Tourism for Tomorrow

THE WTTC PERSPECTIVE
For over 20 years now the World Travel & Tourism Council has been highlighting the economic and social benefits of Travel & Tourism, an industry which in 2013 accounts for 9% of world GDP and supports 260 million jobs. The number of international travel arrivals reached 1 billion in 2012 and is expected to reach 1.8 billion by 2030.

“Tourism for Tomorrow” is WTTC’s response to the challenges posed by such growth. It is a vision for tourism which responds to the demands of increasing numbers of consumers while balancing the needs of the natural resources, people and businesses which are central to our success as an industry. It is one of our three strategic priorities, crucial for the delivery of our mission.

This document sets out our definition of “Tourism for Tomorrow” and will serve as the framework for the organisation’s future initiatives in this area, building on the work already underway through the Tourism for Tomorrow Awards programme.

I would like to thank the members of WTTC’s Sustainability Working Group as well as the many representatives of government, academia and NGOs who contributed to this piece of work. Such a collaborative approach will be critical in the future success of “Tourism for Tomorrow”.

David Scowsill  
President & CEO  
WORLD TRAVEL & TOURISM COUNCIL
The definition of success in business is changing. A focus on profits alone is no longer sufficient. Environmental, social, cultural and business concerns are becoming increasingly interlinked. This requires management thinking that goes beyond the ‘green’ agenda and beyond an approach to Corporate Responsibility which devolves environmental or social considerations from the core business model.

The industry leaders who make up the World Travel & Tourism Council (WTTC) recognise that the time has come to adopt a holistic and integrated approach to sustainability. The opportunities that Travel & Tourism can bring to people and places around the world are phenomenal. We are a growth industry. More people have the means to travel and more destinations are becoming accessible. Already Travel & Tourism accounts for 9% of GDP and 280 million jobs around the world and our global impact on GDP is set to rise in real terms by over 4% a year over the next ten years.

However, we recognise that simply scaling up is not a viable option. The increasing number of travellers will impact natural resources, and if the needs of host communities and employees are not taken into account we risk conflict and economic inequality. This will affect not only the wellbeing of societies but the competitiveness of destinations and businesses. Furthermore, regulators are becoming ever more stringent in their demands for environmental and social impacts to be measured and reported. Often these regulatory responses have direct implications for a company’s bottom line.

Tourism for Tomorrow is WTTC’s vision for a sustainable future for our industry, based on integrating the needs of ‘people, planet and profits’. An industry which embraces the concept of shared value – creating economic value in a way that also creates value for society by addressing its needs and challenges. An industry which at all times keeps an eye on the future, and ensures that long term considerations are not ignored in pursuit of short term gains.

For many years now we have seen a ramping up in the pace of change in our world, bringing new opportunities and new challenges. Anticipating and adapting to these developments, and the macro-level drivers behind them, is imperative for any business to be successful - to minimize risk and keep ahead of competitors. Just as important is the strategic relevance of these drivers on the business equation of ‘people, planet and profit’.

This is particularly the case for Travel & Tourism, an industry whose core product depends so heavily on host populations, employees and the natural environment. For companies, keeping abreast of the macro-level drivers influencing the global economic and political landscape is crucial to future resilience of business and the destinations in which they operate. Understanding these instruments of change and their impact is the first step to integrating long term, sustainable solutions into strategic planning.

Research by WTTC Member Sustainability Experts, supported by leading consultancy SustainAbility, has identified four main ‘drivers of transformation’ – global macro-trends upon which the future of Travel & Tourism will depend:

- Global Connectivity
- The rise of the rest
- Eco-limits
- Socio-economic development and well-being

Global Connectivity
The world is getting smaller. More people are travelling to more places more frequently – for business, leisure, education and other personal reasons. In 2012, for the first time ever, the number of people crossing borders globally exceeded 1 billion. These levels are expected to nearly double by 2050.

In addition, technological advancements and the rapid growth in mobile use have changed the face of communications and now even the most remote places and communities are connected. In 2013 there are nearly 6 billion mobile phones in use by over 60% of the world’s population. People and places, and therefore financial markets are increasingly connected both physically and virtually which stimulates trade in goods and services as well as cross-cultural understanding.
The rise of the rest

The world’s population is expected to grow from 7 billion in 2013 to 9 billion by 2050. 95% of this growth will come from emerging and developing countries. Additionally, the purchasing power of the global middle class is set to double by 2030. By that same year, 2 billion new middle class consumers from emerging markets such as Brazil, India, China and Russia (BRICs) will have entered the market-place. The result will be not only a huge increase in consumer demand but also a considera-
ble shift in patterns of demand – both geographically and in terms of taste and preferences.

