

University of Pretoria

Division: Tourism Management

Department of Marketing Management



DEMAND AND SUPPLY ANALYSIS FOR DESTINATION DEVELOPMENT: A Market Analysis Framework

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Rationale for the study

Investment in tourism projects requires:

- understanding tourist needs (demand)
- how to meet these needs (supply)

Market analysis should be the starting point to inform

- product development,
- infrastructure development
- investment facilitation.

Too many projects lack a rigorous market analysis

- when considering the feasibility of a project
- in the submissions of the project for funding from both private and public funding bodies



Overall aim of the study

To develop a market analysis framework that can be used by different tourism stakeholders to inform product development, infrastructure development and investment facilitation with particular reference to the local level.

The framework should address both the supply and demand sides.

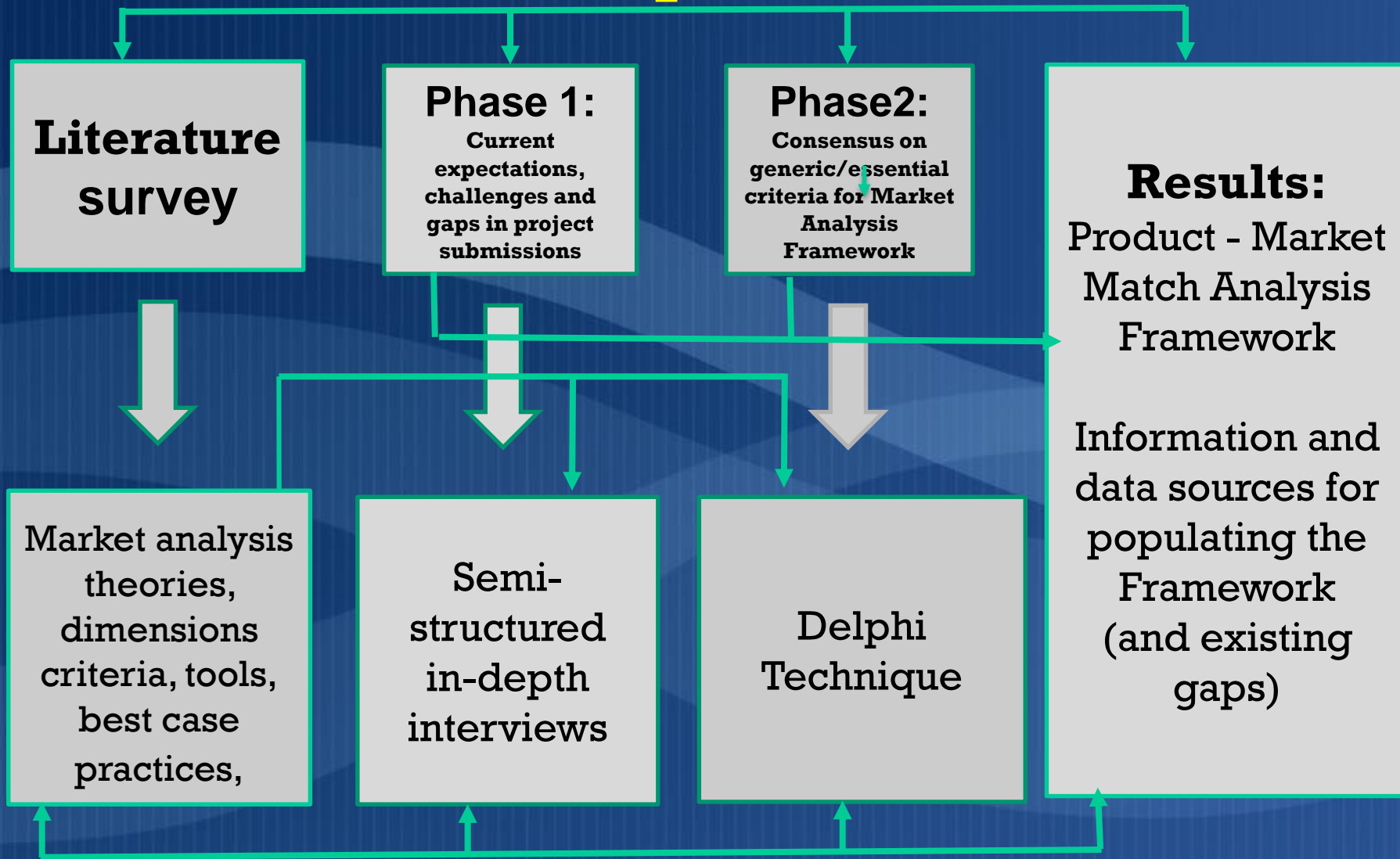


The Framework should:

