

Finding the Right Balance

21 Issues & Trends That Will Shape Travel and Tourism in the 21st Century

The travel and tourism buzzword of the 21st century will be the search for balance.

The identification, maintenance and management of this threshold of balance will be the single most important requirement for the tourism industry of the 21st century. Those companies, institutions and destinations that perform the balancing act well will attain that elusive goal of sustainable development. Those that don't, or won't, will be trapped forever in vicious boom and bust cycles.

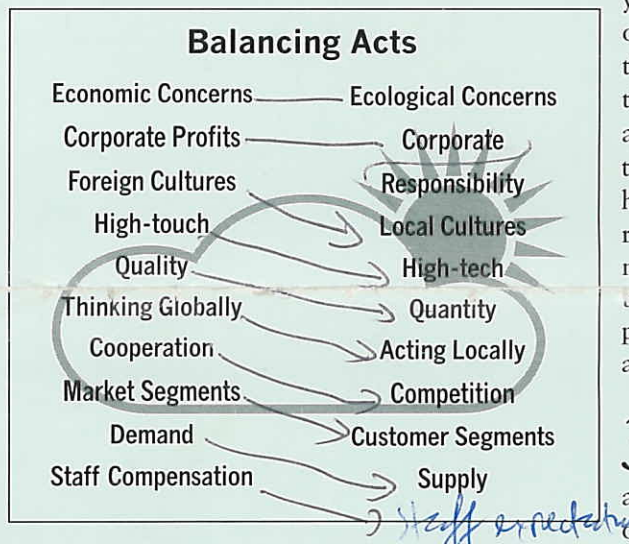
This balancing act will manifest itself strongly as the following 21 critical issues and trends play out throughout the travel and tourism industry in the 21st century. The 21 items were identified in research conducted at the November 1998 World Travel Market in London and are being reproduced here for the benefit of PATA members:

1 Economic impact and leakage from tourism: Set to become probably the most significant hot-potato issue in the early 21st century. Asian governments will be seeking to maximise that economic impact by first keeping more earnings at home and after that, within the region. That will run up against the increased

advances of global multinational groups which will be sending more and more money out in the form of franchise, distribution, management fees and various other forms of earnings. Expect universities, local research think tanks and regional groupings like the United Nations Economic and Social Commission for Asia and the Pacific to focus intensively on this subject.

2 Extension of U.S. influence throughout the travel and tourism industry: The most visible signs of U.S. presence are movies, fast-food chains, hotels, airlines, theme-parks, credit card companies, media and Internet distribution technology. Over the next two years, these prominent signs of U.S. presence will grow throughout Pacific Asia through equity deals, management and franchise contracts. As tourism is a high-profile industry, the response from local communities could well be unpredictable, especially in places where such images are not popular.

3 Impact of globalisation: Related to the above but impacting on other issues like environmental and consumer protection regulations, changes in currency (such as the recent implementation of the euro) and aviation policies. While liberalisation of bureaucratic trade practises will continue, PATA region NTOs will be under pressure to show that they are not being dictated to by outside powers nor giving more than they are getting.



4 Greater liberalisation of visas, border control formalities and investment opportunities. Several major regional caucuses like the Asia-Pacific Economic Co-operation and ASEAN have this triumvirate of issues on their agendas in view of the recognition that they are major impediments to the flow of people and goods. Step by step, these barriers will fall as countries adjust to the new realities. However, it is critically important to ensure that the countries are encouraged, not pushed, to make the changes.

5 Taxation: Countries, states and even cities that give tax breaks to the tourism industry are advertising it as a promotional tool. In many countries, there is a tendency to do the opposite, i.e. to tax travel and tourism because visitors don't vote. That is a fallacy; visitors vote with their feet. They go elsewhere. Monitoring mechanisms like the WTTC's Tax Barometer are keeping a watch on these tax increases in the form of a performance score-card. In the latest barometer, released at WTM, Asian destinations hit by currency evaluations did not fare well, mainly because they had to adjust various airport taxes in line with the extent of the devaluation.

