



## Travel Market Trends and Predictions 2004

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This article collects our thoughts about new trends in the travel industry and tourism markets, especially with regard to sustainable tourism. This is not meant to be an exhaustive list, and is quite general. These trends are included as an overview, a synthesis of our readings and experience, and should not be taken as results of our formal research. They are based in part upon the research results of other organizations. We plan to update and refine these thoughts throughout the year. If you have comments or questions, or you are interested in Leave Home's travel marketing consulting services, please visit [www.Leave-Home.com](http://www.Leave-Home.com) or contact the author directly.

### OVERVIEW

Leave Home sees significant realignments in tourism decision patterns and roles within the industry, as a result of global economic, political, and social changes and the impact of new communications technologies. As in some other sectors of society, these technologies appear to be encourage a greater decentralization of distribution, greater individual access to choice and information, and a realignment of roles for tourism intermediaries. We recognize major opportunities for tourism industry participants who provide value as "experts", respond to demand for individualized service, fulfill higher level needs and aspirations of tourists ("fulfillment", "self-actualization", "individuality"), and remain flexible and responsive to change. We find sustainable tourism projects and products especially well poised to take advantage of these changes, to provide unique value to tourists, and to spread the benefits of responsible tourism to new areas and a wider segment of the host populations.

### TOURISM, GLOBAL SECURITY AND THE ECONOMIC PICTURE

Overall, tourism expenditures and international arrivals began recovering in the last half of 2003 and appear to be continuing this trend in 2004. The World Tourism Organization (WTO) organized a panel of 180 tourism experts, whose survey results about the promise of 2004 in terms of tourism industry recovery are markedly optimistic. Continued global instability should give caution to long-term prognostication, however.

The WTO reported a 2% drop in worldwide international tourism receipts (in inflation-adjusted, weighted local currencies) in 2003. Major factors in this decline were the continuing results of the September 11, 2001 attacks in the USA, the Asian SARS outbreak, the Bali bombing, the war in Iraq, and global economic recession. Northeast Asia, Southeast Asia, and Oceania fared the worst, with North America, Africa, and Europe also showing losses. The Carribean, Central and South America, and the Middle East (!), showed gains during 2003.

These findings are included in the WTO's second trimester 2004 Barometer publication (An excerpt is freely available from their website at <http://www.world-tourism.org/facts/wtb.html>. The full first trimester edition is available for free download, as well).

Security and economic concerns are still significant factors affecting travel decisions; globally and across demographic sectors. Continued currency value realignment (particularly the reduced value of the US dollar against the Euro) will continue to shape consumer and industry spending decisions. Tourists, overall, are not curtailing their travel, so much as spending less (tourism receipts have decreased more than have the number of international arrivals), and staying closer to home. This has led to an increase in regional and local tourism. Regional budget airline growth is also fueling this trend (The continued viability of their business models remains to be seen, however).

Major new outbound markets are developing in China, India, Russia and other ex-Soviet countries, and to a lesser extent, the Middle East, as a result of economic and social changes in these countries. The Asian markets among these are tending to produce mostly regional travel demand, which should help Asian tourism rebound from losses in previous years.

## **NEW PRESSURES AND NEW ROLES**

The global security and economic situation remains volatile, and rapid technological innovation looks to remain the norm. Wider availability of new communications technologies will change tourism markets in ways we have not yet imagined. Flexibility, diversification, and decentralization seem certain to become more important for the survival and success of tourism organizations and tourism-based economies.

Internet travel purchases (now the largest amount of all online purchases) and airline competition have led to a downward pressure on prices and slimmer profit margins for tour operators, travel agents, and throughout much of the industry; in general, leading to necessary realignments within the industry.

More competing tourism products, decreased customer loyalty, and increases in last-minute booking present challenges to tourism organizations. They will need to work harder to differentiate their products and services, help tourists sort through the "information clutter", engender trust and loyalty, and maintain stable revenue flows.

Smart marketers appear capable of countering the above trends and displacing price's centrality in purchase decisions for some types of travel products. More sophisticated uses of these new communication technologies, such as Internet-enabled customer relationship management tools and email marketing campaigns, would allow for more selective marketing and distribution strategies to attract highly desirable tourists.

Internet and other new communications tools are displacing some tourism intermediaries and redefining the roles of others. Tourism product suppliers are less reliant on traditional distribution intermediaries, and consumers are more willing to make their own travel arrangements. The WTO notes that the current emphasis on regional travel is also producing

less group travel and more individual travel (people feel more confident to make their own arrangements, when the destinations are more familiar).

