

Unit 1

AC 1.2

Development of the travel and tourism industry





Development of the travel and tourism industry

The historical context of the travel and tourism industry

- **Let's Explore**

- <https://youtu.be/rQPqGTj1abo>

The historical context of the travel and tourism industry cont.

Source: OpenText BC, 2018

- Travel for leisure purposes has evolved from an experience reserved for very few people into something enjoyed by many.
- Historically, the ability to travel was reserved for royalty and the upper classes. From ancient Roman times through to the 17th century, young men of high standing were encouraged to travel through Europe on a “grand tour” (Chaney, 2000).
- Through the Middle Ages, many societies encouraged the practice of religious pilgrimage, as reflected in Chaucer’s *Canterbury Tales* and other literature.

The historical context of the travel and tourism industry cont.

Source: OpenText BC, 2018

- The word *hospitality* predates the use of the word *tourism*, and first appeared in the 14th century.
- It is derived from the Latin *hospes*, which encompasses the words *guest*, *host*, and *foreigner* (Latdict, 2014). The word *tourist* appeared in print much later, in 1772 (Griffiths and Griffiths, 1772).
- William Theobald suggests that the word *tour* comes from Greek and Latin words for *circle* and *turn*, and that *tourism* and *tourist* represent the activities of circling away from home, and then returning (Theobald, 1998).

The historical context of the travel and tourism industry cont.

Source: OpenText BC, 2018

- Cox & Kings, the first known travel agency, was founded in 1758 when Richard Cox became official travel agent of the British Royal Armed Forces (Cox & Kings, 2014).
- Almost 100 years later, in June 1841, Thomas Cook opened the first leisure travel agency, designed to help Britons improve their lives by seeing the world and participating in the temperance movement.
- In 1845, he ran his first commercial packaged tour, complete with cost-effective railway tickets and a printed guide (Thomas Cook, 2014).

The historical context of the travel and tourism industry cont.

Source: OpenText BC, 2018

- The continued popularity of rail travel and the emergence of the automobile presented additional milestones in the development of tourism.
- Fast forward to 1952 with the first commercial air flights from London, England, to Johannesburg, South Africa, and Colombo, Sri Lanka (Flightglobal, 2002) and the dawn of the jet age, which many herald as the start of the modern tourism industry.
- The 1950s also saw the creation of Club Méditerranée (Gyr, 2010) and similar club holiday destinations, the precursor of today's all-inclusive resorts.

The historical context of the travel and tourism industry cont.

Source: OpenText BC, 2018

- The decade that followed is considered to have been a significant period in tourism development, as more travel companies came onto the scene, increasing competition for customers and moving toward “mass tourism, introducing new destinations and modes of holidaying” (Gyr, 2010).

The historical context of the travel and tourism industry cont.

