Industry Analysis

The Panacea for the Disruptive Effect of Digitalisation on Travel Patterns, Demand and Supply
– A Holistic Approach

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Preamble

Much has been publicized about the benefits of embracing the 4IR (Fourth Industrial Revolution) but there exists a disproportionate amount of data and information relating to Tourism and Travel. This paper attempts to widen our thoughts and invoke a sense of urgency as digital transformation of traditional brick-and-mortar businesses continue to erode revenues and led to decreasing market share. Amidst the plethora of online travel suppliers, another main reason is the slow take-up rate and failure of players to keep abreast of digital computing behaviour which has and which will continue to cause major shifts in the demand for, supply of and consumption patterns. In this industry analysis, I will be discussing a brief outline of the tourism and travel industry via a brief ‘town hall’ approach. Correspondingly, it is necessary to relate the above to existing travel-related practices amidst the growing importance of how technology has begun to shape the needs and wants of travellers. A cursory glimpse of the airline, hotel accommodation, cruise, transportation and the tourist attraction industries will be examined.

A Brief Outline of the Tourism and Travel Industry

While the tourism and travel industry has been known to be pretty much resilient to the vagaries of the global economy, the same cannot be said of the existing touristic offerings which have been truly tried and tested. Shopping in the UK, savouring Michelin-starred dining in Paris, experiencing exciting sights across China’s unfettered provinces are no longer deriguer of the new generation of tomorrow’s travellers.

The growth of the new travelling masses is demanding more for their hard-earned money’s worth in return for a brief episode of escapism to satisfy their inherent need for new experiences. Amidst the positive increase in global tourism in 2019, forecasted at +6% (World Travel Monitor – ITB Future Day 2018), there exists a large demand for new travel destinations and a sense of ‘hands-on’ experiences, nostalgic of days gone by.

International Tourism maintains strong momentum in the 1st half of 2018. International tourist arrivals grew 6.1% in the first 6 months in 2018 compared to the same period last year, reflecting a continuation of the strong results of 2017 (+7.0%). All growth regions enjoyed robust growth, fuelled by strong demands from major source markets and supported by an upswing in the global economy. Europe, Asia and the Pacific led growth in January to June 2018 with arrivals increasing 7.4% in both regions. The Middle East and Africa also recorded sound results with 4.6% and 4.0% growth respectively, while the Americas saw a 3.3% increase within the 6-month period. Preliminary data on international tourism receipts confirm the positive trends seen in international tourist arrivals, with particularly strong results in Asian and European destinations.

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Table 1. International tourism receipt

<table>
<thead>
<tr>
<th>Key Figures</th>
<th>2017</th>
<th>Jan - Jun 2018</th>
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</thead>
<tbody>
<tr>
<td>International tourist arrivals</td>
<td>+7.0%</td>
<td>+6.1%</td>
</tr>
<tr>
<td>World</td>
<td>+8.4%</td>
<td>+6.8%</td>
</tr>
<tr>
<td>Europe</td>
<td>+5.6%</td>
<td>+7.4%</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>+4.8%</td>
<td>+3.3%</td>
</tr>
<tr>
<td>Americas</td>
<td>+8.6%</td>
<td>+4.0%</td>
</tr>
<tr>
<td>Africa</td>
<td>+4.6%</td>
<td>+4.6%</td>
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<tr>
<td>Middle East</td>
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Source: UNWTO, October 2018
(Source: UNWO World Tourism Barometer – October 2018)

Where We are Today and Future Predictions

In today’s era of digitalisation with meta-search engines, e.g. Trip Advisor, the role of travel agents has been taken over by technology-driven supplier booking sites and online travel agents (OTAs). The emergence of ‘travel advisors’ are finding ways to remain relevant to the travelling public in providing advice, access, advocacy and accountability (Source: Virtuoso Travel Week – Las Vegas, August 2018).

In addition, airline deregulation and access to a more robust ticket distribution via computer systems have necessitated the upskilling of the travel advisors’ knowledge and their ability to suggest new and/or out-of-the way travel experiences to satisfy the requirements of the more informed and highly demanding travellers.

