

12. Future trends

Learning objectives

At the end of this chapter the reader will be able to:

- Determine how changes in the marketplace will affect the shape of tomorrow's tourism.
- Define and correctly use the following terms: generational influence, baby boomlet, baby boomers, demographic changes, changing consumer tastes, family market, baby bust, World War II babies, leisure time availability, automation.

Introduction

It is forecasted that tourism will be one of the largest "industries" by the year 2000. The World Tourism Organization estimates an annual growth rate of arrivals in cross-border tourism to be between 4.5 per cent and 5.5 per cent for the next 20 years. Various trends in the demand for and the supply of tourism substantiate that optimism. Notwithstanding the barriers to continued travel, tourism will continue to grow. Its growth may, however, be in a form different from that experienced today.

Influences on demand

The demand for tourism is influenced by the size and structure of the population, the amount and distribution of discretionary income, the amount and distribution of leisure time, and changing consumer tastes.

Population

In terms of absolute numbers of people, the leading *growth* countries of the world in the first half of the twenty-first century will be:

Country	Population in 2033 (in millions)
China	1,516
India	1,311
USSR	366
Nigeria	335
Brazil	333
United States	306
Indonesia	261

Country	Population in 2033 (in millions)
Japan	131

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Mexico	117
Philippines	117
France	57
Canada	38

It should be noted that, for many of these countries, the potential for them to generate tourists will be severely limited by factors such as the amount of time and money available to travel. If, however, only a fraction of Chinese, Indians and Russians travel, their impact will be enormous.

Shrinking family market. The major effect in North America, as far as population is concerned, has been a relatively small rate of population growth and vast structural changes. From now until the year 2000, the US population will grow at its slowest rate since the 1930s, 0.7 per cent a year. There has been a reduction in the size of the traditional family unit together with a shrinking of the importance of the typical family market.

By the year 2000 the proportion of people in each of the major age groups will be as follows:

Group	Age in 2000		Per cent of Population
Baby boomlet	12 to	23	17
Baby bust	24 to	35	17
Late baby boom	36 to	45	21
Early baby boom	46 to	54	18
World War II babies	55 to	65	11
Depression babies	66 to	76	8
World War I babies	77	+	8

The typical family market shrank as a result of the postponement of marriage and childbearing together with a higher incidence of divorce. In 1959 the percentage of wife/husband households was 78 per cent; in the mid-1970s it was 70 per cent; in the mid-1980s the figure was 60 per cent; by 1990 it will be 55 per cent. This group will rise numerically, however, as the baby boomers mature into the 25 to 44 age group.

Those couples having children are choosing to have fewer offspring.

In 1910 the average household consisted of 4.5 persons; that number has dwindled to 2.7 and will likely shrink more.

Typically, the presence of children in a family has been a deterrent to international travel. As more people delay marriage and having children, or decide not to have children, there will be an increased propensity for international travel.

More middle/older age travelers. There has been an increase in the number of middle and older age groups together with more people retiring earlier. Over half the population of the United States is between the ages of 25

and 44. This group is both willing and financially able to travel. In 1990 this group will control 44 per cent of all households and 55 per cent of all consumer spending in the United States. By 2011 this group will reach retirement age and will be prime prospects for travel.

In 1900, Americans over 65 comprised four per cent of the population; in 1990 they will comprise 15 per cent of all Americans; by 2030 one in five Americans will be over 65. As more people retire earlier they have the time, the health and the money to travel. Only one person out of every four works until forced to retire by law. There are, however, barriers to travel that this group experiences. Having grown up during the Great Depression, many still regard travel as a luxury and choose low-cost vacations instead. For widows and widowers the lack of a companion may present a barrier to travel. The travel supplier can take the lead here in arranging groups of single seniors to take trips together. Because of their age, safety and security are major concerns for this group.



Exhibit 95: More middle- and older-age travelers. (Courtesy Hong Kong Tourist Association.)

More education. Children in the United States attend school an average of six hours a day, 180 days a year. In Europe and Asia, children average eight hours a day, 240 days a year. It is likely that the United States will follow the trend toward longer school days and a longer school year. Additionally, more people are attending college.

