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Future trends in tourism

Summary

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SUMMARY

Demographic, sociostructural and sociocultural developments have always led to changes in tourist demand and faced service providers in tourism with substantial need to adjust. These constant challenges have expanded and intensified considerably in the first few years of the new millennium. War and tourism, extreme weather, the ongoing internationalisation of tourism and the ageing of society (increasingly prominent in public awareness) have emphatically demonstrated the latent vulnerability of tourism as a boom industry. The survival of the tourist industry depends decisively on recognising relevant trends and allowing for them in good time.

In this context, TAB – at the initiative of the party working groups on the Committee for Tourism – was commissioned by the Committee for Education, Research and Technology Assessment to carry out a TA project »Future trends in tourism«. Its focus was the themes »demographic change«, »EU expansion« and »security, crises and dangers«.

The present report

- > identifies the relevant trends and their implications for tourism in Germany and by Germans, on the basis of a review and an analysis of current sociodemographic data;
- > looks at the impacts of the eastward expansion of the EU and considers what trends in vacation traffic can be expected in and from the new EU nations and to and from Germany;
- > describes current and future potential dangers to tourism and discusses possibilities for improving information, prevention and crisis management.

DEMOGRAPHICS

The tourist industry is more than almost any other industry linked to its social and natural contexts. One parameter for the longer term development of society is obvious – the current and foreseeable demographic shift. In the tourist system the sociodemographic shift – and specifically the advancing ageing of society - will result in far reaching changes, particularly on the demand side.



At global level, the world population will continue to grow. This growth will be primarily in developing countries, so that per capita income will not increase despite global economic progress. By contrast, in the industrialised nations – and particularly in Germany – the demographic shift is taking a different form. Although the number of inhabitants will probably change only moderately in the next 10–20 years (it is more likely to fall than rise), a secular decline in the birth rate and simultaneous increase in life expectancy is leading to a clear change in the age structure. According to data from the 10th coordinated population forecast, in 2001 20.9% of the German population was below 20 and 24.1% over 60. By 2050 only 16.1% will be below 20, compared to 36.7% aged 60 and above. This excessive aging of society will drive up the costs of health care and nursing care, and it is also foreseeable that the so-called contract between the generations will not longer be able to finance retirement pensions, as the working population is steadily declining.

DISCRETIONARY INCOME, WORKING HOURS, LEISURE

Earlier retirement, falling pension contributions, rising life expectancy and the resulting prolongation the pension-drawing period during retirement are the causes of the already serious threat to the social security systems. The demographically caused decrease in the working population threatens to further erode the available contributions. If current conditions persist, future generations will pay higher contributions while working than current generations do. There is a similar problem with care insurance. These trends will probably be met by additional private pension plans. The shift in responsibility for old age and sickness back to private households would be one possible response to the demographic challenge. However, no matter which of the numerous proposed reforms is implemented, there are negative impacts on discretionary income in every case.

In any event, no real growth is likely in discretionary income in the foreseeable future. Essentially, this statement is based on the continuing high level of unemployment or non-earning population, the high private and social costs of an aging population and a high tax and insurance burden.

Forms of work and gainful employment have become more diverse over the years (part time work, second and third jobs, temporary jobs, teleworking, full or partial self-employment). The system of full time working will probably continue to decline, and temporary jobs and nonstandard forms of employment will grow. Instead of a rigid career path, a relatively large number of people will have periods of unemployment alternating with full time or part time employment

over the course of their life. »Patchwork« résumés will become increasingly normal. The result is growing heterogeneity in the time pattern of work and living, with resulting consequences for daily, weekly, annual and lifetime leisure.

The increase in leisure which was apparent up to the 90s has also stopped, and the trend in working hours (longer working hours, greater proportion of multiple jobs) makes it more likely that leisure will decrease. There is growing disparity in the distribution of time and money. As a result, a clear structural change is emerging in the long term: growing polarisation of the population into two groups, people with high incomes or wealth and little leisure time on the one hand, people with little money and a relatively large amount of leisure time on the other hand.

