CHAPTER -4

4.1 TOURISM DEVELOPMENT OF GUJARAT: STRATEGIC ANALYSES

This chapter incorporates SWOT Analysis (Strength, Weakness, Opportunities, Threats); PEST Analysis (Political, Economic, Social, and Technological); and FF Analysis (Five Force — Competitive rivalry within the industry, Threat of new entrants, Threat of substitutes, Bargaining power of suppliers and, Bargaining power of buyers) of the destinations of tourist importance in a participatory manner. A study of SWOT, PEST and FF Analyses will provide a full view of “Gujarat and Tourism” at a glance. The indicative outline of the chapter will be:

4.1.1 SWOT Analysis
4.1.2 PEST Analysis and
4.1.3 Five-Force Analysis

4.1.1 SWOT Analysis

STRENGTH

Gujarat is gifted with a large mix of tourism centers to satisfy the fancies of widest range of tourists, both domestic as well as foreigners. It ranges from sites of the ancient Harappan/Indus Valley civilization to modern wonders created by Le Corbusier (Sanskar Kendra, Ahmedabad Textile Mill Owners Association- ATMA, Manorama Sarabhai’s House and Shodhan House), Louis Kahn (who designed IIM-A), Charles Correa (designed the memorial at Gandhi Ashram at Sabarmati), and the works of award-winning contemporary state architects like Balkrishna Doshi (Mahatma Gandhi Labour Institute, Amdavad-ni-Gufa along with the late legendary painter M.F. Hussain), Bimal Patel (Entrepreneurship Development Institute-EDI), Hasmukh Patel (Patang Restaurant, RBI Building, the new High Court) etc. have made Gujarat a fascinating place for those interested in modern architecture.

❖ Lothal, near Ahmedabad, and Dholavira in Kachchh are two famous ancient cities excavated in India

❖ Gujarat has incredible religious centers like:
- HINDU:
  Dwarka (one of the Char-Dhaams and one of the 12 Jyotirling), Somnath (one of the 12 Jyotirling), Ambaji (one of the 52 Shakti-peeths), Pavagadh (one of the 52 Shakti-peeths), Dakor, Shamlaji, Bahucharaji/Becharaji, Shankheshwar, Girnar, to name a few of the many important centers.

- JAIN:
  Gracefully carved temples can be found at Palitana, Girnar, Taranga and Kumbharia.

- PARSIPARSEE:
  The most sacred temple for Parsis/Parsees is IranshawAtashBehramFire temple in Udwada.

- ISLAM/MUSLIM:
  The Gujarat Sultanate developed an Indo-Saracenic architectural style blending elements of Islamic and Hindu architecture. Good examples of these can be seen in the 15th Century Jama Masjid (mosque) of Ahmedabad and the 16th Century monuments of Champaner, declared as the World Heritage Site.

- Another distinctive feature of the state is the wooden architecture that one can see in darbargadh, havelies and houses while walking through the lanes of villages, cities and towns.

- Tourists who love handicraft items, the state is a paradise for them as Gujarat is famous world-wide for its cotton, wool weaving, fabulous embroidery items mostly done by village women-folk, bandhani or tie-and-dye, block-printing, applique work, bead-work, wood-carving, metal-work, terra-cota and tribal crafts. One can fathom these by visiting one of the many fairs and festivals of the state.

- Twelve months, hundreds of fairs and festivals, like Uttarayan/Makar Sankranti (Kite flying, all over Gujarat), the Modhera Dance Festival (held at the majestic 11th Century Sun Temple at Modhera as the back-drop), Sharadotsav (Gujarat Tourism organizes a festival featuring the folk-culture of Kachchh district), Bhavnath Fair (held at Bhavnath, Junagadh district), Kwant/Kvant Fair (held near Chhota Udaipur/Udepur), Chitra-Vichitra Fair (at the confluence of three rivers near the village of Poshina in Sabarkantha District), Dang Durbar and Monsoon Festivals at Saputara (in Dang District), Tarnetar Fair, Ravechi Fair, Vautha Fair, Shamlaji Fair,
Janamashtami celebration (Dwarka), BhadarPoomima (Ambaji and Khedbrahma), tribal fair at Pavagadh, Madhavpur fair of the Mers (near Porbandar), the JagannathRathYatra (Ahmedabad), the Muharram procession (Ahmedabad), the religious fair at the mausoleum of Sarkhej in Ahmedabad, the Mira Datar fair at Unava near Unjha, the Tana-Riri music festival at Vadnagar and festivals of Jains, Parsees and Christians to name a few of the fairs and festivals of Gujarat. Indeed, Gujarat is a state where life is a celebration.

