**CHAPTER II**

**THE GLOBAL MARKET FOR TOURISM**

* 1. **Introduction**

Tourism consists of a highly complex system of activities and services with numerous regional to global interrelationships into other economic and social areas (see: Fig. 2.1). Accordingly, a large number of players are involved in tourism activities in the various sectors and at just about every physical level. If sustainable tourism is to be developed to achieve a specific effect, it presupposes a fundamental understanding of the complexity and characteristics of the global tourism system.

Drawing from tourism benefits for the host region, assumes the application of free-market mechanisms for ecological and social purposes. This implies accepting the logic of a system mainly carried by private enterprise, in which competitiveness and operational profitability are both the core purpose and at the same time the prerequisite for its very ability to function. Administrations of environmental protection areas, government-run institutions, NGOs and local communities that want to partake actively in tourism, therefore, will have to begin thinking in these terms as well.

The following chapter on tourism will consequently outline the fundamental developments and mechanisms of tourism as a global economic activity and the typical characteristics of forms of tourism relevant to rural areas of developing countries.

* 1. **How does tourism function?**

Tourism takes place on several physical levels, ranging from the place or country of origin to the destination. This means that training a few local guides, building lodgings and printing information brochures will not suffice on its own. The entire service chain of a journey, which often crosses national boundaries, must function in order to develop tourism in a particular area. Because there is no possibility for the traveller to get to visit the destination before the decision of buying the journey, there is a need to look at the very special linkage between supply and demand in the tourism system.



**2.3 Marketing Strategy**

To compete in today’s tourism marketplace with its increasing global competition, organisations of both, the public and private sectors must know who their customers are and what they want. They must also be able to communicate the availability of tourism products and services to potential customers and convince them to become actual customers.

For communities that hope to compete for their share of visitors, the marketing of a distinctive culture, attractions or outstanding amenities might be the central theme. For firms in the private sector, success may be dependant on effective marketing and selling activities of the airline, hotel chain, or the tour company.

In the tourism industry, a marketing strategy includes many factors that influence the marketing effort: timing, brands, packaging, and pricing, channels of distribution, product, image, advertising, selling, and public relations.

Marketing comprises all the activities and processes used to bring buyers and sellers together, including creating, distributing, promoting, pricing and innovating ideas to facilitate satisfying exchange relationships in a dynamic environment.

The tourism product includes not only the physical product and service but also planning and development, branding and packaging. Basic marketing concepts suggest that any new product development must meet the needs of some segment of the market. We must differentiate between the original and derived offerings.

The original touristic offering consists of:

* natural attractions (landscapes, climate, water, beaches, wildlife, vegetation)
* cultural attractions (historic, religious or especially typical architectural
	+ monuments, traditional handicrafts or other economic forms, folklore, festivals,
	+ everyday culture, hospitality, special dishes, etc.).

The natural and cultural attractions must be rendered accessible and available in

order to be utilisable for tourism. This is possible with the derived offerings, which consist of the following developments:

* Transportation facilities
* Holiday facilities (accommodations, food, shops, entertainment and other
	+ facilities necessary for tourism activities, such as hiking paths)
* Mediating facilities

(travel agents, tour operators, tourist information offices).

* The touristic product is a combination of the original and the derived offerings.

Promotion is essentially communication with the goal of changing the behaviour o the consumer, specifically to purchase a tourism product such as air travel, hotel accommodations, restaurant meals, tours, or a complete destination package. Understanding where potential buyers are in terms of readiness to buy is important in setting appropriate objectives and developing effective promotional materials.

**2.4 Conclusions from practise**

* When conservation area managers, NGOs or local administrations receive support in developing tourism products, they have to keep in mind the market demands. When marketing matches the right product or service with the right customer at the right place and the right time, the results are a profitable business and a satisfied customer.
* In order to market a local touristic product, the private sector must become involved, mainly tour operators and wholesalers. When designing offerings and managing tourism, their interests and operational processes must be taken into consideration.
* In view of sustainable tourism development, marketing and promotion should emphasise environmentally sound and socioculturally equitable behaviour on the part of the tourists and on the tourism industry in general.

