OLIGOPOLY AND THE RESORT CYCLE IN THE BAHAMAS

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Abstract: Markusen's "profit cycle" and the influence of oligopoly are applied to Butler's notion of the resort cycle. The stagnation and decline associated with the latter stages of the resort cycle can be explained by industrial organization and the oligopolistic position of the major suppliers. The study area of Paradise Island (Bahamas) appears to be a clear example of how the corporate strategies of a major supplier can dramatically influence the resort cycle process. Resorts subjected to long-term oligopoly can experience eventual declines in the number of visitors because of an emphasis on market share and competitive stability, at the expense of innovation and diversification. Keywords: oligopoly, resort cycle, profit cycle, Bahamas.

INTRODUCTION

Recent work by Butler (1980) and others (Cooper and Jackson 1989; Hovinen 1981, 1982; Keller 1987; Meyer-Arendt 1985; Richardson 1986; Stough 1985; Strapp 1988) suggest that resort areas can be characterized by different stages of destination development (Figure 1). These studies have indicated that resorts tend to experience a predictable evolution cycle consisting of six identifiable stages: exploration, involvement, development, consolidation, stagnation, and either decline or rejuvenation. The general thesis is that resorts are initially "discovered" by a small number of adventurous and innovative tourists.
OLIGOPOLY AND THE RESORT CYCLE

and then experience a period of rapid growth as a more structured form of mass tourism is introduced. Over time, the increase in visitor arrivals eventually peaks and slows down, and a period of stagnation occurs. The resort area may then decline in popularity, or rejuvenation may occur through the addition of attractions (e.g., gambling) or the development of previously underutilized natural resources.

Butler's (1980) resort cycle has its roots in Vernon's (1966) product life cycle theory, and other manifestations in economic geography (Markusen 1985, Rees 1979). The well-tested theoretical framework upon which Butler's evolutionary hypothesis is based has recently prompted Mitchell and Smith (1989) to identify the resort cycle thesis as a major research theme in tourism geography. Although the concept of a cyclical pattern of resort development is intellectually appealing, several unanswered questions and criticisms still remain. Butler's resort cycle traditionally has been examined in the context of type of visitors, the number of arrivals, and capacity levels. Some further insight into the resort cycle, however, may be provided by examination of the resort cycle in the context of corporate strategy and competitive economic behavior, and especially in the context of recent corporate strategies of mergers and acquisitions. Therefore, this paper argues that an appreciation for changes in industrial organization, especially the role of imperfect oligopolistic competition and the overall economic context, can compliment the already established resort cycle research agenda.

Roehl and Fesenmaier are sympathetic to such a perspective in their study of the evolution of tourism in the Texas economy. “Explanation of change in tourist areas that explicitly recognizes the role played by
changes in the overall economic context as well as the internal dynamics of tourism destination areas may help advance our understanding of the tourism phenomenon" (1988:13). In studying tourism development in Western Europe, Williams and Shaw come to a similar conclusion when indicating that "there is a need to examine critically recent trends in tourism, its economic organisation and its contribution to economic development" (1988:1).

In analyzing how industrial organization and oligopoly can influence the resort cycle, this paper utilizes Markusen's notion of the profit cycle. The profit cycle has emerged as a prominent paradigm in understanding how profitability and market structure (oligopoly) can influence the life cycle of different industries; it is used here as a theoretical guide-post for discussion purposes. On a more cautionary note, this paper does not contend that oligopoly is the only external influence of significance on tourist demand. Other factors—such as changes in international currency rates, the price of oil, and political unrest—can play equally pivotal roles. However, the short-term volatility and unpredictable nature of these alternative factors, make it difficult to relate to the more systematic and long-term perspective of the resort cycle. However, the economic uncertainty associated with these variables partly explains the inherently protective and risk-minimizing corporate strategies of the oligopolistic suppliers that play such an important role in the tourist industry today.

