

Who is the Ideal Tourist? - - and Who Cares?

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The Ideal Tourist: Two main Perspectives

□ **Economic Perspective**

- Tourist has economic value to destination

□ **Sustainability Perspective**

- Tourist has economic, social and environmental value to destination

□ **Does it matter which perspective is adopted?**

- **YES**

The Economic Perspective

□ Expenditure Measures

- the high yield visitor: expenditure per day, expenditure per trip

□ TSA Measures

- Contribution of tourist to tourism output, tourism GDP, tourism employment

□ Economic Modelling Measures

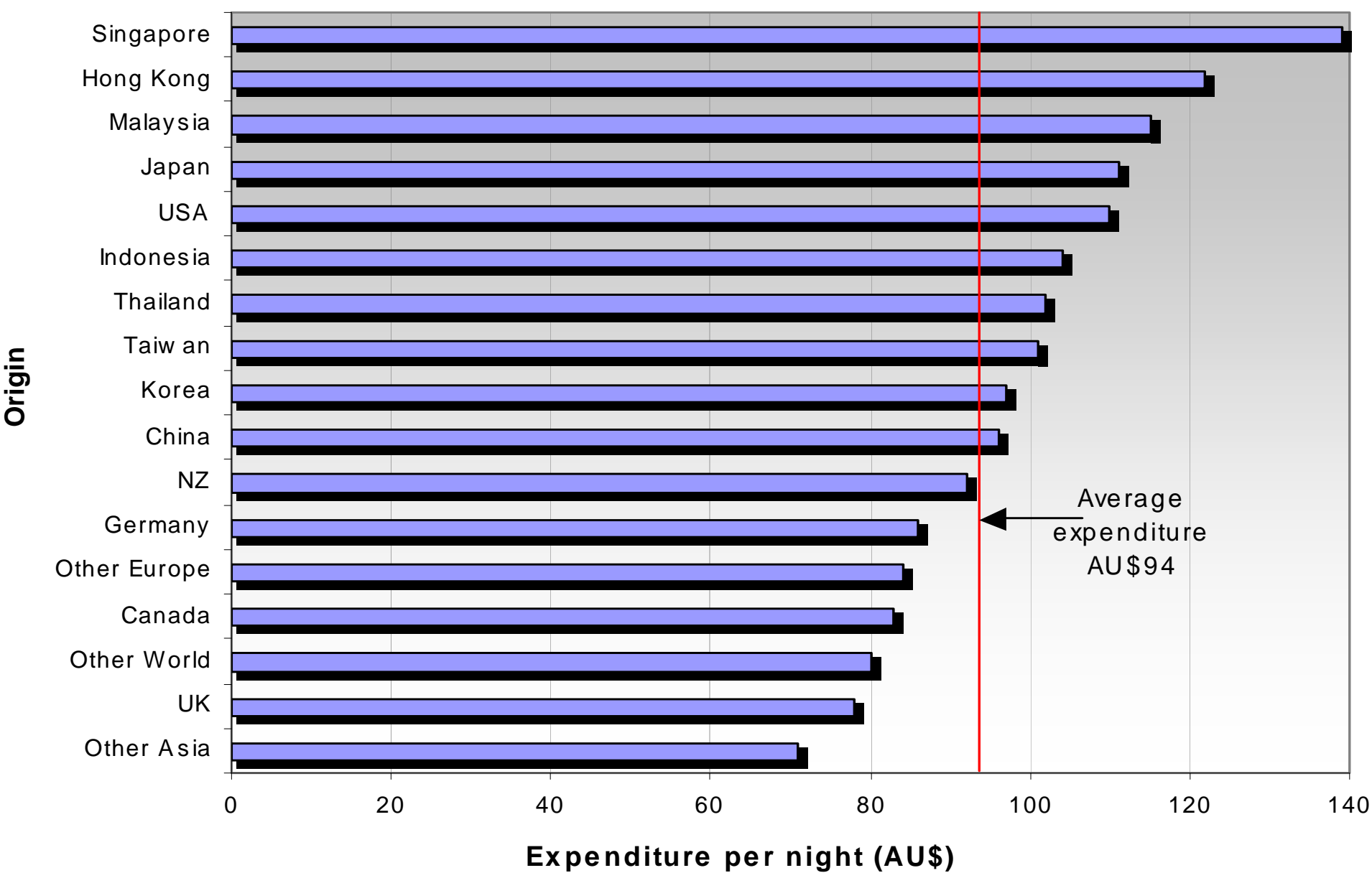
- Impact of tourist on (economy wide) output, GDP, employment

Expenditure Measures

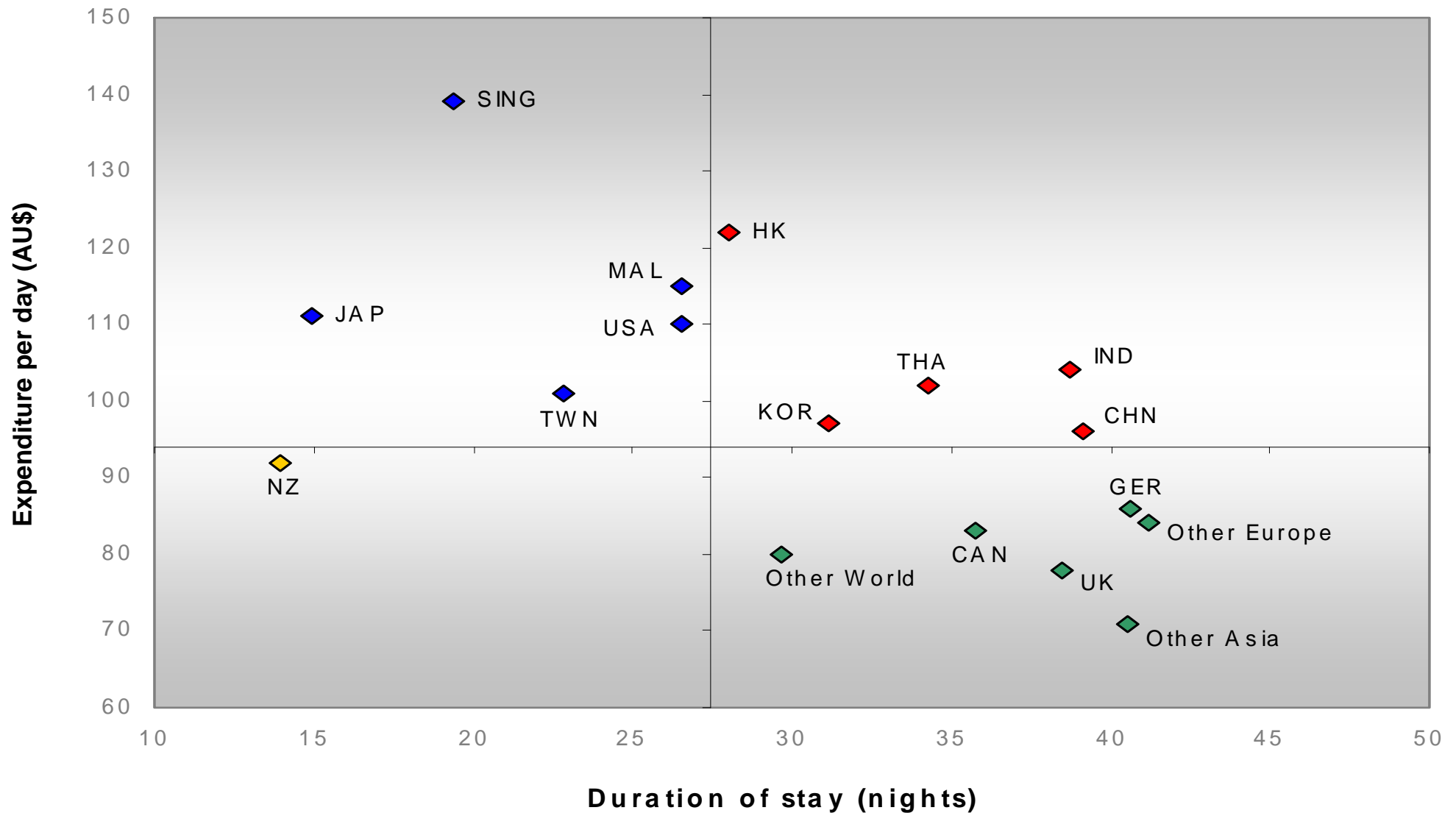
Standard measure of economic value of a tourist is expenditure injected by type of visitor by trip and by visitor night

