

TOURISM POLICIES AND FASHION, ART AND FOOD INDUSTRIES

Tourism DEMAND and SUPPLY

Lecture 5

Pasquale Marcello Falcone

Università degli Studi di Napoli Parthenope



Learning Objectives

- ✓ Definition of the tourism demand and its determination.
- ✓ The elasticity.
- ✓ Pricing methods and strategies.
- ✓ Definition of the tourism supply.
- ✓ Matching tourism demand and supply.

Definition of DEMAND

Literature defines demand as a schedule of the amount of any product or service that people are willing and able to buy at each specific price in a set of possible prices during some specified period of time.

The *Law of Demand* states that other things held constant, as the price of a good or service increases, the quantity demanded will fall.

Tourism DEMAND

Tourism demand is defined as the total number of persons who travel or wish to travel, and use tourist facilities and services at places away from their places of work or residence (Cooper et al. 1993).

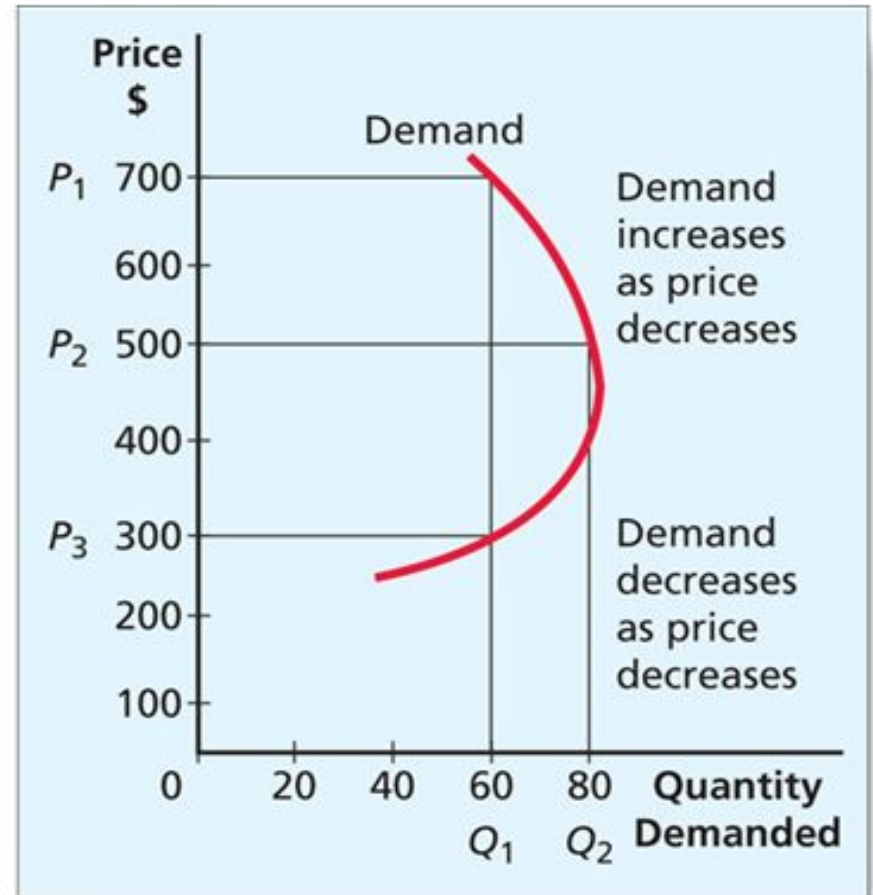
There are many reasons for engaging in tourism:

- For leisure, recreation and holidays
- To visit friends and relatives
- For business and professional engagements
- For health treatment
- To undertake religious and other pilgrimages
- Other