6 Social issues: The hardest work for the industry lies in convincing its constituents that it is not an industry by the rich for the rich. In many parts of Asia, luxury hotels are still an incongruous embar-

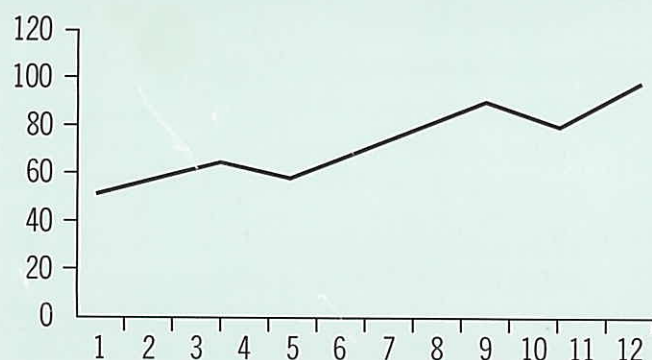
rassment in the midst of surrounding poverty. Either ostentation will have to be replaced by modesty or the industry will have to work harder at explaining why it is paying housekeepers as much as it charges guests for 20 cups of coffee. Non-governmental organisations still blame travel and tourism for abetting the problem of child prostitution, even though the industry is working very hard to combat it.

7 Employment: As the industry gains greater respectability and recognition, it will attract more than its fair share of qualified young people seeking to see the world and enjoy the sights and sounds they are exposed to over the Internet. Mobility will increase as Internet web sites allow people to find work in different parts of the world. There will be great demand for people with language skills and ability to work in different cultures.

8 Safety concerns, crime and political problems, including terrorism, will dominate agendas. In 1998, many PATA destinations suffered from such problems, leading to a marked increase in visitor arrivals in places free of them. Some countries, including a few within the PATA region, capitalised on the woes of their competitors to stress their political and economic safety in an attempt to regain market share. The struggle to come up with effective crisis management scenarios for the tourism industry continues.

Boom and Bust

Certain sectors of the travel and tourism industry are acutely subject to a phenomenon often referred to as the "boom and bust" cycle. The accommodation sector in particular is very susceptible to this condition, which holds that once demand (for, say, rooms in this instance) begins to approach saturation of existing stock, new accommodations will be constructed and opened in an effort to satisfy that demand. This release of additional stock onto the market is almost always well in excess of immediate demand requirements and the short-term effect is



for each accommodation provider to experience a loss in occupancy rates (and sometimes revenues as the battle for market share intensifies).

It is simply a condition of supply and demand. Given demand for a product/service and limited supply, the price (and hence yield and profitability) increases. When supply exceeds demand however, the reverse holds true and the suppliers of those products/services begin to feel the effects of reduced prices and profitability. Overall growth can certainly continue but in a cyclical manner — the boom and bust wave.

9 Influence of organised crime: There is growing evidence that the cash-rich status of the industry is a convenient channel for global money-laundering rackets, especially through casinos, real estate deals and purchases of luxury items. This is attracting the interest of law enforcement officers and will be the subject of many a media scandal as prominent investors are identified as potential suspects.

10 Technology: It is now all but accepted that travel agents are going to become just a regular part of the distribution equation and will have to earn their keep based on their productivity for a supplier. New multi-channel strategies being announced by airlines, and soon to be followed by hotels, will involve distributing their products through the Internet, direct sales, frequent flyer databases, corporate suppliers and agents. As one European airline said in announcing the new strategy, "In a world where 100 percent of our frequent travellers have a cellular telephone, 85 percent have a PC and over 50 percent are surfing the Internet a number of times each week, we must adapt our distribution to these new conditions." Expect to see more Internet auctions of everything from hotel rooms to advertising. Microsoft Expedia has now expanded to Europe. Asia will be next.¹

11 Environmental issues: The travel industry has clearly got the message that a strong environmental ethic is at the heart of its survival. Hotel chains, airlines and tour operators are responding energetically to calls for the industry to protect the long-term viability of its lifeline. Travel and tourism's main problem will be the environmental impact of other polluting industries in the neighbourhood.

12 Airlines and aviation: The global power of the airline alliances will begin to manifest itself, parlaying into code-sharing, joint purchasing, database marketing and more alliances with the smaller airlines of Asia. While traffic will take time to recover, capacity has also been reduced due to the huge number of deferred aircraft orders. Airlines are in a heavier cost-cutting mood than ever before. The best that the industry can hope for is that those airlines which cut routes in 1997/98 will reinstate them this year. No new destinations are expected to be added. Privatisation of both airports and airlines will continue.

¹ Microsoft Expedia is the online travel agency set up by global software giant Microsoft. It is reportedly receiving nearly two million hits a month.