**2.5 What framework conditions are necessary?**

As with other enterprises, the tourism industry is also dependent on certain framework conditions in order to function in a sustainable manner. The necessary conditions for implementing sustainable tourism can be subdivided as follows:

**2.5.1 Framework for sustainable tourism development**

* Fundamental framework conditions;
* Presence of basic **transportation infrastructure,**

(international airport, road network, runways),

* **simple immigration and currency regulations,**

 (very important for tours that include several border-crossings),

* **personal safety** for the tourist,

 (protection from crime, political unrest, harassment from police/ military),

* **relatively low health risks,**

(existence of basic medical services, no epidemics),

* **Protection of touristic sights** against destruction or dilapidation (legal regulations

and their strict implementation).

* Economic policy framework conditions;
	+ Existence of an **economic order and financial policies** that promote tourism and other private companies or at least do not hamper them excessively.
	+ Access to **financing or promotional options** (e.g. special credit lines for SME or investments in general)
	+ Access to information and advice regarding entrepreneurial competence (e.g. for business start-ups)
	+ Access to **information/consultation** for **product development** and **marketing** (especially with regard to new types of touristic demand)
	+ **Support for marketing** abroad(e.g. trade-fair assistance, access to new booking systems)
	+ Existence of **possibilities for training specialised tourism personnel** (tourism

 schools and vocational training centres).

* Framework conditions for ecological and socially sustainable tourism;
* Government **environmental legislation** (e.g. high environmental standards for tourism industry, obligatory EIA for majortourism projects, solid legal position for conservation areas),
* Political and administrative structures that grant local/indigenous communities a certain share of **ownership rights and freedom of action,**
* Government economic and fiscal policies that basically permit **income from tourism to be directed into nature conservation or local communities,**
* **Funding tools/systems of incentives** that make environmentally sound investments, investments in peripheral regions or technical qualification of rural communities economically attractive.
* Information/ consultancy with regards to **environmentally sound technologies and management methods.**

Tourism is almost impossible without these framework conditions being met. Furthermore, tourism companies depend on a climate propitious to investment as well as on industry-wide institutions (e.g. vocational training centres) and on funding within the framework of economic or tourism policies. Finally, other political, institutional, planning and financial framework conditions are necessary in order to regulate that tourism is not only economically sustainable, but also ecologically and socially sustainable as well as economic benefits for the host communities.

To secure or create important touristic framework conditions and to promote and regulate tourism, government institutions are on the one hand necessary, and private sector, community or mixed associations on the other.

 Small and medium enterprises (SME) in particular depend on the existence of funding and on the possibility of consulting as well as preliminary work by the government (e.g. existing infrastructure). SME tend to lose money in developing countries.

 In contrast, larger companies and business federations (e.g. regional tourism associations or sectoral groups) are in a better position to offset government deficits at least in part using their own means (e.g. in the areas of training, infrastructure).

**2.5.2 Conclusions from practise**

* It is very important to clarify *ahead of time* whether or not the core conditions for sustainable forms of tourism exist.
* Should considerable deficits exist (e.g. institutional weaknesses), and then development co-operation must be started on the framework conditions.
* For in general, state agencies and NGOs cannot provide sufficient support to local tourism initiatives (e.g. with regards to consulting, training); co-operation with the private sector should be increased.

**2.6 Regional interrelationship**

Tourism expenditures create direct benefits in tourism-related services and such as accommodation, hospitality, attractions, events, and transportation, and indirect and induced benefits in other sectors such as agriculture, construction and manufacturing.

**2.6.1 Direct effects**

Direct benefits are realised through direct tourist expenditures for goods and services in the destination, in the form of business receipts, income, employment, and government receipts from the sectors that directly receive the tourism expenditure. In the destination areas, jobs are mainly created in accommodation, catering and other services (programmes).