This paper makes particular reference to the latter stages of the resort cycle because "the model raises the disturbing conclusion that without very cohesive and progressive planning, all tourist centers are destined for some form of decline" (Strapp 1988:506). Williams and Shaw elaborate on this point by suggesting that:

The greatest challenge for decisionmakers in the future concerns the renewal of the mass tourist resorts of the post-war period. As the product cycle reaches maturity and their facilities age, potentially they will present enormous redevelopment problems. If they do not attract new rounds of investment in tourist facilities, how is the built environment to be maintained and what will be the impact on local labour markets (1988:239).

In addition to the above objectives, this paper also describes the increasingly oligopolistic structure of the international tourist industry; indicates the intrinsic value of the profit cycle in explaining how oligopoly can shape the product life-cycle of a resort area; and demonstrates the influence of oligopoly in a case study of the Paradise Island resort cycle in the Bahamas. The Bahama Islands were chosen because of the critical importance of the tourist industry to the Bahamian economy. Tourism is the most important economic sector, affecting two out of every three jobs, and generating about 75% of household income and nearly 60% of government revenues (Bahamas Ministry of Tourism 1981). This paper therefore deals only with international tourism to an island-nation which at the present time attracts developed world or relatively high income visitors.
OLIGOPOLY AND INTERNATIONAL TOURISM

In its simplest form, oligopoly is the control of a commodity or service in a given market by a small number of companies or suppliers. As a consequence of this market composition, where sellers are few, the supply offered by any single company can directly influence the overall market price. The effect of any one supplier's pricing and production strategy upon similar decisions by competitors can be fairly accurately measured. The concentration of market power or share into the hands of a few suppliers in tourism can clearly be seen by the market distortion and imperfect competition associated with two of the most readily identifiable activities of the industry: the airline and hotel industries.

International Airline Industry

International airlines are reasonable examples of an essentially oligopolistic market, especially so in the United States market. Although there is much more to the international tourism scene than just US airlines, an analysis of the American market can be justified by the fact that the case study is Paradise Island, Bahamas. Even though non-American airlines fly to the Bahamas, approximately 97% of all tourists flying a commercially scheduled airline to stay on Paradise Island, in 1983-1984, arrived on an American-owned airline. This figure does not include tourists arriving on the national airline (Bahamasair) (Bahamas Ministry of Tourism 1984).

In the period since airline deregulation in the late 1970s, a number of significant changes in the structure of the United States airline industry have taken place. Largely through a process of mergers and acquisitions, passenger market shares have become more concentrated in a few airlines. In 1987, the five largest airlines accounted for 71.5% of the industry total passenger miles flown compared with 54.4% in 1985 (Table 1).

The speed and rapidity with which the major airlines have reorganized has been nothing short of remarkable. In 1986 alone, United Airlines acquired the Pacific routes of Pan Am; TWA acquired Ozark Airlines; Republic and Northwest Airlines merged; and Delta purchased Western Airlines. Other consolidations included the acquisition of Continental, Eastern, Frontier, People’s Express, and New York Air by Texas Air—the largest airline in the USA based on market share.

Table 1. The Ten Largest US Airlines, 1985–1987

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<tbody>
<tr>
<td>1.</td>
<td>Texas Air System</td>
<td>19.0%</td>
<td>1.</td>
<td>American</td>
<td>13.3%</td>
</tr>
<tr>
<td>2.</td>
<td>United</td>
<td>16.7%</td>
<td>2.</td>
<td>United</td>
<td>12.5%</td>
</tr>
<tr>
<td>3.</td>
<td>American</td>
<td>14.1%</td>
<td>3.</td>
<td>Eastern</td>
<td>10.0%</td>
</tr>
<tr>
<td>4.</td>
<td>Delta</td>
<td>11.7%</td>
<td>4.</td>
<td>TWA</td>
<td>9.6%</td>
</tr>
<tr>
<td>5.</td>
<td>NWA</td>
<td>10.0%</td>
<td>5.</td>
<td>Delta</td>
<td>9.0%</td>
</tr>
<tr>
<td>6.</td>
<td>TWA</td>
<td>8.3%</td>
<td>6.</td>
<td>Pan Am</td>
<td>8.1%</td>
</tr>
<tr>
<td>7.</td>
<td>US Air</td>
<td>7.3%</td>
<td>7.</td>
<td>NWA</td>
<td>6.7%</td>
</tr>
<tr>
<td>8.</td>
<td>Pan Am</td>
<td>6.6%</td>
<td>8.</td>
<td>Continental</td>
<td>4.9%</td>
</tr>
<tr>
<td>9.</td>
<td>Southwest</td>
<td>1.7%</td>
<td>9.</td>
<td>People’s Express</td>
<td>3.3%</td>
</tr>
<tr>
<td>10.</td>
<td>America West</td>
<td>1.0%</td>
<td>10.</td>
<td>Republic</td>
<td>3.2%</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>3.1%</td>
<td></td>
<td>Others</td>
<td>19.4%</td>
</tr>
</tbody>
</table>

