

UNIT IV

4.1. DEMAND AND SUPPLY IN TOURISM

4.2. IMPACTS OF TOURISM

4.3. TOURISM AREA LIFE CYCLE (TALC)

4.4. PRESENT TRENDS IN DOMESTIC AND GLOBAL TOURISM

4.1. DEMAND AND SUPPLY IN TOURISM

TOURISM DEMAND

The total number of persons who travel, or wish to travel, to use tourists facilities and services at places away from their places of work or residence

APPROACHES TO STUDY TOURISM DEMAND

- **Economists-** Demand measured in monetary returns gained within a period of time. Price, elasticity, quality, revenue and expenditure.
- **Psychologists-** Demand related to motivation, behavior, personality and environment.
- **Geographers-** Demand based on geographic boundaries, demographics.

TYPES OF DEMAND

- **Effective or Actual Demand-** People actually traveling at a point of time.
- **Potential Demand-** People who could travel if motivated.
- **Deferred/Postponed Demand-** People who wish to travel, but are not traveling presently due to temporary reasons, of self or supply end.
- **Suppressed Demand –** People not interested in travel.

TRAVEL PROPENSITY – LIKELIHOOD TO TRAVEL

- **Net Travel Propensity-** Percentage of population of the overall population who makes at least one trip during a given period of time.

$$= \frac{\text{Number of population taking at least one trip} \times 100}{\text{total population}}$$

- **Gross Travel Propensity-** Total number of trips undertaken as a percentage of the population.

$$= \frac{\text{Number of Total Trips} \times 100}{\text{Total Population}}$$

HIGH AND LOW TRAVEL PROPENSITY

High Travel Propensity

- High Education
- More Awareness
- More Income
- Private Vehicle
- Better Travel Facilitation
- Good Exchange Rate
- Shorter Travel Distance
- Low Travel Cost
- Young Age

Low Travel Propensity

- Low Education
- Low Awareness
- Low Income
- No ownership of Vehicle
- Poor Travel Facilitation
- Poor Exchange Rate
- Long Travel Distance
- High Travel Cost
- Old Age

FACTORS DETERMINING TOURISM DEMAND

1. Individual
2. Economic
3. Geographic
4. Destination
5. Political

INDIVIDUAL FACTORS

- Education and Awareness
- Mobility
- Age, Gender, Religion
- Income and employment, disposable income, household income, DINKS
- Paid holiday
- Family Influence
- Nature of Family-joint, nuclear
- VALS
- Stage of Family Life Cycle
- Gap Year Opportunities

ECONOMIC FACTORS

- Cost of Travel
- Cost of Products
- Competitive Prices
- Exchange Rate

GEOGRAPHIC FACTORS

- Seasonality
- Accessibility, location and distance
- Attractions Available
- Urban or Rural population or Economy

DESTINATION FACTORS

- Image – organic and induced
- Promotion: travel channels, awareness, deals
- Technology and development
- CRS technology
- Development Level
- Credibility
- Safety and Security
- Attraction and Events
- Quality of Product
- Travel Formalities

POLITICAL FACTORS

- Government regulation on supply and tourists
- Visas, formalities, health checks, currency, prohibitions
- Transport regulation, accessibility, bilateral agreements

CHARACTERISTICS OF TOURISM DEMAND

- Planned demand
- Involves a lot of expenditure
- There is no tangible return or purchase
- Highly price elastic
- Can be price inelastic too
- Seasonality
- Is not subject to law of diminishing returns
- Changing demand patterns

TOURISM SUPPLY

- The supply of all assets, services and goods to be enjoyed or bought by visitors and occasioned by the journeys of visitors.
- Tourism supply is a composite product involving transport, accommodation, catering, natural resources, entertainment, and other facilities and services, such as shops and banks, travel agents and tour operators.

COMPONENTS OF TOURISM SUPPLY

- **Infrastructure** (telecommunications, accommodation and transport)
- **Superstructure** (include facilities constructed primarily to support visitation and visitor activities.)
- **Attractions** (theme parks, museums, buildings, ski-slopes)
- **Marketing/Promotion and Destination Image**

FACTORS AFFECTING TOURISM SUPPLY

1. Economic
2. Political
3. Geographical
4. Legal
5. Technological
6. Social

SUPPLY COMPONENTS

- **Natural or environmental resources** (physiographic of the area, landforms, flora, fauna, water bodies, air quality and similar natural phenomena)
- **Built or man-made resources** (infrastructure, superstructure)
- **Transportation**
- **Hospitality and cultural resources** (friendliness, courtesy, sincere interest and willingness to serve and to be better acquainted with visitors)

