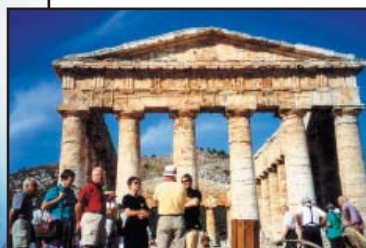


# *Tourism of Tomorrow*

*- Travel Trends and Forces of Change*

*Sara Nordin*



**UTREDNINGSSERIEN**



**Tourism of Tomorrow**

*Tourism of Tomorrow*  
*-Travel Trends & Forces of Change*

May 2005

Sara Nordin

ETOUR  
European Tourism Research Institute

## **Tourism of Tomorrow**

The author would like to thank Professor Emeritus Bengt Sahlberg for his enthusiastic guidance and advice as well as for his encouragement and help with this publication.

The author would also like to express her gratitude to the participants of the Swedish expert group on tourism, introduced by name on page 72. Thank you for your contribution.

# Tourism of Tomorrow

## Preface

All through time there have been people specializing in predicting the future. The Oracle in Delphi is one well-known example. The methods used to shed light on the unknown have been multi-faceted and the desire to predict the future probably unique to the humans. The preparation for the future of animals by for instance the storing of food is done by instinct and not consciously from a human perspective.

The human interest in the future is not only limited to the future on earth, but also what may happen after death. This is something that has affected and still affects society as a whole as well as our individual and collective behavior. Pilgrim travel, for example, is part of the rituals that are supposed to guide us in our search for the final destination on the other side when the time comes.

The uncertainty of forecasts varies depending on the matters. Forecasts in the industry are nowadays rarely focusing any longer than three to six months ahead of time, since the future ahead of that is marked by too great of an uncertainty. Within the natural sciences predictions are made, stretching hundreds or even thousands of years into the future. The next total eclipse of the sun in Sweden will according to the calculations take place on October 16<sup>th</sup>, 2126, a rather exact indication. Forecasts for general social change often stretch five to ten years from now, but sometimes even 20 or 50 years into the future.

In our modern society companies, public authorities and institutions often have their own departments for business intelligence or trend analysts to their help. Based on the access of statistics and advanced methods of analysis, today's analysts with the help of computers have entirely different possibilities of foretelling the future compared to previous generations. Or? One may start to doubt this when witnessing the bursting bubbles on the stock market of the last decades and the banking and real estate crises taking place. That the largest communication companies in the world not even mentioned the Internet in their annual reports during the early 1990s suggests that the future also in recent time is hard to predict.

What can we then say about the future of travel? How much of the traveling will be more of the same? What changes are ahead of us? And why? Will we as consumers search for other experiences and activities than before? Or are the coming changes mainly due to shifting traveling conditions with new products, modes of communication, prices and information systems? What role will the packaging of already existing products and services play?

A good guess is that travels to space will increase. However, on the whole this will just be a minor occurrence for the foreseeable future. The question is what

## **Tourism of Tomorrow**

will happen on the macro level? That is the focal point of this report. The subject requires a global focus at the same time as limitations are necessary. Sara Nordin has chosen to shed some light on future travel trends in the Western society. And the focus is on leisure travel. Business trips are left behind.

Sara Nordin's skilful treatment of the subject offers the reader a thought-provoking and stimulating journey into the future.

March 21<sup>st</sup>, 2005

Bengt Sahlberg

Professor Emeritus, Ph.D.

# Tourism of Tomorrow

## Table of Contents

<b>1. Introduction.....</b>	<b>8</b>
1.1 General Background.....	8
1.2 Aim of the Report.....	9
1.3 Methods & Analytical Framework.....	9
1.4 Outline of the report .....	10
<b>2. Social Factors .....</b>	<b>12</b>
2.1 Values, Attitudes and Beliefs .....	12
2.1.1 The Geographic Spread of Social and Cultural Patterns.....	13
2.1.2 Some Emerging Western Values .....	16
2.1.3 Drivers of Change.....	22
2.2 Lifestyles, Age and Socio-Economic Groups .....	26
2.2.1 The Mature Travelers and the Baby Boomers .....	27
2.2.2 Generation X and Y .....	31
2.2.3 Time & Life Stages.....	35
2.2.4 Student and Youth Travelers.....	36
2.2.5 Single Travelers .....	37
2.2.6 The Affluent Travelers.....	40
2.3 Mass Follows Class .....	41
2.4 What Do the Experts Say? – Some Travel Trend Forecasts .....	44
2.4.1 Poon’s Supplier, Consumer and Destination Trends.....	44
2.4.2 Randall Travel Marketing’s Travel Trends for 2005 (USA).....	46
2.4.3 The 2005 National Leisure Travel Monitor (USA).....	47
2.4.4 Key Trends for 2005 by the European Travel Commission (Europe).....	49
2.4.5 An Outlook by the World Tourism Organization .....	50
<b>3. Factors from the Other Fields &amp; Wild Cards Events.....</b>	<b>52</b>
3.1 Technological Factors .....	52
3.1.1 Transportation.....	52
3.1.2 Information Technology .....	56
3.2. Environmental factors .....	57
3.2.1 Sustainable Tourism.....	57
3.2.2 Climate Change.....	58
3.3. Economic Factors .....	59
3.3.1 Economic Recession .....	59
3.3.2 The Global Economy .....	60
3.3.3 Macro-economic Variables .....	61
3.3.4 The Experience Economy .....	62
3.4. Political factors.....	63
3.4.1 Political Occurrences on the International Scene.....	63
3.4.2 Tourism Policies .....	64
3.5. Wild Cards.....	65
3.5.1 Wild Cards as Triggers of Change .....	65
3.5.2 Identifying Wild Cards .....	67
3.5.3 The Case of September 11 <sup>th</sup> & the Security Issue.....	68
3.5.4 Future Wild Cards of Importance .....	70
<b>4. Factors of Importance – The Experts’ Point of View.....</b>	<b>72</b>
<b>Post Script.....</b>	<b>76</b>
<b>Appendix 1: Theoretical Overview .....</b>	<b>78</b>

# Tourism of Tomorrow

1.1 Competitiveness .....	78
1.1.1 A Conceptual Model of Destination Competitiveness .....	80
1.2. The External Environment .....	81
1.2.1 Environmental Analysis .....	83
1.2.2 Levels of Environment .....	84
1.3. Drivers of Change .....	84
1.3.1 Trends of Long-term Implication and Temporary Influence .....	85
1.4. Domains of Change at the Macro Environment .....	87
1.4.1 Applied to tourism .....	87
<b>Bibliography .....</b>	<b>90</b>



# **Tourism of Tomorrow**

## **1. Introduction**

### **1.1 General Background**

The extent of tourism and travel has increased tremendously in the last decades, both in terms of more travelers and of a vast choice of products on the market. From a historical perspective this can be explained by a number of factors such as the growing prosperity in society, vacations entitled by law, an increasing leisure time, new modes of communication, urbanization and a growing population. Nothing indicates that this development will stop or even slow down in the coming years. Traveling has turned into an important part of our lives, which leads to the interesting question of where this development may take us in the future and if we can say something about the forces of change shaping tomorrow's travel and tourism.

The speed and the complexity of change appear to be constantly accelerating. With such a rapid development knowing what the future holds is hard. Most people agree that this issue cannot be predicted and neither can the future development of tourism and travel. However, we still need to ask if there is not a lot to gain from trying to anticipate changes in the surrounding environment and to prepare for the consequences they may have.

An increasing globalization and the emergence of new tourist destinations worldwide have created a changing nature of competition and a growing need for tourist operators and destinations to work harder to maintain the position in the market. In this respect, access to essential knowledge and information creating lead time seem to be a key success factor along with the ability to respond to change.

The level of business competitiveness and success can be explained and influenced by a complex set of factors. Some derive from the internal organization or the closely surrounding competitive environment, whereas others are found in the external macro environment. The latter - being the focal point of this report - has gained a growing recognition in recent decades, since most systems are open ones subject to pressures and influences arising outside the system itself. At this level a number of forces transform our society such as social, technological, economic, environmental and political.

The effects of these changes are not only far-reaching and global, but they may also have great implications on the field of travel and tourism. No one knows with certainty exactly how they will influence future developments, but the key is to be prepared and to try to ride on the waves of change as opposed to going down with them. Any organization trying to succeed in the face of an uncertain future must adjust its strategy as its environment changes. Hence an increased knowledge and understanding of the forces of change transforming tomorrow's tourism and travel

# Tourism of Tomorrow

is important for destinations, tourism operators and anyone looking for long-term survival and growth.

## 1.2 Aim of the Report

The overall purpose of this report is to widen the understanding of the significance of acknowledging change taking place in the external environment by shedding light on some of the more important factors likely to influence tourism and travel in the coming years, with a main emphasis on social factors. It points out some of the driving forces of change and discusses what implications these may have on the travelers and their demands as well as on the products on the market. It explores some trends (pattern of change over time) that are already underway and it also discusses the importance of “wild cards” such as September 11<sup>th</sup> and SARS, i.e. incidents and happenings with a low probability of occurring, but with enormous consequences when they do take place. The report limits its main focus to leisure travel in western developed countries.

## 1.3 Methods & Analytical Framework

The report is mainly based on the methodology of environmental scanning, a systemic futures methodology developed by Aguilar in 1967.<sup>1</sup> It is often used to link futures studies and strategic planning or management. Environmental scanning is a tool by which information on either a specific topic or at a general level can be obtained. It refers to the process of scanning, that is, the systemic review of literature or other sources of information to determine emerging issues (Lang, [www.futures.hawaii.edu](http://www.futures.hawaii.edu)).

In this report both a review of literature (including reports, magazines, articles and books) has been conducted as well as interviews with a Swedish expert group on tourism, put together with the purpose of finding some of the factors most likely to influence tourism and travel in the coming years from their point of view.

The analytical framework of the report is based on the STEEP model, serving as a tool of structuring the forces of change and travel trends identified and discussed. The model was developed by Fahey and Narayan (1986) in order to categorize different forces of change and trends on a general level, decomposing the macro environment into four segments – a social, economic, political and technological one. Later on an environmental segment was added, completing the model. The STEEP model emphasizes that the macro environment is a system of interrelated parts that affect one another.

Freyer (1995) later applied the STEEP model to tourism as he made it part of a model explaining the complex tourism system (see for instance Steck et al., 2000).

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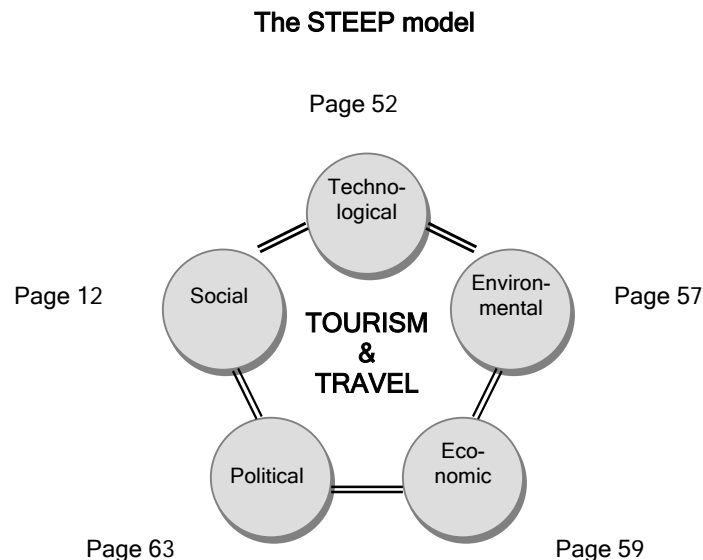
<sup>1</sup> For more information on this methodology see for instance Stoffels, J.D: “Strategic Issues Management, A Comprehensive Guide to Environmental Scanning” or Choo, C.W. “Information Management for the Intelligent Organization, The Art of Scanning the Environment”.

# Tourism of Tomorrow

It has also been used in various other contexts, not least as a tool in business planning. In this report the STEEP model has been chosen as an analytical framework because of its usefulness in identifying and structuring some of the more important drivers of change and trends affecting tomorrow's tourism and travel. It is both used to point out some forces of change worth keeping track of and to divide the different factors into different domains of change. (For a theoretical overview see appendix 1).

## 1.4 Outline of the report

The report primarily discusses some of the **forces of change and trends** underway in the various segments of the STEEP model. The sections focus on their implications on tourism and travel as well as on the behavior of those who travel and to some extent on the products on the market. It starts with a first chapter about the social factors, which is the main emphasis of the report, followed by a very brief description of the other four segments.



A section about **Wild Cards** then follows, i.e. incidents with a low probability of occurring, but with great consequences when they do take place. As an example affecting the tourism industry greatly September 11<sup>th</sup> and the security issue is being discussed.

This is followed by a part introducing **the factors singled out by the tourism expert group** as the most important ones from the perspective that they are likely to have a great influence on tourism and travel in the coming years.

A **theoretical overview** is introduced in appendix 1.

## **Tourism of Tomorrow**

# Tourism of Tomorrow

## 2. Social Factors

The social factors likely to influence tourism and travel in the coming years are the main concern of this report. They can be divided into three sub-categories; social values of society, life-styles and demographics (Fahey and Narayan, 1986). These will all be discussed in the following chapter, briefly from a general perspective and more specifically from the point of view on how they may impact tourism and travel. At the end of the section on social factors there will be a summary of some general travel trend forecasts.

Social factors are closely interconnected with cultural ones, since individuals are part of larger social groups that influence their behavior, which in turn are part of and affected by the surrounding culture. The term culture can be described as a “set of beliefs, values, attitudes, habits and forms of behavior that are shared by a society and transmitted from generation to generation” (Bennett and Kassasjin, 1982 in Mill and Morrison, 2002, p.244).

### 2.1 Values, Attitudes and Beliefs

Whether a company is doing business in foreign countries with unfamiliar cultures or within their home market it is critical to understand the social and cultural factors that may affect the demand, the customer attitudes, and the behavior of competitors etc. The key social drivers - such as values, attitudes, and beliefs - affect the market acceptance as well as the opportunities.

*Values* refer to concepts people use to make choices, to decide courses of action and to explain and justify behavior. They are emotionally invested principles that guide human action and they may therefore provide powerful explanations of human behavior (Baker, 2005).

Values can be found at individual and collective levels. The more permanent and deeply rooted values generally take shape during the early years of life up until the age of 20 to 25. They are to a large extent formed by the environment and the society we grow up in. We also form the society of tomorrow based on the current values we hold. Hence there is a clear connection between the society we live in and the values we inhabit.

The change of basic values, whether it is on an individual or collective level, is generally very slow. Fundamental value changes generally first occur when new generations replace old ones. This means that studies on different generations may offer interesting clues about consumer preferences (see section 2.2).

The not so permanent and more easily changing values are often referred to as attitudes and beliefs. *Attitudes* are general opinions that can provide important clues about how a person thinks and feels. It is, however, possible to hold many different attitudes at once, some even being contradictory. *Beliefs* are the

## Tourism of Tomorrow

assumptions we make about ourselves, about others in the world and about how we expect things to be (ibid).

It is clear that we need to understand ourselves, the society in which we exist as well as the environment surrounding us before we have a fair chance of inventing and projecting the future that lies ahead of us. Knowledge of values, attitudes and beliefs is helpful in this process. However, they not only reflect the lifestyles, behavior and needs of the targeted consumers and travelers. This knowledge can also offer us an explanation and help us understand actions of groups with values that are different from a general western perspective.

J.F. Coates states that: “We need to address the question of why, in 60 countries that are predominantly Islamic or have substantial Islamic populations, so many people hate Americans. Until we understand that there is no hope of reducing or constraining, much less eliminating, Islamic-based terrorists who, much like the Japanese kamikazes of World War II, are willing to fight to the death” (The Futurist, Sept-Oct 2002, p.26).

It was, for instance, not a coincidence that the attacks on September 11<sup>th</sup> with great implications on tourism and travel (discussed further in section 3.5.3) were targeted against the Twin Towers and the World Trade Center – the heart of global finance and business as well as a symbol of American wealth and power. Understanding the underlying causes of these acts and the resentment that may have triggered them are controversial issues. One explanation is that the attacks symbolized these people’s antipathy for American culture and values and the actions may be looked upon as an attempt to stop the spread of American culture, values, technologies, economies and lifestyles worldwide.<sup>2</sup> It is, however, important to remember that what is perceived as a terrorist by a certain person can be looked upon as a freedom fighter by another (Enderwick, 2001).

Understanding differences between western cultures and other more foreign ones is important also in regard to values, rules of behavior, perception and service. It will most likely become even more important in the future as more people from distant parts of the world start to travel globally (further discussed in the next section).

### ***2.1.1 The Geographic Spread of Social and Cultural Patterns***

At the same time as the importance of acknowledging differences in cultures increases, there are however indications of an emerging homogenization of the cultures and values of the world due to the growing globalization. The speed and volume of cultural exchange has accelerated, cross-border penetration has been

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<sup>2</sup> This issue is, however, much more complex than that. It also deals with for instance U.S. foreign policy towards the Middle East, the support of Israel and the focus on oil supplies, which have fuelled resentment in parts of the Muslim community.

## Tourism of Tomorrow

facilitated by new global infrastructures, there is a worldwide accessibility of internationally traded consumer brands and global foods, fashion and western values and entertainment are spreading rapidly across the globe. In his research, N. Rosendorf found that children and teenagers more or less everywhere want to be like Michael Jordan, sing like Madonna or eat at McDonalds's. The question has been raised of whether we are moving towards a "world culture".

Some trend analysts believe that the American socioeconomic structure and culture is the basic point of reference for predicting what will happen in most developed countries over the next few decades and eventually also in most developing countries. Others are not so sure. They see alternative lines of development appearing in various cultures, particularly non-Christian and non-English-speaking such as China and Islamic countries (Albrecht, 2000).

The growing globalization indicates that global and regional consumer segments such as Euro-teenagers, ecologically concerned travelers and consumers as well as mature consumers are starting to emerge. There is, however, a duality in the effect of globalization on consumer behavior. A resurgence of ethnic and nationalist identities can also be noted, which affects attitudes and behavior of specific customer segments as well (Douglas & Craig, 1997).

Inglehart has conducted an extensive research on the change of value.<sup>3</sup> He stresses that even though the communication and information mass media are becoming globalized, the basic values are retained. In accordance he argues that the world is not moving towards a global village. On the contrary his research confirms the survival of basic values and traditions as well as the persistence of culture.

Based on the World Values Surveys, Inglehart has elaborated a global cultural map (shown on the following page) in which different cultural zones are located according to peoples' prevailing value orientations (Inglehart and Baker, 2001).

The industrialization in the western society caused a movement of traditional values towards more rational and non-religious values, and today as many of these nations are going through the post-industrialization era, we can observe a movement of the basic values toward those of self-expression (ibid).

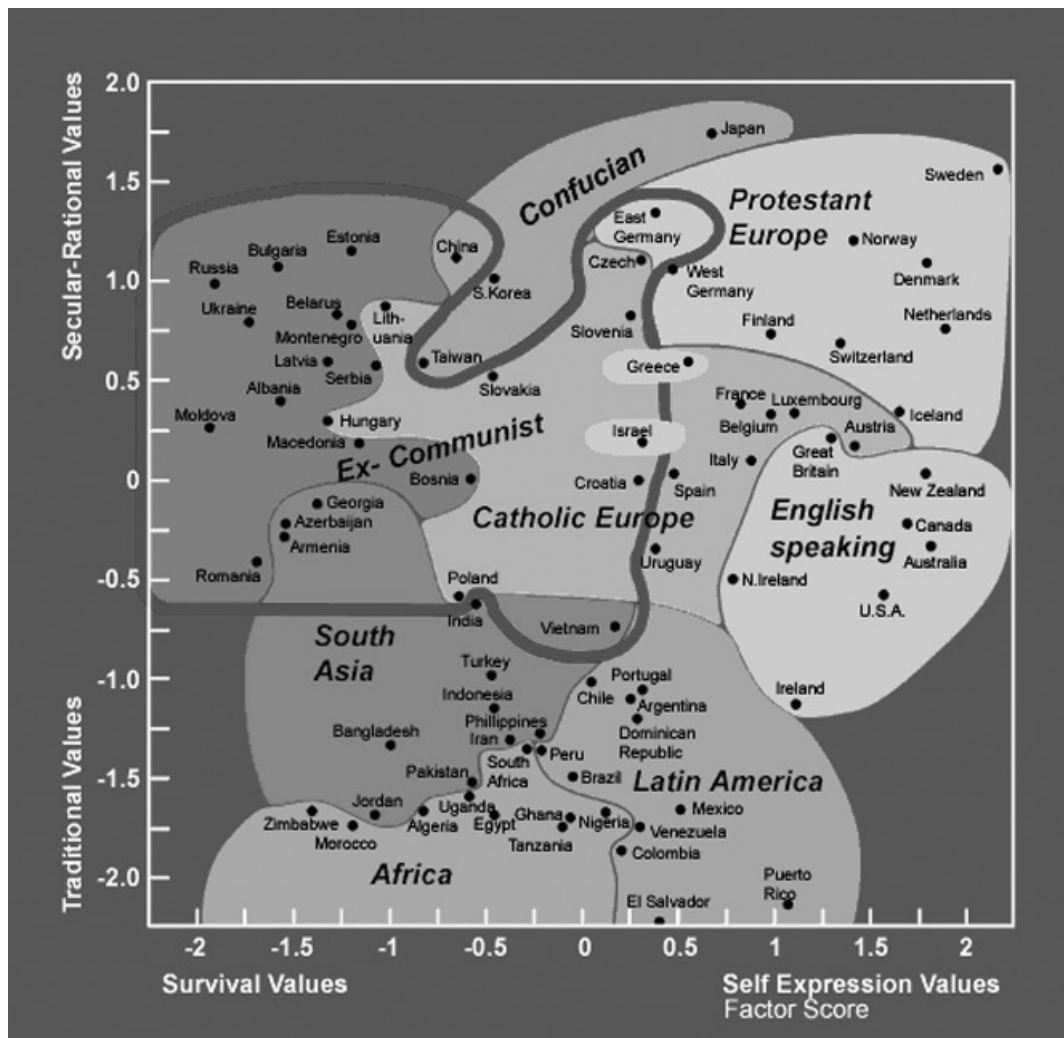
Inglehart, furthermore, points out that industrialization raises education levels, changes attitudes toward authority, reduces fertility, alters gender roles and encourages broader political participation. This process is just emerging throughout the developing world. Should, or as in most cases *when*, these countries go through the same process as most of the developed countries, leading for instance to greater gender equality and higher disposable incomes etc., we can

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<sup>3</sup> Inglehart's results come from the World Values Survey, an investigation in 80 countries amounting to about 80 per cent of the world's population.