* Passenger miles flown
More recently, in 1987 and 1988, US Air purchased both Pacific Southwest and Piedmont. All these mergers suggest large-scale organizational change, although it is not necessarily the case that these changes are appropriate in terms of long-term growth prospects.

According to Standard and Poor, "this stampede of takeovers is in line with the consensus opinion in the (airline) industry that a so-called critical mass must be achieved in order to protect or enhance market position" (1989:31). The end result is a significant reduction in the competitive threat from new entrant airlines and a continuation of profitability and financial viability through the exercise of market power. The oligopolistic structure of the airline industry provides the major airlines with considerable leverage when negotiating routes, schedules, and fares for the large number of relatively undifferentiated resort destinations in the Caribbean and the Bahamas. For many resort areas, the situation is one of increasing vulnerability to the corporate strategies of a small number of very large airline carriers.

**Hotel Industry**

The concentration of ownership in hotel accommodation has been almost as dramatic. The top twenty hotel companies in the world accounted for 67% of the rooms listed in *Service World International's* top 100 largest chains in 1976 (according to Britton 1978). In a more recent reference, the ten largest hotel chain companies accounted for about 40% of US hotel rooms in 1988 (Standard and Poor 1989). The economies of scale afforded by pooled marketing efforts and shared computer reservation systems has allowed the leading hotel chains, such as Holiday Inn and Sheraton Corporation, to effectively dominate the marketplace (Table 2). The rapid growth of the major hotel chains has been made possible through a flexible ownership and management control system. The management contract has become an increasingly popular form of ownership since it allows the chains to expand with minimal or no capital investment, while the owner has all the advantages of being part of a larger, standardized, and well-recognized chain.

