



Fakultät für Wirtschaftswissenschaften
Facoltà di Economia
School of Economics and Management

Tourism in the Alps: trends and challenges

14 June 2016

Auditorium BancaStato, Bellinzona

Professor Dr Oswin Maurer

Dean and Director TOMTE

Faculty of Economics & Management, Free University of Bozen-Bolzano



- Trend?
 - a rewarding task - an invidious task
 - time: short-term (temporarily relevant, fashion), medium-term (in the context of markets and investments), long-term (megatrends and drivers)
 - space: local / global
 - supply-side: in terms of innovations or reactions to changing market environment in a sub-sector of an industry (hotels, airlines, travel agents, etc)
 - demand-side: change in consumer behaviour, change in firm-to-firm behaviour (B2B), touristic trends (market changes due to digitalisation, sharing economy, etc)

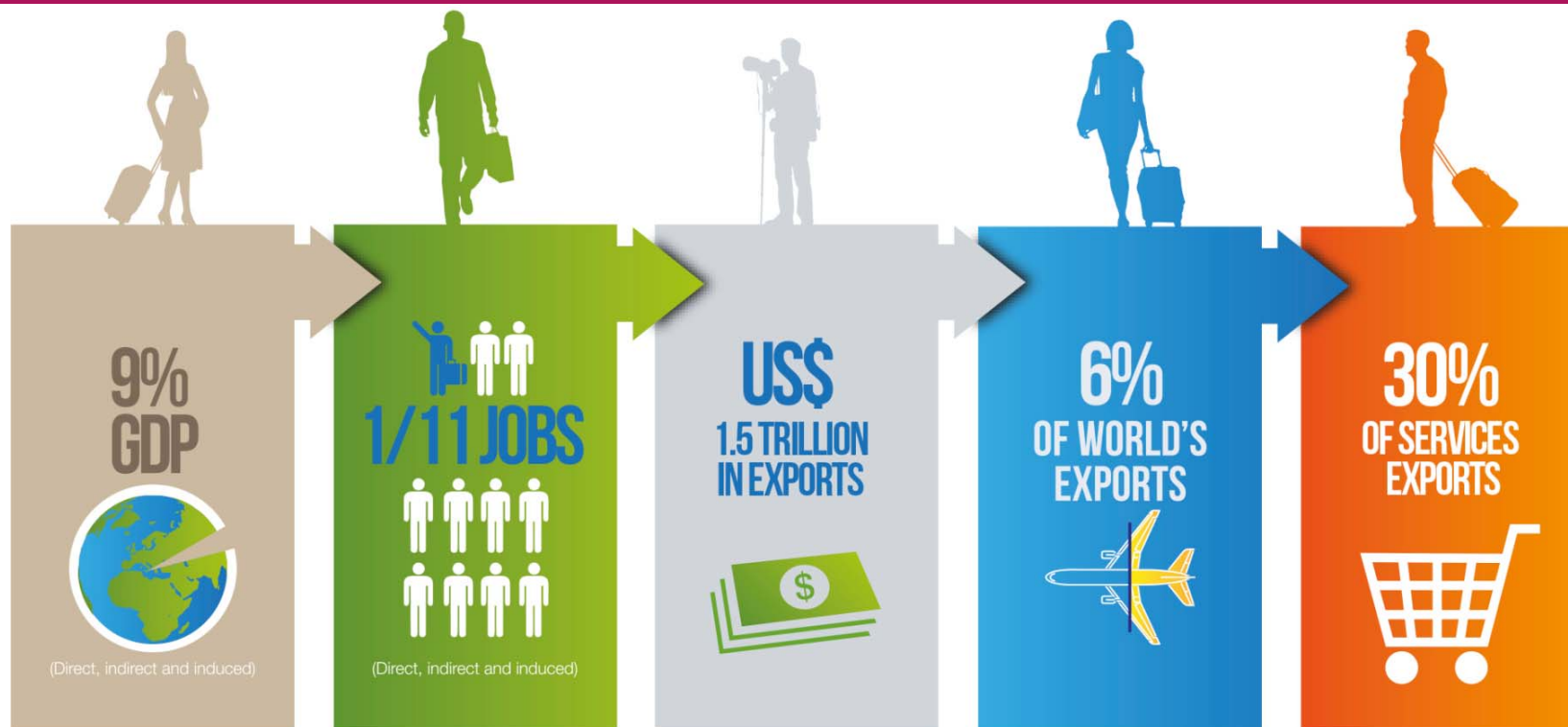


○ Tourism

- the worlds largest industry, revenues > US\$ 3 trillion (international & domestic);
- 6% of world exports
- international arrivals: 525 mio in 1995, 1133 mio in 2014
- expected growth: 3.3% p.a. (2010-2030), + 1.8 billion tourists in 2030 (+600 mio)
 - emerging destinations: + 4.4% p.a.
 - traditional destinations: + 2.2% p.a.



