



# Structure of Tourism Markets

## Assignment 2

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**Assignment:** Structure of Tourism Markets

**Study Programme:** Bachelor in Tourism and Tourism Business Management

### Question 1

**Define tourism demand. Explain actual, suppressed, latent demand, one real-world example each.**

Tourism demand is the quantity of tourism products and services that consumers are willing and able to purchase at a particular price and under particular conditions. It is influenced by factors such as income, prices, available time, accessibility, preferences, confidence and destination characteristics.

**Actual demand:** This refers to people who are currently travelling and consuming tourism products and services. They represent realised tourism demand. **Example:** A family that travels to Paris and purchases flights, accommodation, meals and attraction tickets represents actual demand.

**Suppressed demand:** This refers to demand from people who would like to travel but cannot do so at present because of constraints such as lack of money, lack of time, illness, travel restrictions or other barriers. It can become actual demand when the constraint is removed. **Example:** An employee who wants to take an international holiday but postpones it because of insufficient annual leave has suppressed demand.

**Latent demand:** This describes potential demand from people who may travel in the future when conditions become favourable, even though they are not currently active in the tourism market. Latent demand can develop when incomes rise, destinations become accessible or new products are introduced. **Example:** A person who has never travelled abroad but plans to take an overseas holiday after saving enough money represents latent demand.

Understanding these forms of demand helps tourism businesses and destinations forecast future markets, plan capacity and design products for different customer groups.

### References

1. Lim, C. (1999). A meta-analytic review of international tourism demand. *Journal of Travel Research*, 37(3), 273–284.
2. Song, H., & Li, G. (2008). Tourism demand modelling and forecasting—A review of recent research. *Tourism Management*, 29(2), 203–220.

3. UN Tourism. (2024). Tourism demand and tourism statistics resources.

## Question 2

**Economic factors most influential determinants of tourism demand. Discuss income, time, price.**

Economic conditions strongly influence tourism demand because travel is often a discretionary expenditure. Three important determinants are income, time and price.

**Income:** Disposable income affects a person's ability to spend on travel. When household income increases, consumers are generally more able to afford holidays, longer trips, higher-quality accommodation and international travel. When income falls, tourism spending may decrease or shift towards cheaper destinations and shorter trips. Tourism is therefore sensitive to changes in employment, wages and overall economic confidence.

**Time:** Tourism requires free time as well as money. People may have sufficient income but be unable to travel because of work, study or family responsibilities. The amount and timing of annual leave, school holidays and weekends influence when and how long people travel. Tourism businesses therefore need to consider seasonal patterns and offer products suitable for different time constraints.

**Price:** The price of tourism products affects consumers' willingness and ability to travel. This includes the price of flights, accommodation, food, attractions and local transport, as well as the exchange rate between the tourist's home currency and the destination currency. Higher prices can reduce demand, while discounts and favourable exchange rates can stimulate it. Demand can also shift between competing destinations when relative prices change.

Overall, income determines purchasing capacity, time determines the opportunity to travel, and price influences the cost and attractiveness of alternative tourism choices. Tourism organisations monitor all three factors when setting prices, forecasting demand and developing marketing strategies.

### References

1. Lim, C. (1999). A meta-analytic review of international tourism demand. *Journal of Travel Research*, 37(3), 273–284.
2. Song, H., Witt, S. F., & Li, G. (2009). *The Advanced Econometrics of Tourism Demand*. Routledge.
3. Song, H., & Li, G. (2008). Tourism demand modelling and forecasting—A review of recent research. *Tourism Management*, 29(2), 203–220.