- assist entrepreneurs/communities/municipalities *etc.* to determine the market feasibility of a potential tourism product/project
- Provide an understanding of the types of data and information required to assess the market feasibility
- provide a framework and guidelines for the funding applicant to effectively structure the information and data on the feasibility of the market in the funding application
- provide the funding body with an effective tool for evaluating the funding application in terms of the market potential



Research process



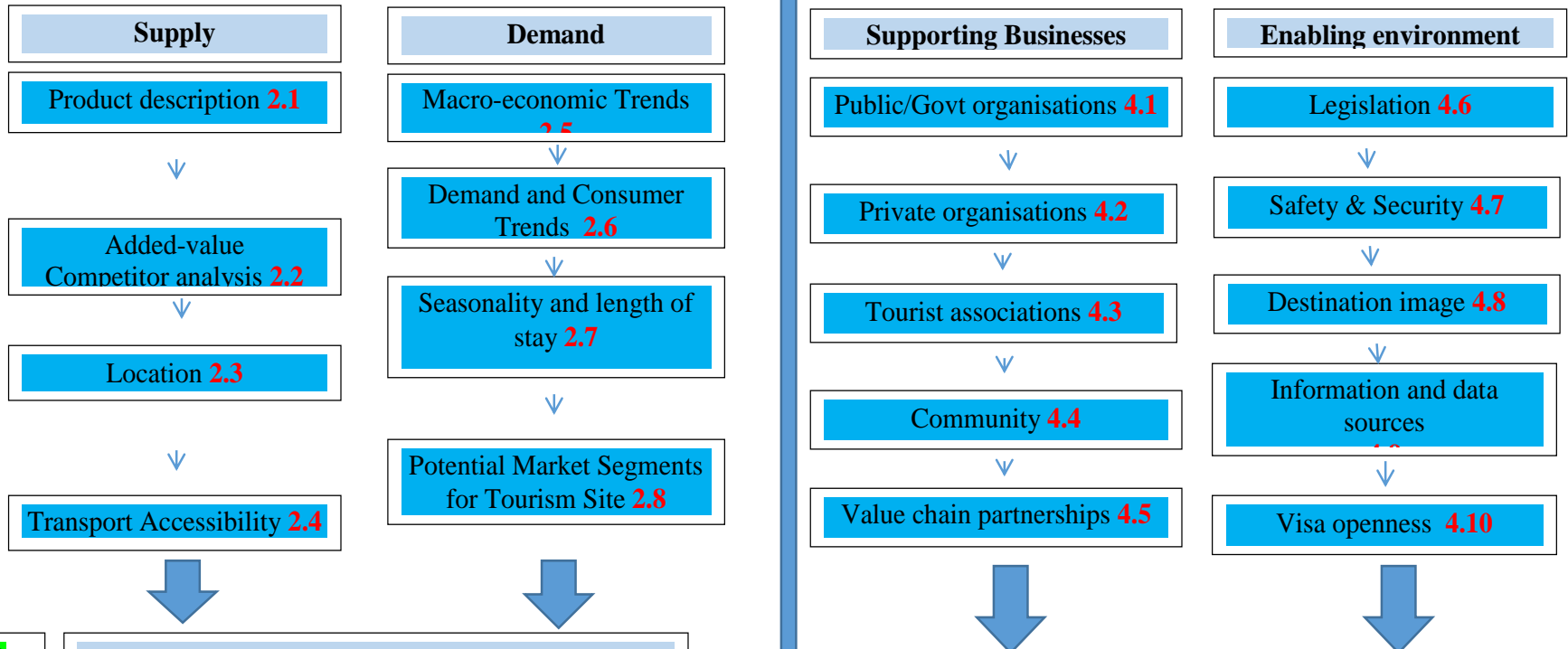
MARKET ANALYSIS

STEP 1

Opportunity identification **Diagnostic 1** Natural/Cultural/Core/Supporting/Tourist Serving Facility