## Tourism of Tomorrow

expect this to affect travel and tourism both with greater tourism flows from these countries, but also with for instance more female travelers.



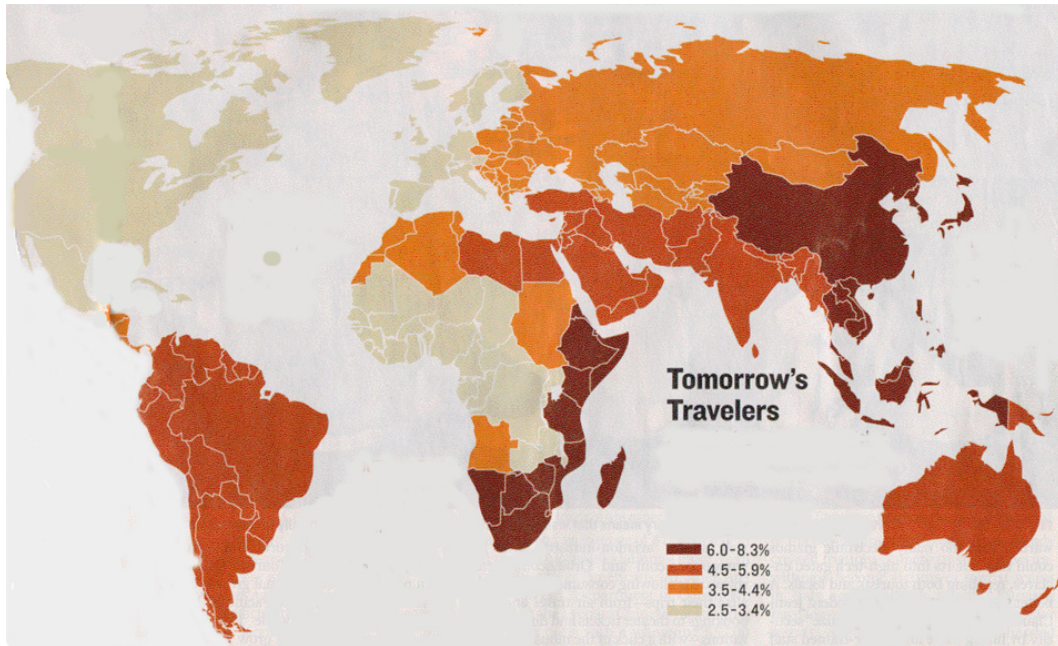
Source: Inglehart and Baker, 2001

The first argument is supported by a map of the future outbound travel flows, which clearly shows a smaller growth in the developed countries (see next page).

The map illustrates that several of Europe's leading markets are mature ones and that any growth from these markets is due to a higher trip frequency rather than increasing numbers of the population choosing foreign destinations for their travel, whereas we can expect a much bigger growth from non-Western continents.



## Tourism of Tomorrow



OUTBOUND TRAVEL, Average Annual Growth 1995-2020

Source: Newsweek, 2003

The Chinese are very big spenders on travel and although most growth in the coming years most likely will be to other Asian destinations, the future potential for Europe is very good. India is another country of interest, with a population of over one billion and a 7-8 per cent GDP growth per annum (ETC Research Group, 2005). Understanding traditional Asian values (on a general level typically described as embodying the Confucian ideals of respect for authority, hard work, thrift and the belief that the community is more than the individual) may therefore be of greater importance in the future.

### ***2.1.2 Some Emerging Western Values***

For several decades norms and value patterns in the West have been undergoing important changes. These have been labeled individualist and post-modern, emphasizing expressions of individual autonomy, self-actualization and personal recognition (Surkyn, 2003).

A number of value shifts as well as changing attitudes cut across age and socioeconomic groups. They are spreading on a more general level to people in all groups of society. These may influence the behavior of the travelers and ultimately travel and tourism all together.

The English Tourism Council describes some of the changing values and attitudes likely to have an impact on tourism and include for instance a growing search for more authentic products, a focus on nostalgia, roots, other cultures and identity, an increasing interest in spiritual and intellectual activity, the sense that value for

## Tourism of Tomorrow

time is becoming as important as value for money and a greater tendency towards individualism (English Tourism Council, 2000).

### Value and Attitude Shifts Likely to Affect Travel & Tourism

- A growing search for more authentic products
- A focus on nostalgia, roots, other cultures and identity
- An increasing interest in spiritual and intellectual activity
- The sense that value for time is becoming as important as value for money
- A greater tendency towards individualism

Source: English Tourism Council, 2000

Self-fulfillment, the importance of social networks, the health and fitness trend, the increasing value of leisure time, a growing polarization and differentiation and a larger focus on environmentalism are other examples of important values shifts (see for instance Henslin, 2003).

### General Value Shifts

- Individualism
- Self-fulfillment
- The Importance of Social Networks
- The Health & Fitness Trend/ Youthfulness
- Leisure & Balance
- Polarization & Differentiation
- Environmentalism

- ***Individualism***

The growing focus on individualism is one of the most important value shifts in recent times. Over quite some time, there has been a movement from collective expression to more individualistic values. This can mainly be explained by growing economic wealth and independence giving way to the rise of post-materialist values. To many people in the west the most basic material needs are fulfilled and it is therefore possible to prioritize quality of life ahead of making more money. This has led to an increased focus on experiences and traveling has become a priority to many Westerners.

## Tourism of Tomorrow

The increasing individualism also has an impact on consumer behavior. Today's consumers (and travelers), in particular the younger generations, have a growing desire for personal control and decision-making and demand a wider variety of choice. This is supported by a greater demand for customized/independently tailored holidays at the expense of more traditional tour packages and high requests for flexibility. People want products tailored for them to suit their individual needs. Travel resources therefore tend to have a greater appeal if they are personalized (Yesawich, 2000).

- ***Self-fulfillment***

Closely connected to the growing focus on individualism is the importance of self-fulfillment. This is a consequence of basic values moving towards those of self-expression, the expression of one's own identity. Traveling has also increasingly turned into a means of fulfilling one's life; it is partly about creating a lifestyle rich in experiences and meaning. Where you travel and what you do on your holiday may greatly affect your self-image, as there is often a relationship between one's self-image and one's image of a service or product.

Jensen is emphasizing the lifestyle factor, arguing that all products bespeak a certain lifestyle. He also stresses the importance of creating a story, stating that the price of the product increases with the value of that story. According to Jensen, we are progressively entering a new type of society - The Dream Society - where consumer behavior cannot be explained by strictly rational ways (Jensen, 2002).

The increased consumption of big 4WD's and Sports Utility Vehicles, for instance, is not due to deteriorated roads in Europe and the U.S. In fact the opposite development has been taking place. However, a lot of people who buy these cars buy the story of a rugged vehicle, a story about how man can move freely in nature and get close to it. It is the same with watches – they range in price from 20 Euro to 10 000 Euro. Still, they all do the same – show the correct time. The explanation is that to some people a Rolex is not simply a watch, but it also bespeaks a certain lifestyle worth paying the extra money for and someone created the story that comes along with a Rolex making certain people willing to pay that extra amount of money (ibid).

Storytellers and products with valuable stories can also be found in the tourism industry with the Swedish Ice Hotel, constructed every winter from 30 000 tons of snow and 4 000 tons of ice, perhaps being one of the greatest examples. The hotel offers a variety of rooms and suits with reindeer skin-covered ice beds and specially designed sleeping bags. Other amenities include the Ice Chapel, available for weddings and christenings, the Ice Globe Theater offering entertainment and the Absolut Icebar.

## **Tourism of Tomorrow**

The story in itself and the different experience drive people to travel long distances and to pay a lot of money to visit the densely located hotel (about 100 miles or 160 kilometers north of the Arctic Circle) for no other reason than having spent a night in a house built out of ice and snow, with temperatures ranging between -4 and -9 degrees C. It is certainly the very different concept that drives the success of the Ice Hotel and guests visiting the hotel appear to reaffirm their commitment to cool and individuality in their decision to look for this experience.

Today there is a greater focus on holidays offering an experience rather than a preference for a specific destination or product. However, the importance of a good story and a different experience is often underrated and will according to Jensen increase further in the future. Many customers buy with the heart and the choices they make are reflective of their lifestyle (ibid). This is also closely connected to the increased focus among vacationers of collecting experiences rather than consuming things. Doing is more important than having and destinations are more about the experience rather than the attributes. Values related to this transformation are learning, growth, freedom and exhilaration (Key Travel Trends 2004).

In addition, people are on the search for personal identity. Becoming “all one can be” and reaching our fullest potential together with fulfilling fantasies and making dreams come true are of great significance. This has caused a growing focus on personal development and self-help. People also seek affinity with others with similar quests, perhaps making affinity travel a niche of the future. The values related to this development are consumer identity, individuality, a do-it-yourself attitude, affinity – pairing with others of like mind and self-esteem (ibid).

- ***The Importance of Social Networks***

Most trends create counter-movements. The importance of forming social networks can be regarded as one triggered by the increasing individualism. The number of social networks with family and friends as well as job-related contacts has increased. This change is sometimes described as “togetherness” and when it comes to travel it takes the form of more vacations with extended family, other families or friends. In particular in the U.S. a growing importance of family has been noted in the aftermath of 9/11.

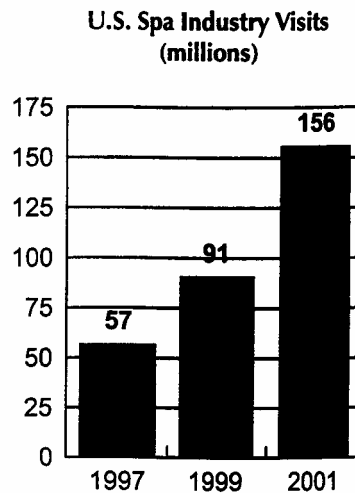
There is a particularly big difference when it comes to global networks, which is explained by a larger number of individuals studying or working abroad or in international environments, more people migrating to other countries than before as well as by the high number of people traveling worldwide. The global social networks in turn greatly affect people’s travel patterns.

- ***The Health & Fitness Trend/ Youthfulness***

The wish to live a full life and the interest in wellness, alternative health and spirituality practices is growing. Health and fitness is becoming an increasingly

## Tourism of Tomorrow

important aspect of people's lives and as such also an important aspect of travel. The increased focus on health and fitness among all age groups takes many shapes, such as a growing number of people visiting spa and health resorts both far way and in their home countries. These resorts are particularly popular in North America and Europe as leisure-time activities - yoga, fitness and exercise programs, aromatherapy, weight loss and spa treatments include some of their offered services and products.



Source: The International SPA Association, 2002

The growth of the spa industry can to a large extent be explained by the effects of stress and the fear of aging. Some resorts are even developed for the purpose of providing stress reduction.

Eating healthy and counting carbs, calories or following a specific diet such as Atkins or the South Beach Method are other aspects of this trend. Many hotels and resorts are therefore focusing on serving healthy and nutritious food, appealing to travelers wishing to keep up their healthy lifestyle while being on holiday.

“Anti-aging” or “down-aging” have turned into very popular concepts. The focus on staying, looking and feeling young have, moreover, raised the demand for all kinds of products, treatments and exercises to keep people feel more youthful. It has grown into a huge industry and it will most likely increase even further with the large group of future seniors.

As the number of elderly is rising so will the need for health care services. Certain countries with less expensive health care have developed health tourism concepts that include surgery, dental treatments and elderly care programs, often combined with a recovery or rehabilitation in their warm and pleasant climate. In particular Thailand has promoted the health tourism concept, but also countries in Easter Europe such as Poland.

## Tourism of Tomorrow

It is important to point out though that health tourism by no means is something new. It is actually a very old form of recreation and recovery, in particularly in the mountain regions. However, what is new is the broad appeal it appears to have to a wide variety of market segments.

- ***Leisure & Balance***

The health and fitness concept is part of a larger group of new ideals based on well-being and balance. Life no longer just constitutes of fulfilling the basic needs such as hunger and comfort. With more material wealth and well-being leisure has emerged as an ever more important value factor. It is reflected in a large recreation industry with everything from sports arenas and computer games to vacation homes and travel services.

People seek balance in their hectic lives and travelers are increasingly looking for experiences that allow them to get a break from stress. Natural experiences and rural, simple life are attractive. The focus is on values such as well-being, fitness, balance, vitality, conservation, spirituality and environmentalism (Key Travel Trends 2004).

- ***Polarization & Differentiation***

Today's society is marked by a greater diversity in life-styles, values and attitudes. It also contains greater social differences. This implies that the behavior of consumers and travelers will be harder to predict and marked by a greater diversity – a development that is already underway. We have generally seen a transformation from mass, standardized holiday packages to a greater flexibility and more detailed product segmentation.

According to Poon, the tourism industry is also being polarized into the mega and the micro, the safe and the unsafe, the mass tourists and the individualists, the mega airlines and the low cost-carriers. It is increasingly being polarized into large global players and really small ones, losing its middle ground. Industry polarization expects to continue as mergers, alliances, company restructuring and even bankruptcies continue (Poon, 2003).

- ***Environmentalism***

Environmentalists started to emerge in the 1960s, concerned about the future and how life on earth was threatened by damage to the environment. At the time they were a relatively small group of people. Today environmental responsibility is to a much larger extent taken for granted by the post-materialistic, younger part of the population. This development is internalizing a new set of values by which products and services will be judged. It is also causing new laws and standards. Both aspects will affect tourism and travel greatly.

## Tourism of Tomorrow

### 2.1.3 Drivers of Change<sup>4</sup>

In order to understand the value and attitude shifts taking place in society recognizing some of the forces of change causing these shifts is essential. Tucker summarizes a number of general changes for the new millennium that may be of interest (Tucker, 1991).

Tucker's Forces of Change	
• Speed	• Discounting
• Convenience	• Value-adding
• Different generations	• Customer service
• Choice	• Technology
• Lifestyles	• Quality

*Speed* is closely connected to the changing role of time in our lives. Time has become a valuable commodity, which means that saving people time by for example reducing the amount of time spent at every step of the customers' transaction can be a great competitive advantage. This factor together with technological innovations explain why so much planning, information gathering and purchasing of travels nowadays take place over the Internet, reducing time in line waiting to be served at the same time as offering access 24 hours a day.

Yesawich also emphasizes the burden of time poverty. People are generally experiencing more stress and working longer hours, which leads to an increasing need for vacations to relieve the pressure. As a result, people are taking more and shorter trips (Yesawich, 2000). This is further supported by Poon who states that trips nowadays are cheaper, faster and shorter (Poon, 2003).

The number of activities undertaken during the holiday has not been reduced at the same rate as the number of days away though, which offers a greater challenge in the packing and indicates that basically nothing can be left to chance. Just about the same number of events and experiences undertaken during the previously longer holiday is often fitted in one week or even a weekend now (Poon, 2003). WTO's Eurobarometer survey also shows that travelers have become more active whilst on holiday (European Commission, 1998).

Travel marketers who offer total trip planning will seemingly have an edge over others. In today's high-pressure society, single workers and two-income couples appear to be increasingly desperate for products and services offering to simplify

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<sup>4</sup> This section is based on Tucker, 1991, when no other source is given.

## Tourism of Tomorrow

their lives or grant them a taste of luxury. Catering to the need for convenience and ease may become more important than ever (Randall Travel Marketing, 2003).

*Convenience* is by no means a new factor, but it is still often underrated. Everything from the products and services to the environment in which they are purchased and the after-sale service are of importance. Consumers will most likely increasingly demand offers that are more accessible, user-friendly and portable. Doing business in today's society must be easy. In addition, convenience innovations can increase profitability rather than raise costs, since they often stimulate demand.

The packaging of trips and experiences may be crucial for its success in appealing to the buyers. According to Mercer Management Consulting packaged tours for mass-vacation destinations appear to continue to be demanded for the foreseeable future from families and other customer groups (Mercer Management Consulting, 2005). IPK International also states that the package tour is a long way from being obsolete (IPK International, 2004).

The package tour industry is, however, challenged by low-cost carriers (offering also hotels and rental cars on their websites), virtual tour operators with dynamic packaging and hotel resorts with direct sales over the web. Dynamic packaging is described as the buzz word of the season, suggesting that partly packaged holidays and customized solutions may be the way forward (Mercer Management Consulting, 2005).

Making the products and services accessible on the Internet is just as important and a lot points to the fact that this will be even more important in the future as larger numbers of customers want to select hotel and air travel as well as make dinner reservations and reserve tickets for events simply with a click of the mouse. This means that the role of the tour operators will continue to change, but it is still important to remember that leading players will control and/or own a majority of the most attractive property in the mass destinations and the distribution of packaged tours (ibid).

Poon states that travel agencies need to focus on leisure travel, particularly cruises and all-inclusive resorts, create tailor-made packages, institute fees and levies instead of being dependent on commission, control their costs and innovate (rethink the way they do business), open after hours and on weekends, develop expertise in specialty markets and target market segments with promise such as clients from the former Eastern bloc countries and the senior market in order to ensure future success (Poon, 2003).

Profiting from *different generations* is also an important factor, foremost the mature market, the baby boom and the baby bust (see also section 2.2). These age



## Tourism of Tomorrow

waves may present great opportunities for creative responses, if the knowledge is translated into viable products, services and methods.

Hilton Hotels, for example, launched a heavy promotion of a new Seniors Honors Program, which by no means was a coincidence but rather a deliberate response trying to reach out to the fastest-growing segment of the U.S. population and the most affluent consumer group. The population in western society including Europe is getting older, but at the same time staying active longer. They are also more experienced in traveling and discerning in their choice of destination, causing a search for new places and new tourism products (European Commission, 1998).

Offering the customers the right variety of *choice* has turned into a top challenge. Brand loyalty has generally diminished and we have entered what may be described as a choice-driven society. Increasingly sophisticated consumers demand more options and individual, customized solutions. This driving change is closely connected to the previously described generally growing individualism in society.

Tailor-made travel options are already today popular, but the demand will probably increase even further as the number of travelers with money and plenty of travel experience increases. ETC confirms this development by stating that today's travel consumers are less loyal to suppliers and hence increasingly more unpredictable. They, moreover, state that the demand for customized holidays is growing at the expense of traditional all-inclusive tour packages (ETC Research Group, 2005).

Changing *lifestyles* are other driving forces affecting more or less every business. This may provide an explanation to the increased polarization and differentiation previously mentioned. Lifestyle changes occur in a number of arenas such as in regard to work, leisure, marital status, child-rearing, environmental concerns, safety and so on.

WTO points out that the western society is experiencing record divorce rates, later marriages and family formations as well as an increased number of single parent households, which means that the travel and tourism industry increasingly must be able to cater to a wide variety of household and special interest segments (WTO, 1998).

The next two factors are both concerned with value for money. The first one is *discounting* and the importance of positioning the company in an era of price competition. Discounting will most likely spread to virtually all industries and it is a change that has created new, cost-conscious consumers who are very price-sensitive and well-informed.

## Tourism of Tomorrow

This development is also evident in the tourism industry with prices being lowered due to for instance direct sales on the Internet (basically cutting out the role of travel agencies) and more travelers comparing various options before making a decision. Randall Travel Marketing suggests that travelers have even become suspicious of travel prices and “bargain-brained”. This has led to some hotels offering “best rate guarantees”, ensuring the customers that they are paying the lowest possible price (Randall Travel Marketing, 2004).

The discount airlines constitute another example reflecting this change. An IATA on-line survey verifies the importance by showing that lower air fares are considered the most important motivating factor by travelers. World Travel Market, moreover, singles out concern over price, i.e. value for money, as a major determinant of travel trends in the coming years (IPK International, 2003).

IPK International points out that the search for increased value for money has turned newer destinations like Bulgaria and Croatia to winners with the strongest growth, while traditional Mediterranean sunspots such as Italy, Spain and Portugal have essentially stagnated (IPK International, 2004).

The second factor deals with *value-adding* and the importance of continuously searching out ways to add value and enhance the products, which is of even greater importance if the company in question is not aiming at being a low-price leader.

