

**AN ASSESSMENT OF SELECTED SUPPLY AND DEMAND
COMPONENTS OF THE TOURISM INDUSTRY IN THE GEORGE /
WILDERNESS AREA**

BY

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Management at the Port Elizabeth Technikon.**

PROMOTER: PROF L RADDER

DATE: JANUARY 2001

DECLARATION

"I, David Leon Rutherford, hereby declare that:

- the work in this dissertation is my own original work;
- all sources used or referred to have been documented and recognised;
and
- this dissertation has not been previously submitted in full or partial fulfillment of the requirements for an equivalent or higher qualification at any other recognised education institution".

D L Rutherford

January 2001

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To God be the glory

David L Rutherford
George
January 2001

SUMMARY

In this research paper a database of accommodation establishments was compiled, and certain supply and demand aspects of the tourism industry in the George / Wilderness area were measured with a view to determine whether planning by the private sector and local authorities could benefit therefrom.

Attention was given to the peculiar nature of tourism demand and tourism supply and how selected components thereof could be measured.

The research methodology followed included:

- a literature survey to facilitate an understanding of the nature of tourism supply and tourism demand;
- the construction of a database of accommodation establishments in order to identify all participants in the George / Wilderness tourism industry;
- a telephone survey to determine the supply of bed nights in the area; and
- a questionnaire survey to determine the demand by tourists for bed nights in the area.

The following recommendations and conclusions were made:

- The database compiled during this study should be kept up to date and be expanded to include visitor profiles such as country of origin, length of stay, and primary reason for travel in order that private and public sector

concerns may draw statistics / data to be used in the planning and / or marketing of the tourism industry to tourists.

- Greater co-operation and co-ordination between private and public sectors of the tourism industry are needed to obtain data concerning the tourism market required for planning purposes as well as a concerted marketing effort. Failing this, legislation should be introduced, compelling accommodation establishments to make available supply and demand data to the regional services council for statistical purposes.
- The study should be extended to cover the entire Southern Cape region in order to obtain statistics applicable to the region as a whole. This will then facilitate both local and regional planning as well as a coordinated marketing effort.

CONTENTS

	<u>PAGE</u>
TABLE OF CONTENTS	(i)
LIST OF FIGURES	(v)
LIST OF TABLES	(v)
LIST OF ANNEXURES.....	(v)

CHAPTER ONE

PROBLEM STATEMENT AND DEFINITION OF CONCEPTS

1.1 BACKGROUND TO THE STUDY	1
1.2 MAIN PROBLEM	3
1.3 SUB – PROBLEMS	5
1.4 IMPORTANCE OF THE RESEARCH	6
1.5 DEFINITIONS	8
1.5.1 Tourism and tourism industry	8
1.5.2 Tourists and visitors	11
1.5.3 Demand	16
1.5.4 Supply	16
1.5.5 Formal and Informal Sector	17
1.6 DEMARCATION OF THE RESEARCH	17
1.7 METHODOLOGY USED IN THE RESEARCH	18
1.7.1 Literature survey	18

1.7.2 Empirical study	19
-----------------------------	----

	<u>PAGE</u>
1.7.3 Analysis of findings	19
1.8 SUMMARY	19

CHAPTER TWO

THE NATURE OF TOURISM DEMAND

2.1 INTRODUCTION	21
2.2 DEMAND PERSPECTIVES	21
2.2.1 General perspectives	21
2.2.2 Tourism perspectives	22
2.3 DEMAND MEASUREMENT	28
2.3.1 Measuring effective demand	29
2.3.2 Demand measurement of international tourism	30
2.3.3 Demand measurement of domestic tourism	32
2.3.4 Problems in measuring demand	34
2.4 SUMMARY	36

CHAPTER THREE

THE NATURE OF TOURISM SUPPLY

3.1	INTRODUCTION	37
3.2	THE CONCEPT OF SUPPLY	37

		<u>PAGE</u>
3.3	THE RELATIONSHIP BETWEEN SUPPLY AND DEMAND	41
3.4	MEASURING ACCOMMODATION SUPPLY	44
3.5	SUMMARY	45

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1	INTRODUCTION	46
4.2	RESEARCH METHODOLOGY	46
4.2.1	Literature survey	46
4.2.2	Construction of an establishment database	47
4.2.3	Telephone survey	47
4.2.4	Questionnaire survey	48
4.3	PRIMARY AND SECONDARY DATA	50
4.4	CRITERIA FOR THE ADMISSIBILITY OF THE DATA	50
4.5	SAMPLING	51
4.6	RELIABILITY	51
4.7	VALIDITY	51

4.8	SUMMARY	52
-----	---------------	----

CHAPTER FIVE

ANALYSIS OF FINDINGS

	<u>PAGE</u>	
5.1	INTRODUCTION	53
5.2	SECONDARY DATA SEARCH	53
5.2.1	Visitor numbers	54
5.2.2	Available bed nights	54
5.2.3	Planning	54
5.3	SUPPLY OF BED NIGHTS	55
5.4	THE DEMAND FOR BED NIGHTS	56
5.5	SUMMARY	60

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1	INTRODUCTION	61
6.2	CHAPTER SUMMARIES	61

6.3	ADDRESSING THE RESEARCH PROBLEMS	63
6.4	RECOMMENDATIONS	68
6.5	SUMMARY	69
	REFERENCE LIST	70

LIST OF FIGURES

	<u>PAGE</u>
Figure 1.1	Organisation structure of the Western Cape Tourism Board . 4
Figure 1.2	Classification of travelers 15
Figure 2.1	The concept of demand 23
Figure 3.1	Fluctuating demand levels and supply 43

LIST OF TABLES

Table 2.1	Sources of economic influence on tourism demand 25
Table 5.1	The supply of bed nights per establishment category in the George / Wilderness area 55
Table 5.2	Response rate of participants 56
Table 5.3	Participation expressed as a percentage of available bed..... nights.....57

Table 5.4	Visitor numbers and bed night sales for the ten months ending	
	October 2000	59

LIST OF ANNEXURES

Annexure A Database

Annexure B Questionnaire

Annexure C Covering letter

Annexure D Regional Services Council's letter of support

Annexure E Instruction sheet

CHAPTER ONE PROBLEM STATEMENT AND DEFINITION OF CONCEPTS

1.1 BACKGROUND TO THE STUDY

In a report (World Travel and Tourism Council, 1988) dated September 1998 and addressed to the then president Nelson Mandela and deputy President Thabo Mbeki, the World Travel and Tourism Council (WTTC) states that travel and tourism (T & T) is emerging as a leading global economic driver for the 21st century. This report also pointed out that tourism is an important contributor to employment and wealth creation in South Africa, resulting in a huge flow through effect which touches all sectors of the economy, and is expected to create an additional 500 000 new jobs in the travel and tourism economy between 1998 and the year 2010.

The T&T industry in South Africa is expected to increase from R 17.0 billion of direct gross domestic product (GDP) in 1998 – 2.6% of total GDP – to R 68.1 billion by the year 2010 – 3.2% of overall GDP.

The T&T economy is expected to increase from a 1998 GDP of R 53.2 billion – 8.2% of overall GDP – to a GDP of R 210.9 billion in the year 2010 representing 10.3% of overall GDP. This figure illustrates the massive flow through effect of travel and tourism.

Based on their research, the WTTC recommends amongst other things that the South African Government “coordinate provincial, national and regional marketing” of the tourism product.

On the 1st April 1997 the Western Cape Tourism Act – No 3 of 1997 – provided for the establishment, appointment, funding, powers and functions of a representative and effective tourism structure in the Western Cape which will facilitate the promotion, support and development of tourism to and in the Western Cape, and to provide for matters incidental thereto.

The structure implemented in the Western Cape is depicted in Figure 1.1. The highlighted sections depict the focus of this study.

The Garden Route Regional Tourism Bureau (RTB) is one of seven RTBs which make up the Western Cape Tourism Board. (WCTB)

George is one of eleven Tourism Bureaus (TBs) in the Garden Route represented by the Garden Route Regional Tourism Board (RTB). The other

are Stilbaai, Heidelberg, Riversdale, Mossel Bay, Kleinbrak River, Great Brak River, Wildernis, Sedgefield, Knysna and Plettenberg Bay.

Although not reporting via a line function, each TB is represented on the RTB, which in turn has representation on the WCTB. A functional relationship exists which ensures cooperation in order to achieve the objectives set out in the Act.

