Travel and tourism in 2020
Prepared by the
Future Foundation:
The Key Drivers

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Introduction:

The explosion in world tourism is one of the most remarkable economic and social phenomena of the last half-century. With only minor interruptions, the proportion of the world population taking part in tourism activity has risen year on year through the last three decades, and for many countries tourism has developed as one of the most dynamic sectors of the economy[i].

Tourism is now one of the world's largest industries. According to the World Tourism Organisation (WTO) international tourism generated US$514 billion in 2003[ii]. It accounts for 12% of international consumer spending[iii] and generates 1 in 12 jobs worldwide[iv], making it vitally important for the global economy and the economic and social development of emerging markets in Asia, Latin America and Africa. Europe's tourism industry alone generates 32% of the world's total economic output[v] - and is the major generator of outbound international tourism, accounting for 54% of global travel[vi]. WTO forecasts predict steady growth for the global tourism industry in the next 15 years. By 2020 international tourism arrivals are forecast to reach 1.56 billion and international receipts US$2 billion[vii].

Tourism is a major force in globalisation. Inevitably tourism increases the flow and exchange of cultural ideas and commodities, but it also links distant and disparate individuals, businesses and governments, to a global economic and political network with the power to shape the policies and economies of countries, and the lives and fortunes of individuals, through decisions that are made far from the localities that are affected. Increased interconnectedness creates significant opportunities. However, it also means greater economic dependence between countries large and small, and the likelihood of risks to the stability of the entire industry from regional events or disturbances. The dramatic downturn in international travel to the US as a result of 9/11, and to Hong Kong following the SARS epidemic, demonstrate the travel industry's susceptibility to international events. More recently the war on terror, and now the Asian tsunami disaster, illustrate how the immediacy of real-time media affect our sense of individual safety and connectedness to a wider world, with direct consequences for the travel industry.

What does this mean for the future of the global tourism? Levels of disposable income and leisure time are the basic dimensions that determine holiday-taking behaviour at an individual level. Rising levels of prosperity across the globe and the emergence of a newly affluent middle class in China, India, Eastern Europe and the Americas would therefore suggest a rosy future for the travel industry. However, behind these economic variables there are a series of underlying social, cultural, political and technological factors at work that are driving change in consumer attitudes and behaviour. This report will explore the major attitudinal, social, political, economic, cultural and technological drivers that will affect consumers in key travel markets (Europe, the Americas and Asia Pacific) and shape the future of the global travel industry to 2020.

Key Drivers of Global Tourism:

Attitudinal

    i.   The Affluent Society
    ii.   Peace, Prosperity and The Experience Economy
    iii.   Inconspicuous Consumption and New Concepts of Luxury
    iv.   The 24/7 Culture
    v.   The Anxiety Society

i.   The Affluent Society

The rapid growth of the global travel industry in the past 50 years has been fuelled by steady economic growth in Europe and North America.

Household disposable income growth in Western Europe
Index (1995 = 100) of disposable income in real terms for selected EU countries and the US

Source: OECD 2004/nVision

As a result there has been a democratisation of travel in the developed world. International travel is no longer seen as a luxury, it is a "right", and holidays are becoming increasingly accessible to working class families. A new wave of affluent middle class consumers is emerging in China, India, Brazil and Russia, whose presence will be felt in the global travel industry in the near future.

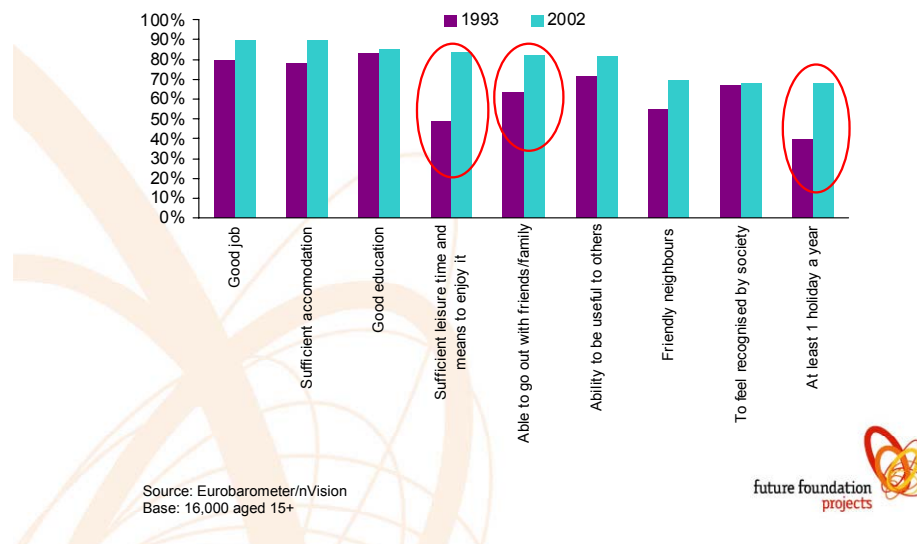The result of rising affluence is clearly discernible from changes in household spending patterns in Europe and emerging markets like India. For the majority of European consumers for example, there has been a significant shift from spending on subsistence and material goods as a percentage of household disposable income, towards spending on "post-material" products and services such as leisure, entertainment and travel. Spending on "tangibles" now accounts for only one third of all household expenditure, while out-of-home leisure accounts for 25%, and holidays 6%[viii].

The concept of affluent society is more than an economic condition. It is also an important trigger to developments in the priorities and aspirations of consumers. In line with their rising affluence there has been an increase in the range of aspirations and expectations of European consumers in the past decade, with leisure time emerging as an increasingly important factor alongside more traditional, material aspirations such as a good job, nice home and access to education. The lifestyle factors that are perceived to be "absolutely necessary to live properly today" now include "sufficient leisure time and means to enjoy it", "ability to go out with friends and family" and the opportunity to "take at least one holiday a year."

Aspirations in the EU 15

Proportion saying selected lifestyle factors are absolutely necessary to live properly

"For each of the following, please tell me if you think it absolutely necessary to live properly nowadays?"

Source: Eurobarometer/nVision
Base: 16,000 aged 15+

In Europe there is already a trend towards consumers taking multiple short-breaks, and the WTO forecasts that by 2020 consumers around the world will be taking up to four holidays a year. The destination, nature and duration of these holidays will be influenced by the following interconnected trends.
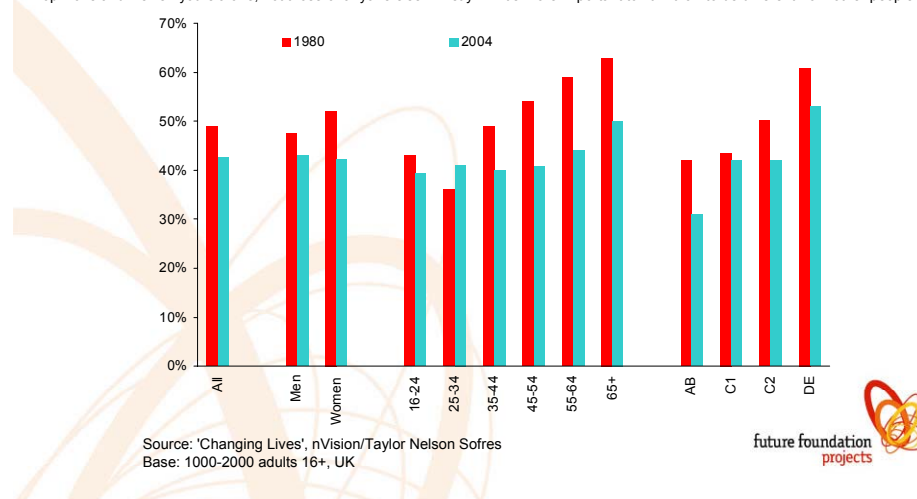
ii.   Peace, Prosperity and The Experience Economy

Material satisfaction, growing prosperity and relative stability in the developed world are giving consumers the confidence to be more experimental with their identities. There is now a widespread desire among consumers to be seen as individuals and to express this individuality through the consumption of new and unusual experiences. Instead of spending their money on products that everyone owns such as cars and household goods, consumers now also spend money on things that give them temporary enjoyment. Increasingly people want to be differentiated by what they do, not what they buy, so are seeking to acquire the social capital that aspirational brands once provided, through experiences that bring individual emotional benefits.

Conformist attitudes - trend by gender, age and social grade

Proportion who agree or strongly agree that it is important to fit in rather than be different from other people

As I read out a statement please say from this card how much you agree or disagree with each. We are only interested in your attitudes, opinions and views - yours alone, not those of anyone else. Firstly … "It's more important to fit in than to be different from other people".

Source: 'Changing Lives', nVision/Taylor Nelson Sofres
Base: 1000-2000 adults 16+, UK

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This trend towards "doing not having" has been termed the "experience economy" and is being driven by two particular segments of the affluent society: under-24s and over-55s, both of which have the disposable income and the time to dedicate to the pursuit of leisure. In the UK, 30% of under-24s now say they want to do something "dangerous or forbidden", while the number of over-55s who "feel the need to satisfy their need for new experiences" has reached 60% (from 35% in 1980

Conspicuous consumption versus self development

Proportion who say that selected descriptions of people are very much like them, like them or somewhat like them, by country

"Here we briefly describe some people. Please read each description tick the box on each line that shows how much each person is or is not like you…Very much like me, Like me, Somewhat like me, A little like me, Not like me, Not like me at all….It is important to him/her to be rich. He/she wants to have a lot of money and expensive things….He/she likes surprises and is always looking for new things to do. He/she thinks it is important to do lots of different things in life"

Source: The European Social Survey/nVision
Base: 2000 aged 15+ per country, 2003
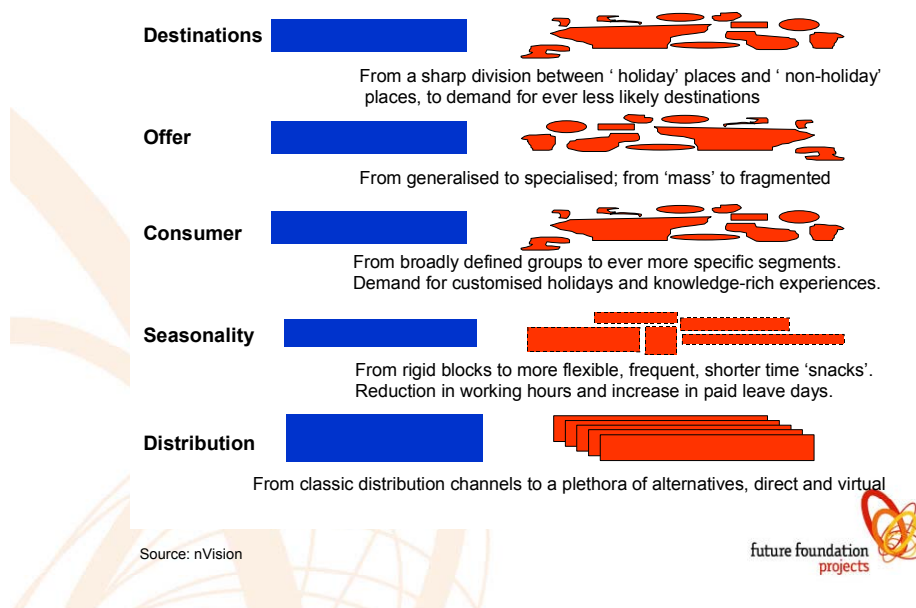
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The trend towards individualism is accompanied by a notable increase in the desire for fulfilment and personal development, which consumers are seeking to achieve through a wider range of activities and interests than in previous years. People are less constrained by narrow roles and identities and have more freedom to experiment, as evidenced by alternative and spiritual interests and lifestyles.

The twin goals of individualism and experience will present some interesting challenges for the global travel industry. Marketers can expect to see growing demand from European and North American consumers for increasingly specialised holidays that combine unusual experiences and the potential for personal development. For example, learning how to live like a hunter-gather in the Namibian desert with a San Bushman guide, will be typical of the niche offers that experience-seeking travellers will be purchasingix.

Inevitably this will lead to a degree of fragmentation in the holiday market as adventurous travellers, primarily the under-24s and over-55s in Europe, North America and Asia, seek out niche offerings. The profound desire for new experiences creates a "checklist mentality" in consumers, which would suggest that tourists will be buying a series of one-off experiential holidays and rapidly moving from one adventure to the next. The trend towards diversification will present challenges for companies or countries seeking to develop consumer loyalty. This may encourage travel suppliers to develop a portfolio of specialist holiday offers from short-breaks to adventure family holidays and personal development adventures, tailored to the needs of experience-seekers who will require up to four different "experiences" per year.