STEP 2

STEP 4



STEP 3

Product Market Match Analysis 3

STEP 5

Marketing/Promotion/Distribution 5

STEP 6

SWOT Analysis - Positives/Negatives/Challenges/Opportunities/Threats 6

STEP 7

Formulate concise Market Analysis section of Project Proposal 7

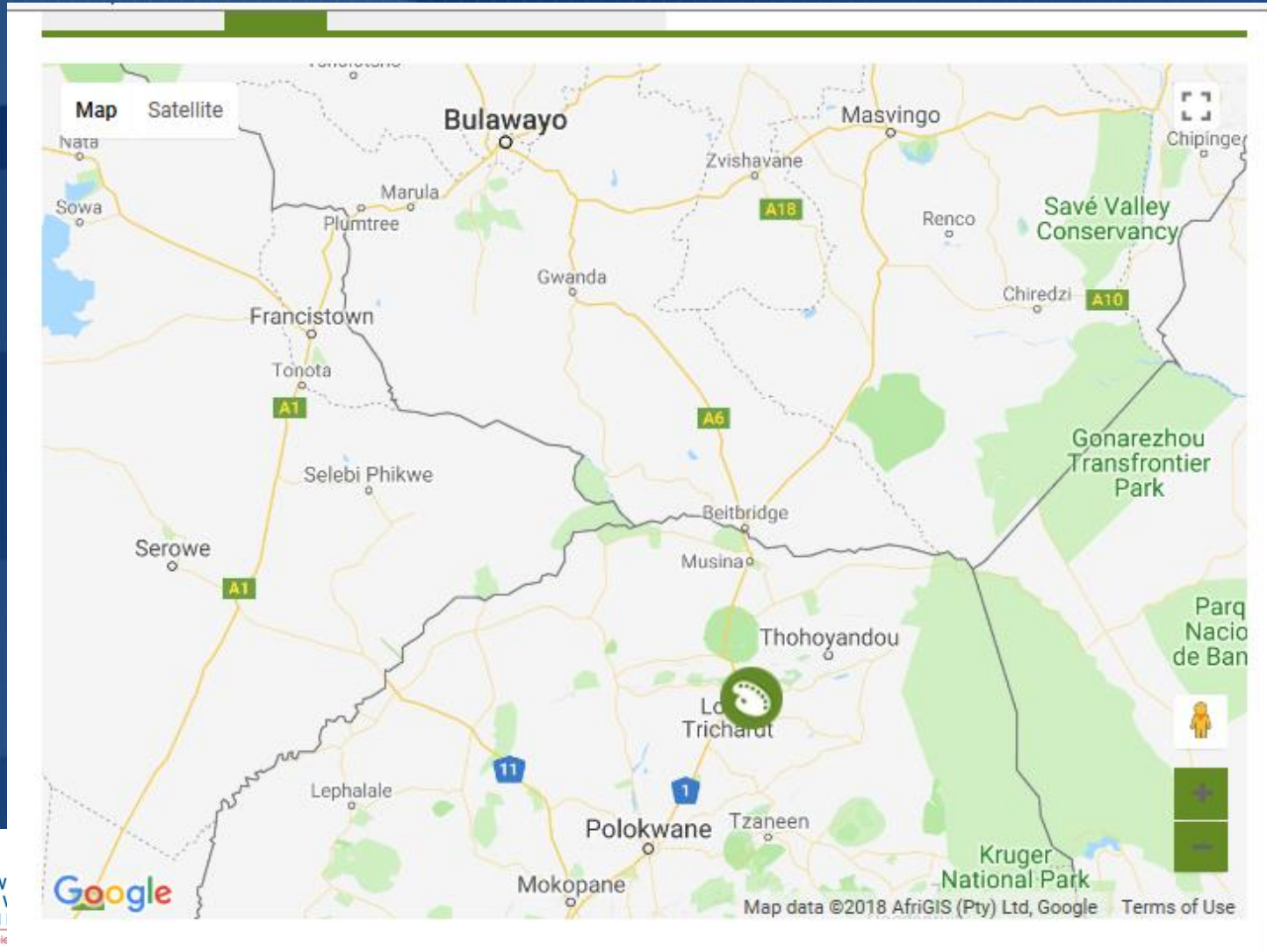
Workbook

- Each step in Framework represented in Workbook
- Information and data is gathered on each step using 'diagnostic' tools (templates)
- Includes definitions, objectives and instructions for each diagnostic tool/template.
- Designed to 'flag' potential challenges (early on) which could either lead to:
 - Project dismissal
 - Adjustments
- Allows plotting of each market segment to see if supply meets demand
- SWOT Analysis