INTERNATIONAL TOURISM 2014



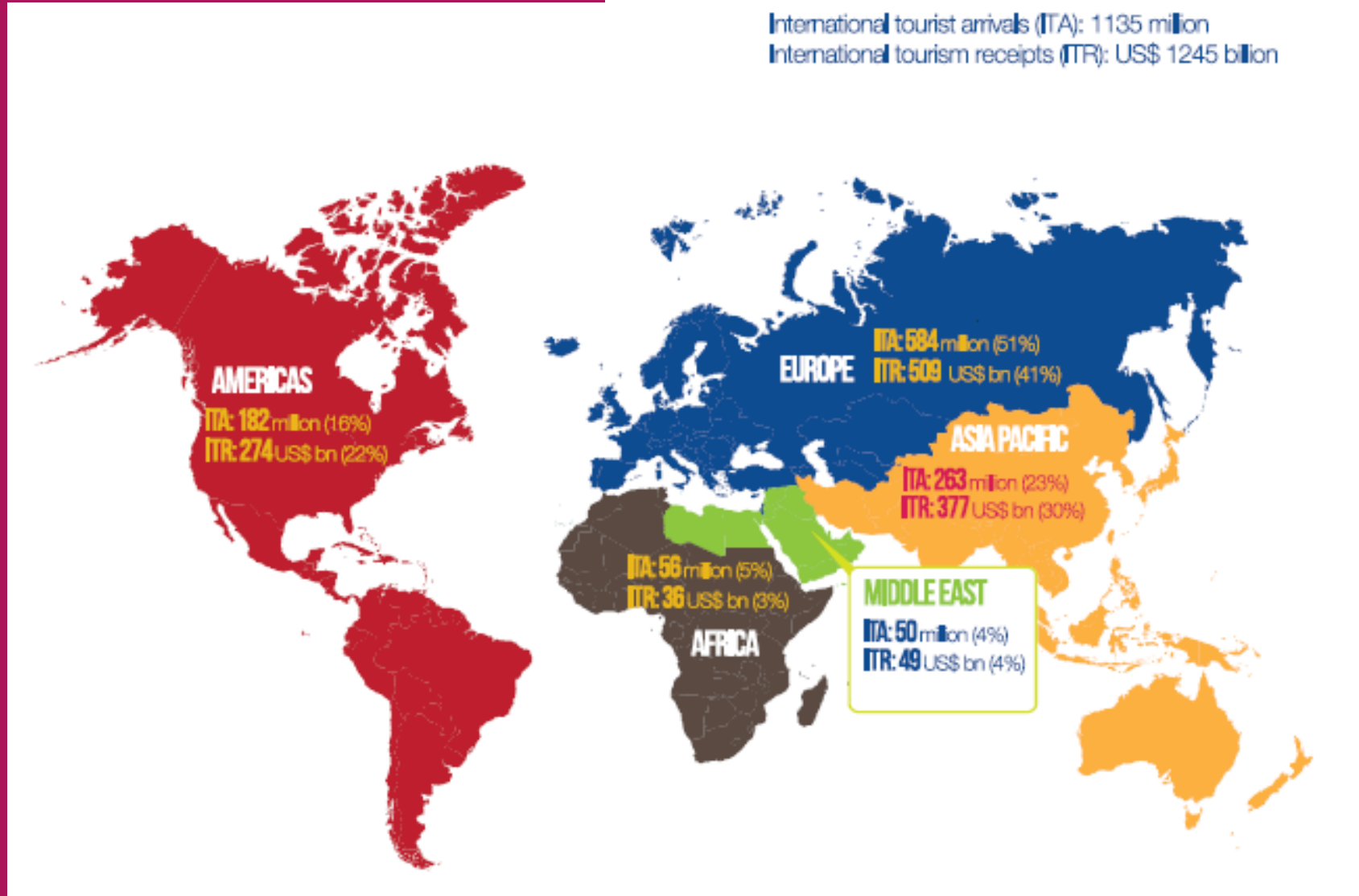
WHY TOURISM MATTERS

© World Tourism Organization (UNWTO) 2015

Source: UNWTO Tourism Highlights, 2015 Edition

INTERNATIONAL TOURISM 2014

International tourist arrivals (ITA): 1135 million
 International tourism receipts (ITR): US\$ 1245 billion



