

Roland Conrady  
Martin Buck  
*Editors*

# Trends and Issues in Global Tourism 2011



 Springer

# Trends and Issues in Global Tourism

For further volumes:  
<http://www.springer.com/series/8406>



Roland Conrady • Martin Buck  
Editors

# Trends and Issues in Global Tourism 2011

In Collaboration with Pia Viehl and Katrin Tittel

 Springer

*Editors*

Professor Dr. Roland Conrady  
Worms University of Applied Sciences  
Department of Tourism and Transportation  
Erenburgerstraße 19  
67549 Worms  
Germany  
[conrady@fh-worms.de](mailto:conrady@fh-worms.de)

Dr. Martin Buck  
Messe Berlin GmbH  
Competence Centre Travel & Logistics  
Messedamm 22  
14055 Berlin  
Germany  
[buck@messe-berlin.de](mailto:buck@messe-berlin.de)

ISSN 1868-0127

e-ISSN 1868-0135

ISBN 978-3-642-17766-8

e-ISBN 978-3-642-17767-5

DOI 10.1007/978-3-642-17767-5

Springer Heidelberg Dordrecht London New York

© Springer-Verlag Berlin Heidelberg 2011

This work is subject to copyright. All rights are reserved, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilm or in any other way, and storage in data banks. Duplication of this publication or parts thereof is permitted only under the provisions of the German Copyright Law of September 9, 1965, in its current version, and permission for use must always be obtained from Springer. Violations are liable to prosecution under the German Copyright Law.

The use of general descriptive names, registered names, trademarks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

*Cover design:* eStudio Calamar S.L.

Printed on acid-free paper

Springer is part of Springer Science+Business Media ([www.springer.com](http://www.springer.com))

# Preface and Summary

As in previous years, the 2010 ITB Berlin Convention addressed the most important issues affecting the structure of the global tourism and travel industry in a series of lectures and panel discussions. This compilation unites the highlights of the convention in articles prepared by renowned professionals and scientists from the industry. Readers may benefit from this comprehensive vision of the developments that are shaping the structure of the global tourism industry today and in the future. This book is indispensable for tourism and travel professionals as well as for academics and students analyzing current global tourism and travel trends.

The first chapter describes the status quo of the tourism and travel industry. The World Travel Monitor represents the world's largest and most important travel survey; it conducts interviews in over 50 countries worldwide. Rolf Freitag and Dennis Pyka provide insight concerning data of worldwide and European travel behaviour and travel trends that are dominating the market. The GfK Group, one of the largest market research companies in the world, observes the booking behaviour in European travel agencies in real time. Stefan Nigg describes the latest changes in the European tourists' booking behaviour. During the financial and economic crisis the travel behaviour in many countries may be described as "closer, shorter, cheaper". Ulrich Reinhardt investigates whether this trend will continue during the economic recovery. Christoph B. Melchers and Patricia Moser discuss the special aspect whether holiday-makers can relax at all in close-by destinations or whether this requires a greater physical distance.

The second chapter deals with particular aspects of the global aviation industry. Jürgen Ringbeck and Daniel Röska show the correlation between climate change and air traffic. They report on the latest developments concerning emission trading in air traffic. Airports are confronted with a lack of acceptance on the part of the population. Ralph Beisel shows how airports can obtain the acceptance of the population in the airport's surroundings. A global mega trend among airlines is described by Jay Sorensen. Based on the model of the low cost carriers, more and more airlines are generating ancillary revenues through "à-la-carte pricing". Jens Flottau deals with the growing importance and new position of Air Berlin in Europe.

The third chapter is dedicated to the hospitality industry. Andreas Walmsley shows avoidance and adaptation strategies of the hospitality industry towards climate change. Andreas Reiter asks whether ecological leadership is a successful strategy to open up the growing market of ecologically sensitive customers. David

Ruetz and Macy Marvel analyse the market segment of budget hotels in detail. They have collated a whole host of data on this booming segment. Geoff Marée demonstrates how to stimulate innovations in the hospitality industry.

Chapter four deals with selected aspects of destination management. First, Vural Öger shows the challenges touristic destinations have to face. Special attention is paid to the aspect of sustainability in destinations. Christoph Engl demonstrates how professional brand management works by using the best practice example of Southern Tyrol. Social media marketing is a globally present trend. Wolfgang Arlt and Jens Thraenhart investigate the Chinese source market and ask: Is social media marketing also suitable for attracting Chinese tourists? It can be assumed that tourism supports the fight against poverty in developing countries. Ralph Kadel, Mirjam Rödl and Thomas Wollenzien examine the economic impacts of tourism in Africa.

The fifth chapter deals with current issues of marketing management. Thomas Helbing shows how a stronger individualisation of product and communication can be successful in tourism. Thomas C. Wilde investigates social media applications and their impact on journalism and public relations in the tourism industry. In tourism, too, the luxury segment is of great importance. Klaus-Dieter Koch ventures a prediction on the luxury segment's future development. Successful marketing knows how to advance into new market segments and how to exploit them. Thomas Bömkes shows how first movers operate in the market segment of gay and lesbian tourism. Marcus Herntrei and Harald Pechlaner analyse the potential role of the church as a partner for commercial offers in the market segment of spiritual tourism. The overlap between spiritual tourism and health tourism is examined by Alexandra Graf.

Chapter six deals with business travel management. Stefan Vorndran tries to resolve the important question how business travel will look like after the financial and economic crisis. Ewald Brochhausen has investigated that mobility costs are frequently not ascertained reliably. His article encourages the usage of new measurement concepts for mobility costs. Ernst-Otto Thiesing suggests approaches measuring the return on investment of business trips. The popularity of events is steadily increasing, but methods of event controlling are still in their infancy. Stefan Luppold and Hans Rück report on the latest developments in research and elaborate new controlling concepts.

The seventh chapter deals with the question whether corporate social responsibility (CSR) helps or hinders the tourism industry. Michael Hopkins first explains the term and the concept of corporate social responsibility. Results of an empirical survey on customer expectations and supplier image conducted by the GfK Group are presented by Wolfgang Adlwarth. Christoph Willers and Agata Kulik investigate the often-perceived phenomenon of companies preferring "greenwashing" to understanding CSR activities as an extensive strategy. The correlation between money markets and CSR is examined by Tobias Luthe and Markus Schuckert.

Chapter eight sees beyond the end of the tourism industry's nose. Monika Matschnig underlines the importance and workings of body language, often un-

derestimated in the internationally characterised tourism industry. Lenny Ravich and Avi Liran show the vast importance of another human means of expression, humour, for the quality of service products.

This work could not have been achieved without the remarkable dedication on behalf of the authors, who for the most part have taken on executive positions in the tourism economy. Special thanks go to Pia Viehl and Katrin Tittel from the Department of Tourism and Transportation, Worms University of Applied Sciences. They tirelessly dedicated themselves with extraordinary commitment, remarkable skill and well-founded expert knowledge to ensure timely publication of the work. In the process they never lost sight of our high quality standards and were thereby instrumental in the success of the work. Without their contribution, this work would not be in your hands now.

Our thanks also go to the team of highly competent and reliable translators of the Mainz/Germersheim University led by Hans-Joachim Bopst, including Colleen Chapman, Prajakta Kuber, Dominique Uwira, Dörthe Wolterman, Carolin Obermaier, Simone Riga, Jennifer Turner, Caitliona Gallagher and Kevin Walker Smith.

Frankfurt/Berlin, October 2010

*Roland Conrady*  
University of Applied Sciences Worms

*Martin Buck*  
Messe Berlin





# Contents

## ***New Data on Tourism and Changing Travel Behaviour***

### **Status Quo and Forecasting World and European Tourism..... 3**

*Rolf Freitag and Dennis Pyka*

1	Introduction.....	3
2	Overview of World Tourism in 2009.....	3
3	European Tourism in 2009.....	7
4	Looking Forward.....	14

### **Changing Travel Booking Patterns in European Travel Agencies ..... 19**

*Stefan Nigg*

1	Introduction/Methodology.....	19
2	Traces of the Crisis in Booking Habits.....	19
3	Conclusion.....	25

### **Closer, Shorter, Cheaper: How Sustainable Is This Trend? ..... 27**

*Ulrich Reinhardt*

1	Closer: Domestic and Outbound Destinations in 2009.....	28
2	Shorter: Length of Trip in 2009.....	30
3	Cheaper: Travel Expenses in 2009.....	31
4	How Sustainable Is This Trend? Tourism Forecast and Future Trends.....	33

### **Exotic of Vicinity: Holiday Feelings Between Home and Long-Distance Journeys ..... 37**

*Christoph B. Melchers and Patricia Moser*

1	The – Not so New – Trend Towards Region.....	37
2	Trends Seen from a Cultural-Psychological Point of View.....	37

3	The Actual Culture of “Clutch and De-clutch” .....	38
4	The Addiction to Vicinity as Corrective Against the Culture of Clutch and De-clutch .....	39
5	How to Offer Travels to Nearby Regions.....	39

## ***Challenges in Global Aviation Management***

### **Outlook on Climate Change and Aviation ..... 43**

*Jürgen Ringbeck and Daniel Röska*

1	Why Aviation Should Care About Climate Change.....	43
2	How to Deal with the COP15 Failure?.....	45
3	How to Crack the Fundamental Issues .....	48
4	Outlook.....	50

### **Acceptance of Aviation in the Airport Environment: Best Practice Examples ..... 51**

*Ralph Beisel*

1	Introduction.....	51
2	First Focus on the Environment: Reducing the Impact of Aviation-Related Noise.....	51
3	Second Focus on the Environment: Reducing CO <sub>2</sub> Emissions .....	53
4	Third Focus on the Environment: Airports’ CO <sub>2</sub> Reduction Package.....	54
5	Fourth Focus on the Environment: Limit Use of Space .....	55
6	Fifth Focus on the Environment: Airports Generate Sustained Growth for Regional Economies.....	56
7	Conclusion .....	56

### **Ancillary Revenue Strategies: Five Success Factors..... 59**

*Jay Sorensen*

1	Time of Opportunity .....	59
2	Define Your Ancillary Revenue Brand.....	60
3	Equip Managers with Resources .....	62
4	Create Consumer Clarity.....	63
5	Integrate the Selling Message .....	64

6 Engage Employees as Supporters..... 65  
 7 Mission Statement..... 66

**Air Berlin’s Position in Global Aviation ..... 69**

*Jens Flottau*

***Hospitality Management in a Changing Environment***

**Climate Change Mitigation and Adaptation in the Hospitality Industry ..... 77**

*Andreas Walmsley*

1 Introduction..... 77  
 2 Hotels and Climate Change: Setting the Scene ..... 77  
 3 To Deal or Not to Deal with Climate Change ..... 80  
 4 Examples of Good Practice ..... 81  
 5 Conclusion ..... 89

**Eco-leadership and Green Lifestyle: Successful Strategy for a Growing Market Segment? ..... 93**

*Andreas Reiter*

1 Holistic Quality of Life and Rising Eco-awareness ..... 93  
 2 Sustainable Concepts in the Hospitality Industry..... 95  
 3 Green Lifestyle as Merger of “Eco” and Hipness ..... 96

**Budget Hotels: Low Cost Concepts in the U. S., Europe and Asia..... 99**

*David Ruetz and Macy Marvel*

1 Introduction..... 99  
 2 “Cheap Chic” – A Defining Trend ..... 99  
 3 What Is a Budget Hotel? ..... 100  
 4 Business Travellers Targeted ..... 101  
 5 Budget Hotels Not Suited to Poor Countries..... 103  
 6 Revenue Management Increasingly Used ..... 103  
 7 US Market..... 104  
 8 Europe ..... 109

9 Asia ..... 118  
10 Summary and Outlook ..... 124

**Innovation Management in the Hospitality Industry:  
New Roads Towards Meaning and Corporate Culture ..... 125**

*Geoff Marée*

1 Change of Tools ..... 126  
2 Meaning-Based Innovation ..... 128  
3 Co-creation and Open Innovation ..... 129  
4 Hybrid Thinking ..... 130  
5 A Change of Corporate Culture, Embracing Failure ..... 131

***Destination Management: Product – Branding –  
Promotion***

**Challenges for Designing Sustainable Tourism Destinations..... 135**

*Keynote Speech of Vural Öger*

**Successful Destination Branding: Experiences from an  
Innovator ..... 143**

*Christoph Engl*

1 What Brands Can Do ..... 143  
2 The Transformation from a Tourist Offer into a Brand Destination ..... 144  
3 The South Tyrol Umbrella Brand..... 146

**Social Media Tourism Marketing in China ..... 149**

*Dialogue between Wolfgang Georg Arlt and Jens Thraenhart*

**Tourism Tackles Poverty – A Case Study on Africa..... 155**

*Ralph Kadel, Mirjam Rödl, and Thomas Wollenzien*

1 Introduction ..... 155  
2 Tourism in Developing Countries ..... 156  
3 Tourism Development in Africa..... 157  
4 Outlook..... 161  
5 Conclusion ..... 161

**Marketing Management in Global Tourism:  
Identifying New Opportunities**

**The Individualization of Travel – Customer Management via  
Website, Mobile and Social Media ..... 165**

*Thomas Helbing*

- 1 The Reality of Individualism..... 166
- 2 Asymmetry Between Demand and Supply..... 167
- 3 Beyond the Homepage ..... 168
- 4 Relevance, Relevance, Relevance . . . . . 169
- 5 Recommendations by the Social Environment..... 170
- 6 Modular System Is Looking for Content..... 171
- 7 Direct Customer Contact..... 171

**Public Relations in the Tourism Industry: Obsolete Instrument  
Due to Blogs, Facebook & Co.? ..... 173**

*Thomas C. Wilde*

**Luxury Tourism – Does This Market Segment Still Work? ..... 179**

*Klaus-Dieter Koch*

- 1 The Concept of Luxury Is Set to Get a Makeover..... 179
- 2 Effects on Luxury Tourism of Today and Tomorrow ..... 183

**Strategies for the Growing Market Segment Gay and  
Lesbian Tourism: Lessons Learned from the First Movers..... 187**

*Thomas Bömkes*

- 1 Introduction into Gay Tourism..... 187
- 2 Does the Industry Need Specific Strategies for the Gay and Lesbian  
Tourism Segment? ..... 187
- 3 Overview of the Current Market Situation in Gay Tourism..... 188
- 4 Analysis of Market Strategies with Best Practice Examples..... 191
- 5 Future Aspects of Gay Tourism and the Global Picture..... 199

---

**Spiritual Tourism – The Church as a Partner in Tourism? ..... 201**

*Marcus Herntrei and Harald Pechlaner*

1	Origin and Demarcation of the Modern Concept of Spirituality .....	202
2	Spiritual Tourism .....	203
3	The Church as a Service Provider for Spiritual Tourism .....	205
4	The Church as a Service Provider of Spiritual Tourism in South Tyrol – An Empirical Study.....	207
5	Conclusion .....	212
6	Future Prospect.....	215

**Spirituality and Health Tourism ..... 219**

*Alexandra Graf*

1	Introduction.....	219
2	The Growing Market for Health Tourism and Spirituality.....	219
3	Conclusion .....	227

***Business Travel Management: Costs – Yield – Success***
**Business Travel Management: Everything Remains Different!  
Post-Crisis Strategies ..... 231**

*Stefan Vorndran*

1	Travel Managers' Moment of Truth.....	231
2	Business Travellers Soon to Be Extinct?.....	232
3	Purchasing Power Versus Fulfilment of Contract.....	233
4	Qualified Advice Makes the Difference.....	234

**Controlling the Real Costs of Mobility ..... 237**

*Ewald Brochhausen*

1	Dimensions of Business Travel.....	237
2	Cost Categories .....	238
3	Calculating Total Costs .....	240

**Measuring the Return on Investment of Business Travel..... 245**

*Ernst-Otto Thiesing*

1 Business Travel – Investment or Expense? ..... 245  
 2 What Is a Business Trip?..... 248  
 3 Model to Evaluate the Efficiency of a Business Trip – Prototype..... 250

**Event Controlling and Performance Measurement..... 253**

*Stefan Luppold and Hans Rück*

1 Introduction ..... 253  
 2 Measuring of Event Impact ..... 259  
 3 Special Forms of Performance Measurement..... 267  
 4 Conclusion and Outlook..... 274

***Corporate Social Responsibility: Help or Hindrance?***

**Corporate Social Responsibility: What Is It? What’s the Point?  
 How Does It Work? ..... 281**

*Michael Hopkins*

1 Introduction ..... 281  
 2 So What Is CSR?..... 282  
 3 What’s the Point? ..... 283  
 4 So What Then Are the Key Elements of a CSR Strategy?..... 284  
 5 From Theory to Practice: How Does It Work? ..... 287  
 6 Where Is CSR Heading? ..... 288  
 7 Concluding Remarks ..... 291

**Corporate Social Responsibility in Tourism – Consumer  
 Requests and the Image of Suppliers ..... 293**

*Wolfgang Adlwarth*

1 Introduction and Methodology ..... 293  
 2 Market Developments ..... 294  
 3 CSR-Expectations Towards Suppliers of Tourist Services ..... 295  
 4 CSR-Image of Tourism Suppliers ..... 297



---

**CSR as Corporate Strategy vs. “Greenwashing”: CSR as a New Paradigm of Brand Management? ..... 301**

*Christoph Willers and Agata Kulik*

1	Introduction.....	301
2	Tourism and Sustainability.....	302
3	Chances and Risks of Corporate Sustainability.....	305
4	Management for Best Practice .....	307
5	Conclusion .....	311

**Socially Responsible Investing – Implications for Leveraging Sustainable Development..... 315**

*Tobias Luthe and Markus Schuckert*

1	Sustainability and the Finance Sector .....	315
2	Linking Responsibility to the Consumer.....	317
3	The Finance Sector and Climate Change .....	317
4	The Responsibility of the Finance Sector.....	318
5	Sustainability Reporting in the Finance Sector .....	318
6	Investing in Tourism .....	319
7	Conclusion .....	320

***Beyond the Boundaries of the Tourism Industry***

**Competent and “International” Body Language as a Key Qualification in the Tourism Industry ..... 325**

*Monika Matschnig*

**The Serious Benefits of the “Joy-Care Factor” – Humor, Laughter, Fun, Optimism and Love in Service of the Workplace..... 333**

*Lenny Ravich and Avi Liran*

1	Creating a Delightful Workplace – An Elated Employee Spreads Vivacity.....	334
2	Choose Your Attitude – Love What You Do! We Will Love You Too.....	337
3	Humor as Another Way of Showing Love, Compassion and Care .....	339
4	Online Reviews Value Care, Kindness, Genuine Service and Even Sense of Humor.....	340

# Authors

Adlwarth, Dr. Wolfgang

Division Manager Strategic Marketing  
GfK Panel Services Deutschland  
Nordwestring 101  
90319 Nuremberg, Germany  
[wolfgang.adlwarth@gfk.com](mailto:wolfgang.adlwarth@gfk.com)

Arlt, Prof. Dr. Wolfgang Georg

Director COTRI China Outbound Tourism Research Institute  
West Coast University of Applied Sciences Germany  
Fritz-Thiedemann-Ring 20  
25746 Heide, Germany  
[arlth@fh-westkueste.de](mailto:arlth@fh-westkueste.de)  
[info@china-outbound.com](mailto:info@china-outbound.com)

Beisel, Ralph

General Manager  
Der Flughafenverband ADV  
Gertraudenstraße 20  
10178 Berlin, Germany  
[info@adv.aero](mailto:info@adv.aero)

Bömkes, Thomas

Senior Consultant  
TomOnTour.com  
P. O. Box 14 01 63  
80451 Munich, Germany  
[TB@tomontour.com](mailto:TB@tomontour.com)

Brochhausen, Prof. Dr. Ewald

Worms University of Applied Sciences  
Department of Tourism and Transportation  
Erenburgerstraße 19  
67549 Worms, Germany  
[brochhausen@fh-worms.de](mailto:brochhausen@fh-worms.de)

Buck, Dr. Martin

Director  
Messe Berlin GmbH  
Competence Centre Travel & Logistics  
Messedamm 22  
14055 Berlin, Germany  
[buck@messe-berlin.de](mailto:buck@messe-berlin.de)

Conrady, Prof. Dr. Roland

Worms University of Applied Sciences  
Department of Tourism and Transportation  
Erenburgerstraße 19  
67549 Worms, Germany  
[conrady@fh-worms.de](mailto:conrady@fh-worms.de)

Engl, Dr. Christoph

Director  
Südtirol Marketing Gesellschaft  
Pfarrplatz 11  
39100 Bozen, Italy  
[smg.direction@suedtirol.info](mailto:smg.direction@suedtirol.info)

Flottau, Jens

Aviation Correspondent  
Süddeutsche Zeitung GmbH  
Kleiner Hirschgraben 8  
60311 Frankfurt, Germany  
[jens.flottau@sueddeutsche.de](mailto:jens.flottau@sueddeutsche.de)

Freitag, Rolf

CEO  
IPK International  
Gottfried-Keller-Straße 20  
81245 Munich, Germany  
[freitag@ipkinternational.com](mailto:freitag@ipkinternational.com)

Graf, Alexandra

Marketing Consultant  
Tourism – Hotel – Health  
Institute for Leisure Economics  
Englschalkinger Straße 194  
81927 Munich, Germany  
[info@ff-freizeitwirtschaft.de](mailto:info@ff-freizeitwirtschaft.de)  
[ag@graf-marketing.com](mailto:ag@graf-marketing.com)

Helbing, Thomas

Member of the Executive Board  
Ray Sono AG  
Office Munich  
Tumblingerstraße 32  
80337 Munich, Germany  
[thomas.helbing@raysono.com](mailto:thomas.helbing@raysono.com)

Herntrei, Marcus

Institute for Regional Development and Location Management  
EURAC research  
Drususallee 1  
39100 Bozen, Italy  
[marcus.herntrei@eurac.edu](mailto:marcus.herntrei@eurac.edu)

Hopkins, Prof. Dr. Michael

MHC International Ltd  
Third Floor, 24 Chiswell St  
London, EC1Y 4YX, UK  
[enquiries@mhcinternational.com](mailto:enquiries@mhcinternational.com)

Kadel, Dr. Ralph

Senior Project Manager  
Agriculture and Natural Resources Division, Sub-Saharan Africa  
KfW Entwicklungsbank  
Palmengartenstraße 5–9  
60325 Frankfurt/Main, Germany  
[ralph.kadel@kfw.de](mailto:ralph.kadel@kfw.de)

Koch, Klaus-Dieter

Managing Partner  
Brand:Trust GmbH  
Findelgasse 10  
90402 Nuremberg, Germany  
[kdk@brand-trust.de](mailto:kdk@brand-trust.de)

Kulik, Agata

Institute for Sustainable Management e. V.  
Dottendorfer Straße 82  
53129 Bonn, Germany  
[agata.kulik@ifnm.net](mailto:agata.kulik@ifnm.net)

Liran, Avi

Humor and Optimism Expert and Teacher  
Ha-P.com  
255 Arcadia Road, 13–24 Hillcrest Arcadia  
Singapore 289850, Singapore  
[avi@ha-p.com](mailto:avi@ha-p.com)

Luppold, Prof. Stefan

Head of Degree Program MEEC  
Meetings, Expositions, Events and Convention Management  
Karlshochschule International University  
Karlstraße 36–38  
76133 Karlsruhe, Germany  
[sluppold@karlshochschule.de](mailto:sluppold@karlshochschule.de)

Luthe, Dr. Tobias

Dipl. Forstw., M. A. Sust. Educ.  
Senior Researcher & Lecturer  
Sustainable Tourism Management  
University of Applied Sciences HTW Chur  
Institute for Tourism and Leisure Research  
Comercialstrasse 22  
7000 Chur, Switzerland  
[tobias.luthe@htwchur.ch](mailto:tobias.luthe@htwchur.ch)

Marée, Geoff

NHTV, Breda University of Applied Sciences  
Academy of Hotel Management & Facility Management  
Sibeliuslaan 13  
4837 CA Breda, The Netherlands  
[maree.g@nhtv.nl](mailto:maree.g@nhtv.nl)

Marvel, Prof. Macy

Professor of Economics  
Ecole hôtelière de Lausanne  
Le Chalet-à-Gobet  
Case postal 37  
1000 Lausanne 25, Switzerland  
[macy.marvel@ehl.ch](mailto:macy.marvel@ehl.ch)

Matschnig, Monika

Dipl.-Psychologin  
Am Hart 1a  
85375 Neufahrn bei Freising, Germany  
[info@matschnig.com](mailto:info@matschnig.com)

---

Melchers, Dr. Christoph B.

Head of Research  
Zweieinheit – Institut für Markt- und Kulturforschung  
Münchener Straße 24c  
12309 Berlin, Germany  
[christoph.melchers@zweieinheit.de](mailto:christoph.melchers@zweieinheit.de)

Moser, Patricia

Head of Research  
Zweieinheit – Institut für Markt- und Kulturforschung  
Münchener Straße 24c  
12309 Berlin, Germany  
[patricia.moser@zweieinheit.de](mailto:patricia.moser@zweieinheit.de)

Nigg, Stefan

GfK Retail and Technology GmbH  
Nordwestring 101  
90419 Nuremberg, Germany  
[stefan.nigg@gfk.com](mailto:stefan.nigg@gfk.com)

Öger, Vural

Entrepreneur  
Sportallee 4  
22335 Hamburg, Germany  
[sekretariat@oeger.de](mailto:sekretariat@oeger.de)

Pechlaner, Prof. Dr. Harald

Catholic University Eichstätt-Ingolstadt  
Department of Tourism  
Pater-Philipp-Jenningen Platz 2  
85072 Eichstätt, Germany  
[harald.pechlaner@ku-eichstaett.de](mailto:harald.pechlaner@ku-eichstaett.de)

Pyka, Dennis

Head of World Travel Monitor  
IPK International  
Gottfried-Keller-Straße 20  
81245 Munich, Germany  
[pyka@ipkinternational.com](mailto:pyka@ipkinternational.com)

Ravich, Lenny

Humor and Optimism Expert and Author  
Ha-P.com  
255 Arcadia Road, 13–24 Hillcrest Arcadia  
Singapore 289850, Singapore  
[lenny@ha-p.com](mailto:lenny@ha-p.com)

Reinhardt, Prof. Dr. Ulrich

Executive Member of the Executive Board

Foundation for Future Studies

Alsterufer 4

20354 Hamburg, Germany

[kontakt@stiftungfuerzukunftsfragen.de](mailto:kontakt@stiftungfuerzukunftsfragen.de)

Reiter, Andreas

ZTB Zukunftsbüro

Gilmsgasse 7

1170 Vienna, Austria

[a.reiter@ztb-zukunft.com](mailto:a.reiter@ztb-zukunft.com)

Ringbeck, Dr. Jürgen

General Manager and Senior Partner

Booz & Company GmbH

Zollhof 8

40221 Düsseldorf, Germany

[jurgen.ringbeck@booz.com](mailto:jurgen.ringbeck@booz.com)

Rödl, Mirjam

Philipps-University Marburg

Institute for Co-operation in Developing Countries

Am Plan 2

35037 Marburg, Germany

[mirjam.roedl@mac.com](mailto:mirjam.roedl@mac.com)

Röska, Daniel

Senior Associate

Booz & Company GmbH

Grüneburgweg 102

60323 Frankfurt/Main, Germany

[daniel.roeska@booz.com](mailto:daniel.roeska@booz.com)

Rück, Prof. Dr. Hans

Dean of the Department of Tourism and Transportation

Worms University of Applied Sciences

Erenburgerstraße 19

67549 Worms, Germany

[rueck@fh-worms.de](mailto:rueck@fh-worms.de)

---

Ruetz, David

Head of ITB Berlin  
Messe Berlin GmbH  
Messedamm 22  
14055 Berlin, Germany  
[itb@messe-berlin.de](mailto:itb@messe-berlin.de)

Schuckert, Prof. Dr. Markus

Assistant Director of the Institute for Tourism and Leisure Research  
Professor of Tourism and Transportation  
Comercialstrasse 22  
7000 Chur, Switzerland  
[markus.schuckert@htwchur.ch](mailto:markus.schuckert@htwchur.ch)

Sorensen, Jay

President  
IdeaWorks Company  
1916 E. Kensington Boulevard  
Shorewood, WI 53211, USA  
[jay@IdeaWorksCompany.com](mailto:jay@IdeaWorksCompany.com)

Thiesing, Prof. Dr. Ernst-Otto

Ostfalia University of Applied Sciences  
University Braunschweig/Wolfenbüttel  
Department of Transport – Sports – Tourism – Media  
Department Karl-Scharfenberg  
Karl-Scharfenberg-Straße 55/57  
38229 Salzgitter, Germany  
[e-o.thiesing@ostfalia.de](mailto:e-o.thiesing@ostfalia.de)

Thraenhart, Jens

Co-Founder  
Dragon Trail  
Room 208, Building 2B  
Gui Gu Liang Cheng, No. 1 Nong Da Nan Rd.  
Haidian District Beijing 100084, China  
[jens@dragontrail.com](mailto:jens@dragontrail.com)

Vorndran, Stefan

Senior Vice President Northern and Central Europe  
General Manager  
BCD Travel Germany GmbH  
Otto-Lilienthal-Straße 1  
28199 Bremen, Germany  
[stefan.vorndran@bcdtravel.de](mailto:stefan.vorndran@bcdtravel.de)



Walmsley, Dr. Andreas

International Centre for Responsible Tourism  
Leeds Metropolitan University  
Headingley Campus  
Leeds LS6 3QW, UK  
[a.walmsley@leedsmet.ac.uk](mailto:a.walmsley@leedsmet.ac.uk)

Wilde, Thomas C.

Managing Partner  
w&p Wilde & Partner  
Public Relations GmbH  
Nymphenburger Straße 168  
80634 Munich, Germany  
[info@wilde.de](mailto:info@wilde.de)

Willers, Dr. Christoph

Managing Director  
Institute for Sustainable Management e. V.  
Dottendorfer Straße 82  
53129 Bonn, Germany  
[christoph.willers@ifnm.net](mailto:christoph.willers@ifnm.net)

Wollenzien, Thomas

First Vice President, Central and Southern Africa  
KfW Entwicklungsbank  
Palmengartenstraße 5–9  
60325 Frankfurt/Main, Germany  
[thomas.wollenzien@kfw.de](mailto:thomas.wollenzien@kfw.de)



# **New Data on Tourism and Changing Travel Behaviour**



# Status Quo and Forecasting World and European Tourism

Rolf Freitag and Dennis Pyka

## 1 Introduction

This report is based primarily on the 2009 results of IPK International's World Travel Monitor – the continuous tourism monitoring system that was set up 22 years ago. IPK now conducts more than half a million representative interviews a year in 60 of the world's major outbound travel markets – 35 in Europe, 15 in Asia and 10 in the Americas – representing an estimated 90% of world outbound travel.

The interviews – more than 6 million of which have now been undertaken since 1988 – are designed to be comparable from one year and from one market to another, and to yield information on market volumes and sales turnover, destinations, travel behaviour, motivation and satisfaction, travellers and target groups, recent tourism trends, and short- to medium-term forecasts.

The report offers an overview of trends in world tourism, the European outbound market and finally, the report includes a summary of IPK International's view of the prospects for travel and tourism in 2010, based in large part on its Travel Intentions survey conducted at the start of the year.

## 2 Overview of World Tourism in 2009

### 2.1 Global Outbound Trends

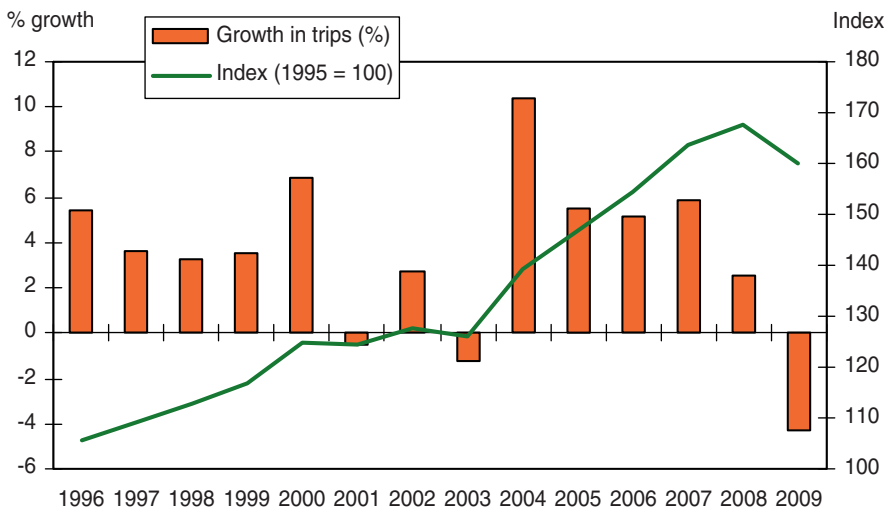
The world travel and tourism industry has had an easy life in recent years. In a growing market, there is room for everybody, and scope for everybody to make profits, and the travel and tourism sector was growing faster than most.

But in 2009 the industry came down to earth with a bump. The global economy is always subject to downturns, yet in recent years a downturn in the general economy meant, for the travel and tourism industry, merely a pause in growth. This time it was different. Not since the World Travel Monitor was launched have we seen a worldwide decline on this scale.

Nor has it been easy to make sense of what is happening and therefore to prepare for what might be coming next. The scale of the financial crisis, which came to a head with the collapse of Lehman Brothers in September 2008, and its aftermath changed the whole pattern of global economic development:

- It was evident that the world economy could not handle the harsh financial conditions and reacted with a decline in asset values, a severe credit crunch and a general loss of confidence – but for how long would these reactions persist?
- Governments reacted with huge stimulus packages like financial assistance for banks and lower income taxes. What effects would these have on the patterns of business and consumer behaviour? When would they re-impose more normal levels of interest rates? Indeed, what might be the appropriate ‘normal’ levels of interest rates?

Worldwide, arrivals fell by 4% in 2009, overnights by 7% and spending by 9%, bringing a dramatic loss in profitability (and some bankruptcies and ‘downsizings’) among airlines, hotels, tour operators and travel agencies.



**Fig. 1.** World outbound tourism performance, 1995–2009

Source: World Travel Monitor, IPK International

The total figures for arrivals cannot be strictly compared with the World Tourism Organization’s (UNWTO’s) estimated 880 million arrivals in 2009 – since this figure includes same-day trips and arrivals by children under the age of 15, as well as cumulative arrivals in several countries visited on one trip. But the 4% decline,

to some 664 million, should be seen against average increases of 7% in 2004–2007 and 4% in 1995–2008.

According to its own specific measure – which includes total spending related to a trip – the World Travel Monitor suggests that expenditure last year fell by 9% to €730 billion – €112 per night and €1,100 per outbound trip.

To quote IPK, the reason for the tourism crisis was not lack of interest, nor lack of demand, but simply a lack of buying power coupled with low travel confidence.

## 2.2 Inbound Overview

The situation was very much worse in the first half of 2009, when arrivals world-wide were typically down by 8–10% on the same months of 2008. By the latter months of 2009, in contrast, they were typically up slightly on the same periods in 2008.

This apparent improvement is of course very largely illusory: the figures for the first months of the year are calculated on extremely good figures in the corresponding months in 2008, and those for the last months of the year are calculated on figures for 2008 which were already falling very quickly.

However, the numbers do show at the very least a stabilisation around a lower level of travel activity, and may well show a transition into a recovery phase. The next few months will tell.

% change in world arrivals on same month in 2008

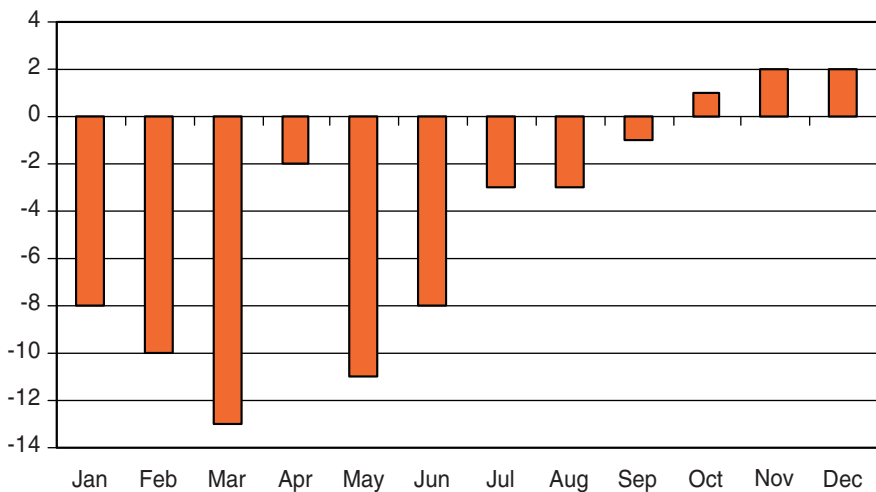


Fig. 2. World tourism performance by month, 2009

Note: the figures for March and April were affected by the timing of Easter in 2008 and 2009

Sources: World Travel Monitor; World Tourism Organization (UNWTO)

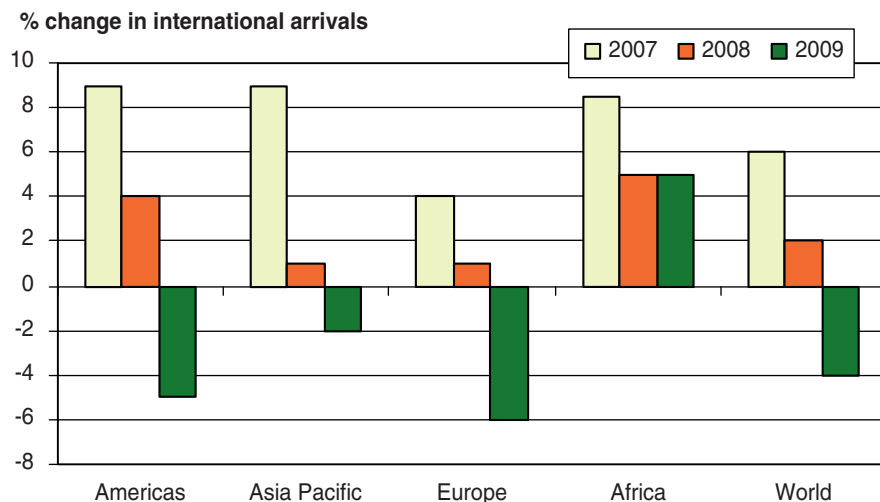
Africa was the only region to escape largely unscathed from the downturn in travel demand (although the numbers involved are still relatively small). Europe showed the weakest performance in both 2008 and 2009.

These figures show the averages for each year as a whole, which is not always the best way of illustrating the trends. For instance, the relatively mild decline for Asia Pacific (including West Asia/Middle East and Central Asia) disguises very big declines in the first half of 2009 and extraordinarily strong recoveries in the second half of the year, just as in 2008 the weak average disguised a very strong performance in the first half of the year and an early reversal.

Few sub-regions departed far from the averages for their regions as a whole. Southeast Asia did relatively well, partly because of the strength of some economies in the region (notably Indonesia), and partly because some countries (especially Thailand) were recovering from poor performances in earlier years.

The Caribbean also turned in a relatively good performance, perhaps because it is more devoted to leisure than to business tourism (which has been worst affected by the economic climate). And some countries in South America have also been doing well.

The decline in arrivals tells only part of the story. Spending per traveller was also down, compounding the damage to the industry. Smith Travel Research reports that revenues per hotel room fell by 26% in Asia Pacific, 19% in North America and Europe and 15% in the Middle East. The following graph shows IPK's estimates of total industry revenues in the destination regions which are down 14% in the Americas, 10% in Europe, 7% in Asia-Pacific – and up 3% in Africa.

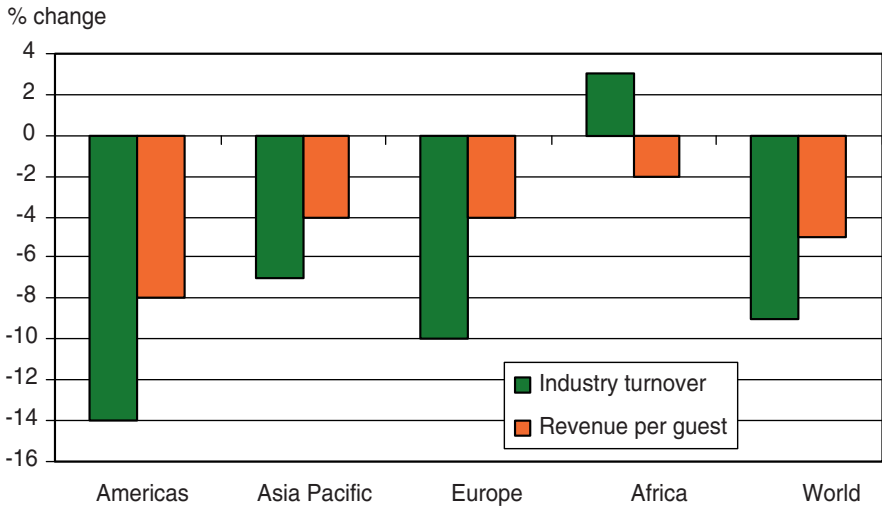


**Fig. 3.** Growth in international inbound tourism by region, 2007–09

Note: Asia Pacific includes West Asia/Middle East and Central Asia

Sources: UNWTO; World Travel Monitor, IPK International





**Fig. 4.** Industry turnover by destination region, 2009

Source: World Travel Monitor, IPK International

### 3 European Tourism in 2009

#### 3.1 Overall Travel Demand

In 2009 European adults aged 15 years and over made 395 million trips abroad of a minimum one night’s stay, according to IPK International’s European Travel Monitor – 6% less than in 2008. Nights spent abroad fell by 12% to 3.5 billion, and spending fell by 13% to €331 billion.

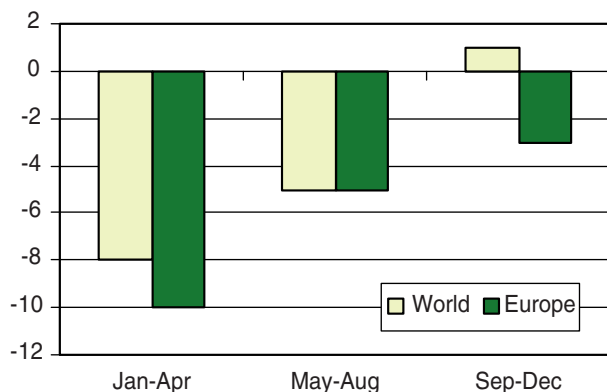
There was an improvement in the figures as the year progressed, but this improvement was less marked than in the rest of the world. In the first four months

**Table 1.** European outbound travel, 2009

	2009	% change on 2008
Trips (mn)	395	-6
Overnights (mn)	3,500	-12
Average length of trip (nights)	9	-5
Spending (€ bn)	331	-13
Spending per trip (€)	837	-5
Spending per night (€)	97	1

Source: European Travel Monitor, IPK International

of the year, outbound trips among Europeans fell by 10%, compared with 8% in world markets overall. In May to August trips were down 5% in both Europe and the world. But in the last four months of the year, while trips were slightly up in the world as a whole, they were still down 3% in Europe. And one needs to remember that Europe accounts for a significant share of all outbound trips taken worldwide: a comparison between Europe and the rest of the world would show even larger differences.



**Fig. 5.** European outbound travel trend by season, 2009 (% annual change in no. of trips)

Source: European Travel Monitor, IPK International

### 3.2 Purpose and Length of Trip

Holidays (including short breaks), which generated 71% of all European outbound trip volume in 2009, have been the main drivers of growth in recent years. Although the overall number declined last year, in line with the trend for overall outbound travel, the holiday trip volume fell less significantly than trips related to other segments.

**Table 2.** Purpose of travel by Europeans, 2009

	Trips (mn)	% market share	% change 2009/08
Holiday	280	71	-5
VFR & other leisure	56	14	-10
Business	59	15	-8
<b>Total trips</b>	<b>395</b>	<b>100</b>	<b>-6</b>

Source: European Travel Monitor, IPK International

In spite of the much-publicised increase in social and employment mobility in the enlarged European Union, visits to friends and relations (VFR travel) have not been growing. Indeed, after declining by 4 % in 2008, VFR trips were down a further 10 % last year.

Corporate travel has been particularly badly affected by the financial crisis, as it is illustrated by the widely publicised collapse in premium-class air travel. Companies in Europe – as in other mature travel markets – reacted quickly to the financial and economic crisis by curtailing business travel and business trips, which declined by 8 % in 2009. There is a feeling that this will prove an enduring trend, as firms take advantage of new video-conferencing and other communications technologies to reduce the costs, in cash, time and stress, of physical travel.

The reluctance of European families to sacrifice their summer holidays is shown by the relatively good results for sun & beach holidays in 2009. The number of trips was down only 3 %. More surprising, given the notion that people were willing to sacrifice their secondary holidays, city trips and events also held up relatively well, in spite of a shortage of (sporting) mega-events in 2009.

Touring holidays, which had been doing exceptionally well in recent years, fell by 14 % last year, and countryside holidays, which had turned down earlier, continued to slide.

The number of trips of one to three nights – the most dynamic part of the European market in recent years – had risen by 9 % in 2008 after faltering in 2007. They rose by a further 1 % in 2009, resulting in a slight increase in market share,

**Table 3.** European outbound holiday travel trends for selected segments, 2007–09

Type of trip	% annual change		
	2007	2008	2009
Sun & beach	6	5	-3
City breaks & events	5	5	-3
Touring	15	14	-14
Countryside	9	2	-6

Source: European Travel Monitor, IPK International

**Table 4.** Short breaks/trips versus long trips, 2009

	Total (mn)	% of trips	% change 2009/08
Short breaks (1–3 nights)	110	28	1
Long trips (4+ nights)	285	72	-10
<b>Total trips</b>	<b>395</b>	<b>100</b>	<b>-6</b>

Source: European Travel Monitor, IPK International

to 28%. Meanwhile, the number of longer trips of four nights and more fell by 10% to 285 million, or a share of 72%.

The growth in short breaks was in many ways surprising. But these results would suggest that some Europeans continued to increase their short-break trips at the expense of their annual holidays.

Given the long-running growth in airline travel (sustained in recent years by low-cost airlines), the lack of growth in 2008 and the sharp decline (-8%) in 2009 came as a shock to the system. The low-cost airlines (LCCs) did manage to increase their share of the overall market, but travel by traditional/legacy carriers suffered badly – reflected in the 4% decline of trips costing less than €150 return and the 9% drop of trips costing more.

Although travel by rail, ferry and cruise had done very well in the last few years, these also suffered heavy declines in 2009. The most affected was travel by coach, which declined by 19%. Since coach travel had not generally shared in the prosperity of recent years, this decline is calculated on figures which were already relatively weak.

The only mode of transport not to suffer in 2009 was travel by car. Overall, travel by land increased by 2% in 2007 and 3% in 2008, before declining by 4% in 2009.

**Table 5.** Mode of transport for European outbound travel, 2007–09

	% annual growth		
	2007	2008	2009
Air	8	1	-8
– Low fare	13	4	-4
– Other	6	-3	-9
Car	1	3	1
Coach	2	1	-19
Train	10	6	-6
Ship	3	7	-15

Source: European Travel Monitor, IPK International

In general demand for long-haul (i. e. interregional) destinations faltered in 2008, but this was temporarily disguised by a double-digit increase in trips to the USA due to the cheap dollar for most of that year. With the revival in the value of the US dollar, this factor was taken out of the equation in 2009. Long-haul trips were down by 10%, while short-haul trips fell by ‘just’ 5%.

It is important to note that popular destinations in the southern Mediterranean – such as Egypt, Morocco and Tunisia – are counted as short-haul/intra-regional

**Table 6.** Short- versus long-haul travel out of Europe, 2009

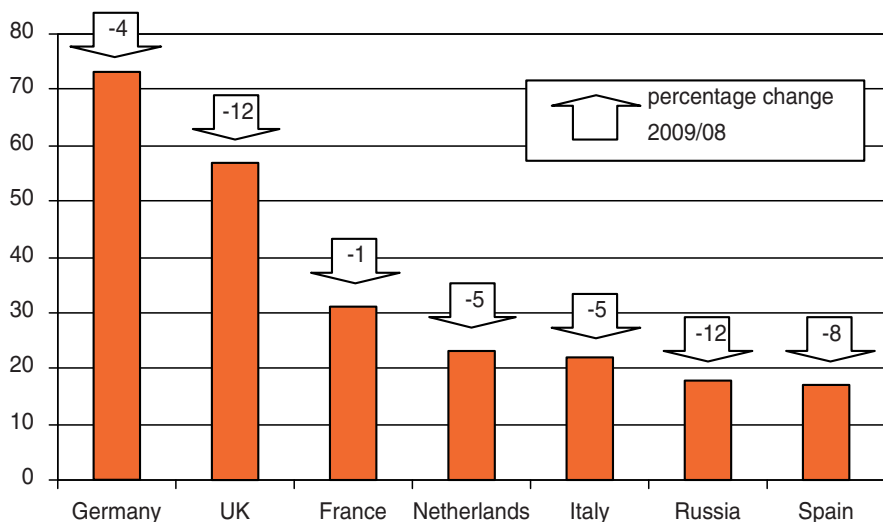
	Trips (mn)	% market share	% annual change 2007	2008	2009
Short-haul	348	88	4	2	-5
Long-haul	47	12	8	3	-10
<b>Total trips</b>	<b>395</b>	<b>100</b>	<b>5</b>	<b>2</b>	<b>-6</b>

Source: European Travel Monitor, IPK International

destinations out of Europe by the World Travel Monitor, while in UNWTO’s statistics they would count as long-haul destinations. By IPK’s definition, short-haul trips account for as much as 88 % of total outbound European trips.

### 3.3 Major Source Markets

Germany and the UK continue to be Europe’s leading outbound travel markets, but after a 12 % decline in trips out of the UK in 2009, Germany’s lead is now bigger. This is in contrast to the trend over the past decade. Among the top seven markets, Russia and Spain also suffered relatively heavy declines last year, while Germany, the Netherlands and Italy suffered more modest falls. Only the French market did not shrink significantly.



**Fig. 6.** Leading European outbound travel markets, 2009 (mn trips and annual percentage change)

Source: European Travel Monitor, IPK International

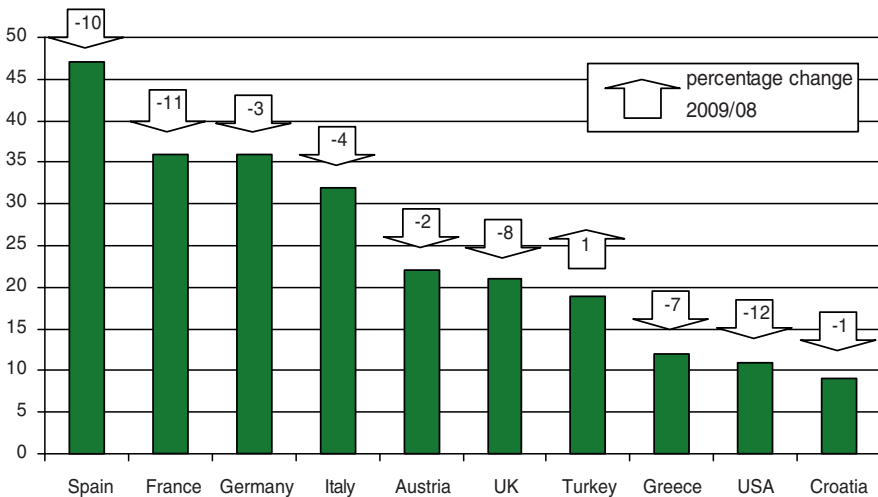
### 3.4 Major Destinations

The top ten destinations for European travellers are all within Europe, with the exception of the USA, in ninth place. They fared very differently from one another in 2009: Spain, France and the USA recorded double-digit declines, and the UK, with an 8 % drop, lost one place in the ranking.

The 12% decline in trips to the USA is perhaps not surprising, given the extraordinary increase in trips to that destination last year and the recovery in value of the US dollar. The poor performance of the UK came in spite of the weakness of sterling, and can be attributed largely to the weakness of business and of long-haul travel in 2009 – both are unusually important to UK inbound tourism.

In contrast to the trend in the western Mediterranean – the tried and tested favourite European holiday destinations – countries on its eastern shores and on the Adriatic performed rather better. Croatia suffered only a 1% decline and Turkey actually showed positive growth, albeit of a modest 1%.

Spain, and to a lesser extent Italy, are suffering from a continuing loss of price-competitiveness against emerging competitors in the Eastern Mediterranean and North Africa.



**Fig. 7.** Leading destinations of European outbound travellers, 2009

Source: European Travel Monitor, IPK International

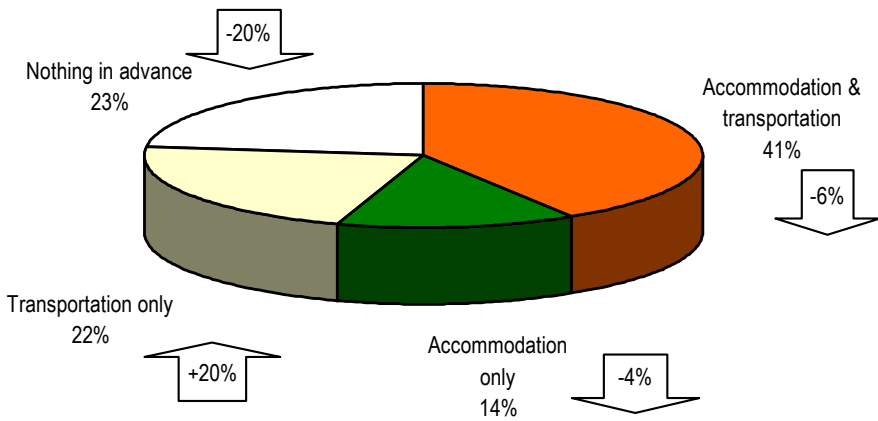
More generally, European travel to Northern, Western, Central/Eastern and South-Western Europe declined in 2009, but on the other hand travel to South-Eastern Europe (i. e. to the countries of the former Yugoslavia and Turkey) did relatively well.

### 3.5 Booking Patterns

Package holidays, including dynamic packages – tailor-made trips sold online as complete or partial package holidays – became victims of the crisis in 2009.

There was also a 20% drop in ‘turn up and go’ travel, with nothing booked in advance. ‘Transport only’ pre-bookings rose by 20% (reflecting the search for bargain prices and an unwillingness to be surprised by prices at the airport), raising their market share from 16% in 2008 to 22% in 2009. There was a 4% decline in accommodation-only pre-bookings and a 6% decline in accommodation and transport bookings, but their market shares remained approximately unchanged.

**Breakdown of trips and annual % growth in 2009**



**Fig. 8.** Europeans’ advance bookings for outbound trips, 2009

Source: European Travel Monitor, IPK International

**Table 7.** European online travel for holiday trips, 2007–09

	% of holidaymakers		% increase	
	2007	2008	2009	2009/08
<b>Use of the internet</b>	50	56	60	1
<b>Bookers</b>	36	41	48	11
<b>Lookers<sup>a</sup></b>	14	15	12	-15
<b>No use of internet</b>	50	44	40	-12

<sup>a</sup> Use of the internet to research travel options, but not for booking

Source: European Travel Monitor, IPK International

The proportion of holiday trips booked with the help of the internet exceeded those booked without for the first time in 2008, and the trend continued apace in 2009. The focus of growth is now firmly on trips actually booked (if not paid for) online, which rose by 11 % in 2009, in spite of the decline in travel.

The use of the internet for arranging holiday travel continues to rise: the numbers of holidaymakers using the internet rose by 1 % in 2009, while those not using the internet fell by 12 %. Moreover, the numbers of people actually making a booking over the internet rose by 11 %, while those gathering information about their holiday trips, but not actually making a booking, on the internet fell by 15 %.

## **4 Looking Forward**

### **4.1 Economic Recovery**

2009 was arguably the worst year in the recorded history of the travel and tourism industry, not to mention one of the worst for the world economy overall. But optimists believe the public stimulus measures taken in 2009 were successful and that they have created the groundwork for a long-lasting recovery. Initial GDP growth rates from late 2009 would seem to substantiate this argument.

However, as pointed out by Rolf Freitag at ITB Berlin, Harvard Professor Kenneth S. Rogoff – Chief Economist at the International Monetary Fund (IMF) in 2000–03 – has said: “Quite often, bank crises are followed two, three years later by national bankruptcy.”

World markets have their eyes on countries with very high public-sector deficits, including Ireland (15 %), the UK (13 %), Greece (12 %), Spain (11 %) and Portugal (6 %). These figures compare with 5 % in France and Germany and 3 % as the supposed maximum allowed under the Maastricht Treaty rules for Euro zone members. Moreover, the New York economist Nouriel Roubini feels that “the US government is sitting on a ticking time bomb”. These concerns about the pace of economic recovery in certain key travel source markets are seen by pessimists as a bad sign for the prospects of travel and tourism in 2010 and even 2011.

As some experts believe, it is only when the tide goes out that you can see who’s been swimming naked – and some 60 countries around the world currently seem to be doing just that, according to IPK. So it is hardly surprising that quite a few pessimists think the bank debt crisis will be followed by a long-lasting public debt crisis.

Will 2010 thus be a year of unpleasant truths? Looking at the trends in consumer and business confidence, comparisons with past recessions suggest that we have moved through the late phase of an economic downturn, when current economic indicators are still deteriorating and expectations are weak, into one where the indicators are improving and expectations are rising rapidly. But there is no guarantee this time that we are following the ‘usual pattern’, or even that such a concept can ever be trusted.



There has been plenty of talk about U-shaped, V-shaped, W-shaped and every-other-shaped outcomes for the recovery. Some believe that the UK, for example, will show an L-shaped one (i. e. no recovery at all in the foreseeable future). But for Europe overall, the Ifo Institute in Munich expects two more years of flagging global growth – perhaps even a square-root shaped recovery.

Even a positive outcome implies that we will see more inflation for some years to come, eventually resulting in rising travel prices. Alternatively, with an unfavourable outcome, we might be in for a long period of deflation and economic stagnation.

World GDP fell by 1 % in 2009, according to the IMF, and is currently forecast to increase by just over 3.1 % in 2010. The recovery will be driven by the emerging markets, especially China. Europe and North America are limping along behind and are not yet back to sustainable growth.

Given all the different factors contributing to the current situation, IPK International's assumption based on forecasts by the economic experts is that there is a 40 % chance the stimulus packages will yield a solid recovery, a 30 % chance that the banking debt crisis will be followed by public debt crises, and a 30 % chance of something in between – i. e. a modest recovery in most developed markets, accompanied by debt crises in a few countries, undermining their economies. But what would this mean for European and world travel and tourism?

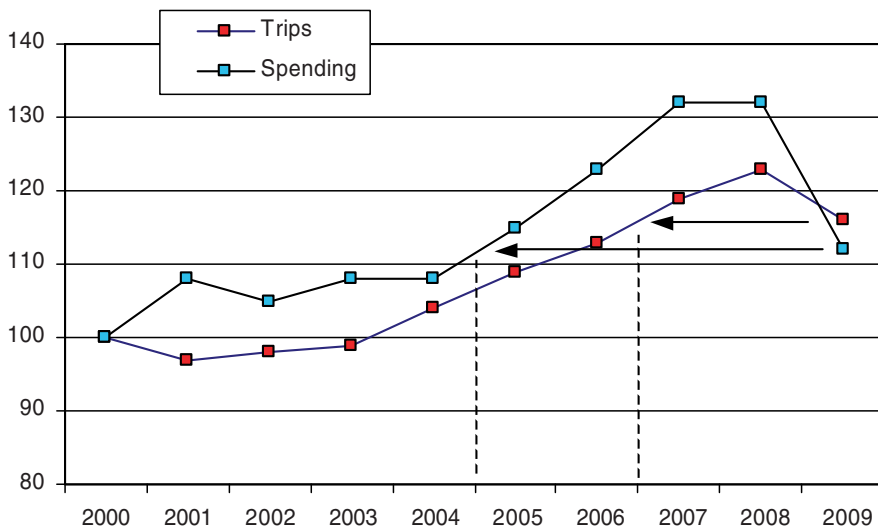
## 4.2 Prospects for Travel and Tourism Demand

For the moment, European outbound travel is far short of its peak levels: trip volumes in 2009 were back to their levels in 2006–07 and spending fell back to its 2004–05 level. And, overall, there are no clear signs of a self-sustaining, long-term recovery in European outbound travel demand.

As was the case through 2009, the World Travel Monitor's latest survey wave (carried out in January 2010) included a section on travel intentions over the coming 12 months. The sample base represented all those in 23 major countries of origin who had travelled abroad in 2009. The results suggest the situation is improving, but with widely differing prospects for the outbound markets of Europe, the Americas and Asia Pacific.

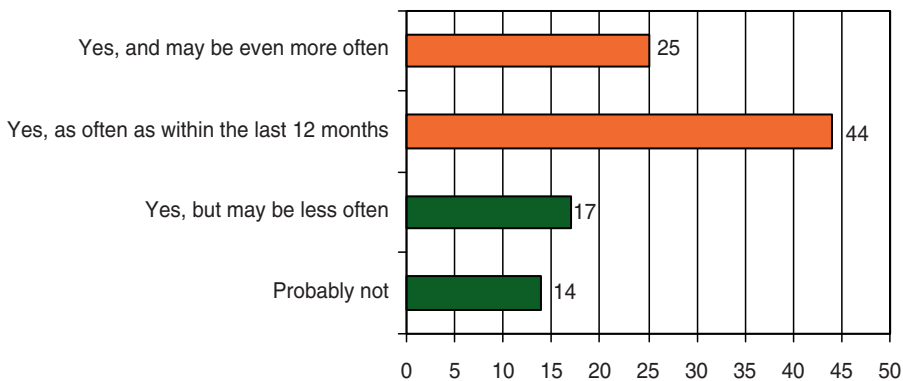
Asked whether the financial crisis is continuing to affect their travel behaviour, 66 % of Europeans replied "No" and 34 % said "Yes". By comparison, in September 2009, 52 % replied "Yes". Of those who replied in the affirmative, 14 % said they planned to take a less expensive trip; 10 % said they would spend less money at the destination, and only 7 % admitted that they might not take a trip in 2010, planning instead to travel in 2011.

Overall, IPK's European Travel Confidence Indicator for 2010 (where 100 would be neutral) stood at 98, although this average masks wide variations from one market to another. In the most positive travel source country (undisclosed by IPK), the index was 120 while it was a mere 88 in the country with the lowest confidence level.