- Expenditure is the most common preferred attribute of the targeted (ideal?) tourist
- The expenditure 'yield' of different markets informs the marketing effort of many destinations world- wide at both national and regional levels.
 - Eg. found in the mission statements of many DMOs
 - Tourism Australia, Tourism Victoria, Tourism Western Australia, Kenya, NZ, Hong Kong, Malaysia, UK, Northern Ireland etc

Expenditure per night: Countries



Expenditure Matrix: Countries



Useful Measure?

- Measures of **expenditure yield** can **guide destination stakeholders** as to:
 - the origin markets that should be promoted
 - the types of products and services that should be developed to attract 'high yield' visitors

 - Important for assessing relative importance of both **'mature' and 'emerging' source markets**

- **Who cares?**
 - Destination Marketers
 - Individual firms (within and outside tourism industry)
 - Tourism industry stakeholders generally

But - - - Expenditure Yield is incapable of identifying the ideal tourist

- gross expenditure data **does not in itself provide information on what products tourists purchase.** (Give no indication of the business sectors that receive the sales revenues).
- tourist expenditure is **not an indicator of profitability to firms.**
- gross tourist expenditure does not inform us about **the import content of the goods and services purchased by tourists (leakages from multiplier)**
- gross tourist expenditure does not inform us about the **contribution to tourism** output, tourism gross value added, tourism employment (need a TSA)
- expenditure measures **ignore the economic impacts of tourist expenditure (indirect and induced effects)** such as contribution to Gross Domestic (or regional) Product, Gross Value Added, and employment. (need an economic model)
- does not provide information on the **geographic spread of revenues**
- expenditure injections *per se* **tell us nothing about the social or environmental costs and benefits associated with different visitor market segments.**

Things have changed with development of Tourism Satellite Accounts - - -

- ❑ Tourism comprises a **proportion of the outputs** of a range of industries which are explicitly recorded in the national accounts.
- ❑ Thus tourism might account for 90% of “Air Transport”, 80% of “Accommodation”, 20% of “Ground Transport” and say, 10% of “Retail Trade”
- ❑ The outputs of these industries attributed to “Tourism” are estimated and aggregated, to obtain **an estimate of the output of “Tourism”**.
- ❑ In a similar way, the **Gross Value Added associated with tourism, Tourism GDP, Tourism employment and other aggregates** can be calculated.
- ❑ **Result** is a set of accounts documenting output, value added, employment etc for the tourism industry, **consisting of the sum of the various parts of other industries which are attributable to tourism**.

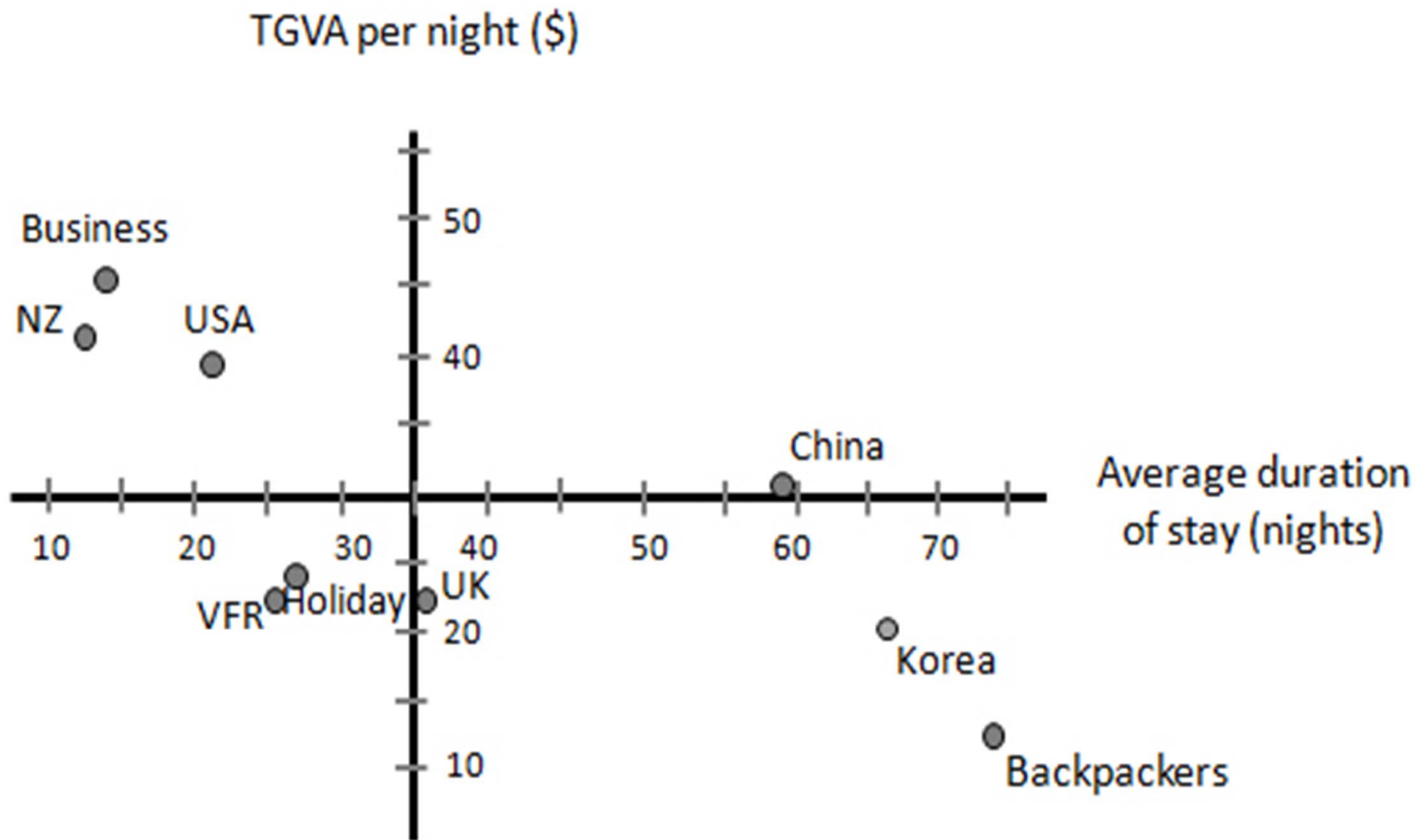
Using a TSA to estimate economic contribution of a tourist