Source: UNWTO Tourism Highlights, 2015 Edition

- Tourism in the European Alpine Space
 - ~ 7.3 mio. beds in the Alpine Region
 - ~ 100 mio. arrivals
 - ~ 375 mio. overnight stays p.a.
 - ~ 150 mio. additional overnight stays in second homes p.a.
 - ~ 16.3 % of all European travelers (EU – 27) do choose the Alpine region as holiday destination

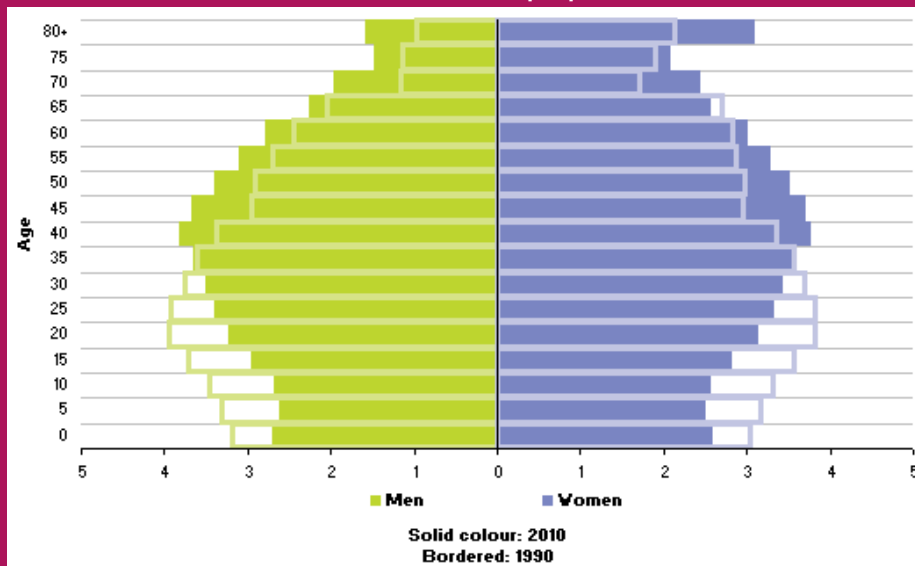


- long-term trends (mega-trends)
 - Society
 - Demographic change
 - Technology
 - Digital Culture
 - Economy
 - Globalisation & New Consumer (me, escapism, moralism)
 - Ecology
 - Climate Change



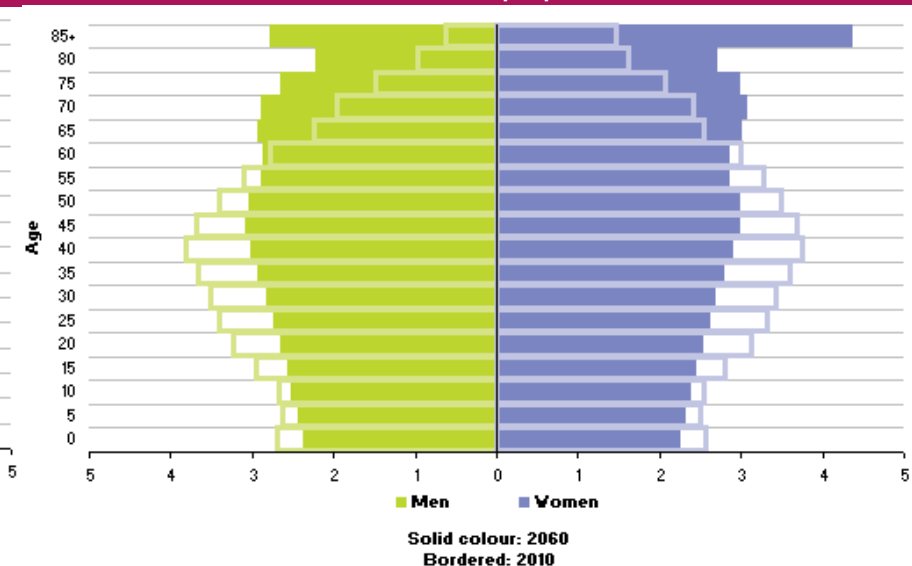
o Trend: Demographic Change

Population pyramids, EU-27, 1990 and 2010
(% of the total population)



(1) Excluding French overseas departments in 1990.

Population pyramids, EU-27, 2010 and 2060
(% of the total population)



(1) 2060 data are projections (EUROPOP2010 convergence scenario).

