



MEGA-TRENDS OF TOURISM IN ASIA-PACIFIC

June 2006

Executive Summary

This report is the first of a series that aims to identify major tourism trends in Asia-Pacific. The monograph is a result of collaboration between the World Tourism Organization and the Hong Kong Polytechnic University. Its purpose is to help national tourism organizations to better prepare themselves for the future tourism development.

Asia continues to be the world economic powerhouse. According to the United Nations, by 2020, four of the largest ten economies will be in Asia (China, India, Japan and the Republic of Korea). Asia will also account for 12 of the 22 megacities (urban centres with more than 10 million people) by the same year. Therefore, it is important to understand the trend of tourism development in the region, as it will have major impacts on the regional economy, culture, society, environment, and even political systems within and outside of the region. By carrying out the content analysis of the articles of the two major trade magazines (TravelWeekly and TTG Asia) published in 2005 and selective news articles from BBC News Asia (online version 2005 and 2006), this report intends to identify the ongoing and emerging trends that will shape the landscape of tourism in the region.

A content analysis of 766 travel reports identified the following trends in Asia-Pacific region:

1. Travel has become more activity-interest based rather than destination- based
2. China and India continue to be the two main drivers of tourism industry and tourists generating countries/regions
3. The development of low-cost carriers (LCCs) makes intra- and inter-regional travel more affordable and will change people's travel habits and patterns
4. Airlines are likely to become a low-cost industry.
5. Travel agents transform themselves into travel consultants
6. Polarization of tastes and travel spending
7. Continued growth of online transactions

8. Consolidation of social-environmental awareness and consciousness
9. Competition and cooperation among destinations for inbound tourists
10. Emphasis on travel experiences and customized tours
11. Rapid growth of business travel
12. Asia is becoming a convention hub
13. Increasing growth of seniors and women travellers boost the demand for cultural and wellness tourism
14. Travel safety and health become major concerns
15. Emphasis on timely communication of accurate information to mitigate negative impacts on destinations

According to Abacus, a Global Distribution System, “travel has become more activity interest-based rather than destination-based”. This transformation calls for destinations to develop unique activities. In terms of activities offered, South-east Asia continues to feature cultural/heritage tourism and adventure tourism (Indochina), marine tourism (Malaysia and Philippines), and integrated resorts (Singapore); North-east Asia continues to excel in cultural/heritage tourism, with Hong Kong and Macau both tapping into this niche market. With an aging population in the region the promotion and preservation of culture is likely to be one of the main tourism development focuses of the tourism destinations.

Booming economies in the region fuel intra-regional, outbound and inbound tourism traffics. India and China have led the tourism growth and will continue to be the leading tourist-generating countries in the future. An economic boom has also boosted the business travel market. Again, China and India are likely to experience the fastest growth in this segment. Business travel in the future will become more interactive and technology-oriented. Business travellers are likely to demand more interaction with the host communities and for hassle-free Internet connections as the line between leisure and business becomes thinner.

Low-cost carriers continue to exert strong pressure on full-service carriers. This will encourage online bookings and indirectly force travel agents to become travel consultants or advisors. The fierce competition in the aviation industry has driven down airfares, making air travel more affordable and frequent. Experts predict that the sector will soon become a low-cost industry. LCCs will also change peoples' travel pattern. Lower airfares are likely to encourage travelers to shift from annual long-haul holidays to multiple short-haul short breaks, and hence further boosting the intra-regional travel demand.

The 'vaporization' of middle classes in some developed countries observed by Japanese sociologist Miura Atsushi is one of the possible explanations for the tourism trend – the polarization of travel spending. People with low-class status mainly go for budget travel and choose budget airlines and hotels while upper classes enjoy luxury travel. Enhancing the comfort and quality service for the front-end passengers by many airlines is a good example. In China and India, the tremendous volume of domestic travel has resulted in international hotel chains investing in budget hotel accommodations.

Lastly, but not the least, since travel safety and pandemic outbreak remain top concerns for travelers and because people make travel decision based on the perception of risks, National Tourism Organizations need to take proactive measures to ensure the timely and accurate information be conveyed to potential visitors in order to mitigate possible negative impacts on their destination images.

Mega-trends of Tourism in Asia-Pacific

METHODOLOGY

Except for unexpected events, the future is usually a recurrence and/or extension of the present and the past. News is the representation of daily life and events, through this representation, among others, people perceive reality. Analyzing news reports provides a foundation for understanding the present and the past, and hence provides some glimpses into the future. Because the lead time for magazine production is usually longer than other media, magazine reporters normally have more time to gather news and conduct in-depth analysis of a certain topic, thus providing richer data source for analysis. TravelWeekly and TTG Asia (online version), two trade magazines mainly covering the Asia-Pacific region, were selected for the analysis. To predict the future requires the reflection on the past. Therefore, articles published in 2005 were included for analysis. Altogether, 766 articles were searched through and downloaded from the magazines' websites: 454 articles from TravelWeekly and 312 from TTG Asia.

Before analyzing, a brief review of literature was conducted¹. Trends identified from this literature served as a guide for this analysis. Computer software ATLAS.ti was used to analyze the whole textual data and create free quotations which were linked with codes. Eighty-two codes were created and later 72 of them were combined into 18 code families because they were commonly related to the same theme². A code can be associated with more than one code family; for example, 'Adventure Tourism' was associated with the family - 'Travel Becomes More Activity-interest Based', as more and more tourists choose the destinations according to the activities they want to participate in; it was also associated with the family - 'Polarization of Tastes and Spending', as more and more visitors are seeking comfort or challenge when they travel. Twenty-six codes and code families (see Table 1) were created for the analysis.