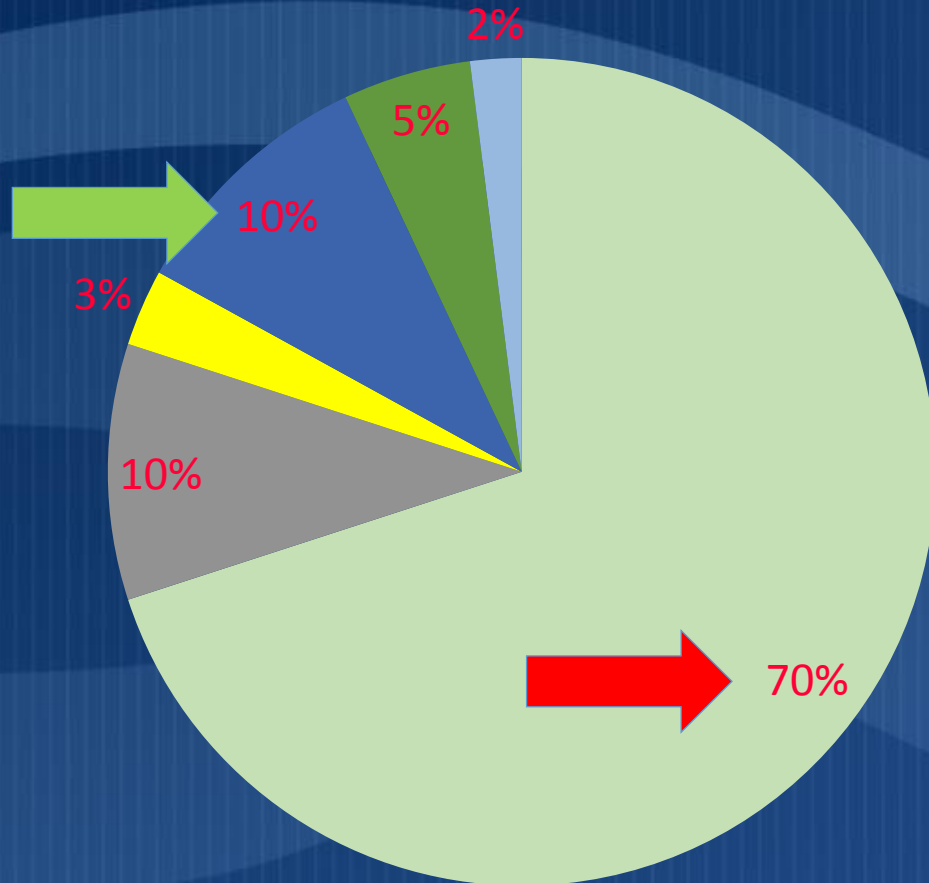


Vha Tsonga Cultural Village

The Cultural Village and Museum aimed at promoting and preserving the cultural heritage of the Valoyi Va-Tsonga people.



