

World Tourism Forum Lucerne 2013

1st Think Tank

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Professor Geoffrey Lipman (right), Professor Martin Barth (middle) and Kempinski CEO Reto Wittwer welcoming guests at WTFL 2013.

Summary

- The World Tourism Forum Lucerne Think Tank gathered a representative group of leaders and “movers & shapers” from across the sector, to reflect on the big pervasive challenges for the industry and out of the box “game-changing” ways to address them. It was light on paper but long on creative exchange, with Chatham House Rules. The value was generally acknowledged in the exchange itself: shared brainstorming and cross fertilization of ideas. The session was moderated by Professor Geoffrey Lipman.
- There was general agreement with the broad situation analysis – the macro challenges are disruptive economics, technology (e.g. Apple travel app to cover our full value chain), communications, geographic market shift, consumer changes (e.g. customisation, experiences, ageing), regulatory war on airlines and other adverse, dynamic socio-politico governance conditions. Our sector is affected by “everything”, we are behind the curve, comparatively slow to change from traditional systems and structures, dependent on big infrastructural frameworks/constraints, with massive numbers of new “wired” customers.
- We need to be agile and alert in responding to key influencing factors by:
 - Fully understanding our dynamic opportunity/risk situation – changes are complex, fast and inter-connected. Hyper-connectivity brings hyper-opportunities, but also hyper-vulnerability.
 - Evaluating objectively and with enough granularity the results that our own and other sectors’ research and experience shows.
 - Cautioning against over-simplistic reliance on the BRICS who will have their own adaptation challenges
 - Adjusting quickly/nimble to capitalise on our potential as a job creator/ development catalyst, We should do this in ways that put yield on the same page as numbers, and green on the same page as growth.
- Against this background, we took a deep dive into the interrelated pivotal issues of Hyper-connectivity and Bridging the Silos.

Conclusions

- We face “Hyper-change: Hyper-connectivity and Hyper-fragmentation” - the trends will not reverse. We must focus on those elements we can influence/control.
- The most challenging issues are:
 - Truly put customers and communities as the vectors of decision making and engage them more intelligently and collaboratively.
 - Look for smarter (green) growth, in a resource constrained world with more and more demand from huge numbers of increasingly techno-savvy, environmentally aware customers.
 - Convince governments of the sector’s scope/value and supportive politico-economic policies - particularly for finance and security/immigration ministries.
- The Think Tank has been a valuable forum for exchange. We need to continue this genuine multi-interest, informed, objective exchange. World Tourism Forum Lucerne was urged to continue this initiative and the Secretary-General of UNWTO was asked to host a stakeholders meeting to consider further the question of bridging the silos, with specific focus on aligned advocacy and securing equitable development funding for tourism at its intersection with the MDGs/poverty and green economy.

Situation & Trends

General

- Politics gridlocked: Economics volatile: Regionalism stronger: Glocalization trending
- "Mega Crisis" increasingly likely: nature / man-made: Climate Change hits weather
- Interdependence and supply chain globalization increases vulnerability
- Street democracy grows with unemployment and fundamentalism big factors
- China led BRICS boom: Developing strengthen: OECD crawls & Europe drags
- Trade, led by Services grows steadily: centre shifts east: South ~ South escalates
- Africa grows on China resource sales + health / education / infrastructure paradigms
- Oil politics shifts - Russia key player and US moves to energy independence
- Climate realities increasingly impact policies – particularly taxes and infrastructure
- Demographic shifts intensify – more dependant older + out of work younger
- Urbanization intractable with growing allocation of resources & new-tech focus.
- Communications, social media , mobile revolutions change work and leisure patterns
- Green Growth gathers momentum with increasing climate adaptation funding
- Social entrepreneurship/internet finance/alternative markets shift investment patterns
- PPP's / IGO reform/tough anti-corruption norms create cleaner market framework

Sector

- Sluggish development based on austerity economies and slim margins
- More/deeper consolidations plus more low cost initiatives across the sector
- BRICS drive growth: sheer numbers from China/India/Brazil changing the game.
- Domestic and Regional markets take on new importance
- Mega-hub, airports and carriers in Gulf will be a global game-changer
- Jobs, & impact numbers get more scrutiny from governments and NGO's
- Industry coalitions strengthen: increasing political focus: target borders & taxes
- Sport/Culture/Entertainment/Tourism coalescence:
- Aviation/tourism/environment policies more aligned: strong focus on cleantech.
- Congestion becomes major issue – at borders, airports and on roads.
- Demands for smart skies & bio fuel grow as carbon taxes hit transport sector
- Political/policy conflicts spur re-evaluation of aviation/tourism in trade & climate talks
- Smart visas demand upgrades in processes and technology.
- Shifting focus towards green growth driven by regulation, funds & public awareness
- Market for green solutions will trump government and industry standard setting

Debate

Hyper-connectivity

- This session led by Dr Michael Frenzel, Chairman of the WTTC looked at the positive and negative impacts of increasing linkages - electronic, physical, operational and institutional - it pointed to the inevitability, the challenges and the massive opportunities. It suggested the principal directions that the industry and its stakeholders should be seeking.
- There are many fundamental aspects of connectivity – aviation hubs; intra-sectoral connectivity between air, rail and road; regional and development linkages; computer and internet connectivity; business connectivity and commercial links, as well as people to people connections. There is the whole travel and tourism value chain and its reliance on seamless connectivity for product, experience, promotion, payment and operational dimensions. There is the growing reality of 24/7 connection, multimedia and above all mobile connectivity. All of this driving the mega-trends of globalising, digitalising, commoditising and popularising. The connectivity driven opportunities are huge, but so are the risks.