¹ For example, WTO (1999), *Tourism: 2020 Vision Executive Summary Updated*; WTO (2005), *Tourism Highlights 2005 Edition*.

² Complete code list is available upon request.

A quotation can also be associated with more than one code or code families. For example, a quotation like “Agents acknowledge their business model had to change as more airlines reduce or cut agent commission...to compete with low-cost carriers, and more travellers start to make their purchase online”³ was actually associated with code ‘Low-cost Carriers’ and code families ‘E-travel’ and ‘Travel Agent Transformation’. Special attention was paid to keywords like ‘trend’, ‘future’, ‘expected’ ‘estimated’, ‘forecast’, ‘emerging’, ‘anticipated’, *et cetera* as they were usually associated with trend identification.

Each article was categorized into a sub-region according to the context. Of 766 articles, 137 were found to be associated with North-east Asia, 290 with South-east Asia, 61 with South Asia, and 41 with Oceania. 161 articles could not be assigned to any region as they did not mention any specific country; 76 reports were assigned to regions other than the above four, such as the Middle East, Europe, *et cetera*. For quantitative analysis (correspondence analysis), only articles associated with the above four sub-regions were included. However, all articles were retained for the general content analysis.

The numbers of associated quotations with each code and code families were counted and listed in Table 1. Correspondence analysis (CA) is a technique used for presenting the “correspondence” of categories of variables that are measured in nominal measurement scales⁴. Using the data in Table 1, the corresponding relationships between the four sub-regions and trends (codes) were plotted on Figure 1. The CA analysis in this report was only the first step in trend identification, and the relative positions of sub-regions and codes should be interpreted with caution. Generally, if a code is plotted further away from the point of origin, the more singular is its distribution to all the codes within the sub-regions; the more singular a code is to a sub-region, the further away it is from the point of origin⁵. For instance, the codes ‘Competition/Cooperation’ and ‘E-travel’ are

³ TTG Editors (September 29, 2005), Agents Preferred: ASTA, *TTG Asia*.

⁴ Hair, J. F., Tatham, R. L., Anderson, R. E., & Black, W, (1998). *Multivariate Data Analysis*, London: Prentice Hall.

⁵ Péladeau, N (1998), *WordStat Content Analysis Module for SIMSTAT & QDA Miner User's Guide*, Provalis

more common to the four regions than are codes ‘Regional Tourism Organization’ and ‘Intra-regional Travel’, which are more singular to Oceania and South Asia, respectively. The clustering around the origin of most codes reveals that most trends are similarly distributed among four sub-regions. The codes ‘Emerging Destination’, ‘Safety and Health’, ‘Timely Communication’ and ‘Multi-destination Travel’ are more singular to South-east Asia than to other regions.

As trend is an evolving and dynamic concept, we should be reminded that the relative positions of regions and trends are not static. For example, the code LCCs was plotted close to the point of origin and between South-east Asia and South Asia, signalling it was common to all regions but more related to South-east Asia. However, an interpretation of the booming trend of LCCs will stay in South-east Asia is not necessarily correct as predicted by Peter Harbison, managing director of Centre for Asia Pacific Aviation that “...this year [2005] sees an explosion of low-cost airlines with the focus shifting from South-east Asia to the north and southwest of the region.”⁶ Another example is that human resource shortages and the booming hotel industry are more acute in North-east Asia and South-east Asia because of ongoing tourism development. This focus will shift if America or Europe regains the leading economic development status. Therefore, the map simply presents a current trends’ distribution among four sub-regions, and it should be born in mind that they are dynamic in nature.

Table 1 Asia- Pacific Tourism Trends by Subregions (Rank/Frequency)

Rank	Overall	NE Asia	SE Asia	S Asia	Oceania
1	AO(200)	CF(71)	AO(83)	AI(21)	CF(20)
2	CF(195)	AO(48)	CC(44)	IF(19)	EE(14)
3	ET(158)	BT(44)	LCC(43)	AO(18)	PI(11)
4	BT(155)	CC(24)	BT(39)	PO(15)	CC(10)
5	AI(151)	PI(22)	CF(39)	ET(10)	AO(9)
6	CC(127)	HI(21)	ED(35)	PI(10)	BT(8)
7	LCC(120)	PO(19)	PO(35)	BT(9)	LCC(6)
8	PO(106)	EE(18)	AI(33)	CC(8)	ET(5)

Research: Montreal, pp. 102-103.

⁶ Keshvani, N (February, 25, 2005), LCC focus moves to North and South-west Asia, *TravelWeekly*.

