

# ITM 2311

# Tour Business Management

## Unit 2: Demand of Tour Business

- Concepts of market demand
- Effects of market demand
- Demand of travel market

# Objectives

- Explain the concepts of market demand.
- Explain how market demand affects supply.
- Identify demand of travel market.
- Discuss how demand of travel market affects tour and travel business.

# 1. Concepts of Market Demand

## 1.1 Definition

# 1.1.1 Market

- Market is one of the many varieties of systems, institutions, procedures, social relations and infrastructures, whereby parties engage in exchange.
- Area of actual and potential exchanges, between consumers and producers, involving the offerings of producers, and the wants of customers, and with respect to a particular situation.
- Markets facilitate trade and enable the distribution and allocation of resources in a society.



  
**Content**



*(1) Physical market*

e.g. fresh market, Sunday market, vegetable market, community market

*(2) Virtual market*

e.g. financial market- stock market, travel market, information/ content market

# 1.1.2 Demand



- Demand is a desire for certain good and service (commodity) which is supported by the capacity to purchase it.
  - In economics, demand is defined as the utility for goods or services of an economic agent (individuals or business) relative to his/her income.
  - Good or service is desired by buyers at various prices.
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- Buyers are usually rational, so they are usually motivated to buy good or service when the price is lower. In the same time, as producers or sellers, they expect buyers to buy more products when the price is low as well.

# 1.1.3 Market Demand

Defined as

“The aggregate of the demands of all potential customers (market participants) for a specific product over a specific period in a specific market.

Market demand is calculated to determine at what level to set production output for a good or service, and to help to determine optimal pricing levels to maximize sales revenues.

Significant to the management of demand and supply chain.

Relates with market segmentation and market targeting.

Businesses may develop product differentiation strategies, or an undifferentiated approach, involving specific products or product lines depending on the specific demand and attributes of the target segment.

