

TGFT2: The Tourism of the Future



UK tourism has been in the spotlight across the sporting summer with surprise and disappointment expressed in some quarters at the impact of the London 2012 Olympic Games. Taken together with a disappointing retail performance over the summer months hopes are now turning to an anticipated Olympic legacy in terms of international visitors to London and the UK.

But, how realistic are those hopes - in light of the continued economic difficulties in mature markets and the increasing prospect of a genuine global economic downturn – and where are our visitors likely to come from?

The tourists of the future

The economic situation over the past 5 years has impacted on many industries. The world of tourism is no exception: Between 2008 and 2009, there were more than 40 tour operator failures in the UK¹, whilst there were some 25 in both 2010 and 2011². Despite this, the long term trend for growth in tourism numbers has remained robust. According to United Nations World Tourism Organisation (UNWTO) data, the number of international tourist arrivals worldwide recovered quickly from decline between 2008 and 2009 to record growth in the past two years of 6.4% and 4.6% (both of which were above the long-term average). Long-term forecasts conducted by Trajectory for UNWTO provide cause for optimism too: the number of global tourist arrivals per year will rise from a predicted 1 billion this year to 1.8 billion by 2030. This does equate to a slight slowdown in long-term trends (there will be an average increase of 3.3% per annum between 2010 and 2030, as opposed to a predicted 4.2% per annum growth between 1980 and 2020), yet still implies strong growth in the sector.

The volume data suggests a return to 'business as usual' for the tourism industry following the short-term pain caused by the recession, but the continuing high number of operator failures

¹ Key Note Publications, *Travel Agents and Overseas Tour Operator Market Report 2009*

² <http://www.caa.co.uk/default.aspx?catid=1052&pagetype=87>

promotes a different narrative. Closer examination reveals a number of challenges for the industry in terms of who, how and where tomorrow's tourists are holidaying.

Much of the continued growth in tourist numbers has been fuelled by the emerging markets of Asia and South America. Since 2000, the number of tourist arrivals from emerging nations has been growing at three or four times the rate of the advanced world. Trajectory forecasts the continuation of this trend – by 2015 annual arrivals from developing countries will outstrip those from more advanced nations. Indeed, nearly 39 million mainlanders left China on overseas trips in the first half of 2012, roughly double the number five years ago³, whilst China's expenditure on international tourism increased by US\$ 18 billion to US\$ 73 billion in 2011⁴.

Data from TGF shows a strong correlation between greater prosperity and travel frequency and so, global economic uncertainty notwithstanding, we are confident in the enduring strength of this trend. Globally Trajectory Global Foresight data shows that people on a low income take an average of 1.22 long breaks and 2.36 shorter holidays per year as opposed to those on a high income who take 2.04 longer holidays and 3.68 short holidays.

A key challenge for travel industry marketers then is to broaden their appeal to tourists from emerging markets and to better understand their fast-changing profile and requirements.

Emerging market tourists have to date largely been from the wealthiest parts of society and have holidayed accordingly, with luxury shopping trips in Paris and London or a pampering in Bali being the norm. According to a recent Hotels.com survey⁵, Chinese travellers spent an average of USD\$169 per night on hotels beyond their borders last year. This was the sixth-highest average spend behind Japan, Switzerland, Australia, USA and Norway, despite the fact that the average Chinese person spends only \$933 per annum⁶.

Yet, as wealth has increased throughout emerging markets' societies, a new middle or consumer class has formed and with it a new breed of tourist, for whom leisure tourism is relatively new (the majority of any travel for them in the past would have involved visiting distant family). In China, an average of 25 million people take their first leisure holiday every year, with the number forecast to double by 2020⁷.

Europe still looms large on the tourism map...

The relative lack of experience of the latest generation of emerging market tourists is a crucial factor in as far as it impacts the way in which they holiday. In general, they are limited in their scope by relatively low (globally) levels of disposable income and limited experience of different cultures. As a result, they are more likely to holiday closer to home (Hong Kong and Macau are by far the most popular destinations for Chinese tourists⁸), enjoy home comforts, look for good value and prefer packaged tours that offer a full schedule of sightseeing activity⁹.

