

Revisiting the Search for Balance

Travel is a dream many can now fulfill. How do we avoid a nightmare?

In February 1999, not long after PATA headquarters shifted from North America to Asia to be closer to the heart of Asia Pacific, this monthly publication underwent a similar shift to focus more deeply on the issues and trends unfolding within Asia Pacific.

With the 21st century then about to dawn, PATA Strategic Intelligence Centre (SIC) Managing Director Mr John Koldowski and writer/researcher Mr Imtiaz Muqbil decided on an inaugural issue headlined "Finding the Right Balance – 21 Issues & Trends that will shape the 21st Century." The opening line stated simply: "The travel and tourism buzzword of the 21st century will be the search for balance."

The edition added: "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."

In the post-tsunami era when the words 'early warning' have become ubiquitous, we felt it was time to revisit that inaugural issue, as well as some of the other issues and trends highlighted in later years, to remind PATA members that the search for balance is becoming more important than ever.

Call it yet another early warning.

In the early 1990s, a new era, known then as 'the Asian Century', was on the rise. But from 1997 onwards, the ascent encountered a turbulent series of economic, political, social, cultural and environmental fluctuations and changes.

Issues & Trends tracked these changes, and not just from a rose-tinted perspective celebrating the 'resilience' of travel and tourism and its ability to bounce back from anything that hit it. We presented a realistic assessment of the impact of globalisation, currency instability, poverty alleviation, peace and conflict, global warming, AIDS and many others – all part of the wider socio-economic-cultural-environmental picture that shapes the industry.

We returned to the subject of balance a number of times. In March 2002, we said: "The travel and tourism 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."

In October 2002, we questioned the future of forecasting itself by asking industry leaders: "If business must have stability to plan ahead, how can it do so in a world of currency uncertainty, crashing stock markets, bursting bubbles, political mayhem, gargantuan bankruptcies, religious strife, airline collapses, social disorder, environmental chaos, financial shortages and security lapses, among many other problems?"

As researchers and analysts, our job is to take a big-picture, holistic approach towards global, regional and local issues and trends, put them into context and explain their potential impact on travel and tourism. Questioning conventional wisdom and agendas is critical to this analytical process.

For an industry that appears to be getting slapped becoming critically important for travel and tourism

Today, six years later, a pretty good track record has made us confident enough to sound another early warning: Is the industry ready for mass tourism measured in millions to become mega-tourism measured in billions as the Asian Highway opens up infinite possibilities for Asia Pacific road transport, low-cost airlines consolidate their presence, the Airbus A380 further widens the bodies of wide-body aircraft and the tide of Chinese and Indian outbound becomes possibly a tourism tsunami in its own right?

What are the environmental, social and cultural implications of these developments? Are the requisite energy and water supplies available? What about sewage and garbage disposal facilities?

Preoccupied with marketing for growth in its nascent years, the travel and tourism industry will now need to look seriously at managing it. In line with the PATA-created concept of Total Tourism, the industry will need to look at the totality of tourism, which means measuring and quantifying what comes into the industry, what goes out and what happens to the rest.

All that will mean creating a balanced scorecard – right across the industry.

REVISITING THE FORMULA OF BALANCE

For an industry that appears to be getting slapped, thumped and jolted like a pinball machine, it is becoming critically important for travel and tourism to recalibrate its balance as it charts a way forward.

In this edition of *Issues & Trends*, we first revisit the 10 balancing acts flagged in the February 1999 edition. We have updated the analysis and added 10 more. Everything we said then still applies; indeed, it has been reinforced more than ever.

1. Economic vs. Ecological. Huge growth will come at a cost, especially to the environment. Studies forecasting the economic benefits of tourism growth are seldom balanced by figures on how much more water will be consumed, or sewage and garbage generated. At a time when water crises are becoming the norm rather than the exception, and the next global wars are expected to be fought over resources like water, it may be necessary to rethink this approach.

2. Quality vs. Quantity. Mass production does not always mean better quality. The mass production of hotel rooms, airline seats and a range of other industry products is in full swing, contributing to what is widely referred to as 'commoditisation'. Competition may force the industry to constantly improve and upgrade products to attract customers, but it can also

drive prices down, thus affecting the ability to reinvest in product upgrade. This is clearly unsustainable.