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Population_structure_and_ageing#Future_trends_in_population_ageing

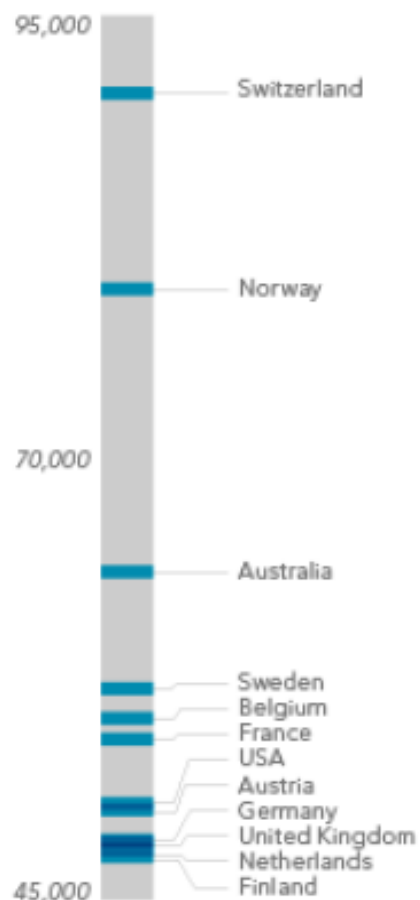




Global Retirees

Top 12

Average Gross Income US\$ population aged 65+, 2014



Top 25 Countries

Old-Age Dependency Ratio percentage 2014



The Greying of Japan

Japan's Old-Age Dependency Ratio % aged 65 or older per persons aged 15-64



Fountains of Youth

Selected Countries 2014

% aged 65 or older per persons aged 15-64



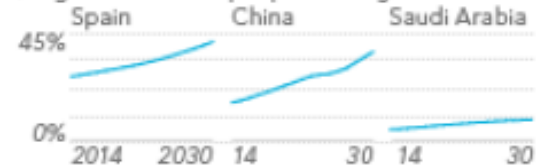
The Future is Grey

Due in large part to low fertility rates, the likes of China and Spain are forecast to follow in Japan's footsteps and age rapidly over the coming years, while such countries as Saudi Arabia are set to remain relatively youthful.

Dependency Ratio Forecast

Selected Countries 2014-2030

% aged 65 or older per persons aged 15-64



- Demographic change
 - “grey markets” at everybody’s focus
 - but, they are not what they appear to be
 - many other segments
 - growing ethnic markets (migration)
 - “working wealthy”
 - time chunched, adventurous, with plenty of money to spend
 - “Millennials” - 20% of the world's tourists
 - by 2020, this market will be taking 47% more international trips than in 2013; travelling solo as a characteristic
 - “Hipsters”
 - tired of the largely commercialised and over-frequented centers in Europe’s major cities



- Demographic change
 - effects in the Alpine Space
 - depopulation and overaging in many areas (rural exodus)
 - gentrification of few popular areas
 - decrease in services provided
 - abandonment of areas/villages ("paesi fantasma")



○ Digital culture:

- multiple new capabilities related to increases in buying power
- variety of goods and services available
- information, interactivity, service/
product comparability