9	HI(97)	AI(16)	PI(30)	LCC(8)	RTO(5)
10	PI(95)	ET(16)	SH(30)	TA(8)	DN(4)
11	TA(75)	LCC(14)	TC(27)	CF(6)	IM(4)
12	EE(69)	TA(14)	ET(24)	HI(6)	MA(4)
13	ED(65)	DN(11)	HI(21)	SE(6)	PO(4)
14	SE(65)	IM(9)	IM(16)	EE(4)	ED(3)
15	SH(61)	SE(7)	SE(16)	IN(4)	IF(3)
16	DN(56)	ED(6)	DN(14)	IR(4)	SE(3)
17	IF(51)	HR(6)	MD(14)	ED(3)	TA(3)
18	TC(44)	SH(6)	EE(13)	RTO(3)	TC(2)
19	IM(32)	IN(5)	IF(13)	SH(3)	AI(1)
20	IN(29)	MD(4)	IN(13)	DN(2)	HR(1)
21	HR(28)	IF(2)	HR(12)	HR(1)	SH(1)
22	MD(21)	TC(2)	TA(11)	IM(1)	SW(1)
23	IR(19)	SW(1)	IR(9)	MD(1)	HI(0)
24	SW(15)	IR(0)	SW(6)	SW(1)	IN(0)
25	RTO(9)	MA(0)	MA(3)	TC(1)	IR(0)
26	MA(7)	RTO(0)	RTO(1)	MA(0)	MD(0)
Total	2050	386	624	172	122

