

Pacific Asia's Regional Rethink

LONG-HAUL TRAVEL from Europe and North America to the Pacific Asia region appears set to lose market share as arrivals swell from India, China (PRC), the Middle East, Russia and Eastern Europe. An industry that grew up on business from the industrialised countries is looking increasingly inwards, both at home and within the region. This paradigm shift taking place in who is travelling, where, when and why, will see some equivalent shifts in everything from the way products and services are designed, created and marketed to investment flows and training programmes.

A significant aspect of this shift is that the emerging potential is in addition to existing business, not instead of. The cake will both grow and change at the same time. The travel industry is only a part of a much wider political, social, economic and cultural matrix, the shape and texture of which is identifying more clearly with an emerging sense of Asian identity, nationalism and regionalism. While the pitfalls are considerable, there are clear opportunities to achieve a better balance of visitors for destinations, a better mix of leisure, business and MICE traffic, less pronounced peaks and troughs in seasonality and, over time, a better overall yield.

Much work will need to be done to accommodate this shift. Although the Pacific Asia region, dominated by giants like India, China (PRC), Japan and Indonesia, has long been its own best source market, its growth potential has been plagued by a broad swathe of bottlenecks, regulatory impediments, hardware and software restrictions. These include visa curbs as well as poor infrastructure and insufficient market research information.

Indeed, much is known about the consumer preferences and business strategies of the industrialised countries, but little is known about emerging markets. Neither can these new source markets be classified as homogenous entities; each of them contains several sub-markets each with its own preferences, peculiarities, styles and patterns. The overall potential, however, is enormous.

The issues arising from this shift in travel patterns will need to be researched in much more detail. This edition of *Issues & Trends* will hopefully start the process of thinking about the implications of as well as the opportunities and challenges likely to arise from this change. It features a check-list of thought-prompters designed to encourage discussion and forward-planning based on scenarios that may arise. It raises questions that are strategic, tactical and operational. No easy answers can be supplied; destinations, companies and institutions will have to decide which of these scenarios apply, if at all, in their own unique circumstances.

Global vs Local

The mantra, "Think Global, Act Local" dominated business agendas in the 1990s. Should that now change to "Think Regional, Act Local, Plan Global"?

There is little doubt that globalisation is coming under increasing scrutiny, even as nationalism grows, with regionalism coming a close second. Will countries and companies be able to better analyse their business mix? Are they over-exposed to any one particular region or area? How can they diversify to create a better balance of local, regional and global business? What internal and external changes will have to be made accordingly?

Financial Flows

Attracting foreign investment has been a major priority for policy-makers in the Pacific Asia region. Traditionally, most of it has come from industrialised countries and global conglomerates. Yet, there are billions of dollars in Arab and Middle Eastern banks; much of it has traditionally been invested in the West. Middle-Eastern investors are now looking for new opportunities. As travel is a major growth area with strong long-term potential, can the Pacific Asia region mount a marketing campaign to attract some of this investment?

Will this also create a more level playing field between American, Japanese, European, Arab, Chinese and Indian investors, thus reducing the power and influence of Western investors? Will it lead to the rise of more powerful regional and national companies? Will they be able to compete on an equal footing with global multinationals?

As a shift in investment and trade flow inevitably leads to a commensurate shift in business travel, how can this opportunity be tapped? Is it about time for Pacific Asia banks to get together and create their own credit cards, mileage and rewards schemes? Is it time for the emergence of stronger regional hotel and tour operator conglomerates?

The Rise of Free-Trade Zones

The Pacific Asia region is dotted with a number of regional and sub-regional economic zones designed to promote greater economic cohesion. While there has been much talk, progress has been slow, in some cases non-existent. Travel is a major component of these free-trade plans, and also stands to be a major beneficiary via increased travel for leisure and business. What can the industry do to expedite implementation of these zones?

Currency Issues

What role can travel play in promoting the creation of a future Asian or ASEAN monetary union? The (so-far) successful transition of the Euro has already shown the advantages of

making it possible for people to move seamlessly from one country to another without having to change money at every border-crossing. If the travel industry is one of the major beneficiaries of such a union, what can be done to promote its emergence? Both consumers and businesses stand to benefit substantially.

Visa Policies

This is one of the biggest bottlenecks to intra-regional travel within Pacific Asia. How can facilitation issues be sorted out to pave the way for seamless travel? For example, within the Association of Southeast Asian Nations, even though the founding charter requires that ASEAN citizens should be able to travel visa-free within the region, not all ASEAN countries automatically extend a visa-free facility.

Citizens of China (PRC) and India, the two biggest markets in the world, require visas for nearly all Pacific Asia countries, mainly to prevent tourists from turning into illegal immigrants. Some countries grant visas on arrival but most others require them in advance. Middle East

countries face similar restrictions, more so since September 11, 2001.

Hence, travel agents, tour operators and potential travellers in all these new markets have to sift through a myriad of different visa requirements. Those countries which show the most flexibility are the clear winners, like Australia which grants long-term multiple-entry visas. Discussions are under way to boost the use of technology, such as smart cards, especially for frequent business travellers. The ASEAN countries are also mulling the creation of a Schengen visa-type system that will rationalise the application process and documentary requirements.

However, given the wide disparities in the administrative structures, security considerations, financial capabilities and domestic political pressures on each government, this entire process could take years. What can be done to expedite this?

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Aviation Issues

For many years, Pacific Asia was deemed the fastest-growing aviation region in the world. Not only is it a large swathe of territory in its own right, but, unlike Europe and North America, it is divided by large tracts of water, which makes air travel necessary. Better air access is needed to link China (PRC), India and the Middle East as well as the numerous secondary cities of the Pacific Asia region.

