

FINDING SILVER LININGS AROUND DARK ECONOMIC CLOUDS

As the end of 1st Quarter approaches, members of the global Travel & Tourism community look ahead with a looming sense of fear. Fear and uncertainty. All of the predictions made from the world's leading Travel and Tourism associations, from the UNWTO to the WTTC, tell us of a challenging 2009 when it comes to industry growth and development. The global sector average growth rate of 6%+ is expected to slow dramatically as global travellers adjust their travel frequencies and fancies to more recession-responsive levels. The need and desire to travel will, for at least the next year, need to be carefully examined vis a vis the desire to meet other core financial responsibilities.

The question is not *if* the sector will be impacted, but *how much* and *for how long*?

For emerging tourism destinations within the Middle East and Asia which have enjoyed double-digit growth in recent past, growth which has fuelled national revenue and employment figures critical to step-change growth and development essential for nation building, the fear is that the implications of a decline in the industry will be wide and deep. All of the work done to align sector stakeholders, goals, investment, budgets and communication may be at risk.

For long established strong and secure destinations such as the Americas, Australia and Europe already seeing declines in the sector in 2007/8 as travellers begin to explore the rich variety of emerging, soft currency destinations which have opened their doors to travellers in the past few

years, further losses to the sector will weaken a critical pillar of these market' economic engineering.

Add on top of this the collapse of many currencies, airlines and travel companies in the last quarter of 2008 and one could be forgiven for feeling that the storm clouds brewing over the Travel and Tourism sector are only going to gain in darkness.

Will 2009 be a challenging year for the Travel and Tourism sector? Yes, as it will be for the majority of sectors, which make up the global economy. But does this mean that all of the growth, gains, awareness and appreciation of the sector will be lost in 2009, and maybe even beyond? No. At least not for those who fundamentally believe in the sector and its immense value to individuals, societies, economies and global ideologies.

The Travel and Tourism sector has evolved dramatically over the past decade. This evolution is not only in terms of numbers – arrivals, revenues, length of stay, dispersion, repeat visitation, all of the metrics which the industry uses to quantitatively measure performance – but also in its importance at three core levels:

1. ECONOMIC:

Travel and Tourism has become a phenomenal earner of revenues for destinations. In addition to the money, which travellers directly inject into the places to which they travel, the sector has proven its ability to be a powerful attractor of investment. These funds, be they FDI or other, are then able to be channeled towards the development of essential infrastructure needed by the destination for Tourism sector development, as well as general infrastructure which the people who call the destination 'home' can benefit from. Mass transport systems,

airports, ICT networks, safety and security services, sports and leisure facilities, hotels and attractions. All of these areas of destination engineering receive strong support from investments made to uplift and increase the competitiveness of the Travel and Tourism sector.

2. POLITICAL:

The Travel and Tourism sector has become a valuable driver of the strengthening of the focus, fabric and future advancement of nations. Governments across the globe have recognised the importance of the sector in the unification and development of both the economic and social dimensions of the nation. In defining the Travel and Tourism sector as a priority of the government of a destination, political leaders of the destination begin the process of shaping the identity and core objectives for growth.

3. SOCIAL:

Flowing directly from the above, the Travel and Tourism sector has proven to be invaluable in bringing together people of the destination around a shared national identity and invitation to the world, regardless of age, race, religion, profession, personality and political point of view. The low barriers of entry of the sector make it possible for all people of the destination to play a role in the sector and therefore the tourism community and economy. Be they artisans, architects, advertisers, travel agents or government advisors, everyone has a valuable part to play to ensure the destination truly works to deliver a unique, compelling and competitive tourism experience which will sustainably attract visitors for business or leisure travel purposes. And, importantly, as tourism experiences are delivered primarily through

SMEs (small and medium enterprises), the sector makes it possible for parts of society in emerging nations which were previously unable to join the workforce and make a contribution through their skills and initiative. As a result the sector empowers more and more citizens to play a meaningful, recognised role on national growth and upliftment.