AI: Aviation Industry

AO: Activity Oriented

BT: Business Travel

CC: Competition/Cooperation

CF: China Fever

DN: Demographic Niche Market

ED: Emerging Destination

EE: Experience Economy

ET: E-Travel

HI: Hotel Industry

HR: Human Resources

IF: India Fever

IM: Image/Rebranding

IN: Infrastructure

IR: Intra-regional Travel

LCC: Low-cost Carriers

MA: Marketing

MD: Multi-destination travel

PI: Political Influence/Exchange Rate

PO: Polarization

RTO: Regional Tourism Organization

SE: Social-Environmental Consciousness

SW: Shrinking World

SH: Safety & Health

TA: Travel Agent Transformation

TC: Timely Communication

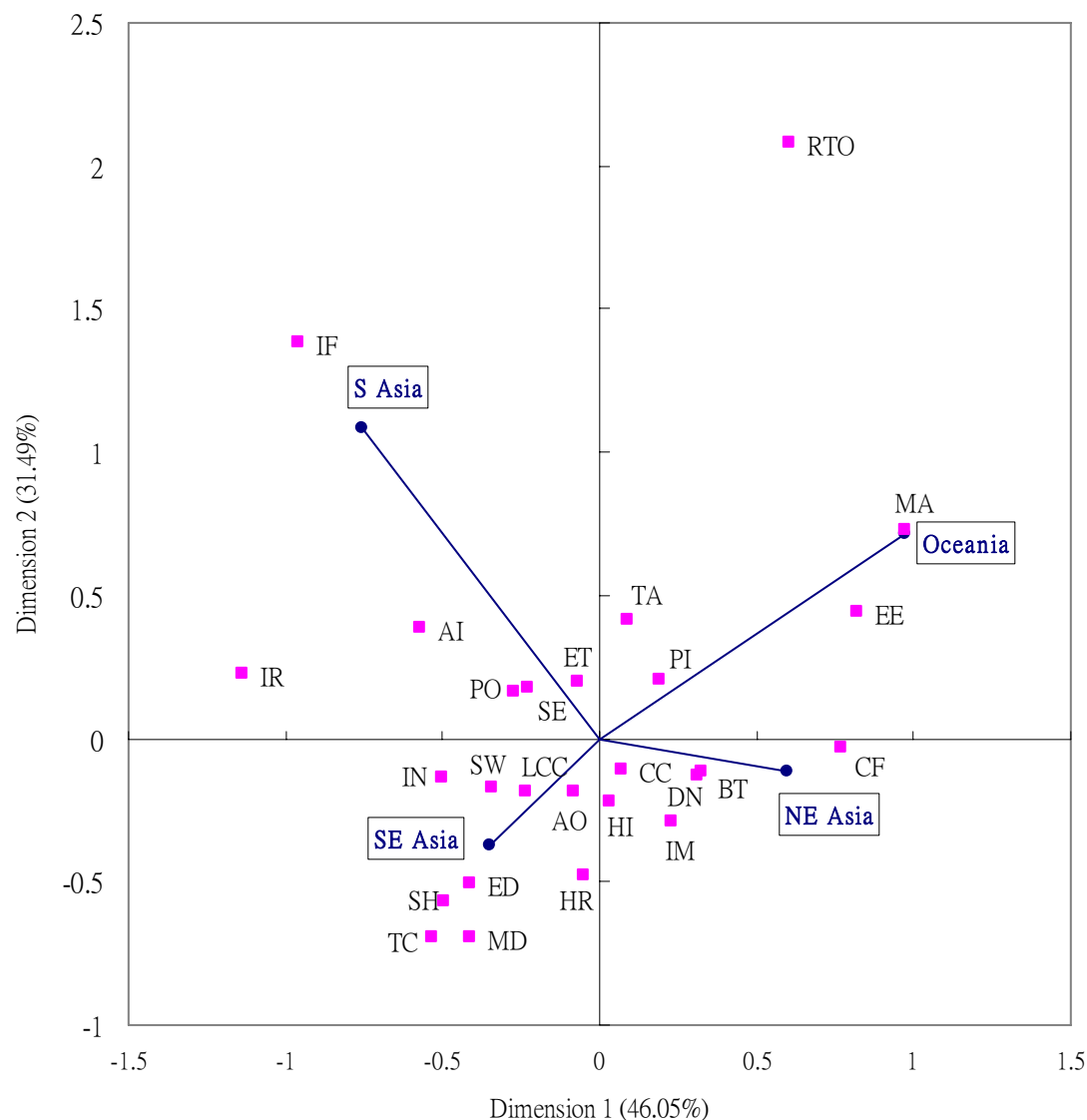


Figure 1 - Corresponding Relationships between Trends and Subregions

AI: Aviation Industry	HI: Hotel Industry	PI: Political Influence/Exchange Rate
AO: Activity Oriented	HR: Human Resources	PO: Polarization
BT: Business Travel	IF: India Fever	RTO: Regional Tourism Organization
CC: Competition/Cooperation	IM: Image/Rebranding	SE: Social-Environmental Consciousness
CF: China Fever	IN: Infrastructure	SW: Shrinking World
DN: Demographic Niche Market	IR: Intra-regional Travel	SH: Safety & Health
ED: Emerging Destination	LCC: Low-cost Carriers	TA: Travel Agent Transformation
EE: Experience Economy	MA: Marketing	TC: Timely Communication
ET: E-Travel	MD: Multi-destination travel	

FINDINGS

Travel Becomes More Activity-Interest Based Rather Than Destination-Based

More and more travellers are deciding what activities they want to partake first, and then choose the destination that offers them. It is, therefore, important for NTOs to associate their destinations with certain ‘unique’ activities/offerings to induce inbound tourists. ‘Unique’ here refers to those activities that can only be purchased and consumed in a certain destination; it is not related to the activities *per se*. For example, one can now do bungee jumping almost anywhere in the world, but if one wants to see the movie sets of *The Lord of the Rings* (LOTR), one needs to go to New Zealand. Thus New Zealand is the *destination* offering this unique film-induced tourism activity associated with LOTR. The powerful influence of destination images has caused the increase of film-induced and music-induced tourism to the Republic of Korea (Winter Sonata), New Zealand (LOTR) and Thailand (The Beach). If a destination does not excel in producing films, it can still provide incentives to entice movie producers to shoot them using its destination as a backdrop, and that is what Singapore and Indonesia have been doing in luring Bollywood producers.

Other niche activities to be considered include wellness and medical tourism. Spa is the most mentioned wellness activity by the trade magazines. The new emerging segments are those aged between 26-35 and the treatment concepts are more appealing than the interior designs of the spa facilities, according to CatchOn &Co, a Hong Kong-based marketing agency. Spa treatments are also one of the most popular activities for female travellers in Asia. It is also predicted that women will travel more frequently than men, and Asian female business travellers could be one of the fastest growing segments of the business travel market. In terms of medical tourism, Singapore and India are vying for this niche market segment with a future focus on cosmetic surgery. Thailand, Malaysia, Sri Lanka and the Philippines have also targeted the wellness tourists with their spa attractions and Ayurvedic herbal treatments.

Cruise travel is another growth market in the region. China and India are the two markets that cruise companies want to expand into. As for river cruises, the Mekong River in Vietnam might be the next hot spot besides cruises on the Yangtze River, China. Cruise companies have been cooperating with airlines and train companies to offer combined cruise-fly and cruise-train packages. Brunei is also venturing into the cruise market, and Malaysia is planning to develop cruising in Sabah and Langkawi.

School children in Japan and the Republic of Korea have been travelling overseas for the purpose of better understanding foreign cultures, history and heritage. Learning through travel is also an engrained teaching philosophy in China. With the expansion of the middle class population in China, this trend is expected to pick up momentum. But the Confucius teachings admonish, “Do not travel to distant places while your parents are alive,” and the awareness of the only child in the family might constrain this development. Interestingly, this constraint might actually create a more lucrative opportunity as family travel would be an alternative.

Volunteer tourism is another emerging trend. Late management guru Peter Drucker had foreseen that, “a third/non-profit/social sector,” (volunteer organizations) will play a major role in the 21st century in order to sustain the smooth running of a civil society⁷. With the populations in most developed countries aging quickly, and corporate social responsibilities become the norm, outbound volunteer tourism from these countries is likely to rise. Incentive trips have already been incorporating community activities to enrich participants’ travel experience. The industry might want to tap this market by cultivating relationships with volunteer organizations.

Indochina is emerging as a popular destination for adventure tourism while Malaysia and the Philippines focus on promoting marine tourism. Adventure tourism often involves venturing into off-the-beaten track destinations and a balance between development and conservation needs to be struck.

⁷ Drucker, P. F. (1995), *Managing in a Time of Great Change*, New York: Truman Talley Books/Plume, pp. 255-257.

The phenomenon of money-rich and time-poor has helped boost the development of integrated resorts in the region, where theme parks, entertainment facilities, casinos, hotels and convention centres are all combined into one location. The destinations that have already picked up this development include Macau and Singapore. However, as China and India are quickly becoming industrialized, it is expected that this trend will gather in momentum in these two countries, too.

Overall, North-east Asia is more associated with cultural/heritage tourism and urban tourism, and Japan is a typical volunteer tourist-generating country. South-east Asia is closely associated with the wellness/medical, marine and adventure tourism. Culinary tourism is associated with such countries/regions like the Philippines, Macau and Singapore that blend Eastern and Western tastes. South Asia (India, Nepal and Sri Lanka), on the other hand, are appealing to religious tourists, among others.