Source: OpenText BC, 2018

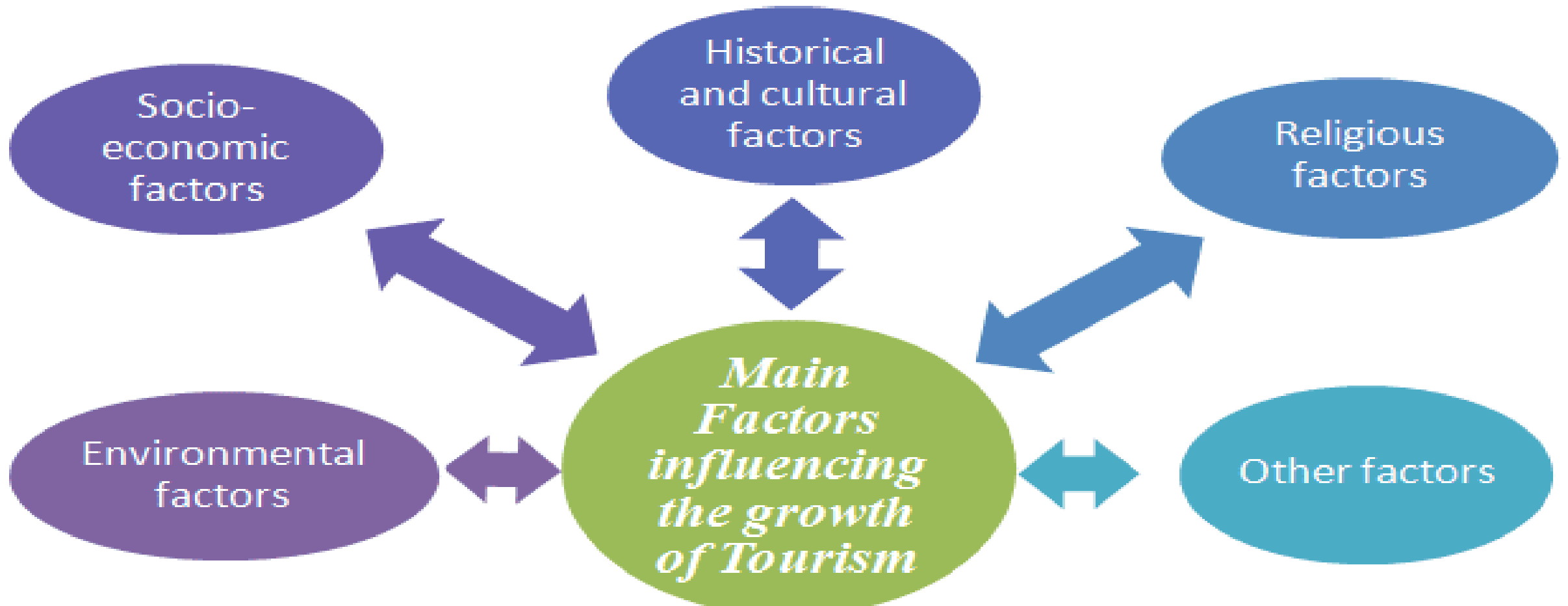
- Industry growth has been interrupted at several key points in history, including World War I, the Great Depression, and World War II.
- At the start of this century, global events thrust international travel into decline including the September 11, 2001, attack on the World Trade Centre in New York City (known as 9/11), the war in Iraq, perceived threat of future terrorist attacks, and health scares including SARS, BSE (bovine spongiform encephalopathy), and West Nile virus (Government of Canada, 2006).

The historical context of the travel and tourism industry cont.

Source: OpenText BC, 2018

- At the same time, the industry began a massive technological shift as increased internet use revolutionized travel services.
- Through the 2000s, online travel bookings grew exponentially, and by 2014 global leader Expedia had expanded to include brands such as Hotels.com, the Hotwire Group, trivago, and Expedia CruiseShip Centres, earning revenues of over \$4.7 million (Expedia Inc., 2013).

GROWTH OF THE CONTEMPORARY TRAVEL AND TOURISM INDUSTRY



Growth of the contemporary travel and tourism industry

- “Tourism has been a major growth industry. Factors underpinning this growth include the growth of incomes and wealth, improvements in transport, changing lifestyles and consumer values, increased leisure time, international openness and globalization, immigration, special events, education, information and communication technologies, destination marketing and promotion, improved general and tourism infrastructure and so on” (Matias et al., 2007)

Growth of the contemporary travel and tourism industry

- WTTC's annual Economic Impact Research proves the travel and tourism industry is a booming business
- The industry was responsible for the creation of 7 million new jobs around the world
- The report also found that 2017 was a big year for the global travel and tourism sector as a whole, which grew 4.6 percent—or 50 percent faster than the global economy as a whole, which experienced a growth rate of 3 percent in 2017

Growth of the contemporary travel and tourism industry

- “Travel and tourism creates jobs, drives economic growth and helps build better societies” (Guevara, 2017)
- “Research shows that the sector was responsible for the creation of one in five of all jobs globally.” (Guevara, 2017)
- In 2017, it was the fastest-growing broad economic sector globally, showing stronger growth than all other sectors, including manufacturing (4.2 percent), retail and wholesale (3.4 percent), agriculture, forestry and fisheries (2.6 percent) and financial services (2.5 percent).