## **2. Effects of Market Demand**

### **2.1 Effects of Market Demand on Supply**

# Four Basic Laws of Demand and Supply Relation

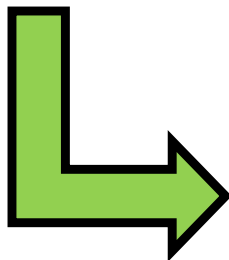
**Shortage occurs when:**



demand increases and supply remains unchanged

demand remains unchanged and supply decreases

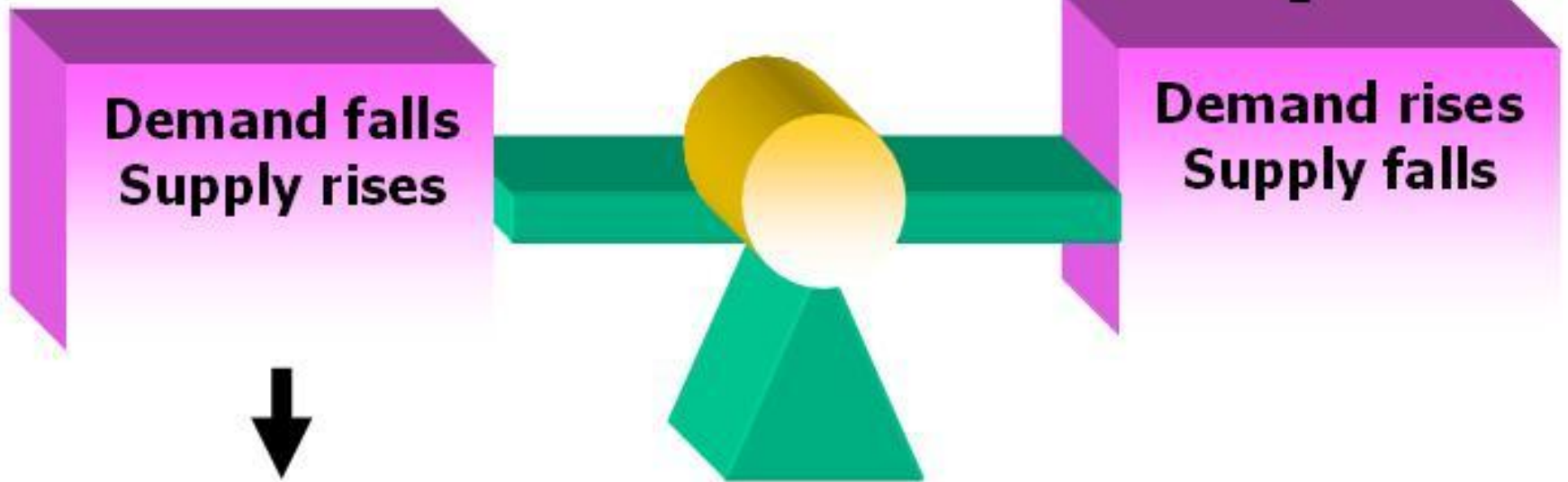
**Surplus occurs when:**



demand decreases and supply remains unchanged

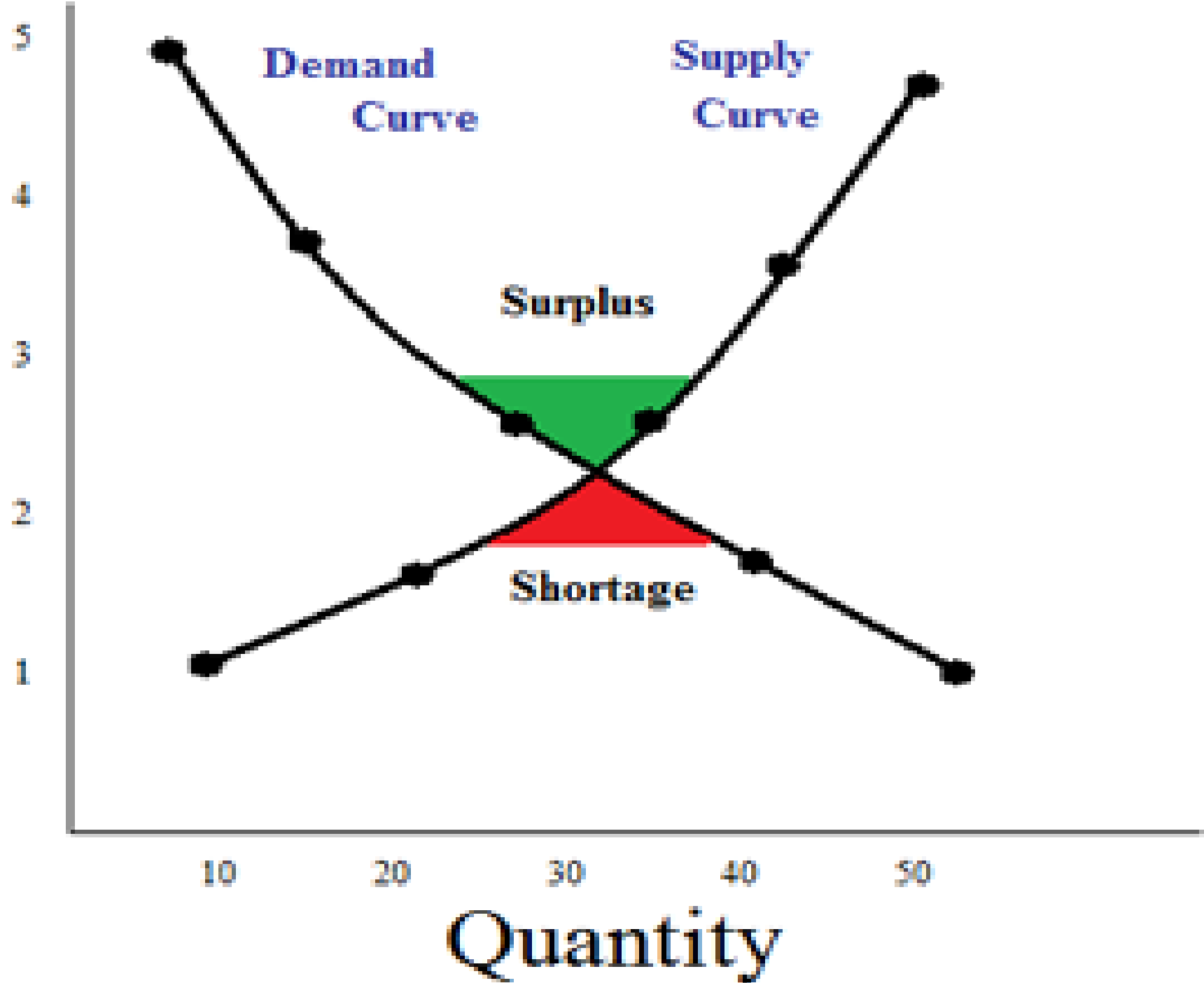
demand remains unchanged and supply increases