Chasing Chinese Tourists

The continuous economic growth in China has created a tremendous volume of domestic, inbound and outbound tourism activities. In 2005, China was expected to have 40 million outbound travellers, an increase of 38 percent over 2004. World Tourism Organization (UNWTO) predicted that by 2020, China will become the world's number four tourist-generating country (100 million outbound tourists) and number one tourist destination. It is believed that China will reach this projected target sooner.

A booming economy is a result of an influx of foreign direct investment (FDI), which leads to an increase in business travel. In 2004, China attracted nearly 4 million business travellers and most of them headed to Beijing and Shanghai. With the 2008 Beijing Olympics and 2010 World Expo on the way, business travel to these two cities is expected to increase steadily.

This galloping economic development had created tensions and concerns in the following tourism related areas: infrastructure, human resources, environment, immigration and visa policy, *et cetera*. By 2020, China will need 2000 new aircraft to accommodate its' air transportation needs, and by 2010, it will need 70 million room nights to keep up with business travel demand.

With the sheer volume of traffic and increasing spending power, Chinese outbound tourists are hotly pursued by countries in the region, especially by ASEAN countries and Australia. As Chinese tourists become more mature and sophisticated, the following observations are summarized for those who want to tap the growing China market:

- Aim for the working age empty nesters, silver-haired segment, provincial capital residents, high-end, FITs (Frequent Independent Travellers), business, and MICE (meetings, incentives, conventions and exhibitions) traveller;
- Provide more cultural rather than shopping activities as travel is a form of learning to Chinese people;
- Bundle Malaysia, Singapore and Thailand as a single destination as well as other similar multi-destination combinations;
- Cultivate business relationships with local companies;
- Expand into secondary and tertiary cities in China; and
- Think locally while maintaining good international management practices.

Online Travel Bookings and Demand for Information Technology Keep Rising

Coupled with the increase in online bookings, e-marketing is also on the rise. Airlines, hotels, travel agencies are the industries that have been most influenced by the Internet.

The increase of online bookings and improvement of information technology (IT) will force travel agents to transform themselves into travel consultants. Low-cost carriers have helped speed up this transformation by fuelling online bookings. Facing fierce competition from LCCs and rising fuel prices, full-service carriers (FSCs) had no choice

but to slash commissions paid to travel agents. By the end of 2007, all airlines are required by IATA (International Air Transport Association) to issue e-tickets only.

According to a survey⁸, the travellers who purchased their travel products online tend to be FIT travellers, aged between 25-40, are affluent, and have no children. Contrary to general belief that the older generation tends to shun the Internet, the over-50 age group in the United Kingdom is actually adept at using the Internet to get the best deals⁹. However, the lagging IT infrastructure development and the online payment constraints imposed by governments slow this process in the region.

Tourism and hospitality are industries that heavily depend on human contact. The popularity of online bookings will not replace the personal touch and service. Therefore, the coexistence of online booking and call centres is expected. With this ongoing e-travel trend, IT suppliers and Global Distribution Systems (GDSs) will witness huge growth and become centres for profitability. GDS will also reinvent itself as a marketing and communication tool because of its close connection with travel agencies, and further consolidation within and between airlines, agencies and GDS/technology providers are also expected to take place. As for the technology itself, meta-search technologies (online search that simultaneously accesses several search engines) remains a key player in the Asia-Pacific online travel market

Low-Cost Carriers – One of the King Makers of Booming Tourism

The advent of low-cost carriers in Asia has and continues to make profound impacts on other stakeholders of the industry. LCCs force FSCs to lower their airfares, which encourages frequent travel and brings visitors into more destinations. According to a Morgan survey, Australians are treating New Zealand just like any other domestic destination because of low airfares¹⁰. This trend of low airfares is likely to encourage travellers to replace their annual long-haul leisure trips with several short trips to different

⁸ TTG Asia (March 3, 2005). E-business. *TTG Asia*.

⁹ TTG Asia (December 8, 2005). Internet-savvy elderly. *TTG Asia*.

¹⁰ Tools (April 29, 2006), Australians regard NZ travel as local, *New Zealand Herald*.

locations. The burgeoning LCCs are one of the reasons that drive the growth of intra-regional travel within the Asia-Pacific region. And the future of tourism is tending towards travel within the region itself.

Because some LCCs are venturing into the long-haul market (flights that take more than four hours), the boundaries between LCCs and FSCs are blurring. The fierce competition and too many LCCs will force further consolidation and/or merger among them. The focus of LCCs expansion will also shift from South-east Asia to the north and southwest of the region.

Air Transportation Will Soon Become a Low-Cost Industry

Facing fierce competition from the low-cost carriers and rising fuel prices, FSCs are fighting back by improving in-flight services, especially for business and first class passengers. This indicates a trend towards polarization of travel expenditure of travellers. Airlines have also been trying to cut down on operating costs by slashing commission to travel agents, reviewing and consolidating travel intermediary channels, and urging airports and government to reduce fees and taxes. The advancement of transportation technology, on the other hand, helps airlines to cut fuel costs and clean the environment by increasing fuel efficiency and reducing emissions into the atmosphere.

In the near future, air transportation has to become a low-cost industry in order to survive. Rising fuel prices have a tremendous impact on airlines' profit, and fuel surcharges will have a wide-ranging impact on long-haul travel. As for the liberation of the skies, ASEAN will implement an open skies policy within the sub-region in 2008 which will create alliances and cooperation among regional airlines. India is considering the same policy and open skies will be the trend in the region. We will also see more FSCs fly into secondary cities to avoid congestion in the gateway cities.