Population growth will continue to drive the expan-
sion of urban areas. By 2050 the population living in urban areas is expected to grow by 2.6 billion, thereby accounting for all of the population growth expected over the next four decades while at the same time drawing in some of the rural population, particularly young people. This will put pressure on physical infrastructure to cater to the basic needs of water, power, and waste treatment of inhabitants as well as create a high demand for jobs.

In addition, rural communities will see their youth population dwindling which will impact the preservation of rural cultures.

Travel & Tourism, as one of the world’s most la-
bour intensive industries, is well placed to provide employment for growing populations – not only in bulging cities but also in remote rural areas. As a flexible and dynamic industry it is also able to adapt to changing patterns of demand, underpinning the sustainability of these new jobs.

However, pressure on resources caused by growing populations also pose a signiﬁcant risk to Travel & Tourism which can be a very resource heavy indus-
try. Where working conditions are not of sufﬁcient quality or job opportunities are seen to be restricted, there may also be resentment and conﬂict, affecting workforce and ultimately the ability to operate success-
fully in a destination.

As demand for Travel & Tourism booms, particu-
larly in new markets, there is also the real risk that companies will struggle to ﬁnd suitably qualiﬁed employees despite the growing numbers of available ‘workforce’.

Careful resource management – both internally within companies and externally through inﬂuencing suppliers and consumers; and ensuring the quality and longevity of employment opportunities – through basic education, specialist skills and career develop-
ment will need to be a priority for Travel & Tourism in the future.

Eco-limits

At present, mankind consumes more than 50% more natural resources than the Earth’s ecosystems can replenish. If the global population continues on our current path of resource consumption, estimates suggest that we would need two planets by 2030 and three by 2050 to sustain us.

The global demand for water is predicted to exceed supply by 40% by 2030 by which time half the world’s population will be living in areas of high water stress. The rapid loss of biodiversity and ecosystem degradation also adds to the pressures on the world’s resource base. The competition for resources will intensify, compromising food security and increasing the potential for social unrest. Moreover, the treatment of waste produced from consumption and production further affects the availability and quality of the planet’s resources.

An increased level of carbon emissions added in the atmosphere also has hazardous effects on planetary limits. Scientists have found that the impact on climate change is causing widespread melting of snow and ice, rising sea levels, increases in precipitation, ocean salinity, irregular wind patterns and aspects of extreme weather including droughts, heatwaves and the intensity of tropical cyclones.

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Travel & Tourism is one of the few global industries where the core product of the sector and its viability – both short and long term – is intertwined with the successful management of its resources. Without the planet’s oceans, coasts, forests, wildlife, and other resources, tourism in many parts of the world would cease to exist. For this reason, Travel & Tourism has in many regions been at the forefront of conservation efforts, providing alternative incomes for those who depend on the land for a living and channelling funds into conservation projects.

Resource constraints and the impact of climate change will continue to affect Travel & Tourism, in particular as most of the industry’s growth is expected to take place in regions which are prone to climate change and resource scarcity. These impacts can also heavily inﬂuence the demand for certain destinations particularly the ones in climate change hotspots.

Travel & Tourism, an energy-intensive sector, will see higher costs due to rising oil and jet fuel prices. Local communities in tourism destinations will suffer water, food and other resource shortages. If not managed, the impact on business could be detrimental as the longevity of destinations and thus tourism operations will be threatened.

Socio-economic development and well-being

Socio-economic development and the overall well-being of people is themes that resonate in developed and developing regions alike. Governments, businesses and consumers are increasingly focusing on the importance of well-
being and sense of empowerment of societies.

Expressions of discontent are starting to be voiced by grassroots movements springing up across the globe. Disillusionment over governments and institutions failing to show a sense of responsibility or accountability for the wellbeing of citizens, and a pacing governance gap at the global level with regard to some of this era’s most pressing challenges, have led to a stronger focus on the business community. Businesses are increasingly being called on to add more value, with expectations shifting to assess not only the impacts the private sector has on society, but also the actual value it creates.

Businesses are also growing in their understanding that society’s challenges do impact competitiveness and financial viability. Society helps drive the demand for products while providing the infrastructure, people and supportive environment critical to businesses. And business helps generate jobs, wealth and promote the well-being of the people.

Travel & Tourism’s power to create jobs and bolster whole economies is increasingly recognised as what sets it apart from other industries. Yet the megatrends currently playing out will force the industry to think beyond simply job creation. Demographic change, increasingly complex patterns of labour migration, high unemployment especially among women and young people and implications of growing income inequality are aspects of a bigger picture that no industry, least of all Travel & Tourism, can afford to ignore. If ignored, the risks to the short and long-term business investment strategy will be high. Travel & Tourism businesses will be forced to potentially delay or cancel their investment and seek opportunities elsewhere. A social uprising could be detrimental to the perception of the destination but also to the tourism operator’s products.