**Fig. 9.** European outbound travel and spending, 2000–09 (2000 = 100)

Source: European Travel Monitor, IPK International

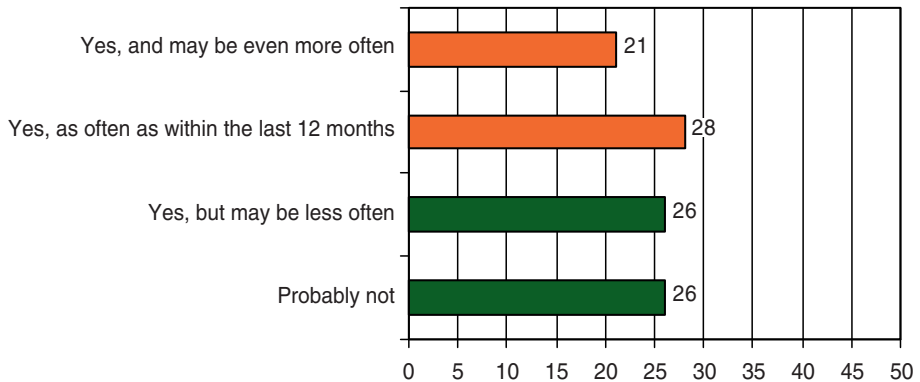


**Fig. 10.** European outbound travel intentions in 2010 (% of respondents)

Source: European Travel Monitor survey, January 2010

Taking all these latest figures into account, IPK’s forecast for European outbound travel in 2010 is for something between a 1% increase and a 1% decline in trips, with little expectation of price rises in the current climate.

Among North Americans, who were asked the same question about the effect of the financial crisis on their behaviour, 42% replied “No” and 58% “Yes” – only slightly better than the 65% who replied “Yes” in September 2009. Of these, 38% said they planned to take a less expensive trip and 24% that they would



**Fig. 11.** North American outbound travel intentions in 2010 (% of respondents)

Source: World Travel Monitor survey, January 2010

spend less money at the destination – much higher proportions than in Europe. Moreover, 23 % said they would travel in their home country rather than abroad, and 26 % that they would probably not travel in 2010.

Overall, IPK’s Travel Confidence Indicator for North America is 88 – ten points weaker than Europe’s, but on a par with the European source country showing the lowest confidence level. IPK expects North American outbound travel to decline by 5 % in 2010.

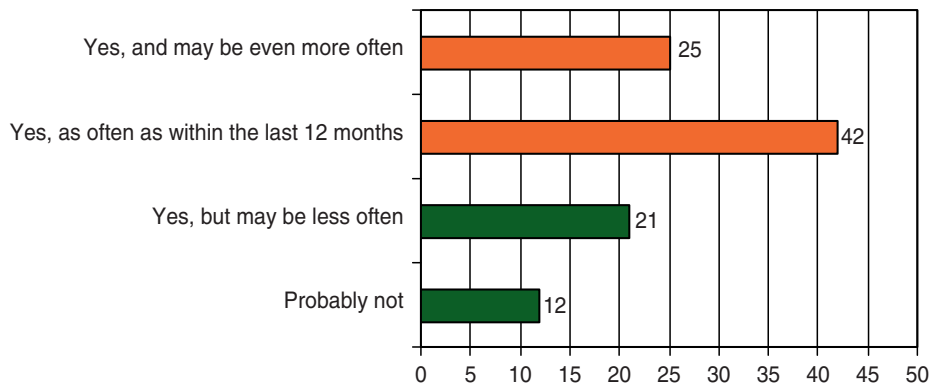
The major factor in Asia Pacific influencing travel and tourism forecasts for 2010 is the extraordinary progress of the Chinese economy, and the question is to what extent the whole region (not to speak of Europe) can ride on the coat tails of this progress. It seems that in Southeast Asia (in spite of the prosperity of large parts of this sub-region) the impact of the crisis remains as high as it is in North America, while in China the travel mood is better than ever before.

In January 67 % of Asians, when asked whether the financial crisis would affect their behaviour, replied “No”. The remaining 33 % replied “Yes” – but the equivalent response was only 14 % in China.

Some 20 % of Asians said they planned to take a less expensive trip this year and 24 % that they would spend less on food, shopping, etc. A further 12 % said they would probably take a shorter trip, and 12 % that they would not travel at all. IPK therefore puts its Travel Confidence Indicator for Asia at 103 – and somewhat higher in China – expecting Asian outbound travel to increase by 4 % this year.

As the global travel and tourism industry approaches the season of peak demand (at least for northern hemisphere source markets), advance bookings appear to be picking up and some segments are doing better than the January 2010 projections anticipated. But it is early days yet.

Capacity is still well down, airlines remain in difficulty, new threats like strikes are entering the equation, and there continue to be uncertainties – such as the impacts of tougher visa restrictions and airport security measures.



**Fig. 12.** Asian outbound travel intentions in 2010 (% of respondents)

Source: World Travel Monitor survey, January 2010

As for oil, and therefore fuel prices, the oil producers may find it difficult to raise output rapidly in response to emerging market demand, since investments were cut back in 2008–09.

Simmering civil unrest and political tensions in some parts of the world are a continuing cause of concern, and natural disasters such as storms, earthquakes and floods are always possible, if not probable.

But if this crisis has taught us anything, it has shown that crisis is the best time for innovation. So at the dawn of this new decade, the industry can look forward to exciting times as all travel and tourism stakeholders look to gain competitive edge by adapting their tourism products and services to meet the fast-changing, if constantly elusive, marketplace.

# Changing Travel Booking Patterns in European Travel Agencies

Stefan Nigg

## 1 Introduction/Methodology

The year 2009 was characterized by the consequences of the worldwide financial crisis.

Many consumers worried about the safety of their jobs in the future, which became explicit by very cautious spending habits.

The following article outlines which impacts the crisis had on the booking habits of holiday-makers.

This evaluation is based on results from GfK Travel Insights, the tourism panel of GfK Retail and Technology GmbH, which is now available in six countries, namely Germany, the UK, Italy, France, the Netherlands and Russia. The information source for this instrument are booking arrangements made at travel agencies with a focus on leisure travel, i. e. the suppliers of these data are a representative selection of travel agencies who have agreed to make all their bookings available on a weekly or monthly basis. In Russia and the UK, additional data are received from tour operators which can also be evaluated.

The size of the sample in these six countries is approximately 7,500 travel shops and, to give a picturesque example – the German sample consists of 1,200 representatively chosen travel agents who supply around 80,000 data sets per week, that is around four million data sets per year. This high annual total permits a very precise measurement of booking trends in very short reporting intervals (monthly or even weekly).

## 2 Traces of the Crisis in Booking Habits

### 2.1 Overall Booking Trends

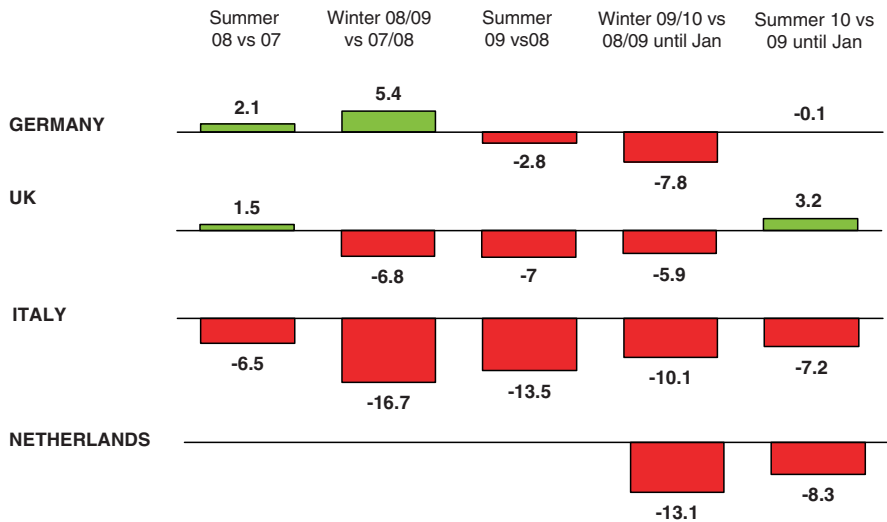
A look at [fig. 1](#) makes it clear that in particular in Italy but also in the UK a negative booking trend was registered in the winter season 09/08, in contrast to Germany, where still a 5.4 percent plus could be established. This was due to strong

business months in terms of booking in July and August for the beginning of the winter season, when the financial crisis had not yet reached the awareness of the consumers. Of course the summer season that followed was characterized by a negative trend in all countries, and equally the successive winter season and the start into the new summer season 2010. The economic recovery at the beginning of the year 2010 was associated with a recovery in bookings, visible especially in the UK but also in Germany.

**GfK Travel Insights**

Sales Value +/- %

Last 3 Seasons and Current Year



**Fig. 1.** Growth rates per country

Source: GfK-RT, [www.gfkrt.com](http://www.gfkrt.com)

Yet the booking rates differ in that the consumer refuses to fix himself as early as in the past years. Although attractive early booking discounts were around, he considered the economic background as insecure and especially worries about losing the job let him make a short-time decision to go on a holiday rather than booking early.

There, however, it has to be considered that booking habits differ per country (cf. [fig. 2](#)). While in the UK, but also in Germany or in the Netherlands, people tend to book very early, consumers in France and Italy and in particular Russia resolve rather shortly to go on vacation.

**TRAVEL INSIGHTS**

Sales Value %  
Summer 09

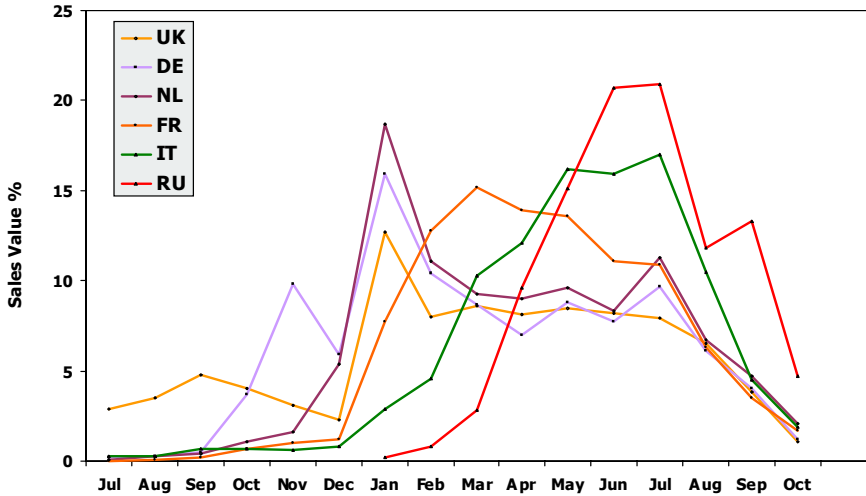


Fig. 2. Booking seasonality

Source: GfK-RT, [www.gfkrt.com](http://www.gfkrt.com)

**TRAVEL INSIGHTS**

Sales Value %  
Summer 09

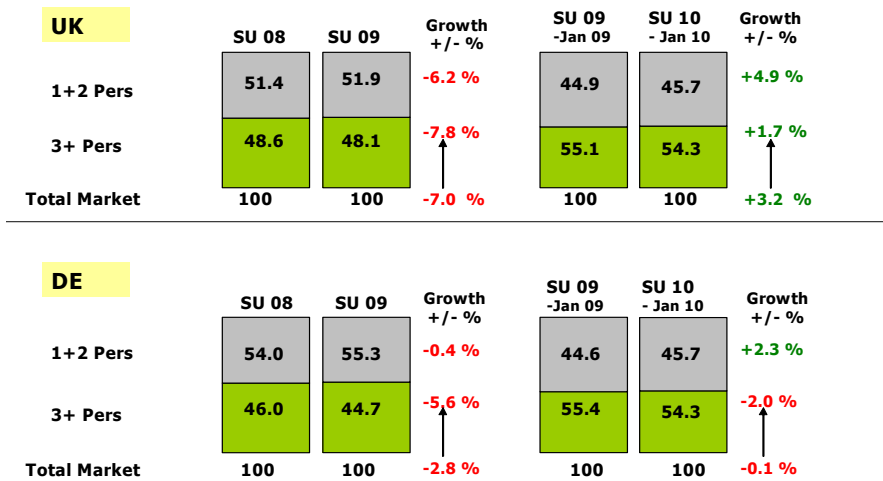


Fig. 3. Number of persons

Source: GfK-RT, [www.gfkrt.com](http://www.gfkrt.com)

## 2.2 Specific Changes of Booking Habits

### Families vs. Singles and Pairs

Effects of the financial crisis led to hesitancy about travel booking especially among families. In Germany and the UK, the rate of bookings for three persons and more has developed weaker than the average (see fig. 3).

### A Tendency to “All Inclusive” and “Flexible” Stays

Two-week holidays are still prevailing especially in the UK, but also in Germany. Over 40 percent of all expenses in the UK, and one-third in Germany, are covered by this period of stay. In the other countries, by contrast, a holiday of one week has far more importance (cf. fig. 4).

Yet, even here, consumer habits are subject to change. In Germany, for example, the importance of a holiday of 8–13 days is on a rise (see fig. 5).

For destination areas this means that flight connections have to be provided at different days of the week in cooperation with airlines in order to meet the consumers’ need for flexibility. Besides Egypt, especially Turkey is registering the steepest increases in this segment at the moment.

## TRAVEL INSIGHTS

Sales Value %  
Summer 09

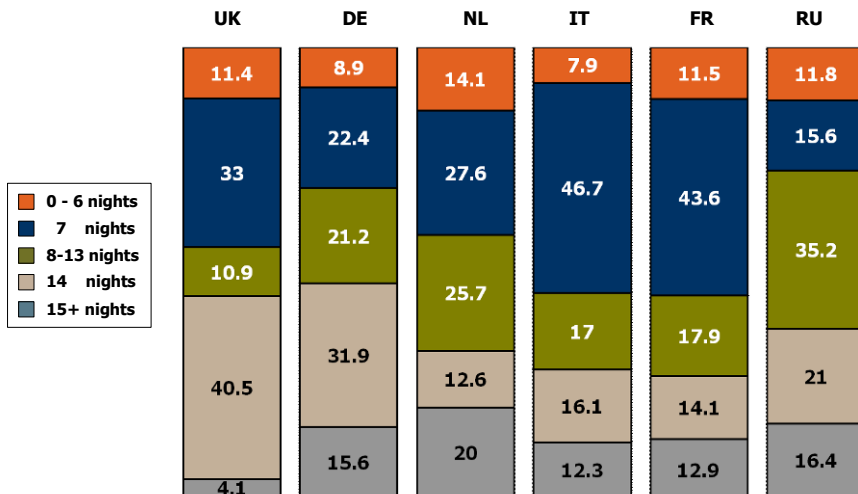


Fig. 4. Duration

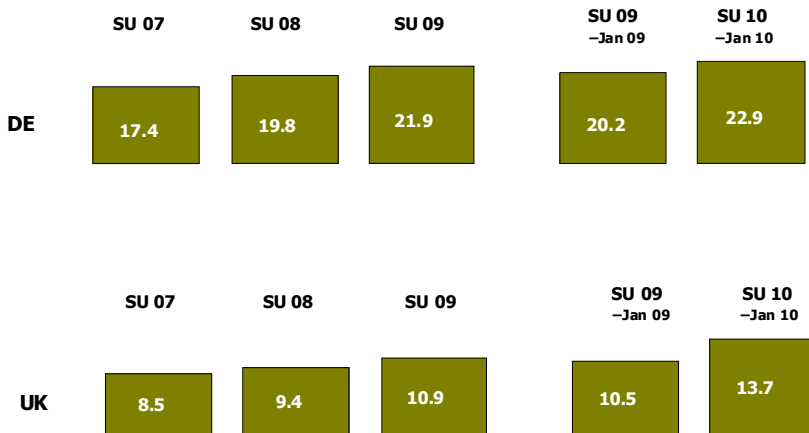
Source: GfK-RT, [www.gfkr.com](http://www.gfkr.com)



## TRAVEL INSIGHTS

Sales Value %

Summer 09



**Fig. 5.** Duration: development 8–13 nights

Source: GfK-RT, [www.gfkr.com](http://www.gfkr.com)

Another aspect which is accountable for the temporary positive development of both destinations is the high proportion of All Inclusive offers in both countries. This is a way of structuring the total expenses for a holiday, and the travel budget is not further encumbered by additional spending for meals.

### *Mounting Pressure on Prices*

The decline in demand caused over-capacities and led to increasing pressure on prices. The example Germany demonstrates, that the continuous price rise of the past was interrupted and has been retrograde since January 2010 in terms of bookings for the winter and the summer season alike (see [fig. 6](#)).

The same trend can be observed in all destination regions. Whether long haul, earthbound or to the Mediterranean, the negative price trend recurs everywhere.

### *Opportunities of Growth Even in the Luxury Segment*

There are reasons to conjecture that the fear of losing the job allied with the savings trend in tourism might lead to profits for destinations which are not so far away. However, even though trends of this kind become visible indeed, a not underestimated percentage of the population is really in a position to afford a more luxurious vacation.

A good proof of this is the rising attractiveness of cruises (cf. [fig. 7](#)).

**GfK Travel Insights**

Price (per Night) per Person %  
 Last 5 Winter Seasons booked until Jan

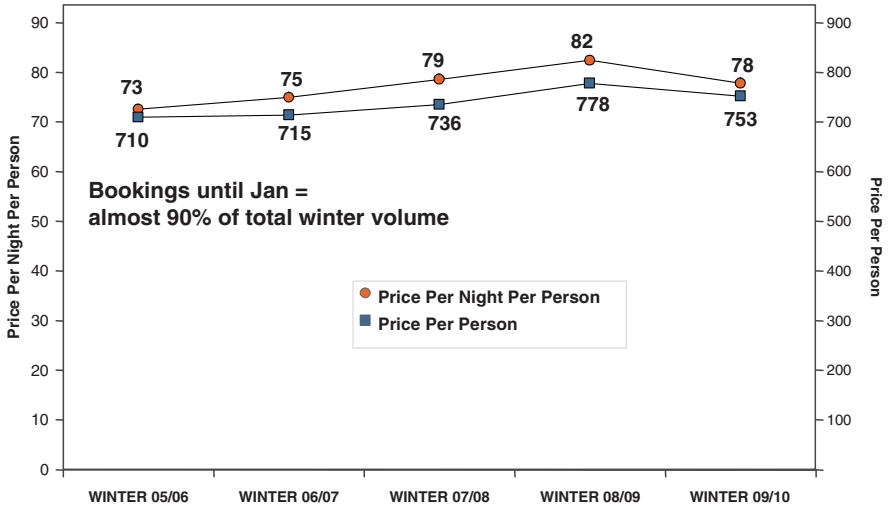


Fig. 6. Price development tour operators' bookings (Germany)

Source: GfK-RT, [www.gfkr.com](http://www.gfkr.com)

**GfK Travel Insights**

Sales Value %  
 Summer 09 vs. 08

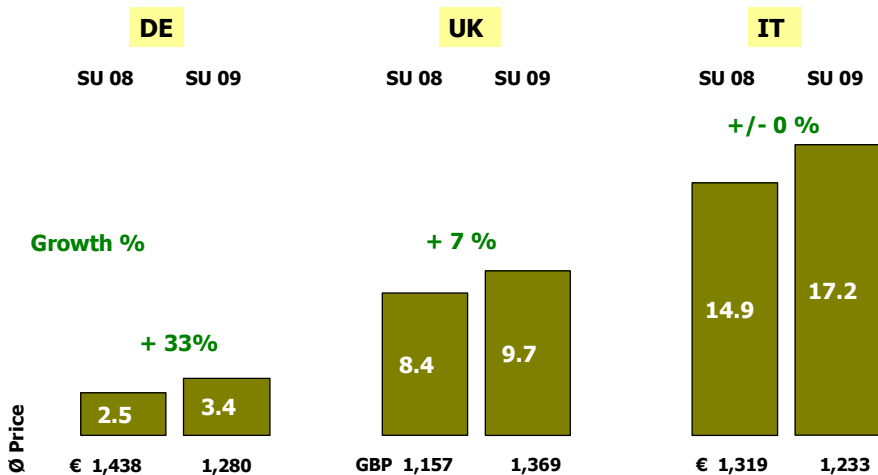


Fig. 7. Share of cruises

Source: GfK-RT, [www.gfkr.com](http://www.gfkr.com)

With an increase rate of 33% in Germany, this segment represents a paramount growth area in tourism. The importance of cruises in Germany is still small with a 3.4 percent share in total value in comparison with other countries. In the UK, already one-tenth of the overall spending for holidays are covered by cruises with a rising tendency in the market, and in Italy, cruises account for over 17 percent.

### **3 Conclusion**

The worldwide crisis has led to a change in consumer habits. All in all fewer bookings were arranged and the holiday trip is booked less in advance than it used to be in the past. Families tend in particular to save money on a holiday. The conventional two-week holiday is losing importance, while flexible stays from 8 to 13 days are on a rise. “All-inclusive” is gaining importance because of expenses which can be calculated in advance and because of a good price performance ratio. Despite this, growth segments can be found in the upper price level even in days of crisis, as “cruises” can show for example.



# Closer, Shorter, Cheaper: How Sustainable Is This Trend?

Ulrich Reinhardt

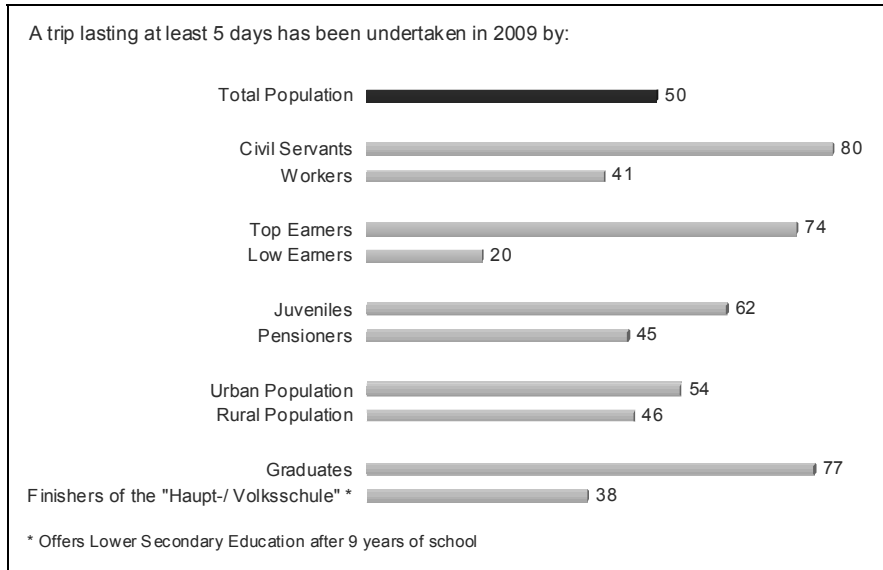
The average German's current approach towards travelling can be described in the following way:

Closer, shorter, cheaper – the main thing is: getting away from home.

Especially during times of crisis most of the German's saving behaviour is threefold: Staying in their home country for the holidays is becoming more popular, the length of each trip is becoming shorter and less money is being spent at the destination. But before they have to end up spending the best weeks of the year on their balcony many travellers prefer a modest holiday. The holidays are still very important to the Germans and they prefer to cut expenditure on other things, for instance weekend activities or electronic devices.

Still it is evident that less than half of all Germans travelled for 5 days or more in the last season (49.5%). Compared to the last five years this figure has dropped by three percentage points (2004: 53%) – compared to the first BAT tourism analysis from 1984 the share has even fallen by more than ten percentage points (1984: 60%). The main cause for this is an almost dramatic schism in society. Going on a trip is no longer within everybody's means. This is underlined by a town and country comparison: 54 per cent of the urban population went on a holiday, but less than half of the rural population travelled (46%). Differences can be found even within the vocational groups: Four out of five civil servants treated themselves to travel (80%), which is almost double the figure of the workers (41%). There is a yawning gap with regard to income: those earning more (net household income above 3,500€) went on holiday as a matter of course. To three quarters of them the annual journey was virtually mandatory (74%) and almost two-fifths (39%) of this income bracket treated themselves to two or more trips. Those earning less (net household income below 1,000€) can only dream of this: Only one out of five (20%) could afford a holiday.

For the record: A two-class society has developed, creating a mobile and an immobile class. One part of society gives more thoughts to possible destinations than travel budget – but this part gets smaller and smaller.



**Fig. 1.** Travel intensity in 2009. Two-class society: mobile and immobile

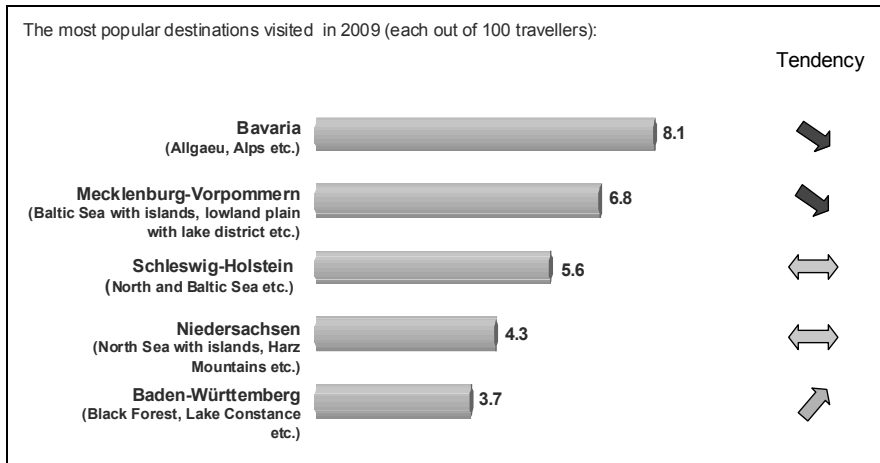
Source: Representative survey of 4,000 people over 14 years in Germany in 2010, Foundation for Future Studies

## 1 Closer: Domestic and Outbound Destinations in 2009

### 1.1 The Domestic Destinations in 2009

Germany remains by far the most popular destination of its citizens. Almost two out of five trips (37%) took place between Flensburg (the most northern city) and Garmisch-Partenkirchen (in southern Germany). This development is enhanced especially by demographic transition. During the period from 2000 to 2009 the share of the people over 50 among those who travel within Germany increased by two percentage points. Investigating the total numbers makes clear how important the “best-agers” are to domestic tourism in Germany. Whereas 6.4 million older people travelled within the borders of Germany in 2000, there were more than 7 million in 2009. As society grows older it will change the travel industry with a lasting effect. The senior citizens of tomorrow are experienced travellers and expect more than sun, fun and sand. They expect an added value to their holiday: service and quality, communication and sociability, comfort and atmosphere – soft factors that make them forget the time and enjoy their holiday are sought for and expected by the elderly travellers.

The shares of the top destinations in Germany have fallen recently. Bavaria's share dropped to 8.1 per cent (2008: 8.7%) and Mecklenburg-Vorpommern's share dropped to 6.8 per cent (2008: 7.3%). The Länder at the coast, Schleswig-Holstein (5.7%) and Lower Saxony (4.3%) remained constant. The highest increase in its share could be achieved by Baden-Württemberg with its attractions in the Black Forest and near Lake Constance (from 2.9% in 2008 to 3.7% in 2009).

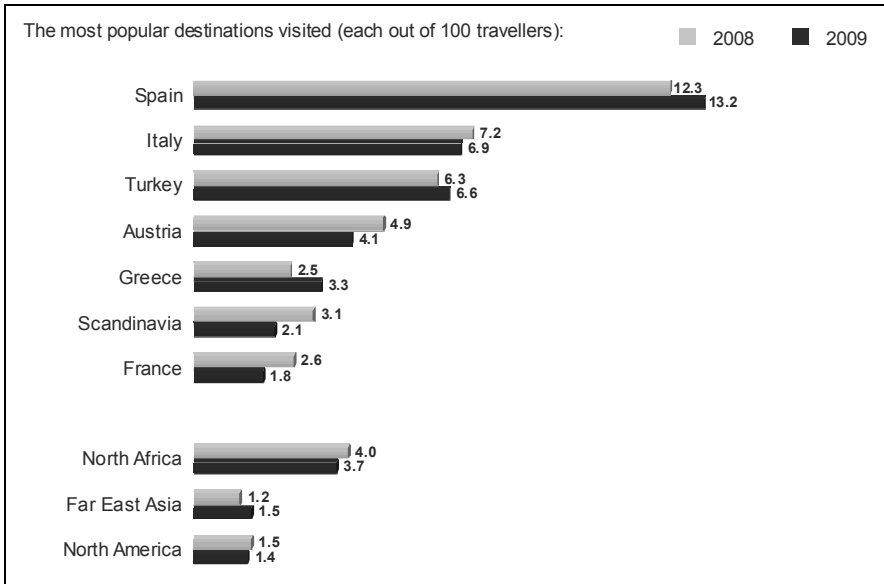


**Fig. 2.** Domestic destinations in 2009. Black Forest climber one of the season

Source: Representative survey of 4,000 people over 14 years in Germany in 2010, Foundation for Future Studies

## 1.2 Outbound Destinations in 2009

Spain remains the most popular destination to the Germans. More than every eighth journey (13.2%) went to the territory on the Iberian Peninsula. Above all the Balearic Islands remained a popular destination. Every twelfth German traveller was welcomed by Majorca, Ibiza, Menorca and Formentera (8.6%). Even runner-up Italy (6.9%) can only dream of such numbers and has to face increased competition from Turkey (6.6%). Turkey has clearly overtaken Austria (4.1%), Greece (3.3%), Scandinavia (2.1%) and France (1.8%) and can brace itself for further growth. Turkey's greatest advantage is its diversity: Natural resources, always sunny, beautiful beaches, cultural highlights combined with hospitality to a high degree and emphasis on service orientation. This offer is attractive to a great number of target groups and is popular with young adults (9.9%) and childless couples (8.5%) as well as among families with children (8.1%) and families with adolescents (10.0%).



**Fig. 3.** Outbound destinations in 2009. Spain remains unchallenged – Turkey and Italy almost neck-and-neck

Source: Representative survey of 4,000 people over 14 years in Germany in 2010, Foundation for Future Studies

The market for long-haul trips marked up a loss of roughly ten per cent of its customers compared to the year before. Every tenth journey made by Germans crossed Europe's borders (2009: 10.2% – 2008: 11.1%). Package holiday destinations in North Africa, such as Egypt, Tunisia and Morocco (3.7%), along with destinations in North America (1.4%) were very popular. On the other hand Asia is still waiting for its breakthrough as a tourist destination. The entire Far East from India through Thailand to China and Hong Kong can "only" boast 1.5 per cent of all German travellers – less than Switzerland on its own (1.8%).

## 2 Shorter: Length of Trip in 2009

The average length of trip in 2009 was exactly 13 days. This follows the trend of the last ten years with an average trip length of about two weeks. The dream of (even) longer holidays has still not come true. Only one traveller in eight (13%) goes on trips lasting three weeks or more. The occupational-medical justification for at least three weeks holidays, drawn up half a century ago by Anton Hittmair, led to extensions of holiday entitlement during negotiations on pay (1950: 12 days, 1960: 16 days, 1970: 21 days, 1980: 27 days, 1990: 30 days, 2000: 32 days) and now has been forgotten in the mists of time. For the first time in years the



market for short trips has recorded a loss (2.8%). The number one of the previous decade sustained heavy losses especially with regard to urban tourism. According to the STR Global Report the hoteliers from Prague and Amsterdam, through London and Munich to Vienna, Milan and Madrid each had to contend with drops in turnover of more than 20 per cent.

There is a strong correlation between the distance to the destination and the length of trip. A holiday at the German seaside or in the mountains only lasts for about ten days. A holiday spent in Austria only lasts about eleven days. On the other hand a trip to the Mediterranean, i. e. to Turkey, Greece, Italy or Spain, lasts considerably longer with a total of about 14 days. And people who make a long-haul trip tend to stay at their destination for about three weeks or even longer (USA: 20.4; Far East: 21.1).

### 3 Cheaper: Travel Expenses in 2009

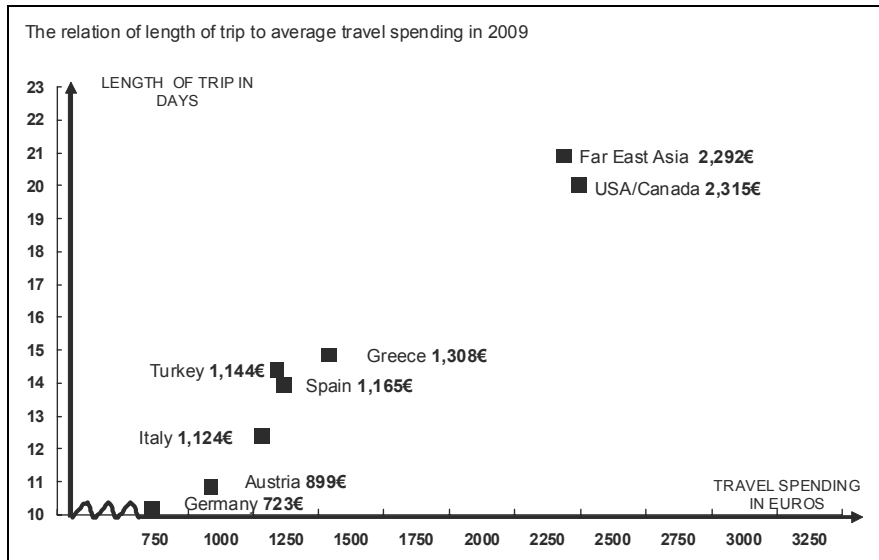
On average the Germans pay 1,038€ per person for their holidays. This is about the same amount as in 2004 (1,025€). These expenses do not only consist of the cost of the journey and accommodation on their own, but also include incidental expenses such as food and drinks, trips, entry fees, shopping tours, souvenirs and tips. Great differences emerge with regard to travel spending and length of trip depending on the various stages of life:

- Pensioners stay at their destination for the longest (14 days) – they have the most free time and spend over-proportionally (1,095€).
- Young adults only stay about 10.6 days and have a limited holiday budget (790€).
- The most money is spent by childless couples (1,198€) who also stay longer at their destination (13.2 days).

The distribution of the real costs at the destination is very informative. The costs almost automatically rise with the increasing distance of the journey. A trip abroad (1,221€) costs almost seventy per cent more than a trip within the borders of Germany (723€). Long-haul trips to destinations like the USA (2,315€) or countries in the Far East like China, Thailand or India (2,292€) take the travellers not only to “another world”, but also to another price bracket (see [fig. 4](#)). Destinations on the Mediterranean are all roughly on the same level at about 1,200€. Austria can only dream of such a turnover per guest. The republic at the foot of the Alps earns significantly less than its competitors (899€).

#### Means of Transport in Holiday Traffic: “Car Instead of Plane”

The birth of mass tourism in the 1950s ran parallel to the spread of automobiles in Germany. The masses became (mass) mobile. This was also the beginning of the



**Fig. 4.** Length of trip and travel spending in 2009. The price increases with the length of trip

Source: Representative survey of 4,000 people over 14 years in Germany in 2010, Foundation for Future Studies

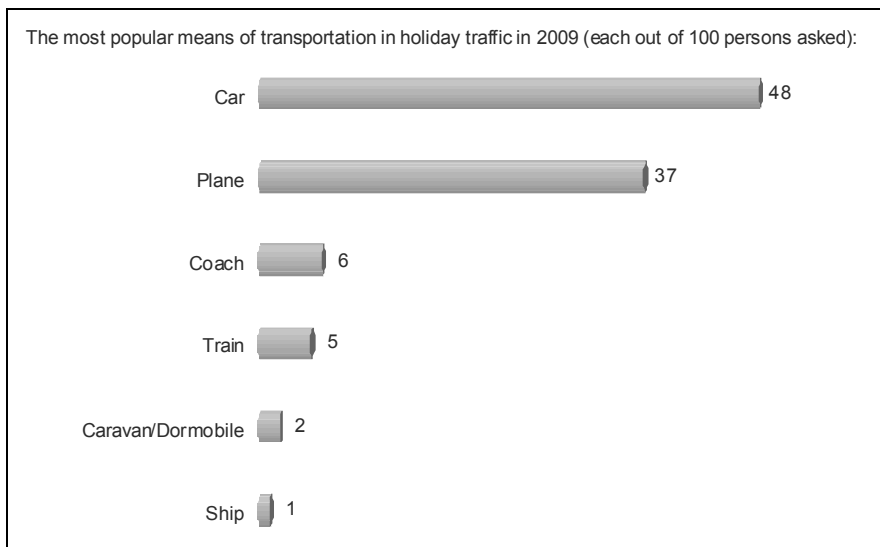
triumphal march of the tourism industry. At the beginning of the 1950s one in five Germans travelled with the own car (1951: 19%). Only ten years later the figure had doubled (1960: 38%). In the mid-70s the use of cars for journeys peaked: Almost two thirds (1976: 64%) were using their own car on their holidays. Since then holiday traffic by car has been in decline, an effect which can be put down to the development of air traffic. At the beginning of the 90s (1993: 27%) only about one in four Germans used the car for travel.

But now we are experiencing the renaissance of the private holiday car. It is by far the most popular means of transport to the holiday destination. Almost every second journey (48%) is done by private car (see [fig. 5](#)). Especially families (62%) appreciate the advantages of a car – independence, few limitations regarding luggage, but most of all the reduction of expenses. Even senior citizens prefer the car exceptionally often in spite of low-cost carriers, special offers and fully developed rail networks. On the other hand young adults, singles and couples want to travel fast and far. They prefer to take a plane.

The most important factor in terms of deciding which means of transport to take is the destination. Only one per cent of all the journeys made within the borders of Germany are undertaken by plane. Destinations abroad like Turkey or Greece are almost exclusively reached by plane (97% each). Even Spain is almost only visited by plane (93%). Coach and car tours to the Costa Brava, Costa Blanca or Costa del Sol were very popular for trips to the Iberian Peninsula until the 80s, but are now hardly done anymore. Italy on the other hand remains an

attractive destination for journeys in one's own car: Almost three-quarters of the holiday-makers (70 %) use the trans-alpine motorways in order to get to Southern Tyrol, Tuscany, the Adriatic or destinations further south. This also applies to holidays in Austria (80 %) and Scandinavia (72 %). The advantages of the car outweigh other means of transport in the eyes of the tourists.

The importance of the train as a means of holiday transport is only increasing slowly. This environment-friendly means of transport is chosen by one traveller in twenty. Good connections are decisive – for instance one quarter of those travelling to Switzerland choose the train (27 %). Coach tourism has suffered heavy setbacks and is losing its elderly customers to the train and its younger ones to low-cost carriers.



**Fig. 5.** Means of transportation in holiday traffic in 2009. Car instead of plane

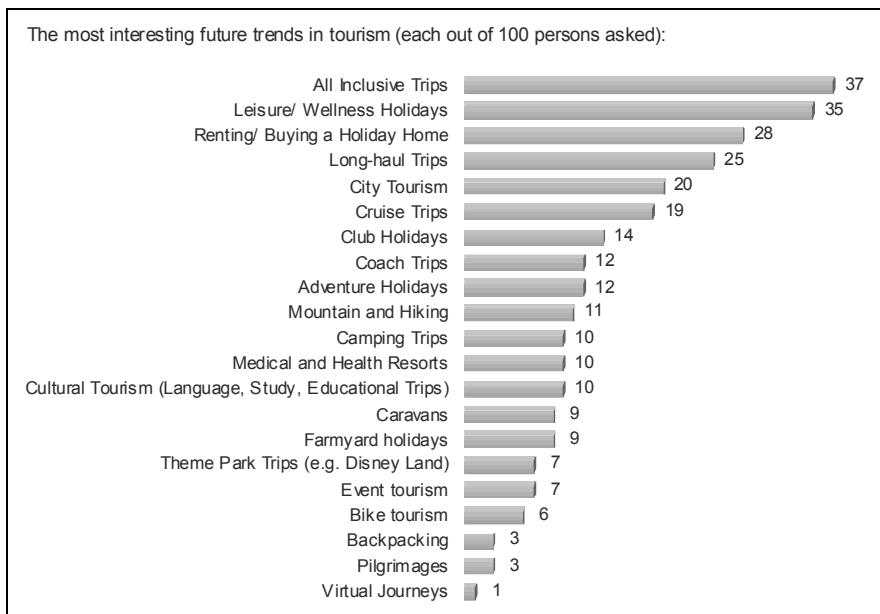
Source: Representative survey of 4,000 people over 14 years in Germany in 2010, Foundation for Future Studies

## 4 How Sustainable Is This Trend? Tourism Forecast and Future Trends

### 4.1 Tourism Trends of the Future

Putting effort into saving can also be perceived in different ways of travelling which have a high future potential in the eyes of German citizens: The interests of the holiday-makers vary enormously – almost every segment is in demand – but a closer analysis shows that not every type of travel can hope to have increasing

numbers of users. Some should cater for the needs of their regular customers instead of trying to find ways to attract new target groups. The all-inclusive segment holds the greatest potential. Almost two-fifths of German citizens are interested in this area (37%). The advantage of this type of travel lies mainly in the easily calculable total costs – there is no or at least almost no extra expenditure for the holiday-maker. This is closely followed by the classical leisure holiday (35%), the renting of a holiday home (28%) and the long-haul trip (25%). This in turn is followed by the cruise market (19%) – the potential winner of future trends – where there is still a yawning gap between dream and reality. The best that city tourism can possibly hope for is stagnation (20%), whereas mountain and hiking holidays (11%) and camping holidays (10%) are making a comeback and can brace themselves for increasing numbers.



**Fig. 6.** Future trends in tourism. All-inclusive instead of virtual

Source: Representative survey of 4,000 people over 14 years in Germany in 2010, Foundation for Future Studies

The preferences within the population differ strongly:

- The most interest in city (22%) and cultural (16%) tourism is shown by singles.
- Medical-Wellness (15%) and mountain/hiking tourism (15%) is of interest to the Best Agers.

- Juveniles are fond of caravanning trips (23 %) and camping holidays (31 %).
- Adventure holidays are popular among young adults (32 %).
- Coach trips are attractive to retired persons (27 %).
- And families have a great interest in holiday homes (48 %).

This shows how diverse and different the desires and interests are, but also gives an example of the countless possibilities at the disposal of the suppliers, who in future should focus on the respective target groups instead of trying to keep everybody happy. This might also avert the danger of fragmenting the types of holidays on offer and of conflicts between the target groups. One opinion is unequivocal: Virtual journeys “at home” are only welcomed by one person out of hundred.

## 4.2 Tourism Forecast 2010

*“The travel world champion is back: fun in the sun instead of staying at home”*

The German tourist industry can heave a sigh of relief. Despite uncertainty and ambiguous future prospects the Germans are once again trying to live up to their reputation as the travel world champions in 2010. Their urge to travel is unbroken and the tourist industry is no longer in the doldrums. One of the UNWTO’s basics has been confirmed once again: “Tourism recovers after every crisis” – after the Chernobyl disaster in 1986, the first Gulf War in 1990/91, the September 11, 2001 terrorist attacks, the Bird Flu and the Tsunami in 2004 or right now after the financial crisis: In the year following each crisis the German’s travel intensity was on the rise again. Long before other industries recovered from the crisis the Germans were travelling again.

42 per cent of the Germans feel ready for a holiday and are already planning at least one journey in 2010. One out of nine citizens (11 %) even wants to undertake two or more trips in the oncoming season. The number of the undecided remains constant: More than one in three of those asked (35 %) is wary about his plans and prefers to wait and see. Experience has shown that about one third of the undecided will go on a holiday and therefore the travel intensity might be higher than last year’s – despite the financial and economic crisis.

About every one citizen in four is planning to spend his holiday within the borders of Germany (22 %). One in three wants to visit another European country (33 %) and every one in ten (10 %) plans on leaving Europe for holiday. More than one citizen in three with the intention of travelling (35 %) has not yet decided which country he will head for in 2010. Spain (9.2 %) will remain the number one destination abroad. Turkey (4.8 %) can hope to beat Italy (4.0 %) to second place. With Istanbul as the European Capital of Culture in 2010, Turkey has a bonus and can hope to attract families as well as couples and singles. But the North African destinations from Egypt through Tunisia to Morocco (2.6 %) can also be relatively optimistic about the future, whereas Austria (3.2 %) and Greece (1.6 %) will be

losing further market shares. All the destinations from the Black Forest to the Caribbean can continue hoping to welcome the undecided who are only waiting for the right offer to set off on their holiday.

# Exotic of Vicinity: Holiday Feelings Between Home and Long-Distance Journeys

Christoph B. Melchers and Patricia Moser

## 1 The – Not so New – Trend Towards Region

Today everyone is speaking of globalization. Like any other trend globalization has created a reverse trend. Thus, the twist towards regionalism, towards localness is on its way. At first one could experience this turn on consumer markets due to an increasing popularity of regional products. Apart from the fact that for some consumers even Argentinean wine shall be organic, the organic trend is one variant of regionalism.

Since the nineties, globalization has rendered long-distance travels to a common property in tourism. Exotic destinations from California to Seychelles became favourite destinations for globetrotters, due to all-inclusive offers also for mass-tourists. Since some years there is a visibly disposition towards vicinity, travels to the home country or the own region.

The tendency towards near destinations is often related to the actual financial crisis and a shortage in available money. But one may notice the actual crisis in a shorter period of time spent on holidays and the search for discount offers; scarcely in changing travel destinations. Taking again the actual crisis into account one may just as well argue, tourists aim for being as far away from home-made woes as possible. So at the end of the day, one may pretty well experience the problems of interpreting statistics with the help of mainstream psychology or common sense.

## 2 Trends Seen from a Cultural-Psychological Point of View

Changes in collective travelling behaviour can also be viewed as the result of the curious coming and going of trends and “waves”, which in the end are unexplainable. Our culture seems to be a “hotbed”, creating and destroying the funniest violets. We think of culture as a huge organism which tries to build modes with the

help of trends to consistently cure itself. The brisk trend-production of the last years and decades is a first hint for the remarkable need for treatment (therapy). These trend-productions do not seem to be very successful when looking at the low lifetime of most of them.

The question which is interesting is: which cultural problems are behind global tourism and the recent turn towards vicinity? What do these phenomena mean? The behaviour of every individual takes place in contemporary culture and follows collective regulations which are produced by the present culture. With the help of in-depth interviews one may investigate cultural regulations and thus – for individuals – unconscious cultural pictures may be detected and exposed. The cultural need for self-therapy may not be detected in only one single study. In fact, the analysis of cultural productions needs studies in different areas as for instance in different markets, for different fashions, not necessarily only clothing, in movies, literature and fine arts.

### **3 The Actual Culture of “Clutch and De-clutch”**

During the past decades, our diagnostic findings in different culture and tourism studies have revealed tourism as venue of a contemporary culture of “clutch and de-clutch”. This phenomenon is the universal principle of the Western Hemisphere: We are occupied in and distract ourselves by “clutching in” different “environments” and “pictures of life”, offered by our Western culture. The story of “clutch and de-clutch” can be described in the following way.

Due to the principle of equality after the French and American revolution an enormous increase in “life designs”, “life pictures” started going. Every individual is now able to choose from a variety of different pictures and may live up to them. There is no hierarchy or rank order. There is no stringent social class system anymore. Not only nobility, bourgeoisie and other social classes have an equal right to exist. Every newly invented way of life is on an equal footage.

According to the demand for “Everything for everybody” humans – since the middle of the last century – do not want to live up only to one single life-picture, they rather want to poke into other corners. How does it feel to be a millionaire? How does it feel to be a globetrotter, huntsman, sportsman, dropout, child of nature, dude? Being able to experience all different kinds of possibilities, there is no other way than to jump in different worlds and change to another world after a while.

We clutch for instance into different worlds of lifestyle when consuming different brands, into different ambiances of events, but also into different relationships and professions. After having “tasted” this particular world, we de-clutch again.

Tourism enables more literally than any other form of consumption to clutch and de-clutch into other worlds. Thus destinations which one thought to know were less interesting; Southern or exotic destinations often with a jet-set flair were very popular. According to the dictate “Everything for everybody”, low budget airlines and discount travels enable everybody to visit almost any place in the world.



## 4 The Addiction to Vicinity as Corrective Against the Culture of Clutch and De-clutch

Since the middle of the nineties the culture of clutch and de-clutch with all its manifestations has been getting into difficulties. Those who used to clutch and de-clutch started suffering due to the arbitrariness of a “monotony in changes”. Using the example of tourism it seems to be arbitrary travelling to Majorca, Ibiza, Madeira, Thailand, Australia or Florida. Holiday experiences have a short life-time. Practicing touristic clutch and de-clutch raises the question: what do I really seek in travelling and who am I when visiting different destinations. The search for meaning as a trend cures the arbitrariness of monotony in changes, a trend more often observed for younger people.

Since 09/11 one may notice people looking for meaning and identity. Instead of clutching into Caribbean or ski circuit worlds people are aiming for something which they can pursue steadily and develop further. Instead of experiencing high-life at Capri pool-parties – or the life of diehards at the football stadium people want to know who they are. Many of them pursue the search for meaning and identity and also clutch and de-clutch at the same time.

We see the turn towards vicinity in this context, as well as the turn towards consumption of home-made products. If people are looking for their own identity, it is obvious to bethink themselves of their national roots, the nature or culture of their own region. There is no aim for the feeling of being somewhere else but for getting to know better where one belongs. Insofar the affinity to near touristic destinations is related with spiritual tourism.

Instead of having been to many different regions, shorter trips are done to one or some nearer destinations to explore them closer. Travelling to and exploring nearby regions are seen as travelling to “oneself”: landscape and culture of the own region incarnate the essence what one believes is in oneself.

## 5 How to Offer Travels to Nearby Regions

Recreation from fun-stress is the clue. In times of crisis one should avoid the impression of long-distance travels being too expensive for the own budget, travels to nearby destinations should not show a low price. Typical travels in this context are cruises at the river Danube, Elbe, Rhine or Seine instead of cruises to the Indian or Antarctic Ocean.

If tourism to vicinity succeeds in offering self-therapy is depending on whether tourists are able to find there what they are looking for. Finding something in the region which may be developed further and conveying a sort of identity may not be found just like that. Especially since many regional destinations have turned into locations for clutching. This article may not be understood as a call for open-air museums but as a hint, to emphasize how the past has an influence on the present and what is still alive in the nature of contemporary people.

## References

- Bruner, J.: Sinn, Kultur und Ich-Identität. Zur Kulturpsychologie des Sinns. Heidelberg (1997)
- Melchers, C.B.: Spiritueller Tourismus, Beweggründe – Formen – Pflege touristischer Marken. In: Heilige Orte, sakrale Räume, Pilgerwege, Möglichkeiten und Grenzen des spirituellen Tourismus, Tourismus-Studien Sachsen Anhalt 24, Bensberger Protokolle 102, Magdeburg, Lutherstadt Wittenberg, Bensberg (2006)
- Salber, W.: Kultur-Revolution 2009. Cologne (2009)
- Salber, W.: Seelenrevolution – Komische Geschichte des Seelischen und der Psychologie“. Bonn (1993)

# **Challenges in Global Aviation Management**



# Outlook on Climate Change and Aviation

Jürgen Ringbeck and Daniel Röska

## 1 Why Aviation Should Care About Climate Change

Throughout the Industrial Era, economic growth has been generating ever greater atmospheric concentrations of CO<sub>2</sub> and other greenhouse gases. There is a large scientific consensus that unless we stabilize or reduce these gases, we will likely experience dramatic climate change and global warming which will have broad impacts on the global ecosystem.

The aviation sector currently produces approximately 1.5% of global greenhouse gas emissions. It has already compiled an impressive history of technological advances and improvements, such as improved engines and new aircraft designs – most recently culminating in the introduction of the Airbus A380, aimed at significantly increasing efficiency. Over the past 40 years, average fuel consumption of new aircraft has been decreased by 70%.<sup>1</sup>

Fuel is the main driver of aviation emissions. But given the strategic importance of fuel to the aviation sector, and the continued rise in its cost, the sector needs little external incentive to continue to improve fuel efficiency. Fuel is one of the main costs for airlines, accounting for up to 30% of total operating cost. Although fuel prices have declined since the recent spike in the summer of 2008, it seems likely that they will eventually resume their rise. The medium term IEA forecast for 2016 estimates fuel prices surpassing 150 USD/barrel under its high price scenario.<sup>2</sup> At this price, fuel would account for more than 45% of airlines' total operating costs, further increasing the need for more efficient fuel consumption. In fact, meaningful efficiency initiatives are already underway, such as the ongoing development of new airframes and engines, infrastructure improvements, and the redesign of air traffic management (e. g., NextGen in the USA and SESAR in Europe). In short, it has always been and will continue to be in the airlines' interest to operate as fuel efficiently, and consequently, as emissions efficiently, as possible.

---

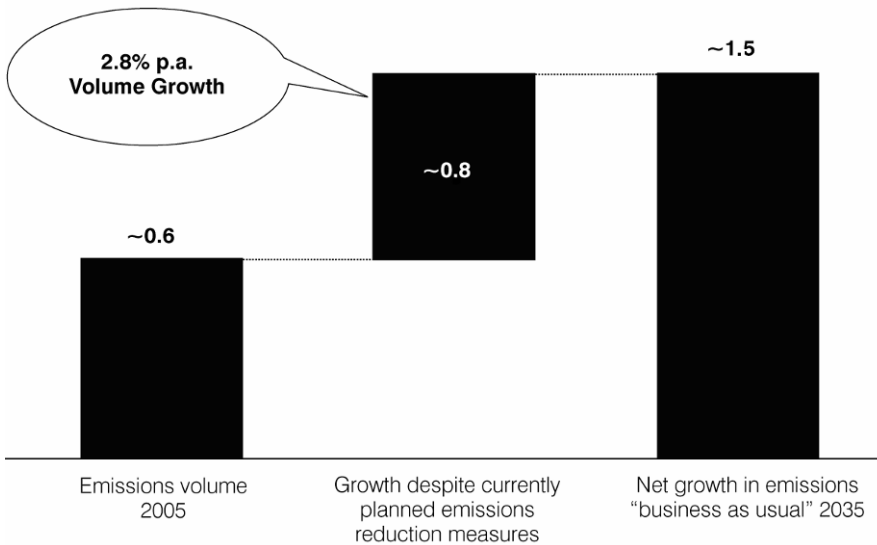
<sup>1</sup> IPCC, *Aviation and the Global Atmosphere: A Special Report of the Intergovernmental Panel on Climate Change* (1999), Cambridge University Press.

<sup>2</sup> US Energy Information Administration, *Annual Energy Outlook 2010* (Update May 2010).

That is not saying that the aviation sector can rest on its laurels. Despite the remarkable history and foreseeable investments in sustainable aircraft and engine development, the positive effects of these achievements will likely be far outweighed by the increasing demand of global air traffic. This rise in demand will be driven by macro-economic factors such as the increase of global population and the economic growth, particularly in emerging markets. Further, demand growth will likely outstrip the pace at which infrastructure is being developed, especially in highly concentrated markets and at existing and emerging global mega hubs. This will give rise to growing airport and airspace congestion, and translate into less efficient air-travel.

In a recent report the World Economic Forum (WEF) and Booz & Company estimated that demand for air-travel will grow by 5% per annum, which translates into a three- to fourfold increase by 2035.<sup>3</sup> As a result, without extraordinary additional measures, the global airline sector will significantly increase its carbon footprint from 0.6 GT CO<sub>2</sub> in 2005 to approximately 1.5 GT CO<sub>2</sub> in 2035, a growth rate of 2.8% per annum already accounting for foreseeable emission reduction

#### WEF AND BOOZ & COMPANY EMISSIONS FORECAST (Gigatonnes CO<sub>2</sub> 2005-2035)



**Fig. 1.** Travel emissions forecast

<sup>3</sup> Chiesa T, Ringbeck J: Towards a Low Carbon Travel & Tourism Sector, World Economic Forum Report prepared with the support of Booz & Company, May 2009.

measures (see Fig. 1). Even if the aviation sector would only commit to “carbon neutral growth”, i. e. growing production while not increasing emissions, the sector will have to radically rethink its strategies and policies for managing emissions just to stem this growth within the next years.

By addressing the growth of emissions, as well as the ongoing public discussion and increased public focus on the aviation sector to contribute to emissions reductions, the International Air Transport Association (IATA) defined ambitious targets for the sector in advance of the 15th United Nations Climate Change Conference (COP15) in Copenhagen in late 2009. The IATA proposed:

- +1.5 % per annum average efficiency improvement until 2020
- Carbon neutral growth from 2020 onward
- An absolute reduction of 50 % of emissions compared to 2005 levels by 2050

## 2 How to Deal with the COP15 Failure?

Unfortunately, COP15 fell short of its goals. The conference managed to achieve a consensus on the existence of global warming, but did not produce a binding agreement or set deadlines for legally-binding commitments. Nor did it produce a proposal for a global approach to emissions, emissions targets, or any other actions for the aviation sector.

In this sense, COP15 alleviated the external pressure on the aviation industry to address climate change. Nevertheless, the inability of the aviation sector to fundamentally change the way it operates, the inevitable increase of produced emissions, and the growing public concern requires the industry to take action. The aviation sector must learn to think “outside the box.”

The lack of a binding global political and legal framework for emissions reduction constitutes a significant opportunity for the aviation community to fill the gap left by COP15 and proactively shape its own future by continuing to develop an environmentally-sustainable system to mitigate the sector’s impact on climate change without impeding its growth and success. Conversely, it also increases the risk of insufficient and uncoordinated action with unintended consequences. Individual nations could easily pursue misaligned environmental agendas, and implement measures that will be hard to reconcile once a mandate for a global framework is finally agreed upon. A recent example is the proposed “green departure tax” for air-travel in Germany that stemmed from efforts to consolidate the country’s national budget. The measure was not coordinated with other countries in the EU (such as the emission trading scheme) and will only create an outflow of funds from the industry without any direct returns.

That is why it is an absolute necessity that the industry takes the lead by building a consensus among IATA members and the International Civil Aviation Or-

ganization (ICAO) member states on aviation-related climate change mitigation. The COP15 accord gives these organizations the breathing room needed to harmonize their efforts and reach a common solution to addressing the sector's impact on global climate change.

Coordinating investments in new technology will be central to these efforts as well as the creation of a sustainable aviation sector. The following four major investment areas are the core of a sector-wide strategy to create the right conditions for a more sustainable, low-carbon economy:

- (1) Improved infrastructure and air traffic management
- (2) Next generation aircraft and engines
- (3) Accelerated fleet renewal
- (4) Alternative fuel sources, such as aviation biofuels (ABF)

A comprehensive framework that addresses each of these areas would ensure that the right conditions and incentives exist for investment. Today, the aviation sector is marginally profitable at best, and therefore, the framework will have to manage the inherent conflict between accelerating the environmental agenda through financial investment and the limited availability of financial resources. In the short term, it is likely that the aviation sector will be penalized for its emissions (as is the case with the EU emission trading scheme) and at the same time, be required to make costly long-term investments in technology to reduce its emissions footprint. But ideally an effective global framework would better balance short-term and long-term demands and impacts.

Given regional differences, there is also a need to balance scope and responsibilities between national and regional regulations and the global framework that require answering questions such as: Will a comprehensive framework require equal treatment of all parties or can it take a "common but differentiated" approach to accommodate geographic differences? How should specific responsibilities be divided and ultimately tied to the global framework?

Further, a global framework must carefully consider financing mechanisms. How will the framework affect the outflow of funds from the sector (in the form of emissions penalties, for instance) versus the inflow of funds from sources such as government-funded research in the sector? Here again there must be a balanced approach, such as allowing the sector to offset emissions penalties with green technology investments.

Finally, the framework will need to specify transparent measurement, control and tracking mechanisms to verify and ensure that the targets set by the sector are being met. Otherwise it will be difficult to incorporate already existing or future national/regional frameworks (see [fig. 2](#)) and establish the metrics needed to recognize and prevent unintended consequences.



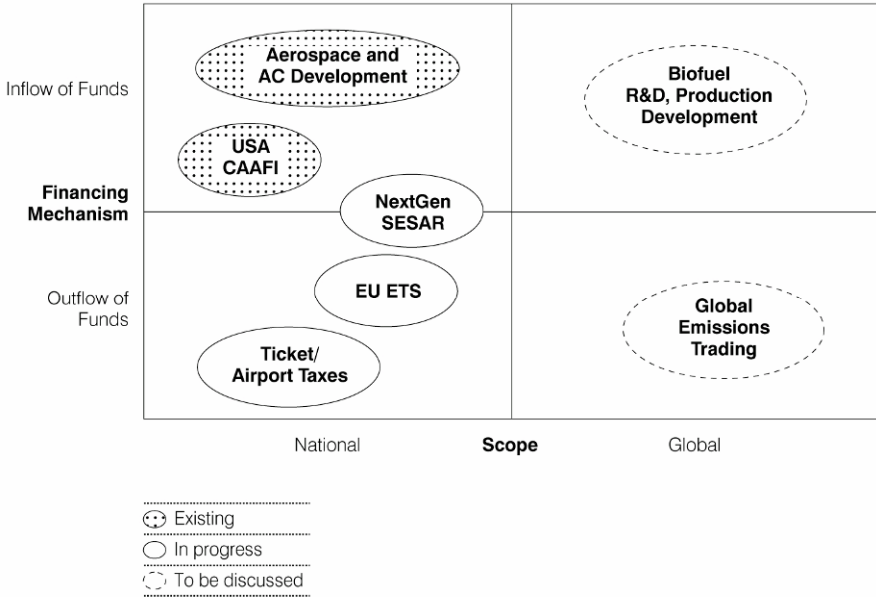
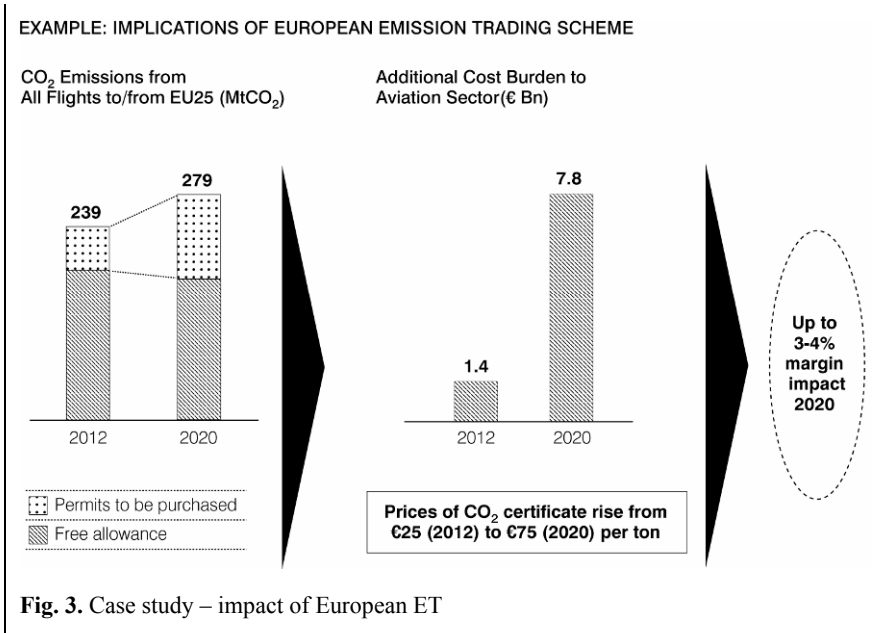


Fig. 2. Examples for sustainable initiatives

### Case Study: European Emission Trading Scheme

One of the most prominent examples of an international framework to regulate carbon emissions is the European Union’s emission trading scheme (ETS). This regulatory framework incents companies to invest in emission reductions and penalizes those whose emissions exceed specified levels. Originally, restricted to energy intensive industries such as power generation, chemical and steel sectors, the ETS has been in force since 2005. In 2008, the EU parliament decided to include the EU aviation industry in the ETS starting in 2012.