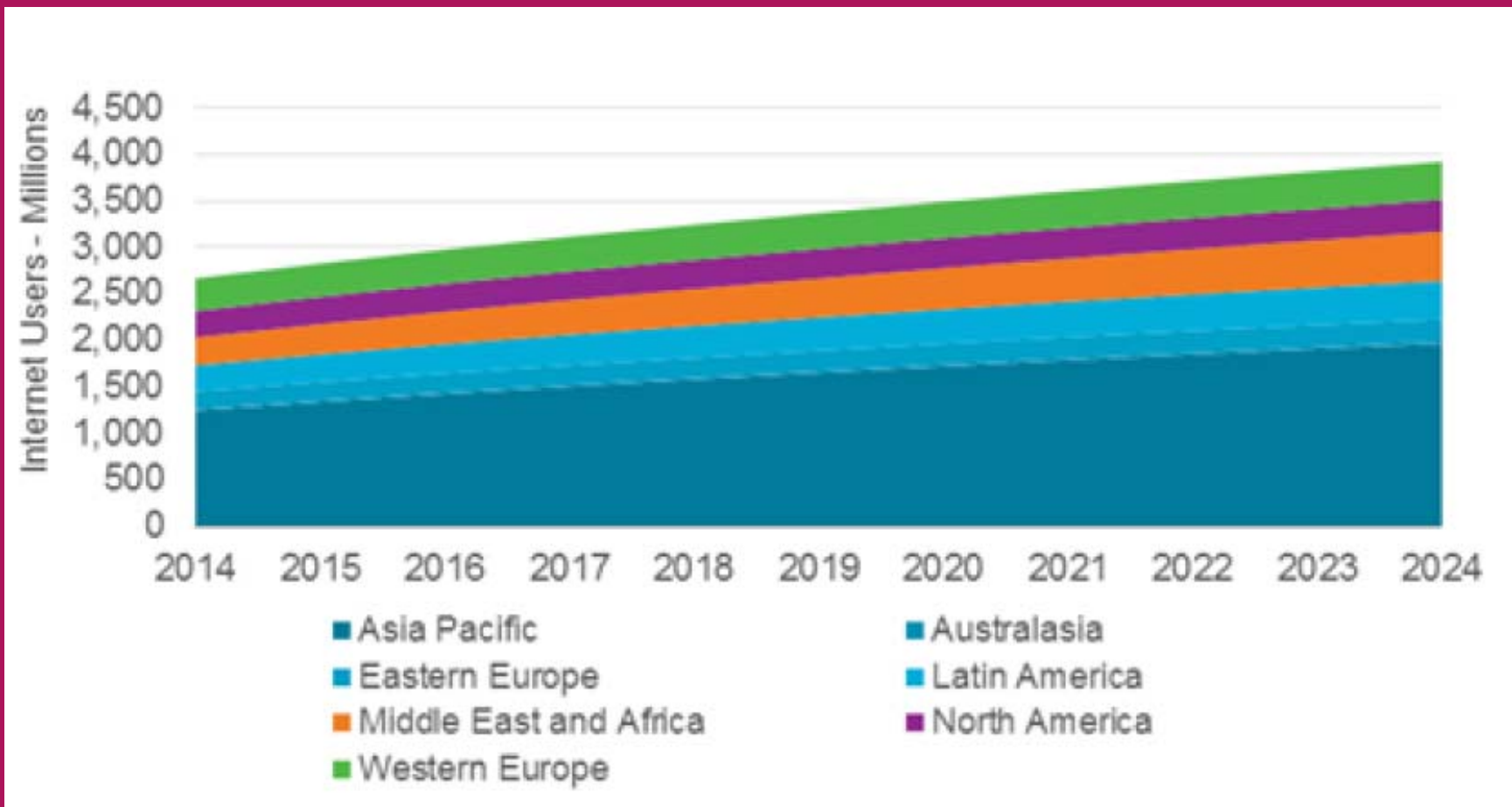
○ Digital Culture

- proliferation of opportunities & proliferation of threats
- customers utilising full spectrum of options (product, services, processes, information...)
- but, discerning and discriminating
- mobile internet not only affects the way travel is distributed and sold, but how we consume and experience travelling, activities and the destination itself



Digital Culture

Global Internet Users 2014-2024



Digital Culture

- Sharing-economy
 - Uber, Airbnb etc.
 - raising some controversy
 - exponential growth
 - issues for small operators in the tourism sector
- Smart Travel
 - apps
 - offering information about the best places to see, eat, sleep, etc
 - TripAdvisor for the Apple Watch can send push notifications
 - Google Now is using geo-localization to make its suggestions relevant to the user, while also taking note of the user's past behavior
- advent of wearable tech
 - allows for smart tracking



Individualisation 2.0

Me, and

.....me, and

..... me, and

- from me, too to me, only
- discerning and discriminating
- customised solutions
- instant gratification
- attitudes change
 - from self-denial to enjoyment through consumption
 - focus on attitude and lifestyle rather than age-group



Individualisation 2.0

- Selfness
 - based on wish to be competent for one's own life in a competent and holistic way
 - aesthetics
 - health
 - well-being etc
- New Moralism
 - environment
 - social responsibility
 - sustainability



Individualisation 2.0

- trend rising
 - “healing vacations” (formerly wellness)
 - medical tourism (actual curative, future preventative) - Dusit in BKK
 - “unplug”
 - “conspicuous leisure”
 - signaling social status through consumption of experiences rather than material goods
- accessible adventure
 - 3 basic criteria: physical activity, cultural exchange, interaction and engagement with nature



Individualisation 2.0

- culture 3.0
 - traditional cultural tourism is centered around natural/built heritage, but growing interest in “intangible heritage” - popular culture, traditions and storytelling
 - higher levels of interest in active/creative cultural participation rather than passive observation



Ecology

Climate change

- serious challenge to social and economic development
- winter tourism is the most important source of income in many alpine areas
- snow-reliability is one of the key success factors
- in tourism, adaptation strategies are predominant (e.g. artificial snow production)
- focus shifts to mitigation strategies (e.g. less greenhouse gas emissions by tourism traffic, green hotels, etc)
- adaptation to the demand side
 - tourists frequenting ski resorts today are very different from those of the past in profile, behavior and needs
 - alpine winter resorts will need to offer more than wintersport services and infrastructures to create a more complete and varied offers to meet needs



