Case Study 3

Analysing the World Pattern of International Tourism Flows

Introduction

This case study is designed to illustrate and explain the patterns of international tourism demand in both time and space. This case is confined to *international* tourism flows and receipts, as the collection and estimation of statistics of international tourism is more accurate than that for *domestic* tourism. The collection and aggregation of statistics into five world regions by the UN World Tourism Organisation (UNWTO) necessarily means that their regions, whilst failing to conform to geographical logic, are used throughout this case study.

The Historical Trend at the World Scale

The end of the Second World War represented the beginning of a remarkable period of growth for international tourism, with an annual average growth rate approaching 7 per cent for the second half of the twentieth century (Table 3.1). Until the twenty first century, international tourism was remarkably resilient to factors that might have been expected to depress growth – recession, oil crises, wars and terrorism. However, in 2001 9/11 represented the first 'shock' to the tourism system and demand fell as a result. As the decade progressed, tourism volumes recovered exceeding 800 million arrivals in 2005, until the global financial crisis of 2008 onwards threatened to depress arrivals.

- **The 1950s** In 1950, international tourist arrivals stood at 25.3 million. Growth of international tourism was sluggish as the world recovered from the Second World War. However, the adoption of the jet engine in the closing years of the decade provided an important technological enabling factor for international travel.

- **The 1960s** By 1960, arrivals had reached 69.3 million. The decade of the sixties saw demand for international tourism realised by:

- *Demand-side factors* - large numbers of those living in the developed world had the desire, time and income to travel; and

- *Supply-side factors* - the response by the tourism industry to develop the 'standardised' approach of inclusive tours offered at a competitive price.

Business travel also emerged as an important sector of the market.

- **The 1970s** In 1970, international arrivals had risen to 159.7 million. Growth slowed due to the oil crisis in 1974 and economic recession at the end of the decade. However, recession demonstrates the 'ratchet' effect of tourism demand with an increasing rate of growth in times of prosperity, and at times of recession, demand remains fairly constant, as consumers are reluctant to forego travel.

- **The 1980s** By 1980, international arrivals had reached 284.8 million and growth rates began to slow as the market moved towards maturity. The mid-1980s were a period of substantial travel with European destinations experiencing record years. However, in 1986 the Chernobyl incident, the Libyan bombing and the fall in the US dollar saw a shift in demand away from Europe and North Africa. The late-1980s saw a return to the normal pattern of tourism flows, and accelerating growth, only to be disrupted by the Gulf War.

- **The 1990s** In 1990 international arrivals stood at 454.8 million. The decade opened with the Gulf War that severely depressed international travel and had a long-term impact upon tourism enterprises such as airlines. Over the decade, growth of arrivals was strong and a shift in patterns of demand was evident with the opening up of the former Eastern Bloc, and the expansion of tourism in the Pacific Rim countries. In the closing years of the decade, the Asian currency crisis depressed intra-regional travel in Asia, though inbound travel was boosted as prices fell.

- **The New Millennium –** Tourism grew substantially in 2000 to reach almost 700 million international arrivals. This growth continued in 2001 until the 'shock of 9/11' which depressed travel significantly in the final quarter of the year and resulted in the first recorded annual decrease in international arrivals since 1982. Further shocks to the tourism system then ensued with the war in Afghanistan, bombings in Bali, the outbreak of Severe Acute Respiratory Syndrome (SARS), the Iraq War, terrorist bombings in Madrid and London, the 2004 Boxing Day Asian tsunami, the Icelandic ash cloud and the global financial crisis of 2008. It is the climate of uncertainty created by these events that had the greatest impact on international travel. Nonetheless the pattern appears to be that tourism recovers more quickly after each crisis.

It is difficult to generalise about the pattern of international tourism flows as individual countries display marked differences and contrasts. Similarly, each destination receives a distinctive mix of tourist origins and modes of transport. On a world basis it is estimated that:

- 55 per cent of international arrivals are by surface transport;
- 45 per cent are by air;
- 16 per cent of international arrivals are for business purposes; and
- 50 per cent are for pleasure.

However, it is also true that the impact of 9/11 completely changed the international tourism market as symbols of tourism – aircraft – were used as weapons. The impact was such that major international airlines were bankrupted, many destinations and companies saw their markets devastated and consumer confidence in travel was severely tested. As the most significant 'shock' to the tourism system, the effects of 9/11 are important and can be summarised as:

1. A worldwide decrease in international arrivals of 0.6% in 2001 – somewhat less than initially feared;
2. Regionally, the Americas were the hardest hit (-6% international arrivals), followed by the Middle East (-2.5%);
3. Some destinations with Moslem populations suffered, whilst others, such as Australia were perceived as safe havens;
4. Destinations that were hit the hardest were those dependent on the North American market and those dependent upon the long-haul market. Also preferences changed and consumers sought out 'greener' destinations;
5. In many countries, demand switched from international travel to domestic, partly as a result of the reduced availability of airline seats, but also because domestic travel, often by surface transport was perceived as safer; and
6. Governments and international agencies put into place 'crisis recovery strategies' including support for the tourism sector, subsidies for airlines and marketing campaigns.

The Changing Regional Picture

Determinants of tourism demand include both lifestyle factors such as income and mobility as well as life cycle factors such as a person's age or family circumstances. These determinants when allied to the characteristics of the mosaic of tourism destinations around the world, combine to produce global rhythms and patterns of tourism. International tourism arrivals and departures are concentrated into relatively few countries, mainly in Europe and North America. This produces an unbalanced picture that favours developed Western economies and disadvantages the developing world, which is left to compete for the long-haul market – and this accounts for a minor share of the total market. For both generators and destinations of international tourism, as more countries have entered the market, so the dominance of the leading players has been gradually reduced.

