



TOURISM TRENDS FOR EUROPE

EUROPEAN TRAVEL COMMISSION

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World tourism has undergone significant changes during the last few years. European tourism is increasingly influenced by major global trends, or 'megatrends'. This review of megatrends is the update of the report *'Megatrends of Tourism in Europe to the Year 2005 and Beyond'* analysing the external factors that could affect tourism and tourism enterprises over the next five to ten years. The objective of this document is to make the reader think about the future and the effects of external changes upon the tourism sector - it is not a forecast of business volume or market trends.

This edition of *'Tourism Trends for Europe'* has been produced by the **European Travel Commission (ETC)** following discussions with its members - the National Tourism Organisations (NTOs) of Europe - and with advice from the **European Travel & Tourism Action Group (ETAG)**, whose members comprise international and European organisations representing the key tourism sectors.

The review is presented in three parts.

- I. An analysis of tourism's global external environment: the economic, political, social and environmental trends.
- II. An examination of the trends likely to influence tourism demand through changes in lifestyles and consumption patterns.
- III. A discussion of changes directly influencing the operation of the tourism industry, such as marketing trends, transport and information technology.

No attempt is made here to rank the trends in order of importance, since the relevance of each trend will vary considerably according to the specific market and products involved. It is left to the reader to assess which trends are most relevant to their situation.

A list of sources and references can be found at the end of this document.

I. THE EXTERNAL ENVIRONMENT OF TOURISM

DEMOGRAPHICS

In Europe **older age groups** will continue to grow in size in the short to medium term. Older people will continue to be healthier and benefit from early retirement schemes and well-financed pensions. However, in the longer term there is likely to be a decline in the value of pensions and a rise in retirement ages as

governments struggle to fund earlier generous pension arrangements.

For example, a recent UK government report on the future of pensions proposed increasing the state pension age for men and women to 66 by 2030, to 67 by 2040, and to 68 by 2050. Germany - which has not increased pensions for years - has considered raising the official retirement age to 67. In France, the number of years that employees have to contribute to receive a full state pension was increased in 2003, although the legal minimum age for retirement is still 60.

However, the **age of retirement** will not only be affected by state pension entitlements, but also by the attractiveness of retirement itself. In the US, MIT (Massachusetts Institute of Technology) economist Dora Costa argues that retirement has become a social norm for Americans and that mass tourism, the growth of affordable retirement communities and the reduced cost of transport and communication with family have all enhanced the appeal of retirement. "Provided that retirement continues to be attractive and that income levels do not fall dramatically (and permanently), the trend toward early retirement is unlikely to reverse." People are also likely to become more active in their retirement as life expectancy and health improve, and the 50s and 60s, rather than the 40s, come to be perceived as middle age.

Although older people will continue to be important in numerical terms, the **youth market**, which accounts for over 20% of global tourism, should not be forgotten. Rising incomes among the young, the growth of single-person households and new social structures which favour extended social and professional networks are all leading to more travel among the 16-35 age group. This market will also be very strong in the emerging non-European source markets, where young people account for a greater proportion of the population, and where income levels are rising relatively fast.

Not only are there more single-person households, but family structure has changed too, moving away from the traditional two parents and two children. Thanks to globalisation ('global village'), many families have moved from their original home to other countries - a development which especially affects the levels of VFR (visits to friends & relatives) movement.

In **emerging incoming markets** such as China, India and Russia, short-term growth is likely to come initially from the older segments of these markets, whilst in the longer term, as the economies improve, it will be the younger segments that grow.

For example China's one-child policy has created an imbalance between older and younger generations in the same way that the 'baby boomer' generation has in Japan. Currently only 1% of China's 200 million 'baby boomers' have a reasonable amount of disposable income. India has the youngest market.

Consequences for the tourism sector:

- There is likely to be an **increasing division** between **time-rich** and **money-rich** markets for tourism. Those currently retiring on good pensions generally have no time constraints on their ability to travel - a fact which creates more opportunities for the development of off-season products. But for many of working age, the growing shortage of leisure time means that they are increasingly willing to spend money in order to save time. This is creating a growing demand for special services and more convenience in shopping and purchasing services.
- Globally, **leisure time** appears to be growing, but for key groups, particularly the wealthy, it is becoming more pressured. While seniors have more leisure time, working people have less.
- In Europe, pressures on leisure time are likely to lead to **more but shorter trips**. There will be a greater requirement for more products and experiences, cultural events and attractions. Short breaks will be taken more frequently throughout the year, particularly in the European market. This opens up opportunities for developing low-season festivals and events.
- A recent report indicated that, in 2005, nearly half of Americans suffered from "**time poverty**" - a generalised sense of not having enough time to do what they want, when they want. In travel, they report people's desire to simplify their lives by buying all-inclusive events. The 'time-poor' consumer generally wants to pay one inclusive price for transport, food, accommodation and visits to attractions. They want to buy bundled components because it simplifies transactions and makes travel planning easier. However, this is not the same for all markets: in some, flexibility and 'do-it-yourself' packaging is required.
- Yet at the same time, time poverty prompts many people to **save up time** to spend later. There is a growing trend towards 'sabbatical' holidays, which can become 'trips of a lifetime'. Such trips often feature personal challenge or self-development, including long-distance walking or cycling, taking cookery or painting classes and visiting remote long-haul destinations. The lack of time for creative development in many peoples' lives will lead to an increase in 'creative tourism', with tourists developing their

creative skills on holiday, and destinations vying to improve their creative offer.

- The **ageing population** and an increasing **concern for health** are likely to drive a growth in demand for health tourism products and spa services. There should also be growing interest in cultural tourism and specially designed programmes for the older traveller.
- On the other hand, the **'youth' market** will seek more **active holiday products** - particularly various forms of **'adventure' tourism**.
- These general trends are, in turn, likely to lead to increasing demand for **independent holidays**, with a relative fall in demand for traditional package holidays. Individualised **luxury destinations** are also likely to develop further.

ENVIRONMENTAL ISSUES

Climate change is one of the biggest long-term issues facing the tourist industry, and it could lead to the loss of many destinations whose appeal depends on their natural environment. Many low-lying coastal regions are at risk from rising sea levels - as is already evident in the case of Venice.

In recent decades, there have been indications that rainfall has generally increased in the north of Europe, but has decreased in the south. The warming is clearly noticeable in the widespread retreat of glaciers in mountain regions and the increased incidence of forest fires in southern Europe. In northern Europe short breaks may be taken over a longer season as temperatures rise. There is little doubt that the climate is changing and is likely to continue to do so for some time to come, but the impact of this geographically is still to be confirmed in any detail.

Environmental and social responsibility will be promoted by certain governments and media.

Consequences for the tourism sector:

- Local service providers and tour operators will have to carry out **assessments** of the threat to their businesses from environmental changes. They will also need to develop **crisis management and crisis recovery systems**. Failure to do so will leave them exposed to the risk of

incurring significant losses.

- **Changes in tourism flows**, increases in trips outside the summer season, and growing popularity of summer destinations during the traditional winter period can be anticipated.
- The **cost of maintaining** basic 'natural' resources for tourism, such as beaches and other coastal amenities, lakes and rivers and winter sports areas, will increase. In major mountain resorts, for example, there will be an increased need for artificial snow, also resulting in the possible disappearance of marginal skiing areas.
- As governments seek to limit greenhouse gas emissions, there is a growing likelihood of **climate and emission taxes** being imposed, which will in turn increase the prices of transport and accommodation. Tourism suppliers are gradually becoming aware of their environmental responsibilities as governments introduce new legislation to support sustainable development.
- The growing awareness of the finite nature of most **natural products** - and the need to conserve them - will place a premium on the remaining 'unspoilt' destinations.
- The rising demand for **'eco-tourism' and nature-based holidays** will increase the number and sophistication of products on this market.
- The provision of more **information on product sustainability** by suppliers will help to increase tourists' environmental awareness. The mass market may be influenced by images of sustainable services and products in promotions.
- Marketing activity will need to **promote product sustainability** as an aspect of customer re-assurance.

MACROECONOMIC TRENDS

There is projected **real growth in global per capita income** of over 2% per year between now and 2010. The winners are likely to be in East Asia and the West; the losers will be in Africa and the Middle East. The growth of the **BRIC economies** (Brazil, Russia, India and China) will see these overtaking Europe in terms of volume, although per capita incomes will remain low.

As the effects of globalisation become more wide-spread, there will be an increase in 'regional-lateralism' – the strengthening of regions and renegotiation of political-economic relations between them.

There will be more **global trade in consumer goods and services**, which raises the prospect of growing homogeneity of cultures and values. Services, including tourism, will become more important in the world economy (contribution to GDP, employment and investments etc.).