3. Thinking global vs. Acting local. Globalisation is the name of the game. So vigorous, loud and powerful has the drumbeat become that things local are becoming subservient to things global. Decisions made by global corporations in distant lands now impact local conditions far away. The global side usually wins out because they are the investors, and he who has the gold makes the rules. This may be temporarily tolerated at the local level, but may well contain the seeds for long-term conflict.

4. Foreign cultures vs. Local cultures. Linked to the above, there is serious concern about homogenisation of cultures and societies as reflected by the spread of global brands. These include many icons of the movie business, fast-food chains, hotels, airlines, theme parks, credit card companies, media and Internet distribution technology. The extinction of local cultures and languages, like the extinction of wildlife and heritage, will have an irreversible impact on travel and tourism by undermining one of its central assets. Nobody travels to another country for the same sights and sounds as back home.

5. High-touch vs. High-tech. The Internet, a medium created to facilitate military communications, has changed the world by empowering people and flattening the hierarchy. The process of disintermediation is here to stay. Even small hotels can get direct bookings, reducing dependence on the erstwhile distribution chain. What has not changed is the need to consummate high-tech booking by delivering the promise through high-touch, quality service. Yet there is great imbalance between the amounts companies spend and, indeed, are being forced to spend, on high-tech improvements as opposed to high-touch services.

6. Staff compensation vs. Staff performance. To provide high-touch service requires investment in training procedures and processes. Are the pressures faced by the staff balanced by a commensurate level of compensation? Staff deal with highly demanding people at all hours of the day and night. Marketers make lofty promises in their advertising campaigns, which front-line staff then have to deliver, including dealing with complaints. It is a hugely stressful

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job. Are the levels of compensation in balance with the pressures of delivering on the marketing promise?

7. Corporate profits vs. Corporate responsibility. Corporate social responsibility is a major buzzword for companies, which see it as a part of their brand image. Indeed, a company's tangible and measurable financial profitability is intrinsically linked to the intangible recognition and respect enjoyed by its brand name. In recent years, many iconic global companies have seen their image hit by frauds and scandals. A company with a poor image is not likely to be a profitable company.

8. Co-operation vs. Competition. 'Competitiveness' is yet another buzzword, often uttered in the same breath as globalisation. But is it a euphemism for playing off one destination or region against another? Would it be better for destinations to de-emphasise cut-throat competition and instead redirect precious financial resources to enhance co-operation on key issues such as training programmes and environmental safeguards to upgrade and upkeep the product?

9. Demand vs. Supply. Excessive competition creates seriously imbalanced capacity situations and destabilises pricing integrity. Gluts are the direct result of a bubble-driven gold rush. Invariably, bubbles burst, leading to non-performing loans, a pricing bloodbath and/or a sell-off. Better planning based on a more cautious, conservative attitude may attain a more evenly balanced capacity scenario, be it for hotel beds or airline seats.

10. Market segments vs. Customer segments. One lesson learnt from the various crises is the need to avoid overexposure to any one market or customer segment. Destinations need to maintain a good balance between the two. The rise of new markets, such as India, China (PRC), Russia and the Middle East, is helping to counterbalance destinations' dependence on the longstanding traditional markets of the industrialised countries. The growth in women travellers is helping to balance the male to female ratio. These are healthy phenomena.

The above factors were first flagged in February 1999. Not only do they remain valid today, but they have been further accentuated by 10 additional key evolving imbalances:

1. Geopolitical. Many say that a uni-polar world itself has become a source of imbalance and instability. The rise of countries such as Brazil, Russia, India and China (PRC), identified in the BRIC Report by Goldman Sachs, is seen as a geopolitical counterbalance to the industrialised west. The joint communiqué issued after the India-China summit, April 9-12, 2005 said the two countries wished to create "a new international political and economic order that is fair, rational, equal and mutually beneficial". Another Sino-Russian summit in early July 2005 yielded a joint statement saying that "the international situation has undergone profound changes and more and more countries support the multi-polarisation of the world and the diversity of development patterns," according to the Xinhua news agency.

2. Material vs. Spiritual. Why is the number of religious pilgrims on the rise globally? A pilgrimage is a source of comfort and solace for millions who realise that global insecurity is here to stay, and that there is more to life than work, work and more work. Virtually every great global religion is experiencing a renaissance among people yearning to visit the places where their religions were born, took root and flourished. The growth in travel for health and wellness is one manifestation of this search for personal equilibrium.