Evolution of the holiday market

Destinations

From a sharp division between 'holiday' places and 'non-holiday' places, to demand for ever less likely destinations

Offer

From generalised to specialised; from 'mass' to fragmented

Consumer

From broadly defined groups to ever more specific segments. Demand for customised holidays and knowledge-rich experiences.

Seasonality

From rigid blocks to more flexible, frequent, shorter time 'snacks'. Reduction in working hours and increase in paid leave days.

Distribution

From classic distribution channels to a plethora of alternatives, direct and virtual

Source: nVision

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However, at the other extreme of this trend toward diversification is an increase in the uptake of hobbies by consumers, which is also a reflection of the desire for new experiences, but one that presents marketers with an opportunity to target tourists through activities that they are passionate about and willing to spend a considerable amount of money on. We can expect to see the growth of hobby-based tourism, allowing travellers to pursue their passions for climbing, horse-riding, art history or yoga, in different locations.

Does this mean the end of mass tourism? While there will be a trend towards diversification and fragmentation driven by affluent tourists seeking specialist offerings, there will still be demand for less-specialised holidays driven by families and individuals with less disposable income. However, we expect that even the traditional "rest and relaxation" beach holiday will also need to incorporate educational or cultural elements to meet the new aspirations of 21st century tourists.

iii.   Inconspicuous Consumption and New Concepts of Luxury

We are observing a trend towards inconspicuous consumption in the developed world that can be understood as a general desire for people to express their identity in more subtle ways than in the past. This is not causing a reduction in consumer spending as expenditure on high value and luxury products is higher than ever, however, it reflects a move to a new set of consumer concerns. Visible expressions of status are becoming less important and instead, a more fluid and less elitist concept of luxury is emerging that is driven by consumer concerns about authenticity, experience and
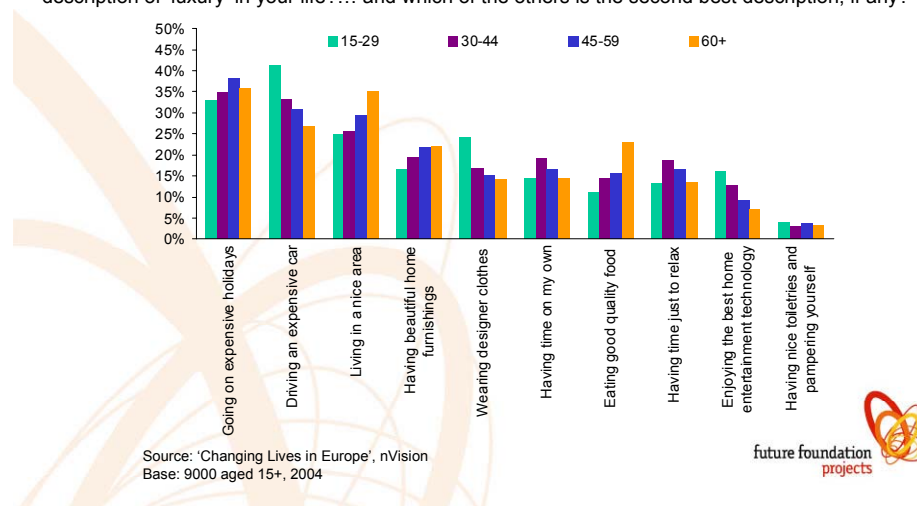
individualism. In part this is because traditional luxury products have become more widely accessible to consumers.

The move towards inconspicuous consumption has implications for the luxury travel market. Increasingly luxury is about the pursuit of authentic and exotic experiences and services, rather than scarcely available, high value goods. Luxury no longer has to mean having the most expensive that money can buy, but instead can be seen as things that money cannot buy, such as time to spend with a child or partner, or pursuing a passion. In Europe, the idea of luxury is arguably becoming more feminine, with the emphasis on products or services that aid self-fulfilment and have an element of pampering. The Future Foundation/Changing Lives survey in 2004 asked consumers what their best and worst descriptions of luxury are and found that a quarter of adults said going on a nice holiday would be their best description of luxury.

Perception of luxury in Europe, by age

Proportion who choose the following as the BEST or the SECOND BEST description of 'luxury' in their life

"Looking at all these things, can you tell me, for you, which of the following things would be the best description of 'luxury' in your life?… and which of the others is the second best description, if any?"

Source: 'Changing Lives in Europe', nVision
Base: 9000 aged 15+, 2004

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Intangibles such as time and experience will define the luxury holiday market in the future, creating challenges for travel companies who presently offer more traditional luxury holidays that focus on exclusivity and price. Travel companies will have to redefine their luxury offers to reflect the demand for individualism and experience. We expect to see increasing demand for "mass bespoke" holiday offers, where consumers can select different travel components to create their own itinerary. As luxury will no longer be purely about price, consumers will make purchasing decisions based on emotional not financial value, and will increasingly incorporate "extremes of value" into a luxury holiday. For example, they may choose to spend money on business class flights (pampering), but choose a relatively low-cost activity such as group trekking in the jungle, or camping in the desert in less than luxurious surroundings (personal development/experience).

As consumers perceive time to be a precious and luxurious commodity, travel companies will need to consider how to help tourists to maximise their use of time, both in the booking process and while travelling. The concept of "seamless travel" will become more desirable, streamlining the travel process to minimise delays and the associated stress of long-haul journeys. Companies that can offer seamless services as part of the "mass bespoke" luxury concept for example, one-stop tailor-made holiday bookings, visas, home-to-airport travel services, streamlined check-in, in-flight pampering services, will appeal to time-poor mass luxury travellers.

However, this definition of luxury does not apply worldwide. In many emerging markets a more traditional and material expression of luxury is still desirable. In China's new market-driven society the state is actively promoting "appropriate" identities for its modern citizens, which encourage individualism, competition and aggression in men – the traits that are perceived as necessary for success in the markets; and femininity, expressed through the consumption of innately female products (beauty and fashion products and services) and the promotion of motherhood as a route to fulfilment for women[x]. The result is a more traditional expression of wealth and status, with the emphasis on the consumption of high value luxury products such as cars, designer clothing, and consumer electronics .
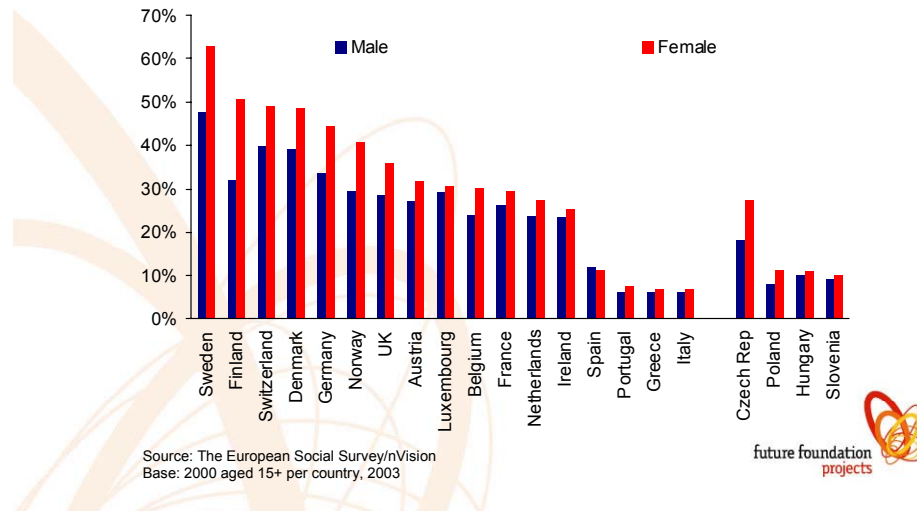
Interestingly, there is a movement in China towards the rediscovery of cultural treasures, which were destroyed or banned during the Cultural Revolution. Temples and palaces are now viewed by the government both as Chinese heritage and as a source of tourism revenue. As a result the state is supporting the renovation of national monuments and the development of luxury hotels and travel infrastructure, such as a high-speed hyper-train between Shanghai and Beijing. China will become a major destination for in-bound international tourism however, we also expect domestic tourism to be significant, as affluent Chinese consumers seek to rediscover the "Middle Kingdom" or "old China" in style[xi].

Hand-in-hand with the shift towards inconspicuous consumption is a greater awareness of issues such as sustainable development, eco-tourism and ethical consumption. Across Europe, 25% of consumers claim to have made an ethical purchase in the last year, and a similar proportion claim to have deliberately avoided buying from particular companies because of their policies on trade, labour, human rights or the environment. While there are significant variations between different European countries, and we need to take into consideration that consumers have a tendency to overstate their commitment to ethical concerns, ethical consumption is a significant phenomenon and we expect it to have a considerable impact on the structure of the global travel industry.

Ethical purchasing

Proportion who claim to have deliberately bought certain products for political, ethical or environmental reasons in the last year, by country

"There are different ways of trying to improve things in (country) to help prevent things from going wrong. During the last 12 months, have you done any of the following….Deliberately bought certain products for political, ethical or environmental reasons?"

Source: The European Social Survey/nVision
Base: 2000 aged 15+ per country, 2003

We expect to see ethical initiatives enter the mainstream and take on a different dimension as consumers demand more responsible and sustainable behaviour from tour operators and airlines. For example, we suggest that the eco or sustainable tourism will expand from being a niche sector of the market to becoming an essential guarantee bundled with all tourism offers.

Awareness of sustainable development is likely to peak in Europe during 2005 and 2006 as a result of the "Asian tsunami effect", a surge of consumer support for charity and development efforts expressed through charitable donations, voluntary work and interest in ethical issues. This will be fuelled by high profile media coverage of the tsunami relief and reconstruction efforts, and Britain's chairing of the G8 summit will place the emphasis on poverty reduction, debt relief and aid in developing markets. Already there has been interest in "relief holidays" in the UK, with tourists booking holidays to visiting disaster areas and development projects to be involved in community building work, healthcare initiatives and education[xii]. Volunteer and fundraising holidays have been popular for some time with gap year students, however, we expect to see more mainstream interest in the concept and perhaps a shift from nature-based eco-holidays (monitoring wildlife or coral reefs) towards humanitarian holidays.

iv.   The 24/7 Culture

The 24 hour society is a well-established phenomenon in Europe and North America. Research findings show that 24/7 living is not driven by longer working hours, which have declined in recent years, but by consumer aspirations to do more with their leisure time. As a result people increasingly expect services to be available when they want them, rather than when suppliers choose
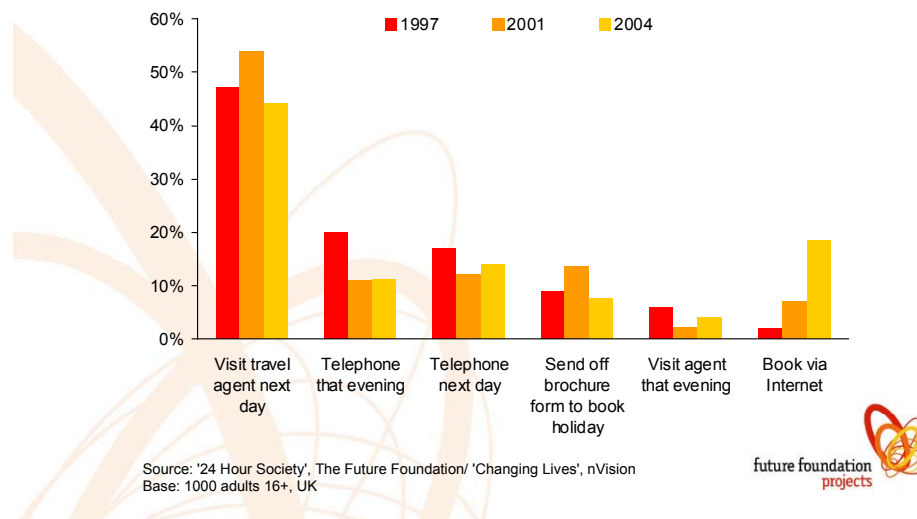
to provide them. This is especially pertinent to the travel industry, which needs to service the needs of holidaymakers and travellers around-the-clock, and must be accessible to potential consumers who want to research and book their holidays at a time that suits them.

Research suggests that the majority of people are convinced that society has become more time pressured and hectic than before. In a survey conducted by the Future Foundation in the UK, 77% of respondents agree that "life is lived at a faster pace nowadays". Not surprisingly a significant proportion of consumers feel they need to shop or contact companies for information outside of office hours. The perception of time pressures creates a set of expectations for consumers regarding accessibility and convenience. Internet usage for researching and booking holidays is a prime example of how consumers are seeking a convenient way to make travel arrangements, and an effective way to assess and manage the multiplicity of holiday and travel choices.