The more education people have, the more curious they become about the world around them. Opening the frontiers of a person's mind will increase the desire to experience more of life and more of the world.

More working women. Since 1970 the number of female workers in the United States has been increasing more than twice as fast as the number of male workers. In 1986 the nation's pool of 13.8 million professional workers had 29,000 more women than men. More females than males are being graduated from college and more women are choosing business majors than ever before. Multi-earner families are more than 55 per cent of all families.

This means that more families have more money to travel and more reason to "get away" from the work scene. It also means that there will be an increase in the number of women traveling on business.

Movement to the Sun Belt in the US. The recent past has seen a population movement to the South and West. Regionally, these areas have a higher incidence of people taking trips (as defined by the US Travel Data Center). This movement will continue. As more and more people move to other regions of the country the potential expands for family visits and reunions. The major reason for domestic travel in the United States is to visit friends and family. Population movements will increase the rationale for such trips.

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The large number of "snowbirds", seniors who migrate from the north to the south during the winter months, should also be mentioned in this regard.

Income

In the world's industrialized countries smaller families are becoming the norm. As a result, the average disposable income per household is increasing. As incomes increase the proportion spent on necessities lessens, leaving more money available for discretionary spending. There is an increased tendency to spend this discretionary income on leisure, recreation, and travel, buying experiences rather than possessions.

Leisure

Both travel and tourism are affected greatly by the amount and distribution of leisure time available and by the way people choose to use it.

Weekly leisure time. It is widely reported that the average workweek in the United States is less than 40 hours. There is evidence to suggest, however, that it is much higher and that, in fact, the amount of free time available on a weekly basis has declined over the past 10 to 15 years.

A study by Louis Harris and Associates in 1985 found that the median workweek increased from 43.1 hours in 1975 to 47.3 hours in 1984. Median time for leisure declined in those same years from 24.3 hours a week to 18.1 hours. The same study indicated that, on average, women have 15.6 hours of leisure a week compared to 20.3 hours for men.

There are several reasons for this movement. In times of economic uncertainty, employers tend to have employees work longer hours rather than hire additional employees. More time is devoted to commuting, going to school, and, in the case of women, combining work outside the home with housework in the home. Leisure time is taken up with a variety of do-it-yourself projects as the cost of services continues to rise. Additionally, many people moonlight at a second job. Finally, the United States, as well as many other industrial nations, is experiencing a movement from manufacturing into services with an increase in the numbers of salaried employees who tend to work longer hours with a "fuzzy" relationship between work and leisure. A manager is more likely than a manual worker to take work home in the evening.

Little progress has been made in the United States in "flex time", job sharing, and the four-day workweek.

Because of these factors the amount of free or leisure time available each week may actually be less than it was a decade ago.

Holidays. In another way the amount of leisure time available for travel and tourism is increasing. For travel purposes the amount of free time on a daily basis is of less concern than that available over extended periods of time.

A major trend in leisure time that is expected to grow is the increase in the number of three-day weekends. People are demanding, and getting, more leisure time in blocks. The three-day weekend allows a greater number of short getaways from the stresses of the workplace. With more families with two spouses in the work force it is often easier to arrange time off for both over a shorter holiday time slot.

On average, American workers have nine vacations days a year. This number is far less than in Europe and is likely to grow as more people enter the ranks of salaried employees.

Consumer tastes

Despite the pressures noted above it is clear that there is a leisure ethic present among today's citizens. After World War II there was a movement in values to the present, the self, to greater permissiveness, and an interest in social causes. During this time leisure became associated with the so-called good life. While we have seen a weakening of the focus on self and an increased orientation toward the future coupled with a renewed interest in the family, one thing has not changed. That is the idea that we are entitled to periods of leisure.

Given the scope of demographic, economic, and social changes, we can expect the following:

- increased differentiation of demand. There is a growing need for individualized service packages.
- increased desire to relate to nature, to experience things firsthand, and to be involved in active pursuits or adventure trips. These may involve visits to off-beat destinations, the use of unusual modes of transportation, or the chance to pursue unusual hobbies or interests.
- increased desire to learn, which may show itself in a willingness to know foreign cultures.
- fitness/wellness centers. It is estimated that by the year 2000, about 85 to 90 per cent of insurance carriers will expand coverage or offer reduced rates to people who practice "preventative maintenance". There will be an increased demand for pampering associated with fitness clubs. Resorts can sell tourists on the idea of doing something for themselves while saving money through the lowering of insurance rates.
- Leisure will be more highly planned and deliberate.