Price rises



Price falls

Price



Demand Curve

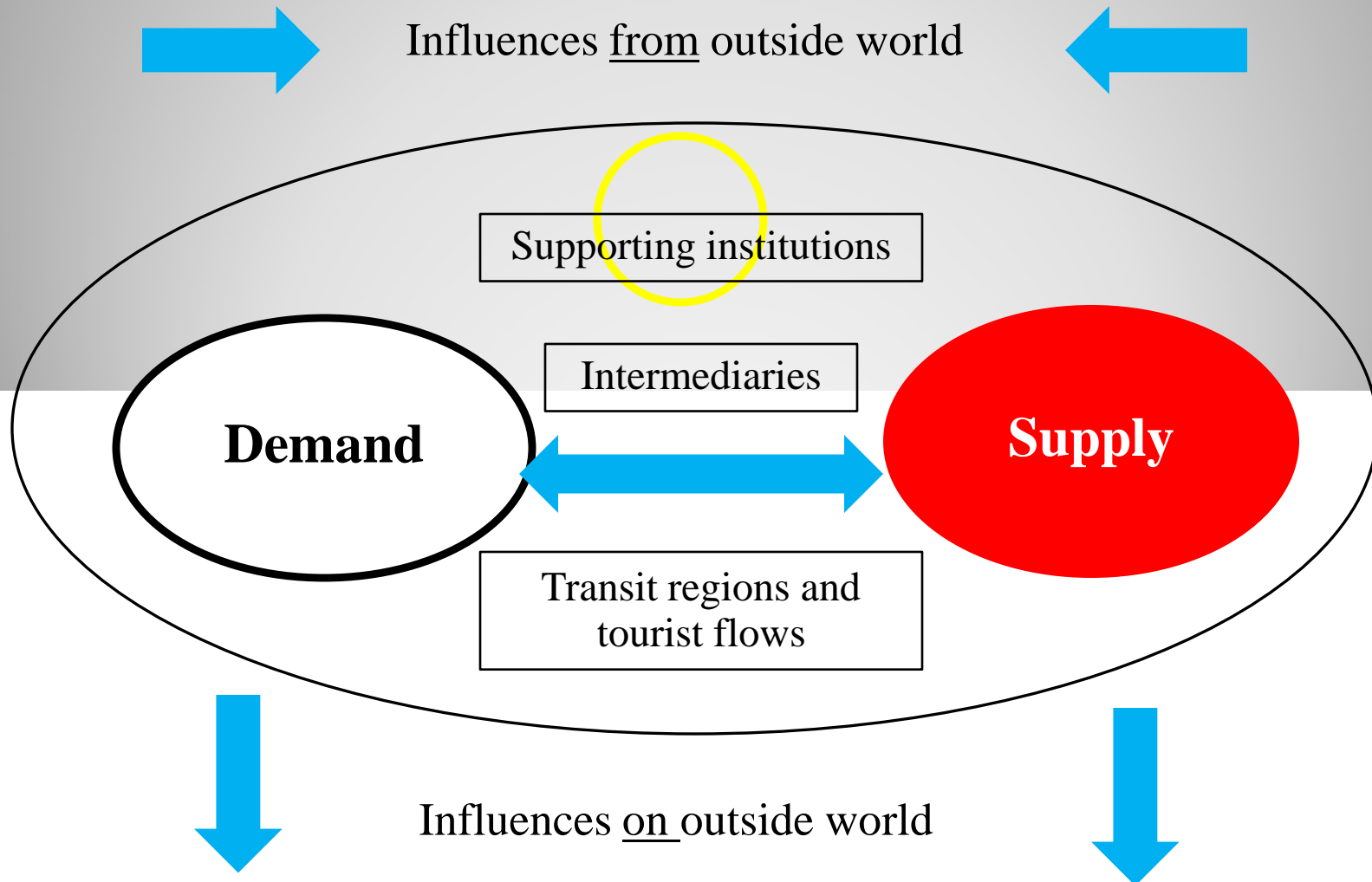
Supply Curve

Surplus

Shortage

Quantity

The management of supply must adapt to balance with existing demand in order to avoid surplus or shortage of product.





