

Managerial Economics for Tourism

TOURISM DEMAND

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

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.

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

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

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

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**

Determinants of Demand

- Price of a Product / service
- Income
- Tastes & Preferences of the Consumers
- Price of related Products
- Expectations of the consumers
- Effect of Advertisements
- Distributions of Income in the society
- Growth of Population
- Climatic Conditions

Demand Forecasting

- **Demand Forecasting** is the process in which historical sales data is used to develop an estimate of an expected **forecast** of customer **demand**.
- To businesses, **Demand Forecasting** provides an estimate of the amount of goods and services that its customers will purchase in the foreseeable future.
- Demand forecasting is a field of predictive analytics which tries to understand and predict customer demand to optimize supply decisions by corporate supply chain and business management.

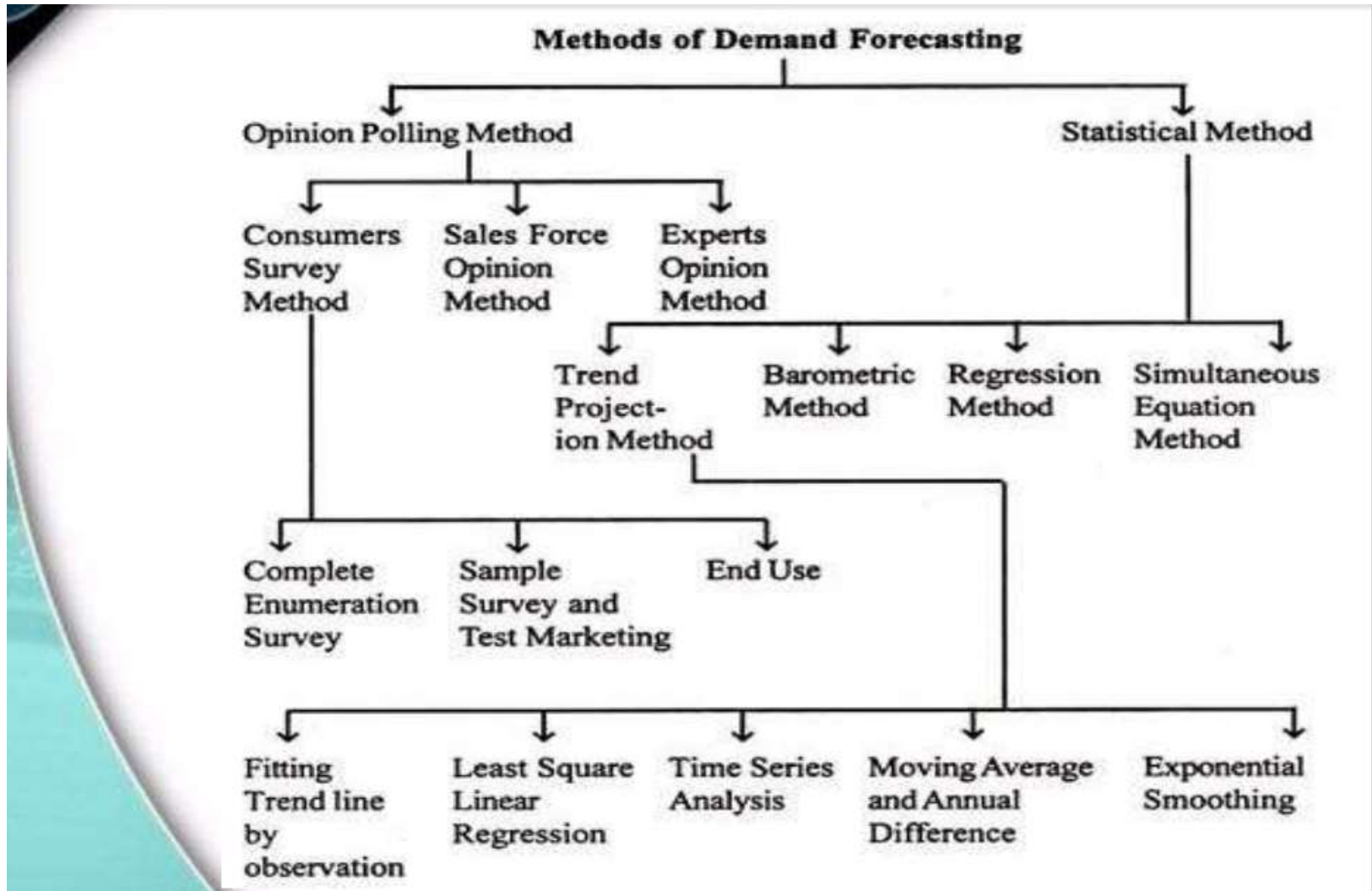
Definition

- **Cundiff and Still, “Demand forecasting is an estimate of sales during a specified future period based on proposed marketing plan and a set of particular uncontrollable and competitive forces.”**

Meaning of Demand Forecasting

- Demand forecasting is a systematic process that involves anticipating the demand for the product and services of an organization in future under a set of uncontrollable and competitive forces.
- Accurate demand forecasting is essential for a firm to enable it to produce the required quantities at the right time and arrange well in advance for various inputs.

