



Tourism Intelligence
International

THE PARADIGM SHIFT IN TRAVEL AND TOURISM



**WIN OR
DIE!**

New Rules for Competitive Success

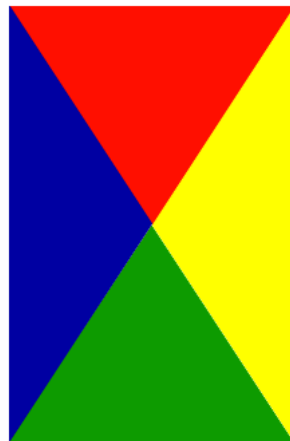
The Paradigm Shift in Travel and Tourism – Win or Die

EXECUTIVE BRIEF

Market Intelligence Report



**Tourism Intelligence
International**



**Reinventing
Tourism**

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Tourism Intelligence International is a leading research and consultancy company serving travel and tourism organisations and destinations around the world. This report — **The Paradigm Shift in Travel and Tourism – Win or Die** – is another in a series of tourism market analyses from Tourism Intelligence International.

Tourism Intelligence International is the publisher of *Tourism Industry Intelligence*, a quarterly newsletter that provides analyses of and tracks the key trends and developments in the international travel and tourism industry. Other reports from **Tourism Intelligence International** include:

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About Tourism Intelligence International

Who We Are

For over 20 years, **Tourism Intelligence International** has been providing consultancy services to government and private sector clients in both established and emerging tourism destinations worldwide – from Barbados, Belize and the Bahamas in the Caribbean to Benin and Botswana in Africa; Brazil in South America; Australia, Iceland, Abu Dhabi and many more.

Tourism Intelligence International enjoys a worldwide reputation for the quality of research, analysis, advice and strategic planning in the field of international travel & tourism.

How We Work

Tourism Intelligence International is results-oriented, not merely task-oriented. We insist that good intelligence must lead to practical advice, clever competitive strategies, innovative solutions to well-defined problems, and guidelines to put them in place. Such are the hallmarks of our service. But more than this, we strive to leave behind much of what we bring to any assignment or project:

- ▶ To transfer knowledge through training;
- ▶ To pass on ownership of processes, strategies, and goals.

TII is equally well respected for our abilities to help clients implement innovative processes that optimise the potential of individual operations in the travel and tourism sectors.

How We Can Help

Tourism Intelligence International delivers tailor-made solutions to every client, to every challenge and to every opportunity. At Tourism Intelligence International, ‘one size does not fit all’. There are no ready-made remedies that are dished out to our clients. To every problem, to every client, unique solutions are found.

Tourism Intelligence International
Providing Intelligent Solutions to Travel and
Tourism Businesses Worldwide



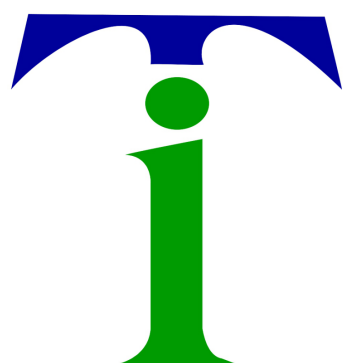
● Client Locations

To compete in today's tourism industry you need an individual blueprint for success like the ones we've created for over 50 countries worldwide. We can help you with:

- Marketing Strategies and Plans
- Internet Marketing
- Training Seminars
- Policy Development
- Competitive Analysis
- Market Research and Analysis
- Feasibility Studies
- And more


Tourism Intelligence
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Areas of Expertise



**Tourism Intelligence
International**



**Reinventing
Tourism**

TII has successfully undertaken assignments in the following core areas:

- ▶ Strategic Marketing of Tourism Destinations
- ▶ Market Research & Analysis
- ▶ Niche Market Strategies and Development
- ▶ Destination Marketing Plans
- ▶ Design of Promotional Materials
- ▶ Sustainable Tourism Policy Development and Integrated Tourism Destination Planning and Management
- ▶ Tourism Marketing and Product Development
- ▶ Strategic Planning, Strategy and Policy Development
- ▶ Implementation of Strategies
- ▶ Human Resources Development
- ▶ Institutional Strengthening & Capacity Building
- ▶ Private Sector Development
- ▶ Quality Standards and Export-Readiness
- ▶ Community-Based Tourism Development
- ▶ Feasibility Analyses and Economic Impact Analyses
- ▶ Programme Development, Implementation, Monitoring and Evaluation

Market Intelligence

Tourism Intelligence International (TII) enjoys a worldwide reputation for the quality of its research, analysis, advice and strategic planning in the field of international travel and tourism. Tourism Intelligence International has also published many research publications and reports focusing on best practices and current and future trends in the travel and tourism industry. These include: 'How Americans will Travel 2015', 'How Germans will Travel 2015', 'Travel and Tourism's Top Ten Emerging Markets', 'Impact of Global Recession on Travel and Tourism', 'How the British will Travel 2015', 'Successful Tourism Destinations – Lessons from the Leaders', 'Success Hotel Resorts – Lessons from the Leaders', 'Sustainable Tourism Development – A Practical Guide for Decision Makers', etc. Below are a number of recent reports from Tourism Intelligence International.

TII Research Publications



The Authors

Dr. Auliana Poon heads **Tourism Intelligence International**, a leading international consulting company that provides innovative solutions for the travel and tourism industry.

Auliana Poon led the team that developed the tourism policy and strategy for the new South Africa in 1996; developed strategies for trend-setting companies such as Sandals International (Jamaica) and Conservation Corporation (Africa); and developed the "tourism begins at home" programme that sparked the turn around in the Bahamas Tourism Industry in the early 1990s. Auliana Poon also led **Tourism Intelligence International's** technical support teams in implementing the Euro 6 million Eco-Tourism Development Programme (2003-2007) in the Commonwealth of Dominica and in St. Vincent and the Grenadines (2007-2009). In 2005, she undertook the competitive assessment of the Barbados Tourism Industry; developed the framework for the management and promotion of the Abu Dhabi Tourism Industry (2004); the Singapore Tourism Board (2003-2004); developed the Marketing and Human Resource Development Strategies for Mozambique and Malawi (2004-2006).

Auliana Poon is analyst, co-author and editor of many of **Tourism Intelligence International** Publications including but not limited to: 'How Germans will Travel 2015', 'How the British will Travel 2015', 'How Americans will Travel 2015', 'Sustainable Tourism Development - A Practical Guide for Decision-Makers', 'Travel and Tourism's Top Ten Emerging Markets'.

Auliana Poon is credited with:

- ▶ Inventing the concepts of 'Old Tourism' and 'New Tourism' to describe the rapid and radical transformation of the travel and tourism industry.
- ▶ Developing the concept of 'Responsible Tourism' as a fundamental premise of the South Africa tourism policy and growth strategy in the early 1990s.
- ▶ Producing one of the most referenced works on travel and tourism, 'Tourism, Technology and Competitive Strategies' that one review claims "should certainly be on the compulsory reading list of all those seeking to advise and direct strategic plan for both old and new tourism destinations".
- ▶ Advising Abu Dhabi to 'stay different' from Dubai; to focus on its culture, heritage and traditions and to assume its role as a true capital of the Emirates, with an appropriate icon - The Pearl - a pearl-like glass structure on 11 floors, out at sea, that would celebrate the life and times of its late Ruler Sheik Zayed bin Sultan Al Nahyan.

Auliana Poon regularly addresses travel and tourism conferences around the world including Aruba, Barcelona, Barbados, Benin, Brazil, Denmark, Geneva, Greece, Iceland, Hong Kong, Minnesota, Norway, Sweden, Finland, Germany, London, Mozambique, Singapore, South Africa, St. Kitts and many others.

An economist by training, Auliana Poon (apoon@tourism-intelligence.com) graduated with a B.A. (Hons.) and M.Sc. (Economics) from the University of the West Indies, TRINIDAD. She attended one of the leading European Schools, the Science Policy Research Unit at Sussex University (England), where she graduated with a D. Phil (Tourism & Technology).

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He was a lead consultant in the development of a Tourism Marketing Plan and Tourism Human Resources Development Plan for the government of Mozambique. Adams assisted the Regional Tourism Organisation of Southern Africa (RETOSA) in building the North American market to Southern Africa. He developed sampling frames and conducted extensive market research in the USA and Canada, as well as detailed statistical analyses of actual performance in North America. The exercise culminated with a private sector mission to the USA and Canada.

Eric Adams regularly prepares forecasts for the global travel and tourism industry. He prepared Tourism Intelligence International's forecasts - *How Germans will Travel 2015* and *How the British will Travel 2015*, *How the Americans will Travel 2015*, *How the Japanese will Travel 2007*, *Impact of Terrorism on World Tourism* and *Successful Tourism Destinations - Lessons from the Leaders*.

Kevon Wilson graduated with Upper Second Class Honours in Finance and Management. Wilson is a Senior Analyst at **Tourism Intelligence International**. Prior to joining **Tourism Intelligence International**, Wilson spent two years in London where, apart from pursuing his studies, he worked as a manager at one of the largest UK-based restaurant chains, JD Wetherspoon.