4.2. IMPACTS OF TOURISM

Types of Tourism Impacts

ECONOMIC IMPACTS



SOCIO-CULTURAL IMPACTS



ENVIRONMENTAL IMPACTS



Economic Impacts of Tourism

POSITIVE

1. Foreign exchange earnings
2. Contribution to government revenues
3. Generation of employment
4. Balance of payment / trade account balance
5. Stimulation of infrastructure investment
6. Contribution to local economies

NEGATIVE

1. Inflation
2. Opportunity costs
3. Dependency
4. Seasonality
5. Leakage
6. Enclave tourism
7. Seasonal character of jobs
8. Prostitution and the underground economy

Socio-cultural Impacts of Tourism


POSITIVE/BENEFITS

- Preservation and restoration of cultural heritage
- Revival of traditional arts and crafts
- Cultivation of cultural pride and sense of identity
- Cross-cultural exchange

NEGATIVE/COSTS

- Loss of cultural character
- Loss of authenticity and meaning of traditional arts and crafts
- Commercialization of human relationships
- Potential misunderstandings and conflicts between residents and tourists

ENVIRONMENTAL BENEFITS

- 
- A tropical island with a wooden pier extending into the turquoise water. The island is covered in lush green palm trees and has a few buildings visible. The sky is clear blue.
1. Environmental awareness.
 2. Enhancements of local environment.
 3. Protection and conservation of wildlife.

ENVIRONMENTAL COSTS



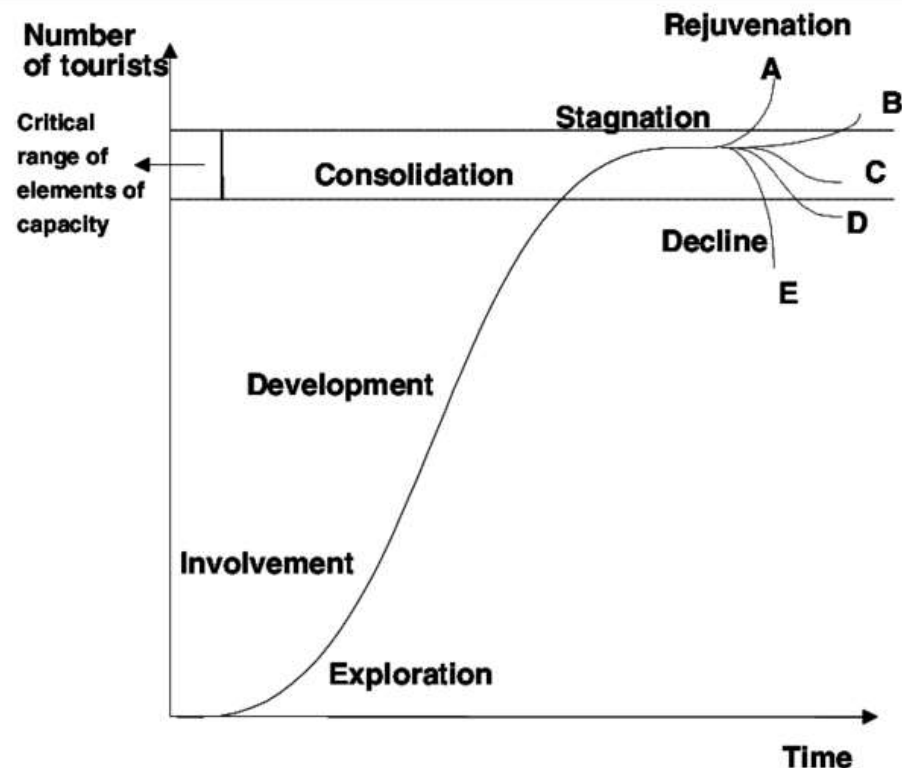
1. Inappropriate development
2. Loss of natural habitat and effects on wildlife
3. Pollution
4. Loss of spirit
5. Overcrowding and traffic congestion
6. Activities (affecting the natural environment)

4.3. TOURISM AREA LIFE CYCLE (TALC)

Intro to the Tourism Area Life Cycle Model

The **Tourism Area Life Cycle (TALC) model** was first put forward by Butler in 1980, as a means of showing how the majority of tourism destinations move through a cycle beginning with (almost) nil tourism, to massive development and boom times, and then eventual stagnation and decline. This cycle can be represented as an S-shaped curve where the X-axis represents **time** and the Y-axis represents a key tourism variable - usually **visitor numbers** (but could be the amount of tourist facilities, visitor spending etc)

The purpose of the TALC model is to consider how and why tourist resorts grow and develop. The tourist industry, like all industries, is dynamic and constantly changing. The popularity of resorts is affected by the 'pull' of their locations and facilities, which in turn is influenced by the changing interests and demands of visitors. These real world aspects can be compared to the TALC model which has **six stages, with a variable sixth stage.**



Intro to the Tourism Area Life Cycle Model (Contd.)