Developments like these will have less effect on the volume of travel than its nature (frequency of travel, timing, destinations, combined business and private travel). Operators able to offer personalised and modular concepts which target increasingly specific customer needs and offer convenience and time savings could benefit from this trend. This creates positive prospects for organised travel, despite the many predictions of its demise.

The stagnation or even decrease in the number of vacation days also offers an opportunity for domestic tourism. Domestic vacations have a particular growth potential in catering for additional vacation trips. As fewer days are available for additional vacation trips, people tend to pick closer destinations. Frequently the time and money available for annual vacation is consumed by the main foreign vacation to such an extent that closer destinations are the only possibility for second and third vacation trips.

SENIOR CITIZINS – TOURISM'S GOLDEN HOPE

Given the sociodemographic trend, senior citizens will grow as a tourist market segment in Germany. Taking a broader view and considering other markets of origin for German tourism (particularly in Europe), there is further longer term growth potential in the shifting age structure. Identifiable potential in senior tourism would continue to gain importance if the growth in life expectancy outstrips the increase in lifetime working hours, so that the period for retirement is at least not decreased. Improvements in the state of health of older persons or greater technological and organisational convenience in travel may help activate the potential for tourism which can be expected from the demographics



by 2050. One particular reason for believing that senior citizens will remain the principal source of growth for tourism in the foreseeable future is the fact that much of this market segment is still currently financially secure, so that there are substantial purchasing power resources available for tourism. After retirement, the time available also increases substantially. Senior citizens appreciate travel as a way to keep physically and mentally fit and participate in social life. It is likely that senior citizens in particular will invest in future in maintaining their accustomed lifestyle. This could be associated with rising intensity of travel, which is presently still below average.

The question when and how the travel habits and experience of today's younger and middle age groups will affect their travel habits as they age is crucial to the future of German tourism. Greater physical and mental mobility and improved foreign language skills of future senior citizens should remove existing barriers, making destinations elsewhere in Europe more appealing. The greater experience of travel and better (formal) education of these age groups could lead to a rising trend in long distance travel. Such a development could create a certain element of risk for German tourism.

Reorientation in tourist product design and marketing

Tourist product design and marketing must adapt to the fact that its customers are aging. Together with the expected increase in frequency of travel by this age group, this should have a positive effect on senior tourism. It should not, however, be forgotten that as society ages the number of people with health problems will also increase. The growing share of older people in the total population will be accompanied by an increase in the number of chronically ill old people. The result of the rising number of older people and rising health and nursing costs will mean that the younger senior citizens will increasingly be tied by the need to invest time (and money) in supporting their parents. Packages combining tourism and nursing care which take into account the needs of relatives of the chronically ill or people with health problems are currently still rare in the tourist market.

There is also a trend towards a two-segment split in the senior market—tourists who want to enjoy new experiences and who spend a lot on tourism, and tourists who have a relatively small budget but who still want to travel. The tourist industry will accordingly have to develop target group specific packages for both groups, to a greater extent than it now does. The economy group in particular is a target group whose size means that it cannot be neglected. In future, marketing must increasingly be tailored to match the needs and desires of older people. In

order to address the very heterogeneous target group of senior citizens successfully, thorough knowledge of their very differentiated motivations and lifestyles is needed, and this still needs to be gathered.

It is generally true that estimating the future development of senior tourism is subject to great uncertainty. While the number and relative weight of senior citizens in the population structure can be predicted with relative certainty for the next few decades, it is not clear if and how the travel habits (frequency and destinations) of the older population will change in concrete terms. Another point which is still unclear is the medium term change in population. Motivations, attitudes and behaviour of future generations of senior citizens are still largely unknown territory, as is the assessment of their material situation.

