The 2015 Global Summit in Madrid gathered together private and public leaders from around the world to look at some of the disrupting influences affecting and challenging Travel & Tourism businesses today. Back in Europe for the first time in seven years, the Summit took full advantage of its location and looked at global issues of disruption and reinvention with a European lens. From the impact of financial recession and economic austerity that has radically changed the way people use and book travel, to natural and civil disasters that bring about a heightened need for enhanced security and safety practices, and to the evolving demands of an ever-connected consumer, the Summit reflected on how companies and destinations not only deal with these changes. It also looked at how they then go on to reinvent their products, businesses and ways of working, to emerge stronger and more resilient to meet future challenges head on.

Overall, sessions and discussions made it clear that realising these opportunities will require for greater levels of connectivity, openness and leadership in the years to come:

- Although the world is safer and more prosperous than ever before, the geo-political shocks facing our lives are more prevalent and more disruptive. Dealing with the challenges of our volatile, uncertain and complex world requires businesses and governments to adopt deeper levels of connectivity, openness, and trust.

- With mass urbanisation taking place across the globe, understanding the issues facing cities and investing in the infrastructure needed to support and connect growth between and within urban centres will be crucial to the future of the sector and for meeting the needs of the demanding business and leisure traveller.

- The future growth of Travel & Tourism, fed by the growing middle classes will require far greater investment in developing people skills and talent in order to fill the millions of new jobs that growth in Travel & Tourism will create.

- Rapidly evolving technologies present enormous opportunities for new consumer products within Travel & Tourism. Effective communication of these products and their integration within established businesses and systems, will often require a reinvention of business thinking.

- Protection from disruption is likely to come through greater collaboration and leadership, such as that shown by the Global Travel Association Coalition. Individual companies too can see that increasing transparency and monitoring outputs are a means to future-proof operations and to provide protection against likely disruptions ahead.

The Value of Travel & Tourism Today

Travel & Tourism provides immense personal value, offering up opportunities for cultural adventure, engagement with nature, and time for rest and rejuvenation. At the same time it develops trade, creates links and understanding between people and places and ultimately drives new business. The sector also tells a compelling story of continued economic growth and employment – growth that has been faster than most of other sectors and ahead of the global economy. In 2014 Travel & Tourism generated nearly 10% of global GDP, 7.6 trillion US dollars, and the sector’s contribution to the world economy is forecast to grow 3.7% in 2015. Around the world, Travel & Tourism directly employs 105 million people, and looking further into the supply chain, the wider impacts of Travel & Tourism support 277 million jobs, or 1 in 11 jobs on the planet.

In Europe, home to some of the world’s most iconic tourism sites, Travel & Tourism generates 9.2% of GDP and 9% of jobs. And, despite the economic challenges of the past 5 years, the sector has grown faster than the wider economy in the region. In Spain, which received 65 million international visitors in 2014, the third highest in the world, Travel & Tourism contributes a full 15.2% of GDP and 15.3% of employment and has been the key driver in its economic recovery over recent years.
Business and Europe

Although delegates were reassured that the world is “a safer, more prosperous and peaceful place
than ever before” [Richard Fenning, CEO, Control Risks], there are valid concerns that some of the
geo-political shocks are becoming more prevalent and disruptive. As national politics become
more insular and focused on the short term, governments lose their mandate to act decisively
beyond their borders. Distrust at the inter-governmental level is causing increasingly fractured
international relationships and far less expectation on the part of citizens that the world’s problems
will be solved by collective government action.

While inter-governmental action falters, multi-national businesses are increasingly working across
country boundaries, forming geo-marketplaces that need to attract the best talent, capital, consumers
and technology, regardless of nationality. The concern for businesses, therefore, is how they weave
their way through the growing threat of clashes due to governments’ curbs on policy freedoms and
continued and excessive regulatory interventions. Within the UK, a complete lack of decision on extra
runway capacity in the South East, while in Europe, the continued resistance to a single European skies
air traffic control system and the obstacle of visa entry in place for foreign tourists, were shown to be
prime examples of this lack of coordination – and worse, will – from governments, to solve fundamental
inefficiencies and to remove barriers to future Travel & Tourism growth.