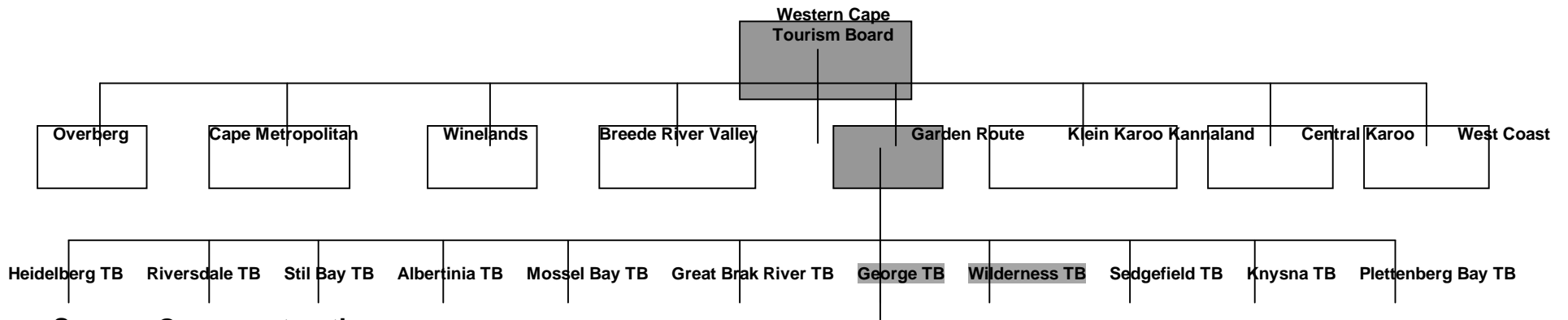
Funding for TBs is obtained from the local municipalities, while the activities of the RTB are funded by the District Council. The WCTB, in turn, is funded by the Provincial Council.

1.2 MAIN PROBLEM

The above economic importance, proposed new structure and prescriptive legislation all contribute to the forced coordination of planning and marketing activities on both regional and local levels. Since sound planning is only as good as the information on which it is based, the measurement of regional and local supply and anticipated demand becomes fundamental to a coordinated planning and marketing approach.

At present there exists no official, local level, supply figures while demand is estimated based on the number of tourists signing the visitor's book displayed at each local tourist bureau's information office – a method far from adequate since not all tourists visiting the area also visit the local tourist information office, and not even all those who do visit the office sign the book either. The accuracy of the figures on which planning is based is therefore often questionable.

Figure 1.1 Organisation structure of the Western Cape Tourism Board



Source: Own construction

Furthermore, a prerequisite to the determination of local supply and demand figures is the compilation of an accurate database depicting data pertaining to existing accommodation establishments. This, too, is non-existent, and local and regional authorities are not aware of the true number of accommodation establishments operating in the area.

The main problem is thus:

Can planning by the private sector and local authorities benefit from the creation of an accommodation establishment database and the accurate measurement of selected supply and demand components of the tourism industry?

1.3 SUB - PROBLEMS

The main problem can be restated in terms of a number of sub – problems:

- *Will a reliable database of accommodation establishments facilitate the measurement of supply and demand of bednights?*
- *What is the demand for bed nights experienced in the area?*
- *What is the number of bed nights available in the area?*
- *Does the supply of bed nights match the visitor demand?*
- *How accurate are the figures currently being used for planning purposes by private institutions and regional authorities?*

1.4 IMPORTANCE OF THE RESEARCH

The expected growth in the South African travel and tourism industry over the next decade and the expected concurrent growth in job creation has necessitated local government to redesign structures and implement legislation which forces coordination of planning and marketing activities on both regional and local levels (The Department of Economic Affairs, Agriculture and Tourism, 1993). This expected growth and job creation poses challenges to the Western Cape and in particular to role players in the George / Wilderness area.

According to Richie and Goeldner (1994: 4) the information base on which decisions pertaining to planning and marketing activities are made is at best very fragile and in many cases unreliable. This can be attributed to:

- The large number of participants in the industry which makes it difficult to collect data.
- The nature of the travel experience which makes it difficult to understand consumer behaviour and expenditure within this travel experience.

- The fact that tourism is a relatively new industry and has not been subjected to much research.

Fundamental to this coordinated planning and marketing is the measurement of regional and local supply and anticipated demand.

Richie and Goeldner (1994: 4) identify three levels at which tourism decision making takes place. Sound information is therefore required by:

- governments, to develop proper tourism infrastructure;
- commercial enterprises, for more profitable business practices; and
- non-profit organisations, which need more information to facilitate the development and management of museums, events and festivals.

It is the author's view that all three of these sectors of tourism decision-makers could benefit from the research findings of this study by basing their planning and marketing initiatives on more accurate data, than that previously available.

The importance of accurate information is stressed by the World Tourism Organisation (1997:3) who are of the opinion that planning of tourism at all levels is essential for achieving successful tourism development and management. Places that have allowed tourism to develop without the benefit of planning are often suffering from environmental and social problems.

This research also attempts to address the recommendations made by Bloom (1992: 243) in his comprehensive study of demand forecasting as applied in South Africa. He suggests that:

- a database for domestic tourism should be established for private and public sector concerns so that they may draw statistics and data to be used in future forecasting exercises;
- greater co-operation and coordination between private and public sectors of the tourism industry are needed to obtain adequate forecasts of the tourism market and its potential. Adequate forecasts may be obtained by combining forecasts of individual concerns in both the private and public sectors.
- supply variables should be included when forecasting demand. This is particularly important for decisions regarding adequate carrying capacity and providing infrastructure to a particular attraction or region.

1.5 DEFINITIONS

Because of the ambiguity that exists in the literature (Pearce 1995, McIntosh, Goeldner and Richie 1995, Matheson and Wall 1992), it becomes necessary for any study in the field of tourism to clearly define the concept of tourism as well as what is meant by the tourism industry.

1.5.1 Tourism and tourism industry

Tourism is essentially about people and places: the places that one group of people leave, visit, and pass through; other groups who make their trip possible; and those they encounter along the way. (Pearce, 1995: Introduction)

Acknowledging the fact that various groups participate in and are affected by tourism, McIntosh, Goeldner and Richie (1995:9) define tourism as the sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host governments and host communities in the process of attracting and hosting tourists and other visitors.

Matheson and Wall (1992:1) define tourism as: the temporary movement to destinations outside the normal home and workplace, the activities undertaken during the stay and the facilities created to cater for the needs of tourists.

Cooper et al (1993:4) point out that the above definition, although not technical, conveys the essential nature of tourism. In other words:

- Tourism arises out of a movement of people to, and their stay in, various destinations.
- There are two elements in tourism: the journey to the destination and the stay (including activities) at the destination.

- The journey and stay take place outside the normal place of residence and work, so that tourism gives rise to activities, which are distinct from the resident and working population's of the places through and in which they travel and stay.
- The movement to destinations is temporary and short-term in character. The intention is to return home after a period of time.
- Destinations are visited for purposes other than taking up permanent residence or employment.

Bull (1997:1) notes that tourism is a human activity, which encompasses human behaviour, use of resources, and interaction with other people. It also involves physical movement of tourists to locales other than their normal living places.

Middleton (1988:8) differentiates between a demand side and a supply side to tourism. He is of the opinion that, seen from the demand side, travel and tourism, as a total market, comprises three main sectors: International tourism, domestic tourism and excursionism.

When looked at from the supply side, the travel and tourism industry comprises the products or outputs of several different industry sectors. Economists, however, do not recognise travel and tourism in this light. In assessing the performance of industry sectors, it is normal for economists and statisticians to measure the outputs of transport, accommodation, and catering, for example, but

they cannot easily distinguish what proportion of each output is generated by tourist spending. (Holloway,1985:8).

The concept of a demand and supply side is also acknowledged by other authors. According to Leiper (1979:79) the tourism industry consists of all those firms, organizations, and facilities which are intended to serve the specific needs and wants of tourists. Bull (1997:1) includes the concept of excursionists and hence defines the tourism industry as consisting of any organisation supplying goods and services to those people defined as tourists and excursionists, as part of their tourist requirements.

One of the most explicit definitions of the tourism industry was formulated by the United Nations Conference on Trade and Development (1971):

“The tourist sector or tourist industry...can be broadly conceived as representing the sum of those industrial and commercial activities producing goods and services wholly or mainly consumed by foreign visitors or by domestic tourists”.

For the purpose of this research, tourism is defined as a composite of activities, services and industries that deliver a travel experience and includes:

- transportation, accommodation, eating and drinking establishments, shops, entertainment, activity facilities and other hospitality services available for individuals or groups who are travelling away from home;

- the entire world industry of travel, hotels, transportation and all other components, including promotion, that serve the needs and wants of travelers; and
- the sum total of tourist expenditure within the borders of a nation, or a political subdivision, or a transportation-centered economic area of contiguous states or nations.

1.5.2 Tourists and visitors

Smith (1997:20) contends that the lack of consistent and accepted operational definitions of the words “tourism” and “tourist” is a consistent source of frustration for tourism planners and analysts, since it reduces credibility of the field in the eyes of its critics and also makes comparisons between tourist flows and other related phenomena among jurisdictions, difficult.

Smith (1997:22) divides tourism into the following categories:

- domestic tourism: residents of a country visiting destinations in their own country;
- inbound tourism: visits to a country by non-residents;
- outbound tourism: residents of a country visiting destinations in other countries;
- internal tourism: the combination of domestic tourism and inbound tourism;
- national tourism: the combination of domestic and outbound tourism; and

- international tourism: the combination of inbound and outbound tourism.

Referring to internationally accepted definitions, Holloway (1985:1) states that it is normal to speak of “visitors” to describe all travellers who fall within agreed definitions, “tourists” to describe visitors who stay overnight at a destination, and “excursionists” or “day-visitors” to describe visitors who arrive and depart on the same day. Excursionists are mostly people who leave home and return there on the same day, but may be tourists who make day visits to other destinations away from the places where they are staying overnight.

Cooper et al (1993:6) goes on to classify tourists in two basic ways which relate to the nature of their trip, namely destination and purpose of visit.