- urbanisation
 - a global phenomenon
 - at the same time
 - urban escapism = moving away from
 - noise
 - traffic
 - crowds, etc





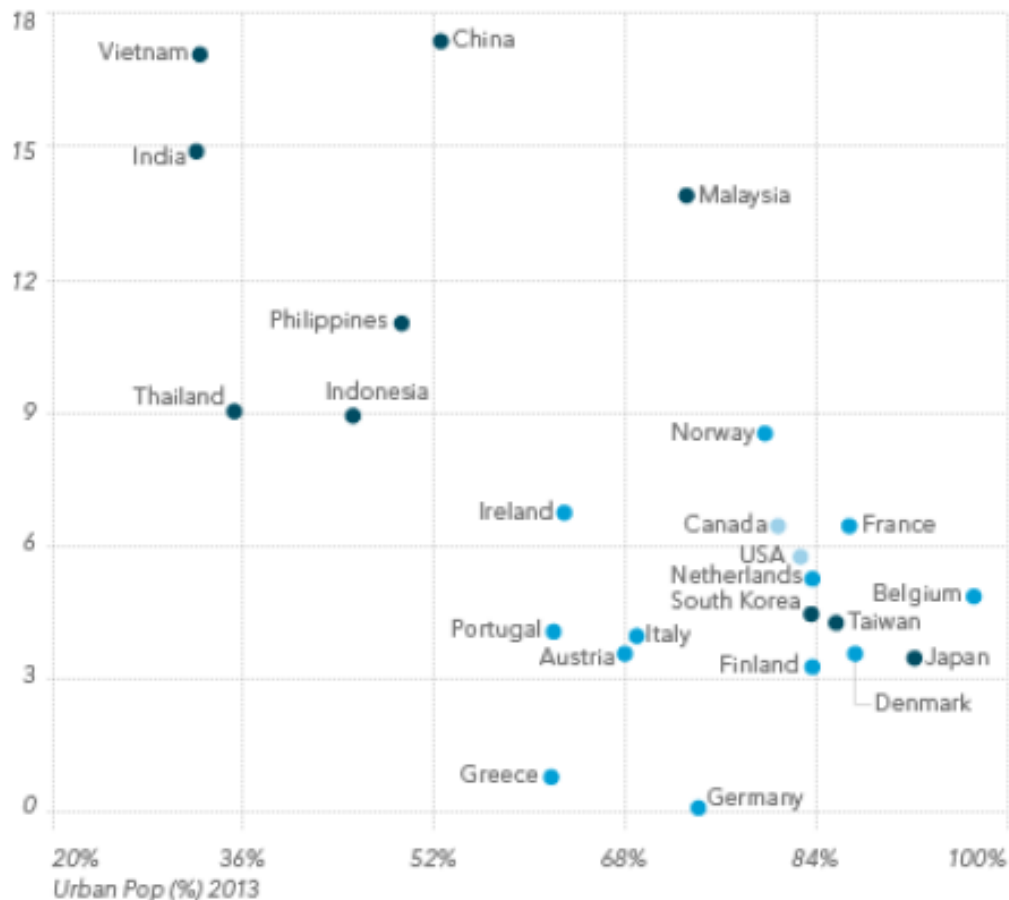
Urbanisation

Asia's Rapid Urbanisation

Urban Population

share of total population and absolute growth

Urban Growth 2008-13 ● Asia Pacific ● Western Europe ● North America



Top 24 Global Cities

Total Population

millions of persons 2013



Challenge - Business Model

- recent study of the Austrian Chamber of Commerce shows that more than half of all tourist businesses in Austria are in the red, partly due to ruinous competition in the luxury and health spa sectors

GLOBAL EDITION
Handelsblatt
NO. 406
11 Apr. 2016
12 am EST

Companies & Markets

Companies & Markets Politics Finance Opinion

MOUNTING COMPETITION

Alpine Tourism Snowed Under by Debt

BY JOACHIM HOFER AND HANS-PETER SIEBENHAAR

A recent study shows that more than half of all tourist businesses in Austria are in the red, partly due to ruinous competition in the luxury and health spa sectors.



