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*New Demand Factors in Tourism**)

The consumer in a world of change

Tourism has to face a challenging change in its framework conditions: The geopolitical as well as the economic situation require new strategies. Technological innovations, demographic change and a powerful costumer have to be met in politics, marketing and planning. New destinations, new products with prices on a level, which would have been incredible some years ago, compete with the established tourism offer.

This paper tries to structure the impacts of a world in change on the consumer's behaviour in tourism and to identify some of the aspects being the most important for the foreseeable future.

Focusing on the consumer the paper does not ignore the importance of the tourism offer, the industry, the destinations etc. They constitute some of the factors leading to a change in consumer behaviour, and they are together with others the field where the behaviour of the consumers shows up and where the knowledge of the consumer can be applied.

Two perspectives

We may look at the "New Demand Factors" from two perspectives. On the one hand we have those factors influencing the demand, i.e. the motivation to travel and the ability to travel, directly or indirectly. They cover a wide range from the general economic situation, over politics to technological innovations, just to name some examples.

On the other hand we have emerging factors, i.e. the changing face of consumer behaviour in tourism like destinations preferences, quality expectations, booking behaviour etc. But what the tourist does can not only be explained by external factors alone. The experienced and educated traveller will change his behaviour even in a constant framework. Thus, there is an endogenous dynamic within the tourist behaviour. The emerging (from external and endogenous factors) patterns characterize the tourism consumers and their behaviour within the next years.

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*) paper to be presented to the European Tourism Forum
Budapest /Hungary; October 15, 2004

The situation

Before we start looking at the factors influencing future tourism demand we shall have a quick glance at the actual situation:

Statistics record a high volume of tourism demand for Europe (WTO: close to 450 mn. intern. arrivals p.a.) and from Europe (338 mn. international trips of Europeans in 2003, with 2/3 being holiday trips; IPK, 2004).
But with national holiday travel propensities ranging from 31 to 77% (Eurostat, 2002) source markets are different: from *close to saturated* (like in Germany) to *offering growth potentials* (e.g. Portugal or Poland).

Holiday travel does not generally mean international travel. In most European countries domestic travel exceeds the international holiday trips. Of course, there are some exceptions like Germany or the Netherlands or – quite naturally -small countries like Luxembourg.

The total volume of European tourism demand has been quite stable, but the structure underneath showed quite a dynamic e.g. with growth rates in Eastern Europe and a stagnation in the West, with new destinations preferences etc.

Vacations are not only for the fun of the travellers: Holiday tourism has become an important economic sector (for both destinations and the travel industry), a social achievement, a political Instrument, and an educational tool.

Influencing Factors

As we all experience the change around us the questions arises how these developments will have an impact on tourism demand. To name just a few categories:

- Economy
  (e.g. from BIP over exchange rates to perceived risk of loosing the job)
- Politics
  (e.g. the enlargement of the EU, taxation, environment)
- Crisis and threats
  (e.g. terrorism, epidemic diseases, earth quakes)
- Demographic Change
  (e.g. age structure, migration, educational level)
- Technology
  (e.g. transport, communication, information)

In addition we have to take into account the influences coming from general changes in consumer attitudes and, finally, the tourism industry itself, of course influencing the demand side of tourism (e.g. standardization of products, information channels, (over) capacities and price strategies).

All these factors are linked to each other.

How can these factors have an impact?

Holiday demand is driven by needs, motives, and expectations, its realization depends on the individual economic situation and the freedom to travel.

Thus:

- External factors may have an impact on tourism demand by affecting the *ability* to travel (freedom, time, money, fitness) and the *motivation* to do so.
- Consumer Behaviour is not a reaction on a single factor but on the whole *set of influencing external factor*s. In addition it is driven by internal factors (e.g. motives, abilities etc.). Thus, the impact of a change in a single external factor is limited.

Most of the external factors seem to be *in favour for a sound development* of tourism demand in Europe in the years to come. However, there are no signs for a general boom.

Emerging factors

As we can't limit our attention to a single external factor and its impacts, we look at several of the emerging factors, new trends in tourism emerging from the whole set of influences and the endogenous dynamics of tourism.

These emerging trends will not change tourism over night. Trend research has shown that the future developments will most probably come as a step-by-step development, not as a revolution.

Giving the global and nearly unlimited offer in tourism with capacities still on the rise at least in Europe the power in the market is clearly with the consumer. He will only choose products which fit into his motivation and expectations. Taking the efforts to reduce seasonality in tourism as an example, we clearly see that the limitations to these efforts are only partly due to e.g. school holiday regulations but predominantly due to the motivation of spending a holiday under nice weather conditions.