The Tourism Area Life Cycle (TALC) model stems from the belief that **tourist resorts are essentially products**, i.e. they have normally been developed and modified to meet the needs of specific markets (holidaymakers) in a similar way to the production of other goods and services. As such, therefore, it is reasonable to make the assumption that resorts would follow a generally similar pattern of development to that of most other products, namely, to have a 'life cycle' of acceptance and rejection as the market first desired the product and then eventually found it old-fashioned and unattractive.

*Examples from other industries, such as automobiles, reveal how markets in most cases slowly accept a new product, then become enthusiastic, mirrored in a rapid growth in sales, and eventually grow tired of the model and sales decline. Only in a very few cases do sales take off immediately (E type Jaguar), continue for decades (Volkswagen Beetle) or experience a rebirth (Mini), and these are normally a reflection of an element of genius and/or true innovation in the original model concerned. **Tourist resorts are little different, except in one fundamental element, that of control.** Most commercial products are manufactured by one company which has control over the product design, production and marketing, whereas most tourism resorts are rarely under a single controlling force and their component parts often display a remarkable lack of ability to co-ordinate either product offering or marketing. This is mainly because they are comprised of so many elements of vastly differing size, ambition and focus.*

Intro to the Tourism Area Life Cycle Model (Contd.)

The TALC model reflects the **nature of tourism in the 1970s**, when the rapid expansion of destinations was underway following the technological innovation of jet aircraft, along with increased levels of affluence in western countries, decreased restrictions on travel, and rapid increases in mobility. Travel abroad was no longer the privilege of a small elite, and **mass tourism** in its modern form was well established.

The purpose of the model was to draw attention to the dynamic nature of destinations and **propose a generalised process of development and potential decline which could be avoided by appropriate interventions of planning, management and development (i.e. the management of resources)**. It did this by proposing a common pattern of development of resorts that had multiple stages (exploration, involvement, development, consolidation, stagnation, and then a range of possibilities from rejuvenation to decline. Key to this was the concept of **carrying capacity**. If the carrying capacity of the resort was exceeded, the relative appeal of the resort would decline, it would become less competitive, and this would be reflected in declining visitor numbers, investment, and development. The appropriate interventions noted above would be the key to ensuring that the various carrying capacities (economic, social-cultural and environmental) of the resort were not exceeded, or where possible, were increased to meet growing pressures.

The Tourism Area Life Cycle Model (simplified)

1. Exploration – small numbers of visitors. Not many facilities

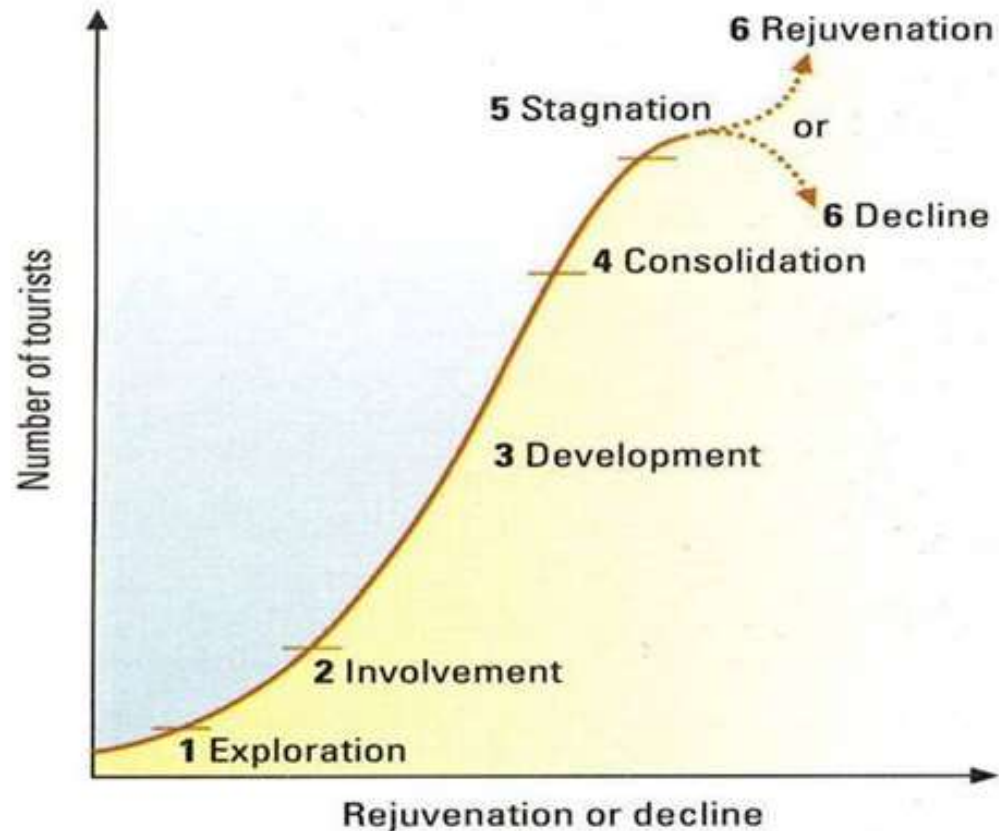
2. Involvement – local people start providing facilities so more tourists come