However, regional aviation traffic rights agreements remain outdated. Protectionist policies mean that the emerging secondary airlines are not being given adequate regulatory freedom to tap the huge potential for leisure and business travel, even as most major airlines find short-haul routes within Pacific Asia unprofitable. Should these aviation regimes be given a fresh look to create open-sky regimes bilaterally, sub-regionally or regionally?

Will the growth of secondary cities create a bigger demand for smaller aircraft? What will be the impact of this on aviation congestion at hub airports? Should Pacific Asia countries whose airlines buy billions of dollars worth of aircraft from the European and American plane-makers now press for opportunities to manufacture some of their parts in this part of the world? Given the many instances of airline bankruptcies, is privatisation of regional airlines and airports necessarily the best way of moving forward? Is there room for a middle ground position?

Infrastructure

In addition to airports, many Pacific Asia countries are moving ahead with development of road, rail and cruise linkages. However, regional transport ministers are lagging in eliminating the regulatory "software" bottlenecks to make better use of this emerging "hardware." One of the most promising transportation networks is the Asian Highway which should make it possible to drive from Singapore to Afghanistan and beyond to Europe. What can be done to help see this long-delayed project through to completion? Cruising, too, has considerable potential – what can be done to further unlock it?

Reduced Reliance on Global Consultancy Firms

Many of the "solutions" to corporate and economic problems suggested by global consultancy firms are now proving to be disastrously wrong. Many of them were based on policies

derived from the one-size-fits-all philosophy. Will these consultancy companies continue to be used? Should they continue to be used? Are there local companies which can do better? Should future "solutions" be more accommodating of local and regional conditions?

National Tourism Offices

Many regional NTOs are slowly shifting to promoting domestic travel first, regional travel second and long-haul international third. What will this mean in terms of budgetary allocations and opening of future offices? Will they now need to spend more money on consumer research in the emerging markets? Will it open opportunities for marketing representation services in different cities?

Hotels

Can more home-grown hotel chains emerge to compete more strongly with international operators, either individually or collectively? In terms of products, most hotel rooms, services and facilities have been designed to suit the tastes of visitors from the industrialised countries. How will this change? For example, visitors from the Middle East countries need to have the arrow indicating the direction for prayer. Will hotels need to become more accommodating in this regard?

Demographics

The Pacific Asia and Middle East regions have unique demographic structures, with huge potential for travel by women and children. They also have different school holiday periods, traditionally the high season for outbound travel. Is there an opportunity here for more targeted marketing? More travel by Asian women can yield much more spin-off benefits for shopping and go a long way towards raising visitor expenditure and income distribution, thus helping travel serve one of its most important functions – creating jobs and alleviating poverty.

Media and Marketing

Visual images in generic tourist literature have predominantly tended to feature the average tourist as being a white Caucasian. Will this change? Numerous Pacific Asia NTOs have already adjusted the imagery and content of specific regional and local marketing campaigns, but the global material remains largely the same.

As budgets are also redirected to within the region, how will regional media – trade, consumer and electronic – capitalise on this trend? Will it boost professionalism in coverage of travel or make it more mediocre and flippant?

Signage

Signage in most public areas of Pacific Asia countries is usually in the local language and English. Will this now need to include at least one other language, perhaps Mandarin? What about tourist literature and brochures?

Training and Education

Training and education requirements for front-line staff will need to be significantly revamped. How? The importance of language training will certainly take on a new dimension. For example, how many tourist police speak Russian or Mandarin? How many guides speak Arabic? Should networking among regional training education institutions assume new impetus to take on these new training challenges, cut costs and boost effectiveness?

Food & Beverage

Most menus offer the traditional range of Western, Japanese and local cuisine. Not much of it suits the tastes of Indian vegetarian visitors, Chinese noodle-lovers, or Arabs requiring *halal* food. A traditional Indian breakfast is vastly different from either the Japanese or Chinese. Are chefs up to it? Will there now have to be less focus on Western fare like buns, bread and butter?

Labour Flow

Many hotel groups have Japanese sales managers to attract that market. Will there now be a need for Chinese, Indian or Arab sales managers to cater to those markets? Will work permits need to be opened up to liberalise the flow of such specialist people within and among regions?

MICE

Greater regional economic linkages will almost certainly mean more regional participation at trade shows and exhibitions. Growth of regional companies will also mean more travel for incentives. Great new marketing opportunities are waiting to be tapped in both instances.

Is it also now time for international travel conferences to source more speakers from the Middle East, India and China (PRC)? There is no shortage of intellectual capacity, experience and success stories in these regions, and indeed within Pacific Asia. What can be done to better tap it?

Trade Shows

Could a major shift take place in this area? Will participation by Pacific Asia companies in international trade shows like such as ITB and WTM fall off in favour of regional and domestic shows? On the contrary, as the Pacific Asia region becomes an outbound giant in its own right, will more European and North American companies have to participate in trade shows in the Pacific Asia region?

Culture and Religion

Finally, will there be a clash among civilisations or a dialogue among civilisations? The travel industry has nothing to gain and everything to lose from the former. And yet, what can it do to promote the latter? How can it build social and ethnic peace and harmony without having to take positions that can be construed as political?

While it is true that the Pacific Asia region's cultural, ethnic and social diversity is its greatest tourism asset, it can also potentially be a major liability in an age of economic insecurity and political uncertainty. The biggest challenge the tourism industry faces is how to become part of the process of peaceful change. If this is not achieved, everything else will be secondary.

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