³ <http://in.reuters.com/article/2012/08/13/china-economy-travel-idINDEE87C01L20120813?ftcamp=crm/email/2012813/nbe/beyondbricsLondon/product>

⁴ Skyscanner, *Travel Trends Report 2012*

⁵ Hotels.com, *Chinese International Travel Monitor 2012*

⁶ Household final consumption expenditure per capita (constant 2000 US\$), World Bank

⁷ The Boston Consulting Group, *Taking Off: Travel and Tourism in China and Beyond*, March 2011

⁸ IntellAsia.net, *Chinese Consumers continue to set their sights overseas*, 17th July 2012

⁹ The Boston Consulting Group, *Taking Off: Travel and Tourism in China and Beyond*, March 2011

This requires a major shift in focus from the global tourism market towards emerging market regions. Driven by China becoming a dominant force in global tourism, North East Asia is predicted to be the most visited sub-region in the world by 2030. South East Asia and the Middle East are also forecast to become more visited sub-regions than North America:

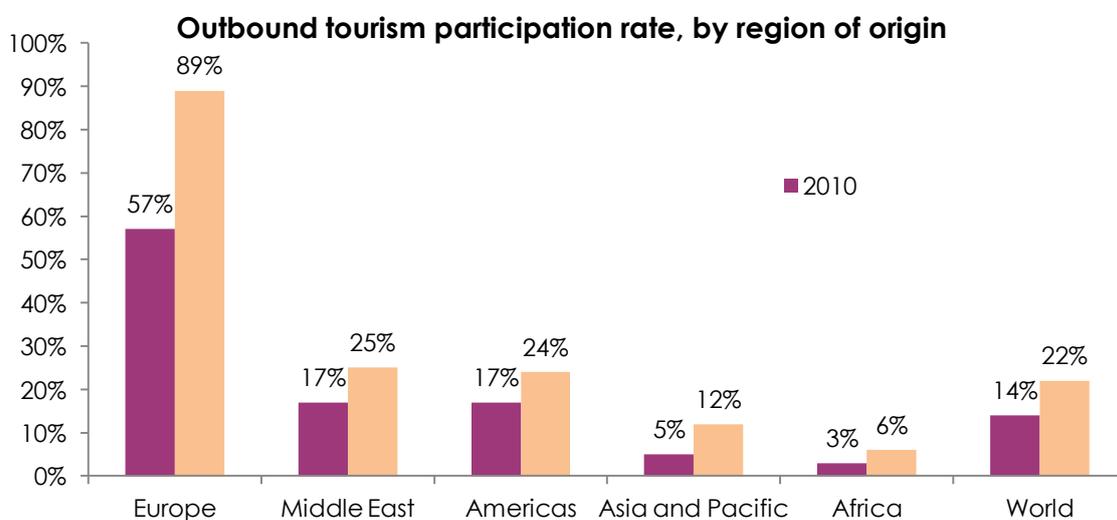
International tourist arrivals by destination (millions)

Rank	Region	1995	Rank	Region	2010	Rank	Region	2030
1.	W. Europe	112	1.	S. Europe	169	1.	NE Asia	293
2.	S. Europe	98	2.	W. Europe	154	2.	S. Europe	264
3.	N. America	81	3.	NE Asia	112	3.	W. Europe	222
4.	C./E. Europe	58	4.	N. America	98	4.	SE Asia	187
5.	NE Asia	41	5.	C./E. Europe	95	5.	C./E. Europe	176
6.	N. Europe	36	6.	SE Asia	70	6.	Middle East	149
7.	SE Asia	28	7.	Middle East	61	7.	N. America	138
8.	Middle East	14	8.	N. Europe	58	8.	N. Europe	82

Source: Trajectory forecasts for UNWTO

Attracting this new generation of emerging-market tourists presents a significant challenge for the western tourism industry, but in Europe in particular the breadth and vitality of the sector is such that there are opportunities for travellers of all backgrounds, incomes and ages – note that in terms of per capita arrivals Europe in 2030 will receive more than 6 times as many visitors as North East Asia.

In the longer term, tourism in Europe will continue to grow apace. In 2030 outbound tourism participation from Europe is forecast to remain comfortably the highest in the world, with 89% of the European population becoming tourists, as opposed to 12% of the population of Asia and the Pacific:



Source: Trajectory forecasts for UNWTO

Growth in tourism participation in Europe will be driven by our own emerging economies to the East but also by the fact that after 50 years of holidaying abroad the annual holiday is now an entrenched cultural expectation for Western Europeans.

While the European market is therefore on a robust footing challenges remain, not least in terms of the impact of the prevailing recessionary climate. European tourists will continue to expect value both in terms of price and in terms of the benefits they receive from their holiday. Alongside this, the internet has fundamentally changed the way people book and research their holidays. Consumers are increasingly able to book flights and hotels directly, share both good and bad travel experiences and find the best possible value from personal itineraries. These developments have caused difficulties for traditional bricks-and-mortar travel operators and package holiday providers - yet those who can connect with consumers online and provide value at the same time will reap the benefits.