Growth of the contemporary travel and tourism industry

- “Increased spending as a result of growing consumer confidence, both domestically and internationally, recovery in markets in North Africa and Europe previously impacted by terrorism and continued outbound growth from China and India,” (Guevara, 2017)
- The air sector grew significantly
- European airlines recorded passenger growth of 8.1 percent and more than 1 billion passengers for the first time (International Air Transport Association, 2017)
- By 2028, forecasts suggest that the travel and tourism industry will support more than 400 million jobs globally.

LET'S EXPLORE

- *Why has Global Tourism Boomed*
- <https://youtu.be/DROwQVgdcLk>

CLASS ACTIVITY

- In groups of FIVE (5), give examples of how travel and tourism has grown due to the following:

THE HOSPITALITY INDUSTRY

- Advances in transport and technology
- Infrastructure
- Globalisation
- Consumer- led demand

15 minutes

Advances in transport and technology and tourism and travel growth

- Technology has played an important role in achieving economic growth by garnering economic means for consumers to travel
- Development and contribution of air travel as a means of transporting tourists to different locations is an important contribution of technology to the tourism and travel industry
- Significant development of low cost carriers has made persons more willing and able to travel

Advances in transport and technology and tourism and travel growth

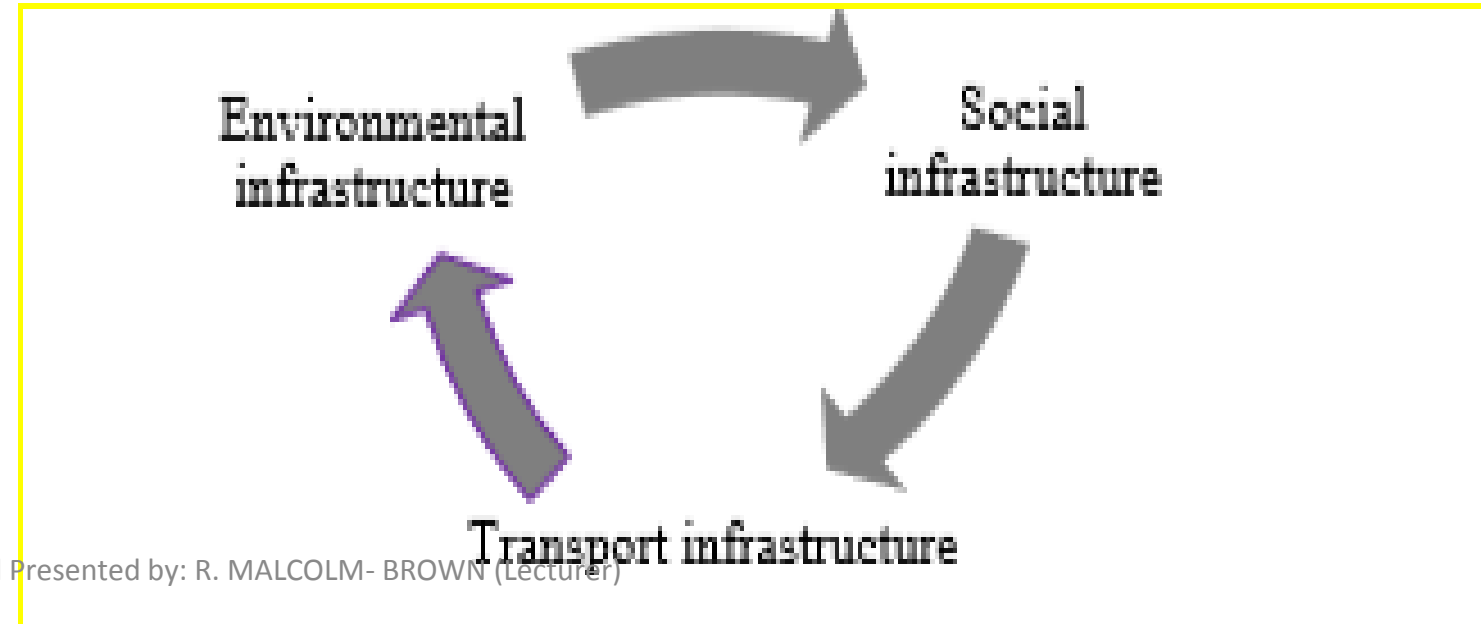
- Modern aircraft, cruise ships, trains, and other modes of transport allow people to move quickly and relatively cheaply
- Fast trains, road systems, and even city bike rental programs enable people to move, tour, and explore the world

