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Development and consequences of tourism

Summary

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SUMMARY

Tourism is facing new challenges worldwide. In the course of the globalisation of economies and societies, tourism is also showing many indicators of development leaps and distortions: continuing growth in tourist flows as a source of environmental damage, new destinations and markets, with resulting increase in competition, risk of overcapacity, particularly in the key tourist areas of air traffic and accommodation, polarisation and increased trend towards concentration among industry providers. There is also the expectation of growth in »man-made« travel and adventure environments worldwide and major expansion in tourist offers and infrastructures (mega-events, leisure parks, transport systems) – with uncertain economic, social and ecological prospects.

The growth rates predicted for tourism and its anticipated continuing expansion, with the associated potential for employment and macroeconomic welfare effects are, however, dependent on specific conditions, such as a growing world economy, low energy prices and a global decline in conflicts.

THE FRAMEWORKS FOR AND TRENDS IN TOURISM

Globalisation of the world economy

The world economy is characterised by internationalisation and globalisation. So far, the dismantling of borders to production and trade has been concentrated on the group of developed countries in the OECD. This situation has been unaffected by the emergence of a number of Asian NICs. Within the OECD, trade is highly regionalised. Besides the international trading and production networks, regional ones are also emerging. Regional integration processes of this kind will probably continue and develop into free trade zones of increasing size (section II.1.1).

However, the picture of future economic growth in many forecasts differs widely in the individual regions and groups of countries. Whereas growth in the industrialised nations will converge, only a few of the group of developing nations and NICs will make the jump to the next stage. So far there is no indication that growth in the more developed nations will change significantly. This, together with the expectation that the group of developed nations will gain new members, adds weight to the hope of further growth in tourism.

Growth in travel

Significant growth is predicted for tourism into the new millennium. The number of international tourist arrivals will continue to grow, although more slowly than before. Despite ongoing globalisation international tourism will still be concentrated mainly within the individual regions of the world. The heaviest international flows will continue to be within Europe and the USA. Other countries regarded as dynamic growth markets are the Middle East, China and the south-east Asia/Oceania region. High growth rates are also predicted in some cases for the Mediterranean and eastern European countries (section II.2.1).

In contrast to German international tourism, incoming tourism is comparatively insignificant for Germany. Despite some growth, Germany seems to be mainly a tourist destination for Germans. Given the shifts in global tourism (new source markets, new target groups), new prospects may emerge for Germany as a tourist market. In future, however, Germany as a destination for tourism is expected to suffer a (relative) loss of importance, despite growth in absolute terms. An increase in travellers from other European countries will have only limited benefit for the German tourist industry (section II.2.2).

Demographic revolution, socio-structural transformation

Besides economic factors, the structure of the tourist markets is affected by demographic and socio-structural factors and changes in these. For several decades to come, for example, there will be enormous population growth, particularly in the poor countries. In the industrialised nations the most critical aspect of population growth is the inverted age pyramid. The relationship between the population age groups (child, youth, working population, retired) is shifting so that fewer and fewer working people are having to support more and more retired people. The comparatively large proportion of retired people in the total population will also influence the structure of tourist demand (section II.1.2).

Among the socio-cultural factors, a number of trends are emerging which will continue. The ongoing rise in the educational level of the population in recent years is closely related to growing demands in the labour market. Here, basic and medium qualifications will lose out, while highly-qualified employees will win. Within employment there is a clear shift towards services, with particular demand for qualified service jobs (section II.1.3).

If we consider the distribution of prosperity, it is clear that there is a relatively small proportion of well-off people in comfortable circumstances on the one hand and a growing segment with minimal income on the other hand. In the advanced industrialised nations, the gap between winners and losers is widening as a result of unemployment on a scale not seen since the Thirties. The unemployment is also reflected in significant growth in the number on welfare. The marginalisation in material terms of a growing proportion of the population is promoting the emergence of a 2/3 society. No reversal of this trend is likely in the near future, but Germany will nevertheless continue to be one of the leading tourist nations. However, above-average growth seems unlikely, with stagnation of travel intensity at a high level the more probable outcome.

In the future growth in tourism will continue to be closely tied to the relationship between working hours and leisure. In the majority of the advanced western industrialised nation, average working hours under collective bargaining agreements have fallen steadily over the past 20 years, while vacation has increased at the same time. This mechanism for increasing leisure time has probably run its course. New forms of employment are weakening the full-time employment system – a growing number of future workers will be e.g. part-timers. These trends will continue.

New wishes – new tourism?

