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Indifference Curve Supremacy in Tourism Consumption Behaviour: Case of Zimbabwe Destination

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Abstract

The study was based on the indifference curve analysis as an economics concept that is premised on assessing consumer behaviour driven by their budgets, products choice and maximum satisfaction. The model was applied in the Zimbabwe tourism destination since the behaviour of the tourists has changed from positive to a negative over its offerings. The research was done using both qualitative and quantitative research designs which is a mixed method. The results of the research shows that the budgets of tourists are failing to meet the prices charged in the Zimbabwean tourism destination. Local participants pointed on the economic downfall which has reduced the value of their disposable income associated with high unemployment rate. Foreign respondents revealed that the Zimbabwean tourism destination is expensive for holiday makers as compared to other tourism destinations in the region. These factors have reduced the totals satisfaction of tourists in Zimbabwe. The research therefore recommended price discrimination charging relatively low prices to local

tourists, intensive campaigns to positively change the behaviour of local tourists and mergers so as to achieve economies of scale and charge low prices.

Keywords: tourism, indifference analysis, consumer behaviour, Zimbabwe destination

1. Introduction

The Zimbabwe tourism destination has gone through various booms and recessions over the years. Initially in the 1980s, the destination has achieved vibrancy attracting more tourists from all corners of the world. International tourist arrivals in Zimbabwe have increased at an average rate of 12 % as compared to 6.4% for the whole continent between the years 1990 and 2000 (UNWTO, 2006). The behaviour of the tourists was more positive as reflected by their increased inflows. This positive behaviour has not lasted into the years after 2000. The Zimbabwe tourism destination started to face a downward trend in tourists especially from its traditional markets. This can be regarded as a negative behaviour by the tourists in their consumption of the tourism offerings in Zimbabwe. Various factors have been regarded as causal issues to this downfall. The causes of this new behaviour have been pointed by many researchers as a reaction to negative media publicity about the country's socio-economic and political state (Ndlovu & Heath, 2013). The country's tourism gains from the year 2000 started to go down due to political issues such as the land reform program, presidential elections and drafting of a new constitution (Muchapondwa & Pimhidzai, 2011).

The theory of indifference curve analysis is premised on the fact that behaviour of consumers is triggered mainly by utility maximization (Lipsey, 2009). The maximization of this utility is controlled by the budgets especially assuming that only two products can give the same utility such that the customer becomes indifferent. There are many tourism destinations in the world offering almost similar products and services. This means that Zimbabwe as a tourism destination is competing with many others in order to maximise utility from both traditional and potential tourists. There was therefore a need to assess if Zimbabwe tourism destination can apply the indifference curve analysis in order to assess its power to improve the behaviour of tourists on its offerings. This is because Zimbabwe tourism destination can be viewed as a product that provides touristic satisfaction and any other competing destination depicts a second product providing same satisfaction. As alluded by Muchapondwa & Pimhidzai (2011) fortunes of the Zimbabwe tourism industry have been taken by other substitute destination especially in East Africa as represented by a fall in the Zimbabwe's international tourism market share from 8.1% in 1997 to 4.2% in 2005 compared to only a 3.9% decrease of East Africa from its 2001 peak of 25%.

2. Statement of Problem

The intangible nature of the tourism industry makes it difficult to have a direct measure on how tourists behave in its consumption. Zimbabwe tourism destination planners are targeting new tourism markets as there has been intensive negative media publicity in the traditional markets. The traditional markets were more of Low Volume – High Value and the current move to new markets seem to have High Volumes and Low Value. The study therefore investigated on the importance of indifference curve analysis as an economics model in order to find ways of creating a positive consumption behaviour with high returns.

3. Literature Review

The indifference curve is designed based on the assumption that only two goods are available on the market and provide same satisfaction (Lipsey, 2009). It assumes that the consumer has a limited budget that should help in bring maximum satisfaction. Also the indifference curve analysis suggests that prices have an effect on the budget of a consumer thus determining utility (Mankiw & Taylor, 2006). This means that the indifference curve has supremacy in enhancing the consumption decision of consumers.

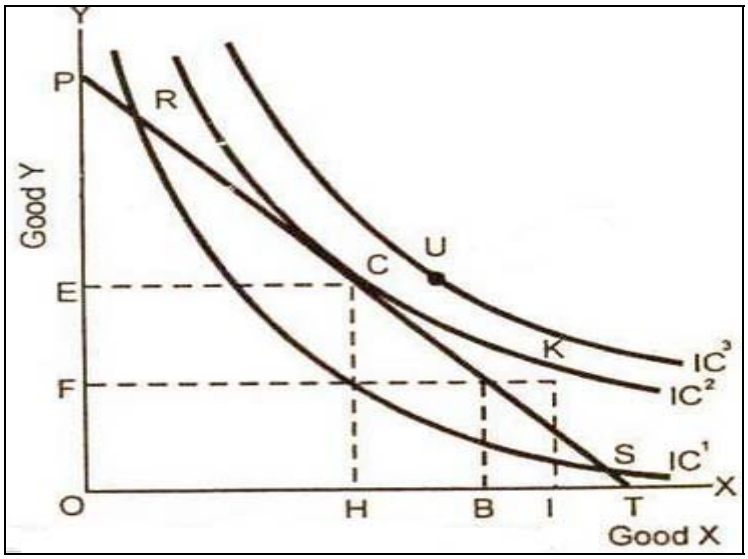

Figure 1. Indifference curve model

Source: Research Design (2015).