Consequences for the tourism sector:

- There will be a **more competitive global environment** with tourists looking for more economical travel experiences. Consumers will increasingly be able to find cheap products over the internet, and companies will be able to trade more freely across international borders.
- Rising economies will create **new tourism destinations**, often seeking to use tourism promotion to strengthen their identities for political and economic purposes. At the same time, these strengthening economies will also create new tourism source markets.
- There is a need for **Europe to strengthen its destination marketing** and make it more cohesive. It will also have to develop new tourism products, or re-present traditional products specifically aimed at the emerging source markets.
- **Younger people's** values and travel expectations will be influenced by the **growth in globalisation**. Central to satisfying these expectations will be the need to ensure that the information and accommodation provided are of the right quality and are accessible through all the latest internet / communication channels.
- **Globalisation** will strengthen the role of the '**global nomads**' or those who have set up home and live in different countries from those in which they were born. This, in turn, will stimulate VFR travel. Temporary migrants, such as international students, will have the same effect. OECD figures show that Europe already hosts 600,000 foreign students, and these numbers are growing at 5% a year.

- **Growing mobility** will affect **tourism labour markets**, as a higher proportion of jobs are filled by foreign labour. In the short term this will help to ease the tight tourism labour market in key destinations, but in the long term it will pose problems for the cultural 'authenticity' of the services provided.

POLITICAL FACTORS

Governments will need to **increase taxes** to meet social demands and pay for health, education, pensions and other services. The alternative - cutting back on these services - would diminish the levels of disposable income for tourism.

Increased **security, health and immigration concerns** will lead to increasing government controls on travel.

There will also be **political factors** related specifically to the EU itself. For example, there are already concerns about **cross-border sales** on the internet and the implications these have for consumer protection.

The **EU Services Directive** will change the way in which EU businesses operate, as borders effectively cease to exist. The concept of 'national' products will be increasingly irrelevant, and suppliers will need to find new ways of tying themselves in to local markets.

Consequences for the tourism sector:

- There is a growing need for governments to co-ordinate **up-to-date travel advisory notices** and **security and safety information** whilst also leading on the drawing up of **crisis recovery** disciplines and follow-through action.
- The **image of destination countries** is increasingly likely to be linked to security and health issues. The number of tourists in long-haul markets who are required to apply for visas will grow.
- Raising **retirement age levels** will slow the growth of travel by seniors.
- There will be an increasing **need for branding** in order to identify international operators that can be trusted.
- There is likely to be further **consolidation of internet offers**.

CULTURE

The **definition of 'culture'** is expanding all the time, thanks to an increased recognition that 'popular' culture, such as films, music and even sport can also be seen as expressions of culture. The recent ETC / UNWTO / ECT report on 'City Tourism & Culture' (2005) uses the ATLAS definition of cultural tourism.

'The movement of persons to cultural attractions away from their normal place of residence, with the intention to gather new information and experiences to satisfy their cultural needs'.

(ATLAS is the Association for Tourism & Leisure Education, a network of universities with research and education interests in tourism and leisure.)

Cultural tourism is growing in Europe, but there is little evidence to suggest that the festival market is expanding through increased interest in culture among existing consumers. The major driver of increased consumption is likely to be rising education levels. This suggests that new consumers will come from areas where education and personal wealth are improving, such as Central and Eastern Europe and Asia.

Cultural tourism motivations are shifting slowly towards a more general interest in culture, rather than very specific cultural goals. This suggests a need to combine cultural, leisure and entertainment products in the future.

SAFETY & SECURITY

There is a **growing feeling of insecurity**, fuelled by terrorist attacks targeting tourists and tourist destinations. This perception of danger is heightened by increased media coverage, and safety concerns in tourists' home regions. Natural disasters also seem to be becoming increasingly frequent.

In both cases, however, **consumer attention spans** are becoming relatively short, and there is a certain resignation towards the inevitability of disasters at home and abroad. Empirical evidence from the Netherlands indicates that downturns due to major terrorist or natural incidents last only 3 months.

Consequences for the tourism sector:

- There is a need for **co-ordination of information** on the impact of disasters and the creation of mechanisms for swift recovery.
- There is a need for **flexible planning** to cope with possible reductions in tourism flows.

II. CONSUMER TRENDS

TRAVEL EXPERIENCE

As people travel more, they also become more aware of the culture and environment of the places they travel to, and they reflect more on their own experience and lifestyle. As tourism develops, so there seems to be a shift away from purely **external travel determinants** (such as demography and climate) towards **internal determinants**, such as the desire for self-development and creative expression. As travel experiences become richer, so travel experiences feed the desire for more travel. People are therefore becoming career travellers, demanding an endless flow of new experiences, and looking for deeper experiences within the communities they visit.