- A basic distinction can be made between domestic and international tourists. Domestic tourism refers to travel within the country of residence. There are rarely currency, language or visa implications, and therefore, domestic tourism is more difficult to measure than international tourism. In contrast, international tourism involves travel outside the country of residence and there may well be currency, language and visa implications.
- Tourists can also according to classified by purpose or visit category. Three categories are used:
 - (i) Leisure and recreation – including holiday, sports and cultural tourism and visiting friends and relatives (VFR).
 - (ii) Other tourism purposes – including study and health tourism.

- (iii) Business and professional – including meetings, conferences, incentive and business tourism.

The World Tourism Organization (WTO) defines tourism as comprising the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes (World Tourism Organisation, 1997). Of importance in the above definition is the concept “traveller”, which is defined as “any person on a trip between two or more countries or between two or more localities within his/her country of usual residence”. All types of travellers engaged in tourism are described as visitors. Visitors are persons who travel to a country other than the one in which they generally reside for a period not exceeding 12 months, whose main purpose is other than the exercise of an activity remunerated from within the place visited.

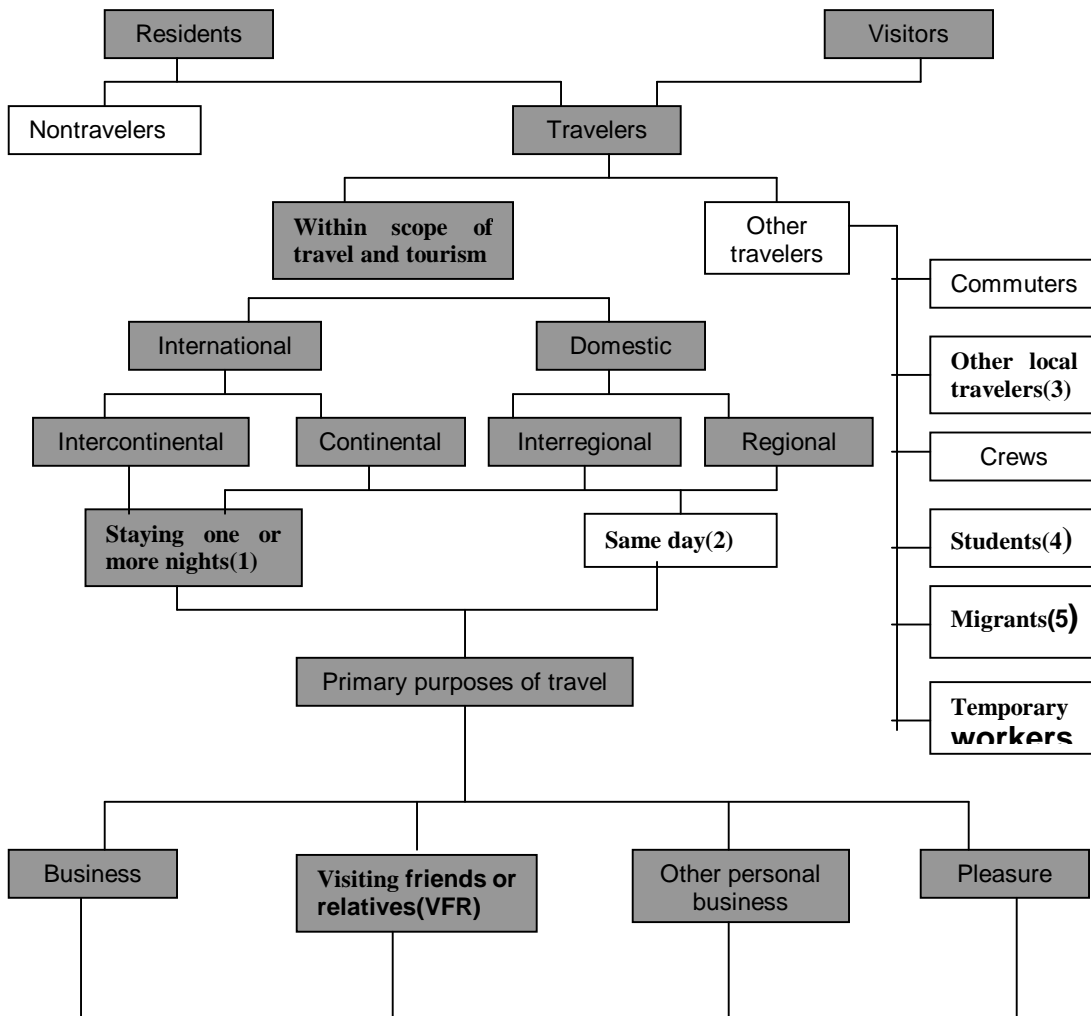
Visitors can be subdivided into two categories:

- Same-day visitors: visitors who do not spend the night in a collective or private accommodation in the country visited.
- Tourists: visitors who stay in the country visited for at least one night (McIntosh et al. 1995:11).

A comprehensive classification of travellers is depicted in Figure 1.2. The highlighted sections represent the focus of this research.

For the purpose of this research, tourists are defined as travellers, within the scope of travel and tourism, both international and domestic, who could be intercontinental, continental, regional or interregional, but who stay one or more nights and whose primary purpose of travel is either business, VFR, other personal business, or pleasure.

Figure 1.2. Classification of travelers



Primary Activities	Primary Activities	Primary Activities	Primary Activities
Consultations Conventions Inspections	Socializing Dining in Home entertainment	Shopping Visiting lawyer Medical appointment	Dining out Recreation Sightseeing
Secondary activities	Secondary activities	Secondary activities	Secondary Activities
Dining out Recreation Shopping Sightseeing VFR	Dining out Physical Recreation Shopping Sightseeing Urban entertainment	Dining out VFR	VFR Conventions Business Shopping

Key:

- (1) Tourists in international technical definitions
- (2) Excursionists in international definitions.
- (3) Travelers whose trips are shorter than those that qualify for travel and tourism.
- (4) Students travelling between home and school only – other travel of students is within scope of travel and tourism.
- (5) All persons moving to a new place of residence including all one-way travelers such as emigrants, immigrants, refugees, domestic migrants and nomads.

Source. McIntosh, Goeldner and Richie, 1995:15

1.5.3 Demand

For the purpose of this study, demand is defined as the number of people who actually participate in a tourist activity, or visit a given area. This is consistent with the definition of demand postulated by Pearce (1995:8) and is fully discussed in Chapter two.

1.5.4 Supply

The concept of supply and its measurement is discussed in detail in Chapter three. For the purpose of this study, tourism supply is defined as the number of beds that are available in the George / Wilderness area.

1.5.5 Formal and Informal Sector

For the purpose of this study the formal sector refers to the hotel industry while the informal sector refers to guesthouses, hostels, reserves and backpackers establishments.

1.6 DEMARCATION OF THE RESEARCH

Demand is defined and demarcated in Chapter two, while supply is defined and demarcated in Chapter three.

Although the Garden Route area encompasses eleven municipal areas stretching from Heidelberg in the West to Plettenberg Bay in the East, the proposed study will, be confined to the George / Wilderness municipal area. The purpose of this delimitation is to make the research topic more manageable from a research point of view.

Because of the difficulty involved in tracing establishments that are not registered, only establishments registered at the Regional Services council and / or as members of the local Tourism Bureau will be included in this study.

This study focuses on the supply and demand of bed nights over the period January to October 2000.

1.7 METHODOLOGY USED IN THE RESEARCH

A literature review and an empirical study were undertaken in an attempt to solve the main and sub-problems. A detailed discussion of the methodology is provided in Chapter four. A summary thereof is given below.

1.7.1 Literature survey

The various methods of measuring supply and demand components were identified via a literature survey and the most appropriate method was selected and implemented.

Data published by the Western Cape Tourism Board was consulted in order to determine the number of tourists visiting the George / Wilderness area. This was compared to data of visitor numbers obtained from the records of the George and Wilderness tourist bureaus.

Records of the Garden Route Regional Services Council, as well as those of the George and Wilderness tourism bureaus were consulted in order to compile a database of all hospitality establishments in the area.

1.7.2 Empirical study

A telephone interview with the owners and/or managers of all the hospitality establishments was conducted to determine the number of bed nights available in the area. Since results obtained by means of sampling were deemed to be not accurate enough, all hospitality establishments in the area were consulted.

In order to measure the number of visitors utilizing the services of the hospitality establishments, a questionnaire was designed and distributed to each establishment which respondents were requested to complete, on a monthly basis, and return to the researcher.

1.7.3 Analysis of findings

After all data was collected, figures relating to demand were compared with those pertaining to supply in order to find solutions to the sub-problems. A detailed analysis of the findings is set out in Chapter five.

1.8 SUMMARY

Chapter one has presented the main and sub-problems that were addressed by this research. It has also discussed the importance of the research and defined certain concepts that are central to the approach adopted by the researcher.

The nature of tourism demand and supply is discussed in Chapters two and three, while the research methodology, analysis of findings,

conclusions reached and recommendations made will be found in Chapters four, five and six respectively.

CHAPTER TWO **THE NATURE OF TOURISM DEMAND**

2.1 INTRODUCTION

Demand is generally seen to be a broad and imprecise term. Matheson and Wall (1992; Bull 1997). It is, therefore, necessary to examine the nature of demand from a tourism point of view. This chapter focuses on the different perspectives of tourism demand and on the various methods employed to measure tourism demand.

