimated (Jackson, 1990). Paci (1994) noted that VFRs made substantial contributions to local economies and made significant use of restaurants, tourism attractions, commercial recreation organizations, and national airlines. Navarro and Turco (1994) found
that VFRs used accommodation and restaurants and attended spectator and cultural events, contributing positively to the local economy. However, because of VFRs’ limited use of commercial accommodation, they have been regarded by many tourism destinations as not economically viable enough and they have been accorded secondary status when measured in economic terms.

Using data collected for Tourism Canada on long-haul travelers from the Netherlands, Yuan et al. (1995) explored the role of VFRs in the international travel market. They discovered that Dutch VFRs represented a sizable segment of the market traveling to the United States and Canada and made an important economic contribution. Meis, Joyal, and Trites (1995) observed in their study of the U.S. VFRs to Canada that VFRs tended to spend more during their travel life cycles since they repeatedly visited Canada. In contrast, Seaton and Palmer (1997) found support for the common assumption that the VFR market is of lesser value in economic terms, with VFRs spending less than all other types of visitors. VFRs spent significantly less on commercial accommodation and packages. However, the differences in expenditures on food, shopping, and travel were less, and in some cases VFRs spent more than other traveler groups. Beioley (1997) found that VFRs accounted for 13% of total tourism spending in the United Kingdom in 1995 and that besides spending considerable amounts of money on entertainment and travel, they stimulated additional spending on the part of their local hosts. Mules (1998) found that VFRs accounted for about 16% of the total expenditures by travelers in Australia between 1985 and 1995.

Heterogeneity of the VFR Market

Is the VFR market a homogeneous market? Are there distinct sub segments within the VFR market? Seaton and Tagg (1995) suggested a disaggregation hypothesis by breaking down VFRs into VFs, VRs, and visiting both friends and relatives (VFVRs). Segmenting VFRs by destination activity participation patterns is another approach that has been used (Chen and O’Leary 1998; Morrison, Hsieh, and O’Leary 1995; Moscardo et al. 2000). These empirical studies supported the hypothesis that VFRs can be segmented into distinct subgroups by the activities that they engage in while on vacation.

It has also been proposed that the assumption that all VFRs do not use commercial accommodation is inaccurate. Beioley’s (1997) findings indicated that about 4% of U.K. domestic VFRs used commercial accommodation. Other researchers have found that the proportion of VFRs using commercial accommodation is higher. Braunlich and Nadkarni (1995) investigated the importance of the VFR market to the U.S. hotel industry. Their study
showed that more than one-fifth of U.S. domestic VFRs were hotel users and that VFR constituted 8.7% of all trips in which a hotel room was used. In addition, VFR hotel users tended to stay longer but had lower per night expenditures than other pleasure travelers. Furthermore, the literature shows that a significant portion of international VFRs stay at hotels or motels during their entire trip to the destination (Yuan et al., 1995).

Another hypothesis that has attracted the attention of researchers is that international VFRs differ significantly from domestic VFRs in travel behavior patterns. It has been suggested that domestic and international VFRs are different from each other in socio-demographic composition, tendency to use commercial accommodation, duration of stay, and other trip characteristics (Moscardo et al., 2000; Seaton and Palmer, 1997). However, no empirical research has been conducted in which the two segments are compared for the same destination.

Seaton and Palmer (1997) speculated that whether VFR was a primary or secondary travel motivation might result in commercial-accommodation stay differences among VFRs. Other researchers have suggested that VFR is often just one of multiple activities of VFRs at a destination. Morrison, Hsieh, and O’Leary (1995) argued that it was not accurate to assume that VFRs are interested only in visiting family and friends; they found that, while traveling within Queensland, Australia, VFRs did indeed engage in many other activities. King (1994) and King and Gamage (1994) proposed that VFR is just one component of hybrid travel or different combinations of travel purposes ranging from pleasure, business, VFR, or educational experiences in the same trip. In an attempt to synthesize past research on the VFR market, using the Queensland Visitor Survey, Moscardo et al. (2000) proposed an initial typology of VFR travel and studied the relationship between the differentiating factors and VFR travel behavior patterns. They identified five factors for differentiating the VFR market: (1) sector (the distinction between VFR as a travel activity and as a trip type or motive), (2) scope (the distinction between domestic and international VFR travel), (3) effort (short-haul versus long-haul VFR trips), (4) accommodation used (staying with friends and relatives versus staying in commercial accommodation), and (5) focus of visit (VF, VR, or VFVR).

