“The Tourism Industry Technological Responses to Meet the New Trends in International Travel and Tourism Demand”

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The Global Economic Environment and the Travel & Tourism Industry

Next Decade Drivers of Change

- Economic Cycles
- Unpredictability
- Globalization
Figure 1: The Actual Economic Cycle in America and Europe

Financial Crisis + Economic Crisis

- Rising Unemployment + Financial problems in the banking system
- Decrease in disposable income and savings
- Less Credit Granted by banks to businesses and households

Government’s support to the banks + Aid to the households

- Higher Interest Rates in government’s debt + Higher taxes + Wage and social security cuts
- Less Consumption and Less Investment

Rising public debt + Trade Deficits + Budget Deficits

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Rising public debt + Trade Deficits + Budget Deficits
The World economic cycle will be influenced by two contradictory forces

The economies of the most developed Western Nations will exhibit very modest growth

The Asian countries will grow fast and fuel world economic recovery

Source: Deloitte’s publication entitled “Hospitality 2015: Game changers or spectators?, 2010
Some Illustrative facts:

a) Since 1995 that the growth rate of Asia’s real GDP has been twice the rate of Europe and America;

b) From 2008 to 2018 the BRICs will generate 40% of global economic growth, according to Ernst and Young and a much higher share of growth if one adds Indonesia to the BRICs that will become the BRIICs countries;

c) The rapid economic growth in emerging countries will enlarge the world middle class and India and China will account for 30% of the enlargement. Therefore most of the word’s middle class will come from Asian countries;

d) Asia will account for 32% of global travel expenditure.


Deloitte’s publication entitled “Hospitality 2015: Game changers or spectators?”
The Goldman Sachs projections of the rate of growth of the middle classes on the share of population with incomes between $6,000 and $30,000 in PPP terms for the BRIC and so called ‘Next 11’ emerging economies (25).

**Figure 1 - Tracking the rise of the middle class across BRICs and N-11**

<table>
<thead>
<tr>
<th>Country</th>
<th>2009 (%)</th>
<th>2015 (%)</th>
<th>2025 (%)</th>
<th>2040 (%)</th>
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<tr>
<td>Brazil</td>
<td>46</td>
<td>52</td>
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<tr>
<td>Bangladesh</td>
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<td>6</td>
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<td>57</td>
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<td>Nigeria</td>
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<td>Phillipines</td>
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<tr>
<td>Vietnam</td>
<td>7</td>
<td>21</td>
<td>51</td>
<td>84</td>
</tr>
</tbody>
</table>

Source: (26) page 12 – Amadeus publication entitled "Hotels 2020: Beyond Segmentation”. 2010
The Global Economic Environment and the Travel & Tourism Industry

Increased Global Uncertainty

Less predictability in the global travel and tourism industry

Travel risk minimization anxiety

Cautious travellers’ behaviour
Global economic downturn + Increasing uncertainty in the global environment

Cuts in travel and tourism spending
Cuts in business travel spending
Cuts in luxury travel spending
Changes in tourism demand patterns
Geographical changes
Cultural and behavioural changes
Travel & Tourism consumption patterns are changing – THE NEW TOURISTS ‘s LIFESTYLES ARE ON THE MOVE SHAPING UP THE FUTURE TRAVEL & TOURISM INDUSTRY
Travel & Tourism consumption patterns are changing – THE NEW TOURISTS ‘s LIFESTYLES ARE ON THE MOVE SHAPING UP THE FUTURE TRAVEL & TOURISM INDUSTRY

• Value for Money

Irresponsible luxury is out!

In an unsafe, uncertain world, there is a new emphasis on why it is we choose to go or choose to spend.

• Environmental, social and ethical awareness

As far as individuals are concerned they have learned that they can reward and punish brands because of their social, ethical and environmental standpoints;
Travel & Tourism consumption patterns are changing – THE NEW TOURISTS ‘s LIFESTYLES ARE ON THE MOVE SHAPING UP THE FUTURE TRAVEL & TOURISM INDUSTRY

• More Enrichment Seekers

Meaningful engagement is in!

Trips that enrich our understanding of other cultures protect fragile environments or assist impoverished communities are not extravagant, but empowering.

The baby boomers then focused on meeting their wants, and now a generation will focus on beliefs. As a matter of fact there's already been a boom in spirituality and connecting, bonding trips, yoga retreats and voluntourism;
Travel & Tourism consumption patterns are changing – THE NEW TOURISTS ‘s LIFESTYLES ARE ON THE MOVE SHAPING UP THE FUTURE TRAVEL & TOURISM INDUSTRY

• More Enrichment Seekers

There will be a new emphasis on what TrendWatching calls "status stories. “ This means that people will no longer be trading up, but trading in material symbols for stories with meaning:"I taught English in Vietnam" Or "I learned how to scuba dive with my kids in Mexico" Or "I helped build a school in New Orleans."