2.2 DEMAND PERSPECTIVES

Sinclair and Stabler (1997:15) contend that tourism demand affects all sectors of an economy – individuals and households, private businesses and the public sector.

2.2.1 General perspectives

Matheson and Wall (1992 : 1) identify three approaches to the study of demand, namely, those of psychologists, geographers and economists.

Psychologists view demand from the perspective of motivation and behaviour. Geographers define tourism demand as “the total number of persons who travel, or wish to travel, to use tourist facilities and services at places away from their places of work and residence”. Economists consider demand to be the schedule

of the amount of any product or service which people are willing and able to buy at each specific price in a set of possible prices during a specified period of time.

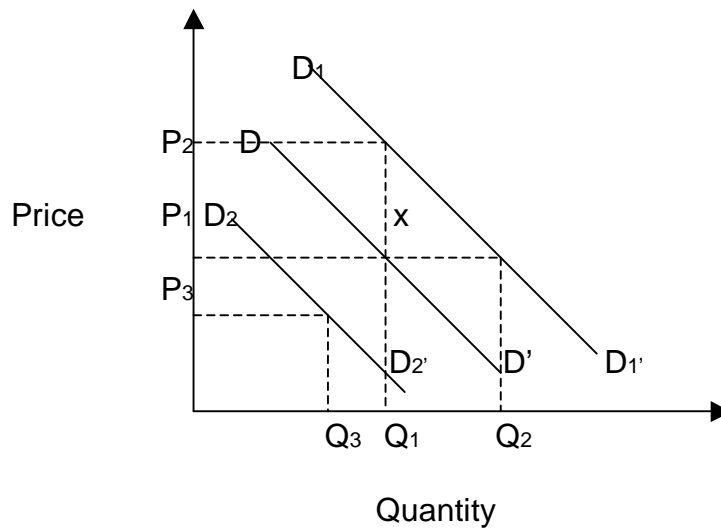
Bull (1997:25) states that economists are mostly interested in aggregate demand, which can be defined as the quantities of a product that buyers collectively are willing and able to buy at any potential price over some specified period of time. This type of demand is also referred to as “effective” demand.

2.2.2 Tourism perspectives

Smith (1997:120) contends that demand is an ambiguous word since there are many definitions relevant to tourism, which relate to a schedule of quantities, actual consumption, unmet demand and future consumption.

The traditional definition is that of the neo-classical economists. According to this viewpoint, demand is a schedule of quantities of goods or services that will be consumed at various prices. Higher consumption is usually associated with lower prices, and visa versa. Demand in this sense can be described graphically as shown in Figure 2.1.

Figure 2.1. The concept of demand



Source: Smith, 1997:121

The downward sloping line DD' reflects the inverse relationship between price and consumption.

The second definition of demand refers to actual consumption, represented as a single point on DD' in Figure 2.1. This definition is of limited use because it tells the reader nothing about trends or unmet demand.

A third definition is that of unmet demand which is sometimes called latent demand. Latent demand is a measure of the difference between the potential level of consumption and the observed level.

Demand also refers directly to a forecast of future consumption. Although similar to the neoclassical definition, demand as future participation is seen as a function of many variables, apart from price. These other variables are known as “demand shifters” and include consumer characteristics such as age, education, tastes, and previous experience with the product, as well as advertising, product innovation, government policy and new technology.

Consider once again Figure 2.1 and assume that DD' represents the demand for rooms at a hotel. If the hotel adds a recreational complex or a shuttle service to a nearby airport, the demand may increase. That is, because of greater value, consumers will be willing to pay either more (P_2) for the same number of visits, or use the hotel more frequently (Q_2) at the same price. Either condition may be represented by shifting DD'_1 to the right, to $D_1D'_1$. If the hotel, however, begins to deteriorate through poor maintenance, less service or unfavorable publicity, the demand may drop. This would be reflected in a shift of the demand curve to the left, to $D_2D'_2$. Consumers would be willing to purchase the same number of rooms as before only if the price drops to P_3 . If the prices stay the same, consumption will fall to Q_3 .

Bull (1997:28) notes that tourism is a very unusual product in that consumers must physically go to the place of production to acquire the product. Thus it is not just economic variables in their home areas, which affect tourists and will have an effect on demand. The other variables are listed in Table 2.1.

Table 2.1 Sources of economic influence on tourism demand

Group A	Group B	Group C
Generating Area Economic variables:	Destination Economic variables:	Link Variables:
<ul style="list-style-type: none"> • Personal disposable income levels • Distribution of income • Holiday entitlements • Value of currency • Tax policy and controls on tourist spending 	<ul style="list-style-type: none"> • General price level • Degree of supply competition • Quality of tourism products • Economic regulation of tourists 	<ul style="list-style-type: none"> • Comparative prices between generator and destination • Promotional effort by destination in the generating area • Exchange rates • Time/cost of travel

Source: Bull, 1997:28

The Group A variables listed in Table 2.1 influence demand of all intending travel and tourism consumers, regardless of their destination. Group B variables define the economic attractiveness of a tourist destination to consumers (all else being equal), irrespective of where they may come from. Group C variables emanate from the specific link between one generating area and one destination.

According to Bull (1997:30) the demand for tourism products involves a more complicated decision-making process than in the case of a single good. While deciding on purchasing a single product could simply include deciding whether or not to purchase or which particular good to choose, the demand for tourism products involves decision-making about:

- the overall type of tourism required;
- the destination;
- the travel mode;
- accommodation;
- attraction to be visited; and

- the purchasing method or distribution channel.

Bull (1997:34) identifies three major constraints on tourism demand. These are money, political controls and time.

Money is seen as a major constraint since, in order to maximise the consumer's utility, money must come from disposable income, business cash flow, or stock of liquid assets.

Political control over aspects such as drugs, fire arms, alcohol, entertainment and housing differ from country to country and may constrain tourism from the generating region, at the destination, or through the link.

Few products demand the expenditure of time, and the possession of a stock of disposable time constrains the ability of tourists to do all the things desired, even if money is available.

Apart from money, political controls and time, tourism demand is also affected by fashion, taxation of business expenses, negative characteristics of tourism products and seasonality.

Richie and Goeldner (1994:112) acknowledge the difficulty in identifying and quantifying the determinants of travel and tourism demand. The motives

governing an individual's decisions to travel are very complex and irrational. A number of researchers such as Woodside, Ronkainen and Reid (1977), have devoted considerable effort to the analysis of motives.

Among the principal factors affecting tourism demand are changes in:

- income levels and income distribution;
- the quantity of leisure time and its distribution;
- educational levels, acting through consumer tastes and travel preferences;
- the size of the population in the origin areas;
- the level of urbanization in the origin areas;
- travel costs;
- the relative price levels in competing destinations;
- the relative price of other goods and services that compete for the tourist dollar;
- communication networks and the speed of travel; and
- other socioeconomic factors, including the age and occupational distribution of the population in the origin areas (Richie and Goeldner. 1994:112).

Many of the above determinants change relatively slowly through time and for short- and medium-term forecasting their effects can be largely ignored. In the long-run, however, their influence may be important.

2.3 DEMAND MEASUREMENT

Demand for tourism is formulated and hence measured in different ways (Lavery 1974). These studies refer to what might be termed effective demand. Effective demand generally refers to the number of people who actually participate in a tourist activity or visit a given area.

The second type of demand that can be measured is deferred demand. This refers to those who could participate but do not, either through lack of knowledge, or lack of facilities, or both.

Finally, potential demand, refers to those who cannot at present participate in tourism and require an improvement in their social and economic circumstances to do so.

The idea of people with a demand for tourism, but unable to travel suggests that demand for tourism consists of a number of components. Cooper et al (1993:16) use the following criteria:

- Effective or actual demand, which is the actual number of participants in tourism. That is, those who are actually travelling.
- Suppressed demand, which is made up of that section of the population who do not travel for some reason. Two elements of suppressed demand are

identified. First, potential demand, which refers to those who will travel at some future date if they experience a change in circumstances. Second, deferred demand, which is a demand postponed because of a problem in the supply environment.

- Finally, there will always be those who simply do not wish to travel, constituting a category of “no demand”.

According to Pearce (1995:8), effective demand is measured in terms of the number of tourists leaving or visiting a country or region, the number of passengers using a certain mode of transportation, the number of bed-nights spent in a particular type of accommodation, the number of people using a given recreational facility or taking part in a specific activity.

Economically, effective demand might also be expressed in dollars spent in a given activity in a particular region or generated by a specific market (Pearce, 1995:26).

This research is concerned with effective demand which, for the purpose of this study, is measured in terms of the number of tourists visiting and spending at least one night in the George / Wilderness region.

2.3.1 Measuring effective demand

As stated in Section 2.3, the focus of this study is effective demand. Cooper et al. (1993:16) identify travel propensity as a commonly used indicator of effective demand. As such:

- net travel propensity refers to the percentage of the population who take at least one tourism trip in a given period of time.
- gross travel propensity gives the total number of tourism trips taken as a percentage of the population.

Dividing gross travel propensity by net travel propensity will give the travel frequency, or the average number of trips taken by those participating in tourism during the period in question.