- ❑ The **expenditure** associated with different inbound markets can provide the **input to a TSA** to estimate the economic contribution of tourists from each market in total, per trip, and per visitor night **to the tourism industry**

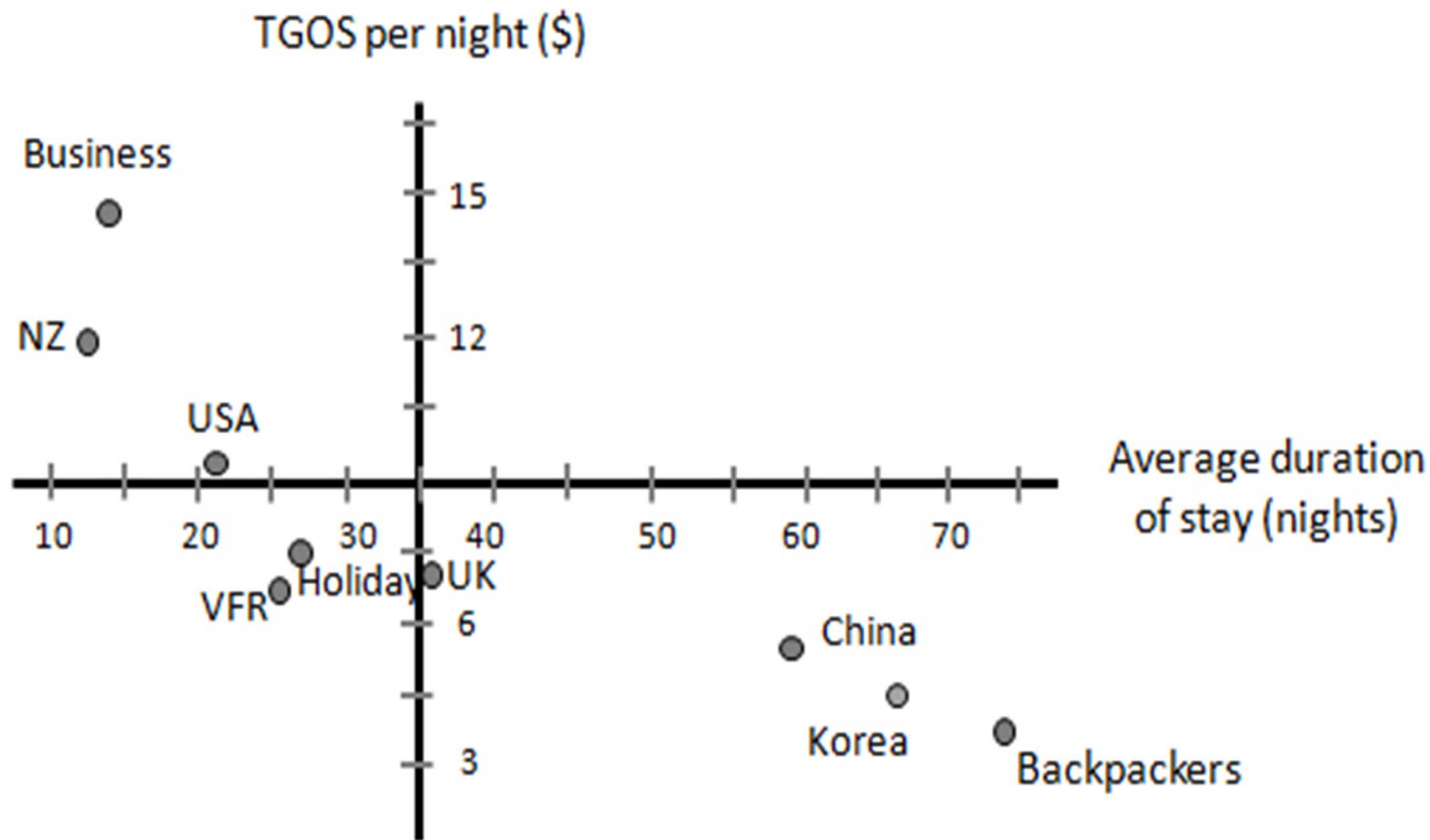
- ❑ TSA enables the analysis to be extended beyond the simple expenditure measure to **estimate the economic contribution** of key inbound markets such as tourism direct gross value added, tourism gross operating surplus, and tourism employment.

- ❑ **Who cares?**
 - tourism industry stakeholders
 - tourism industry associations
 - Ministers of tourism
 - DMO's

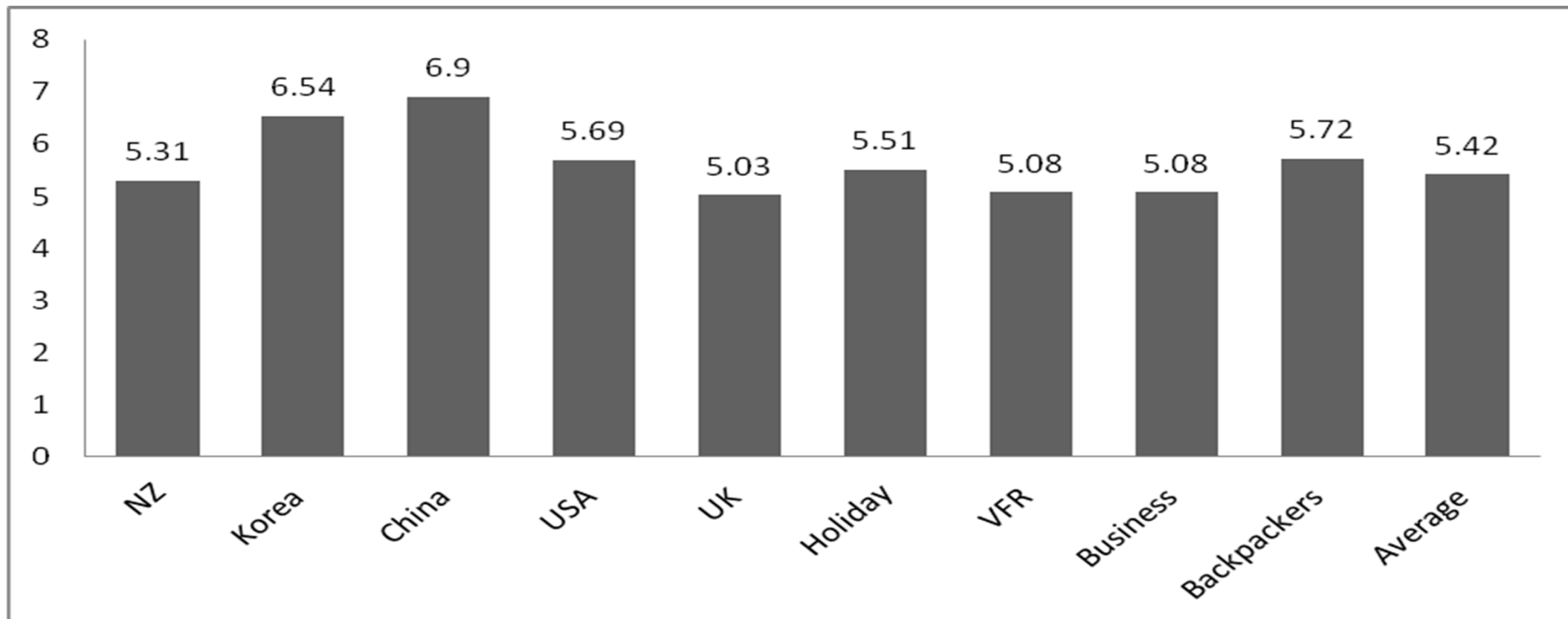
Tourism Gross Value added selected markets, Australia, 2009-2010