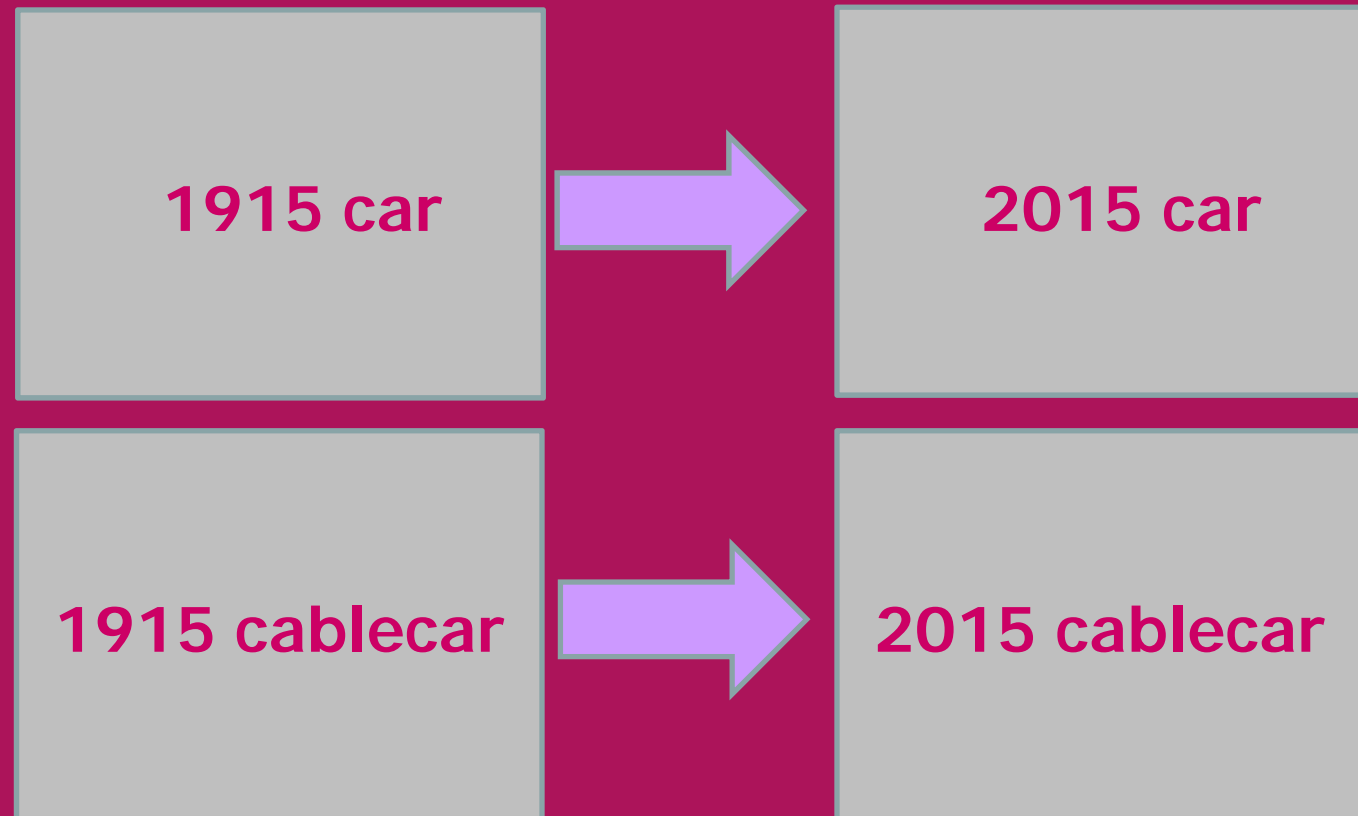
- Challenge - the Business Model
 - innovation
 - modular approach
 - cooperation
 - real time price management
 - etc.



Challenge - Business Model

innovation - what is new in tourism?

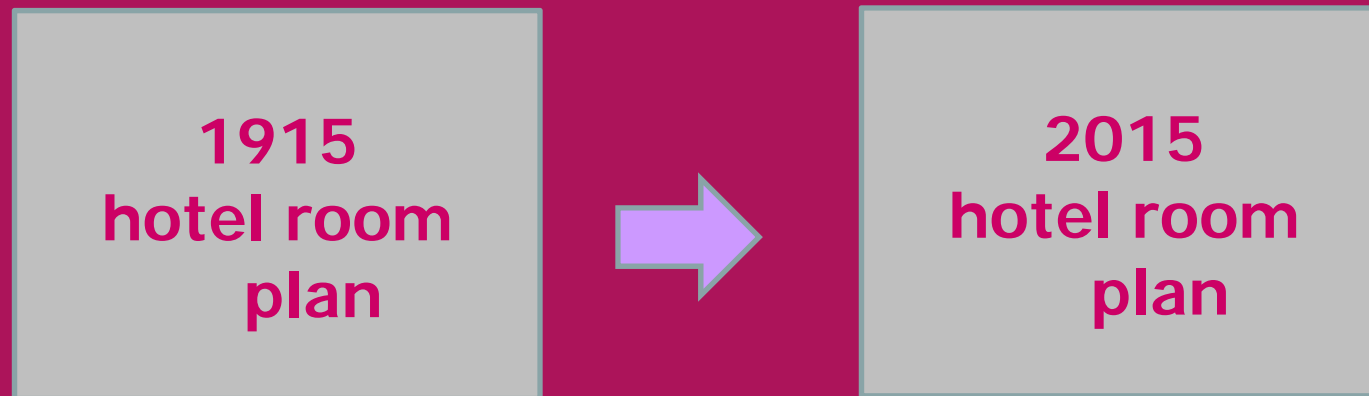
transport



Challenge - Business Model

innovation - what is new in tourism?