The ETS will create an additional incentive for airlines to reduce their emissions. But while this instrument may drive airlines to increase investments in improvements, such as acceleration of fleet renewal, it also places an additional financial burden on an already beleaguered industry. In a recent scenario analysis, Booz & Company has determined that the cost burden of CO<sub>2</sub> certificates to the European aviation sector will rise primarily driven by three factors: (a) development of the market price for emission certificates, (b) reduction of ‘free’ allowances for the aviation sector, and (c) the overall growth of the sector. Taking these considerations into account the emission cost for European airlines could rise from 25€/ton in 2012 to 75 €/ton in 2020 (see fig. 3). This is equivalent to a 3 % to 4 % impact on the operating margins of an airline and could easily overtax the financial capability of the sector. It could also penalize local players creating a greater imbalance between regulated and non-regulated carriers.



### 3 How to Crack the Fundamental Issues

Managing the emission footprint of the aviation industry will not be an easy task. The costly development of the aviation infrastructure, including higher-capacity airports and the more efficient use of airspace, is already underway. So is the development of next generation air traffic management systems. But, multiple barriers remain. In the European Union, for example, fragmented geopolitical landscape, in which individual countries are reluctant to give up their independence, remains a major bottleneck to improvement, even though the more efficient organization of European airspace would reduce fuel consumption of its airlines by up to 10%.

Next generation aircraft and engines promise improvements in efficiency and reduced emission, but currently there is no new, quantum-leap technology in the foreseeable future. Nevertheless, a faster penetration of more modern and more efficient aircraft will certainly reduce overall emissions in the aviation sector. But given life spans of more than 30 years, today’s aircraft will likely remain in service well beyond 2020, and fleet renewal rates will only gradually introduce aircraft and engine efficiency gains into the mix. Accelerating fleet renewal can help, but its effect is limited by overall technological efficiency gains. It also requires difficult discussions about funding: the early renewal of aircraft has not been factored into the business models of airlines and would have a significant impact on their profitability and overall financial health.

All of these developments – in infrastructure and fleets – will require enormous amounts of money and will still not be able to offset the anticipated rise in emissions of the sector. Currently, the only known means to close the “carbon neutral growth” gap is the development of aviation biofuels. The airline sector differs from ground transport in this respect: ground transport has several alternative energy sources, including biofuels, fuel cells and electric power trains, but aviation only has biofuels. Unfortunately, biofuels for the ground transport sector can be made easier and cheaper than aviation biofuel, virtually guaranteeing that aviation biofuel will not be available as quickly as it could be. There are a number of reasons why the exploration and commercialization of sustainable next generation aviation biofuels is a major challenge:

- (1) The technical specifications of jet A1–kerosene are very demanding and can only be met using advanced processes that require further investment.
- (2) It is estimated that a massive investment of tens to hundreds of billions of dollars is required to build sufficient aviation biofuels feedstock supplies and construct the production facilities and global supply chains required to deliver enough aviation biofuel to meet global demand.
- (3) The current extraction and production costs of aviation biofuels are several orders of magnitude (4–7 times) higher than the conventional jet fuel. For these fuels to become competitive and to be widely adopted by the aviation industry, a substantial cost reduction is required (at the right specs) to make the economics work.

This gives rise to many technical, commercial and regulatory questions about the feasibility of aviation biofuels, such as:

- When will promising next generation biofuels, such as Fischer-Tropsch jet fuel produced from wastes and specially grown lignocellulosic biomass (Micro Algae), become available in sufficient quantities? Can currently-known biofuel technologies based on sugar or starch fermentation or vegetable oil hydrogenation, for example, be further developed as a jet fuel drop-in?
- How will aviation biofuels become more economically viable in an industry that cannot afford to pay premium prices? How can the usage of and investments in aviation biofuels be promoted in the context of new carbon policy measures such as emission trading and potential carbon tax schemes?
- How sustainable are aviation biofuels considering their entire supply chain from feedstock cultivation to distribution, particularly when taking into account their needs in terms of direct and indirect land-use? What impact will the cultivation of sustainable feedstock have on food production and the rainforests?

- Who will pay for the infrastructure required for airline biofuels? Given the price volatility and the more demanding technical specifications of jet fuel, aviation biofuels are not a very attractive market for oil & gas and chemicals industries to invest in, particularly compared to the opportunities offered in other sectors.

## 4 Outlook

To foster the conditions necessary for accelerated investments in sustainable technologies, and specifically aviation biofuels, the aviation sector must take the lead in developing a global framework for carbon emissions policy that includes the economic measures that will be needed to create a sustainable industry in the long term. These measures could include the creation of an “aviation low carbon fund” that is financed by “green fees”. Such a fund should eschew individual, national regulations in which chances are good that emissions taxes will not flow back into the aviation sector for a viable global solution. This fund should be used to incentivize over-performance, thus accelerating innovation within the industry and preventing additional financial burden without corresponding benefits.

The gap created by COP15 offers gives the aviation sector a limited timeframe to decide how to move forward and pre-empt further isolated national/regional measures. If the aviation sector can successfully define and balance the multiple elements of a global framework, there is high probability that it can attain a sustainable future.

# Acceptance of Aviation in the Airport Environment: Best Practice Examples

Ralph Beisel

## 1 Introduction

In 2009, 182.2 million passengers and million tonnes of cargo passed through German civilian airports. Current forecasts predict further growth for the aviation sector in coming years, with the number of passengers expected to rise to over 300 million and air freight to close on seven million tonnes between 2020 and 2025.

Some German civilian airports are already operating close to capacity. To ensure that they remain competitive and continue to be an attractive economic and commercial location urgent refurbishing and expansion will be necessary at a number of airports. Over the next few years 20 billion euros – most of it privately financed – is being invested in German civilian airports.

In their efforts to achieve growth and international competitiveness German civilian airports are conscious of their responsibility towards those who are affected directly and towards the environment and climate.

In recent years lack of knowledge has frequently been an obstacle to constructive debate. What have the aviation sector and more particularly the airports themselves done to contain their impact on the environment? What target has the aviation sector set itself? This paper outlines the wide range of measures which have been introduced at German civilian airports demonstrating the airports' commitment to the environment. It has been this commitment that prompted airports to seek close dialogue with the people who use and live close to the airports. For German airports keeping a "Focus on the Environment" means devoting intensive efforts to the effects of aviation and air traffic.

## 2 First Focus on the Environment: Reducing the Impact of Aviation-Related Noise

German civilian airports take airport noise and the needs of those who live close to airports very seriously and have been working closely with airlines and air traffic control for many years to ensure that the impact of airport noise is contained.

**Successes in reducing airport noise:**

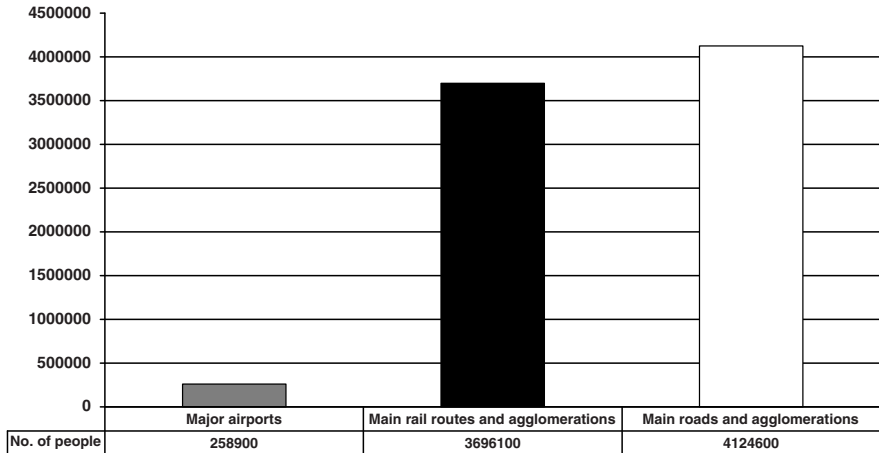
- Aircraft noise has dropped by 20 dB(A) since 1970. This represents a **subjective noise reduction** of around 75 per cent. Each new generation of aircraft has brought a further reduction in noise emissions.
- Those who live close to airports are given **effective noise protection measures** based on current findings of research into the effects of noise. Over the past decades German air traffic management has invested over 470 million euros in passive noise abatement measures such as sound-proof windows or ventilation systems.
- The new German Aircraft Noise Protection Act (*Fluglärmschutzgesetz*) implicates that German airports will devote another 400 to 600 million euros to this issue in the coming years. The **Aircraft Noise Protection Act**, which came into force in 2007, takes account of the interests both of the aviation sector as well as of those who live close to airports. It also reflects the latest findings of research about the effects of noise. The Act establishes noise thresholds which the airports are required to apply to their noise abatement measures, which means that local residents now have a set statutory benchmark on which to base demands and claims.
- In addition to the statutory requirements, **dialogue with those affected** is paramount. German civilian airports are constantly seeking dialogue with people who live in the vicinity of airports. This dialogue is generally continued in the airports' noise commissions.
- Since the seventies **landing charges** at German airports have taken account of varying noise levels. This has been an incentive to airlines to use the most modern and quietest aircraft. The aviation industry has set itself the ambitious target of reducing aircraft noise levels by a further ten decibels.
- Airports also use **active noise abatement measures** in order to reduce the impact of noise. German airports collaborate with the German air-traffic control body Deutsche Flugsicherung on noise-reducing flight approach procedures and routing.

**Fact Focus**

A study of transport-related noise carried out by the Federal Environment Agency in accordance with Stage 1 of the European Environmental Noise Directive (as at May 2009) reached the following conclusions: At Germany's nine largest airports<sup>1</sup> a total of 258,900 people are affected by night-time noise from an outside source of over 50 dB(A). By comparison, in agglomerations with more than 250,000 inhabitants over 4.1 million people are affected by road-traffic noise of more than 50 dB(A) from traffic on main roads.

---

<sup>1</sup> Airports with over 50,000 flight operations per year: Berlin-Tegel, Stuttgart, Munich, Nuremberg, Frankfurt, Hamburg, Hanover, Düsseldorf and Cologne/Bonn.



**Fig. 1.** Result of noise mapping in Germany. Number of people exposed to permanent night-time noise over 50 dB(A), Stage 1 of the European Environmental Noise Directive/ §§ 47 a ff Federal Emissions Protection Act

Sources: Federal Environment Agency and Federal Railway Authority, 2009

### 3 Second Focus on the Environment: Reducing CO<sub>2</sub> Emissions

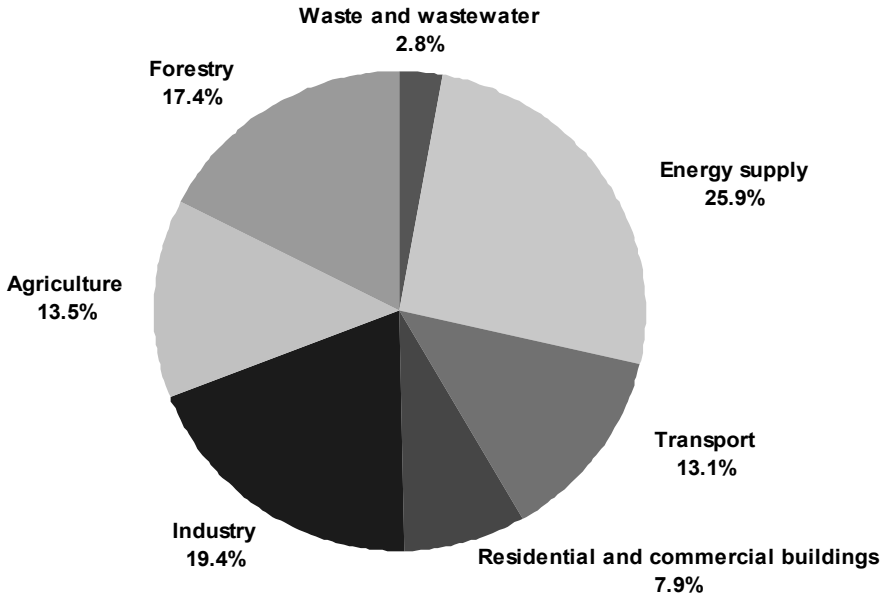
The public frequently perceives air-traffic as the biggest environmental polluter despite the fact that it actually accounts for a comparatively low proportion of emissions: taken globally, air-traffic currently generates only 2.2 per cent of energy-related CO<sub>2</sub> emissions, i. e. no more than the global use of the Internet. According to Intergovernmental Panel on Climate Change (IPCC) figures, the emissions caused by other forms of transport are higher. Road traffic and shipping account for 14 and 2.7 per cent respectively of CO<sub>2</sub> emissions. Even with continuing growth, constant technical advancement will mean that air traffic will never overtake road traffic in generating emissions. Over the past few years the aviation sector has initiated a wide range of measures to curb CO<sub>2</sub> emissions.

#### Success in reducing CO<sub>2</sub> emissions:

- Since 1970 **kerosene consumption** and **CO<sub>2</sub> emissions** have been **reduced** by 70 per cent per passenger per 100 km. Modern aircraft consumption averages at only around 3.2 litres per passenger per 100 km. Some aircraft have even broken through the three-litre mark. Fuel costs account for a large share of airlines' operating costs. Aircraft manufacturers seek untiringly to build aircraft with greater fuel economy.
- **Technological progress in engine development** entails clean combustion with substantially fewer pollutants and a constant reduction in noise levels.

### Fact Focus

One person travelling from Berlin to Frankfurt in the A 321-200 generates 50 kg CO<sub>2</sub>. One person travelling the same route by car (at an average fuel consumption of 8 litres per 100 km) generates twice as much: 110 kg CO<sub>2</sub>.



**Fig. 2.** Share of different sectors in total anthropogenic GHG emissions in 2004 in terms of CO<sub>2</sub>-eq.\* (Forestry includes deforestation)

\* Carbon dioxide-equivalent emissions

Source: Intergovernmental Panel on Climate Change (ed.): IPCC Fourth Assessment Report: Climate Change 2007 (AR4), AR4 Synthesis Report, p. 36, fig. 2.1 (c)

## 4 Third Focus on the Environment: Airports' CO<sub>2</sub> Reduction Package

Airports are taking proactive measures to reduce aviation-related emissions. However, airport operators can only exercise a direct influence on certain sources of CO<sub>2</sub> emissions and it is these which their measures target. The strategy adopted by the airports is as follows:

1. **Avoid:** measures which prevent emissions from ever materialising.
2. **Reduce:** measures which minimise the emissions for a certain procedure or process.
3. **Compensate:** measures whereby any remaining emissions are compensated elsewhere.



Over recent years airports have initiated a wide range of measures to reduce CO<sub>2</sub> emissions. These target three sources:

- Handling
- Infrastructure
- Traffic (road traffic; rail traffic)

Airports have contributed to reducing CO<sub>2</sub> emissions by modernising the central energy supply, optimising heating and air-conditioning technology, an innovative approach to vehicle fleet management and improving connections to public transportation systems.

**Table 1.** Examples of airports’ commitment

Emissions source	Measure (selected)
<i>Handling</i>	<ul style="list-style-type: none"> <li>• Use of natural gas vehicles on apron</li> <li>• Use of natural-gas powered luggage-handling vehicles</li> <li>• Optimising handling processes (avoiding empty runs)</li> </ul>
<i>Infrastructure</i>	<ul style="list-style-type: none"> <li>• Use of heat from a district heating network based on regenerative energies</li> <li>• Use of rape seed oil and bio-ethanol as alternative fuels</li> <li>• Construction and operation of biogas plants</li> </ul>
<i>Transportation</i>	<ul style="list-style-type: none"> <li>• Improved transport links to main rail lines</li> </ul>

## 5 Fourth Focus on the Environment: Limit Use of Space

The expansion of a civilian airport inevitably has an impact on the use of other areas and the natural environment.

- **Limited land requirement:** Unlike road and rail infrastructure, air traffic has a comparatively low land requirement. The amount of land needed and which is thus no longer available for vegetation is moderate.
- **Focus on conservation:** Airport expansion complies with nature conservation requirements.
  - The measures taken by German airports to counter the impact of airport expansion on flora and fauna are manifold.
  - Use of land and woodland clearance is counterbalanced by compensatory measures. There are strict statutory requirements for measures to counterbalance encroachment on the landscape and for reforestation where woodland has been destroyed.

### *Fact Focus*

As travel hubs airports have a relatively low space requirement compared to other forms of transport. The total area needed for all runways is only 5.54 km<sup>2</sup>. Motorways and major roads have a land requirement of 674 km<sup>2</sup>. The rail network has a land requirement of 286 km<sup>2</sup> excluding secondary lines.

## **6 Fifth Focus on the Environment: Airports Generate Sustained Growth for Regional Economies**

A holistic approach to sustainability can also contribute to regional growth and economic prosperity. The availability of airports is a significant factor in the attractiveness of a region and is of vital economic importance.

Airports attract new companies and industry, thereby creating jobs. Access to air networks is also an important factor for tourism in Germany and makes a vital contribution to making Germany a more attractive tourist destination. It boosts the status of tourism and increases the number of jobs in tourism and travel.

Figures prove airports ensure regional economic growth:

- **9,200 companies** have set up business close to German civilian airports, with investments of 425 billion euros.
- **40 per cent of the value of German exports** are shipped by **air cargo**. Each billion euros which is invested today in airport infrastructure will generate a 5 to 7 billion Euro increase in GNP over the next 30 years.
- There are currently **850,000 direct, indirect and induced jobs** in aviation.
- Catalytic effects mean that over 2.2 million jobs depend on aviation in Germany.

### *Fact Focus*

- One million additional passengers generate between 800 and 1,100 new direct jobs with airport operators, airlines, retail outlets, government offices, service companies, etc.
- A 100,000 tonnes of air cargo create around 800 new direct jobs.
- Each new long-haul aircraft stationed at an airport generates 400 new jobs.

## **7 Conclusion**

Aviation has now become an indispensable part of economic and social life on earth. Air traffic connects people, markets and continents. It is one of the arteries of our world economy and drives globalisation. The aviation industry wants to make

air traffic even more environmentally friendly. That is why they are focusing on technological developments and operational measures in the air and on the ground. Modern materials, shorter routes, new insights: air traffic will continue to be environmentally sustainable in the future. In "Vision 2020" the aviation industry has set itself ambitious goals. Carbon dioxide (CO<sub>2</sub>) emissions are to be reduced by a further 50 %, nitrogen oxide (NO<sub>x</sub>) emission by 80 % and noise by 50 % (compared to 2000).



# Ancillary Revenue Strategies: Five Success Factors

Jay Sorensen

## 1 Time of Opportunity

The airline industry has certainly flown into a crisis situation. Crisis isn't necessarily a bad event. For those who are prepared and courageous, it can be a time of opportunity.

### The Random House Dictionary Defines Crisis:

1. A stage in a sequence of events at which the trend of all future events, esp. for better or for worse, is determined; **turning point**.
2. A condition of instability or danger, as in social, economic, political, or international affairs, leading to a **decisive change**.
3. A dramatic emotional or **circumstantial upheaval** in a person's life.
4. The point in the course of a serious disease at which a decisive change occurs, leading either to **recovery or death**.

The definition describes a rather dire situation, especially the last line which refers to "death" as a possible outcome. But opportunists, and savvy ancillary revenue professionals, read the definition to learn the advantages. There is a related analogy in which a school of fish is swimming in a single direction – those choosing a different direction run the risk of swimming into the net or avoiding it on their own.

Turning points and periods of decisive change are evolutionary moments in which risk is rewarded or punished. Taking the ancillary revenue path can be a risky endeavour. Ask the folks at US Airways about the ill-fated decision to jettison free drinks and start charging for a can of Coke. It became a distraction for management, a cause for angry employees, and fodder for the press. In the end, the turning point was reached and the fees were killed.

Or consider the more successful stories offered by United Airlines and Allegiant Air. United made a decisive change to make a la carte pricing an important component of its restructuring. This grand old airline has learned new tricks and has surpassed all others in its brand development efforts. Allegiant is completely at ease with the concept of business risk, it has risen to the top of the ancillary revenue charts, and its investors are thrilled – even in today’s recession.

### **Seeking Ancillary Revenue Nirvana**

It’s tempting to present the readers of this article the following “tablet from Moses” and not offer further definition. But that presumes a little convincing will not be required. Plus it’s always better to teach by providing examples of how to do something, or in some cases, examples to avoid.

#### **The 5 Steps to Ancillary Revenue Nirvana**

1. Define your ancillary revenue brand.
2. Equip managers with resources.
3. Create consumer clarity.
4. Integrate the selling message.
5. Engage employees as supporters.

The beauty of the five steps is the simplicity of the message and the applicability to other projects. Brand, resources, clarity, selling and employees are words that should be integrated into every new project and program.

## **2 Define Your Ancillary Revenue Brand**

Virtually every company would benefit from an intensive effort to define its brand. Airlines are especially guilty of not creating brand awareness among consumers. Very few management teams have adequately defined the carrier’s brand – and virtually none have defined a brand for ancillary revenue activities. One carrier has accomplished both.

Ryanair fully discloses the no frills nature of its brand to consumers through the antics of its CEO and the eye-popping low fares it promotes on its website. Yes, Michael O’Leary, Ryanair’s unconventional CEO, is a brand evangelist. His commentary raises consumer expectations for low fares, while lowering expectations for free perks. And the website merely reinforces his message. Recently, browsing Ryanair.com provided the following examples of value oriented consumer messages:

- Hot Summer Deals (this headline was blinking)
- 33 % off our lowest fares (as was this one)
- Cheap hotels now available
- Click here for fantastic cheap hotel deals

No other website on planet Earth makes more use of the words “deals” and “cheap” than Ryanair.com. One may debate the merits of a brand based upon cheapness, but one can’t debate the carrier’s laser-like focus on communicating a consistent brand message.

On the other end of the brand awareness spectrum is US Airways. The carrier has made little progress to define its brand since the merger between America West and US Airways. Depending on your perspective, the brand has been defined by the company’s behaviour, or its ever-changing policies – but it’s not defined by a coherent brand message.

**Table 1.** US Airways – the brand from different perspectives

Consumers	The company’s “Fly with us” slogan is safe, integrates the name, but lacks depth, meaning and emotion. The move to remove complimentary beverages positioned the carrier as “cheap.” And yet, business travellers are presented with Envoy business class to Europe that literally promises “boutique wines, prime fillets, Mimosas, and local bakery bread.”
Employees	To many front line employees, the company’s ongoing labour troubles portray a management team that is distant, aloof and uncaring. Too often, these impressions influence the service provided to passengers.
Investors	The company’s “LCC” stock ticker code was intentionally chosen to communicate “low cost carrier” and the company once called itself “a low cost carrier with global reach.” The reinstatement of free beverages positioned the carrier’s management as “indecisive.” The LCC emphasis has apparently changed, as investor presentations now compare US Airways with other legacy airlines such as Delta and American.
Media	Reporters have access to all the perspectives described above and often express confusion. A recent USA Today article leads with, “In 2005, US Airways was going to be a low-cost carrier. In 2007, it was going to be a global behemoth. Yet, in 2009, it is neither.”

Sources: US Airways website reviewed July 2009 and “US Airways’ plans shift in travel slump” article in USA Today dated 14 April 2009

US Airways represents an easy target to criticize. As noted in the USA Today article, the financial struggles faced by the carrier have placed it in the position of constantly remaking itself. One can hardly blame any management team for tending to critical financial issues instead of building a brand. Or ... perhaps one can

blame management. After all, defining a brand for the airline and its ancillary revenue mission provides a beacon that everyone in the organization can work to support. US Airways, and practically every other airline, lacks that beacon.

### 3 Equip Managers with Resources

The desire to grow ancillary revenue usually begins with a senior executive seeking method to boost the bottom line through a la carte features or commission-based products. Sometimes a team is formed to evaluate the opportunity and perhaps a natural leader rises to accept the ancillary revenue challenge. The path described is often followed by other projects, but it's missing key components to help ensure success.

#### **Ancillary Revenue Resources – Building a Department**

- Integrate ancillary revenue within the airline brand and mission.
- Take a business plan approach to establish revenue and expense expectations.
- Budget for vendor support, advertising, and consumer research.
- Fill the key position with an ancillary revenue professional.
- Hire staff from inflight, customer services, and partner marketing to build bridges.

Not surprisingly, the process requires agreement on the branding definition for the airline and its ancillary revenue mission. The airline must develop a business plan for the project before any committee or individual embarks on the ancillary revenue path. Creating the business plan can be assigned to a staff member or a consultant.

The plan should evaluate the opportunities available to the carrier under the umbrella established by the brand definition. It should include financial projections for revenue and the expenses associated with the ancillary revenue activities. The plan should establish a budget for vendor support, advertising, and consumer research. The research element is crucial because it reduces the potential for mistakes – simply ask US Airways if more analysis may have prepared the airline for the consumer and employee backlash it faced when soft drinks were no longer free of charge.

Choosing leadership for the ancillary revenue role is a key consideration. The person chosen for the task will face scrutiny because of the disruptive nature of a la carte pricing and unbundling. What was once provided free-of-charge must now be sold – and that creates angst for marketing, pricing, public affairs, cabin services, airport operations, catering, and finance. The development of a business plan provides ancillary revenue professionals compelling evidence of the organization's dedication to the new initiative.



## 4 Create Consumer Clarity

Consumers, media, and politicians expect clarity. For these groups, clarity also contributes to greater integrity, especially regarding the mysterious and suspect art of ancillary revenue. Clarity is based upon the visibility provided to a la carte fees and the ethics of how sales are accomplished.

Visibility is the more easily accomplished of the two. But surprisingly, very few carriers adequately disclose a la carte fees. Perhaps the lack of disclosure is a symptom of greater problems such as a confused ancillary revenue strategy or the lack of a systematic approach to a la carte pricing. In a rush to implement ancillary revenue initiatives, many carriers create a patchwork of poorly defined products that fail to achieve full potential.

### list of service fees

If you purchase certain services at the airport you may be required by the agency of Wizz Air to pay extra fee in addition to the service fee defined below. Information about the extra fees is available at the airport.

name of the fee	calculation method	amount
Booking fee MasterCard, Visa, Amex, Diners Club	Per flight per passenger	5 EUR / 4 GBP
Booking fee Solo, UK Maestro & Bank transfer	Per flight per passenger	2.5 EUR / 2 GBP
Call Centre fee	Per flight per passenger	10 EUR / 9 GBP
Baggage fee via wizzair.com & call centre	Per flight per bag	10 EUR / 9 GBP
Baggage fee at the airport	Per flight per bag	20 EUR / 18 GBP
Excess baggage weight fee via wizzair.com & call centre	Per flight per passenger	0 - 5 kgs / 5 EUR / 4 GBP 6 - 10 kgs / 30 EUR / 24 GBP 11 - 20 kgs / 80 EUR / 64 GBP 21 - 35 kgs / 140 EUR / 112 GBP 36 - 55 kgs / 200 EUR / 160 GBP

Fig. 1. Excerpt of the list of service fees displayed at WizzAir.com

Source: WizzAir.com, April 2010

Wizz Air, a low cost carrier based in Eastern Europe, provides an exceptionally thorough display of its a la carte prices. An easy to find link called “Service Fees” under the perfectly-named “Useful Information” tab at its website lists more than 50 a la carte fees.

The question of ethics is often easily answered by a website’s use of opt-out methods. The EU has addressed this question through regulation. The EU began an enforcement sweep in 2007 which determined 35% of airline websites were in violation of consumer regulations.<sup>1</sup>

1 EU Airline Sweep Investigation, MEMO/08/756.

### **The EU Regulates How Airlines Sell Travel**

- Do all price indications include all unavoidable and foreseeable taxes, charges, surcharges and fees?
- Are optional boxes shown in the booking process on an “opt-in” basis?
- Does the consumer deliberately choose for options without “pre-ticked” boxes?
- Where certain charges cannot be calculated in advance (check-in fee; luggage fees), are consumers clearly informed how such charges may be payable?

Source: EU Airline Sweep Investigation, MEMO/08/756

Using pre-checked boxes to offer additional services ranked among the most frequent irregularities found by EU authorities. Simply stated, opt out is no longer allowed in the EU. When airlines from outside the EU advertise inside the EU, then EU laws apply. Carriers selling online elsewhere in the world should change their behaviour unless the intervention of more government regulators is truly desired. As in many areas in life, the golden rule applies here – “Treat others as you wish to be treated.”

## **5 Integrate the Selling Message**

Airlines that sell a higher percentage of travel online enjoy greater direct access to customers and greater sales flexibility. The ancillary revenue movement was born in Europe and early converts, such as Ryanair and easyJet, implemented services that could easily be sold via company websites. Most low cost carriers could not care less about global distribution systems.

Carriers, such as Ryanair, easyJet, AirAsia, and Spirit, are free to innovate and often choose methods that are difficult to emulate through distribution systems and online travel agencies. While the ability for legacy airlines to promote ancillary revenue services in global distribution systems may remain an elusive goal, every carrier has the ability to control how services are presented and sold on its website.

United Airlines provides an exceptional example of how to build a brand and integrate a la carte services into the selling environment of a website and booking engine. United’s Opt family of ancillary revenue products provides an exceptional example of aggressive implementation by a major airline. Other airline examples include Jet2.com and Allegiant Air, which use aggressive methods that sell, promote, and remind through pop-ups and detailed descriptions. Carriers can judge if these sometimes intrusive methods align with the ancillary revenue brand desired by the airline.

**Sell by Being Persistent – Not Obnoxious**

- Place commission-based products on your home page based upon alignment with your brand and revenue potential.
- Focus in-path on the a la carte features provided by your airline: baggage, seat assignment, lounge access, early boarding, and pre-purchased meals.
- Give placement priority to the big three: hotel, car rental, and insurance.
- Selling airline seats remains your greatest profit generator; don't lose your customers.
- Send follow-up emails to provide more service and sell more products.

Early methods forced consumers to scroll through pages of ancillary revenue offers, some of which were unrelated to the travel experience. Allegiant, with its unique customer base of holiday-oriented travellers, generates exceptional results from packing the booking path with offers. Other carriers, especially those catering to business travellers, have learned to limit in-path activity to key features related to air travel such as checked baggage, priority check-in, lounge access, and early boarding.

Everything shouldn't be promoted on the website. Email can be an effective tool to sell, promote and remind. But don't make the mistake of abusing email contact with customers. Meaningful messages are read and others are deleted. Eventually, abusers are treated as spammers, and everything gets deleted. Make emails timely and helpful by including information about origin airport delays, destination weather, and dining suggestions. Limit content to travel related services; not general retail ... and always scrub the offering against items already purchased by the traveller.

## **6 Engage Employees as Supporters**

The 5 steps are designed to culminate with employees. There is truly one rule for this step – engage employees early and often during the design process. This is especially crucial for labour represented employee groups. Support for ancillary revenue activities begins at the top with communication from the CEO that emphasizes the importance of ancillary revenue. The ultimate objective is to create a company of sales-oriented employees to support the ancillary revenue movement.

### **Creating a Sales-Oriented Culture**

- Engage labour groups early in the process.
- Stress the economic importance of ancillary revenue.
- Share the results of testing and consumer surveys.
- Solicit feedback in the design of airport and onboard processes.
- Equip employees to become sales-oriented through training.
- Communicate financial results on a regular basis.
- Provide incentives to boost sales activity.

Build integrity and trust with employees by demonstrating how research and testing was conducted before full-scale implementation. The business plan should include revenue targets by department and a process in which program results can be defined through financial analysis and consumer research.

Airlines are strongly encouraged to use tangible employee incentives to increase the potential for ancillary revenue success. For example, Ryanair flight attendants earn nearly 10% of their salary from onboard sales.<sup>2</sup> IdeaWorks estimates the carrier paid average buy-on-board incentives of €2,290 per flight attendant during 2008. Other carriers take a more cautious approach by using gift certificates as incentives tied to cabin sales.

BMI introduced its Employee Rewards and Incentive Club (ERIC) for flight attendants on 01 February 2008.<sup>3</sup> The carrier totals the commissions earned by individual flight attendants for each month and calculates an equivalent point value. Cabin crew may redeem points at a vendor-operated website for merchandise.

## **7 Mission Statement**

Be thoughtful about the changes that will occur when a la carte pricing is implemented. A la carte pricing should support your brand, not change it. Embarking on a path to seek ancillary revenue is a business decision that will provide meaningful cash flow – it's not an ad-hoc project to implement and forget. All successful journeys begin with a road map.

---

2 Based upon Ryanair financials, IdeaWorks calculations, and conversations with cabin crew.

3 Gift Voucher Shop ([GiftVoucherShop.co.uk](http://GiftVoucherShop.co.uk)) press release issued 22 January 2008.

**Allegiant Air Defines Its Ancillary Revenue Mission**

*“We believe by offering a simple base product at an attractive low fare we can drive demand and generate incremental revenue as **customers pay additional amounts for conveniences they value.***

*We aim to continue to increase ancillary revenue by **unbundling our air travel product.***

*Ancillary revenue is generated from the sale of **hotel rooms, rental cars, advance seat assignments, inflight products** and other items sold in conjunction with our scheduled air service.”*

Source: Allegiant annual report for 2007



# Air Berlin's Position in Global Aviation

Jens Flottau

At the ITB Aviation Day 2010, Air Berlin CEO Joachim Hunold was still a bit reserved about the latest strategic turn about to be implemented in his airline. Asked about the prospects of joining one of the three global airline alliances, Hunold said that “at the moment nothing is concrete, but that can change quickly.”

As it turned, Hunold was proved to be right within a matter of months. He secretly met executives of the Oneworld and Skyteam alliances in June at the International Air Transport Association's annual general meeting – which very handily took place in Berlin. And while his most important competitor, Lufthansa, was busy handling the role as official event host, Hunold was looking at the options available to him. Two months later, the deal was announced: Air Berlin will be a Oneworld member most likely in 2012.

That can well be seen as another live experiment as Air Berlin will be the world's first low fare airline entering a global alliance that has so far been the domain of legacy carriers. Of course, Air Berlin would argue that it isn't really a low fare carrier anyway, but something in between incorporating features of both airline worlds.

The process of joining Oneworld is expected to be completed by early 2012, but ahead of this, the airline plans to introduce bilateral cooperation agreements with American Airlines, British Airways and Finnair.

In Joachim Hunold's words, the step was “the fourth stage in Air Berlin's development strategy.” The carrier started out with a single used Boeing 707 bought from TWA to be operated on charter routes to the Mediterranean, but added later seat-only sales and a scheduled business that now make up 75 % of Air Berlin's revenues. The company then acquired local rivals DBA and LTU in 2006 and 2007 respectively turning it into Lufthansa's most serious competitor. Air Berlin claims its domestic market share is now at 40 %.

“It is clear in which direction the industry is heading: alliances and consolidation,” Hunold said after the plans were disclosed. He also talked to Skyteam about a possible membership, but “Oneworld clearly was the best fit for Air Berlin” leaving it enough freedom to develop. “We were approached as a truly equal partner.”

Air Berlin's move is a first for the industry. Even though the carrier defines itself as a hybrid airline combining legacy and LCC characteristics, the airline's relative success in recent years was clearly linked to LCC features: its network is

primarily focused on point to point services: With the exception of Palma de Mallorca, its hubs (in Dusseldorf and Berlin) are not optimised around short connecting times. Where connections make sense, they are offered keeping aircraft productivity high. Also, the airline has benefitted so far from a big advantage in unit costs compared to its European legacy rivals, estimated to be at around 30 %.

Senior Air Berlin executives admit that it will be a challenge to retain the current cost level with alliance complexity introduced. But the airline's chief strategist Stefan Nagel points out that new IT products will enable Air Berlin to offer alliance products without having to introduce expensive legacy systems. Nagel concedes that the company will have to accept some compromises still, but believes that they will be overcompensated by increased revenues.

The decision will be closely watched by other low cost and hybrid airlines that have been playing with ideas such as code-sharing, interlining and other legacy inventions. Air Berlin's move to become a full member of an alliance goes one large step further than the recent introduction of code-sharing services between JetBlue and Lufthansa from New York-Kennedy, the planned cooperation between V Australia and Delta or the existing links between Virgin Blue and United Airlines. If successful, it could further blur the dividing lines between legacies and LCCs – a trend that has been noticeable in many markets for several years now, as both sides pick up features originally invented as part of the competing business model.

According to Hunold, the airline now sees “a lot of possibilities for long-haul, but it is too early to talk about specifics.” Air Berlin's current long-haul operation is primarily leisure oriented and is based on its fleet of 11 Airbus A330-200s. The carrier already once started an ambitious expansion project for intercontinental routes, but that was stopped in 2008 when losses mounted. The carrier has an order for 15 Boeing 787s that are to replace the existing wide-body fleet over the coming years. The order was cut back from 25 units earlier this year, but Hunold points out that “we still have options.”

British Airways CEO Willie Walsh still has strong memories of his first meeting with the charismatic Air Berlin boss. “We met Joachim for the first time at the IATA AGM and recognised instantly that we have a lot in common,” Walsh recalls. “It took only two months to come back – that is the fastest deal I have ever seen in the airline industry.” In his view, Air Berlin adds a “phantastically cost effective feeder network in Europe” and gives Oneworld a network within the region that it did not previously have. The opening of the new Berlin airport in late 2011 makes Air Berlin “an even more attractive proposition.” He points out that the current Oneworld members could learn a lot from Air Berlin's ability to keep costs low. According to Walsh, there have been no talks about a possible equity investment by BA in Air Berlin.

The Air Berlin deal was kept a secret until it was officially announced. “Our competitors are probably a bit shocked,” Walsh believes. He also stresses that in his view Oneworld scored “two very significant victories over Skyteam” by adding Air Berlin and keeping Japan Airlines. Skyteam hoped to convince JAL to switch alliances, but the Japanese carrier decided against it in February.



But yet another time, Air Berlin does not have a lot of margin to fail. While the airline has been very successful lately in its strategic moves building market share, changing the model, moving into corporate markets, that ambition and courage have not yet paid off in terms of financial results. In fact, the airline has become notorious for profit warnings following over-ambitious guidance. In 2010, Air Berlin made losses in the first two quarters, although admittedly it suffered greatly from the effects of the airspace shutdown in April because of the volcanic ash cloud over Europe.

On the other hand and in spite of the weak financial results in previous years, Air Berlin was able to handle the global recession in 2008 and 2009 remarkably well. The downturn was not a crisis like any other, but the deepest downcycle ever experienced by the airline industry. And conventional wisdom has it that the (financially) weakest fail the quickest. Why?

In retrospect, Air Berlin was probably lucky and quick to decide at the same time. "We saw relatively early in the spring of 2008 that only some of our routes were still profitable," Hunold recalled on stage at the Aviation Day. But that was not yet due to the economic downturn, the economy was still doing okay. But airlines were suffering from extremely high fuel prices and were faced with analyst projections that saw the price of a barrel of oil reach \$200 in a short period of time. Therefore, it was clear to Hunold that "we had to be on the safe side."

The airline made quite deep cuts to its network and also decided that it will abandon its new strategy for long-haul that it had introduced only recently. "Strategy is nice, but results are more important," Hunold pointed out. The new strategy included a focus on business routes that so far had been the exclusive domain of Lufthansa and thus Air Berlin launched a new route from Dusseldorf to Beijing and Shanghai in 2008. That market was abandoned only six months after the launch. "Our quick decisions probably helped us being about half a year ahead of the general trend," Hunold said.

Instead of new routes, Air Berlin launched the Jump cost cutting program that took substantial ballast off the company while not including any lay-offs.

In October 2008, demand fell off a cliff from one day to the next. Particularly business travel was in its deepest recession ever as companies tried to avoid all unnecessary costs. Travel budgets are always among the first items to be cut under these circumstances.

But Air Berlin's re-invention was already on its way. "Our strategy was oriented along the question what we had to do to position ourselves as industry consolidation progresses," Hunold recalled. The decision to join Oneworld was only the last mosaic stone; the first and most important one was a route network that would be attractive to business travellers. For an airline that originally focused on the charter market, that's not a small challenge. But in the new environment, Air Berlin had to focus on metropolitan routes and a network that was linking as many business markets as possible.

One of the key decisions was the takeover of DBA that gave Air Berlin access to a dense German domestic network for the first time, as well as the acquisition

of LTU one year later – although the strategic importance of that latter move is somewhat cloudy. Hunold definitely took risks in both cases. “If you don’t take risks, you cannot develop,” he argued nonetheless. And in terms of implementation, he calls both moves a success. “We have achieved that growth without detrimental effect on the product side and we are very proud of that.”

While the rationale of the DBA takeover was obvious, the LTU case is less clear. In fact, the takeover caused changes that executives did not like and integration is still not completed. Hunold initially planned to fully integrate LTU, but pilots demanded that their pay and conditions were harmonized around the higher LTU standards. Plus, the two pilot commissions could not agree on a common seniority list. Air Berlin pilots had so far been without union representation, but that changed. “It was clear to me that if I wanted to get LTU, I would also have to accept Vereinigung Cockpit,” Hunold recalled. Vereinigung Cockpit is Germany’s powerful pilot union. At the time, the new subsidiary was closer to death as to life and so Hunold expected some “respect and thankfulness” that he did not get. The integration was stopped and thus there are still two separate pilot corps. Maybe, as the Oneworld integration unfolds and new growth opportunities for long-haul routes emerge with the global economy rebounding, LTU can become a strategically important platform that can be used as the basis for an expanded long-haul operation.

There is a third transaction with a strategically important angle, the integration of TUIfly’s city network at the end of 2009. In the first place, Air Berlin was approached by TUI if it wanted to buy the airline unit. But Air Berlin was not interested in the entire operation. It took the part it most liked and also got a new minority shareholder: As part of the overall deal, TUI acquired a 7.9% stake in Air Berlin making the airline somewhat less vulnerable to a potential hostile takeover.

As the economy recovers, the airline will have to look at where to grow again. That issue is becoming more complex as the opening of Berlin’s new international airport comes closer. So far, Air Berlin has been focusing on Hamburg and Düsseldorf as its most important bases with capacity in Berlin being a constraining factor. However, the new Berlin-Brandenburg International Airport opens up new opportunities for the home carrier, particularly since Lufthansa has not been able to overcome its relative weakness in the Berlin market. Air Berlin plans to introduce hub structures at its home airport, particularly for North-South traffic. At BBI, Air Berlin will have access to its own dedicated terminal area that will ensure easy connections. And the airline has already made some important decisions ahead of the move to BBI. One of them is the opening of a nonstop service from Berlin to Dubai, a route that Emirates has wanted to start for many years, but has not got the necessary traffic rights.

The single biggest challenge in addition to the transformation into an alliance member is going to be more financial stability for the airline in the coming years. Economic conditions are improving and that will likely mean growth for the company again. But if pricing power comes back, the competition will also benefit. Air Berlin cannot only count on the macro-economy.

Many times, the question has been raised whether the airline can survive on its own. In fact, strategic investors such as Etihad Airways have looked at Air Berlin in the past and may do so again in the future. But BA's Walsh and Hunold insist that they have not talked about an equity deal as part of their alliance negotiations. That of course does not mean it will stay that way forever. Walsh has gone public recently with his intentions to grow the International Airlines Group (IAG) – the new parent of BA and Iberia – by adding more carriers to it. Air Berlin could of course be one of them. That step may become a necessity once the current consolidation trend that has so far been limited to regions is turning global. Hunold may just be waiting for the right time and the right deal that gives the carrier sufficient entrepreneurial freedom to continue its own path as part of a bigger group.



# **Hospitality Management in a Changing Environment**



# Climate Change Mitigation and Adaptation in the Hospitality Industry

Andreas Walmsley

## 1 Introduction

This paper seeks to explore the relationship between hotels and climate change. The role of hotels in contributing to climate change, and the impacts they face as a result of climate change are discussed. The paper then explores to what extent the accommodation sector is engaging in behaviour to reduce its contribution to climate change and why it is in its own self-interest to do so. Subsequent to these discussions, examples are then provided of how different hotels and hotel chains are responding to the challenges of climate change focusing at first on mitigation and then adaptation. A brief discussion of sustainable supply chain management is also provided given its importance in tackling the causes of climate change. The examples should not be interpreted as being representative of the sector as a whole, but rather serves to illustrate the range of activities currently being undertaken in the sector.

## 2 Hotels and Climate Change: Setting the Scene

We often speak as though climate change is a future event. This is not the case. Climate change is here. It is not something that is to happen; it is happening. Of course, climate change and its impacts are set to increase and yet already the impacts of climate change are being felt in many destinations around the world. According to the Intergovernmental Panel on Climate Change's (IPCC) Fourth Assessment Report (the fifth report was in the process of being compiled at the time of writing) "warming of the climate system is unequivocal, as is now evident from observations of increases in global average air and ocean temperatures, widespread melting of snow and ice and rising global average sea level" (IPCC, 2007:30). To highlight just a few findings from the report, global sea level rose at an average rate of 1.8 mm per year over 1961 to 2003 and at an average rate of about 3.1 mm per year from 1993 to 2003. Satellite data since 1978 show that

annual average Arctic sea ice extent has shrunk by 2.7% per decade, with larger decreases in summer of 7.4% per decade. Mountain glaciers and snow cover on average have declined in both hemispheres. The maximum areal extent of seasonally frozen ground has decreased by about 7% in the Northern Hemisphere since 1900, with decreases in spring of up to 15%. These are just some of the data that have contributed to the now widely accepted understanding that the earth's climate is warming, and, importantly, is warming at an alarming rate.

While there is now less debate than about whether the earth's atmosphere is warming or not, the extent of humankind's contribution to this warming is somewhat more controversial although the majority of the scientific community accepts that human activity is responsible for the warming of the earth's atmosphere. This occurs primarily through the burning of fossil fuels and the resultant emission of green house gases (GHGs). Tourism as an activity that contributes to GHG emissions shares some of the responsibility for this warming; its contribution to man-made climate change is estimated at approximately 5% (UNWTO, 2009). As tourism's main contributor to GHG emissions, transport, and in particular aviation, are usually the target of initiatives aimed at reducing tourism's contribution to climate change. Nonetheless, it is not as though other sub-sectors of the tourism industry can simply be disregarded because of transport's major share of tourism's emissions. Thus, the accommodation sector has been estimated to contribute 21% of tourism's GHG emissions (in terms of energy throughput, UNWTO, 2008:132). Total CO<sub>2</sub> emissions associated with accommodation are estimated at 274 Mt (UNWTO, 2008:130). Indeed, the 2003 Djerba Declaration on Climate Change and Tourism highlighted the obligation of all sub sectors of the tourism industry (including transport companies, hoteliers, tour operators, travel agents and tourist guides, and consumers) to reduce their GHG emissions and subscribe to all relevant intergovernmental and multilateral agreements to mitigate climate change.

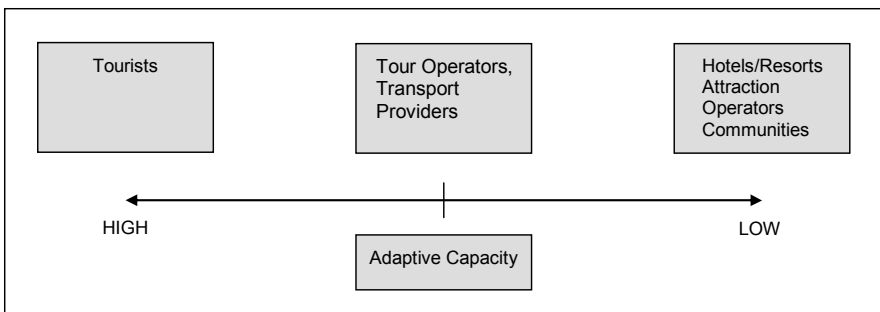
The tourism industry will become increasingly affected by climate change. Coastal regions and mountains are often regarded as being particularly affected, the former through erosion, the latter through reduction in snowfall (a particularly Euro-/North American centric view of mountains is apparent here). Furthermore, despite repeated assurances that the nature of tourists and tourism is changing, i. e. that tourists are increasingly interested in authentic experiences and culture, a large market segment is still drawn to destinations almost exclusively because of their climatic conditions. While in decline in Europe, the traditional package tour still attracts millions of consumers annually. The 'climate tourists' may as Ehmer and Heyman (2008) point out move from one destination to another as the 'ideal climate' shifts geographically, and as such it is possible to speak of winners and losers in the tourism industry as a result of climate change. Nonetheless, it is easy to become complacent in a sector analysis by adopting a 'winners/losers' terminology. O'Brien et al. (2006) for example warn that such an analysis often fails to take into account wider societal impacts of climate change, which are admittedly more difficult to model. Indeed, the indirect impacts of climate induced environmental change, e. g. droughts, disease, algal blooms, wildfires, are largely negative



(UNWTO, 2009; direct effects relate to a destination's climate as a pull factor for tourists as discussed).

The accommodation sector is highly fragmented. Included within the term accommodation are for example hotels, vacation homes, vacation villages and caravans. Clearly, levels of emissions of GHGs will depend on the specific sub sector of the hospitality/accommodation industry. According to the UNWTO et al. (2008) energy use per guest night for hotels is 20.6 Kg CO<sub>2</sub>, whereas for campsites it is 7.9 Kg CO<sub>2</sub>. For the purposes of this paper our focus is on hotels as a sub-sector of the tourism industry. Likewise, it would be erroneous to claim all hotels are alike in terms of their impacts on and need to adapt to climate change. Issues around different types of destination aside, hotel classifications have implications for levels of GHGs emitted. A luxury hotel is almost unimaginable without air conditioning or a swimming pool – the same cannot be said for budget hotels. A luxury hotel in a tropical climate will have a far higher level of per capita energy use than a budget hotel in a temperate climate. It would be highly suspect to simply compare the two in terms of energy use without taking such features into account. A standard CO<sub>2</sub> emissions benchmark for hotels is therefore of dubious value.

It is claimed hotels' adaptive capacity is weaker than other tourism businesses. By adaptive capacity we are looking at means of dealing with the impacts of climate change as opposed to mitigation which seeks to restrict GHG emissions or at least offset them (for a further discussion of these concepts see below). As Figure 1 indicates, hotels' adaptive capacity is low because the hotel cannot simply move from one location to another, unlike the tourist. Similarly, to an extent tour operators can relatively easily shift their focus from one destination to another. The hotel therefore has an undeniably strong link to the destination, their fortunes are inseparable. It should be qualified that not all hotels, i.e. the physical building, are owned by the company that runs the hotel. Very often, in fact increasingly so, large hotel chains lease premises as opposed to buying them. Clearly the risk of adverse impact in the destination is greater for the owners of the real estate than that of its leaseholders.



**Fig. 1.** Relative adaptive capacity of major tourism sub-sectors

Source: UNWTO, 2008

### 3 To Deal or Not to Deal with Climate Change

Pizam (2009) recently posed the question whether ‘green’ hotels were a fad, ploy, or fact of life? His convincing conclusion is that green hotels (for ‘green’ read: sustainable, eco, environmentally friendly etc.) are here to stay. In fact, hotels which have from the outset had an environmental agenda are not new. What is new is the rapid growth of the importance of environmental management to the hospitality industry. Nonetheless, there is still some way to go in addressing the impacts of climate change in the hotel sector. Arcodia and Dickson (2008) suggest that little information exists on how the hospitality industry is responding to climate change (in an Australian context). Similarly, we should not forget that many businesses engage in greenwashing, i. e. presenting themselves as particularly environmentally friendly when they are anything but, and yet this should not detract from the fact that the hospitality industry has come on a great deal in the last two decades in terms of monitoring and improving its environmental performance. Indeed, there are now hospitality operations such as Six Senses Resorts and Spas that clearly emphasise their environmental credentials, supported by actions undertaken to improve the business’ environmental performance. Another example we will return to below, this time from a small, boutique hotel, is Stratton’s Hotel in Norfolk, UK ([www.strattonshotel.com](http://www.strattonshotel.com)) whose strap line is: “luxury without sacrifice to the environment”.

An interesting paradox within the hospitality industry relates to the justification of inactivity in relation to climate change. On the one hand proponents of more activity aimed at curbing GHG emissions make a business case for doing so (more on this below). On the other, investing in a business’ capacity to reduce GHG emissions is regarded as a cost which ultimately leads to uncompetitiveness because those hotels that do not reduce their emissions are in a stronger financial position. It is a straightforward case of Hardin’s Tragedy of the Commons (Holden, 2005), i. e. the environment as a common pool resource is degraded because there are no limits on its use (with the growing awareness of climate change and its causes things are changing, for example by introducing emissions quotas and taxes on emissions a shadow price is created).

The hospitality industry is highly competitive. Hotels in most destinations vie for business. Focusing on environmental credentials is regarded as one way of differentiating the business from competitors. Improving a businesses’ environmental performance is not necessarily a purely selfless act in other words. For example, IHG introduced its ‘Green Engage’ online system in 2009. It is estimated that if all 4,000 properties across IHG’s portfolio adopt the system cost savings of approximately \$200 million are likely (Weinstein, 2009). Thus, both in terms of cost reductions through energy efficiency savings as well as through increased appeal to the environmentally aware consumer the responsible hospitality organisation can gain a competitive advantage. Of course, there are also indirect benefits to the hospitality organisation when a hotel’s improved environmental performance positively impacts the destination as a whole (Claver-Cortés et al. 2007).

While most hotels now recognise the relationship between reduced energy use and cost savings, often substantial capital expenditure is required to minimise energy use further, or to use energy more efficiently. A recent roundtable of hospitality professionals in the UK organised by the International Centre for Responsible Tourism ([www.icrtourism.org](http://www.icrtourism.org)) revealed that all but the most pressing capital expenditure items had been put on hold in some businesses during the recession. The claim that responsible business practices make business sense while therefore generally appropriate, does need some qualification according to whether the measure taken to improve environmental performance is easily achievable or whether a significant amount of capital expenditure is required. After all, in a competitive environment, any measure that provides one company with a competitive advantage over another will soon be emulated, so economic theory tells us. The speed at which environmental practices are being adopted in the hospitality industry is a moot point however. On that basis there has to be some acknowledgement that while strong, the business case is not unproblematic.

Nonetheless, the link between improved environmental performance (which incidentally goes beyond GHG emissions but also includes such things as the management of waste and water consumption) and a firm's costs is at least relatively clear. Less clear is the aforementioned relationship between ethical consumerism and business performance. The relationship is fairly complex, not least because of intervening variables, and so while there is some evidence that consumers are becoming increasingly environmentally conscious in their purchasing behaviour, to date the evidence is still limited (see for example the previously mentioned study by Claver-Cortes et al.'s (2007)). Competitive advantage aside, there are of course other reasons why a hotel may engage in environmentally responsible behaviour, or, more generally, why a business may engage in activities as part of a corporate social responsibility agenda such as legal requirements and social norms (for a general, non-industry-specific discussion see for example Carroll, 1979.)

## 4 Examples of Good Practice

We now move on to actions that hotels have taken to tackle climate change. By tackling climate change we mean both tackling its affects as well as its causes. While it may, from a purely hard-nosed business perspective, seem only necessary to deal with its affects, as the discussion above has shown, tackling its causes can also be good for business. In technical terms, the jargon for tackling the causes and affects of climate change are, respectively, mitigation and adaptation. This line of argumentation aside, it is of course quite simple to provide a moral or ethical justification for the reduction of GHG emissions as a strategy a hotel might pursue although we do not want to go down this line of reasoning here (for an interesting discussion see Megone's, 2002, work on Aristotelian approaches to business ethics).

## 4.1 Mitigation

Studies indicate that there is **high agreement** and **much evidence** of substantial economic potential for the mitigation of global GHG emissions over the coming decades that could offset the projected growth of global emissions or reduce emissions below current levels (IPCC, 2007:58). Of course, an increasing amount of environmental legislation is having an impact on hospitality operations but one would hope that conviction rather than coercion is more important in addressing the impact of hotels' operations on GHG emissions.

A number of organisations and initiatives exist that provide assistance to hotels in reducing their GHG emissions. For example the International Tourism Partnership (ITP – [www.tourismpartnership.org](http://www.tourismpartnership.org) formerly the International Environmental Hotels Initiative) has published a very concise guide to 'going green' which unsurprisingly covers energy use amongst other things. Likewise, Considerate Hoteliers ([www.consideratehoteliers.com](http://www.consideratehoteliers.com)) is an association of hoteliers with improved environmental and social performance as their goal. A well known non-UK based organisation is the Green Hotels Association which in return for a membership fee will send members a 'green guide' of ideas and techniques to improve energy efficiency and reduce energy use (the emphasis is very much on cost savings). Hotel Energy Solutions ([www.hotelenergysolutions.net](http://www.hotelenergysolutions.net)) is an EU initiative targeting small and medium-sized hotels. It aims to develop, test and then provide a toolkit to assist hotels in becoming more energy efficient and also to make more use of renewable energy. The toolkit should be available in 2011 and will allow hotels to conduct comparisons with a benchmark and establish how they might reduce energy use along with case studies of businesses that have achieved considerable cost savings through becoming more energy efficient. Many more initiatives exist of course.

There are a number of ways hospitality businesses can reduce GHG emissions that can be categorised into the following (UNWTO, 2008):

- Reducing/eliminating energy use
- Improving energy efficiency
- Increase the use of renewable energy
- Sequestering carbon

Strasdas (2010) in a useful discussion of carbon management adds two further items to this list: measurement and communication. That is, initially, before any action is taken, one must measure where emissions are occurring (sometimes referred to as conducting an energy audit), and finally it is important from a business perspective to inform stakeholders of the company's actions in relation to carbon management. Ideally, mitigation in the hospitality industry will lead to carbon neutrality, i.e. reducing GHG emissions and offsetting any remaining emissions, although it should be acknowledged that offsetting is a problematic concept (see for example Goodwin and Walmsley, 2009) as it may, amongst other things lead

to complacency, which would certainly be inappropriate as rather than ‘neutralising’ carbon emissions, these are really just compensated (Gossling, 2009 in Strassdas 2010). The Institute for Environment and Development ([www.iied.org](http://www.iied.org)) claims “There is a feeling that all offsets, far from being a means of taking responsibility for one’s actions, may actually be a means of evading responsibility. They may serve to assuage people’s guilt, yet do little to encourage carbon-neutral lifestyles.” Ultimately, given the immediacy of the problem, offsetting should not be seen as *the* solution to the climate problem, but rather as an aid.

The discussion now focuses on examples of how individual hotels and hotel chains have reduced energy use, either through reducing energy requirements directly, or through improved energy efficiency. Subsequently, examples are also provided of hotels that have switched some of their energy from non-renewable to renewable sources. The examples range from the straightforward to the innovative. The aim is to provide a source of inspiration in terms of what can be achieved when one sets one’s mind on tackling the causes of climate change.

While it would be tempting in this section to include improved energy efficiency, which is after all a means of reducing energy use (energy efficiency is the ability to use less energy to perform the same function), what this section focuses on is an actual reduction in energy used in terms of elimination of the energy requirement.

## 4.2 Reduction/Elimination of Energy Use

Much energy in hotels is used by heating and cooling rooms. Simpson et al. (2008) explain that particularly in the tropics and warm destinations temperature settings in hotels with air conditioning are often set below 20°C whilst customers would generally accept temperatures of between 20°C and 25°C. Likewise, temperature settings are often set too high for guests in temperate climates with guests then having to turn thermostats down. Clearly, much energy is wasted by heating a room for a whole day when the guest does not arrive until the evening. The five star Lowry hotel in Manchester recently installed a building management system which turns off lights and air conditioning in areas of the hotel that are not in use. This and other measures have resulted in the Lowry’s annual energy bill falling by £37,000 (€44,000) and its carbon emissions reducing by 350 tonnes a year (British Hospitality Association E-Zine 2009, Issue 93).

Low cost/no cost measures include making maximum use of daylight and positioning lighting where it is most effective. Re-using towels is the prime example of reducing energy use, and has been around for many years. Initially this probably had little to do with tackling climate change but was, from an admittedly cynical perspective, about cost savings. A low cost/no cost example of reducing energy use which is also an indication of the innovatory practices some hotels engage in an attempt to reduce energy usage is that offered by Hilton Sandton. Team lifts have signs that exhort their employees to walk up one and down two flights of stairs instead of using the lifts. Overall, Hilton’s ‘We Care’ (Hilton International –

European Division) programme which aimed at reducing energy use across the group has meant a \$3.2 million saving.

Strattons Hotel in Norfolk, UK, is an example of a boutique hotel that is taking its environmental responsibility very seriously (and has won numerous awards for its environmental performance). It has been able to save substantial amounts of money through an innovative and creative approach to environmental management. In fact, Stratton's commitment to the environment is such that it offers guests arriving by public transport a 10% discount. Staff is provided with bonuses relating to environmental performance. These initiatives add to Stratton's appeal, both for employees as for customers. The business is thriving. Stratton's owner, Victoria Scott, declares: "We believe quality and care for the environment go hand-in-hand. One is not sacrificed for the other, wanting the best in terms of quality means wasting less, supporting local producers and suppliers, sourcing ethically, which means caring for your environment – these are the criteria, this is what we do, this is what anyone can do" (Hospitable Climates, 2007).

An often neglected aspect of reducing GHGs in hospitality is food production and consumption. Garnett (2008) provides figures indicating that food consumption in the UK contributes approximately 19% of consumption related emissions. A study by the European Commission (2006) estimates that food consumption in the European Union contributes at least 30% to total EU emissions. Evidently there is difficulty in measuring emissions from food consumption/production and yet these figures indicate the magnitude of the problem. Locally sourced produce may assist in cutting down CO<sub>2</sub> emissions from transport and it is possible to speak of a trend to source food locally in the sector. Indeed, there is now a slow food movement which, while not solely established on the basis of climate change concerns, does have relevance to climate change because of its emphasis on locally sourced produce. Reducing food related GHG emissions is not just about its transportation but also about its storage. Correct refrigeration practices help to reduce energy use such as not overfilling refrigerators and their regular maintenance. Again, it should be pointed out that despite the great emphasis in the reduction of tourism's contribution to climate change being on transport, such apparently 'minor' actions also play a part in the concerted effort to tackle the issue.

### **4.3 Increasing Energy Efficiency**

The Ontario Restaurant, Hotel and Motel Association suggests that energy efficiency practices and equipment in hotels can result in 20% savings. In fact, the ORHMA usefully provides a list of no less than 74 energy tips on its website ([www.orhma.com/NEWS/saving\\_energy\\_dollars.asp](http://www.orhma.com/NEWS/saving_energy_dollars.asp)) the majority of which are no cost/low cost measures. A different guide produced by Elyza et al. (2005) puts the potential energy savings for hotels worldwide as a result of introducing energy efficiency measures at 25%. Furthermore, the Carbon Trust estimated that energy efficiency savings can be upward of 5% for improving housekeeping measures, and more generally 10% for low cost measures. The ORHMA also provides a

case study of Holiday Inn Select Toronto Airport. This hotel has focused on reducing its energy consumption which includes caulking the entire exterior of the building as well as replacing 163 windows with thermal windows. Traditional lighting has been replaced by compact fluorescent bulbs and boilers are gradually being replaced by more energy efficient ones. Clearly, many similar examples across the hospitality industry can be found.

Part of the Accor family, Motel 6 ([www.motel6.com](http://www.motel6.com)) is the largest owned and operated hotel chain in North America. Motel 6 is striving to improve its environmental performance by redesigning rooms using fluorescent lighting and wood-effect flooring made from unused industry scraps. Motel 6 promotes energy efficiency by using solar panels on hotels' roofs, using recycled material in the flooring, and using high efficiency laundry equipment.