Considering why tourism demand is measured, what definitions are used and which statistics are normally compiled, Cooper et al. (1993:42) maintain that, although essentially the same thing, the measurement of demand for international and domestic tourism should be treated separately.

2.3.2 Demand measurement of international tourism

There are various reasons for the separate measurement of international tourism:

- Governments are keen to measure the movement of international tourism, especially incoming tourism, because of the economic benefits with which it is associated.
- Official records can be built up and trends in movement can be monitored over time.

- The effectiveness of the marketing arm of government can be monitored and particular promotional campaigns can be assessed.
- Information about the origins of visitors, their trips and attitudes can be used for a variety of purposes in marketing or planning. This is true for tourism organizations at regional and local levels, provided that data collected at international levels can be disaggregated and still be reliable.

In order to provide measurements or statistics that are comparable, it becomes necessary to apply standard definitions. Definitions used in international tourism include the following:

- A visitor is a traveler who is included in tourism statistics, based on his/her purpose of visit, which includes holidays, VFR and business.
- A tourist is a visitor who spends at least one night in the country visited.
- A same-day visitor is a visitor who does not spend the night at a collective or private accommodation in the country visited.

Measurement variables identified in international tourism include:

- Volume statistics. The number of trips are measured by multiplying the number of individuals by the average number of trips taken per individual.

The total number of tourist arrivals to a country or region are key measures of the number of individuals. However, a serious weakness in using international tourism arrivals is that the length of stay is not taken into account. A better measure of volume for many purposes would therefore be total tourist nights,

which can be defined as the number of tourist trips multiplied by the average length of stay (nights stayed).

- Value. Total visitor spending is a simple measure of the economic value of foreign visitors to a country. International tourism expenditure can typically be classified under the headings of accommodation, food and drink, entertainment, shopping and travel within the host country.
- Visitor profile statistics. Typically, information collected contains the following detail about visitors: age, sex, group type, nationality or country of residence, occupation, and income. Visitor profile statistics also include information about the visit in terms of origin and destination, mode of transport, purpose of visit, time of visit, length of stay, accommodation used, activities engaged in, places visited, and if part of a tour or independently organized.
- Methods used. Volume statistics are often obtained using counting procedures at entry and exit points to a country, or sometimes through the use of registration forms at accommodation establishments. A major problem with counting using accommodation establishments only, is that they give only partial coverage. No estimates would be possible for those staying with friends and relatives, for example.

2.3.3 Demand measurement of domestic tourism

In the case of domestic tourism the reasons for separate measurements are:

- that expenditure on domestic tourism is estimated to account for up to 10 times that of international tourism,
- to measure the contribution of tourism to the overall economy,
- for promotional and marketing policies,
- to assist area development policies,
- to aid social policies.

The measurement of domestic tourism demand covers similar areas to that of international tourism demand, namely; volume, value, and visitor or profile statistics.

Calculations of domestic tourism demand can be based on returns from accommodation establishments, but since this does not provide proper coverage, it has become increasingly common to collect information from the visitors themselves. This is normally done through sample surveys and can take different forms such as:

- household surveys;
- en route surveys;
- destination surveys; and
- supplier surveys.

According to McIntosh et al (1995:298), the demand for travel to a particular destination is a function of the individual person's propensity to travel and the reciprocal of the resistance of the link between origin and destination areas. Thus

$$\text{Demand} = f(\text{propensity, resistance})$$

Propensity is directly related to demand while resistance is inversely related to demand. Propensity depends on psychographics, demographics (socio-economic status), and marketing effectiveness, while resistance depends on:

- economic distance (this relates to the time and cost involved in travelling from the origin to the destination area and back);
- cultural distance (the extent to which the culture of the area from which the tourist originates, differs from the culture of the host region);
- cost of tourist services;
- quality of service; and
- seasonality.

2.3.4 Problems in measuring demand

Discussing data sources, Pearce (1995:83) observes that travel statistics world wide are most frequently expressed in terms of "frontier arrivals", that is the number of visitors entering a country as determined by some form of frontier check. The problem with this method is that it has no bearing on destinations within that country.

Demand is also measured in terms of accommodation returns. The problem here is one of confidentiality since the measurement encompasses a degree of understatement arising from a fear of taxation.

The distribution of available accommodation is the most widely used measure of spatial variations in the tourist industry. The distribution of accommodation provides a fair measure of actual demand, except where a great deal of day tripping occurs from a tourist base.

Cooper et al (1993:13) acknowledge that the nature of tourism demand and the industry itself creates problems for measurement. The first problem relates to the activity of tourism itself. By definition, tourists are a mobile population, which means that it is difficult to “catch” travellers. If questioning takes place after the event, problems of recall may be severe. Furthermore, the seasonal nature of tourism could result in problems associated with accurate sampling.

Secondly, the tourism industry does not view measurement as a priority and is content to leave data collection to the public sector. Tourism is therefore an industry with a paucity of data.

McIntosh et al (1995:299) advocate three measures of demand. These are, visitor arrivals, visitor days or nights, and amounts spent. Visitor arrivals is only accurate if visitors arrive by ship or aircraft. The figure becomes less accurate if

arrivals are predominantly by automobile on major highways. This is the case in the George/Wilderness area and was therefore not used in this study.

Visitor-nights are the most practical data to obtain, but has the disadvantage that it does not include day visitors or visitors in transit. This measurement was deemed the most appropriate despite its limitations.

Amounts spent is the most meaningful measure of demand if determined accurately. However, it is the most difficult measure to obtain and beyond the scope of this study.

2.4 SUMMARY

This chapter has shown that tourism demand cannot be seen as only a function of price, but that it should also be seen as a function of many other variables which influence it in various ways. These variables are listed in Table 2.1. However, for the purpose of this paper, only “effective” demand for accommodation will be considered and will be measured by means of analysing the demand for bed nights. In the same way, supply, as it pertains to tourism, is also different. This difference is discussed in the next chapter.

CHAPTER THREE

THE NATURE OF TOURISM SUPPLY

3.1 INTRODUCTION

Tourism supply is a complex phenomenon because of both the nature of the product and the process of delivery. Tourism supply cannot be stored,

cannot be examined prior to the purchase, and it is necessary to travel to consume it.

Surveying the literature on the economic analysis of tourism, Sinclair and Stabler (1997:9) conclude that, in contrast to the studies that focused on demand, supply is a significant lacuna in economic studies of tourism.

In the previous chapter, the peculiar nature of tourism demand was analysed. Chapter three now attempts to place the concept of tourism supply, as used in this study, into perspective.

3.2 THE CONCEPT OF SUPPLY

Mohr and Fourie (1995:196), exhibit the traditional viewpoint of supply when they define supply as the quantities of a good or service that producers plan to sell at each possible price during a certain period.

In this definition, supply refers to planned quantities – the quantities of an individual good or service that producers or sellers plan to sell at each price.

However, as pointed out in Section 1.6.1, the product or good of the tourism industry comprises the products or outputs of several different industry sectors. It is a composite product involving transport, accommodation, catering, natural resources, entertainments and other facilities and services, such as shops and banks, travel agents and tour operators. These components may be separately or jointly purchased and are often consumed in sequence.

Various authors support this approach. McIntosh et al (1995:269) classify tourism supply components into four main categories. These are:

- the natural resources that any area has available for the use and enjoyment of visitors;

- the infrastructure, consisting of all underground and surface developmental construction;
- transportation;
- hospitality and cultural resources, in terms of the cultural wealth of an area that makes the successful hosting of tourists possible.

Cooper et al (1993:81) see the supply of tourism as an amalgam, or mix, of attractions and support facilities designed to meet the needs of the tourist. These attractions or destinations comprise a core of the following components:

- attractions;
- access (local transport, transport terminals);
- amenities (accommodation, food and beverage outlets, entertainment, retailing and other services); and
- ancillary services, in the form of local organizations.

Each of the above components has to be in place before tourism can be supported. It is important to note that while the support services and facilities are also essential for tourism at the destination, it is the attractions that generate the visit to a destination. Without these attractions tourism to the area may not exist and the demand for related products and services may be very low as this demand is derived from tourists drawn to the area by the attractions.

From the above discussion it becomes clear that the tourism product cannot be considered an individual good, and as such the traditional definition of supply, as defined in the beginning of this section, is inadequate when referring to the tourism industry.

Furthermore, according to Sinclair and Stabler (1997:58), the many components of the product, supplied by a variety of businesses operating in a number of markets, create problems in analysing tourism supply.

Accommodation is an essential component of tourism supply, given that most accepted definitions of tourism involve a stay away from home. According to Cooper et al (1993:313), accommodation or lodging is, by a long way, the largest and most ubiquitous subsector within the tourism economy. With few exceptions, tourists require a location where they can rest and revive during their travels through, or stay within, a tourism destination.

The provision of amenities demonstrates the multisectoral nature of tourism supply and the interdependence of the various sectors. For example, the supply of many facilities and services at a resort or destination depends on the number of bed spaces available – that is, the number of tourists who will visit. For example, provision of around 1000 beds will support up to six basic retail outlets, while 4000 beds will support specialist outlets such as hairdressers, (Cooper et al, 1993:85).