Most likely method used to book a holiday UK

Proportion who are most likely to choose selected methods

"Assume that you are at home one evening this month choosing your summer holiday, either from brochures, a video or some TV programme you've seen. Assuming each of the following is possible, which one are you most likely to do? Visit travel agent next day; telephone that evening; Telephone next day; Send off brochure form to book holiday; Visit agent that evening; Book via internet."

Source: '24 Hour Society', The Future Foundation/ 'Changing Lives', nVision
Base: 1000 adults 16+, UK

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Living in a 24/7 society creates other expectations that have implications for the tourism industry. Consumers who are seeking to maximise their leisure time will be more demanding about when and how they travel, for example, they may expect more overnight, late night or very early morning flights and train services to fit leisure travel around busy work schedules.

Time pressures weigh most heavily on senior executives, one of the key segments for business travel and also one of the most affluent consumer groups. We expect to see an increasing number of time-pressured business travellers incorporating leisure elements into their work trips. Travel organisations will need to consider how to position and deliver combined business and leisure offers. Airlines and hotels will be in a prime position to offer added value services that can be booked in

advance or at short notice, such as 24 or 48 hour luxury excursions for executives, including a chauffeur, activities or cultural visits and restaurant bookings.
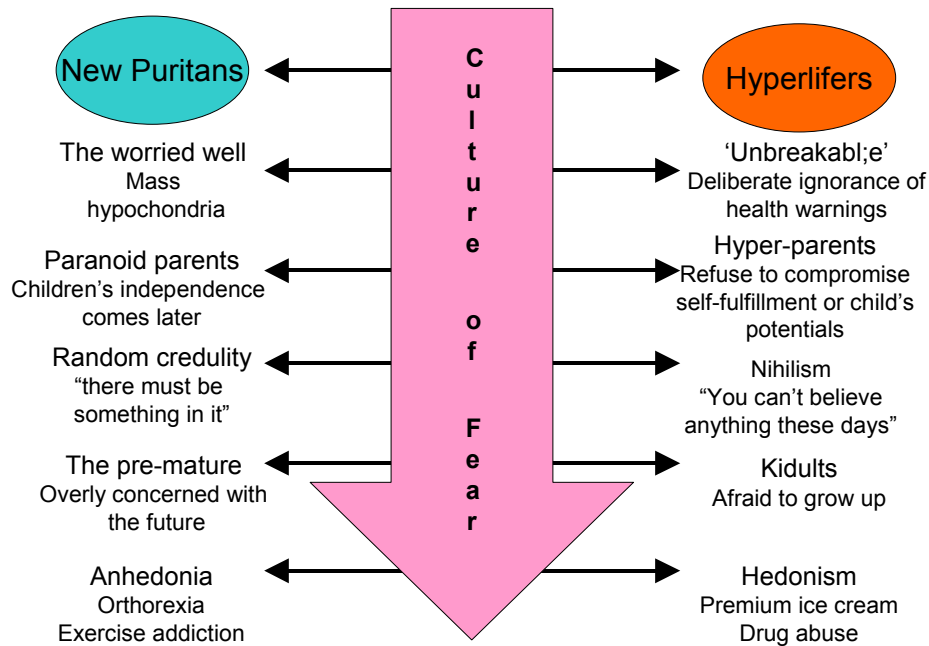
v.   The Anxiety Society

Despite being objectively richer, healthier and safer than previous generations, consumers seem to worry more than ever about personal safety, health and crime. The downturn in travel in the US following 9/11 demonstrates how the fear of perceived dangers has direct and devastating consequences for travel and tourism, despite the actual risk to individuals being marginal.

Everyone, through the immediacy of international media, can experience the horror of tourism disasters whether they involve kidnapping, suicide bombers, hijacking, or natural disasters. Global media reporting is one factor that contributes to the "culture of fear" that sociologists have identified as a defining feature of modern life[xiii].

We can assume that as long as the war on terror continues, the perceived risk of terrorism will continue to prevent tourists from visiting particular destinations such as Israel and other areas of the Middle East. However, there are further considerations for the travel industry. The perception of danger that is generated by our culture of fear has created two contrasting consumer groups with very different attitudes and purchasing behaviour. They are New Puritans, who let their worries prevent them from living a full-life, and Hyperlifers, whose response to fear is to try and live life to the full to avoid acknowledging risks. These groups represent opposite ends of the behavioural spectrum, and we would expect that most people either fall somewhere in-between, or change groups depending on the circumstances.

These new consumer identities could provide useful profiling tools for travel companies wanting to assess the likely impact of international events on their customer base. It can be argued that tourists are particularly prone to panic in response to perceived threats because their personal safety is at risk and events may be beyond their control. However, at the other end of the spectrum there is an increase in the uptake of extreme activities and dangerous pursuits, which present a more real risk to life than terrorism. There is an element of irrationality to this behaviour, which suggests that the notion of risk control is particularly important to consumers.

What are the implications for the travel industry? It is likely that personal safety will continue to be important to the majority of international tourists and travellers. As a result consumers are likely to be cautious about both their choice of destination and the businesses that are going to transport them and service them while away. The way travel companies conduct their business is likely to become increasingly important to travellers who want to want to minimise the risk to them by association.

Experience-seeking tourists who are more likely to be travelling to remote destinations that may be politically unstable, are less likely to make bookings a long way in advance of their departure in case of regional instability. While more cautious travellers may shift from long haul to intra-regional travel instead. This trend has already been observed in Europe since the 9/11 attacks, where consumers have shifted their holiday spending from North America to Europe. This will make it harder for businesses and governments to plan ahead.

Businesses and governments will need to work hard to reassure travellers that they are doing everything to manage the risks associated with international travel.

Social

i.   World Demography

ii.   Through the Demographic Window – Travellers in the Third Age

iii.   The Changing Nature of the Family – Marriage, Birth and Divorce

iv.   Health, Wealth and Happiness

i.   World Demography

The world population is forecast to reach 8.9 billion people by 2050, from 6.1 billion in 2000. The six largest countries in 2000 (by population) were China, India, the US, Indonesia, Brazil and the Russian Federation, together containing 51% of world population. UN forecasts predict that by 2050 the most populous nations will be India, China, the US, Pakistan, Indonesia and Nigeria[xiv.]

While overall growth rates will fall, the annual increase in world population will remain large, growing on average by 57 million people per year between 2000 and 2050. The average annual population growth rate over the next 50 years will be 0.77%, substantially lower than the 1.76% average growth rate from 1950 to 2000[xv].
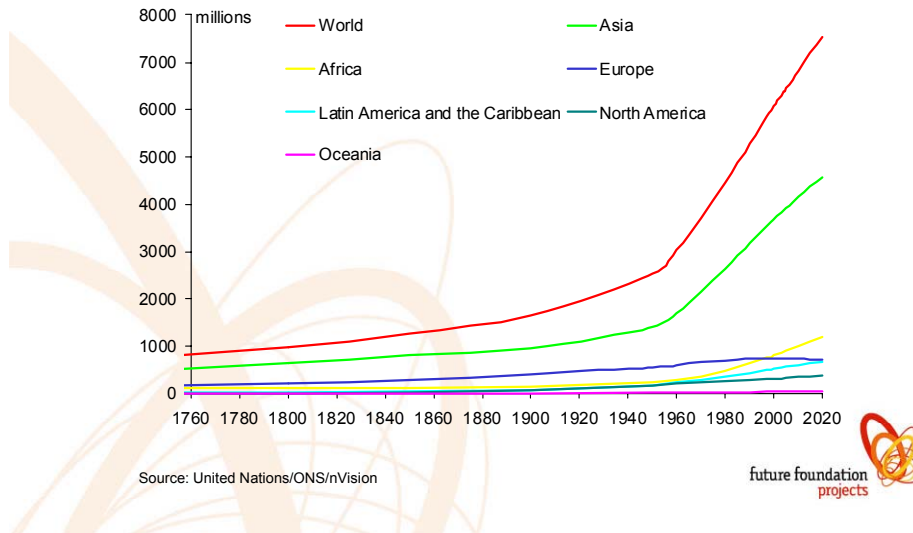
Demographic change up to 2050 will be driven primarily by population growth in Asia and Africa. The UN predicts that less developed regions of the world will account for 99% of the expected increment to world population, collectively these regions will grow 58% over 50 years, as opposed to 2% for more developed regions[xvi]. Asia's population is forecast to grow by 1.5 billion by 2050, to account for 59% of world population, while Africa's population will grow by 1 billion people, to account for 13 to 20% of world population.   Asia is currently 4.5 times as populous as Africa, but by 2050 it will be less than three times as populous. India's population will increase in absolute terms by 51%.

Africa and Europe are at opposite ends of the spectrum with regards to demographic change. From 2000 to 2100 Europe's share of world population is forecast to reduce by half, from 12 to 5.9%, due to declining birth rates. Europe is forecast to hit its low point in growth in 2050. North America's proportion is projected to remain steady, mainly due to a steady flow of newcomers.

World population

By continent

2001-based UN forecasts

Source: United Nations/ONS/nVision

Although population growth will be driven by Africa and Asia in the next 20 years, the key markets for outbound travel will remain Europe, Asia and the Americas. The WTO forecasts that by 2020 Europe will account for 45.9% of outbound tourism, East Asia and the Pacific (including Australia and New Zealand) 25.4%, and the Americas (the US, Canada and key Latin markets such as Brazil) 18.1%xvii.

Today's less developed regions will still be demographically distinguishable from more developed regions in 50 to 100 years time, especially with regard to life expectancy and the proportion of the population at advanced ages. Although life expectancy is forecast to rise smoothly and continuously over the next 50 years, and less developed countries are forecast to make the fastest gains in life expectancy, they will still be behind developed countries.

By 2045-2050 average life expectancy is forecast to be between 76 and 82 years, with Japan, Europe and North America leading the way, followed by Asia and Latin America. Africa is a notable exception. Life expectancy is forecast to decline because of the prevalence of HIV/AIDS, and will is expected to be 11 years shorter than the next lowest country by 2050. HIV/AIDS is forecast to decline gradually beginning in 2010, although this is dependent on the illness being actively managed by governments and world health institutionsxviii.

Life expectancy in North America is forecast to weaken and ultimately fall behind Europe over the next century as a result of obesity and other "affluence illnesses". Life expectancy at birth in Eastern Europe starts 10 years lower than other regions – roughly comparable to China, and will narrow the gap only slightly by 2050.

According to UN figures fertility rates are projected to follow growth trends, with fertility declining in many regions. The proportion of countries with high fertility has steadily shrunk over time and has shifted around the globe. In 1950-55 all developing regions of the world were represented in the top 10 list of countries with high fertility. However, by 2000 sub-Saharan Africa dominated the rankings and is forecast to remain there to 2025[xix]. Fertility in Europe hit rock bottom in the 1990s and has risen slightly since then. Immigration to the European Union is likely to determine any population growth in the region in the next decade because of declining birth rates.

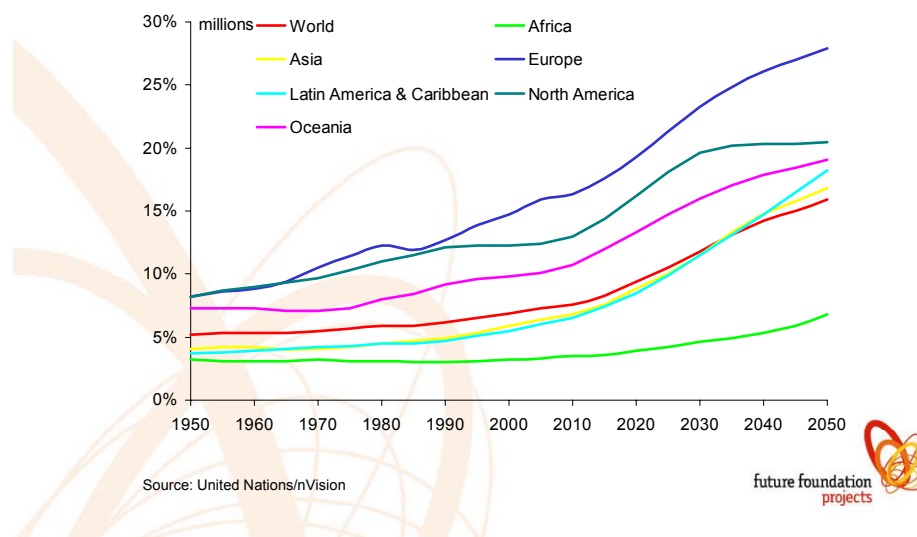## ii.   Through the Demographic Window – Travellers in the Third Age

One of the most significant implications of demographic change 21st Century is the ageing of the world's population. Rising life expectancy and falling birth rates will mean a growth in older age groups as a proportion of the population, and a decline in younger ones. The world median age is projected to rise from 26 years in 2000, to 44 years by 2100. In OECD countries the proportion of the population over 65 is projected to grow from 145.8 million in 2000 to 211.2 million in 2020[xx]. The same demographic group will quadruple in size in Africa, Asia and the Latin America and Caribbean region between 2000 and 2050[xxi].

