

Speakers' Corner
An occasional series - 192

Future Maker - research into the future of tourism in New Zealand

By Dr John Moriarty

IT might sound cute, but having a strategy without regard to the future is like pouring coffee without the cup - it causes a lot of mopping up! Much time has been spent on strategy - we've got two tourism strategies already (TS2010 and TS2015) and they have helped. But there's no mystery about strategies - they are simply the best way that someone believes will achieve a particular future goal or purpose. In New Zealand's case, 2010 sees us looking at a future where our "wants" look like being replaced by an ever-shortening list of basic "needs" by the year 2050. The goal of future prosperity has never been more appealing or urgent.

Influence

So what about tourism in New Zealand in 2050? The first issue is that the world will have more influence on us than we will on the world. So a good understanding of the future possibilities that might arise from changes in global social, political, economic and technological trends and behaviours is a good place to start. There will also be some surprises in store for us, and if we picked them they wouldn't be a surprise. Imagine asking this question in 1900: what will the world be like in 1950? Who would have picked a journey involving regional confusion leading to chemical warfare, hedonism, collapse, expansionism, another (nuclear) war and the birth of a boom period leading to mass tourism and space travel?

Possibilities

Nothing is really certain and there are endless possibilities with a lifetime's work chasing up on just a fraction of them.

So the technique of scenario building helps to make sense of this dilemma by creating a few clusters that describe the key trends and behaviours, their likelihood and impacts over the next 40 years. With this more manageable approach we can paint plausible futures and strike up healthy debates about four possible stories about the future that include the world, its tourism, our tourism and the prosperities that might (or might not) arise on the way.

This is what Future Maker is all about. It is a public good research project funded by the Foundation for Research, Science and Technology and the Ministry of Tourism to establish scenarios for the future of tourism in New Zealand. Future Maker's researchers come from Victoria University and J and H Moriarty Ltd with combined experience in tourism futures (Dr. Ian

Yeoman) and NZ's tourism (Prof. Doug Pearce and the writer).

Phase one of this research is a statement about the key trends and behaviours that will shape the future of the world, New Zealand and tourism. These trends and behaviours have been gathered from interviewing over 30 knowledgeable people here and abroad, six industry workshops in Auckland, Rotorua and Christchurch, government publications, other futures research and a wide range of literature. Good examples of contributions to this phase are available on www.tourism2050.com.

Presentation

At the end of April we'll publish an in-depth presentation of the key drivers that will influence the future of tourism out till 2050. Anyone will be able to use this presentation as a basis for future thinking in his or her organisation - or for the sheer pleasure of it. We hope these drivers will continue to be refined through the feedback we receive from industry, as contributions will continue to be incorporated into the next two phases: establishing and quantifying scenarios for the future of tourism in New Zealand.

Scenarios

Scenarios are not forecasts, but story lines that paint perspectives of particular futures. If the future evolves along one of these story lines, we have a head start on how to react; the opportunity to avoid disadvantage and to prosper. Shell did exactly this with its scenario planning years ago where one story line described a possible world where Middle East oil supplies were disrupted. They fared so much better for having previously considered such an improbable but high-impact situation.

New Zealand's exports are vital for a prosperous future and tourism. One of the biggest, it has reached the stage where even a small change in its value has significant national consequences. Imagine! If better planning could improve tourism's performance by just one percent each year for the next 40 years it would have about the same effect as doubling the number of international visitors in 2010. What would you think about 10 percent?

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FUTUREMAKER: THE WORLD IN 2050 - PART 1

By Dr Ian Yeoman, Victoria University of Wellington

WHAT will the world look like in 2050 and how will it shape the future of tourism in New Zealand?

A research team at Victoria University of Wellington is pondering over that question as part of a Ministry of Tourism and Foundation for Research in Science and Technology project (www.tourism2050.com).

Four articles have been written for *IT* that summarise the research to date on the key drivers and trends for the future. They cover:

- * The world in 2050
- * Future of demand
- * Future of supply
- * Tomorrow's tourist.

The world in 2050

The first of these articles examines the main trends that will shape the future. The world is changing. People are getting older, which will affect the average age of visitors to New Zealand and impinge on availability of labour supply.

The world will run out of oil, but key questions relate to when and what will the aviation industry look like? Climate change will shape the future of many tourism landscapes, but the impact on New Zealand is only moderate compared to many other countries.