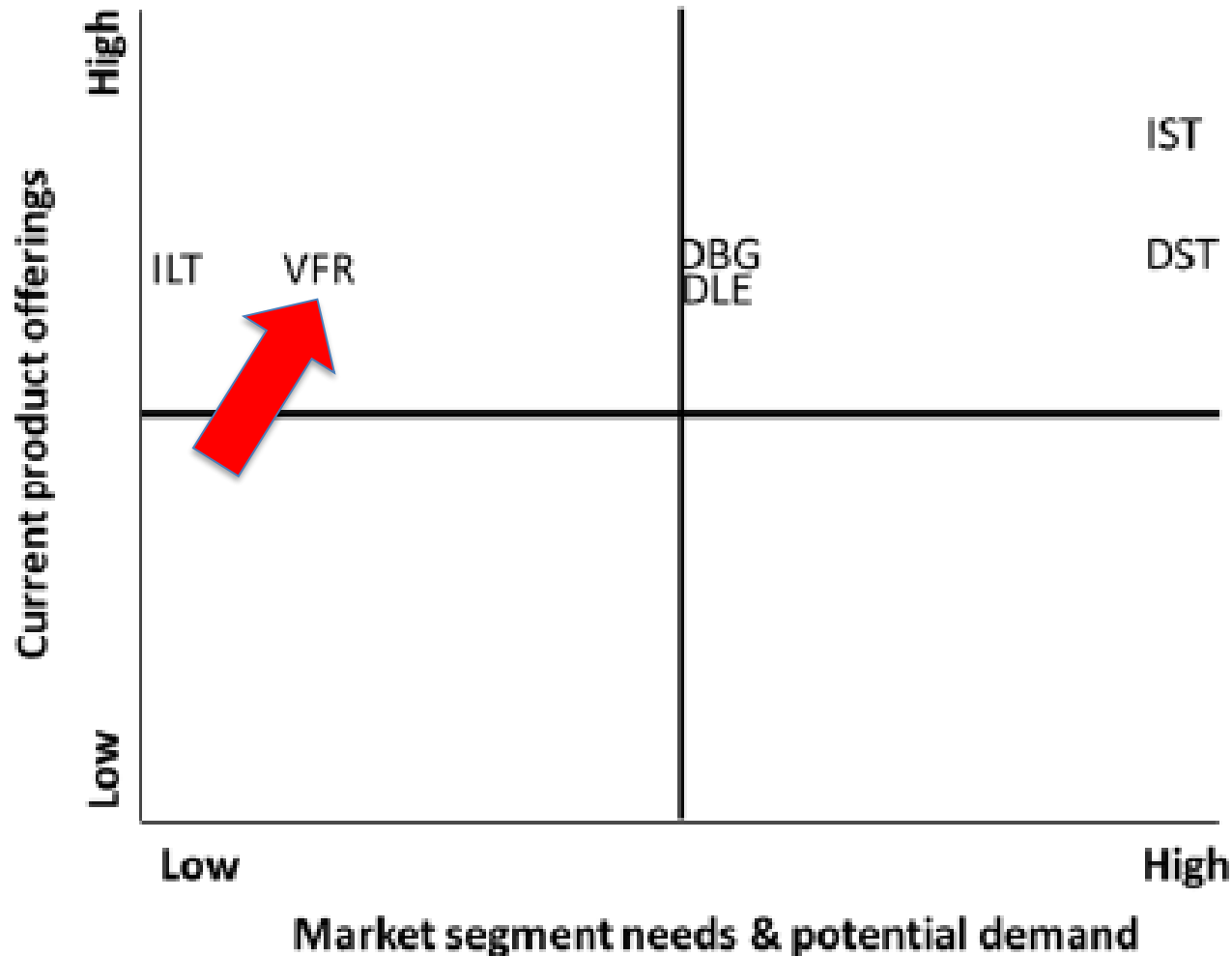
Plotting each market segment



- Domestic VFR "Ancestral"
- Domestic in transit "Seasoned"
- Domestic business "Local & Govt"
- International air in transit "Sophisticated"
- International land in transit "Shopping"
- Domestic local "Day visitors and school groups"



Plotting each market segment



Domestic VFR Ancestral (Back to my roots) Travellers

This market travels regularly to the Province to visit friends and relatives and, if their ancestry is Vha Tsonga, they would want to introduce their children to their ancestral routes and have them experience an authentic representation of the culture and how it was practiced before. They are weekend, long weekend and holiday period travellers and many travel to the area in busses or taxis which may inhibit their accessibility to the Village so transport arrangements from a local point should perhaps form part of a package. This market is very price conscious and low spending. The¹⁰ market would have to be nurtured through awareness creation and comprehensive promotion.

Step 4: SWOT Analysis

STRENGTHS

Good location, close to Makhado and en route to KNP, Mapungubwe
En route to Zimbabwe
No direct competitors
Close to tourism generating activities in Makhado and Nature Reserve
Close to regional highway

WEAKNESSES

Universal accessibility not yet considered
Current plan for activities does not include sufficient direct interactivity for tourists with local culture.
Very large low spending potential markets
Very small high spending potential markets

OPPORTUNITIES

Positive global, regional and local economic outlook conducive to tourism growth, both domestic and international
Tourist shift to “authentic” experiences
Greater regional air access
Large untapped domestic VFR market

THREATS

Safety and security in the region/crime is too high
Flooding issues in rainy season
Drought in Cape Town may deter inbound tourists to SA
Visa accessibility problematic for some African countries
Domestic tourism still quite flat.

Conclusions

- Comprehensive work fulfilling a practical need through the Workbook.
- Applying the Framework to a case was valuable showing that the diagnostic tools could be applied to a tourism product in a rural setting where information is harder to access.
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- Study is not a rigid prescription, rather a guideline of what should be thought of when doing a market analysis for a new or existing tourism project.
- Each project will have unique considerations.
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- The Product/Market Match Analysis (Step 3) is directed towards plotting markets on a grid where a quick assessment can be made. However, this analysis requires some thought within the context of each unique project.
- Framework can be used by different tourism stakeholders to inform product development, infrastructure development and investment facilitation



THANK YOU



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