This is also changing **the relationship between host and guest**. People are seeking genuine experiences rather than staged ones. Tourists try and achieve 'deeper' and more 'meaningful' experiences by changing their role – engaging in 'volunteer tourism' or 'creative tourism'.

The more people travel, the more cultural respect, tolerance and understanding of cultural differences there should be.

Consequences for the tourism sector:

- **Experienced travellers** are well versed in the organisational aspects of their trips and the reservation / booking systems that service them. And they will demand **higher quality experiences** and service at all levels of expenditure.
- With fewer **repeat visitors**, it may be difficult for some destinations to **build loyalty**. Furthermore some destinations may find it increasingly hard to spread tourism to new areas and combat seasonality if they have not got a **core market of repeat visitors** to build on.

- Some tourists may want to get rid of their **"tourist" label**. Local communities can cater for this in their promotional activities.
- Development and increase in **'volunteer' tourism**, particularly through professionalisation of supply.

LIFESTYLE

Travel will be stimulated by the increasing **discontentment** of the **liberated individual**, who will always think that life is better elsewhere. However, this search for a better life is likely to be frustrated by the erosion of the **uniqueness of places** – the level of difference to be found whilst travelling is diminishing.

For many people, travel is no longer a luxury and has become an **accepted part of life**. This means that last-minute decision-making, especially for short trips, will become more prevalent.

The freedom to travel will be extended by the **trend towards older parenting** and the **growth in single-person households**. This trend is already pushing the upper age limit of the 'youth' market from 30 towards 35.

Neotribes, or new common-interest groupings and communities, are increasingly becoming the main resource for orientation knowledge, entertainment and safety.

As **medical services** get more expensive in Europe, so Europeans will travel to Asia and other more reasonably priced destinations for a wide range of medical services. Equally, the highly developed medical services available in Europe represent an opportunity to develop **incoming medical tourism** in specific niche markets. There will also be a **growing intra-European medical tourism market** as a result of longer waiting lists and insurance companies looking to cut costs.

Demand for **well-being, health & fitness and stress management products** is growing in the developed economies. However, competition is also growing in some areas of Europe as private capital is injected into the upgrading of old style health and spa facilities.

Consequences for the tourism sector:

- Need to **develop more niche products** and to cater for those tourists who are indulging their

greater freedom to travel.

- There may be **less demand** in some markets because travel will lose its 'cachet'.
- In the **search for different experiences**, consumers will increasingly look for deepening experiential value and more intense experiences. One consequence of this is likely to be growing demand for **'safe danger'** (for example adventure travel and thrill experiences) or the development of new destination regions which offer a **'controlled edge'**, such as diverse inner city neighbourhoods.
- On the other hand, there will also be increasing demand for **spiritual products** based on inner experiences. Concern with spiritual health will link into the current boom in **health and spa products**, and new markets are also likely to emerge. Health products will also increasingly be added to other tourism and leisure products and accommodation operations will develop more **combined products** in the areas of health and creative tourism.

III. TRAVEL PRODUCTS & MARKETING

TRENDS IN MARKETING

Consumers are **seeking advice** from other consumers through the internet (e.g. blogs) and **'skilled consumers'** are increasingly likely to know more about niche products than many travel professionals.

There will be **growing investment in internet strategies for promotion** and in **new research techniques**. Although a large percentage of promotional budgets is still spent on conventional advertising, PR and traditional marketing techniques are slowly becoming less relevant, whilst branding is growing in importance.

Public / private partnerships are becoming more important in tourism marketing as governments seek to increase both stakeholder involvement and marketing budgets.

Consequences for the tourism sector:

- The **internet** will drive the next generation of **travel / tourism product distribution methods**. At present, take-up in the tourism sector appears slow, as shown in a recent UNWTO survey which indicated that only 3% of NTO marketing budgets are spent on internet advertising. The internet is still seen as a source of 'free' advertising, rather than as a medium which has to be used creatively and strategically in a competitive environment.
- Because the internet is a '**pull**' medium, it will become increasingly important to know more about the **motivations and interests of consumer segments** in order to draw attention to information posted on it. This places greater importance on **segmentation and positioning**.
- Equally, it will become more important to identify and exploit the **unique selling propositions (USPs)** of products. As consumers become more orientated towards experiences and their symbolic value, these USPs will also need to be expanded into the realms of **unique experiential selling propositions (UESPs)** and **unique symbolic selling propositions (USSPs)**.
- Marketing messages based on **experiences and feelings** will have a greater importance in travel decisions – what can you do at the destination and what will the personal benefits be? More focused **tailor-made and personalised products** will be generated.
- **Smaller consumer travel budgets** in some sectors of the population will require new initiatives in developing '**budget**' travel products, and a need for '**trusted**' brands.
- There will be **new roles for travel agents and tour operators** in the way in which they 'add value' to basic travel and accommodation products through their customer services.