So, what are the key drivers of the future?

Wealth

The economy of the top 20 economies (G20) is expected to grow at an average annual rate of 3.5 percent, rising from US \$160 trillion in 2050 in real dollar terms, over 60 percent of this US \$121 trillion expansion will come from just six countries: Brazil, Russia, India, China, Indonesia and Mexico (BRICIM).

US\$ GDP in these six economies is forecast to grow at an average rate of six percent a year.

Their share of G20 GDP is expected to rise from 19.6 percent in 2009 to 50.6 percent in 2050.

By contrast, GDP in the G7 is forecast to grow by less than 2.1 percent annually, and their share of G20 GDP is expected to decline from 72.3 percent to 40.5 percent in purchasing power parity (PPP) terms, the shift is even greater. Currently, the G7 claims more than half of G20 GDP compared to about a third in the BRICIM.

In 2050, the BRICIM economies are forecast to be over twice as large as the G7. China, India, and the US would then emerge as the world's three largest economies in 2050.

As wealth is a determining factor in visitation, we can expect incremental shifts from international markets over the 40 years.

Demography

Demography is the study of population characteristics. Birth, death, migration and ageing are key topics incorporated within demography.

According to the UN, in 2050 we can expect 9,100 million people in the world compared to 2,500 million in 1950.

From housing to water supply, this population increase will have major implications for everything and everyone.

The Germans are the world's biggest outbound travellers; by 2050 this will significantly change.

Many countries, including New Zealand and China will see fiscal and pension restructuring in those markets.

The wealth of the baby boomer generation may be replicated in future years.

Technology

In the past decade the world has seen more technological change compared to the past 100 years

and the same trend is set to continue.

Predictions include space tourism in 2012 with the launch of Virgin Galactic from New Mexico and/or use of thought power in 2020 where electronic skull caps can capture brain signals, which are then used to control computers and communicate with other people.

One company has developed a computerised system called *BrainGate* that allows paralysed people to use thoughts to control telephones, lights and other devices.

* The next article ponders the future of tourism demand. Visit: www.tourism2050.com.

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FUTUREMAKER: THE WORLD IN 2050 - PART 2

By Dr John Moriarty

THE second article in the Future Maker series examines the future of tourism demand. Looking back at a century of tourism in New Zealand, there is justified pride in a journey where visitor numbers have increased at an enviable average rate of about 5.8 percent a year from a base of 5,223 in 1901.

The question is whether the future can deliver as much as the past. Future Maker - the scenario-based research project looking out to 2050 - is not going to predict this future but it will examine factors expected to influence tourism over the next 40 years.

Dependent

Tourism is dependent on many things, but we'll only examine two: some factors driving New Zealand's welfare and tourism's demand.

New Zealand's population is expected to continue growing steadily. Between now and 2050 we can expect the median age to rise by about 18 percent (to 43 years), the population to rise by 24 percent (to 5.5 million) and those over 65 years of age to increase from 13 percent of the population to more than 23 percent. That said, many people attending the FutureMaker seminars last February believed NZ's population would surpass eight million by 2050.

Wealth

The burning question here is wealth. Will we generate enough economic surpluses to improve our lifestyles over what we have now or will it slide as intergenerational inequities are rather harshly addressed by a cohort of younger earners and decision makers? This is where our historical staples of agriculture and tourism face the greatest challenge. Together they represent over 70 percent of exports and although each has dramatically improved production volume, since the 1960s neither has distinguished itself as an efficient first-world generator of wealth (as reflected in GDP per capita).

Substitutes

Moreover, there are no obvious substitutes waiting in the wings. Returning to the "good old days" of the 1950s (OECD's top four) is a worthy goal, but a more modest goal of attaining the OECD average either requires an immediate improvement in our economic growth rate of 22 percent or an average improvement of 41 percent over the next 40 years.

Tourism's share of this could be compared with the task of justifying an increase in median earnings for its people from around \$13,000 p.a. to at least the current NZ average of \$33,000 a year. No pressure - defeating seasonality would do it.

Another consideration is a global trend towards regulation. As society's wealth improves, holding on to what we've got becomes more important than ever and

the role of government in "regulating out" undesirable characteristics increases. For tourism in New Zealand we can already see weak signals of this occurring in the adventure and recreation sector, freedom camping restrictions, limits of acceptable quality imposed on natural resources, Qualmark compliance and supplier liabilities.