3. Development – more facilities are built, often by large companies, and many more tourists come

4. Consolidation – tourist numbers are beginning to level off

5. Stagnation – visitor numbers have peaked, facilities are no longer as appealing

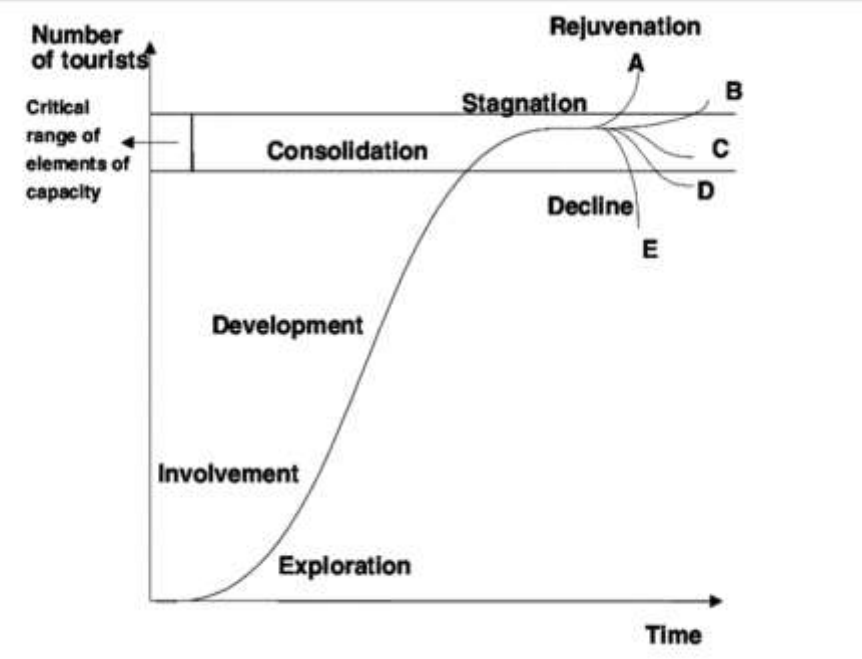
6. Rejuvenation – new 'must-see' facilities are built which attract more visitors. Area becomes smarter and economy grows



6. Decline – fewer visitors come as the facilities fail to attract interest. Area becomes run-down and economy suffers

The Tourism Area Life Cycle Model (more complex)

- 1. Exploration** – destination begins as a relative unknown, visitor numbers are small due to lack of access, facilities and local knowledge. Tourism has no economic or social value to locals
- 2. Involvement** – Word spreads about its attractions, tourists accepted by local people who become involved in new facilities. ‘Tourist season’ develops
- 3. Development** – Tourist arrivals grow rapidly, TNCs become involved in new facilities and take more control, package tours develop
- 4. Consolidation** – Tourism is well-established. Resentment develops among locals due to congestion, growth rate decreases but numbers still rise
- 5. Stagnation** – Carrying capacity is reached or exceeded (environmental and social limits), negative publicity, appeal of area wanes, decline sets in with level or falling tourist numbers



6. Final Stage (5 different scenarios)

- Successful redevelopment and rebranding leading to new growth in tourist numbers (**rejuvenation**)
- Modest growth in tourist numbers
- Development of new activities and niche markets levelling tourist numbers (**stabilisation**)
- Lack of investment and withdrawal of some TNCs leading to a gradual decline in tourist numbers
- Collapse of tourist numbers caused by catastrophic events, such as natural disasters, terrorism or war (**rapid decline**)

Affecting factors on the TALC

- **Internal factors**
 - 1) uniqueness of resources and attractions
 - 2) Local residents and their attitudes
 - 3) Quality of tourism resource itself.
 - 4) Management and service.
- **External factors**

