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Strategies for Competing in Future Tourism Markets

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STRATEGIES FOR COMPETING IN FUTURE TOURISM MARKETS

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ABSTRACT

A key to the development of the travel and tourist industry is increasing efficiency. Efficiency will be directly related to increases in management know-how. Know-how will come in the form of new and better ways of stimulating innovation and creativity in the design of the industry's products.

STRATEGIES FOR COMPETING IN FUTURE TOURISM MARKETS

INTRODUCTION

We are all familiar with the now famous statement made by Herman Kahn and the Hudson Institute which suggested that by the turn of the century, tourism would be one of the biggest, if not the largest industry in the world.(3) At the time, it was quite a "gutsy" prediction and in many ways, it has become what appears to be a "self-prophesizing" statement. As a consequence of his forecast, many organizations and private corporations have jumped onto the tourism bandwagon and have commenced to push the industry toward that goal.

Everywhere one goes, there is talk about potential new tourism projects either being established to capture the exploding market of international travel or innovative marketing strategies to lure more international travellers to destinations already existing. Even if the basis for Kahn's startling forecast were wrong, there is a very good chance that current and proposed schemes to increase tourism supply and services on a global scale will make the industry the largest by the year 2000.

Forecasts give decision makers benchmarks and clues to directions to head in their efforts to shape their own futures. Kahn's remarks, more than anyone's in the past 10 years, gave tourism strategists a sense of the future. As a potential growth industry during a period when most other industries are on the wane, tourism is demanding and getting more attention in national economic strategies. The key question is how can this industry make his predictions come true? What are the strategies that will have to be employed in order to position this industry as a premier economic contributor on a global scale?

THE KEY TO FUTURE GROWTH-EFFICIENCY

The past three years have been characterized by instability in our economic, social, environmental, and political institutions. As Toffler and others have suggested, these are signs flagging the fact that we are at some kind of a watershed in the history of our development.(11) Given the finiteness of our resources, it would appear that the much hearded period of unbridled growth on a global scale is all but over. If we continue to aim in this direction with our development plans, numerous studies suggest that we will be courting disaster. While there is much debate concerning the accuracy of this position, it is safe to say that recent downturns in our systems have initiated a new swing in management style in all industry sectors. The shift is towards efficiency—from the extensive use of energy and materials to an intensive use.(10) For instance, the relatively low occupancy rates associated with private auto travel, their relatively high energy consumptive nature, and their negative impacts upon urban traffic flows and environment have caused many governments to impose increasing financial and moral pressures on tourists to use collective means of travel.(6) This is an example of a management investment in greater efficiency. It is only an extrapolation of a trend that has been with us for some time now.

If we believe that our society is running into growth problems associated with limited resources, then there is only one avenue of growth left open to us. That fourth option centers upon a growth in efficiency. The tourism industry to tomorrow will rise or fall primarily upon how efficiently it operates. Essentially, key efficiency gains will have to come from increases in our know-how as it relates to adapting to demographic and lifestyle shifts, economic uncertainty, transportation, communication technology, and government involvement with tourism.

DEMOGRAPHIC SHIFTS

The population of North America and Europe has increased more than three times during the past 120 years. However, the pill, later marriages, and career-oriented women in the workplace have all served to dramatically reduce past growth rates. As a result, there are well organized and significant shifts occurring with respect to the probable future character of tourism travel markets. In a nutshell, we are rapidly moving from a predominantly young to a primarily mature population in most travel generating countries. While this trend is more pronounced in Europe, it is expected to occur here. The largest population segment ten years down the road will be composed of persons 25-45 years of age. From an international tourism perspective, this is great news, because it is precisely this segment which has traditionally had a high propensity to travel. Furthermore, it has normally had the resources to turn their travel desires into reality. However, the travel market ten to twenty years hence will be more skewed to the older side of 40 than to the younger side. Persons in the older age brackets (up to 65 years) will dramatically increase in the next 20 years. In combination, these two mature age groups will have more disposable income and possibly more leisure time. They will also be a healthier group than ever before. A shift to a greyer travel market will undoubtedly open opportunities in the tourism industry. However, tourism operators will have to be more

specific and efficient in dealing with them. These people will want to travel to international destinations but on a longer stay basis. It is quite conceivable that they may shift on a seasonal basis from one resort centre to the next. For instance, they may spend their winters in the American sunbelt and their summers in the Muskokas of Ontario. Unlike their short-stay counterparts, they will come to "live in" rather than "visit" resort destinations. As such, they will bring with them a demand for many of the trappings of everyday life.