The introduction of Boeing's ultra long range 777 will help boost global point-to-point and non-stop travel, which will challenge the positions of global hubs. However, the 'super jumbo' Airbus A380 is likely to help the existing major airports to stay as global

hubs. Singapore and Dubai are upgrading their airports to accommodate the A380 aircraft. In the mean time, air traffic congestion will increase as the development of infrastructure cannot keep up with the demand for air travel. In 2020, the number of passengers travelling by air is expected to reach 7.4 billion, doubling the figure of 3.9 billion in 2005. In Asia, the Pearl River Delta is witnessing increasingly crowded skies, as are Delhi and Mumbai

Asia Becomes a Convention Hub

As Asia continues to be the major recipient of foreign direct investment and the increase of many multinational corporations in the region, business travel within and to Asia has and will continue to grow at a rapid pace. Asia will also be the most sought after location for conventions. And as Chinese corporations begin to realize the importance of incentive, the MICE market also has a tremendous growth potential. The following trends are observed:

- Business market is growing at a faster rate than the leisure market and Asian women business travellers could be the fastest growing segments of the business travel market;
- China's business travel market is expected to have the highest growth and India is another great potential outbound business travel market to tap;
- Safety and security concerns continue to be very important for corporate traveller and MICE buyers;
- More than half of business travellers use the Internet to plan their trips, and broadband Internet connection is essential, if not indispensable, to corporate travellers;
- More than half of business travellers prefer major network carriers for business travel; for personal travel, major network carriers and LCCs are equally favoured, but the business travellers may use LCCs more in the near future if they fly into the main cities in the region¹¹;
- The duration of conventions becomes shorter;

¹¹ TravelWeekly (October 11, 2005), Business Travelers seek technological convenience, *TravelWeekly*.

- Overall destination appeal is more important than convention facilities when selecting a convention site;
- MICE buyers are increasingly looking for new destinations and activities
- Group incentive travel will become more interactive with host communities; and
- Fewer incentive trips are likely to be purchased by insurance and stock brokerage industries as the Sarbanes-Oxley (SOX) Act (passed by the US Congress in 2004) forbids insurance agents and stockbrokers from accepting compensation of any kind (including travel). Financial services and healthcare/pharmaceuticals are traditionally the largest users of group incentive travel.

Competition and Cooperation Become Fierce and Imperative among Destinations

China and India are two major tourist generating countries that other destinations, countries and regions within the region are endeavouring to tap. Fierce competition also creates more cooperation; for example, Singapore and Indonesia combine their individual niches and jointly promote their destinations; Brunei is also keen to be twinned with Singapore, and Hong Kong SAR has been working to further strengthen its alliance with Thailand, Malaysia and Singapore. This trend of both competition and cooperation is likely to continue as tourists are becoming more experienced, savvy and look for more diversity. For gateway places like Hong Kong SAR and Singapore that are short of natural attractions, cooperation with other destinations with various attractions becomes crucial in maintaining their competitive edge in attracting tourists. As mature destinations, they will need to develop new products and diversify their offerings.

Another trend identified is the regional consolidation that results in a coordinated marketing drive. ASEAN countries are promoting their destinations as a whole; countries of GMS (Greater Mekong Subregion) are also coordinating their efforts in tourism infrastructure development; India works with Sri Lanka to boost tourism in South Asia; and countries in the Middle East equally call for joint promotion of the Arabian destination.

Polarization of Tourist's Tastes and Spending

At one end are visitors seeking for comfort and/or luxury travel products, at the other are people looking for thrills and/or budget travel. Japanese sociologist Miura Atsushi observed that the vaporization of 'middle classes' had created a polarized society with people moving towards two ends of the social class spectrum. If the emerging large middle classes in China and India contribute to the increase of outbound travels, will the 'vaporization' of middle classes in developed countries reduce the numbers? The answer is probably 'no' because the annual personal incomes of these new 'lower classes' in developed countries are still likely to exceed the average annual travel threshold of US\$5,000¹² - but we are likely to see more budget and luxury travel from or within developed countries. Another trend is that the majority of countries/cities in the region are targeting high-end and high-yield markets, signalling a shift of focus from quantity (tourist arrivals) to quality (tourism receipts).

Demand for a More Interactive Travel Experience

People are shifting from buying consumer products to buying experiences, especially consumers in Hong Kong SAR, Japan, Republic of Korea, Singapore and Taiwan, Province of China.¹³ This requires the delivery of unique travel experiences that personally engage the consumers by designing customized tours and providing quality service. In the future, travellers will be more socially responsible and demand more personalized treatment. Demand for customized (tailor-made) tours, quality assurance, interactive experience and short breaks is also on the rise. As an emphasis on travel experience and polarization of tastes (seeking comfort) is getting stronger, boutique hotels, resorts casinos and cruises liners will become trendier.

¹² Tan, Wrisney (December 22, 2005), Changing Population Trends Call For New Strategies, *TTG Asia*.

¹³ Gonzalez, R. (September 2, 2005), US\$4,000 Per Annum Is where It All Begins, *TravelWeekly*.