❖ The state is dotted with rapturous sites for eco-travellers, an ideal place for those interested in wild-life viewing and bird-watching

❖ Home of endangered species like the Asiatic Lion and Indian Wild Ass- not seen in any other place in India

❖ Other attractions are- Black Buck, Sloth Bears, Leopards, Great Indian Bustard, Lesser Florican, White-backed and Long-billed Vultures, and even migratory birds like Siberian Cranes, Flamingoes, Pelicans and Falcons

❖ Gujarat has India’s first Marine National Park in the Gulf of Kachchh with beautiful coral-reefs and a rich marine life

❖ Dinosaur Fossil Park:

The village of Raiyoli, near Balasinor in Kheda District, was home to the now extinct species of Dinosaurs (lived about 65 million years ago). It is one of the very rare places in India for the findings of Dinosaur fossils. It is one of the largest Dinosaur fossil parks of the world and the only place in the world where the Dinosaur breeding/hatchery (egg) and grave-yard (bones) of the Dinosaurs are found in a large number. The bone fossils of this ancient species were discovered in 1981 and the egg clutches were found in 1982. Since then the place has become an important destination for the Geologists and Paleontologists, and international tourists as well.

WEAKNESSES

While states like Andhra Pradesh, Kerala, Goa and Rajasthan have made strong efforts at developing tourism sector of their states; relative failure of Gujarat to attract tourists to its full potential may be due to multiple factors1:

1 Government of India, Ministry of Tourism & Culture, Department of Tourism; Market Research Division; 20 Years perspective plan for Development of Sustainable Tourism in Gujarat
• Quality at destinations not comparable with best in the country (e.g. Beach Resorts of Goa, Heritage properties of Rajasthan etc.)

• Lack of proper tourism policies: Though a separate tourism department was established in 1973 to help promote tourism in the State and in 1978 TCGL was formed, the past record shows that even in 2012 not much has been achieved regarding tourist flow in the state. Thus, in 2012, after 34 years of its working, it is felt that TCGL needs some re-adjustments so as to make it more competitive in its pursuit in the development of tourism sector.

• Inadequate tourist infrastructures and basic amenities at many tourist destinations

• Poor connectivity among different tourist destinations

• Lack of proper tourists’ information centers

• Unfavorable brand image as a tourist friendly destinations

• Non-availability of qualified guides

• No facilities around archaeological monuments like seating arrangements, good eating joints, clean rest-rooms, garden-scape etc. so that tourists can stay there for some time

• Most of the archaeological monuments are in a very congested areas with big scale encroachment from all sides

• Sometimes excessive focus on a specific issue, bye-passing other important features of the site, viz., excessive focus on Lions in Sasan while unique eco-system of Gir forest is mostly ignored

• High rates at the heritage properties/hotels keeping in view foreign tourists only, hence middle-income group Indian tourists has never taken any interest in the same

• Till recent times, inadequate marketing of Gujarat as a premier tourism destination—The late start (only after 2010, when Gujarat started promoting tourism vigorously by having a celebrity Brand Ambassador) did rob the state to attract tourist, especially foreign tourists

• Prohibition on liquor in the state

• Apart from the above mentioned indicators, the state has been affected by natural calamities like cyclones and earthquakes as well over period of time
OPPORTUNITIES