4. PSYCHOLOGICAL:

Over the past decade, as the world has flattened and perspectives have broadened, travel has become a core psychological need for both individuals and companies alike. Travel is no longer about movement from logistical A to B. It is about social movement, economic movement, spiritual movement, the movement of cultures closer to one another. As an example, since the bamboo curtain has fallen billions of new capitalists have entered the global *“because I can”* community. Travel has become a vehicle for showing oneself, and others, *who I am*. And when it comes to business, it has become essential in breaking down barriers and out of date perceptions about *who we used to be*. In addition to playing a part in one's individual identity, travel has become a form of personal therapy – the opportunity to escape, experience, exhale...whatever the need may be in these increasingly stressful times.

For the above reasons, and many others, Travel and Tourism has emerged from being about holidays and conferences to being about connection and wellbeing. As a result, during challenging economic times, the Travel and Tourism is one of the sectors which acts as a thermometer of society's determination to endure and overcome current difficulties of today. and move forward to a stronger tomorrow. Societies are more resilient, more

creative, more connected and more committed to future prosperity than any other time in history.

There is no denying the crisis which is touching all parts of the globe. The situation is serious. Travel and Tourism is, however, as stated by the UNWTO one way to keep the wheels of the global economy turning in a way which not only fulfills personal wishes and wants, but also helps nations caught in the clutches of the economic crisis to break free. We must keep moving.

In the short-term there will definitely be changes to travel behaviour. As 2009 unfolds more and more travellers will be asking not *IF* they should travel, but *WHERE, WHEN* and *FOR HOW LONG*. These three questions unlock an array of opportunities for destinations competing for travellers in the year(s) ahead. Within these questions, around the clouds of these times, can be found the silver linings of the current economic crisis.

While we cannot be certain of exactly what the year ahead will hold, what we can say with a high degree of certainty is this:

- Travellers will continue to travel – *because they can*
- Soft-currency markets (ie new, emerging destinations of Eastern Europe, Asia, Latin America and Africa) will become more attractive than traditional, hard-currency destinations (ie Europe, USA)
- Taking several short breaks will win out over few long-haul holidays
- The quest for cheaper travel (airfare, hotels, packages) will increase the information search phase for travellers, making destination websites and promotional information vital

- LCCs (low cost carriers) will become more attractive compared to legacy carriers due to deep discounting. There will be a greater willingness to give up the seats at the points end of it means enjoying one's holiday more so on terra firma.
- VFR (Visiting Friends and relatives) travel will become increasingly popular as travellers look to eliminating costs of ie. Accommodation.
- CRM (customer relationship management) will become increasingly important. Names, birthdays, passions and profiles offer valuable opportunities for connecting with travellers and securing interest, preference (and maybe even loyalty and return)
- Competing on price will lose its edge and dilute Brand and experience equity. Making experiences richer through adding value will provide more short-terms fight and long-term equity than simply discounting.
- The domestic market matters. More and more travellers will opt for traveling locally (drive holidays / short flights) as opposed to more travel involving holidays. The invitation to enjoy all of the offerings of the destination must also be extended to the local/regional as well as core international source markets. Not only will it help to boost tourism numbers, it will flatten the seasobnality curve.
- Being environmentally responsible matters. And it makes good business sense. By actively finding ways to make reductions to wastage of critical natural resources – water, energy – tourism businesses will find ways of cutting costs and increasing Brand equity.

- Destination Brand differentiation is critical. Now more than ever core messaging and media partnerships are critical to communications standout and ROI.
- All tourism stakeholders in the destination are facing the same challenge. Align, collaborate and collective market the destination to increase consistency, continuity, competitiveness and clarity of offering.

The current economic crisis uniting the globe in challenge is also uniting the global tourism community in determination. Failure of the sector is not an option. The business models of all Travel and Tourism sectors across the globe will be tested in 2009.

Make a choice to end 2009 stronger. Use this time to reconnect with all that the destination has to offer, as a place, as a people and as an industry. Remind yourself and those around you in the industry why you fundamentally believe in Travel and Tourism... and why there is every reason to believe in a long-term, rich future of the sector.

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