3.1 Equal Utility Maximization

The diagram in figure 1 shows that only two goods (Good Y and Good X) are being consumed. Satisfaction is maximised at point C where the budget line (PT) intersects with the indifference curve (IC^2). According to Sloman (2003) point C is known as the consumer equilibrium where satisfaction is maximised on two different products. Consumers experience more utility when the indifference curve shifts to the right. This is known as the indifference curve mapping meaning that IC^2 provides more utility than IC^1 so as $IC^{3.}$ However, there should be a consumer equilibrium which is a point of tangent between the indifference curve and the budget line (Lipsey, 2009). To reach the consumer equilibrium, first the consumer should have more money to stimulate the willingness and ability to consume a product or service. This means that a movement from C to U should be complimented by a shift of the budget line PT to the right in order to create a new equilibrium position. At a point U there is therefore an increased equal utility from a combination of two products or services. A tourism destination can therefore be viewed indifferently. This is because at any point in time there is another destination which is having superb products and services compare to its offerings. Utility maximization for a tourist is then measured by the

budgets available between an intended destination for visit and other competitors. The tourist will become indifferent and search for equal satisfaction; rationality will help make a choice on which experiences to find in one destination and which to seek from other destinations. This is based on the relative expensiveness that one destination in relation to another.

3.2 Budget

The budget refers to the income that is available for a consumer to purchases goods and service at a given time (Lipsey, 2009). This is represented by the straight line PT on the indifference curve in figure 1 above. Income is therefore one of the most critical determinant factor for international tourism demand (Muchapondwa & Pimhidzai, 2011). A tourist should have money in order to visit a destination for any purposes. Tourists increase their budgets for tourism products and services when their disposable income increases. According to Sloman (2003) an increase in income will lead to a shift to the right of the budget line. As shown in figure 1 it is a shift from line PT outwards so as to construct a new equilibrium with improved satisfaction.

3.3 Pricing

An increase or decrease in the price of either Good Y or Good X can affect the overall real income of the consumer (Lipsey, 2009). Increase in the price can lead to a reduced real income while a decrease will lead to an increased real income (Sloman, 2003).The indifference curve concept is based on the understanding that price plays a significant role in determining the real income of an individual (Lipsey, 2009). When the price of a product goes down, it means that people can now buy more quantities even when their disposable income remains the same and also when prices increase their real income is reduced. Tourism destinations can maximise by reducing the prices of their offerings since it will help improve the real income of potential tourists. Likewise when prices goes down, the destination will relatively improve the real income of its tourists in relation to competitors and thus there will be and increased demand of its offerings. Therefore consumers measure the price levels of a particular destination in relation to their country of origin (Muchapondwa & Pimhidzai, 2011). Prices in a tourism destination should be always relatively low to those charged by competing destinations.

4. Methodology

The research was based on a mixed methods design comprising of both quantitative and qualitative approaches. The respondents to the research included local tourists, foreign tourists, hotel operators, travel agents and resorts operators. The population for the study was as shown below.

Respondent	Local tourists	Foreign tourists	Hotel operators	Travel agents	Resort operators	**Total**
Number	30	25	15	18	8	**96**

The instrument for qualitative research was an in-depth interview guide which was used to retrieve the perceptions and understanding on the operation of indifference curve analysis from the top level managers and consultants in the tourism industry. Survey questionnaires were used as research instruments for quantitative research. The questionnaires helped in getting research data on the elements of indifference curve concept mostly affecting the behaviour of tourists in Zimbabwe. The research data was analysed using average means from 1 to 5 (1= Strongly Agree) (5=Strongly Disagree) and presented in the form of a table and pie chart.

5. Discussion and Findings

The study used a qualitative approach to establish the perceived variables that affects tourists' indifference in Zimbabwe tourism destination. This was through in-depth interviews with various top level managers and consultants in the tourism industry. The variables were further analysed on their dominance in various sectors of the tourism industry and the results are as shown in table 1 and figure 1 below.