- The present global trend is towards visiting exotic destinations and Gujarat is blessed amply with it.
- Huge scope for investments in new ventures/projects related to tourism industry
- Allowing more multi-national companies (MNCs) related to tourism sector to enter the state will give the state a global perspective.
- Demand between national and foreign tourists can be easily managed due to the differences in the period of holidays. For international tourists, the peak season for arrival is between September to March when the climate is relatively cool whereas the domestic tourists mostly waits for school holidays, generally the summer months-April to June.
- With strict measures for civic hygiene and cleanliness at tourist destinations, more tourists, both foreign and domestic, can be easily attracted to all the centers- old and newly developed as well.
- Promoting an effective international marketing agency, the state with all its splendors can easily be made a tourist hub.
- The authorities must ensure a strong and effective security system so that the tourists feel safe while visiting the state.
- As state tourism potential is unexploited to the fullest, the state and especially TCGL has a great opportunity to encash on it.
- Grandeur of Mohandas Karamchand Gandhi or Mahatma Gandhi as he is better known worldwide can be converted into a potential tourist hub not only of Gujarat but India as well.

THREATS

- Competition from other states like Rajasthan, Kerala, Goa etc. focusing aggressively on tourism.
- Bad image created of the state internationally by media due to communal riots of 2002.
• Pollution is a major problem to the tourism industry. Garbage, plastic wastes, sound pollution near tourist centers are big deterrents for the tourists, particularly the international tourists, to visit those places.

4.1.2 PEST ANALYSIS

The Gujarat tourism has seen a relatively rapid growth since 2005 – 06 (Table – 3.3). Here an attempt is made to find out what are the main environmental factors that have helped this growth and to what extent to which the change will help the tourism in the state. The knowledge is important because the change in these factors can have value usefulness on the way the tourism industry performs. These environmental factors can be analyzed through PEST Analysis [P= Political; E= Economic, S= Social, and T= Technological]. The PEST analysis, within its parameters, shows the importance of any changes in Political, Economic, Social and Technological environment on tourism industry of the state.

POLITICAL

The political factor plays a dominant role in case of tourism industry, whether it is for an individual State or Nation as a whole. The industry is basically built on Government support and a favorable political climate at the place. Without these, tourism industry cannot sustain itself. The archaeological sites and the places of historical importance, the roads, the railways, the support services like airlines, the hotel industry and the tourist operators etc., are heavily dependent on Government support and cooperation. Any policy change from the Government side can have a dramatic impact on the performance of the stake holders. For example, whenever Government changes tax rates on the luxury and star category hotels or increase entry fee to visit tourist sites etc., there is always a conflict between stake holders and the Government and the net looser are always the tourists and in turn tourist industry. Secondly, if political climate of the place is not peaceful and law and order problem prevails, tourist flow will decline and tourism industry will suffer. In Feb. 2002, the unfortunate Godhra fall-out which shook the political atmosphere of the State had a negative effect on tourism with a fall in tourist flow to the State. This decrease in number of tourists was specially noted in the case of domestic tourists (Table 3.3). If solving the country’s unemployment and foreign exchange problems are on the top of National or State agenda, then the potential growth of tourism industry cannot be
neglected. Realizing this, since 2002 - 03, the State government and TCGL in particular have come out with many schemes to help develop Gujarat tourism.

**ECONOMIC**

The tourism industry like other industries grows as spending of the people increases. The spending power of the people, mostly of advanced countries within last decade, has been increasing and this led to a large amount of idle cash in their hands. This, in turn, leads to the tourism boom the world over\(^2\). In India, within last two decades or so, a large educated and skilled middle class came into the work force with increased disposable income. Previously, most of the foreign tourists or domestic tourists were shoe-string budget tourists. Now the scenario has drastically changed.

As far as the foreign tourists are concerned, they are mostly high spending one and they opt for luxury hotels, world-class transport facilities and the like. Even a large section of Indian tourists are ready to spent for high comforts on hotels, transport, way-side eating joints etc. Thus, as tourism develops through increased flow of tourists, the economy benefits through increased spending and its multiplier effects and the end result is more income and employment of the place. This could be observed in any of the tourist destinations of the State. The business activities have increased many-fold in these destinations over last few years along with increased tourist flow.