**Table 2. The World's Largest Hotel Chains**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Nationality</th>
<th>Number of Hotels</th>
<th>Number of Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Holiday Corporation</td>
<td>USA</td>
<td>1,097</td>
<td>361,539</td>
</tr>
<tr>
<td>2</td>
<td>Sheraton Corporation</td>
<td>USA</td>
<td>484</td>
<td>134,890</td>
</tr>
<tr>
<td>3</td>
<td>Ramada Inns, Inc.</td>
<td>USA</td>
<td>765</td>
<td>127,900</td>
</tr>
<tr>
<td>4</td>
<td>Marriott Corporation</td>
<td>USA</td>
<td>461</td>
<td>117,789</td>
</tr>
<tr>
<td>5</td>
<td>Quality Inn International</td>
<td>USA</td>
<td>979</td>
<td>112,839</td>
</tr>
<tr>
<td>6</td>
<td>Days Inn</td>
<td>USA</td>
<td>775</td>
<td>105,000</td>
</tr>
<tr>
<td>7</td>
<td>Hilton Hotels</td>
<td>USA</td>
<td>271</td>
<td>95,146</td>
</tr>
<tr>
<td>8</td>
<td>Prime Motor Inns</td>
<td>USA</td>
<td>192</td>
<td>82,500</td>
</tr>
<tr>
<td>9</td>
<td>Trusthouse Forte</td>
<td>United Kingdom</td>
<td>826</td>
<td>76,000</td>
</tr>
<tr>
<td>10</td>
<td>Hyatt</td>
<td>USA</td>
<td>144</td>
<td>67,000</td>
</tr>
<tr>
<td>11</td>
<td>Imperial Group</td>
<td>United Kingdom</td>
<td>494</td>
<td>61,323</td>
</tr>
<tr>
<td>12</td>
<td>Railways-Luxor</td>
<td>Bulgaria</td>
<td>490</td>
<td>61,200</td>
</tr>
<tr>
<td>13</td>
<td>Accor</td>
<td>France</td>
<td>836</td>
<td>59,438</td>
</tr>
<tr>
<td>14</td>
<td>Motel 6</td>
<td>USA</td>
<td>601</td>
<td>57,434</td>
</tr>
<tr>
<td>15</td>
<td>Howard Johnson</td>
<td>USA</td>
<td>448</td>
<td>54,707</td>
</tr>
<tr>
<td>16</td>
<td>Hilton International</td>
<td>USA</td>
<td>143</td>
<td>60,000</td>
</tr>
<tr>
<td>17</td>
<td>Club Mediterranea</td>
<td>France</td>
<td>176</td>
<td>40,263</td>
</tr>
<tr>
<td>18</td>
<td>Radisson Hotels</td>
<td>USA</td>
<td>197</td>
<td>47,699</td>
</tr>
<tr>
<td>19</td>
<td>Econolodge</td>
<td>USA</td>
<td>475</td>
<td>40,000</td>
</tr>
<tr>
<td>20</td>
<td>Intercontinental</td>
<td>USA</td>
<td>100</td>
<td>38,000</td>
</tr>
</tbody>
</table>

The consumer appeal of standardized lodging has allowed the major companies to squeeze out the smaller entrepreneurs by dominating the supply of technological, financial, and human resources. The effect of this practice is particularly pronounced in the developing world, where the absence of an entrepreneurial class, foreign exchange, and skilled labor has led to the rapid intrusion of large-scale foreign capital in the lodging industry. Indeed, Butler (1980) suggested that as the resort cycle progresses, the level of foreign ownership would increase rapidly. For example, over 80% of all tourist accommodations in the Bahamas are foreign-owned (World Bank 1986). As a result, the more popular destinations in the Bahamas are commonly dominated by a small number of large foreign hotel chains that control a substantial proportion of the total number of hotel rooms. Almost 90% of the over 3,000 hotel rooms available in the Paradise Island resort area are managed and/or owned by only five companies: Resorts International, Holiday Inn, Club Med, Sheraton, and Loews (Debbage 1988). Many of these hotels are owned and operated through a management contract. It provides the parent company with the flexibility to transfer investments to more modern or dynamic resorts in other parts of the world, should countries like the Bahamas experience political instability or the down-side of the resort cycle.

Other Sectors

The internationalization and concentration of ownership in the tourist industry is not limited to the airline and hotel industries. Both the travel agent and tour operation industries have become increasingly oligopolistic sectors as the major suppliers continue to increase their market share. Some of the largest tour operators include Tjaereborg of Denmark and Thomson of the United Kingdom. Thomson had captured almost 40% of the UK market and over 3 million holidays in 1988. Likewise, two of the largest travel agency companies (Thomas Cook and the American Express Company) dominate the UK and US markets, respectively.

Vertical Integration

Along with the horizontal integration and takeover of similar businesses, the tourist industry has also experienced a considerable amount of vertical expansion. One of the most frequently cited examples of this trend has been the active participation of airlines in the hotel business. Through a process of direct ownership, management contracts, and a variety of investment agreements, airlines such as Air France, British Airways, Japan Airlines, Pan-Am, SAS, Swiss Air, and United Airlines have established formal economic links with various hotel chains, tour operators, travel agents, and rental companies.