Exhibit 96: More people want active vacations. (Courtesy New Zealand Tourist & Publicity Office.)

As consumers increasingly become better educated they will become more critical of the offerings for their important, yet scarce, leisure time. They will place more pressure on tourism suppliers to deliver quality experiences.

Generational influence. The term "generational influence" refers to the idea that people who came of age during a particular decade share a common set of values and attitudes. These values and attitudes help shape the buying behavior of that particular group. It is useful to examine the demographic groups in the United States in the year 2000 in light of their generational influences on vacation purchase behavior.

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Seven generational groups were identified earlier in this chapter. The *baby boomlets* will have traveled extensively with their parents and will have been socialized to the idea of travel.

The *baby busters* were raised in the socially interactive years of the 1980s. They may prefer to travel independently in the future. However, the convenience of buying a package will appeal to their need to save time, a factor important to them.

The *baby boomers* came of age in the 1970s. Because of their numbers, they faced great competition for jobs. This may have influenced the emphasis on self that is important to this group. By the year 2000 there will be a growing number of time-constrained working parents looking for opportunities to create worthwhile family experiences. Because of frustrations in the workplace there may be a desire for fulfilling hobbies. Leisure and vacation choices may be tied to these in addition to family vacation opportunities. Because of the familiarity and sophistication of this group they will demand a particularly high level of service.

The *early baby boomers* grew up in the accepting years of the 1960s. Over the next 10 years this group will reach the peak of its earning potential. Many will have sent their children to college and will have acquired long-term assets. This group may also include a segment of early semi-retirees. Because of the social environment of acceptance that was prevalent when this group came of age, the less traditional destinations could be very attractive to them.

World War II babies grew up in the 1950s and come to the marketplace with a strong work ethic and the need to "earn" their leisure. Encouraged to take early retirement, this segment may be good prospects for off-season and shoulder-season travel. Their upbringing may make them prone to choose vacation opportunities for social interaction and personal growth.

Depression babies were influenced by the 1940s, a time for patriotism and personal sacrifice. While they will have the time, money, and health to travel, they are averse to credit and seek bargains. Their strong family ties may lead to opportunities for travel with grandchildren whose parents are working. Against this must be noted "grandparent angst", the feeling of worry coming from the reluctance of one's children to have children of their own. If the trend toward low fertility rates continues, there may be fewer grandchildren around in the year 2000 (and, consequently, less reason to visit family).

World War I babies have never been active travelers. They will offer the travel industries a picture of what the twenty-first century will be like when American society begins to be dominated by older Americans.

Business travel

The demand for business travel is a function of four factors: economic, regulatory, communications, and automation. Other factors such as marketing policies and political and social developments influence the pattern of, and market shares within, business travel rather than how well it develops.

Economic. The rate of growth of the economy determines the size and rate of change of the market for business travel. Strong trade, investment and output growth are positive signs for business travel, whereas high interest rates and unemployment levels bring business volume down. The long-range forecast for the United States remains favorable despite major structural changes in the labor force.



Exhibit 97: The early baby boomers will look for less traditional destinations. (Courtesy Australian Tourist Association.)

Variations in currency exchange rates are another important economic consideration in the demand for business travel. When there is a significant change in the exchange rate between two countries the balance of trade moves in favor of the country with the weaker currency. When the dollar is weak compared to the British pound, US goods are price-competitive in England and British goods are priced out of the US market. Also, the cost of travel to Britain from the United States is more expensive, while the reverse is true. However, to take advantage of the favorable trade conditions, it is necessary to incur high travel costs. American companies must travel to Britain to take advantage of the strong dollar. For incentive travel and conferences, which are not destination-specific, exchange rate changes can influence the flow of business travel. Countries with weak currencies will get proportionately more business.

It is virtually impossible to predict long-term currency rates. The important consideration, however, is to understand the movements in response to changes in the relative rates of exchange.