Tourism Gross Operating Surplus per night and length of stay, selected niche markets, Australia, 2009-2010



Tourism employment generated by \$1 million tourist expenditure

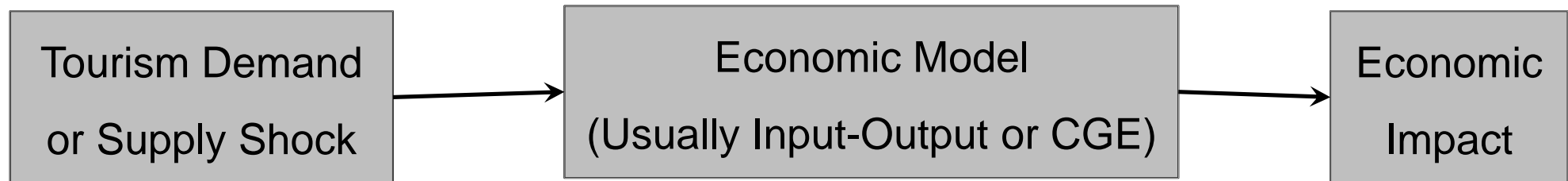


Does TSA allow us to identify the ideal tourist?

❑ NO

- ❑ TSA **do not contain any behavioural equations** specifying how each sector responds to external shocks, or shocks transmitted through inter-sectoral linkages, via changing prices, wages, exchange rates and other variables
- ❑ TSA **take no account of the possible factor constraints** that present barriers to tourism growth, or the impacts that **changing prices and wages** might have on other (non tourism) industries
- ❑ TSA estimate only the **direct effects** of tourism expenditure
- ❑ To estimate the economic impacts of tourists (direct + indirect effects) we need an **economic model**

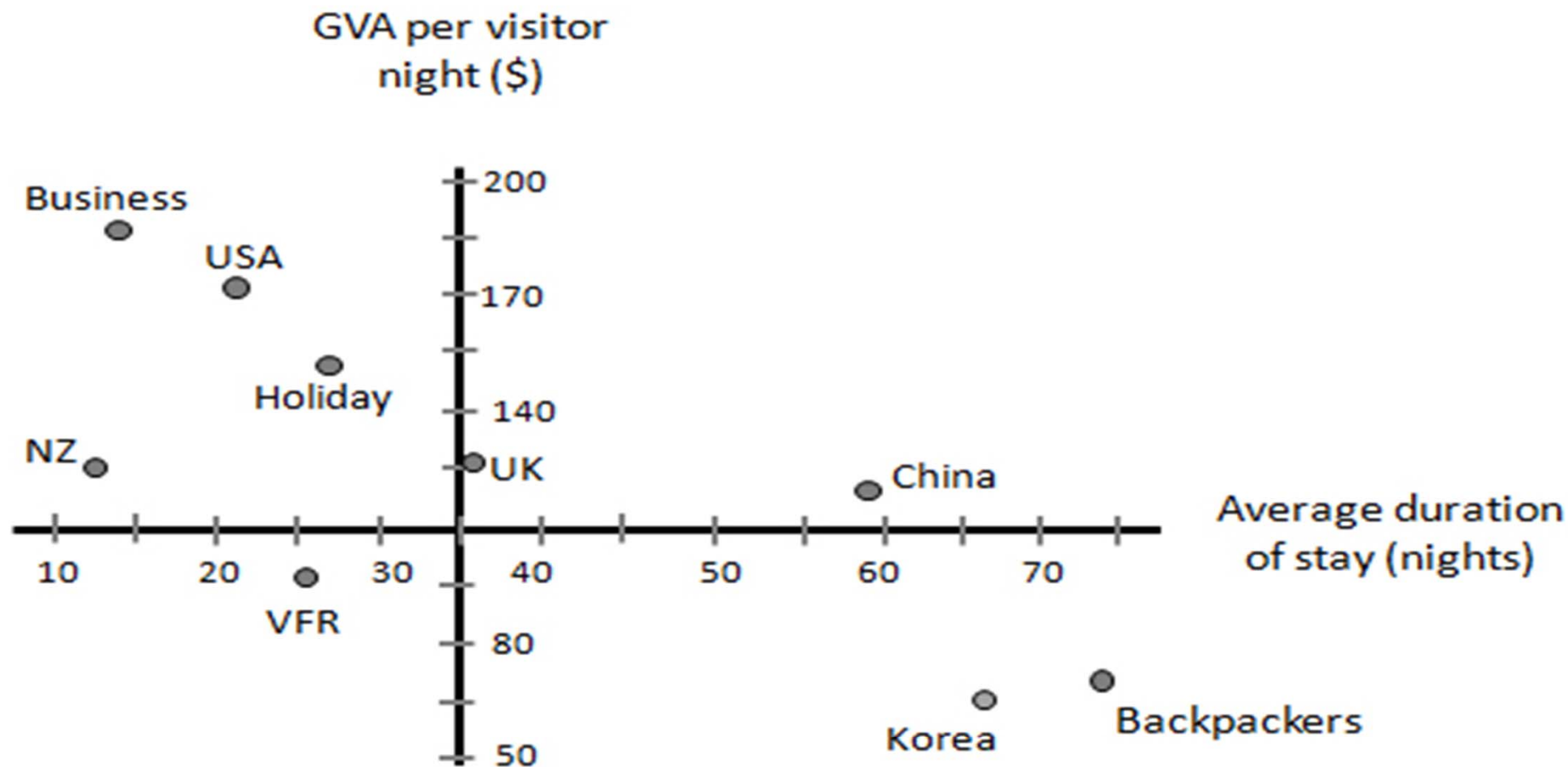
Economic impact analysis requires a model to project the effects of tourism shocks