These aspects highlight the importance of bed nights as a component of tourism supply. This study has to do with the number of beds, as a component of supply, that are available in the George/Wilderness area, and excludes the other components in order to simplify the measurement thereof.

3.3 THE RELATIONSHIP BETWEEN SUPPLY AND DEMAND

Research by Bull (1997:87) shows that travel and tourism enterprises aim at operating at full capacity. Evidence of operators in the lodging sector striving towards maintaining demand and supply near full capacity is reflected in the detailed attention paid to increasing occupancy rates (percentage of capacity taken up by the market).

Most short-run individual-enterprise supply is extremely inelastic. If market prices are high, supply will be at full capacity, and even if low, there may still be pressure to operate at full capacity. Suppliers will do all they can, by altering prices or promotion, to influence demand to equal supply capacity.

Travel and tourism suppliers facing cost increases, including taxation, will not adjust supply in the short run, but will either absorb the increases with reduced profit or attempt to pass them on to the consumer. In the long run, supply will be more elastic.

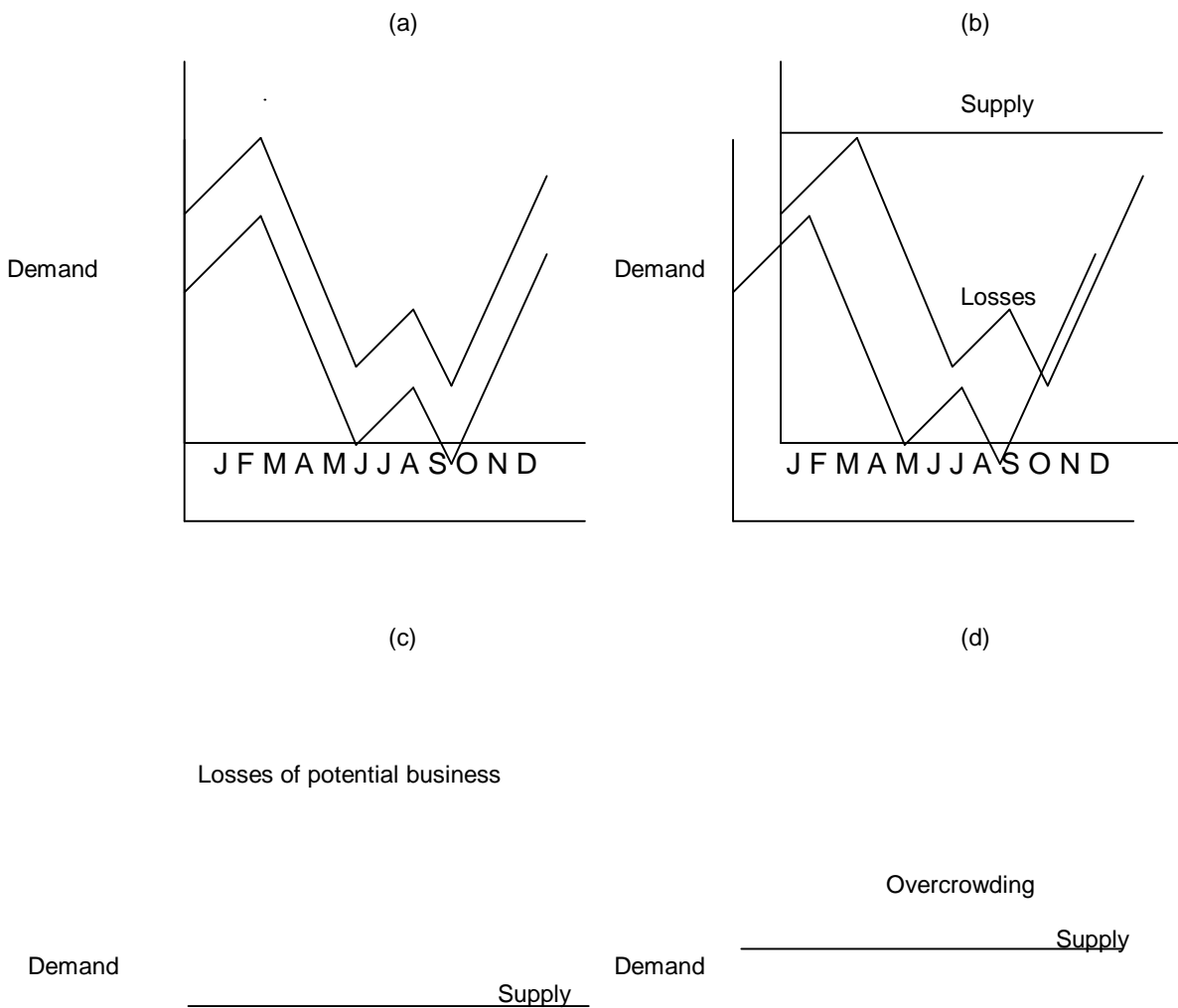
Figures 3.1(a) to 3.1(d) show the interaction between supply and demand. Suppose demand is depicted in Figure 3.1 (a). If no action to control demand is taken, then three possible levels of supply can be considered. These levels are as follows:

- In Figure 3.1(b) supply is set at a level that will match demand in the peak season. This implies that in the peak season tourists will be accommodated without problems. However, during the slack season the destination will suffer from extremely low occupancy levels, which in turn, will affect profitability.
- If supply is set at a low level (Figure 3.1(c)) the facilities will be so overcrowded during the peak season that it will detract from the tourist experience. Visitor satisfaction will be at a low level and the future of such a resort area will be doubtful.
- If supply is set between the levels of demand during the peak and off seasons (Figure 3.1(d)) the problems are somewhat mitigated. However, low occupancy will result during low demand periods and overcrowding will result in peak periods.

McIntosh et al (1995:291) and Borooah (1999:988) suggest two strategies, namely multiple use and price differentials, for dealing with the above situation of an imbalance between supply and demand.

- Multiple use. This involves supplementing peak season attractions of a destination with other attractions that would create demand for travel to that destination during off-season periods, in other words, extending the peak season. Examples of the use of this strategy would be the annual beer festival held in George and the music festival held in the Wilderness.
- Price differential. This technique creates new markets for the off-season periods by employing price differentials as a strong tool to shift demand

Figure 3.1 Fluctuating demand levels and supply



Losses-low occupancy	Low occupancy
J F M A M J J A S O N D	J F M A M J J A S O N D

Source: McIntosh, Goeldner and Richie 1995:292

:

away from the peak season in favour of the off-season. An example of this strategy would be the practice of hospitality establishments to reduce tariffs and / or offer discounted packages during the winter months.

3.4 MEASURING ACCOMMODATION SUPPLY

In order to determine whether supply matches demand, it is necessary to measure the supply of accommodation in the form of bed nights.

As far as the supply of hotel and guesthouse accommodation is concerned, Bull (1997:94) utilises the concept of occupancy and offers three different measures of occupancy:

- a basic occupancy rate measures the percentage of rooms used on a given night by guests;
- a bed occupancy rate establishes how many guests are physically accommodated as a percentage of maximum capacity: for example, how many double or twin rooms may be let as singles;

- a revenue occupancy or yield figure compares room revenue on one night with the theoretical maximum (rooms may be let at discounts for various reasons).

The concept of occupancy fails to provide a solution to the measurement of supply of the entire hospitality industry in a given area, and its applicability is limited to the measurement of utilisation or the matching of supply to demand in individual establishments. The current study makes use of the number of beds available in the area, as an indication of supply, since it is the opinion of the author that this measure provides a more comprehensive picture of the industry as a whole.

3.5 SUMMARY

This chapter attempted to define the concept of “supply” as it applies to tourism.

“Supply” as it pertains to this papers’ field of study has been demarcated as the supply of “beds” in the George/Wilderness area.

The next chapter will deal with the research methodology which was followed during the course of the study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter sets out the parameters of how the research was conducted. It ties the research process to the research question and sub-problems and identifies how the analysis will be presented. A detailed description of the population is provided and reasons why this population has been selected are furnished. Furthermore, it identifies techniques and approaches used to establish research validity and reliability.

4.2 RESEARCH METHODOLOGY

In order to promote the logical solution of the stated problem and sub-problems, a literature study and an empirical study were conducted.

4.2.1 Literature survey

A literature survey was conducted to facilitate the understanding of the nature of tourism supply and demand.

Although travel and tourism journals and theses were consulted, very little information covering the topic of tourism supply and demand was found. However, a thesis written by Bloom (1992) entitled "Demand forecasting as applied in South Africa", was particularly helpful in providing an understanding of the nature of tourism supply and demand.

4.2.2 Construction of an establishment database

An extensive search was made to identify all hospitality establishments operating in the George/Wilderness area. A search of the official records of the South Cape District Council was, however, found to be inadequate. Notwithstanding the Regional Services Levy Act No. 109 of 1985, which requires all business enterprises to register with the Regional Council, many of the hospitality

establishments in the area were not registered. As a result, the search was broadened to include the membership lists of the George and Wilderness tourism bureaus.

From these searches, a database (see Annexure A) consisting of the names and addresses of all the hospitality enterprises operating in the area was constructed.

4.2.3 Telephone survey

In order to determine the supply of bed nights available in the area, a telephone survey of all identified hospitality enterprises was undertaken.

Respondents were requested to confirm postal addresses, telephone and facsimile details, contact person's name and also to provide details on the number of bed nights at the institution.