Regulatory. The two major regulatory influences on business travel are the deregulation of travel businesses and the way the government treats business travel expenditures for tax purposes.

The effect of deregulation in the United States has resulted in cheaper fares in many markets, movement of carriers both in and out of the airline industry, and a cutting back of service to smaller towns. As Europe moves toward deregulation in the 1990s, the same trends can be expected.

Recent restrictions on business travel limit the tax deductibility of a meal taken on a business trip to 80 per cent of the cost. Further restrictions will cause businesses to rethink marginally productive business trips.

Communications. The business world is becoming more international or global in scope. As multinationals grow in number and the term "national economy" is replaced by "global economy", we can expect to see an increase in international business travel, particularly in the United States, Europe and the Far East.

Automation. The development of increasingly sophisticated automation and communications systems will make reservations systems and information services available to business travelers. They will demand more precise travel information to make arrangements and keep track of company travel costs. Several firms, such as Diners' Club, are already offering this control function to management. As the ability to monitor travel costs increases we can expect such demands by business customers.

Suppliers will have to differentiate their products by offering special services for the woman business traveler, the hotel suite segment and the "high-tech traveler", people with high income, high level of education, employed by

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a high-tech company, between 30 to 45 years of age, very mobile and unpredictable, and with frequent changes in travel plans. Suppliers will stress loyalty programs, which will replace the frequent-flyer and frequent-stay programs that are aimed at the individual. It is likely that such programs will be phased out in the 1990s as accountants "charge" the airlines for the accumulated mileage and as the Internal Revenue Service (IRS) charges consumers for the value of the benefits. New loyalty programs will be oriented toward the company in the form of volume-related bonus schemes.

What about increasing automation reducing the need to travel? Technology offers the opportunity to send documents through the telephone lines and to conduct a face-to-face meeting through teleconferencing. John Naisbitt has noted that, as part of this "high tech-high touch" trend, as computerization increases in offices, so does the writing of notes by hand. Contact with others will remain necessary to conduct business. Video teleconferencing has been slow to expand because of the high cost and because it inhibits creativity. People feel awkward when part of a video conference.

Incentive travel and conferences. The demand for conferences will likely grow with the diversification of meeting facilities into multipurpose event centers.

Travel will remain a major motivator of sales performance in incentive programs. It is likely that the use of incentive travel to motivate employees will expand out of sales to other types of employees who will be rewarded for such things as increasing productivity and reducing turnover. The demand for incentive travel will be greater than that for business travel.

Final word of caution

While the picture painted above is one of optimism for the future of travel and tourism, some problems should be noted.

In both North America and Europe, the tourism infrastructure is strained and inadequate. In the United States, the quality of the road system is inadequate and a great infusion of money is needed to bring the highways up to par.

Similarly, the United States' airspace is becoming overcrowded. In 1988, restrictions were placed on the number of flights arriving at and departing from Chicago's O'Hare airport. In Europe the air traffic control system is hopelessly outdated. The situation is made worse by the fact that the "system" is, in fact, 42 separate systems. Problems in communication and coordination account for delays of days during the peak holiday season.

Many tourist destinations are slow to face up to the problems of pollution and safety. Raw sewage and improperly disposed of medical supplies have caused the closure of beaches in Europe and the United States.

Crime in the streets has resulted in a fear on the part of many people toward urban destinations.

The future of travel and tourism will depend upon the extent to which decision-makers in both the private and public sectors can take advantage of the opportunities the future will bring while working hard to solve the problems outlined above.



Exhibit 98: Can we preserve the environment for future generations of tourists and locals? (Courtesy New Zealand Tourist & Publicity Office.)

Study questions

- What factors affect the demand for tourism?
- By the year 2033 what five countries will have the largest populations?
- What have been the major population changes in North America in the last few years?
- What factors have served to limit the growth of leisure time in the United States?
- What trends can be expected in tourist demand in the next few years? What is the likely generational influence on leisure travel of:
 - baby boomlets, baby busters, and baby boomers?
 - World War II babies?
 - Depression babies?
 - World War I babies?
- The demand for business travel is a function of four factors. What are they?

Discussion questions

- How will changes in population, income, leisure, consumer tastes, and business travel affect tourism in the future?