An ageing population has various implications for the economic performance of a country or region, for example, Asia and Latin America/Caribbean are forecast to pass through "the demographic window" in the next 50 years: a period where the proportion of children and youth under 15 falls below 30% of the population, and the proportion of people over 65 is still below 15%. For a 30-40 year period the proportion of working age people in society is dominant, the population has relatively light dependency burdens, and therefore has the potential for rapid economic growth if managed effectively[xxii]. Societies in the demographic window encompass the majority of the modern world. Europe entered the demographic window in 1950 and is now leaving it and entering "the third age", when older people are particularly dominant in the population's age distribution. Africa will enter the demographic window much later than other countries, at 2045 and exit in 2080[xxiii].

Older consumers or empty nesters, are high spenders on tourism and travel, for example, while in India 45-58 year olds are the group spending the most of their disposable income on travel[xxiv]. Increasingly older consumers are wealthier and healthier, which means they have rising expectations about how to spend their retirement. On average, men and women in developed countries who retire at 65 in Europe can expect to live for 12 years after retirement, and remain healthy and active for 7.5 years[xxv]. If changing attitudes to individualism and experience are considered alongside improving health and wealth, older people represent a dynamic market of active, adventurous, affluent consumers, for whom travel is seen as an integral part of a fulfilling retirement. However, a word of caution to organisations who try to pigeon-hole these consumers as "grey tourists". Research has found that the importance of individualism combined with their active lifestyles, means that older consumers respond negatively to being portrayed as an identifiable "age group".

Proportion of world population aged 65+, by region

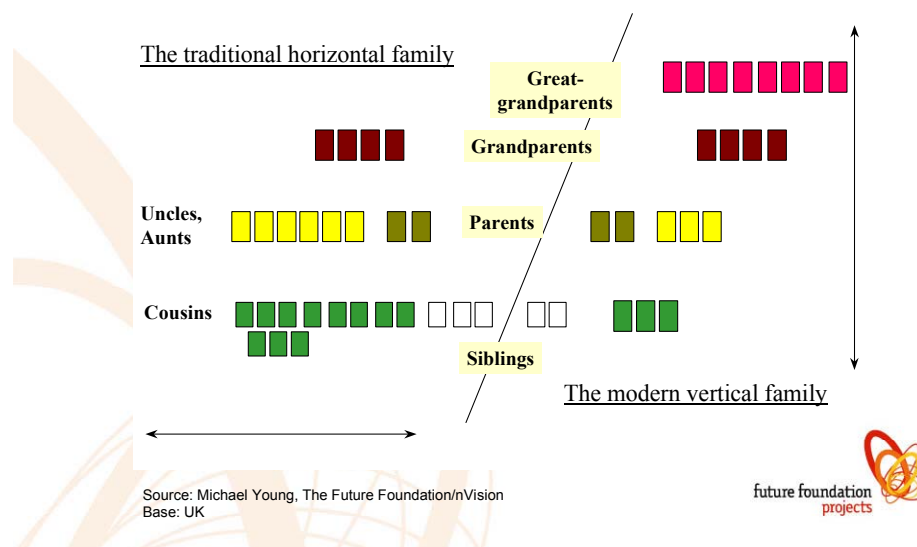2001-based UN forecasts

Source: United Nations/nVision

Changing expectations about what retirement might hold raises the tricky question of how to finance a long and active "third age". A Future Foundation/nVision Europe survey has identified that "40% of people in Europe think that they will be retiring earlier in the next 5-10 years"[xxvi]. Given this sentiment, consumers will have to make some adjustments to their current financial situation to ensure they will have an adequate retirement fund. This means either a dramatic increase in the level of personal savings, which has implications for consumption levels and in turn the general health of the economy, or an acceptance that many people will have to work beyond the age of 65. The travel industry may have to consider the introduction of financial packages and incentives targeted at older consumers to ensure they continue spending well into their retirement.

iii.   The Changing Nature of the Family – Marriage, Birth and Divorce

An ageing population means a changing family structure. A number of effects can be observed in Europe where the number of people over 65 is most prevalent as a proportion of the population, and we expect to see these occurring more widely as the age structure of other countries evolves.

The nuclear family - which once comprised of parents, children, perhaps grandparents and horizontal relatives such as cousins, aunts and uncles - is being replaced by the vertical family, characterised by up to five co-existing generations, stretching from great-great-grandparents to children. This new development has significant implications for all family members especially with regard to the care of children or elderly relatives. For example, grandparents and maybe even great-grand parents may assume responsibility for childcare for extended periods.

Changing family modes

The traditional horizontal family

Great-grandparents

Grandparents

Uncles, Aunts

Parents

Cousins

Siblings

The modern vertical family

Source: Michael Young, The Future Foundation/nVision
Base: UK

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Age is a factor in the rise of the single household in Europe. In 2000 12% of the population were living alone, a 4% increase from 1981 (FF/nVision). Two different factors are driving the change. In Southern Europe, rising divorce rates among the older population mean that over 65s account for the majority of single households. Forecasts suggest that by 2021 13% of older people will be divorced and there will be as many divorcees as widowers[xxvii]. Divorce is also on the increase in Japan, China and India, which has traditionally had the lowest divorce rates in the world.
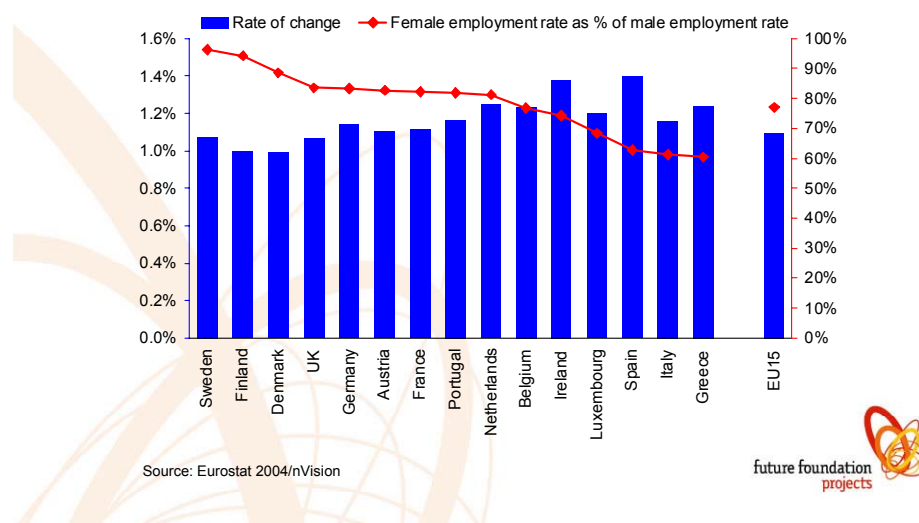
In Northern Europe however, it is changing attitudes towards marriage and family that are driving the growth of single person households. Here, although the majority of people do marry, divorce rates are above average and increasing numbers of people delaying marriage and children. This does

not mean the death of the family. Future Foundation/nVision research indicates that having children is still seen to be important in Europe although there is a significant minority (ranging from 15 to 40% across different countries) who believe "a perfectly good life can be lived without children". However, the liberalisation of attitudes towards marriage mean that it is now more acceptable for couples to live together and raise a family without marrying, and up to 30% of births now occur outside marriage[xxviii].

The changing nature of family life has significant implications for how and when people travel. The pre-family lifestage is becoming longer and more prominent, and, as a result of rising life expectancy, could become as long as the main caring stage of family life, or the post-family period. This suggests that the traditional family holiday – one week or two of rest and relaxation with parents and children – will become less relevant in the future. Instead travel companies will have to cater for new forms of family. For example, the rise of the vertical family will see three or more generations holidaying together, which has implications for the type of accommodation that tourist organisations offer and the pricing structure of holidays. We expect to see a shift from the standard family package of two adults and two children, to a more flexible cost structure that can accommodate parents with only one child, or single parents who will be travelling with children and grandparents. In addition, the rise of the single person household is likely to create a backlash against the single supplement or other taxes and tariffs that penalise sole travellers.

Changing employment rates in the EU 15

Female employment rate as a % of male employment rate and annual rate of change 1991-2003* in female employment rate as % of male employment rate

1995-2003 change in Italy, Austria and EU15 average/ 1991-2002 change in Luxembourg

Source: Eurostat 2004/nVision

The number of women in employment is also rising. We can expect to see the number of female business travellers rise and this may present tourism organisations with new opportunities to

developed targeted holiday offers for women business travellers to incorporate into their corporate travel itineraries.

iv.   Health, Wealth and Happiness

Travel companies will need to consider the special requirements of more active, older travellers because even when in good health they will require more medical support than young tourists. For example, airlines may need to provide on-board medics as a standard feature of long-haul travel. There may also be an impact on the insurance industry as the number of claims for holiday medical care rise, and the possibility of cancellations due to illness increases.

With increased global travel, the potential for rapid spread of a disease from one area of the globe to the rest is greatly heightened, as illustrated by SARS and the threat of Avian flu. Predicting the recurrence of such events is difficult as the likelihood of widespread infection depends upon the nature of the disease - new strains of virus being unknown and therefore unpredictable. It is likely that older tourists will be more susceptible to illness from new diseases and as a result may be more cautious about travelling to high-risk areas than younger travellers would be.

Any discussion of the health and the tourism industry must consider the global impact of the HIV/AIDs epidemic. Research from UN Aids estimates that there are 39.4 million – possibly as many as 44 million - people living with AIDS in 2004, which includes the 4.9 million people who acquired the virus last yearxxix. The number of people living with HIV has risen in every region in the past two years, driven mainly by the rapid spread of the virus in China where the number of people living with HIV has increased by 50%, and in Eastern Europe and Central Asia, especially the Russian Federation, where numbers have risen by 40%. However, sub-Saharan Africa remains by far the worst affected region, with 25.4 million people living with HIV at the end of 2004. Globally just under half of all people living with HIV are women.

Arguably many of the people living with HIV/AIDS are also the world's most deprived and socially excluded people. Research suggests there is a relationship between poverty, underdevelopment, and the distribution and spread of AIDS. High unemployment and poor health and education systems characterise the regions that are most affected by the virus, and create a negative cycle where poverty and lack of education puts people at greater risk of infection, and infection creates reinforces poverty and exclusion. Inevitably many people affected by HIV/AIDS are dependent on jobs in the tourism industry, often in poorly paid positions as cleaners, drivers and waiters, that offer little guarantee of job security, and few benefits such as health care or training.

HIV/AIDS presents multiple challenges to the travel industry. It raises serious moral questions about the rights and working conditions of casual employees in an enormous global industry, where much

of the profit generated from tourism goes directly to international companies in the developed world, bypassing business, individuals and governments in developing countries. Given consumers' increasing interest in ethical consumption it is questionable how long this position can be maintained by the travel organisations, before they are pressured to make changes to their business practices to provide better working conditions to casual workers.

Aside from the moral issues that HIV/AIDS raises it is a major threat to business in the countries that are worst affected and has serious implications for global attempts to reduce poverty. For example, businesses in Africa are hiring up to three people per job to ensure consistent cover for employees who are absent or unproductive because of AIDS related illnesses. The World Health Organization predicts that for every 20% of adults infected with HIV in African countries, Africa will experience a 1% decrease in gross domestic productxxx. Coca-Cola, De Beers and US mining company Anglo America, are among the multi-nationals in Africa that have been the subject of public protests by AIDS groups and workers to campaign for better treatment of employees with HIV. These companies are being called to account and forced to provide counselling, education programmes, medical care, and free distribution of anti-retrovirals for their workers.

Travel organisations are less likely to face protests and strikes because of the structure of the global travel industry. Multi-national tour companies, hotel chains and airlines are often situated in developed nations, far from the holiday destinations that they promote. In many cases employees are recruited through small, local sub-contractors, which maximises profits for international operators but makes it difficult for employees to organise to demand better working conditions. Several international initiatives have already been established to lobby for accountable and socially responsible tourism, campaigning for labour rights, formal contracts, health and safety protection, working hours regulation, among other issues.

It seems unlikely however, that the two-tier nature of the tourism industry, with the developing world servicing the developed world, will change significantly in the next decade unless significant changes are made to the structure of the tourism industry. We expect to see greater pressure applied to the major players in the tourism industry from governments, NGOs, campaign groups, and indirectly, from consumers, to improve the industry's record on worker rights and sustainability in order to address some of the social implications and imbalances.