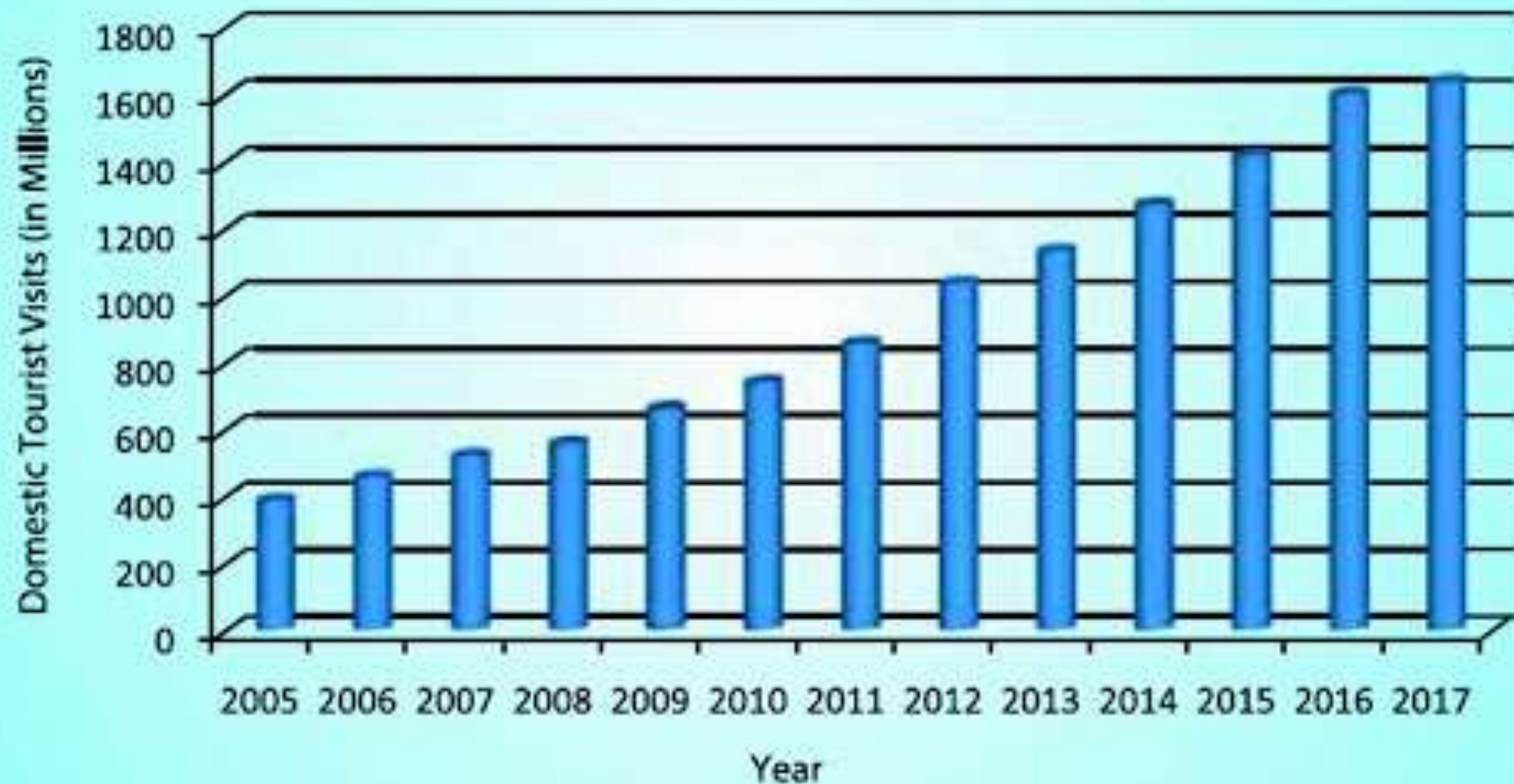
producers, consumers, and regulating authorities