An increase in both the size, speed, and range of aircraft, and an increase in the average room size of hotels, has provided an economic rationale for the large-scale vertically-integrated travel organization. The economies of scale provided by volume, and the efficiencies afforded by selling a package of services rather than an individual product, has allowed large-scale umbrella travel corporations to dominate
the industry and establish guaranteed market shares. For example, the merger of United Airlines with Westin Hotels and Resorts in 1978, and Hertz car rentals and Hilton International Hotels during the mid-1980s, represented the industry’s first example of a large-scale vertically integrated travel service. However, the recent resale of Hertz, Westin, and Hilton International by United Airlines calls into question the potential synergies to be gained by vertical integration, at least at this scale of operation. Nevertheless, vertical integration continues apace with airlines buying hotels, tour companies acquiring charter aircraft, and hotels purchasing car-rental companies, to list but a few examples.

One consequence of the trend towards oligopoly and vertical expansion is that the economic performance of any one resort area cannot be fully understood without an appreciation for the context and structure of the regional economy. For developing countries like the Bahamas, with a strong reliance on the tourist industry, the end result is an economy very vulnerable to the corporate strategies of the major suppliers. These dominant suppliers tend to be headquartered in the major tourist-generating regions, such as the United States and Europe. It should not be surprising then, to find that in the case of the Bahamas, the tourist industry is “very positively correlated with economic performance in the USA” (World Bank 1986:2).

PROFIT AND RESORT CYCLES

According to Butler (1980), many resorts have suffered a declining patronage because of changes in fashion and consumer tastes, resident resentment, and environmental damage. A more important factor, for resorts that have developed largely during the era of mass tourism, may be industrial structure and the negative repercussions of long-term oligopoly. In many resort destinations, it is becoming more common to see a small number of transnational corporations playing a significant role in determining the product life-cycle of a resort area. Some of the more interesting and innovative work in the field of oligopoly and cyclical development patterns has been carried out by Markusen (1985) who attempted to relate the role of corporate strategy, and the theories of oligopolistic behavior, to the profit cycle scenario. The profit cycle will be used here to provide a broad theoretical framework for understanding how oligopoly can influence the resort cycle.

Essentially, Markusen argued that in the early stages of the profit cycle, the emphasis is on innovation with new companies garnering substantial profits from the relative novelty of their product and the absence of immediate competition. The microstates of the Commonwealth Antilles (e.g., Anguilla, British Virgin Islands, Cayman Islands, Turks and Caicos) would fall into this category. The low proportion of rooms in large hotels, the distinctive market appeal, and the high repeat visitor rates in these countries have generated consistent, rather than rapid, growth since 1979 (Wilkinson 1989). The major airline and hotel chains have yet to invest in the tourist product on a large-scale. Annual visitor arrivals have only recently begun to “take-off” as the more adventurous tourists, seeking a unique experience, begin to arrive in large numbers.

At some point, Markusen then suggests that the number of competi-
tors will decline as economic pressures encourage companies to cut costs and rationalize production. "The strategy of the firm turns from product design and market outreach to more efficient management" (1985:32). The emphasis is on scale economies, mass production, and both vertical and horizontal integration, in an effort to cut costs and increase productivity. In the Caribbean tourist system, the large, more resourceful tourist destinations like the Bahamas, Jamaica, and Puerto Rico are examples of resort areas with a well-established mass-market appeal and substantial promotion budgets that essentially strive to maintain market share. In 1984, the amount spent on advertising and marketing programs was $5.87 per visitor in the Bahamas, $13.42 in Puerto Rico, and $22.70 in Jamaica (World Bank 1986). Based on these figures, government promotion budgets for these countries typically range from $15 million to $25 million, and are principally targeted at US media markets where the majority of all arrivals originate. For example, in 1987, 2.14 million tourists visited Puerto Rico of which 75% were from the United States (Europa World Yearbook 1989). It is, therefore, not surprising that resort areas in such destinations are well-integrated with the industrial and corporate structure of the international tourist industry, with a handful of US-owned suppliers controlling the bulk of the tourist product (Tables 1 and 2). The large number of tourist arrivals at various Caribbean destinations and the costly promotion budgets have not, however, guaranteed increased market shares. "It is possible that the higher growth phase of tourism in the Bahamas (and other countries) is over and the sector is "maturing," and becoming less of a luxury item in US consumer spending patterns" (World Bank 1986:23; parenthetical phrase added).