This information was added to the database discussed in section 4.4.2 and displayed in Annexure A.

A detailed analysis of the total number of bed nights, per establishment category, was also constructed. This has been tabulated and is shown in Table 5.1.

4.2.4 Questionnaire survey

In order to determine the demand for bed nights, a questionnaire was designed in conjunction with the Director of the Garden Route Tourism

Board and the Director of the George Tourism Bureau. The acceptability of the questionnaire was pretested during an address by the researcher to the Wilderness Association of Guest House Owners. During this meeting the purpose and format of the questionnaire was explained and comments invited.

Difficulty was experienced while trying to match a simplistic questionnaire appropriate for owners of guest houses, bed and breakfast establishments and self catering units, with a more complex questionnaire to cater to the special circumstances of hotels who supply the needs of a far greater number of visitors.

The final questionnaire (Annexure B) took the form of a calendar, on which respondents were asked to record the daily number of visitors at the establishment as well as their point of origin and primary purpose of travel.

The questionnaire was accompanied by a covering letter explaining the purpose of the research, a letter of support from the Garden Route Tourism Board, and an instruction sheet explaining how the form should be completed (Annexures C,D and E respectively). These documents were mailed to each establishment registered in the database. Respondents were requested to complete the questionnaire, on a monthly basis, and return it by mail to the researcher for further analysis.

Although not a prerequisite for addressing the sub-problems posed in this study, the last two questions pertaining to point of origin and primary purpose of travel, were included in the questionnaire at the request of hospitality establishment owners who were of the opinion that the availability and tabulation of the additional information would motivate respondents to participate in the study since it would supply more demographics which could be used by the smaller establishments in niche marketing.

4.3 PRIMARY AND SECONDARY DATA

In order to compare actual tourist visits to the George/Wilderness region with the estimates of regional authorities, an unsuccessful attempt was made to source secondary data, in the form of number of visitors, from the local tourism bureau as well as publications by The Cape Tourism Board (Market survey – Travel patterns of domestic tourists. August 1999) and Grant Thornton Kessel Feinstein (Tourism Talk Southern Africa. September 1998).

The measurement of demand was effected by gathering primary data via the use of questionnaires which were required to be completed on a monthly basis by respondents. In order to measure the supply side of tourism in the designated area, primary data in the form of available bed nights was determined by means of telephone surveys.

4.4 CRITERIA FOR THE ADMISSIBILITY OF THE DATA

Only data obtained from hospitality establishments that formed part of the newly constructed database was admitted into the study.

As far as visitor numbers were concerned, only numbers pertaining to the delimited area and emanating from either existing data bases or the monthly completion of survey questionnaires were taken into consideration.

4.5 SAMPLING

Because of the diversity of establishments participating in the hospitality industry and their vast differences in size, sampling was not considered a viable option for this study. Consequently, all establishments forming part of the database discussed in 4.2.2 were included in the study.

4.6 RELIABILITY

Poynter (1993 :113) sees reliability as a measure of accuracy and response consistency.

In this study, reliability, as a measure of accuracy and response consistency, was considered to be acceptable since the same contact persons were used throughout the study, and, in many cases, the demand data supplied matched that reported to head offices or was generated from standard data bases.

4.7 VALIDITY

According to Wright and Crimp (2000 :243), a measure is considered valid if it is thought to measure the concept or property which it claims to measure.

Poynter (1992 :112) distinguishes between face–validity, content–validity, and internal and external validity. Face–validity refers to what extent the instrument used provides the necessary data to answer the sub-problems by means of the research question and sample consulted. Content–validity refers to the accuracy with which a research instrument measures the situation under study. Internal and external validity have more to do with the interpretation of data and relates to avoidance of conclusions bias based on data and avoidance of generalisations from too small or too narrow a sample respectively.

As far as this study was concerned, face–validity and content–validity were regarded as being positive. Internal and external validity will be addressed in Chapter five.

4.8 SUMMARY

This chapter has discussed the research methodology that was followed as well as the survey methods used. The construction of the questionnaire was explained and the manner in which the mail survey was conducted was also discussed. In Chapter five the results of the empirical study will be presented and analysed.

CHAPTER FIVE **ANALYSIS OF FINDINGS**

5.1 INTRODUCTION

The preceding chapter set out the methodology that was followed to arrive at solutions to the main and sub-problems. This chapter will analyse and report on the data gathered in the survey. Problems encountered in the gathering of data are incorporated within the relevant sections. The implications of the findings are addressed in Chapter six.

5.2 SECONDRY DATA SEARCH

An attempt was made to determine the number of bed nights available in, and the number of tourists visiting, the George / Wilderness area from local authorities and established tourism structures such as local tourism bureaus and regional tourism boards. The degree of planning based on demand and supply figures, by these local authorities was also investigated. The outcome of these investigations of secondary data are reported below. Findings resulting from the empirical study of the demand and supply figures for the area are reported in Sections 5.3 and 5.4.

5.2.1 Visitor numbers

It was found that local authorities, such as the regional services council and the tourism bureau's, had no accurate figures as to the number of tourists visiting the George / Wilderness area. Local tourism bureaus tried to estimate visitor numbers from the signatures in their visitor books, but this method was found to be inadequate since not all tourists visiting the area visited the tourism bureau's, and, of those visiting, not all signed the visitors book.

The regional tourism board was in possession of visitor estimates, supplied by the Western Cape Tourism Board, for the Garden Route region as a whole but were unable to supply figures for the George / Wilderness area on its own. Aggregate regional figures cannot facilitate the planning of local facilities or the matching of local supply to demand.

5.2.2 Available bed nights

No existing organisation or publication could supply the number of bed nights available in the George / Wilderness area for the whole accommodation industry.

5.2.3 Planning

Planning for the development of the local tourism industry was done an ad hoc basis, by both private as well as public sectors, and to be based on estimates of supply and demand statistics. Proper planning, of both the provision of adequate facilities as well as niche marketing strategies, cannot be expected to be successful if based on inaccurate figures of supply and demand.

5.3 SUPPLY OF BED NIGHTS

Table 5.1 represents a summary of the database discussed in Section 4.2.2 and the results of the telephone survey discussed in Section 4.2.3.

Table 5.1 The supply of bed nights per establishment category in the George/

Wilderness area

CATERGORY	NUMBER	BEDS	%
Hotels	10	2332	41,2
Guest Houses	116	1171	20,7
Self Catering	94	1520	26,8
Backpackers	4	61	1,1
Caravan Parks	6	117	2,1
Hostels	3	307	5,4
Nature Reserves	1	159	2,7
Totals	234	5667	100

As can be seen from Table 5.1, the study's population consists of 234 establishments having 5,667 bed nights available. The implications of the supply of beds per establishment category is discussed in Chapter six.

Since the number of beds available was obtained by means of a telephone survey, the results were regarded as accurate, as sampling was not employed and each establishment was individually contacted.

5.4 THE DEMAND FOR BED NIGHTS

As discussed in Section 4.2.4, the demand for bed nights was determined by means of a questionnaire survey distributed to all 234 establishments.

Table 5.2 depicts the number of institutions that responded to the questionnaire during the ten-month period January 2000 to October 2000.

Table 5.2 Response rates of participants

CATEGORY	NUMBER OF ESTABLISHMENTS	PARTICIPANTS	RESPONSE %
Hotels	10	9	90
Guest houses	116	7	6,0
Self catering	94	5	5,3
Hostels	3	0	0
Caravan parks	6	0	0
Reserves	1	0	0
Backpackers	4	0	0
Total	234	21	9,0

Because of the large discrepancy of size characteristic in the industry (see Section 4.5), it was felt that responses, expressed as a percentage of bed nights available, would present another perspective of the degree of participation. Table 5.3 reflects this relationship.

Table 5.3 Participation expressed as a percentage of available bed nights

CATEGORY	NUMBER OF BEDS	RESPONSES EXPRESSED IN TERMS OF BED NUMBERS	RESPONSE %
Hotels	2332	2297	98,5
Guest houses	1171	149	12,7
Self catering	1520	482	31,7
Caravan parks	117	0	0
Hostels	307	0	0
Reserves	159	0	0
Backpackers	61	0	0
Total	5667	2928	51,7

Tables 5.2 and 5.3 indicate that the percentage response rate by hotels was highly acceptable – 90% (expressed as a portion of the total population of hotels) and 98,5% by number of beds available. The response rate could probably be attributed to the fact that hotels in the area operate

sophisticated computer systems and are often required to report statistics monthly to head offices. The information is thus freely available as a matter of course.

Similarly, the response rate by self catering establishments was also found to be acceptable – 5,3% (expressed as a portion of the total population of self catering establishments) and 31,7% by number of beds available.

On the other hand, responses from the other establishments was low – 4,6% (expressed as a portion of the total population of guest houses, hostels, reserves and backpackers) and only 8,2% by number of beds available. This response rate is considered to be too low to make any meaningful assumptions and no conclusions reached were based on these figures.

Reasons for this low response rate from the less formal sector of the industry were:

- that the small size of some establishments translated into not having enough staff to fulfill the task of recording information;
- recording of data was felt to be too time consuming;
- the fear that disclosure of confidential information could result in income tax implications;
- the feeling that they were too small in size to markedly influence the study; and,
- a general lack of market planning for niche markets negated the necessary keeping of statistical information.