4.4. PRESENT TRENDS IN DOMESTIC AND GLOBAL TOURISM

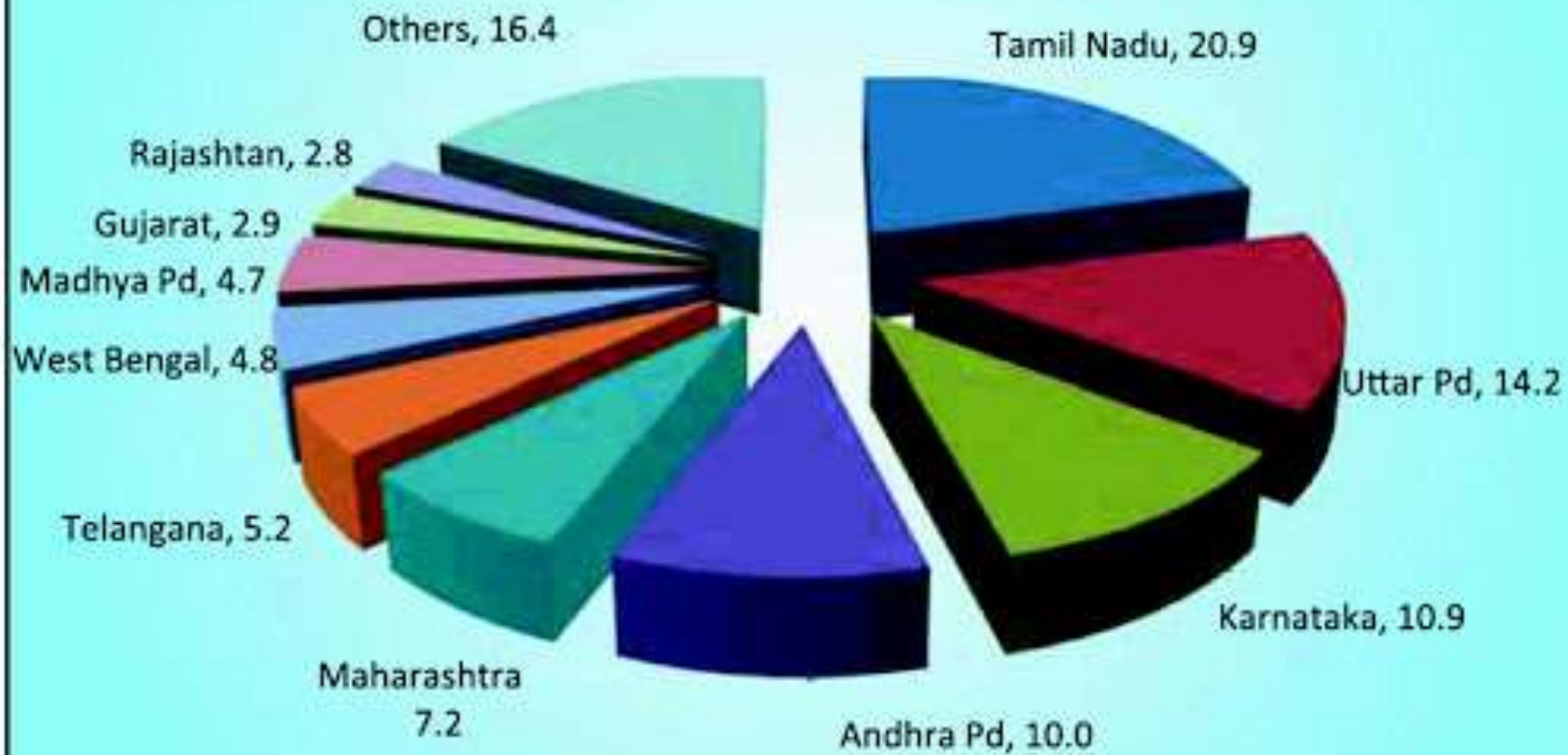
Domestic Tourism Trends

- Domestic tourism in India is about 6 to 7 times more compared to outbound
- Domestic tourism contributes more compared to other types
- Tamil Nadu stands at No. 1 in terms of highest number of FTAs
- Spiritual Tourism & Religious tourism is topping the chart
- Medical tourism is fast emerging in the country