Wilson was a resource person for the EUR 5 million Eco Tourism Development Project – a multi-faceted project focusing on Marketing, Community Development, Product Development, Human Resource Development and Private Sector Development implemented by Tourism Intelligence International 2003-2006.

Wilson specializes in strategic planning and master planning and has contributed to many of TII's reports including 'How Americans will Travel 2015', 'How Germans will Travel 2015', 'How the British will Travel 2015', 'Travel and Tourism's Top Ten Emerging Markets', 'Impact of Global Recession on Travel and Tourism'.

Preface

This report, *The Paradigm Shift in Travel and Tourism – Win or Die* is almost 30 years in the making. It is based on systematic research and analysis carried out on travel and tourism trends over the past 3 decades. This Report brings together all of these elements, for the first time, in one comprehensive, must-read report for decision-makers.

The Paradigm Shift in Travel and Tourism – Win or Die identifies the paradigm shift from old mass production to the new customised forms of travel. Comparisons between mass production of automobiles and mass tourism are made.

The Paradigm Shift in Travel and Tourism – Win or Die examines the key drivers and facilitators of this paradigm shift; identifies the implications for industry players; and provides the new Alphabet of competitive success for the industry – the new rules for competitive success (from A to Z).

This report – *The Paradigm Shift in Travel and Tourism – Win or Die* – examines the role of CONSUMERS as drivers of the paradigm shift; the TECHNOLOGY as its facilitators; the ENVIRONMENT that constrains and limits its growth; the new demands from locals and destinations for more responsible tourism practices; and the SOCIO-ECONOMIC CONDITIONS that frame the industry's development. The adaptive responses by industry players that are driving a more flexible, customised and responsible travel and tourism sector, are also considered.

The implications of the paradigm shift for industry players are examined. This report warns that this is not business as usual. Industry players need to INNOVATE; to reinvent themselves; to stay ahead of the game, for to lead is to win; they need to ENGAGE the technologies; LISTEN to their customers; CARE about their environment; TRAIN their teams; and ADOPT new best practices of customisation, diagonal integration, flexibility and market segmentation.

Finally, a new Alphabet of competitive success is identified. A quick preview of some of these:

- A - Develop Authentic Experiences
- B – You've Got to be Branded
- C – Content is Key
- D – Diagonally Integrate
- E – E-marketing is Essential...
- W – Website Development and Optimisation
- X – Target Generation X
- Y – Do not Ignore the Young and the Restless
- Z – Zig when they Zag

If there is one report that you should read before year-end, it is *The Paradigm Shift in Travel and Tourism – Win or Die*.



Auliana Poon, November 2012.

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EXECUTIVE BRIEF

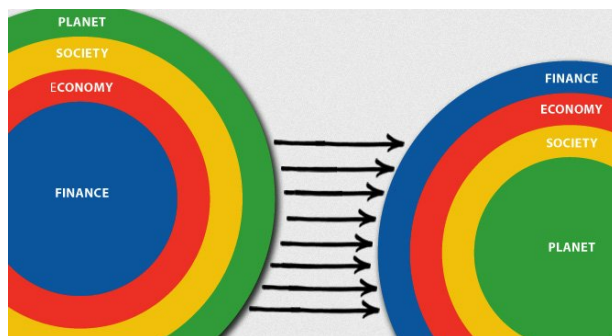
A Paradigm Shift is taking place in the travel and tourism industry. Travellers are the main drivers of this paradigm shift.

What is a Paradigm Shift?

A paradigm shift refers to a radical shift in belief and thinking. For example, in today's world, finance is no longer the 'be all and end all'. It is no longer the centre of our universe (See **Figure 1**). The planet increasingly takes pre-eminence. In the travel and tourism industry, there is a growing shift in thinking about how to achieve best productivity and most profits. In this regard, mass tourism is no longer "best practice".

FIGURE 1

EXAMPLE OF A PARADIGM SHIFT



Adbusters, 2011

A paradigm shift is a radical shift in thinking

Today, the Planet takes pre-eminence

The Paradigm Shift in Travel and Tourism

A paradigm shift is taking place in travel and tourism. There is a shift in thinking away from the notion that mass tourism, with its eternal path of destruction, will continue to be 'the only' or 'the best' way of organising and managing travel and tourism. There is a movement away from the old mass, standardized and rigidly-packaged forms of tourism, to a more individual, more flexible, more customised and more caring tourism.

The paradigm shift is the transition from "old" (mass, standardised and rigidly-packaged) forms of tourism to a "new" (individual, customised,

A paradigm shift is taking place in travel and tourism

The shift is from 'mass tourism' to flexibility and customised forms of travel

More opportunities, but more uncertainties

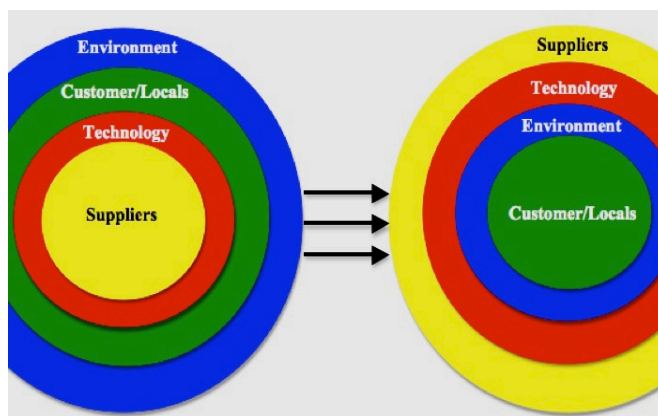
flexible, environmentally sound and diagonally integrated) industry ‘best practice’.

The paradigm shift creates more opportunities, but considerably more uncertainties. The rules of the game are changing; and they are changing for everyone. Some players are winning; others are dying.

The rules of the game are changing

FIGURE 2

THE PARADIGM SHIFT IN TRAVEL AND TOURISM



Source: Tourism Intelligence International, 2012

To win in this new paradigm, you have to Lead

In this new Travel and Tourism paradigm, winning does not just mean surviving: it means leading – it means becoming a leader in a new and profoundly changed travel and tourism industry. Competitive strategies are more important than ever.

To Lead is to Win

To stay ahead of the game, industry players and tourism destinations need to understand the new rules of competitive success: for to lead is to win.

There is a striking resemblance between mass tourism and mass production of cars. Like Ford, the travel and tourism industry offered a limited range of inflexible travel and holiday options to a seemingly identical group of mass travellers.

There are key similarities between mass tourism and ‘Fordist’ mass production

FIGURE 3**MASS PRODUCTION OF CARS AND TOURISM COMPARED**

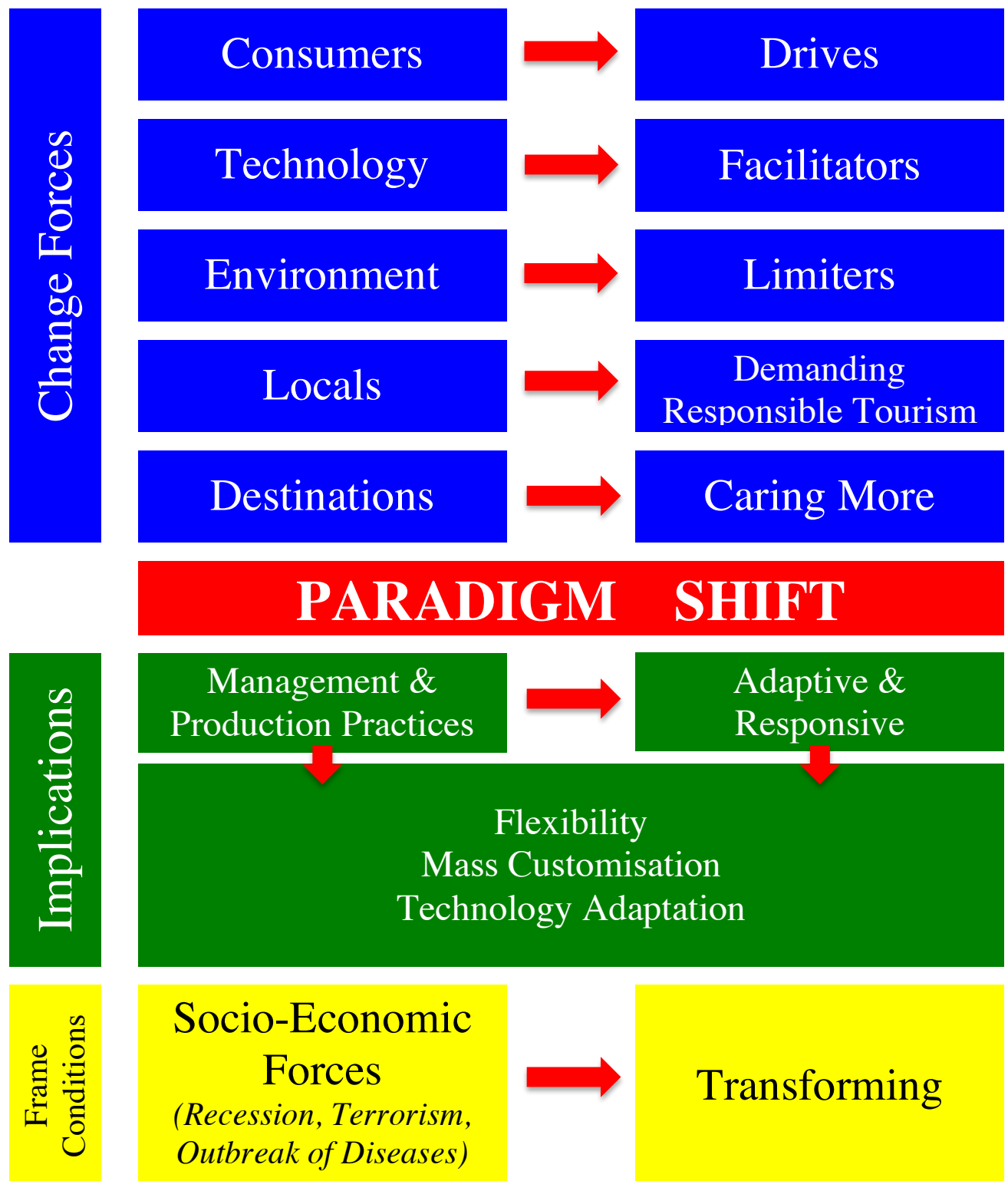
Source: Tourism Intelligence International 2012