If the balance is struck between businesses’ and societies’ expectations, the opportunities for growth and prosperity for both will flourish.
At best we can only make an educated guess as to what will happen in the long-term. Operating in an uncertain environment is increasingly becoming the norm. However, acknowledging and responding now to these drivers which are transforming our world is fundamental to planning and will equip businesses and the wider industry with the tools necessary to address future challenges. This will in turn have a positive impact on investment and our products, and therefore financial viability, which in turn ensures that social and economic benefits are generated.

Analysis of these drivers shows us that Travel & Tourism has a significant role to play in the future of our world:

- It is a conduit for globalisation, channeling money from rich to poor areas, facilitating cultural exchange and understanding, and providing livelihoods.
- It provides employment for growing populations across the world, not only in major hubs but in remote areas as well, and flexible opportunities for the young, women and older people.
- It contributes to the preservation of natural resources and the environment through providing alternative livelihoods for people who depend on the land for their income, giving a value to landscapes and biodiversity, and stimulating investment in conservation.
- It stimulates enterprise providing opportunities for newly empowered populations, helping to redress income inequalities which are so often the cause of major conflict.
- A more interconnected and interdependent world means that the stakes are higher – security issues, health scares and natural disasters which in the past would have been contained in a localised area can now fast become global and messages can be disseminated widely at the touch of a button.

At the same time, however, these drivers pose considerable challenges with strategic implications for Travel & Tourism businesses:

- If not managed properly, the impact of more people travelling more often to more places on natural resources, the environment and local cultures has the potential to be significant, and destructive. Given the intrinsic link between tourism and the places it operates, this poses a significant risk.
- Resource constraints will be exacerbated by growing populations and consumption which will result in conflict, most pressingly when it comes to water. Fuel, which is so crucial to Travel & Tourism, will be scarcer meaning increased prices.
- Climate change will make demand for certain destinations unstable. Fluctuating weather patterns and natural resource damage as a result of the changing climate will make business investments and operations riskier.
- Increasing wealth in emerging markets means a whole new type of consumer to be catered for, both geographically in terms of where they will travel to, and culturally in terms of expectations, experience, and travel patterns. Products need to be adapted accordingly but with minimum impact on natural resources or host communities.
- Growing youth populations will require employment opportunities which satisfy their desire not only for income but self-improvement and career progression. This is not just about jobs but quality jobs.
- Economic and social inequality driven by demographic changes will lead to conflict if not addressed. Travel & Tourism cannot operate in an environment of conflict, as recent experience in the Arab Spring has shown.
- As disillusionment with governments rises, businesses are increasingly being expected to fill the gap.

The interdependency of ‘people, planet and profits’ is clear to see. Failing to consider just one of these three elements will undermine the long-term sustainability of Travel & Tourism, the places it protects and the jobs it creates.
Raising the Bar

WTTC recognises that for our vision of Tourism for Tomorrow to be realised there needs to be a step change in how Travel & Tourism businesses approach the act of balancing ‘people, planet and profits’. Great strides have been made over the past two decades in terms of environmental impact and community engagement but now these approaches need to be mainstreamed – incorporated into core business models – and become part of day to day operations, based on the premise that incorporating the needs of society creates increased value for all, and recognising that short term gains will be outweighed by long term success.

Constant innovation, not just in the technological or scientific sense, but in corporate thinking and management approaches, will be necessary.

Businesses in the Travel & Tourism sector, with its global reach and growth potential must:

Be Accountable
A transparent approach to measuring and reporting impacts, both good and bad, provides a solid foundation for communications and engagement. Often Travel & Tourism is strongly criticised for its impacts, with criticisms based on negative perceptions rather than actual data. At the same time, the industry has been accused of ‘green washing’ – making bold claims which are often unsubstantiated. An open assessment of impacts means that progress can be measured and communicated, and particular gaps or challenges addressed. If appropriate, short, medium and long-term targets can be set ensuring a focus on the future.

In order to be accountable, businesses should:

• Take responsibility: understand and identify the range of impacts – both positive and negative – and openly state a commitment to measuring and publishing them.

• Measure: once identified these impacts need to be measured, monitored and evaluated on a regular basis.

• Report openly: measurement methodologies and the resultant impacts should be reported in a transparent way with clear indicators of progress made and areas for improvement.

This approach should mimic and be integrated with standards for financial accountability. Environmental, social and governance reporting should be done through frequent integrated annual reports, participation in company disclosure projects and sustainability company rankings such as the Dow Jones Sustainability Index.