New source markets

The enlargement of the European Union in 2004 and 2007 sure is important for the whole continent. Poland, Hungary, the Czech Republic, Estonia, Latvia, Lithuania, Slovenia, Slovakia, Malta and Cyprus have joined the European Union on May 1, 2004. The EU since then embraces 25 countries. The size of the EU has grown by 25%, the population by 20%, the GDP by 5% (European Commission, 2003).

However, its short time effects on tourism are limited. But the general political process, under way since some 20 years, which the EU enlargement is a "natural" part of, contribute a lot to a changing tourism demand in Europe.

As destinations, the new EU-members benefit from a bonus this year: The extensive coverage in the media will influence the growing interest in these countries and the felt distances will decrease. However, for most holiday makers, almost the whole world is accessible for a vacation. For holiday destinations this means a continuously growing competition - a competition in which the new EU-member countries will have to participate as well: No guarantee for success for anybody, but chances for everybody!

There is a growing interest for holiday trips to Eastern Europe in the „old" EU-member countries, but the volume is still very small. This is remarkable as there were no more real barriers to travel for example to Poland in the past couple of years. The „old" EU-populations continues to prefer their „old" holiday destinations in the near future: Domestic trips, holiday in Spain and Italy will remain the most popular holiday countries. The dynamic in holiday tourism is based on continuous, long-term developments, not in sudden changes.

Naturally there are not only potentials and chances, but also barriers preventing a fast development in tourism. Experts mention the following reasons for Eastern Europe: Low investment rates, undeveloped traffic system, undeveloped infrastructure in the countryside, unsatisfactory quality of hotels and gastronomy, weaknesses in tourism marketing. Of course this does not go for every single destination.

There are also limits on the demand side. Images are playing an important role when deciding upon a holiday destination. In case of the new EU-member countries in Eastern Europe they can limit demand. Most holiday makers from the old EU-member states probably know very little about their „new" neighbours, or they have incorrect assumptions about them. Not automatically they combine these countries with „holiday". Closely connected to images are holiday motives. People choose holiday destinations mainly based on their suitability of fulfilling their holiday motives. Political settings or changes, like the EU-enlargement, are comparatively unimportant. To raise the demand for the new EU-member countries, (potential) holiday makers must be convinced that their holiday motives can very well (or better) be fulfilled in these countries. Now is the time for a powerful marketing.

In medium terms the new EU members will contribute to a considerable change in Europe's tourism as *source markets*. People are going to make use of their new freedom and the opportunities connected to rising welfare (at least those, who participate in the economic upswing).

What we already can see in the statistical data is a growing importance of these countries as source markets for international travel, while some of the classic source markets like Germany experience a *ceiling effect*: There is a very limited room for a general growth in the "old" source markets. Thus, the quantitative impulses in Europe have to come from the East and the South.

Demographic change

Demographic change is a constant process but has got a lot of public attention in recent years. It is said to be one of the important drivers for new trends in consumer behaviour in most European countries (e.g. Lind 2001, Smeral 2003, Wallace 1999). Two important demographic trends, often being in focus at conferences as well as in publications are:

a) an older growing society due to rising life expectancy (developed countries taking the lead) (e.g. Lind 2001, OECD 1998; Ruskin 2002; Wallace 1999; Horx 2002),

b) a declining number of children due to sinking fertility in many industrial countries combined with the dissolution of traditional family patterns (e.g. Lind 2001, Wallace 1999, Schäfers 1995, Horx 2002).

These are major demographic changes that are already influencing society today and that are worth a closer look on how they may have an impact on holiday travel behaviour.

Examples for other important demographic trends are: Rising educational level, a more colourful society due to migration, a changing role of women in society.

Research has shown (Lohmann & Danielsson 2004) that people do not change their travel behaviour just because they turn 60 or 65, or because they retire. In most cases they stick to the holiday patterns acquired till the middle of their life. This fact allows for predictions of the tourist behaviour of future senior generations:

The 'new' *senior citizens* in five or fifteen years time will be different from the present senior citizens when it comes to travel behaviour. While senior travellers today are already relatively active, the new senior generations to come are more than likely to surpass them. The effects of demographic change (more and bigger share of older people) and consumer behaviour patterns (stick to once learned travel patterns) will show up as: *more senior trips with different preferences.* E.g. in Germany we expect within 15 years the number of holiday tourists in the age group 70 to 80 years to rise by more than 50% (from 4,2 mn. in 2003 to 6,6 mn. in 2018) with more than 2/3 choosing a destination abroad (today: 50%; 2003 figures from RA 2004).