FACTORS LEADING TO THE GROWTH OF TRAVEL AND TOURISM

- **Infrastructure-** Tourism infrastructure can be regarded as the physical elements that are designed and erected to cater for visitors and includes roads, railways, airports, and the like, which make a tourist destination accessible for tourists.
- “It includes health care systems, services, and public services. Building on infrastructure, suprastructure includes building facilities, which exist only because of tourism activities. Their main purpose is accommodation and meeting the needs and desires of tourists, in the form of hotels, campsites, restaurants, sports facilities, and the like (Popesku, 2011)

FACTORS LEADING TO THE GROWTH OF TRAVEL AND TOURISM

- **Infrastructure-** Contributes to increasing the efficiency of production and distribution of tourism services, and, in some cases, such as remote destinations, even increase the supply of tourism services
- In addition to these three types of infrastructure, tourism infrastructure includes the shared infrastructure, made of a network of regional, state, and national tourism organizations on the market where there is a tourist destination, and is engaged in the distribution of tourism products (Tourism & Transport Forum, 2012)



FACTORS LEADING TO THE GROWTH OF TRAVEL AND TOURISM

- **Globalisation-** Internet, advent and application of mobile technologies, development in ecommerce (customers can view and choose travel and tourism options by surfing the internet through their mobile phones, Multinational corporations, which provide flights, local transportation, and accommodation and food, have allowed for “one-stop shopping” for travel bookings, More people are migrating than ever before

FACTORS LEADING TO THE GROWTH OF TRAVEL AND TOURISM

- **Consumer- led demand-** Travellers are buying based on price and location, ever increasing number of consumers demand sustainability in other purchases, such as food and automobiles, consumers are different travellers on different trips, travel behaviour and preferences change dramatically depending on the context of a specific trip (such as traveling alone for business or taking a family vacation)

Challenges and issues facing the industry from social, economic, environmental and political perspectives



CLASS ACTIVITY

- In groups of FIVE (5), give examples of challenges and issues facing the industry from:

PERSPECTIVES

- Social
- Economic
- Environmental
- Political

15 minutes

BACKGROUND

- The issues faced by the travel and tourism sector are numerous and complex.
- Dealing with such issues would call for a high amount of cooperation and coordination to organize resources more efficiently.



BACKGROUND

- Changing demographics, volatile economic situations and shifting travel patterns are incrementing the pressure on market stakeholders in order to devise efficient campaigns along with business approaches.



Lack of proper infrastructure

- Infrastructure requirements for the tourism and travel sector range from physical framework like entry ports to transport modes to urban framework like access roads, electricity, sewage, water supply and telecom (Evans *et. al.*, 2003).
- The industries associated with the travel and tourism sector include airlines, accommodation (hotels), surface transport and facilitation systems, amongst others (Knowles *et. al.*, 2004).

Service level

- Apart from hotel staff and tour operators, customers interact with persons belonging to different occupations, backgrounds and experience (Tribe, 1997).
- These people take in immigration staff, coach/taxi operators, travel/ticketing agencies, hotels and tour guides amongst others.
- The levels of service provided by these several individuals holds a high effect on deciding the overall experience of the tourists (Knowles *et. al.*, 2004).