Table 1. Responses on indifference curve variable affecting tourism industry in Zimbabwe

Indifference variables	Means for locals	Means for foreigners	Means for hotel operators	Means for travel Agents	Means for resort operators	Total means	Average means
Failing to budget	1.023	1.890	1.006	1.412	1.110	6.441	1.288
Low disposable income	1.003	1.564	1.220	1.021	1.290	6.098	1.220
Overpricing	1.010	1.005	2.167	2.673	2.940	9.795	1.959

Note. The average mean are in a range of 1-5 (1= Strongly Agree; 5=Strongly Disagree).

Source: Research Survey (2015).

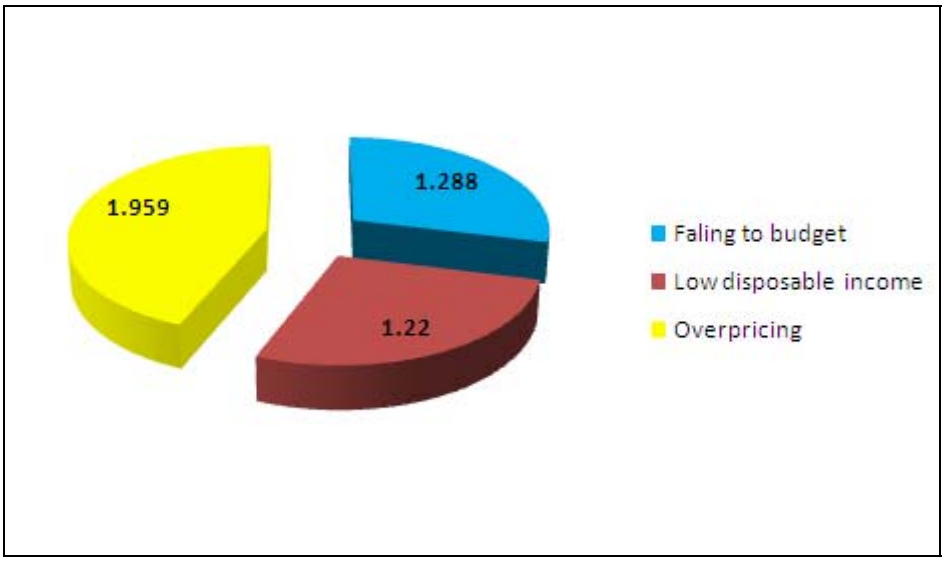

Figure 1. Responses on indifference curve variable affecting tourism industry in Zimbabwe

Note. The average mean are in a range of 1-5 (1= Strongly Agree; 5=Strongly Disagree).

Source: Research Survey (2015).

The average means in table 1 and figure 1 above show that low disposable income with an average mean of 1.22 is the most dominant indifference variable that is affecting the Zimbabwe tourist destination. This is followed by failure to budget with 1.288 average mean and overpricing 1.959. Zimbabwe and other destinations in the world have experienced an intensive liquidity crunch which has resulted in companies closing down their operations. This has reduced the aggregate disposable income of the traditional and potential tourists. It also reduced the ability to make budgets for holidays. Therefore Zimbabwe as a tourism destination has lost its popularity on the global tourism market. Indifferently tourists have resorted to visit other destinations which are relatively cheaper for any touristic spending. This is because due to poor economic performance associated with some inflationary pressures prices have increased relatively to other destinations

6. Conclusion

The indifference curve has proved to be an effective tool in assessing tourists' buying behaviour in Zimbabwe tourism destination. This is because it based on assessing customer satisfaction (utility maximization) triggered by their income levels, budgets and product choice. The satisfaction of tourists is therefore based on their ability to pay measured by the budgets they set for tourism activities and holidays. The study revealed that the budgets for tourists (especially local tourists) in Zimbabwe have been subjected to economic downfalls such that their buying behaviour has gone negative. There is high level of unemployment with low levels of cash flow and money circulation. Tourism has become a luxurious commodity of which the local tourists have resorted that they can survive without engaging in touristic activities. Foreign tourists have informed that tourism activities in Zimbabwe are

expensive in relation to those of other competing destinations in Africa which then destroy their budgets and total holiday satisfaction.

7. Recommendations

The tourism destination planners should use a price discrimination mechanism which is targeted at charging a favourable low price to local tourists. This encourages local tourism consumption making it affordable to everyone in the country. The drive will also eventually turn the tourism products and services to basic necessity rather than luxurious. This is evident in local tourists' behaviour which makes them highly ignorant about the offerings in their own destination because they see them unaffordable.

The tourism marketing authorities should engage into massive campaigns and teaching of the local residents about the importance of tourism to social and economic well-being of the country. This encourages their knowledge and participation in tourism such that their behaviour becomes positive.

Mergers and integration of tourism business operators is critical in achieving marketing and pricing economies of scale. This helps in charging prices that are low and affordable to both local and foreign tourists emanating from the fact that economies of scale help in reducing operating costs which will in turn remove the desire to improve profits through overpricing.

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