Destinations which will most successfully capture these travellers will be those which:

1. provide traditional hospitality services along with access to community-oriented facilities capable of captivating the traveller for extended periods of time (e.g. libraries, theatre, medical facilities, hobby shops, etc.);
2. offer a vacation environment which is appealing in climate, physiographic, medical, and security terms;
3. deliver leisure opportunities which are characterized by ease of participation, physical and mental stimulation, and social acceptability;
4. place emphasis on the promotion of the healthful benefits of visiting their properties (e.g. spa-based developments).

LIFESTYLE SHIFTS

Tomorrow's competitive marketplace will dictate that the industry be more responsive than ever before to the lifestyle needs of the traveller. Market research suggests that the next two decades will usher into the marketplace a new and dominant individual. The "prosumers" as Toffler calls them will represent the emerging travel market.(11) They are persons who both make goods and perform services for others and themselves. Their needs are already reflected in products and delivery systems currently appearing in the marketplace. The growth in demand for do-it-yourself pregnancy-test, pulse rate, and blood-pressure kits, and toll-free telephone numbers for ordering everything from magazine subscriptions to golden-oldie record albums are multiplying daily. Self-service filling stations, electronic banking, and repair-it-yourself telephone hotlines all lend further credence to the notion that the day of the prosumer is upon us.

Their needs are beginning to be addressed in the travel industry. Flight insurance, traveller cheques, and money orders can be purchased through dispensers; more luggage space is being provided for carry-on luggage in some aircraft; package carts are now available for travellers wishing to perform their own "Red Cap" service.(1)

Prosumerism as a travel lifestyle will necessitate industry becoming more efficient in its operations. All of the services previously mentioned suggest new directions for adding to the discretionary dollars and individualism of tourism. These adjustments

and others like them are keys to attracting tourism from international destinations.

ECONOMIC UNCERTAINTY

Economic instability has characterized the economies of most tourism generating nations in the past five years. Interest rates have soared to unheard of heights creating havoc with many proposed world-class resort developments; double digit inflation has brought travel demands for many tourist destinations to new lows; and post-depression recession records have made people lose their confidence in our social, economic, and political institutions. We are even questioning now whether our governmental institutions can really solve these problems or even if people can influence governments. This feeling of vulnerability has caused many would-be travellers to pay-off debts and fortify savings rather than take that "dream trip".

Optimistic forecasters suggest that now with interest rates falling and prices beginning to stabilize, consumers will see the tight-fisted grip of inflation easing up. The big question from a tourism perspective is will it ease enough to send consumers rushing to ticket agents to purchase holiday trips. Experience suggests that consumers will not let their desires for travel go unsatisfied. However, neither will they "sell the house" for a vacation away from home' Research after research report tells us that consumers have a strong desire to travel and that they place widespread importance on taking a trip away from home--but they are not putting their money where their moods are.(7) In fact, consumer purse strings are tighter than ever. Even high propensity travellers (i.e. those who love to travel and do it whenever they can) indicate that they are travelling less than they normally would.

While the psychological need to travel has intensified, world economics have made the cost of escape prohibitive. The impact of the world's recession has made people look for travel bargains, plan vacations more carefully, budget more tightly and generally reduce their expenditures. This means that:

1. overseas tourist traffic will be reduced as long as there are signs of continuing recession on the horizon;
2. international travel will be directed toward destinations which can offer value for the travelling public;
3. successful international tourist destinations will be those which can package vacation experiences in cost-efficient ways.

TRANSPORTATION

International air transport will continue to be a key factor shaping future tourism patterns. Of course, we all know of the profound changes that currently are occurring in this component of the tourism industry.(2) While monopoly and bureaucratic regulation characterized air transport in the 70's, competition and free-wheeling entrepreneurial

know-how will typify the industry over the next two decades.

The root of the changes will be tied closely to an underlying preoccupation with energy efficiency. As pressures on diminishing resources increase in the future, competition for energy supplies will intensify. Like any other service, the world's airlines will need to demonstrate that they can operate at acceptable levels of energy efficiency if they hope to get their fair share of the available resources. Competition between airlines will force them to rationalize aircraft type, route and trip decisions more carefully.(8) They will do this by:

1. developing and acquiring aircraft which are more fuel efficient (e.g. conventional wide-bodied twinjets, and potential hydrogen powered planes);
2. lowering fuel costs per passenger by increasing occupancy rates through more consumer-driven marketing strategies (e.g. sleeperettes on long flights, brown-bag travel at off-peak periods, stand-by seating);
3. creating more destination linkages with airport terminals which provide energy-efficient intermodal transport services.(4)

