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

Mini Market Intelligence Brief

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. This report is the Mini Market Brief version of the full report.

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Tourism Intelligence International:
#8 Dove Dr, P.O. Box 6154,
Pax Vale,
Upper Santa Cruz,
TRINIDAD, West Indies

Tel: (868) 676 6165
Fax: (868) 676 6093

E-mail: apoon@tourism-intelligence.com
E-mail: info@tourism-intelligence.com

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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.

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The Paradigm Shift in Travel and Tourism – Win or Die

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

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 (standardized and rigidly-packaged forms of tourism), with its eternal path of destruction, will continue to be ‘the only’ or ‘the best’ way of doing business in travel and tourism. There is a movement towards a more individual, flexible, customised and caring tourism.

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.

In this new travel and tourism paradigm, winning does not just mean surviving; it means leading in a new and profoundly changed industry and understanding the new rules of the game.

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

Example of a Paradigm Shift

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

Paradigm Shift in Travel & Tourism

To Lead is to Win

There are key similarities between mass tourism and ‘Fordist’ mass production
MASS PRODUCTION OF CARS AND TOURISM COMPARED

Consumers are Driving the New Paradigm

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.

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 this new paradigm.
Within this new paradigm of individual, flexible, customised and caring tourism, consumers are definitely in the driver’s seat. 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 AFORDABLE.

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.

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.

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** shifts – 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. 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.
‘OLD’ AND ‘NEW’ TRAVELLERS COMPARED

OLD TRAVELLERS

Old Travellers

- Group
- Search for sun
- Here today, gone tomorrow
- Having
- Precautious
- Dine in
- Homogenous
- Taking Photos
- Pinnacle of Vanity
- Inexperienced
- Limited knowledge and information

NEW TRAVELLERS

New Travellers

- Individual
- Experience nature
- See and enjoy but do not destroy
- Being
- Adventurous
- Try local cuisine
- Hybrid
- Taking Part
- Respect for Nature
- Experienced
- Knowledgable with unlimited information
New Rules of 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 an 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 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.

The Internet is dominant

Technology is Facilitating Change
What does the Future hold?

Despite the many ‘lemons’ being thrown at the industry, travel and tourism continues to be resilient. The sector will continue to grow and demand for 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! There are fundamental underlying structural shifts that the sheer numbers do not show.

Consider 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.

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 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.

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!

The New Alphabet of Competitive Success

A paradigm shift represents a radical transformation – a change in thinking. This often means that it is not ‘business as usual’. New strategies are needed to drive competitiveness. These new strategies 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
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Tourism Intelligence International:
#8 Dove Dr, P.O. Box 6154,
Pax Vale,
Upper Santa Cruz,
TRINIDAD, West Indies

Tel: +1 (868) 676 6165
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Tel.: 49-521-163-883  •  Fax: 49-521-163-884  •  Email: apon@tourism-intelligence.com or bmorris@tourism-intelligence.com

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