The Crowne Plaza Riverwalk in San Antonio, Texas, highlights the significant financial and environmental benefits that can be achieved through smart changes. With 21 floors, 410 guest rooms, and extensive meeting space, this AAA 4-diamond full-service hotel began strategically addressing so-called low-hanging fruit opportunities in 2006 – cleaning HVAC coils, performing energy efficiency lighting upgrades, installing programmable thermostats in guest rooms, and using variable frequency drives on large motors. All of these projects significantly enhanced the hotel's energy performance, all while yielding a 3-year or less return on investment. Through dedication to energy efficiency, the Crowne Plaza Riverwalk successfully reduced its electricity consumption by 26 percent within a two-year period, and reduced natural gas consumption by 13 percent within four years. This translates to over 2.5 million kWh and 36,000 therms saved, leading to less energy costs and a smaller environmental footprint (Source of this case study: [www.energystar.gov](http://www.energystar.gov)).

#### 4.4 Using Renewable Energy

There are numerous forms of renewable energy. The most common are: Solar (thermal and photo voltaic), wind power, hydro power, geothermal and biomass (the use of biomass still creates CO<sub>2</sub> but is less polluting than conventional sources of energy). Before examples of hotels that are using renewable energy are presented, it is useful to note that according to the Economist (December 5th 2009, A Special Report on the Carbon Economy) the technical know-how exists to practically eliminate CO<sub>2</sub> emissions. The issue then is the cost involved in pursuing a carbon neutral economy not a lack in technical 'know-how'.

An example of a capital investment that pays dividends in the long run is the installation of solar panels. Many businesses look solely at the payback period when deciding whether to invest in capital items or not. Admittedly, the advantage of this technique is its simplicity. However, payback as an investment appraisal technique is fraught with problems. It does, for example, not take into account how the money might otherwise have been spent, opportunity costs in other words. Thus, a project may be far more profitable than alternative project but be

rejected because the latter has a shorter payback period (installation of a new generator may have a shorter payback period than the solar panels but in the long run the solar panels save the company more money). Furthermore, it is based on the assumption that all things stay the same, i. e. that today's energy source will remain reliable in the foreseeable future (ideally, payback will take into account anticipated price fluctuations but this rarely happens). An example of a hotel chain that appears to be tackling the energy use issue head on is Accor. Draper and Murray (2008) report that Accor had set itself a target of fitting 200 hotels with solar water-heating panels by 2010, which would produce 40 % of domestic hot water. In 2004 Accor saved 1,120 MWh of energy by installing 2,370 square meters of solar heating panels on 28 hotels. By the end of 2007, the number of hotels equipped with solar panels for the production of domestic hot water reached 47, and the quantity of solar power used amounted to 1,796 MWh. A further example of a hotel that is making the most of renewable energy is Crowne Plaza, Alice Springs. This hotel inaugurated the largest building-mounted solar photovoltaic (PV) system in the southern hemisphere in 2009. The PV system will reduce CO<sub>2</sub> emissions by 420 tons per year. The system will generate 530,000 KWh per year which is enough to power 60 family homes (Weinstein, 2009).

Moving away from large hotels and hotel chains, Brignall Mill ([www.brignall-mill.co.uk](http://www.brignall-mill.co.uk)) is a former mill turned holiday cottage. Hidden under the lawn is a pipe that draws water from the river and blasts it through a turbine. In summer there is an energy surplus so the owners are able to export electricity to the national grid. Brignall Mill also makes use of solar panels and a wood burner. Another hotel that works on the same principle, i. e. uses hydroelectric power as its source of energy is Hotel and Spa Rosa Alpina in the Dolomites, Italy ([www.rosalpina.it](http://www.rosalpina.it)). In fact it generates enough electricity that it is able to power to more than half of the village of San Cassiano. The hotel's website claims: "We, the Rosa Alpina Hotel & Spa recognize that our work may have a direct or indirect effect on the local, regional and global environment. Therefore we are committed to reducing any harmful effects on the environment and promoting the understanding of sustainability." This is clearly not a case of greenwashing (the hotel also provides training to its staff on green issues and tries to source all its produce locally).

An example of a truly innovative idea is adopting Yurts – nomadic tents from the steppes of Asia – into a form of tourist accommodation. Staying in a yurt might sound slightly peculiar and lacking in comfort but some providers of this type of hospitality experience, such as Hoopoe Yurt Hotel in Andalusia, Spain ([www.yurthotel.com](http://www.yurthotel.com)), provide a high level of comfort with minimal environmental impact. The yurts have double beds with sheepskin rugs and outdoor bamboo bathrooms with solar-powered hot showers. Candle-lit dinners are served using produce from the owner's garden. Evidently, the green economy provides economic opportunities.



## 4.5 Sustainable Supply Chain Management

Green procurement policies as part of sustainable supply chain management (SSCM) are a key tool in reducing an organisation's carbon footprint. According to Font et al. (2008) SSCM has traditionally focused on the manufacturing industry but has a big role to play in ensuring the sustainability of the tourism industry. The bigger players have more of a responsibility here as they can put more pressure on suppliers to adhere to 'green' criteria in the provision of goods and services to the hotel. It should be pointed out though that tackling the causes of climate change should be a common goal and relationships with suppliers need to be built on mutual trust. A green procurement policy should promote closer working between supplier and buyer, with benefits to both partners (Envirowise, 2009). Heavy handed approaches will not work in the long term.

Scandic Hotels have long been associated with a concern with environmental performance. This extends to their dealings with suppliers. Scandic requires all of its suppliers to sign a 'supplier declaration' stating that they operate according to a sustainability policy (Draper, 2008).

Turning again to sustainable supply chain management, the company 'Caterers Linen Supply' has launched a steamless laundry service. Apart from reducing water usage by 70%, energy use is down by 25%. This is achieved through a range of new technologies which avoids having to send steam down pipes and lose heat. Furthermore, thermal exchange is used to transfer heat from waste water to cool incoming water.

Of course, sometimes the hotel itself is a supplier of rooms to the tour operating sector. It is therefore affected by other companies' supply chain management policies. Travelife has been introduced as a sustainability system for tour operators. The aim is to make the tour operator more sustainable and one way of achieving this is to make the tour operator's suppliers more sustainable. Travelife is presently introduced among more than 450 tour operator members of European tour operator associations ([www.travelife.eu](http://www.travelife.eu)). Interestingly, while the Travelife initiative emphasises that tourism businesses need to reduce their energy costs, its sustainability handbook does not explicitly mention climate change.

## 4.6 Adaptation

Adaptation has been defined by the IPCC as "an adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities." In simple terms, adaptation relates to how businesses deal with the impacts, or potential impacts, of climate change. Potential impacts are mentioned as vulnerability is crucial in making sense of adaptation. Empirical research suggests that higher benefit-cost ratios can be achieved by implementing some adaptation measures at an early stage compared to retrofitting long-lived infrastructure at a later date (IPCC, 2007:56). Better to adapt sooner rather than later in other words. In fact the same applies to

mitigation. While we usually think of existing establishments when considering mitigating climate change impacts in the accommodation sector, much can be done at the design and construction stages of a hotel, for example, to ensure that throughout a hotel's lifecycle GHG emissions are minimised.

Nonetheless, adaptation is, almost by definition, an ongoing activity as the environment changes. It moves from implementation to evaluation and back to implementation. While the main focus of adaptation measures have been of a technical nature, Simpson et al. (2008) also include managerial, policy, research, education and behavioural adaptation measures. Whereas mitigation focuses by definition on the reduction of GHG emissions, adaptation encompasses a much broader range of issues. Some examples of hotels follow that have dealt with the various impacts of climate change on their businesses.

Hotels rely on an adequate supply of good quality water. Kyriakidis and Felton (2008) propose that a typical occupied hotel room uses 825 litres per day. There is evidence that water shortages can negatively impact tourist numbers. A prime example are the Balearic Islands (see for example Essex and Newnham, 2004; Batle and Robledo, 2000). Many hotels, particularly those in areas where water shortages are acute, have resorted to a number of innovatory water saving devices, i. e. a technological fix. These range from the collection and use of rainwater, grey water separation to dry composting toilets and water recycling. Water usage can be reduced through behaviour change too. Thus, customers can be given the option of re-using towels (a standard practice now) and showers can replace bath tubs (though this is more difficult the higher the hotel's quality rating).

Buzinde et al. (2010) describe a situation in Playacar, Mexico, where hoteliers have had to resort to drastic measures to adapt to coastal erosion. While not definitively proven, the increasing number of hurricanes in the Caribbean coincides with predictions that climate change will bring about more severe weather patterns. The hurricane season of 2005 was particularly inimical to Playacar's beach, erosion taking a heavy toll. Hoteliers have had to use sandbags to create temporary steps for visitors to access the beach as well as trying to replenish the beach themselves using dredging technology. These measures are clearly only temporary and the question of how long these businesses remain viable is up in the air. Buzinde et al.'s (2010) paper indicates that some hoteliers are still trying to represent Playacar as a beach paradise. Tourists are only going to be deceived for so long, particularly given today's ubiquitous access to communication channels.

Tourism in the Alps is particularly sensitive to climate change given the reliance on winter sports tourism. Furthermore, warming in the Alps is taking place at a more rapid rate than elsewhere and this becomes evident in reduced snowfall at lower altitudes. Admittedly, snow cover varies from year to year but to take one measure of a warming climate, the years 1994, 2000, 2002, and 2003 have been the warmest on record in the Alps in the last 500 years (Agrawala, 2007). Abegg et al. (2007) propose that the natural line of snow reliability increases by 150 m for every 1°C rise in temperature. On this basis they calculate that under present climatic conditions 609 out of 666 (91 %) Alpine ski areas are naturally snow reli-

able. However, a 1°C warming would result in the reduction to 500 (75 %) of current Alpine ski areas, to 404 (61 %) with a 2°C warming and to 202 (30 %) with a 4°C warming on the climate. Abegg et al. (2007) subsequently discuss adaptation measures by ski operators. These measures are largely technical and can be categorised into the four following categories: landscaping and slope development; a move to higher altitudes and north facing slopes; glacier skiing; and artificial snow-making. Evidently, these adaptation measures are largely only indirectly applicable to hotels although the accommodation sector would benefit from them. Nonetheless, if hotels are going to benefit from these adaptation measures then one would assume they might contribute to their costs. This point is also raised by Abegg et al. (2007) who claim that an increasing number of ski operators regard snow-making as a public service to which the entire community should contribute. This is not to say that these adaptation measures are unproblematic. Snow-making is resource intensive (energy and water) and therefore costly, and ironically, will serve to exacerbate climate change.

Further adaptation measures include diversification of activities that attract tourists, into, for example, spa, wellness and congress tourism. While the mainstay of income to communities in the Alps from tourism comes from winter sports, summer Alpine tourism is clearly important. Activities such as hiking can also be undertaken in the winter and it has been found that many of the tourists who visit the Alps in the winter season do not actually ski. Nevertheless, they still expect snow so the extent to which diversification can offset the decline in the number of skiers remains relatively low.

## 5 Conclusion

Climate change is affecting the hospitality industry. Direct affects are being felt in different destinations around the world, from reduced snow fall to beach erosion, for example. While it is tempting to make prognoses about which destinations and regions will be harmed and which might benefit from climate change, the overall impacts of unmitigated climate change are costly for all. For understandable reasons given its share of tourism's contribution to GHG emissions, discussions of tourism and climate change have primarily focused on the transport sector. This paper argues that the hospitality industry, specifically hotels, needs to increase their engagement with climate change mitigation. While recent years have seen numerous initiatives, and there is now much support for hotels that are trying to reduce their so-called carbon footprint, witness the examples presented here, the hospitality industry still has a long way to go before anything close to carbon neutrality is reached. Certainly, the hospitality industry can no longer shirk its responsibility as a contributor to GHG emissions and hence climate change by pointing the finger at airlines. In fact, as numerous case studies indicate, it generally makes sound business sense to reduce one's GHG emissions both from a cost as well as

reputation perspective. In sum, while much is being done by hotels to address climate change, both its causes and impacts, much more could of course be done. As the earth's atmosphere continues to warm, adaptation will become a necessity. Financially it makes more sense to tackle climate change now, the longer we wait the more costly adaptation will become.

## References

- Abegg, B., Agrawala, S., Crick, F., de Montfalcon, A.: Climate change impacts and adaptation in winter tourism. In: Agrawala, S. (ed.), *Climate Change in the European Alps. Adapting winter tourism and natural hazards management*, pp. 25–60. OECD Publishing (2007)
- Agrawala, S.: The European Alps: Location, Economy and Climate. In: Agrawala, S. (ed.), *Climate Change in the European Alps. Adapting Winter Tourism and Natural Hazards Management*, pp. 17–23. OECD Publishing (2007)
- Arcodia, C., Dickson, C.: Responding to Climate Change in Australian Resort Hotels: Setting a Research Agenda for Water, Energy and Waste Management. Best Education Network (2008)
- Batle, J., Robledo, M. A.: Rethinking tourism in the Balearic islands. *Annals of Tourism Research* 27(2), 524–526 (2000)
- Buzinde, C., Manuel-Navarrete, D., Kerstetter, D., Redclift, M.: Representations and adaptation to climate change. *Annals of Tourism Research* 37(3), 582–603 (2010)
- Carroll, A.: A three-dimensional conceptual model of corporate social performance. *Academy of Management Review* 4, 497–505 (1979)
- Claver-Cortés, E., Molina-Azorin, J., Periera-Moliner, J., Lopez-Gamero, M. D.: Environmental Strategies and Their Impact on Hotel Performance. *Journal of Sustainable Tourism* 15(6), 663–679 (2007)
- Draper, S., Murray, V.: *Paradise Found. Guiding Principles for a Sustainable Tourism Development*, p. 36. Forum for the Future (2008)
- Ehmer, P., Heyman, E.: Climate change and tourism: Where will the journey lead? Deutsche Bank Research, Frankfurt am Main (2008)
- Elyza, R., Hulaiyah, Y., Salim, N., Iswarayoga, N.: Guidebook on Energy Efficiency for Hotels. In: Nurdikiawan, N., Ruiz, F., Kamesh, R. (eds.) 102. Pelangi, Alliance to Save Energy, Jakarta (2005)
- Envirowise: A Guide to Green Procurement. 108. Envirowise, Didcot (2009)
- Essex, S., Kent, M., Newnham, R.: Tourism Development in Mallorca: Is Water Supply a Constraint? *Journal of Sustainable Tourism* 12(1), 4–28 (2004)
- European Commission: Environmental impact of products (EIPRO): Analysis of the life cycle environmental impacts related to the total final consumption of the EU25. European Commission (2006)
- Font, X., Tapper, R., Schwartz, K., Kornilaki, M.: Sustainable Supply Chain Management in Tourism. *Business Strategy and the Environment*, 17(5), 260–271 (2008)
- Garnett, T.: Cooking up a storm. Food, greenhouse gas emissions and our changing climate (Summary), p. 28. Food Climate Research Network, University of Surrey, Guildford (2008)

- Goodwin, H., Walmsley, A.: *Indulging Indulgence: Carbon Offsetting and Tourism. Travel and Tourism in the Age of Climate Change. Robust Findings, Key Uncertainties.* 8–10 July. University of Brighton, Eastbourne (2009)
- Holden, A.: *Achieving a Sustainable Relationship Between Common Pool Resources and Tourism: the Role of Environmental Ethics.* *Journal of Sustainable Tourism* 13(4), 339–352. (2005)
- IPCC: *Climate Change 2007: Synthesis Report: Intergovernmental Panel on Climate Change* (2007)
- Kyriakidis, A., Felton, J.: *Too Hot to Handle? The Hospitality Industry Faces Up to Climate Change,* p. 11. World Economic Forum and Dloitte, Davos (2008)
- Megone, C.: *Two Aristotelian Approaches to Business Ethics.* In: Megone, C., Robinson, S. (eds.) *Case Histories in Business Ethics,* pp. 23–55. Routledge, London (2002)
- O’Brien, K., Eriksen, S., Sygna, L., Naess, L. O.: *Questioning Complacency: Climate Change Impacts, Vulnerability, and Adaptation in Norway.* *Ambio* 35(2), pp. 50–56 (2006)
- Pizam, A.: *Editorial: Green hotels: A fad, ploy or fact of life?* *International Journal of Hospitality Management* 28(1), 1 (2009)
- Simpson, M. C., Gosling, S., Scott, D., Hall, C. M., Gladin, E.: *Climate Change Adaptation and Mitigation in the Tourism Sector: frameworks, Tools and Practices,* p. 152. UNEP, University of Oxford, UNWTO, WMO, Paris, France (2008)
- Strasdas, W.: *Carbon Management in Tourism.* In: Conrady, R., Buck, M. (eds.), *Trends and Issues in Global Tourism:* pp. 57–69. Springer, Heidelberg (2010).
- UNWTO: *From Davos to Copenhagen and Beyond: Advancing Tourism’s Response to Climate Change.* UNWTO, Madrid (2009)
- UNWTO, UNEP, WMO: *Climate change and tourism: responding to the challenges.* UNWTO, Madrid (2008)
- Weinstein, J.: *Green Power. Hotels implement new systems and programs to give back to the community and save money.* In: *Hotels,* vol. 43, pp. 53–54 (2009)



# Eco-leadership and Green Lifestyle: Successful Strategy for a Growing Market Segment?

Andreas Reiter

We are living in a turbulent world – the crisis of the last years – being in fact a structural crisis – leads to fundamental changes in economy and society. More and more consumers as well as future-orientated players in the market are realizing that a primarily quantitative growth (higher, faster, bigger) has found its end. Best-practise of failure – due to the lack of sustainable development and good governance – can be seen in Dubai (“The sky is the limit”) – where visions of place branding (“Top of the World”) grounded and were painfully faced with reality.

## 1 Holistic Quality of Life and Rising Eco-awareness

The operating system of our market economy is going to be reset. The new passwords for the future are: sustainable growth instead of quarterly quickies and value orientated innovation. Society is facing a change of values focussed on holistic quality of life in economic, ecological and social terms. Lead consumers and early adopters like the so called Lohas (Lifestyle of Health and Sustainability) demand sustainable products which are ethically and socially correct, regional and transporting an authentic spirit.

This new Green Deal of the 2nd decade is reconciling economy with ecology, regional value chains with global competitiveness. It is focussing consumer values as well as a responsible sustainable management of existing resources. Eco-awareness is rising more and more and has a strong impact on the culture of products in nearly every sector.

Consumer’s eco-awareness is due to external factors (energy costs, climate protection etc.), but has as well a lot to do with social aspects (higher level of education, more ethical value orientation etc.).

To summarize, the shift towards sustainability in general is driven by

- Climate protection: the global warming is supposed to rise 0.2°C per decade for the next 20 years<sup>1</sup>. Climate protection is one of the main issues of

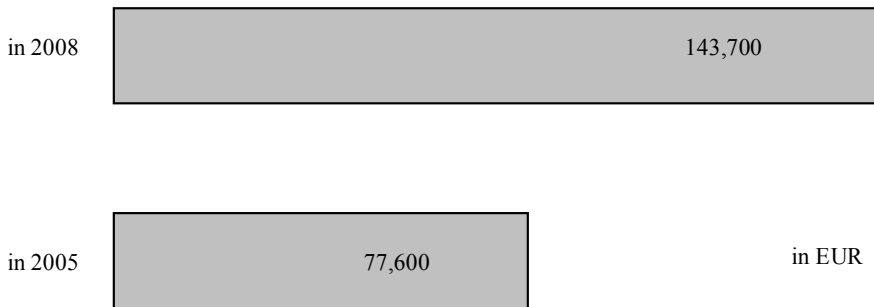
---

<sup>1</sup> Source: IPCC Report 2007 (Intergovernmental Panel on Climate Change), Cambridge 2007.

global governance leading to various strategies, especially in Europe – global warming should be kept within a limit of +2°C to avoid much more dramatic damages.

- Rising energy costs (having an impact on energy saving and energy efficiency policy of companies, municipalities etc.)
- Increasing ecological sensibility of Lead Consumers
- Search for local authenticity (the more global brands are dominating the consumer’s world, the more consumers are yearning for local brands with a local signature and produced with a local spirit).

For the hospitality industry, besides environmental goals such as climate protection, it is one of the main internal goals to reduce the rise of energy costs – which exploded in the past years:



**Fig. 1.** Rising energy costs (4-star hotel, Austria)

Source: WKO

The shift towards sustainability and green lifestyle-brands in the tourism and hospitality industry is not only due to internal economic and ecologic factors, it also is a strategic decision to set up branding in order to differentiate from competitors.

The Greening of Tourism is – in mid terms – changing touristic infrastructure. Sustainable tourism is based on regional value chains (network of local suppliers, local producers of food & energy etc.) and includes renewable energy concepts – E-Tourism – in the meaning of energy efficiency, electro mobility etc. A lot of sustainable touristic development models are promoting new products and regional sustainable brands (in Europe the initiative European Destinations of Excellence, initiated by the European Commission, is one of those best-practise-tools to encourage sustainable projects in hidden regions).

But what about sustainable energy concepts in the hospitality industry? Is there a respectable shift towards renewables, energy saving etc.? What is state of the art? Do players in the hospitality industry have a clear and handsome vision of a green future or are they just executing “green washing”?



## 2 Sustainable Concepts in the Hospitality Industry

In the real estate industry, in facility management and urban planning sustainable housing is a fundamental paradigm. We not only are living a boom of Green Buildings across European countries (the most outstanding being the Swiss Re Tower in London), but also a slow development towards holistic eco-cities (best practise is the eco-city of Masdar in Abu Dhabi, being in construction and following the principal of “zero carbon, zero waste”). But we only do have, at least for the moment, few benchmarks of convincing sustainable concepts in the leisure and hospitality industry. However, the ones existing are encouraging others.

All concepts do have as common purpose maintaining and protecting nature, minimising the ecological footprint and the operating costs for the tourism and hospitality industry. At the same time eco-concepts are maximising the moral balance sheet for providers as well as for guests – an added value in customer relationship.

The movement towards sustainable lifestyle concepts has, naturally, its origin in eco-tourism and eco-resorts.

One benchmark is the Chumbe Island Coral Park in Zanzibar, East Africa. Being a nature conservation project, the Marine Park won a lot of international awards for nature conservation and socially responsible tourism. Chumbe Island, one of about 130 eco-lodges worldwide, consists of a handful of eco-bungalows, surprising and charming, built as eco-architecture using local materials. Due to their traditional construction the eco-lodges don't need any air conditioning – the construction is oriented towards the predominant wind directions.

Energy is provided to 100 percent by solar power. Rain water is collected on the roof and conserved by smart shower heads and flushing systems. Each bungalow has a private living room and en-suite bathroom, solar-powered lights, solar heated water, composting toilets. The list is completed by grey water filtration systems and rainwater catchment systems. A local value chain is being established, the staff is formed by local people, education programmes are teaching school kids of Zanzibar in waste management and eco-tourism. Sustainable tourism only is successful if it links various sectors and pushes forward travel supply chain activities in order to maintain the ecosphere intact.

As another best-of-product the Bay of Fires Lodge, located in Mount William National Park in the north-east of Tasmania, should be mentioned. The Eco-Lodge, consisting of two timber and glass pavilions, is subtly integrated into the landscape with minimum impact on the environment. Bay of Fires is autonomous in providing and managing its existence. Only sustainable materials are being used, eco-tools include roof-water collection, grey-water treatment systems, composting toilets and energy-efficient solar power. Soft products as bird watching, river kayaking and nature walk allow discovering the ecology of the National Park.

One of the worldwide outstanding eco-resorts is the Feynan Ecolodge in Jordania, in the heart of a mountainous Biosphere Reserve. This resort with its pano-

ramic rooftop terrace offering a 360 degree view of the desert is combining ecology and local lifestyle.

The Ecolodge is powered by solar energy. There are no electricity outlets in the bedrooms and water is heated via solar panels mounted on the roof. The resort is hydrated by water from one of the nearby springs. Composting facilities and recycling waste do complete the list. The staff is local Bedouins.

We could mention a lot of best-practises of such eco-resorts including eco-camping, a form of sustainable tourism attracting more and more outdoor tourists. The Ecocamp Patagonia in Southern Chile for example, located in the mountains, offers an interesting mix of traditional lifestyle and modern design. It consists of camping tents and bungalows, the design being inspired by original traditional Kawesqar huts, the construction of the sleeping domes delivered only a small impact to the environment. The energy concept is completely based on renewables: energy is obtained from solar panels, wind- and watermills; biomass is used for heating and cooking.

From Latin America to the Alps, from the Pacific to the Middle East, there is an increasing number of eco-or at least eco-friendly hotels in different higher altitude regions. This growing market is reflecting the changing society towards a post carbon age (zero carbon, zero waste). Driven by changing climate conditions, the hospitality industry is more and more accepting the challenge towards an eco-friendly setting.

### 3 Green Lifestyle as Merger of “Eco” and Hipness

What is obvious is the fact, that more and more the former pure ecological movement is going to be combined with modern lifestyle – ecology finds its fusion with cool architecture, sophisticated technology to obtain or save energy, attractive interior design and surprising service design. Consumers have changed, too – they are hybrid, demand sustainable products with a modern appeal.

So, if we are mapping the evolution of eco-hospitality, we can define 3 steps:

1. Eco-friendly setting: natural materials (wood etc.), reduction of greenhouse gas emissions, energy saving appliances etc.
2. Holistic sustainable concept: renewable energy concept, regional value chain, organic products, eco-programmes (knowledge transfer) etc.
3. Green Lifestyle: merger of “eco” & hipness.

Green Tourism is going to be transformed, and this is definitely a trend in tourism, into Green Lifestyle.

One of the Pioneers in Green Hospitality in urban areas is the Boutiquehotel Stadthalle in Vienna, Austria, the world’s “first urban hotel with a zero energy-balance”. Compared with competitors in worldwide urban hospitality (e. g. car-

bon-neutral hotels like URBN in Shanghai, where they offset the carbon footprint of emissions by purchasing trees in a desertified Mongolia forest) this concept is much more ambitious.

Constructed as a passive house, the charming hotel is producing the energy which it is consuming, via 130 m<sup>2</sup> solar panels and wind turbines, drilling for ground water, using the energy for cooling and heating, central controlled airing of the rooms (instead of air conditioning), programmable electricity “instabus”, utilisation of rainwater to flush the toilets and water the garden, solely low-energy light bulbs and LEDs are completing the efforts to obtain energy autarky.

This hotel yet belongs to the next generation of eco-hotels, because it is combining high-tech energy-providing with modern lifestyle, stylish interior design and interesting holistic concept (including, as next step, e.g. e-cars for guests). For the moment this Viennese Hotel is the only one in European Cities, another zero-emission hotel is going to be opened soon in Milan, Italy.

In winter resorts, we do have some sensational concepts of Green Lifestyle-Hospitality. One attractive example of eco-tourism in Switzerland is the Whitepod Resort with its Whitepod camp, 15 geodesic-dome pods surrounding a central chalet. Member of “The Luxury Camps & Lodges of the World”, the resort offers with its pods (dome shaped tents, pitched on wooden platforms) a low impact accommodation conserving nature. Soft measures as using renewable resources, reducing waste production etc. are eco-friendly but not eco-avant-garde.

Switzerland is without any doubt first mover in E-Tourism in the Alps – with its astonishing Monte Rosa Hut, at an altitude of 2,883 meters. The recently opened Hut links futuristic architecture with modern sustainable technology.

The New Monte Rose Hut is a complex five-storey wooden building, encased in a shining aluminium shell. The south façade includes a photovoltaic array producing electricity. The building will be able to supply at least 90 per cent of its own energy – no other housing concept in this altitude is based on energy autarky.

If we can define the future of eco-tourism as a merger of “eco” & lifestyle, no other project will gain such attraction as the North Slope Hotel in the Rocky Mountains (Architect Michael Jantzen) – one of the greenest and most stylish hotels ever designed. The design resembles that of a half pipe, with a sliding rock serving as the gateway.

The 95-room luxurious hotel is shaped as an actual ski slope (400 foot), with smooth curves and an all white exterior, a stylish sculpture in the mountains. The building has large south facing insulated windows, used to help passively solar heat the hotel. The hotel will run completely on renewable sources of energy: it is powered by both solar and wind energy (8 wind turbines) that is generated by its vertical axis on top of the building. The “ski slope” leading to earth from the roof of the hotel is collecting rainwater in summer.

So, to summarize, the hospitality industry can and will play an important role in developing green concepts and therefore contribute to a sustainable touristic infrastructure and better life quality. Future attractiveness of touristic concepts will more and more be based on intelligent green product design (cradle-to-cradle).

Eco-leadership therefore will constitute the competitive identity of destinations and resorts of tomorrow. Establishing Green Lifestyle-Brands requires:

- Holistic sustainable concept (green building, reduction of greenhouse gas emissions etc.)
- Green Chic (eco-lifestyle – stylish interior concepts, modern lightening systems like organic LED's etc.)
- Regional value chain (Tourism is playing a cross-sectoral role)
- Lighthouse products & Destination Branding
- Green Investments.

Green Lifestyle, for the moment being a niche concept, will be an interesting growth market in mid-term future. Climate protection, energy saving and new consumer behaviour are forming an innovative melting-pot to develop new products. The future of the hospitality industry will be green, but sexy.

# Budget Hotels: Low Cost Concepts in the U. S., Europe and Asia

## What Lies Ahead for the Industry?

David Ruetz and Macy Marvel

### 1 Introduction

This report reviews current developments in the budget hotel sector in three major regions worldwide: the US, Europe and Asia (including the Middle East). These different regions, as well as individual countries within these regions, are at distinctly different stages of development. The bulk of budget hotel capacity is in the hands of a few large chains, such as Accor, Wyndham Worldwide, Choice, Louvre Hotels.

### 2 “Cheap Chic” – A Defining Trend

However, a series of new start-ups, including such groups as Motel 1 from Germany, Citizen M from the Netherlands or Sidorme from Spain, are out to prove that budget accommodation needn't be drab and featureless. Through incorporating some basic design features including, attractive colour schemes, high quality bedding, bathroom fixtures, lighting effects and a full range of technological gadgetry, such as free WI-FI, docking stations for mobile phones and MP3 players, digital TV services, these operators are attempting to differentiate the budget hotel product through mimicking some of the aspects of more expensive boutique hotels, as well as rendering their properties more appealing to a young tech-savvy customer base. The basic ‘cheap chic’ strategy consists of identifying and focusing attention on certain features particularly valued by guests, meanwhile saving in other areas, such as physical space and the F & B offer, which is typically reduced to some simple snacks made available on a 24-hour basis.

Although most of these groups mentioned above are only at a nascent stage of development with only several properties open, they are definitely having an impact on the overall sector. Indeed, the big European operators, such as Accor and Louvre Hotels, are beginning to feel the heat of competition and have moved to renovate and upgrade their economy hotel products.

### 3 What Is a Budget Hotel?

The term ‘budget hotel’ is difficult to define precisely. Ostensibly, a budget hotel could be any transient lodging establishment that charges low rates. However, the currently accepted general meaning of the term in the hotel business refers to zero- to two-three-star hotels, normally with a minimum of 50 rooms, and branded by a major chain. Such hotels typically have a standardised ‘cookie-cutter’ appearance, and offer a systematised, no-frills service format, e. g. limited food and beverage and meeting facilities.

The maximum room rate in Europe for what could still be considered a budget hotel could be over €160 (for an Ibis in Paris on a weekday night), but could also be as low as €19 (for an easyhotel in Sofia) subject to local variations. The budget (or economy) sector can be further divided into at least three sub-segments: ‘discount’ – or ‘hard’-budget, ‘middle budget’ and ‘super-deluxe budget’ (or ‘upper economy’). Although the terms ‘budget’ or ‘economy’ are frequently used interchangeably, ‘economy’ is often taken to mean the high-end segment of the overall category.

#### 3.1 Budget Hotels vs. Hostels

What is the difference between a budget hotel and hostel? And what is a luxury hostel or a boutique hostel? They all go under the heading of “budget accommodation”. According to Mark Thompson, managing director of B&B Hotels, a fast growing major European chain, “Not everything is black and white and there is plenty of greyness and cross-over in the hostel/hotel market. In Germany we have brands that represent and market both hostel and hotel markets in the same building. However, the cross-over and lack of distinction within the sector is not exclusive to the budget sector. There is an ever-increasing determination to differentiate products in the market so it becomes ever more difficult to rely upon a sector description or upon a star-rating system to understand what a customer can expect.”

#### 3.2 “The Bulldog” in Amsterdam

At the other end of the spectrum, Jim Zielinski, General Manager, at “The Bulldog” in Amsterdam, an individual “luxury” hostel in Amsterdam, notes that, “The normal hotels (when not only focusing on corporate guests) have to watch their back. Hostels are more fun and our guests are the high yield customers of the future, an extremely interesting clientele, critical, demanding, and sensitive for marketing, branding, and good rates. They want a reservation confirmation on their mobile phone right away. They have a credit card, laptop, they want the real info. And more hostels offer them private rooms, smaller dorms, shuttle service, an LCD TV, media rooms, free WI-FI, free breakfast and a restaurant”.

In fact, The Bulldog offers two fundamentally different types of accommodation. On the one hand, a bed in an ensuite dormitory with 8–10 or 12 beds (mixed room) can be had for as little as € 27.00; meanwhile one person in an ensuite room

with double bed and one single bunk pays €134 – slightly more than staying at an Ibis in Amsterdam. Realistically, a major hurdle that standalone properties face – no matter how attractive they are – is distribution. Brand recognition and frequent guest programmes play a crucial role in promoting the services of a lodging establishment to the general public.

## 4 Business Travellers Targeted

Most budget hotels worldwide target business travellers, in the first instance, although the proportion of leisure guests is growing in importance as the regional coverage of economy chains intensifies. The term ‘business traveller’ is used here in its broadest sense, and could include manual labourers or technicians, as well as white-collar middle managers, lower level salesmen and small-time entrepreneurs. As B & B’s Mark Thompson notes, “For budget chain-operators who want to develop hotels in significant numbers throughout the country, I think that the business sector has to be the main focus”.

### 4.1 Sixty per Cent of Accor Guests Are Travelling on Business

To prove the point, it can be noted that roughly 60 % of Accor budget hotel guests are travelling for professional reasons. Interestingly, it appears that the lower the grade of brand, the higher the business traveller component. In fact, the proportion of revenue generated by business travellers may be even higher than what is indicated by these percentages, since they tend to stay in Accor properties on expensive weekday nights (Monday –Thursday), whereas leisure travellers are more likely to stay during off-peak periods (weekends and holidays) when rates are cheaper. For example, a room at the Ibis Paris Gare de Lyon Ledru Rollin in the 12th arrondissement costs € 135 for the night of Thursday 21 October 2010, but only € 95 on Friday, the 23rd, and only € 64 on Sunday, the 24th, of the same week.

**Table 1.** Breakdown of Accor budget hotel guests by travel motivation and brand

Brand	Customers	
	% business	% leisure
Ibis	57 %	43 %
All Seasons	60 %	40 %
Etap Hotel	60 %	40 %
Hotel F1 (Formerly Formule 1)	65 %	35 %
Motel 6	60 %	40 %

Source: Accor

## 4.2 Short-Break and In-Transit Leisure Market

Indeed, hotels serving business travellers on weekdays increasingly market their rooms to price-conscious families and short-break tourists on the weekends and at holiday periods, as explained by Mark Thompson, who notes that, “Leisure business remains important to keep occupancy rates viable at weekends and holiday times and indeed the leisure market is probably developing at a faster rate than the business market. For budget operators who operate in key cities, or who are prepared to source their customers through third-party, commissionable sources, then a greater focus on the leisure market may apply. In both the business and leisure segments the budget hotel concept tends towards the short-stay traveller, in the leisure market the focus is therefore more inclined to the in-transit traveller and the mini-break or City-break market”.

## 4.3 Leisure Share Increasing in US Extended Stay

Over time, as can be observed below, economy extended stay hotels in the US have witnessed a significant increase in the percentage of leisure guests, which went from 10% to 43% over the 10-year period ending in 1998–2008. The sharp drop in the leisure component in 2009 can be chalked up to the effects of the recession on consumer spending. Thus, in 2009, the economy extended stay segment reverted to a high level of dependence on guests travelling for professional reasons, who are typically work crews, salesmen and entrepreneurs.

**Table 2.** Trend in travel purpose of guests in US extended stay hotels (in percent of total) 1998–2009

Segment	Segment	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Economy	Business	90%	87%	80%	81%	84%	83%	78%	63%	69%	61%	57%	80%
	Leisure	10%	13%	20%	19%	16%	17%	22%	38%	32%	39%	43%	20%

Source: The Highland Group

## 4.4 Most Guests Are Domestic

Most guests at budget hotels are domestic –one reason why development has taken off in relatively large countries, starting with the US, France, Germany, the UK, and more recently Poland, China and India. Meanwhile, in smaller countries in Eastern Europe, for instance, such as Czech Republic or Hungary, budget hotel development has lagged due to the fact that most major domestic destinations (e.g. the capital city) can be accessed on a day trip. Given the importance of domestic customers, it is important for budget chains to adapt their offer to the national market, as B & B’s Mark Thompson explains below.



### *70 %+ of the Total Demand*

Indeed, as Mark Thompson notes, “The core market in the budget segment is domestic, perhaps 70 %+ of the total demand. It is therefore unsurprising that, in order to be successful, the offering needs to meet the needs and expectations of the host-population. The two most successful budget chain markets in Europe have been developed by local players, Accor in France and Premier Inn & Travelodge in the UK. The chain-market in Germany has initially been developed by French companies bringing French product and the development speed is only now accelerating as new products are developed with German customer preferences taken more into account. Product changes across countries and markets can encompass room sizes, colour and design and minimum core services. In B&B it is important to our success that in core countries (France, Germany, Italy, Poland) local management teams are responsible for local product and business development”.

## **5 Budget Hotels Not Suited to Poor Countries**

It is a paradox that budget hotels are basically unsuited to underdeveloped countries. For instance, when Accor enters an emerging market for the first time, it will likely be with one of its midscale or upscale brands, such as Novotel or Sofitel, which will target incoming business travellers. The reason is simply that the local economy is not sufficiently advanced to generate adequate demand from domestic business travellers. Ultimately, the key driver for budget hotels is growth in a country’s service sector. In fact, the appearance of budget hotels signifies that a country’s economy and lodging market have reached a certain level of maturity, as has been happening in China over past half decade.

### *Land-Based Transport Important*

Another important factor is the terrestrial transport network within the country, especially highways and railroads. This aspect goes a long way to explaining why France, with its excellent rail and motorway network, has by far the most developed budget hotel sector in Europe.

## **6 Revenue Management Increasingly Used**

In the past, budget hotels tended to offer standard prices that varied little. However, this has changed in recent years and budget hotels increasingly practice a more active revenue management, differentiating prices according to days of the week, the season and the occurrence of important events. A more active revenue management is particularly practiced by budget hotels attempting to target a leisure clientele, so as to be able to make special weekend offers, etc., as illustrated above.

### *CitizenM Pricing Strategy*

The new boutique budget chain, CitizenM has gone further, fully embracing airline pricing practices. The group proposes three different booking rates: the cheapest ‘prepaid’ rate entails payment at time of booking and no refunds or modifications are possible; for about 18.5 % more the customer can elect the ‘non-refundable’ option whereby the room is paid at check-in, but no modifications or cancellations are possible and in case of a no-show, the client’s credit card is charged the full amount of the stay and finally the chain offers a ‘flexible’ rate (about 37 % higher than the prepaid rate) which allows for modifications and cancellations up to 18:00 on the day of arrival.

## **7 US Market**

In contrast to most countries worldwide, the US budget hotel sector is in a state of advanced maturity with limited expansion potential. Currently, there are some 52,000 budget hotels with over 760,000 rooms in the US, according to the consultants, STR Global. Although existing budget room capacity is over 15 % of that of the entire US hotel sector, only 0.7 % of total rooms in the planning stage are in budget properties and only 1.5 % of the overall pipeline, which illustrates the relative stagnation of the segment.

**Table 3.** Budget hotel capacity and pipeline vs. total hotel sector in the US, June 2010

	Existing Supply	Recently opened	In construction	Final planning	Planning	Total pipeline	Pre-planning
Budget hotels	10,121	74	31	25	38	94	33
Total hotels US	52,438	1,045	591	621	2,175	3,387	707
Budget hotels % of total	19.3 %	7.1 %	5.2 %	4.0 %	1.7 %	2.8 %	4.7 %
Budget rooms	764,675	5,447	2,313	1,472	1,501	5,286	853
Total rooms US	4,856,020	118,162	64,807	65,982	227,950	358,739	96,848
Budget rooms % of total	15.7 %	4.6 %	3.6 %	2.2 %	0.7 %	1.5 %	0.9 %

Source: STR Global

## 7.1 How Much Does It Cost to Franchise a Budget Hotel?

Franchising is the preferred asset management structure for budget hotels – especially in the US – but with one major exception, the Accor brands, Motel 6 and Studio 6, where almost two-thirds of capacity is owned or leased. Franchising allows for rapid expansion of a brand, since the brand owner needn't invest in nor manage hotels. However, managing a franchise network is challenging from the point of view of enforcing brand standards amongst a diverse group of property owners. Most franchise contracts include an initial fee –generally a flat rate based on the number of rooms, for example – a royalty fee and marketing fee, which are generally calculated as a percentage of room revenues.

### *The Bottom Line for the Hotelier*

The bottom line for the hotel property owner is total fees expressed as a percentage of rooms' revenue, which appears in the last column of the table below. As can be observed there is some considerable difference in the relative cost of the various brands. Generally, well-known, strong brands with substantial critical mass, such as Wyndham's Days Inn or Super 8 brands, can get away with charging high fees, whereas lesser known flags, like Hospitality International's Passport Inns or Red Carpet Inns brands are obliged to charge lower fees in order to penetrate the market (see [table 4](#)).

## 7.2 Growth Niches in the US Market

Although overall, the US budget sector has limited growth prospects, as noted above, there are nevertheless, niche segments which are currently expanding at a rapid rate, such as Vantage Hospitality with its "Freestyle Brand Affiliation" model and the budget extended stay sector.

### *Vantage Hospitality*

Founded in 1999, Vantage Hospitality, Inc. owns the limited service economy brands, Americas Best Value Inn, Canada's Best Value Inn, China's Best Value Inn, Value Inn Worldwide, as well as the representation group, the Lexington Collection. Americas Best Value Inn has been one of the fastest-growing hotel chains in the country, increasing from two properties to 900 locations and 50,000 rooms throughout North America in just 10 years.

In June & July 2010, alone, Americas Best Value Inn opened 25 new hotels expanding in 13 states, including five new locations in California and three apiece in Missouri and Minnesota. All told, Vantage's added a total of 1,452 rooms, including three two-diamond (two-star) locations and conversions from Days Inn (three), Microtel Inns & Suites, Clarion, and Red Roof Inn, as well as 13 independent properties.

**Table 4.** Franchise fees for US economy brands, 2010 (based on a 100-room property)

Brand	Initial fee (US\$)	Royalty fee (US\$)	Reserv. fee (US\$)	Marketing fee (US\$)	Frequent guest fee (US\$)	Misc. fees (US\$)	Total 10-year fee (US\$)	Total 10-year fee as a % of rooms revenue
Americas Best Inn/Suites	\$25,500	\$612,938	\$600,213	\$229,852	\$0	\$46,750	\$1,515,252	9.9%
Americas Best Value Inn	14,000	158,202	474,240	123,810	0	28,889	799,140	5.2%
Budget Host	5,000	102,946	13,757	0	0	0	121,702	0.1%
Budgetel Inn & Suites	10,500	171,958	1,072,641	103,175	0	44,892	1,403,166	9.2%
Country Hearth Inn/Suites	25,500	612,938	600,213	229,852	0	46,750	1,515,252	9.9%
Days Inn	47,500	842,790	278,346	582,291	43,917	140,475	1,935,318	12.6%
Downtowner Inns	6,000	459,703	0	383,086	0	3,250	852,040	5.6%
Econolodge	25,000	689,555	291,328	536,321	35,133	111,216	1,688,553	11.0%
Knights Inn	6,000	766,172	339,437	0	43,917	43,581	1,199,107	7.8%
Master Hosts Inns and Resorts	16,000	612,938	0	383,086	0	3,250	1,015,274	6.6%
Microtel	40,000	904,083	0	321,792	43,917	138,228	1,448,021	9.4%
Motel 6	25,000	766,172	0	536,321	0	201,127	1,528,620	10.0%
Park Inn	35,000	689,555	223,043	306,469	39,525	403,810	1,697,402	11.1%
Passport Inns	6,000	459,703	0	383,086	0	3,250	852,040	5.6%
Red Carpet Inns	11,000	536,321	0	383,086	0	3,250	933,657	6.1%
Red Roof Inn	30,000	689,555	0	612,938	26,350	128,072	1,486,915	9.7%
Rodeway Inn	12,500	426,456	291,328	261,376	35,133	96,229	1,123,022	7.3%
Scottish Inns	8,500	459,703	0	383,086	0	3,250	854,540	5.6%
Select Inn	18,500	612,938	1,225,876	0	0	22,077	1,879,391	12.3%
Studio 6	25,000	766,172	0	306,469	0	201,127	1,298,768	8.5%
Suburban Extended Stay	30,000	766,172	291,328	383,086	72,168	114,984	1,657,739	10.8%
Super 8	26,500	842,790	278,346	459,703	43,917	140,395	1,791,650	11.7%
Travelodge	36,000	689,555	584,815	349,115	43,917	139,042	1,842,443	12.0%
Vagabond Inn	19,000	498,012	229,091	498,012	0	62,919	1,307,034	8.5%
Value Place	64,200	766,172	61,905	383,086	0	98,008	1,373,372	9.0%

Source: 2009 U. S. Hotel Franchise Fee Guide by HVS

Vantage, which has achieved compounded three-year growth of 53% in revenue, owes its success to the group's Freestyle Brand Affiliation model, which offers hotel owners: a promised ROI (return on investment); a voice and a vote in the management of the brand; low, flat fees and short-term contracts, as well as revenue-generating programmes. Vantage's concept has expanded beyond the US to Canada, China, India, and the Middle East.

### ***Budget Extended Stay***

Extended stay has been the fastest growing major segment in the US hotel market for the past decade. As the sector has matured, it has become clearly segmented into three markets: upscale (ADR >US\$ 90); mid-scale (US\$ 40–US\$ 90) and economy (ADR < US\$ 40). Economy extended stay has doubled its capacity over the past decade to reach over 53,000 units total in the US.

**Table 5.** Trend in the distribution of US extended stay room supply in percent of total room supply, 1998–2009

Segment	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Economy % of total extended stay	19%	23%	22%	23%	23%	22%	21%	20%	19%	18%	18%	17%
Total units	26,913	36,765	43,685	49,578	51,481	50,869	51,851	51,279	50,371	50,733	52,190	53,223

Source: The Highland Group

### **Extended Stay's Crossland**

Crossland, the economy brand of Extended Stay Hotels, the largest dedicated extended stay hotel operator in the world, is present in 34 US locations with a total of 4,400 units. The properties typically consist of 120 to 140 studios of 225 square feet (21 square metres) each. The functional studios come equipped with kitchenettes and double beds are standard. In order to keep costs as low as possible, the properties are generally staffed by as few as six to eight employees.

### **Value Place, a Fast Growing No-Frills Chain**

Founded only in 2003, Value Place expanded to 162 properties in just six short years and passed the 100-hotel mark only in 2008—making it the fastest growing extended stay hotel brand in the US.

The Value Place brand concept has eliminated many of the non-essential features and frills found at other chains in order to offer the lowest rates possible and provide only what the consumer really needs. Using a pricing strategy reminiscent of a European budget airline, like Ryanair, the chain offers additional services and amenities to guests for an extra fee, such as: a “dish pack” with place settings,

pots, pans, and cooking utensils (US\$ 49.95); high speed Internet access (US\$ 10 per week); daily housekeeping service (US\$ 3 per day); weekly linen exchange (US\$ 7 per week – otherwise the sheets are changed only every two weeks!).

In fact, what the Value Place brand offers consumers is a stripped down furnished apartment available for rent on a weekly or monthly basis. For example, there are no swimming pools, fitness facilities, business centres, grocery stores, free breakfasts, or evening wine & cheese receptions with the property's general manager. The suites at Value Place have a dorm room feel, offering only the essentials in a clean, simple and rather Spartan environment.

### Guest Profile

Value Place properties target travellers seeking furnished apartment accommodations from one week up to several months at a time. Guests typically include people visiting relatives for a week or more, relocating families, students, thrifty leisure-oriented travellers, groups of construction workers, other corporate-oriented long – stay groups, student groups, sports teams, companies looking to house workers for extended periods, and individuals stationed in an area for long periods of time while working on projects, etc. According to the chain, approximately 45 % of guests are travelling for work-related reasons, 30 % are moving house, 15 % are holidaymakers and 10 % fit into a miscellaneous category (students/residents, etc.). The year-to-date average length of stay was 67 nights as of May 2009.

### High Profit Margins

Value Place hotels earn substantially higher net operating income as a percentage of revenue than other types of suite hotels without food and beverage, since the properties typically operate at lower expense levels, due to streamlined staffing levels (usually two to three resident supervisors and one or two managers per property). Limited hours of front desk operation (typically, Monday-Friday, 9:00 to 18:00, Saturday, 10:00 to 14:00 and closed on Sundays), as well as an à la carte pricing strategy along with reduced bi-weekly housekeeping schedule, all help to keep costs low.

### Low Construction Cost

According to HVS International's 2008 Hotel Development Cost Survey, the average development cost for extended-stay hotels in 2007 was US\$ 133,800 per room (excluding land acquisition. In comparison, development costs for Value Place Hotels are typically about US\$ 50,000 per room (excluding land acquisition) – about the same as the cost of building a budget hotel in India, as noted further along in this report.

## Pricing Policy

Typically, Value Place properties offer the least expensive extended-stay hotel rates in their respective competitive markets. However, the chain's pricing structure discourages a hotel property from accommodating transient overnight demand, since the chain charges for a minimum length of stay of one week. Though guests can stay for shorter time periods, they still must pay the entire weekly fee. Value Place hotels prominently display their weekly rate offerings (typically in the US\$ 199 to US\$ 229 range) on exterior signs. Also, again in a similar fashion to Ryanair or easyjet, Value Place does not offer frequent guest programmes like some other competitive extended stay properties (such as Starwood Preferred Guest, Marriott Rewards, Hilton Honors, Choice Privileges, or IHG Priority Club).

## Outlook

Though all segments of the lodging industry have been impacted by the economic downturn, Value Place hotels have the potential to outperform other property types as they also resemble and compete with apartment complexes. Demand for apartments in the US is projected to remain high due to the ongoing wave of property foreclosures nationwide. Conceivably, Value Place could be successful in turning some of these potential apartment tenants into hotel guests.

Indeed the recessionary year 2009 seems to have stimulated growth as the chain opened 43 newly constructed properties and signed agreements for an additional 14 and, by the end of 2010, 15 more newly constructed properties should have opened.

## 8 Europe

At the beginning of 2010, zero- to two-star rooms accounted for 24% of total chain capacity in the 27 EU countries, according to the consultants, MKG Hospitality.

**Table 6.** Trend in 0-star – 2-star chain hotel capacity in the 27 EU countries, 2008–2009

Grade	Hotels		Rooms		Change 2009*-2010*		
	2009*	2010*	2009*	2010*	Hotels	Rooms	% change rooms
0*/1*	1,279	1,296	93,020	94,855	17	1,835	2.0 %
2*	3,007	3,060	232,215	238,572	53	6,357	2.7 %
Total	4,286	4,356	325,235	333,427	70	8,192	2.5 %

Note: \*As of 1 January of the year

Source: Data base MKG Hospitality – February 2010

Europe's chain capacity in the zero- to two-star range expanded by 2.5% in 2009, especially boosted by the rapid growth of Travelodge in the UK, Accor's Etap flag and some smaller groups like B & B and Motel 1, which grew rooms by 9.8% and 43.4%, respectively. The zero- to one-star category reversed its decline of 2008 and showed an increase of 2% in 2009. Growth stagnated for the major US franchisor, Choice, primarily due to past problems with their master franchisee network.

**Table 7.** Ranking of economy hotel brands in the 27 EU countries by number of rooms, 1 January 2009 & 2010

Ranking		Brand	Chain	Hotels		Change in number of hotels	Rooms		% change in rooms
2010*	2009*						2010*	2009*	
1	1	Ibis	Accor	669	656	13	70,648	69,112	2.2%
2	2	Premier Inn	Whitbread	579	572	7	39,142	38,695	1.2%
3	3	Etap	Accor	398	384	14	33,282	31,948	4.2%
4	5	Travelodge	Travelodge	395	376	19	26,928	25,300	6.4%
5	4	Campanile	Louvre Hotels	388	386	4	24,949	24,774	0.7%
6	6	F1/Formule 1	Accor	293	305	-12	21,707	22,550	-3.7%
7	7	Express by Holiday Inn	IHG	186	178	0	21,427	20,317	5.5%
8	8	Premiere Classe	Louvre Hotels	227	224	3	16,279	16,057	1.4%
9	9	B&B Groupe	B&B Hotels	212	195	17	15,883	14,461	9.8%
10	10	Kyriad/Kyriad Prestige	Louvre Hotels	234	223	11	13,702	13,289	3.1%
11	12	Comfort Inn	Choice Hotels	140	141	-1	8,499	8,537	-0.4%
12	11	Balladins	Dynamique Hotels	145	166	-21	8,146	9,033	-9.8%
13	13	Jurys Inns	Quinlan Private	30	24	6	7,139	5,874	21.5%
14	15	Motel One	Motel One	26	21	5	4,464	3,114	43.4%
15	14	Days Inn Hotels	Wyndham Hotels	49	45	4	4,057	3,953	2.6%
<b>Total</b>				<b>3,971</b>	<b>3,896</b>	<b>69</b>	<b>316,252</b>	<b>307,014</b>	<b>3.0%</b>

Note: \*As of 1 January of the year

Source: Data base MKG Hospitality – February 2010



### Outlook by Major European Market

As can be seen below, the budget hotel sector is at distinctly different stages of development in each major European country market – going from the almost saturated French market to the practically untouched Italian market.

#### 8.1 France

Total branded budget room capacity only inched up by about 1 % in 2009, following a similar rate of progression in 2008, which attests to the mature state of the

**Table 8.** Ranking of top economy hotel brands in France by number of rooms, 1 January 2009 & 2010

Ranking		Brand	Chain	Hotels		Change in number of hotels	Rooms		% change in rooms
2010*	2009*			2010*	2009*		2010*	2009*	
1	1	Ibis	Accor	379	377	2	33,305	33,096	0.6 %
2	2	Etap	Accor	288	278	10	22,283	21,385	4.2 %
3	4	Campanile	Louvre	327	325	2	19,632	19,458	0.9 %
4	3	F1	Accor	262	271	-9	19,491	20,100	-3.0 %
5	5	Premiere Classe	Louvre	224	221	3	16,016	15,794	1.4 %
6	6	Kyriad/Kyriad Prestige	Louvre	233	222	11	13,558	13,157	3.0 %
7	7	B&B	B&B Hotels	181	178	3	13,053	12,875	2.4 %
8	8	Balladins	Dynamique Hotels	134	155	-21	6,840	7,697	-11.1 %
9	9	Comfort Inn	Choice Hotels	73	73	0	3,729	3,763	-0.9 %
10	10	Fasthotel	Hotel National Industrie	62	59	3	2,738	2,683	2.05
11	11	all seasons	Accor	36	20	16	2,850	1,817	56.9 %
12	12	Express by Holiday Inn	IHG	12	12	0	1,129	1,130	-0.1 %
13	13	Mister Bed	BRE Gestion Hôtelière	12	14	-2	779	910	-14.4 %
<b>Total</b>				<b>2,223</b>	<b>2,205</b>	<b>18</b>	<b>155,403</b>	<b>153,865</b>	<b>1.0 %</b>

Note: \*As of 1 January of the year

Source: Data base MKG Hospitality – February 2010

market. Accor brands account for over half of total capacity, followed by Louvre Hotels' four flags which make up almost a third. Thus the remaining seven operators are no more than marginal players, dividing the remaining roughly one-fifth of the market amongst them.

## 8.2 UK

Hotel development in the country has been dominated by the fast-expanding budget sector for the last two decades. A long-term structural shift has been taking

**Table 9.** Leading budget hotel brands by capacity in the UK, 2008–2009

Budget hotel brand	Hotels 2008	Hotels 2009	Change # of hotels 2008–09	Rooms 2008	Rooms 2009	% change 2008–09	Average rooms/hotel 2008	Average rooms/hotel 2009
Premier Inn	517	552	+35	35,864	38,766	8.1%	69	70
Travelodge	324	361	+37	21,961	25,487	16.1%	68	71
Express by Holiday Inn	119	102	-17	12,482	11,672	-6.5%	105	114
Innkeeper's Lodge	89	90	+1	2,698	2,706	0.3%	30	30
Ibis	49	51	+2	6,688	6,993	4.6%	136	137
Days Inn	25	25	-	1,406	1,384	-1.6%	56	55
Jurys Inn	17	19	+2	4,538	5,013	10.5%	267	264
Campanile	18	19	+1	1,501	1,592	6.1%	83	84
Etap	8	16	+8	1,186	2,126	79.3%	148	133
Comfort Inn	17	15	-2	963	794	-17.5%	57	53
Comfort Hotel	12	13	+1	737	773	4.9%	61	59
Ramada Encore	6	12	+6	719	1,431	99.0%	120	119
Days Hotel	9	11	+2	1,211	1,485	22.6%	135	135
Wether-spoon Lodge	11	11	-	314	314	0.0%	29	29
Purple Hotel*	11	10	-1	975	872	-10.6%	89	87
Stop Inn*	5	6	+1	331	434	31.1%	66	72
Formule 1	5	5	-	401	401	0.0%	80	80
EasyHotel	3	4	+1	192	278	44.8%	64	70

\* Owner Real Hotel Company which went into technical bankruptcy in January 2009

Source: HotStats by TRI Hospitality Consulting

place in the UK hotel industry, with branded hotels, led by the budget segment, steadily increasing their share of hotel capacity in the country. Still, according to Whitbread, the owner of the UK's market leading budget hotel brand, budget hotel rooms account for only 14% of total room supply in the country. This ratio can be compared to the US and France where the proportion reaches about 25% and 23%, respectively.

### *Premier Inn and Travelodge Control Two-Third of the Market*

Thus it can be concluded that there is still considerable growth potential for the UK, which will continue to be dominated by the two market leaders, Premier Inn and Travelodge who control key sites and enjoy strong backing from financial partners who favour a sales leaseback structure. The big two account for two-thirds of the market (in terms of the number of hotels) and both will continue to gain share in the coming years. Indeed, only three chains (including Express by Holiday Inn) operate more than 100 properties, leaving the remaining 25% of the market extremely fragmented amongst multiple operators. The brands that depend on franchising, such as IHG's Express by Holiday Inn, easyHotel, Wyndham's Days Inn or Choice's Comfort Inn will continue to lag in terms of expansion and market share.

## 8.3 Germany

The third budget market in Europe continues to be dominated by Accor brands, especially Ibis and Etap, which altogether (including Formule 1) control well over half of the market in terms of the number of hotels. However, Accor's leadership position is being increasingly challenged by smaller fast growing groups like Motel 1, as well as Express by Holiday Inn and the French group B & B, which offer modernistic design facilities priced at competitive rates.

Historically, Accor's success in Germany has been due to its willingness to assume ownership and lease contracts, which cover nearly all of the group's German

**Table 10.** The leading budget hotel brands in Germany, 2009

Brand	Owner/operator	Hotels	Rooms	Average size of hotel
Ibis	Accor	85	10,896	128
Etap	Accor	68	5,964	88
Motel One	Motel One AG	26	4,056	156
Express by Holiday Inn	IHG	19	2,240*	118*

Note: \*Author's estimate

Source: Companies

property portfolio, as opposed to management contracts and franchises. However, Express by Holiday Inn has succeeded in expanding rapidly, doubling the number of hotels in Germany over the last three years, using its franchising model.

### *Accor's German Strategy*

As Accor's second European market, Germany is important for the chain and still offers considerable expansion potential for economy hotels as compared to the saturated home market. Although Accor remains the clear front runner, other groups have been making inroads into its market share. For instance, Motel 1, whose founder, Dieter Mueller, was also an Accor man, has established 27 hotels within an eight-year period (four new hotels in 2010). Motel One has 'challenged' Accor's position, admits, Michael Muecke, head of Accor's budget brands in Germany.

Nevertheless, Motel One is just one of many (domestic and foreign) budget groups present in the German market, such as the French chains, B & B and Balladins, as well as the German start-up, Meininger. "In a few years' time, we will have enormous over-capacity in the budget segment and there will be a price war," Muecke forecasts.

### *Smaller Hotels*

Accor Deutschland now plans to expand actively with its two brands: the group's two-star Ibis flag and Etap, Accor's low budget brand, which has replaced Formule 1 in terms of future development thrust. However, Muecke notes that, "We will not expand at any price, but will supplement our network in a rational way". Future Ibis hotels will be smaller units (150 to 200 room) units in micro-markets, the opposite of some of Accor's competitors, such as Motel One and Meininger Hotels, who are building 500-room 'sleeping boxes' in major urban centres.

## **8.4 Spain**

Spain has probably the greatest development potential of any major European market at the present time. Although the country remains gripped by a severe recession, this factor could even play in favour of the budget segment, as both business and leisure travellers feel the pressing need to trade down to cheaper accommodation.

According to the consultancy, DBK, 30 budget hotels opened in Spain over the two-year period 'til end 2008 by which time the total amounted to 134 properties with 10,500 rooms, which represents a tripling of capacity since 2002. Unsurprisingly, capacity is particularly concentrated in Catalonia (28 %) and Madrid (26 %) and, in general, on the periphery of major cities. Meanwhile, total receipts for the sector amounted to €170 million in 2008 up 21 % on the prior year and the average property contained between 50 and 100 rooms with an ADR of €50. The forecast for end 2010, calls for a total of 180 establishments with 15,000 rooms which would be a 50 % increase over the two-year period.

**Table 11.** The leading budget hotel brands in Spain, 2006 & 2009

Brand	Owner/operator	Hotels 2006	Hotels 2009	Change in # of hotels
Ibis	Accor	30	39	9
Express by Holiday Inn	IHG	15	21	6
Campanile	Louvre	6	8	2
Formule 1	Accor	7	6	-1
Etap	Accor	4	6	2
Comfort	Choice	5	0	-5

Source: Companies

### *Sidorme – Finally a Spanish Budget Chain*

Although Spain has been the scene of rapid hotel development over the past two decades, led by major domestic chains, such as Sol Melia, NH Hoteles and Barceló – just to mention three, the budget segment has been left virtually untouched, in spite of the rapid expansion of the service economy in recent years. It is indeed a mystery as to why one of the big local market players has not come forth with a budget lodging product, as has been the case in most other major European hotel markets – the only exception being Italy, where the budget hotel sector remains even less developed than in Spain.