The challenging market-scape is receiving fresh demands from travellers who are more mobile, more informed and less likely to accept ‘static’ suggestions from their regular travel advisors.

The fast-moving pace brought about by access to social media sites like Facebook, Instagram and social networking tools like WeChat, WhatsApp etc is accelerating the pace and changing the way travel options are being offered by travel advisors as well as the way their customers would like to be served out of their homes or workplace to places around the globe.

The Airline Industry

The impact and influence on tourism and travel by the air transportation industry have greatly shaped the way travel is offered by all players in the supply chain. The key impetus of availability is the foremost criteria which influences travel, advance-booking patterns, destination selection and ultimately – price consideration.

Air transportation companies have tweaked their computerised systems to enable their travel partners to ride on their capability and reach via A.I. and Data analytics.

A good case example is Sabre Corporation which has developed the hospitality industry’s first analytics platform to use artificial intelligence (AI) to help maximize total hotel revenue. Without an automated solution to cater to the industry, many hoteliers will be limited with a number of separate – often manually generated reports, creating expensive delays in their revenue-focused decisions and reacting only to market dynamics.

Leveraging on AI, it identifies opportunities for revenue and guest experience improvement and helps hoteliers to avoid lost revenue by analysing data from operations, finance, room-stay production, ancillaries and room-rate configurations to deliver targeted advance insights for timely decision-making.

On the customer side, the application of powerful analytics tools offers fresh advance visualisation capabilities for in-depth analysis of direct and indirect channel booking trends for market segmentation and attempts to ramp up negotiated account contracts to improve productivity and performance.
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**The Hotel Accommodation Industry**

What do Priceline, Agoda, Booking.com and the many OTAs have in common? The ability to disintermediate the promotional offerings by hotel chains and independent accommodation providers in extending affordable and last-minute deals to travellers seeking bargains at the time the rooms are required, at the price they are willing to pay. These behemoths of accommodation providers leverage on technology to fulfil the needs of the millions of leisure, business and hybrid-purpose oriented travellers across the globe from the Americas, Europe, Africa, the Indian sub-continent to Asia and the Pacific regions.

These OTAs, meta-search engines, aggregators can count on their deep pockets to offer real-time price adjustments which independent hotel accommodation providers are unable to provide due to the varied reasons of travel.

Taking a case in point, the Millennials’ and Gen Z’s combination of being destination indecisive and open to inspiration means there is a lot of room for marketers to influence where these travellers go and what they do when they get there.

When it comes to the landscape of business and leisure travel, we believe these younger travellers will be making a significant impact. Not only are they already traveling for work, but they are taking the opportunity to extend for leisure when they do. More than 66% of Gen Z are adding leisure to business trips, compared to 61% of Millennials.

The abovementioned thus augurs well for hotel accommodation providers to seek out such travellers and to cater to the changing demands of this travel segment, with pre-requisites such as a working desk and access to free WIFI becoming the norm.

**The Cruise Industry**

Travellers are spoilt for choice when considering a cruise vacation. How to plan a cruise holiday? With so many new ports, destinations and ships every year, the process can be overwhelming. Whether one is a seasoned cruiser or embarking for the first time, the selection of the hottest cruises and destinations present an overwhelming challenge when considering a cruise adventure holiday.

Against the myriad of choices for perhaps a once-in-a-lifetime holiday experience, Travel advisors must be able to provide the best advice amidst the clutter of information which cruise companies are cajoling for attention. One recommended way is to seek out travel advisors who are able to offer the following:

1. Simplification of your choice - There are many breath-taking destinations and activities to peruse. A travel advisor can help you quickly narrow down the choices that are best for you, depending on the type of traveller you are.
2. Recommendations - A travel advisor must be able to point out some of the most popular onshore destinations, activities you won’t want to miss, items to be sure to pack, and maybe even out-of-this-world foods to sample onboard and while participating in on-shore excursions.
3. Explaining the Fine Print - Are there restrictions? Time limitations? What’s the cancellation policy? Dietary limitations? Such information while available online must be reinforced by a travel advisor and to gain the cruise traveller’s agreement and understanding.