Determining the DEMAND

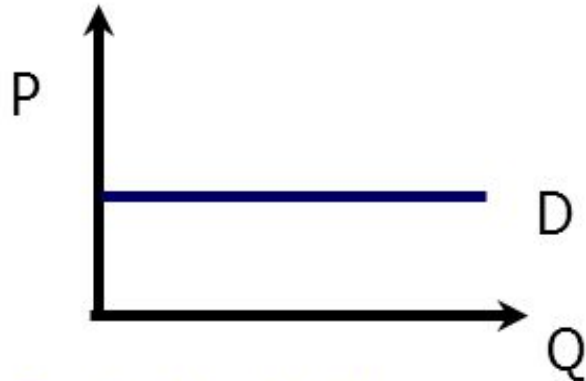


Normal Products

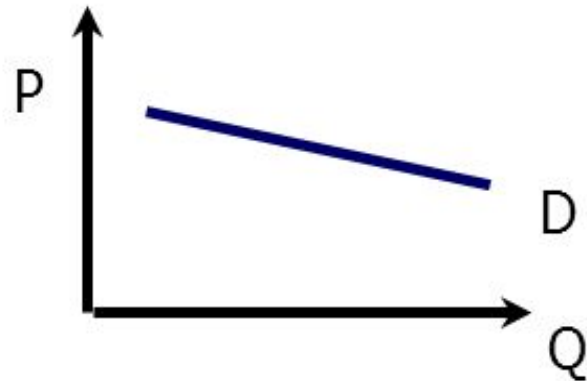


Prestige Products

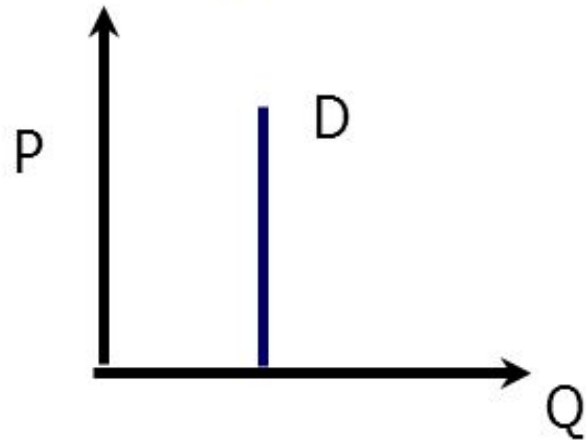
Elastic vs. Inelastic DEMAND



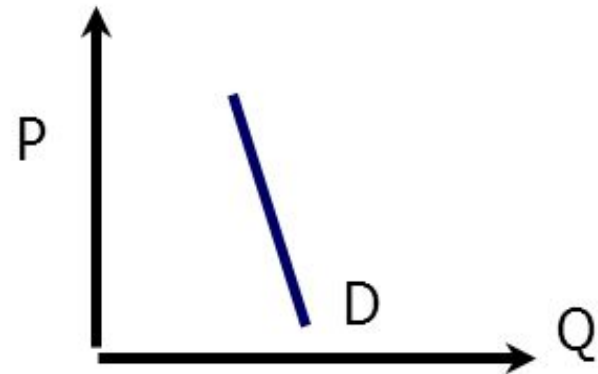
Perfectly elastic



Relatively elastic



Perfectly inelastic



Relatively inelastic

PAUSE

The role of price

What is the role and function of price in the economy?

If a good is in shortage – price will tend to rise. Rising prices discourage demand, and encourage firms to try and increase supply.

If a good is in surplus – price will tend to fall. Falling price encourage people to buy, and cause firms to try and cut back on supply.

Pricing methods and strategies

Pricing a product or a service is one of the most important aspects of marketing management. Generally, pricing strategies include the following five strategies:

- **Cost-plus pricing**—simply calculating your costs and adding a mark-up.
- **Competitive pricing**—setting a price based on what the competition charges.
- **Value-based pricing**—setting a price based on how much the customer believes what you're selling is worth.
- **Prestige Pricing (or Price Skimming)**—setting a high price to attract hedonic, high-value customers.
- **Penetration pricing**—setting a low price to enter a competitive market and raising it later.

