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Depolarization of Tourist Demand with Slow Tourism Feudos in Lazio: Cost-benefit Analysis using Monte CarloSimulation

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Abstract

The present paper investigates the potential financial benefits and drawbacksof a project, which is called Feudo Turistico and proposes a slow tourism des- tination between Rome and Fiuggi, to depolarize the tourist demand from the centres of these cities and redistributed it in the Lazio region. The project offers a local cultural and active touristic experience by establishing new services not currently available in the region. A cost-benefit analysis was performed through Monte Carlo Simulation with 10,000 trials to get net present value, internal rate of return and discounted payback period for each simulated input combination and then to explore the location and dispersion of these indicators. A simple random sampling technique was employed for simulating 10,000 different sets of input parameters using a factor range between pessimistic and optimistic sce- narios in which minimum and maximum values were obtained from the findings in previous literature, historical data in statistical reports of research institutes and calculations based on this data. Moreover, two different settings were con- structed to simulate various combinations of input variables, and the outcomes were compared. All the results and distribution of net present value, internal rate of return and discounted payback period provide that the project has a financially self-sufficient business model allowing cash flows able to pay back the investment needed in a few years with a high probability.

Keywords: slow tourism, cost-benefit analysis, discounted cash flow, Monte Carlo Simulation