

Cognitive Proximity and Friction of Distance in Spatial Duopoly

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Abstract

As distance is often one of the main factors in tourists' decision to visit an attraction spot, traveling firms are often to be seen trying to lower the impact of distance through promotion and related investments that can successfully attract more tourists. The effort of this paper is regarding how a traveling firm establishes its business strategy and makes investment in a competitive context. It will focus on the issue of how to shorten two kinds of "distances" in the homogenous market consisting of two competing traveling firms. To be specific, the paper first deals with the question of how to shorten the cognitive distance between the running pattern of a traveling firm and consumers' psychological status. It then addresses the impact of traffic accessibility on the consumers' geographic perception. Through the indigenous business strategy designed by the traveling firms, the paper will discuss the differences of strategies under the three stage game processes of the non-cooperation and semi-collusion, getting a better understanding of the interactive relationship between proximity investment sizes and pricing. The paper in conclusion argues that free riding is the decisive factor in traveling firms' equation on investment. It is also of the view that non-cooperation is a better strategy for traveling firms in market mechanism.

Keyword : spatial competition, cognitive proximity, friction of distance, tourism