Political

    i.   The Role of Government in Tourism

    ii.   Climate Change and Travel Patterns

    iii.   Sustainable Tourism

    iv.   The Creation of Tourist States - Tradition and Identity

    v.   Globalisation, Nationalism and The Rise of Fundamentalism

i.   The Role of Government in Tourism

There is a widespread belief that governments have a significant role to play in managing the development of tourism. For developing countries, creating a tourist industry is often viewed as a route to modernisation and social change, as well as a means of boosting the economy and building up foreign reserves. At the same time, however, an increasing number of governments, NGOs and private businesses are recognising the environmental and social costs associated with mass tourism. Combining a burgeoning tourist industry with sustainable development has become a major challenge for developing countries the world over.

One area in which this can be seen is with respect to climate change. Tourism is a significant contributor to climate change, particularly through aircraft emissions, but it will also suffer the consequences of changes to the weather and natural environment. In 2003 the WTO hosted the first international conference on climate change to focus international attention on the issue and foster action and co-operation across the tourism industry. A key output from the conference was the Djerba Declaration on Tourism and Climate Change, designed to raise industry awareness of the issues, and to encourage further scientific research and sustainable tourism initiatives.

The Declaration clearly recognises the role of government in addressing tourism and climate change and the WTO has identified a list policy issues covering all sectors of the economy, for government consideration. These include adherence to the Kyoto Protocol, fiscal incentives for switching to more sustainable development techniques - like building using traditional materials, public investment in tourism infrastructure, legislation on land use, training for tourism workers, making changes to the school year to reduce the impact of peak holiday times on the environment (or to reflect climate change), changing priorities to move from aviation to other forms of transport[xxxi].

Governments that are taking an integrated approach to tourism planning include New Zealand, where touring holidays are popular, so the greatest impact of tourism is on energy consumption. On average a tourist will drive 1950 kilometres in the country. Transport accounts for 69% of an international tourist's energy consumption, so the government is proposing a carbon tax for domestic

tourists. In Tunisia the hotel sector receives government subsidies for undertaking an energy audit or using solar energyxxxii. The WTO is to take a leading role in assisting governments, especially in the least developed countries, to develop sustainable tourism policies.

Businesses are also being encouraged to plan and adapt their business practices. Some of the measures recommended by the WTO include co-operating with governments to deal with water shortages, recognising vulnerable eco-systems, using local guides, and switching to more energy efficient and cleaner technologies and logistics.

We expect that tourism and transport will become increasingly important issues for governments, especially with regard to climate change, pollution and the aviation industry. We also believe that institutions, NGOs and consumer associations will also play a high profile role as industry watchdogs, monitoring adherence to policy and international guidelines, and promoting research and knowledge sharing. 2005-2014 has been declared the UN Decade of Education for Sustainable Development, an initiative lead by UNESCO to promote education as a tool for addressing vital global issues. Sustainable tourism, climate change and the environment are three of the key themes that will be highlighted during the decade.

ii.   Climate Change and Travel Patterns

Many countries rely on their natural resources to attract tourists, so climate change has serious implications for the future of the tourism industry. Current thinking in the industry is driven by forecasts from the Inter-Governmental Panel on Climate Change (IPCC), which has identified three central predictions for climate change from 1990-2100xxxiii. These are:

- Average global temperatures will rise by between 1.4 and 5.8 degrees centigrade, a rate unprecedented in the past 10,000 years.
- Sea levels will rise by between 9 and 88 centimetres by 2100, with a central forecast of 48 centimetres, implying a rate of increase between two and four times greater than during the 20th century.
- There will be substantial regional variations around these temperatures.

The scenarios that are likely to result from these changes include an increase in the scale and frequency of extreme climatic events like hurricanes and floods; low lying countries such as the Maldives or some Caribbean islands will be threatened by rising sea levels; popular summer sun destinations such as Greece and Turkey could become unbearably hot, and ski resorts may suffer from lack of snow - as seen in a number of European resorts this year.

An analysis by the WTO suggests the Mediterranean and the Caribbean could suffer the most from these trends. About one sixth of all tourist trips worldwide are holidaymakers travelling from Northern Europe to the Mediterranean wanting to swap unpredictable weather for sun and sand (116 million arrivals in 2000). The number of arrivals could gradually slow if coastlines are affected or eroded by rising seas, or summer temperatures become too hot. And this trend could be reversed if Southern Europeans travel to the North to escape the heat.

The Caribbean is especially vulnerable to climate change because tourism is more vital to the economy than in any other region on earth[xxxiv]. The majority of tourists visiting the Caribbean come from North America. An increase in temperatures in the US could reduce the number of visitors looking for a sunny beach holiday, while rising sea levels could damage beaches and cause coastal erosion.

Florida, California, New York, and the West coast of Canada are North America's major tourist destinations. Climate change may cause coastal degradation in Florida, and make it uncomfortably hot, increasing the likelihood of tropical diseases. Warmer winters and summers will affect ski resorts, and may change the pattern of visits to coastal cities like New York and San Francisco, which will become warmer and more likely to be hit by storms.

Northern Europe's tourism industry is likely to be less affected by climate change because culture and sightseeing are the determining factors for many travellers. However, here as elsewhere tourism may be damaged by sporadic events caused by climate change, such as flooding, fires or heat waves. Moreover, there is as yet little consensus among climatologists as to the eventual impact that global warming might have upon Europe: the cessation of the Gulf Stream would lower (rather than raise) average temperatures, increasing the risk of severe weather conditions across the continent. Relative to other regions, climate changes are predicted to be small in North East and South East Asia, except for island regions like Japan and Taiwan, which could be affected by rising sea levels.

iii.   Sustainable Tourism

The message for the travel industry is clear – climate change, sustainability and environmental issues cannot be ignored, but what does sustainable tourism mean? And what initiatives can we expect to see?

Eco-tourism has become a buzzword in the tourism industry in the past decade, however, it is a niche area defined as small-scale, independent, locally owned, often nature-based holiday offers. Sustainable tourism is a different, and much more complex beast. Sustainable tourism shifts the emphasis from the natural environment to the broader social and cultural context, and acknowledges the pressures that tourism can put on communities. For example, to be sustainable tourism needs to

provide a constant and rising standard of living for local communities, ensure that resources are not diverted away from local households to tourist resorts, achieve a balance between promoting and exploiting cultural heritage and local traditions – as well as contributing to the economy and limiting damage to natural resources.

So what can we expect to see in the coming years? We predict that there will be a shift in the balance of power between international tourism operators and local suppliers, with local communities and companies taking greater control of how tourism is managed and resources distributed in destination countries. We also expect to see more joint ventures between government, international holiday companies and local businesses.

Air travel will continue to be one of the most controversial issues in the sustainability debate. According to Friends of the Earth air travel is the fastest growing source of greenhouse gases. The world's 16,000 commercial jet aircraft generate more than 600 million tonnes of carbon dioxide, the main greenhouse gas, and the number of people flying is forecast to double in the next 15 years[xxxv].
The environmental lobby believe that improvements in technology will not offset the rise in emissions because of the growth of airline travel. It seems that the only way to reduce the environmental impact is to slow the growth of long-haul air travel, however this creates a fundamental conflict between the tourism industry's long-term need for sustainability and the economic importance of a flourishing tourism economy.

What are the alternatives? It seems unlikely that we will see "zero emission" forms of travel for holidaymakers in the next 15 years, although significant investment is already being made in Europe's inter-city rail network as an alternative to regional air travel. The way forward seems to be a "polluters pay" policy, in the form of an aviation fuel tax. Such a levy could generate revenues to be reinvested in sustainable transport options, but it is likely to meet fierce opposition from the aviation industry.

However, with growing international awareness of climate change and pressure from international agencies like the WTO, we expect to see governments come under considerable pressure to introduce aviation taxes on the airline industry. We also believe that a wider "carbon neutrality" or "global sustainability" tax could be levied on consumers, targeting long-haul travellers. Given consumer interest in ethical consumption and environmental issues, we may also see more voluntary levies such as Climate Care or Future Forest, which calculate a payment or donation depending on the distance travelled.

Overcrowding, tourism fatigue and violent crime are some of the unfortunate social consequences of unsustainable tourism, and are issues that the travel and tourism industry will have to address in the coming decades.

In recent years popular destinations such as Machu Pichu in Peru, have suffered from congestion and site damage caused by overcrowding. With visitor numbers rising, it is reasonable to predict that more of the world's great wonders and cities will suffer. At Machu Pichu new regulations have been introduced banning independent travel on the trail and limiting visitor numbers to 500 per day. Although the move has been criticised by conservationists, we imagine that more cultural destinations will follow suit in the coming years, especially popular European sites like Venice, Florence, Montmartre, the Vatican, Stratford, San Gimignano and Davos.

In the early 1990s research indicated that tourism workers in the Bahamas were suffering from tourism fatigue. The private and public sectors came together to launch Tourism 2000, an initiative to create opportunities for the islands 5,000 employees to experience tourism at first hand. Workers were invited to be tourists, dining out, staying in hotels, playing golf and diving. Project organisers claim that the programme had a significant impact on improving customer service and relations[xxxvi].

Some academics argue that the disparity between the wealth and health of the richest and poorest nations poses one of the greatest threats to global stability[xxxvii]. Incomes may be rising in developing nations but there are millions of people living in absolute poverty and income inequality is worsening across the globe. Despite the emergence of newly affluent consumers in China, India and parts of Latin America, it will take decades for the gap between rich and poor to close.

Nowhere are the extremes of wealth and poverty more evident than in the holiday business, where affluent tourists quite literally rub shoulders with some of the world's poorest people. The inevitable consequences of such obvious inequality are crime and social unrest, and holidaymakers are often the targets. In many cases tourists are only affected by petty theft, but some regions of the world are becoming increasingly dangerous as a result of violent crimes such as muggings and kidnappings. There are reported to be more kidnappings in the Latin America/Caribbean region than any other part of the world[xxxviii], and while most incidents involve foreign nationals who are working abroad, primarily in Colombia and Mexico, tourists are occasionally targeted. The impact on the reputation of a country or region as a tourist destination is devastating.

iv.   Globalisation, Nationalism and the Rise of Fundamentalism

Globalisation is a general concept referring to the combination of free trade and cross-border deregulation; and the closer economic, social and cultural integration that is facilitated by new information, communication and travel technologies. The first aspect of globalisation is the result of successive trade negotiations conducted since the Second World War, beginning with the General Agreement on Tariffs and Trade (GATT) in 1948 and subsequently reaffirmed and broadened under the auspices of the World Trade Organisation (WTO). In addition, regional trading blocs such as the European Union, the North American Free Trade Area and Mercosur (now the South American

Community of Nations) have contributed to increasing trade between states. The second aspect of globalisation, referring to the increasing 'interconnectedness' of human life across the globe, is arguably a process that began with the development of print and long distance sea travel, but in today's world is driven by the rise of affordable air travel and new information and communication technologies, such as the Internet.

Globalisation has had undeniably beneficial effects. Open trade and investment between nations has facilitated the transfer of goods, services and best practice; new technologies have made us more than ever before aware of the lives, cultures and values of other peoples around the globe. For the travel industry, the benefits have been obvious: a burgeoning market of international business travellers, a greater range of tourism possibilities, and regulatory harmonisation, allowing (for example) increased competition and the flourishing of low-cost airlines.

However, during the 1990s a number of commentators also alleged other, less welcome effects of the globalisation process. Such effects include the erosion of states' power to regulate or raise taxes, the homogenisation or erosion of local and national cultures, and the economic disruption caused by the rapid reallocation of capital, investment and jobs. Whether or not such phenomena could be mitigated by reversing the process, 'globalisation' has stirred many opponents, from nationalist movements seeking to preserve their sense of identity (such as the French Front National), to social and environmental activists alleging misconduct by western multinationals in the developing world, to fundamentalist movements seeking to prevent the influx of western culture and values.

Insofar as globalisation depends upon free trade between nations, it is contingent upon domestic support and an international consensus. The continuing advance of globalisation is thus far from a foregone conclusion. Already once in the history of the west has international trade substantially declined – during the 1930s – amid fierce rivalry fuelled by tariffs and competitive devaluations. While history never repeats itself, the experience of the past does at least caution us that increasing globalisation is a far from inexorable trend.