Despite the fact of low response rate from the less formal sector of the industry, the average response rate of 51,7% (measured by number of beds available) was considered adequate to reach certain conclusions. These conclusions are discussed in the next chapter.

As a measure of demand, the number of visitors and bed nights sold is depicted in Table 5.4.

Table 5.4 Visitor numbers and bed night sales for the ten months ending October 2000 (participating establishments only)

CATERGORY	AVAILABLE BED NIGHTS	BED NIGHTS SOLD	AVERAGE OCCUPANCY	VISITOR NUMBERS
Hotels	689100	147632	21,4%	68363
Guest houses	43800	27895	63,7%	12680
Self catering	145500	81213	55,8%	36915
Caravan parks		no participation		
Hostels		no participation		
Reserves		no participation		
Backpackers		no participation		
Total	878400	256740	29,2%	117958

Because of the high response rate of the hotel industry, the number of tourists (68,303) and the average occupancy rate of 21,4% was regarded as accurate. It would seem as if, for the hotel industry, supply by far exceeds demand over the study period. Caution needs however, to be exercised when making assumptions

based on these figures since the period under consideration did not include the peak holiday season of November and December, which were omitted because of time constraints. It is quite conceivable that during the peak holiday season full capacity is taken up.

Although not having a high response rate, guest house and self catering establishments show an extraordinary high occupancy rate – 63,7% for guest houses and 55,8% for self catering establishments. This would indicate a preference among tourists for a less formal form of accommodation and the concurrent relaxed atmosphere offered by these establishments.

No meaning can, however, be attached to figures pertaining to the other establishments or the industry as a whole because of the low response rate (nine percent). This, despite efforts by the author to encourage increased responses by visiting and addressing the local guest house associations on the advantages and importance of participation. Furthermore, the accuracy of the data cannot be verified from secondary data sources such as the Western Cape Tourism Board or the local tourism bureaus, since their data either pertains to the Southern Cape region as a whole, or is non existent.

The author is of the opinion that conclusions based on the above data could compromise the external validity of this study.

5.5 SUMMARY

In this chapter an analysis and interpretation of the empirical data has been presented. Conclusions and recommendations are discussed in Chapter six.

CHAPTER SIX **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

6.1 INTRODUCTION

The previous chapter presented the results of the telephone and questionnaire surveys conducted in order to answer the main and sub-problems identified in Section 1.3.

This chapter focuses on the extent to which the results provide answers to these problems as well as recommendations made which emanated from the findings.

6.2 CHAPTER SUMMARIES

- Chapter one introduced the background to the study and highlighted the importance of the research, namely that the expected growth in the South African tourism industry required the measurement of supply and demand to facilitate effective planning and marketing. The main problem, that is, the lack of local supply and demand information, was presented and core definitions were identified in order to ensure clarity and consistency throughout the research paper.
- Chapter two discussed the peculiar nature of tourism demand and presented a method of measurement. It was determined that demand was not only a function of price, but that it should be seen as a function of many other variables. The best measurement thereof was suggested as being the measurement of bed nights.
- Chapter three focused on the nature of tourism supply and highlighted the difficulty in the measurement thereof. The concept of bed nights was introduced as a measurement of supply.

- Chapter four detailed the research methodology followed in order to solve the sub-problems. The methodology included a literature survey and the use of telephonic surveys and questionnaires.
- Chapter five reported and analysed the data obtained from the telephone and questionnaire surveys. A breakdown of available beds per category of establishment was depicted in Table 5.1, while the demand for bed nights and visitor totals was shown in Table 5.4. The problems of the lack of secondary data and the low response rate encountered in gathering the data were also discussed.

6.3 ADDRESSING THE RESEARCH PROBLEMS

The purpose of this study was to address the following main problem:

Can planning by the private sector and local authorities benefit from the creation of an accommodation establishment database and the accurate measurement of selected supply and demand components of the tourism industry?

In attempting to solve the above problem, the following sub-problems were posed:

- *Will a reliable database of accommodation establishments facilitate the measurement of supply and demand of bednights?*

This study found that no one organisation, governmental or commercial, had a reliable database of accommodation establishments in the area, and as such were unable to provide accurate figures of the number of beds available or the demand thereof.

The study supported the findings of Bloom (1992:243) that greater cooperation and coordination between private and public sectors of the tourism industry was required to obtain adequate supply and demand statistics, and as such, a reliable database of accommodation establishments was a prerequisite for the gathering of such data.

The database compiled during this study should, therefore, facilitate the measurement of the supply and demand for bednights in the area.

- *What is the demand for bed nights experienced in the area?*

Due to the diverse nature of the participants in the hospitality industry, it was necessary to obtain full participation in the study by the selected population. This was not forthcoming, and, as a result, it is felt that this question cannot be answered with any acceptable degree of accuracy. However, the average occupancy figures obtained from participants (see Table 5.4) indicated that, during the period under study, the area experienced an overall supply which exceeded demand. This implies that planners and marketers should initiate a program of advertising and promotion designed to take up this excess demand and that local authorities should consider organising local events, such as the Knysna arts festival, to encourage tourism in the area.

- ***What is the number of bed nights available in the area?***

Because of the accuracy of the telephone survey method, it was possible to determine that the number of bed nights available in the George / Wilderness area was 5,667.

Table 5.1 provides a detailed breakdown of the number of beds available in the area per establishment category.

Hotels, although only ten in number, constitute 41,2% of available bed nights while other less formal establishments (guest houses, self catering units, backpackers, caravan parks, hostels and nature reserves) made up 58,8% of the total. The fact that the number of available beds at guest houses and self catering units exceeded that of more formal establishments, such as hotels, provides the less formal sector an opportunity to target those tourists who prefer a more personal and relaxed form of accommodation, and travel in small numbers. Larger tour groups can be catered for by the hotels in the area. Furthermore, the split between the different categories implies that the region, in its marketing efforts, can cater to the needs of all tourist types.

A detailed knowledge of the number of beds available in the area, per category of establishment, will also assist planners of special events such as festivals and conferences.

When using these numbers for planning purposes, it should be born in mind that the supply of beds, in both the short and long-term, is fluid, since the industry is characterised by new entrants to the market as well as participants who decide to withdraw from the market because of fluctuating demand.

- ***Does the supply of bed nights match the visitor demand?***

Although it was not possible to accurately determine the demand in order to match it to the supply of bed nights, the high response rate of 51,7% per bed night, revealing the low average occupancy rate of 28,5%, is indicative of the excess of supply over demand experienced in the area.

The low occupancy rate of the hotels in the area should be of concern to the owners of these establishments since their profitability could be adversely affected. More intensive marketing and aggressive pricing is needed to take up this surplus demand and caution should be exercised by those considering entering the market in this area.

The relatively higher occupancy rates experienced by participating guest houses and self catering establishments imply that owners develop market strategies designed to protect market share. In this regard, niche marketing is seen as the best means of protecting their position.

Although the above holds true for the period under measurement, the author cautions against using this supposition over the peak holiday period, (November and December) which was not included in this study.

- ***How accurate are the figures currently being used by private institutions and regional authorities?***

During the course of the study the following observations were made:

- i) **Local authorities did not have an accurate indication of the supply and demand of bed nights in the designated area.**
- ii) **The hotel industry's structure was such that, individually, each participant maintained accurate records of the supply and demand of bed nights. However, for the industry as a whole, figures were not available for the George / Wilderness area on its own.**
- iii) **As far as the other participants who represented more than half the available supply, were concerned, very little, if any, records were kept.**

In the light of the above observations, it is concluded that the figures used by private institutions and regional authorities were not accurate. However, the database compiled during this study, as well as the findings emanating therefrom, provide a basis from which these shortcomings can be addressed and overcome. Local authorities could use the information to enforce a form of registration of all accommodation establishments and by so doing, control the collection of statistical information which can be used by both planners and marketers in the tourism industry. Commercial enterprises could use this information to compare themselves to other similar establishments and thereby assist the development of individual niche marketing strategies.

As a result of the literature survey conducted and the above findings, it is concluded that the accurate measurement of selected supply and demand components of the tourism industry can facilitate sound planning by the private sector and local authorities.

6.4 RECOMMENDATIONS

The following recommendations are made:

- **The database compiled during this study should be kept up to date and be expanded to include visitor profiles to indicate how many are visitors (day or tourist) and how many are travelers, such as land of origin, length of stay, and primary reason for travel in order that private and public sector concerns may draw statistics / data to be used in the planning and / or marketing of the tourism industry.**
- **Greater co-operation and co-ordination between private and public sectors of the tourism industry are needed to obtain data concerning the tourism market required for planning purposes as well as for a concerted marketing effort. Failing this, legislation should be introduced, compelling accommodation establishments to make available supply and demand data to the Regional Services Council for statistical purposes.**

- **The study should be extended to cover the entire Southern Cape region in order to obtain statistics applicable to the region as a whole. This will then facilitate both local and regional planning as well as a coordinated marketing effort.**

6.5 SUMMARY

This chapter viewed the dissertation as a completed project and reviewed the primary aspects covered in the previous chapters.

The answers to the sub-problems were discussed, and recommendations regarding the tourism industry in the Southern Cape were made.

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