Four Seasons Hotels, for instance, have developed a computer bank where they store information about each guest, enabling them to acknowledge everything from what kind of tea a specific customer would like to what sort of pillow. Preferences change though and a key factor to success in this context may be to add the correct value the customer is seeking, without challenging the privacy.

Value-adding is closely connected to *high customer service*, a factor that has grown in importance with the increasing time pressure. It can also be seen as a counter-trend to the spreading do-it-yourself attitude. Certain customer groups today are willing to pay extra for excellent service more than before. This is evident from the fact that airlines can sell seats with more space for higher prices and that people are willing to pay extra for non-stop flights, rapid check-in and upgraded flights.

The importance of using *technology* to lead the field should not be forgotten. Technology, which affects for instance the use of the Internet for planning and online booking as well as transport capacity, will be discussed further in section 3.1.

The last of Tucker’s factors is *quality*. This is partly driven by the more aware and experienced travelers. The request for quality is also reflected in a demand for

## Tourism of Tomorrow

different products. A lot of today's travelers are looking for authentic experiences involving local culture and closeness to nature (IPK International, 2003).

Tucker's main point is that business in the new millennium will remain anything but the same and the usual. Innovations must continuously take place and business leaders proactively change with change.

### 2.2 Lifestyles, Age and Socio-Economic Groups

Whereas the previously discussed emerging values and attitudes to a large extent are spreading generally in the western society, other changes are limited to certain groups of people. It is clear that both the age and the society we grow up in affect us widely. The generation into which we are born in fact has as much impact on the buying behavior and purchasing decisions as income and education. The shared experiences affect the buying motivations (Brenner, 1998).

This explains why people growing up around the same period in more or less the same kind of environment often share a number of basic values. Market researchers and sales people often group people in generations or other subsets of consumers such as socio-economic groups to be able to create a general picture of the market segment in question, since understanding these values is important in being able to meet the needs, aspirations and desires.

The categorization of people in generations is based on the assumption that they share common lifestyle characteristics and a common value system. It is naturally a simplified and generalized picture of reality, but it may nevertheless offer useful information about the values and attitudes of these groups affecting the consumer behavior and the demands.

#### Generational Groups

- The Matures & The Silent Generation, before 1943
- Baby Boomers, born around 1943-1960
- Generation X (or Baby Busters), born around 1960-1980
- Generation Y ( or the Millennial Generation, the Net Generation and the Digital Generation) born around 1980-2000
- Generation 9/11, born around 2000 until present time

\* Variations in the age spans exist depending on the source.

The emergence of different consumer types is an on-going process. Generations are shifting life stages and attitudes continuously. A common way of dividing the population is into the Matures, the Baby Boomers, the Generation X and the

## Tourism of Tomorrow

Generation Y. This categorization will be used in the following sections, attempting to describe some of their unique characteristics and values and how these may affect their travel behavior.<sup>5</sup>

### ***2.2.1 The Mature Travelers and the Baby Boomers***

The importance of the aging population deserves being acknowledged in many respects, the travel and tourism context is no exception. With more time, money, better health and more active lives than previous senior generations this is the leading and fastest growing market segment in the travel industry. There are, however, big differences between the Baby Boomers and the older 65+ population worth paying attention to. Too many travel companies may still be caught up with the stereotype of bus-tour-happy seniors, while group travel seems to suffer in particular of the value changes taking place (“The Mature Traveler and Baby Boomers”).

The Matures is a group that tends to be a bit cautious and a bit conservative in their buying behavior, marked by the experiences in the Great Depression and World War II. They are a bit slow in embracing anything new and generally distrust change. They have saved their money and they look upon retirement and leisure time as a reward for sacrifices and hard work earlier in life (Brenner, 1998). In regard to travel, many of them are getting to the end of their travel years.

The Baby Boomers, who may be considered the most populous and influential group of all, reached adulthood or at least a highly impressionable age in the liberated 1960s and therefore they feel less constrained by cultural boundaries than their predecessors (Yaqoob). They grew up when the economy expanded rapidly and they therefore take good things in life for granted. They have simply come to expect prosperity and affluence. They are also called the “me” generation with a quest for personal identity and self expression. Autonomy is important – they want to do it by themselves and they want to be individual (Brenner, 1998).

The Baby Boomers consider old age to begin at 80 rather than at 65. As a consequence they have unconventional plans for their retired years favoring more adventurous pursuits. Many of them are fearful of getting old and seem increasingly obsessed with the idea of youth. This means that they will try to act younger than their chronological age, wanting to fulfill the dreams they had when they were younger (Yaqoob).

The large number of “younger-older people” generally does not want to be passive. Many of them are on the contrary choosing a bit more unusual travels or an adventure vacation (“Boomers Drive Adventure Travel Trend”). To relax and

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<sup>5</sup> The sections on generational groups are based on “Rocking the Ages: The Yankelovich Report on Generational Marketing” by J.W. Smith and A. Clurman, when no other source is given.

## Tourism of Tomorrow

get a break in the routine is still a primary purpose, leading to a demand for “active” relaxation such as hiking, shopping, fishing, camping and visiting scenic and historical attractions. Boomers often want outdoor experiences. One of the challenges to marketers is to make clear that their product offers plenty of options. They generally have the discretionary income to afford a high-quality experience. Hence they are looking for a special environment with a range of activities (“The Mature Traveler and Baby Boomers”).

Interacting with the locals on their terms and not as intruding tourists seems to be of importance as well. This adds to the cultural understanding. There also seems to be a renewed interest in history, offering a sense of continuity and performance that Boomers may find reassuring and comforting. Many of them also want to combine their travel with education making intellectually stimulating travel appealing. This may include photo tours, cooking schools and vineyard visits, but also museums, cultural and ethnic sites, theaters and parks. Interactivity is another important part of their traveling experience.

In contrast to self-indulgences of the adventurous and exciting kind, Baby Boomers also compromise the largest share of family vacationers and they are along with Generation X the most likely to take a family vacation (“Family Vacation Travel”). One trend among these trips is connected to fantasy entertainment.

Entertainment as an escape from a scary world is gaining increased focus, proven by the huge success of the Lord of the Rings and Harry Potter movies. Boomers are not strangers to fantasy and movie-themed tours provide great tourist attractions. Fantasy tours offer Boomers, their children and possibly grandchildren an opportunity to a safe, enjoyable entertaining experience they can do together (Goodman, [www13.mawebcenters.com](http://www13.mawebcenters.com)).

In regard to family travel, “tweenies” (young people between the age of 5 and 12) is another important group. Children are sometimes overlooked as a group, but it has turned out that children are playing a dominant role in destination choices. They are the ones logging in to the Internet searching the web for online tourism information. Hence children, in particular teenagers, have become advisors to their parents on vacation destinations, lodging and length.<sup>6</sup>

Many of the empty nesters (couples whose children are grown up and away) and aging Baby Boomers travel without much preparation. Their daily lives are so full of structure and agendas that they often prefer unstructured leisure time (“The Mature Traveler and Baby Boomers”).

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<sup>6</sup> According to research by the Purdue Tourism and Hospitality Research Center. [www.tinkerfcu.org/promotions/ChildrenVacations.html](http://www.tinkerfcu.org/promotions/ChildrenVacations.html)

## Tourism of Tomorrow

Whereas there may be somewhat of a reluctance for people who are 65 to 70, the group between 50 and 65 is a widely computer literate group. The Baby Boomers go online for information, but they seem more reluctant to put their credit cards on the computer and therefore generally do not go online to buy (Harris). Some of them (having grown up with Vietnam and Watergate) are lacking trust when it comes to both institutions and individuals. Therefore they may actively research their travel options and gather a lot of information before making a decision to buy.

Boomers seem to consider travel a necessity rather than a luxury, which is good news for the industry since the mere number of Baby Boomers traveling will cause business to grow and since it is regarded as a necessity it will be a priority no matter how scarce their time and money. This means that their travel behavior is less dependent on life stage and economy. Unlike their parents who grew up under the Depression the Boomers grew up in times of plenty. As a consequence they are used to getting what they want immediately which also affects their travel behavior. They do not want to wait, but rather demand immediate gratification. Once they are ready to book, they want to do it without delay. The most important sources of information to select their destination of choice are reported to be word of mouth, magazines, newspaper articles and advertising (TIA, 2000).

### Some Characteristics of Baby Boomers

- “Me” generation
- Huge economic gains
- Put individual desires ahead of good of a group;  
job ahead of family
- Brand savvy
- Feel the country owes them
- Resent authority
- Passion for introspection and self-enlightenment
- VIP services
- Forever young
- Nonconformists - unless it's serving them
- Participants
- Adventure
- Diversity - pack lots into one vacation
- Spas; holistic destinations
- Nostalgia

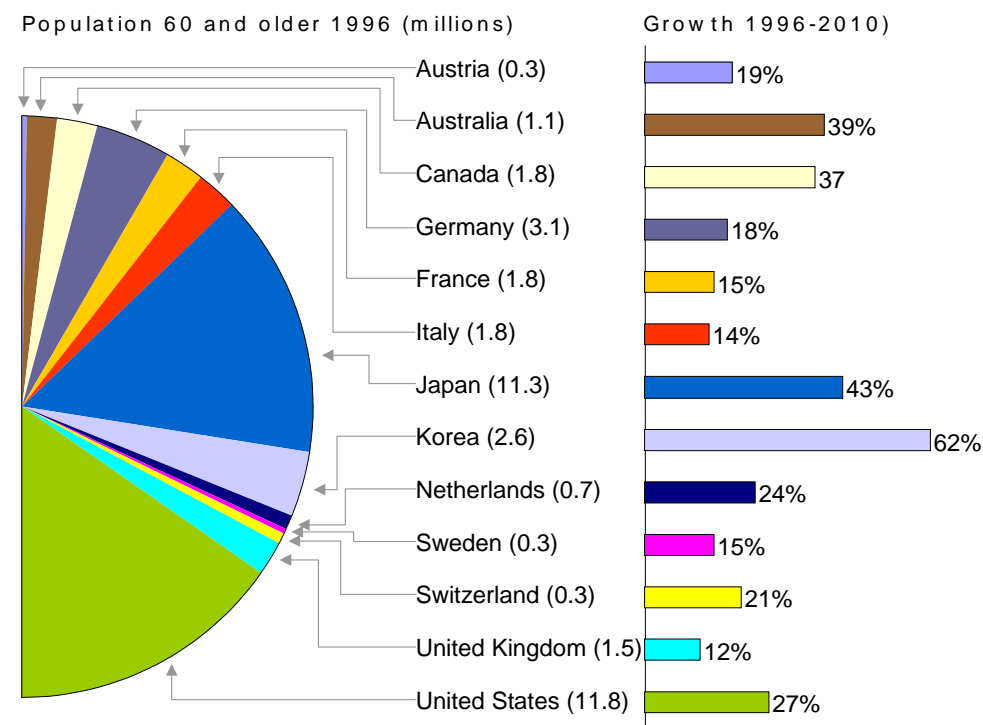
Source: Based on Smith & Clurman, 1997, in Key Travel Trends 2004

They are also more experienced travelers than their predecessors. Many of them started traveling as students. Their experience will make them seek out more

## Tourism of Tomorrow

exotic destinations or more in-depth ways of experiencing places. Their been-there-done-that attitude is one reason why adventure travel appeals to them. This also makes them a very demanding consumer group. They want products designed to fit their individual needs making customization important. They want their experience to be unique, which explains why group travel is not appealing to the new aging generation. They do not want herding in any sense – the individual is in the center of attention. Organized travel only becomes valuable to Boomers when dealing with a physically or mentally challenging adventure or for safety or price reasons (“Travel Marketing Decisions: 13 Truths about Baby Boomer Travel”). To appeal to this group making them feel special is important.

### Population 60 and older in selected OECD countries



Source: WTO, 1999

The soon-to-be-retired is the age group that probably has received the most attention in recent time. The main reason is that the number of seniors will increase rapidly in the coming years, making this group an even more important travel segment. In Europe a fifth of the entire population is expected to be age 65 or older in 2020. The picture is similar in other OECD countries as is shown in the figure.

As mentioned earlier, people in developed western economies are not only living longer, but they are also expected to be healthier and more health-conscious and as a consequence live more active lives keeping up leisure and health activities.

## **Tourism of Tomorrow**

This development creates a growing demand for relaxing entertainment facilities such as spas, health clubs and golf courses.

The new generation of elderly will, moreover, generally remain better off economically than previous generations of seniors, although this segment of travelers may also be affected by economic recession and turmoil in pension plans and funds.

Retired people have a greater opportunity of taking vacations throughout the year possibly increasing the demand in the off main season periods. Like travelers in general they are expected to be more “experienced” than destination focused and also more mature and experienced as travelers. This will lead to an increased demand for convenience, quality and service customized to their individual needs as well as for comfort and easy transportation. Specialist and niche travel are part of the expected growing markets for this particular age group.

### ***2.2.2 Generation X and Y***

Generation X grew up in times of economic uncertainty. Unlike the Boomers, they do not take success for granted. Many of them, moreover, did not grow up in two parent families, sometimes lacking a sense of security. Change is a key word for this generation. They are sometimes described as the most footloose of all adults, being the most likely to move over long distances.

They are often pictured as self-reliant, entrepreneurial, techno-focused, media-savvy, socially tolerant and slowly, but surely becoming parents ([www.findarticles.com](http://www.findarticles.com)). This generation is bringing a unique perspective to family life. Having grown up with very high divorce rates and with alternative family structures, they are more cautious and judicious about entering the life stage of family formation causing the trend of delayed marriages and more singles with implications on travel and tourism (“GenXers’ Reinvented Traditionalism”).

Prior to September 11<sup>th</sup>, the single trend may have been at its boom with the modern media reflecting this by portrayals of aging singles such as Seinfeld, Friends, Ally McBeal and Bridget Jones. These TV-series and movies all turned into huge successes with big audiences that could associate with the characters (ibid).

Despite the delayed marriages, the Generation X eventually seems to form families and seems to do so in a committed and more traditional way than their parents. This may affect the widely spread increasing individualism and it may in the long term enhance the focus on the family unit further. The September 11<sup>th</sup> tragedies caused an increased focus on the family. As a consequence, close-to-home travel went up, international travel went down. Family reunions increased tremendously, driven mainly by Generation X travelers.



## **Tourism of Tomorrow**

The Generation X has often been overlooked while the Baby Boomers have been at the center of attention, often regarded as more affluent and easier to reach through advertising. However, as the Boomers get older the Generation X will start to set the new trends. They are considered to be less fortunate than their predecessors, as they are unlikely to match their parents' economic fortunes. Xers understand that they will have to work hard to achieve what's important to them. They are facing diminishing job opportunities and less family support (feeling that they more than likely will have only themselves to rely upon), at the same time as they are described as more financially responsible and competent at processing and comparing information from different sources. This makes them a challenge to marketers.

Their buying decision process is comprehensive since they are less brand-loyal and always insist on receiving value for money (brand-loyalty is opted to be less significant in a generation likely to have lived under two different households with the same two parents). They are also sensitive to information overload and hence harder to reach through marketing. Internet and television seem to be the two most effective channels when trying to reach this group as they are technology focused and prefer interactivity ("Busting Myths about Generation X").

When it comes to travel the Baby Boom generation still generates the most, but the Xers are steadily catching up in market share and becoming the market force of the future. They are basically doing everything from gathering information to booking their trips online. It is all about efficiency and about time-poverty. If they do it online they can do it immediately and they do not have to make an appointment and to be on time. They expect the hotels they visit to be wired for all their electronic matters and they are big on e-mail marketing – messages they have chosen to receive as opposed to spam. From the traveler's standpoint, this information is immediate and targeted to individual preferences.

For this generation, the future is not 40 years from now. The relevant time frame is much shorter. Planning for a future way ahead that may never happen as planned makes little sense to a generation struggling with the present. Being wealthy is by itself not important, what counts is being able to afford experiences in the present. As a consequence, they prefer spending money on experiences that will enrich their lives such as travel and vacations. They also appreciate "getting away" (ibid).

The increased competition and low-cost carriers have created price-hunters and the Xers have turned into serious bargain-hunters. They examine everything that they are handed, keep the good things and leave the rest. They want their expectations met. Value for money is imperative in reaching this group.

## Tourism of Tomorrow

They are not used to lack of choice and many of them are actively looking for new places to go to. They want to live and experience as much as they can. This generation is unafraid of trying something new and mix and match in a rather unpredictable manner. They visit spas, swim with dolphins and take a safari, but they, too, are looking for products that offer an escape and simplify life.

### Some Characteristics of Generation X-ers

- Being authentic means showing savvy
- Distrustful
- Real
- Wired
- Unafraid to try something new, challenging
- Family
- Spiritual
- Extreme sports
- Depth of purpose
- Eco-tourism
- WOW!
- Finding themselves in challenges
- Brands are meaningless
- Really smart, savvy, sceptical
- Need one of their own to talk to them

Source: Based on Smith & Clurman, 1997, in Key Travel Trends 2004

Another group of importance is the youth, in particular when focusing on the future. They are sometime labeled Generation Y. By studying the values of today's young people it may be possible to get clues about the society of tomorrow, since the young today will be the leaders in the future.

The Generation Y represents a refreshing mindset. They have grown up in a world constantly in motion and change is therefore a normal condition to this group. They feel that their greatest advantage is being born in a technological society. They are optimistic about the future, goal oriented and highly motivated toward their perceptions of success (Brenner, 1998).

Generation Y is also pragmatic, materialistic and driven by technology. They have been sighted paying for ice-cream cones with credit cards. While traveling, they generally appreciate sports and workout amenities and moreover, enjoy interactivity. Since the Internet is a part of their daily routines and they are driven by fast communication such as e-mail, this generation is able to early on detect

## Tourism of Tomorrow

trends, with implications for the life cycles of fads and trends that are facing a time compression.

### Some Characteristics of Generation Y-ers

- Loyal and hardworking when they see value in what they are doing
- "Living in the moment"
- Listed their parents as their "most admired" choices
- Trust their Grandparents the most, followed by parents; Gen-Xers are trusted the least.
- Energetic and need continual stimulation and challenge. Comfortable juggling many things at once and will move on quickly if they get bored or dissatisfied.
- Their truth detectors are always on and they do not give second chances if deceived
- Optimistic
- More than three-fourths do not agree that money buys happiness
- Honesty and integrity are the attributes admired most.
- Place "high value" on volunteer work.
- Community focused; give back
- Vacation experience that allows rebuild, provide lasting benefits
- Allow for independence
- Never sell short wisdom

Source: Based on Smith & Clurman, 1997, in Key Travel Trends 2004

Both Generation X and Y appear to desire buying into the distinctive travel experience, preferably in a place no one thought to go before. These generations identify with "refreshment", meaning vacations that offer new and exciting experiences as well as the opportunity to relax and be immersed in nature.

They like older generations have in general become much more mature and experienced as tourists and travelers. They are also well-educated and have a great knowledge of the destinations and areas visited. This has led to an increasing demand for individual travel, special products and niche market. The experienced *travelers* – as they prefer to be regarded, and not as tourists – are constantly on the search for new, "unexplored" destinations. They want authentic, off-the-beaten-track vacations in remote and less well-known areas. The interest in rural and ethnic tourism as well as cultural tourism appears to have increased ("Tourism", 2005).

## Tourism of Tomorrow

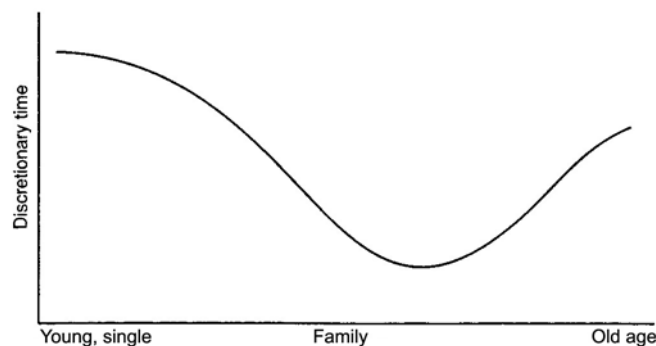
As customized travel is probably far from fully developed, the travel preferences in the future will most likely be even more fragmented and destinations that do not meet up to acceptable standards may have a hard time keeping their guests. More experienced travelers generally do not tend to return to the same destination year after year even if they did have a good experience. They may revisit places from the past, but usually not on a regular basis.

### *2.2.3 Time & Life Stages*

The desire to travel and the financial ability are important explanatory factors of travel behavior. However, the amount and form of time available is just as significant. This explains why more and more people are opting for shorter weekend travel as had been suggested previously, leading to more intense vacations with more or less as many activities as would be included in a previous two-week trip.

Although a large number of people are enjoying shorter workweeks today, other factors have prevented more people from seeing an increase in their leisure time, such as commuting time, increased maintenance time for taking care of new possessions such as cars and homes and more people suffering from the stress of living in bigger cities, which means that more time is required before they are ready for leisure activities. The distinction between work and non-work has also become progressively vaguer. It is clear though that even if the absolute amount of leisure time may have increased little over the past several decades, the way people use it is changing (Mill and Morrison, 2002).

The amount of available time also differs at various age levels, with higher proportions of leisure time among younger and older age groups. Age in relation to available time is, however, not a sufficient factor in explaining travel behavior, as we know that the levels of participation in a large majority of leisure activities decline with age, even more so among active recreational activities as compared to passive ones (Ibid). As stated before in the report, there is nonetheless an important change in the behavior of retired people worth taking notice of.