Finally, a Spanish budget chain has surfaced, Sidorme. True, the major foreign budget hotel chains have entered Spain, but their presence is still minimal given the size of the potential market. Accor currently has 53 economy hotel properties, while Express by Holiday Inn has 10 and is followed by the second French operator, Louvre Hotels, with six properties branded under its Campanile flag. The two large British operators (Premier Inn and Travelodge) have been very slow to develop outside their home market, but there are now two Travelodges in Madrid.

By comparison, there are presently only about 150 budget hotels in Spain, while in France the total exceeds 5,000, notes Fernando Rivas, the founder and CEO of Sidorme Hotels, who is convinced that that the sector can manage 30% annualised growth in Spain over the coming years. Finally this obvious gap in Spain's hotel sector is being filled by Sidorme Quality Low Cost Hotels, who opened their first property in 2006.

### *Major Expansion Plans and Financial Backing*

Sidorme has some ambitious expansion plans which, if realised, would give the chain critical mass on a national scale. By the end of 2011, around €54 million will have been invested in new properties, if all goes according to plan. Of the

**Table 12.** Sidorme's current hotel portfolio, August 2010

Location	Date opened	Surface area (sq m)	Rooms	Parking places	Meeting rooms
Barcelona Mollet	March 2006	2,050	80	36	1
Figueres	April 2007	2,150	82	40	1
Valencia paterna	Nov 2007	2,500	98	41	1
Girona	Dec 2007	2,500	98	40	1
Barcelona Granollers	Sept 2008	2,500	96	60	1
Granada	Sept. 2010	N/A	101	N/A	1
<b>Total</b>		<b>11,700</b>	<b>555</b>	<b>217</b>	<b>6</b>

Source: Sidorme Quality Low Cost Hotels

eight projects in the active pipeline, three are leased facilities (two in Madrid and one in Malaga) and five hotels are owned (two in Madrid, one in Seville, one in A Coruña, the second largest city in Galicia, and one in Albacete).

Furthermore, at a press conference in October 2008, CEO Fernando Rivas announced the group's objective of opening 20 new hotels over the following four years and, looking longer term, to bring the chain's total capacity up to 100 hotels by the end of the coming decade. All-in-all this would amount to a total investment estimated at over €400 million.

Fortunately, Sidorme was able to secure financial backing just at the onset of the credit crunch in September 2007, when Madrid-based N+1 Capital Empresarial acquired a 68% stake in the new venture from seven out of the eight founding partners. The remaining 32% of the capital has been retained by the company's founder and CEO, Fernando Rivas. N+1 Capital Empresarial, created by family offices, is the investment arm of Nmás1 Group, which is specialised in management buyouts and buy-ins, buy-and-build, and venture capital investments. This capital injection, which has raised Sidorme's total available capital to about €120 million, has supplied the financing that should allow the group to reach its objective of expanding the chain to at least 25 hotels over the next four – six years.

### *“Cheap Chic” Comes to Spain*

The concept behind the creation of Sidorme is similar to what has already been observed in Germany with Motel One, or in the Netherlands with CitizenM or in Austria with Orange Wings. The business model consists of offering an accommodation facility stripped down to its essential elements, such as a decent bed, a work desk and WIFI Internet access, but nevertheless, offering furniture and design with a stylish ‘boutiquish’ look. The properties feature ensuite bathrooms, air conditioning, flat-screen TVs, free parking and a 24-hour reception.

The secret of the business model, as explained by Rivas is the minimal staffing structure of the hotels, which have only 10 employees. The properties entail an investment of about €6 million per hotel and have, on average, 80 to 90 rooms, all of which assures a certain economies of scale. According to Rivas, the problem with the Spanish hotel industry is that half of the establishments have less than fifty rooms, which make it difficult for them to be profitable.

**Table 13.** Sidorme hotels in detail, 2009

Number of rooms per hotel planned	80–100 rooms
Room size (incl. bath room)	18 sq m
Bath room	3 sq m
Average room rate in 2009 to date	€47
Average occupancy in 2009 to date	70 %
RevPAR in 2009 to date	€32.90
Breakfast is not included , cost	€4.50
Breakfast format	Continental buffet
In-house food & beverage	Pasta & pizza
Internet	Free WI-FI

Source: Sidorme Hotels, August 2009

## 8.5 Italy

In spite of a minimal budget hotel presence, Italy will probably continue to be a low growth market due to administrative red-tape and a specific restriction on the size of hotel rooms. Indeed, a 1925 law stipulates that, for reasons of hygiene, single hotel rooms must have a minimum surface area of eight sq m, and double rooms must have 14 sq m, which, according to representatives of Accor in Italy render the chain's two lower-level brands uneconomical, since the Formule 1 (F1) standards call for triple rooms of nine sq m, and Etap standards require 12 sq m for a triple room. Thus, Accor's budget offer is limited to nine Ibis properties and one all seasons. IHG's Express by Holiday Inn, a direct competitor of Ibis, has 7 properties. Choice has four Comfort hotels and Louvre also has a very limited presence: two Campanile hotels, and one Kyriad in Rimini.

## 8.6 Poland, Czech Republic and Hungary

So far, budget hotel development in the EU's 'new accession' countries has progressed only slowly. Poland remains the most interesting Eastern European market

mainly for reasons of its size, but also for its relative economic stability, as evidenced during the recessionary period of the past two years. Although midscale hotels predominate, Accor is present in Poland, with ten Ibis hotels, and eight Etap hotels, accounting for a total 2,577 rooms (up from 1,532 rooms four years ago).

France's second budget operator, Louvre is in a strong second position, with eight Campanile hotels, one Première Classe, and one Kyriad Prestige, which is actually classed as midscale. In April 2008, the Austrian real estate investment group, Warimpex Finanz und Beteiligungs AG, announced plans to establish a chain of 50 to 80 budget hotels in central and south-eastern Europe within the next five years in partnership with Louvre hotels. Initially, Warimpex is focusing on Poland, the Czech Republic, Slovakia and Hungary. The company had already set up a joint venture with Louvre and, as a first step, Warimpex intends to build around 30 hotels in Poland, the Czech Republic and Hungary.

## **9 Asia**

Until recently, Asian countries generally had very little branded budget hotel capacity, in the strict sense of the term. However, as the major economies of the region have matured, the concept has taken root and is growing like wildfire in China, for instance. Several operators both domestic and international have big plans which should allow for rapid growth of budget hotels in India, too, over the coming decade.

### **9.1 China**

Chinese budget chains are actually the best positioned to take advantage of the rising living standards of the Chinese masses – for the great majority of whom, mid-scale accommodation is too expensive – either for business or for leisure. Between 2010 and 2012, the number of households with at least US\$ 5,000 of annual disposable income is projected to rise from 153 million to 188 million by 2012 and the number with yearly spending power of over US\$ 15,000 should rise from 28 million to 40 million. This second group represents a clear opportunity for the Chinese budget hotel sector where the ADR currently runs about US\$ 25.

#### *China Lodging Group*

China Lodging was founded as an operator of midscale limited service hotels and commercial property developer and manager in 2005. The company began migrating to its current business of operating and managing a multiple-product economy hotel chain in 2007. Total revenues have skyrocketed from RMB 249.4 million (US\$ 36.7 million) in 2007 to RMB 1,333.9 million (US\$ 196.2 million) in 2009. The company incurred net losses of RMB 111.6 million (US\$ 16.4 million) and



RMB 136.2 million (US\$ 20.0 million) in 2007 and 2008, respectively, but became profitable in 2009 with a net income of RMB 42.5 million (US\$ 6.3 million). For 2010, China Lodging is targeting revenue growth of 35% to 37%, which would take total turnover to a range of RMB 1,700–1,726 million (US\$ 250–254 million).

### **A Breakneck Pace of Growth**

As of 31 December 2009, China Lodging had 236 hotels (with 28,360 rooms) in China of which 173 were leased and operated and 63 were franchised or managed. In addition, as of the same date, the company had 21 leased-and-operated hotels and 123 franchised or managed hotels under development.

Meanwhile, six months later, as of 30 June 2010, the company's hotel portfolio had mushroomed to 324 hotels with 37,782 rooms and a presence in 51 Chinese cities. Of the total hotels, 187 were leased and operated and 127 were franchised and managed and the pipeline had swollen to 159 hotels –up from 144 at the beginning of 2010, of which 21 will be leased and operated and 123 franchised or managed. By the end of 2010, the group plans to have between 421 and 431 hotel properties open, of which 188–198 would be franchised or managed and 233 leased and operated.

### **Three Brands**

The group's hotels trade under three brand names: HanTing Express Hotel, HanTing Seasons Hotel and HanTing Hi Inn. HanTing Express Hotel, the chain's flagship product, targets knowledge workers and value-conscious travellers with rates in a range of RMB 150–300 (US\$ 22 to US\$ 44), while the premium product, HanTing Seasons Hotel, targets mid-level corporate managers and owners of SMEs with rates ranging from RMB 250 to RMB 400 (US\$ 36.80 to US\$ 58.80), and the hard budget product, HanTing Hi Inn, with rates of RMB 70 to RMB 150 (US\$ 10.30 to US\$ 22.06), serves the most cost-constrained traveller segments.

### **Growth Emphasis on Premium and Hard Budget Concepts**

At the moment, 95% of the chain's portfolio consists of HanTing Express properties. However, over the next three to five years, the goal is reduce the proportion of HanTing Express hotels to between 73% and 80% and to increase HanTing Seasons properties to 10% to 12% of the total and HanTing Hi Inn properties to 10% to 15%. In 2009, approximately 68% of group room nights were sold to members of HanTing Club, China Lodging's loyalty programme.

### ***Home Inns and Hotels Management***

Founded in 2002, Home Inns and Hotels Management had a total of 616 economy hotels in operation in a 120 locations across China at yearend 2009, of which 390 were owned or leased and 226 franchised or under management contract. There

were 70 properties in Beijing alone and 62 in Shanghai. In addition, the chain had 69 properties in the active pipeline at end December 2009, of which six were owned and leased and the rest franchised or under management contract.

The table below illustrates the phenomenal growth rate of this chain which has more than doubled room capacity in the space of two years. However, it can be noted that the chain appears to be subject to some pressure on rates which have come down by 11 % from yearend 2007. Apparently, the company is practicing a revenue maximisation strategy, like a budget airline, which makes sense since the marginal cost of a room night is probably close to zero.

**Table 14.** Summary of operating data, 2007–2009

<b>Operating data</b>	2007	2008	2009
<b>Total hotels in operation<sup>(1)</sup>:</b>			
Leased-and-operated hotels <sup>(2)</sup>	195	326	390
Franchised-and managed hotels	71	145	226
Total rooms <sup>(1)</sup>	32,726	55,631	71,671
<b>Geographic coverage<sup>(1)</sup>:</b>			
Number of cities	66	94	120
<b>Performance data</b>			
Occupancy rate	91.1 %	85.0 %	91.5 %
Average daily rate (in RMB)	179 (US\$ 26)	173 (US\$ 25)	160(US\$ 23.50)
RevPAR (in RMB)	163 (US\$ 24)	147 (US\$ 21.60)	149 (US\$ 22)

Note: (1) As of the end of each period. (2) Includes five hotels operated in 2007 and seven hotels operated in 2008 and 2009 through joint ventures

Source: Home Inns and Hotels Management

### **A Standardised Format**

Home Inns hotel properties have between 80 and 160 rooms and are characterised by a standardised design, appearance, décor, colour and lighting scheme and set of guest amenities in the rooms, which include a bedding package featuring mattresses meeting the standards of four-star hotels in China (according to the company), free in-room broadband Internet access, a work space, air conditioning and a supply of cold and hot drinking water. Home Inns hotels are located in the vicinity of major business districts, ground transport hubs, major highways, shopping centres, industrial development zones, colleges and universities, and/or large residential neighbourhoods.

Home Inns, which currently has approximately 660 hotels and 76,560 rooms located in mainland China, intends to have 1,000 hotels open by yearend 2011.

### ***Motel 168***

Shanghai-based Motel 168 was launched as an economy hotel concept in 2003 and now has more than 300 hotels in Beijing, Shanghai, Guangzhou and 50 other major cities across China. Motel 168 brands include Motel 168, Motel 268, YotelQQ, MerryLin Restaurant and MerryLin Cafeteria. Through a distinctive renovation and service style, the Motel 168 group has created a new concept of “Fashion, Fun and Feel” for its hotels. MerryLin Cafeteria, a Motel 168 group restaurant brand, offers food, coffee, bar and meeting rooms for hotel guests.

### ***7 Days Inn***

7 Days Inn is also a fast growing Chinese budget chain. The group opened its first hotels in 2005 and 2006 primarily in southern China – particularly in Guangzhou and Shenzhen. In 2007, 7 Days continued its expansion into central, southwest and eastern China, covering cities, such as Chongqing, Wuhan and Shanghai, as well as Beijing in the north. In 2008, the chain continued its national expansion targeting the provincial capitals of most provinces and, in 2009, shifted its focus towards managed hotels. At yearend 2009, 7 Days had a market leading position in the following cities: Guangzhou (35 hotels), Shenzhen (31 hotels), Wuhan (23 hotels), Changsha (17 hotels), Chongqing (14 hotels) and Guiyang (10 hotels) – six cities with aggregate population of approximately 67 million – as well as a strong presence in the following cities: Beijing (38 hotels), Nanjing (14 hotels), Chengdu (12 hotels) and Jinan (11 hotels) – four cities with aggregate population of approximately 44 million. In addition, the group had 25 hotels in Shanghai, which has a population of approximately 19 million.

### **A Ferocious Growth Rate**

If anything, 7 Days Inn appears to have bested most of its fast-growing competitors through tripling the number of operating hotels within two years. What is also impressive is that the chain has apparently not given away anything in terms of rate or RevPAR, which have both remained constant to slightly rising (see [table 15](#)).

### **Almost 400 Hotels and 40,000 Rooms**

At end June 2010, the company had 399 operating properties with 39,561 rooms. There were also 147 hotels with 14,645 hotels in the pipeline. The group also has succeeded in building a 13 million-member guest loyalty programme.

## **9.2 India**

Budget hotel expansion in India is just getting underway, led by a combination of domestic and international brands. In fact, at the present time, India has very little branded budget hotel capacity, as the reasonably priced chains, targeting domestic

**Table 15.** Operating data for 7 Days Inn 2007–2009

	As of and for the year ended 31 December					
	2007		2008		2009	
<b>Hotels in operation(1)</b>	106		223		337	
Leased-and-operated hotels	103		206		236	
Managed hotels(2)	3		17		101	
<b>Hotels under conversion(1)</b>	86		49		64	
Leased-and-operated hotels	84		34		6	
Managed hotels	2		15		58	
<b>Total hotel rooms for hotels in operation(1)</b>	11,399		22,352		32,836	
Leased-and-operated hotels	11,057		20,697		23,764	
Managed hotels	342		1,655		9,072	
<b>Total hotel rooms for hotels in conversion(1)</b>	7,364		4,821		6,168	
<b>Number of cities covered for hotels in operation(1)</b>	20		33		54	
<b>Average occupancy rate(3)</b>	88.0 %		88.1 %		88.3 %	
Leased-and-operated hotels	88.2 %		88.4 %		89.2 %	
Managed hotels	83.8 %		83.3 %		82.8 %	
	<b>RMB</b>	<b>US\$</b>	<b>RMB</b>	<b>US\$</b>	<b>RMB</b>	<b>US\$</b>
<b>Average daily rate</b>	158.1	23.3	159.9	23.5	159.6	23.5
Leased-and-operated hotels	159.0	23.4	160.4	23.6	160.0	23.5
Managed hotels	133.0	19.6	151.2	22.2	156.2	23.0
<b>RevPAR</b>	139.2	20.5	140.9	20.7	140.9	20.7
Leased-and-operated hotels	140.2	20.6	141.8	20.9	142.7	21.0
Managed hotels	111.5	16.4	126.0	18.5	129.3	19.0

Note: (1) As of the end of each period. (2) Includes one managed hotel in which we own a non-controlling interest for each period. (3) Occupancy rates for certain hotels benefit from rental of the same hotel room multiple times a day.

Source: 7 Days Inn

business travellers, such as Lemon Tree, Homotel, and Fortune, are in fact mid-scale and offer a full range of services.

However, Ginger Hotels, a subsidiary of The Indian Hotels Company Limited (IHCL), who also owns the luxury brand of Taj Hotels, presently has 24 economy properties in operation in India's major cities and four more in the pipeline. The average property has about 100 rooms and the rack rate is roughly US\$ 50, depending on time and location.

International brands like Accor's Ibis and Etap, as well as Premier Inn, the leading UK budget hotel operator, have positioned themselves for expansion in this market, as well.

### *18,000 New Budget Rooms by 2014*

The consultants, HVS, project that about 18,000 branded budget hotel rooms will enter the market in major Indian cities over the next four years. One factor that favours budget hotels is low building cost. While a budget hotel property currently costs about US\$ 50,000–US\$ 65,000 per room to construct (excluding land), the cost for a midscale hotel runs between US\$ 75,000 and US\$ 120,000 per key.

**Table 16.** Projected branded budget rooms to enter the market by major Indian city, 2009–2014

City	Branded hotel rooms 2009	Branded rooms to enter the market 2009–2014	% of budget rooms in pipeline	Projected new budget rooms 2009–2014
Ahmedabad	800	3,058	10.3 %	315
Bangalore	3,889	10,784	22.7 %	2,448
Chandigarh	351	1,459	29.2 %	426
Chennai	3,307	4,945	11.8 %	584
Delhi (NCR)	8,625	16,560	16.3 %	2,699
Goa	2,795	2,178	13.4 %	292
Hyderabad	2,761	5,884	19.1 %	1,124
Jaipur	1,683	3,357	16.2 %	544
Kolkata	1,373	4,025	11.1 %	447
Mumbai	7,948	13,386	15.2 %	2,035
Pune	1,518	8,054	19.2 %	1,546
Other Cities	12,006	20,025	28.1 %	5,627
<b>Total</b>	<b>48,475</b>	<b>94,115</b>	<b>19.22 %</b>	<b>18,086</b>

Source: HVS, HOTELS IN INDIA – TRENDS & OPPORTUNITIES 2009 Edition

### **9.3 Middle East**

Apart from United Arab Emirates – Dubai in particular – the development of branded budget hotels has so far been minimal. Accor has the most capacity in the region with 5 Ibis properties in United Arab Emirates, 4 in Turkey and one each in Jordan, Kuwait and Oman. IHG’s Holiday Inn Express has four properties open in Dubai. Premier Inn is also present in Dubai with three hotels, and two more to be opened soon, as well as easyhotel with one property in the emirate.

#### *Premier Inn to Enter the Qatar Market*

Premier Inn is to bring its budget product to Qatar, according to a joint venture announced at the beginning of August 2010. Premier Inn’s development partner is Dohaland, a subsidiary of the Qatar.

Foundation for Education, Science and Community Development, which was set up in April 2007 and is a proponent of urban living concepts that build on traditional Arabian architecture and design and contribute to the social and cultural heritage of Doha.

The joint venture project will be administered by Dohaland Hospitality and Premier Inn’s first property in Qatar under its “value hotel model” will be a 200-room hotel to be built at the Doha Education City, on the outskirts of the capital city.

## **10 Summary and Outlook**

Prospects for further growth of the budget accommodation sector worldwide remain very positive. Expanding service sectors in developing economies, in particular, will drive growth in the sector over the next decade. As explained in this report, even in the saturated US market, growth opportunities exist for smart operators who can identify the right niches. Meanwhile, in Europe, with the exception of France, there is significant growth potential in all the major country markets.

Up until now, most new lodging concepts, including the budget hotel, have originated in the highly competitive and strictly segmented American market. A possible future trend towards more segmentation of the economy lodging sector worldwide is a strong possibility. It may also happen that the innovative thrust may come from other regions in the world in future – perhaps China.

# Innovation Management in the Hospitality Industry: New Roads Towards Meaning and Corporate Culture

Geoff Marée

Picture the Hotel Design Conference 2006, held at the Sands Expo Convention Center in Las Vegas USA. It happened during the breakfast session at the third day of the conference where groups of about ten people switched tables every 15 minutes, exchanging insights and getting to know each other. At one table a development representative of a major hotel chain had a seat next to the representative of the Starwood Group. The topic at that moment was rooms-design. At Starwood – the one representative explained – they reduced the size of one side of a new-to-build hotel room by thirty centimetres, since they now only installed flat-screen televisions instead of the bulky standard ones. It totally changed the set-up of the new floor plans of the hotels in development. This not only offered the guest the latest in technology, it also seriously reduced building costs. Probably this doesn't go for all Starwood property, but the story was a clear one. Surprisingly, the representative of the other chain reacted as if this was completely new to him. He made notes and asked a few questions. He most likely intended to advise his chain to consider changing building strategy accordingly.

Here's innovation in the hospitality industry for you. If one would look at it with a positive view, the conclusion could be that interesting and inspiring meetings happen at the right conferences and that serendipity and cross-pollination are powerful forces of innovation. One could also conclude that this case illustrates that the hospitality industry is still in search of how to make innovation become part of daily business, like serving breakfast, yield management, satisfaction surveys, or loyalty programs.

The example reveals two important aspects. Firstly the fact that a fairly simple to follow trend like flat screens to take over the market could be overlooked by the people responsible for the development of new property of a large hotel chain. Secondly the fact that the consequences, namely the reduction of room size by thirty centimetres was apparently looked upon as being a major innovation. We are talking *innovation*, not just development as it is mainly used in the industry; the purchase or building of new property. More than ever, after the difficult years 2008 and 2009, the current economic and societal developments challenge the

hospitality industry to embrace innovation as something beyond improving on technology and products or even change the way services are designed. In the hospitality industry innovation should nowadays also mean ‘business model innovation’, either on rethinking the way you produce your product, on redefining your industry or on changing the way revenue is generated.

So, what’s going on with innovation in the industry? In their book *Blue Ocean Strategy* (2004) Kim and Mauborgne state that organizations will find themselves more and more in what they call a red ocean of bloody competition. Their advice is to search for a blue ocean, the metaphor for an uncontested market space. They describe a set of actions on how to find and create that market space. Essential in their philosophy is the identifying of key factors of competition and a method to break away from this market dominant way of understanding your business. Actually, a second thought about reinventing the hospitality business could seem worthwhile, when looking into the latest developments in the hospitality industry, the way it responds to the economic crisis and the most common tools in the field to respond to dropping occupancy rates: *pricing and cutting costs*.

## 1 Change of Tools

In the mean time, Yotel, winner in the 2009 Business Travel World Awards, boasts high occupancy levels (IFA Hotels & Resorts, AR 2009; 06), and founder Simon Woodroffe is aiming for 200 % in a few years time. What can be concluded from this new hotel concept? Besides that smart new hospitality concepts can be successful, it shows that progression in the hospitality industry raises the need for different measuring tools and a change in vocabulary. An occupancy rate of 200 % more or less disqualifies the tool. Occupancy used this way is not *occupancy* the way it used to be. Of course, originally hotels have been the places that offered you a safe and comfortable place to sleep, when away from home. From that perspective the phenomenon of occupancy, related to an overnight stay makes sense. And from the same perspective, keeping track of how many rooms have been occupied each night turns out to be a good tool to measure your business results. But as soon as the context changes, the instruments should change too. Sometimes it seems that the mere existence of those tools keeps the industry from changing. It takes a deliberate move away from the standards of the industry to be able to innovate the business. We can read the illustrative quote from Simon Woodroffe on the Yotel website: “I was lucky enough to get an upgrade to the sleeper bed in British Airways first class. I went to sleep with the conundrum of how to make a Japanese capsule hotel acceptable in the west and woke up realising the solution was around me: all I needed to do was finding the designer of the BA first class cabin and ask them to help me design a hotel.”

Another fundamental instrument of the industry does seem to have the same obstructive effect; the Standard Operating Procedures or SOP’s. Originated from



the quest for continuous improvement by quality programs it can have the downside of taking away possibilities for members of staff to improvise in one-on-one situations. The society is drifting away from the industrial era that demanded a strict control of processes in order to maintain quality in mass production systems. In her book *Closing the Innovation Gap* (2009), Judy Estrin compares quality programs like Six Sigma to innovation. She warns for 'an obsession with optimizing efficiency while removing variation and defects [since it] is the opposite of what is required to encourage broad innovation.'

Hospitality business evolves together with society. SOP's could be considered very conveyor-belt-oriented. Let's look at a real life example. Recently, when asking for the possibility to park at the Zurich Novotel hotel parking lot, the newly arrived guests received the answer at the reception desk to wait till eleven in the evening, because by then the responsible manager would have returned to the premises. *FOP's* or *Flexible Operating Procedures* would have been in place to improve this awkward arrival experience. Holding on to SOP's, understandable as it may be, by all major chains and many smaller ones, could be helpful for standard daily business, but could also be a killer for industry improvement and innovation.

Back to pricing and cutting costs. In Amsterdam in 2009 the three star hotels were complaining since many five star hotels were offering hotel rooms for three star rates. Some five star hotels, like Sheraton Amsterdam Airport en NH Amsterdam Centre, even decided to continue their business as four star hotels (Hosta 2009 report). Revpar in Amsterdam went down 17.5% in 2008, the sharpest dip since 1993. The problem with lowering the prices is of course 'when to go back up?' Amsterdam hoteliers in 2010 expect 2011 to be the recovery year, but have no certainty about when prices will reach the old 2007 level. And besides pricing, in Amsterdam dramatic cutting in costs of staff has put the pressure on both the people that had to leave as well as on the people who stayed, trying to at least hold on to the same service level with a reduced number of staff members. Kim and Mauborgne would urge for different ways out of cutthroat competition.

So, does the industry show a lack of innovation then? That conclusion is premature, even incorrect. Although the major tendency doesn't show many principal changes, several developments can daily be observed. If looking at the hotel developments, ice-hotels, underwater hotels, design hotels, art hotels, eco-hotels, Japanese love hotels, theme hotels, temporary hotels, they all provide an answer to changing demands and new challenges. Most of those innovations seem to have in common the fact that they have been initiated by individuals or smaller chains. Granted, the hospitality industry has its roots in renowned educational centres, schools, universities, that do their share of basic research. The bigger hotel chains also have their development centres. There are future-labs, like the Chicago based Gettys and Hospitality Design magazine 'Hotel of Tomorrow' project, its European sister-project in Helsinki and several others, that open up perspectives for middle and long term developments. The question is, is it enough? And related to that question; what does innovation in the hospitality industry bring today?

IBM biannually conducts a survey on important developments in management. For that purpose they interviewed over 1500 CEO's worldwide on what they see happening. Their 2010 report "Capitalizing on Complexity" leads to an interesting conclusion. Since a rapid escalation of complexity is the biggest challenge according to the business leaders, they identify 'creativity' as 'the single most important leadership competency' to seek a path through this complexity. The leaders spot four important changes in economy; they expect it to a large extent to be more volatile (69%), more uncertain (65%), more complex (60%) and structurally different (53%). On top of that 30% of the CEO's see a gap between the expected level of complexity over the next five years and how they are prepared to handle it.

Would the situation be much different for the hospitality industry? A problem could be that the way management works in hotel chains, the qualities of risk taking and creativity are not often rewarded. Innovation takes time and a GM who initiates a substantial change often does not stay at the particular hotel long enough to reap the benefits. When the change fails though, it most of the time happens quick enough to harm the responsible manager. Also room for initiatives and pilots is small, due to strongly held brand standards. Most essential changes and initiatives come from 'up above'.

## 2 Meaning-Based Innovation

The Burning Man Project can be seen as an extreme art-event. Another way of looking at it is to see it as an innovative answer to hospitality concepts today. Every year end of August, beginning September, a crowd of already 50,000 people will take part in forming a community in the middle of the Black Rock Desert, 120 miles north of Reno, Nevada. They pay for tickets, \$ 210 and up. The concept is based on giving, each participant feeling responsible to take up his part. They bring their own contribution, from F&B to the particular art or whatever they want to share. Ever since the start in 1986, the concept has grown into a major event that one should have visited at least one time if one is active in the creative industry. The way the Burning Man is organised and the way the service, the logistics, the experience are completely depending on the input of the GUEST, seems to break all important hospitality rules. It works. It grows. It is important for a large group of people. Besides all interesting aspects that could be learned from an organisational perspective, this example of new hospitality shows us a driver of major importance: *meaning*.

Luckily, the hospitality industry in general does share this important driver. Just take a look at the website of joie de vivre hotels, initiated by Chip Conley, and feel the importance of the right balance in meaning, necessary for this hospitality concept to work. Meaning is important for guests, but also for the other parties involved. Chip uses the term *Identity Refreshment*, only possible if people entering the hotel feel that their basic values in life are being shared, or even better, rein-

forced, by the people, the environment, in fact: the culture of the hotel. By taking Identity Refreshment as the focus of the concept, he turned hotel creation into quite a different process. He started with the basic values that related to a certain magazine. The example of the Rolling Stone magazine as inspiration source for his first hotel, the Phoenix, is well known. The fact that environment, people, design, services AND the guests all link to the values related to the concept, makes this identity refreshment possible.

No, this perspective is not supported by academic research yet. It seems closely related, though, to the outcome of research by Goldstein et al. (2008). They were interested in how people would respond to a message in the hotel room communicating the benefits of reusing your towel. By stating the message in different ways, the effect varied. The highest compliance rate to the appeal would, to the research teams' surprise, come from a message that described the requested behaviour as the norm of those who had previously stayed in the guests' room.

A hotel stay does therefore seem to have a very strong social impact. As argued by Melissen and Marée (2009), the guests act upon the feeling that people who made the choice for the hotel (room) before them, do relate to their core values. This principle can be applied to many identities, including those related to sustainable behaviour. Hotels have interesting business opportunities if it turns out that people change behaviour more easily within a hotel environment, if their core values are supported. The case of the introduction of the Heavenly Bed, a successful, though still incremental innovation of Westin, rapidly followed by the other chains, eventually led to guests who visited the hotel to test the bed, before buying it. The sole reason for the stay in the hotel reduced to experimental sleeping. Being able to buy the bed via 'westin at home' is just one step further. Understanding the new principles of community building and the possible new roles of hospitality organizations in this process can instigate new ways of interpreting the industry.

### **3 Co-creation and Open Innovation**

Prahalad and Ramaswamy introduced the phenomenon of co-creation. In their book 'The Future of Competition' (2004) they explored the consequences of the transparency and immediacy of today's society and unavoidably ended up with a move away from the traditional value-chain toward value-networks. Within that perspective, one can not really make a distinction between producer and consumer anymore, because the cooperation between participants adds value for all parties. Just think about all those internet sites with the guest's opinion on the quality of the food or service and try to do the same job with a marketing and sales department.

Prahalad took it a step further together with Krishnan in their book 'The New Age of Innovation' (2008), investigating on the enablers of innovation, given the circumstances already described. Since today it is all about the particular experi-

ence of the individual and since resources are accessible globally ( $N=1$  and  $R=G$ ), business should rearrange its process accordingly. This also goes for hospitality. The hospitality industry too should try to move from being firm-centric and product focused.

One doesn't co-create without other parties. CitizenM, the hotel concept, based on the mobile citizen, and very efficient in production and daily business, but still with emphasis on luxury and individual choices, could only be developed through a close cooperation between various parties, be it from the conceptual angle, the production angle, the technology angle, the marketing angle or the communication angle. And just like the space-industry in the sixties, a lot of spin-off results of these developments will probably be found in future domotics, solutions for logistics and other territories. As Henry Chesbrough describes in 'Open Innovation' (2006), also *sharing* the results of investments in innovation can and probably will be part of a whole new business model.

## 4 Hybrid Thinking

Multidisciplinary input in development is common in many technology driven companies. Ideo, design firm in Palo Alto and with offices around the world, combines the insights of IT specialists with designers and, since about ten years, anthropologists. The use of a product, be it a shopping cart in a supermarket or the mishmash of functions on a mobile phone, is very much related to human qualities and culture. The perspective of an anthropologist is in many cases vital to the success of a new design. It makes sense that Tim Brown, CEO of Ideo, introduced the idea of *T-shaped people*. Employees of the firm had to be developed in two directions; they both had to be able to look at the world from a broad perspective, so they could connect to other fields and they had to be specialized into depth into their own field. Hence good communication in multidisciplinary processes was ensured and on the other hand could detailed problems be tackled by the specialist input of the participants.

Also in the publication of the annual symposium, The Future Forum 2010, organized by Design Hotels, one of the speakers, David Bosshart, CEO of the Gottlieb Duttweiler Institute, writes about his worries that if multidisciplinary teams work on a topic, most of the time they seem to end up in efficient nonsense talking. It's *hybrid thinking* they need to prevent that from happening. Hence the same title of the symposium. Besides in the automotive world, hybrid concepts are signalled to pop up in the hospitality world too. Can we look forward to educational systems, both at the major hotel schools in the world and in the training programs in the chains, that create managers who look beyond their own specializations, who can duly break with standard etiquette of the industry and who feel comfortable with complexity, uncertainty and new markets?

## 5 A Change of Corporate Culture, Embracing Failure

It seems many times that one of a strongpoint of the industry could also be its pit-fall. People who manage the hospitality industry are fond of the traditional rules, established through an interesting history of hospitality culture, and could for several reasons show a tendency to be fairly risk-averse. Also hierarchy as standard organizational set-up for traditional hospitality organizations does not easily create circumstances for breaking rules and happily aiming for fiascos.

A deeper look into innovations throughout the past decades shows that risk-taking and failures are part of the deal. A striking example can be found in the vision of the Italian company Alessi. This design-focused household products manufacturer shows a remarkable vision on success. Since the core quality of this company is to deliver products, designed to be on the edge, some of those products should fail in the shop. If you don't go over the edge once in a while, how would you know where the edge is, nowadays? It is a simple and logical way of reasoning. Still, many companies, thinking about their shareholders rather than a long term strategy, would not go for those fiascos.

When Starwood launched the new concept of Aloft in October 2006, it didn't exist yet. Or it did... in the virtual world of Second Life. To most people in the field the story is well-known. It took over a year to process the response of all virtual visitors before opening the first real-world Aloft hotel in Rancho Cucamonga CA in 2008. Most probably, the rumour around Aloft it raised has even been more important for the introduction of the brand than the feedback from the virtual users. Still, it was a serious attempt to try and make the guest an active participant in the co-creation process of launching a new hotel concept. It certainly shows to be an attempt to break away from the standard ways innovation is approached in the industry.

What could headquarters of the large players in the hospitality industry learn from the serendipity-promoting culture of 3M? What could they copy from the way Google has designed its offices and supports the leisure activities of its employees? What could the everybody-is-an-entrepreneur-in-this-company structure of Semco in Sao Paolo teach? How would the mission of having a fiasco every two years of the Italian design-ware company Alessi suit the industry? All of those companies seem to operate from the understanding that today, staff is not only essential for the daily smile-on-the-job. People in the organizations need a level of trust, of meaning and of growth in order to be part of the concept. And innovation, not the small quality steps or the standard development of property processes, but real innovation, takes time.

What measures will we use in the future to measure success of the industry? Will it be RevPar or will it be the size of the biannual fiasco? Will it be expansion on new locations, new properties or will it be expansion on a more substantial business level, like new markets? Will innovation be incremental, related to quality programs and satisfaction surveys, or will innovation be related to groundbreaking developments, maybe even related to fields we do at the moment not link

to the hospitality territory, yet? And who will be the most important party measuring all of this? A consultancy agent, an accountancy firm, or maybe the stakeholders, guests included?

So it could be tentatively concluded that the large hospitality chains could learn from looking carefully at the processes other companies initiate. Plan your mistakes and make sure that no corporate damage will be related to failures. Make failures part of the strategy and involve guests and other stakeholders in a continuous process of innovation. Go for entrepreneurship within the company and set up radical pilots.

One more thing: The rapidly evolving economy also has a lot to learn from the hospitality qualities of this industry. In 'Workin'Wonderland' (2010) Drion, Marée and Melissen describe what they expect the future of work will be. Since people tend to see organizations as opportunities for shaping their individual future directions, managers better make sure they host their employees as best as possible to bring out the qualities they have to support the path to the future of these organizations. It's essential that the hospitality industry does not forget to use those qualities to its own benefit.

## References

- Berman, S. et al.: Capitalizing on Complexity. IBM Global Business Services, Somers, USA (2010)
- Björkvist, A.: Concepting the Hotel for Tomorrow. Haaga Helia University of Applied Sciences, Helsinki (2009)
- Buttler, S. et al. Hybrid Thinking. Design Hotels AG, Berlin (2010)
- Chesbrough, H.: Open Innovation. The New Imperative for Creating and Profiting from Technology. Harvard Business School Press, Boston (2006)
- Drion, B., Marée, G., Melissen, F.: Workin' Wonderland. Where People Gravitate and Managers Navigate. Arko, Nieuwegein (2010)
- Estrin, J.: Closing the Innovation Gap. Reigniting the Spark of Creativity in a Global Economy. McGraw-Hill, New York (2009)
- Goldstein, N. J., Cialdini, R. B., Griskevicius, V.: A room with a viewpoint: Using social norms to motivate environmental conservation in hotels. *Journal of Consumer Research* 35 (3), 472–482 (2008)
- Hosta Annual report. Horwath HTL, Hilversum (2009)
- IFA Hotels & Resorts, Annual Report (2009)
- Kim, W. C., Mauborgne, R.: Blue Ocean Strategy. How to Create Uncontested Market Space and Make the Competition Irrelevant. Harvard Business School Press, Boston (2005)
- Melissen, F., Marée, G.: The Hotel as a Catalyst for Sustainable Behaviour. Applying Identity Refreshment Experiences as a Tool for Offsetting Habits and Routines. *Proceedings of EuroCHRIE*, Helsinki, 22–24th October, 2009. Helsinki (2009)
- Prahalad, C. K., Krishnan, M. S.: The New Age of Innovation. Driving Co-created Value Through Global Networks. McGraw-Hill, New York (2008)
- Prahalad, C. K., Ramaswamy, V.: The Future of Competition. Co-Creating Unique Value with Customers. Harvard Business Press, Boston (2004)

**Destination Management:  
Product – Branding – Promotion**





# Challenges for Designing Sustainable Tourism Destinations

Keynote Speech of Vural Öger

To cut to the chase of “Challenges for the Designing of Sustainable Tourist Destinations” in few words at the “World’s Leading Travel Show” – as the ITB is called quite rightly – can make someone break out in a sweat, even an experienced tourism expert like me.

The program of the “Leading Travel Industry Think Tank” includes challenging topics and calls for the best known experts of the industry. Even external researchers present fascinating approaches and set you thinking. There arises the question what – an admittedly experienced – pragmatist like me can contribute to that?

In preparation for today, I simply took a closer look at the word “keynote”: keynote means basic idea – and that is exactly what I want to put forward for discussion.

The engineer, Vural Öger, has spent his life as an entrepreneur working with and for other people. People who are still looking forward to the so called “best time of the year”, who pack their suitcases in anticipation and who are expecting ever more service for ever lower prices if possible. Most of them do not expect this out of greed or false thrift, but out of mere financial considerations. If there had still been need of proof, the year 2009 – the year after the world economic crisis – furnished it.

And what does our industry do? In order to stay in the system, customers and tour operators are acting like a married couple in bed: as soon as one is pulling the blanket to cover themselves the other is freezing.

However, the interest of one and the interests of the other must not be to the disadvantage of third parties:

- Not to the disadvantage of the environment in the tourist areas
- Not to the disadvantage of the energy usage
- Not to the disadvantage of future generations

**The intelligent balance between existing individual interests must be the principle in designing sustainable tourism.** That is my first basic idea.

Tourism, vacation, travel – even to future generations it will mean more than just watching the best reports from all over the world on DVD in your living room. Tourism will awaken the interest of discoverers and adventurers. Tourism means a change of scenery, foreign countries and foreign customs. It means sun, sand and the ocean – and all of that in the literal meaning of the word “sensible”.

With every consideration for the digitalization of our lives, **we have to be able to feel, smell, taste and hear travelling. Our product is and will always be a sensory experience.** There is no doubt about this second basic idea, not even in the future.

I can say all of this out of personal experience and as being a part of the system. For decades, my company has taken millions of visitors to Turkey every year and we accept this responsibility

- as a tour operator,
- as a hotelier,
- as a politician,
- and not least, as parents and grandparents.

The terms “destination” and “destiny” are very similar and not just by chance. The threatening phenomena of the so called mass tourism can be described quickly:

- Destroyed forests; not only in the tropics
- Endangered mountains; the Alps are one of the best examples
- Polluted beaches; all around the Mediterranean; along with all the water and sewage problems we already know about
- Large concrete hotels that spoil landscapes; this applies to parts of the Baltic Sea as well as to the Adriatic Sea
- Organized dreariness instead of individual inspiration

However, this problem is not originally one caused by the tourism industry:

- Looking at the urban development in fast growing metropolis of the world, we can see comparable developments.
- A look around the neighbourhood makes it perfectly clear that there is enough work to do in our own specific country

This does not convey comfort, neither is it an excuse, but it clearly proves that sustainable development is not just a special case of tourism:

- More and more, faster and faster, cheaper and cheaper is a mentality you can find in many industries. Although the very well known German advertising slogan “cheap is cool” (*Geiz ist geil*) was not made up by the tourism industry, we are the ones who have to steer in the opposite direction – primarily for our own best interests.

**Those of you who want to follow our lead and make a difference, those who want to master the new challenges for the designing of sustainable tourist destinations, have to change the culture of their own actions.** That is my third basic idea.

That is why we show our visitors from all over the world how beautiful our own specific home country is:

- We can only preserve if we know what is at stake.

Let us bet on the best innovations of all technical relevant fields:

- Let us offer rewards for the cleverest ideas, the most extraordinary solutions.
- We have to conserve resources and handle nature in a smart and efficient way. In the future, this has to be part of our daily business just like hospitality and the smile on our lips.

As a graduate in engineering, let me tell you this: We can pull out all the stops here; from water to wastewater, from energy to transport, from the journey there to day trips.

We should also rely on the younger generation and on the trend to look after the natural riches of earth again:

- Without false ideologies, without pathos, without blinders
- But therefore with clarity, straightforwardness and the speed of youth

Let us take two economic terms literally for a moment:

- Creation of value: We are talking about values and creation. There is no better way to get to the heart of ethical entrepreneurial activity.
- And the term value added tax: To add value is another challenge we have to face. Thereby, we have to become more aware of the fact that sometimes less can be more ...

Value orientation, fairness, credibility, responsibility – companies and industries that incorporate these and other values are fit for the future. That is my fourth basic idea.

Companies, however, are always just a part of a greater whole: Communities, national governments, the European Union, science, media, political parties, organizations, initiatives – they all have to do their bit. It sounds complicated and it is complicated, but it is still the best way to move forward.

Because every change starts with a first step, even though it might be a small one compared to the change we want to achieve.

And every change starts individually and then spreads out. Every stone I throw into the water, however small it may be, casts waves against the shore.

The perspective challenges of our industry are clearly described:

- Sustainability and resource management
- Demographic change
- The digitalization of our society
- The rediscovery of individuality

At a convention like the ITB there are many opportunities to delve into the subject, see things from surprising perspectives, understand new approaches and, above all, think outside the box. Hereby I would like to thank everyone who actively participated in the ITB.

I would like to add another basic idea to my keynotes:

**Only those who are aware of their past, who understand their own history, have the credibility to set standards for the future.**

Let us take a look at the tourist destination Turkey, of which I am proud and delighted to say that it is the official partner country of the ITB this year. What have they done right, what have they done wrong, what have they missed out on, where has tourism in Turkey been ahead of its time and how does Turkey handle the often mentioned credit crisis?

Mockers often say that the father of the crisis is from the Bosphorus and its mother from near Antalya.

So who if not ourselves – the tourism industry in Turkey – can handle a crisis?

Seriously now:

In Turkey we have proven that we can handle difficult economic times with positive energy, confidence and pragmatism. Furthermore, we have proven that we can use these times to become better:

- better in what we have to offer,
- better as the entire tourism industry itself,
- better for our visitors from all over the world
- and at the end of the day, better for our country, our environment and therefore better for future generations.

Sustainability is based on this attitude.

Let us not be discouraged but, on the contrary, focus on two important everlasting facts:

- Especially in times of crisis, people want to forget their everyday life for a few days.
- They want to enjoy their short escape with a good conscience.

And that is exactly what we have to offer them:

- With solid, affordable holiday concepts, rather than with anxious price increases to hastily compensate for the decline in bookings.

Simply ask your customers if they are really missing another “ultra” in their Ultra All Inclusive package? You will be surprised, because they will not even have noticed the umpteenth “ultra” yet.

However, they will still appreciate your being a little more attentive, a little more friendly, or if you, for example, share your knowledge of the country and its people.

In difficult times all people, no matter where they come from, want the same thing: They want affinity, they want trust, and they want security. That is what we have to offer them; and not just another free cocktail.

If we close the shutters and hide behind the curtain during times of crisis we will not be able to see our chances, not even if they are right in front of us ... Then it is vital to eat humble pie. It does not always have to be a giant step forward. We do not have to constantly reinvent the wheel. On balance, many small and intelligent concepts will make the difference we need:

- Not only for summer do we need concepts – although we still need to work on them – but we also need customized offers for winter.

In some cases we are already on the right track:

- Nowadays, Antalya is not the only Turkish city known in Germany. Istanbul, for example, is an established destination, too, due to bold concepts, new ideas and, not least, due to the great opportunity of the European Capital of Culture 2010.
- The Formula 1 Turkish Grand Prix has not been taken seriously for a long time, but today it fills hotels.
- Personally, I have to say that I am happy about the excellent development in Istanbul, which is reflected – among other things – with the opening of new and more and more fascinating hotels.

This great development must not fail because of paralyzing fear of crisis. We have to keep trying:

- We have to portray the country in all its diversity and we have to represent this gift of nature with the best PR and lasting branding.
- We also have to concentrate more intensively on the Aegean, which is a rough diamond in our portfolio.
- The current financial market crisis and its effects on the economy do not change the fact that certain trends remain; more and more people, for example, want to be active during their vacation. We need offers for them.
- Who says that you can offer hiking holidays only in Alpine countries?! Why are there no hiking trails yet, even though Turkey’s hinterland is exceptionally beautiful?

Our tourist offers have to aim more specifically at their target groups and become more international. This is where tour operators, hoteliers, communities and regions have to work together. Let me use an example from our own company:

We brought the Runtalya – Antalya’s marathon – into being. Less than five years ago, at the very beginning, we met so much criticism. And now? The Runtalya is an international running event, well known in the international running scene.

So why do we not follow this example?

- What do we offer surfers?
- What else can we offer in the field of other trend sports?
- And what can we offer to another, but no less fascinating group – the artists?

We have to think outside the box – we have to take this seriously, together, then there will be a great opportunity even in this crisis.

We do this not naively, but for good reasons:

- Turkey in general, and in particular, a specific part of our range, is an excellent offer during this current economic situation.
- It is not true to say that there is absolutely no money at all in the customers’ pockets. They just make decisions more carefully and we gladly accept this challenge.

Tourism is also the accomplished art of bridging gaps.

Bridges connect. Looked at that way, our industry contributes every day to the dialogue between people. It is our job to put a smile on people’s faces.

We have the privilege to host people during their vacation, their leisure time. We are well aware of this commitment to be responsible for the “best time of the year”. That is why we have to be professional and take every moment as seriously as if it were the crucial moment of the whole vacation.

The Augustinian monk Thomas of Kempen once said that the higher the building, the deeper its foundations.

The travel industry can move worlds. Every day, by combining its strengths it creates communication that results in understanding and appreciation. Appreciation is the best foundation for trust while understanding is the beginning of everything. Let us build bridges based on this foundation in the future:

- Bridges of **peace** between European neighbours
- Bridges of **prosperity** between all classes of the population
- Bridges of **understanding** between generations and cultures
- Bridges of **friendship** between visitors and locals

When we translate this self-concept into action we will have built the foundation for sustainable destinations. Tourism can be safely based on the following:

- **More sustainability and better resource conservation** when preserving and creating new touristic offers. The intelligent investment in the infrastructure guarantees our future, Euro by Euro, because a quick win is often just a euphemism for a missed development opportunity.
- **Perspective carbon-neutral mobility** for the journey there and back as well as at the destination itself. Based on this change, our target groups will compare us to other operators and their own decisions will more and more depend on it.
- **Generation-orientated offers** – from the booking to their realization. Even the party-orientated generation on Majorca will be looking for perfect service and age-appropriate offers during a later phase of life.
- **Integration of local culture and landscape conditions** into touristic offers; radical elimination of tourist ghettoisation; this is the ultimate test for the cooperation of regions, communities and the tourism industry.
- **Intercultural offers** for a better understanding and appreciation of visitors and locals. The virtual proximity of the World Wide Web becomes a necessary quality once you are in the reality of a new event-culture.
- **A quality campaign in the training** in all tourism-related careers; we are not low-class, we are premium. That is our requirement and, at the same time, our driving force.

And last, but not least, the challenges of our industry and “leading trade show” like the ITB:

- the acceptance of the travel industry as an **economically important factor**
- and the acceptance of tourism as a formative social factor in both worlds: the world from where the visitors come from and the world where there are mainly hosts.

Subject of this keynote are the tourist destinations. At the beginning I already used the term “keynote” in its literal meaning of basic idea. The English word “destination” has many German translations; one of them is *Bestimmung*, destiny, in a metaphorical sense.

The US-American futurist Herman Kahn encapsulated our destiny as follows: “Anyone can learn from the past. Today it’s more important to learn from the future.”





# Successful Destination Branding: Experiences from an Innovator

Christoph Engl

## 1 What Brands Can Do

### 1.1 Brands Sell a Certain Attitude Towards Life

It is indisputable: The decision to purchase a certain product is affected much more by emotions than it is by reason. This has become a truism amongst all companies producing brand quality consumer goods. Brands try to add an underlying philosophy or attitude to products, so that in this world where basic needs are satisfied, consumers buy to a great part the values connected with a product instead of buying the product itself. Ever since it became clear that the purchase of a new car does not serve the need of locomotion but the achievement of a social standard, AUDI has not sold cars but rather “*Vorsprung durch Technik*” (advancement through technology); BMW sells the lifestyle of “sportive driving” and Geox “breathes”. Brands serve the purpose of making customers feel loyal to their “values”. The brand gives the customer confidence, and the customer trusts the brand.

### 1.2 Brands as System Providers

In the past few years, producers of brand name products have constantly been diversifying their range of products and services. Companies that used to produce only brand name clothing are now offering all accessories for modern living, such as perfumes and handbags, as part of their product range. The trust consumers used to have in one single product has now become trust in an entire brand: While it was possible in the past to buy skis from one brand and bindings from another, they now come together in a package from the same brand and include the option to buy colour matching ski boots and a ski suit made by the same brand as well. Giorgio Armani now sells watches, Mont Blanc sells belts and other leather goods, and Nike sells perfumes. Not all of these offers have been successful, but many of them have. Far beyond their core competencies, brands generate trust.

### **1.3 Brands Do Not Participate in Price Wars**

One look at a modern shopping centre or supermarket will make you realize: shop-in-shop systems guarantee that brands can present their entire product range inside a sales structure and, in doing so, these systems valorise the structure itself. In these brand worlds, the importance of the price is ever declining. The aphorism “Experiences are not part of price wars”, originally taught in the field of tourism, has applied itself to the brand worlds of the consumer goods industry much more quickly than it has to tourist offers.

The brand industry has come to understand that emotions – as long as they cover the core of people’s basic needs at the moment – strongly increase the desire for a product and are therefore excluded from the modern consumer’s price sensitivity. Of course, almost all brand name products are also available as so-called “no-name products”. These products usually sell for price reasons only, because they do not have a “good name”, i. e. a brand image. No-name products are forced into a cruel price war against other no-name competitors.

## **2 The Transformation from a Tourist Offer into a Brand Destination**

### **2.1 Destination Marketing Is Taking Over from Tourism Marketing**

At first glance, all these theories do not seem to have much to do with a tourist destination. Normally, a tourist destination advertises its region and accommodations. Advertising agencies which specialise in tourism are expected to advertise the beautiful countryside with its many activities to holiday guests worldwide in order to fill up the available guest beds. In the past, this was achieved by distributing leaflets – and there are still far too many of them. Today, however, this is done via new media. The fact that all tourist destinations, tourist cities and tourist boards are still having their own logos designed and are using these logos to compete internationally is understandable, but outdated and not very productive. After all, the goal is to be clearly different from all other destinations and to convince consumers to choose this particular region for their holiday. One thing is certain: The common advertising strategies for tourist destinations would have led to guaranteed failure for brands. Just imagine a mobile phone company, a car manufacturer or a perfume brand sending out leaflets neatly listing all outlets for their products in order to entice customers. So the question needs to be turned around: Is it possible for a tourist destination or region to establish itself as a brand, following the same rules that have been successfully applied to the consumer goods industry? Is it possible for South Tyrol to become a well-known brand in Europe which can compete with other already established brands when it comes to popularity and attractiveness? This is precisely the question we at South Tyrol Marketing, together with our product partners, have been asking ourselves again and again over the past few years.

## 2.2 Brand Character for Destinations

The outcome of our deliberations was: If South Tyrol does not manage to become an established destination brand, the region will lose market shares all across Europe. The effects of the change in consumers' needs only allow for one path. A tourist destination that does not have brand character but has 28 million overnight stays and more than 5.5 million visitors yearly to defend can either give in to the price wars, or it will have to sacrifice consumers to other competitors, and in that case, there would be no use in putting up a fight. It is obvious that a fight for the cheapest price is pointless: Due to tourism being a service- and investment-intensive field, and considering the emerging low-wage economies, no one in Europe can assume that this kind of fight would have any hope for success. On top of that, consumers are less and less interested in solely tourism-related offers and aspects, but increasingly interested in those aspects that make a region a tourist destination: Everyday customs, backgrounds, stories, and people.

In the process of reflection, it has become clear to us that the message "South Tyrol is one of the most beautiful landscapes in the world and offers outstanding recreational activities and accommodation" is not enough for most consumers. In the long run, this message does not stand a chance in keeping alive the demand for a region in consumers' minds and emotions. The demand for a product never arises in just one dimension: Even the most beautiful countrysides cannot fascinate a person for long if there is no other emotional aspect connected with them. This applies to the consumer goods industry in the same way as it does to tourist destinations. Roots become a driver for emotionality. There is an increasing longing for something that is rooted and therefore different from everything else, something that outlasts fashion and promotes authenticity.

## 2.3 System Provider South Tyrol – From Region to Product

South Tyrol is definitely worth a visit. However, it only becomes really desirable if there are other advantages associated with this region. South Tyrol has a list of local products which have the potential to become important advertising tools for the destination. South Tyrol produces Italy's best white wines and grows 10% of all apples produced in Europe. South Tyrol also has local products like South Tyrol bacon with its historical background of different methods of meat preservation in the North and the South which is closely connected with the region. South Tyrol borders the Alps and the Mediterranean. This geographic situation has considerable effects on everyday culture and customs. Just think about the eating habits which, to people outside of South Tyrol, have always seemed like a fascinating symbiosis of the Italian way of life and Alpine tradition. In order for a tourist region to become a destination, it needs to have an integrated interplay of all these messages. South Tyrol Marketing has successfully joined all representatives of these different messages under one roof in the past few years, and has convinced all these key players to commit to a common vision for the destination. We have also synchronized the different communication campaigns in a way which enables

an ever-changing image of a fascinating and desirable South Tyrol to manifest itself to the consumer. The goal is for South Tyrol to become a desirable brand, a “brand system provider” that opens up a world of adventure to the consumer and attracts visitors in many different ways. One day, it could be the landscape that fascinates the visitor; the next day, it could be the symbiosis of contrasting dishes in South Tyrol cuisine or the undisputed quality of South Tyrol wines; the next day, it could be everyday culture on mountain farms which produce milk of the best quality every day in the high altitudes of the Alps. All of this combined forms the structure of a brand identity destined for a brand presence in specific countries. South Tyrol tells captivating stories about the region, its people and its products, with the aim of securing a place among the top 10 European destinations in people’s and customers’ minds. South Tyrol has also created a visual framework for this purpose, which acts as an umbrella brand for all of the destination’s assets.

### **3 The South Tyrol Umbrella Brand**

#### **3.1 Everyone Under One Roof**

Knowing that individual players on their own would have too little advertising power in the market to keep customers loyal to their product, and knowing that the most important task of modern brand management is actually retaining people’s loyalty to a vision, not to a product, South Tyrol Marketing has embarked on a path to a common vision and a common strategy. South Tyrol products are manufactured at many different types of “sites”, each of which wanting to enjoy a high degree of autonomy. For this reason, it was clear from the start that our project was not going to be the assimilation of our products, but simply the development of a common but strong framework – a brand. The word “umbrella brand” and the image of “everyone under one roof” describe our project very aptly: All partners come together under one roof, but at the same time they continue to serve individually as the pillars that hold up the house. It was not a logo or symbol that would put things on the right track, but simply the commitment of all partners to a common vision. Whether we are offering consumers a product for daily consumption (e. g. yoghurt from South Tyrol) or want to win them over for a week-long stay in the region, the question is: What do we want our consumers to expect of “South Tyrol” as a destination brand? Slowly but surely, we became convinced: Even a dairy product can barely compete against the big players in the industry in the long run when it comes to price and quality. Only emphasizing the product’s origin could generate the trust that would make the consumer buy a product at a higher price than other products which do not use origin as a selling point. For products aimed at tourists, it is true that the first thing that sparks a desire in people’s minds is a region. It is only afterwards that a similarly strong desire for a hotel in the region arises. Basically, it can be put like this: The region valorises the product, and the product valorises the region.

### 3.2 Three Rules on the Road to a Brand

So the task was clear: The more all sectors of the umbrella brand South Tyrol invest in this common element of communication, the stronger becomes the message that works in consumers' minds and hearts. The brand slogan that all partners now subscribe to is this: "South Tyrol is a diverse symbiosis of the Alpine and the Mediterranean, of spontaneity and reliability, of nature and culture". Everyone feels committed to this slogan and every product aims to fulfil this vision as closely as possible. Of course, this way of thinking has its consequences: In the field of tourism, it is clear that a positioning as a "party hot spot" that attracts the young, wild party crowd is not a viable option. In the area of agricultural produce, it means that advertising should be equally traditional and modern. All in all, it is a complicated project, but it is also a fascinating path which no other European tourist region has yet been able to embark on this comprehensively. In the meantime, even outside production and service companies that also want to benefit from the South Tyrol location have placed themselves under the umbrella brand. They use this brand in order to communicate to consumers that they are a company from South Tyrol and to take advantage of the positive spin-off effects of the umbrella brand for their positioning in the market.

Anyone who wants to choose the path of consistent communication marketing with the aim of becoming a brand has to adhere to the rules of such a process.

- a. You have to conduct market research. No product in the brand industry is introduced simply on the basis of trusting the producer's subjective feelings or past experience. In the past few years, we have conducted systematic research in the markets on the image of South Tyrol. We have asked consumers about our current positioning in the different markets, and have started to find out about the current demand for South Tyrol as a destination. This market research has produced fascinating results, showing that customers are just as aware of South Tyrol as the region of origin of certain products as they are of South Tyrol as a holiday destination. However, the market research also clearly indicates in which direction South Tyrol needs to move in its positioning.
- b. You have to ensure that the brand is immediately recognizable at all times. This amounts to more than a common graphical logo, label or image. It is also the promise that – in the words of the famous advertising slogan – "when it says South Tyrol on it, there is South Tyrol in it". Basically, this means that it cannot be in the interest of a destination to put the "South Tyrol" brand on just any product on the market, regardless of its compliance with quality tests or its adherence to the brand promise.
- c. Information is crucial, as the dream determines the demand. In brand communication, the common task is to create the "South Tyrol dream" in the minds and hearts of consumers. In order for this strategy to be successful, communication has to be enabled through those channels which are most

likely to affect people's emotions. Soon we were convinced that this would not be possible in the main established markets for South Tyrol – Germany, Italy, Switzerland and Austria – without the use of the “emotional medium” that is television. An appropriate PR strategy even increases the need to use television as a medium. The supply of relevant information, which follows the triggering of emotions, is carried out via print media and most importantly on the internet, where, once again, everything is concentrated on one platform designed specifically for the destination. South Tyrol as a destination is also present in Web 2.0. Our Facebook community is growing every month – within 4 months, 15,000 Facebook users became “fans” of the South Tyrol site.

### **3.3 The Power of a Brand**

The South Tyrolean provincial government had commissioned South Tyrol Marketing to form a cross-sector group to design a new umbrella brand for South Tyrol. The path we embarked on seems promising, and after five years we can already draw some conclusions: Our common projects have produced synergetic effects as well as cost savings. The consumers' perception of the brand is very positive, as has been proven by our market research. Recognition rates as well as positive connotation rates are high. South Tyrol has a common graphical appearance which ensures the recognition of products and tourist offers. South Tyrol bundles the partners' financial means in a way that enables broad-based media representation under the common “South Tyrol umbrella brand”. South Tyrol frequently launches quality campaigns in order to maintain consumer's confidence in the South Tyrol brand. This way, South Tyrol creates a demand which is constantly kept alive through products and tourist offers. South Tyrol is becoming a destination with brand character. The coming years will show whether the conviction that South Tyrol has the potential will be followed up by the appropriate steps for implementation. Selling in the market is becoming ever more difficult, whether one is trying to sell tourist offers or products for everyday use. This situation will be helpful in the attempt to convince all players in the market that one can no longer win alone. The region valorises its products and the products valorise the region (as a destination of origin) – you buy “South Tyrol” at the supermarket; you talk about South Tyrol as a region everyone should visit once in their lives. When you chat with your friends, you tell them how exciting your last stay in the region was and give them sought-after South Tyrol products as souvenirs from your last holiday. You are proud to read articles in the newspaper about this destination you have visited several times. If we can achieve something even remotely similar to the scenario described above, this former tourist region will have been headed in the right direction.

# Social Media Tourism Marketing in China

Dialogue between Wolfgang Georg Arlt and Jens Thraenhart

Prof. Dr. Wolfgang Georg Arlt is professor for tourism management at the West Coast University of Applied Sciences in Germany and director of the COTRI China Outbound Tourism Research Institute. Having a background of practical experience with organizing Chinese group travel in Europe in the 1990s, he has however for the last decade analyzed the Chinese outbound tourism development from an academic point of view. As part of his research on the specifics of the Chinese culture and Chinese consumer behaviour, Social Media has become an increasingly important part of the question of how to communicate successfully with the Chinese tourism source market.

Jens Thraenhart holds an MBA title from the Cornell University and has been working in the hospitality and tourism business for a number of years, in leading roles heading digital marketing and customer relationship management for organizations including the Canadian Tourism Commission and Fairmont Hotels & Resorts, before moving to China. He looks at the Chinese tourism source market from a background of a deep engagement with Social Media and multi-cultural relevant marketing, transferring the general insights towards the specific Chinese situation.

So instead of an academic paper, they decided to communicate their facts and arguments in the form of a dialogue.

**JT:** The starting point for Social Media tourism marketing in China is the fact, that with over 420 million Internet users and 92% social media engagement, the Internet has become the most influential medium in China, outpacing all other countries, as reported in the Digital Influence Index 2010. Popular sites such as Facebook, YouTube and Twitter have fallen victim to the Great Firewall of China and are blocked in China; but local Internet companies have filled this gap and unequivocally rule the digital space. According to the Nielsen Outbound Travel Report 2009, Chinese consumers use the Internet as a research tool more than any other medium. E-commerce, while still small, is growing rapidly for travel purchases.