Law of SUPPLY



Tourism SUPPLY

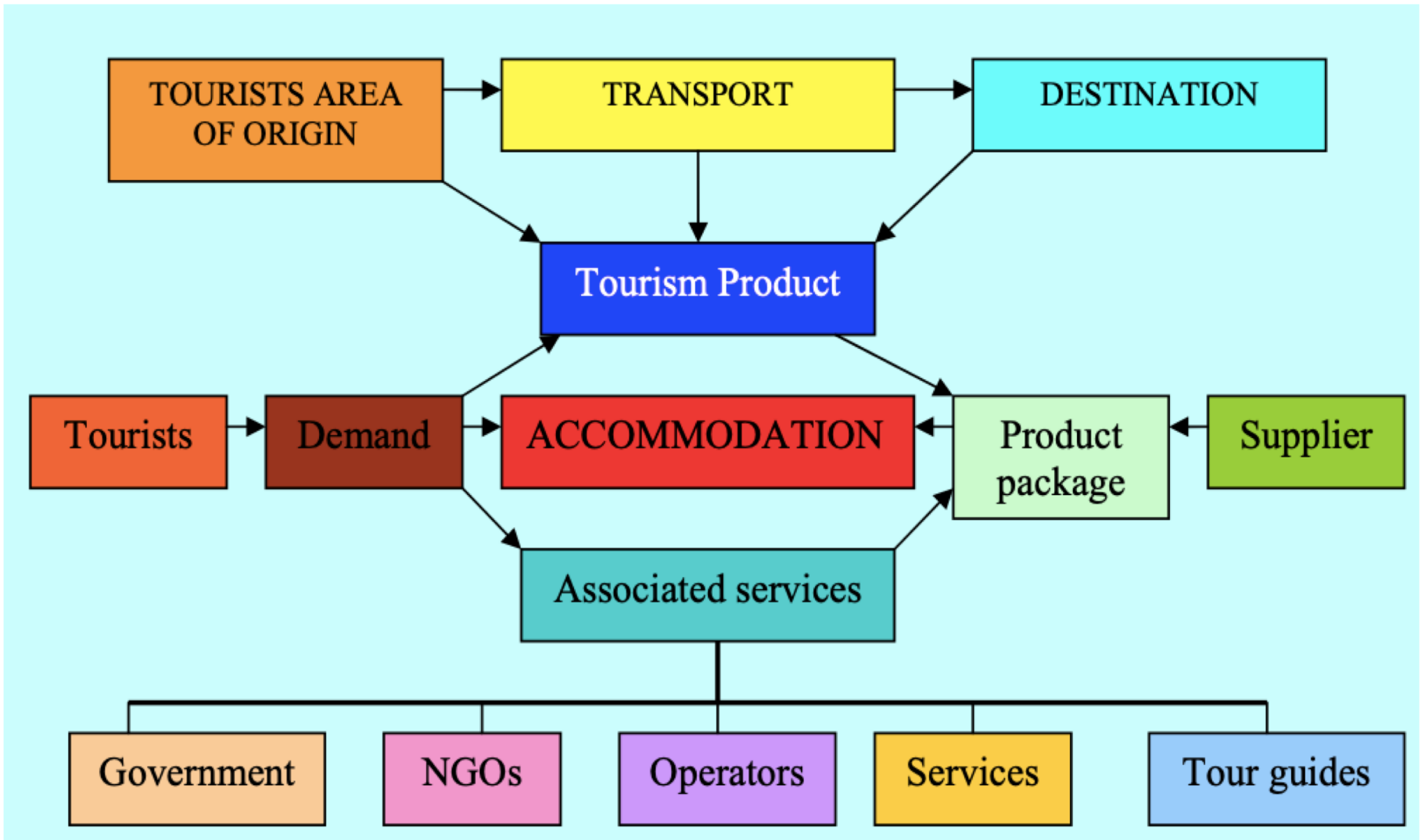
The supply of all assets, services and goods to be enjoyed or bought by visitors and occasioned by the journeys of visitors.

Tourism supply consists of an amalgamation or mix of attractions. Tourism supply shapes the demand for tourism in a country.

Four main components:

- i) natural resources;
- ii) built environment;
- iii) transportation;
- iv) hospitality.

Matching SUPPLY and DEMAND



Contacts and office hours

Contacts

- **Email:** pasquale.falcone@uniparthenope.it
- **Tel.:** 0815474127
- **Web page:** www.pmfalcone.eu

Office Hours

- **Day and time:** Tuesday from 11:00 to 12:00
- **Place:** Room 309, III Piano Palazzo Pacanowski.