Source: Mill and Morrison, 2002.

## Tourism of Tomorrow

Fürth points out that it is probably not mainly age, but family situation and level of responsibility that affect the various life stages. He notices a change over time in this respect. During the early 1900s there were three clear life stages – childhood, years of responsibility and old age. This has started to change as teenagers began to live at home longer, creating their first period of years of freedom – a time without family and responsibility to support others. Later generations then expanded this period up until the ages of 30-35 by later family formations, more time spent studying and a later entrance to the workforce. The years of youth have therefore in a sense been extended (Lindgren et al., 2005).

### ***2.2.4 Student and Youth Travelers<sup>7</sup>***

Students and young people account for one in five international travelers, which makes them an interesting group. A lot points to the fact that this is a growth market as the number of students around the globe keeps growing and as they become more globalized. This section will therefore focus on some of their preferences, even though there is a danger in viewing this group as a homogenous one since in fact reality is more complex.

Richards and Wilson conclude in the report “Today’s Youth Travellers: Tomorrow’s Global Nomads” that student and youth travelers mainly are experience seekers looking for culture, adventure, new knowledge and relaxation. Many search for contact with fellow travelers and show a desire to encounter different people and places. They travel for long periods that are carefully planned and sophisticated and it is, furthermore, evident that these trips have a lasting impact on their personal and professional lives. They, moreover, tend to return home with a thirst for more travel.

Main Motivations of Student and Youth Travelers	
1. Explore other cultures	83%
2. Excitement	74%
3. Increasing knowledge	69%

Source: Richards and Wilson, 2003

A majority of these travelers are students under the age of 26. They tend to have lower incomes, but seem to be willing to work during their travels to increase their spending power. Long trips are viewed as a “once in a lifetime opportunity”, leading to the fact that many are ready to dedicate time, energy and money to make sure that their trip is everything they dreamed of.

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<sup>7</sup> This section is based on “Today’s Youth Travellers: Tomorrow’s Global Nomads”, based on a major transnational survey on independent youth and student travel undertaken by the International Student Travel Confederation (ISTC) and the Association of Leisure and Tourism education (ATLAS).

## Tourism of Tomorrow

Over half of the studied group identify themselves as “travelers”, about a third as “backpackers” and about a fifth as “tourists”. Those identifying themselves as travelers tend to have more social motives and to a higher degree visit friends and relatives during their trips, whereas the ones identifying themselves as tourists are more likely on the search for relaxation. The report also indicates that younger travelers (under the age of 26) value social contacts and excitement higher, while slightly older travelers are looking for more individualized experiences and are less in search of extreme experiences.

Many of the student and young travelers have considerable previous travel experience, with an average number of six trips outside their home region for those under 26 and eight previous trips for the rest. The most popular destination among those referring to themselves as travelers is North America and the top priority destinations for those regarding themselves as backpackers Southeast Asia, Australia and South America. The survey also indicates that less experienced travelers visit the “westernized” areas of Europe and North America, while more experienced ones choose more challenging destinations such as South America, China/Japan and the Indian sub-continent.

Visiting historic sites and monuments, walking and trekking and leisurely pursuits such as shopping and sitting in restaurants and cafes are the most popular activities while traveling. There are no big differences between backpackers, travelers and tourists, indicating that the activities undertaken at various destinations often are similar even if the travel styles differ. The male travelers surveyed tend to be more focused on sports and adrenaline experiences, while cultural events and walking/trekking are more popular among the female travelers.

Most Popular Activities of Student and Youth Travelers	
1. Visiting historic sites/monuments	77%
2. Walking & trekking	76%
3. Sitting in restaurants/cafes	72%
4. Shopping	72%

Source: Richards and Wilson, 2003

### 2.2.5 *Single Travelers*<sup>8</sup>

Age offers some interesting input to marketers. However, it is important to acknowledge that these age cohorts are not homogenous groups and within each group there may be people having more in common with groups from other

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<sup>8</sup> This section is based on TIA’s report “Travel Through the Life Stages”, 2003, when no other source is given.

## **Tourism of Tomorrow**

generations than from their own. This will be exemplified by a description of single and affluent travelers.

Singles of different ages are worth taking note of since this is a growing segment. The last decades the number of single people has increased continuously. Hence single travelers represent one of the fastest growing markets in the travel industry, making it an interesting consumer group. According to a study by the Travel Industry Association of America (TIA) singles generate about a third of all US trips. A single traveler is someone who lives alone and is not necessarily someone who travels alone.

Although the increase in single households has been higher in the US than in the rest of the western world this pattern is spreading. Sweden is today among the top nations in regard to the highest number of single households with about 47 per cent, according to a European comparison (Ramnewall, 2005-05-19). In the US there is an estimated number of more than 86 million singles (which means that approximately 49.8 per cent of all U.S. consumer units are made up by single adults). This equals about \$1.6 trillion in annual spending (One to One Living: The Single Dollar: 1.6 Trillion Strong!, 2005).

Singles generally have a higher discretionary income compared to their married counterparts, who often have children to support. They spend money more freely even during more difficult times when families tend to limit their spending and moreover, most singles are sole decisions makers in their households, which means that they often spend more money on themselves than families in the same age group (ibid).

Brands with messages promoting self-acceptance, value and convenience also attract today's single consumers. As mentioned earlier, TV-shows like *Sex and the City* and *Friends* have changed the concept of being single. It is today more of a badge of independence rather than a symbol of loneliness. It is more about living a fulfilled life rather than waiting for marriage to make it complete. As an alternative, singles put more emphasis on community (including fitness facilities, favorite websites and the hangout spots) rather than family. There are also indications that staying healthy is of uttermost importance to this group, also while traveling (ibid).

According to a general description of the travel patterns of single people by TIA, single travelers are more likely to travel for fun rather than business. Sixty-three per cent of all U.S. person trips taken by single people are for pleasure while twenty-six per cent are business travel. The remaining travel is for personal or other purposes. Only six per cent have participated in a group tour the past year. The top activities of single travelers include shopping, outdoor activities and visits at historical sites and museums.

## Tourism of Tomorrow

Most Popular Activities of Single Travelers	
1. Shopping	26%
2. Outdoor activities	14%
3. Historical sites & museums	13%

Source: TIA,, 2005

TIA divides the singles into four age groups – young (ages 18-34), middle (35-54), older working (55+ and working) and older retired (age 55+ and retired) singles.

Young singles are generally described as educated, fun and introspective thrill-seekers embracing uniqueness and striving to belong to communities of like-minded. They are brand-conscious and seem to be willing to pay more for brands that speak in a tone that they understand. Compared to middle-age singles, young singles enjoy traveling just as much.

Market Assessment's analysis of the holiday market shows that the number of vacations taken abroad by young singles is rising faster than the average growth (The Singles Market Assessment, 2000). In the U.S., young single travelers are the most likely of all singles to include night life activities in their trips (23 per cent). A majority (39 per cent) of the trips taken by this group are by Gen Xers between the ages of 25 and 34. Many of the Young Single trips are short getaways lasting one to two nights. This is, moreover, the most technologically-savvy group among the singles with 76 per cent of the trips taken by people owning their own personal computer.

The middle age singles spend the most of all singles age groups, which is not surprising since they have the highest household incomes of the singles. With an average age of 45, this group mainly represents the Baby Boomers and is as such more likely than the other singles groups to undertake business travel (32 per cent). In accordance, their trips to a higher extent involve air transportation and over night stays in hotels, motels or B&B. However, this group is also grasping for an escape from the pressures and stresses of work and therefore search for leisure travel, activities and lifestyle products that offer them an escape from everyday life.

Older singles are more likely than younger ones to visit historical museums and monuments (14 per cent) or attend cultural events and festivals (13 per cent) on their trips. The retired older singles has the longest trip length – an average of 5.2 nights – which is not surprising considering the amount of free time they have to their disposal.



## Tourism of Tomorrow

The growth in non-traditional family households does not seem to be a passing phase and singles are shaping new and emerging markets that need to be addressed. Going on holiday alone is often more costly, since most package holidays are based on two persons sharing. Currently the most cost-effective way to travel alone appears to be online booking, but a lot still remains to be done in the area of single travelers.

### 2.2.6 The Affluent Travelers<sup>9</sup>

Various socioeconomic groups are being analyzed and segmented. Currently there has been a lot of focus on *dinkies* – people with “double income and no kids”, since this group is a marketing target for luxury items such as expensive vacations. Whoopies – “well off older people” and empty nesters – couples whose children are grown up and away, are other interesting groups. These are all groups who generally are better off economically.

The Virtuoso LuxeReport from 2004 offers some insight to the lifestyles of the world’s wealthiest travelers. According to the report the hottest travel trend among younger affluent travelers (between the ages of 34 to 52) is active/adventure trips, followed by family travel, seclusion/privacy, educational trips and spas/total relaxation in that order. Active/adventure trips clearly stand out from the other alternatives as a main priority. Older affluent travelers (53+) rank luxury cruises as their top choice among the hottest travel trends, followed by family/multigenerational trips, educational trips, private/guided trips as well as more frequent vacations. Among this group luxury cruises unmistakably stand out from the other alternatives.

The Hottest Travel Trends among Affluent Travelers			
Ages 34-52		Ages 53+	
1. Active/Adventure trips	24%	1. Luxury cruises	44%
2. Family travel	9%	2. Family/multigenerational trips	8%
3. Seclusion/Privacy	8%	3. Educational trips	7%
4. Educational trips	7%	4. Private/guided trips	6%
5. Spas/Total relaxation	7%	5. More frequent vacations	5%

Source: The 2004 Virtuoso LuxeReport

The travel practice declining the most in popularity among younger affluent travelers (34-52) is escorted/group tours, followed by beach trips, all-inclusive

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<sup>9</sup> This section is based on The 2004 Virtuosos LuxeReport, an annual poll of more than 6 000 Virtuoso travel specialists in Americas, the Caribbean and Australia, recapping luxury travel trends of the previous year and forecasting trends for the current year. Virtuoso is a network of 285 independent upscale travel agencies.

## Tourism of Tomorrow

vacations, cookie-cutter packages<sup>10</sup> and amusement park trips. Older affluent travelers (53+) have also ranked escorted/group tours as number one, followed by booking far in advance, adventure travel, car rentals without a driver and destinations catering to children.

When asked to rank the top five interest/activities while traveling female clients ranked shopping during the trip as number one, followed by five-star dining experience, shopping prior to trip, visiting private homes/meeting locals and visiting cultural sites and museums. For the male clients participating in sporting activity was ranked as number one, followed by safety/security measures, adventure/nature activity, five-star dining experience and fitness/working out.

Totally 42 per cent of the affluent travelers are now seeking active and/or adventure vacations, with a large number of requests for activities including biking, hiking, scuba diving, skiing/snow boarding and golfing among the younger age groups and golfing, hiking/walking, safari, skiing and biking in that order among the older affluent travelers (with the first two standing out a bit in popularity).

The affluent travelers are interesting from the point of view that they to some extent start new trends that sometimes become main stream when their travel patterns are adopted by others. Their social status makes them an interesting group to monitor and follow.

### 2.3 Mass Follows Class

The norms of behavior for a group are affected by both internal and external forces. Focusing on internal ones, within groups some people are always more willing than others to try new things. These *innovators* tend to often take on the role of opinion leaders. Mill and Morrison explain destination development with the statement that 'mass follows class'. "This phrase suggests that a destination first attracts a relatively small number of high-status individuals whose actions are eventually copied by a larger number of less-innovative others" (2002, p.247).

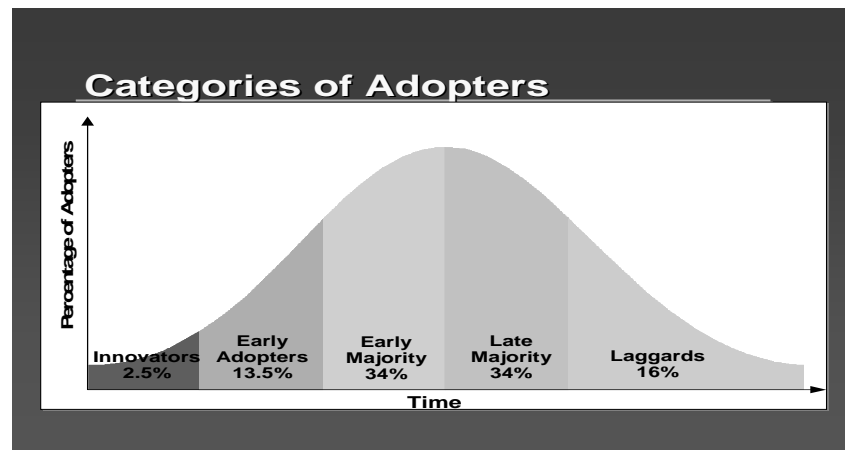
Trends begin with people, not things. Products and new technology simply enable new behavior. Diffusion research states that many innovations and trends are initiated by innovators and then picked up by early adopters before reaching the conscience of mainstream. Hence social change is very often a process that begins within a small, pivotal group of people and then diffuses through society. The idea suggests that change can be promoted rather easily in social systems through a domino effect. The Diffusion of Innovations model (popularized by Everett Rogers) looks at change like a wave passing through society. According to the theory, for basically any given behavior the audience can be broken down into

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<sup>10</sup> Packages that are not tailored and customized to individual needs.

## Tourism of Tomorrow

five segments (ideal types) based upon their willingness to accept the new idea, object or behavior.<sup>11</sup>



Source: Based on the categories of Rogers, 1983

The **innovators** are the ones that lead the way for others – they are venturesome types enjoying to be on the cutting edge with a desire for the daring and the risky. They are visionary and imaginative and personally adopt new behavior and objects quickly to eagerly give it a try. They also play an important role in launching the new idea in the system; bringing it in from the outside world.

The first ones to respond to the news are the **early adopters**. They are a more integrated part of the local social system, being respected by their peers and they generally have the greatest degree of opinion leadership in most systems. Other groups turn to them for advice and information about the innovation. They are open to new ideas and they are also less cost-sensitive than other groups.

The **early majority** adopts new ideas just before the average member of the system and they will not act without proof of benefits. They are an important link in the diffusion process since they have the unique position between the very early and the relatively late adopters and they are also the biggest category together with the late majority. They seldom lead the way, but they follow with deliberate willingness in adopting innovations.

The next category is the **late majority or the skeptics**, who adopt new ideas just after the average members of the system. At the same time as they hate risk they do not want to be left behind. Therefore they will follow the mainstream and the established standards. The pressure of peers is necessary to motivate them to adoption and innovations are generally approached with a skeptical and cautious state of mind.

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<sup>11</sup> The following sections on diffusion of innovations is based on Rogers, 1983.

## Tourism of Tomorrow

The last group involves the **laggards** who will act to block progressive change. They are the last ones to adopt an innovation and their point of reference is the past. They are suspicious of innovations and change and do their best to resist them.

For most members of the social system, the decision to adopt a new idea or not depends heavily on the decisions made by other members of the system. A majority of the people merely wants to keep up with the rest and not be left behind.

The “tipping-point”, that is the time when a trend starts to spread exponentially through the population, is often when the trend is adopted by the early majority, being in between the very early to give it a try and the relatively late ones. At that point the trend is starting to reach mainstream (Gladwell, 2000). Understanding this process is not only relevant when dealing with short-term fads and fashion, but also when trying to understand travel behavior and trends affecting it, such as the culture of snowboarding and surfing - activities that started out in a small group of people with an identity and culture of their own, before spreading to mainstream and creating opportunities for holiday resorts around the world.

### *Subcultures*

Some trends and in particular fads and fashion begin their lives as small underground movements in subcultures. Within each group of people, for instance the youth population, is a segment that wishes to differentiate themselves from the mainstream. They may share similar status, ethnic background, residence, religion or other factors that unify them. They form a subculture that contains social rules or norms that allow the members to identify with one another and create a collective identity and shared values. Subcultures take form in for instance music and fashion. Trends are often established at the top of the social structure by fashion designers, models, advertising agencies and celebrities and from there on spread to the other levels. In the youth culture information is often received through fashion television, music videos, advertisement and magazines. They adopt a new behavior, idea or product to be different from the dominant culture. However, subcultures are very important to watch, because they often start a new trend, fad or fashion – they often dictate the next big thing (Hebdige, 2002).

Hence subculture trends often become mainstream. The media plays a big role in this progress. They provide society with information so fast that reports on the ideas and behavior of new subcultures quickly reach the rest of the society. The media has a powerful influence on diffusion as it increases the awareness and spreads knowledge of the innovation rapidly to a large audience (Merriam and Makower, 1988).

The ideas and the behavior of the subculture are generally assimilated into the society as they gain wider acceptance – the dominant culture incorporates the

## Tourism of Tomorrow

emerging culture through mass communication in printed media and television. By the time the trend has reached mainstream it is generally dying though – the innovators have already turned elsewhere in their quest for individuality.

### 2.4 What Do the Experts Say? – Some Travel Trend Forecasts

To conclude the section on social factors a summary of some general travel trend forecasts will be presented. Several of the factors emphasized in the various travel trend analyses have already been covered in this report and will only be commented very briefly, but other offer interesting complementary information and some new insights.

#### 2.4.1 Poon's Supplier, Consumer and Destination Trends

One way of categorizing emerging changes is by dividing them into supplier, consumer and destination trends as has been done by Poon in the report "A New Tourism Scenario – Key Future Trends".

POON'S EMERGING TRENDS		
SUPPLIER TRENDS:	CONSUMER TRENDS:	
<ul style="list-style-type: none"><li>• Cheaper, Shorter, Faster Holidays</li><li>• Travel Closer to Home</li><li>• Information Technology &amp; Internet</li><li>• Increased Polarization</li><li>• Travel Agents Reinvent Themselves</li></ul>	<ul style="list-style-type: none"><li>• Maturing Travelers</li><li>• Independent Travelers</li><li>• Rise of the Bourgeois Bohemians</li><li>• Body, Mind and Soul</li><li>• Value for Money</li></ul>	
DESTINATION TRENDS:		
<ul style="list-style-type: none"><li>• Enough is Enough (move away from mass tourism &amp; standardization)</li><li>• From Products to Experiences</li></ul>		

Source: Poon, 2003

Poon pays attention to the change in travel behavior leading to an increased number of cheaper, shorter and faster trips, partly driven by time-poverty and more access to low-cost carriers. This trend may also have been affected by the increased desire to travel closer to home, especially evident in the aftermath of September 11<sup>th</sup>. Better value for money has also triggered more intra-regional travel. There is, however, an increased polarization both in regard to travelers and the tourism industry, making it all more unpredictable.

## Tourism of Tomorrow

Whereas larger numbers of consumers use the Internet, travel agents and tour operators need to find new roles in a new consumer society. The Internet has also helped in facilitating the increasing numbers of late bookings and technology on the whole has created the basis for individuality and flexibility of the travel experience without raising the costs.

When it comes to the characteristics of the consumers, Poon is paying attention to the mature travelers, since it is hard to ignore the development of an ageing population in most industrial societies, and the rise of the bourgeois bohemians. This is a group of people described by Poon as America's new upper class (although they can be found in Europe as well). They are "bourgeois" in the sense that they are urban, professionally successful, well-educated and in some way extremely materialistic. At the same time they are also "bohemian" because their values reflect spiritualism, a quest for balance, healthiness and meaning. According to Poon, they generally feel driven to expand their cultural horizons through experiences and travel.

The rise of the independent travelers putting together their own vacations by buying separate elements of a holiday package is another trend. Poon underlines though that the market is comprised of a continuum of travel arrangement and not an either-or pattern, with everything from the fully-packaged all-inclusive tour to the completely independent journey. The search for value for money is one driver behind this development. Poon suggests though that in the long term value seeking will outrun bargain hunting, indicating a growing demand for all-inclusive resorts and cruise lines.

When it comes to customer value, travelers want more than the tried and tested forms of physical well-being (sun tan, exercise and adventure sports). Yoga, Tai Chi and other soulful forms of activities are entering the market, creating a focus on body, mind and soul. Active holidays are also increasingly challenging the more traditional beach holidays; although there is no doubt that the demand for those will continue.

The destination trends emphasized concern the fact that customers are no longer happy with the products and destinations they visit (one of the major findings of the IPK Pisa Conference). There appears to be a growing mismatch between products and services offered by suppliers and the needs and expectations of the travelers. What it comes down to is that destinations need to move beyond offering products and services to the delivering of experiences that exceed their expectations. Poon also concludes that destinations actually are taking measures to recover and reinvent themselves away from the "mass destruction and standardization" that mass tourism has created.

Poon states in another report that the social changes taking place slowly have created a new form of tourism, characterized by flexible, segmented and

## Tourism of Tomorrow

environmentally-conscious vacations. Also the consumer has turned into a new kind of traveler (Poon, 2001).

Consumers/ Travelers	
Old:	New:
Inexperienced →	Mature
Homogenous →	Hybrid
Predictable →	Spontaneous
Sun-lust →	Sun-plus
Get sun burnt →	Keep clothes on
Security in numbers →	Want to be different
Superiority →	Understanding
Escape →	Extension of life

Source: Poon, 2001

### 2.4.2 Randall Travel Marketing's Travel Trends for 2005 (USA)

Randall describes some top travel trends for the American market. She states that the economy now is back on the same track as it was in 2000, but that major behavior changes are affecting tourism and travel and making today's world a completely different one. Since the year of 2000, consumers have experienced economic concerns, the incidents of 9/11, drops in consumer confidence, terrorism fears, a major war and SARS.