We consider it likely, however, that in 2020 many of the institutions of the world economic order, such as the IMF, the WTO and the World Bank, will in fact remain in place; trade between western nations will remain deeply entrenched and the world will be more 'interconnected' than ever before. Nonetheless, it is possible that in some regions of the world there will be exclusion from, and reaction against, the prosperity or perceived decadence of the west. Many areas of the Middle East, Africa and central Asia presently have weak or failing states; local and ethnic nationalism, religious fundamentalism, and authoritarian dynasties are endemic. In addition, population explosion, resource shortage (notably, dwindling per capita water supplies) and persistent low or negative growth further increase the potential for political tension in these regions. As such, a number will remain dangerous places to visit, effectively 'off the map' for the majority of international travellers,

and political tensions, if they spill to neighbouring states (for example via Chechnya to Russia, Xinjiang to China, or from Kurdish areas into Turkey) may cause travel upsets and scares in these economies as well.

At the same time, other areas of the world that are presently difficult or dangerous to visit, such as North Korea, Burma, Columbia, or Congo - to take only the most extreme examples - may have been developed into safe tourism destinations thanks to political opening, regional stability and growth. Meanwhile business related travel to other developing economies emerging from isolation, such as South Africa, Vietnam, Cambodia, or Cuba, will continue to grow. The future, therefore, is likely to be mixed: states that have exhausted developmental strategies emphasising autonomy and withdrawal from the international system, such as those just mentioned, are likely to increasingly pursue efforts to re-integrate within the global economy, whilst those that have tried but failed to fully integrate – such as Saudi Arabia, Pakistan, and Egypt, to name but a few – present a risk of turning to forms of reactionary extremism.
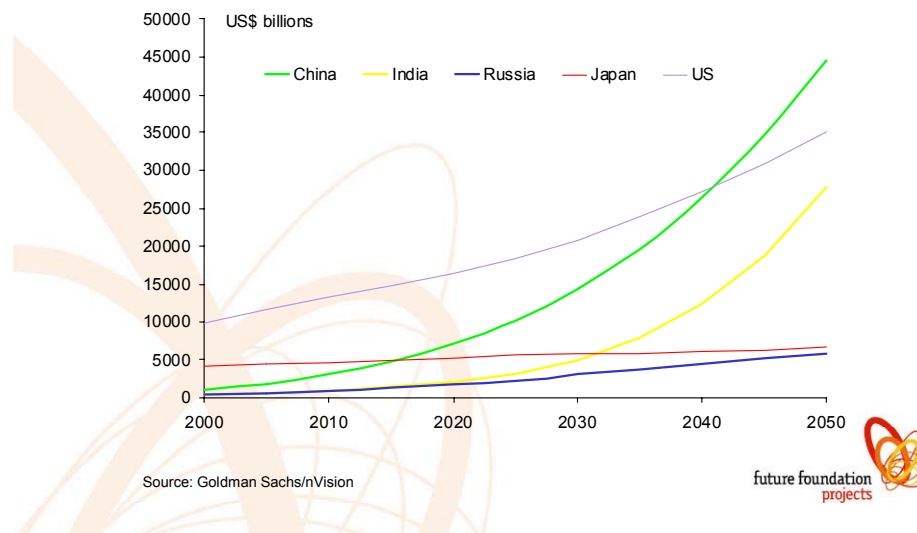
Economic

   i.   Global Economic Performance

   ii.   The New Middle Classes

   iii.   Industrial or Knowledge Economies?

   iv.   Competition and New Business Models

i.   Global Economic Performance

Since the 1970s the US, Japan, UK and Germany have dominated the world economy in terms of their share of world trade and GDP. In 2002 the US held a 16% share of world trade, Germany 9%, the UK and Japan 6%, and France and China 5%. By 2050 the new world economic order will be significantly different. China will be the world's number one economy, followed by the US, India, Japan, Brazil, Russia, the UK, Germany, France and Italyxxxix.

Projected GDP

Source: Goldman Sachs/nVision

These changes will present interesting challenges for the new world economic powers that are likely to impact on the structure of the world's financial institutions in the coming decades. For example, as more developing nations are integrated into the global economy, there will be greater international investment, competition, and imports from overseas, placing increasing pressure on western current account deficits and the stability of currency markets abroad. With the need for economic coordination among an increasing number of actors, it seems inevitable that the current global financial institutions like the G8, IMF and WTO, for example, will have to evolve and restructure in order to allow emerging nations to play a more significant role in managing the global economy.

ii.   The New Middle Classes

While Europe, North America and Japan will continue to be significant markets for generating international tourism, the four major developing countries Brazil, Russia, China and India, will become increasingly important in the coming decades.

The absolute GDP of these four nations will be high by 2020 compared to current figures. Forecasts suggest that GDP per capita will be US$12,527 in Russia, US$6,302 in Brazil, US$4,965 in China, and US$1,622. While GDP per capita will be much lower than the US (US$48,849) or the UK (US$36,234), the relative purchasing power of these countries will be significant. Consumers in these new markets will have considerable disposable income to spend on international travel[xl].

The new middle classes in these four developing markets represent significant latent demand for travel and tourism, especially in Russia and China, which, until recently, have had very few links with the outside world. Credit industries are emerging in these markets that will fuel consumer spending.

So what can the travel industry expect to see from these new middle class consumers? Where will they travel and how much will they spend? Rising incomes will create upwards of 40 million new middle class families in China and will boost India's burgeoning middle class population. There are currently 300 million middle-income earners in India, who are earning US$2,000 to US$4,000 a year. Due to the difference in average prices for goods and services between India and the west, this represents significant purchasing power: economists claim that that average income in Asia of US$3000, is the takeoff point for car purchases. India's middle class is already bigger than the entire population of the US and is expected to grow to 445 million by as soon as 2006[xli].

Rising affluence in India is already changing consumption patterns. Consumer spending is shifting from groceries and consumer durables to clothing, entertainment and holidays. India's brand conscious urban youth are behind the spending boom on consumer electronics, fashion and clothing. But it is older consumers (45-58 years) who are spending the most on holidays as a proportion of their income[xlii].

Changing attitudes and values are having an impact too. Austerity, which was an important cultural value until recently, is no longer as relevant to modern consumers, and attitudes to debt are changing. However, Indian new middle class consumers are value conscious and conservative. Lower costs and holiday bargains in the Asia Pacific region are enticing Indian travellers away from Europe and North America to Dubai, Malaysia, Australia and New Zealand. Indian banks are offering personal loans for travel, and financial services companies like Mumbai-based Kotak Mahindra are developing innovative offers such as "K-Value Holidays" allowing consumers to pay in 24 or 36 month instalmentsxliii.

Favourable exchange rates are encouraging a boom in Latin American outbound tourism, supported by a re-emerging credit industry. Latino tourists spent approximately US$16 billion abroad in 2004. Affluent Latino families favour cultural and shopping holidays in Western Europe or North America, in part driven by the desire to escape the crime and pollution of Latin American cities. Many Latin tourists travel to the US to shop for high value consumer goods as they are significantly cheaper, and the savings made on electronics or clothing can pay for the journey, although an increasing number are visiting Canada, in part adapting to US immigration rules since and also to visit family. Emigration from Latin America to Canada has exploded in the last decade to an estimated 600,000 people. Affluent Latinos are also aware of the need to educate children in English, so send kids to summer camps, which impacts on the children's desire to holiday abroadxliv.

A typical middle class household in Russia earns US$1200 per year. Estimates of the scale of Russia's middle class suggest there are 11 million households, or 25% of the population in this category, compared to the overall average Russian household with an income of US$1200 per year. Middle class Russians spend 91% of their earnings, with expenditure on entertainment and vacations accounting for 13% of total spend. 40% claim to spend their vacations or days off at their dacha or country homexlv. In 2002 12 million Russians travelled out of the Russian Federation, but only 5 million went beyond the Commonwealth of Independent States (CIS), which suggests a strong market for intra-regional travel may emerge.

iii.   Industrial or Knowledge Economies?

The world's two fastest growing economies China and India have followed very different approaches to economic development that could well have an effect on the how tourism evolves in these countries, and on the supply of labour and services to the tourism industry at large.

India has been highly successful in capitalising on its educated, English-speaking workforce to develop a knowledge-based economy, excelling in outsourcing, software, IT and biotechnology industries, and creative businesses like advertising. The Indian Government has taken a non-interventionist stance and regulation in these industries is minimalxlvi. On the other hand, the

Chinese Government has been actively involved in directing economic activity, embracing foreign direct investment, and selecting sectors and businesses for development. The Government has focused on developing its industrial capabilities and investing in physical infrastructure, which will make leisure and business travel within China significantly easier than in India, where the road and rail network is underdeveloped.

It could be argued that India's laissez-faire approach to economic development has encouraged a more entrepreneurial spirit than in China. Britain has been quick to take advantage of the opportunities to outsource jobs and is one of the leading exporters of jobs to Asia. British Airways was one of the first companies to outsource its back-office booking systems to India and it seems likely that more airlines and tour operators will follow suit, taking advantage of the skilled, trained, low cost work force.

iv.   Competition and New Business Models

Competition in the travel and tourism industry will intensify as more countries develop tourism offers. What new offers and business models can we expect to see as the industry attempts to cope?

In Europe, national tourist authorities are joining forces with the private sector to generate more funds for promotion in new markets, such as Russia, South Africa, East Asia and South America. Tourist offices are also developing a broader portfolio of attractions, particularly rural and cultural offers and activity-based tourism, in a bid to appeal to a wider audience and to ease congestion at the most popular sites and destinations[xlvii]. One route to reducing over-crowding is to attract fewer, higher-spending tourists from particular markets like Japan, or affluent consumer segments like young professionals or older travellers. Many governments also view the rise of alternative forms of tourism as a means to generate employment in areas that are dependent upon declining industries, such as agriculture or manufacturing. Local and government initiatives have therefore sought to encourage the growth of rural tourism in the countryside, and museum visits (urban heritage) in former industrial towns. We should anticipate further proposals designed to regenerate deprived inner city areas, such as the (for now abandoned) measure to liberalise gambling laws, or selective liberalisation of licensing laws, in the aim of recreating the 'Las Vegas' or 'Amsterdam' effect.

The emergence of low-cost airlines in the US and Europe has driven down profits for major airlines as their low-cost rivals have won a significant proportion of the short-haul city break market in Europe and domestic travel in the US. The low-cost business model delivers lower prices by lower salary structures (made possible by the absence of trade unions), removal of 'frills' (food, waiting lounges, in-flight entertainment), cheaper airline fleets, a point-to-point, rather than hub and spoke, flying network, and use of cheaper landing slots. The model is sustainable, delivers real profits, and is likely to continue to force restructuring, consolidation and cost cutting among legacy airline carriers.

In future, low-cost airlines are likely to extend their services to new routes, where both market demand and a favourable regulatory environment can be found. For example, in the wake of the EU enlargement process of 2004, a number of European carriers extended their networks to new cities in the East. We may also see the emergence of no-frills operators in emerging markets where there will be strong intra-regional demand, such as China or Russia. In India alone, ten low cost airlines are in, at least, the planning stage. Low cost activity has also been strong in Thailand, Singapore and Australia, and new entrants are making inroads in Japan, China and the Gulf States[xlviii].

In Europe, Asia and the US, rising incomes and aspirations could prompt the emergence of a new, integrated "low cost luxury" model, creating a luxury version of no-frills airline offer to appeal to the mass affluent audience. This type of service could combine lower airfares with optional paid-for extras such as chauffeured airport pick-ups, in-flight entertainment, fast-track check-in and a range of food options, to make the travel experience more luxurious and streamlined.

In the business travel market we expect to see more innovative business-only services like the membership airline Club Airways. Designed for senior management and executives the airline operates a dedicated business class service between Geneva, Paris and London. Members pay an annual fee of US$2,000 and tickets costs 25% more than business class fares of traditional carriers, however, members can arrive only 10 minutes before departure. Lufthansa, Swiss International Air and City Airlines are also operating business-class only services in Europe and the US.

The advance of new information and communication technologies, and in particular the Internet, has changed the ways in which travel information is ascertained and holidays are booked. There has been a sharp decline in the use of high street travel operators, such as Thomas Cook and TUI, with consumers increasingly taking advantage of online booking and making "DIY" holidays. This has been possible by the rise of new online booking and price comparison services, as well as a rising consumer demand for more individually tailored holiday experiences. Consequently a number of leading travel and booking companies now operate via the internet, integrating flight, hotel, and car rental bookings.

The rise of online booking has also accelerated the rise of low-cost airlines, allowing such companies to scrap expensive telephone booking services and issue e-tickets, on the supply-side, and, on the demand side, allowing consumers to search for the cheapest deals, which usually tilts them towards low-cost carriers. To some extent legacy airlines have attempted to forestall the impact of online price comparisons, by offering lower prices to consumers who book via the company's own website (thus increasing the incentive to go there directly) and offering more generous frequent flyer club services – though there is so far little evidence that either of these countermeasures has thus far had great effect.