It is safe to say that in comparison to other modern economic sectors, tourism is relatively job intensive in relationship to volume of turnover and often, too, to the capital invested. Rough estimates of job impact of tourism in developing nations range from one to a maximum of two jobs per bed in the total tourism trade of a destination area.

**2.6.2 Indirect effects**

Indirect benefits are generated by the circulation of the tourism expenditure in the destination through inter-business transactions in the domestic economy. For example, indirect benefits can be generated from the investment and spending by businesses which benefit directly from tourism expenditures. The direct business receipts, when re-funnelled as investments or used to purchase other goods and services from domestic suppliers (who, in turn, purchase goods and services from other domestic suppliers), stimulate income and employment in other sectors. In addition, tourism expenditure within the destination can create **induced** **benefits**. As income levels rise due to the direct and indirect effects of the change in the level of tourism expenditure, some of the additional personal income is spent within the destination. This results in amplification of the direct impact on the creation of income and jobs in neighbourhood or economically linked areas as well, which is known as the **multiplier effect**. The multiplier effect for tourism in developed countries is generally above 1. In less developed economies, the multiplier effect is usually below 1, however (see. Table 2.1).

The extent of direct and indirect effects on the creation of income and jobs in an area under consideration depends on the following factors:

* Existence of capital, entrepreneurial initiative and know-how,
* Availability and qualification of workers,
* Availability, quality, prices of local goods and services.



**2.6.3 Leakage**

Some of the added revenues from the increase in tourism expenditures may, however, undergo leakage. Leakage refers to the process through which tourism receipts leave the destination’s economy. Revenues may leak out of the local economy in the form of payment for imports or moneys saved (without reinvestment). Important payments can take several forms, such as repatriation of profits to foreign corporations and salaries to non-local managers, as well as payment for imported goods and for promotion and advertising by companies based outside the destination.

**2.6.4 Conclusions from practise**

* Limited direct effects and high leakage rates can be expected for peripheral and undeveloped areas, for investments coming from outside and a high percentage of goods/services must be imported. Nonetheless, even lower earnings from tourism will have outstanding significance if hardly any other opportunity for cash income exists.
* A central task of local regulation for sustainable tourism development is to promote entrepreneurial initiatives of local communities and to increase sustainable use of resources.

**2.7 Upcoming tourism alternatives**

The bulk of travel traffic consists of business trips and classic “seaside tourism” in the large holiday centres. In spite of recent tendencies towards alternative travel, the latter is still the true engine of national and international tourism traffic. The natural and cultural attractions of rural areas have captured relatively little traveller interest, but it is growing. The most relevant forms of upcoming tourism alternatives are:

* **Nature tourism:** Interest lies in diverse nature, pristine at best.
* **Rural /cultural tourism:** Interest lies in special cultural manifestations in a rural context, or at least in one close to nature.
* **Scientific tourism:** Interest lies in visiting social or ecological projects and trips for professional or educational purposes.

**2.7.1 Nature tourism**

Exact data on the world-wide demand for nature tourism is not available, but isolated figures for certain countries/regions do exist. East Africa and South Africa (safari tourism), the Himalayan countries (mountain tourism), Southeast Asia (rain-forest tourism), the coral reefs of the Indian Ocean, the South Pacific and the Caribbean (scuba-diving tourism) and Central and South America (rain forest and mountain tourism) are the most important destinations for nature tourists in developing countries.

The exclusiveness of the nature experience has a more or less important position at the root of the tourists' needs in this particular segment of the demand. Such qualities are more frequently encountered in conservation areas than elsewhere.

The quantitative significance of the various demand segments is also important in order to assess the market potential of a nature tourism product.

 According to growth forecasts, the “classic” ecotourist with a special interest in nature, with low demands on comfort and high environmental awareness will increasingly be part of the minority in the global nature tourism market.

The number of “casual” nature tourists is far greater, i.e. those who schedule visits to nature areas often as a mere add-on to a trip and tend not to make “purist” claims when it comes to proximity to nature and the presence of other visitors.