Year-wise Domestic Tourist Visits to States/UTs during 2005-2017

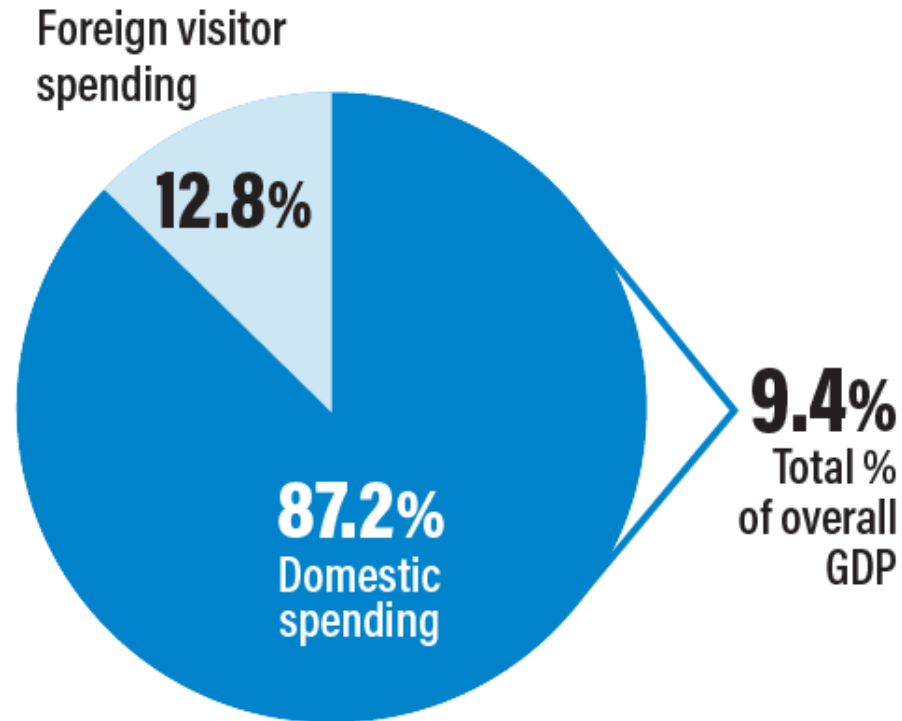


Percentage share of top 10 States/UTs in India in Domestic Tourist Visits in 2017