Tourism firms and entities will have to take status stories to the next level:
How was the product made?
By whom?
What effect will it have on the environment?"
There are **two opposite trends** in travel & tourism demand:

- **Opposite Trends in the present economic cycle**
  - The demand for the luxury end of the market is likely to **decrease**
  - The demand for either low-cost or perceived good value products & services is likely to **grow**

These are trends that tourism businesses such as airlines and hotels especially need to rapidly adapt to.
Figure 2 - New trends in tourism demand

Is the modern world society converging to a new set of values with the economic downturn affecting the consumption patterns across all segments of the new tourists?

The middle class tourists are demanding more personalized services and experiences, including affordable luxuries together with more bargain deals as well as low cost services.

The luxury tourism market is more price conscious, also using low-cost products and their luxury concepts are changing from luxury to eco-luxury.

Low-cost Society?

Mixed Low-cost + High-Cost Society
Concluding

Consumers are embracing frugality for the long term and businesses need to adapt to this lasting trend. In the short to medium term it is almost certain that travellers will be spending less on travel and differently according to their geographic origin or to their new lifestyles.
Tourism Services

Tourism services:
- Have intangible nature;
- Require the active participation of the customer;
- Can’t be stored;
- Can only be judged after their consumption.

Tourism services are therefore characterized by an enormous lack of information and a large amount of risk and uncertainty about the customer value.

On the demand side, this results in high costs for searching, obtaining and verifying information.

Therefore ICT technologies are essential for the success of the tourism industry.
The role played by innovation and creativity in the world tourism industry’s responses to the new tourism demand patterns

Supply Side
Innovation drivers in the Travel &Tourism industry

Suppliers of technology
Public and private financial support
The main recent innovation progresses in the travel and tourism sectors are in the field of **ICT Technologies**
The aviation sector

The hospitality sector

Two travel and tourism sectors are leaders in innovation
The Technological Revolution in the Airlines Sector

a) **The technological progress in engines focuses on redesigning and improving the conventional jet engine:**

![Efficiency & Enhancements Diagram](source.png)
b) Aerodynamic improvements to aircraft design focus on drag reduction by improving the surface and shape of the body, fuselage and wings.

Laminar flow reduces drag

Transition from laminar to turbulent flow ... increases boundary layer thickness

Extending laminar flow reduces skin friction drag

Source: New Technologies For Improving Aircraft Efficiency.mht
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The Technological Revolution in the Aviation and Hospitality Sectors

Performance improvements from laminar flow

Source: New Technologies For Improving Aircraft Efficiency.mht
Additional new Innovations in the airlines sector:

- Space-Ship One, and its successor Space-ShipTwo by Virgin Galactic herald a new era in commercial aviation: space tourism flights;

- Airports improvements focusing in diminishing the costs with lost baggage;

- Several technologies are employed in the civilian aviation industry to ensure the safety of air travel.

- Crew Alert Monitoring Device (CAMS). The Crew Alert Monitoring device (CAMS), a wireless device that is an ultra secure cabin alert and monitoring system.

Concluding:

Recently, airlines have been very dynamic in the adoption of technologies, embracing the ICT technologies in particular, allowing the middle class to travel anywhere in the world in a more efficient and safe way.
The Technological Revolution in the Hospitality Sector
“The Tourism Industry Technological Responses to Meet the New Trends in International Travel and Tourism Demand”

The Technological Revolution in the Aviation and Hospitality Sectors

http://innovation.ihgplc.com/
The Old Technological Revolution in the Hotel Sector

- Energy saving technologies
- Environmentally friendly technologies
- Waste Cycling
The New Technological Revolution In The Hotel Sector

Examples of Technologies we expect to see in Hotels in the Next Decade

- Innovation in hotel design
- Relationship management
- Guest Services Innovation
- Meeting support
- Guestrooms functionality
- Personal Technology

Source: Hotels 2020: Beyond Segmentation, Page 22
The New Technological Revolution In The Hotel Sector

UK – Pop-up hotels
• The global economic crisis has badly affected the UK economy, forecast to contract by 4% in 2009.
• Credit crunch decimated consumer confidence and expenditure is falling, marking a shift towards more competitively-priced hotels
• With foreclosures up and the housing market down, pop-up hotels offer affordable and unique experiences
• Pop-up design provide innovative and mobile structures, flexible room design and environment-friendly attributes
• A temporary structure enhances dilapidated urban areas, boosting tourism growth, sustainability and competitiveness
• Temporary hotels are pre-built units, incorporated into a steel frame which can be easily demolished
• Construction time is reduced by almost 50% compared to traditional methods as well as minimising noise, waste and hassle
• Pop-up hotels are also portable transforming them into ideal choice for festivals, sports and outdoor events
• They can also be reused as separate units to house families in impoverished areas.

Source: Hotels 2020: Beyond Segmentation, Page 22
The New Technological Revolution In The Hotel Sector
Technology Diffusion in Emerging Tourism Destinations

The New Technological Revolution In The Hotel Sector
Pop-up goes international

• Elquidomos (www.elquidomos.cl) (Chile) is a pop-up hotel comprising geodesic domes specialising in astronomy, at an average rate of £60 per day.