EU EXPANSION

The importance of the new EU nations (Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Slovenia, Hungary, Malta, Cyprus and – from 2007 – Rumania and Bulgaria) as markets of origin for incoming tourists visiting Germany and also as destinations for outgoing German tourists will increase in the next few years. The economies of the eight eastern European countries will very probably continue to grow for the rest of the decade. It is anticipated that their real economic growth up to 2010 will be more than twice as high as in the old EU countries. The growth in income from this economic growth will also boost both national and international vacation tourism in these countries. A substantial increase is expected in real foreign tourist demand in the next few years.

As most of the eastern EU countries are close to Germany, German tourism will be significantly more affected than other EU nations. The internationalisation of the German tourist market will continue, and there are market opportunities for both incoming and outgoing tourism.

Germany as a destination

Various current tourism forecasts show that the expansion of the EU offers great potential in principle for Germany. Compared with other western European nations, Germany could succeed in gaining market shares in incoming tourism in the coming years, as both the old EU nations with annual real growth of 5.5% in income from international tourism and the new EU nations with 6.3% are lagging behind the forecast growth of 7.0% for Germany (WTTC forecasts). However, despite the predicted dynamic growth of spending in Germany by



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foreign tourists, this will have only minimal effect on the resulting direct value added from domestic demand by tourism.

Another forecast (WTTOUR) expects lower growth for Germany, but the statements are similar. According to these, growth in tourist spending in Germany and abroad in the new eastern European EU nations will mostly be twice as high as growth in GDP in the coming years. Estimates for Poland and the Czech Republic predict real annual growth between 2001 and 2010 of 10.3% and 12.3% respectively in tourist spending abroad. Of all European countries, Germany will benefit most from these high growth rates, and could accordingly expand its position in international tourism.

Regardless of the level of growth to be expected, both forecasts conclude that the German tourist industry will very probably gain in the medium term from the EU's eastern expansion, compared to the tourist industries in the other old EU nations.

In 2003 Germany had 5.2 million overnights from visitors from the eight eastern European EU states, with the majority of all vacation trips to Germany involving longer stays of at least four overnights. The two neighbouring states with the biggest populations are Poland and the Czech Republic, and Germany is the most important destination for these with market shares of 35% and 19% respectively. It is expected that the rapidly growing purchasing power of the citizens of the new EU countries will positively affect vacation tourism from these countries.

Business travel to Germany is already very important in travel by the eastern European EU states. Attractive packages for trade fair participants could further promote the business travel segment, and at the same time strengthen Germany as a location for international trade fairs within Europe. This could also have a spill-over effect on incoming vacation travel.

Between 20–30% of all overnight travel to Germany is to friends and relatives, so that most accommodation is private. Otherwise, vacation apartments or camping sites and hotels in the lower and medium price category are sought, and this will probably continue to be the case in the next few years. Particularly for tours, this could benefit hotels outside the city centres. In general, however, hotels and guest houses which are relatively small in economic and international terms frequently have great difficulty in penetrating the tour market segment. One possibility for overcoming the problems of these small and medium sized operations could be increased regional and supraregional cooperation. This should

also include activities further along the tourist value added chain, particularly in order to absorb external benefits of scale and association.

In general, competitive advantages of the domestic tourist industry could be realised (better) if distortions in competition at the expense of the German tourist industry (e.g. from taxes or regulations) can be removed through harmonisation. It would also be important to establish tourist destinations with specific unique features and use the scarce public funds for promoting tourism efficiently, focusing on regions with high tourist potential.

The new EU nations destinations

It can be assumed that there is considerable opportunity for increasing tourism to the new EU countries as a result of their low price level. This gives them a major competitive advantage over traditional vacation countries. At least in the short term, the new EU nations are also benefiting from great public interest and extensive media reporting which is arousing or reinforcing interest in travelling to the new member states. According to forecasts by the World Travel and Tourism Council (WTTC), income from incoming tourism to the new EU states will grow by an average 6.3% a year from 2004–2014. The WTTOUR forecast is slightly lower. However, both studies conclude that incoming tourism will grow in all the new eastern European EU states in the next few years.