Where might our visitors come from? In short, the global trend towards new sources of disposable income over the next 40 years is from the "south and east" - in contrast with the past 50 years where it has been essentially "north". Rapidly rising middle classes in India and China are expected to behave in much the same way as their western counterparts with travel included in their new luxuries. Conflicts aside - the southeast geographic band stretching from Northeast Europe towards India and China then through to South America includes the BRICs (Brazil, Russia, India and China) who are expected to be the emerging superpowers in 2050 - rich in human capital, resource hungry and capable of exerting global political influence.

English

Whilst English is expected to remain a global lingua franca, we may also expect our visitors will wish to be welcomed in a reputation-enhancing manner - i.e. investment in communications, dietary preferences, transportation, landscape interpretation, etc. New visitor streams may well adopt the historical profiles of initially preferring short-stay group-travel, which steadily transforms into longer-stay independent travel over a 10-15 year period.

The relative effects of climate change are expected to be less profound on New Zealand than its neighbours - at least out to 2050. There is also no expectation that global dependence on fossil fuels for transport modes will abate until at least 2030, and we may also expect the aviation sector to continue its efficiency improvement trend of about 15 percent - 20 percent per decade - thus attempting to maintain value for money travel in real terms - especially for non-stop flights.

And then there is chaos. Much as we might wish otherwise, there are the chaotic and unpredictable forces of nature to contend with (eruptions, pandemics, earthquakes and agricultural pestilence being examples). Some of our tourism destinations are more susceptible than others and suggest the application of risk analysis and contingency plans but others, less susceptible, fall into the category of business-as-usual - where survival depends on good management.

This snapshot of some of the driving forces is part of a much more comprehensive investigation that is documented at www.tourism2050.com/drivers.htm.

* Details: enquiry@moriarty.biz.

FUTUREMAKER: THE WORLD IN 2050 - PART 3

By Dr John Moriarty

IN the previous article, some of the key drivers affecting the welfare of New Zealand and visitor demand were outlined. This brief examines the products we supply and the key drivers that might influence them over the next 40 years. These drivers prompt questions that FutureMaker's scenarios will attempt to address at a later stage of research.

Overlap

There is overlap between the drivers influencing the welfare of New Zealand, visitor demand and product supply because of obvious dependencies between them. FutureMaker has examined eight areas where visitor products may be either favourably or unfavourably subjected to significant forces. These may be summarised as speed of change, competition for labour, economic relativities, connectivity, product clustering, tourism politics, resource husbandry and sustainable structures.

Speed of change refers to the consumer's decision processes aided by increasingly cheaper and sophisticated mechanisms that ruthlessly interpose themselves between the supplier and a potential visitor. Product differentiation becomes vital as authenticated trust is expected to become one of the discriminators that can cut through impersonal systems already swamping visitors with information about every facet of their travel and hospitality plans. Authenticated trust relies on recommendations from 'real friends' whether human or synthetic.

Labour

Competition for labour is a significant challenge for the future as there are already strong signals evident from benchmarking tourism versus other sectors of the economy or nearby labour markets. Tourism's thirst for skilled people is not expected to diminish over the next 40 years, but the question is whether those skilled people want tourism. This focuses attention on economic relativities where an abundance of existing research demonstrates the sector to be a relatively inefficient user of capital and labour. The cause is easy to spot: seasonality robs the industry of 40 percent of its opportunity and in our competitive market the remaining 60 percent simply cannot compensate. What favourable pathways might we take in future?

Still flying

In 2050 visitors will still be flying here and likely so at prices relatively comparable to the present. If aircraft efficiencies accelerate and Australasia improves its share of hubbing between the north and the southeast, demand would improve for the supply of niche products clustered around the expected future trend towards culture, adventure and landscapes.