Trust is more than ever a central concern for travel purchasers. By nature, the product cannot be tried before purchase, and businesses on the Web must still overcome a healthy skepticism about the trustworthiness of the companies and offers they discover online. Speedy decision-making is also important, as the most frequent travelers are often also the most pressed for time; particularly as the number of competing tourism choices threatens to overwhelm their ability to choose.

There is an important opportunity for "experts" to support decision-making about tourism purchases. Agents and intermediaries which add real value with their specialist expertise and personal service will remain relevant and successfully navigate the shifting roles in travel distribution.

## **NEW DEMAND AND OPPORTUNITIES FOR SUSTAINABLE TOURISM**

Even the smallest operators, like community-based tourism groups, can generate their own demand. Where distributors remain necessary, they can negotiate distribution from a position of greater strength, and reduce price pressure on their tourism products.

While price pressures and competition have characterized most parts of the industry, there has been sustained or increased demand for luxury accommodations, tours, and other travel packages. The trends are not mutually exclusive within one set of purchase decisions: "Luxury travelers" may choose budget transportation, expensive accommodations, and adventure tours (which might previously have been seen as incongruous choices). More consumer access to information, better product customization, and more attention to demand-led marketing are both revealing and producing more complex travel purchase habits. The "package holiday" approach to tourism products may be on its way out. An increase (2-3% from 1993-2003) in tour customizations may be related to this trend toward individualization.

Active travelers have not been deterred by security concerns, but have also traveled more regionally. Self-identified "active travelers" intend to increase travel expenditures over the next few years. According to the World Tourism Organization, "active travelers" rate available activities higher than destination in terms of importance to their purchase decisions.

Eco-tourism, nature tourism, hard adventure, soft adventure, sports tourism, and health tourism count among the top growth sectors. For example, the World Tourism Organization estimates that the market for nature tourism is increasing at 6 times the rate of tourism overall.

There appears to be evidence for a "self-actualization" dividend (if not a "green dividend") for tourism sales. There are signs of increasing interest in travel for reasons of personal growth, assertion of individuality, human connection, and "authentic experience", among segments of major outbound markets. These segments overlap markets for "luxury experience" and new, "exotic", "individual" consumer goods. These travelers appear more flexible about price ("price elastic"), when they can be convinced that an experience offers significant additional value (in terms of the interests listed above).

These consumer and lifestyle groups have been called "Cultural Creatives" in the USA; "New Authentics", "Style-Lifers" and "Neo-consumers" in Europe (the groups and findings represented by these terms are not totally interchangeable, but appear to overlap more than not on characteristics important to tourism decisions). As an example of these groups' significance: the original research done about "Cultural Creatives" showed they represent 25% of the adult U.S. population at the time of the study<sup>o™</sup>the polling group American Lives estimates that they amount to 50 million people including both the U.S.A. and Europe. Find links to the defining marketing studies in the Resources section at [www.Leave-Home.com](http://www.Leave-Home.com).

The desirability of market segments which use travel consciously as a means of personal growth and a defining "lifestyle accessory" will lead to increased use of "lifestyle marketing" through partnerships with producers of psychologically-associated products and related organizations. These tourists require different marketing approaches; they appear not to respond well to direct marketing, for example; are avid media consumers; and tend to require corroboration of information from a trusted authority or personal acquaintance.

Sustainable tourism products are poised to take advantage of the preceding trends, as lifestyle products in line with the demand for organic foods, Fair Trade products, and "natural health-care", all "luxury," "individual", and "authentic" products, of demonstrated appeal to people in these "new lifestyle" groups.

Sustainability is of increasing concern to tourism organizations of all sectors. The effort at "greening" tourism is now the focus of hundreds of initiatives and conferences, as well as certification efforts, worldwide. Many of the largest institutional donors have recognized its validity and value as an approach and a goal, and include sustainability as a central criterion in their development packages<sup>o™</sup>and major donors are increasingly turning to tourism development to achieve overall development goals.

Sustainability will increase in importance as a central part of donor organizations' project goals, project recommendations, and donation criteria. Economic viability, as a component of sustainability and project value, will be of increasing concern to the donors. (The eco-tourism portal Planeta.com hosted an online conference on eco-tourism financing in 2002. A summary is available on their site)

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Leave Home Productions provides marketing services and tools to tourism-related businesses and organizations. Our clients benefit from strategies, tools, and creative concepts developed to clarify their needs, make use of their resources, and help them achieve their goals. We specialize in promotions, online communication, distribution and the creation of multimedia and Internet tools. Leave Home also supports marketing with traditional media formats and personal communication. We work to develop solutions that support healthy growth for our clients' business and sustainable tourism for the host communities and environments.

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