However, if not carefully handled, tourism can propagate many economic problems. Loss of economic benefits at a place can happen when there is a high import of goods and services used by tourism industry of the place and economic conditions may further deteriorate if tourist facilities are owned and managed by outsiders. This situation reduces net income earnings of the affected place and may lead to resentment of the local residents.

Nevertheless, there may be no other alternatives but to go for outside help especially when capital and managerial capabilities are limited. Again, economic distortions can take place geographically, if tourism is concentrated in one or few places of the region without corresponding development in other areas. Employment disproportion may be the result if tourism attracts too many employees from other economic sectors,

\(^2\)World Tourism Organization (UNWTO), UNWTO Tourism Highlights, 2013 edition
because of its high wages and better working conditions\(^3\). In short, while tourism development is a must, limited but effective State control over economic atmosphere of the place is an equally important aspect for peaceful economic development.

**SOCIAL (Socio – Cultural Impact)**

Tourism brings both prosperity and problems to the local community and the cultural patterns of the region. Though, more difficult to measure than economic or environmental impacts, socio-cultural disturbances are the major concern for the policy makers while developing tourism in any place. These impacts can be critical in countries that still have strong traditional societies and economies. People become cautious especially of foreign tourists. Goa is a living example of it. The above statements may sound discouraging, the scene will be not so bad if the place or places can strike a balance between the local culture and the demand of the tourists, foreign or domestic.

People are now realizing that tourism can be a major source of income and employment for them vis-à-vis some discomfort at socio-cultural level. They also learnt that any type of new development brings changes. Tourism is only one among many sources that affects socio-economic conditions of a place in today’s world.

In short, tourism should be well planned, developed and managed in a socially responsible manner so that while bringing employment and income benefits to the place it will also safeguard the traditional cultural aspect of the place.

**TECHNOLOGICAL**

Technology plays an important role in the promotion of a tourist spot or a region. In modern world, better communication facilities are the most important prerequisites for the growth of tourist inflow. Electronic communications helped remote and inaccessible areas of the country get connected to the other parts of the world. Better communication system means better media accessibility and in turn the place can project itself on the world tourist map. An international class of transport system, be it road, rail, air or sea can go a long way to bring in tourists in large numbers to a place.

\(^3\) Badan, B.S. et al (2007); Tourism Planning and Development; Commonwealth Publishers, New Delhi
In short, technology plays a major role in the promotion of a place. Of late, the state government and TCGL are coming out in a very big way in the utilization of technology for the development of tourism in the state.

4.1.3 FIVE FORCE ANALYSIS

Prof. Michael E. Porter in his path breaking work\(^4\) has provided a framework that models an industry as being influenced by five competitive forces. These "forces" help analyze everything from the intensity of competition to the profitability and attractiveness of an industry.

The Five Forces are:

1. Competition rivalry within the industry
2. Threat of new entrants
3. Threat of substitutes
4. Supplier power and
5. Buyer power.

Here, Potter’s Five Forces are analyzed in the following paragraphs in context with tourism industry in the State and as tourism sector develops, the problems and prospects the stake-holders are likely to face.

1. COMPETITIVE RIVALRY WITHIN THE INDUSTRY

Strongest among the forces is the competitive nature of the sellers. The sellers want to dominate the market through buyers favor. In tourism industry, rivalry is centered on price competition and promotional schemes whether it is local or cross country. Following are the important reasons for high rivalry among sellers especially in tourism industry:

a) Number of competitors

As international tourist flow increases, there is increasing competitions among the countries to attract tourists. In today’s fierce competitive world, each nation is trying to attract international tourists through aggressive marketing. Table 1.6 gives some idea of India’s position and rank in respect of tourist arrivals for the years 1997 to