Overall, in the advanced industrialised nations the overwhelming importance of work in lifestyles has lost ground in favour of leisure. Overarching changes in values and needs in combination with the emergence of diverse lifestyles are leading to increasing diversification of leisure activity and the corresponding services available on the market. The expectation is for the coexistence of partly-contradictory value systems, with a wide diversity of lifestyles, reflected in the structure of tourists desires and needs. Demanding, price-sensitive customers operating in a multi-optional mode with multi-layer, complex and partly contradictory consumption patterns and lifestyles will make it increasingly difficult for tourist service providers to anticipate consumer behaviour and configure their services accordingly. The tourist industry will in future have to focus more on a »hybrid consumer« whose travel choices and vacation activities will be increasingly complex (section II.1.4).

Tourism and the environment – a dilemma

Global tourism is in the shadow of growing anthropogenic environmental problems, with tourism one of the contributing elements. Human activities are resulting in many ways in growing burdens on the atmosphere and biosphere, e.g. climatic change, erosion of the ozone layer, soil degradation, loss of bio-diversity, over-exploitation of the oceans, reduction in the water supply and increased water consumption. However, the basis for tourism is an intact natural, architectural and social environment. For many countries, an undisturbed natural balance, virgin landscapes and varied fauna and flora are their tourist attractions. Increasingly, these are at risk worldwide, first as the result of processes unrelated to tourism, and second as the result of inappropriate utilisation of resources by tourism itself (section II.1.5)

In global terms one question which will become increasingly urgent in future is the ecological acceptability of further growth of air travel. After the criteria of the spatial and temporal range of impact, solving the problems of zoning and loss of bio-diversity in areas used by mass tourism is becoming a high priority. The consumption of resources in terms of energy and materials by growing tourist demands of the infrastructure serving them is a medium-term priority. Other problems which must not be neglected involve sewerage and refuse disposal in mass tourism centres. If tourism is not to consume itself, joint and global economic and political efforts will be needed (section II.2.4).

Global information society

In the coming decades the information industry will in all likelihood be one of the most important growth markets. Information and communications technologies will not only have the fastest growth but also the greatest potential for technological and social innovation. The spread of modern information and communications technologies and the associated programmes is giving more and more people access to information and knowledge. »Virtual« market processes are beginning to replace the »real« market. The expectation is for a global Internet economy, and the supply and sale of tourist products will not be able to remain aloof (section II.1.6).

THE GLOBALISATION OF TOURISM

The trend towards globalisation in the world economy (section III.1) is also affecting tourism. The signs of this are apparent both in the demand for tourist services and in the supply. If we take as indicators of this trend the growth in long-distance travel or global convergence of traveller behaviour on the demand side, and growing foreign investment and interlinking investment and (international) joint ventures on the supply side, the picture is far from consistent. This is particularly the case if we go beyond general world developments to look at the specific trend in German outgoing and incoming tourism.

Tourist demand worldwide

If we consider worldwide demand (section III.2.1) it is clear that there has been strong growth in the volume of international travel. The number of long-distance travellers has also risen substantially in absolute terms. However, since travel within the major regions has grown faster than travel between regions, the share in total international travel of interregional or long-distance travel has fallen, and is currently around 25%. A slight trend towards globalisation is indicated by the fact that global demand is continuing to diversify, i.e. is no longer concentrated as in the past on just a few countries.

Besides trends towards global convergence of demand there are also trends towards differentiation. Even within mass demand it can be expected that in future attention will have to be paid to country-specific features of the potential consumers. Global standardisation of products can only be expected in the low-price market segment, which is the only area where demand and supply seem to be in a process of homogenisation.

Caution is also needed in speaking of globalisation in demand with respect to German outgoing and incoming tourism. Analysis of German outgoing tourism shows that although Germans display a high intensity of foreign travel, they also have a low intensity of long-distance travel. The share of long-distance travellers in foreign travel as a whole rose from 5.6% in the mid-Eighties to 9.3% in 1996, but is currently stagnating at a level which is low compared to other European countries. For incoming tourism in Germany there is even less sign of globalisation: the share of travellers from distant countries has risen only minimally since the start of the Eighties. However, demand is currently equally divided between Asia and the USA.

Worldwide structures of supply

On the supply side (section III.2.2) there are clearer signs of globalisation trends and in some cases significant globalisation processes. All stages in the tourism value-added chain – travel agents, travel organisers, the transport and hotel and catering industries – are subject to growing competition. Growth in size, trends towards concentration, niche strategies and strategic alliances are pervasive symptoms. However, they occur to different degrees in the various sectors. Expansion and concentration strategies are increasingly pursued internationally through investment, mergers and joint ventures, both horizontally (at the same level in the value-added chain) and vertically (covering several stages of added value).