By the 1970s and early 1980s, mass tourism was 'best practice'. In other words, mass tourism became the organisational and managerial 'common sense' for best productivity and most profits in the travel and tourism industry. Mass tourism was indeed 'best practice'.

However, the same forces that drove mass tourism are sewing the seeds of its demise.

Continuing to draw the comparison between travel and tourism and the automobile, the role of the key change agents of the paradigm shift are identified in Figure 4.

FIGURE 4
THE PARADIGM SHIFT IN TRAVEL AND TOURISM



Source: Tourism Intelligence International, 2012

It can be seen that customers are the drivers; technology is the engine; the environment is the

brakes; suppliers are the wheels; the locals are the passengers; credit cards provide the fuel; and the socio-economic and political climate, the road. Suppliers and industry players need to fully understand “where the rubber meets the road” in this new paradigm.

This is no longer a mass, standardised and undifferentiated consumer market. Individual strategies are required for individual markets and customers. Tailor-make your products to suit your markets; treat customers individually. Mass customise your services!

Today, there are new rules of customer engagement. We have to stop selling and start enrolling; we have to stop advertising and start engaging; we have to stop supplying information and start striking the imagination; we have to stop making products or delivering services and start inventing, orchestrating exceptional and memorable experiences (refer to Figure on the New Rules of Customer Engagement).

Travellers are Drivers of the Paradigm Shift

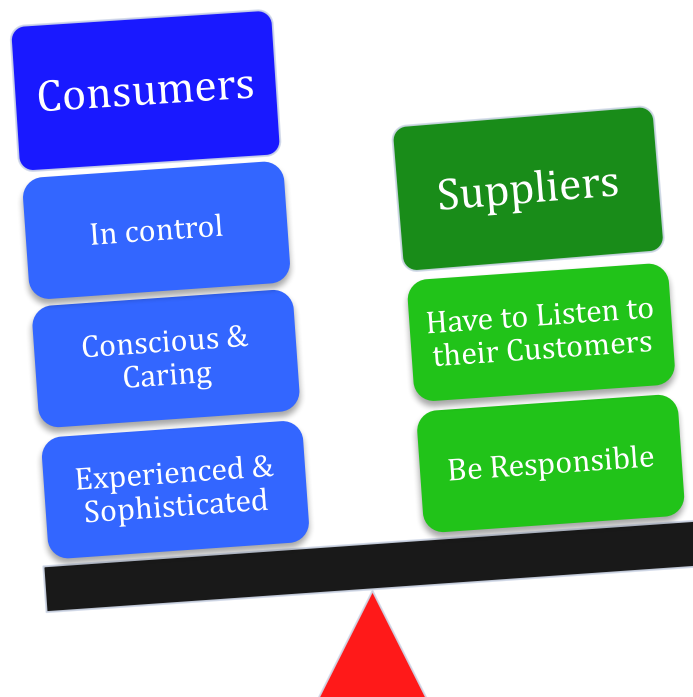
Within this new paradigm of individual, flexible, customised and caring tourism, consumers are definitely in the driver's seat. Customers are individual and want to stand out from the crowd; they are informed and experienced; they care; and they do not want to be taken for granted. This is precisely why customisation, flexibility and individuality will be a premium in this new paradigm.

Suppliers will be increasingly challenged in harnessing this new customer power. It is no longer a question of ‘build it and they will come’. Suppliers now have to know and understand their customers, listen to them, and provide them with EXACTLY what they want.

Consumers are definitely in the driver's seat

FIGURE 5

CONSUMERS ARE IN CONTROL



Consumers are in the driver's seat

Source: Tourism Intelligence International, 2012

Travellers accepted mass tourism products and services. Inexperienced, sun-lust customers bought the same packages, went to the same destinations, took the same tours, bought the same souvenirs and even took the same photographs! Customers did not mind giving up their individuality because the rigidly packaged holiday was 'darn cheap'! They were **AFFORDABLE**.



'Old Tourists' were inexperienced

The informed, experienced, individual, 'new tourists' on the other hand, are now driving a new type of travel. New travellers are demanding. They are hybrid (they eat at fine restaurants and shop at discount outlets). They are difficult to predict. They are hard to please. And they are spontaneous. These new consumers are in the driving seat. Travel suppliers are realising that they need to respond to their demanding clients with surgical precision – by listening attentively to their customers, and by providing them with **EXACTLY** what they want. Successful suppliers are no longer production- oriented, but consumer-oriented; they produce what their customers want



'New Tourists' are hybrid and spontaneous

and not just sell what they produce.

Changes in traveller behaviour and values provide a critical driving force for the new tourism. New tourists are fundamentally different from the old. They are more experienced, more 'green', more flexible, more independent, more quality conscious and more 'hard to please' than ever before.

The motivations of the old tourists are also different from those of the new. For the old tourists, travel was a novelty; it mattered not where they went, once they got to a warm destination and could show others that they had been there (the Almighty sun tan helped with this). Quality of services was relatively unimportant. Vacation was an escape from work and from home. By contrast, for the new tourists, vacation is an extension of life. New tourists go on vacation to experience and to learn something different. They want to tank in new energy for their mind, body AND soul. For the new tourists, quality, and especially value for money, is a premium. They do not just want to take a photo. They want to take back the memory of an exceptional experience or encounter. They want to be engaged. They want to be part of the experience. They want to be IN the photo!

***Travellers are sophisticated,
demanding and more
experienced***

***Customers want to be
“engaged”. They no longer
just want to take a photo***

FIGURE 6
‘OLD’ AND ‘NEW’ TRAVELLERS COMPARED



Source: Tourism Intelligence International, 2012

Instead of just dining in the hotel restaurant, the new travellers want to try out the local fare; they are less precautious and more adventurous; they are not just searching for the sun (although it is still important); they are not just concerned with their personal vanity and achievement (climbing

Tourism with respect



Mt. Everest); and they have a healthy respect for nature.

In harnessing this new consumer power, there are fundamental shifts in consumer patterns and behaviour that need to be understood and taken on board. There are three fundamental shifts taking place:

1. **Demographic** shifts – the ageing of the population and the rise of the young and restless generations X, Y and Z;
2. **Psychographic** shifts – the emergence of the Bourgeoisie Bohemians (Bobos) who are very different from their Hippie and Yuppie predecessors;
3. **Geographic Shift** – rise of the new emerging markets of Brazil, Russia, India and China. These markets are also fundamentally different from the traditional markets.

In order to lead and to win in this new paradigm, it is critical to understand this three-dimensional shift in consumer patterns and behaviour.

Suppliers need to understand their new customers

A three-dimensional shift in consumer patterns and behaviour

FIGURE 7
THE NEW RULES OF CUSTOMER ENGAGEMENT

THEN	NOW
<input type="checkbox"/> Selling	<input type="checkbox"/> Enrolling
<input type="checkbox"/> Advertising	<input type="checkbox"/> Engaging
<input type="checkbox"/> Communication	<input type="checkbox"/> Conversation
<input type="checkbox"/> Products / Services	<input type="checkbox"/> Experiences
<input type="checkbox"/> Brick	<input type="checkbox"/> Click
<input type="checkbox"/> Information	<input type="checkbox"/> Imagination
<input type="checkbox"/> Homogeneity	<input type="checkbox"/> Differentiation
<input type="checkbox"/> Price / Cost Conscious	<input type="checkbox"/> Value Conscious
<input type="checkbox"/> In Fashion	<input type="checkbox"/> Independent
<input type="checkbox"/> Ordinary	<input type="checkbox"/> Desirable / Different
<input type="checkbox"/> Mass Production	<input type="checkbox"/> Mass Customisation
<input type="checkbox"/> Mass Marketing	<input type="checkbox"/> Niche Marketing
<input type="checkbox"/> Traditional Markets	<input type="checkbox"/> Emerging Markets
<input type="checkbox"/> Sedentary	<input type="checkbox"/> Participatory / Active
<input type="checkbox"/> Sun, sand & sea	<input type="checkbox"/> Culture & Content

Source: Tourism Intelligence International, 2012

The same old formulas used for the traditional markets cannot be rolled with success to capture the Emerging markets. Consider, for example, that while the traditional Western holiday markets were driven by the search for the all-glorious “Sun, Sand and Sea”, emerging markets are searching for other “S’s”, namely, *Status*, *Sightseeing* and *Shopping*.