This type includes especially the bulk of domestic tourists in developing nations. The respective needs must be taken into consideration when doing the planning. Indeed, if well managed, this type of tourism could even be a significant potential for income for nature areas within range of holiday centres.

**2.7.2 Rural / cultural tourism**

Surveys of tourism to developing countries show a great interest amongst travellers in what they experience as exotic culture in the destination countries. As opposed to nature tourism, which can be principally conducted without the participation of the local population, intercultural encounters are the core of the journey in cultural tourism. Usually the highest possible level of cultural authenticity is also expected. In addition travellers often have a great number of different – and in part very special – interests (see. Table 2.2). Cultural trips, like nature tourism, are often combined with other attractions (e.g. stays on the beach, excursions into nature areas).

**2.7.3 Scientific tourism**

Scientific and educational tourism are interesting from an economic point of view, since this type of demand features longer on-site stays and can also often be extended after the end of the actual project. Both require the active development of suited offers by the research-project executing agency or by the responsible organisation. It can grow into a lucrative source of income for the executing organisation if combined with complementary vacation offers, and create additional jobs for the local population.



**2.7.4 The alternative market**

The nature and cultural tourists may be characterised by a host of combined features such as above-average academic qualification, higher income and greater travel expenditures, broad travel experience, high quality-conscious and relatively open-minded to conditions in the host country or region. The bulk of the demand stems from industrialised nations. However, domestic travellers with interest in the natural beauty and cultural heritage of their own country – is gradually gaining in popularity in the threshold nations.

What distinguishes tour operators of nature and cultural tours in developing nations and operators of lodges and guesthouses from the growing trend toward concentration in the global tourism industry is the fact that they are usually highly specialised, small and medium enterprises that do not really have access to major financial capacities.

 Nevertheless, large-scale tourism enterprises are increasingly turning to nature and cultural tourism as a means to diversify their offerings. These kinds of tour operators as a rule offer excursions into villages or nature conservation areas as add-on programmes.

Even in the area of nature and cultural tourism, striving for short-term gain and non-sustainable use of touristic resources by the private sector can be observed, because of know-how-gaps in terms of environmentally sound and socially equitable management, product design and appropriate promotion.

**2.7.5 Conclusions from practise**

* When co-operating with the private sector, it must be clarified in what areas do the objectives of sustainable tourism development harmonise with the primarily economic interests of the companies and where do they tend to conflict. Above and beyond a general sense of responsibility, tourism industry principally exhibits immediate interest in the sustainability of tourism development when:
* appropriate measures are taken to lower operational expenses or at least not to increase costs,
* it can prevent damage to the touristic resources (e.g. destruction of the landscape, water pollution, driving out wildlife by poachers),
* the respective measures fit the company's corporate identity and appeal to customers (image care).
* The fundamental readiness to co-operate with the local communities has similar traits. For companies it first of all means delays and increased complications in operational processes, but it could become interesting if it gives way to an attractive touristic product.
* If the conditions mentioned above are not met, the tourism industry cannot be relied upon to voluntarily act in environmentally and socially sound fashion, especially if this would generate higher expenses or loss of revenue. In such cases conservation area administrations, local organisations and governmental and non-governmental institutions would be well advised to create special incentives (e.g. granting exclusive rights of use, fee discounts, joint training of local personnel) or impose charges (e.g. for granting concessions), so that the activities of tourism companies might produce the kind of effects considered right from the standpoint of nature conservation or benefits for local communities.
* A very significant but only indirect economic advantage of project-related tourism is the impact on the public relations work of development cooperation and nature conservation organisations in donor nations. Members and other interested parties can actually observe on location where their contribution is being spent and might well decide to increase their support for such projects.

**2.8 Conclusion**

This chapter has outlined the fundamental developments and mechanisms of tourism as a global economic activity and the typical characteristics of forms of tourism relevant to rural areas of developing countries.