In the travel agent market the response to growing competition has for some years been an increasing trend towards concentration. This is documented in Germany by the decline in the number of independent travel agents and the growing number of joint ventures, franchise systems and chains. In 1996 the top ten German travel agents accounted for half of total turnover. There are very few international travel agents, and these make most of their turnover in the corporate market. Small and medium-sized companies have no chance in this segment, which requires a global presence. Private customers are more nationally oriented, and are still served by the smaller companies, but even in this segment there is a growing number of large travel agents operated by travel organisers and commercial corporations.

In the international travel agent market, European and Japanese companies are the largest in the world. The German market is dominated by German travel agents, with European firms already playing a certain role but firms from outside Europe virtually none at present. International links have so far been established in Europe in one of two ways – first, by forming a separate company or taking over or investing in agents abroad (horizontal integration), and second by investing in other stages in the value-added chain (vertical integration). Among European travel agents such links have so far been more effective at European than global level.

There are clear globalisation trends in air transport. One indicator is the sharp rise in international traffic (particularly on intercontinental routes). As a result of the liberalisation of air transport and the resulting opportunity to penetrate new markets, globally operating airlines have emerged. The supply side is being further globalised with the help of the hub-and-spoke system and the formation of strategic alliances. This means that transport is only possible in cooperation with strategic partners, and this is expected to lead to further intensification of competition and lower prices.

In the hotel industry and parts of the catering industry, trends towards growth, concentration and standardisation have reached a new quality in the Nineties. Worldwide, bed capacity (1997) has grown to almost 29 million, a 78% increase since 1980. Other international trends have been growth in hotel chains, mergers on a substantial scale, a growing number and increase in scale of joint ventures and strategic alliances and diversification in supply through brand creation with independent images under an umbrella brand. In the catering industry, there has been expansion in franchise catering and hotels, particularly in the low-budget segment, accompanied by growing standardisation.

Challenges for Germany as a location for tourism

In view of the structural dislocations induced by the process of globalisation and the changing environment, tourist companies, organisations and destinations in Germany are facing new challenges (section III.3). Global competition by service providers and destinations and growing expectations on the demand side require continual improvement and modification of services offered in the tourist industry and its global marketing.

In contrast to other European tourist destinations there is as yet no central tourism database in Germany, nor is there any national, standardised and comprehensive reservation system. Both of these would improve the positioning and communication in the global tourist market of Germany as a tourist destination.

As a country for vacation travel, Germany suffers badly from its expensive image. Given the low level of personnel and service costs in many competing countries, the only promising strategy for tourist service suppliers is improving the quality and service offered. Overall, the high quality and unique nature must be communicated so that customers base their choice of destination on value and not price.

Strategies that have proved successful for service providers and regions in profiling and securing a USP in the future tourist market – particularly with regard to unpredictable, smart consumers with complex desires and a high degree of price sensitivity – are tourist events. Complex, multifunctional leisure »worlds« such as leisure parks, vacation parks and shopping centres are contemporary, professional products adapted for the trend towards focusing on experience. They are also to some extent also in line with the trend towards liberating tourism from climatic and natural influences, since they are in-door concepts offering services independent of weather conditions. Other possible ways of enhancing the appeal of a destination and stressing its uniqueness are developing joint concepts and alliances coordinated between a number of regions and bundling previously competing individual products under a regional umbrella brand with high recognition value.

To survive in the tourist market of the future, improvements are needed in employee qualifications at all levels. Investment in human capital will be a key strategy.

In contrast to predictions of the loss of appeal and importance of domestic tourism, there are expectations of growth opportunities in a number of specific market segments. New potential and associated new challenges for the leisure and tourism industry are emerging in previously neglected areas, such as tourism for senior citizens, cultural and educational tourism and nature and conservationist tourism.

INFORMATION AND COMMUNICATIONS TECHNOLOGIES

A worldwide information technology infrastructure is a central element in global tourism. Although the tourist industry is one of the industries which used information and communications technology at an early stage, extensive use is still in its initial stage (section IV.1). In view of the growing dissemination and importance of electronic marketplaces, tourist services which are not available on the global electronic market have little potential in future. As a result, presence on the electronic market and innovative utilisation of its possibilities for tourist services are becoming more and more important.

Prospects for utilisation

The majority of tourist firms are using new information and communication technologies mainly for information and presentation, which is inadequate (section IV.2). This is particularly true of the Internet, whose broad coverage, open and cheap communications structure is offering new opportunities for mass-media communication, either through distribution or availability on demand. Of particular interest for the tourist industry are the new options in marketing and sales, or new forms of interaction between suppliers and customers. While utilisation of other information and communication technologies, including innovative value-added services and multifunctional chip cards and vending and dispensing machines, is further advanced, in some areas it is still in its infancy.