## Factors playing significance

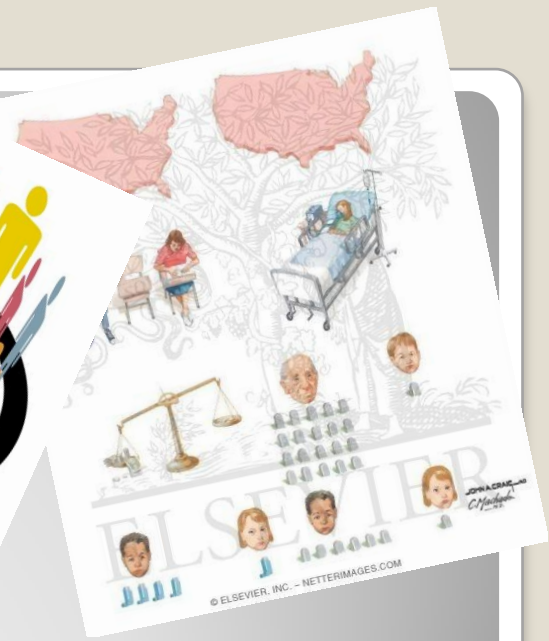
- ❖ The management of 4Ps marketing mix:
  - ✓ product (i.e. product differentiation)
  - ✓ price (i.e. pricing strategies)
  - ✓ place (i.e. strategic placement)
  - ✓ promotion (i.e. appealing promotions).
  
- ❖ The management of the chain of supplies in order to create flow and effective logistics in the supply chain until products reach end- customers.

## **3. Demand of Travel Market**

### **3.1 Factors of Travel Market Demand**

# Tourist-side factors

- Demographic factor such as age, stage of life, gender, income or financial status, education, marital status
- Social factor such as determinants of family and friends
- Physical limitation and health condition
- Personal tastes
- Social conformity
- Personal fear of risk and uncertainty (i.e. safety issue)
- Personal availability of leisure time
- Personal past experience
- Car ownership



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# Destination factors

- Destination attributes and situations such as variety of places to go and activities to do, friendliness of local people, culture, political situation, climate, availability and readiness of infrastructure
- Continuous tourism product development
- The elimination of legal limitations on and practical obstacles to travel such as VISA
- Seasonality of destination and seasonality of places of origin where demand occurs.

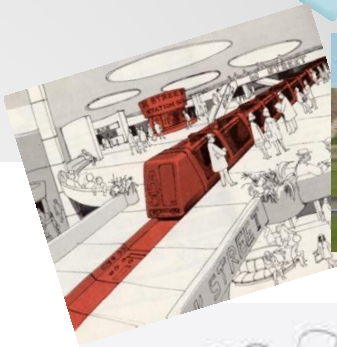


## URBANIZATION



## Global factors (Global perspectives)

- Technological factors such as advancement of transport technology, and of information and communication technology (i.e. Internet-increased access to information can stimulate curiosity leading to demand to traveling to see real places)
- Changes in living conditions, particular the change from agricultural to industrial and post- industrial society, dwellers are far more inclined to engage in tourism than are people in the countryside.
- Increasing international integration of life with enhanced international interaction in trade, politics, communication, media and emigration



The factors of travel demands characterize types of travel, which can be classified into 4 main groups:

Classified by number of members in trip party

>>> free independent travel (FIT) or group inclusive tour (GIT)

Classified by types of travel

>>> traveling on individual or personal, and traveling with packaged tour; domestic and international travel

Classified by modes of transport used

>>> road transport, rail transport, cruise/ boat, air transport, space. This classification also has a connection with tour production related to use of transport modes to create tourism experience, changing the transport as the traveling mean to the tourism experience instead.

Classified by levels of services

>>> high- end (luxurious), medium, budget or economy level

## **3. Demand of Travel Market**

### **3.2 Types of Tourism**

# Type of Tourism

- ❖ Honeymoon tour
- ❖ Cultural tourism
- ❖ Nature- based tourism
- ❖ Photograph tour
- ❖ Historical tourism
- ❖ Adventure tourism
- ❖ Sport tourism
- ❖ Shopping tour
- ❖ Eco- tourism
- ❖ Self- drive tourism
- ❖ City sightseeing tour
- ❖ Food and wine tourism (gastronomy tourism)
- ❖ Agro-tourism
- ❖ Special- interest tourism (alternative tourism)
- ❖ Familiarization tour/ trip (FAM Trip)
- ❖ Health/ medical tourism
- ❖ Space tourism