In the latter stages of the profit cycle, the competition may become excessive and the market saturated. Faced with the prospects of gradual or no growth in market share, Markusen suggests that the key firms may respond by oligopolizing. "Domination of the market by a few sellers will permit these corporations to reinstate greater-than-normal profits by the classical maneuver of restricting output and raising prices" (Markusen 1985:33). The response of the US airline industry to deregulation is an example of an essentially oligopolistic corporate strategy at work. The end result is that the market is dominated by a few large firms more concerned with increasing and protecting market share, than with innovation and the introduction of new products.

Markusen contends that previously healthy industries can atrophy when subject to long-term oligopoly, particularly when faced with competition from young and more inventive competition from other parts of the world. The end result can be job losses and plant closings as corporations take absolute profit losses on production. Consequently, for mature and well-established resort areas in the Caribbean and the Bahamas, hosting an oligopolistic tourist industry may yield an undiversified monoculture that is particularly vulnerable to the rapid restructuring associated with oligopolies experiencing a declining market share and obsolescence.

The real strength of Markusen's profit cycle is that it allows the exigencies of industrial organization and oligopoly to be explicitly introduced in a discussion of the cyclical theory of resort development.
This rejuvenates the resort cycle thesis by synthesizing both internal and external concerns. Butler's resort cycle has tended to focus on the internal dynamics of specific resort areas. He developed the resort cycle in the context of visitor levels, not profit levels or corporate structure. By framing the research question in a broader economic context, it is clear that the well-being of a resort area may also be explained by the inherently protective, risk-minimizing corporate strategy of the oligopolistic firm. For resort destinations dominated by a small number of large companies, the innovative edge that initially generated a distinctive and popular product can also result in an organizational structure that is incapable of dynamically responding to consumer tastes. This paper now applies the above conceptual framework in the context of a specific place experiencing some of these problems.

RESORT CYCLE IN THE BAHAMAS

The Bahamas is an archipelago of more than 700 islands situated 50 miles off the US Florida coast, and extending to the southeast for about 1,000 miles into the Atlantic Ocean (Figure 2). Tourism has become the most important sector of the economy, with the most developed resort areas located on Grand Bahama and New Providence Islands—the historic center of the country's development. In 1986, visitor arrivals totaled 3.1 million and total visitor expenditures exceeded $1 billion, making it one of the largest tourist industries in the region (Bahamas Ministry of Tourism 1987). The growth in visitor arrivals has not been continuous, and each of the islands and resorts has had its own pattern of discovery, growth, consolidation, and stagnation.

The well-established nature of tourism in the Bahamas allow the relationships between oligopoly and the resort cycle to be explored fully (i.e., many Bahamian resorts are relatively mature and have experienced most of the stages identified by Butler). The history of Paradise Island as a resort development is a particularly illuminating one in this context. The island is situated one-quarter mile to the northeast of the city of Nassau on New Providence Island (Figure 2).

The origin of the tourist industry on Paradise Island can be traced back to the 1890s, when several bathing houses and amusement centers were developed as domestic, recreational facilities. Development was small-scale, with a minimal socioeconomic impact on the local economy (Albury 1984). The tourist product remained relatively unchanged until the early 1960s, when for the first time facilities were constructed primarily for visitors. The development included a 52-room hotel and a 65-craft yacht basin, but lacked both a unique attraction (e.g., a casino), and a bridge connecting Paradise Island to Nassau. Consequently, the resort was unable to attract a mass-market, and the rapid growth rates in visitor arrivals, associated with the latter stages of the resort cycle, were temporarily postponed.