Similarly, an analysis of the more mature, experienced, savvy, demanding “Bobos”

Old formulas used for traditional markets will not be successful to win Emerging market travellers

(Bourgeoisie Bohemians) and creative classes demonstrates how radically different they are from their predecessors (the Hippies and the Yuppies).

The mind-changing and mind-boggling habits of the younger generations (X, Y, and Z) are also radically different from the older, mature and experienced over 50s travellers.

It is evident that key behavioural shifts are impacting the motives for travel, the types of travel engaged in, the patterns of travel, the research, choice and booking of travel options, etc.

It is clearly the travellers that are in the drivers' seat. They are dictating the direction of change in the industry. The travellers have unleashed Schumpeter's 'creative gales of destruction' on the old mass forms of travel and tourism.

Understanding these changing travellers, providing them with exactly what they want, and exceeding their expectations, will be a key ingredient for competitive success. The new travellers are experienced and savvy; they have changed values; changed demographics; changed lifestyles; they are more flexible and fiercely independent. Knowing, understanding and satisfying them will be a whole new ball game in this new paradigm.

Implications for your business

Today, there are new rules of customer engagement. We have to stop selling and start enrolling; we have to stop advertising and start engaging; we have to stop supplying information and start striking the imagination; we have to stop making products/delivering services and start inventing, orchestrating exceptional and memorable experiences (refer to Figure on the New Rules of Customer Engagement).

Listen to your customers. Understand them, get to know them better, anticipate their needs, invent, orchestrate and deliver exceptional and unforgettable experiences. Exceed their expectations. Let them want to come back for more, to pay super-normal prices and spread the word for you.

This is no longer a mass, standardised and undifferentiated consumer market. Individual strategies and required for individual markets and customers. Taylor-make your products to suit your markets; treat customers individually. Mass customise your services!

Technology is Facilitating the Paradigm Shift

Technology is another important driving force that is changing the face of travel and tourism. It is technology that makes it possible to produce customised services on a large scale at cost-competitive prices. For example, customers can create their own flexible and dynamic packages online at prices that do not penalise them for their individuality, such as purchasing elements outside of the 'package'. Technology therefore, facilitates the mass satisfaction of individual wants at competitive prices, i.e. it facilitates mass customisation.

Consider that it is not just a single technology being used in the industry (a computer), but a whole system of technologies being rapidly diffused (computer, Skype, Internet, electronic brochures, back office systems, computerised reservations systems, Facebook, etc.). It is also not a single industry player (travel agencies) that is using the technology, but ALL of them (hotels, banks, tour operators, destinations, airlines, car rental companies, credit card companies, etc.). And most critically, the consumers are also users.

The Internet in particular (with over 2 billion internet users worldwide), has impacted significantly on how we travel, how we look, book and process transactions and how we market and distribute travel and tourism services. Technology is profoundly shaping and forming the 'new tourism' paradigm. It plays a key, facilitating role.

Information technology (IT) is having profound implications for the travel and tourism industry:

- ▶ IT changes the rules of the game for industry players and tourism destinations;
- ▶ IT substantially alters the role of each player in

Technology is changing the face of travel and tourism

A whole system of technologies is being used

All players are users of the technology

The Internet is dominant



the value-creation process of the industry;

- ▶ IT facilitates the production of new, flexible and ‘high touch’ travel and tourism services, that are cost-competitive with mass, standardized and rigidly-packaged options;
- ▶ IT helps to engineer the transformation of travel and tourism from its mass, standardized and rigidly packaged nature into a more flexible, customised, individual-oriented, sustainable and diagonally-integrated industry.

It is useful to compare the role of the technology in the old and new tourism paradigm.

In the old mass tourism paradigm, there were stand-alone technologies that impacted on travel – the jet aircraft, computers, reservations systems, fax, etc. With the new paradigm, there is far more integration (e.g. front and back office; hotels and the Internet providers; suppliers and customers (e.g. Facebook, YouTube). There are also far more users – all industry players, including the consumers, use technology. There are also far more technologies being used. The Internet has become a dominant force and mobile technology is rapidly taking over (see Figure 8). Social Media is also a force to reckon with.

FIGURE 8
‘OLD’ AND ‘NEW’ TECHNOLOGY COMPARED

T E C H N O L O G Y		
Old Tourism		New Tourism
<input type="checkbox"/> Jet Aircraft	➔	Low Cost Carriers
<input type="checkbox"/> Telephone	➔	Internet, smart phones, mobile phones, Skype
<input type="checkbox"/> Paper money, cheques	➔	Credit Cards, debit cards, PayPal
<input type="checkbox"/> Back office system	➔	Virtual System
<input type="checkbox"/> Typewriters, computers	➔	Personal Digital Assistants, iPads, Tablets
<input type="checkbox"/> High Touch	➔	High tech <u>and</u> high touch
<input type="checkbox"/> TV, radio, paper marketing	➔	Internet, social media, Facebook
<input type="checkbox"/> Stand-alone	➔	Integrated
<input type="checkbox"/> Limited users	➔	Unlimited users
<input type="checkbox"/> Face to face meetings	➔	Teleconferencing
<input type="checkbox"/> Customers are Onlookers	➔	Customers are users

Source: Tourism Intelligence International, 2012

TECHNOLOGY IS FACILITATING THE PARADIGM SHIFT

TECHNOLOGY:



Makes it easy to reach and engage customers ('high touch' through high tech)



Facilitates access to information



Gives consumers more power and control through knowledge



Facilitates mass customisation (e.g. Expedia, Google)



Increases competition as information is readily available



Increases competitiveness (greater reach, access to customer information e.g. Facebook profile)



Makes travel more affordable (e.g. lighter, quieter, larger, more fuel-efficient aircraft)



Helps to reduce operating cost



Facilitates the purchasing process (online shopping, use of credit cards)



Facilitates globalisation while allowing suppliers to act local



Gives large enterprises the flexibility of small firms



Facilitates cost competitiveness



Facilitates Diagonal Integration

Source: Tourism Intelligence International, 2012

What does the Future hold?

Despite the many 'lemons' thrown at the industry, travel and tourism continues to be resilient. The sector will continue to grow and demand for

The travel and tourism industry is resilient

travel and tourism is expected to regain its strength. In other words, while computers have replaced typewriters and the e-mail has overtaken the post, there are, as yet, no real substitutes for the travel and tourism experience.

International tourism will continue to grow to 1.6 billion overseas trips by the year 2020, predicts the *United Nations World Tourism Organization (UNWTO)*. This growth is projected at 4% compared to a historical growth of over 6% (between 1950 and 2012). But do not be fooled by the numbers! Because there are fundamental underlying structural shifts that these sheer numbers do not show.

That the industry will continue to grow is not in question. However, it is increasingly evident that:

1. The *rate* of growth will slow for old markets, products and destinations
2. New growth *opportunities* abound in new markets and for new concepts and innovative ideas;
3. The *distribution* of growth will shift; and
4. The *direction* of growth will change.

The golden age of mass tourism is over: the age of unlimited growth and the exploitation of the environment as though it were nobody's business, is rapidly drawing to a close. The world economy has seen unprecedented 'recession' and the end is not yet in sight.

This adjustment process is taking its toll on the travel and tourism industry: a short to medium term slowdown in the industry's growth is therefore expected. In addition, increasing tourism fatigue (workers tired of smiling), environmental degradation, noise, congestion at airports and the negative socio-economic consequences of tourism in host countries, continue to put a damper on mass tourism's further growth.

While growth is expected to slow (4%), this will not be the case for all players. Indeed some industry players (cruise ships and all-inclusive resorts) and tourism destinations (China, Eastern

Have money, will travel

More growth for the travel and tourism industry

Rate of growth will slow

Direction of growth change

Distribution of growth change

Slow growth is expected (4%)

Not all participants will see slow growth

Europe, India) will experience more than average growth.

It is also important to understand that the changes that are taking place are systemic and deep-rooted. The changes brought on by the effects of SARS, the Global Economic Recession and the 9/11 Terror Attacks, for example, were short-lived and did not affect everyone equally. However, the fundamental paradigm shift that is taking place points to more permanent phenomena that are affecting everyone across the board.

The changes are systemic and deep-rooted

More important than slow growth and shifting distribution of growth is the fact that the **direction** of tourism growth will change. This is fundamentally important because the change in direction will be such that industry players will not be able to capture market share by continuing to dish out the 'same old' formula of mass tourism products and services to which they have grown accustomed. Players will need to change their production and management practices in order to become leaders in a radically changing tourism industry. Players will have to change or get out of business!