Methods of Demand Forecasting



Chapter 8: Forecasting Tourism Demand

- This chapter outlines several quantitative forecasting methods that make use of such historical data. An analysis of the time series involves the breaking down of past data into four major components:
 - trend
 - Seasonality
 - Business cycles
 - Random variations
- This chapter also gives a brief description of the accuracy measures that help to evaluate the suitability of a given model to a known situation

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**

Managerial Economics for Tourism

GROWTH OF TOURISM DEMAND IN INDIA

T&T Industry

Past

Present

Future

01

TRAVEL & TOURISM'S
CONTRIBUTION TO THE
WORLD'S ECONOMY

Tourism

- Major engine of economic growth.
- Important source of employment.
- Largest Foreign exchange earner.
- Contributing over 10.4% to global GDP.
- Produces around 1 in every 10 jobs.
- Greater Multiplier effect.
- Important role in achieving growth with equity and sustainability

12/10/2020

Growth of Tourism Demand_ Dr.

A.Saravanan

Source for International and

TOURISM

10.4%

Travel & Tourism GDP as a percentage of global GDP.

3.9%

Direct Travel & Tourism GDP growth in 2018.

319m

Jobs are supported by Travel & Tourism. This is 10% of global employment.

1/5

of all global net jobs created over the last five years within the Travel & Tourism sector.

TRAVEL & TOURISM REGIONAL PERFORMANCE, 2019*



* Growth highlighted in green when it is above global T&T GDP growth of 3.5%

T&T Regional Performance (2019)

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Source: <https://www.wttc.org/-/media/files/reports/economic-impact-research/regions-2019/world2019.pdf>

A. Saravanan

DIRECT

Travel & Tourism contribution

COMMODITIES

- Accommodation
- Transportation
- Entertainment
- Attractions

INDUSTRIES

- Accommodation services
- Food & beverage services
- Retail Trade
- Transportation services
- Cultural, sports & recreational services

SOURCES OF SPENDING

- Residents' domestic T&T spending
- Businesses' domestic travel spending
- Visitor exports
- Individual government T&T spending



INDIRECT

Travel & Tourism contribution

- T&T investment spending
- Government collective T&T spending
- Impact of purchases from suppliers



INDUCED

contribution (spending of direct and indirect employees)

- Food and beverages
- Recreation
- Clothing
- Housing
- Household goods



TOTAL

Travel & Tourism contribution

- To GDP
- To employment

INDIA TOURISM - What WTTC – COMPETITIVENESS REPORT 2019 Portrays?

Performance Overview

Key  Score



Past performance

Travel & Tourism Competitiveness Edition	2015	2017	2019
Rank	52 / 141	40 / 136	34 / 140
Score	4.0	4.2	4.4

Country/Economy	Rank	Score	Change since 2015
Spain	1	5.43	0
France	2	5.32	0
Germany	3	5.28	0
Japan	4	5.26	5
USA	5	5.30	0
United Kingdom	6	5.20	-2
Australia	7	5.10	0
Italy	8	5.10	0
Canada	9	5.10	1
Switzerland	10	5.00	-4
India	34	4.40	+28

TOP 10 COMPETITIVE COUNTRIES

Travel & Tourism Sector in India: Industry Outlook

- Land of culture, heritage, and geographical diversity.
- Desert, forest, mountains, beaches, old towns, modern cities – you name it, India has it.
-
- UNESCO world heritage sites : **38**
- Largest Rail & road network.
- Diversified tourist destinations
- Home of innumerable temples and religious sites