COMMUNICATION TECHNOLOGY

Just as innovations in television technology (e.g. cablevision, satellite transmissions, and pay television) dramatically expanded our perspectives on things to do and places to visit in the 1970's, microcomputers and videotext technology will revolutionize the way in which potential travellers go about their vacation business in the future. To date, we have only seen the "tip of the iceberg" in terms of what Telidon, Frestel, and other videotext technologies will do for international travellers in the future. The technical capability now exists for building a telecommunications system based upon these technologies which will be large enough to serve millions of users in Europe and North America.(9)

As computer technology becomes more "consumer sensitive", we will see it move from offering primarily informational services to more interactive and transactional functions. Highly selective comparison shopping for the travel product will become the rule rather than the exception. Furthermore, there is a very good chance that vacation searching will occur more often at home than in a travel agents' office. For instance, it is quite conceivable that in the near future home based computers will play an informative role in inventorying thousands of vacation options, many of which the traveller might never have considered in the past. These might include everything from wild river float trips on the Nehanni River in Canada's Northwest Territories to glider plane adventures in the Arizona mountains. In an interactive capacity, the computer user might set firm limits within which the vacation must occur. These constraints might include maximum expenditure, trip duration, activity and transportation preferences, and accommodation requirements for the vacation search. The micro-computer terminal might then use these parameters to narrow the range of appropriate vacation options and

at the same time indicate the comparative figures on cost and time associated with each alternative. Finally, in a transactional capacity the computer might arrange at the traveller's request, a reservation and obtain appropriate travel material for the vacation. It might also cancel newspaper delivery and make arrangements for having the lawn mowed during the trip. (12)

The implications of this technological revolution are many, but in terms of international tourism, the key impacts appear to be the following:

1. There will be a shakeout in the way information and service associated with delivering the travel product to the consumer will occur. In particular, travellers will obtain more information more directly from the supplier and purchasing transactions will be more direct. Travel agents in their current roles will be as "obsolete as the dodo".
2. More detailed information on travel product characteristics will have to be made available to the travelling public, as they will literally be able to scrutinize vacation products from all over the world. This will involve an increase in direct selling and marketing designed to permit better targeting of advertising messages.
3. There will be a greater segmentation of tourists in the market place than ever before, as travellers selectively choose vacations suited specifically to their own needs. This will mean a greater emphasis on designing products with the consumer in mind.

GOVERNMENT INVOLVEMENT

Throughout the past two decades, the tourism industry has made tremendous strides in legitimizing itself as a valuable income earner and employment generator. In market-economy countries, private enterprise (largely associated with transnational hotel chains, airlines, and tour operators) played the leading role in developing and distributing the tourism product. The next two decades will be characterized by the combined efforts of government and private enterprise delivering tourism services and facilities on a more "common front" basis.

Government involvement will be stimulated by a growing consciousness of the potential benefits and pitfalls associated with international tourism and the need for a less fragmented and more efficient path to growth. (5) Its programs will focus upon co-ordinated promotion, infrastructure development, and exchange-rate rationalization. It will involve participation in a fashion quite unlike it is today. The thrust of government action will be to joint venture with private enterprise. The transnationals which currently direct the flow of tourist dollars at the present time will probably have government officials on their boards and quick access to government financing. They will no longer clearly know whether they are part of the private or the public undertakings of the economy.

Destinations with government involvement will be able to:

1. co-ordinate and influence the flow of tourism traffic from international origins more directly;
2. react to changing infrastructural needs of the tourist industry more rapidly, and
3. control the potential social impacts of international tourism traffic more effectively.

CONCLUSIONS

Efficiency will be the key to making Kahn's forecast for the 21st century a reality. Efficiency will be the product of tremendous increases in our management "know-how". The know-how will come from more use of those business processes which lead to new and better ways of stimulating the efficient design and delivery of the industry's products.

A key element in this process will be the adoption of sound energy and resource conservation practices. Operations research based programming for energy and resource allocation decision making will become the rule rather than the exception in tourism companies wishing to remain competitive to the year 2000.

Highly specific and targeted marketing strategies based upon solidly researched traveller facts will become accepted business practice. This will be at least partially facilitated through the use of syndicated market research programs. The research will permit individual businesses within the syndicate to not only understand their own particular markets, but also appreciate the collective markets of their competitors. The intelligence gained from this process will permit better market positioning and targetting, as well as a more efficient use of marketing dollars.

Finally, efficiency in the tourism industry will be heightened by more and better use of organizational behavior concepts. Successful tourism enterprises in the year 2000 will be expected to be more capable of handling the complex realities of "tourist-host" encounters. Employees and travellers alike will operate in a less friction-packed environment when tourism enterprises add well established human management concepts to their arsenal of management strategies.

All of these business management techniques represent keys to operating more efficiently in the year 2000. Those enterprises which incorporate these approaches will play the major role in serving the tourist markets of the future.

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