Shifting distribution and direction of growth

THE NEW ALPHABET OF COMPETITIVE SUCCESS

A paradigm shift represents a radical transformation – a change in thinking. It brings with it 'creative gales of destruction'. This often means that it is not 'business as usual'. New rules of the game are a consequence. And new strategies are needed to drive competitive success.

In what follows, *Tourism Intelligence International* presents the 'new alphabet' for competitive success in the Travel and Tourism industry.

Briefly stated these are:

- A – Develop Authentic Experiences
- B – You've Got to be Branded
- C – Content is Key
- D – Diagonally Integrate
- E – E-marketing is Essential

- F – Free Movement of Skill and Talent
- G – Green your Products and Processes
- H – Deliver High Tech and High Touch Services
- I – Innovate
- J – Join Social Networks
- K – Know Your Market
- L – Listen to Locals
- N – Target the New Markets
- O – Optimise products and service processes
- P – Protect your Environment and Cultural Patrimony
- Q – Quality is Key
- R – Responsible and Respectful Tourism
- S – Strategic Partnerships
- T – Talent is Key
- U – Understand the industry and its change agents
- V – Value for money is Critical
- W – Website development and optimisation
- X – Target Generation X
- Y – Do not Ignore the Young and the Restless
- Z – Zig when they Zag

Each of these elements is elaborated below. In addition, examples of companies successfully pursuing these strategies are highlighted.

A – Develop Authentic Experiences

Customers are bored and tired of ‘same old’. They have ‘been there and done that’. As a consequence, there is a growing mismatch between product and services offered by suppliers and the needs and expectations of the experienced and demanding travellers. As a consequence, there is a genuine search for real, natural and authentic experiences.

It is the search for authenticity that has given rise to the ‘experience economy’. The experience economy is a new stage of economic offering; an advanced service economy that sells ‘mass customization’ services that are similar to theatre, using underlying goods and services as props.



This means that destinations and suppliers need to move beyond offering products and services (such as hotels and attractions) to inventing, orchestrating and delivering exceptional experiences to their clients. In this regard, there is much to be learnt from Pizza Hut and Disney.

B – You’ve Got to be Branded

Businesses must realise that branding today is not what it used to be. During the production-orientated era, brands were controlled and shaped by the suppliers. They were in charge of what the world heard or saw about their brand. Today, this is not the case. The consumer has a lot of power in determining what others ‘hear’ about a brand. They write, blog, post, pin, text, tell and literally use all of the available information technologies to talk about a brand. Consistent bad reviews on TripAdvisor, for example, will determine the image of your brand. No glossy ad or smart campaign would ever be as credible as a review from an actual customer.

The consumer is in more control of the brand message than the supplier

Branding is no longer about selling, advertising or conveying information. It is now about exciting, engaging and sparking the imagination of the customer. It is about listening to the customer, and ultimately, transforming them to the point where they begin to see the brand as an extension of their person. This is true brand loyalty.

THE PARADIGM SHIFT OF BRANDING



The key to good branding is to touch customers where they value it most. A “one size fits all” strategy no longer works. It is for this reason that many hotel brands, for example ACCOR, now have a number of brands under their umbrella.

Benetton is an excellent example of using branding to touch the hearts and minds of consumers. For decades, Benetton, has been known for provocative advertising that attracts publicity by stirring up discussion of contentious topics such as their ‘UNHATE’ campaign. Your message has to go beyond the product, and like the experience economy, branding must strike a memorable and emotional chord in the minds and hearts of customers.



C – Content is Key

Both inherent (the ingredients) and informational content are key to competitive success. Customers want to know what is inside: Are there any artificial ingredients? Did the vegetables come from the nearby farm so that the carbon footprint of the meal at the restaurant is lower? Are the coffee farmers fairly paid for their coffee beans that made the cup of espresso?

Customers also want to take charge and they do so by being in control of knowledge and information about your products and services. This is why it is critically important to provide good and relevant content to allow your customers to feed their thirst for knowledge and information BEFORE purchasing your services.

Therefore, effective use of content on your digital sites (websites, social media, blog, etc.) is very important. You must provide enough valuable content in areas related to your website and your target audiences for them to make your website a favourite place to visit for information and content.

Effective and creative use of content is key for search engine optimisation and for attracting and keeping website visitors by engaging and entertaining them. The South Africa tourism website www.southafrica.net, is a perfect example of how to use content to make your website engaging and exciting. The South Africa tourism website is rich with flash, video, images, interesting text, trip planning tools, maps, top things to do, which hotels to book with, links to ground transport options, travel tips, their ‘Top 10’ lists and so much more.

It is important to provide relevant, useful and up-to-date information to customers particularly through your Website. But remember that honesty is the best policy. Today’s customers are in the know and cannot easily be fooled. It is therefore, critical that the content that you “promise” is in fact correct and real.

Enhance your visitor experience



In summary, you need to improve both the content or “goodness” of your products as well as provide the information or “content” on your website and all other media.

D – Diagonally Integrate

For centuries, companies have horizontally and vertically integrated, and even diversified their operations, to optimise their production processes and to grow their profits. Today, the new best practice for travel and tourism suppliers is Diagonal Integration. Diagonal Integration diversification, market segmentation, and total innovation will increasingly become “best practices” for competitiveness.

Diagonal integration is a term coined by Poon in *Tourism, Technology and Competitive Strategies* to explain the process whereby firms use their information technology platforms to get close to their customers and to systematically combine a range of services required by their carefully-identified target clientele.

Firms diagonally integrate for best productivity and most profits. As they move into new activities, there are tremendous systems gains, synergies and scope economies to be had from integration. Diagonal integration is a key tool for controlling the process of value creation and will continue to blur the boundaries among industry players.

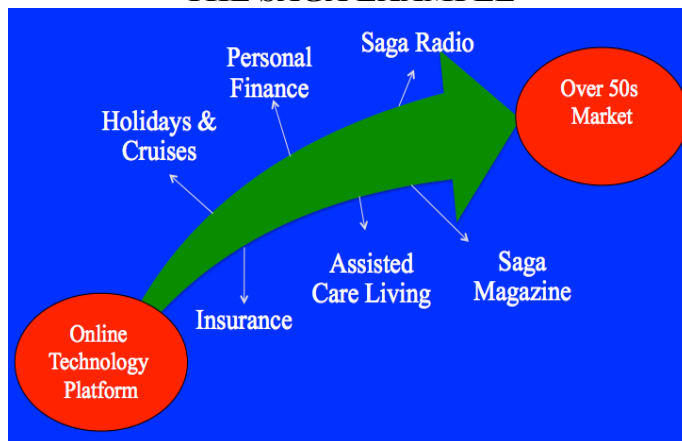
The purpose of diagonal integration is not to produce a single service and market it to a supermarket of clients. Rather, the objective is produce a range of services and to sell them to a target group of consumers.

Saga, the UK largest dedicated tour operator catering to the Over 50s market, is an excellent example of diagonal integration at work (*Tourism Intelligence International, Old but not Out – How to Win, Wow and Woo the Over 50's Market, 2010*). In operating in the Over 50s market, Saga did not limit their

offering to the travel and tourism services. They knew that their customers would need travel insurance or vehicle insurance for long road trips, etc. So they added other services that could either compliment the travel and tourism side of business or stand-alone.

FIGURE 9

**DIAGONAL INTEGRATION –
THE SAGA EXAMPLE**



Source: Tourism Intelligence International, Old but not Out - How to Win, Wow and Woo the Over 50's Market, 2010

***E* – E-marketing is Essential**

In today's world driving traffic to your business requires a new set of tools. With the presence of the Internet, the best way to get more business is to ensure that you have a web presence that is fully operational and highly optimised. Failure to do this is tantamount to going out of business.

However, a 'build it and they will come' approach will not get you anywhere. A website is only as good as the amount of relevant traffic it generates. There are a number of strategies that you can employ to drive traffic to your business through your website and boost your competitiveness.

To drive traffic to your website there are a number of strategies to employ. These are as follows:

- ▶ You must first outline and understand your

- target markets;
- ▶ Users must be able to bookmark your website very easily;
- ▶ Provide methods for your users to spread the word (e.g. 'tell a friend' or 'share' buttons);
- ▶ Network and affiliate marketing is another useful way to boost business;
- ▶ Use of paid online advertising avenues (Google and Facebook ads as well as banners for example); and
- ▶ Email marketing to target market

F – Free Movement of Talent and

Investment

Tourism Intelligence International firmly believes that 'openness' and unfettered access to skills, talent and investment is one of the critical success factors for tourism destinations worldwide (*Tourism Intelligence International, Successful Destinations – Lessons from the Leaders*).

Countries may have a wealth of natural assets (sun, sand, sea, culture, nature, etc.). However, it is the skills, the entrepreneurship and other key competences (usually embodied in human beings) that deliver success over time. It is those countries or companies that have unfettered access to people, capital and raw materials that have demonstrated success over time.