Global Tourism Trends

INDIA TRAVEL AND TOURISM'S CONTRIBUTION TO GDP, 2017



Source: World Travel and Tourism Council

MAKING WAY FOR INDIA

OUTBOUND TRAVEL

50

INDIA WILL ACCOUNT FOR 50 MILLION OUTBOUND TOURISTS BY 2020

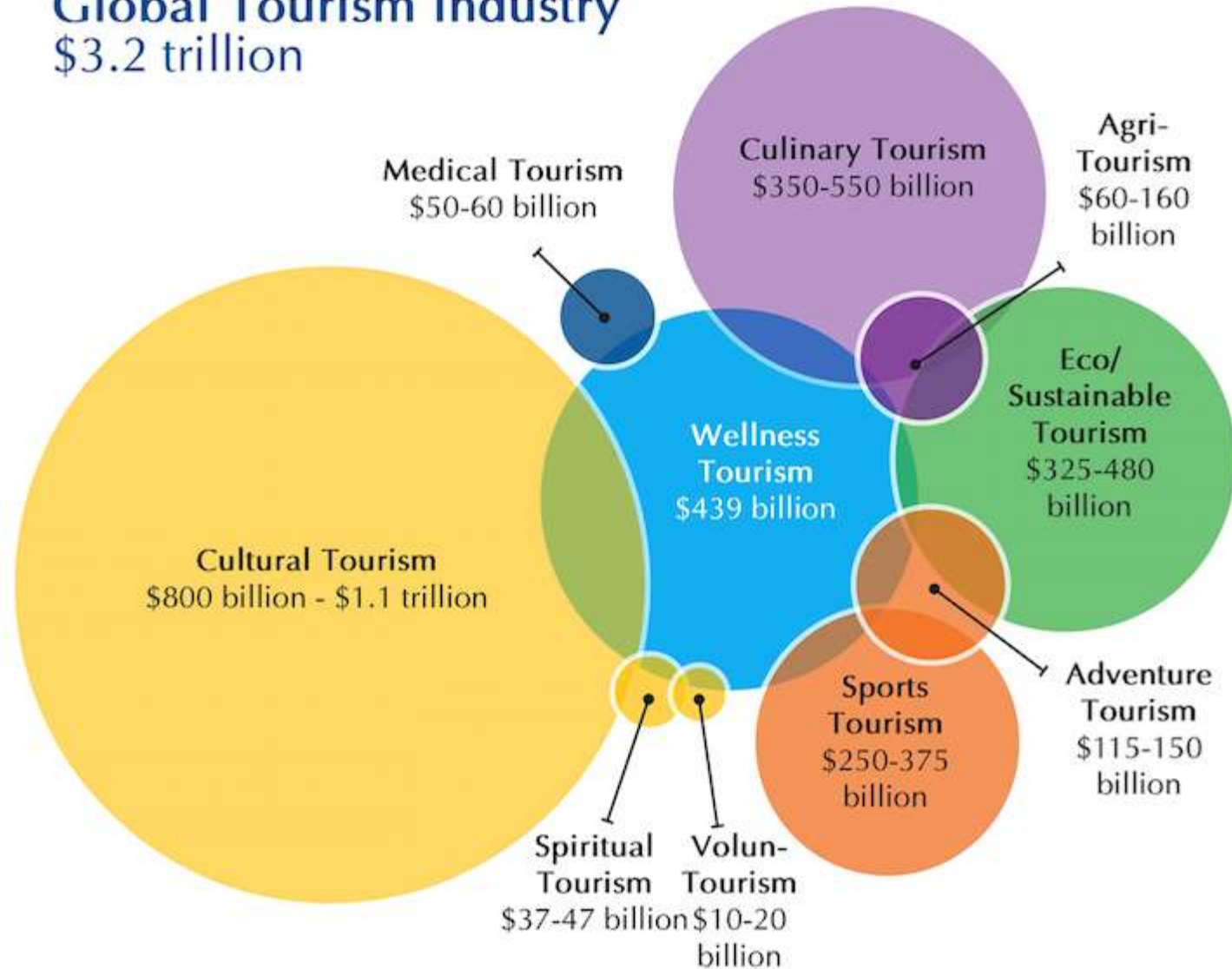
DEMAND FOR OVERSEAS VACATIONS HAS SOARED UP BY 22 PER CENT



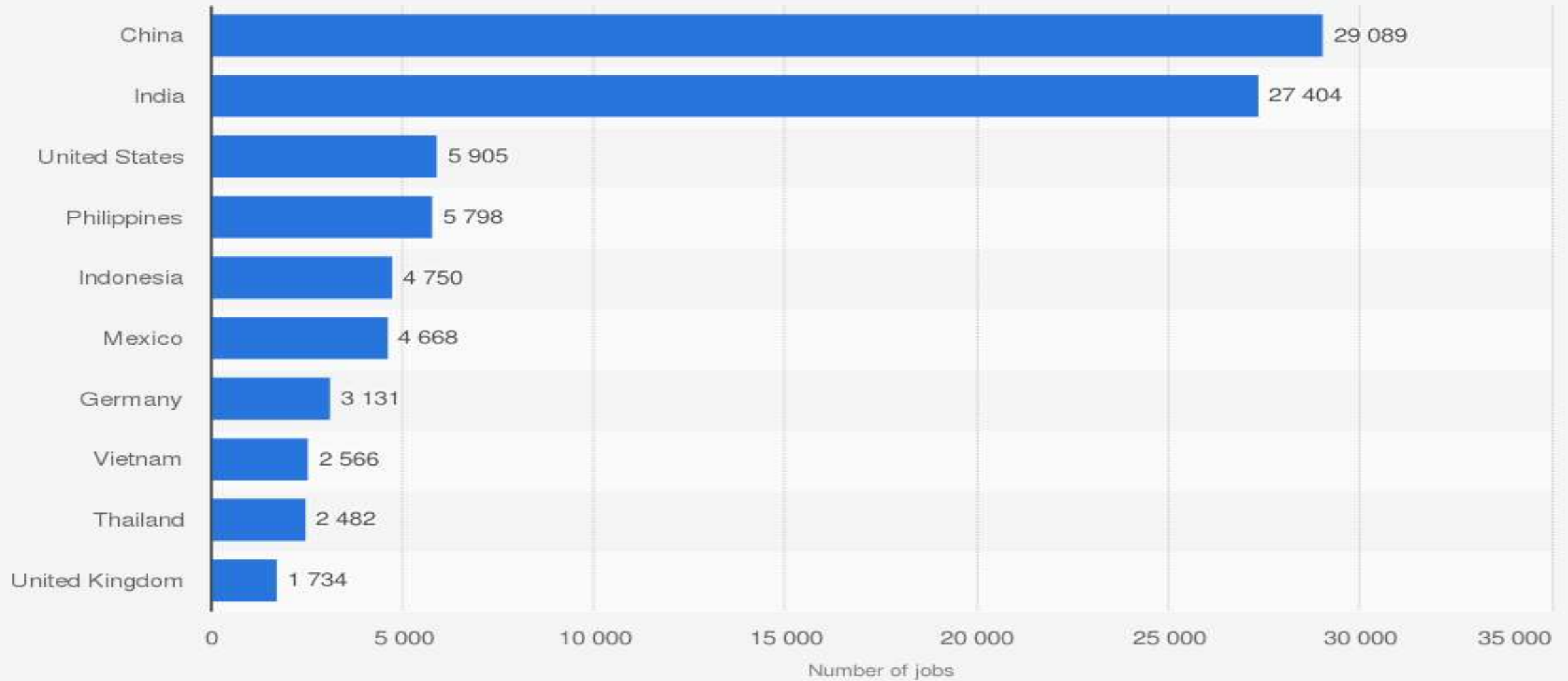
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Global Tourism Industry \$3.2 trillion



Countries with the highest employment in the travel and tourism industry worldwide in 2019 (in thousands)



THANK YOU