Each dome is based on a platform which has a bathroom, small living room and a raised bed area. Such pop-up concepts in long-haul destinations will benefit from the resurgence in camping amongst price-sensitive UK travellers.
And what about the ICT Technological Revolution for Tourism Destinations?
1) Destinations – From Facebook Fanpages to Social Media Strategy

**The main advantages of Facebook**
- Facebook reaches an increasing number of people worldwide. In 2010 Facebook has more than 350 million active users with the average user having 130 friends (*social network*), spending 55 minutes per day on the platform (*involvement*), becoming a fan of 2 pages and member of 12 groups each month (*commitment*).
- In addition, one can set up a facebook presence for free and in under 10 minutes!

**The main disadvantages of Facebook**
- Fans are faster than brands
- Missing awareness and wrong perception of social media importance
Emerging Web Trends for 2010 with High Interest for the Tourism Industry

1) **Destinations** – From Facebook Fanpages to Social Media Strategy

In order to overcome the main disadvantages of Facebook, destinations should:

1) Define a wise strategy not only for social media level, but also for social media cooperation
2) Build a social media vision;
3) Choose a solid social media strategy;
4) Define a social media policy;
5) Make your efforts measurable;
2) **M-tourism becomes a relevant concept** - Mobile becomes a major access point to the destination

There are more than 65 million active users (about 20% of the facebookers) currently accessing Facebook through their mobile devices and those users are almost 50% more active on facebook than non-mobile users.

**Therefore, there will be:**

a) An increasing penetration of 3G access & wifi hotspots. For example, it is expected that more upscale hotels let guests surf for free;

b) Data-plan adoption; and

c) An increasing appetite for apps. For example there is an explosion of travel-related apps for everything from airport security to ordering hotel room service before you check in.
Emerging Web Trends for 2010 with High Interest for the Tourism Industry

2.1) There are three kinds of interconnected mobile apps, making use of the gps-chipsets, that are of importance to the travel and tourism industry:

   a) Travel information;
   b) Travel communication;
   c) Travel distribution.

Travel information and communication apps aim to help the user to get information on nearly everything in his or her current location and communicate. For example, reality apps use the camera of your mobile phone in connection with gps and a compass in order to supply you with information about what can be seen through the camera-lens right now.

There is an increasing number of apps that can answer the following questions:

• What touristic attraction are you standing in front of?
• Are you looking for a good restaurant?
• Do you want to check-in at venues?
Emerging Web Trends for 2010 with High Interest for the Tourism Industry

2.2) Given that the future is mobile, you should ask yourself the following questions:

- Is your destination website ready for mobile users?

- Could your customers benefit from a mobile app explicitly build for mobiles like the iphone, blackberry or nexus one and what would be the added value?

- Could you benefit from cooperating with existing apps like foursquare or qype radar?

- Do your already cooperate with app-suppliers?
Emerging Web Trends for 2010 with High Interest for the Tourism Industry

3) Social media monitoring – netnographic online research

- Users share their thoughts and opinions worldwide 24/7 online in blogs, social networks, twitter and they maintain their own personal profiles.

Therefore

- 2010 is the year, when destination management organizations will have to start collecting and analyzing information online in order to offer new, authentic knowledge and market intelligence in a timely manner to their customers: hotels, restaurant, specialist stores, and so on.
3) Social media monitoring – netnographic online research

E-commerce continues to play an extremely important role in the travel sector, making booking convenient for consumers and more cost-effective for travel providers.

However, online travel booking sites like Orbitz and Expedia face tough competition.

For example, today, airlines and hotel chains are offering their own powerful online reservation systems, with rich features, multiple levels of photos and descriptions, and the ability to earn and manage frequent flyer awards. Consumers often find the lowest prices on sites operated directly by airlines and hotels.
What Will Happen To The New Emerging Tourism Destinations in Less Developed Countries or Regions?

There are two fundamental questions that have to be made when analyzing the implementation of new technologies in the Travel & Tourism sectors in Emerging Tourism Destinations, namely:

a) **Will all this technology be applicable and desirable in local and peripheral tourism networks?**

b) **Do consumers really want all this? Do the majority of guests and in special those coming from the emergent economies simply consider all those technological extras to be superfluous and dispensable?**
What Will Happen To The New Emerging Tourism Destinations in Less Developed Countries or Regions?

a) There are two problems related to the issue of technology application namely; a) Technology diffusion in tourism and; b) human capital with the right skills in the right location in the right time;

b) The answer to this question depends on which generation of tourists are we talking about, namely: the baby boomers generation or the new generation.
Recommendations for those countries/regions/hotels facing difficulties in implementing new advanced technologies

**Peripheral and Emerging Tourism Destinations & Small/Medium Tourism Firms (SMETS)**

- **Stay Simple**
- **Be Authentic**
- **Stay Local, Act Local but Think Global**
- **Stay Eco-friendly**
- **Develop a “granny chic” approach to lodging**
- **Be Warm to your Guests**

Innovate in processes and services fostering creativity in the use of local resources

Source: Hotels 2020: Beyond Segmentation, Page 22
Thank You for Your Attention!

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