Cruise lines, are perhaps the best examples of this. Cruise lines are able to source labour from all nationalities; source capital, ships and inputs from anywhere in the world; furthermore, they neither pay taxes nor operate with labour unions. On a typical cruise ship, there are hotel managers from Germany, entertainers from the USA, bartenders from Jamaica, chefs from France or Italy, etc. Cruise lines, not surprising, are perhaps the most competitive leisure experience on the global market today. Dubai has a similar story.

G – Green your Products and

Processes

In today's world, one cannot underscore enough, the importance of companies making a difference with regard to their environmental policies and initiatives. Many organisations are realizing that being 'green' is not just a nice thing to do but it is in fact essential for their corporate image and their bottom line.

Lufthansa Airlines, and many others in the aviation industry, has responded to the clamors of consumers and society by pursuing a socially responsible agenda. Lufthansa's vision for its 'green' agenda has filtered into the company's ethos with the company citing their corporate strategy as building sustainable value creation within the aviation industry.



H – High Tech and High Touch

While technology can limit the face-to-face interaction of human beings, it has in fact increased suppliers' ability to stay in touch with the consumer in an ever growing array of options from websites, forums, blogs, social media, mobile applications and so much more. Not only is it empowering suppliers to be more high touch, technology has also given the consumer more options to choose from to communicate with each other and with suppliers. This has become so mainstream that if a consumer cannot connect with a supplier through a number of options they do not consider that supplier to be serious and invariably take their business elsewhere. In addition to having a website, many suppliers are using voice over internet protocol (VOIP) and similar technologies such as Skype to constantly keep in touch with consumers. So suppliers today can be both high tech and high touch simultaneously. However, do not underestimate the power of human interaction, especially for complicated services or to

address problems.

I – Innovate!

Two types of innovations are relevant for industry players – incremental innovation and radical innovation. Incremental innovation, which involves day-to-day improvements and modifications to existing know-how, for example, new ways of rewarding and empowering employees. Radical innovation, involves sudden, revolutionary, leaps in product or process technology; for example, plastic, personal computers, the jet aircraft, the club holiday, the cruise as a destination and the package tour.

New innovations must be discovered, put into practice and continuously improved upon to create a competitive edge. Three basic rules are associated with developing radical innovations for competitive success. These are as follows:

1. Don't be afraid of new ideas.
2. Build a capacity for continuous innovation.
3. Never stop learning.

To innovate for competitive success, firms must be first to the market. They must also be quick to follow those who have invented the idea. They must also learn from their employees, their customers, their competitors as well as from their own experience.

Indeed, a number of travel and leisure companies have gained the competitive edge mainly because of their innovativeness and willingness to dare. Examples of innovative travel and leisure suppliers who were not afraid of change are: Club Med (the club holiday); American Airlines (frequent flyer programme); the Disney Company (creative leisure activities for the entire family in a crime-free, controlled environment); Sandals (all-inclusive holidays for couples only); cruise lines (affordable, all-inclusive, flexible holidays to multiple destinations).

New product/service innovations in tourism include the opening up of new destinations (China, Eastern



Europe), the packaging of multi-destinations (Miami and The Bahamas), the development of new market segments (disabled persons, grandparents travelling with grand-children, non-smokers, vegetarian homosexuals, female business travellers, divers, bone fishing). Other innovations in tourism include new organizational forms (for example, the movement of boating companies into the hotel business); new systems (automatic checkout at hotels) and new procedures (empowering employees) – and there are many others yet to be invented.

J – Join Social Networks

Using social networking to bring visitors to your website is a significant tool in the marketing set that should be used. These networks have millions of subscribed users and you can attract these users to your website.

Having a fully functional and well-optimised website is **necessary** but still not **sufficient**. You need one additional important ingredient to finally see some profit flowing into your pockets. The ingredient is more, more and more website traffic. And social media can certainly help in this regard.

Here are some of the top ten ways to increase website traffic through social media:

- ▶ Develop Smart Content;
- ▶ Select the Top Social Sites;
- ▶ Create an Attractive Profile;
- ▶ Use Interesting Video;
- ▶ Add Hip Images;
- ▶ Create Compelling Blogs;
- ▶ Get Friendly;
- ▶ Post Bulletins and Notes;
- ▶ Spread the News; and
- ▶ Create Viral Tools.

In addition, you need to be seen where all the traffic flows are. These include but are not limited to Facebook, Twitter, MySpace, LinkedIn and Flickr. Of course, it also depends on your market. Certain regions or countries have different top social websites. Orkut and Bebo for example, are quite popular in Asia.

K – Know Your Markets

There are fundamental shifts in the travel markets. There are demographic, psychographic and geographic shifts. In fact, there are new rules for engaging customers – we need to stop selling and start enrolling; we need to stop advertising and start engaging; we have to stop providing information and start using imagination.

It is therefore, critical to know your markets, understand your customers and anticipate their needs. You need to know the various geographic, demographic and psychographic trends and characteristics of your markets.

Today's travellers are flexible, demanding, experienced, independent, knowledgeable and technology-savvy. They are the driving force behind the changing travel and tourism industry.

FIGURE 10
CHARACTERISTICS OF THE NEW TRAVELLERS



Source: Tourism Intelligence International, 2012

There are a number of ways that travel and tourism suppliers can get to know their markets. These include:

- First-hand experience. Interact with your customer, listen to what they are saying and adapt to their needs.

- ▶ Research and Market Intelligence - a critical opportunity to know ones market better
- ▶ Training is essential in knowing how to respond to your markets.
- ▶ One pill will not cure all! Understanding your markets also means recognizing that target markets are not homogenous.

It is also important to grow with your markets. Club Med is an excellent example of the mistakes to avoid. The old sexy Club Med formula of happiness, passion, sex and simple *joie de vivre* had lost its appeal. The young sun lust and sex-crazed travellers were now more mature and had families of their own. Club Med had to adapt in order to stay in the game. Club Med now caters to the whole family.

L – Listen to Locals

One of the most important and overlooked aspects of effective responsible tourism development is the empowerment of local communities.

The key to gaining local enthusiasm is to do as much as possible to ensure that benefits are equitably shared and that no one shoulders a disproportionate share of the cost (of conservation). One of the best ways that tourism can maximize its contribution to the local communities, is to meaningfully involve local residents in management, operations and decision-making.

M – Get Mobile!

Communicating with customers today should not be limited to the Internet. Mobile technology is one of the fastest growing forms of technology today, and with integration with the Internet, it has become a force to reckon with. Using mobile technology has therefore become crucial for the success of many

businesses today. India, for example, already has over 800 million mobile phone users and China 900 million, according to *Telecoma Technologies*. BlackBerry bar code scanning technology, mobile applications, mobile-ready websites and SMS technology all need to be incorporated into your marketing strategy.

Travelers are increasingly relying on mobile devices and apps to plan and travel around the world. As faster and smarter phones are being rolled out, the booking tools are going mobile too. The number of mobile travel bookings has accelerated from US \$20 million in 2008 to over \$200 million in 2010, according to *eyefortravel*. In addition, a recent survey by *Sabre* in August 2011, reported that two-thirds of travelers want to search and book hotels on a mobile device.



But what happens when the traveller is unfamiliar with the destination, or when a trip involves a complex itinerary? In such cases, mobile or online booking services become less helpful, and the traveller can benefit from the use of a good travel agent and the ‘human, high touch’ element comes into the picture. Travel agents are able to provide valuable information by tapping a wide range of resources not readily available online. The knowledge and experience seasoned travel agents command appeals to travellers who value service over price.

There’s no doubt that with the evolution of travel technology, self-booking via mobile is going to grow even further. However, travel with all its complexities will always value the ‘human touch’ more than the high tech. Smart travel operators would benefit by adopting the changing technology to improve their offerings, customer service and strengthen loyalty.

N – Target the New Emerging Markets

Emerging markets, while new to the travel and tourism industry, are a force to reckon with (*Tourism*

Intelligence International, Travel and Tourism's Top Ten Generating Markets, updated 2011).

- ▶ They are big and getting bigger and they are rich and getting richer.
- ▶ They are travelling farther and farther away from home and are engaging in the mainstream tourism product. More importantly they are forging a new tourism path of their own – influenced by culture, education and a hunger for status.
- ▶ They are thirsting for new cultural experiences while their predecessors hungered for the sun and the sea.
- ▶ They are travelling from the East to experience the cities and cultures of the West while the more experienced tourists travelled from the North to the South in search of the warmth of the sun.
- ▶ Their travel budget is generally small relative to many mainstream markets but it is growing.
- ▶ They are young and active and shop and go sightseeing.

Travellers from emerging markets are well educated and see travel as a status symbol. It is very easy to misjudge and underestimate them because of their differences. Although they are of a different culture and ethnicity, they ought not to be slighted in any way.

Many emerging markets have a completely different culture from the Western world. And while training is a good start, there is more that needs to be done. Travel businesses need to cater to the needs of these new travellers. While they are curious to find out more about the culture at the destinations they visit, one cannot expect to force the Western way of living on them while they are on holiday.