As resorts begin to "take-off," Butler suggested "local involvement and control of development will decline rapidly" (1980:8). Markusen also implied that an increase in growth rates and large profit margins would be gradually preempted by an increasingly oligopolistic industrial structure, concerned more with market share. In the case of Paradise
Figure 2. Relative Location of Paradise Island and the Bahamas.
Island, the sale of the island to the US-based Resorts International in 1966 seemed to act as a catalyst for both these trends. Through delicate negotiations, Resorts International were able to obtain a casino gaming license from the Bahamian government. By the end of 1967, the 500-room Paradise Towers hotel, a 20,000 square foot casino, and the bridge connecting the island to Nassau were completed. Development thereafter was rapid and large-scale. By 1985, this relatively small island had over 25% of the 13,166 hotel rooms available in the Bahamas (Bahamas Ministry of Tourism 1987).

Before the 1960s, Paradise Island was an insignificant part of the tourist product with no hotel rooms on the island and a negligible number of tourist arrivals. The island has emerged as a significant resort destination in a very short period of time. The level of foreign ownership has also increased rapidly as larger and more sophisticated corporations provided the necessary scale of operation to accommodate the rapid increase in the influx of visitors. For example, during the 1980s, Resorts International purchased all the land on the island (except part of the western peninsula) and controlled through direct ownership 42% of the over 3,000 hotel rooms available on the island.

All of the above developments have greatly increased the market appeal of the island, solidifying the position of the island as one of the region's leading vacation destinations. By emphasizing scale economies and a mass market appeal, Resorts International have been able to solidify market share and integrate its operations, both horizontally and vertically. The company has also been able to act on several of the advantages that an oligopolistic market position offers.

First, through direct ownership of most of the hotels on Paradise Island, Resorts International are able to offer an interchange program which allows guests at any one of the company's hotels to charge dinner, drinks, entertainment, and recreation expenses to their hotel-room account. That is, "everything that the visitor needs or wants is right here on Paradise Island, he really doesn't have to search for what he wants" (Paradise Islander 1986:1). The end result of this corporate strategy "is that a guest can virtually look on the whole of Paradise as his vacation land" (Albury 1984:109). The smaller hotels and guesthouses in Nassau, and the other islands, are unable to provide the resources needed for this level of coordination and cooperation.

Second, Resorts International rapidly diversified into direct ownership, development, and operation of casino gaming, resort, and hotel facilities in Atlantic City, New Jersey. In addition, the company (through subsidiaries) provides management security consulting services and systems, owns an amphibious airline service which provides daily flights from Florida to Paradise Island, operates a helicopter airline between Atlantic City and New York City, and invested $90 million in Pan-Am common stock in 1985. Throughout the 1980s, this conglomerate was an acknowledged leader in the gaming hospitality industry, with assets over $1 billion, revenues approaching $500 million a year, and more than 7,000 employees. The sheer size of the company allowed it to secure the low unit fixed costs commonly associated with scale economies and volume, making it difficult for smaller competitors to enter the market.
Third, the integrative advantages of a large company have allowed Resorts International to organize, coordinate, create, and market the diverse inputs that constitute the various tourist products, and establish key links with the major oligopolistic suppliers, largely based in the United States. For example, an exit survey conducted by the Bahamas Ministry of Tourism (1984) showed that three-quarters of all Paradise Island visitors used a travel agent to coordinate hotel and airline arrangements; and almost 50% arrived on charter flights. Of those on commercially scheduled flights, over half flew one of three airlines: Eastern, Delta, or Pan Am. More than two-thirds participated in packaged vacations with companies like Piedmont Vacations, Go-Go Tours, Delta Dream Vacations, and Paradise Vacations (a subsidiary of Resorts International). The end result was an increased dependence on a small number of foreign-owned suppliers that provided the necessary scale of operation to accommodate and stimulate the rapid increase in the number of tourist arrivals during the 1980s. However, the rate of increase has already begun to decline as the island approaches the upper limits to growth (Bahamas Ministry of Tourism 1987).