With the decline of the high-street in favour of online booking, and the apparent demise of traditional, hub and spoke aviation services by legacy carriers in favour of no-frills point-to-point alternatives, the new tourism business model seems to be characterised by an emphasis on the individual, rational customer, consciously scouring the internet in search of the best returns to their dollar, pound, yen or euro. Nonetheless, this may be merely a transitional phase. So far online services have been constrained by bandwidth to offer simple, utilitarian services, but with faster connections and better site development users may be able to experience more of the service made available by the high street vendors, such as personal recommendations (already an integral feature of sites such as Amazon), pre-viewing (photos or film of the destination), or advice (via interactive forums). In other words, there seems to be plenty of scope, even within the new business model, of reintroducing many of the features that customers valued in the old way of doing things. Even in an era of low-cost flights and hotels, holidays are still a major outlay for many families and a sense of time pressure is more ubiquitous than ever, suggesting a strong role for information and choice management services by the new booking and travel providers.

Culture

i.   Cultural Trends

The rise of the post-material consumer, motivated by the pursuit of individualism and new experiences, is driving a cultural trend of particular importance to the tourism industry: the desire for authenticity.

Some academics have suggested that the desire for authenticity is a response to globalisation and the spread of a corporate mono-culture driven by ubiquitous global brands, which consumers perceive to be shallow and artificial compared to previous ways of life. The counter movement, led by our post-material consumers, is a search for the real and authentic. Travel is a particularly powerful antidote to the hyper-reality of modern life, with its potential for escapism and reinvention, and the possibility of finding an unspoilt wilderness or a simpler way of life.

However, the desire for authenticity is not only driven by consumers nostalgia for a less complicated way of life. Future Foundation research indicates that an increasing number of people now view "authenticity of experience" as a signifier of status, in much the same way that material goods were consumed to signify wealth and standing in previous generations. For many people personal fulfilment is now one of their foremost aspirations and products can no longer offer the opportunities for satisfaction they once did.

What does this mean for travel and tourism? Data from the WTO indicates that cultural tourism is becoming increasingly popular and the growth in demand for travel to world heritage sites is forecast to rise in the coming years. According to a study by the European Commission 20% of visits to Northern Europe are driven by cultural interests, and the trend towards consumers taking shorter and more frequent trips abroad is driven in part by the popularity of cultural city breaks[xlix]
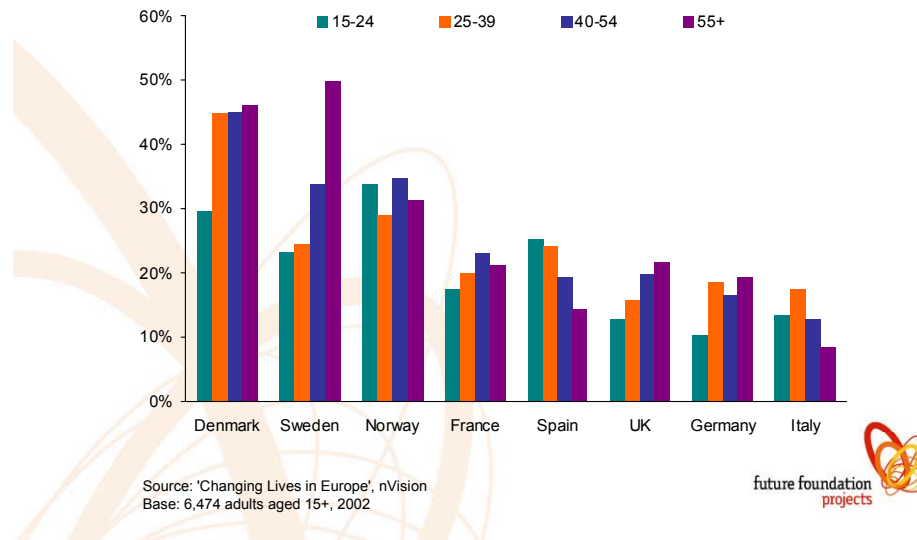
This type of cultural tourism is driven by visitor interest in a country's history and heritage, which manifests itself as visits to museums, art galleries, stately homes and historic buildings, and art and craft markets. Research from the Future Foundation/nVision in Europe suggests that participation in cultural activities tends to peak among those aged 55-64, before declining somewhat after 65+ years, reinforcing the importance of affluent, older consumers to the tourism industry. Participation is

lowest among 16-24 year olds, apart from going to art galleries, where 30% claim to go once a year. Cultural activities are more popular among higher social grades.

Participation in cultural activities in selected EU countries

Proportion of people who claim to do a cultural activity at least once a month, by age within country

"Please say which of the activities on this list, if any, you do on average at least once a month…. Do a cultural activity (such as go to the theatre, a concert, a museum, an art gallery)"

Source: 'Changing Lives in Europe', nVision
Base: 6,474 adults aged 15+, 2002

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However, we expect to see the emergence of a different type of cultural tourism, which is directly linked to the spread of attitudes towards individualism, experience and authenticity, and will be driven by increasing numbers of experiential tourists, both young and old. This type of cultural tourism will be driven by the desire to have "authentic" cultural encounters. Authentic in this instance will mean the opportunity to experience different cultures at first hand, by spending time with people from different communities and having genuine opportunities to see how they live their lives. For example, learning about the medicinal plants and natural remedies that are used by the Machiguenga tribespeople in Amazonian Peru, or what life is like for Native Americans in a Navajo Hogan.

This kind of cultural holiday or "anthro-tourism" is quite different to the "staged tradition" that is a feature of many package tours, where tourists experience brief and carefully co-ordinated displays of local dance, music or local food tastings. These encounters are characterised by their lack of interaction between locals and tourists. This trend towards anthro-tourism will present opportunities and conflicts for the tourism industry. In the past governments in developing countries have come under fire for what academics and campaigners describe as exploitative "state-sponsored staged authenticity" in the name of tourism.   As the demand for authentic cultural tourism increases, governments and tourism organisations will have to consider how to meet demand without over-exploiting the cultural value of their citizens.

However, it is also important not to overstate the worthy intentions of this group of consumers. While they may be highly educated and culturally aware, their travel patterns are primarily driven by their personal motivations for fulfilment and self-development, which are emerging as new forms of cultural capital.
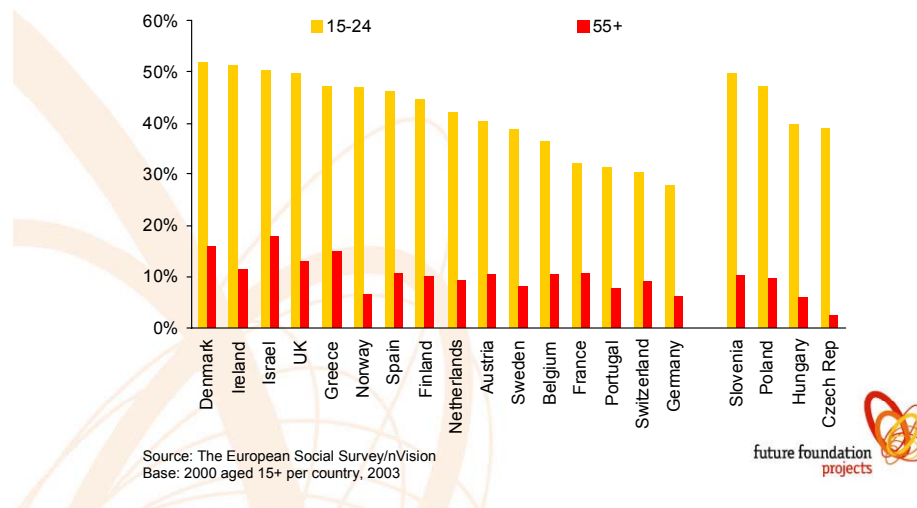
ii.   The Evolution of Experience and New Leisure Trends

One of the outcomes of the trend towards individualism and experience is a change in attitudes towards risk. It seems that for some people, achieving the fulfilment that they desire involves pushing the boundaries of their personal safety, as evidenced by growing interest in extreme sports. Future Foundation research has identified that attitudes towards risk taking have changed for men and women of all ages in the past decade. Over half, 52%[l] of people in the UK agree that they "occasionally like to something dangerous for the sensation of risk taking" and 10% of men in the UK claim to do extreme sports at least once a year, although this figure is skewed towards younger men (16-24 and 25-34 year olds who are pre-family).

Importance of seeking adventure and risks

Proportion who say it is like or very much like them to want to have an exciting life, by age within country

"Here we briefly describe some people. Please read each description tick the box on each line that shows how much each person is or is not like you…He/she looks for adventures and like to take risks. He/she wants to have an exciting life"

Source: The European Social Survey/nVision
Base: 2000 aged 15+ per country, 2003
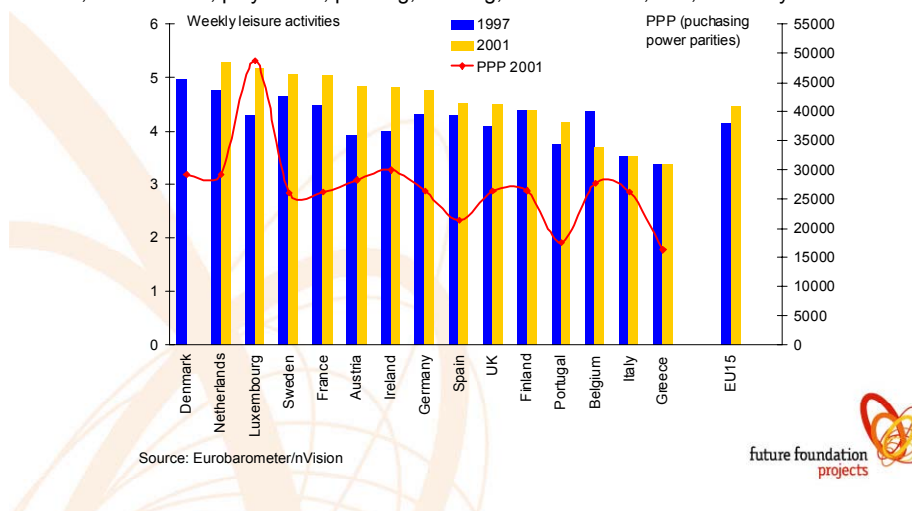
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Extreme sports and adventure holidays are a niche sector of the tourism market, but we expect them to become much more popular. There are few experiences more "real" than feeling that your life is in danger.   However, as discussed earlier in this report, consumers like to have a sense that they are in control of the risks they take, so activities that can offer the thrill of possible danger, but can minimise the risk of actual harm, will be highly successful, for example, tandem sky-diving or taking a flight to the edge of space in a fighter jet.

Future Foundation research shows that people are engaging in a much greater number and range of leisure activities than in the past. This is an important trend for the travel industry to take account of because while it provides new opportunities to target consumers through their leisure interests and activities, it also means there are a greater range of leisure offers competing for consumer interest and share of household spending. As the range and quality of domestic leisure offers improves, international tourism destinations increasingly have to compete with other activities such as theme parks, holiday resorts (such as Center Parcs), and hobbies, to win a share of consumer spending. As we mentioned earlier in the report, one of the outcomes of this trend is the emergence of a "checklist" mentality, with consumers trying leisure opportunities once and then moving on to the next activity.

Leisure portfolios among young people in the EU

N   in during last
week among 16-24 year olds and GDP per head, by country

*From list of 13: sport, cinema/theatre, leisure shopping, attend lecture, computing/internet, walk, meet friends, play music, painting, dancing, listen to music, DIY, voluntary work

Source: Eurobarometer/nVision

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An analysis of UK consumer's attitudes to leisure and hobbies has identified that older, middle class empty nesters, are the group with the largest range of leisure activities that they are passionate about, therefore highly involved in. This group, which represents about 12% of UK consumers, have between 3 and 6 passions, which include high culture activities such as theatre, exhibitions, museums, cinema and individual sports. Clearly then, it is consumers in higher social grades, especially older consumers, who are going to be the most profitable targets for tourism organisations who want to target consumers through their leisure interests and hobbies – in particular, travel offers with a 'culturally enriching' element.