Less dramatic are the changes in the segment of *family holidays*: Taking again Germany as an example: The number and share of Holiday trips with children (up to 13 years) has proved to be stable in Germany for more than a decade with some 22% of all holiday trips. In 2003 this share resulted in 14.4 mn holiday trips. With an 8% decline in 10 years in the number of children would lead to a number of 13.2 mn trips, still an important segment. One can expect even a higher number when considering the fact that the decrease of the number of families will be slower as the one of the number of children. Thus, there is no need for a complete re-orientation of the tourism industry towards new target groups replacing the family holiday. But of course given not only the demographic change but also the strong competition between destinations a strong focus on the needs and expectations of this segment (cf. Danielsson, Lohmann & Sonntag 2003) is recommended.

Old with young: The share of people aged 50 years or older within all German family trips has been 11.5% in 2003 (RA 2004, F.U.R 2004). This is already today a significant segment which could be considered more closely by the tourism industry, especially as a further increase can be expected. In addition, this segment shows a specific behaviour as tourists, e.g. compared to all family holiday trips a lower seasonality, higher spending, longer stays, and other destinations choices. Against expectations they are not very fond of culture trips and prefer holiday homes or apartments to hotels.

Finally, the *one-kid-trip*: It seems to be the standard of family holidays (58.5% in 2002). So, this is not a development to come but today's reality. Again, this segment has specific travel behaviour patterns as e.g. more flight trips and more use of tour operators and as it offers further increase. In addition one-kid travellers have special needs (e.g. other kids being around in the destination) which the tourism industry has to take into consideration.

What we can see from these examples is that demographic change will sure has its impacts which are reflected in the structure of tourism demand.

Information search and travel decisions: Skilled consumers with low involvement

Along with this structural developments the consumer behaviour changes as well. One of the important fields is in the pre-trip phase the search for information and the way a decision for a certain tourist product is made.

The immense tourism offer available able to fulfil the individual needs leads the way to *interchangeable products*. For the consumer it doesn't make much of a difference whether travelling to destination A or B, with the tour operator X or Y etc. Actually, with all the communication channels and the more and more detailed information available the consumer is in a state of *information overload*. Impossible to consider everything!

Thus, the holiday decision is not the final result of a comprehensive search-evaluate-choice process but a *good-enough solution* considering a few aspects of a few products (those being in the relevant set) from a few information sources. Rational arguments are not very important. This is the state consumer researcher call "*low involvement*".

With basic needs fulfilled and low involvement conditions *convenience* (taking the easy way) and *experience* orientation together with *variety seeking* are getting more important. Naturally, there is nothing new about experience orientation in tourism.

The point is, that these experiences and the accompanying emotions are now part of the product, promised by the producer.

In addition to these consumer attitudes we observe a growing *price orientation* which is expected to get more important as well. In this case this attitude is induced by industry strategies. Low prize is a strategy of the industry selling high quality trips for a tremendous low price. In a saturated market that may lead to higher market shares, perhaps to a slightly higher turn over and probably a lower profit. Even experiences from the retail sale show that convenience and product quality comes first for the consumer. But having learned that the same products and services are on the market for a cheap price, this industry induced price orientation grows more and more.

The tourist consumer is much *more flexible* than the tourism industry. This is one lesson we have learned from the geopolitical changes in the last five years. If I don't have the feeling of being welcomed in a destination, I don't stop travelling, I simply chose another destination. If I'm afraid of travelling in an airplane, I just look for an alternative means of transportation.

The key-concept is "*contingency*" (For everything what exists, there is a possible alternative; well not in every way, and not necessarily better, but it is there) as opposed to the old TINA concept ("there is no alternative") [Bolz, 2004]. The tourist does not consume because he has to, but because it's fun. His decisions are not related to a feeling of lack or shortcoming, everything is on the market, more than the tourist needs. This leads to a lack of predictability of the *individual* behaviour. At the same time it is more important than ever before to have reliable figures and information on the actual and the potential customers.

General market conditions, skilled consumer and vast capacities in tourism are a challenge for tourism marketing, especially in the big close to saturated markets.

Consumers' Paradox: Meet the standards & be different

With globalization of the tourism industry, a computer based distribution, and the strive to offer high quality, *standardization* of tourism products is a must. That constitutes a risk for tourism because "standard" is nothing offering new experiences or meeting the trend for variety seeking.