The use of commercial accommodation significantly affects travelers’ overall expenditure levels (Seaton and Palmer, 1997; Braunlich and Nadkarni, 1995). Only a few studies have examined the expenditure patterns of VFRs. These studies have tended to compare VFRs and non-VFRs in an attempt to draw greater attention to the market’s importance in terms of its relative size and economic impact.
IV. rement issues and implications of the VFR activities and expenditures

“The VFR category can be seen as a conceptual aggregate rather than a natural grouping of that would be recognized by the actors who constitute it” (Seaton, 1996). The category is ambiguous. Visiting friends and relatives can be a primary motivation, the reason for a trip, a trip descriptor which means simply as friends and/or relatives provided accommodations irrespective of whether they were the main reason of the trip. It would be very hard to separate these two aspects of the trip. Thus, VFR seems to be non-consumer oriented and imprecise. “It may draw attention to a significant number of people, but tells us comparatively little about them except what they don't do, or worse, suggests common motivational characteristics which may not exist” (Seaton, 1996).

The consumption associated to VFR trips can present two special issues for the construction of the Philippine Tourism Satellite Account:

- services provided within the household for the benefit of its members
- housing services provided by second homes on own account or free of charge

The concept of production used in the system of national accounts does not include any services provided by a household for the benefit of its own members, with two exceptions: the provision of services by owner-occupied dwellings and the production of domestic services by employing paid staff.

A housing service has to be imputed, both as a production activity for the owner and as a consumption activity of the visitor. A visitor could be either a member of the household or a member of another household who receives the service free of charge. The service is part of tourism supply and of visitor consumption. In the case of housing services provided by second homes on own account or free of charge, it is considered that a housing service on own account is associated with the ownership of a dwelling occupied by its owner, both as a production activity and as the production and consumption of a specific service. A specific tourism activity is associated with the ownership of a second home used mainly for tourism purposes, and a corresponding tourism housing service is produced and consumed by visitors.

The specific activity is of a peculiar kind, because the sole ownership of a second home for tourism purpose on own account generates a tourism service and an equivalent consumption: no visit by any individual to this housing unit is necessary to generate the
service, because, as for any housing unit on own account, the flow of the service provided depends only on the existence of the housing unit and its inherent qualities, such as location, configuration, type of construction, size and equipment installed, and not on any quality of the visitor.

V. Conclusion

More research efforts are needed to investigate the heterogeneity within the Philippine VFR domestic market. Future research can be done incorporating other variables, including demographics, trip planning, and information sources, and thereby further refining the Philippine domestic VFR typology. VFR travel appears to have a strong association with repeat travel. Thus, it would be worthwhile to examine the differences between VFR repeat travelers and vacation repeat travelers.

Further research on the Philippine VFR domestic market using commercial accommodation is needed. It is postulated that the extensive travel of this group may stimulate more travel by their hosts, but this proposition needs statistical proof.

As suggested originally by Seaton and Tagg (1995), future Philippine international visitor surveys and household survey on domestic visitors need to disaggregate VFR into VF, VR, and VFVR. In addition, the survey design should also follow similar procedures when defining sources of travel information and relative influences on travel decisions. This is in recognition of the possibility that friends and relatives exert differing levels of influence on the visitors.

Without doubt the VFR domestic trips represent a great “amount of hidden tourism”. Quantifying this kind of trips is an important challenge in assessing the real economic impact of tourism. As a tool to measure the economic significance of tourism, the Philippine Tourism Satellite Accounts must include in its approach the special issues deriving from VFR trips.
References