Randall Travel Marketing points out an increase in leisure travel with a growth in family and affinity travel, whereas the importance of attending attractions appears to be smaller. As opposed to some other trend surveys Randall Travel Marketing is not mainly describing the future traveler as a more active one, although nature plays a big part of the expected future demand. Beaches and lakes, mountains, national and state parks, as well as recreation, winter activities such as snowmobiling, skiing and snow boarding, an increased in adults traveling without children and year round leisure visits are among the expected future demands. However, sleeping late, napping and visiting the spa are part of a behavior emphasized as a greater trend.

Instead of wanting to go places, see attractions and do things travelers are increasingly looking to escape, according to Randall, a development that partly may be redefining our vacation concept. There appears to be a desire for less structure and more last-minute decisions. According to TIA, 24 per cent of the surveyed Americans planned *all* their leisure trips at the last minute. This may partly explain why finding good deals and "saving money" is of great importance as well as the high use of the Internet to plan and purchase trips (59 per cent of the surveyed currently use Internet for leisure trip planning and purchase). At the

## Tourism of Tomorrow

same time personal comfort, convenience and safety are top travel concerns. Travelers are looking for less hassle and stress-reduction as well as for products that simplify their lives or offer them escape and luxury.

### Top Travel Trends 2005 by Randall Travel Marketing

- A growth in overall travel & tourism revenues, but new behavior patterns
- Sleep late, nap and go to the spa
- “Bargain-brained” consumers
- Continued last minute trip planning & purchase
- Cost-contained business travel (affects conventions too)
- Technology-dependent
- Safety, personal comfort and convenience are primary travel concerns
- Changing demographics
- Vacations either quick or short (4-5 days) or longer, “sabbatical” vacations
- The definition of “vacation” has changed

And also...

- A growth in off-season travel
- A growth in the RV (recreation vehicle) market
- Travelling with pets

Source: Randall Travel Marketing, 2005

### 2.4.3 The 2005 National Leisure Travel Monitor (USA)

The Yesawich, Pepperdine, Brown & Russell/Yankelovich Partners conduct a yearly barometer of the travel habits, preferences and intentions of Americans.

The 2005 National Leisure Travel Monitor indicates the highest percentage since 1999 of adult Americans that have taken at least one overnight trip of more than 75 miles (approx. 120 kilometers) from home. This result shows the same development as implied by Randall Travel Marketing, i.e. finally an increase in leisure travel after a few years marked by great challenges. Other similarities are the emphasis on shorter vacations, in this case particularly weekend getaways and the increased consumer utilization of the Internet for planning and booking travel services.

Although weekend vacations remain the most popular ones; there has still been an increase in the number of vacations lasting more than five nights. Western Europe remains the prime destination for foreign trips with Italy on the top of the list, followed by England, France, Australia, the Caribbean, Canada and Mexico in random order (The 2005 National Leisure Travel Monitor).



## Tourism of Tomorrow

The increase in international travel is, however, challenged by the weak currency making it more expensive. Finding the time to leave work is yet another challenge.

Trips with elements of nature have increased in popularity, with national parks topping the list of dream destinations in the U.S.

### The 2005 National Leisure Travel Monitor

- Weekend vacations (4 nights or less including a Saturday) reign as the most popular and now represent 56% of all vacations taken by Americans
- Trips that include a naturalistic element remain very popular, with the incidence of beach/lake vacations rising significantly over the previous year (cited by an estimated 27% of leisure travelers, up from 21% last year)
- National parks now top the list of specific destinations of interest to American leisure travelers (66%), followed by the Neighbor Islands of Hawaii (63%), Honolulu (59%), the Florida Keys (53%), the mountain resorts of Colorado (46%) and Lake Tahoe (46%).
- 46% of active leisure travelers are interested in taking a cruise, and 10% are interesting in purchasing a timeshare or owning vacation time.
- 20% of active travelers took an international trip during the previous 12 months, although 60% say they are less likely to take such a trip in the year ahead if the U.S. dollar continues to decline against other major world currencies
- 30% of adults are planning to take fewer vacations in the year ahead (roughly equivalent to the percentage observed last year), and "not able to get away from my job/work" is the most frequently-cited reason why
- The Internet is now used exclusively for vacation planning purposes by 56% of all leisure travelers who are active hotel and airline users, whereas 23% consult both travel agents and the Internet and 10% rely exclusively on travel agents

The table of actually taken leisure trips (shown on the following page) shows that a lot of people fulfill their dreams of taking a trip with a naturalistic character, whereas more people are interested in taking a cruise than the number who actually goes through with it, implying that the cruise market probably will be a growing one in the future.

## Tourism of Tomorrow

Types of Leisure Trips Taken		
	2003: %	2004: %
• Visiting friends & relatives	50	54
• Naturalistic	36	37
• City	21	28
• General Sightseeing	28	26
• Sporting Event	9	8
• Gambling	10	11
• Theme Park	10	10
• All-inclusive Resorts	6	9
• Cruise	5	6
• Golf	3	2

Source: The National Leisure Travel Monitor, 2004, <http://industry.discoverohio.com>

### ***2.4.4 Key Trends for 2005 by the European Travel Commission (Europe)***

The European Travel Commission (ETC) argues that the market will continue to change over the foreseeable future and stresses the importance of suppliers adapting their products and marketing to respond to these constant changes. They, moreover, state that: “While many of the changes in market demand seen over the past few years have been a direct response to 11 September 2001 and more recent events affecting tourism, these events have also acted as a catalyst, leading to a more fundamental shift in consumer and travel market behaviour” (ETC Research Group, 2005, p. 36).

Safety concerns are still a top priority, but appear to affect travel patterns less now than previously. After the Madrid bombing in 2004, tourism demand bounced back very quickly and the recovery in the main destinations affected by the Asian tsunami is expected to be reasonably rapid as well. Long-haul travel in general is also starting to increase, although ETC as most travel trend analysts verify a continuation of shorter and more frequent trips. This development can partly be explained by the growing emergence of low-cost carriers, offering the consumers a sense of value for money and increasing the demand for no-frills airlines. Consumers appear to be less and less loyal to suppliers and hence also more unpredictable in their behavior.

Travel behavior seems to be increasingly driven by a search for experiences rather than a specific choice of destination. The demand is in particular for authentic experiences or wellness and educational programs. On a general level, easy accessibility through direct bookings on websites and dynamic packaging are described as the key to future success.

## Tourism of Tomorrow

### ETC's Key Trends for 2005

- While there are continuing concerns over safety and security in some markets, it is clear that people are growing more accustomed to living in an unsafe world.
- People are continuing to take shorter & more frequent trips, but long-haul travel demand is on a growth path again
- The growth in demand for no-frills airlines has been unprecedented, and it is likely to continue unabated as new carriers emerge, driven by people's search for good value
- Tourist are increasingly looking for an experience for instance the opportunity to carry out a particular activity - rather than selecting a specific destination.
- Demand for authentic experiences, including local culture and closeness to nature, continues to increase. Also of growing importance are wellness and educational programs, allowing people to improve their knowledge while on holiday
- Consumers are less loyal to suppliers and increasingly unpredictable. They may combine five-star deluxe accommodation with a no-frills flight, or have fast-food snacks one day and a slap-up meal the next
- Although leading tourism groups believe the package tour is far from being obsolete & even if demand is increasingly for partly packaged, or customized, holidays at the expense of traditional all-inclusive tour packages - the winners of the future will be those destinations and suppliers that develop user-friendly websites allowing for direct bookings and dynamic packaging

Source: ETC, 2005

### *2.4.5 An Outlook by the World Tourism Organization*

The World Tourism Organization supports several of the already introduced market changes.

As most other forecasters they points out a growing demand as well as supply. They have taken notice of an increased segmentation of demand, partly explaining the diversification of destinations and products. This development may also be explained by a growing competition. As several others, WTO emphasizes the continued demand for shorter and more frequent holidays and a more extended late booking behavior. This is driven by price sensitive travelers and the rapid emergence of low-cost carriers. Consumers increasingly also put together their own holidays marked by a “do-it-yourself” attitude. This can be explained by the fact that travelers are more experienced, mature and better educated and a search

## Tourism of Tomorrow

for value for money. It increasingly appears to be the buyers market, making the customers less loyal to suppliers. The use of the Internet offers another powerful explanation to this new consumer behavior.

The consumers are also going through lifestyle changes as they for instance become older, move more freely across the globe and buy second homes in distant areas such as warmer climate zones. Global social networks with colleagues, friends and relatives all over the world have certainly contributed to changing travel patterns.

### Some Market Changes Suggested by WTO

- Continued growth of demand and supply
- Further diversification of destinations & products
- Segmentation of demand
- Growth of demand for last minute travel
- Shorter holidays and fragmentation
- Price sensitivity/ Rapid growth of budget airlines
- More senior and youth tourists
- More individual travel, independent travel & “do-it-yourself”
- Changes in consumer profile & behavior:
  - Mature consumers, experienced, well travelled, better educated
  - Search for value for money
  - More fickle and less loyal
  - Shift in power from producers to consumers - it's a buyers market
- Demographic changes:
  - Aging population
  - Change in composition of families
  - Immigration/ emigration (increased travel for visiting friends and relatives)
- New opportunities offered by:
  - Low-cost carriers (broadening of the market)
  - Internet (facilitating flexibility & transparency)
  - Increased competition
- Use of second homes

Source: WTO, 2005

As indicated in this chapter social factors have great implications on the future development of travel and tourism. Values of society, life-styles and demographics all provide important information on the behavior of those who travel and on the future supply and demand of products on the market.

### **3. Factors from the Other Fields & Wild Cards Events**

This report provides an in-depth analysis of some of the social factors likely to influence tourism and travel in the coming years. However, in order to get a more complete picture factors from the other four fields – technological, environmental, economic and political – need to be taken into account. In that respect, this report only provides a brief presentation of a few well-known examples that are likely to be factors of importance. The picture given in this chapter is far from complete and only serves as a starting point. At the end of the chapter the concept of wild cards will be introduced as well. Wild card events are important since they have the ability to challenge all the previous forecasts and planning.

#### **3.1 Technological Factors**

Technology has in the last decades fundamentally changed production, sales and consumption. It has shaped the “new” consumer. The great impact of the IT revolution is causing changes as significant as the ones brought on by the innovation of the steam engine and the car. The “IT age” can therefore be regarded as a new paradigm; a new wave passing through society and changing it dramatically.

Technological developments create opportunities as well as pose threats to the tourism and travel industry as well. Tourism is first of all highly dependent upon transport technology. Secondly, it is reliant on information technology and finally, it needs innovations and scientific discoveries to renew and develop its products and services. The fact that technological innovations have made us more or less reachable anywhere with cellular phone, Internet networks etc. has also caused a need for an escape opening up opportunities for travel organizers.

##### ***3.1.1 Transportation***

Focusing on transportation, faster and more comfortable transport is increasing the accessibility of destinations worldwide. Many previously exotic destinations such as Thailand, Australia, the Caribbean and Mexico have become part of the package holiday marketplace making them more affordable. In accordance, long haul travel has shown a significant growth over the last decade. It did, however, enter a stage of decline after the September 11<sup>th</sup> incidents, as trips to destinations further away from home are particularly sensible to political unrest and global events. Long-haul flights, in particular, have also been targeted by the media as a possible health hazard.

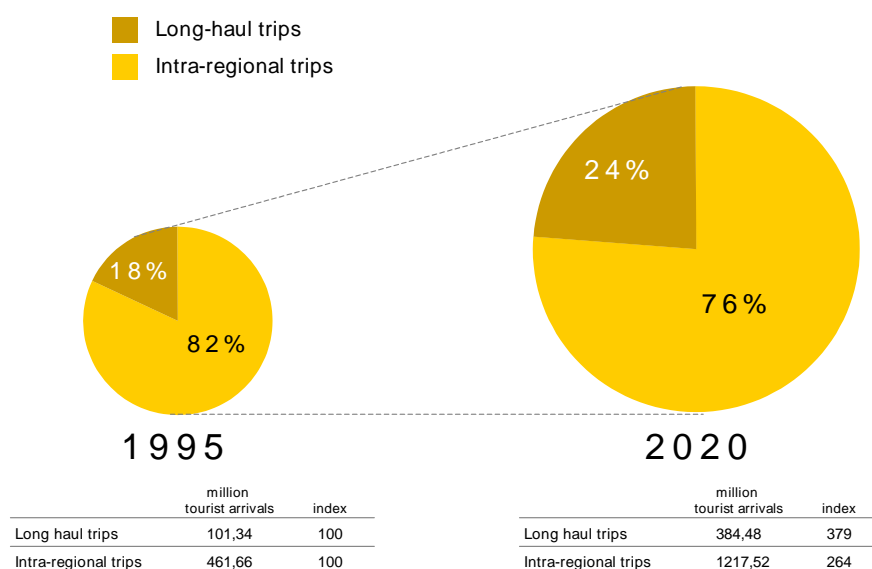
Data from 2004 indicate that the demand for long haul travel now is back on the track to growth (ETC Research Group, 2005). As the tour operators keep expanding the charter concept not only with new destinations further away from home, but also with combination trips, cruises, more independent excursions and a

## Tourism of Tomorrow

greater flexibility a lot points to the fact that the number of people visiting far off destinations will keep rising.

It is also important to acknowledge that the industrialized countries (constituting merely about 15 per cent of the world's population) account for 82 per cent of the global leisure-related transport. Hence, in the future air travel is likely to grow substantially; both as a result of the already mentioned changing leisure conceptions in the industrialized world, but also due to the increasing participation of people from developing countries in air travel (European Conference on Aviation, Atmosphere and Climate, 2003).

International Tourist Arrivals Worldwide:  
Long-haul vs. intra-regional trips 1995-2020 (million tourist arrivals)



Source: WTO, 1998.

Improvements in efficiency, safety and range of travel are important issues in developing the means of traveling in the future. However, if transportation fails to accommodate the increased levels of demand tourism may also be constrained. Larger aircraft for non-stop long flights will likely be increasingly needed for long haul travel as well as demanded by customers valuing comfort.

At the same time we see the parallel development of low-cost carriers, also increasing the interest in flying, but emphasizing price rather than comfort. The air transport liberalization has given way for this development, creating a greater competition between companies from different parts of the world. Low-cost

## Tourism of Tomorrow

carriers will increase the travel flows and destinations will continue to benefit from an easy access that is affordable, in particular for short breaks which are becoming more and more popular (IPK International, 2003). When direct links by train or plane are made available the demand for international short breaks in cities and city regions is expected to be stimulated (ETC, 2003).

### **The market share of low-cost carriers in Europe 1997-2003**

1997	2,4 %
1998	2,7 %
1999	3,4 %
2000	5,2 %
2001	7,5 %
2002	9,1 %
2003	13,2 %

Source: Luftfartsverket, 2003

### **Low-cost carriers in Europe**

<b>Connections</b>	<b>Departures per day</b>	<b>Airports with discount airlines</b>
Great Britain (312)	Great Britain (659)	France (27)
Germany (141)	Germany (314)	Italy (25)
Italy (115)	Italy (166)	Great Britain (24)
Spain (106)	France (152)	Germany ((21)
France (78)	Spain (138)	Spain (13)
Ireland (34)	Ireland (79)	Norway (13)
Belgium (30)	Belgium (64)	Sweden (7)
Sweden (26)	Norway (53)	Ireland (5)
Netherlands (24)	Netherlands (39)	Netherlands (5)
Norway (5)	Switzerland (38)	Austria (4)
	Sweden (33)	

Source: Based on Low-Cost Monitor 2003, in Luftfartsverket 2003.

Most tourism journeys are, however, made by car and the number of cars in the world will keep rising. In industrialized countries car travel now accounts for 70-75 per cent, air travel for 15-20 per cent and other means of transport for 5-10 per cent of the total distances traveled (European Conference on Aviation, Atmosphere and Climate, 2003). This means that further developments of the highway network, improved car technology to make driving environmentally acceptable and more comfortable as well as improved fuel efficiency will be necessary.

Traffic congestion is forecasted to have a negative impact on transport by car in many regions, in particular during the main season, which on the other hand may

## **Tourism of Tomorrow**

offer an advantage to less crowded areas (ETC, 2003). The increased car ownership has offered many benefits in terms of increased mobility, but it has also lead to a decline in the supply and use of public transport sometimes resulting in social exclusion (for those not owning a car) especially in more densely populated areas and in adverse effects on air quality, noise pollution and visual impact. Yet little indicates a decreasing use of personal vehicles as comfort generally appears to override environmentally friendly options unless they are just as convenient to use. Certain destinations have however, successfully implemented car-free zones.

With the environmental advantages and the developments of high-speed train networks it is also likely that travel by train will increase, which will raise a demand for improved rail services and rail-based tourism products. High-speed trains have started to increasingly replace the airline for shorter journeys. Flights between Brussels and Paris have for instance been replaced by the rail service. By 2020 almost every European capital will be part of a system of new or upgraded tracks three times larger than today. This high speed train development has so far been most common for connections between pairs of large nearby cities and in high density areas. The business travel market has been the main target up until this point, whereas a lot remains to be done for leisure travel (Newsweek, 2003).

Cruises are also expected to increase further in popularity appealing in particularly to those over 50 years of age. However, the shift noticed in the US already in the early 1990s that cruising no longer just is luxurious and grand, but also can be adventurous, healthful and theme-oriented has spread to Europe. Cruise lines have expanded and diversified their fleets and consciously attempted to appeal to a broader variety of customers (Torres, 1989). The company behind the low-cost carrier Easyjet is planning to launch the concept of Easycruise in the summer of 2005. They are targeting young, independent travelers who will be offered more flexibility at a lower cost. The cabins can be rented from night to night and the traveler can himself decide the length of the cruise and where to get onboard ([www.easycruise.com](http://www.easycruise.com)).

Technological advances in equipment and vehicles may create opportunities for participation in equipment-based adventure activities. Rapid developments in virtual reality may also open up new opportunities for travelers to experience an area without actually visiting it. However, the perhaps most exciting speculations about future travel involve the idea of space travel becoming commercially available to the public. Space travel is currently a luxury of the few elite, but reports indicate that setting up commercial space tourism services is a realistic target for business today. NASA has suggested that a space hotel might be completed in the next couple of decades, creating a new market of space tourism with such amenities as space restaurants (The Futurist, Sep. 2002).



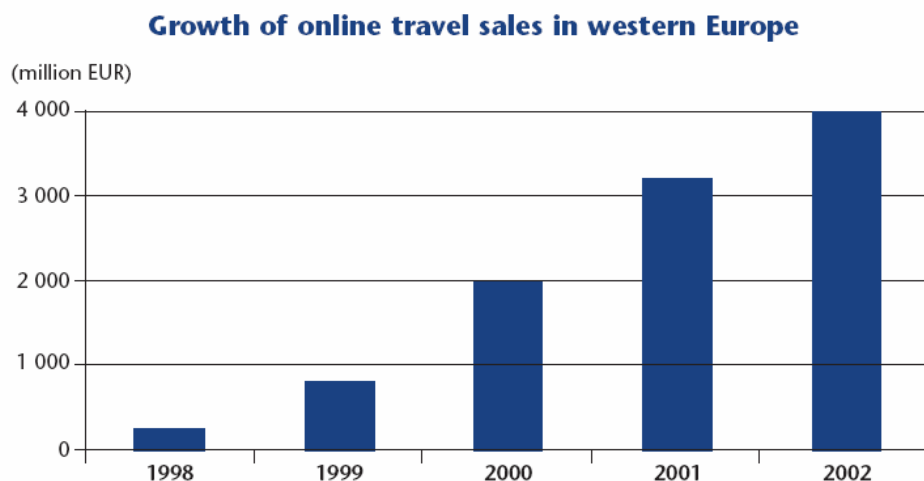
## Tourism of Tomorrow

Technological innovations and improvements is often a great instrument in transforming products originally only afforded by the more affluent travelers to more of a mainstream product as was the case with long haul travel and cruises and that possibly may happen with space tourism in the future.

### 3.1.2 Information Technology

New technology will continue to transform the way people live and work. The increased use of the Internet both by businesses and customers is having a huge effect on the marketing, production and distribution practices. Better software is allowing consumers to individualize their trips booked on the Internet. E-commerce, communication and marketing is also being further developed, at the same time as it reduces the costs and offers the customer improved access. However, the easy access also makes it easier for customers to compare prices and quality, even in an international context, which intensifies the competition worldwide. The Internet has sparked a fundamental change in how consumers plan their travel purchases.

The penetration of the Internet will continue to increase, in particular the use for information and purchasing of tourism products and services (ETC, 2003). This is a global phenomenon, making cultural, social and political isolation nearly impossible. The role of the Internet will continue to expand, offering customers visual presentations or even virtual reality trips. Clearly, innovations in information technology will grow in number and the products and services offered will continue to develop. The internet-based commerce is expected to grow rapidly in the future.



Source: Adapted from Marcussen , 2001 in European Commission, 2003.

## **Tourism of Tomorrow**

The traditional brochure used in marketing is no longer as effective and the use of modern mass media and promotion technologies such as CD-ROM, Cable TV etc. are starting to dominate more and more (Alejziak, 1999). In the future destinations that are not online may basically be regarded as not being on sale.

Using new technology may give a company an image of being an early adopter with innovative thinking, but it may also require more flexible workers with a higher level of training or education in order to use the new technology to its fullest potential.