At the same time the tourism demand and the products get more and more *differentiated* and fragmentized, e.g. with winter sports, study trips or family holidays.

The consumer expects both: *quality* and *difference*.

Standardization and *differentiation* are main trends of both the consumers' and the industry's side. Again, this is an additional challenge for the industry, because this means more efforts necessary without a growing demand or even a growing turn-over.

Conclusions

Looking at the mayor trends we can summarize:

- High volume of tourism demand around Europe with a few growth potentials in some source markets.
- Source markets are different: from *close to saturated* to *offering growth potentials* and need specific treatment in marketing.
- General market conditions, skilled consumer and vast capacities in tourism are a challenge for tourism marketing, especially in the big close to saturated markets.

But holiday tourism has manifold functions. It is an economic sector (for both destinations and the travel industry), a social achievement, a political Instrument, and an educational tool. Different sectors see tourism as a tool for different objectives. The evaluation of the situation and the future perspectives may vary with the sector.

But with all the sectors is a need to focus on the customer: Holiday travel is a behaviour of individual consumers, their perception of the reality is important.

Now is the time for real marketing: Consumer behaviour in tourism is less determined by the general framework conditions than at the end of the last century. The tourists have in their decisions many degrees of freedom. Consumer research is a necessary base, not only for projections into the future, but to determine the starting point, to have an orientation to formulate own objectives and plans to reach them. Without the consumer, in tourism as in every service industry, you will go nowhere. That does not go not only for the industry and their marketing activities, but as well for politics / tourism related policies.

What do the new demand factors in tourism mean for the different sectors or functions?

For *destinations* it is of utmost importance to recognize the international competition they are in. Master plans and marketing activities need realistic objectives considering not only what one wants to reach but as well what others do, then the own resources (financial and human – which will be limited e.g. with demographic change), and – of course – the consumers' motivation and the trends in consumer behaviour in tourism.

Giving the situation of the demand and its expected future trends, it's not sufficient to have a good product. It's not sufficient either, that the consumer perceives a product as a good one. The product or the destination has to be in the consumer's *relevant set*, and to be judged a *very good choice* within this set.

The same goes for the *industry*, i.e. tour operators and travel agencies, transport companies etc. Tour operators and travel agencies may e.g. take advantage from the fact of the information overload. They can take the role of a guide in the information jungle and thus offer convenience.

Politics have not only to watch carefully the market conditions and how the consumers behave under these conditions. The time to just formulate and express good objectives like *sustainability, strengthening specific regions, support third world countries, stressing the importance of the environment, supporting the European integration through more international travel,* where everybody agrees. They have to identify the contradictions and inconsistencies arising from the whole set of objectives and to find solutions or priorities. It does not seem very useful to provide funding and financial support for everybody just because he intends to follow one of these objectives.

Another challenge for politics is to keep the *social balance* within the source markets: Some experts claim that the economic development tends to widen the distance between the poor and the rich within European societies. But tourism needs a broad base of more or less middle class people with time and money to travel.

Coming back to the tourism demand we can state that the future in a quantitative perspective seems to be quite stable: There is no boom ahead, but no bust either. Of course, the future is predictable only within close limits, and unexpected events (e.g. crisis, terror attacks, war, epidemic diseases) will always cause confusion. Still it is important (and possible) to prepare oneself for the trends that can be identified with some reliability today. Demand potentials for good products are there, but you will not be able to sell just anything to the skilled consumer.

In this way the future is open: Room to move for everybody who has a sound marketing plan or political perspective, and respects the consumer. There is a strong need for *orientation* and decision for every organization involved in tourism: Where do you want to go from now and here? What is your objective? Different paths of development are possible, so you have to decide which road to take. You may call that a vision.

While elaborating your vision, you need to have a strong focus on the customer, on what other market actors are doing, and what resources are at hand. Visions will be and have to be different on different levels (pan-European, national, regional, local), and different with different destinations or other segments of the industry, but linked to some extent.

Success shall be based on safeguarding the core values (the distinctive qualities and related experiences) while constantly adapting to new market trends. A deep understanding of the consumer and his perpetual learning processes as well as the changing structure of tourism demand is a prerequisite for successful planning.

A bright future for both, tourists and the tourism industry is within easy reach. Just take your responsibilities to make it real.

This paper has been compiled for the European Tourism Forum 2004 in Budapest. The author thanks the Ministry of Economy and Transport of the Republic of Hungary, and the European Commission for the invitation and the opportunity to present it. The ECTAA (Group of National Travel Agents' and Tour Operators' Associations within the EU) has initiated the paper.

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