The use of the Internet as a marketing and sales platform specifically enables service providers to reduce costs by contacting customers directly. This means that the intermediary role of the travel agents can be circumvented in some market segments. The intermediaries will also come under pressure from new competitors from outside the industry. Compared to traditional service providers these have a lead in expertise in the online presentation of products and services. Despite clear trends towards a »new direct-booking world«, however, there will still be demand for the agency function of the intermediaries, given the steadily expanding wealth of travel offers and information.

New direct booking world?

The prerequisite for further intensification of direct marketing of tourist services is that a growing number of customers will not only have the technical facilities for online reservations but also the readiness to obtain information and make bookings through new media. Although figures on the number of current and future online users vary widely, it can nevertheless be assumed that the number will increase further in future.

How far direct booking of tourist services will be attractively configured for private customers also depends on access requirements, ease of use and the appeal of the offer. In principle, direct marketing is already of interest for private customers, as there is a growing number of low-price offers available on the Internet. There is the opportunity to compare prices directly, there are no opening hours to worry about, and additional information can be called up. Currently, however, there is little use by either private or corporate customers of direct booking facilities for travel through the Internet. To make direct booking of tourist services more attractive for private customers there must be an improvement in the information content and presentation, value for money and customer counselling wishes. It is not enough to put products on virtual shelves and rely on the assumed advantages of electronic ordering.

Restructuring the market

The increased use of new information and communications technologies in the tourist industry will have drastic effects on market processes and structures in supply and demand (section IV.3). It modifies the tourist value-added chain, alters market shares, affects jobs and working conditions and helps decide the competitiveness of the actors and destinations. The increased use of information and communications technologies will further intensify global competition in tourism, leading to falling consumer prices, reduction in jobs, crowding-out effects and distributional struggles. Equally, German tourist service providers can only survive in the world market and secure employment through the use of information and communications technologies.

POLITICS

As we enter the next millennium, structures, instruments and processes in politics will continue to change. More than in the past, there will be international forms of cooperation and alliances between the public sector and social groups. There are already identifiable trends demonstrating the growing importance of a new political paradigm reaching beyond unproductive controversies about »more government« or »more market«. The system of tourism already represents an advanced model of the relationship between business and the cooperative state and displays highly developed structures of a modern-day model economy.

Actors and their goals at the international level

An analysis of the actors on the stage of international tourism policy (section V.1) shows an astonishing diversity of national and international organisations on the one hand and representatives of social groups such as associations and NGOs on the other hand. It is evident that central goals in international tourism policy – such as the implementation of adequate conditions, range of competition, sustainability or jobs are being pursued in cooperation between the public and private sectors. To this extent, tourism policy appears as an communal policy through which issues requiring regulation and problem-solving strategies are jointly defined and implemented.

An analysis of the concepts and strategies (section V.2) shows – particularly at the international level – the high degree of openness on the part of actors towards the model of sustainable tourism. Another noteworthy feature is the large number of attempts to reduce the tension between the ecology and economy through integrated approaches and programmes.

In its policies the central international actor, the World Tourism Organisation (WTO) integrates both the ecological and economic dimensions of tourism. It is also very active as the pacemaker for a sustainable tourism policy, as are other international institutions like UNEP-IE and the Commission on Sustainable Development (CSD). The central actor in the private sector, the World Travel and Tourism Council (WTTC) is also a pacemaker for sustainable tourism, and has for a long time followed a very rigorous approach. A number of other industry associations (following the tradition of self-regulation) are tackling the issues of tourism and the environment. The international NGOs are showing growing commitment, although there is major potential still unutilised here.

Intensive cooperation on content between the various public and private sector actors in networks is creating a favourable environment for further steps towards a more sustainable tourism policy. It is, however, obvious that there are differences between private and public sector actors and NGOs when it comes to the goals and approaches to a sustainable tourism policy. One striking point is that sensitive issues for the tourist industry such as sustainable patterns of consumption, liberalisation of the tourist market by GATS or the aviation fuel tax have received little or no attention.

In view of the implications of the expansion of the role of private sector actors, it is on the one hand necessary for the international organisations to be strengthened. On the other hand closer cooperation between governments is also needed –

so far, they have dealt only marginally with the issue of tourism. Whether the divergence between public and private interests noted earlier will lead sooner or later to conflict or whether this can be avoided through cooperation and agreement in the interest of sustainable tourism is a crucial question which can only be answered through a coordinated policy at the international level.