**WGA:** For China's outbound tourism, similarly impressive numbers are catching the interest of destination marketing organizations and private tourism service providers around the world. Especially the first decade of the 21st century has seen a tremendous growth. In 2010 more than 50 million border crossing from

Mainland China will be recorded, within the new decade China will develop from their current position as the number four international tourism source market to the top position, which is occupied by Germany today. Instead of the now about 6%, Chinese will be responsible for more than 10% of the total number of travellers and the total amount of money spent on international tourism.

**JT:** This is even more astonishing if we take into account that there is apparently no tradition of outbound travelling in China.

**WGA:** *'Travelling for one thousand li equals reading ten thousand volumes of books'* has been a commonly accepted truth for many centuries in China. Outbound travel to areas beyond the realm of the Han culture, however, had no tradition in Imperial China, with the exception of some monks travelling to India to fetch Buddhist scriptures in the first millennium and the voyages of Zheng He, the *Chinese Columbus* to Africa in the 15th century. China has neither a Marco Polo like the European nor an Ibn Battuta like the Muslim world, travelling to find adventures and riches or looking for brothers in faith. Xu Xiake, the famous Ming Dynasty geographer, spent 30 years travelling in China but saw no reason to leave the country.

In the 20th century, first turmoil and wars prevented the development of outbound travelling for other reasons than emigration, to be followed by a policy of frugality in the first three decades of the People's Republic of China.

Since the beginning of the "Opening and Reform" policy in 1978 the wish to see the outside world has been growing ever stronger. Nevertheless the proportion of Chinese who could enjoy family visits to Hong Kong and some Southeast Asian countries or could travel abroad as part of an official business or cultural delegation still stayed well below 1% of the total population for the following two decades.

The development since the year 2000 has seen in stark contrast to earlier times a rampant growth. It is remarkable that more than 60% of all outbound trips of the last 15 years happened only within the last quinquennium 2005–2009.

**JT:** This complex relation between inside and outside can also be found in China even for a global communication network like the Internet: Local players, in tune to the specific needs of the country's "Netizens", rule the digital space. The more than 400 million Chinese users are online for an average of 16 hours per week, the same amount of time they spend watching television. 111 million people managed a social network profile in 2009, and these numbers are growing daily. The power of the Internet in China has never been stronger and has not even begun to be realised. The Internet is quickly replacing traditional media as brands and companies seek to connect with their consumers in new and different ways. With the exception of Google, international platforms that offer a cut and paste version of their American or European sites simply fail and often get banned. Like the country itself, social media in China is fast paced, constantly changing and growing faster than anywhere else in the world. For brands looking to get on China's digital



highway, seatbelts, a GPS and a little sense of adventure are a necessity. There is no more rewarding or amazing place in the world to do social media than China.

**WGA:** Like the internet, outbound tourism development has been pushed by demand, not by government policies. After the fall of the Berlin wall and the end of the Soviet bloc, not allowing your own citizens to leave their country changed from being a normal procedure in many countries to being an oddity. The Chinese government showed a much higher level of flexibility than the European socialist government in adjusting to the growing wish by the newly affluent parts of the society for international experiences. The ADS Approved Destination System regulated leisure group tourism, visits to Hong Kong and Macao became easier after their return to China in 1997 and 1999 respectively, the red tape to get passports and hard currency was cut in several steps. Still the government has changed its position only in November 2009 towards an open embracement of outbound tourism, as could be seen when a State Council executive meeting chaired by Chinese Premier Wen Jiabao adopted the “*Statement on Accelerating the Tourism Industry Development*” which declared a planned annual increase of 9% for outbound tourism.

Nevertheless, even though China joined WTO already in 2001, until now foreign-owned enterprises have not been allowed to engage in outbound tourism. In autumn 2010, joint venture companies were given the possibility to apply for the permission to engage in outbound tourism, but it is not clear yet if this step will really open up a new chapter in the history of Chinese outbound tourism as such hopes have been disappointed already several times in the past few years.

**JT:** Similarly, the story in China is not simply about the number of Internet users, but rather what they are doing when they go online. It was no surprise when China’s online population surpassed that of the United States in June 2008 to become the largest in the world as part of a 42 percent year-on-year increase in the number of users between January 2008 and January 2009. The Internet has presented the Chinese consumer with a welcomed alternative to the traditional mainstream media of television, radio and print that was extremely influential in shaping opinions and decisions. At the same time, consumers are no longer simply on the receiving end of media – they can now create, publish and share their own content via the Internet. The myriad of online tools available for companies – such as blogs, discussion forums and social networking sites – makes it possible for companies to interact with consumers, learn about their tastes and concerns, and share new products and ideas. While the Internet is now a major channel to connect with netizens, companies must examine their communications strategy and rethink how they go about engaging Chinese consumers. Digital and traditional media are both likely to play a role, and an organization that communicates effectively will use the right mix of online and traditional media in ways that complement and reinforce each other. Brands that are able to stand out from the crowd and create a positive and memorable online experience will be the most successful in building lasting relationships with the consumer.

**WGA:** Another parallel observation between the Internet and the outbound tourism development! Many countries and companies have started to get more interested in the Chinese outbound market recently, but most of them are not very well prepared. Products have to be adapted to the special needs and interests of Chinese visitors and the marketing has to take into account the specifics of the Chinese society. COTRI, my research institute, has published a number of training programs and other publications and is conducting trainings to prepare destinations and companies in a proper way. But much work remains to be done.

If a destination has an attraction like the Eiffel Tower or Manhattan Island on its disposal, it is rather easy to attract Chinese visitors. All the others have to make sure that their country is connected to a positive image and also to a high level of prestige which can be won by visiting your place. Many countries have done successful special weeks or even years of country-China relations, combining tourism marketing with food, fashion, art and other aspects. Most Chinese outbound travelers are not spending their money and time just to enjoy themselves, getting status and bragging power is at least as important. Destinations which support this wish are doing better than those just telling about how many sights they have to offer when it is in the current stage rather more promising to concentrate on the UNESCO World Heritage Sites which convey prestige instead of confusing potential visitors.

**JT:** While Chinese outbound travellers seek prestige, Chinese netizens are still going on the Internet for the same reasons they did some years ago: to find information and especially to make friends and be entertained. For several years now, blogs and discussion forums (also known as BBS or bulletin board systems) have been extremely popular in China. The total number of Chinese netizens which blogged in 2009 amounted to 162 million, and exceeded the total number of Internet users in China just three years before that date, according to the China Internet Network Information Center (CNN IC). Although the number of users who actively update their blog on a regular basis drops to 105 million, the proliferation of blogging and forums has simply been phenomenal. 91 million netizens participated actively in online discussion forums in 2009, up from 53 million in 2006. Although Chinese netizens are still primarily using blogs and forums for entertainment purposes, companies are realizing there is more and more business value in monitoring blogs and forums to gauge consumer opinions and preferences. Forums exist for virtually any category or segment, from car owners and cat owners to new mothers and food critics. On one mobile phone discussion forum detailed reviews and comments can be found on new products within days of release, outlining new features, design elements, production quality, bugs, troubleshooting solutions and the users' overall experience. The way people are blogging has also changed. Personal blogs and diary-type blogs are growing beyond simply vanity, and knowledgeable netizens who previously contributed to the Internet community through BBS forums, may now use a blog as their own personal platform. There is now a more robust blogosphere of experts and opinion leaders on different topics.

**WGA:** It is therefore obvious, that destinations or companies who see the growing need to attract the Chinese market have to turn to Social Media marketing. Today almost all countries are issuing visa to Chinese tourists and the level of experience and sophistication is growing. Successfully influencing the Word of Mouth and the Word of Mouse, what I call the WOM<sup>2</sup>, for instance by inviting celebrity bloggers to a destination will bring more up-market customers than advertisements in glossy magazines. Getting serious about adapting offers to the specific Chinese demand for instance by entering the COQ China Outbound Tourism Quality Label process is still the most important path to success.

**JT:** Talking about the Word of Mouse, destinations and companies today have a truly unique opportunity to observe online discussions about their brand, products and services. Never before could they have access to so much naturally occurring feedback. Each blog entry or forum post represents an excellent market research data point to gain insight into what consumers are really thinking and what they are really after. Another key benefit of monitoring online media is the ability to see crisis situations coming ahead of time and being prepared to respond appropriately in a timely manner. The Internet has established itself as a key medium for citizens to air their grievances. There are plenty of horror stories in China about how blogs, forums and more recently, video sharing sites have caused or magnified major public relations crises. The reach and velocity with which the Internet can deliver information around the world means that companies must be positioned to respond genuinely in a prompt manner. Therefore, it is also very important to ensure any online outreach is in line with the company's business goals. The online world changes so rapidly that it is easy to make one of two mistakes. Jumping in too quickly because there is pressure to "be digital" without thinking about what it really means to the business; or hanging back so long that competitors move in or customers move on. To structure an approach that properly supports a business requires spending time to research and understand the online environment in the context of the business or particular stakeholder and then devising a meaningful strategy.

**WGA:** Therefore both for the development of new offers as for the development of specific marketing channels diversification and segmentation are necessary. With a growing "history" of travelling, niche markets are getting more interest in China. Themed tours, sport tours, prestigious activities like cruise-shipping, wine-tasting etc. will grow further in the coming years. But things have to be done the Chinese way: A little playing and a training session with a famous golf player as a photo opportunity will probably meet the demand of most Chinese tourists better than a golf tour which includes full days at the golf course. Up-market holiday homes in Europe can be offered to Chinese customers with a higher level of sophistication who want to distinguish themselves from the "10 countries in 12 days" coach travel groups if the place comes with a nice story about celebrities or historical persons who stayed in the house before and if the stay will offer enough

activities and events. The affluent Chinese will not stop travelling internationally, even if the Chinese economy slows down, as it is bound to do sooner or later, as international experience through travelling and conspicuous consumption while travelling is an investment into one's own cultural and social capital and not just a matter of personal relaxation and enjoyment.

**JT:** The Internet is changing the way the whole world communicates. For companies looking to engage consumers in China, where the Internet plays such an important societal role, it is important to recognize the paradigm shift taking place today. We are seeing a shift in the communications approach of brands from pushing things out, towards enticing consumers to put things into their brand to create a fully interactive and mutually rewarding relationship. Companies certainly have the tools to begin learning about what consumers want and need. As social media continues to gain popularity, the reach of Internet word of mouth will only continue. It will fall on companies to have a pulse on current trends in order to engage consumers. The key is listening to consumers' Internet word of mouth, figuring out what they want and then creating campaigns that really connect to them. The buzz will naturally follow after that. While experts agree that the online environment is one that should be engaged within the proper context, as part of a broader communications strategy, there is no denying that the Internet has empowered consumers in China. Although there is certainly some criticism of companies and products online, there remains a massive opportunity to harness the passion that Chinese netizens have for particular tourism companies, brands or products.

But when international companies consider taking part in the conversation in China, creating relevancy is critical and easier said than done. Translating a website from English to Chinese will most times not result in successes. First, making sure that the content itself is relevant – Chinese people are looking for different information than German or French travellers when making decisions, then making sure that the content is written for the Chinese web and optimized for Chinese search engines. This also holds true when writing engaging content for Chinese micro-blogs and social networks. Being relevant and engaging is important for any market that a company wishes to market to, but in China it is even more important, as Chinese tourists judge relevancy how they may be respected and treated by a foreign destination or brand.

**WGA:** The world of Chinese outbound tourism and of Social Media tourism marketing in China is changing fast, that's why we chose the form of a dialogue instead of a traditional academic paper and that's why instead of a bibliography we just point out our joint website which will continue to contain current information on both subjects and which was officially started during the ITB Berlin Congress 2010: [www.chinatraveltrends.com](http://www.chinatraveltrends.com).

# Tourism Tackles Poverty – A Case Study on Africa

Ralph Kadel, Mirjam Rödl, and Thomas Wollenzien

## 1 Introduction

Global tourism has risen significantly over the last ten years. This trend has been particularly conspicuous in Africa. The annual increase in the number of international tourist arrivals here was seven per cent, twice as high as in the popular travel regions of Europe and North America. In absolute numbers, arrivals in Africa tripled over the past decade and quadrupled in Sub-Saharan Africa alone. Even in 2009, when the entire industry was suffering and declining in all other regions of the world, tourist numbers in Africa rose by five per cent. This shows the potential which Africa holds as a tourism destination and that it is becoming increasingly popular with long-distance travellers.<sup>1</sup>

The African continent has a great diversity of natural environments, political systems and cultures, and this diversity can even be found within individual countries. The levels of poverty and development also differ greatly. Accordingly, tourism is a long-established industry in many North African countries while in many Sub-Saharan African countries it is still in its infancy.

Around half the people of Sub-Saharan Africa live in absolute poverty, meaning they survive on less than one US dollar per person per day. More than 35 per cent of the population suffers from extreme hunger. The projects and programmes which KfW Entwicklungsbank supports on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) are targeted at a diversity of sectors and in this way create the prerequisites for improving the situation. Areas in which KfW Entwicklungsbank is particularly active include economic development, access to clean drinking water, education, healthcare and sustainable use of natural resources. Many African states have made great progress in their economic, social and political development and have evolved into stable democratic societies. They have thus created the basis for economic development and achieved great progress in reducing poverty.

The expansion of the tourism industry creates jobs by promoting local crafts, the tour guide profession, traditional art and music, farming, retail, transport,

---

<sup>1</sup> Figures taken from the reports “Tourism Highlights 2009 Edition” and “Tourism 2020 Vision” of UNWTO (UN World Travel Organisation).

communications and other sectors, thereby generating income and more prosperity for the population. Such advances often occur even in remote regions where poverty is particularly rampant. Many African countries therefore are promoting tourism as a high-turnover industry. This trend must be managed carefully in the interest of poverty reduction, however, in order to enhance the positive economic effects it has and to mitigate any risks.

## **2 Tourism in Developing Countries**

### **2.1 German Financial Cooperation and Tourism**

Unlike the promotion of agriculture, tourism does not represent a priority area in its own right within Germany's cooperation with developing countries. Nevertheless, the nature conservation projects supported by KfW in particular have a direct connection to tourism, and measures implemented in this field comprise elements such as the creation of tourism plans, the involvement of the private sector and the installation of adapted infrastructure in parts of conservation areas.

Furthermore, tourism requires enabling conditions such as a functioning transport infrastructure, electricity and water supply and modern, liberal legislation on nature conservation. Projects supported by KfW which promote these areas benefit the development of tourism indirectly.

Two projects that were implemented as part of KfW's priority area of "economic infrastructure" are the Trans Caprivi Highway, which was upgraded and expanded under an extensive road rehabilitation programme in Namibia, and the Zambezi Bridge which links Namibia with Zambia. Originally intended to improve logistics, these two infrastructure projects also greatly improve access to the Caprivi region and to the national parks. Particularly for the cross-border Kavango-Zambezi Transfrontier Conservation Area, or KAZA TFCA, these projects are of great importance because they make travel logistics much easier.

### **2.2 The Responsibility of the Industrialised Countries**

Not only the rainforests of Congo and the Amazon region, which hold great biodiversity, but also the vast brushlands and grasslands of Africa are global public goods as their destruction would affect the global climate. Conserving these natural riches is therefore not only a task of the developing countries, which hardly have the necessary financial resources, but also a responsibility of the industrialised nations. One way in which the industrialised countries can fulfil this responsibility is by supporting the partner countries in establishing and managing nature conservation areas. Such support, however, must not absolve the developing countries from their own responsibility to practise pro-poor nature conservation. The governments of the development cooperation partner countries must create appropriate legal frameworks that enable the population to benefit from the returns generated by nature conservation. Namibia has pointed the way by enacting modern nature conservation legislation, other nations should follow. Development coop-

eration can play an important role in promoting a South-South knowledge transfer of this kind. Involving the private sector is pivotal as enterprises are responsible for the ways in which natural resources are extracted and converted and how the final products are used. It is their responsibility to use resources and products sustainably and to accurately assess their impacts on society and the environment.

### **2.3 The Potential and Risks of Tourism**

As a rule of thumb, one job is created for every eight tourists in southern Africa. As mentioned earlier, after an increase in the number of international tourist arrivals even in the year of the financial crisis, Africa can expect average growth of 5 to 6 per cent over the next ten years; this would translate into some 49 million travellers entering Sub-Saharan Africa by the year 2020. If tourism evolves in accordance with WTO expectations, over the next ten years the industry will create an average of some 225,000 additional jobs every year in Sub-Saharan Africa. This will enable substantial improvements in the people's living conditions.

However, the tourism business also harbours ecological and social risks. Tourism development that disregards nature, the environment and the population is widespread on our planet. Landscapes are devastated by construction and whole forests are cut down to make way for resorts. This destroys the habitat of flora and fauna and reduces biodiversity. In addition, the increased demand for energy and water in tourist areas puts greater pressure on resources. Particularly in water-strained regions such as Africa, the demand often cannot be met without harvesting additional supplies from remote sources or extracting water from rivers and damned lakes, causing the groundwater table to decline. Improper disposal of solid waste and sewage can also pose problems. The local population is often exposed and vulnerable to these risks. Investments by German Development Cooperation therefore are always preceded by studies on the ecological and social consequences of the investment, and risk-mitigating measures are part of project design. Other risks are posed by unexpected, sharp declines in demand due to natural disasters or political conditions, which may result in a sudden collapse in revenues.

## **3 Tourism Development in Africa**

### **3.1 Tourism and Nature Protection**

#### *Transboundary Nature Conservation Areas*

In German Development Cooperation with Southern Africa, regional and transboundary initiatives are playing an increasingly important role. Measures that take advantage of synergies between national and transnational activities are receiving special attention. They have the potential to support peaceful development while strengthening regional institutions such as the Secretariat of the Southern African Development Community (SADC). Transboundary conservation areas fundamentally have the same nature protection function as other natural parks with the ex-

ception that they overcome the fragmentation of ecologically connected habitats caused by border fences and re-establish adequate territories for the migration movements of animals. Among other benefits, such areas remove excessive pressure from parks with an overpopulation of wildlife species. The African Organisation Peace Parks Foundation aims to support the governments of the countries of Sub-Saharan African countries in establishing transboundary conservation parks. On behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), KfW is financing two projects, the Greater Limpopo National Park between South Africa, Mozambique and Zimbabwe and the Kavango-Zambezi Transfrontier Conservation Area (KAZA).

### **Case Study KAZA**

#### *Kavango-Zambezi Transfrontier Conservation Area (KAZA)*

A particularly interesting initiative in southern Africa is the cooperation between Angola, Botswana, Namibia, Zambia and Zimbabwe aimed at transboundary economic development through the systematic valorisation of the extraordinary natural resources of the Kavango-Zambezi region.

The KAZA region (an area of 278,000 km<sup>2</sup> in the frontier region between Angola, Botswana, Namibia, Zambia and Zimbabwe) is one of the most interesting natural habitats of Africa. It combines border regions of diverse potential and levels of development, where integrated development planning and concerted measures can achieve significantly higher economic output (in regions that are among the economically most marginal of the participating states). The concerted promotion of tourism in close cooperation with the population and the private sector is to be a central approach to this development.

The existing tourism magnets such as the Victoria Falls in Zambia and Zimbabwe and the Okavango Delta in Botswana border on regions which are famous for their spectacular wilderness, such as Zambia and Angola, and together with Namibia's Etosha Pan they form a magic triangle of exceptional natural beauty. Because of lack of infrastructure and/or previous armed conflicts, however, these regions were previously excluded from any significant economic development.

In supporting the KAZA countries on behalf of the BMZ, German Financial Cooperation through KfW will focus on overcoming international barriers (including measures to remove veterinary fences and coordinated land use planning in order to enable migrations of large herds of wildlife, among other outcomes) and to facilitate freedom of travel for tourists (transport links, entry formalities etc). Great potential exists for the private sector to invest in this field. Existing private initiatives such as conservancies (nature conservation practised by farmers and villagers) and national as well as international tourism companies which pursue the goal of marketing both the natural environment and the unique fauna are to be integrated into the KAZA project.



### *Conservancies and Other Forms of Target Group Participation*

The establishment of transboundary conservation areas and the simultaneous promotion of international tourism, however, are not necessarily sufficient to effectively contribute to reducing rural poverty. A link must be successfully created between those who must ensure that the natural environment in which they live is preserved and those who utilise it temporarily for the purpose of tourism. In other words, the local population and the private sector must work together constructively. A good example of how this can work is Namibia's conservancies.

Conservancies are tracts of land designated for wildlife which are under communal management. They were developed under the programme "Community Based Natural Resource Management" (CBNRM) in Namibia to stop the decline in populations of wildlife, such as elephants and rhinoceroses, which was observed in some areas. This was enabled by modernised legislation empowering the population to generate their own income from the sustainable management of wildlife numbers. At the end of 2008, Namibia had 53 registered conservancies with a total area of 12.2 million hectares. This represents just under 15 per cent of the national territory. The conservancies are home to 223,920 people who benefit from their success.

The concept of conservancies is to transfer to the communities the full responsibility for their land and for the animals living there. The local people have discretion in the management of wildlife numbers for their own food and for income through the sale of game or trophy hunting. The same principle applies to the forests with their timber and non-timber extractive products such as medicinal plants.

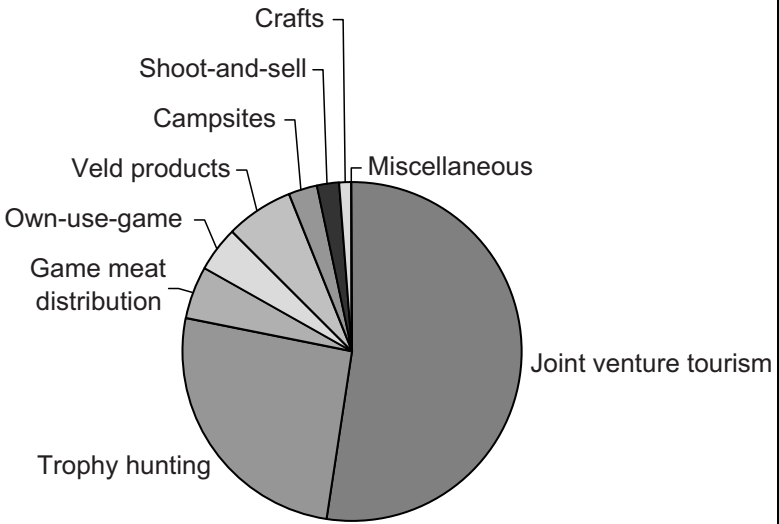
Wildlife numbers have been recovering and local incomes have been increasing for years, which shows that the concept is working.

What is important for the conservancies is the existence of national parks in the vicinity, as core protection areas provide wildlife with a refuge from hunters where their numbers can increase. A further important component of this concept is the conclusion of fair management agreements for communal lands between tourism companies such as lodge and camp operators and the conservancies. This protects jobs, secures basic incomes for the villagers and ensures peaceful coexistence between tourists, the local population and the wildlife in these areas.

#### **Additional Income for the Population Through the Creation of Conservancies**

Income sources of conservancies include tourism, trophy hunting, game hunting for own use or sale of meat, sale of handmade crafts articles or products made from wildlife, etc.

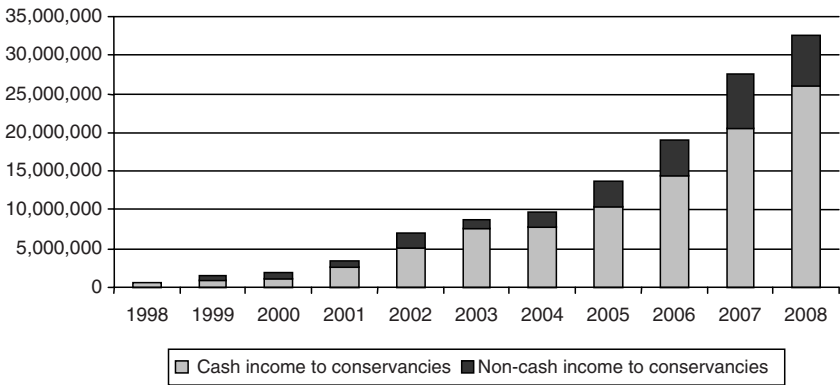
Tourism has accounted for roughly 52 per cent of overall income, while 38 per cent of income was achieved from wildlife utilisation. This includes trophy hunting, own use hunting and shoot-and-sell.



**Fig. 1.** Income sources of conservancies

Source: Namibia’s communal conservancies – a review of progress 2008

The total income of all conservancies in Namibia increased from NAD 600,000 in 1998 to more than NAD 32 million in 2008. A distinction is made between monetary income achieved through rental or sales, for example, and material income such as hunting for individual consumption.



**Fig. 2.** Income to conservancies (in N\$)

Source: Namibia’s communal conservancies – a review of progress 2008

Source: WWF Namibia, 2010

### **3.2 Impacts, Outlook, Conclusion**

The above examples illustrate that appropriately designed tourism development can have positive poverty reduction impacts. As tourism by definition cannot be exported, the final product in the value creation chain thus must be consumed locally and any refinement has to be made locally as well, tourism creates income and employment in the target countries. Nature conservation projects that are orientated towards reducing poverty and extend beyond the limits of national parks can make an important contribution to utilising the immense natural potential of Africa for pro-poor development that benefits the local people.

## **4 Outlook**

According to estimates of the WTO, the tourism industry will recover as early as 2010 and tourist numbers will increase again around the world. Having weathered the year of the financial crisis with a growth in tourism, Africa expects to welcome an average of 5 to 6 per cent more tourists annually over the next ten years, which means some 49 million tourists would visit Sub-Saharan Africa by the year 2020. The planned and ongoing projects such as KAZA and Limpopo will certainly be target destinations for many tourists. The 2010 FIFA World Cup held in South Africa also drew additional tourists to the continent.

## **5 Conclusion**

The poverty reduction impact of tourism must not be underestimated. Sustainable, environmentally sound development is important to achieve sustained benefits. If nature and the environment are destroyed instead of protected for the sake of tourism development, the destination becomes less attractive and tourists stay away. Effective promotion of tourism reduces poverty if it involves the target groups and follows a pro-poor approach – a strategy that can mitigate risks, which should also be taken into account by private developers. The local people will then benefit and reap rewards as well, and they will also have opportunities for employment in this industry. As a rule of thumb, one job is created for every eight tourists in southern Africa. If tourism develops in accordance with WTO expectations, over the next ten years the industry will create an average of some 225,000 additional jobs every year in Sub-Saharan Africa. This can be a major source of improvement for the living conditions of the local population.

## References

- United Nations World Tourism Organisation: Tourism Highlights, 2009 and Tourism 2020 Vision (2009)
- NASCO (Namibian Association of CBRN Support Organisations): Namibia's communal conservancies – a review of progress (2008)

# **Marketing Management in Global Tourism: Identifying New Opportunities**



# The Individualization of Travel – Customer Management via Website, Mobile and Social Media

Thomas Helbing

The travel market and its package offers prove difficult for the highly individualized needs of its customers. The Internet can be very helpful in overcoming this dilemma. However, it is not machine intelligence or beautiful homepages that are helpful, rather content which awakens the desire and the smart, direct contact with the customers themselves.

Package travel, that's over. Only very few customers still book their journey by simply leafing through the catalogue of a renowned tour operator and picking a dream destination at random – especially not the financially most attractive target groups. Over 60 years of intensive, individual differentiation of people have left their mark on travel. Today every traveller has individual preferences and desires to fulfil as many personal interests as possible in his vacation.

Here in Germany, we have been living in an era of individualization since the '50s. Before that the two World Wars and the accompanying ideology and material deprivation had prevented this. It is only since the '50s that the necessary mix of social preconditions has been in place for us Germans, making an intensive individualization possible:

- Enough free time
- Prosperity
- A wide range of free media
- Democracy including civil rights and liberties
- Free, open, (post-) modern society
- Free market economy
- High technical standard

The basic condition for the development of an individualistic social system is primarily an individualistic culture. Here in Europe (and in America), the foundations of this go back to the philosophers of ancient Greece, Plato, Socrates and

others, and their notion of personal happiness. The Christian religion with its principle of personal responsibility has also played an important role in the assertion of an individualistic concept.

The breakthrough of individualism came with the Enlightenment along with all of its social upheavals and technological innovations. Philosophers such as Kant, Hegel and Nietzsche, scientists such as Darwin, state theorists like Thomas Jefferson and economists like Adam Smith were, among many others, the intellectual pioneers of individualism. Jean-Paul Sartre is deemed as a special philosopher of individualism and one of the main drivers for the breakthrough of individualism after the World Wars.

## 1 The Reality of Individualism

The root idea of individualism is that each person wants to be unique and distinctive. To achieve this, he/she must continue to differentiate himself/herself until he/she becomes an individual, a unicum, as it were. He/she does this by continually finding new products and accessories, new fashions, new ideas, new behaviour patterns and new belief systems. So far this is the ideal of an individualistic society.

The reality is somewhat different. First and foremost, man is a social being. He constantly depends on the encouragement of a group. Thus today's reality of the individualistic society is a little different. The French sociologist Jean-Claude Kaufmann ("The invention of the Ego", UVK Publishing House) describes it in the following way:

Every person needs input for his/her individual differentiation. He/she gets it from everyday life, primarily from the media, and from his/her social environment, i. e. from friends and acquaintances. New ideas have to be exceptional enough to distinguish oneself from others. However, these ideas should not be too eccentric, as otherwise one might become socially isolated.

The acceptance of new individual preferences and behaviours must therefore be tested continuously in the social environment in terms of its functionality and above all, in terms of its social acceptance. Is the novelty (still) accepted or – better yet – admired? Does it really make a difference? If so, then the novelty is lived out and propagated (more) offensively. And the more people do it that way, the more frequently it is taken up by others and thus it finds a growing number of imitators.

Thus, this process never comes to an end. It goes on continuously, because, in order to differentiate oneself effectively, one always needs to find new products and behaviour patterns and integrate them into one's everyday life (as described above). As more people imitate one, the more new things are taken for granted and the less one can thus distinguish oneself from the others. So the process starts over and over again. Time and again, new impetuses are tested in terms of their applicability and also for social acceptance and admiration.



It is this process that takes place continuously when it comes to travelling. First, one can always differentiate oneself by new destinations, new hotels and accommodation, but above all by the activities one undertakes – or at least plans to do there. Today relaxation is no longer just frying in the sun, but it includes a huge range of activities – from various sport activities and a myriad of hobbies, culture and excursions to wellness, further education, and exuberant celebrations.

Sport activities alone range from water sports, thrill sports, tennis and golf, all kinds of team sports to endurance activities by bike (racing bike, mountain bike etc.), jogging, hiking, mountain climbing ... And additionally, the infinitely diverse range of cultural activities including all events and culinary options. An almost endless list could be set up here.

Especially on vacation the travel individualists want to experience all those special interests and practices, especially the new ones, which they have not yet done, or which they enjoy too rarely in their daily lives. And particularly on vacation they search for new ideas and new ways to become a bit more ‘individual’ again. Specifically, the vacation season (with a surplus of free time!) is the moment when the zeitgeist is followed particularly strongly and new things are tried with the least risk.

## 2 Asymmetry Between Demand and Supply

The range of demands, which a highly individualized society claims from tour operators, is just as huge. Their dilemma is that there is a distinct asymmetry between their offers and the requirements of the customers. On the one hand there is an almost infinite variety on the demand side, and on the other hand there is only a very narrow and limited range on the supply side. Tour operators usually buy air and hotel capacities in certain (mostly time-tested) destinations and then try to sell them successfully. A market situation, which actually allows package offers only.

Nowadays, however, tour operators must not offer any more standard products. These times are over for good. Today one cannot simply put offers on the shelf – aka homepage – and hope the customers will somehow get to this site. Offerings must be creative, inspiring and tailored to the customers’ requirements.

A popular approach to get more customization in the range of services is the module principle. The offers are divided into separately bookable building blocks and enriched by additional tenders such as excursions, sports, events and gourmet offerings. Such diversity can still be handled by the logistics of the tour operator, but probably not more. True individualization would however go even further, especially in terms of new differentiation offers.

However, this dilemma cannot be resolved under given circumstances. The demand side is likely to evolve much faster and more turbulently than the supply side can ever respond. A very successful hotel owner I know quite well, who specializes in high-end recreation facilities and has thereby forced the individualiza-

tion extremely far, moans again and again that his guests ask for more new, innovative offerings each year than the wellness market can possibly bear.

The only chance tour operators have, is to collect qualified and extensive information about special offers suitable for the individualization market and then make it accessible in (preferably) intelligent systems, i. e. data bases.

Such specific information needs to go further than that which the leading providers of customer reviews of hotels and catering facilities like TripAdvisor or Holiday Check can currently offer. It must have a content quality, which describes the individual hotel and resort offers not only in a sufficiently informative, but also in a preferably emotional way.

After all, the vast majority of individualists are not always aware which individual deals they could wish for, especially when it comes to the market of completely new differentiation offerings. Who cannot imagine how much fun it can be to join in a street festival in a small Italian town, but of course will never go there? So we need to have such offers described by excellent writers in a highly emotional way.

The most innovative and creative provider in this respect is *aviator.com*. It provides special events and guided tours for all attractive cities worldwide, which are clearly tailored to the travellers' interests (mainly from the U.S.) and are partly designed in a very creative way. For each of these deals there is editorial content worth reading and a lot of participant comments, even critical ones. Such additional services are really attractive, but also hard to elaborate and to describe.

### **3 Beyond the Homepage**

The main problem is to render individual offers and the information about them accessible to the correct target persons. The central principle must be to bring relevant information at the right time to the right people. This does not solve the dilemma of the asymmetry between sellers and potential travellers, but at least it eases it significantly.

In order to bring the right travel ideas to the right people, even an elaborately designed website is of no use anymore. Marketing directors, who still rely on the re-launch of a trendy website to increase sales, are making a fundamental mistake. On well-functioning sites half to two thirds of the traffic is not on the actual homepage, but is distributed on the various sub-sites or specific offers. Now this is real individualization, when users are guided directly to a site that interests them. Particularly the rapidly increasing traffic of tips via Facebook and Twitter hardly ever goes to a homepage, but links deeply to specific travel ideas.

Therefore, nowadays it makes no sense to only prettify the homepage. Each site of a web presence, until deep down into the different levels, must have the quality of a homepage – both in terms of the functions and in terms of the (successful!) graphic design.

And very important: With a good tracking system one must always closely monitor and analyze where traffic comes from, where it goes and where it leaves the site. Only in this way can one respond flexibly to the individual needs of users and organize an effective “next best action marketing”. Which issue is placed where at what time?

Also important are all actions beyond the own web presence. With an individualized audience one should by all means aim at specific spots where potential target groups linger. The most appropriate means for this is a system of satellites, which acts directly where the interesting clientele resides, where the recommendation rate is high – and where there is appropriate and inspiring content.

## 4 Relevance, Relevance, Relevance ...

But how does relevant information come at the right time to the relevant audience? Can this be solved by means of database intelligence? It is telling that despite all rumours, the largest specialist in information processing, Google, has created no special solution (such as Google Travel) for the lucrative travel market to this date.

The variety of individual needs for the most diverse destinations around the world compared with the vast number of possible offers – and multiplied by the time factor – make the truly meaningful communication of relevant content to interested receivers seem almost impossible. Anyone who has ever tried to plan his trip using Google is aware of the limitations of this method.

Eventually every Amazon customer experiences the limitations of machine intelligence, no matter how hard he/she communicates his preferences to Amazon. But the leading online retailer with its highly acclaimed recommendation software is not even able to point to new CDs from bands, of which one has bought the entire catalogue (via Amazon). And the more diverse the items on one’s Amazon shopping list are, including for example also gifts for one’s mother-in-law, the more ridiculous the purchase recommendations can get. To this date machine intelligence has not been capable to take the emotional side of our desires into account at all.

Amazon’s collaborative filters work even better. The recommendations, which are determined by the purchasing behaviour of other users, have a very high hit rate – Amazon is making no less than 35 percent of its sales with their help. Just as James Surowiecki explained in his book “The Wisdom of Crowds” (C. Bertelsmann Publishing House), the wisdom of the masses and the results of crowdsourcing are always more effective than any search algorithm.

Particularly in the travel market, this will remain as it is for the foreseeable future. This is not only due to the sheer data volume of possible travel destinations and offer components, but also because the recommendations by friends or acquaintances, as described in the individualization model of Jean-Claude Kaufmann, are a welcome input for new ideas, whose social acceptance is thus reassured.

This is how it works in real life: A friend of mine raves on Facebook about a hotel in South Tyrol, its facilities, its location and its service – and he has also up-

loaded a nice picture of the house and the surrounding area. This way I can decide very easily whether this is something for me as well. After all, I know this friend quite well and I value his preferences, taste and travel competence. The relevant information (service, location, etc.) is given and the photo has provided the necessary emotional appeal.

So I saved the hotel as an option for an upcoming weekend getaway. And because I was urgently in need of a short vacation at the time, I went there the following weekend – this is how it actually happened a few weeks ago. No wonder:

- The proposal was new.
- It was socially relevant.
- The information was relevant.
- The photos were emotionally charged.
- The timing was relevant.

A perfect mix.

## **5 Recommendations by the Social Environment**

The idea that friends and the social environment may be the most successful promoters of destinations, hotels and all other travel-related customization options in the future, will not please all tour operators. The possibility of effective (exertion of) influence by the provider is no longer given.

Notably the manipulation paradigm, which had been common in advertising so far, does not take effect any more. Instead, interesting information and additional emotionalizing gimmicks such as photos and videos are in demand. Above all, however, performance and service have to be right. Only then can we hope to get positive customer reviews, and possibly get recommended in the various social media platforms (as in the example above).

So why not focus on the world of travel recommendations from the start instead of implementing expensive advertising campaigns, which are not really effective anymore – especially not with a younger audience? For this, the full integration in various social media platforms (first and foremost Facebook, but in Germany also StudiVZ & Co) is recommended. A separate site on Facebook is as inevitable as targeted advertising and suitable public relations activities on Facebook.

In general, it is vital to be present on all social network platforms, including blogs, forums and consumer platforms, as well as all travel platforms. In order to be successful there, a professional monitoring system of this complex network of (travel) sites is essential – and a truly competent and market-driven analysis of the data. Only on the basis of accurate data and a good user analysis can “next best action marketing” be effectively implemented in the environment of social media, too.

## 6 Modular System Is Looking for Content

Finally, it is about placing one's tourist offers in the context of qualitative and specialized travel content in the best possible way and using it intelligently as a "piggyback vehicle". The main thing is that the content is truly inspirational. As the successful implementation of content for Apple's iPad (as a pioneer for a whole generation of new reading devices) shows, stories are told as a cluster with different levels of content of various kinds (text, photo, video, audio) and at the same time e-commerce options are integrated consistently. One can therefore buy products (of course also from travel operators who deal with the story's topics) directly from the stories, or at least save them in a wish list.

This has nothing to do with the rather goopy PR mechanism of yore, but is an integrated part of the content now. E-commerce integration is offered as a logical and natural service, in most cases even by different vendors. The same will be taken for granted when it comes to future generations of interactive TV screens and mobile applications for smart phones. It might be the logical consequence of the digital integration of content and services – and it will not just help to reduce the problems of content producers to some extent by introducing commissions (paid content etc.).

For tour operators, the task of the future will be to prepare accurately tailored offers for all sorts of content topics in the form of super simple e-commerce solutions. And this will not only apply to the content of commercial providers, but also for special issues on blogs – and to tips and recommendations in social networks. Such content can be understood as a kind of microcontent, in which one can either integrate or place one's e-commerce offerings, as in content snippets and short messages to smartphones.

One should not, however, think of this as – sugar-coated! – advertising as it used to be. The content will remain untouched. As in the above example, it gives the information, and/or provides emotionalisation. But rather than searching for the specific hotel and its booking options and contacting it as in the case described above, the hotel's contact is integrated automatically, including the special offers, and perhaps also personalized additional offers. After all, Facebook knows exactly what sports I do, what kind of music I love or what hobbies I have. So, appropriate events in one's region might be offered as well.

## 7 Direct Customer Contact

The future of individualized journeys thus combines the knowledge and sensitivity of social communities with the knowledge about personal preferences. It is real people who make contact with the customer, and they are also the ones who cater for relevance and emotional appeal. The individual aspect can be optimized by machine intelligence. But the latter ensures above all the integration of an ex-

tremely easy-to-use e-commerce application (one-click = convenience) in a perfectly matching content and microcontent environment.

In doing so, it is very important to build a reliable, close contact with your customer, which must be characterized by respect towards him/her. Therefore, the sale of customer addresses is prohibited, just like imposing mediocre products to loyal customers. And of course it goes without saying that the site and all e-commerce applications are extremely easy to handle.

When I claim this, I must also live up to it myself. Finally, the most important landmarks for dealing with individualized customers in a nutshell:

- No standard products
- Creative preparation of the product range
- No fixation on a trendy homepage
- Pick up customers by intelligent web environments
- Smart next best action marketing
- Accurate tracking and monitoring

Good luck!

# Public Relations in the Tourism Industry: Obsolete Instrument Due to Blogs, Facebook & Co.?

Thomas C. Wilde

They seem to be in a never-ending free fall: every month, in an almost dramatic way, the traditional print media in Germany and nearly every western industrial nation are losing circulation and, most of all, influence on their readers. Over decades, the consumers in the country of the world travel champions have learned, lived and loved the traditional media – this attitude is changing. With an unprecedented consistency, consumers are turning away from the print media, leaving front row seats to Facebook, YouTube and other social networks. New forms of communication are infiltrating areas to which nobody had access before and are becoming a part of our everyday life, replacing daily newspapers and magazines. The challenge for the travel industry is that only news and messages with an explicit access authorisation are admitted to this intimate zone. The reshuffled cards in the world of information confront an industry which has not yet shown a particular willingness to innovate with one of the most urgent questions ever: how can we reach the customers of today – and especially the customers of tomorrow – when the old media cannot address them anymore and readers trust recommendations on the internet more than their newspaper? In 2010, it will not take a lot of foresight or even courage to predict reliably who will win the race, online or print media. When it comes to the purchase decision for a vacation, the prize of information superiority goes extensively to the electronic media on the internet already today. However, we still do not know how long this process of change will take. How much longer can the industry rely on the “young seniors” and their familiar consumer behaviour? What course needs to be set today to win the consumer’s favour in order to be successful tomorrow? Where in the web do dangers lurk? In times when journalism becomes “partially weaker”, as the German journalist Peter Voß stated, public relations is facing numerous new tasks. It is true that PR experts will have to reposition themselves to persist in the altered marketing mix. One thing is beyond question: the new democratic form of communication in every direction is a one-way street – there is definitely no going back to the old rules of the game!

Serious declines in the amount of advertising during the economic and financial crisis, combined with free news and information, result in a dwindling bond between publishers and their mostly younger readers, as well as in a flagging confidence in the power of their traditional printed publications. All of this has already had its impact on the publishers' balance sheets. In 2009, the sales of German daily newspapers alone declined by 700 million Euro into the red. For the first time, newspapers generated more income with the distribution of their media than with their conventional advertising business. However, it is not only the dealing with the mostly freely accessible flood of information on the World Wide Web and the transparency for everyone and everything that make the customer so unpredictable and noticeably more difficult for the tourism industry. It is also the product "travel" itself and the customer's attitude towards the consumer good "vacation". The "most beautiful time of the year" has already become a mass product in this country and the holidaymaker has become a responsible and self-confident customer who knows exactly how to inform themselves single-handedly and who more and more prefers to rely on subjective recommendations from unknown "friends" than on the reporting of the media or even conventional advertisements.

Marketing and PR strategists are alarmed and begin to search frantically for new solutions in the realm of Facebook, YouTube and search engines with user reviews. After a phase of complete resignation, publishing companies are celebrating Apple's iPad as a saviour which can tap sources of revenue again that they had given up on permanently. But wherever there are winners, there are losers as well. In a time when the old media is still on par with the internet, the first victim has already been detected. Traditional travel journalists and especially freelance travel journalists threaten to fall by the wayside. In the battle about whose opinion has more value, the journalist has conceded victory to the wealth of information on the internet. There is no doubt: the monopoly on knowledge about holidays is certainly no longer in the hands of the well-travelled and worldly journalist, but in the data sets of Google. When it comes to planning a travel, the reader relies rather on the mouse click than on the research in newspapers and magazines. What may seem like a prophecy of doom will certainly come true: the profession of a travel journalist is on the brink of extinction. During the painful and inconvenient process of change, only few publishing houses can afford the luxury of a well-staffed editorial team for travel. Currently on the sunny side are social networks – with Facebook at the top – as well as referral marketing with the many unknown "friends" on the web and direct marketing. The old media in its position as a filter, which is quite a positive quality, is left with nothing. Journalists lose their function as "gatekeepers" and can only at best participate in the process of communication. The media's monopoly was yesterday.

All this is new ground for the travel industry which has to deal with customers who are already used to complete transparency and who can and want to access all relevant information with one mouse click. For the baby boomer generation and their children, planning a travel in the 21st century has woefully little to do with the fascination of planning and realising a travel in the 1970s or 80s. And it was so



easy – in retrospect. A dream for every product PR: print media and public relations in cooperation with old media were still both able to inspire and inform customers and, at best, induce them to book a holiday.

And today? Travelling in the country of the world travel champions is mastered from A to Z. Holidays are an integral part of our lifestyle. Going on holiday is considered to be almost crisis resistant. Even the economic and financial crisis could not keep the Germans from packing their suitcases. Going on holiday means travelling, going away on a journey and being mobile. Long-distance travels are no longer a privilege for only a few, but by their structure an organised mass event. Neither can travel wishes and travel behaviour be compared to what was asked for 20 or 30 years ago, as is well known. Globetrotting on one's own for several months, probably without a job-oriented motive? Moving into unknown territories with a backpack? Where are the paths off the beaten tourist tracks in 2010? Are there still places left to discover? Places apart from war and terror-ridden regions? Who still gathers information in guides written for globetrotters by globetrotters?

“The journey is the destination” turns into “the price sets the direction”. Package holidays on the bargain counter in discount supermarkets or low-cost flights to European metropolis for only 19 Euro have permanently changed the value of the product “travel” and ultimately damaged it. The general public books whatever is inexpensive and what is recommended on the internet by user reviews and on travel and hotel sites as well as on social networks. Access to the World Wide Web is a daily routine for everyone and as natural as talking on the phone. In the summer of 2010, 72 per cent of all Germans were already online. The proportion of internet users in Germany lies at three quarters of the population above 14 years of age and will reach the threshold of 75 per cent in 2011. Many from the industry take comfort in the fact that only every second person in the age group over 50 is online.

Are social networks the travel industry's answer to the crucial question of how to reach the customer? Certainly not, or at least only to a limited extent. Figures from this year's summer showed that Facebook was clearly number one among the social networks in Germany with 16 million unique visitors, but “wer-kennt-wen.de”, a popular German social networking site, already fell by 10 per cent to 5.60 million visitors. “SchülerVZ” and “StudiVZ” – two other German networks – and My Space lost visitors as well.

Anyone who believes they could instantly get rid of their product to the customer via social networking sites is profoundly mistaken. Certainly, some can show decent results from time to time, but the way to the customer starts with building a network. It is a rocky road, takes up a lot of time and does not guarantee success. A regional tourism organisation in Austria, for example, has a Facebook page called “Tracht/Dirndl/Lederhose”. In less than one year, more than 40,000 fans have registered and now eagerly exchange information. Tourism promotion and PR on the website with which you can reach thousands of users? Yes, but in and about every region in which people wear a “Tracht”, a traditional national costume in German speaking countries. The initiator keeps very much in the

background and knows exactly why: the user cannot be fooled and strikes back if it comes to the worst.

Since 2009, United Airlines has had to learn what dangers are lurking in the internet. Canadian musicians whose guitar broke due to the airlines inadvertence on a flight in 2008 went public with their complaint in the form of a video, using the video-sharing website YouTube. The until then rather unknown band became a great success through their viral distribution of their complaint. Until the summer of 2010, more than 8 million users watched the video in which United's customer service is picked into pieces. Even after months and several vain attempts to lift the spirits with their own videos, passengers still blow off their steam and sneer at the airline.

The positive effects of platforms like YouTube can backfire not only on the world's largest airline. Hoteliers discovered the power of portals with user reviews long ago. Recent studies have shown that already more than 65 per cent of all guests who book their hotel online look at the rating and make it their essential decision criterion. Good for those who have good ratings on the internet.

Nowhere else do boon and bane lie closer together. Facebook and the like are without doubt one of the significant keys for successful communication with the customer of tomorrow. However, these platforms do not follow journalistic principles. Objectivity and balanced coverage do not apply here.

Public relations is facing a new challenge and additional responsibilities. Not only does it shape the process of communication with the media on behalf of the client, it is also essentially involved in the direct dialogue with the customer. The new media is everything but predictable or even fair. Positive and likewise negative messages circulate uncontrolledly at a breathtaking speed – even around the globe. The new rules of the game leave no room for the right of reply in online media. The web never sleeps. It requires vigilance twenty-four-seven and it is omnipresent. The internet no longer depends on a computer. It has become mobile and accompanies us on the iPad and smartphones.

Where is the journey headed? PR can learn from direct marketing. Here, communication channels built by businesses for the dialogue with customers become distribution channels. Other industries show how to do it: businesses solicit brand ambassadors online and design new products in a direct exchange with their customers. The customers themselves become a part of the marketing organisation. What about the social networks? Obviously, there is no general agreement about how fast and important the communication with the new parameters will be. In a survey in July of 2010, 75 per cent of 380 interviewed PR-experts stated that social media can no longer be ignored and that it plays an important role in professional communication. Most of the interviewees also assume that businesses will increase their budgets for this sector significantly by 5 to 20 per cent in 2011. In the summer of 2010, in a similar survey among executives, one third of all interviewed persons agreed that social media will not play an important role in corporate communication before 20 years. The reason for this is that only then the so called digital natives will dominate our society.

Until then the profession of the traditional travel journalist will hardly survive. However, many have not yet heard that the rules of the game are thoroughly changing. In March 2010, at the first ITB Media Summit on the topic of “How we obtain information in the future – are blogs, Facebook & other social media replacing travel publications?“, the conference room was filled with more than 300 participants – mostly from the field of PR and marketing. But only a handful of journalists were present, although there was no lack of reporters who dedicate themselves to travel journalism. Altogether, 7,200 journalists from almost 90 countries were accredited at the world’s largest trade show of the global travel industry.



# Luxury Tourism – Does This Market Segment Still Work?

Klaus-Dieter Koch

## 1 The Concept of Luxury Is Set to Get a Makeover

The changing face of luxury holds the power to turn classic luxury brands into losers. A fear of dramatic loss of importance seems to be looming over these brands. The quality of life and connoisseurship on offer decides the winning brands, for even in today's world, luxury has an immaterial character for 2/3 of the population. It's a daily affair and is not meant for the "exhibition" of rather superficial status symbols, but instead focuses on self-realisation. Alas, this segment laments the dearth of strong, established brands.

### 1.1 The World Is Changing, the Values Are Changing, but Is Luxury Changing with It?

The world around us is changing. Thanks to the demographic transition and medical progress, old no longer means old. Globalization is constantly giving rise to new economic and personal perspectives. In the working world, the change will create a knowledge society with all its pros and cons (elite formation, polarisation of the society) and guiding principles will become increasingly important. The growing environmental consciousness will forever change the standards that were hitherto prevalent – even if the entire automobile industry is trying with all its might to recreate the conditions that reigned before the crisis. Finally, dramatic events such as 9/11 that shook the world or the current worldwide crisis affecting properties, finances and economies in general will have a lasting and continuing influence on consumer behaviour, but most importantly on the values shaping the change.

What do these changes imply for the present and the future as far as the management of luxury brands in the tourism industry is concerned? Precisely in the luxury segment, where the immaterial value sometimes exceeds the material value of a product or a service by far, brands must always be managed in resonance with the surrounding social value structure. Only that lends them the added value that the brand owner needs to achieve his luxury price premium. Escada, the only German luxury fashion label, is an example of what happens, when the values that

represent the brand no longer fit in the social context or have simply missed the value change process.

*The social resonance on the values of a luxury brand decides the extent of its added value.*

While these social value structures keep changing, do the luxury brands keep up with the change?

Car, house and jewellery/watches – that’s what formed the archetypal luxury-trilogy. They were the classic luxury status symbols. Today however, it is travel, time/leisure time and health that have made it to the top-rankings. Brands that cannot or do not wish to flow along with the slowly but steadily changing process, or simply sleep through the process and wake up too late, will realise that they are lagging far behind in the development and might not be able to catch up with it.

*If the customer has to ask for it or if he does not make a purchase, because he did not find what he was looking for, then it is too late to change it back.*

## **1.2 What Are the New Luxury Segments?**

In a study, we interviewed 900 well-to-do people in Germany, Austria and Switzerland about their idea of and expectations from luxury in the future. From the somewhat surprising answers, we boiled down to nine segments that describe the “new luxury”:

- **The Consumer’s Self-Realisation**  
Material well-being of the affluent has reached such a degree that their needs have culminated to the highest level of the Maslow’s Hierarchy of Needs: self-realisation. The main task of luxury products is to help these people actualise the management of their self-realisation and to act as a booster. Their key needs are: What could help me obtain more free time? What could help me become fitter, more virile and healthier? Or what could make me mentally more refreshed and increase my efficiency?  
Here, the main objective of luxury is not to demarcate itself and show its status, but to fine-tune an egocentric concept of life.
- **Radical Chic**  
Those who engage in Radical Chic are rather community-oriented people. The much-clichéd contradictions like “if it’s healthy, it can’t be tasty”, “fashion is not ecological” or “driving pleasure is not environment-friendly” are tackled here. Ethically responsible indulgent consumer-behaviour goes hand in hand with ecological high-technologies and fair dealing with suppliers and staff.

- **The Consumer as a Connoisseur**  
No more illusion marketing! Give us some substance! When it comes to connoisseurship-consumerism, the customer cannot be taken for a ride. The increasing consumer-experience, familiarity with luxury products and a peek into all types of information through the transparency of the internet have given many luxury brands a whole new set of customers – the connoisseurs. These customers often know more about the brand and the product than the salesperson does. The key to success in this case is to take these connoisseur-customers seriously and actively incorporate them in the sale process.
- **Pleasure Consumerism**  
Hedonists will continue to be; people, who consume to stimulate a feeling of fun, happiness and *joie de vivre*. Here, the actual luxury product or the luxury service is of secondary importance. The act of taking a decision and making a purchase at all is the focus and by extension, brings all direct and indirect contact points that a luxury brand has with its customers into focus as well. By this time at least, luxury brands must learn to think holistically and proprietarily and cash on their brand promise with every individual customer contact.
- **Personalised Premium**  
Creative, unique and the best personalised solutions are the need of the hour in this luxury segment. It is all about expressing one's identity, to reinforce it and to stand out from the crowd. Fixed norms and standardisation are a no-go here.  
As individualised as possible and with your name on it – and lo! You are a brand! Luxury brands are only seen as an extension of one's personality and should never superimpose on it.
- **Concierge Service**  
Relief is the name of the game. Off-load as much as possible, to make the most of the little free time available. Luxury consumerism is mainly considered a service here. It's not just about "need"; it's about "want". Be it shopping, childcare or other day-to-day services. The main motive is to gain maximum freedom and quality of life.
- **Gregarious Consumerism**  
One wishes to spend time with family, friends and renew old contacts by cooking together, doing something creative together, coming up with games to play or even by working together. Luxury consumerism slips into the role of the "enabler" here to bring everybody together and to create shared social experiences.
- **Inclusivity**  
This segment is characterised by the distinct wish to move around in exclusive social circles and to belong to the winners and the best of the lot in the

respective key-group. Luxury brands are supposed to pave the way for this and function as an identification of the affiliation. Knowing the right codes and decrypting them is of essence.

- Top of the World

This is the classic, material luxury consumerism, which is all about buying the best of the best and showing off what you can afford. The classic luxury status, as we know it, will continue to justify its presence in these new times as well. However, the luxury segments are set to split up further, and have a finer demarcation thus becoming impossible to conquer relying simply on the traditional luxury positioning of the past.

### 1.3 Conclusion: Luxury Is Changing

Self-realisation wins and the classic prestige consumerism loses. New austerities are giving rise to new positioning options:

- Quality of life and downshifting are the driving forces.  
The dominant “new luxury” fields are the fields, which help people in their personal development, which are ethical and which, at the same time, further develop one’s expertise in one particular field.
- Status consumerism loses  
Here as well, the classic luxury fields that are listed under the segments “Inclusivity” and “Top of the World” take a backseat as the motive to act.
- Ethical image-pitfall  
A pseudo ethic of luxury brands will be exposed more often in the future. It’s either the whole thing or nothing.
- Necessary brand revolution  
If classic luxury-brands wish to be future-proof, they need to shift focus from their exclusively status-oriented requirements. Paying more attention to the “new luxury” fields and suitably adopting the associated motives and requisites will make the right statement about the brand value.

Luxury requirements are subject to constant change as well. For most of the surveyed, today, luxury is already rather non-material in nature. This makes the luxury-product manufacturers and luxury-service providers face new challenges. What I eat is no longer of any interest, but much rather where it comes from and how it reached my plate. Jewellery is no longer something you wear to simply impress the others, it is much more an expression and enhancement of your personality; if need be, even by incorporating the later wearer in the production process as well. Co-creativity, i. e. the development process by including the customer, will take over autocratic luxury-brands and in fact is already being practiced by the Web 2.0-generation. New luxury has a host of opportunities waiting to be explored by different brands, which know how to strike at the right moment.



## 2 Effects on Luxury Tourism of Today and Tomorrow

### 2.1 What Do These Changes Mean for the Luxury Segment in the Tourism Industry?

#### 1. *There is no longer just the one luxury.*

The luxury market has come of age, is segmented and is complex or perhaps even contradictory. For the many stressed members of the global creative class, the greatest luxury is to have some peace of mind and seclusion, time sovereignty and functionality. These guests do not need round-the-clock service, no all-you-can-eat buffets and none of the group entertainment offers. They want to eat fresh food and a balanced meal whenever they wish to and not according to the whims and fancies of the F&B manager. They have a simple wish: to have a quiet room in which everything works and otherwise be left in peace.

That is not the case with the young or the old guests or guests from the countryside, who have a rather static work and family life. A life of abundance and variety defines luxury here. To have more than what one needs and an excess of leisure time activities: a big room, big pools, big skiing area and big spa-facilities – that is luxury at its saturated best.

#### 2. *Software is more important than hardware.*

Material luxury is standard for guests, for whom luxury vacations are not an exception but much more a way of life. These people don't need any exorbitant designer-hotels, no in-clubs and no hip 'n happening restaurants or adventure tours. They have been there, done that. They have had their experiences – they can compare and tell apart the good from the not-so-good. They have learnt to differentiate substance from superficiality. Richard Florida calls them the "Creative Class". As of today, this class globally comprises about 30 million people and is growing. It is estimated that by the year 2020, this class will be a good 300 million strong.

For these people, attractive luxury offers cannot be casted in concrete. Instead, to come up with offers for this challenging and much-experienced clientele, to interest them and to win them over, these offers need to be moulded newly every day in the highest quality possible. That implies attention, time and genuine interest. It is another extended service understanding, which, to begin with, defies the optimised workflows and processes of the classic luxury service provider in tourism. These people like to travel to these places because they value the individual services and not the concept.

#### 3. *Sustainability and Corporate Social Responsibility (CSR) develop from a hygiene factor into a basic requirement.*

Whether the climate change is for real or not, is secondary. The discussion surrounding the topic changes the value-systems of the people. People will be highly

interested in knowing the specific ethos of the touristic businesses in problematic regions of the world and their way of dealing with their environment and people. How do the transport companies use their fuel? Where do the national specialities that are served, come from? How are the living conditions of the animals that are served as food? Does one actually get bio-products when promised so? Chances for new business models or creative culinary concepts, event tours and a lot more emerge out of this.

#### *4. The guest is the sender.*

Those who are still speculating whether sustainability is just a passing trend, which will have had its day, ought to know that sustainability is unconceivable without the transparency that is generated by the internet. This very transparency has taken over the classic and very popular Sender-Receiver model of marketing. Every customer, every guest not only makes contacts, but also spreads them all over the world, thanks to Facebook, Holiday Check and Tripadvisor – only with more authenticity than any other marketing campaign can achieve. This spells the end of illusion marketing, which a lot of luxury labels still practice. This is the age where all false promises are subjected to global, electronic scrutiny and are exposed mercilessly in a split-second. Hence, sustainability in all its forms is not a mere trend, but in fact the most engraving change that the global tourism industry has ever had to confront. The effects on the product development, destination - marketing, means of transport and routes, food & beverage, interior designing, event concepts, etc. will have huge development opportunities in store for those who are flexible and ready to change, for all others, it's certain death.

#### *5. From the social stratum to the community of values.*

In the near future, the global luxury-community will not be defined by its lineage and its income, but by its values. These will be different from those of their parents. This new luxury-community has socialised during a time of material well-being and immaterial fears and threats. Oil shock, environmental pollution, Red Army Faction, cold war, Chernobyl, 9/11, Bosnian War, Afghanistan, Intifada, Chechnya, Taliban, Islamist-terror, etc. have imprinted on the collective memory of all.

Needs are replaced by yearning, wishes, dreams and hopes, the four classic inadequacies in life. Hundred percent customer-orientation and satisfaction of needs are taken for granted. The value-transition along with the unquenched inadequacies is the propelling force for luxury tourism in future. One's threat is the other's opportunity.

## **2.2 Conclusion**

The "luxury" market segment will continue to work, if the huge chances that keep emerging are proactively used. Nobody has ever known such times of permanent abundance like today, in which so many people, like never before, own so much

created or inherited wealth. The group of property-based or income-based millionaires is still the fastest growing group worldwide. Unfortunately, poverty is faster. Since such times never existed before, nobody had a competitive edge before. On your marks, set, go! Everyone is in the same race and has the exact same opportunities to explore the new luxury options.

There is so much virgin soil to be conquered and developed. Given the nature of the luxury segment, it is rather sensitive to all possible fluctuations and changes and has therefore become a delicate seismograph for that what is to come. A lot of what is luxury today will be standard tomorrow. So, if you are an active entrepreneur in the luxury segment, you will not only directly profit from it, but also learn a lot for your mainstream business from it.



# Strategies for the Growing Market Segment Gay and Lesbian Tourism: Lessons Learned from the First Movers

Thomas Bömkes

## 1 Introduction into Gay Tourism

The Gay Tourism niche market is a fast growing tourism sector which now has increased awareness across the global tourism industry. Since the seventies when the Gay Pride movement brought gay people out of their “closets” in North America and Europe, the Gay Community has become more and more visible running their own bars, cafes, shops, villages and events. The acceptance of gay people and their lifestyle grew and grew as the political situation over the past 40 years evolved from criminal actions to gay marriages. These changes and the development of gay lifestyles around the world all combined to create the Gay tourism industry of today:

Gay men and women travel to other cities and regions enjoying other gay communities. There are destinations around the world like Gran Canaria, Mykonos, Key West and Palm Springs which have established a perfect gay infrastructure with gay beaches, restaurants, bars and hotels over the years. Gay Circuit parties or Pride Events around the globe have become mega events with thousands and even millions of people attending.