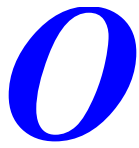
To attract the emerging travel markets there are a number of strategies that may be employed. These are as follows:

- ▶ Use of state-of-the-art technology is a must if you want to attract these new travellers.
- ▶ Marketing to this market must be different from the more traditional markets that are dominated by an aging population.

Treat them with respect



- ▶ Don't think that advertising sun, sand and sea as was done with European markets, will work for the Chinese and Indians for instance.



– Optimise Your Products and Service

Processes

Another important strategy that is needed to be able to be competitive in the context of the new paradigm is to improve processes continuously. It is not enough to bring a new idea or service to the marketplace. The delivery of the services and the processes by which they are produced are as important as bringing a new product or service to the marketplace. Success in the travel and tourism industry is no longer a matter of providing unlimited warranties and 'smile training'. The process of delivering services to final consumers has to be continuously improved.

It is critically important to give employees authority to fix and otherwise modify the process in the interest of the final consumers. The authority to act refers to the set of resources employees have access to and the decisions they are permitted to make. In most travel and tourism companies, this authority is reserved only for managers – especially the authority to spend money or otherwise make things happen. Organizations that empower workers make it clear that they are permitted to use their judgement to make, among other things, phone calls, credit amounts or send flowers in the fulfilment of expressed goals.



– Protect Your Environment and Your

Cultural Patrimony

The contributions of tourism to climate change come from the many and varied emissions of greenhouse gases associated with both the transport and hospitality industries. By far the largest of these contributions comes from transport and in particular the aviation industry. If left unchecked, the potential

impact from aviation on climate change in the future could be enormous, and could potentially cancel out all reductions in CO² emissions made in other industries.

As a consequence, travellers and destinations are becoming more demanding with suppliers to go green. Hoteliers are running after “Green” awards as a form of goodwill. Some, like *Banyan Tree*, are making the environment a core part of their business.

The issues relating to climate change are causing suppliers to rethink how and why they do business and this is a force that is creating what is called ‘new tourism’.

A perfect example that illustrates the antagonistic relationship between unrestrained tourism growth and the environment is the case of Costa Rica. Costa Rica had seen enough of the ‘Cancun model’ of large-scale hotel development and made a strategic decision to regulate and monitor tourism growth to ensure that development took place in a sustainable and responsible manner.

– Quality is Key

Disney also looks internally to meet guest expectations. The company identifies what it calls global and local service quality issues. Global measures include corporate issues like peak park attendance. Local issues deal with measures that are in the control of a group of cast members.

Cast members in local area groups talk about what are important things for them to measure about quality or service. They come up with measures, set benchmarks for those measures, and monitor them constantly. They make their own charts and graphs, and set their own goals around them.

Even though Disney cast members measure service quality levels, establish benchmarks and set goals, there is no Director or Vice President of

Quality at Disney. Instead of one quality director at Disney there are thousands of them; quality service is the responsibility of every cast member.

R – Responsible and Respectful Tourism

Many destinations are looking for answers and solutions to some the environmental challenges that they are faced with. The important lesson that destinations need to consider is that they should move beyond merely saving the environment and seek to provide meaningful opportunities to engage locals. Costa Rica discovered long ago that conservation for the sake of conservation did not prove to be economically or financially viable for the country and in particular, the local communities in close proximity to these protected areas.

There has been a fundamental shift in the way responsibility is seen and adopted by corporations. In the past, the focus was exclusively on shareholders. Now there is an attempt to address the needs of stakeholders – NGOs, government, locals, the environment, etc.

Social responsibility should be about dialogue, which should be done in a holistic way and seen as a necessity and not an add-on. Meaningful social responsibility seeks to balance the interests of the company with the interests of the various stakeholders – shareholders, employees, local communities, the government, suppliers and the environment.

S – Build Strategic Alliances

Strategic alliances refer to agreements made among companies that allow them to mutually benefit from co-operation through marketing, purchasing, jointly supplying markets and other areas. Such alliances abound in the travel and tourism industry.

Strategic alliances create synergies that direct joint production cannot. For instance, the travel and leisure industry is very diverse. Just about any combination of services (fast food, theme parks, real estate, portfolio management) appear to blend together. And technologies are already available to allow suppliers to jointly produce these services. However, the joint production of these services may not always be viable. This is exactly what the United Airlines managers found when they formed the Allegis Corporation and acquired the Hertz Corporation in the hope of creating an integrated travel company. Together with Westin Hotels, which they already owned, the idea of combining air transportation, car rentals and hotels seemed logical at the time. Nobody speaks of Allegis today without adding the word 'fiasco' to it. Similarly, how many of you remember that Hilton Hotel was part of the Pan Am Group.

A company will be best able to be competitive by building on the strengths they have already acquired. Firms should avoid ownership and management of activities in which they have no knowledge or experience. They should focus instead on developing synergies among related activities (even if these activities are owned and operated by other companies). They should invent creative ways of building information partnerships and strategic alliances.

T – Talent is Vital

The focus on offering high-touch services and cultivating a staff that can deliver high quality service will be a key source of competitive success in the new paradigm. The only asset that cannot be copied is the talent and quality of human resources.

For example, cruise lines are able to access talent from all over the world. The best chefs may come from Italy; the best comedians from the UK, the best Hotel Managers from Austria and Germany; the best barmen from Jamaica, the best waiters from the

Philippines; the best housekeepers from India; the best entertainers from the USA. This international access to the best talent in the world has been one of the hallmarks of success for the cruise industry.

As yet, there is no clear 'best practice' strategy widely adopted by travel and tourism suppliers in the management of its human resources. And while one can learn from Disney, Carnival and Marriott, old practices predominate.

U

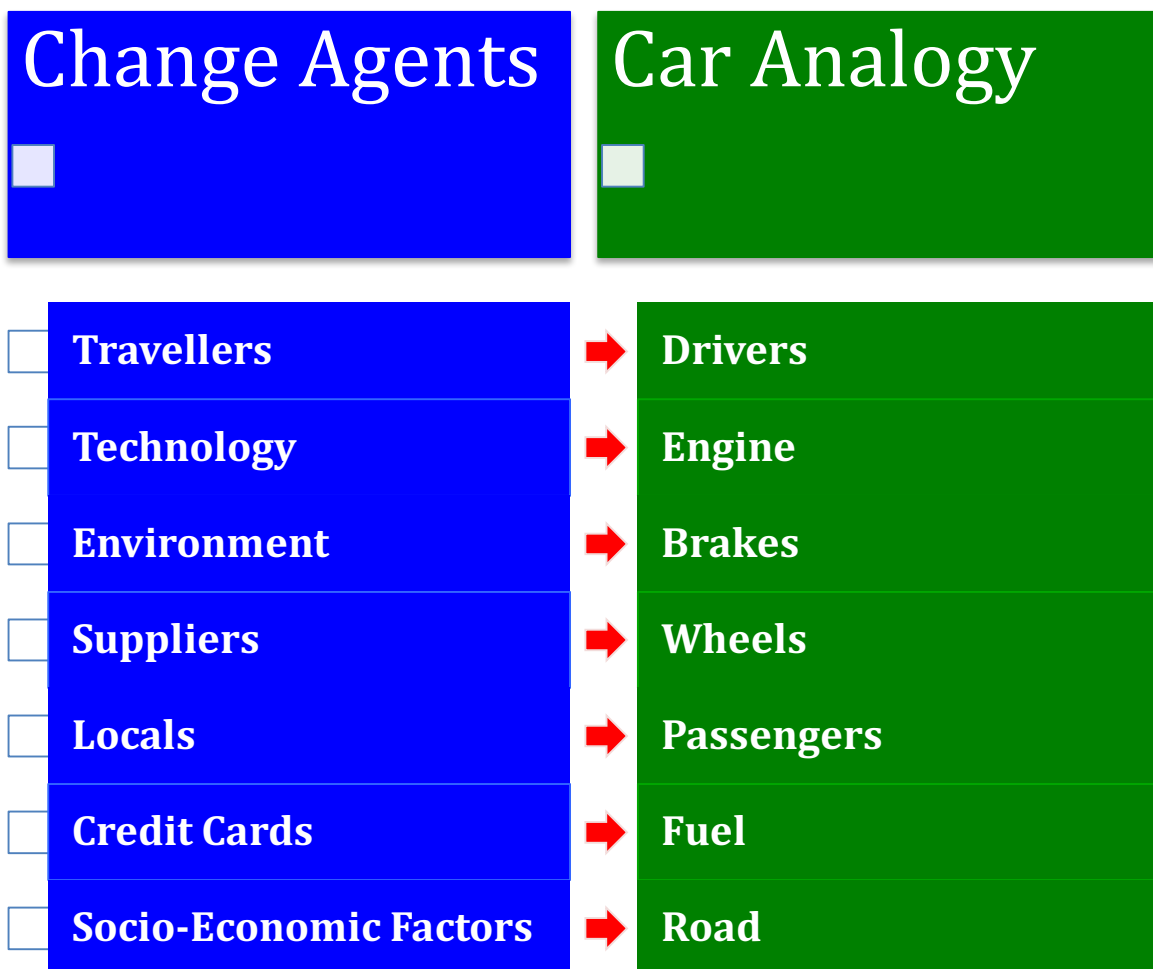
– Understand the Industry and its

Change Agents

It is critical for industry players to understand that travel and tourism is changing. What was good yesterday will not work today. However, not only is it important to be cognisant of the changes that are taking place, it is equally important to understand what factors are driving these changes.