Tourism politics refers to the tensions between public and private sector interests for the resources that underpin our cultural, adventure and landscape products. As the recent case of mineral extraction has demonstrated, significant opportunities to improve national welfare are few in number and by no means easy to achieve. Similarly, hospitality products reliant on depreciation for their profitability may face new challenges as lower company taxation levels are seen as a source of relative competitive advantage. In the future, might we expect a cold political eye to fall on practices that limit national growth or fail to price externalities appropriately? For example what

might greater political determination have on supply-side issues such as product (people) quality, job retention, recreational access, energy efficiency, branding cohesion, resource duplication, regionalism, distribution or destination management? This snapshot of some of the driving forces is part of a much more comprehensive investigation that is documented at www.tourism2050.com/drivers.htm. There you'll find plenty of resources to help with the development of a longer-term plan for your tourism business. The next article in the series ponders over "what will tomorrow's tourist look like"? Contact: enquiry@moriarty.biz.

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FUTUREMAKER: THE WORLD IN 2050 - PART 4

By Dr Ian Yeoman

THERE is a general correlation between wealth and tourism expenditure. When economies grow, levels of disposable income will usually also rise. A relatively large part of discretionary income will typically be spent on tourism. A tightening of the economic situation on the other hand, will often result in a decrease or trading down of tourism spending. The concept of wealth determines the profiles, attitudes and behaviours of tourist.

Fluid

Today's tourist has demanded better experiences, faster service, multiple choice, social responsibility and greater satisfaction. Against this background, as the world has moved to an experience economy in which endless choice through competition and accessibility because of the low cost carrier, what has emerged is the concept of fluid identity. This trend is about the concept of self, which is fluid, and malleable in which self cannot be defined by boundaries, in which choice and the desire for self and new experiences drives tourist consumption.

Symbol

The symbol of this identity is the fact that the consumer on average changes his or her hairstyle every 18 months according to research by the Future Foundation. From a tourist perspective it is about collecting countries, trying new things and the desire for constant change. It means the tourist is both comfortable with a hedonistic short break in Queenstown or a six-month backpacking across New Zealand. This fluid identity makes it difficult for New Zealand to segment tourists by behaviour or attitude, as it is constant and fluid.

Trends

A fluid identity covers the following trends (or drivers): rising middle classes and wealth distribution; fluidity of values; demanding consumers, endless choice and a complicated life; a world without boundaries.

I will try and be ethical, but: the feminisation of a 'have it all' society; anxious society; trust, volatility and identity; collective individualism; contested hedonism; contested liberalism; immediacy; fluidity of luxury; new life courses; extended families; something new.

For example, the trend of demanding consumers, endless choice and a complicated life has engendered cynicism and mistrust of many consumer-oriented companies. The belief that companies will exploit consumers and advertisers will deceive them wherever possible is widely held and further amplified by feedback from a plethora of info-media sources. Whereas I will try and be ethical, but... discusses whether the consumer really cares about the environment. Ethical tourism is fashionable and is encouraged by the current dynamics of demographic change. However, it sits uneasily with many aspects of modern lifestyles.

Wealth

Greater wealth has made people more willing and more able to express their moral beliefs in how they holiday, but at the same time it has made consumers more demanding - they have high expectations and are unabashed in seeking out the best deal. A growing economy has facilitated greater choice, but it has also come with a demand for lower prices and greater convenience.

However, as wealth decreases that identity becomes simpler, a new thriftiness and desire for simplicity emerges. Inflationary pressures drive this desire for simplicity and falling levels of disposable incomes, squeezing the middle class consumer. As the economies of wealth slow down, whatever the reason, new patterns of tourism consumption emerge, whether it is the desire for domestic rather than international travel or what some call the stayvacation.

Identity

A simple identity covers the following trends: resources are the new luxury; resurgence of deference; breaks on green consumerism; advancement of discretionary thrift; focus on the boardroom and assault of pleasure; sense of security; speeding up mercurial consumption; dominance of simplicity; a background of authenticity.

The trend speeding up mercurial consumption comments on consumers in pre-recession times, were agile and fickle: they could instantly find a brand to meet their needs. They might spend \$8 on a Starbucks coffee but nowadays have migrated to cheaper but satisfactory alternatives.

Vox populi

The rapid spread of 'vox populi' through online social media has only accelerated this trend. Mobile phone cameras can be used to read barcodes in supermarkets and combined with price comparison software, allow consumers to make purchasing decisions.

Between now and 2050 the world will go through a cycle of economic prosperity and decline which is the nature of the economic order. When wealth is great, a fluid identity is the naked scenario, however when a recession emerges, belts are tightened, tourists like other consumers search for a simple identity. Details: www.tourism2050.com.

Contact: Ian.yeoman@vuw.ac.nz.