Hotels Are More High-Tech and Social-Environmental Conscious

Hotels in the region are facing room shortages. This is mostly affecting China, India, Indochina and the Middle East. In China, international hotels are expanding into second and third tier cities, and budget hotels have mushroomed to cater for the increasing demand for hotel accommodation by the low-cost travel segment. Serviced residences are expected to be the fast growing form of accommodation for business and leisure travellers in Asia. The following trends are identified:

- Demand for serviced residences are on the rise, especially in India and China;
- Increasing demand for high-tech communication amenities from business travellers as the line between leisure and business is getting thinner;
- Boutique hotels are becoming popular;
- Growing demand for tiny niche hotels located in areas that feature cultural tourism and soft adventure activities;
- “Cultural hotels” are emerging. This reflects the locations of the hotels, usually at cultural and/or heritage sites, are more important than brand to travellers; and
- Hotel and resort designs are taking a more holistic approach which combines social, environmental, community and financial elements.

Consolidated Social-Environmental Awareness and Consciousness

One country that needs to pay special attention to this issue is China, where economic development has and continues to put a heavy burden on its ecological environment. It is expected as Chinese people gradually re-appreciate the importance of environmental protection (after all, the emphasis on harmonious relationship between man and nature is a traditional Chinese philosophy), the environmental protection movement will gain momentum. Other regions and countries mentioned by the trade media regarding social and environmental issues include Hong Kong SAR (air pollution), Indonesia (haze) and Vietnam (overdevelopment in Camranh Bay and Halong Bay), and Cambodia (commercialization of Siem Reap, a gateway town to Angkor Wat).

On the other hand, Indonesia was commended for its success in restoring coral reefs around Pemuteran in north Bali that revived the local communities. Seoul's rejuvenation of Cheong Gye Cheon (Stream) not only added a new tourist attraction, but also consolidated community coherence by providing a public meeting place. As urbanization continues and city dwellers keep looking for daily escape or retreat, creation and preservation of an 'urban nature' will be the trend.

Another trend identified is the possible establishment of an international reference of quality management and environmental management for the tourism industry, that is, the industry will become more regulated in terms of social-environmental requirements.

Seniors and Women Will Travel More

The aging population is a worldwide phenomenon in the 21st century and is particularly acute in industrialized countries. Japan is experiencing the most serious case in Asia of an aging population. In 2005, about 20 percent of the population in Japan was over the age of 65, but this percentage will rise to 30 percent in 2025. People over the age of 65 will comprise about 15 percent of world population by 2050.¹⁴

The empty nesters are becoming the target market for many countries/regions. In Asia, Japan, Hong Kong SAR, China, Taiwan, Province of China and Republic of Korea are strong drivers of this market. Thailand and Taiwan, Province of China, are both planning and building nursery villas to attract retirees from Japan and other countries. One of the favourite attractions for older people is visiting cultural and heritage sites. NTOs in the region can benefit from this segment of travellers by preserving and promoting their unique cultures.

NTOs and other stakeholders of the tourism industry also need to monitor closely the social trends of a target market. For example, it was found that Japanese retired couples

¹⁴ Hoke, Z, (November 30, 2005), Populations Are Aging Worldwide, Voice of America, Retrieved from <http://www.voanews.com/english/archive/2005-11/2005-11-30-voa69.cfm>.

may file a divorce because the wives have less space and time of their own after their spouses retire. Therefore, marriage guidance counsellors in Japan do not recommend retired couples to take long-haul or cruise travel because the longer the time they spend with each other, the higher the possibility that their marriages will end in divorce. Hence, short holiday breaks are recommended.¹⁵ Long-haul and cruise operators can arrange separate activities for the couples to minimize the potential negative social and economic impacts.

Family travel is another important segment that Hong Kong SAR, Brunei, the Philippines, Singapore (Sentosa), Thailand (Pattaya) and Australia (Western Australia) are eagerly targeting. The main attractions for families include theme parks and spas. The theme parks should be close to other facilities (shopping complexes, sports and water-related venues, *et cetera*) in order for families to take part in various activities conveniently.

As for women travellers, the Philippines is targeting the growing middle-aged female market of Japan and office ladies from Hong Kong. Singapore, on the other hand, targets young female Japanese professionals. Hong Kong SAR, in turn, is eyeing the young female executive market. The most favourable activities for women travellers are shopping, visiting natural and scenic attractions, rest and relaxation, gourmet cuisine sampling, and visiting historic and cultural attractions.¹⁶

India Leads Real Tourism Growth in Asia

Like China, India also witnessed an exponential tourism growth fuelled by its booming economy in recent years. India's outbound travel is twice the volume of inbound, and destinations in the Asia-Pacific region are expected to receive continuous growth in tourist arrivals from India to at least 2007. In terms of the growing travel and tourism economy and the real growth rate of travel market, India is the number one country in

¹⁵ BBC News (February 22, 2006), Divorce threat to retired couples, *BBC News*, Retrieved from <http://news.bbc.co.uk/go/pr/fr/-/2/hi/asia-pacific/4740092.stm>.

¹⁶ TravelWeekly (June 24, 2005), Watch Women Travelers, The Fastest Growing Affluent Segment, *TravelWeekly*.

Asia-Pacific region. Outbound business travel, set to increase in the short and medium term, comprised two-thirds of India's total outbound travel. The tourism boom in India will see more demand for hotel rooms and increasing air traffic. It also has great potential for developing relaxing luxury cruises

Travel Agents Transform into Travel Consultants/Advisors

The shrinking of profits caused by the increase of online bookings and slashing of sales commissions from FSCs have forced travel agents to adjust their roles and look to other non-air components for profit generation. These components include travel insurance, car hire, cruising, wholesale packages and accommodation bookings.