Taxation

- Travel and tourism sector is a highly-taxed sector. The high level of taxes affects the industry growth.
- Several taxes are imposed across the whole industry beginning from tour operators, airline sector, transporters to hotels and these take in luxury tax, service tax, transportation tax, aviation tax and several taxes on transportation (Tribe, 2015).
- Additionally, all these tax rates are likely to differ from region to region.

Human resource

- Availability of competent human resource is a key challenge experienced by travel and tourism sector, one amongst the greatest generators of employment all through the world (Knowles *et. al.*, 2004).
- In order to sustain advancement within the tourism and travel sector, trained workforce/ manpower is needed at each level i.e. managerial, competent, supervisory or semi-competent.

Human resource cont.

- Challenges experienced at every level are diverse. At top and mid-levels of management, the sector experiences talent crisis and at the level of front-line staff, even though human resources are sufficient, a advancement within other service sectors like banking, airline, retail and BPO have led to manpower shortage at this level of the tourism and travel sector (Evans *et. al.*, 2003).

Human resource cont.

- Such a high percentage of inexperienced human resources could adversely impact the service quality put forward for the travellers (Tribe, 2015).
- Further, absence of tourism training structure, attrition, competent trainers and absence of effective approaches and guidelines for human resource management development also have an impact on the sector.
- The sector must deal with such issues at the earliest.



Rising cost of fuel

- Tourism and travel industry is greatly reliant on fuel costs (Loretto *et. al.*, 2010). The latest increase in the fuel price like gasoline has a high effect on the whole sector.
- With the fuel cost on continuous increase, many customers might need adjusting their spending or length of the vacation length so as to pay for added fuel costs (Evans *et. al.*, 2003).
- The companies operating in this industry must take this challenge into consideration and look for creative ways to deal with it.

Lack of Differentiation

- Worldwide standardization has resulted in less unique products and services. The globalized market implies that frequently same products and services are offered all through the globe.
- As a result, the sameness factor is considered as being a chief challenge faced by travel and tourism industry (Loretto *et. al.*, 2010).

Lack of Differentiation cont.

- There exists a large number of companies operating in this industry offering similar services and products.
- Thus, the level of competition is very high in this sector and customers are likely to switch to any other company offering services quality services at comparatively lower price than the former.



Questions?

Compiled and Presented by: R. MALCOLM- BROWN (Lecturer)

Works cited

- studylib.net. (2018). *tourism as an international traded service*. [online] Available at: <http://studylib.net/doc/18815654/tourism-as-an-international-traded-service> [Accessed 10 Sep. 2018].
- Directorate, O. (2018). *OECD Glossary of Statistical Terms - Inbound tourism Definition*. [online] Stats.oecd.org. Available at: <https://stats.oecd.org/glossary/detail.asp?ID=1307> [Accessed 10 Sep. 2018].
- at: <http://www.businessdictionary.com/definition/travel.html> [Accessed 6 Sep. 2018].
- JOVANOVIĆ, S. and ILIĆ, I. (2018). INFRASTRUCTURE AS IMPORTANT DETERMINANT OF TOURISM DEVELOPMENT IN THE COUNTRIES OF SOUTHEAST EUROPE. [online] Ecoforumjournal.ro. Available at: <http://www.ecoforumjournal.ro/index.php/eco/article/view/329/0> [Accessed 10 Sep. 2018].
- TravelPulse. (2018). Travel and Tourism Industry Experiences Global Growth. [online] Available at: <https://www.travelpulse.com/news/features/travel-and-tourism-industry-experiences-global-growth.html> [Accessed 10 Sep. 2018].
- Medium. (2018). Impact of travel technology in travel and tourism industry. [online] Available at: <https://medium.com/@quadlabs/impact-of-travel-technology-in-travel-and-tourism-industry-14f8f77d0700> [Accessed 10 Sep. 2018].
- Medium. (2018). Consumer Demand for Environmental and Social Policies from Travel & Tourism. [online] Available at: <https://medium.com/@WTTC/consumer-demand-for-environmental-and-social-policies-from-travel-tourism-f87b16128d03> [Accessed 10 Sep. 2018].