The European level

At the European level there has so far been no success in exploiting the potential of a coherent EU tourism policy while simultaneously putting the principle of subsidiarity into practice in a constructive way. Summarising the situation, we can essentially say that there is no common political goal or overarching paradigm for a European policy for sustainable tourism. The associations are very heterogeneous, and there is no central economic actor. Finally, NGOs have only been active for a short time in the field of sustainable tourism policy, and still lack efficient coordination. Given the challenges of sustainable and economically viable tourism, the situation is unsatisfactory.

With regard to the thematic orientation of European tourism policy, it can be said that areas of mutual interest for politics and business are attracting growing attention. These include specifically the issue of employment. In the area of tourism and the environment, a certain stagnation is apparent. To overcome this at the practical and programme level, a political initiative will be required in any case. The future development of a sustainable tourism policy for or in Europe must be seen critically in this context. Europe is the most important destination for tourism worldwide, and as such is more strongly affected than any other region by the environmental effects of tourism. Solutions for what are mostly international problems require at least the participation of the European Union. This should also apply to future stable growth in tourism. As yet, however, no corresponding role has been defined for the EU.

German actors

An analysis of the Federal German actors in politics shows that improvement is needed in structures and capacities for actively shaping an international tourism policy. In addition, the ideas currently existing at various levels need to be collected at the target level and distilled into a consistent concept which provides an agenda for a sustainable tourism policy.

The industry has so far made only initial ventures into international tourism policy. As a result, corresponding activities at the international level evoke virtually no response in Germany. Equally, the German industry's know-how in the field of tourism and the environment has not been communicated abroad to any degree. There has, however, already been a rethinking of this position and corresponding activities.

To the extent that German federal NGOs have developed goals in the field of international tourism, they have previously been restricted to individual problems. This is due primarily to the scarcity of staffing and finance, which do not permit the development and consistent pursuit of strategic visions or global concepts.

Current issues and activities

If we expand the institutional analysis and consideration of concepts and forms of cooperation to include a review of current issues and activities (section V.3), four key elements emerge in international tourism policy:

> implementing Agenda 21 in e tourist industry (guidelines)
> promoting environmental protection through international agreements
> environmental management (auditing, certification) in tourism
> jobs in tourism.

Private and government institutions are active in all areas at various levels and, to some extent, with divergent concepts and goals. In addition there are groupings of actors from the private and public sector urging initiatives and trying to find possible solutions together. It is, however, striking that two issues and developments of considerable importance are not being tackled with the same intensity and continuity: the problems of international air transport and making it environmentally acceptable, and the ongoing liberalisation of tourist markets.

Options for German international tourism policy

Issues and options for a sustainable German international tourism policy (section V.4) emerge generally from the challenges of globalised tourism and a commitment of national policy to the principle of sustainable development. They can build on approaches and activities already developed by national and international intergovernmental and social actors.

Options for a sustainable international tourism policy

> implementation of Agenda 21 in the tourist sector through guidelines and direct commitment

> ethical and socio-cultural dimensions of sustainability
> international agreements
> environmental management systems and eco-labels
> jobs
> air transport
> environmental management in mass tourism centres
> best practice examples (innovative and sustainable regional concepts
> creation of open tourist markets (GATS)
> integration of tourism into the process of Agenda 2000 and the eastwards expansion of the EU.

TOURISM AS A MODEL ECONOMY?

Worldwide it is clear that the agenda of politics and economics is increasingly being determined by the goals and criteria of sustainable tourism. Tourism is one of the industries which, because of its interest in preserving nature, can best be trusted to ameliorate the tension between economy and ecology (section VI). It is accordingly justifiable to talk of tourism as the model economy for the new millennium. However, describing it as a model economy for other sectors must be seen as a programme or a slogan, and not as a description of reality.

To comply with the guiding idea of sustainable development, increased efforts are needed from the industry and its associations and from the national and international public sector actors. Both groups are called on to give the principle of sustainability concrete reality. As part of this process the approaches of a »new political model« should be developed further in communication with the tourist industry and social groups. The role of government policy in tourism should orient itself on the model of a »cooperative state«. As already noted in the first TAB report (Deutsche Bundestag 1997d), it would also be the function of this model at the international level to provide impetus (stimulation), coordinate activities (coordination) and moderate debates and conflicts (moderation).

The golden future expected by many for tourism is in the balance. The potential and opportunities associated with its further evolution and the risks to the economy, society and the environment are closely matched. However, because tourism depends crucially on an intact environment and sustainable growth to an extent shared by few other industries, it offers the best chances of finding means and ways to reconcile the economy and the environment in the age of globalisation.

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