\(^4\) Porter, E. Michael (1980); Competitive Strategy- Techniques for Analyzing Industries and Competition; Free Press, New York
2012 vis-à-vis Asia and the Pacific countries and also world as a whole. If India wants to attract more foreign tourists in particular, than much more is required to do by concerned agencies, especially on the marketing front to combat countries like China, Malaysia, and Singapore etc. to name few of the Asia Pacific countries. When the state of Gujarat is taken as an independent unit and a comparison is made with India, whose position itself in the world tourism map is not so satisfactory (Table 1.5), Table 3.4 clearly reflects how poor Gujarat’s position is. In other words, Gujarat has to go a long way to reach to its potential.

b) Growing demand

Rapidly increasing tourism market brings about enough business to the region. As demand for goods and services increase along with increased tourist flow, the industries like hotels, transport, eating joints, handicrafts etc. also starts growing. Tourism is one of the world’s fastest growing industries at present and holds fourth place after fuels, chemicals and automotive products\(^5\). Spending on tourism touches 5% to 10% of total consumer spending of the world\(^6\). For India, tourism is the third largest export industry after gems and jewelry and ready-made garments\(^7\). Thus, to enhance employment and income in the State, development of tourism sector should be on the priority list of the State Government.

c) Low switching cost

The lower the cost of switching to other business, the easier it is for the rival seller to enter another sellers’ domain. In the case of tourism industry, switching cost is relatively low. When competitors market their brand at more or less at the same price and promotional schemes, as in the case of tourism industry, competition becomes tougher.

d) Standardize service

Tourism is based on standardize services. The differentiation of services, the novelty and the level of hospitality conditions etc. help increase the rivalry among the competing sellers. To attract more tourists, the State has to come out with newer and newer schemes and incentives for the tourists all the time.

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\(^5\) World Tourism Organization (UNWTO), UNWTO Tourism Highlights, 2013 edition

\(^6\) Ibid.

\(^7\) Government of India, New Delhi; Planning Commission; Eleventh Five Year Plan document, 2007-2012
e) **Price cut**

In a competitive market, it is a common phenomenon that sellers in the process to attract more customers will reduce price of their product thus a situation of price war can be end result. In tourism sector this happens when different incentives are dished out to tourists to visit a place or region.

2. **THREAT OF NEW ENTRANTS**

(a) **High Investment**

Capital intensive industry like tourism sector requires large investment to begin with. If it happens to be a new venture then the threat of new entry of competitive business units is less. Thus, high amount of capital requirements or risk works as one of the entry barriers.

(b) **Economics of Scale**

Economics of scale are an important barrier to entry in tourism industry. Units like, hotels, transports – like road transport, rail, air etc. requires the potential competitors either to enter on large-scale or to accept cost disadvantage. In the initial stage, a new investor enters the market with large-scale investment and is unable to capture the market in proportion of supply; the expected result will be losses. On the other hand, if new entrant accept cost disadvantage, he may not survive in the tough competitive market.

(c) **Cost and Resource Disadvantage**

Existing firms may have cost and resource advantages and this may act as a deterrent to potential entrants. In the tourism sector this concept applies to a great extent.

(d) **Learning and Experience Effects**

It is a known fact that lower unit costs are partly or to a large extent a result of experience in producing or marketing the product. A new entrant on the other hand faces a potentially significant cost disadvantage while competing against existing firms with more accumulated knowledge. In the case of tourism industry, past experience and present knowledge about rivals’ strategy goes a long way in the development of tourism of the place or region.
(e) **Regulator Policies**

Government policies are an important factor in the development of tourism of a place or a region. No country in the world today practices free trade. The doctrine of “laissez-faire” is dead. Various types of restrictions are imposed on trade, internal or external, either for earning revenue or granting protection to certain industries or region. Common methods of protection followed in the tourism sector are:

**Taxes**: Levying taxes or traffics on imports of commodities which are also produced at home/local place. Such duties raise the price of the imported goods and enable the domestic (local) industries to gain a price advantage over them or offset the price disadvantage that the domestic industries suffer from. At times, taxes on some goods are raised to a sufficiently high level to make their import practically impossible.

**Bounties**: At times Government or local authority’s grants financial assistance to local producers to enable them to offset their price disadvantages.