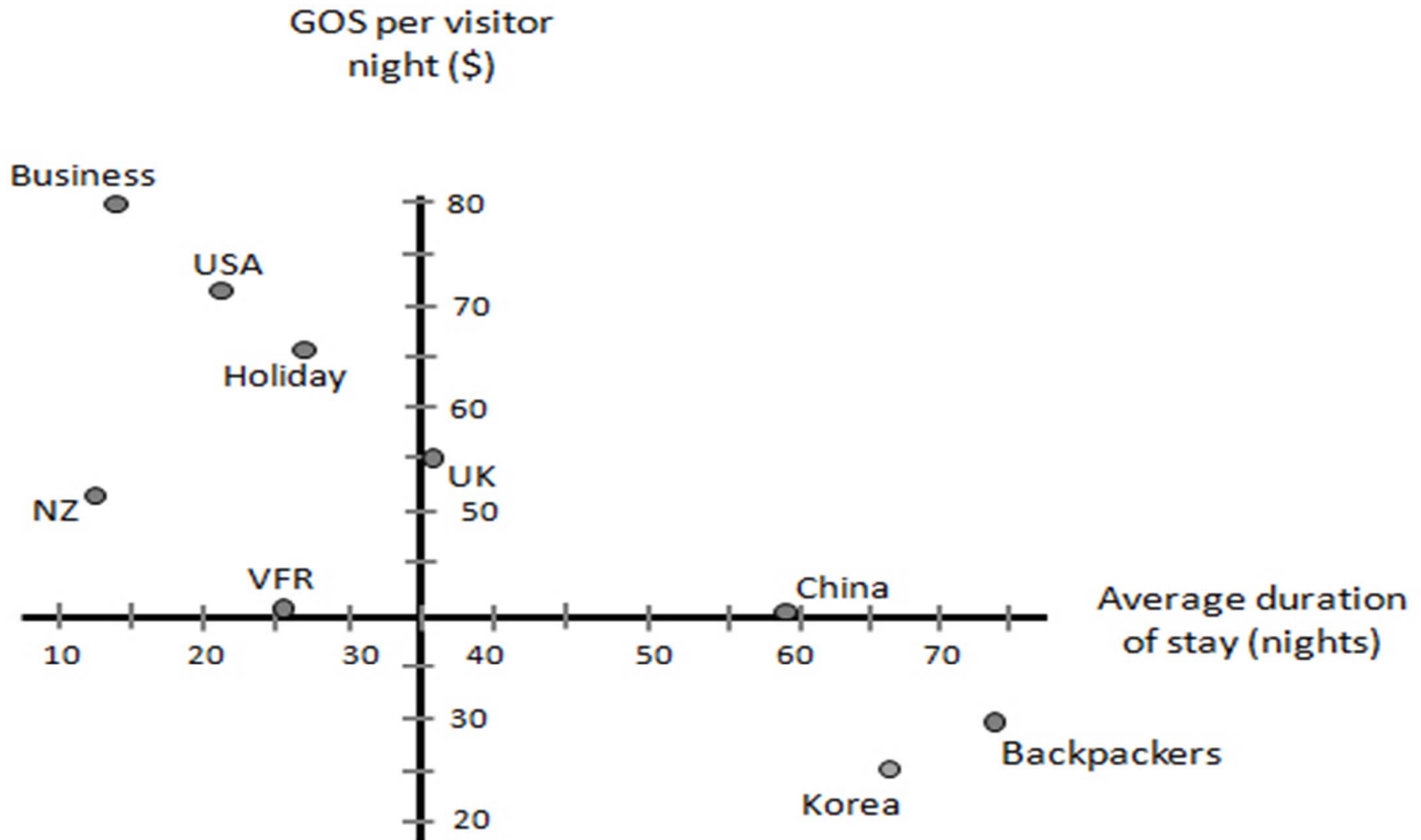
In the real world, increased tourist arrivals are associated with - - -

- ❑ **Leakages.** Additional inputs and final products may be **imported** due to domestic shortages
 - reduces the multiplier effect
- ❑ **Supply constraints**
 - economies experiencing an increase in tourism expenditure face labour, land and capital constraints.
 - tourist expenditure thus results in **increased prices** rather than increases in output, income and employment
 - **factor constraints lead to interactive industry effects** which change the industrial composition of an economy
- ❑ **Real exchange rate appreciation.**
 - **Increased inbound** tourism can **strengthen the real exchange rate** leading to a **reduction in other exports and/or increase in demand for imports** at the expense of the demand for domestic import competing commodities
- ❑ **government fiscal policy**
 - expansionary or restrictive?

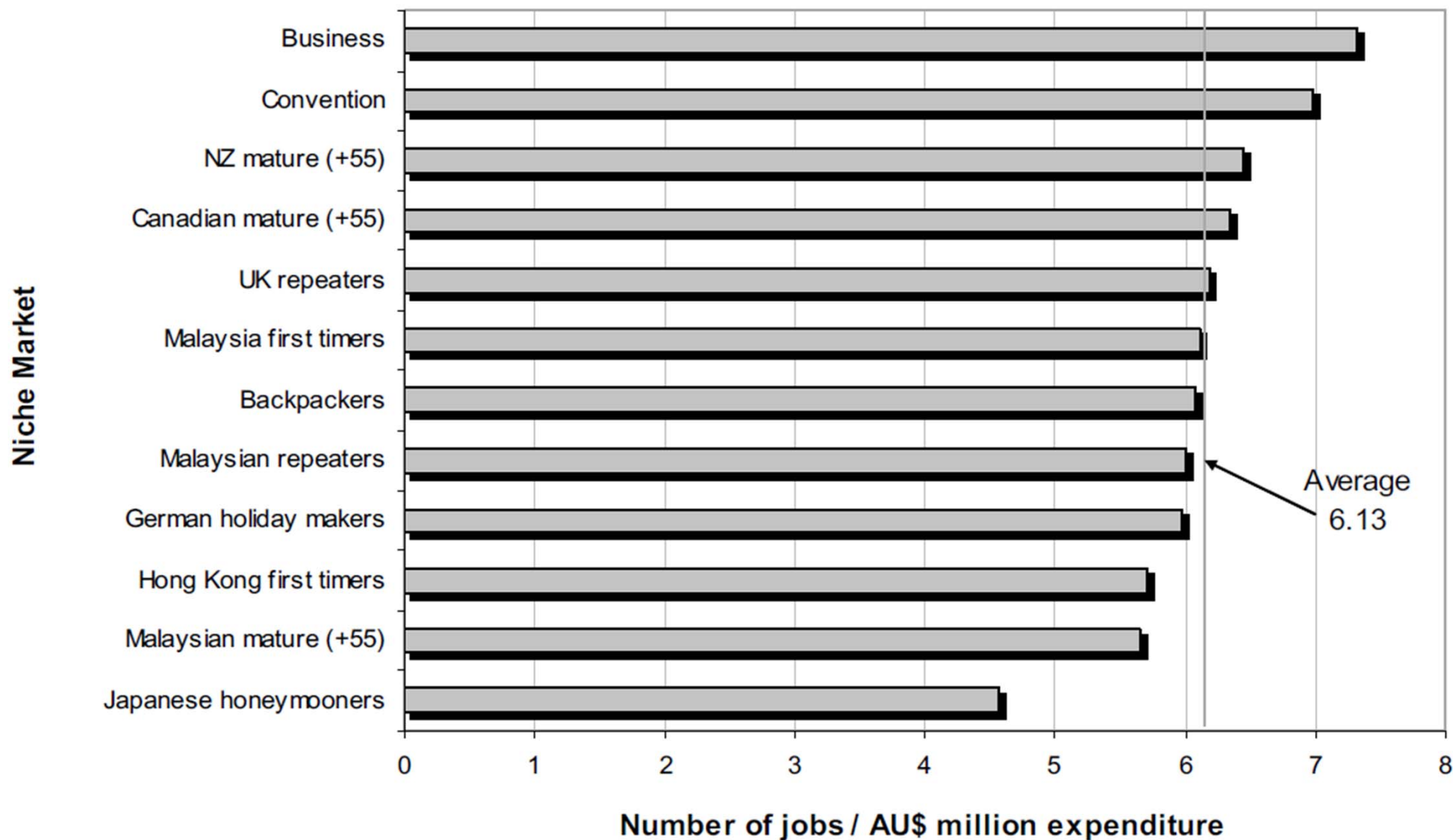
Economy wide GVA per night and length of stay, selected niche markets, Australia, 2009-2010



