

Assignment 2

1 Define tourism demand. Explain the difference between actual, suppressed, and the latent demand, providing one real world example for each type.

Tourism Demand

Tourism demand refers to the quantity of tourism products and services that consumers are willing and able to purchase during a particular period and under specific conditions. It includes the demand for transportation, accommodation, food and beverages, attractions, entertainment, and other experiences associated with travel. . Understanding tourism demand is important for tourism businesses and destination managers because it helps them forecast visitor numbers, plan capacity, develop suitable products, and create effective marketing strategies. According to Cooper et al. (2018), tourism demand represents the relationship between tourists' desire and ability to travel and the tourism products available at destinations.

Tourism demand can be divided into **actual demand, suppressed demand, and latent demand**. **Actual demand** refers to people who are currently travelling and consuming tourism products and services. These tourists have both the desire and the ability to travel and therefore participate actively in tourism. For example, a German family travelling to Spain for a summer holiday and staying in a hotel, using local transport, and visiting attractions represents actual tourism demand.

Suppressed demand refers to people who would like to travel but are temporarily unable to do so because of obstacles or restrictions. These barriers may include insufficient income, lack of leisure time, illness, travel restrictions, high transportation costs, or family responsibilities. Suppressed demand can be further understood as potential tourism demand that has not yet been converted into actual travel. For example, during the COVID-19 pandemic, many people wanted to take international holidays but could not travel because of border closures, quarantine requirements, and government travel restrictions.

Latent demand refers to demand that could potentially become actual tourism demand in the future but has not yet developed sufficiently because people either lack the current ability to travel or have not yet decided to travel. It therefore represents a future market opportunity for tourism businesses. For example, a young professional who is interested in visiting Japan but currently lacks sufficient savings may represent

latent demand. If their income increases and travel becomes financially accessible, they may eventually visit Japan. Similarly, emerging middle-class populations in developing economies can represent significant latent demand for international tourism as their disposable incomes and access to air travel increase.

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1. Economic factors are considered the most influential determinates of tourism demand. discuss the role of income, time and price in shaping tourism demand.

Economic factors are among the most influential determinants of tourism demand because people's ability and willingness to travel are strongly connected to their financial resources, available leisure time, and the cost of tourism products. **Income** plays an important role because tourism is generally considered a discretionary expenditure. When individuals or households have higher disposable income, they are more likely to spend money on holidays, international travel, accommodation, restaurants, entertainment, and other tourism activities. As income increases, tourists may also choose higher-quality hotels, longer holidays, or more distant destinations. In contrast, during periods of unemployment, inflation, or reduced household income, people may postpone travel or choose cheaper destinations and accommodation. **Time** is another important factor because tourism requires sufficient leisure time away from work and other responsibilities. People with paid holidays, flexible working arrangements, or retirement may have greater opportunities to travel. The availability of time also influences the type of tourism chosen; for example, limited time may encourage short city breaks, while longer holidays allow international or long-distance travel. **Price** directly affects tourism demand because tourists compare the costs of transportation, accommodation, food, attractions, and activities when deciding whether and where to travel. Generally, when the price of a tourism product or destination increases, demand may decrease, particularly when alternative destinations are available at lower prices. Conversely, discounts, affordable transport, package holidays, and favourable exchange rates can stimulate demand. Therefore, tourism businesses must carefully consider consumers' income levels, seasonal

availability of leisure time, and price sensitivity when designing products and marketing strategies. Understanding the relationship between income, time, and price enables tourism organisations to segment markets effectively, develop suitable packages, and use pricing strategies that encourage travel demand. Overall, these three factors interact with one another and significantly influence tourists' decisions about **whether to travel, where to travel, how long to stay, and how much to spend** (Cooper et al., 2008; Middleton et al., 2009).

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