Show Leadership
With increasing expectations for private business to step in where governments are failing to deliver, the private sector needs to affirm its leadership qualities. Travel & Tourism’s global reach means that the industry is in a unique position to encourage change in destinations, suppliers, consumers and employees. Companies must step up to their responsibility in this regard and must be ready to lead by example. Words must be followed up by visible and tangible actions. And where necessary, companies must exert their influence to affect change.

In order to show leadership, businesses should:

• Communicate: a public commitment at CEO and Board level which is reflected throughout the organisation and communicated widely.

• Deliver: actionable projects which are delivered on the ground, so that commitments are backed up with real change.

• Encourage: high standards as part of everyday business through educating and empowering consumers, suppliers and employees to make sustainable decisions and publicly recognising best practice.

Business leaders are being called upon to redefine long term value. They must be proactive in their part to creating value for its stakeholders. By understanding and responding to the major forces which impact society and business, leaders can promote prosperity for all concerned. Leaders should also be open to learning from others in a leadership role and create the conditions necessary within their environment for other leaders to emerge.

Invest
The step change necessary to ensure Tourism for Tomorrow will not happen unless the industry is willing to commit resources to back up bold statements and good intentions. In some areas significant investment in research and development is necessary to break new boundaries, and huge differences can be made with even small steps, creating incremental impacts. Technology is key, but so is experimenting with new business models, new ways of working with destinations and communities and, most crucially, so is human capital and workforce development.

To stimulate investment in Tourism for Tomorrow, companies should:

• Integrate: sustainable solutions into long term investment strategies. This should include investment in attracting a different skill set to the workforce, provision for high level research and development, as well as the installation of practical solutions which, for example, reduce emissions and waste or improve skills in the workforce.

• Commit: their own resources through investment programmes and strategies, with built in systems which monitor return on investment and value creation according to their impact on ‘people, planet, profit’.
• Leverage: investment opportunities available through government and other sources, seeking out joint-funding programmes and incentive schemes where they exist, working together to develop them where they do not, and using leadership positions to encourage others to contribute.

By acting in the long term interests of the business and integrating sustainability directly into investment processes, companies will directly contribute to ensuring their future success of their business while facilitating job and value creation for society.

Collaborate

No business, company or sector is self-contained. This is particularly true of Travel & Tourism with its many different stakeholders and high proportion of SMEs. On a product level, companies rely heavily on public infrastructure, supply chains, local workforce and the natural environment to deliver quality experiences. Working with others to identify opportunities and weaknesses, develop clusters and networks to address them, and stimulate a ‘shared’ approach to growth is central to Tourism for Tomorrow. This needs to go beyond ‘public-private partnerships’ to include businesses, investors, government, NGOs and community groups.

To collaborate effectively, companies should:

• Identify: new partners and ways of collaborating. This requires taking a broad view of stakeholders and what each group has to offer, and working together to develop integrated plans and projects.

• Develop: new networks either within the company or externally with other companies and groups with similar interests. These can be facilitated by online solutions and social media and are vital for generation of ideas, sharing of experiences and transfer of knowledge.

• Unite: together with ‘one voice’. Travel & Tourism has many different actors but in order for governments and other industries to fully understand the huge potential of the industry and the great strides being made towards ‘Tourism for Tomorrow’, a clear and unified message, which cuts across competitive boundaries, needs to be projected.

Collaboration should be fostered at international, regional, national and local levels depending on the needs and priorities of stakeholders. Private companies, particularly those with a regional or global perspective, are often in a good position to take the lead but all stakeholders have a role to play in identifying opportunities and creating an open environment for dialogue and joint efforts.

Such collaboration does not need to be restricted to within the industry. By participating in wider initiatives, Travel & Tourism will be better placed to assert itself alongside other industry sectors as a generator of sustainable economic and social development.

Tourism for Tomorrow can be achieved if the different players of Travel & Tourism work together. Industry leaders, represented by WTTC Members, are ready to play their part but the impact will be more far reaching and real change will happen more quickly if there is a co-ordinated approach from all, including policy makers.

International institutions and governments need to ensure that the regulatory environment is conducive to the sustainable growth of Travel & Tourism, and also recognize the importance of a balanced approach to ‘people, planet, profit’.

Public policies need to recognize the symbiotic nature of the relationship between businesses and communities. They must not undermine the productivity and competitiveness of businesses, especially in a global economy with an increasingly mobile population looking for value and quality.

WTTC looks forward to working with the private sector, policy makers, NGOs and communities around the world to make Tourism for Tomorrow a reality.