The increasing use of technology and the increasing productivity and efficiency in work sometimes result in people working for shorter periods and thus having more leisure time. One apparent consequence of this is that people travel more and this is expected to continue to increase. The incorporation of new technologies appears to have changed the travel behavior for good.

### **3.2. Environmental factors**

Sustainable development has turned into a world movement and the environment will continue to be a top political concern as well as an increasingly sensitive issue to people around the world. Problems such as pollution and the quality of water appear to increase in importance to tourists selecting a destination to visit. It influences the need to feel safe and secure, but it is also a question of feeling good about your actions and behavior as the consequences of neglect, ignorance or indifference become more and more apparent.

#### ***3.2.1 Sustainable Tourism***

The negative effects of tourism have not until quite recently been measured against the economic gains. However, the environmental consciousness will continue to increase and the demand for sustainable tourism will keep on rising (Alejziak, 1999). The demand for eco-tourism and nature-based holidays is expected to double and even triple in the next 20 years ("Tourism", 2005).

There has been a gradual shift from short-term to longer-term thinking and planning in tourism as well as a greater ecological awareness in society on the whole. We have come to realize that the environmental resources are limited and needs to be used with care. Destination management policies thus need to be improved through a more coherent and consistent planning (ETC, 2003).

Ecological factors can certainly have economic, social and political consequences. Governments are likely to continue to impose new laws and restrictions to show their concern with the environment and since this is a global problem collaborate internationally in the field of natural and cultural environment protection. One result of the increased measures to protect the environment is the increased creation of protected areas such as national parks (Alejziak, 1999).

## Tourism of Tomorrow

It is very likely that there will be an even greater emphasis on minimization of waste and an associated concern with re-use, recycling and producer responsibility and as a consequence new regulations in the future. This is already affecting tourist resorts and may be particularly evident at hotels. In response to both economic and ecological factors as well as regulations alternative energy sources will become more significant as well, both for transportation and power generation. Destinations showing that they care about these issues and that they are innovative in this respect may have a lot to gain.

### 3.2.2 *Climate Change*<sup>12</sup>

Industrial pollution, greenhouse gases and global warming have long-going consequences as do the reduction of rainforests, the depletion of ocean fisheries and so on. Climatic change will evolve rather slowly, but is nevertheless expected to have some major impacts such as a rise in sea level as a result of the melting of polar ice caps and an increased flooding due to a combination of sea level rise, increased rainfall and increased thaw rates of mountain snow and ice. It will directly affect coastal areas and ski mountain resorts. However, the changes in temperature and wind speed may also indirectly affect wildlife and habitats on land. Species disappear each year and an increased species extinction and loss of biodiversity are expected. Many destinations are heavily dependent on their animal life and nature. One such popular attraction is coral reefs that at the present are dying rapidly around the world.

Climate change will have a significant effect on tourism in many ways. Many ecologists warn that global warming may cause more frequent crisis in the form of for instance droughts. Weather catastrophes like floods and hurricanes may wipe out destinations. A ski resort requires long winters and plentiful of snow in order to make good business. Ecological disasters may also threaten destinations, such as oil spill off the coasts or nuclear reactor meltdowns, such as the one in Chernobyl (not only affecting travel to that particular region but to a wide surrounding area).

The supply of water is yet another problem with the steadily increasing population pressure caused by rising levels of consumption and a bigger proportion of people living in areas of water stress and scarcity. The shortages of water will be a continuing problem. Pollution will further reduce the supply of safe swimming and drinking water. Moreover, the water quality is not only a problem in developing regions of the world, but also a growing one in the west. The continuing urbanization will aggravate these problems further. These are all areas over which the individual company or even an entire industry has little or no

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<sup>12</sup> This section is mainly based on "Climate Change and Tourism", Proceedings of the 1<sup>st</sup> International Conference on Climate Change and Tourism, Djerba, Tunisia, April 2003. Organized by the WTO and "WTO Background Paper on Climate Change and Tourism" by G. Todd, March 2003.

## Tourism of Tomorrow

control in the short term. However, there is increasing evidence that consumers are willing to pay more for products and services with environmental benefits. Hence the increased environmental consciousness will most likely result in a greater demand for sustainable destinations, where nature and population play a prominent role. The cost of not protecting the environment is too obvious to be ignored.

### 3.3. Economic Factors

#### 3.3.1 *Economic Recession*

The Iraq conflict and the unexpected outbreak of SARS made 2003 a difficult year for tourism. These events received a lot of attention in the media and hence affected tourism in a negative way. However, much research shows that it was not the Iraqi war or SARS, but the state of the economy that had the biggest impact on travel decisions. In 2003 international tourism suffered from a persistently weak economy and the long-awaited recovery was only starting to be visible in the forth quarter. The ailing economy was credited as the main reason for the continuing decline in business travel, affecting not only conventions and meetings markets but also transportation, foremost airlines (Randall Travel Marketing).

What made this economic downturn even worse is that North America, Europe and Japan were under-performing at the same time, whereas during previous economic downturns (for example during the early 1990s) the world did not suffer from a simultaneous recession. Japan and Germany remained strong as the US economy turned into recession and it revived as the other two economies began to weaken. This is a major concern since tourism to a large degree depends on the discretionary income of households and the economic situation worldwide. It has particularly affected business travel, which is now starting to recover.

A decline in traditional industries may, however, offer opportunities to the tourism industry, since there is a greater need to diversify the economy when suffering from an increasing unemployment. Furthermore, in times when large manufacturing industries move parts of their production or the entire one to other countries such as the Baltic where labor is cheaper and restrictions fewer, the tourism industry has little possibility of turning to that sort of behavior and will to a large degree continue to generate employment and money within the nation.

Even though there has been an economic slow-down in the last few years with stocks sliding, a slight increase in unemployment and a decrease in consumer confidence, nothing indicates anything else than that the economy of the developed world will continue to grow in the coming years with any possible interruptions being relatively short-lived.

## **Tourism of Tomorrow**

### **3.3.2 *The Global Economy***

Almost all major economies worldwide have been undergoing a profound shift, in particular since the 1950s and 60s. A sustained growth in consumer economies, despite occasional recessions, has led to a standard of living in which people can enjoy a number of services previously not available. The service sector has grown and flourished. Today services are the fastest-growing sector of the global economy. The sector employed 70 per cent of the U.S. workforce in 1990. The number is soon close to 90 per cent. Europe and Japan are not far behind. Services have now started to compete globally, as manufacturing industries have done over the last 20 years (The Futurist, March-April 2003).

The globalization of economic activities continues to increase with a strong growth in global trade and investments, due to increased freedom and reduced restrictions to move capital, labor, knowledge and resources around the world. Trade barriers are lower and international boundaries have been reduced. With the Internet, e-commerce and the general globalization it is easier to expose a nation's products and services to global markets. This results in easier access, which for the tourism industry may mean more foreign tourists as well as an increased global competition from international tourist destinations. However, the global structure also means that the actors no longer only need to pay attention to their closest environment. Nations as well as individual business leaders need to explore the linkage mechanisms that create cause-and-effect relationships between far-away events and their immediate business environment.

For tourism operators and travelers in Europe the economic unification within the European Union may offer positive effects. With the introduction of the Euro it is more likely that prices will remain stable. The monetary union and the removal of the need for currency exchange will reduce the cost of traveling within Europe and give way for a free flow of tourism in the continent. This will also increase the convenience factor. The development is positive since European holiday destinations have been losing market shares as new international destinations and competitors have emerged and it offers the opportunity of more tourists visiting European destinations. The relaxation of borders within the European Union and the liberalization of the airlines, constructions of new roads and the European integration have also lead to a new mobility of people. Cross border travel is easier than ever before (IPK International, 2004).

Traveling may also rise due an increased affluence with rising incomes allowing people to spend more money on leisure activities. However, the development seems to lean towards a bigger disproportion between rich and poor countries and consequently a growing disparity of wealth and an increasing polarization in the distribution of income. This means that we are likely to face a world where the rich become richer and the poor become poorer in the coming years.

## Tourism of Tomorrow

There are, on the other hand, a number of countries and geographic areas where the living conditions have improved in the last decades, for instance as a consequence of the emergence of market economies in Eastern Europe. Other areas are going through transitions as we are speaking, such as China and the former Soviet Union – countries with huge populations that will change the demand on tourism products tremendously once they start participating more fully in tourism activities. China, mentioned as an interesting country to follow earlier in the report, was admitted to the World Trade Organization in November 2001, forcing the nation to look over some of their previous restrictions in regard to foreign affairs. If their growth rates continue China will become the largest economy in the world in the next 10 to 20 years (ETC, 2005). Many of the nations of the former Soviet Union are also bringing order to their economies. In accordance, these are areas of great interest from a tourism point of view offering huge potential opportunities in the future.

Hence the economic unification will most likely boost the trade within Europe. However, in the long term recent capitalist regions such as the ones of the former Soviet Union will most likely be among the fastest growing new markets. India is also expected to expand fast.

### ***3.3.3 Macro-economic Variables***

Apart from economic happenings on the international scene, a number of variables measuring each nation's state of economy are helpful in understanding the impact of economic factors on tourism. Five macro-economic factors need to be considered in particular, since they can be described to mirror the overall economic strength of a nation's economy. The variables are the GDP (gross domestic product), the employment levels, the interest rates, the inflation and the currency exchange rates.

The **GDP** signals the general level of economic energy, buying power and typically consumer activity. It reflects the overall rate of growth. An increasing GDP tends to favor doing business with other firms in the same environment, starting a new business or growing an existing one, whereas a declining GDP tends to diminish the demand for most firms' offerings and lead to recession.

One worry for the future may be the growing concentration of wealth among the elderly who generally already are relatively well off. This requires a deprivation among the young and the poorer old, which could lead to a loss of purchasing power among a large group of the population, in its turn resulting in an offset of the forces promoting economic growth ("50 Trends Now Changing the World"). This indicates that the elderly most likely will be the travelers with the strongest buying power in the future.

When **employment** is very high and the economic growth continues to create more jobs, some companies experiences difficulties in filling their best positions.

## Tourism of Tomorrow

It may be hard to find the workers needed with the appropriate educations, skills and work attitudes. Conversely, when unemployment levels increase companies worry because it most likely means fewer customers for the goods and services that are being produced.

When studying employment it is noticeable that two-income couples are becoming the norm, at the same time though as the traditional household composition is changing and more people than ever before are living in one-person households. Nuclear families consisting of a married couple with their children are drastically declining. However, women whether living by themselves or as a couple are working a lot more than previous. Two-career couples appear to be able to afford to take frequent short vacations and eat out. They feel that they deserve the luxuries they can afford and are an interesting group of travelers usually lacking the time to take long vacations, but willing to spend money on shorter breaks with high quality. This development will most likely expand further, in particular among couples in cities.

High **interest rates** make it difficult for consumers to finance major purchases. It also makes it more costly for companies to find capital for investments or expansion. Conversely, lower interest rates free up capital for investment and growth.

**Inflation** means a generalized rise in prices throughout a country, since more money offered for the available goods and services causes prices to rise. Businesses that are not free to increase their prices and people whose compensation is not price-flexible are the ones who suffer.

Out of the mentioned factors the one most obviously affecting tourism worldwide may be the last one, the **currency exchange rates**. Tourism performance can be highly influenced by exchange rate fluctuations. Imbalances in trade amongst various countries contribute to variations in the exchange rates between their respective currencies. These variations may influence prices and the costs of doing business (IPK International, 2004).

Apart from these five major variables, there are of course many other economic parameters such as franchising costs, tax laws, costs of patent rights, regulatory costs and so on. These may or may not affect the tourism environment, but should be taken into consideration if necessary.

### ***3.3.4 The Experience Economy***

Much activity in postindustrial economies has shifted to recreation, leisure, tourism and hospitality sectors. Today we are even talking about the experience economy, mirroring this change in society. According to authors Pine and Gilmore we have entered a new era where experiences are the economic offerings that are in highest demand and generate the highest value returns (Pine and

## Tourism of Tomorrow

Gilmore, 1999). Tourism, as a major part of the experience economy, is as a whole predicted to grow substantially in the coming years with the annual world spend on all leisure and business travel expected to double to 3 trillion over the next 10 years ("Know your market"). In the experience economy businesses not only provide services but also stage memorable experiences for customers that are entertaining and/or educational in nature. The experience economy is generally based on customized holidays and personalized services allowing travelers to participate more actively in the experiences.

To sum up the economic forces of change, it is important to stress that few factors are solely economic and that more or less everything to some extent is interconnected. Many economic forces are for instance closely related to political occurrences.

### **3.4. Political factors**

Even if the state of the economy has been credited as the main factor behind the changing travel behavior today, there is no doubt that the terrorist attacks on September 11<sup>th</sup> 2001 have had a more dramatic impact than any other crisis in recent years. Unfortunately, both occurrences affected tourism and travel in a negative manner.

#### ***3.4.1 Political Occurrences on the International Scene***

There is generally an obvious correlation between happenings in the political world and economic transitions. Many political issues and trends thus spill over into other sectors. As mentioned before, the emergence of market economies in Eastern Europe starting in the late 1980s is a good example of an occurrence that has had a number of implications for tourism. The fall of the Berlin Wall as a symbol of the opening of borders previously more or less closed is yet another example affecting the travel behavior. With the single European market and the euro it is even more likely that former eastern Europeans will travel to western countries. The unification is furthermore expected to increase travel within Europe in general due to an increased convenience with the abolition of border controls, the deregulation of transport and the harmonization of taxes in the European Union.

Many of the political events related to the European Union are expected to increase tourism in Europe. However, not only Europe is striving to make it easier for foreigners to visit. Other countries further away are also trying to opening up their countries to increase the number of foreign tourists, such as South Africa - previously a less popular destination due to its apartheid regime. The spread of democracy and the liberalization of trade have paved way for new destinations. The liberalization of international migrations has led to a growing acceptance of cultural diversity and developed an interest for foreign countries and cultures. Countries that formerly were nearly impossible to visit have transformed into new popular destinations.



## **Tourism of Tomorrow**

However, destinations can also quickly lose in popularity due to political occurrences such as assassinations, terrorism, war or other violent incidents. The spread of democracy comes with a contradictory trend, namely an increased interest in regionalism and local identity, sometimes leading to major conflicts as was the case in former Yugoslavia. The unstable political situation in many regions around the world has a clear effect on the travel pattern, not least since September 11<sup>th</sup>, which caused a general increase in importance of safe travel. And even though nothing indicates a huge rise in international terrorism travelers are clearly more aware of the risks today, yet also more used to an uncertain world (ETC, 2005).

The “unsafe” world may on the other hand have positive effects on destinations that are perceived as safe and in particular on areas in the home region that can be reached by car, since it is evident that traveling within the own country is increasing in times of uncertainty and so is traveling by car as opposed to using public transportation, in particular airlines (Randall Travel Marketing, 2003).

It is, moreover, clear that the costs for guaranteeing safety and security will rise not only in already exposed regions, but worldwide. It is not likely that the concern with safety will diminish as long as bombings keep exploding in random destinations. Showing potential visitors that the destination is dealing with safety and security issues will be vital in developing tourism in the future.

### ***3.4.2 Tourism Policies***

An increasing number of countries are putting major emphasis on developing tourism as an important sector of their economies. This has for instance led to new policy guidelines, in particular in the fields of regulation and legislation, public-private sector partnerships, cluster strategies, sustainable development and human resource development.

Tourism policies not only on a global, but also on a national, regional or local level are of importance. It is vital to understand the intentions of those who can influence the rules of the game, whether they may open up opportunities or pose threats. National governments pass laws and create regulation bodies that set up rules for doing business. Legislative events such as working time directives, VAT harmonization measures, duty free legislation and so on may have a huge impact on the tourism industry, not all for the better. Understanding the formal structure of the key control systems dominating the opportunities of business is not enough, learning about the ideologies that animate them is just as important. When grasping that, it may be possible to guess what kind of changes that might come in the future affecting the business environment (Tucker, 1991).

It is important to detect critical social issues connected to the field of interest early on and understand how it reaches the attention of those in a position to influence

## Tourism of Tomorrow

the consequences. Knowing how to interpret and handle the media has become an indispensable leadership skill.

When operating in a global world, knowing the political framework and the legal constraints and processes of the own nation may not be enough. In legally immature societies actors of the tourist industry may need knowledge of corrupt government functionaries and unscrupulous competitors as well as how to deal with fraud and violation of contracts. Government officials may also have the power to impose punitive or expositive taxes, fees or fines on foreign businesses. Liabilities and lawsuits are yet another important aspect of the legal environment that may differ from country to country (ibid).

Hence occurrences on the international political scene such as world affairs and politics as well as tourism policies on a local, regional or national level in the form of laws and public policies may have great implications for tourism.

Once again, in many cases a single factor could be discussed in several different sectors. The categorization is only an attempt to sort out drivers behind global complexities. Naturally there are many factors working together that eventually change consumer behavior and preferences as well as market conditions.

### 3.5. Wild Cards

#### *3.5.1 Wild Cards as Triggers of Change*

In the last few years surprising incidents have struck the tourism industry with devastating consequences, at least in the short term. The Bali bombings, the SARS virus, September 11<sup>th</sup> followed by a number of other terror attacks and the recent tsunami in South East Asia constitute some of the events we remember. These happenings among other may make us question if there is any point in preparing for the future – if it is not just a waste of time and money since events of this kind in just a short moment seem to be able to put all plans out of order.

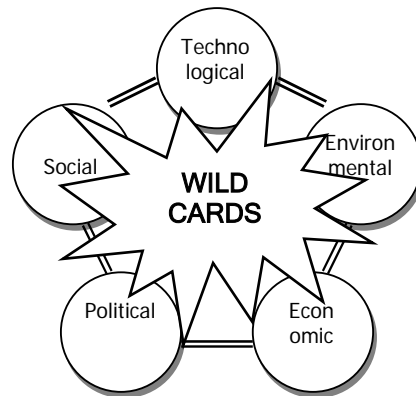
Most developments take place over time. They do not come as a surprise as they are preceded by clear signs of warning. There are, however, certain incidents that leave us little or no time for preparation. They simply occur out of the blue and they are nearly impossible to anticipate. These are called “wild cards”.

The main categories of factors that influence the future can be divided into three major groups; big driving forces or trends that already have been covered in this report, the interaction and cross-cuts of those and finally, wild cards.

The latter refer to incidents with a low probability of occurring but with a potentially very high impact if they do take place. They generally move rapidly, occur intrinsically beyond the control of any single institution, group or individual

## Tourism of Tomorrow

and thus are potentially disruptive. As such they can constitute turning points in the evolution of a certain trend or system (Petersen, 1999).



They are also the most unpredictable and potentially damaging triggers of change. September 11<sup>th</sup> is such a wild card, hurricanes and epidemics are other examples. The effect of a wild card is often vast since it tends to undermine our concept of the ordinary and normal and since it does not fit into our usual frame of reference.

Wild card events usually come as a surprise to everyone. They happen so quickly that the human system does not have the time to cope with the change and adjust with the consequence that the underlying social systems cannot respond effectively. It is therefore worth asking if there is any point in being concerned about wild cards.

There is a general assumption that there is nothing to do about these huge surprises. However, not all wild cards are unimaginable and by identifying wild card events that may possibly occur in the future in a proactive rather than reactive manner, these can sometimes be converted into anticipated, manageable events. The chance alone of averting a future catastrophe or at least preparing strategies to handle it may be reason enough to examine wild card possibilities. If not dealt with wild cards can trigger a chain of events much worse than the initial happening. A major natural disaster can for instance cause a global epidemic, which may lead to nations closing their borders, in turn leading to the collapse of the airline industry and so forth (Petersen, 1997).

The ability to deal with continuous but unpredictable change often requires flexibility among decision-makers, organizational improvisation, weak signal monitoring and the ability to undertake correct actions. Working with different scenarios may be of great value in this context. If individuals and companies, on the other hand, do not take the time to think about wild cards and consider how they may be anticipated they will most likely be entirely caught off guard.

## Tourism of Tomorrow

### 3.5.2 Identifying Wild Cards

According to Petersen wild cards have some common attributes worth paying attention to, since they may help us identify significant events:

- **Wild Cards are complicated.** They are part of complex systems of many interconnected nodes that behave in non-linear ways, which means that they do not exhibit a logical, predictable behavior.
- **Wild Cards are punctuations in the system.** They cause major, rapid change and disrupt the equilibrium so that it may collapse and take an entirely new shape.
- **Wild Cards can originate anywhere.** They can be acts of humans such as a nuclear war or the discovery of an asteroid on a collision path with Earth, beyond the control of human beings.
- **Wild Cards can be driven by perception.** The big surprise can be precipitated by how people perceive the problem and not by what actually comes from the problem (for instance the news of a rapidly spreading virus can have a more dramatic effect on people's perceptions than the actual threat of exposure).
- **Wild Cards can be both positive and negative.** Most focus appears to be on negative events, but some Wild Cards may pose positive effects, such as an energy revolution that produces non-polluting electricity.
- **One Wild Card can set off more Wild Cards.** One big event can spark a chain of events. Each one builds on the other creating unmanageable implications.
- **Unrelated Wild Cards can have synergistic effects.** If the underlying social system already has been upset by one prior big event, another one may have a larger than usual impact. A big earthquake in California followed closely by a terrorist attack in New York would for instance create a heightened sense of chaos.
- **We are inventing the possibility of new Wild Cards.** With the global information system that is being put in place the level of complexity and dependency is increasing causing the possibility of new surprises that previously did not exist, such as computer viruses attempting to destroy the system.
- **Some Wild Cards are "too big to let happen".** The growing scientific and economic development of the humans is producing wild cards that may threaten the very ability of the planet to support advanced life. These

## Tourism of Tomorrow

include the advent of nuclear weapons, global industrial development with increased environmental pollution or an unprecedented population explosion. (Ibid, p. 11ff).