Economy wide GOS per night and length of stay, selected niche markets, Australia, 2009-2010



Jobs created/maintained per million dollars expenditure by inbound market, Australia



Who Cares ?

- Destination Managers
- Government agencies (at all tiers), (tourism and non-tourism)
- All industry stakeholders (tourism and non tourism)

Does Economic Modelling allow us to identify the ideal tourist?

- NO
- Economic measures **ignore social and environmental effects** of tourist activity
- Different tourists may contribute the same economic value but:
 - buy different types of goods and services
 - display different behaviour
 - resulting in different social and environmental impacts
 - **Trade-offs necessary** (Economic Vs Environment Vs Social)

Where to Now?

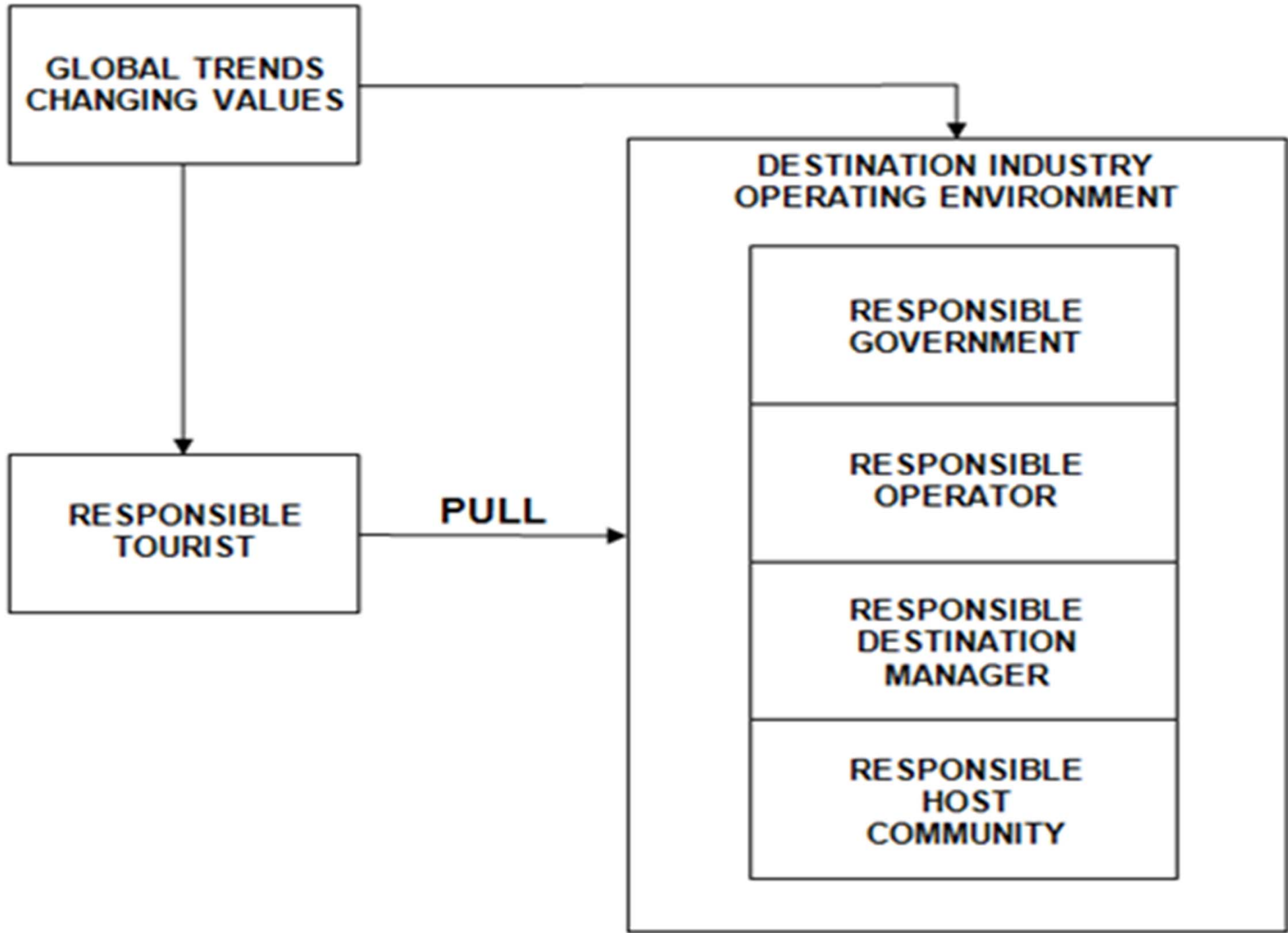
- The social and environmental effects of tourist activity are often difficult (or impossible) to measure
- Even where quantitative measures are possible applying dollar values to them is problematic
- How do we place dollar values on environmental despoilation? cultural degradation?, social malaise?
- Can Environmental Impact Assessment techniques help?
- Can help in impact identification and quantification but not evaluation
- No measure of Sustainable Yield to identify the ideal tourist (Dwyer yield research)
- So - - - who is the ideal tourist?