The oligopolistic nature of Resorts International, and the concentration of a substantial bulk of the Bahamas tourist product on Paradise Island, seems to have contributed to the overdevelopment that Butler's model predicts for the latter stages of any resort cycle. In this case, the problems include water supply shortages, escalating investment costs, regional income inequalities, traffic congestion, the destruction of traditional landscapes, and excess hotel capacity at other destinations (Bahamas Ministry of Tourism 1981). As a consequence, the Bahamian government is moving towards a policy of decentralization by emphasizing tourism development in the outer islands. However, a governmental policy of dispersal may be difficult to implement because, as Markusen suggests, the spatial consequences of a mature oligopoly at a broad regional development level can be severe. The likely outcomes potentially "overconcentrate production in original sites, retard the rate of dispersion of production, underdevelop capacity in outlying areas, monopsonize the resources of its host regions, and restructure ruthlessly when market control erodes" (Markusen 1985:2).

Seen in the context of corporate mergers and acquisitions, the potentially destructive economic processes alluded to by Markusen can substantially influence the resort cycle process. In the case of Resorts International, the 1988 leveraged buy out (LBO) of the company through "junk bonds," has resulted in financial difficulties and an increasingly large debt burden. In late 1989, largely due to the corporate reorganization associated with the LBO, Resorts International simultaneously filed a chapter 11 bankruptcy petition and a reorganization plan to forestall creditors. A worst case scenario could include the closing of the company's facilities on Paradise Island and widespread job losses. In the context of Butler's resort cycle, Paradise Island may be about to rapidly enter the decline stage, in large part, because of an unsuccessful corporate acquisition in what is an essentially oligopolistic market.
CONCLUSIONS

Although the resort cycle model provides a broadly valid conceptual overview of the evolutionary stages of resort development, the model does not emphasize the role of industrial organization in detail. Butler argues that many resort destinations ultimately reach a ceiling in number of arrivals because they are finite resources with site-specific capacity levels. By developing the resort cycle in the context of fluctuations in the absolute number of visitors, Butler underemphasizes the role of imperfect competition and oligopoly, in favor of a more detailed discussion of the internal dynamics of resort areas. Such a perspective inevitably downplays the role played by long-term structural changes in industrial organization which go beyond the limits of any one site or resort area.

One major trend in the organization of the tourist industry is the increasingly oligopolistic position of the primary tourist suppliers in the airline, hotel, tour operation, and travel agency sectors. For resort destinations that depend on a small number of major suppliers for the bulk of the tourist product, it is likely that fluctuations in the resort cycle will be just as influenced by the corporate strategies of a few key firms as it is by more localized concerns.

By borrowing from Markusen's profit cycle notions, it is suggested that destinations in the latter stages of the resort cycle, particularly those that are well-integrated with the corporate structure of the international tourist industry, may experience stagnation and decline for reasons of corporate strategy in an oligopolistic market. The shrinking market share associated with the downside of the resort cycle, therefore, may be better explained by the corporate strategies of the handful of firms that control the bulk of the tourist product. For these resorts, the emphasis will be on competitive stability and market share, at the expense of innovation and diversification. The end result may be an acute vulnerability to external economic conditions, competition, and innovation at other resorts.

The interpretive analysis of the Paradise Island resort cycle, and the role of Resorts International as a major supplier, provides some empirical support for this argument. However, it is obvious that more empirical testing and a larger measure of quantification is needed before the conceptual arguments presented here can be fully accepted. For example, not all destinations rigidly adhere to each stage of the resort cycle, and it is still unclear how the sociocultural, environmental, and economic problems associated with over-development directly impact the corporate strategies of the major suppliers. There are still several other major issues to be considered. How do Third World island economies avoid the negative repercussions of oligopolistic corporate strategies? Is the end result of oligopoly always going to be a spatially polarized tourist industry, or will more innovative systems allow some decentralization? Does the relative role of oligopoly change for resorts with different market appeals in different locations? Does the organizational structure of suppliers play a significant role, and what are the geographical implications?
All these issues are of critical importance, because a fundamental implication of the resort cycle agenda is that the continued growth of a resort area is by no means assured. A better understanding of the broader economic processes that shape the life-path of a resort should help tourism planners better manage the sustained success of resorts entering the consolidation and stagnation stages of Butler's evolutionary curve.

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