Quick Facts

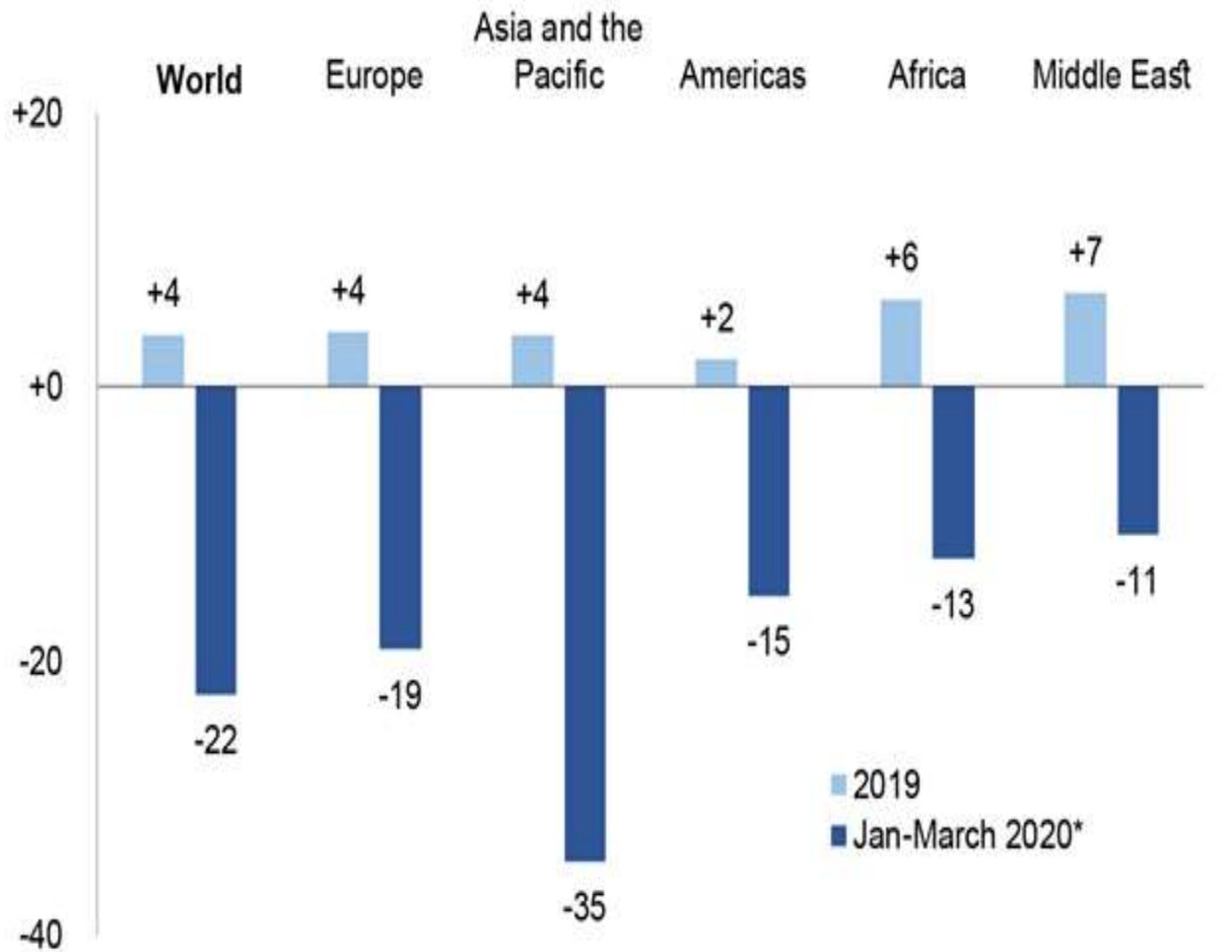
- No. of Foreign Tourist arrival in India (2018) : **10.04 Million**
- Average Growth Rate : **14.0%**
- Indian National Departures from India : **23.94 Million**
- Average Growth Rate : **9.5%**
- Foreign Exchange Earnings in 2018 was **1,77,874 Cr.**
- Average Growth Rate : **15.4%**
- Share of India in international Tourist Arrivals : **1.2%**
- In India the travel industry hopes to create 46 million job opportunities by 2025.
- According to WTTC, India could possibly add another Rs. 8, 50,000 crores by the year 2022 just through tourism.
- In India, every one million invested in tourism creates **47.5 jobs** directly and around **85-90 jobs** indirectly.

KEY INITIATIVE - A STEP AHEAD

- On-arrival VISA
- e-Visa for 163 Countries
- Regional Connectivity Scheme – UDAN 350 Un-Served / Underserved Airports and Air strips.
- Launch of Incredible India 2.0
- Tourism Infrastructure - Swadesh Darshan and PRASHAD
- Special Tourism Zones
- New Cruise port in Mumbai with an investment of 5,000 Crore
- National Medical and Wellness Tourism Board – Medical Tourism
- “Adopt a Heritage” Scheme
- “Swachhta Action Plan”