At the same time, growth in European tourism will also be driven by new emerging market tourists. As they gain more experience of holidaying as well as increased means to travel further afield (both in terms of wealth and infrastructure), they will become more adventurous in their travel. This means they will be more likely to travel in smaller groups, they will be more adventurous in terms of their destinations and they will be more likely to spend more time and money on different activities as opposed to following pre-arranged schedules. At the same time, the emerging consumer class's western-facing social aspirations will provide further encouragement for them to visit Europe. Indeed Trajectory forecasts a gradual rise in the amount of travel between regions over the next twenty years.

The Emerging World's Demographic Dividend and the West's Aging Society...

A further factor in the rapid increase in holidays taken by people in emerging markets is the sheer weight of numbers. Emerging markets already make up four fifths of the world's population, and this share will increase over the next 30 years. The emerging world is also significantly younger than the advanced world and will remain so in the future.

One result of this is to increase the share of tourism taken up by emerging market tourists since, according to Trajectory Global Foresight data, younger people tend to holiday more frequently. People aged 18-24 take on average 3.11 short holidays per year and 1.77 long holidays per year, as opposed to 45-54 year olds who take on average 2.48 short holidays and 1.32 long holidays per year (see chart below).

However, the ageing markets of the West will continue to be relatively more prosperous than younger, emerging economies; people in the advanced world are increasingly healthier and more active in old age; and old age also brings less responsibility, due to retirement and the absence of children. In fact, the chart below shows a slight increase in holidays taken by the over-55s, suggesting that retirement provides a boost to the number of holidays taken. Indeed, it is quite plausible that people who have retired go on fewer holidays than the very youngest adults, but that these holidays tend to be far longer than 5 days (e.g. cruises).

A really interesting aspect of our ageing populations is the changing relationship with the extended family group for Grand-Parents and Great-Grand-Parents. Trajectory recently did some work exploring the future of the family holiday – reaching the conclusion that family groups of 14 people spanning 4 generations and 100 years holidaying together will be commonplace by the mid-2030s.



Source: Trajectory Global Foresight Base: 45,000

Therefore, rather than a travel industry taken over entirely by young emerging market tourists, the contrasting age and income profiles will further add to the complexity of the market. In general, younger people in the emerging world are far more adventurous than the older sections of advanced markets (see table below). This suggests there is eagerness amongst emerging market tourists to become more adventurous with both their holiday destinations and their holiday activities as they become more accustomed to travel, whilst the more mature advanced market tourists are likely to become more conservative.

A further distinction between these two groups is in their relationship with technology. As emerging market tourists become more affluent, adventurous and independent they will harness the power of the internet and social networks to book hotels and flights directly and to share travel suggestions and experiences. While this may limit prospects for traditional bricks and mortar tour operators, it will present many opportunities for the industry to connect with this emerging class of tourist and so to better understand their desires and expectations

	18-34	35-54	55+
ADVANCED Booking travel online	50%	53%	56%
EMERGING Booking travel online	40%	44%	42%
ADVANCED Adventurous, risk-takers	26%	16%	12%
EMERGING Adventurous, risk-takers	35%	26%	20%
ADVANCED Social networkers	74%	54%	40%
EMERGING Social networkers	80%	71%	67%

Source: Trajectory Global Foresight Base: 45,000

The future's bright...but different...

So there is much to be optimistic about in the global tourism market. Broad demographic, technological and economic shifts mean that more and more of us will have the opportunity to go on holiday in the future – across developed and developing markets.

In the near future, advanced market tourists will continue to search for value in their holidays, whilst, in the longer term, there will be a new breed of young tourist from emerging markets, who will gradually become more adventurous in exploring the world. Tourists will increasingly use the internet to research and book their holidays, whilst the mobile internet will be an increasing factor in holiday-makers' in-situ decisions around where to eat or what to do. The travel industry will need to continue to adapt to these shifts and ensure that technology platforms are a key part of their marketing mix and customer relationship management.

There are a range of ways to do this – through supporting the first generation of travellers with guidance apps (such as the one created by Aéroports de Paris which helps Chinese visitors find their way around Parisian airports, allows them to access flight information in real time and provides translation for signage) or by connecting with tourists online to offer them great value holidays (as Secret Escapes does by providing luxury holidays at heavily discounted rates). The companies that do adapt to make the most of these opportunities have a bright future ahead of them.

This Trajectory is driven by data and thinking from Trajectory's Global Foresight service (TGF) which covers 20 countries. The service provides analysis on the trends driving consumer and citizen behaviour - what they are, why they are important and where they are heading. All of the content is supported by research amongst over 40,000 people per annum.

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