3. Social vs. Cultural. Ominously, a clash of civilisations is looking increasingly likely, but it can still be averted, with travel and tourism potentially making a major positive contribution. Celebrating religious diversity, this industry takes visitors to its temples, churches, mosques and pagodas. But is such travel truly making people more understanding and appreciative of other ways of life? Or is it dividing them more than ever? What can travel and tourism really do to bridge that divide, apart from paying lip service in the form of sanctimonious speech-making that does little good at the grassroots level?

4. Rich vs. Poor. If poverty alleviation is rising on the global agenda, it becomes slightly incongruous for the travel and tourism industry to be seen, paradoxically, as one created by the rich for the rich. In many parts of Asia, luxury hotels are considered a tasteless embarrassment in the midst of surrounding poverty. The chasm between urban and rural

societies, an extension of income gaps between the haves and have-nots, is also growing. These are all sources of instability.

5. **Technological.** What is meant by the 'Digital Divide'? The United Nations bemoans the fact that while Internet connections abound all through the industrialised world, many in the developing world have yet to make their first phone call. The Internet is proving a significant empowering force for many, yet vast numbers of others are deprived.
6. **Public vs. Private.** Public-private partnerships have come to the forefront as a means of addressing problems, especially during crises, because everyone is affected. Once the crisis recedes, it's back to business as usual, likely repeating the same past mistakes. Over the next few years, many public sector utilities in PATA countries are set to be privatised en masse. This shift will not be without its share of turbulence.
7. **Big vs. Small.** In a world dominated by large multinational companies, what is the future of small and medium sized enterprises? Can low cost airlines set an example for budget hotels to follow suit? Or are they just a flash in the pan, similar to the dot-com boom and bust scenario, doomed to face a shake-out and the 'consolidation' that will eventually result?
8. **Complexity vs. Simplicity.** The detailed technicalities and long-term ramifications of international agreements like those signed under the auspices of the World Trade Organization are beyond the comprehension of many in travel and tourism, worded as they are in complex legalities and often negotiated without adequate industry consultation. Complex laws and international treaties are being signed and ratified that will have a significant future impact on the industry, ranging from intellectual property to genetically modified foods. Do these need to be explained in simple terms to the industry so that it may be both forewarned and forearmed?
9. **Short-term gain vs. Long-term pain.** Industry structures are designed almost entirely to generate short-term gain, disregarding the long-term pain that may result later. Public companies are driven by share prices and quarterly results, factors which weigh heavily upon the decision-making process. For how much longer can the industry afford that? Is there an alternative?
10. **Price vs. Cost.** This is an age of brutal cost-cutting. But cutting costs sooner or later involves a price. Ultimately, the price paid becomes more expensive than the costs cut.

CONCLUSION

Roughly 50 years ago, when the structures of our industry were being erected, travel was a luxury affordable only by the rich. Then the wide-body aircraft ushered in the era of mass tourism. Today, as mentioned above, mega tourism is here to stay, thanks to expanded transport and telecommunications systems. Travel is an alluring dream many can now fulfill.

As the travelling millions become the travelling billions, the key is not to let that dream become a nightmare.

Without proper balance, maintenance and navigation, a commoditised, low-cost industry will soon become a low-value, low-respect industry. Some of the world's most valuable assets – our heritage, culture and environment – will be up for sale at the lowest possible prices, falling even lower during times of crisis.

Past policies designed to create growth have become irrelevant for managing future growth. A complete rewrite of our mindsets, theories and textbooks is required. Changing global geopolitical, financial, social and cultural realities need to be firmly factored into future thinking.

Whatever this industry does, it will have to establish where it wants to go and how it wishes to get there. If we are today where we did not want to be when we were planning five years ago, why are we here? Did we take a wrong turn somewhere, and how do we get back on track?

This may mean thinking not just outside the box, but more deeply inside it. It may require balancing foresight with hindsight, considering factors both within and without our control, and certainly a more thorough analysis of past lessons in order not to repeat the mistakes.

Ultimately, we have to find ways of creating a better balanced industry. One of the worst scenarios is for us to thoroughly and conclusively lose control of our own fate.



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