Present – The COVID-19 effect

International tourism down 22% in Q1 under the impact of COVID 19



SOURCE: UNWTO - WORLD TOURISM ORGANIZATION

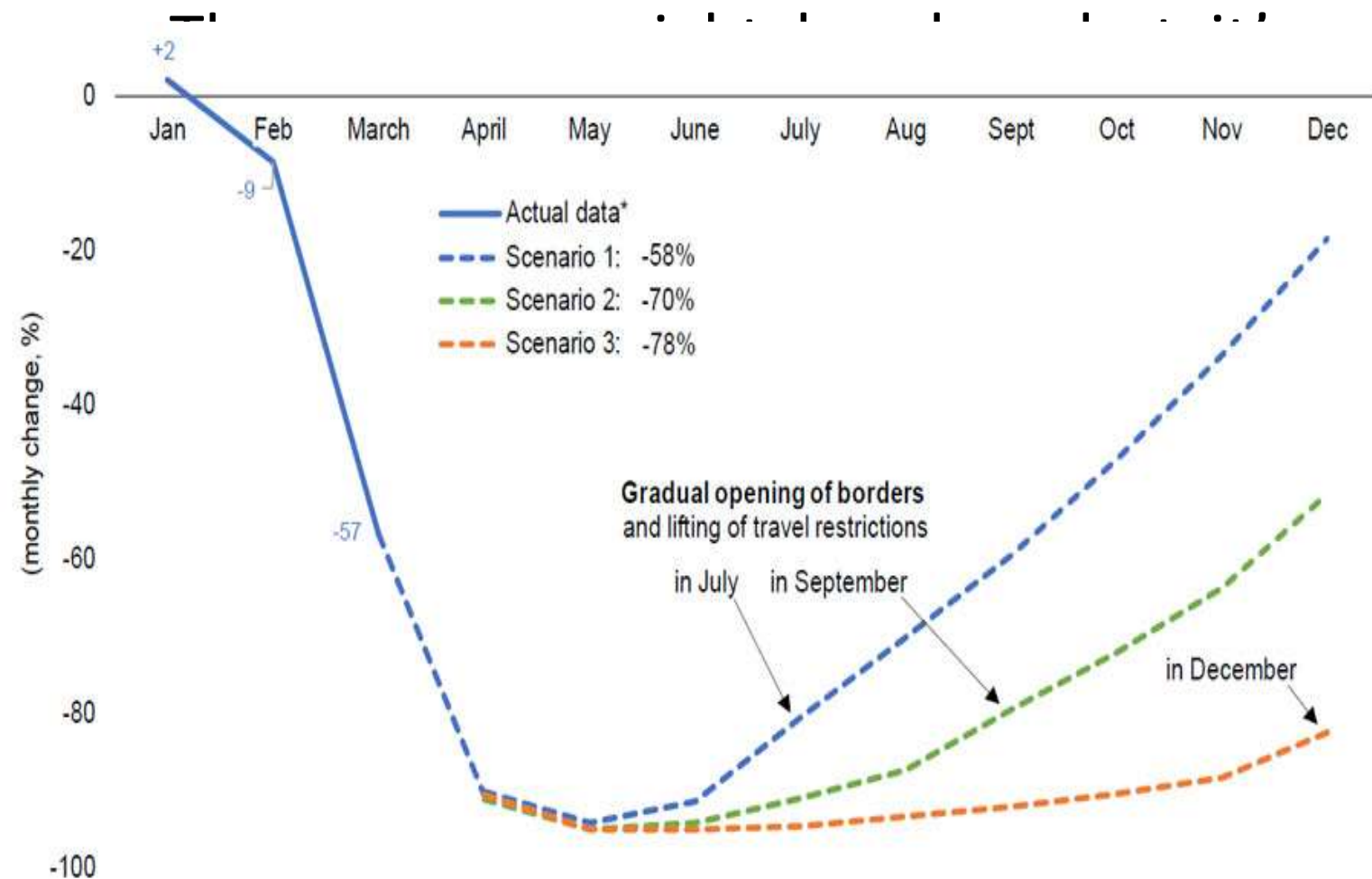
* Provisional data

- For the first time in history, close to 90% of the world's population now lives in countries with travel restrictions.
- Airlines, travel companies and the tourism sector as a whole are among the most affected businesses.
- An estimated 25 million aviation jobs and 100 million travel and tourism jobs are at risk.
- Between five and seven years' worth of industry growth will potentially be lost.

Source: <https://www.weforum.org/agenda/2020/05/this-is-what-travelling-will-be-like-after-covid-19/>

The Prosperous Future

- Past crises have shown tourism's capacity to bounce back strongly and quickly after external shocks.



e, once
industry

Source:
<https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020>

- **Touchless travel**
- **Digital health passports**
- **The digital traveller**
- **Collaboration is key**
- **High Value, Low Volume**

Travel 14:36, 22-Apr-2020

Translate >

CGTN Interview: Post COVID-19, tourism could be 'slow' but 'smart'

Updated 17:15, 13-May-2020

Abhishek G Bhaya

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TOP NEWS



Xi Jinping joins discussion with NPC

ICELAND

Coronavirus and tourism: Iceland pitches for post-lockdown visitors

1 COMMENTS

By **Natalie Huet** • last updated: 20/05/2020



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EDITORS' PICK | 20,014 views | May 21, 2020, 11:51am EDT

Bhutan Ready To Welcome Back Tourism Following Zero COVID-19 Deaths



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END