But besides specific gay travel sections, gay men and women also use a variety of other tourism products on offer. They go on business trips, need flights and hotel accommodation, book rental cars, take cruises, go on family vacation with their kids or just sightsee. There is almost no area of tourism where gay people are not bringing in business.

## 2 Does the Industry Need Specific Strategies for the Gay and Lesbian Tourism Segment?

This is not an easy question. In general, gay men and women have the same needs as any other traveller or tourist. They need transportation, accommodation, trans-

fers, tour guides etc. Is there really a difference for gay people using a hotel or an airline? Every tourist has a preference for specific destinations or holiday activities. And the gay community has always been big travellers. So, the question is what kind of preferences gay people have while travelling or going on holidays. To find the answer it is necessary to take a look into the current market situation and to see what some industry player have figured out after working in this market for several years.

### **3 Overview of the Current Market Situation in Gay Tourism**

The global gay tourism market is very diverse. There are small tourism businesses who specialise in this segment, but also global players who look after the “Pink Money” as well. But Gay Tourism has different requirements in Europe or North America, and is different in South East Asia or Latin America. The culture of the gay community differs around the world. The societies are more or less open to gay lifestyles which create more or less openly gay tourism.

To get a better overview and bring all these different aspects together, the IGLTA (International Gay & Lesbian Travel Association) is a great resource of all the key tourism players who provide an active role in the gay tourism segment worldwide.

IGLTA is the leading global organisation dedicated to connecting the gay and lesbian tourism industry worldwide with networking, education and business development. The association was founded in 1983 and has over 2,000 members in 68 countries. (*More information on [www.iglta.org](http://www.iglta.org)*)

In order to be successful in this market it is important to understand the different cultural aspects of gay tourism. Right now, we see big shiftings and changes in the political situations of huge parts of the world. In the past thirty years North America and Europe have been the key players in the gay market with the biggest openly living gay community. But now with legal marriage rights for homosexual people in Argentina and parts of Brazil and the decriminalisation of homosexuality in India, new big consumer power will flow into the gay market.

Community Marketing Inc. (CMI), a San Francisco based company specialising in gay market research, announced some new findings with its “14th Annual Gay & Lesbian Tourism Study” in 2010. Based on tourism industry data from the US Department of Commerce and CMI sample demographics, the annual economic impact of Gay & Lesbian travellers is approximately USD 63.3 billion in the US alone. The following list presents findings that CMI views as important changes or observations from the past year’s survey:

### *Gay Men and Lesbian Booking Patterns*

Gays and lesbians are primarily booking their travel directly via airline and hotel websites (56%) or through online travel agencies such as Travelocity or Orbitz (34%). Direct booking is significantly more important than web-based travel services, so for travel suppliers, developing relationships with the gay and lesbian community to encourage direct booking through their own website is extremely important.

Travel suppliers and destinations having a gay & lesbian “microsite” with dedicated content is a positive motivator for these consumers.

### *Recession-Influenced Travel Decreases Affecting Small and Medium-Sized Markets Worse than Big Markets*

Every major city in North America except for Washington DC (perhaps an Obama effect) saw a decrease in gay and lesbian travel over the past 12 months. That decrease affected cities very differently. Major markets, including New York City, San Francisco and Las Vegas saw only small leisure travel decreases, usually less than 5%, while medium sized cities, geographically isolated destinations, and some resort towns saw more significant decreases over 10%, and for some, over 20%.

### *Staycations*

Staycations were the only travel category to see an increase in 2009. When asked to specify how many regional drive vacations (i. e. including at least one night in a hotel) were taken, 66% indicated taking a longer regional drive vacation of more than two hours; 42% took a regional drive vacation where the drive was two hours or less and 14% took a trip where they stayed in a hotel in their own city. This trend should benefit some metropolitan markets. Cities such as Boston, New York, Philadelphia and Washington, DC, which are all close to each other, will probably “trade” stays among gay residents.

Also of note is the 14% of gays and lesbians who reported taking a staycation at a hotel in their own town, defined as a very short drive or via public transportation. While this number may be smaller, with dedicated promotions this could be a way of filling hotel rooms during slower periods, especially if packaged with other local activities.

### *How to Reach the Gay and Lesbian Community*

CMI has been tracking advertising trends for gay travel marketing for over a decade. In general, the survey shows substantive increases in the influence of traveller reviews on travel websites and blogs, a softening of the influence of banner ads on mainstream and gay websites, and a remarkable resilience to the influence of travel articles in gay and mainstream print publications.

### *Interest in Health and Fitness while Travelling Is Down*

CMI has seen a trend over the past few years showing that health and fitness while travelling are becoming less important to the gay community. In this survey, when given a long list of potential motivators, health and fitness-related responses were near the bottom of the motivators, and often last on the lists.

From hotel gyms to health and fitness vacations, they all scored poorly. This is not to say that health and fitness are not important in the day-to-day lives of gay men and lesbians, but bringing these healthy habits with them on leisure or business travel has shown a decrease in importance over time. It could also indicate that with tightening budgets, gay travellers prefer to spend more time enjoying the sights and experiences of the destination, rather than waste precious time in a gym.

### *Pride Events Are Important*

Unaffected by recessionary influences, nearly a quarter of the respondents reported travelling to another city and spending at least one night in a hotel to attend a Pride event; the same as previous years. Nationally, Pride events continue to move millions of hotel nights in the United States, and Pride remains an important motivator for gay travellers under 35.



**Fig. 1.** Gay Pride London

Source: tomontour.com



### *Strength of Local Neighbourhoods*

Further confirming other recent research conducted by CMI, gays and lesbians tend to be especially interested in visiting city neighbourhoods and experiencing local, non-chain restaurants. In fact, going to local restaurants and visiting the gay neighbourhood were the top activities enjoyed by gays and lesbians when visiting a destination.

### *Top Travel Brands*

As an unprompted question, survey participants were asked to fill in a blank for the destination, hotel brand, and airline that they felt had done the best job in out-reaching to the gay & lesbian community. Of the total sample, 3,800 responded to the destination question. The top destinations were: Las Vegas: 11 %, San Francisco: 10 %, Fort Lauderdale: 7 %, Philadelphia: 6 %, Provincetown: 5 %, and London: 5 %. Of the total sample, 2,800 responded to the hotel question. The top brands indicated were: W Hotels: 11 %, Kimpton Hotels: 11 %, Hilton: 9 %, Hyatt: 8 %, and Marriott: 7 %. Of the total sample, 3,287 responded to the airline question. The top airlines were: American Airlines: 38 %, Southwest: 15 %, Delta: 11 % and Virgin: 3 %.

## **4 Analysis of Market Strategies with Best Practice Examples**

### **4.1 Regional Gay Marketing Strategy for the Belgian Region of Flanders**

Tourism Flanders-Brussels started their gay marketing activities in 2005 when they implemented gay tourism as one of their key markets to work with.

The first step was to find out what type of product Flanders could offer to the global gay & lesbian tourism segment. They had to research the gay community to discover what kind of infrastructure they already have in the way of gay bars, shops, restaurants, events, beaches etc. The local tourist boards, hotels, attractions, and other tourism suppliers also had to be coordinated to create a selection of gay tourism products which could be offered in Flanders key markets like Germany, France, Netherlands, the United Kingdom and the United States.

- Gay city packages
- Gay-friendly hotel arrangements
- Gay event packages

With their product range in mind they created communication strategies for their main markets. It is important to note that the regular tourism markets for Flanders are not necessarily the same as those in the gay sector. Germany has been identified as their biggest source market for gay tourism. So, they focused most of their

activities here. Other key markets like Holland, France and the UK adopted part of the promotion activities.

Because Flanders is so close to Germany's Rhineland, Holland, Northern France and London and so easily connected via high speed trains and highways, it needs to offer different products in those regions. For example, a gay beach vacation on the Flemish coast is perfect for the Rhineland but not really interesting for the gay community in Bavaria or Southern France.

The communication strategies implemented most of the tools the marketing mix is offering:

- Advertising and advertorials in gay print and online media
- Production of a gay-friendly Flanders travel guide
- Development of a specific microsite [www.gayflandern.com](http://www.gayflandern.com)
- Cross-marketing activities with other tourism suppliers and community partners
- Direct marketing activities at Gay Pride and other Gay Events
- Supporting gay media and organising media/trade trips



Fig. 2. Gay advertising artwork tourism Flanders-Brussels

Source: Tourism Flanders-Brussels

The results of these marketing strategies have been very successful. At the start of 2005 Flanders was not well known as a gay travel destination in Western Europe. Because of the strong product development and the idea of connecting all local partners from the tourism industry and the gay community Flanders now offers great opportunities for the gay traveller. Additionally, the communication of these products has put Flanders on the gay travel map:

- IGLTA Symposium Antwerp 2007
- Eurogames Antwerp 2007
- IGLTA Global Convention Antwerp 2010
- World Outgames Antwerp 2013

## 4.2 Promotion of Gay City Breaks with the Berlin Tourist Office

Berlin is one of the so-called “Gay Capitals of Europe”, with one of the biggest openly living gay communities in Europe and a thriving, dynamic and diverse scene which has enriched the city’s vitality. There are a huge amount of activities, services and institutions specially designed for Gays and Lesbians. More than 200 gay bars, gay city publications, bookstores, sports clubs, fashion shops and organisations which cater to all needs of the local gay community.

Because of the tolerant and liberal behaviour of the Berliners, the historical experiences of the “Golden Twenties”, when Berlin may already have been a Mecca for gay people, the restrictive era of the national socialism and the Berlin Wall era, the political and social environment in this city created a great basis to engender such a vibrant and openly gay and lesbian community. It would be hard to find such a city anywhere else in the world and one of the reasons why gay travellers from around the world flock to Berlin.

Historically, the gay community developed a huge infrastructure over the years which made it very easy for tourism organisations to sell gay specific products and services worldwide. The Berlin Tourist Office has worked very successfully in this market. The Berlin Tourist organisation is a member of the IGLTA and works on international campaigns to promote destinations in the gay community.

They selected the most popular events, places and services of the gay community and created specific travel packages. But they also offer information potential gay tourists need when they want to visit Berlin. All information is integrated on the general tourist website [www.visitberlin.de](http://www.visitberlin.de) along with all target visitors to the city:

- Gay specific information about Berlin  
You will find basic descriptions about the different gay districts of Berlin, like Schöneberg, Prenzlauer Berg, Friedrichshain and Kreuzberg. And also information about the unique and gay-specific attractions like the “Schwules Museum” (Gay Museum) established in 1985 and the only one of its kind in the world and a note about the gay memorial at the southern edge of the Tiergarten with its film projection of an endless kissing gay couple.

- **Packages for the Prideweek**  
During Prideweek Berlin several events, parties and street festivals take place all over the city. Offers are specially designed for Prideweek visitors which means the chosen hotels are gay-friendly and located close to the event locations.
- **Print and Online Community Guides**  
A selection of free magazines and information lead the way through the gay and lesbian community in Berlin. The tourist office offers the most important magazines and materials in their “Berlin info stores” which are available to buy across the city and online.
- **Gay Event Lists**  
Street festivals and parades, film festivals, annual circuit parties or other gay events can also be found on their website.
- **Gay-Friendly Hotel Selection**  
The tourist office offers a variety of gay-friendly hotels in all categories all over the city all year round. The hotels are marked with the rainbow icon to make it easier for tourists to choose. But the “rainbow” itself does not indicate why this hotel is more gay-friendly” than another.

Berlin is a great example for successful gay tourism promotion. Because of its marketing activities over the years, the city has become more and more popular as a gay city break destination. This is especially true in the American market where Berlin was not well known for offers for the gay community. But this has changed dramatically. For gay American tourists, after London, Berlin is a top priority for the next trip to Europe.

### **4.3 American Airlines Efforts to Create Brand Loyalty in the Gay Community**

American Airlines (AA) is one of the pioneers in the airline industry to serve the gay customer specifically. The North American gay communities are very well organised and it is typical for gay and lesbians here to live close together in “gay villages” or “gay neighbourhoods”. This is much more pronounced than in Europe or Latin America. Because of this social behaviour, where day-to-day business like shopping, medical services or leisure activities all happen within the local gay community, American gays and lesbians are brand loyal to companies and services offering gay products and services and support organisations and events important within the gay community.

AA was one of the first companies to understand this and worked to be part of the gay community. But loyalty cannot be bought, it has to be earned. And AA had to work very hard on its marketing campaigns to achieve the loyalty within the gay community it enjoys today.

A big milestone was the creation of the “Rainbow Team”, a team of three AA employers who have been solely responsible for the gay market.

Being “out” and visible in the market was the next big step. To have a microsite [www.aa.com/rainbow](http://www.aa.com/rainbow) which offers gay specific travel arrangements was seen as unique in those days.

**American Airlines®**  
AA.com®

Reservations | Fare Sales & Offers | My Account

**AA.com/rainbow™**

**Welcome To Rainbow News**

Hello,

We are halfway through summer and there are still so many exciting things to do, places to go and friends to meet. Before you know it Labor Day will be here, so be sure to visit us at [aa.com/rainbow](http://aa.com/rainbow) to plan your next summer escape.

We have some exciting announcements and fun events to share with you in this month's newsletter. We're offering generous AAdvantage® bonus miles on flights to two great European cities, giving our customers more choices and letting you know about some great sporting events.

We thank you for your business, and I hope to see you somewhere around the world very soon!

Safe Travels,

George

**July 2010 | vol. 38**

**TOP STORIES:**

[AAdvantage® Bonus Miles on Flights to Zurich and Manchester](#)

[Your Choice<sup>SM</sup> Provides Customers More Options](#)

[Streamlining Your Airport Experience](#)

**COMMUNITY SPOTLIGHTS**

[NAGAAA World Series](#)

[The Gay and Lesbian Tennis Alliance](#)

**Fig. 3.** Header Rainbow newsletter American Airlines

It was important for AA to collaborate with the gay community but not be seen as an “alien” who just looks after the “Pink Dollar”. It needed to be a partnership and provide a “give back mentality” within the gay community. Commercial partnerships with other gay travel businesses bring real partnerships. AA is a longstanding sponsor and partner for the IGLTA and gives a lot to develop this market segment.

Diversity is a very important tool to find fair-minded policies and practices for customers and staff alike. The gay staff members of a company are the best ambassadors to earn loyalty in the community and non-discrimination in the workplace is a requirement of this:

*“We want your loyal business and we will work to earn it.”*

American Airlines has a huge list of awards and honours. And it is impressive how active they have been over the years:

- Earned the highest possible score of 100 percent on the Human Right Campaign’s Corporate Equality Index. The only airline to achieve this distinction every year since its start (2002 – Present)
- PlanetOut Award for “Airline of the Year” (2006 and 2007)
- The original “Rainbow TeAAm” sales group is inducted into the IGLTA Hall of Fame in 2006
- Rainbow TeAAm has won Corporate Member of the Year from the Chicago Area Gay and Lesbian Chamber of Commerce (2000)
- Dallas Voice *Readers Award for Best Airline* (2006 to 2009)
- Dallas Voice *Readers Award for Best Travel Website* (2009)
- Dallas Pride honours American Airlines for their “Outstanding Community Support 2007” and trophy recognition “Corporate Pride Best For Profit Entry” for 2007 parade
- Out Traveler Magazine 2005, 2007 & 2008 Readers’ Choice Awards ranked
- American Airlines as “Best Airline” and “the gold standard U. S. carrier for hospitality and service.” Inducted into Out Traveler Hall of Fame in 2008
- Out & About *Editor’s Choice Award for Best Airline* (1995 and 1996)
- AIDS Action Foundation “Community Service Award 1998” for American Airlines, accepted in Washington, D. C. by CEO Bob Crandall (1998)
- San Francisco AIDS Foundation *Corporate Leadership Award* (1998)

The example of American Airlines shows that longstanding marketing and promotion activities can create brand loyalty for an airline in the gay community. Products, pricing and services may be similar with other carriers but the earned community loyalty is unique.

#### **4.4 Gay Marketing Strategy Development by Hyatt Corporation**

The Hyatt hotel chain with its headquarters in Chicago is a well-known international company for upscale hotel brands ([www.hyatt.com](http://www.hyatt.com)). Developing new niche markets

is always a challenge in the beginning when there are no experiences and limited contacts open to the new market players. The most important thing here is to see the opportunity and the willingness to explore and learn about the market rules.

And there was a huge opportunity for Hyatt to go into this market. When leisure travel plummeted after 9/11, there was a need to create new client segments. The Hyatt resorts presented the biggest need to bring in fresh customers. And the most important thing has been the strong internal support for the gay market efforts. These have been the sales and marketing teams of the local resorts. But also the Hyatt corporate diversity strategy and the supportive senior management of the company have been the key factors in implementing a global gay marketing strategy for Hyatt Corporation.

When their marketing agency started to create the first campaigns, the Hyatt brand story was limited due to the creative constraints provided by the existing stock of images. Original artwork is needed to fully communicate brand promise to the audience. Proprietary and secondary market research showed that the “Waterfall” ad led to an increase in gay-friendly perceptions of Hyatt brand, among all demographics in comparison to the first ad campaign which was not a big success. Authentic communication is a key element to success in the gay market.

To become a strong and liable partner of the gay community, Hyatt partnered with GLAAD (Gay & Lesbian Alliance Against Defamation) to further connect with the gay and lesbian market. Hyatt also forged deeper relationships with the IGLTA and the Human Rights Campaign.



EXPERIENCE THE DESTINATION  
FROM THE INSIDE OUT.

All Hyatt resorts, and hotels, are not for same-sex couples and are not for same-sex couples. Hyatt is a member of the LGBT community and is committed to providing a safe and inclusive environment for all guests. Hyatt is a member of the LGBT community and is committed to providing a safe and inclusive environment for all guests. Hyatt is a member of the LGBT community and is committed to providing a safe and inclusive environment for all guests.

Hyatt  
Resorts

Arizona  
California  
Colorado  
Florida  
Hawaii  
Illinois  
Indiana  
Louisiana  
Maine  
Maryland  
Massachusetts  
Michigan  
Minnesota  
Mississippi  
Montana  
New York  
North Carolina  
North Dakota  
Ohio  
Oregon  
Pennsylvania  
Texas  
Virginia  
Washington  
West Virginia  
Wisconsin  
Wyoming

**Fig. 4.** Gay advertising artwork Hyatt resorts

Source: Hyatt Corporation

Throughout the learning process in successful gay marketing strategies, Hyatt continues to focus on creative stories portraying genuine intimacy in order to further connect emotionally with gay and lesbian consumers. They focus specifically on the relevant – style, sophistication and attention to detail.

There is also a need to use the communications tools which are the most relevant in the community. So, Hyatt created interactive widgets which include videos showcasing the Hyatt “experience” and a listing of Hyatt destinations to add texture to the promotional message. Sponsorship of iPhone apps reaches consumers in new, personal ways via their mobile phones. Targeted video placement on gay travel blogs features gay couples as winners in Hyatt brand contests and communicates gay inclusivity.

The development of the gay specific marketing strategy for Hyatt Hotels is very interesting because you can see how important it is to analyse the needs of your target group. When you offer the emotional aspects they require you achieve a much better result from your marketing efforts.

#### **4.5 TomOnTour’s Gay Tourism Strategy**

TomOnTour is an online portal for gay travellers and friends. It is a platform for all tourism suppliers who want to offer their products and services to the gay community. The gay consumer finds information about destinations from gay hot spots and other tourism attractions, information about gay events worldwide, travel news and specific travel packages. The TomOnTour strategy is to provide all necessary information for the gay traveller on [www.tomontour.com](http://www.tomontour.com) and promotes this with printed travel guides, on gay events, using social media networks and other classical marketing tools.

Potential tourists need an online environment where they can find all information they require to make their travel decisions. Gay people can take their pick from the variety of products on offer – from beach holidays to trekking adventures, from shopping trips to sightseeing excursions or classic concert trips. And it is always useful to have gay specific information readily available. Which is the most convenient hotel in the gay neighbourhood which best caters to my needs? Is there a gay bar close by after I finish my business meeting? Or, can I combine my next weekend trip with a gay event in that city?

TomOnTour offers annual free gay travel guides to the gay community. Destinations are presented as gay-friendly and the consumer has up-to-date information providing an invaluable overview of all the gay activities happening around the world.

Tom On Tour’s Gay Tourism Strategy is to provide exactly what the gay tourist needs for a great vacation which is gay-specific travel information in combination with conventional tourist details!

For this strategy it is essential to be related to the gay community in order to provide all the news, updates and fresh information for gay travellers. It is also necessary to bring in gay-specific products and services from tourist offices, carriers,



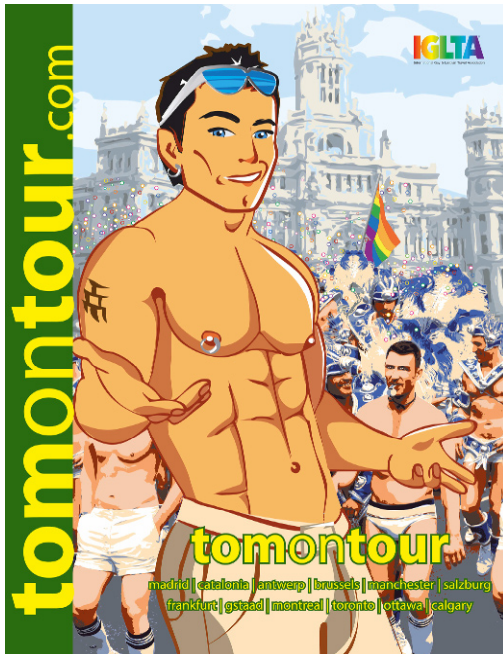


Fig. 5. TomOnTour gay travel guide

hotels and other tourism suppliers to create gay travel resources and packages for the market. When you have a clientele with a specific buying power, you create a demand which you are able to satisfy with your products and services.

## 5 Future Aspects of Gay Tourism and the Global Picture

When you look at the historical development of gay tourism worldwide, there is a significant relationship between political and social gay emancipation and decriminalisation and the increase of gay tourism. If a national society becomes more open and the political circumstances more liberal, then we start to see prosperous business activities within the gay community; more bars and cafes, more shops and events. This gay infrastructure is a key element for the huge increase in gay tourism in general. And Gay Pride tourism is a relevant industry factor in cities like Berlin and Antwerp where hotel rooms can be filled during periods or weekends when they are usually empty. More and more destinations, carriers or hotel companies will jump on the gay tourism bandwagon. But if they want to act successfully, they need to offer products and services where there is really a demand. The examples we have seen here show that there are different options and

possibilities to create supply and demand in the way American Airlines did. We will start to see a greater variety of specific tourism products and travel arrangements in the west, as well as growth in other destinations like Latin America and India who will play a bigger role in the gay tourism industry of the future.

# Spiritual Tourism – The Church as a Partner in Tourism?

Marcus Herntrei and Harald Pechlaner

“No attentive observer of the contemporary cultural scene can fail to recognize the breadth and power of the “spirituality phenomenon” in virtually every part of the world”, wrote Schneiders in 1989 (Schneiders, 1989: 696). Today, 20 years later, it is still a topic of discussion – is spirituality merely a passing fad or is it a deep-rooted term all over the world? What is apparent is that the modern concept of spirituality, although often used much more as an “in” word, has for a long time encompassed major parts of the cultural and everyday life including leisure time and vacation.

The “Zukunftsinstitut” (Future Institute) sees a consumer trend in this spiritualisation, which they call “Anchoring” and which describes the search for our spiritual roots with an aim of a better understanding of our future (Huber, 2002). According to the “Zukunftsinstitut”, consumer trends have a half-life of 10–15 years. However, the so-called “spirituality trend” seems to be rooted in the first global lifestyle, LOHAS (Lifestyle of Health and Sustainability), accompanied by a fundamental and sustainable change of the social value model, in which experience, commitment, friendship, spirituality, authenticity and naturalness form the supporting pillars (Wenzel et al., 2007). Spiritualisation according to that would be a lot more than just a consumer trend, it would, in fact, be a part of a global value system.

This new value system is also of utmost importance for tourism and the development of its products and offers. Today, if you look at themes like hiking and wellness, it is very obvious as to how intensively offer-based they are. The passive wellness pleasure is a response to the increasing need people feel to change, to be able to react to the diverse change process of everyday life in a creative and self-determined manner. Horx calls this trend “Selfness” (Horx, 2005).

In some cases, selfness-products have made their entry in the vacation scene; wellness facilities are being replaced by selfness-centres and trainer teams are guiding the guests in their permanent self-change process. Selfness-coaching for self-motivation, quest for meaning and business-yoga have a clear relation with the spirituality trend. However, there is still further need to diversify products within the dynamic field of spirituality and tourism, because the travellers are

searching more and more for “[...] the reasoning with the new in order to further develop the personality [...]” (EKD, 2006: 11).

Travelling has always been an escape from everyday life by breaking away from the routine and breaking into the new and unknown. Every culture offers an access to that, which is lost in the routine, making it reachable and perceivable through its myths, arts, festivals and religion (Hennig, 2001). Many starting points are available here for the development of spiritual products. The church has enormous experience in arranging big events, pilgrimages, offers in abbeys, travel companions and spiritual consulting from a tourism point of view (Bleistein, 1988), which makes it an ideal partner to work with the tourism industry. However, the aspect of the church being deemed as a service provider for tourism has not been duly considered and therefore the church has only scarcely ever been dealt with (Poria/Butler/Airey, 2003; Rinschede, 1992).

This article attempts to define the ambiguous concept behind the “in-word” spirituality, to enable the observation of the dynamic field of spirituality and tourism, as regards the aspect of the development of products and offers. Special attention has been given here to the cooperation between the church and the tourism industry. In 2009, a study was carried out in South Tyrol, Italy, to investigate the status of the present cooperation and its possible development in the future. The following article is based on the aforementioned study.

## 1 Origin and Demarcation of the Modern Concept of Spirituality

The term “Spirituality” seems to have originated towards the end of the 5th century in the translation of the concept “pneumatiko” into Latin as “spiritualis” in the new-testament (Barth, 1993). Thus, the term originates from Christian vocabulary (Baier, 2003), although it cannot be directly traced back to the holy script (Barth, 1993). The term was barely used till the 19th century (Baier, 2003) and then towards the end of the 20th century it became an established word in all religions of the world as well as esoteric and atheistic movements (Miller, 1994). The German DUDEN dictionary still defines the term spirituality as “intellectuality; inner self, spiritual being” (“*Geistigkeit; inneres Leben, geistiges Wesen*”; [www.duden.de](http://www.duden.de), 01.07.2010), i. e. in the sense of the catholic roots of the term.

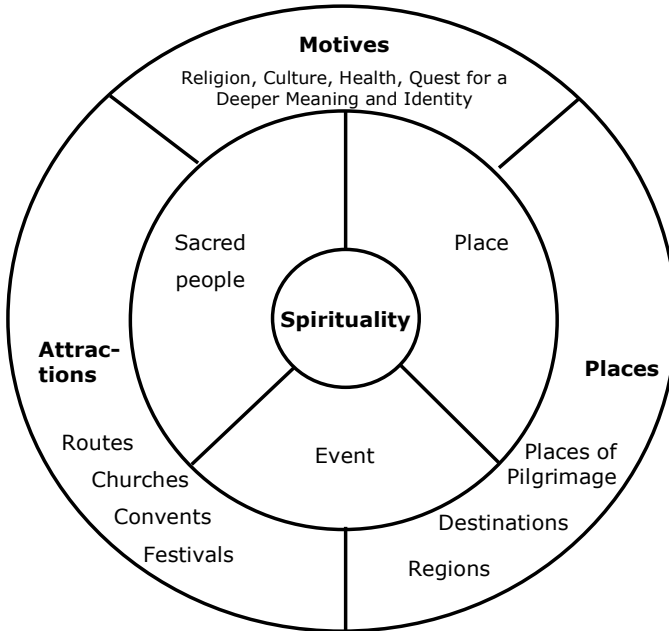
The expansion of the term “spirituality” started around the end of the 19th century. At this time, this term originating from Catholicism was influenced by the Anglo-Saxon new religious beliefs as well as the neo-Hindu understanding of the term (Bochinger, 1994). During this time, the term spirituality spread to non-Christian religions in England and at the turn of the 20th century, reached the German-speaking regions. In 1923, Hermann Hesse wrote: “I do not think that the Indian wisdom is better than the Christian, I only feel that it is a little more spiritual, a little less intolerant, somewhat more open and free.” (Michels, 1975: 180).

From now on, personal experience was also a part of the spiritual understanding in the German alternative religious scene (Baier, 2003). Today, more than ever, spirituality stands for the individual life fulfilment, a personal search for one's own life path, the transformation and formation of one's life and identity. Foucault describes spirituality as "search, practice, and experience through which the subject carries out the necessary transformations on himself in order to have access to the truth" (Foucault, 2006; 15). Thus, for Foucault, spirituality is made up of all those things, which appear necessary for the subject, the individual, to be able to access the truth. The modern idea of spirituality does not necessarily imply the search for god; however, it does mean a search for a spiritual reality that Foucault calls the truth. Some authors thus reduce the term to mean this search, wherein they define spirituality as "personal belief system that focuses on a search for meaning and purpose in life and a connectedness to a higher dimension." (Smeltzer/Bare, 1996: 370). Other authors do not see spirituality restricted only to the search for a higher meaning, they also emphasise spirituality as the expression of oneness of the individual with his surroundings (Narayanasamy, 2004), which can thus also be depicted through various creative activities such as dance and music (Taylor, 2001).

Spirituality can be understood as an integral concept, which can include religion, but does not stop at that (McSherry, 2000). Basically, the one main difference between spirituality and religion is that religion stresses on the community and the responsibility of the individual towards the community (Koenig, 2004). Spirituality on the other hand, could be understood as the autonomisation and individualisation of religion, as "building of personal religious competence on the way towards introspection" (Baier, 2003: 31). Besides, spirituality does not necessarily require an underlying belief (Koenig, 2004).

## 2 Spiritual Tourism

Defining spiritual tourism is just as difficult as defining spirituality. According to Berkemann, spiritual tourism in general means all those forms of tourism, which include spiritual and physical travelling (Berkemann, 2006). The interaction of body and mind is also emphasised by Brämer, who understands spirituality as the search for the unification of head, heart and body, which can be especially achieved by means of physical movement in nature (Brämer, 2009). Freyer (1996) and Steinecke (2007) on the other hand see spiritually or religiously motivated tourism as a part of the culturally oriented tourism. Melchers follows the same idea and sees art, culture as well as religion as the main motive behind spiritual travelling. However he also emphasises the individual perceptions of spirituality. The decisive factor is supposed to be one's experience during the travel. According to that, spiritual would mean the specific, subjectively important ideals for one's inner life. The starting point of the spiritual experience would then be establishing familiarity, closer understanding and connection with the topic at a place which one subjectively feels to be important (Melchers, 2009).



**Fig. 1.** Elements of spiritual travelling

Source: Pechlaner, 2010

Spiritual tourism thus does not seem to be a clearly definable segment, but as a tourism cross-section topic, which is closely connected with culture, education, nature and event-tourism (See [figure 1](#)).

The scope of the topic once again underlines the individual character of spirituality, which allows treading the many personally chosen paths towards introspection. Thus, spiritual tourism, like the definition of spirituality, must not include any religion and against this background, it can be considered as “de-confessionalized experience-based religiousness” (Poensgen, 2006). The global LOHAS-community and the representatives of the “self-responsibility movement” or “Selfness” are welcoming of this idea of spirituality and spiritual tourism. It enables the shaping of life, identity and vacation without having any obligations towards a community and allows treading off the beaten path. However, notwithstanding the aforementioned disadvantages of responsibility towards the community and following a “predefined path for search”, religion and church offer the big advantage of authenticity and competence in the field of dramaturgy. An authentic and perfect flow of dramaturgy is one of the basic requirements in order to create an atmosphere that aids positive and spiritual experiences (Melchers, 2009). Tours designed exclusively by travel agencies can hardly ever offer such dramaturgy and atmosphere, since they usually lack the authenticity and the necessary competences. In addition, the church has access to suitable spiritual places. On the other

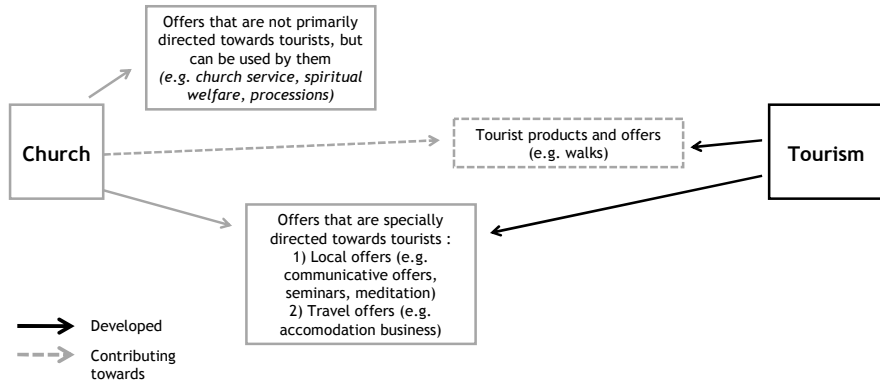
hand, to come up with spiritual offers, competences and resources in addition to the classic religious offers at the destination is essential, because a large part of the travellers do not primarily book a spiritual vacation and looks forward to having other tourism offers on the agenda as well.

Church offers, especially within a casual framework outside the native community, i. e. at the vacation destination, can present a suitable scope for a spiritual search for meaning in these times of LOHAS and Selfness. The basic requirement for this would be suitable products and offers, which could be created based on the cooperation between the church and the tourism sector.

### **3 The Church as a Service Provider for Spiritual Tourism**

From the tourism point of view, the church essentially comes across as the preserver of unique cultural assets and spiritual places, such as libraries, artistic treasures, abbeys and church facilities. In the past few decades the church has opened up more and presented its buildings and its contents to a wider public. Churches and abbeys, and spiritual places in general are interesting considering the art and cultural history. They are true tourist magnets and belong to the most important tourist spots in Germany (Isenberg, 2009). This is also confirmed by an online-survey carried out by the *Deutscher Tourismusverband* (German Tourism Association) published in November 2009, in which 2,500 internet users participated. According to that, the Cologne Cathedral is the most visited tourist spot in Germany, even more than the Brandenburg Gate, the Dresden Frauenkirche and the Neuschwanstein Castle (*Deutscher Tourismusverband*, 2009). The role of the church does not stop at presenting the cultural heritage in the form of buildings. It extends, more importantly to sharing values and traditions of the Christian rituals, which are a part of the eating and drinking culture and the music, which have always been influenced by the church (Schmutzer, 2009). The church is mostly perceived as very authentic and can thus offer an added value for the tourism product.

The role of the church in tourism is however not free of conflicts. In this very branch of spiritual tourism, there are offers being developed only to be in sync with a trend; they are derived from extraneous interests and are rather short-lived. Terms like “The Way of St. James” or “Pilgrims” are de-contextualised to an extent and used as brands with public appeal. “Design a historically or culturally charged place/route, throw in some vague religious feelings, take advantage of the new interest in gathering experiences and suggest this tour as an expansion of one’s consciousness or as a self-realisation with a planned self-enhancement, possibly also with a somehow fashioned godly-experience” (Poensgen, 2006: 17). This development has been seen as a threat by the church and manifests itself in the angst of “losing sight of what is fundamental” and the fear of losing substantial profile. The church thus also defends itself to some extent against the tourism exploitation and usurpation by tourism (Stickler, 2004).



**Fig. 2.** Products and offers at the crossroads between the church and tourism

Source: Lange/Pechlaner/Herntrei, 2010

Nevertheless, the increasing demand for spirituality is met with a palette of products and offers at the crossroads between the church and tourism, which can be grouped as follows (see [figure 2](#)).

The offers by the church can be divided in two categories. Firstly, there are offers, which are not primarily meant for tourists, but are still noticed by them. This, for example, includes church service, spiritual welfare activities, penance offers, concerts or processions. Secondly, there are offers that are directed particularly at tourists and can be divided as local offers as well as tour offers. Local offers are for example communicative offers, seminars, meditations or offers for self-realisation. Travel offers by the church, which are specifically developed for tourists, mainly comprise lodging establishments, study tours or pilgrimages. Many of these offers are not to be found under the term tourism or travel, as shown by an analysis of the internet presence of the bishoprics in Germany, carried out by the *Lehrstuhl Tourismus der Katholischen Universität Eichstätt-Ingolstadt* (Department of Tourism of the Catholic University of Eichstätt-Ingolstadt) in 2007/2008.

Between the church and tourism, many different mutual relationships are apparent ([figure 2](#)). Networks between the church and tourism are found primarily in the church offers, which are directed towards tourists in particular, and towards tourism products and offers. Possible areas of cooperation here are programmes and events, cultural tours and study tours, hikes, seminars and educational events or wellness offers. Many different forms of cooperation are actually possible. The mutual advertising of existing offers, e. g. the inclusion of church offers in the programme calendar and the exchange of brochures with local tourism offices could be an option, but also the mutual cooperation and incorporation while designing the offers, e. g. within the scope of programmes or the common development and designing of products and offers.



## **4 The Church as a Service Provider of Spiritual Tourism in South Tyrol – An Empirical Study**

### **4.1 Aims and Questions**

The European Academy of Bozen (EURAC research) carried out an empirical study in 2009 in South Tyrol as to what role the church plays in the development of tourism services and to what extent the church contributes to the designing of tourism offers at a given destination. The following questions were to be answered for the same:

- What effects do social trends have on the relationship between the church and tourism?
- How does the church react to the social and structural value change, which is also reflected in the travel behaviour?
- Which tourism services are offered by the church and how has its role developed over time?
- To what extent does the church contribute in the designing of offers?
- To what extent does tourism incorporate the church in tourism offers?
- How can the church provide the competence to develop tourism offers?
- How are church offers advertised by the tourism organisations?
- To what extent are the church and tourism networked and where is more negotiation required?

### **4.2 Methodical Procedure**

Three municipalities from South Tyrol were chosen for the study, each of which presented the subject matter of the church and tourism differently. The three cases also represent distinct forms of urban and rural character as well as a varying intensity with respect to tourism.

#### **1. Brixen:**

The bishop's seat Brixen, with a population of approximately 20,000 (Astat, 2009a), is the third largest municipality in South Tyrol and recorded about 510,000 overnight stays (Astat, 2009b). Brixen shares the bishop's seat with the province capital Bozen. The church makes its presence felt in the city in the form of educational institutions like the University of Theology and Philosophy or as the numerous tourist attractions like the churches and abbeys and places of meditation and other spiritual places. A topic of central importance in the city is offers pertaining to culture and church. Brixen wants to position itself further through different cultural offers of religious nature (EURAC, 2008).

## 2. Naturns:

Naturns is a tourist municipality near Meran with 450,000 overnight stays (Astat, 2009b) and approximately 5,000 citizens (Astat, 2009a). Naturns is South Tyrol's only certified Alpine Wellness Center and advertises with offers like the *Jesus-Besinnungsweg* (Meditation Walk), nature paths as well as energy and cultural places. The theme of spirituality thus also plays a definite role while developing the offers.

## 3. Schenna:

Schenna, which is also located near Meran and has a population of about 2,800 (Astat, 2009a), plays host to more than 1 million overnight guests (Astat, 2009b) and is thus one of the largest tourism municipalities in South Tyrol. Despite the high influx of tourists, the village has kept its strong sense of tradition alive. Thus, church traditions are also fostered and church festivals are celebrated together with the guests.

Based on the above mentioned survey, these three cases are compared with each other and conclusions are drawn. In order to throw light on the cooperation from both sides, qualitative interviews with the representatives of the church (priests, deans) and representatives of the tourism branch (management of the tourism associations) were conducted in the three selected municipalities in October and November 2009. The interviews were recorded, transcribed, analysed and interpreted. The transcribed texts were examined by means of a search raster using the program MAXQDA; the extraction results were analysed and then interpreted. To support this interpretation, verbatim quotes have been kept anonymous in the following.

## 4.3 Empirical Findings

### *Trends, Value Change and Their Effects on the Church and Tourism*

From the qualitative interviews, one can certainly see the value change heading in the direction of LOHAS and the belonging spiritual understanding:

According to statements made by the interview partners, currently, a critical attitude towards the church is seen. "I can be happy without a belief; why do I need a god?" The connection and relation to the church has become more relaxed, which, however, is also seen as a general trend towards individualisation. On the other hand however, all the interviewees also stated that "taking out time for oneself and switching off from the routine", "finding oneself" and "returning to oneself" are becoming increasingly important. A vacation in particular gives the possibility, "to break away from the anonymity of everyday life" and to search for "reflective encounters".

Furthermore, the interviewees observed an upsurge in the interest for culture and traditions. An increasing number of guests is showing interest in the lifestyle of the locals and wish to be a part of their traditions and customs. Similarly, the

surveyed are taking advantage of an increased demand for a healthy life and peace and relaxation amidst nature. This nature consciousness is also encountered in younger people.

As a part of these trends and developments, the interviewees also confirmed an intensified demand for spiritual or religious tours. For the interviewees, spirituality meant:

- Shaping life based on the inner values
- Introspection leading to a journey to one's inner core
- Contemplation
- To attain the stage of searching and questioning
- Delve into the inner depths and create something from those depths
- Remain rooted

“When I have the depth and when I realise my purpose and what I want, I can deal easily with certain things. Spirituality can help me find this depth.”

### *The Role of the Church in Tourism*

The role of the church in tourism has changed over time. What used to be a critical, almost negative attitude emerging out of the fear of penetration of the foreign culture and traditions of the tourists, has now changed into a more open attitude. The church's interest has considerably gone up as regards working with the tourism industry, which is an important supporting economic pillar in South Tyrol. “Recently, the church discovered that human also simply need some time in peace and relaxation and can find it on their way to god.”

Also, an attitude has developed over time that the interaction of local people with the guests can lend a positive added value to both sides. The hosts, just like the guests, can benefit from getting to know other traditions and beliefs. The church has also intensively engaged itself with the fact that tourism is a social reality, which must be dealt with. “Tourism is a part of this social life and therefore, must be taken into consideration. People, who wish to relax and take a vacation, must be offered something.”

The church thus also names different destinations from a tourism perspective, which they pursue: to give people an access to the religion, to reach people at the vacation destination and to be a contact partner for them.

The representatives of the church are also of the opinion that the inhibitions and prejudices that people have against the church can be resolved during such vacations, since it is simpler to talk to people on vacation and to win them over for offers developed by the church.

From the tourism point of view, the church and tourism belong together. In all three municipalities that were part of the study, the church is an essential factor contributing to the local way of life as well the traditions and culture of the people

living there. According to the interviewees, the church can bring added value to tourism by showing and sharing values and traditions in an authentic manner.

“We offer the guests Feng Shui and Asian wellness and have no clue about it. The church on the other hand has been our way of life – we South Tyrolean people are religious people.”

### *The Church as a Service Provider in Tourism*

In the three sites of the study, the church had offers that were not primarily targeted towards tourists, but were still taken up by them as tourist attractions. The following offers were mentioned by the interviewees:

- Church service
- Church and city tours
- Religious symbols: wayside shrines, chapels
- Church concerts
- Meditation paths
- Processions
- Possibilities for conversation and confessions
- Possibilities for discussions, being a contact partner
- Museums and exhibitions with specialist guides

The offers pertaining to church services and confessions are the most popular ones for tourists and are often made use of. “We ascertained that 70% guests and 30% locals attended the high mass. In peak tourist season, the churches are full. The guests also take advantage of the confession possibilities, because on a vacation, people come to seek peace, have time and can then speak up in the anonymity and confess things. For once, they also have the time and peace of mind to finish off something. However, even without taking up any specific offer, a visit to the church, the cemetery and the surrounding area is a fixed part of the travel for most of the guests. The processions are also well-visited by the guests, although in most of the municipalities they are directed towards the local public. Many guests participate in the Thanksgiving festival procession, because they want to be a part of the tradition even though they have nothing to do with the harvest. They simply want to live the tradition with the locals once and not just read about it in the brochure. The basic difference is the country of origin of the guests. The Italian vacationers take up the church offers more frequently than the German guests.”

The three municipalities also have exchange relations between the church and tourism. The church contributes in designing the tourist products and offers and also comes up with its own offers, which are meant especially for the tourists and which are then also designed with the help of the tourism sector. Tourism products

are developed, which have church related contents, such as a tour of the different churches in a given area or guided tours in the Brixen cathedral area. In this case, the religious components offer an added value to the tourism products. The Dolce Vita Hotels, a service provider group of hoteliers in Naturns, for example, have been offering massages by Monks from Tibet for several years now. On the other hand, walks that are guided by a priest in Naturns have a special value and meaning.

“Hike up there in the evening, in snow; light a candle, stop for a moment; it certainly gives you something. When you are up there, by yourself, it is of course beautiful, but to add to that, when you are also accompanied by a priest, it is simply a tremendous experience.”

The tourism sector involves the church in the development of products and offers as well. In all municipalities, there is a very good system of cooperation e. g. for guided tours, organ festivals, walks or concerts. Products are also developed together, for example the *Jesus-Besinnungsweg* (Meditation Walk) in Naturns or the “Music and Church” initiative in Brixen.

“Instead of fireworks for New Year’s Eve, our guests together with our priest go on the *Jesus-Besinnungsweg*.”

Tourism associations advertise the church and the common offers by actively involving the church as well. The church is incorporated in the programme calendar of the tourism associations or displayed in the tourism offices; brochures are also designed together.

The church can contribute towards the development and designing of tourism products. Its competences lie in the authenticity, credibility and mediation. “The church can properly organise festivals and stage them authentically.” The church can “provide services to the people and make the people the focus of their thoughts.” Furthermore, the church takes up an important position as the preserver and mediator of cultural, historical and spiritual values.

Although all interviewees confirmed that the cooperation between the church and tourism in the studied municipalities worked very well, not all cooperation between the two is free of conflict. The tourism association of Brixen, for example, directly advertises offers such as the combination of a museum visit, participation in a procession and the overnight stay. This is opposed by the church saying that processions may not be turned into theatre, “when there are so many spectators around, taking pictures and making videos, I feel like I am in a zoo.”

Overall however, the cooperation and networking between the church and tourism is looked upon as a positive development. The church brings in the knowledge, which can lead to renewed contemplation and discussion of various topics. The church also often gives the much-needed boost to different themes and develops ideas, which could then be turned into new products, if communicated with the tourism organisations. The tourism sector on the other hand, knows its target group, the tourists, far better and can reach them better. Cooperation with the hoteliers is of great importance for exchange of information. The hotel owner has a decisive role to play, since he has a personal connection with the guest and also

takes upon a certain amount of an exemplary function. "If he goes to the church, the guest will also want to go to the church."

The church and tourism are also networked to such an extent that the representatives of both sectors in all the studied municipalities meet regularly and exchange ideas. This is done at a formal level, e. g. by the church participating at the yearly general meetings of the tourism associations, but also informally, the two sectors keep contact by meeting at a personal level. It is in small municipalities that the close networking and exchange works especially well, since it is often at a personal level, wherein for example, employees of the tourism associations or hoteliers cooperate in the parish in the most varied ways.

## 5 Conclusion

The church in South Tyrol clearly recognises the value change and resulting critical attitude towards the church, but at the same time, it also identifies the spirituality trend and the accompanying willingness of the tourists to take out more time for their personal objectives. The vacation time in particular offers the option to "break away from the anonymity of everyday life" and to search for "reflective encounters". This brings along the increased interest of the tourists for the lifestyle of the local public and the wish to experience their traditions and customs. The results of the study show that those offers and products, which were not primarily developed for tourists and therefore seem to have higher authenticity, have great demand. The one thing that the guests value the most is the chance to experience the traditions at their vacation destinations. Of the different offers that have been mentioned, church service has been appraised as the most significant ones. For the guest, it means "the confirmation that I have been accepted there, I am a part of it."

"The guest is thankful, when he is acknowledged during church service, incorporated and then permitted to take part in the church life, and thus take along with him a part of the culture of his vacation destination."

The representatives of the church state that church service, festivals or concerts can help bring out the spiritual side and to find spirituality. The form of the offer is not of prime importance here. It is the authenticity that is expressed by the church offers that matters. The church acts out of the inner beliefs and that is what the guest seeks and feels. "Take a concert, for example, you just know if it is about the beliefs or plain music."

The "church" as a place as well as the church service is so loved, because it gives one the peace and time to think.

"I go to the church, close the door behind me and enter silence, I know that no one is going to disturb me here and I am really here just for myself, and then if I get to attend a mass, even better."

These statements yet again underline the meaning of the offer category of the church structures, or the spiritual places, which can be made accessible through tours. Here, the church steps into the shoes of the cultural bailee and a cultural heir and functions as a knowledge bank and culture mediator through the guided tours. What is important and valued in that is that the knowledge about these specific places and their history is not only presented, but passed on with great conviction. In this regard, the church can bring in added value for the tourism product. In general however, when the church is active as a service provider for tourism, their relationship and inner conviction about these offers must be in place. “The motivation should not be simply to whip up something for the guests, because the guest senses that.” The more authentic and convincing the church is, the more meaningful seem the offers. “The authentic is not difficult to sense; it has a spark.”

This has also been confirmed by the tourism representatives. Authenticity is an important aspect in spiritual offers. “It needs someone, who knows their way around with spirituality, because “one is only good at what one actually knows.” This is the special competence of the church, which is hardly to be found in this form with the usual tourism service providers and only a handful of service providers in the field of spiritual tourism offer it. What is important is that the guest should be “received and taken along”; his interest in the topic must be increased and he should be motivated to give in to this new world. Here, again the competences of tourism are required. Successful offers in spiritual tourism are, after all, built on the foundation of cooperation between the church and the tourism industry. The following table describes both forms of cooperation that have been observed in the study:

**Table 1.** Forms of cooperation between the church and tourism in South Tyrol

<b>Area of Cooperation</b>	Sales	Product and offer development
<b>Time aspect</b>	Sporadic/regular	Sporadic/regular
<b>Area aspect</b>	Local	Local
<b>Intensity</b>	Exchange of information	Joint working
<b>Number of partners/ Cooperation structure</b>	Bilateral connection	Bilateral connection

Source: With reference to Zentes/Swoboda/Morschett, 2005

The existing cooperation is mostly simple, of bilateral nature and restricted to the local actors. If the cooperation is not restricted time-wise, then they are mostly considered sporadic. A regular and continual cooperation, which often concentrates on specific events that are repeated, are basically identifiable. One difference is apparent only in the exchange relations, which is far more personal and

informal in smaller municipalities. A comprehensive, integrated, strategic product and offer development was not to be seen in any of the municipalities. The major fields of cooperation were sales promotion, i. e. mainly the incorporation of church offers in the tourist programme calendar and the exchange of brochures with the local tourist offices. As regards the common product and offer development, programmes and events, cultural tours and study tours, walks, seminars or educational programmes and wellness offers top the charts. Various forms of cooperation are observed here.

The interviewees readily agreed that the church and tourism should cooperate and mutually use their competence for each other's benefit. This finding eliminates the risk of the church losing sight of its profile and its actual tasks. Both sides see the need to coordinate and good reason and necessity to cooperate, but still remain independent of each other.

In the three municipalities investigated, the interviewees agreed that the church must make its presence felt and bring the traditions and history to everybody's notice. In addition, the church should also offer information and background knowledge and should also "not fear pointing out to the religious facts". This is because a vacation also means a chance for the church to tear down all fears of contact with church offers and to win over takers for church offers.

The exchange with the host and his incorporation in the development of new offers plays an important role, since he has the most intensive contact with the guest. At this point, the guests can be received and taken along.

It was agreed in a consensus that the church can offer quality of life through spiritual relaxation. If you are accepted as a guest and made to feel at home in the community, then you don't need any special offers or advertisement for special offers.

"Then I don't need anybody on the vacation, who comes to me, instead I can find out something by myself." It is not "refined" spiritual products that are required, what is important is to explain to the guests clearly as to what the church already has on offer. It is important to reach out to the guests and take out time for them. Allow them to be a part of the local traditions and explain the same to them. The prerequisite for that is obviously that the locals should know to treasure and live their traditions and should not let these become a tourist attraction. Here, it is also important to make sure that the tourists and locals are not restrained to different structures, and instead reach both target groups with more flexibility and cooperation.

Against this backdrop, every municipality must think about the question: "What kind of offers do we really need, what is really necessary?"

Principally, there were no big differences evident between the three municipalities, although they seemed to project different objectives as regards the church and tourism working together. In all three municipalities, the church is a fixed component of the public and private life, which also includes tourism. Thus, the results of this qualitative study are applicable to other municipalities and regions and other frameworks only to a certain extent.



## 6 Future Prospect

As shown in figure 2 and table 1, there are different exchange relationships between the church and the tourism branch. By means of cooperation, competences can be increased and new knowledge can be acquired. A further step would be to form a working group for continuous cooperation. An example is the formation of the working group “Spiritueller Tourismus in Sachsen-Anhalt” (Spiritual Tourism in Saxony-Anhalt) in 2000, which was an initiative by the German Ministry of Economic Affairs. This group incorporates the representatives of the Protestant and Catholic Church, the public marketing company of the state and the state ministries of Culture and Economic Affairs of Saxony-Anhalt. The example shows that the cooperation must not remain restricted to the church and the tourism branch; it can instead also incorporate other branches that are related to spirituality in some way or the other such as art, culture and farming.

The development of spiritual tourism in the municipalities could later be turned into a strategic product development. Figure 3 shows the process of a strategic product development in context with spirituality and tourism.

These empirical findings show that a common value basis for spiritual offers is available in all three municipalities in very distinct forms. In the cathedral city of Brixen, it is omnipresent and thus also present as a theme. However, in the other municipalities as well, as is often the case in South Tyrol, the previously mentioned

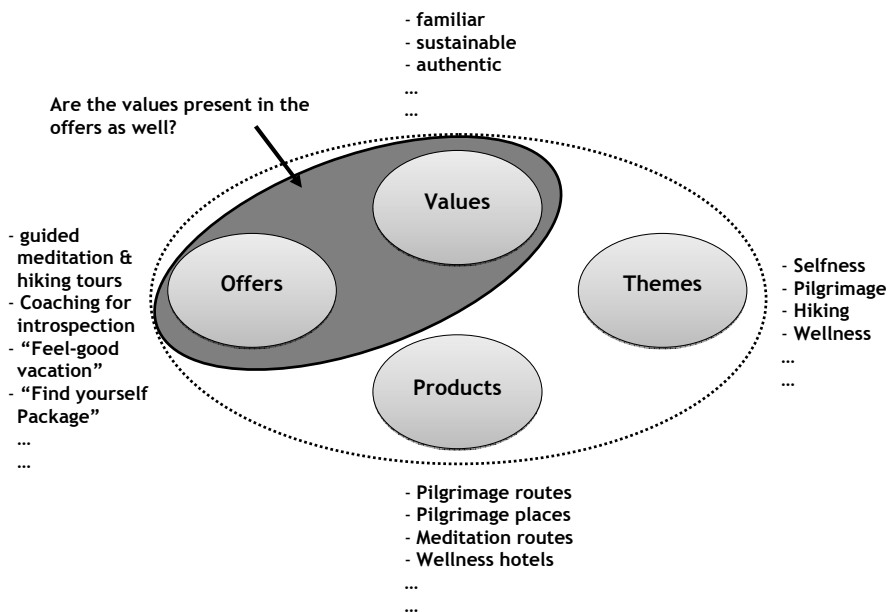


Fig. 3. Process of strategic product development in context with spirituality and tourism

Source: Pechlaner, 2010

visible symbols of the church, religiousness and spirituality in addition to the churches make this topic very noticeable. Thus, the main requirements for the successful expansion of products and offers in the field of spiritual tourism in the three studied municipalities of South Tyrol are fulfilled.

## References

- ASTAT, Autonome Provinz Bozen-Südtirol, Landesinstitut für Statistik: Gemeindedatenblatt\_zfc (2009a), retrieved 8/3/2010 from [http://qlikview.services.siad.it/qlikview/Ajax-Zfc/gemeindedatenblatt\\_zfc\\_ajax/SH08.htm](http://qlikview.services.siad.it/qlikview/Ajax-Zfc/gemeindedatenblatt_zfc_ajax/SH08.htm)
- ASTAT, Autonome Provinz Bozen-Südtirol, Landesinstitut für Statistik: Tourismus\_zfc (2009b), retrieved 8/3/2010 from [http://qlikview.services.siad.it/qlikview/AjaxZfc/tourismus\\_zfc\\_ajax/SH02.htm](http://qlikview.services.siad.it/qlikview/AjaxZfc/tourismus_zfc_ajax/SH02.htm)
- Baier, K.: Unterwegs zu einem anthropologischen begriff der Spiritualität. In: Baier, K., Sinkovits, J. (eds.) *Spiritualität und moderne Lebenswelt*, 1st ed., pp. 21–44. LIT Verlag, Berlin, Vienna (2003)
- Barth, H.: *Spiritualität*, 1st ed. Vandenhoeck & Ruprecht, Göttingen (1993)
- Berkemann, K.: Spiritueller Tourismus in Sachsen-Anhalt. Ergebnisse einer landesweiten Studie. In: Ministerium für Wirtschaft und Arbeit Sachsen-Anhalt (ed.) *Heilige Orte, sakrale Räume, Pilgerwege. Möglichkeiten und Grenzen des spirituellen Tourismus. Tourismus-Studien Sachsen-Anhalt*, pp. 36–45. Magdeburg, Lutherstadt Wittenberg, Bensberg (2006)
- Bleistein, R.: *Menschen unterwegs: Angebot der Kirche in Freizeit und Tourismus*. Knecht, Frankfurt/Main (1988)
- Bochinger, C.: “New Age” und moderne Religion: Religionswissenschaftliche Analysen. Kaiser Gütersloher Verl.-Haus, Gütersloh (1994)
- Brämer, R.: *Heile Welt zu Fuß. Pilgerstudie 2009* (2009), retrieved 8/17/2010 from [www.wanderforschung.de/files/pilgern0921264775103.ppt](http://www.wanderforschung.de/files/pilgern0921264775103.ppt)
- Department of Tourism of the Catholic University of Eichstätt-Ingolstadt: *Kirche und tourismus*. Unpublished manuscript (2008)
- DTV, D. T. e. V.: *Beliebteste Sehenswürdigkeiten 2009* (2009), retrieved 8/17/2010 from [http://www.deutschertourismusverband.de/index.php?news\\_id=360&pageId=96&startId=0&show\\_year=2009](http://www.deutschertourismusverband.de/index.php?news_id=360&pageId=96&startId=0&show_year=2009)
- Duden: Suchergebnis für “Spiritualität” (2010), retrieved 7/22/2010 from <http://www.duden.de/suche/index.php?suchwort=spiritualität&suchbereich=mixed>
- EKD: *Evangelische Kirche in Deutschland – fern der Heimat: Kirche – Urlaubs-Seelsorge im Wandel* (2010), retrieved 7/22/2010 from <http://www.ekd.de/EKD-Texte/47244.html>
- EURAC (Europäische Akademie Bozen): *Stadtmarketing und lernende Region. Zukunftsperspektiven für die Städte Bozen, Meran und Brixen*. Projekt im Rahmen der Gemeinschaftsinitiative INTERREG IIIA Italien-Österreich. Unpublished manuscript (2008)
- Foucault, M.: *The hermeneutics of the subject: Lectures at the collège de france, 1981–1982*, 1st ed. Picador, New York (2006)
- Freyer, W.: *Tourismus: Einführung in die Fremdenverkehrsökonomie*, 9th ed. Oldenbourg, Munich (2009)

- Hennig, C.: Der Wunsch nach Verwandlung: Mythen des Tourismus. Evang. Presseverb. für Baden u. a., Karlsruhe (2001) Retrieved from <http://www.gbv.de/dms/hbz/toc/ht-014809204.pdf>
- Horx, M., Zukunftsinstitut: Der Selfness-Trend: Was kommt nach Wellness? 1st ed. Zukunftsinstitut, Kelkheim (2005)
- Huber, T., Zukunftsinstitut: Consumer trends 2005: 17 Konsumententrends für das Zukunftsmarketing, 1st ed. Zukunftsinstitut, Kelkheim (2002)
- Isenberg, W.: Das Kreuz als Markenzeichen. Die Tourismusbranche entdeckt religiöse Reisen (2009), retrieved 8/17/2010 from [http://www.alt-katholisch.de/fileadmin/red\\_ak/CH-Archiv/1-08-04.html](http://www.alt-katholisch.de/fileadmin/red_ak/CH-Archiv/1-08-04.html)
- Koenig, H. G.: Spirituality, wellness, and quality of life. *Sexuality, Reproduction Menopause* 2(2), 76–82 (2004)
- McSherry, W.: Making sense of spirituality in nursing practice, 1st ed. Churchill Livingstone, London (2000)
- Melchers, C. B.: Spiritueller Tourismus. Beweggründe – Formen – Pflege touristischer Marken (2009), retrieved 03/08/2010 from [http://www.ku-eichstaett.de/Fakultaeten/MGF/Geographie/tourismus/Veranstaltungen/EI%20TG/Ei%20TG%202009/HF\\_sections/content/DGT\\_Tagung\\_Melchers.pdf](http://www.ku-eichstaett.de/Fakultaeten/MGF/Geographie/tourismus/Veranstaltungen/EI%20TG/Ei%20TG%202009/HF_sections/content/DGT_Tagung_Melchers.pdf)
- Michels, V., Hesse, H.: Materialien zu Hermann Hesses “Siddhartha”. Suhrkamp, Frankfurt/Main (1975)
- Miller, R. S.: Handbuch der neuen Spiritualität. eine zusammenfassende Darstellung aller Strömungen des neuen Bewusstseins, 1st ed. Barth, Bern, Munich, Vienna (1994)
- Narayanamy, A.: Spiritual coping mechanisms in critically ill patients. *Ur Journal of Nursing* 11, 146–170 (2002)
- Pechlaner, H.: Spiritualität und Tourismus. ausgewählte Ergebnisse des 13. Jahreskolloquiums der Deutschen Gesellschaft für Tourismuswissenschaft (DGT e. V.) (2010), retrieved 8/17/2010 from [http://www1.messe-berlin.de/vip8\\_1/website/Internet/Internet/www.itb-kongress/pdf/Praesentationen\\_ITB\\_Kongress\\_2010/11\\_03\\_ITB\\_Destination\\_Day2\\_1540\\_Harald\\_Pechlaner\\_de.pdf](http://www1.messe-berlin.de/vip8_1/website/Internet/Internet/www.itb-kongress/pdf/Praesentationen_ITB_Kongress_2010/11_03_ITB_Destination_Day2_1540_Harald_Pechlaner_de.pdf)
- Pechlaner, H., Lange, S., Herntrei, M.: Die Kirche als touristischer Anbieter. Zwischen Seelsorge und touristischem Leistungsträger. Unpublished manuscript (2011)
- Poensgen, H.: Neue Entwicklungen des spirituellen Tourismus – Beispiele, Trends, Orientierungen. Was ist spiritueller Tourismus oder spirituelles Reisen? In: Ministerium für Wirtschaft und Arbeit Sachsen-Anhalt (ed.) Heilige Orte, Sakrale Räume, Pilgerwege. Möglichkeiten und Grenzen des spirituellen Tourismus. *Tourismus-Studien Sachsen-Anhalt*, pp. 17–21. Magdeburg, Lutherstadt Wittenberg, Bensberg (2006)
- Poria, Y., Butler, R., Airey, D.: Tourism, religion and religiosity: A holy mess. *Current Issues in Tourism* 6(4), 340–363 (2003)
- Rinschede, G.: Forms of religious tourism. *Annals of Tourism Research* 19(1), 51–67 (1992)
- Schmutzer, S.: “Unterm Krummstab ist gut leben” – die katholische Kirche als Wirtschaftsfaktor und Arbeitgeber, exemplarisch dargestellt am Beispiel des Benediktinerstiftes Seitenstetten (2009), retrieved 8/17/2010 from [http://othes.univie.ac.at/4981/1/2009-05-06\\_0301985.pdf](http://othes.univie.ac.at/4981/1/2009-05-06_0301985.pdf)
- Schneiders, S. M.: Spirituality in the academy. *Theological Studies* 50(4), 676–697 (1989)
- Smeltzer, S., Bare, B.: Brunner and Suddarth’s textbook of Medical–Surgical nursing, 1st ed. Lippincott Raven Publishers, Philadelphia, PA (1996)
- Steinecke, A.: Kulturtourismus, 1st ed. Oldenbourg, Munich (2007)

- Stickler, D.: Das Kreuz als Markenzeichen. die Tourismusbranche entdeckt religiöse Reisen (2004), retrieved 8/17/2010 from [http://www.alt-katholisch.de/fileadmin/red\\_ak/CH-Archiv/1-08-04.html](http://www.alt-katholisch.de/fileadmin/red_ak/CH-Archiv/1-08-04.html)
- Taylor, B.: Earth and nature-based spirituality (part I): From deep ecology to radical environmentalism. *Religion* 31(2), 175–193 (2001)
- Wenzel, E., Kirig, A., Rauch, C., Zukunftsinstitut: Zielgruppe LOHAS: Wie der grüne Lifestyle die Märkte erobert. Zukunftsinstitut, Kelkheim (2007), retrieved from <http://www.gbv.de/dms/zbw/534376819.pdf>
- Zentes, J., Swoboda, B., Morschett, D. (eds.): Kooperationen, Allianzen und Netzwerke: Entwicklung der Forschung und Kurzaussatz, 2nd ed. Gabler, Wiesbaden (2005)

# Spirituality and Health Tourism

Alexandra Graf

## 1 Introduction

Health tourism – as part of the health sector and motor of the tourist industry – in its various forms is among the long-term growth markets in Germany. Numerous suppliers have adjusted to this development by offering a wide range of products and services, therapies and programmes both where people live and in holiday destinations. Given the multi-layered competition, every supplier has to obey the following: To attract new guests and keep the regular ones, you have to have a detailed knowledge of your target group and their interests; you have to know how to best reach and gain them as your customers.