Travel agents are transforming themselves into travel consultants/advisors, sifting through various online and offline information to arrange personalized and customized tours for the increasingly experienced traveller. Overall, travel agents' knowledge about a destination through accumulation of customers' feedback and personal familiarization tours are the keys to survival. The following travel agent trends are identified:

- Service fee-based and value-added model will replace commissions-based operation;
- Corporate travel will be more customized with menu-based 'pay as you go' pricing strategies;
- Provide Internet-based service while keeping offline and personalized service available;
- Customers in Asia-Pacific still largely depend on travel agents for coordination and bookings; and
- Consolidation within travel agencies and between airlines and GDS/Technology providers

Safety and Health Concerns Require Timely Communication to Mitigate Negative Impacts on a Destination

Travellers are now more concerned with pandemic outbreaks and terror attacks. However, terrorism activities usually have a more serious impact on business and MICE travellers. Long-haul travellers are observed to be very sensitive to negative news; Chinese people also emphasize security in choosing travel destinations. In the future, it is likely that more and more host communities will cooperate with government in improving safety and security. After all, a good public relations activity always starts at home.

The threat of a pandemic outbreak such as bird flu calls for a coordinated effort among NTOs and other government agencies. However, timely, accurate and responsible communication is even more important than the outbreak itself because visitors make decisions based not so much on risk itself as on perception of risk. NTOs therefore should closely monitor media reports to mitigate the negative impact of some irresponsible blanket reports of a pandemic outbreak. Media relations management needs to be proactive in a world full of information and media channels.

Diabetes is another health concern that will have a serious impact on tourism trends in the region. According to the World Health Organization (WHO), diabetes cases in Asia will rise by 90% in the next 20 years to affect 330 million people and is set to become the 21st century's biggest health problem. Four out of five of the largest diabetic populations are in Asia and they are India, China, Pakistan and Japan.¹⁷ China is also plagued by obesity. If unchecked, China will have at least 200 million obese people within 10 years¹⁸. And diabetes and obesity are affecting more young Asian people, too.

If not contained, diabetes will cripple more people and reduce their mobility. Exercise is one of the solutions to prevent diabetes. As people begin to realize the threat of this

¹⁷ Balasegaram, M (February 22, 2006), Asia Warned on Diabetes Threat, *BBC News*, Retrieved from <http://news.bbc.co.uk/go/pr/fr/-/2/hi/asia-pacific/4738936.stm>.

¹⁸ BBC News (June 18, 2005), China Warned of Obesity Time-Bomb, *BBC News*, Retrieved from <http://news.bbc.co.uk/go/pr/fr/-/2/hi/asia-pacific/4106212.stm>.

disease, their travel behaviours and activities preferences may have to change in order to accommodate their exercise needs. Action-oriented activities like soft adventure tourism and sports tourism is likely to become more popular. For destinations that target family travel, the inclusion of physical activities in their offerings might be worth considering.

As for timely communication, it is expected that NTOs will be more proactive and vigilant in their communication strategy. NTOs will also try to secure more communication channels to ensure their information content reach the target audience in time. The following trends relating to timely communication are predicted:

- Further development of multilingual versions of NTO's websites;
- Close coordination among NTOs, tourism-related government agencies, foreign ministries, and international organizations to provide accurate travel advisories;
- More cooperation and exchanges of information between NTOs and their foreign counterparts; and
- Link with websites of travel agencies specialized in selling the destination and with GDS websites.

Visa Simplification Is Here to Stay

Foreign relations, internal security regulations, taxes and levies, plus immigration and visa rules have important influences on a destination's tourism. The foreign exchange scheme also significantly influences inbound tourism because it plays a more influential role than fuel surcharges in travel decision-making¹⁹. The following trends are identified:

- The ease of tensions between China and Taiwan, Province of China, will see bilateral tourism traffic increasing exponentially. Year 2008 will be a turning point for the improvement of cross strait relationship, if not earlier;
- Tensions between China and Japan, Japan and the Republic of Korea are variables that might disrupt North-east Asia's stability and tourism flows;

¹⁹ TTG Asia (September 29, 2005), Fuel for Thought, *TTG Asia*.

- As China becomes a major tourist-generating country, its official holiday system (such as Golden Weeks) will exert more influences on outbound traffic and its recipients;
- Visa simplification will continue as it boosts travel, especially among destinations that have close political, economic and geographical ties; and
- More countries will relax their visa requirements for Mainland Chinese visitors, though the problem of overstaying might hold some destinations back or cause a backlash.

Human Resources Shortage

One of the Asia-Pacific region's drawing cards is its human resources. However, the increasing demand for tourism in the region has and will continue to create a shortage of human resources in the hospitality and tourism industry. This problem will be more serious in China, Hong Kong SAR, Singapore, Thailand, Indochina and the Middle East.

Indochina – a Gem to be Cherished and Reckoned with

Myanmar, Laos, Cambodia and Vietnam are emerging as attractive destinations to European, North American and other Asian markets with marine, cultural and heritage tourism as the key products. Vietnam as a whole and Hanoi in particular are emerging as new meetings locations. Vietnam also has the potential to become a gateway to Indochina. Russia is a high-yield emerging market for South-east Asian destinations that feature beach holidays like Indonesia, Malaysia, Philippines and Thailand. The Middle East is also an important emerging market for the region, especially for South-east Asia.