In order for wild card events to be manageable it is important to narrow down the number to the ones that are of greatest importance to the organization in question. Mendonca et al. suggest that organizations or individuals use a weak signal methodology in order to take wild cards into account when scanning the environment (see for instance Igor Ansoff, 1982). Weak signals are seen as “information on potential change of a system to an unknown direction”. This is further supported by the crisis management literature underlining that a crisis sends off a repeated and persistent trail of early warning signals. These warnings are, however, often too incomplete to allow for an accurate estimation of their impact on the events and trends that can develop in their aftermath or be disrupted (Mendonca et al, 2004, p.9).

From a historic point of view a number of wild cards of the twentieth century have had a great impact on the development of travel and tourism, such as the development of the airplane, space travel, the fall of Communism as well as the invention and development of television and other information channels.

### ***3.5.3 The Case of September 11<sup>th</sup> & the Security Issue***

One of the more recent wild card events with great implications on travel and tourism is the September 11<sup>th</sup> incident. The big question in this respect is whether the attacks of September 11<sup>th</sup> 2001 could have been anticipated or if this kind of event truly is impossible to foresee? Some state that all the warning signs were there and if they had just been recognized and prepared for, the wild card event would have been less of an earth-shattering surprise.

With a retrospective, it is possible to identify conditions and developments that foreshadow this event as well as other wild card events. Futurists had come close to suggesting precisely what took place at the World Trade Center. The magazine *The Futurist* even published an article in 1994 by Marvin J. Cetron mentioning the possibility of a terror attack of the Twin Towers in New York prior to the actual incident, indicating that this was not as unimaginable as sometimes pictured (Cornish, 2003).

- ***Changed Attitudes and Preferences***

Wild Cards tend to have far-reaching effects, in more than the directly affected area. It is interesting to notice how such a wild card event such as September 11<sup>th</sup> abruptly changed certain attitudes, preferences and patterns of behavior in regard to travel. In the aftermath of September 11<sup>th</sup> security and risk issues had a significant effect on the travel behavior, in particular in the U.S., but also worldwide. The initial reaction was to return home as soon as possible. This was followed by a wave of travel cancellations – a phase that luckily passed quickly

## Tourism of Tomorrow

and at the end of October the industry faced gradual recovery again. Many travelers had, however, adopted a wait-and-see attitude, some late booking behavior or decided to travel to destinations closer to home or to the ones perceived as relatively safe (“The Effect of Previous World Events on Global Tourism”).

For a period there was an increase in travel by car, bus and train as opposed to plane due to an occasional fear of flying, not least in the U.S. This led to an increase of short trips to familiar places. People also expressed a wish to avoid going to bigger cities and to a larger degree preferred other accommodations than major hotels. The number of visits to family, friends and relatives did on the other hand increase, indicating that people to a larger degree prioritized spending time with loved ones. (see for instance TIA Marketing Outlook Forum and Randall Travel Marketing, 2002 and 2003)

- *Economic Consequences*

Not only social factors such as preferences and behavior were affected. There were also economic consequences. According to the World Tourism Organization the international tourism industry shrank almost three per cent in 2001 and industry revenue dropped from \$475 billion in 2000 to \$463 billion due to the September 11<sup>th</sup> attacks in America. For certain destinations and individual companies these changes had devastating effects. The U.S. suffered in particular with a 10.6 per cent drop in visitors (Downturn for Global Tourism, 2002). The World Travel and Tourism Council estimated that between September 11<sup>th</sup> 2001 and March 2002 over 10 million travel industry jobs were lost worldwide, more than 660 000 of them in the U.S. They also suggested that the impact of the attack led to an estimated loss of some \$600m in tourism revenue (Lennon and Sharland, 2003).

However, on the whole the tourism economy bounced back relatively soon. The biggest challenge was probably facing the airline industry that suffered greatly with some carriers going out of business and other facing major financial difficulties. We do need to remember though that while September 11<sup>th</sup> may have exacerbated the situation, this was not the only force contributing to the problems. The airline industry was already facing some difficulty due to for instance deregulation. Overall, September 11<sup>th</sup> happened at a time when the US economy was in recession and the Tech Bubble had burst, which to some extent would have affected the tourism industry with or without the attack. This indicates how hard it is to single out cause and effect. The reality tends to be more complex than the theoretical models used to describe it.

- *Lasting Effects*

An interesting question in this respect is whether events of this kind affect the general travel behavior more deeply or whether it is a temporary change. From a historic point of view, it is clear from the past that these changes in traveling

## Tourism of Tomorrow

patterns do not last, but tend to go back to “the ordinary” in time. An article in Psychological Science finds that people not directly affected by the September 11<sup>th</sup> tragedies more or less actively stopped thinking about the incident after 7-14 days (Cohn et al., 2004). In order for terror deeds to have a more permanent effect they probably need to occur on a more frequent basis and become more of a long-lasting trend.

IPK International states that we today can notice a continuing concern over safety and security issues, but that people at the same time are growing more accustomed to living in an unsafe world. This is illustrated by the fact that neither Egypt nor Indonesia suffered tremendously from the terror attacks in 2004 (IPK Int., 2004).

We have clearly not seen the last acts of terror directed towards tourists and travelers and these planned deeds often appear to have more far-reaching consequences than many other wild card events such as unplanned incidents (e.g. hurricanes or the tsunami in South East Asia). The September 11<sup>th</sup> incident has given way for the possibility of the most unimaginable wild card events in tourism and travel. Its consequences to some extent changed our concept of reality as well as affected numerous domains of change and trends. It should, however, also be noted that tourism demand is resilient to crises and it has a great capacity to overcome situations of financial or political instability as well as natural disasters (WTO, 2001).

### ***3.5.4 Future Wild Cards of Importance***

Some of the wild cards of the future that may play a significant role include the break-up of ice caps causing the rise of ocean levels, terrorist use of biological weapons, faster-than-light travel, international financial collapse, the AIDS virus mutating and becoming transmittable by air and so on.

The world today grows more uncertain, complex and interdependent. Old ideas, views and methods will be replaced by new ones. This will result in social, economic, scientific and environmental transformations. Petersen points out that in the next two decades almost every aspect of life will change – some very quickly. Some of these changes are likely to take the form of wild cards or be triggered by such events. Eliminating all surprises is impossible, but by starting to think about wild card events and what we can do about them if they do occur, we may at least reduce the number of major surprises and become more prepared (Petersen, 1999).

## **Tourism of Tomorrow**



### 4. Factors of Importance – The Experts' Point of View

Tracking and identifying innovations, trends and forces of change as well as trying to grasp the way they cross-fertilize with each other is a complex task. Hundreds of categories and sub-categories could be created, even if that sort of system would be difficult to handle. The analytical framework used in this report is therefore based on the broad categories part of the previously introduced STEEP model.

Covering all factors that may influence travel and tourism in the coming years is impossible. This report has focused on a few important ones in each of the mentioned domains of change – some social, technological, economic, ecological and political ones with the main emphasis on the first group.

In an attempt to give another perspective on factors of importance, a group of Swedish experts has been selected. They have been asked to single out the factors they believe most likely to influence tourism and travel in the coming years. The factors are presented in the model introduced in this section and may serve as a starting point and guidance for anyone wishing to start tracking some of the forces of change likely to shape the future developments of travel and tourism.

#### The Expert Group on Tourism

- Mr. Tommy Andersson, Doctor of Economics and Professor, School of Economics and Commercial Law, Göteborg University.
- Mr. Dennis Bederoff, Acting Managing Director and Research Manager, the Swedish Tourist Authority (Turistdelegationen).
- Mr. Göran Cars, Professor, The Royal Institute of Technology (KTH).
- Mr. Anders Ehrling, CEO, Scandinavian Airlines Sweden.
- Mr. Carl Fredriksson, Professor and Founder of Eurofutures.
- Mr. Thomas Fürth, Associate Professor and Research Manager, Kairos Future.
- Ms. Lisbeth Godin Jonasson, Area Manager, the Confederation of Swedish Enterprise (Svenskt Näringsliv).
- Mr. Stefan Gössling, University Lecturer, Lunds University.
- Mr. Bo Johansson, Director of Finance, the Swedish Travel & Tourism Council.
- Ms. Marie Johansson, Marketing Director, Ticket Travel Group AB.
- Mr. Jan Larsén, CEO, Strömma Turism & Sjöfart AB.
- Mr. Dieter K. Müller, Associate Professor, Umeå University.
- Ms. Elizabeth Nyström, Member of the Swedish Parliament, Chairwoman of the the Swedish Travel & Tourism Council.
- Mr. Bengt Sahlberg, Professor Emeritus in Tourism
- Mr. Lars Stenström, Ministry of Industry, Employment and Communications (Näringsdepartementet).
- Ms. Christina Wennmark, CEO, the Association of Swedish Travel Agents (Svenska Resebyråföreningen).
- Mr. Staffan Widlert, Director General, the National Public Transport Agency (Rikstrafiken).
- Mr. Staffan Widstrand, Member of the board of Ekoturismföreningen

## **Tourism of Tomorrow**

The participants in the expert group have been contacted either by phone or e-mail. Three persons – one from the industry, one from the public sector and one from the academia – with expertise in a specific segment of the model have been asked to select three factors within that particular field. In addition three persons have been asked to point out factors within all five domains of change. This means that 18 persons in total have been interviewed. The participants were at the end of the process also given the chance to comment on the model as a whole.

The technological factors show the highest level of agreement among the respondents. Most factors singled out by the group are also emphasized as important in the covered literature on the field. Several factors are closely connected to environmental issues, such as congestion, energy supply and alternative fuels. There is also a strong focus on transportation and modes of communication (planes, trains and fuels). The other big issue is the Internet. The one factor that is a bit different and not found in the literature scanning is the importance of combining authentic and virtual experiences.

When it comes to the environmental factors both issues with negative as well as positive consequences are put forward, even if the negative ones dominate. Increased customer awareness and more ecological products available on the market are among the positive factors. The negative ones are mainly about threats to the environment such as climate change, terrain driving, political decisions possibly leading to tourism exploitation and an increase in for instance storms and other nature catastrophes. Two factors are connected to the political sphere – political decisions and laws. The risk of more pandemics like SARS is also mentioned. It is also likely that a more environmentally friendly behavior is imposed on companies in the industry, in particular transportation companies by the demand of customers and regulations. One expected consequence of environmental issues is more expensive trips.

The economic factors emphasize two main issues - can we afford to travel and do we get value for money. Whether we can afford it or not has to do with exchange rates, economic prosperity, prices, taxes and the availability of inexpensive transportation. This is also connected to oil prices. The issue of value for money deals more with the question of if it is worth it, the supply of services and products available, prices in relation to income and so forth. The number of days off work is another important factor.

In regard to political factors, this is the field with the lowest level of agreement among the respondents. It is a very split picture. The factors mentioned are both of international and national character. On the international arena, issues concerning global terrorism, constitutions and regimes as well as the global democratization process are singled out. The national factors deal with strategies and resources available, a clear policy, bureaucracy and permits needed and taxation on for instance labor and companies. This field covers both security politics and

## **Tourism of Tomorrow**

environmental politics. Some more general political issues concerning increased equality, the movement of labor and regulations as well as demographic changes are also pointed out.

The description of the most important social factors is also split with a broad variation of issues. They can be divided into a number of subcategories, dealing with the individual, social groupings and external threats. The ones focusing on the individual emphasize values, self-fulfillment, needs, the economic situation and the fact that people are living longer. It also has to do with what kind of products and services individuals are searching for, such as the different and original, simplicity and accessibility. The matters focusing on social groupings deal with increased global networks, an increased need to belong to a group and new travel constellations. The external threats are about crimes and terrorism as well as epidemics. It is also likely that popular and trendy destination will become increasingly crowded in the future.

With only 18 participants in the expert group it is hard to notice any clear differences between the responses from the academic group, the industry representatives and the respondents from the public sector. The only conclusion that can be drawn in that respect is that the industry representatives have a slightly stronger focus on issues relating to more favorable conditions affecting industry competitiveness and growth.

The factors that stand out from rest from the point of view that more than one expert has selected them are among the social factors an increased global average life length/ an older population, different travel constellations (not only the nuclear family) as well as crimes and terrorism (social unrest). Among the technological factors low-price transportation, congestion in general and capacity limitations in the air more specifically, energy supply, alternative fuels, more effective airplanes/ better performance, Internet (accessibility & transparency) as well as the IT development and usability. The environmental factors concern climate change/ global environmental changes and environmental and nature catastrophes, the economic factors exchange rates, economic prosperity in the home country/economic situation, increased global prosperity as well as inexpensive and effective transportation such as low-cost airlines and finally, the political factor that stand out is global terrorism/ threats.

## The STEEP model created by the Tourism Expert Group

### SOCIAL:

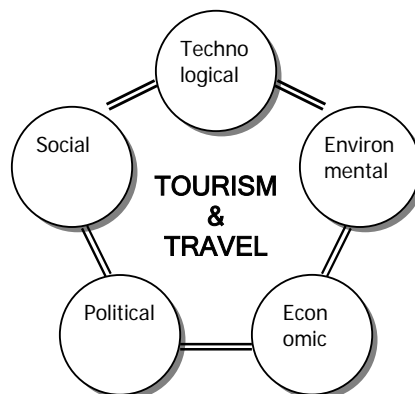
- Increased global average life length/ an older population
- Different travel constellations (not only the nuclear family)
- Crimes and terrorism (social unrest)
- Global social networks
- Traveling as self-fulfillment
- Increased need to belong to a group (may affect choice of destination and travel constellation)
- The economic situation, that is the amount of money available that allows us to prioritize traveling (depending for instance on the tax system)
- Simplicity & accessibility
- Epidemics
- Relaxation, peace and quiet
- Values and desires
- Presence in the virtual world, the importance of story-building
- The different & original
- Trendy and popular destinations will be increasingly crowded

### TECHNOLOGICAL:

- Low-price transportation
- Congestion in general & capacity limitations in the air
- Energy supply/ access to oil & gasoline
- Alternative fuels/ means of transportation managing the pollution levels of the future
- More effective airplanes/ better performance
- Internet (accessibility & transparency)
- IT development & usability
- Fuel consumption
- Lower maintenance costs
- High-speed trains
- The combination of authentic & virtual experiences
- Sun-driven vehicles

### ENVIRONMENTAL:

- Climate change/ global environmental changes
- Environmental and nature catastrophes
- Global warming and the decreasing ozone (affecting skin cancer and people's willingness to be in the sun, in the long term affecting choice of destination & activities undertaken)
- Political decisions "supporting" tourism exploitation
- An increasing customer awareness/ the importance of ecological consideration
- Terrain driving (and with what kind of vehicles)
- Increased environmental adaptation imposed on tourist enterprises
- Increased environmental demands on the airlines
- Quality-marked products
- Transports are affected by the Kyoto agreement & rising oil prices resulting in more expensive trips
- Weather extreme may increase (for instance storms and heat-waves)
- Transport discharges
- New laws caused by the global housewarming effect
- The risk of pandemics like SARS



### POLITICAL:

- Global terrorism/ threats
- Security politics
- Environmental politics (the Kyoto agreement, tax on air fuel)
- Demographic changes related to economic possibilities affected by for instance the retirement system (can we afford to travel)
- Taxation on labor
- Bureaucracy in regard to permits for buildings and investments
- The movement of labor and regulations
- Constitutions/ regimes
- Global democratization
- Increased equality
- A clear policy for the development of the tourism industry
- Taxation on companies and levels of value-added tax
- A focus on prioritized areas of development through strategies & available resources
- The increasing liberalization in many countries affecting in- and outbound travel flows
- A recognition by political actors of the tourism industry as an important economic driver in regions and destinations.
- A (hopefully) changed taxation on service production

### ECONOMIC:

- Exchange rates and their effects
- Value for money
- Economic prosperity in the home country/ economic situation
- Increased global prosperity
- Inexpensive and effective infrastructure such as low-cost carriers
- Number of days off
- Favorable prices in relation to income
- Oil prices
- Economic reforms such as taxes and subsidies
- An attractive supply
- Comfort factors such as reception, service, silence, darkness and cold climate etc.
- Accessibility to capital for tourism enterprises (loan and risk capital as well as how much of the earned money the entrepreneur gets to keep regulated by for instance tax systems)
- Available resources for marketing & exposure affecting the image of a destination
- Prices in general
- Increased knowledge about the economic situation in the industry

## **Tourism of Tomorrow**

### **Post Script**

In an increasingly turbulent and rapidly changing world, certain things still seem to remain a fact – innovation and development driven by both internal and external circumstances will continue to take place, external events of various character over which we can exercise little control will arise and may change the rules of the game entirely and finally, destinations and firms not adjusting their strategies as their environments change will have a hard time to remain competitive and successful.

More demanding and experienced customers, the globalization and emergence of new tourist destinations worldwide as well as new innovations and technological breakthroughs etc. have created a more competitive environment. The world has also in a sense become smaller, indicating that incidents and happenings occurring far away may have global reach and effects. We have simply come to realize that the tourism system is an open one subject to influences arising outside the system itself, which means that organizations need to adapt to the changing reality of the external world.

Capturing early signals of change and learning about emerging events early enough to gain advantage from them is essential. It helps us gain an understanding of the forces of change shaping tomorrow's tourism and travel. We cannot predict what the future holds, but we can enhance what the environment is and might become.

## **Tourism of Tomorrow**

## Appendix 1: Theoretical Overview

Predicting the future is not possible. However, in a world that is changing less predictably and more rapidly than at any time since the Industrial Revolution began, capturing early warning signals of change is perhaps more important than ever before. In this sense, studies of the futures have two main purposes – to understand change and to try to influence it, or at least take advantage of it. It is about detecting signals of transformations that may be strategically valuable and adjust the strategy of a firm or destination to meet new external circumstances.

Knowledge and information are powerful and vital factors in forecasting the possible futures to come. They increase our chance to take advantage of forthcoming opportunities and cope with the threats in time. It is basically about learning to spot emerging issues early enough to gain advantage from them and about preparing for uncertainties to create lead time, which may generate competitive advantages and ultimately be the difference between business success and failure.

### 1.1 Competitiveness

Competitive advantage is now accepted as one of the main factors behind business and industry success. Destinations like economies on a more general level often move in cycles (see for instance Butler, 1980). Innovation and development as well as the ability to respond to change may play a critical role in explaining how both the tourism industry and individual destinations and firms turn decline into growth. Haywood states that: “Along with the inevitable short swings associated with business cycles, there are swings within tourism, as in many industries, that economists such as Kondratieff (1922) have associated with long waves of economic development” (Haywood, 1998, p. 282). Kondratieff’s main observation was that the number of important discoveries and inventions increased during recessions. This is further supported by Schumpeter’s view of competition as “creative destruction” (1942), emphasizing that competitive advantage grows out of innovation, change and improvement.

Kondratieff’s waves relate to basic innovations leading to major changes. They determine both the direction and the momentum of change. Basic transport innovations, for instance, opened up entirely new possibilities for tourism as did new information technology.

It has been argued that today’s long waves of economic expansion and entrepreneurial discovery have been compressed, due to for instance a greater economic freedom and less restrictions. The tourism industry nowadays is marked by a greater diversity, numerous choices for the more demanding tourists and a global competition sparked by a world trade growth that has nearly doubled that of the prior two decades in the past few years. Service and product developments

## Tourism of Tomorrow

are continuously being launched along with technology breakthroughs and other significant changes posing new opportunities and threats (Haywood, 1998).

This means that the lead time to respond to change is decreasing and that decision makers have a greater need to understand the environment in which the firm or destination is operating and to translate this understanding into planning and decision making processes. Even if the idea of destinations passing through stages of discovery, growth and decline expressed by Butler may be helpful on a general level, the life-cycle model has been criticized for its limited usefulness due to the fact that it is ignoring the external operating environment and its effect on the tourism industry. Agarwal underlines this by stating that resort decline may be “best conceptualized as the complex interaction of internal-external forces, which underpin development irrespective of lifecycle course...” (Agarwal, 2002, p. 40).

The role of the external environment should therefore not be underestimated and knowledge of change taking place in it is necessary irregardless of what phase of the lifecycle the destination is facing. It could even be argued that knowledge about forces of change and trends ahead of time is what makes a firm or destination a leading, successful unit.

Competitiveness plays no less significant role in tourism than in any other industry. Based on definitions found in recent research, Hudson et al have identified some of the most vital features describing destination competitiveness (Hudson et al., 2004):

*Destination competitiveness has been defined as the ability of a destination ‘to maintain its market position and share and/or improve upon them through time’ (d’Hauteserre, 2000, p. 23); ‘to compete effectively and profitably in the marketplace’ (Goeldner and Ritchie, 2003, p.417); ‘to create and integrate value-added products that sustain its resources while maintaining market position relative to competitors’ (Hassan, 2000, p. 240); and ‘to provide a high standard of living – which is determined by the economic, social and environmental conditions – for residents of the destination’ (Crouch and Ritchie, 1999, p. 140).*

Models explaining the factors behind competitiveness have been developed. One of the more recognized contemporary theorists in this field is Porter who presents a model of industrialized competitiveness based on five basic forces – the threat of new entrants to the market, the threat of substitute products or services, the bargaining power of buyers, the bargaining power of suppliers and the nature of rivalry among existing firms (Porter, 1980).