Within Europe, the painful structural economic reforms taken in many countries on the back of the
deep recession are starting to show positive outcomes, however, more needs to be done. The
European Union may be both bigger and more united than it’s ever been [José Manuel Barroso,
President, (2004-2014), European Commission], but the region will need to stay strong and united
to compete with the US and China, and it must increase its productivity. For a region comprising
7% of the world’s population but 56% of the world’s social welfare expenditure, the current systems
in Europe are not sustainable over the long term.

Disruptive living

Not surprisingly, given the host location of Madrid, a major financial and cultural centre of Europe,
an established settlement since the 9th Century, and a growing economy in Spain, one of the main
themes of the Summit was urbanisation and the growth of cities.

In 1950, less than 30% of the world lived in cities yet, by 2008, there were more people living in
cities than in rural areas, for the first time. And the shift is accelerating, with the UN predicting
that by 2050, 67% of the world’s population will be urban. These cities are magnets for business
and industry and a large and growing source of demand for Travel & Tourism [Tim Kitchin, CEO,
Euromonitor International].

It is cities that hold the wealth of a country and where ever-growing numbers of people around the
world are not only reaching the middle classes but also the income tipping point for international
travel (US $35000, according to the Goldman Sachs ‘Ladder of Spending’). The world will see an
additional 2.5 billion people reaching the middle classes between now and 2030, and within that
year alone, just in China, 25 million more city dwellers are expected to reach the tipping point for
affording international travel.

The shift to larger and more populous urban areas and an increasing devolution of power and
economic decision-making to cities, creates a need for the public and private sectors to understand
and adapt to the politics and demographics of mega cities separately from those of the nation states.
Understanding the complex issues facing cities and investing in the infrastructure needed to support
and connect growth between and within urban centres will therefore be crucial to the future of the
sector and for meeting the needs of the demanding business and leisure traveller.

WTTC research commissioned for the Global Summit, looked at where the greatest need is for
Travel & Tourism investment in Europe. The report found that despite €2.1 trillion worth of Travel
& Tourism investment planned for the next decade (5% of total investment), several countries
could fail to achieve baseline forecasts for Travel & Tourism GDP and jobs, and fall behind in
global competitiveness terms, due to limited infrastructure and underinvestment relative to Travel
& Tourism demand. Successful cities are connected cities, and while air and ground transport is
a key to this, these future investments must be planned and developed with greater collaboration
between public and private actors.
**Disruptive thinking**

We live in a world where disruptive events occur on a near daily basis. Economic uncertainty feeds political reaction and this in turn creates pressure on the social fabric of nation states. This reality has been clear across all parts of the world, not least in Europe. As no one can determine events or the consequences that arise from them, contingency planning has become a factor within our business-as-usual scenarios.

At the same time, it is this contingency that allows for fresh thinking and brings challenge to the status quo that in turn helps set ideas free and create new business models of the future. Ideas such as those stemming from digital technologies and mobile applications are cutting a disruptive swathe through so much of our sector, from hotels to transport to travel agents. There is also a need to think boldly and work collectively to convince governments of the need for better and simpler, shared systems – particularly in the area of visa reform and trusted travellers programmes.

The Summit delegates heard about the huge strides that have been made by Travel & Tourism companies in monitoring and measuring the outputs of their environmental, social and governance (ESG) impacts. In the Seychelles, the government’s forward thinking has led to action that could be viewed as quite dramatic – a freeze on large hotel development. For companies, ESG reporting is fast becoming a requirement of governments, investment banks and stock exchanges alongside financial reports and is being integrated into common business practice. Although the real journey on sustainability is only just starting for many companies, transparency and monitoring are a new means to future-proof operations and to provide protection against likely disruptions ahead. WTTC’s report on ESG Guidance, released in time for the Global Summit, helps to provide the knowledge base and guidance that will help companies move forward in this important area.

**Acting for Reinvention**

At the heart of this era of almost unparalleled geopolitical and economic disruption, are the shifting trends and increasing expectations of the consumer. These shifts have been and are continually driven by technology and growing affluence.

Connected consumers are demanding consumers, and customers today have the power to influence decisions and the way business takes place in a way never been seen before. With time of the essence, Travel & Tourism businesses were told that they were behind the times and must do more to address these audiences in the internet age [Gary Vaynerchuk, Co-Founder, VaynerMedia]. In terms of developing new and successful products for these demanding consumers, companies need to focus more on appealing to them personally. Technological solutions help here, and companies that can capitalise on the enormous opportunity that personalisation through data manipulation brings will benefit most. The best companies recognise that manipulating the data alone is not enough, as truly understanding their consumers requires an understanding of the bigger trends and issues that lie above the data.