**The Transportation Industry**

The transportation industry comprises of a vast ecosystem which covers everything related to the major modes of transport, namely - road, rail, marine, and air. This industry provides for goods as well as passenger transport. Among all the transportation segments, trucks and buses are the leaders in terms of advancements in technologies.
and investments from suppliers and original equipment manufacturers (OEMs). (Source: OICA publications and MarketsandMarkets).

Among the many forms of transportation for the global travel segment, air, rail, trains, scheduled buses and coaches are the most commonly aligned. In recent years, the rise of ride-sharing and ride-hailing (Uber, Grab, Moola) and car rental (self-drive) services are beginning to make their presence felt. These options cater to a wide segment of the FIT (Free-independent travel) market. With the wide access to the internet and digitalisation, service providers are making use of technological advances to capture the growing trend of travellers seeking personalised travel experiences on their own time, space and financial capability. This ever-growing supply of convenient transportation options (alongside existing taxis) will be able to cater to the life-style of the existing and future travel segment.

Invariably, the GIT (Group-inclusive travel) market segment, while still important will come under immense pressure as travellers began to be both IT and travel-savvy through an unlimited and growing access to information.

The Tourist Attraction Industry

While there is a wide definition for ‘Tourist Attraction’, Wikipedia has provided for a well-defined reference. Tourist Attractions are defined as: ‘Places of natural beauty such as beaches, tropical island resorts, national parks, mountains, deserts and forests; ‘Cultural tourist attractions’ which can include historical places, monuments, ancient temples, zoos, aquaria, museums and art galleries, botanical gardens, buildings and structures (such as forts, castles, libraries, former prisons, skyscrapers, bridges), theme parks and carnivals, living history museums, public enclaves, art (sculptures, statues, murals), signs ethnic enclave communities, historic trains and cultural events; and ‘Factory tours, industrial heritage, creative art and crafts workshops are the object of cultural niches’ like industrial tourism and creative tourism. Many tourist attractions are also landmarks.

While these tourist attractions provide for a wide segment of interested parties with varying pursuits of interest, popular tourists destinations take special care to cater to the needs by providing access to fast food restaurants, hotel and motel rooms or lobbies, and sufficient rest areas for the young and travellers with special needs. This is becoming more significant as countries in Asia and the Pacific are investing in amenities to cater to travellers on ‘Accessible Tourism’ travel packages and experiences. In the battle for tourist arrivals and to secure a yearly increase to benefit their countries, governments must work closely with private-sector led organisations to derive both tangible and intangible benefits as a result of their joint participation. Benefits which can arise to assist the local economies are enumerated below:

1. Contribute to government revenues; direct contributions are generated by taxes on incomes from tourism employment and tourism businesses, and by direct levies on tourists, such as departure taxes
2. Provide employment
3. Support conservation of habitats, spaces and historic sites
4. Stimulate infrastructure investment
5. Contribute to local economies
6. Provide foreign exchange earning

Conclusion and Recommendations

Technological advances, while being ‘feared’ (grossly misunderstood) for its ability to displace jobs, impact lives and disrupt businesses…must also be viewed as a welcome ‘facilitator’ i.e. assist to identify unproductive work processes in the reduction of complex procedures. The biggest advantage is adding value by enriching lives in recognizing that the internet and the rise of mobile computing are putting tremendous pressure on travel suppliers as the market is customer driven i.e. travel-savvy customers who want to maintain partial or total control of their planned holiday experiences via user-generated itineraries.

A key advantage is the disintermediation/reduction of redundant travel intermediaries to directly match
travellers’ needs and wants. A good example is Expedia – ‘the world’s largest online retail travel agent’.

As the evolving tourism and travel market-scape and higher demand from travellers will continue to influence the way travel is ‘served’, players across the industry could reinforce their way of undertaking their businesses via some of the suggestions below. These are leveraged on technological advances to improve their service offerings; establishing open communication lines with customers and travel suppliers; maintaining a culture of re-invention to keep up with trends; investing in talents and developing a culture of continuous improvement and embracing paradigm shifts and having a flexible mind-set. As reminded by the famous scientist who coined the theory of evolution (Charles Darwin), “It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”