INFORMATION TECHNOLOGY & COMMUNICATIONS

The **internet** is now regarded as a universal communication and marketing tool, but there are still technological advances to be made in the areas of **mobile phones and digital TV**, and these will enlarge the market. It will become increasingly cheap and easy to

contact relatives and friends whilst travelling.

The consumer will assume more and more **control** with greater ability to compare prices and the products. **Richer product information** will be available through different media, and consumers will be able to select accommodation by GDS and view facilities on video in real time.

New electronic payment systems will be developed, secure credit cards, e-purses, etc. These will make it easier to transfer money and overcome concerns about excessive transfer charges, exchange rates, and the security of moving money online.

Consequences for the tourism sector:

- The **growth of cheaper worldwide communications**, coupled with the availability of **in-expensive transport**, will increase travel and tourism volumes rapidly.
- The internet may develop as a tool for individuals to **connect with other communities** in a **viral context**; charismatic personalities may emerge from websites.
- In recent years, there has been a significant growth in the use of the internet to find information about **cultural products** and to book **cultural tourism**. This growth is likely to continue in future, particularly in combination with transport products offered over the internet. However, consumers are also increasingly likely to be using the Internet to search for **events and activities** after their arrival at the destination, rather than just using it as a source of pre-travel information. This may also generate more rapid reaction to adverse events as well as marketing messages.
- **New search and mapping services** will increase pre-visit knowledge and expectations. GPS (Global Positioning Systems) and other new technologies will allow suppliers to track tourists' movements in the destination in real time, monitor the effects of promotional activities and identify nascent consumption trends.

TRANSPORT

The **car** remains the **primary means of travel** for tourists – travel by car in industrial countries accounts for more than 70% of all tourism journeys. The cultural necessity for car transport that has developed in most countries means that consumers and oil companies will search for alternative fuels in the face of rising oil prices, with the result that car travel will continue to dominate in the medium and long term as well.

For **coach travel** the main problem will be pressure on parking and access to city centres. Cheap air travel prices could also influence coach travel negatively.

For **air travel** there will be continuing amalgamations between long-haul carriers, whilst low-fare operators will continue to seek more secondary destinations. The increasing costs of fuel, security and airport charges may eventually slow the pace of growth.

As for **rail travel**, government investment in new high-speed lines will eventually bring lower prices, improving services and increasing speed.

In the **cruise market**, growing demand is being met by new and ever larger ships, but there is a lack of cruise terminals, particularly in the Mediterranean. This is likely to lead to the development of more terminals as destinations strive to capitalise on market growth. As in most tourism markets, however, they will forget to take account of increasing supply, leading to lower prices for cruise operators and diminishing returns for cruise ports.

Consequences for the tourism sector:

- **'New' destinations** are being created through improved accessibility, such as the development of new airports. The **development of budget airlines** is also changing travel patterns in Europe very rapidly.
- The **opening of new air routes** could offer opportunities to develop **new visitor markets**, but problems with European regulation and competition make these markets relatively volatile.
- **Destinations not easily accessible** by direct or inter-modal transport systems will suffer.

- For **shorter trips**, rail will become a significant competitor to air travel.
- Discomfort encountered on long-haul flights may create a **demand for a flight service** in between economy and business class.

SECOND HOMES – RESIDENTIAL TOURISM

There will continue to be a growth in the **purchase of second homes** for as long as there is relatively low-cost property available. This trend is being driven by a raft of media products aimed at wealthy individuals who wish to invest in property in warmer (and cheaper) climates, or who are looking to retire or start lifestyle businesses in other parts of Europe.

To date, this trend has been dominated by north-south movements, but the UK and German media are now increasingly featuring properties in central and eastern Europe.

In the UK, the recent pensions report proposes that entitlement to the state pension should be based on residency rather than national insurance contributions. This will tend to limit the ability of UK citizens to live abroad and draw their state pensions, which may affect second home sales abroad.

Consequences for the tourism sector:

- Financing the purchase of these homes will generate a **growth in the self-catering holiday rental markets**.
- The increased demand for property in some destinations will **add to development pressure**, which in turn will fuel calls for **limits to new development** in some destinations. There already signs that some municipalities are trying to place limits on retirement migration.

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