Businesses need to take a lead and respond to this new consumer-driven era with its focus centralised around its core purpose, ensuring not only that it has the right culture for success based on trust and understanding, but also that its values are firmly based on responsibility, fairness and equality. Companies focused on profit alone will find themselves forced to cut corners, and therefore quality too often [Ana Botín, Group Executive Chairman, Banco Santander, S.A].

The risk of not changing and not re-focusing around a core purpose could bring disruption closer. The ever-rising growth of smartphones and other mobile devices means that consumers are never offline. Their power to comment on a company’s behaviour and make their voice heard around the world, positively or negatively in minutes, can have tremendous impact on the reputation of a company. Travel & Tourism needs to do the right thing and ensure that it is a sector that is respectful of the environment and communities in which it operates and continues to improve people’s lives.

*The WTTC Tourism for Tomorrow Awards*, fully integrated into the Global Summit, highlighted the actions of 15 forward-thinking company finalists and 5 outstanding winners across the categories of Community, Destination, Environment, Innovation and People.
Reinvention as Protection from Disruption

For some, protection from the disruptive shocks discussed throughout the Summit will come with scale. Examples of airlines, cruise, lodging, travel agencies, and technology providers, merging or having been acquired, were in full evidence across the two days of the event.

In other cases, protection will come by being quickest to adapt, constantly aware of the changing needs of the consumers and the arrival of new technologies. New entrants will continue to challenge the status quo, putting pressure not only on incumbent companies or business models, but also forcing local and federal governments to reconsider policies such as taxation, insurance and safety. Protection might also be found by established companies working in collaboration with newcomers, rather than competing with them, so that both maximise the value of their core competencies, developing a functional business ‘ecosystem’ [Julie Meyer, CEO, Ariadne Capital].

Delegates were also reminded that prevention is much more effective than reaction and reconstruction [Petra Nemcova, Founder & Chair, Happy Hearts Fund]. Immediate help is provided in fundraising, but it is the long-term efforts of building resilient schools are worth more to communities than momentary contributions following a crisis.

Protection from disruption will also come from acting now on what is already being anticipated about the future. The rising middle classes across the developing world are expecting to see the best of what the earth has to offer. UNWTO has set a forecast of 1.8 billion international visitor arrivals within only 15 years’ time, an increase from the one billion milestone reached in 2012 – not to mention the billions more domestic travellers. In some parts of the world, Travel & Tourism risks becoming too successful, with too many people visiting too few places. This great movement of people will not only require the right physical infrastructure investment to be balanced against environmental stewardship and impact monitoring, but it will also need a far greater investment in developing people skills and talent in order to fill the millions of new jobs that growth in Travel & Tourism will create. Some of the key issues and challenges in meeting this human capital challenge are also highlighted in the Global Talent Trends report released by WTTC during the Summit.

Where international diplomacy is weakening and national governments focus less on global issues, business is rightly doing more to take the lead, creating opportunities, filling jobs, and generating prosperity. There is a critical strategic need for all in the sector to work in partnership with each other – private and public – large corporation and small family business – airline and hotel and so forth. This responsibility was amplified at the Summit by the leaders of the largest international associations engaged in our sector. The Global Travel Association Coalition (GTAC) launched an inaugural landmark Agenda for Travel & Tourism Growth and Development, where the leaders committed to common areas of action, to work collaboratively with governments, and to speak with One Voice, in order to make Travel & Tourism stronger, more competitive, more customer focused and more responsible to the world we operate in.

Disruption can divide us or it can unite us. By embracing disruption and seeing the many benefits of reinvention and innovation that it brings, we can find that reinforced and shared sense of purpose and unity and work collectively and responsibly to achieve sustainable growth. Travel & Tourism can only benefit by continuing to forge partnerships and understanding at the highest levels of government and then sharing the powerful messages and best practice of the sector. In this extraordinary era of disruption we must continue to be true ambassadors of reinvention, ensuring that Travel & Tourism continues to grow, prosper and improve people’s lives the world over.