Given that consumers have an expanding leisure portfolio, and are seeking new ways to enhance their leisure time, we expect to see a growth in the number of holidays that combine hobbies or activities with new or unusual destinations, such as scuba diving in the Amazon, or art history courses in Asia.

iii. Specialist and Occasion-Based Travel

So what will be the key travel products of 2020? We expect the adventure holiday market to continue to grow, driven primarily by younger consumers (16-35 year olds) who are looking for the thrill and excitement of managed risks. Adventure holidays could replace 'going travelling' to locations outside Europe, if perceptions of risk from terrorism continue to intensify. As the population ages through, this niche market might suffer. On the other hand, with the generation of the baby-boomers entering the post family life stage we might expect the opposite - this generation has proven reluctant to surrender the badge of youth and seems to react positively to images of youthful vigour. There may be a gender difference when it comes to the 'cut-off' point for this sort of activity – a huge divergence between the sexes emerges at ages 45-54.
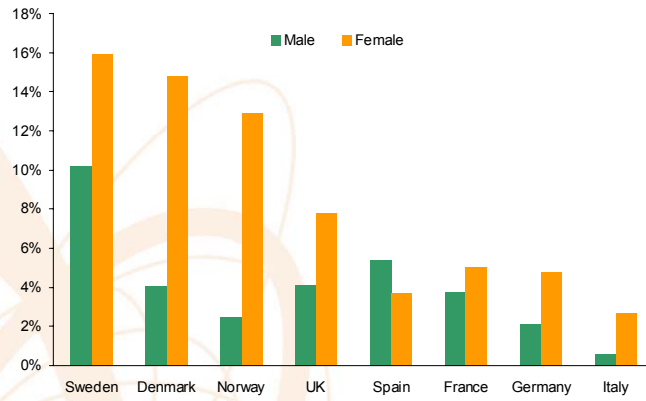
As women become more wealthy and, at the beginning of their career, are still in the pre-family life-stage, spending money and indulging in treatments that are exclusively for themselves becomes more common. We expect to see success for holiday packages that combine spirituality, personal development and physical enhancement.

Another trend of relevance to the travel industry is the significant increase in the number of people interested in alternative lifestyles, driven in part by changing attitudes towards health and fitness, and in part by the desire for self fulfilment. Future Foundation/nVision research shows that the number of people who eat health food, use alternative medicines, and practise yoga and meditation, has risen dramatically in recent years. Interest in Health Farm holidays, although relatively small and gender-specific, reflects this diffused move towards more healthy lifestyles.

Taking part in 'alternative' leisure activities in selected EU countries

Proportion of people who claim to practice yoga, meditation or alternative therapies at least once a month, by gender within country

"Please say which of the activities on this list, if any, you do on average at least once a month…. Do one of the following – yoga or meditation or alternative therapies"

Source: 'Changing Lives in Europe', nVision
Base: 6,477 adults aged 15+, 2002

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Technology

   i.   Tourism and Technology

   ii.   New Aviation Technologies

  iii.   Business and Technology

   iv.   Alternative Energy

i.   Tourism and Technology

It is indisputable that the internet has had a phenomenal impact on the tourism industry, for example, providing cheap and effective online booking systems that have created the opportunity for low-cost airlines to thrive in Europe and begin to emerge in Asia.

Consumers are increasingly turning to online sources for travel information. The proportion of UK adults using the internet for booking holidays or flights in the first 6 months of 2004 increased to 13%, and we expect this to rise to 25% by 2009. Not surprisingly, younger and more upmarket consumers are much more likely to have used the internet to buy a holiday or simply look for information about travel and transport. Just under 1 in 3 adults have used the internet to gather information or book tickets for any kind of travel, or to find out information on traffic. Other industry innovations have followed the growth in online bookings, such as e-ticketing and ticketless travel.

One of the myths about the rise of technology in the developed world, has been its potentially negative social consequences. The media has reported widely on the idea of families communicating only by email or text, children locked away with a computer or Playstation, isolated from their friends and the outside world. However, research by the Future Foundation suggests that this image is misleading. The true picture of the impact of technology on family and social life is a much more positive one. As each generation becomes more technology literate, and the real cost of communications technology falls, the potential for families and friends to be constantly in touch with each other by phone, email, video-message or satellite link, comes closer to reality. This is not to say that electronic communications will replace personal contact, but it will make it considerably easier for families and friends who are dispersed over a wide area, nationally or internationally, to maintain genuinely close emotional links.   Future Foundation research suggests that while families are spread over a much wider geographical area than ever before, they are communicating with each other more than ever.

We have already mentioned the significant impact that migration will have on tourist flows from certain destinations, such as Latin America to Canada. We believe that new communications technology will continue to increase the intensity of personal communications between family members and their extended social networks, which in turn will result in greater numbers of trips to see friends and family living overseas.

ii.   New Aviation Technologies

From virtual travel to the physical world – at the other end of the spectrum, important developments in the aviation industry will soon be shaping our experience of air travel. Airbus has recently launched its new Airbus A380 or the "flying fortress", a super-plane which will carry upwards of 555 passengers and may include space for bar, lounge, restaurant, beds and shops (though similar predictions for the earlier Boeing 747 failed to materialize, as this extra space was instead allocated for further seating so as to squeeze in more passengers). Airbus is assuming that the main growth in air travel in the 21st century will be between the major urban hubs - Tokyo, Shanghai, Mexico City, LA, New York, Paris and London, for example. 103 orders have already been placed and the A380 is expected to be in service later this decade. If the launch is successful, it will be feasible for Airbus to launch a larger craft – with 700 or 800 seats – early the following decade.

Airbus's main rival Boeing, has a different stance on how air travel will evolve in the coming years. Boeing is exploring the potential for high-speed travel for middle-range holidaymakers, with proposals for the launch of the 7E7 Dreamliner, a medium-sized jet. Boeing is attempting to target the 'post-low-cost' airline market, providing cheap travel to specialist locations but at a slightly higher price and with better service. The Dreamliner will boast better fuel efficiency, bigger windows, and larger overhead cabins than existing fleets. They will enter service towards the end of this decade.

Recent excitement has followed the launch of Virgin Galactic, which will build on the technology used earlier this year to conduct the first civilian flights into space. Initial launches are expected simply to send people beyond the upper atmosphere - high enough to see the shape of the earth and experience weightlessness – before coming back down again. However, there has also been speculation that such technology could be used to conduct fast, long-distance travel between cities on different sides of the earth. In contrast to earlier space travel, *SpaceShipOne* blasted directly into space. This goal had eluded NASA for decades: the shuttle had to be taken up on the back of a rocket.

SpaceShipOne, however, is taken up into the air by a carrier plane, and then boosts into space after being detached. The ease of such launches into space mean that civilian craft can in theory go into the upper atmosphere and beyond, where air resistance is non-existent, and propel to much higher

speeds than would otherwise be possible. What is the likelihood of this technology being deployed for civilian transport ends? It is likely that Virgin will go ahead with space journeys either later this decade or early in the next; and given their interests in civilian aviation (Virgin Atlantic) possible transportation uses of the new technology cannot be ruled out - if and when they think of launching a second wave of craft capable of reaching space. However, the costs of such technology remain prohibitively high and are expected to remain high at least into the 2020s.Use of spacecraft for point-to-point travel between air hubs may become feasible later this century, yet only if the technology is successful in non-transport ends ('space tourism') will there be a possibility of modifying it for other purposes.

Given a constant demand for air travel, the development of ultra-large jets, such as the Airbus A380, will have the effect of reducing airport congestion and lowering per passenger fuel costs (though this may be more than offset by the maintenance of on-board facilities such as proposed bars and lounges). But air travel demand is not constant, instead growing steadily: moreover, to the extent that such craft are successful in providing a more comfortable, affordable means of transport, they may in fact fuel the growth of such demand yet further. Airport congestion, therefore, will most likely increase - especially if Airbus is correct in their assumption that travel between hub airports will constitute the main growth market for aviation services in future.
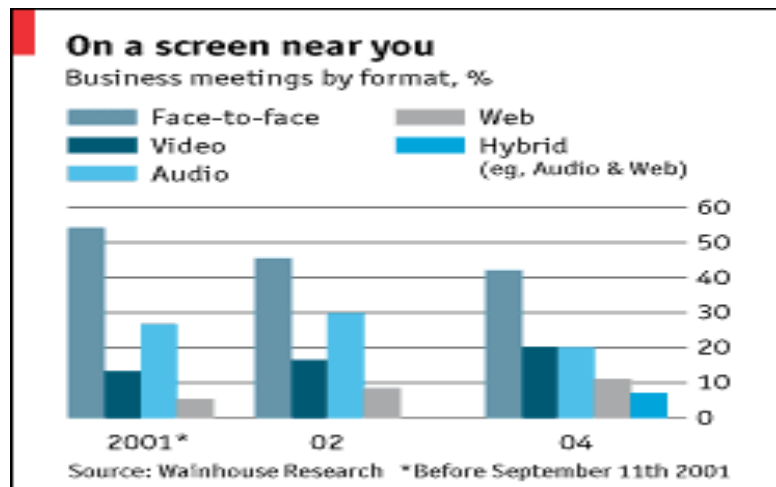
iii.   Business and Technology

At the height of the dotcom boom, new technologies such as video conferencing and online meeting systems were predicted to bring about a revolution in the way business would be done in the new millennium. Business travel was facing a precarious future.

However, 7 years later the technology commentators have been proven wrong as international travel continues to be an essential part of business life, and if anything, the growth of the internet for travel bookings has shaken up the corporate travel market, making it easier for companies and executives to make travel arrangements, reducing booking times and deadlines, and making business travel cheaper.

Nonetheless, in recent years, video conferencing has grown as an alternative means of business communication to supplement telephone contact and direct face-to-face negotiation. The chart shows the gradual uptake in video conferencing and other web-based interaction. As can be seen, face-to-face communication remains the dominant mode of business meeting. However its position has been gently eroded, and domestic business travel in the US has been in decline since 1999. This suggests that video conferencing, while not displacing face-to-face communication altogether, may be displacing those meetings that do not strictly require personal contact. Two potential business partners may discuss the prospect of a deal over the phone, travel long distances to conduct their

first face-to-face negotiations, but then follow up via brief video-conferencing to settle the fine details once a relationship of trust has been established.

This is especially so given the time constraints that many executives face, and the great deal of time that travelling requires. In a survey of business travellers carried out by MCI, a big American telecoms firm, 69% said they preferred a virtual meeting to travelling because it saved time, while only 37% said they did it to save money. Of course, when high-salaried employees are involved, saving the former also means conserving the latter.

This does not mean the death of business travel or the demise of the corporate travel agent. There is still a role for corporate agents to manage complicated travel agents for senior executives, or to process airline and hotel bookings for companies with a large, travelling workforce. However, the growth of online bookings will continue to make it easier for in-house administrators to manage business travel arrangements, and for companies to take advantage of low-cost airfares and last minute hotel deals for their middle managers and more junior executives.

We expect to see more time-pressured business travellers (both senior and junior) aspiring to combine corporate trips with leisure time, to make the most of their limited holiday. The blurring of distinctions between business and leisure time brings new challenges for tourism organisations that are servicing business travellers. How and when should they target these travellers? When are they consumers and when are they executives? A critical factor is the rising expectations of consumers - especially time-pressured, affluent consumers – who are demanding greater personalisation and 24/7 access to services. We expect to see airports, hotels and airlines develop more services to help business travellers maximise their time and minimise the inevitable down-time in international travel, by providing more streamlined travel services for corporate travellers.

The recent launch of luxury services such as "member only" business flights are evidence that there is still a market for elite corporate services, however, at the other end of the price spectrum we also

expect to see an increasing number of executives devising their own travel itineraries and taking advantage of online deals to

v.   Alternative Energy

After years of waiting, the Kyoto Protocol came into force in February 2005. 30 industrialised countries have committed to reduce their emissions of six greenhouse gases to around 95% of 1990 levels by 2012[li].

In the coming decades the world needs to develop and adopt new, low-emission and low-carbon energy sources. High oil prices will increase the pressure on energy suppliers to develop low-cost, sustainable alternatives to fossil fuels. Transport and accommodation account for a significant proportion of energy consumption by the tourism industry. As a result we expect to see some innovative alternative-energy solutions for tourism beginning to appear in the world's more environmentally-minded countries.

Alternative energy supplies such as solar and wind power are already available and are relatively cost-effective in developed countries. Renewable energy sources accounted for 13% of global energy demand in 1999. Of this 13%, nearly 80% is represented by biomass, which mainly relates to non-commercial uses in Asia. Hydropower is the second largest renewable power with a market share of 2.3%. Wind and solar energy accounts for the balance[lii].. Denmark is the world's leading consumer of wind power, with 20% of its electricity currently coming from wind farms, a figure forecast to increase to 30% by 2005. Europe has plans to product 20% of its power from alternative sources by 2020. While Germany and Japan are consuming the majority of the world's supply of solar panels[liii].

Other less well-known alternative energy sources include bio-fuels, produced from the organic bio-mass of corn or sunflowers, they produce lower levels of carbon dioxide emissions than fossil fuels. Geo-thermal and hydro-electric sources of power may be sensible solutions for developing countries that have the appropriate natural resources. Geo-thermal power is generated in countries that have volcanoes and hot springs, which can be harnessed to produce energy. Hydrogen is a sustainable and emission-free energy source and offers great potential for development in the 21st century.

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