Rising to the Challenge

- ❑ Best to turn the problem on its head
- ❑ Thanks to global connectivity and consumer access to information, **power has shifted from producer to consumer** and the marketing function has turned upside down.
- ❑ All tourism stakeholders can combine to **Pull in** (attract) the kind of guest who will most value what the destination has to offer.
- ❑ the **challenge is to attract the right customer**
- ❑ Instead of asking: ‘what tourists do we want to target in promotion’?, we should ask ‘**what tourists do we want to co-create value with**’?
- ❑ Involves creating **the type of destination** that ‘ideal tourists’ will wish to visit to experience meaningful encounters with hosts and destination features
- ❑ Thus standard approach needs re-thinking
- ❑ We need a **new mindset** (Anna Pollock)

Two Mindsets regarding tourism

Industrial Mindset	Sustainability mindset
Anthropocentric Ethic	Environmental Ethic
Profit	Benefits
Product	People
Destination	Place
Price	Value
Promotion	Pull
Exploitation	Protection



The Responsible Tourist

- recognises that **health, happiness and well being** cannot be achieved exclusively through acquisition of material goods
- Has a developed **social, cultural and environmental awareness regarding tourism's impacts**
- Generates more **net benefit to local economies**
- **Low social and environmental impacts** (But trade-offs will be required)
- Seeks **quality over quantity** and **experiences over products**
- Wants to **learn and grow** as a result of travel, to be changed, **transformed** by experiences that help them see the world from a different perspective, or that **enrich, challenge and provide more fulfilment**
- **Seeks out the different, the authentic, and the 'real', more meaningful social encounters**, more deeply felt connections, more substance, more control and a greater sense of responsibility to **humans** and to **nature**
- **Inside out replaces outside in; finds personal meaning in travel**
- Prefers to deal with environmentally and socially **responsible operators, encouraging best practice**
- **Rewards firms with higher yields.** Help market destinations and firms

Does the Responsible Tourist Exist?

- **YES**. Mindsets are already shifting. many customers *are* thinking differently
 - Conspicuous consumerism is **out**. Consciousness is **in**.
- emergence of the **conscientious consumer**
- 51% U.S consumers agree that they're willing to pay more for products with **social and environmental benefits**
- On average just under 50% of U.S consumers prefer to **buy from responsible companies**
- 72% say they are trying to **improve the way they live**
- 71% are trying to **improve who they are as individuals**
- 59% worry that society has grown too disconnected from the natural world
- 64% say that making environmentally friendly choices makes them feel good about themselves



nielsen



Eyes
Wide
Open

Walter Dill Scott

The Strategy for Success
Through the Twentieth Century

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OLD CONSUMERS VS. NEW CONSUMERS



Conscious Travellers are Wired to CARE



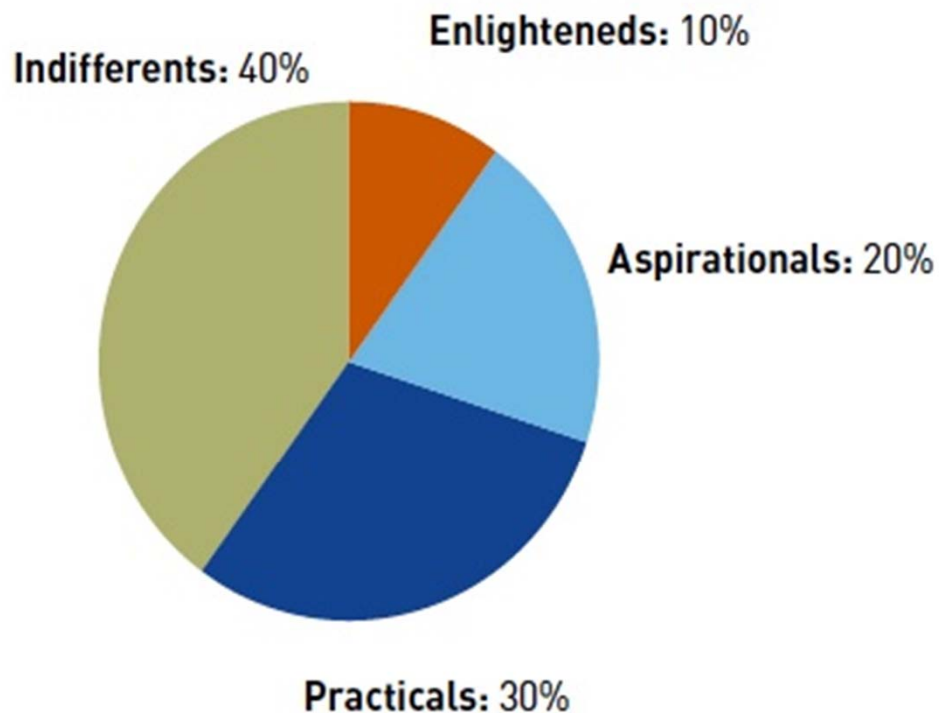
Unilever

ERIC OSTERN
Sr. Manager of Corporate
Responsibility and
Community Relations,
Unilever.*

Consumers who are voting with their dollars are creating the tipping point. Consumers are now shaping business rather than the other way around. Businesses that are tapped into the new consumer will be sustainable and [still] be standing 20 years from now.

**“Purpose is the new passion-
Participation is the new consumption”
BBMG, 2011**

The Conscious Consumer



Enlighteneds, the most conscious consumers, represent 10% of the U.S. population.

- Youthful, wired, highly educated, majority female
- Three times more likely to try new things
- Three times more likely to reward or punish a brand based on corporate practice
 - Dedicated “box turner” but doesn’t trust corporate declaration
- Even in the recession, the majority believe it important to make choices based on environmental and social benefits
- More than half are willing to pay more for sustainable brands

Asks “what’s in it for we?”

Active co-creators of products and experiences

Consumers Ahead of Marketers

What proportion of global consumers say they regularly support good causes?

Marketer's perception

44.6%

Consumer reality

60%

WHO IS THE GLOBAL, SOCIALLY-CONSCIOUS CONSUMER?

YOUNGER

63%

under the age of 40



GREEN

66%

think companies should support the environment



Willing to pay more for socially-responsible products/services

EVEN IN TOUGH ECONOMIC TIMES...

67% of Americans **agree**
it's **important** to buy
products with social and
environmental benefits



Attracting the Responsible Tourist

□ Four major players

- The responsible government
- The responsible operator
- The responsible destination manager
- The responsible host community