Generators The major tourism-generating countries are those in the *high mass-consumption stage* of economic development, although as countries reach the *drive to maturity stage* they become significant generating markets. For any particular destination country, a typical list of the top generating markets would contain neighbouring states together with at least one from a list containing Germany, the UK, Japan, and the USA. However, it is clear that by 2030 if not earlier, both China and India will become major generating countries. In part, the pattern of generating countries is explained by two conflicting trends:

- The importance, though declining, of short-haul travel to neighbouring countries which represents up to 40 per cent of total international trips; and

- A substantial growth in long-haul travel. This is due to both consumer demand for new, more exotic destinations and the response from the travel industry to package long-haul destinations. Aircraft technology and management can now deliver these at a price and length of journey acceptable to the consumer. This may however, be tempered by demand responses to climate change.

Destinations The post-war period has been marked by the rapid emergence of the East Asia and the Pacific region (EAP) as an international tourism destination, largely at the expense of the Americas and Europe (Table 3.2).

East Asia and the Pacific In 1950 the EAP region, (which also includes South Asia), had a share of less than 1 per cent of international tourism; by 2010 this share was approaching 22 per cent. The key to the region's success is due to:

- A number of rapidly developing countries with large populations;
- Well-managed airlines based in the region and emergent budget airlines;
- An exotic culture (at least as perceived by the West);
- World class natural attractions;
- Good quality tourism infrastructure such as airports
- Dynamic societies with positive, welcoming attitudes to tourism, including newly emergent destinations such as China and Vietnam;
- Favourable exchange rates;
- Competitively-priced inclusive tours; and
- High quality accommodation products and cuisine.

Europe's traditional pre-eminence in international tourism has been eroded since the 1960s. While Europe still has the largest volume of international arrivals, growth has been at a slower rate than regions such as the EAP. The trend of new destination regions taking market share from Europe is clear and will continue. Nonetheless, Europe still dominates world tourism flows simply because it contains:

- Many of the world's leading generating countries;
- A number of relatively small but adjacent countries generating considerable volumes of cross-border travel:
- A mature travel and transport industry;
- Natural and cultural attractions of world calibre;
- Many themed attractions such as Disneyland Paris;
- Attractive capital cities;
- Emerging destinations such as the former Eastern Bloc countries;

- A variety of tourism products from beach to winter sports holidays;
- A mature tourism infrastructure, including the Channel Tunnel and other transport developments;
- Highly trained personnel;
- A pan-European currency - the *Euro*; and
- An integrated industrial base which is important for business tourism.

Elsewhere in the world, the **Americas** account for a significant share of international tourism activity, with an increasing volume of inbound travel to supplement the huge domestic market, but this masks major differences between the USA and Canada on the one hand and the economically much less prosperous Latin American countries. The North American domestic market has benefited from the fall in outbound travel resulting from the fear of terrorism. In **Africa**, due to the prevailing political instability and poor infrastructure, tourism growth is relatively slow. The majority of arrivals are in North Africa, but the newly emergent and ‘politically acceptable’ South Africa is shifting the emphasis of tourism. In the **Middle East**, the stop-go nature of the peace process inevitably has an impact on tourism demand and supply.

<u>Conclusion</u>

This case shows that the world picture of international tourism demand is not random. It follows predictable patterns that are related to the different mix of tourism destinations around the world and to the social and economic characteristics of generating countries. However, the various 'shocks' to the tourism system are rewriting these rules and patterns of demand are changing, changes which may also accelerate due to responses to climate change. It is important to understand the global picture of international tourism demand because they determine tourism flows and the fortunes of all tourism destinations.

<u>Discussion Questions</u>

1. This case is dependent upon accurate statistics of international tourism demand. Make a checklist of ways to measure international tourism demand - which is the most accurate? How is international tourism demand measured in your country?

2. a. Plot the growth of international tourism demand since 1950 on a graph, supplementing the data in this case with that from the UNWTO web site. Explain why the growth rate was more rapid in the first 25 years and slower in later years.

   b. On the graph pinpoint dates when growth was checked - identify the events that caused these checks. Choose one event and explain its effect on tourism in your own country.

3. Identify the 'top ten' tourist generators and the ten leading tourism destinations in the world. This is available from the UNWTO website or their publications. Explain why the leading generators tend to be from developed Western economies. How is the pattern of destinations changing and why?

<u>Sources</u>

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Web Site

http//:www.world-tourism.org

Table 3.1 - International Tourism Arrivals: The Historical Trend

Year	International Tourism Arrivals (millions)	International Tourism Receipts (US$ millions)
1950	25.3	2,100
1960	69.3	6,867
1970	159.7	17,900
1980	284.8	102,372
1985	321.2	116,158
1990	454.8	255,000
1995	567.0	372,000
2000	696.8	477,000
2001	692.6	463,600
2005	806.0	680,000
2010	940.0	868.400
Forecast for 2020	1560.0	N/A

Table 3.2 - International Tourism Arrivals: The Changing Regional Picture: Percentage Share of International Arrivals by UNWTO Region

Region	1950 %	1960 %	1970 %	1980 %	1990 %	2000 %	2005 %	2010 %
Europe	66.5	72.5	70.5	68.4	63.5	57.8	54.8	50.7
Americas	29.6	24.1	23.0	18.9	18.8	18.4	16.6	15.9
East Asia & Pacific (EAP)(including South Asia)	1.0	1.3	3.6	7.8	12.1	16.6	19.3	21.7
Africa	2.1	1.1	1.5	2.5	3.4	3.9	4.6	5.3
Middle East	0.9	1.0	1.4	2.4	2.1	3.3	4.8	6.4