Porter focuses primarily on the competitive environment external to the firm, basically leaving out the internal organization and factors in the macro

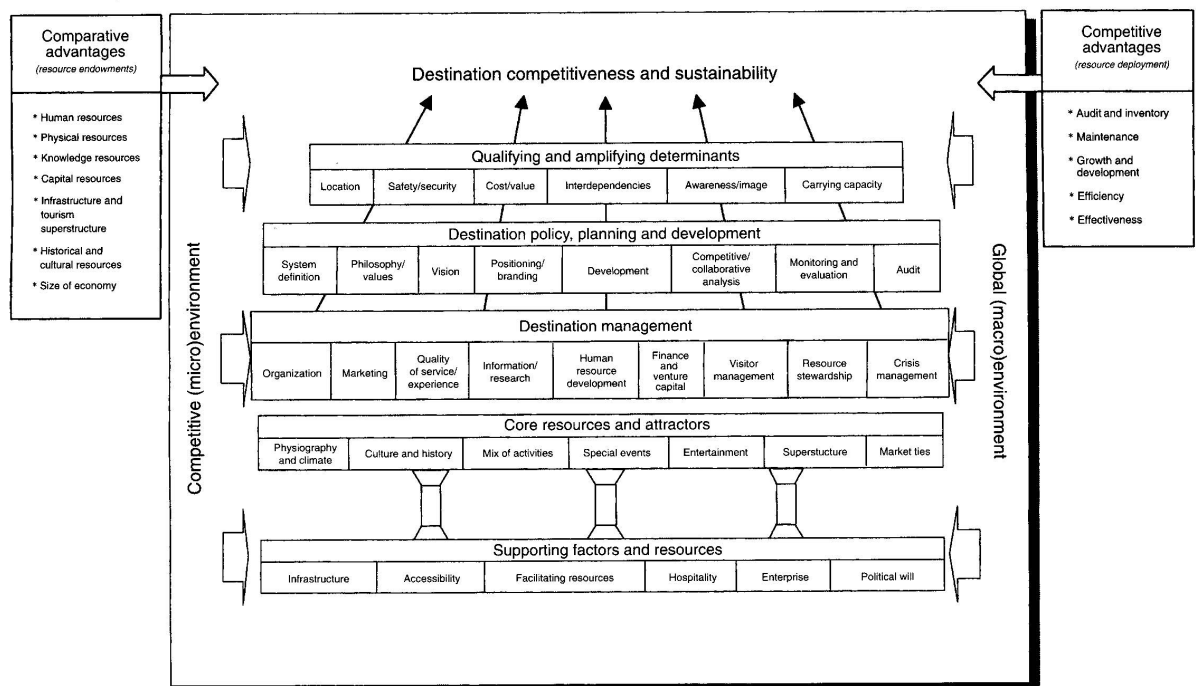


# Tourism of Tomorrow

environment. His model has been applied to the tourism industry, but attempts have also been made to develop models with the specific focus of tourism and travel.

## 1.1.1 A Conceptual Model of Destination Competitiveness

Ritchie and Crouch have developed a model of destination competitiveness in an effort to explain the main components affecting the level of competitiveness. The model gives a broader picture than Porter's depiction and it is helpful in providing a context in which the focal point of this report – the external macro environment – is one of many elements.



Source: Ritchie and Crouch, 2003

The model has five major dimensions – qualifying and amplifying determinants, destination policy, planning and development, destination management, core resources and attractors and supporting factors and resources.

It also points out the importance of the environment surrounding the destination that influences the competitiveness – the global macro environment and the competitive micro environment. The latter consists of organizations, influences and forces found within the destination's immediate arena of tourism activities and competition. These elements tend to affect the destination more directly and usually have an immediate impact on the destination in question. The factors are often individual and tend to vary from case to case.

## Tourism of Tomorrow

The macro environment, on the other hand, is often global and tends to have a wider impact. The effects of these elements are usually not limited to travel and tourism, but it is nevertheless interesting to focus specifically on the implications they may have on this field. Since the tourism system is an open system it is subject to many pressures and influences arising outside the system itself. The forces in the macro environment cause issues, problems or concerns that the destination in question either must adapt to or overcome if it wishes to remain competitive, but they may also present new opportunities for innovation and market exploitation (Ritchie and Crouch, 2003).

### 1.2. The External Environment<sup>13</sup>

From once having been the primary focus, the organization more or less lost its central position in strategic management to the surrounding environment during the 70s and 80s. Increasingly, organizations are being viewed as open systems rather than closed ones and there is a growing awareness of the consequences incidents and happenings in the external world may have on organizations. In accordance, there has been a growing recognition of the need to understand environments of firms or organizations in order to develop successful strategies and remain competitive.

Attempts have also been made to understand environments in their own right. The school of future studies<sup>14</sup> is focusing on the future evolution of environments from various perspectives. They generally focus on the macro environment by identifying emerging issues of change and monitoring their escalation or subsidence as well as by following the growth of established trends of change (Schultz, 2002).

Futures studies are often based on five stages as described in the model on the next page. The methods and concepts are widely used in various other research fields and in the strategic planning of organizations (for more information on methods, see for instance Glenn, 1994).

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<sup>13</sup> This section is to a large extent based on Fahey and Narayanan, 1986, unless other references are given.

<sup>14</sup> The school of futures studies is focusing on the search for interacting dynamics creating tomorrow's world. It is generally based on information from all sciences, even though it has been questioned whether futures research is a science by itself. The methods and concepts of futures studies are however widely used in various research fields. The infrastructure for the discipline was laid in the 1960s. Jim Dator, Professor of Political Science, taught the first course on the future in 1963 and Wendell Bell, Professor Emeritus of Sociology, began his courses at Yale shortly after.

# Tourism of Tomorrow

## Five Key Components of Applied Futures Research

ID & monitor change	Critique implications	Imagine differences	Envision the preferred	Plan and implement
Identify patterns of change: Trends in chosen variables, changes in cycles, and emerging issues of change	Examine primary, secondary, tertiary impacts; inequities in impacts; differential access, etc.	Identify, analyze, and build alternative images of the future or scenarios	Identify, analyze and articulate images of preferred futures or visions	Identify stakeholders, resources; clarify goals, design strategies; organize action; create change

Source: Schultz, 2002

Applied futures research is hence both about analyzing where a current trend may take us or what could cause the trend to change and also about visioning and brainstorming alternatives, some being more preferable than others. Moreover, futurists such as Toffler (1980) have addressed the issue of possible scenarios of the evolution of postindustrial societies, social observers such as Naisbitt (1982) have tried to picture the current trends in society as well as the implications they may have and others such as Kahn (The Coming Boom) and Drucker (The Age of Discontinuity) have argued that a new world order is emerging.

The organization-environment interface has consequently concerned a number of theorists and researchers in the last decades. Fahey and Narayanan categorize them into three broad theoretical streams according to their primary focus:

- Those attempting to conceptualize environments and how these change (e.g. Emery and Trist, 1965 and Ansoff, 1985)
- Those dealing with how environments affect organizations, such as *natural selection models* explaining organizational change by examining the nature and distribution of resources in the environment (see for instance Hannan and Freeman, 1977 and Aldrich, 1979), *resource dependence models* viewing the organization as dependent on the environment for resources and focusing on an organization's ability to acquire and maintain resources (e.g. Frooman, 1999; Mitchell, Agle, & Wood, 1997; Rowley, 1997), *industrial organization models* with Porter's competitive strategy model (see ...) being one of the most recognized ones, and finally *readaptation models* focusing primarily on the level of organization-set and addressing both uncertainty and dependence dimensions of the environment (e.g. Lawrence and Dyer, 1983).

## Tourism of Tomorrow

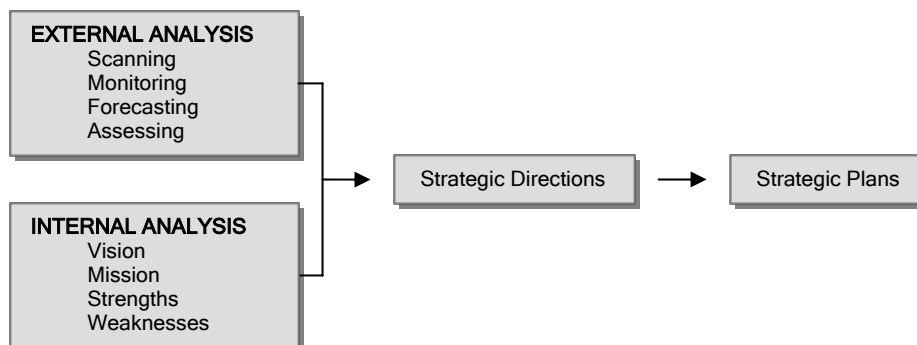
- Those dealing with how organizations go about understanding or analyzing environments. (Fahey and Narayanan, 1986, p.10ff).

The last category may be the most interesting one from this report's point of view, addressing the key analytical and managerial tasks of environmental analysis.

### ***1.2.1 Environmental Analysis***

Fahey and Narayanan state that environmental analysis has three basic goals - to provide an understanding of how current and potential changes may offer clues about the future to come, to provide vital information and intelligence for strategic decision makers and finally, to foster and facilitate strategic thinking in organizations. External analysis is hence closely connected to internal analysis, together forming the basis for strategic planning. With the acquired information descriptions of alternative futures can be prepared, providing organizations lead time to notice, understand and adapt to external issues, to anticipate the consequences and to develop policies. This may enable organizations to convert emerging issues from threats into opportunities.

#### **The Role of External Analysis in Strategic Planning**



Source: Fahey and Narayanan, 1986

Environmental scanning – the main methodology of this report - is often the first step of a strategic planning process. It is a method enabling decision makers to understand the external environment as well as the interconnections of its different sectors and finally to transfer this knowledge into planning and decision making processes.

Coates (1985) identified some key objectives with an environmental scanning system, namely:

- Detecting scientific, technical, economic, social and political trends and events important to the firm or organization in question.

## Tourism of Tomorrow

- Defining the potential threats, opportunities, or changes implied by those trends and events.
- Promoting a future orientation in the thinking of management and staff.
- Alerting management and staff to trends that are converting, diverging, speeding up, slowing down or interacting.

### 1.2.2 Levels of Environment

The level of analysis can vary depending on the chosen focus. Fahey and Narayan identify three levels of environment for scanning. The first one is the *task environment* which refers to the suppliers, customers, competitors and other agencies directly related to the firm. This environment is usually to a high degree specific to the firm in question and not shared by its competitors. The second level involves the *competitive or industry environment*, which focuses on a firm or business unit and its competitors operating in the same industry (see for instance Porter's model). The environmental factors at this level tend to affect all competitors in the same industry directly. And finally, at the broadest level, is the macro environment with factors generally influencing all the industries operating within it. At all three levels forces of change are shaped and discovered.

### 1.3. Drivers of Change<sup>15</sup>

Most aspects of the world and of our human systems are influenced by a symphony of underlying shifts and turns. Very little remain constant and unchanged. According to Dator the future may be regarded as emerging from the interaction of four different components, of four fundamental forces that drive change - events, trends, images and actions. This kind of categorization may also be helpful when trying to identify changes in the system.

**Events** cover things that just seem to happen, such as an assassination, an earthquake or a war. They sometimes make people doubt the efficiency of thinking ahead, since it seems so hard to imagine what possibly may happen. An event is a sudden change in some condition, often closing one era and opening a new one. The collapse of the Soviet Union and the creation of the World Wide Web are good examples of events that have had a significant impact.

A **trend** involves a continuous change over time. It is a time sequence of related events which indicate a general development or change in the way people are behaving or in a situation, such as the aging of society, economic growth and climate change. In anticipating and preparing for the future trends are vital factors. They can be used to generate forecasts. This is often done by extrapolating the trend into the future and thus assuming that the trend will continue unabated. However, trends can also create counter-movements. Forecasts can therefore also

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<sup>15</sup> This section is to a large extent based on Dator, J. "Futures Studies and Sustainable Community Development".

## Tourism of Tomorrow

be generated by entertaining the reverse assumption and identifying conflicting trends and possible surprises (wild cards) that can affect the progress.

Trends can be categorized into at least three types. The first group involves trends which are *a continuation of the present and the past*, requiring an understanding of what is happening now and what has happened before.

The second types are more or less *cyclical* and as such they may have been part of some aspect of a more distant past, as opposed to our own personal experience. When dealing with the future it is interesting to focus on finding out if there are cycles which govern the rise and fall of civilizations, cultures and communities and if so, if they can be forecasted. Kondratieff's theory of social change based on cycles is one of the most recognized examples.

The third and last types of trends are called "*emerging issues*". They involve things never experienced before, that is, completely new things. As such they are barely visible in the present and non-existent in the past, but may be the most important trends of the future. Environmentalism in the 1960s, personal computers in the 70s and virtual reality in the 80s may serve as examples.

The last two drivers shaping the future are the **images** of the future that people hold as well as the **actions** taken on the basis of those images. Better images of the future in regard to fears, hopes, beliefs and concerns about what may happen can improve the decisions made on the assumptions. It is therefore important that individuals and organizations examine and clarify their images of the future.

Bishop has replaced images and actions with what he calls **choice**, underlining the importance of the decisions made by ourselves and others and the actions we take based on those decisions. He points out that the three drivers – trends, events and choice - create three different kinds of futures. Trends lead to the probable and most likely future to come. It is relatively predictable if nothing unexpected happens. Events lead to plausible futures. It is an alternative future that may occur instead of the predicted one. And finally choice takes us to the preferred future by visioning and planning.

### ***1.3.1 Trends of Long-term Implication and Temporary Influence***

Even though the forces of change consist of a wide variety of different drivers, outside academic research and more formal studies of the futures the focus on trends is dominating the scene. We read about the latest trends in basically every magazine and newspaper. The term is very common and frequently used in just about any context, covering everything from the latest fashion to long-term changes, which may cause confusion as to what is really meant by the concept. As stated before a trend is in general a pattern of change over time in some variable of interest. Trends are about changes in the way we think, act and live.

## Tourism of Tomorrow

Sometimes more wide-spread, large-scale trends that have a major impact are distinguished from the more general ones and referred to as **megatrends** – a notion once coined by John Naisbitt in his book with the same name. Some analysts use this distinction as they feel that there truly is a good reason for separating big, long-term trends affecting all aspects of our society from others with a more temporary influence. Globalization, the aging population, emancipation and individualism can be categorized as examples of such “megatrends”. We know that they will have long-term implications and not disappear. What remains to be seen is how they will affect various areas of society.

However, Foresight International points out that the notion of “megatrends” is rather imprecise and controversial. They state that most of the changes Naisbitt identified were neither global nor “mega” trends. They also point out that the term becomes even more problematic when it becomes evident that there is no single over-arching framework of explanation in the world and there can therefore strictly be no “mega” trends. According to their opinion the term has become popular, but has little or no analytic value (Foresight International, 2004). It is commonly used though and it helps to be aware of the meaning of the concept.

Generally a distinction is also made between trends and **fads**, which are unpredictable, short-lived and without political, social and economic significance. They do not survive because they are not rooted in anything with foundations, whereas trends are rooted in something that has deeper values and that resonates at a deeper level in more than one area. Jennifer Aniston’s haircut, piercing, bell bottoms and Cabbage Patch dolls are fads that came and went quickly.

Detecting fads can be profitable for a company. However, getting in front of it at the right time to ride its crest and even more importantly, to get out before it is too late is vital in order to make money on a fad, since they do not have the staying power and influence of trends (Celente1991). Neither is the phenomenon of more or less everyone wearing purple one fall regarded as a trend, it is simply **fashion** that quickly changes.

Trends usually require a lot more than an understanding of the latest fashion or hair-cuts. Trends are about underlying shifts and fundamental forces that drive change. It requires an understanding of how the trend might collide or complement with world economics, government infrastructure, domestic and foreign policy and so on. Various aspects need to be dealt with in order to get the most complete picture possible, such as:

- **Reach** - how wide-spread the impact of the trend will be for either your personal or organizational current situation and future. It could be local, sub-national, national, regional or global.
- **Urgency** – how important it is that people become aware of the trend.

## Tourism of Tomorrow

- **Rate of Change** – how fast change related to the occurring trend is. Although slow-moving trends can have a significant impact, fast-moving ones are more critical. They may not allow social systems much time to prepare for or react to change.
- **Depth** – to what degree the trend affect humanity's core values. Trends that influence people's fundamental beliefs about how life works tend to be particularly powerful.
- **Population** – how many people the trend will affect directly. Trends involving more people are generally more critical than the ones involving or affecting a small population.
- **Emotional Charge** – how intense people's feelings are about the trend. A measure that can move with extreme volatility and speed and can take the form of protests, social disruption and rallies.
- **Political Will/ Public Policy** – how invested the leadership is and if written laws or rules increase the impact of the trend. Trends that have the support of the political systems they operate within will be stronger than the trends that run counter to the general political will ([www.arlingtoninstitute.org](http://www.arlingtoninstitute.org))

Hence collecting data for a certain variable is often far from enough. All these aspects are important in understanding the complex system of change and the progress of trends.

### 1.4. Domains of Change at the Macro Environment

In order to categorize the different forces of change and trends a conceptual framework was developed by Fahey and Narayan, decomposing the macro environment into four segments – a social (demographics, life-styles and social values of society), economic, political (political processes occurring in society and regulatory institutions that shape the codes of conduct) and a technological one. This can be regarded as the birth of the STEEP model, later completed with an environmental segment.

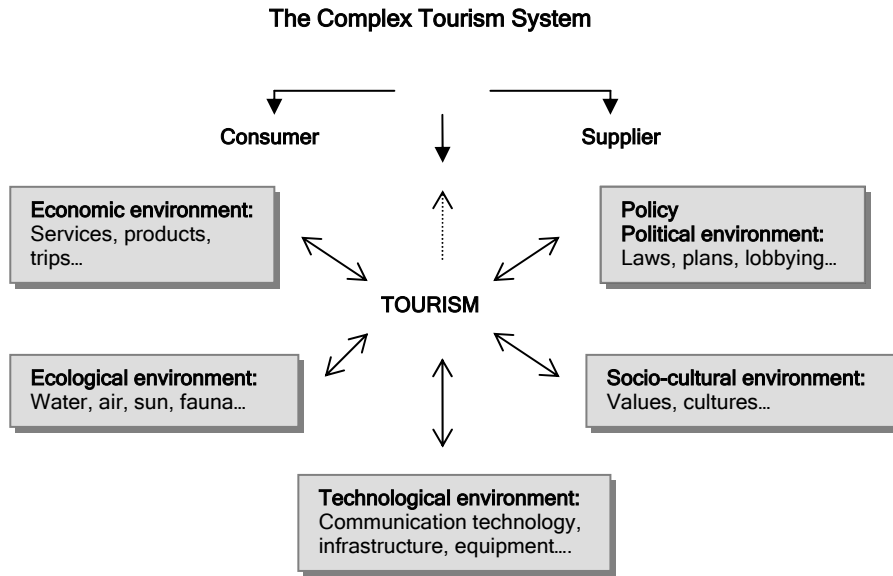
The various segments are linked together to underline the importance of viewing the macro environment as a system of interrelated parts. All segments are related to one another and affect each other. The conceptual framework provide three ways of describing changes occurring in the segments – first, the type of change taking place, second, the forces driving the change and last, the type of future evolution.

#### 1.4.1 *Applied to tourism*

Freyer (1995) later applied the model with the five STEEP factors to tourism as he made it part of a model describing the complex tourism system and what it influences as well as is influenced by.



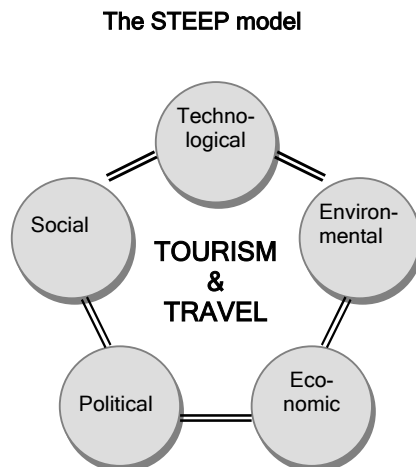
# Tourism of Tomorrow



Source: [www.uidd.org/fr/thematique/tourisme\\_durable.htm](http://www.uidd.org/fr/thematique/tourisme_durable.htm) after Freyer, 1995

Characterizing tourism as a system rather than an industry is a way of emphasizing the interdependency and that tourism consists of several interrelated parts working together to achieve common goals. The systems approach also puts emphasis on the open system nature of tourism. It is dynamic and in constant change (Mill and Morrison, 2002).

The STEEP model can also serve as a help to destinations and firms trying to detect emerging issues of strategic importance. In this report it serves the purpose of pointing out some forces of change worth keeping track of and of dividing the different factors into different domains of change. As such the model is used as a tool in the process of conducting environmental scanning, that is, in searching for change likely to affect tomorrow's tourism and travel.



## **Tourism of Tomorrow**

# Tourism of Tomorrow

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