Another reason for this growth is certainly that many travellers are still unfamiliar with these countries. There is also great interest in travelling in these countries. For this and other reasons (number of inhabitants, income levels, travel frequency, location), Germany is particularly important as a market of origin for all the new EU nations. It is forecast that travel to these countries from Germany in particular will continue to grow.

The new EU countries are interesting and low-cost destinations, although still largely unknown. To arouse and strengthen interest among vacation and business travellers in the new EU countries as tourist destinations, the actors in these countries will have to increase marketing measures aimed at raising their profile, bundling marketing resources and professionalising their Internet presence. Developing these new markets requires both travel operators and the destinations in the eastern European countries to step up their marketing efforts, and also requires domestic travel agents to reconfigure their offer.

The established vacation destinations (Baltic, Balaton in Hungary, High Tatra, Slovenian alps) in particular could be attractive destinations in future for vaca-



tion travel. Particularly for price-conscious German tourists with lower incomes, they offer an alternative to the standard European destinations. The growth in services offered by cheap airlines suggests that eastern European cities directly accessible through these will see a flood of German tourists in the next few years. This could also have an impact on the domestic market for national city travel, because in times of tight tourist budgets the eastern European destinations will have a considerable competitive advantage. Rural vacation tourism by contrast will develop slowly in many regions over the next few years, despite boosts to investment from EU promotional measures. The main reasons for this are inadequate tourist infrastructures and underdeveloped and aging transport infrastructures.

Health related tourism has good prospects, particularly in the Czech Republic, Slovakia and Hungary; very low prices and the assumption of costs of medical treatment and rehabilitation in the new EU states which is provided for under the Single Market will probably lead to substantial growth in demand and a lasting flow of patients from Germany.

The strong economic growth expected for the new EU countries will have a positive impact on the market for business travel. WTTC estimates suggest average real annual growth for these countries of just under 5% for the period 2004–2014. Many German companies are relocating to the eastern EU states, creating new economic links and new activity areas for travel agencies specialising in these countries or regions.

(IN)SECURITY, RISKS AND CRISES IN TOURISM

Wars and violent conflicts, international terrorism, new diseases and epidemics and the increasing number natural disasters and extreme weather conditions have resulted in a current increase in attention to the need for security. It is reasonable to assume that new security risks and crises will take on a new scale, because of the growing shift in wars from the state level to, for example, ethnic and religious armed conflict, because epidemics can spread globally with extreme rapidity, and finally because extreme weather conditions seem to be becoming an increasingly frequent feature worldwide, with a growing scale of damage. Questions of security and tourist risks are accordingly becoming increasingly important for the future of travel. Today, a great need for security is apparent in all tourist target groups, where security covers a wide range: freedom from threats of war, terrorism, epidemics and natural disasters, reliable positive socio-economic development, a desire for familiarity and order.

At the same time we see repeatedly that after a specific event (crisis) awareness of a threat quickly fades among those wanting to travel. Surveys show, for example, that earlier disasters and crises had little impact on the 2005 travel season. This year, only 1% of respondents intend to travel to a different destination than the one originally chosen, 1% are cancelling their trip due to the tsunami in south-east Asia, 3% are still undecided, but 95% are not changing their vacation plans at all.

Tourism as a whole generally recovers relatively quickly after every crisis, and particularly nonrecurring events and natural disasters. Even so, the question basically remains how the tourist industry will respond in future if risks occur more frequently and have increasing impact.