The Responsible Government

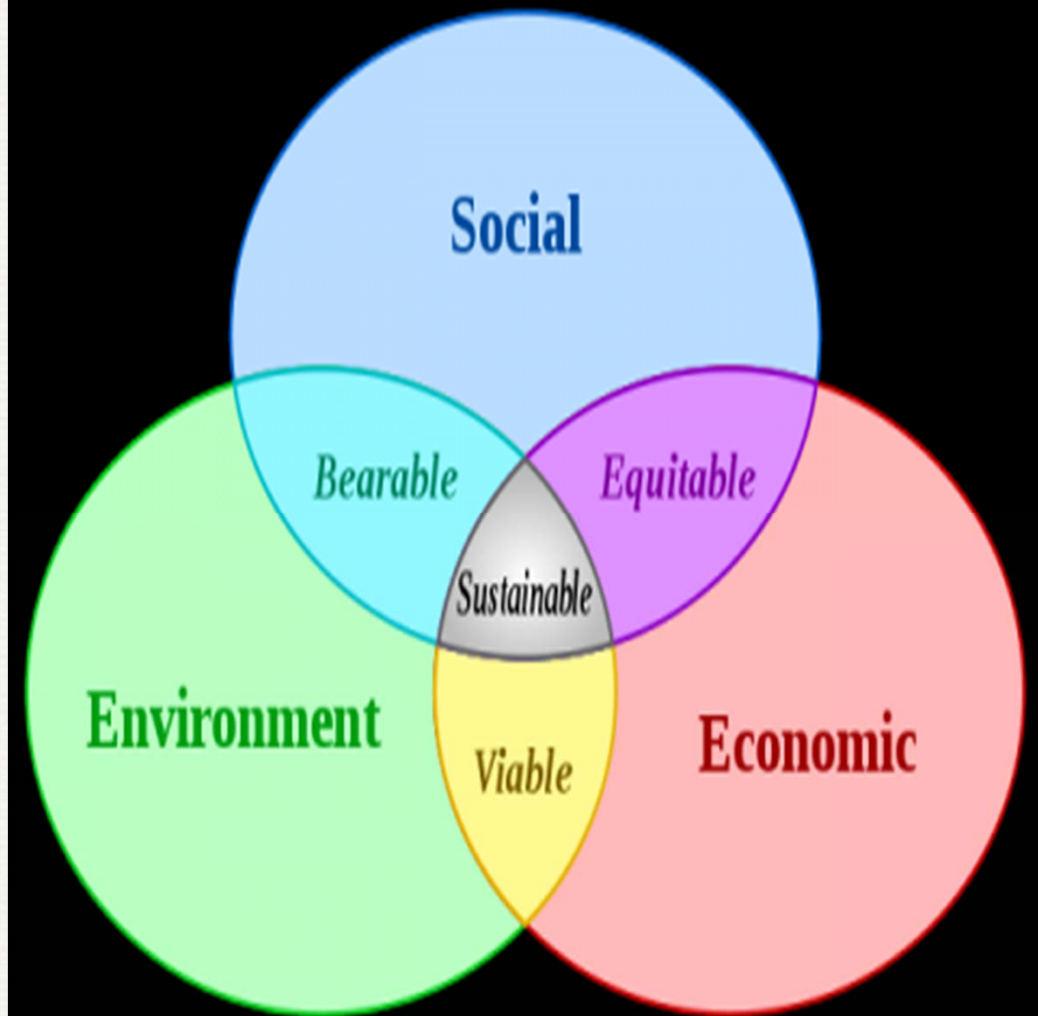
- Employs **comprehensive evaluation criteria** in its own decision making in formulating tourism development strategies and policies
- Environmental Impact Assessment important but not sufficient
- more use of **cost benefit analysis** (CBA) in assessing sociocultural, environmental and economic effects, identifying **gainers and losers** among tourism stakeholders and wider community (and trade-offs to be made (economic, social and environmental))
- employs **precautionary principle** in development planning
- takes genuine account of effects of proposed developments **on future generations**
- **addresses market failures** associated with tourism development
- **enacts environmental protection mechanisms with adequate monitoring and enforcement**
- **values community consultation**
- **Supports training and skills development on sustainability issues**
- Tourist operators should have **no “licence to operate”** in the future unless they can demonstrate that they have reduced their environmental and social footprints as low as possible

The Responsible Operator

- Owner/operators should embrace a purpose higher than profit, focussing on **creating value for all stakeholders** not just shareholders (shared value, CSR, TBL).
- Builds **corporate community**: shared values, vision, commitment, integrity, trust, transparency
- attempts to **attract stakeholders** who are in alignment with company values and purpose
- **Social Responsibility**: becomes an **agent of change** through conscious leadership to make the community a better place (conscious capitalists)
- **Community involvement**: use local material & skills whenever possible.
- emphasises **Customer Relationship Marketing, Social Marketing** etc
- understands that **doing good is good for business**. Thus introduction of TBL, CSR, shared value **not an 'additional cost' of doing business**
- Firms should attempt to minimise and internalise 'externalities' (not exclusively the job of government to address '**externalities**')
 - **Attempts to attract Responsible Tourists**

Operator Mindsets Are Already Shifting

- other businesses *are* thinking differently”
- growth in “conscious business” and “conscious leadership”
- “Business as Usual” is over
- Huge opportunities for those who adapt





LIBERATING THE HEROIC SPIRIT OF BUSINESS

CONSCIOUS CAPITALISM

FOREWORD BY BILL GEORGE

JOHN MACKEY

Co-CEO, Whole Foods Market

RAJ SISODIA

HARVARD BUSINESS REVIEW PRESS

THE BIG IDEA

Creating Shared Value

How to reinvent capitalism—and unleash a wave of innovation and growth by Michael E. Porter and Mark R. Kramer

HARVARD BUSINESS PUBLISHING

Rethinking Capitalism

An interview with

Michael Porter

Bishop William Lawrence University Professor
Harvard University



DOING GOOD IS GOOD FOR BUSINESS



- 66% of consumers would prefer to buy products from companies that give back to society
- 62% would prefer to work for such companies
- 59% would prefer to invest in such companies
- 46% would be willing to pay extra for products and services from these companies

The Responsible Host Community

- ❑ Responsible hosts must ask: **What kind of future do we wish to create?**
- ❑ involves **Visioning**
- ❑ Community members look into the future and **imagine what they would like their community to be**
 - **identify what is really valued by the community**
 - **What type of tourism do we want (if any) ?**
 - **Who do we want to benefit from tourism?:** International operators and wholesalers?, Local tourism operators?, other businesses?, residents?, future generations?
 - **What kind of tourist do we wish to attract? (Mass tourists vs Responsible tourists)**
 - **Local residents act as welcoming hosts.**

Responsible Destination Management

- DMO should think of themselves as **HOSTS**, assuming a much broader range of responsibilities:
 - **PEOPLE** ensure visitors can **engage with & experience** the richness of the destination.
 - **PLACE**, place can be valued, celebrated, expressed and experienced
- **CREATE EXPERIENCES** and settings that transform, rejuvenate, re-energise and inspire guests physically, mentally, emotionally and spiritually. Help visitors rediscover the art of 'being' as opposed to the task of 'doing'.
- **PROTECTION** TBL and CSR not enough. Need an **Environmental Ethic** to support protective behaviour
- **EVALUATION** employing appropriate assessment techniques to assess and monitor tourism developments
 - success of destinations must be redefined from volume of trips/expenditure to net benefit generated (Economic yield Vs Sustainable Yield).
- **PULL** the biggest challenge most hosts face on a daily basis – attracting the right customer. **Attracting the right type of tourist is more important than promotion to attract large numbers**

So Where are We? - - -

The ideal tourist

- ❑ **Not just economic value**
 - Who cares? different economic measures exist with different relevance to different stakeholders
- ❑ **Social and environmental values difficult to assess**
- ❑ **No single combined index to determine 'ideal tourist'**
- ❑ **Changing focus from 'promotion' to 'pull' to attract the ideal tourist**
- ❑ **Roles for:**
 - Governments
 - Operators
 - Destination Managers
 - Host Communities
- ❑ **Consistent with recent calls for a changed paradigm or mindset to underpin tourism planning and development**
- ❑ **We have a long way to go -- - - - 42**

Thank You

Grazie