accommodation



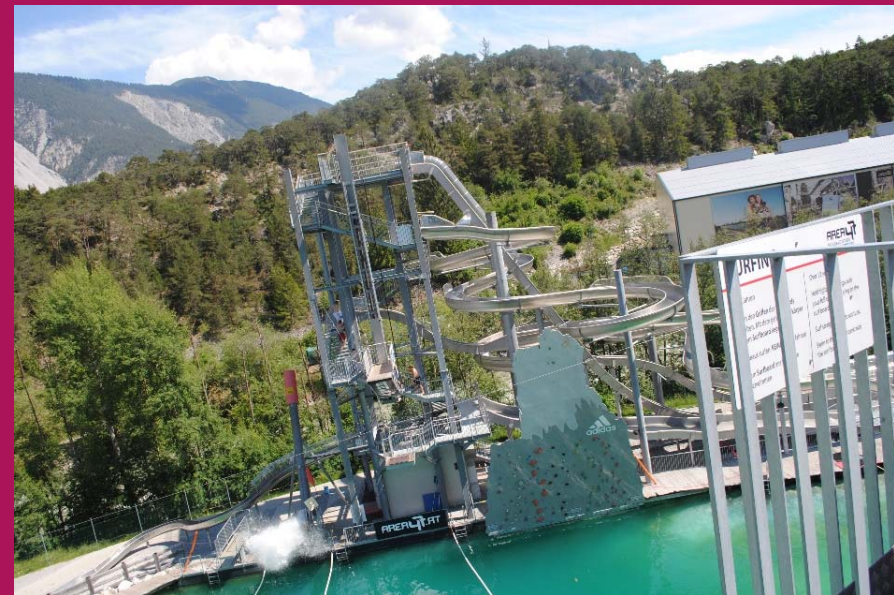
- 60es: homogeneous demand meets homogeneous supply
- 90es: homogeneous supply meets heterogeneous demand
- 2015: static supply meets fragmented demand



Challenge - Business Model

innovation - what is new in tourism?

- o core and traditional alpine activities do not have to take place on a mountain / the Alps anymore



Challenge - Business Model

- modular approach & cooperation
 - time of doing “everything” has passed
 - specialisation and focus on core competencies avoids mediocrity and pinpoints consumer needs
 - thinking and acting lateral along those needs:
 - individuality, sustainability, affordability
 - cooperation across borders and boundaries
 - Ischgl - St. Anton
 - San Candido (IT) -Sesto (IT) - Sillian (AT)
 - Singapore (city/business/study) and Malaysia (leisure/culture)

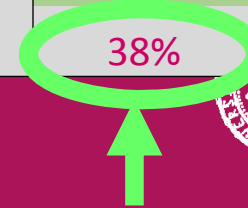


Challenge - Business Model

real time price management

	Base	Change			
		nights	var. costs	fixed costs	price
Nights sold	15.000	16.500	15.000	15.000	15.000
average price	75,00	75,00	75,00	75,00	82,50
turnover	1.125.000	1.237.500	1.125.000	1.125.000	1.237.500
variable costs	525.000	577.500	472.500	525.000	525.000
fixed costs	300.000	300.000	300.000	270.000	300.000
CF b interest	300.000,00	360.000,00	352.500,00	330.000,00	412.500,00
CF b.i. in %	27%	29%	31%	29%	33%
CF change		60.000,00	52.500,00	30.000,00	112.500,00
CF change %		20%	18%	10%	38%

Source: Kosta, A - Presentation at TMC 2016-04-18, Brunico



Challenge - Sector Model collaboration & mutual trust

In **Zukunft** wird es nicht mehr das
Hauptanliegen sein, an **jeden Ort** der
Erde zu reisen.

Das **Hauptinteresse** wird sein, **ob** es
sich lohnt, **dort anzukommen.**

Hermann Löns

Südtirol ist kein
geografischer **Ort.**

Südtirol ist ein **Lebensgefühl.**

Source: SMG

Marketing ist ein
Kampf um die **Wahrnehmung,**
nicht der Wahrheit.

Jack Trout



Challenge - Sector Model collaboration & mutual trust