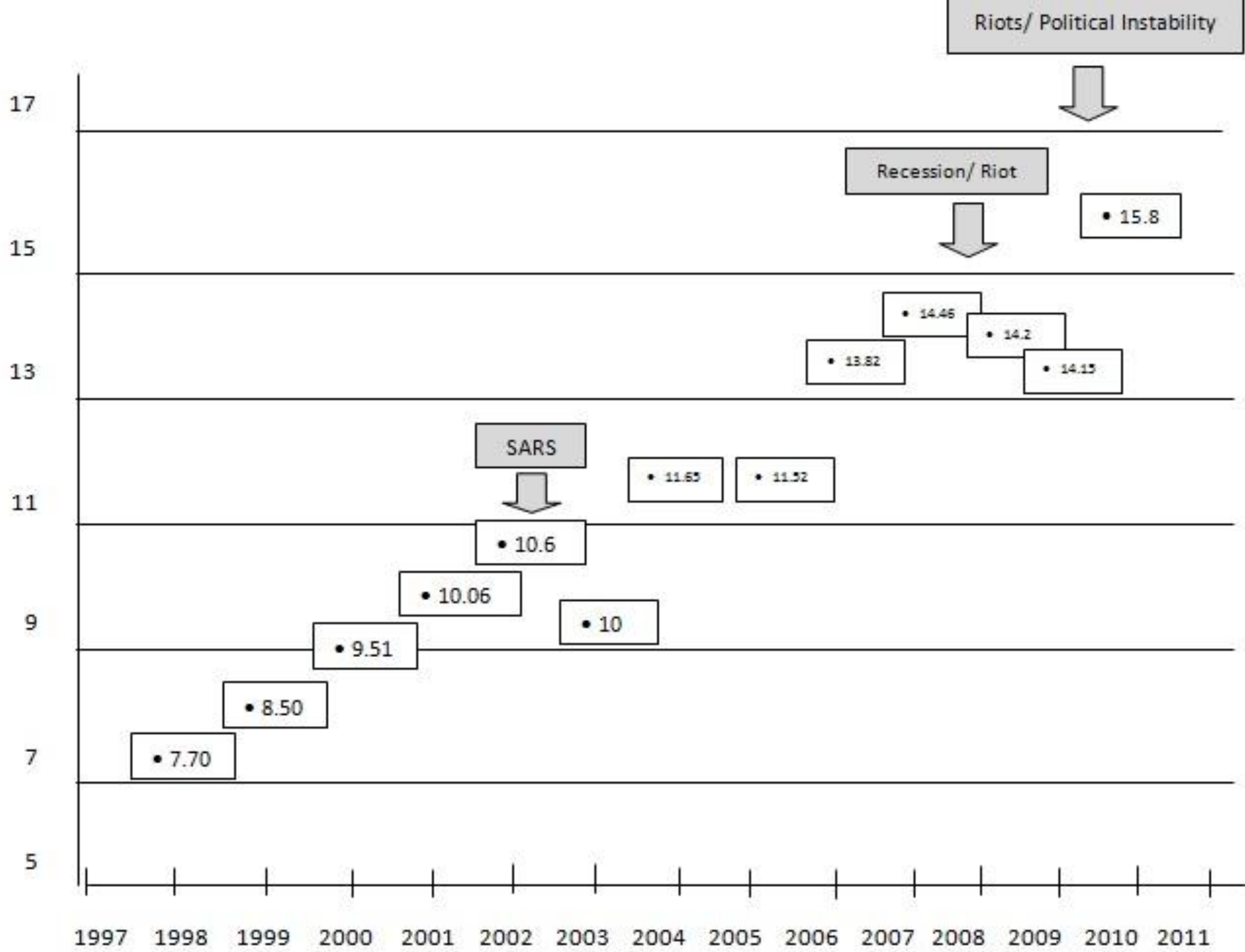




## **3. Demand of Travel Market**

### **3.3 Events in the past that affected the global tourism demand**

- ❖ 9/ 11 terrorist attacks (September 11, 2001)
- ❖ Bali bombings (October 2002)
- ❖ Severe Acute Respiratory Syndrome (SARS) outbreak (2003) in Asian countries
- ❖ American – Iraq conflict-- War in Iraq (2003)
- ❖ Tsunami in the Indian Ocean (December 2004)
- ❖ London bombings (July 2005)
- ❖ The influenza A/H1N1 virus (2009)
- ❖ Thailand flood (2011)



## Individual Class Activity

- From your selected tour company you studied last time, identify what are the demand and supply of the company product.

## Individual Assignment (present on 25 January, 2018 morning)

- Select one type of tourism from the list.
- Discuss to identify what actual needs (what are their actual demands- *\* please note that there may be more than one needs.*) of tourists who engage in the selected types of tourism.
- Brainstorm what suppliers you need to contact in order to develop the supply side and your selected product.
- Power point presentation