Weather, climate and nature

Alongside storms, floods are the most frequent cause of damage and injury from natural events. Between 1998 and 2003, c. 800,000 people died in natural disasters worldwide. The tsunami of 26 December 2004 in south-east Asia showed again what devastating and unpredictable force nature can unleash. Climatic change – the source of critical changes in scenery and nature (e.g. desertification) – is a particular driver of unexpected extreme natural events and weather conditions. The International Disaster Database shows that this link cannot be dismissed. There is a rising trend in the storms, floods, earthquakes, volcanic eruptions, epidemics and plagues listed in this database. The following trends in particular are evident:

- > Rising frequency and intensity of extreme weather.
- > Extreme climatic and weather events and natural disasters are omnipresent, with growing regional impact.
- > There is a clear rise in material and intangible damage.
- > Natural disasters are affecting both the centres and the peripheries, rural areas and urban population centres.
- > There are regional and local bottlenecks in supplies of water, food and energy.

Many experts believe that the global climate change and its consequences for the weather and nature will result in serious danger unless far reaching measures are taken soon.

Tourism is one of the industries particularly affected by climate change and natural disasters, specifically because these ultimately lead to a change at different levels in the pattern of »most favoured« and »least favoured« tourist areas. Dis-



cussions and measures in the tourist industry should not be limited to strategies for adjustment. In addition, preventive strategies are needed to reduce the scale and pace of environmental and climatic change. Tourism as one of the sources of the anthropogenic greenhouse effect should make a relevant contribution here, in its own interest.

Terrorism and violence

Where there were formerly attacks or hijacking which affected individual tourists, we are now seeing terrorism directed against tourists and tourist destinations. Terrorists use the tourist system to attract global media attention through spectacular attacks on tourists or the tourist infrastructure. As a result, tourists avoid these destinations, which again impacts the tourist industry. The greatest impact on tourist demand comes from terrorist attacks where tourists and locals are the direct target or victims of the attack. The following aspects in particular distinguish the current situation:

- > Security risks are becoming more diverse, diffuse and frequent.
- > There is a clear rise in material and intangible damage.
- > Violence is appearing nationally and internationally in the form of hostility towards strangers, attacks on foreigners and terrorist attacks and hostage taking.
- > Terrorist attacks are aimed at major cities, tourist centres and infrastructure and directly at tourists.
- > Security risks are omnipresent and regionally unpredictable.

The importance of secure travel to tourists is growing, from the decision to book (or not) through to customer expectations that travel operators and local tourist managers will assume responsibility for the tourist's safety, life and health. However, the importance of making the customer's vacation secure is still underestimated. Experts agree that tourists' perception of risks and security significantly affects the image of a destination and overall satisfaction, although to a very different extent. A concrete and objectively understandable high level of security at every stage of travel and transparent communication contribute decisively to improving actual (objective) security and positively affecting the tourist's subjective impression of protection and security.

Epidemics and health risks

As a result of the growth of long distance travel to countries with different climatic and hygienic conditions, travellers are at risk from a very wide range of diseases. In many of the so-called developing countries which are also often

tourist destinations, 50% of the total mortality rate is due to infectious diseases. The greater people's mobility, for example as a result of tourist activities, the faster the consequences can spread. In the worst case, a local tourist crisis can spread a virus worldwide with great rapidity, as the global dissemination by travellers of SARS in early 2003 showed. The following aspects in particular should be drawn from the overall picture:

- > There is increasing inequality in income and living conditions, poor population groups and regions are disproportionately affected by diseases.
- > Growing poverty and population growth and growth in diseases are mutually reinforcing.
- > New and old infectious diseases appear everywhere and more frequently and spread faster.
- > State and private costs of prevention and the results of disease are increasing.
- > Although tourists throughout Germany are offered qualified advice by travel doctors and specialists in tropical medicine in the event of travel to destinations with health or epidemiological risks, no health care, however good, can be a substitute for the traveller's own sense of responsibility.

Risk communication

The risk perception of all the actors in tourism has so far been dominated by terrorism and acts of violence, but in future the emergence of other risk trends will lead to a more comprehensive understanding of tourist security.