**Quotas**: Government or local authorities in order to develop on underdeveloped area prescribe quotas on the importation of certain goods. This enables the local producers to know how much will come from the other countries or areas and plan production accordingly.

**Entry Permit**: Sometimes Government agencies limit outside entry by issuing licenses and permits. Mandatory safety regulations and environmental pollution standards are entry barrier because they raise entry costs.

3. **THREATS OF SUBSTITUTES**

Tourism industry is one type of entertainment industry. Theatre, cinema, television etc are also entertainment industries. But it will be churlish to say that they are close substitute of tourism industry. Thus, tourism industry as such has no problem of close substitute.

4. **SUPPLIERS POWER**

Whether supplier-buyer relationship represents a strong or weak competitive force rests on whether supplier can exert sufficient bargaining power to influence their own terms and conditions of supply and the extent of supplier-buyer collaboration in the tourism industry. On the other hand, suppliers are pushed to a weak bargaining position when there are good substitutes for the item and buyers find it neither costly
nor difficulty to switch their purchases to the alternative items. Suppliers also have less option to bargaining over price and other terms of sale if the buyer happens to be a major customer.

5. **BUYERS POWER**

Customers (buyers or tourists) of an industry (tourism industry) constantly look for reduced prices, improved product quality and added services and these can affect competition within an industry i.e., may be different State Tourism Corporations or different countries. Buyers (tourists) push individual suppliers against one another, in their efforts to obtain the above mentioned benefits or other concessions.

A) **Large number of buyers**

When numbers of buyers are large, to attract them, it requires mass promotional schemes. As customers are located in different geographic areas having different culture and taste it demands different types of schemes and incentives so as to get attracted to visit a particular place. On the other hand, coming from different location and having different taste and culture, though in large numbers, they may not generate sufficient bargaining power collectively. It is up to the industry to gauge the situation and putting the best foot forward and try to attract as much tourist as possible from the rivals. In short, Buyer’s power depends on:

a) Number of customers (tourist)
b) Size of each order
c) Differences between competitors (different tourism bodies),
d) Price sensitivity
e) Ability to substitute, and
f) Cost of change.

**THE CHALLENGES FACED BY THE TOURISM INDUSTRY**

Indian/Gujarat Tourism Industry plays an important role in bringing foreign exchange to the nation and revenue to State’s exchequer, yet it has mostly faced step-motherly treatment at the hands of central government in general and state governments in particular. The inadequacies faced by the industry are many and can be broadly listed as follows:
• Lack of adequate infrastructure in the form of airports, roads, telecom and accommodation,
• Levy of taxes on tourism and tourists are not only high but also unconscionable,
• Plethora of clearances to be obtained from numerous agencies of the central and state governments.
• Difficulties in obtaining land for any development projects if it happens to be private enterprises in particular.
• Restrictions on the movement of tourists and tourist vehicles in many cases.
• Lack of adequate security especially to foreign tourists.
• And most important, inadequate “Human Resource” development leading to the visitors being treated more as an intruder than as an honoured guest.

8 Ministry of Tourism and Culture, Department of Tourism (Market Research Division), Government of India; 20 Years Perspective Plan for Development of Sustainable Tourism in Gujarat
FIGURE: 4.1

PORTER’S FIVE COMPETITIVE FORCES

**Threat of new entry**
- Time and cost of entry
- Specialist knowledge
- Economies of scale
- Cost advantages
- Technology proportion
- Barriers of entry

**Competitive Rivalry within the Industry**
- Number of competitors
- Quality differences
- Other differences
- Switching cost
- Customer loyalty
- Costs of leaving market

**Threats of new entrants**

**Bargaining Power of Supplier**
- Number of suppliers
- Size of suppliers
- Uniqueness of service
- Ability to substitute cost of changing
  - Price sensitivity
  - Ability to substitute
  - Cost of changing

**Power of Buyer**
- Number of Customers
- Size of each order
- Differences between competitors

**Threat of Substitutions**
- Substitute performance
- Cost of change

**Bargaining**