In this new paradigm, travellers are in the driver's seat; the technology provides the engine that facilitates the changes; the environment is the breaks and places limits to growth; the suppliers are the wheels of change that will deliver new products, services and experiences; the credit cards are the fuel that allow the payment and transactions at the speed of light; and the frame conditions (WAR, financial crisis, Euro crisis, unemployment, recession, terrorism, etc.) are the road. What is for sure is that there will be a bumpy road ahead for travel and tourism sector. These elements that are causing and driving the paradigm shift are identified using the car analogy (see **Figure 11**).

FIGURE 11
THE TOURISM PARADIGM SHIFT – CAR ANALOGY



Source: Tourism Intelligence International, 2012

V

– Value for money is Critical

During economic crises (and the travel and tourism industry has seen many in the last decades), consumers become bargain hunters. Price is still an issue but value for money is an even greater concern.

V-tailing (retail driven by value for money) is the new buzz these days. People are cost conscious but they are quality-driven at the same time.

Cruise lines are mass customizers *par excellence*. They offer both large scale services (4,000+berths on a single ship) and tremendous flexibility – almost all services are offered on board from casino gaming, spa, wellness, all types of dining options, games, sports, fitness, duty-free shopping, entertainment and more. In addition, they literally offer a new destination every day with the full range of services, activities and options available at each destination.

Business travellers are also value conscious. With companies tightening their belts because of the aftermath of the global economic recession, the era of excessive spending by business travellers is gone. The new trend is convenience and value for money.

In addition, the Internet has been a major driving force of value consciousness. Access to information facilitates research and allows consumers to shop around and make a more informed decision.

But one of the major value consciousness forces is the Generation X travellers. Gen Xers understand that they will have to work hard to achieve what's important to them. They have lived through one of the worst economic recessions in recorded history (2008/2009). They are facing diminishing job opportunities and less family support. They will more than likely have only themselves to rely upon. This makes them a challenge to marketers. They will be less brand loyal and more value conscious.

W

– Website Development and

Optimisation

New Information Technologies, and specifically the Internet, are the key drivers of the paradigm shift on the supply side.

Key to understand about the technology is that:

- ▶ A whole system of technologies is being rapidly diffused;
- ▶ All players are users; and
- ▶ Consumers are also users.

Therefore, because of this widespread diffusion and that competitors and consumers are using the technology, to not get on the technology bandwagon is equated with death. For in today's competitive world, if you're not online, you're not on sale. Having an online presence is important because:

- ▶ You are always open for business;
- ▶ The competition does not sleep;
- ▶ Without the internet finding you is like searching for a needle in a haystack;
- ▶ It could become a missed opportunity;
- ▶ Brick and mortar business isn't the only way to conduct business; and
- ▶ You can reach the unreachable.

X

– Target Generation X

The Gen X target market comprises individuals between the ages of 20 – 35. They are better educated than some of the other groups and more ethnically diverse than their predecessors. Being individualistic, self-reliant, freedom-loving and culturally diverse, they will consider travel as a statement or a right to passage. They spend US \$125 million a year on eating

out, buying clothes, and taking vacations, according to the *CM Marketing Group*.

Because they are technology savvy they are easily reachable via the Internet. In addition, being better educated and having grown up in a declining economy, they seek value in their products. This will be a key selling point for the Gen Xers.

Y

– Do not Ignore the Young and the

Restless

It is key not to ignore the younger and more restless Generation Y and Z. They are the future of travel and tourism. However, effective travel and tourism campaigns must appeal to the specific attitudes and preferences of the young and restless generations Y and Z.

Consider that the younger generations:

- ▶ Are one of the travel industry's most demanding group of individuals;
- ▶ Are NOT homogenous and are made up of subgroups with varied tastes;
- ▶ Understand and value quality; and
- ▶ Are highly technology savvy.

Z

– Zig when they Zag

The case of the polarised industry draws out a very important point – you just cannot compete directly with the big guns! The big players are getting bigger, the medium and small enterprises are either being absorbed by bigger corporations, or are forced out of the industry altogether. OR, they become more focused and niched if they are to survive. Those that are become more focused and niche oriented are the ones that are winning. But remember that niche marketing is not what it used to be. We need to be surgically precise in targeting our niche markets – for

example vegetarian homosexuals with an interest in fine wines and architecture.

The problem that many companies have is that they are afraid to go where no one has gone before. They are afraid to zag when everyone else is zigging. In order to become a leader in today's highly competitive world you need to be engaging markets that no one else has targeted.

Summary and Conclusion

In conclusion, the travel and tourism industry is experiencing a long wave of unbroken changes – *Schumpeter's* creative gales of destruction. These gales of destruction cause us to eventually shift our thinking patterns regarding what is important for profitability, productivity, success and sustainability. It is this new thinking that is sewing the seeds of the Paradigm Shift.

CONSUMERS are drivers of the paradigm shift; TECHNOLOGY is the facilitator; the ENVIRONMENT constrains and limits growth; locals and destinations demand more responsible tourism practices; and the SOCIO-ECONOMIC CONDITIONS (War, Recession, Terrorism, Arab Spring, etc.), frame the industry's development.

The implications of the paradigm shift for industry players are examined. This report warns that this is not business as usual. Industry players need to INNOVATE; to reinvent themselves; to stay ahead of the game, for to lead is to win; they need to ENGAGE the technologies; LISTEN to their customers; CARE about their environment; TRAIN their teams; and ADOPT new best practices of customisation, diagonal integration, flexibility and market segmentation.

Within this paradigm shift, there will be Winners. And there will be Losers. What is for sure, is that this will not be 'business as usual'. Companies, destinations, products and services providers will need to reinvent themselves to stay competitive, or rather, to stay alive.

A paradigm shift IS taking place in travel and tourism

This will not be 'business as usual'

Implications for your Business

The world is no longer the way it used to be. Radical changes are taking place in travel and tourism – consumers, technology, the economy, the environment, politics, marketing, production and management practices. Now that the playing field has become more even; and consumers have greater power than ever before, a new set of rules of engagement are required.

What are the implications of this paradigm shift for your business? In what follows, six key implications are identified:

1. Get closer to your customers and you will win. Understand your customers, engage them, satisfy them and exceed their expectations! Customers are now in the driver's seat. And they are mature, experienced, demanding, hybrid and harder to understand and to please than ever before. Anticipate what your customers want and provide them with exactly what they want. Deliver more.
2. Engage the technology. Technology is all-pervasive and diffusing rapidly. All players are users. If you are not online, you are not on sale!
3. Reinvent your products and processes. Scale economies are necessary, but no longer sufficient. Look for scale AND scope economies from Diagonal Integration and Mass Customisation. Do not compete through over production and price-cutting. Compete with value, with innovation and with exceptional products, services and experiences.
4. Invest in Talent – invest in your internal customers, your employees. They are the only resource that your competitors cannot copy! And if you do not have the talent. Get it! Beg, buy, borrow, steal or import it!
5. Innovate – bring new products, services and experiences to the market. Even if you are not the first to innovate, copy your competitors, but do it better than them.

6. Care about your environment. Be responsible. This is already becoming “best practice”. Customers expect the products they engage will respect the environment and local peoples. Customers expect that their suppliers and developers to adopt responsible practices. Responsible practices are increasingly a given. It is like expecting that a hotel room will have a bed. And that is a given!

Care about your environment

What is to be Done?

A paradigm shift represents a radical transformation – a change in thinking. It brings with it ‘creative gales of destruction’. This often means that it is not ‘business as usual’. New rules of the game are a consequence. And new strategies are needed to drive competitive success.

Tourism Intelligence International presented the ‘new alphabet’ for competitive success in the Travel and Tourism industry.

Briefly stated these are:

- A – Develop Authentic Experiences
- B – You’ve Got to be Branded
- C – Content is Key
- D – Diagonally Integrate
- E – E-marketing is Essential
- F – Free Movement of Skill and Talent
- G – Green your Products and Processes
- H – Deliver High Tech and High Touch Services
- I – Innovate
- J – Join Social Networks
- K – Know Your Market
- L – Listen to Locals
- N – Target the New Markets
- O – Optimise products and service processes
- P – Protect your Environment and Cultural Patrimony
- Q – Quality is Key
- R – Responsible and Respectful Tourism
- S – Strategic Partnerships
- T – Talent is Key
- U – Understand the industry and its change agents
- V – Value for money is Critical

- W – Website development and optimisation
- X – Target Generation X
- Y – Do not Ignore the Young and the Restless
- Z – Zig when they Zag

Adopt these strategies, learn from those who failed and succeeded, and you will be sure to Win in this new Paradigm!