Dr Frenzel stressed inter alia:

- The emergence of “digital natives” connected everywhere to everything
- The wants/needs of “the zapping generation” will be determinants
- Accelerating pace of connectivity + shift to mobile & tablets + local sensing
- The disruptive impacts and the winners’ ability to anticipate/adapt
- Videoconferencing/holographics to change business travel and perhaps leisure
- The changing use of websites with peer review rivalling search
- Digital is pivotal to customer contact and to create new business opportunity
- Real experiences shared as they happen: twitter is king - short, sharp, precise
- Big data adds a huge new potential
- Everyone is empowered, but no one is in charge
- Risk is heightened because of cyber-attacks and system interdependencies in the cloud-based economy
- Hyper-connectivity must also serve society: speeding flows, encouraging mobility, boosting education & supporting sustainability

There was strong support for the analysis with the following issues noted:

- Different solutions are required for different types of customers and their needs
- New demographics and 2 billion extra urbanizing consumers to be factored in now
- Customers want ease and satisfaction – they know they have options
- Real experiences are becoming the status symbols of the future and customers are sharing these constantly
- They want experiences and collaboration – to find, enjoy, share
- Margins are too thin across the sector
- There will be much more consolidation. Business models must change radically - adapting processes for digital linkage.
- Technology is making entry barriers in our industry diluted, attacking profitability zones, disrupting business models of our industry, changing job descriptions
- Risks include cloud disruption, reputational, trust in data security
- We can and must learn to adapt faster – take advantage of other sectors skills
- Beware relying on China - numbers are huge, but near neighbours get the bulk
- Overcapacity in austerity age; is new growth in right place to help?
- Asia/Africa/M.East/Latin America will be epicentre of new growth triangle
- Supply side: Europe as museum vs. contemporary culture
- Content will be king – it is controllable, but only to a degree – no full product line
- Kids are connecting from birth, talk a new language, live virtually & hardly write
- Carbon issue will be solved over time – but at big cost, taxes and regulatory jungle, with possible consumer behavioural change
- Growth will have to be smarter to meet evolving environment/climate norms
- Nations will continue to struggle to adapt and to keep tourism leadership
- Europe's future is bleak for next 5 years; Russia also challenged; slow-down looming in some emerging markets

Bridging the Silos

- This session, led by Marthinus van Schalkwyk, Minister of Tourism of the Republic of South Africa explored the consequences of fragmented policymaking in a transversal sector like travel and tourism, that links to transport, heritage, infrastructure, security, employment, energy, environment and taxation strategies, at local, national, regional and international levels.
- The intervention covered a line of thinking he has been articulating for some time that the most interrelated elements of the Travel and Tourism sector – both public and private sector - must have a far greater degree of policy and strategy alignment if we are to play the leading edge socio-economic role that the sector is capable of.

Minister van Schalkwyk made the following specific points:

- The government/citizen relationship will revolutionise with hyper-connectivity
- Personal digital identities in the travel and tourism value chain will change the traditional division of labour between ICAO and UNWTO
- Two most prominent sets of silos: Tourism and Aviation; Tourism and Development
- Global socio-economic and climate challenges demand system linkages
- National/international recognition of travellers to intensify as systems integrate
- South - South intersects will become of greater significance
- A billion middle class Africans lifted from poverty will be a major new influence
- Travel & Tourism can't take advantage with traditional policy silo blockages
- Government and Sector structures will need big changes to function well
- Multilateral institutions face increasing challenges in coping with complexity
- Minilateral and Regional frameworks will strengthen and integrate; G210 is key
- Tourism institutional linkages need better structures and a coordinated voice
- Aviation is a particularly important case in point as a key driver for the sector
- Archaic legal regimes urgently need modernization to align with value chains, e.g. Chicago Convention bilateralism
- Tourism Development Financing needs a big rethink; Total ODA is \$130 billion with only some 0.09% for Tourism; that for sector that contributes 9% to global GDP

There was strong support for the analysis with the following issues noted:

- Key challenges of policy inadequacy, conflict and duplication noted
- Not just tourism but in related sectors – transport, security, environment, trade
- Statistics, standards and policy inconsistency recognized
- Tourism Ministers often not in Cabinet and short duration position
- Green Growth needs open cross -sector interfaces with strategic mind-set
- Taxes will increase - creative thoughtful solutions needed for fair treatment
- The T20 approach needs to be continued and extended at least to Transport
- Other sectors well-organized; tourism preaches to itself
- In formalising informal travel and tourism coalition, more bureaucracy isn't needed – but some formalised rotating as organisational principle useful.
- Focus at strategic level, separate from operational. Beware old boys syndrome - there are new audiences
- "Coalition" initiative needs thinking through for hyper connected era
- One voice perhaps means coordinated messaging on selected key issues
- One single objective: not always single voice, but many voices in diverse world, one message! Multiple voices with one message
- Top level messaging necessary, but what about base of the pyramid
- Lobbying and advocacy on behalf of the industry, ministers are isolated in their countries, lonely ministers syndrome
- Need clear strategic focus – e.g. ATAG (Air Transport Action Group)
- WTTC and TERN (Tourism Emergency Response Network) good examples of useful cross industry action
- New ICAO/UNWTO relationship is an important element
- WEF cross-industry linkages should be recognized and factored in
- Think Tank useful strategy platform – need to take it forward unbureaucratically