13 Across-the-board alliances between the public and private sectors, as well as amongst them. As access to databases becomes critical, and direct marketing becomes the rage, these alliances will drive the industry as all participants in it seek to attain the highest common denominator. One interesting trend is the growing link between tourism and its associate/supportive industries such as agriculture, textiles, gems and jewellery, retailing and even arts/culture. Expect to see greater realisation that a product sold to a tourist is as good as a product exported.

14 Hotels: Asian hotels can brace for major take-overs and expansion efforts by the brand-name U.S.-owned chains, especially franchise operators whose offers will be difficult to resist or refuse. As branding gains strength, the unbranded may find themselves increasingly isolated. Branded hotels will receive the backing of marketing and networking power. In the U.S., some branded hotels are also receiving low-interest or no-interest loans to help them with renovations. But terms and conditions are strict.

15 Cruise and marine tourism: Will take off in a big way throughout the rivers, seas and oceans of Asia. But major upgrading of standards and improved facilitation will be necessary if Asia is to compete against Europe and the Caribbean and Hawaii. In the U.K., British Waterways conducted research on how people escape from stress and found that over a quarter of a million people will take a canal boat holiday in the U.K. in 1998 and that canal boating is twice as popular as a day at an amusement park and just as attractive as a weekend at the seaside. Said one executive, "Certainly one of the fastest ways of slowing down."

German Outbound: Experience and Interest

Type of Holiday	Experience 1994-96 (mn)	Future Interest 1997-99 (mn)
River rafting	0.6	5.6
Sea cruises	0.6	4.0
Naturalist holiday	0.6	2.3
Winter break in warm countries	3.2	10.9
Beach/bathing/sunshine	25.1	30.9

Source: Gairer and Jahr, *Reiseanalyse '97*. Reprinted from the PATA German Market Report, 1998

16 Trade shows: The clutter of international trade shows will continue but break up into smaller niche-market shows focusing on both countries and product category. This will open up opportunities for buyers to specialise in various segments but also run the risk of putting their eggs in one basket. In 1999, Hong Kong will host a new Asia-wide trade show backed by the organisers of ITB Berlin. Reed Travel Exhibitions, organisers of the PATA Travel Mart and the World Travel Market, will organise the first global golf show

17 Greater focus on regional promotions: To stretch their promotional dollars, groupings such as the South Pacific and Indian Ocean islands, Mekong region countries, African states and others will be stepping up pooling of resources to undertake joint marketing and research efforts. At the WTM, groupings like Caribbean Tourism had a prominent profile, especially as they were seeking to regain market share of the devastating hurricanes of the previous September and November. Other banners are also emerging, such as the Silk Road.

18 Emergence of the Middle East: Likely to start running out of oil over the next 20 to 30 years, and with no other resources to sell, many Middle East countries are gradually turning to tourism, capitalising on their historic cultures and Islamic traditions. One major U.K. tour operator announced the start of the first tours to Saudi Arabia. Dubai is as usual at the forefront and will play a prominent role in guiding the tourism destinies of other Gulf countries.

19 Growth in religious tourism: The publicity and promotion of the Bethlehem 2000 project to commemorate the birth of Christ is expected to be the major catalyst for a revival in religious tourism globally. Areas such as the Buddhist circuit in India and major religious icons like Angkor Wat are only some of the thousands of significant religious spots throughout the Pacific Asia region that could benefit. Holiday patterns, too, are heading in that direction. Holidays were once purely recreational but in the last 10 years have moved into physical and mental rejuvenation. Spiritual rejuvenation is quite likely to be next.

20 Holiday trends: A recent study undertaken by the World Tourism Organization on the impact of global economic changes on employment and holiday-taking patterns concluded that there would be a trend towards more and shorter holidays against fewer and longer holidays, mainly due to time constraints and job insecurities. Though labour laws and working conditions in many countries are moving towards giving more free time, corporate downsizing is leading many executives to work overtime anyway, mostly at home.

21 Emergence of secondary cities, both as source markets and destinations. So far, most of the world's tourists have originated in the major cities and headed for the major cities, usually as an initial stopping off point en route to somewhere else. However, worldwide, there are hundreds of state and provincial capitals with sizeable populations, all seeking to get a piece of the action. As these cities emerge from the backwaters, increasing airline and transportation links will help them become inbound/outbound markets in their own right.

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Issues & Trends, Pacific Asia Travel is a monthly publication published for the members of the Pacific Asia Travel Association.

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