As a result, risk communication will in future have to take on more diverse and new functions. The focus should be on the educational function in terms of risk prevention and an awareness about informed risk management. This applies to both travel tips and warnings by public agencies through the media, consumer networks, travel guides, direct advice locally to travellers and tourists and information services of travel operators and travel insurance companies. However, such risk communication must be given higher priority in the face of marketing and local interests. So far, risk communication has been virtually unable to communicate positive aspects and information – presenting greater security as a gain for travellers, rather than a restriction. This is due particularly to the fact that so far it has not been possible to evaluate many risks adequately and these are not an automatic element in corporate communication. It is likely, however, that risk communication could prove a unique feature in future which could improve or create market opportunities. A prerequisite for this is the existence of improved early warning systems and their systematic expansion and use.

*Crisis prevention and crisis management*

Despite initial serious efforts at strategic early intelligence on tourist risks, major travel operators have so far been primarily concerned with (reactive) crisis management. By contrast, virtually no attention is paid to structural causes for crises. Risk identification and management by the airlines is aimed primarily at measures to avert immediate danger and prevent terrorist attacks. Airlines have fundamentally revised their security concepts in part after the attacks of 11 September 2001. New security strategies concentrate on preventive measures, ranging from improved checkins to security measures on the aircraft. These measures are based either on initiatives by the airlines themselves or the implementation of national and international regulations. The hotel and restaurant industry is still in the early stages of risk prevention. Hotel operators are responding to new risks mainly with improved security technology, choice of location and risk management. Most major hotels or hotel chains have appointed security officers and cooperate with security technology companies. International hotel chains are also advised by risk consultants and security firms. However, these activities still have deficits in terms of considering structural crisis factors. In addition, there are limits in protecting tourists and tourist facilities, for example where security measures restrict the comfort – and hence the value in terms of the experiences enjoyed – of vacation travel.

Tourism policy tries to respond at various levels to the risk trends described above. One focus of the measures of the German Federal government is on security in air travel. The European Union issued a regulation on 19 January 2003 aimed at harmonising security standards at a high degree at European level. The regulation also requires all member states to develop a system of quality assurance and national programmes for air security. A current action plan by the G8 governments is also aimed at improving security in international air travel and identifies various measures (e.g. security of travel documents, improved sharing of information, reducing the danger from portable anti-aircraft weapons) and the G8 nations will assist developing and newly-industrialising countries in implementing these. Besides security for travellers abroad, German tourism policy is also concerned with security for national attractions and major events in Germany, such as the soccer World Cup in 2006. As the example of the Olympics in Athens in 2004 showed, extensive and expensive security arrangements have to be taken, while at the same time preserving civil rights.

Growing insecurity in tourism – risks to travellers from possible attacks, epidemics, natural disasters – have not led the travel insurance companies to offer

entirely new products. However, as there is definitely a change in the need for insurance policies, individual travel operators are increasing communication with their customers, with risk-conscious information (primarily for business travellers) and independent evaluation of possible risks in the destination country.

SCIENCE AND THE FUTURE OF TOURISM

The three central themes of this report raise numerous important research issues which should be more closely studied. For example, interdisciplinary approaches could monitor and analyse the demographic shift periodically, taking into account tourist aspects such as the development of travel motivation and behaviour in different age groups. Such monitoring, which would include scenarios for future asset formation and income trends, could identify sociodemographic trends in a timely way and provide a better base of information for the impending challenges. In expectation of growth in tourism from the EU expansion, the consequences of this could be explored in dialogue between politics and science, for example if and how framework conditions could be created which increase travel to Germany. Finally, research into risk and consequences should analyse and evaluate future tourism in the shadow of possible structural global peacelessness, the consequences of climatic change and growth in epidemics. Scenarios and historical and empirical case studies could contribute to improved risk communication and the development of prevention oriented early warning systems for risks and crises in tourism.

Overall, research faces the task of moving beyond mere extrapolation of trends towards developing methods and techniques that can be used to better analyse future trends and communicate them in terms which match the needs of practice. This task is as ambitious as it is essential. Some examples of fields and research questions are addressed and discussed in this report.

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