Because of this, it is of vital importance to stay up-to-date, spot trends and adjust your products and services to suit the market.

## 2 The Growing Market for Health Tourism and Spirituality

The tourist industry represents a continuously growing market in the quest for something new. Currently, vacations with religious or spiritual motives are emerging as the latest trend. The term “spirituality” in particular already has the status as one of the latest “buzzwords”.

Spiritual vacations, spiritual events, holistic wellness and even a spiritual coach are on the agenda. After the megatrend for “health”, the question remains whether there is now going to be a megatrend for “spirituality”.

The Institute for Leisure Economics (*Institut für Freizeitwirtschaft*) in Munich, Germany, asked itself the same question and took a closer look at the relationship between spirituality and health tourism.

The Institute for Leisure Economics in Munich has been dedicating itself for more than 30 years to market research and marketing consultation in the field of tourism and leisure and has been focusing on health tourism in all its variations for 10 years and more.

The study “Marktchancen im Gesundheitstourismus” (*Health Care Tourism of the Germans until 2020*) first published in 2002, with a second edition in 2008 and

the documentation about health holidays which was first published in 2006 and again in 2010, provided the industry with valuable information about the development of the market trends and its customers.

The following results are based on the 2008 study. This large-scale empirical data collection was carried out in two stages:

- During the **first stage**, approximately 25,000 Germans were representatively selected and interviewed on the telephone about their interest in health and spa treatments. In that way, about a 1000 people interested in the treatments were filtered out to become “competent” interviewees for the second stage.
- During the **second stage**, these interviewees were asked in great detail about their experiences and future interest in various treatments.

At the moment, spiritual tourism is mostly associated with cultural tourism, even though spa and health tourism also provides some interesting approaches to this niche market.

In Germany, the growing popularity of religious motivated travel received a large boost from the 20th World Youth Day 2005 in Cologne, with more than 800,000 registered pilgrims, and from the bestseller “I’m Off Then. My Journey Along the Camino De Santiago” (*Ich bin dann mal weg: Meine Reise auf dem Jakobsweg*) by the German comedian Hape Kerkeling. With more than three million copies being sold since it was published in 2006, it is the most successful German non-fiction book of all times. In 2007, the number of pilgrims rose by 17 %, which equals the total increase of the preceding seven years. This phenomenon has been called the “Kerkeling-effect”.

In addition, “Pilgus”, the first fair for pilgrimage and religious tours in Europe, took place in Mainz, Germany between the 23.–26. April in 2009.

Also notable is the fact that the German National Tourist Board (GNTB; *Deutsche Zentrale für Tourismus, DZT*), is already advertising Germany in other countries as a spiritual destination with “spiritual travel” to monasteries and magical/mythical places and it provides pilgrimage routes on its web site.

## 2.1 Possible Causes

In an achievement-oriented society, where people are under enormous pressure to perform and employees have to prove constantly that they deserve to stay on the pay-roll; at a time where there are happiness pills to make people more efficient and at the same time make them feel happy, regardless of whether body, spirit and soul can actually keep up with it; where globalization, mechanisation and acceleration dictate the market, more and more people are feeling completely burnt out.

The increasing strain of everyday life is causing people too much stress, a fact already reflected by society’s decline of mental and social health. According to a study of the Institute for Social Sciences in Munich (*Institut für Sozialwissenschaftliche Forschung, ISF*), every second employee in the IT and technology sector

is feeling overstrained. A survey by the German health insurance company DAK in 2009 found that in Germany, two million employees are taking psychotropic drugs in order to be more able to cope with their work and a WHO study found that worldwide, every fourth visit to a doctor is now due to psychiatric problems.

According to the Institute for Leisure Economics' survey "Health Care Tourism of the Germans until 2020" (*Der Gesundheitstourismus der Deutschen bis 2020*), every third interviewee answered the question "...are you suffering from health problems" with "exhaustion, tiredness and a decrease in performance" and "nervousness, stress". In 2002 it was only every fifth person.

For suppliers of the health tourism industry, this statement does not provide enough information. They need to know how willing these exhausted, tired and worn out people are about doing something for their condition during their holidays.

The survey shows that 60 per cent of the interviewees who are feeling nervous and stressed out and 54 per cent of the interviewees who are feeling exhausted are willing to do something about it during their vacation.

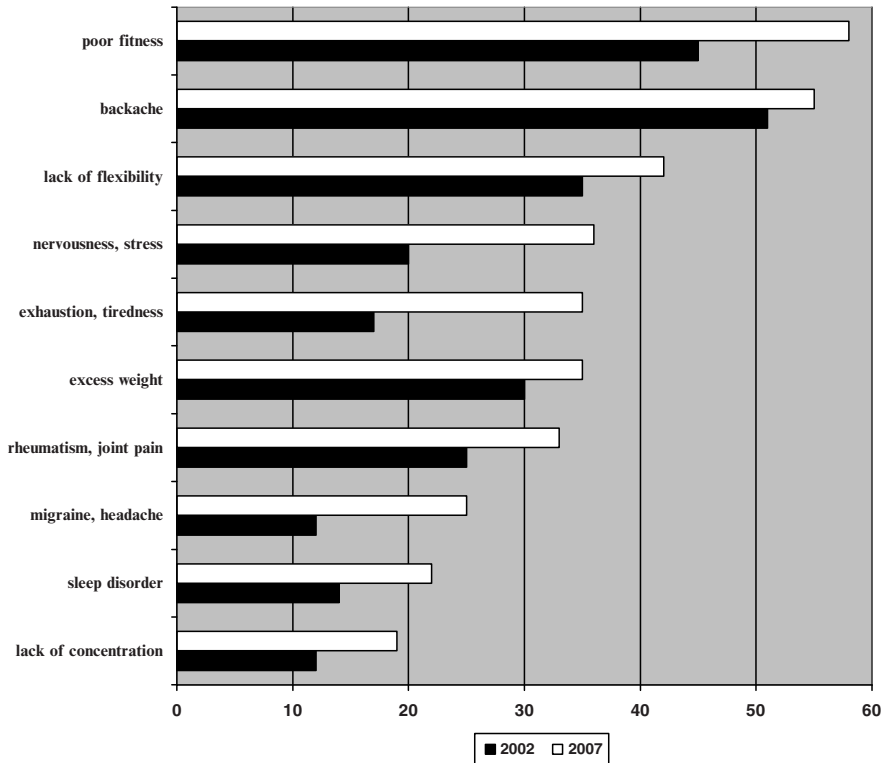
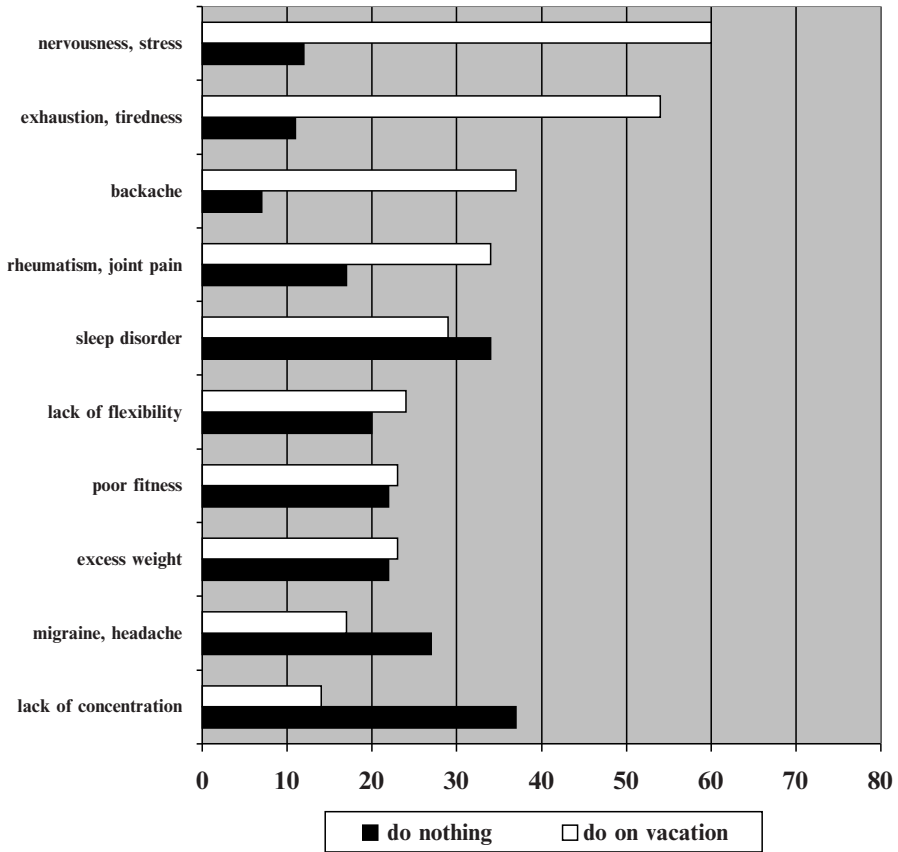


Fig. 1. Health problems – all interviewees

Source: ff-Institute for Leisure Economics, Munich 2008



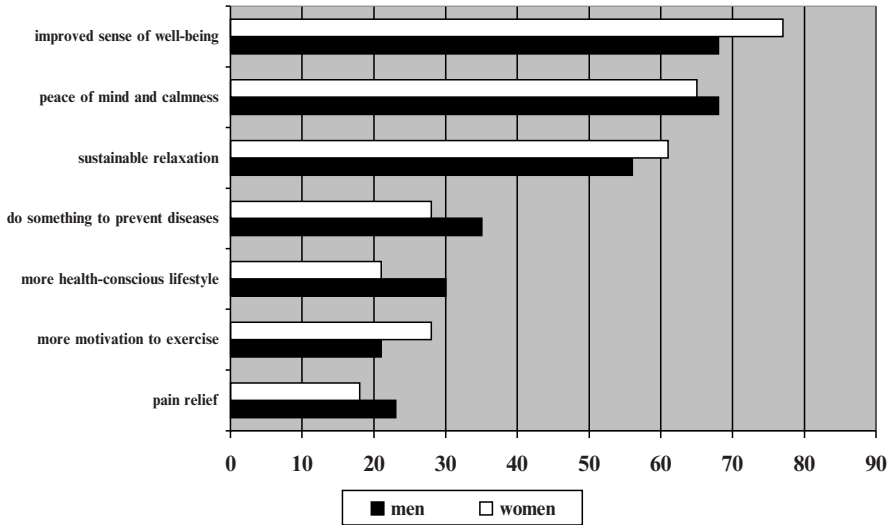
**Fig. 2.** Willingness to do something against health problems – all interviewees with health problems

Source: ff-Institute for Leisure Economics, Munich 2008

Especially in this fast-moving world, which is busy and hectic both at work and at home, an ever increasing number of people are developing an ever greater longing for

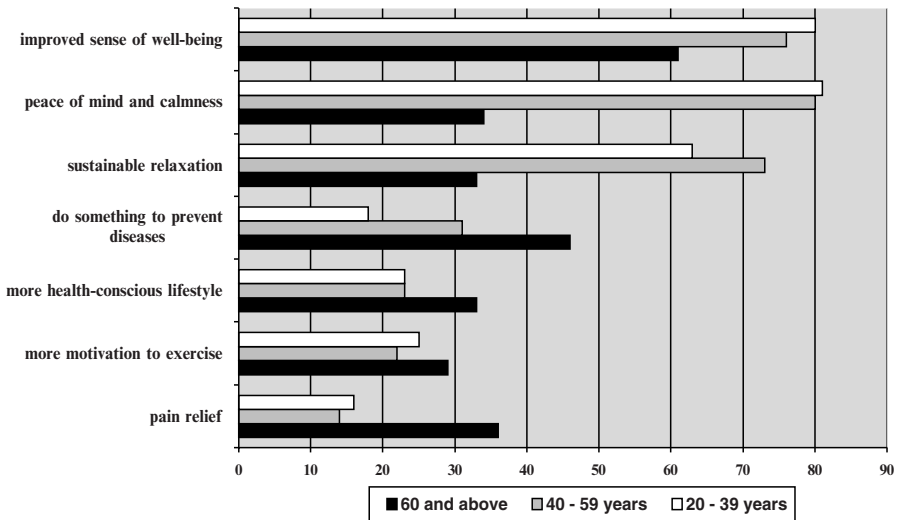
- Meaningfulness
- Worthwhile events
- Spiritual relaxation
- Mind relaxation
- Going into one’s inner core
- Slowing down





**Fig. 3.** Expectations of prospective customers with regard to health and spa vacations – by gender

Source: ff-Institute for Leisure Economics, Munich 2008



**Fig. 4.** Expectations of potential customers with regard to health and spa vacations – by age group

Source: ff-Institute for Leisure Economics, Munich 2008

- Themselves and
- Nature

68 per cent of men and 65 per cent of women expect calm and peace of mind from their health and spa vacation.

If one looks at the data sorted by age groups, it becomes very clear that among the 20–39 year olds and the 40–59 year olds, the expectation for calm and peace of mind comes top of the list.

Places of silence and tranquillity are getting more important. People are looking for places to recharge their batteries and for self-reflection. Motives such as self discovery, to find one's own centre, to become introspective, to bring the soul into balance and to experience silence, are named repeatedly.

With regard to the subject of "spirituality and health tourism", present day spiritual trends in society should be an integral part of health-oriented tourism.

## **2.2 Possible Travel and Accommodation Offers**

Accommodation in the health tourist sector has developed into providing a wide range of possibilities, spanning from traditional spa hotels to modern (medical-) wellness hotels and beauty farms, catering for every taste and offering matching programmes and therapies.

With spirituality becoming a segment of health tourism, the range of travel packages and types of accommodation continues to expand.

One can already find the following offers relating to this type of holiday:

- Vacations at spa hotels managed by holy orders
- Vacations in convents offering health and spa treatments
- Stays at monasteries
- Pilgrimages
- Meditative hiking- and adventure travel
- Travel to spiritual centres
- Travel to (ecclesiastical) seminars and educational facilities
- Travel to shamans and spiritual healers
- Travel to places of energy

## **2.3 Possible Theme Worlds**

In the process of elaborating concepts and formulating holiday offers in the field of health tourism, three pillars have become prevalent:

Relaxation, nutrition and exercise, and for the spa area there is the additional pillar of beauty. The partitioning can also be done according to e. g. therapies and

cures, massages, heat treatments, baths and mud packs, anti-aging-programmes, etc. The development of Theme Worlds has also become a very popular starting point in the style of Kneipp's five pillars of therapy: hydrotherapy, phytotherapy, kinesiotherapy, dietetics, regulative therapy or in short; water, herbs, exercise, nutrition and balance.

Depending on whether a health tourism enterprise wishes to serve an additional niche, themes, or pillars, such as nature, sociability or culture can also be added.

"Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity" (WHO).

Looking at how and what is practiced in the health and spa sector, it can be seen that the main focus is on the physical well-being of guests. Of course the connection between physical well-being and mind and soul are not being questioned here but the reason why people from western cultures are treated this way is that it is an easier way to introduce them to this field.

The possibilities that spiritual holidays provide, i. e. offers which aim to have a positive effect on the guests' mind, soul and well-being, remain for the most part untapped.

Corresponding, possible Theme Worlds for spiritual offers for example include:

- Pastoral care & counselling
- Creativity & personality development
- Faith & health
- Shamanism & spiritual healing
- Self-awareness & self-discovery
- Meditation & yoga
- Retreats & search for visions
- Healing & health

## 2.4 Possible Spiritual Offers

Compared to five years ago, the number of offers in the health tourism industry has multiplied. Whereas previously, only traditional massages were known e.g. whole body and back massages, nowadays there are all kinds, from honey massage, hot chocolate massage to herbal stamp massages and Lomi-Lomi. In 2002, there were just 74 offers which were surveyed for the first study of the Institute for Leisure Economics, but now there are already more than 200 on offer.

However, not only the number of offers has gone up, guests are also far more experienced in health and spa offers compared to a couple of years ago. Furthermore, it can be seen that especially among the younger generations the willingness to try health and spa treatments has increased. More interest has particularly been noted for treatments focusing on energy and pulsations such as Reiki and sound massages.

With reference to the last point, companies specialising in health tourism are being given greater opportunities to extend their product and service range with spiritual offers. However, the prerequisite is – here more than ever – that it fits the philosophy and attitude of the company. For the development of such offers it is hence recommendable that they:

- are meaning-oriented,
- are values-oriented,
- are sustainable,
- are without moral and dogma,
- let people experience spirituality,
- “teach/practice” spirituality.

The following table shows part of a possible spiritual offer:

**Table 1.** Possible spiritual offers

<b>Spiritual Offers ...</b>	
<p><b>...with nature &amp; exercise</b></p> <ul style="list-style-type: none"> <li>• pilgrimages</li> <li>• meditative hiking</li> <li>• meditative walking</li> </ul>	<p><b>...with counselling</b></p> <ul style="list-style-type: none"> <li>• talk with pastoral worker</li> <li>• talk with shaman</li> <li>• talk with spiritual coach</li> </ul>
<p><b>...with music</b></p> <ul style="list-style-type: none"> <li>• singing mantras</li> <li>• chanting, tones</li> </ul>	<p><b>... with creativity</b></p> <ul style="list-style-type: none"> <li>• meditative painting</li> <li>• Ikebana</li> </ul>
<p><b>...with physical exercises</b></p> <ul style="list-style-type: none"> <li>• yoga</li> <li>• tai chi</li> <li>• meditative dances</li> <li>• circle dances</li> </ul>	<p><b>...with spiritual exercises</b></p> <ul style="list-style-type: none"> <li>• spiritual exercises (in silence)</li> <li>• contemplation</li> <li>• meditation</li> <li>• trips to shamans</li> </ul>

When developed and target oriented, spiritual offers, as part of holistic health offers, can:

- provide support on shaping one’s life,
- give meaning and orientation,
- support on how to handle everyday life,

- provide support on how to cope with diseases,
- lead into one's innermost depths,
- help to find peace of mind,
- help to discover who one really is,
- help to formulate one's own life-plan,
- help the healing process.

### **3 Conclusion**

It remains interesting to see if and how spa-towns, health and spa hotels, rural regions, monasteries and other service companies operating in the fields of spirituality, health and spa are going to tackle this subject in the future. Potential for health tourism is already visible.



**Business Travel Management:  
Costs – Yield – Success**





# Business Travel Management: Everything Remains Different! Post-Crisis Strategies

Stefan Vorndran

Vacant departure terminals, empty hotel lobbies, silent phones in travel agencies. The travel ban at major companies during the financial and economic crisis 2008/09 impacted the entire business travel industry. Airlines, car rentals, hotels and business travel agencies' sales were suddenly down by up to a quarter – a real disaster for an industry that has some influence on the national economy. According to information provided by the IATA (International Air Transport Association), the airline industry alone carries more than 2.2 bn passengers p. a. worldwide, thus generating almost 32 m jobs.

For many business travel companies, the drop was sharp and unexpected. After all, the first part of 2008 had seen a most gratifying business pattern. Some companies even dreamed about their best-ever result. The hotel industry had seen a boom and even invested in new hotels. The airlines had felt the same. Their premium classes had been much coveted; a lot of routes had been added and business travel agencies' services had been in high demand. There was also a real shortage of staff. During this time travel managers had been dealing with topics like CO<sub>2</sub> reduction and comfortable solutions for frequent travellers.

## 1 Travel Managers' Moment of Truth

It all went well until the Lehman Bros. insolvency triggered a meltdown and the share prices of all companies followed suit. The response on the major companies' top floors was swift: Cut expenses, save money at all costs, as it were. It goes without saying that this radical approach also included travel expenses. After all, in major companies these are normally considered to be their third largest cost item.

For travel managers the crisis was the moment of truth. They had to cope with the difficult task of applying the travel expense brakes in order to generate savings in the short run. Targets of cuts by 50 per cent or more were certainly no exception. At the same time, there was an opportunity to shape how travel management is being perceived as an organisational unit in a positive fashion and to show its active positive contribution to the company's earnings. Travel management thus

obtained an entirely new status in the eyes of the management, purchasing departments and the travellers themselves. There are many courses to be set in efficient travel management. To mention only a few: a pooled purchasing of travel services, an introduction of travel policies or strategic partnerships with service providers. The crisis has meant that many companies had to play to that new tune for the very first time. What's more: The individual measures were fine-tuned whenever possible or an entirely new course was set. This includes a stricter and more consistent enforcement of travel policies, using air miles, less comfort on trips or even doing without business trips altogether. And, of course, this is not about travel management alone. Things like fleet and event management have also come under scrutiny. Providers of video, web and telephone conference solutions are indeed seeing much growth in sales.

## **2 Business Travellers Soon to Be Extinct?**

Will business trips become redundant because we can meet our customers virtually on a screen any time we want? Will the cultivation of networks only be done online, on social platforms? Of course not, but the industry will certainly have to brace itself for a sustainable change in business travel. After all, this crisis is not a mere dip in an otherwise ever climbing graph like the one after 9/11 or SARS. This crisis is shifting cornerstones of our industry and will put all providers' business models under scrutiny. Let's face it; there have been alternatives for a long time already. Given our state-of-the-art communications technologies and a growing affinity among users, an ever higher number of meetings, trainings or product presentations are done online these days. Conventional business trips still take place, but consumers are showing a change in behaviour. Instead of taking a plane, a car or a train will do, economy class instead of business, and a hotel with less stars are also good enough. Companies employ alternative transportation strategies and are content with less comfort, particularly on domestic trips.

So what are the post-crisis strategies? We seem to have the worst behind us now and the global economy is slowly recovering, with the emerging markets in Asia leading the way. However, there will be no swift return to past habits. After all, many companies have seen what savings can be made in business travel and will therefore continue with the measures implemented during the crisis. Yo-yo effects are thus very unlikely and that means that all providers will have to come to terms with this new normality and adapt their business models accordingly. This is happening wherever you look. In order to be able to survive in the medium term, massive cost cutting and efficiency programmes have been implemented, target groups questioned, and prices and products have been adjusted. Just think of the restructuring of service classes on many airlines which includes chargeable luggage or guaranteed fares without a reservation. We also see more commitment in the so-called emerging markets in order to reduce one's dependence on regular markets.

### 3 Purchasing Power Versus Fulfilment of Contract

We all know that every crisis is also an opportunity and this is one for travel management. As those who manage corporate mobility, travel managers now have an even tighter hold on the reins. Their services turned out to be indispensable during the crisis and their position in the company was strengthened. This is a good basis for more. There couldn't be a better time to come up with creative cost-cutting concepts and strategies and to also implement them. One of the most important components for a successful change management has now been established: the management's support. If new strategies are appropriately communicated, travel managers will also have the understanding of the staff.

Another plus are the excellent starting points when negotiating with service providers. The drop in demand has also meant lower prices. In addition there are excess capacities, in the hotel sector, for example. Hotels built before the crisis have entered the market and this also means lower prices. For this reason it might make sense to use existing purchasing advantages and to negotiate rates for the long term before prices see another increase. At the same time, the total reservation volume of companies is also declining and good terms previously negotiated have now come to nought. Focusing on a small number of suppliers is, in this case, the right strategy.

However, fair prices are always a matter of perspective. After all, a decline in the number of reservations or a reduction in comfort at the end of the day also means that agreed upon volumes are not kept and discounts thus no longer apply. Up to now, the business travel industry has not asked for a refund of the price difference. But why not? Paying refunds on previously granted discounts if a volume has not been reached is quite common in other industries. It's only in business travel that these laws don't seem to apply, although, given huge utilisation fluctuations and one-sided contracts, it is this trade in particular that needs much planning dependability.

Currently, the Travel Management Companies (TMC) usually grant major customers discounts for every single transaction at the point of sale. At year-end, a rude awakening occurs if agreed upon volumes have not been bought. What we need again is a complete refund payment at the end of the year. Individual transaction fees can then be invoiced in full in the course of the financial year and make for a safe cash flow.

In the end, purchasing power and fulfilment of a contract will only be in equilibrium if there is a real partnership. Unfortunately, purchasing managers and sales managers sometimes don't see eye-to-eye on this: It is very short-sighted if a purchasing manager uses his power to such an extent that will ruin his or her partner. To use a quote attributed to the English art critic and social reformer John Ruskin (1819–1900): "...It's unwise to pay too much, but it's worse to pay too little. When you pay too much, you lose a little money — that is all. When you pay too little, you sometimes lose everything, because the thing you bought was incapable of doing the thing it was bought to do. ...".

## 4 Qualified Advice Makes the Difference

With travel-related services in particular, competent and service-orientated specialists are a decisive part of the added value. All staff in this industry who serve their customers in a professional and motivated fashion deserve respect – be it in the hotel industry, at the car rental counter, on a plane or in a travel agency. However, well-trained and motivated staff also have to be paid well or they will look for something else and leave the industry. A so-called “specialist drain” to other areas definitely took place over the past few years. At the same time, new, young staff which is anyway in short supply are considering whether earning opportunities in the travel industry will suffice in the long term.

If you reflect upon, for example, how companies benefit from the qualified advice given by a business travel specialist, what the service fee will finally amount to cannot be considered the decisive factor. Such fees only make up three to four per cent of the total travel costs. What is much more decisive are a business trip’s direct costs. And to make these manageable, we need people who know their way around the maze of fares and understand how it is all interconnected.

More evidence of the real value of a partnership with a TMC is provided by crises. The chaos caused in international air traffic by the eruption of the Icelandic volcano Eyjafjallajökull has shown how important competent contacts are in case of an emergency. A crisis management plan that can be activated quickly ensures that service centres are accessible and that an effective communication with customers is achieved. The interplay with efficient technical solutions, for example in reporting and telecommunications, allows business travel agencies to find travellers all over the world, contact them and support them in a pro-active manner.

Business trips, corporate events and incentives have always incurred costs and required time. When the economy is suffering a downturn, conventional trips and events are soon regarded as nothing but cost factors. However, such trips and events are an investment – an investment that pays off. Let’s not forget that travel connects people, develops and cultivates customer relations and motivates staff. Travel thus contributes to the attainment of the company’s objectives.

Caught between cost efficiency and business success, a traveller’s needs must not be forgotten. Flying long-haul in economy or having multi-hour stopovers doesn’t necessarily make business travellers reach their destinations in an altogether refreshed and relaxed state. On the other hand, they are supposed to be highly efficient when meeting their customers and suppliers. It is therefore understandable that frequent travellers thus affected might rebel and that excessive travelling is considered to be the job’s downside.

The patterns and events over the past few months have made it evident that nothing is as permanent as change. The erratic economic pattern has meant that, against a backdrop of multi-million cost items, business travel is no longer regarded as per se sensible and expedient. Travel managers now have the opportunity to come up with creative cost-cutting concepts that also take account of the

staff's needs. Doing without corporate mobility altogether in the long run will not make much sense. Both staff motivation and customer relations will suffer – and suffer a lot. The recipe for success is to avoid trips in an intelligent manner and not to dogmatically reject all business travel. This requires the use of modern communications technologies and dependable strategic partnerships with operators and travel service providers. If this mix is achieved, all those involved and affected can look forward to a bright future and empty departure terminals and hotel lobbies will be a thing of the past.



# Controlling the Real Costs of Mobility

Ewald Brochhausen

## 1 Dimensions of Business Travel

When analysing the costs of mobility often only single aspects like costs of travel means or process costs are taken into account. But this restriction to single cost categories will lead to wrong economic decisions and inefficient allocation of the production factor human resources.

One goal of economic activity is the production of goods and services that are offered and sold on the market. Alongside real assets, human work is also used as input in production of goods and services. These production factors have to be available at the place of production. For human resources this means that the employee has to be mobile and has to offer his services at the place of delivery. Important economic functions are, when looking at this in a more abstract way, transport, storage and resourcing of human manpower. That would be the terminology if considering human resources as material good. When talking about providing

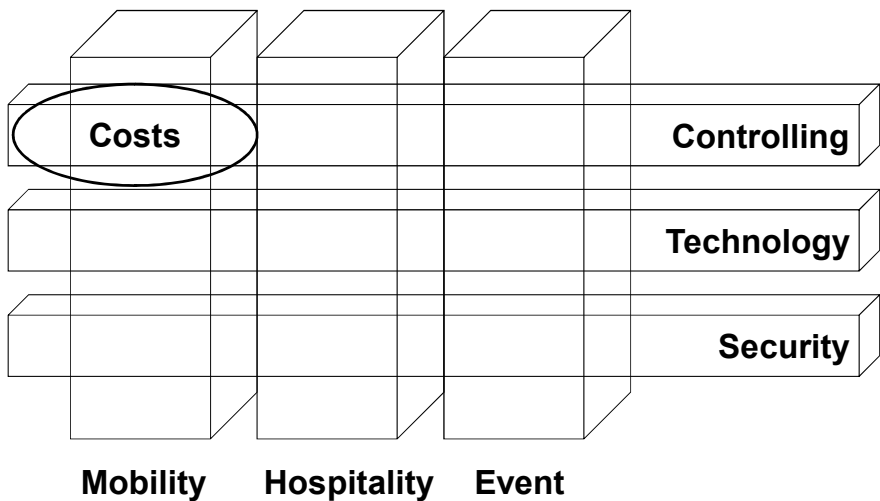


Fig. 1. Dimensions of business travel

human resources we will use terms known from business instead. The three main questions involved here are: How to go, where to stay, what to do. Not all of them are relevant in a concrete situation.

In business travel these three main processes can be identified as mobility, hospitality and event. When analysing these main processes there are cross functions like security, technology and controlling. In this article the focus will be on the controlling of costs of the mobility process. The mobility of employees is an essential economic prerequisite for generating a value added. Mobility is often the most important part of business travel analysis because in many cases it covers the largest part of the total costs.

The economic principle postulates that the output should be maximised with given costs, respectively costs should be minimised with given output. The efficiency of the production process is often derived from the balance sheet, but a simple one step cost analysis does not cover all aspects of economic efficiency.

## **2 Cost Categories**

If an employee is working from his home office with integrated living and working situation clearly there are no costs for mobility. For providing human workforce no change of place is necessary. But this situation is not the common rule in practice. Generally the employee has to travel to some degree to get to his workplace. The travel time to his regular workplace is not paid in most cases, an example of shifting costs of providing human resources to the employee. The costs of means of transport are partially reimbursed by the companies or partially subsidised by the government for example by tax rules. Also organising travel/transport from home to the permanent working place is done by the employee.

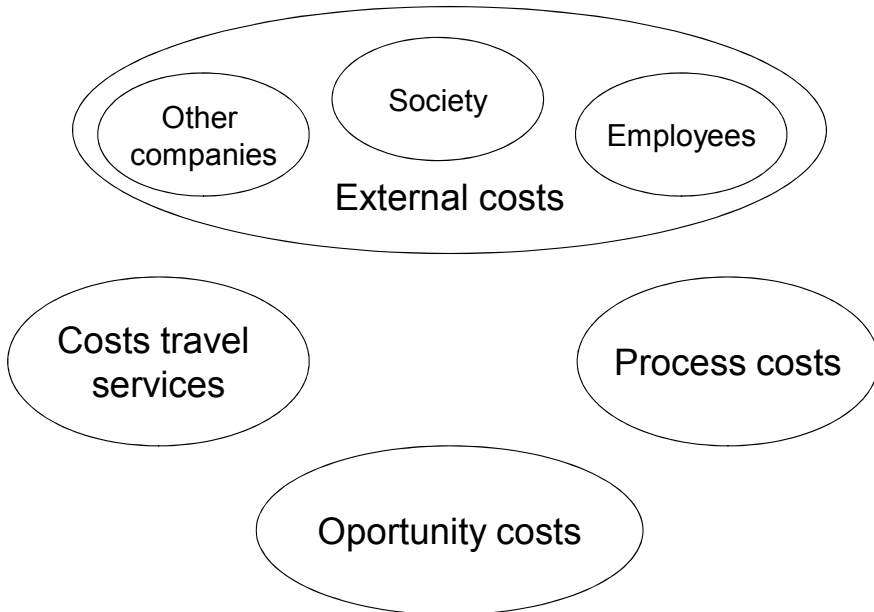
Business travel management does not deal with this travel from the home of the employee to his regular working place. Business travel management focuses on those trips that are necessary because of different changing places of work, e. g. when a consultant has to visit his customers. The goal should be to maximise the economic success respectively to minimise the costs.

These costs can be divided into four categories:

- Costs of travel services
- Process costs
- Opportunity costs
- External costs

The analysis of the cost of travel services and how to minimise the costs for these purchased services has been the focus of discussions in the past. These costs are often called direct costs. In general it is the goal to realise cost reduction by using good opportunities for purchasing and to provide reporting tools for supporting negotiations with the service providers.





**Fig. 2.** Cost categories

Process costs have also been analysed in the recent years. These indirect costs can differ greatly from company to company. This depends on the efficiency of the processes implemented in travel management within the companies. Some aspects here are for example credit card clearing, use of online booking engines or process automation. Also here the first aim is cost reduction via process optimisation.

These aims of cost reduction in both mentioned categories are often linked together but they can also sometimes be concurrent goals. An optimal process for travel management is not consequently linked with cheapest costs; both aspects have to be regarded simultaneously.

There are also external costs that are not relevant for economic decisions within the company because they have effects outside of the company. These costs can be covered by other companies, for example when the travel costs for a consultant are paid directly by the client. In this case the consultant's company decisions are not influenced by these costs. Another kind of cost is covered by society; for example, if there is no tax for air pollution, the society has to pay for these costs. An example of shifting costs to the employee can be seen by not reimbursing travel time.

The last cost category comprises the opportunity costs. Because the working time of an employee is limited to a certain number of working hours, this time should be used in a most efficient way. The number of non-productive time should be minimised, on the other hand the output per productive time should be maximised. If human resources are not used in the most efficient way this will have

also effects on the balance sheet. These effects are not as obvious as the direct travel costs but personnel cost will be higher for companies with inefficient use of human resources.

An employee has to provide a certain number of working hours for the company according to his working contract. As these working hours are limited this is a scarce production factor in economic terminology. As already mentioned this scarce production factor should be used in the most efficient way. If this is not realised there will be opportunity costs in form of lost time or lost productivity. Opportunity costs are the real costs of output foregone.

### 3 Calculating Total Costs

A simple obviously exaggerated example will make it clear: If an employee makes a business trip for an appointment with a customer using a bicycle, this will be very cheap when only looking at the sourcing and the process costs. The costs for the use of the bicycle can be neglected, process costs as well. Obviously our employee will need more time or could alternatively use a taxi or a train. In this case there will be costs for these means of travel and eventually process costs. If he does not use the bicycle, he will be able to do some other work while travelling. The employee could prepare the next meeting, so that the travel time could be used for productive purposes. When evaluating the costs of this work we get the opportunity costs for using the bicycle, the costs of the best alternative use of this scarce production factor manpower.

The first approach to determine the opportunity costs is to calculate an hourly rate for lost time. In this example it is assumed that the traveller is an employee in middle management with annual costs of 100,000 €. This amount includes the annual salary and all other costs for this employee.

A more realistic example than the bicycle example is shown in [Table 2](#). For three destinations costs for travel services and travel time were calculated. When only looking at the visible costs, taking the train will be the cheapest alternative. But travel time uses resources in form of working time. When evaluating travel

**Table 1.** Calculation of hourly rate

Calculation of hourly rate of lost time	
Cost/year	100,000 €
Working days/year	250
Days off, illness, etc.	50
Daily working hours	8
Working hours/year	1600
Hourly rate	63 €

time with the hourly rate that was calculated before, it is evident that the evaluated working time is in most cases even higher than the costs of travel services. Summing up, taking the train is now the most expensive alternative. But it also needs to be taken into account that the use of train or plane can be to some extent productive. Assuming that three hours taking the train and one hour taking the plane can be used for productive purposes the costs of travel time will be reduced. Now there is only one destination where there is a remarkable difference of the costs, for the other two destinations the costs are nearly the same.

All three categories, costs for travel services, process costs, opportunity costs, are only relevant for economic decisions if they are paid by the company. In case of shifting, the costs can be partly influenced by the company, sometimes there are legal restrictions. One goal of the enterprise could be to externalise internal costs or to avoid internalisation of external costs.

**Table 2.** Costs including influence of travel time (full payment)

	Augsburg-Berlin	Luebeck-Mannheim	Cologne-Zurich
<b>Costs travel services</b>			
Train	111 €	97 €	134 €
Plane	226 €	536 €	291 €
<b>Travel time</b>			
Train	11:38	10:46	10:08
Plane	08:10	07:48	05:58
<b>Evaluated time</b>			
Train	733 €	678 €	638 €
Plane	515 €	491 €	376 €
<b>Total costs 1</b>			
Train	844 €	775 €	772 €
Plane	741 €	1,027 €	667 €
<b>Gain of productivity</b>			
Train	189 €	189 €	189 €
Plane	63 €	63 €	63 €
<b>Total costs 2</b>			
Train	655 €	586 €	583 €
Plane	678 €	964 €	604 €

The partial shifting of mobility costs to the employee is generally accepted. For example if an employee gets reimbursed some flat rate for using his private car, the difference of the actual real costs and the reimbursement is at the end taken over by the employee. Similarly there could be a shift of the process costs. If the employee does not plan, book his trip and file his expense claim during his working hours, there will be no process costs.

One essential factor when calculating the opportunity costs of a trip is the mode for reimbursement of travel time. If travel time is only being reimbursed at 50 % of his hourly rate this has great influence on the total costs of mobility. In [table 3](#) the differences of the alternative travel services become more obvious. Here the influence of the gain of productivity is evident, because the gain of productivity is calculated with the full hourly rate of the employee.

**Table 3.** Costs including influence of travel time (half payment)

	Augsburg-Berlin	Luebeck-Mannheim	Cologne-Zurich
<b>Cost travel services</b>			
Train	111 €	97 €	134 €
Plane	226 €	536 €	291 €
<b>Travel time</b>			
Train	11:38	10:46	10:08
Plane	08:10	07:48	05:58
<b>Evaluated time</b>			
Train	366 €	339 €	319 €
Plane	257 €	246 €	188 €
<b>Total costs 1</b>			
Train	477 €	436 €	453 €
Plane	483 €	782 €	479 €
<b>Gain of productivity</b>			
Train	189 €	189 €	189 €
Plane	63 €	63 €	63 €
<b>Total costs 2</b>			
Train	288 €	247 €	264 €
Plane	420 €	719 €	416 €

Conclusion: It is certainly economically correct and important that travel services should be purchased on good terms and process costs should be reduced. But beyond this, travel costs should be looked at in broader context. The costs of mobility are larger than those seen at first sight.



# Measuring the Return on Investment of Business Travel

Ernst-Otto Thiesing

## 1 Business Travel – Investment or Expense?

The discussion about the purpose of business trips makes it clear that there are two different approaches to it. On the one hand, there is the “investment-point of view” that is supported by a quotation from the Kellogg School of Management: “An overwhelming majority of corporate executives (81 %) believe a slow economy calls for more contact with clients, not less.” This approach is readily quoted to justify or defend the purpose or the necessity of a business trip.

The other point of view gives priority to the cost aspect of a business trip: “Economic downturn caused businesses to cut back on travel and conferencing” (Wall Street Journal Online, Nov. 2009). This approach is preferred in times of crisis, when cost-cutting is of prime importance and when people realise that travel costs are costs too.

So, which of the two approaches is the right one?

In order to assess this, it would be practical to first understand what an investment is and what costs are.

An investment is a payment flow that starts with an outpayment in expectation of future returns that can be traced back to this investment. Therefore, with respect to business trips, the question is if it is possible to assign returns to a business trip as clearly as the expenditures. However, the answer to this question is in the negative: particularly in case of business travel it is not possible to causally and temporarily assign returns to business trips. Furthermore, older definitions of investments are no longer applicable to business trips: There is no conversion of money into business goods and a business trip provides no commitment or factor capacity.

Are business trips costs? Costs are the estimated consumption of the factors of production for the production and sales of operational products and for the maintenance of the therefore required capacities. Business trips are overheads, to be deducted from the proceeds as costs by the accounting department. Business trips are not capitalised either.

Business trips are costs, albeit with a rather investment-related character – similar to immaterial investments such as security investments in research and development, human resources or advertisement.

In order to examine the feasibility and practicality of calculating the ROI of a business travel, let us first understand what ROI is. ROI calculates the return, i. e. the success, in relation to the investment, i. e. the invested capital:

$$ROI = \frac{\text{Return}}{\text{Investment}}$$

The ROI is a financial ratio that gives information about the static productivity.

Considering the question as to when a business trip can be profitable and summarising all the above mentioned aspects, it seems more appropriate to call it a cost-productivity assessment than ROI.

We have learned that business trips are not classical investments but, with good reason, need to be characterised as overheads. At this point the question arises, whether travel management = cost management.

Considering the development of travel management, three levels of cost management can be distinguished (cf. fig. 1).

At the first level, which refers to the general travel policy of a company, linear cost-cutting is the issue at hand. At this level, the travel guidelines are tightened; criteria for the usage of transportation classes and hotel classes are formulated more rigorously. At this level, the wellbeing, the comfort and the convenience of the traveller are the focus, in other words, it is all about “convenience management”.

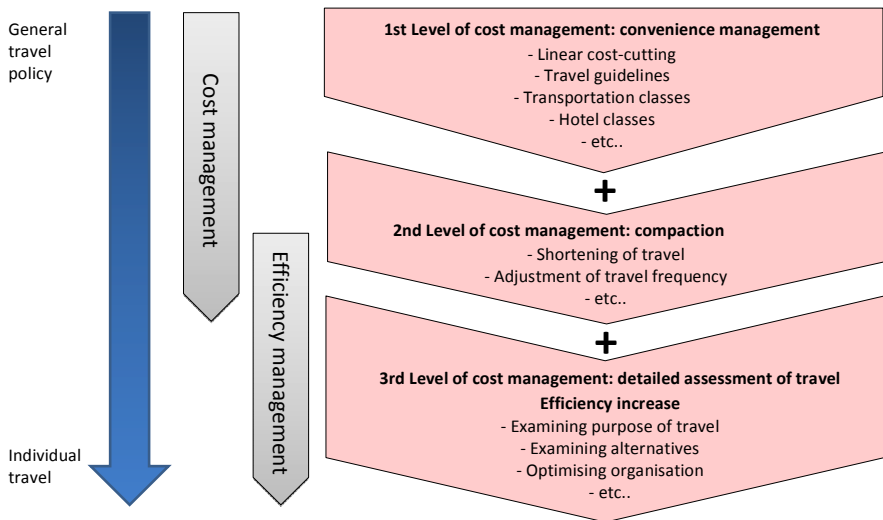


Fig. 1. Travel management as cost and efficiency management



The second level of the cost management refers rather to the individual trip: here, the main aim is to keep the trip as short as possible and the travel frequency at a minimum. This level might be seen as “compaction” of business trips.

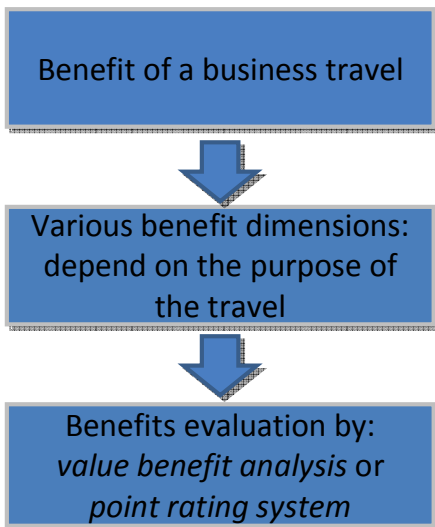
The financial crisis of 2008 in particular, had left behind a clear footprint: companies and travel managers centred upon the first two levels and thus factors that could be concretely estimated, namely the costs, were in the spotlight.

The third level also refers primarily to the individual trip; however, priority is given to the efficiency of the trip. By examining the purpose of a trip, by examining alternatives to the business trip and by optimising the organisation of the trip, its efficiency can be increased. Nevertheless, this aspect of efficiency management is still dominated by the cost aspect.

However, considering the problem and the benefit-cost analysis, significantly more attention should be paid to the benefit-aspect of a business trip; in other words, the costs of the business trip should be managed with regard to input-output or cost-benefit ratio respectively. And with that, efficiency takes centre stage.

How can one estimate the benefits of a business trip?

The benefits of a business trip have various dimensions, which in turn depend on the purpose of a business trip. The benefit can be evaluated with the help of the value-benefit analysis or the scoring model respectively (cf. [fig. 2](#)).



**Fig. 2.** Evaluation of the benefit of a business trip

The basic principle of the value-benefit analysis can be illustrated with the help of the following fictitious example from the automobile industry (cf. [fig. 3](#)).

Evaluation criteria	Importance	Course of action	
		Mercedes	Kia
Acquisition costs	0.25	3 → 0.75	5 → 1.25
Maintenance costs	0.25	3 → 0.75	4 → 1.0
Technical superiority	0.1	5 → 0.5	2 → 0.2
Image	0.4	8 → 3.2	2 → 0.8
		$\Sigma = 5.2$	$\Sigma = 3.25$

Rating of individual criteria by points from 1 (minimum) to 10 (maximum)

Fig. 3. Value-benefit analysis – fictitious example automobile company

First of all, the evaluation criteria are listed and sorted as per their importance affecting the decision. The rating of the criteria sums up to one or 100% respectively. Subsequently, the options to be weighed are rated in points – here 1 to max. 10. The sum of the scored points reveals the benefit. In the example, the automobile manufacturer Mercedes has a higher benefit value than the automobile manufacturer KIA.

## 2 What Is a Business Trip?

To include the efficiency aspect of a business trip, clarification of the almost trivial question “what is actually a business trip?” seems to be in order.

Business trips are realised for the most varied reasons. These range from external reasons, such as maintaining political relations and customer contacts to internally-motivated trips, such as visiting subsidiaries or travelling to project meetings (cf. fig. 4).

It is obvious that trips are executed for most different reasons. These reasons are also the basis of the traditional definition of a business trip: a business trip is a temporary change of location, for the purpose of work outside the regular workplace and residence of the traveller.

However, if one considers the reasons for business trips from a different perspective, it is evident that the main motive is to tap the communication opportunities. Therefore, a business trip most importantly serves the purpose of personal communication.

Consequently, the different reasons for business trips lead to other questions: When is personal communication important or necessary? And what are the alternatives to personal communication today?

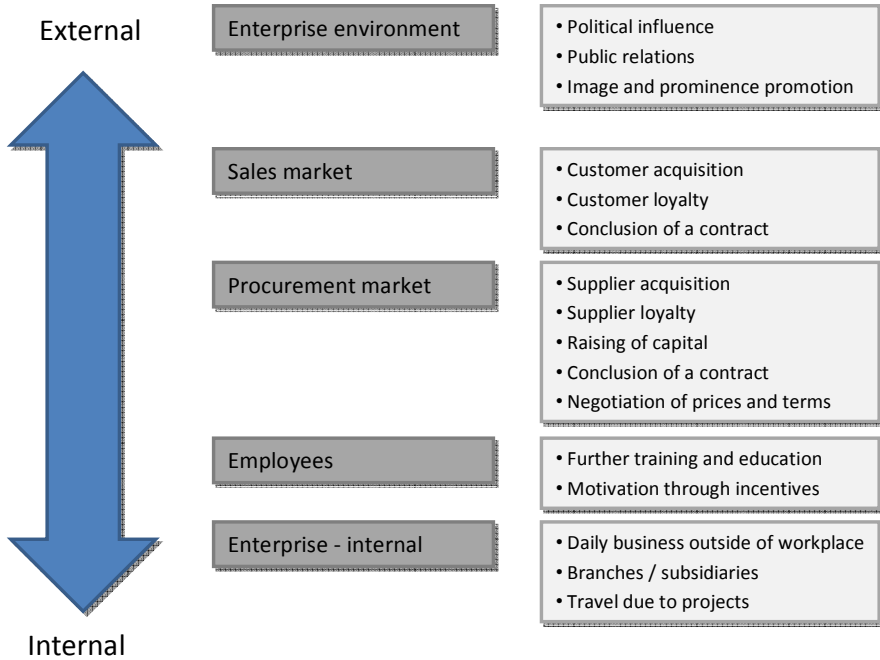


Fig. 4. Reasons for business trips

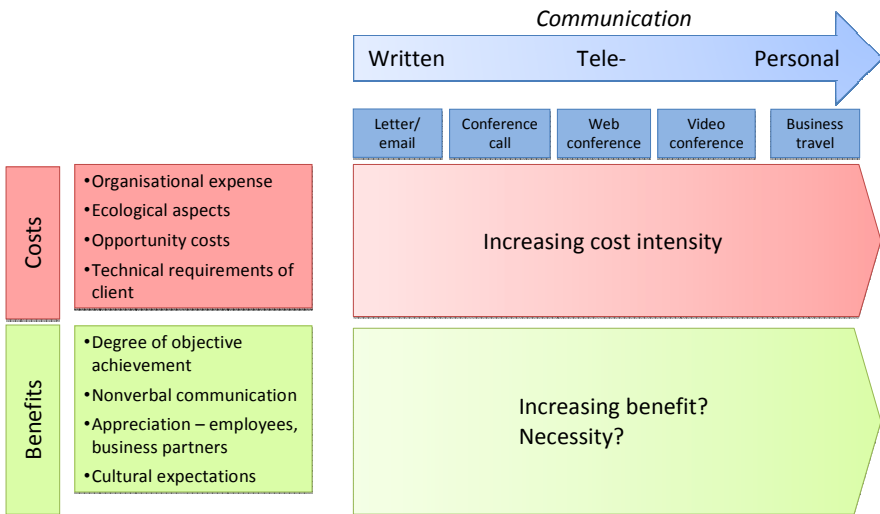


Fig. 5. Alternatives to personal communication

Fig. 5 illustrates that there are different ways of communication, which, depending on the situation, can absolutely be a possible alternative to a business trip. These alternatives for communication differ in regard to their costs and their benefits.

The associated problem is to determine which costs and which benefits are related to the different ways of communication. This obviously also applies to personal communication on a business trip. The benefit-cost analysis is instrumental in determining whether the individual business trips are substantially and economically reasonable.

### **3 Model to Evaluate the Efficiency of a Business Trip – Prototype**

To answer the question of the benefit-cost relation, a model was designed to determine the efficiency of business trips. Based on a model of value-benefit analysis (cf. fig. 3), a scale of efficiency of business trips is calculated. The model explicitly includes the cost evaluation, benefit evaluation of the travel or the alternative ways of communication as well as the reason and the purpose of the trip (cf. fig. 6).

The model explicitly takes the dimension of the benefit into consideration and hence allowing the evaluation of efficiency of an individual business trip through a rational analysis. In the model, alternative ways of communication can be considered and analysed. The model is easy to apply and gives clear guidance.

Therefore, it represents a first step from the pure cost consideration of a business trip to a cost-benefit consideration, i. e. to an analysis of efficiency. We thus simultaneously close in on the question of the “ROI” or the “returns from a business trip” and that of “when is a business trip profitable”.

(1.) Importance of success of a business trip as a whole: above-average important

>>> PLEASE SCROLL DOWN >>>

Target Group	Objective of Business Trip	Importance of Subgoal in %	Success Assessment (To what percentage was the objective achieved?)
<b>sales market</b>	customer acquisition	30	61–70 % of objective achieved
	customer loyalty	50	71–80 % of objective achieved
	conclusion of a contract	10	objective not achieved (0 %)
<b>procurement market</b>	supplier acquisition	0	not an objective
	supplier loyalty	0	not an objective
	raising of capital	0	not an objective
	conclusion of a contract	0	not an objective
	optimising prices and terms	0	not an objective
<b>employees</b>	further training and education	0	not an objective
	positive effects of incentives	0	not an objective
<b>enterprise (internal)</b>	daily business outside of work place	0	not an objective
	branches/subsidiaries	0	not an objective
	travel due to projects	0	not an objective
<b>enterprise environment</b>	political influence	0	not an objective
	public relation	0	not an objective
	image and prominence promotion	0	21–30 % of objective achieved
		100	

(3.)

<b>Travel costs compared to similar trips (0 = expensive ... 10 = cheap)</b>	3
cost consideration (0 ... 100 %)	30
benefit consideration (0 ... 100 %)	70
<b>success assessment of the trip (0 ... 10)</b>	6.4

Total of both fields must be 100 %!

**efficiency of the trip in [%] = 53.80 %**

**efficiency of the trip for the whole enterprise expressed in points 51.55 P.**

Fig. 6. Model to determine the efficiency of a business trip – screenshot of the prototype



# Event Controlling and Performance Measurement

Stefan Luppold and Hans Rück

## 1 Introduction

### 1.1 Problem Outline

Events are a relatively new communication instrument and their effectiveness and efficiency have been hardly explored yet. Nevertheless, the economic importance of events has continued to grow in the course of the recent one and a half decades (cf. fig. 1). This has raised an increasing interest in the possibilities of event performance measurement in order to keep the fast growing event budgets under control.

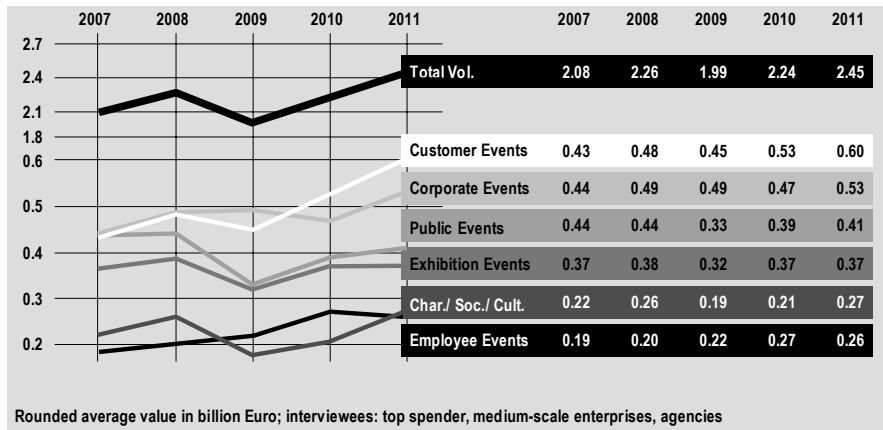


Fig. 1. Development of various categories of events until 2011

Source: FME 2009, p. 5

The lasting “event trend” has been caused by various elements; most importantly the increasing leisure time and experience orientation in demand, but also – especially with regard to marketing events – the decreasing effectiveness and efficiency of classic communication instruments (cf. Esch 1998, 2009). Growth limits for events have only occurred in short terms due to economic downturns; yet the

main driving forces for economic growth are still highly effective and the long-term growth trend remains stable. That is why the topic of this article might be of lasting relevance.

## 1.2 Clarification of Terms

Before we turn our attention to the possibilities and limits of event controlling, it is necessary to precisely determine the object of our investigation – which has not received, so far, a generally accepted definition. Besides, the English term “event” has changed in Germany to a broader meaning compared to its usage in the Anglo-American language area: originally, “event” was used to describe only spectacular and extraordinary activities, which is in accordance with the pre-academic idea linked to this word. But unfortunately this conception of an event does not allow a scientifically exact notion of the term: Who is it to decide objectively how to differentiate between a spectacular “event” and a non-spectacular “non-event”? Depending on the term’s interpretation various phenomena may be described as an “event”, because no peculiarity of any kind could be excluded. As is well-known, in scientific definitions any subjective criteria have to be avoided and only objective, operational and thus measurable features should be introduced. (For the operationalisation of theoretic constructs cf. Kruschwitz 1974, p. 244, and Trommsdorff/Bleicker/Hildebrandt 1980, p. 269 f.)

Therefore we refer to “events” in the article at hand as organised, functional, temporary events of *all kind*, spectacular or not, in which a group of people participates. This also corresponds – at least in Germany – to the more and more generalised use and almost “inflationary” use of the term “event” today. The term “event” is therefore used as a synonym to the German term “Veranstaltung”.

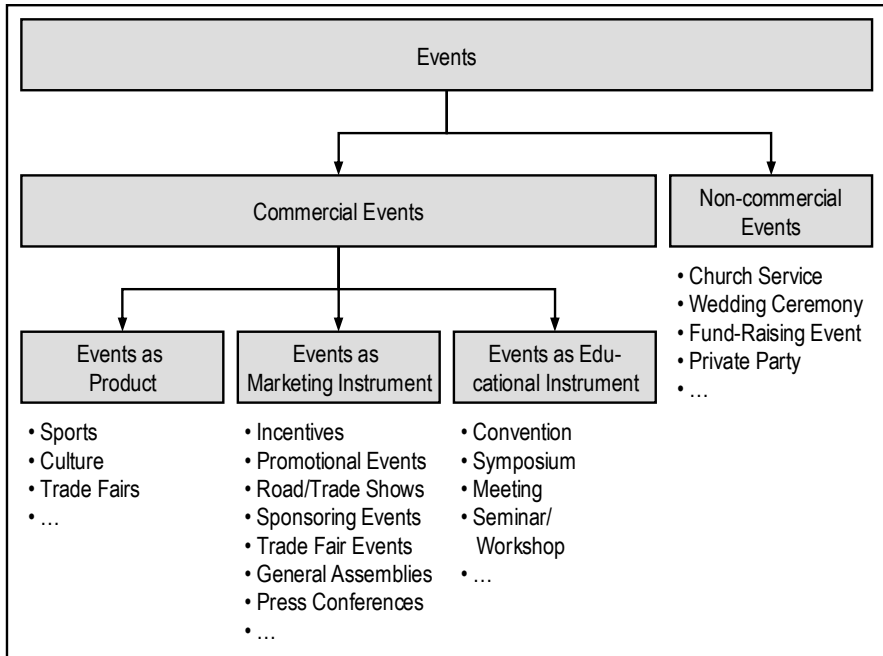
According to this definition the various event phenomena can be classified as follows (cf. fig. 2).

Commercial events can be split up in a) events, that are a product themselves (that can usually be acquired in exchange for an entrance fee, e. g. concerts and sport events); b) events, that serve as a marketing instrument for other products (“marketing events”); and finally c) events, that are used as an educational instrument in the broader sense (including science, e. g. conventions, symposia, seminars).

*Marketing events* distinguish themselves from other events through the fact that they are organised by the advertising company itself (“corporate events”), even within the framework of third-party events: trade fair events (self-events at trade fairs, for instance at the fair stand or in the fair’s supporting programme) are one example, sponsoring events are another one (self-events within the framework of sponsored third-party events, for instance a VIP reception of a company during a major sport event sponsored by that company).

The term “controlling” has – like the term “event” – remained rather cloudy, too. At least the following consensus has been reached: the main idea of the (functional) term controlling is “a company’s goal-directed, success-oriented controlling





**Fig. 2.** Distinctive manifestations of events

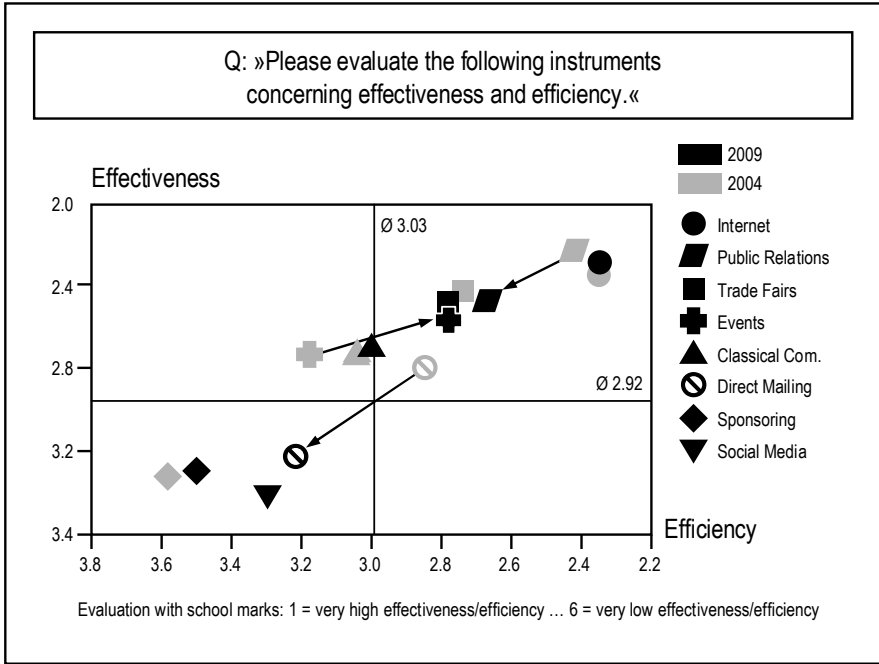
Source: own depiction following Nickel 2007, p. 5, and Drengner 2006, p. 31

[... through] the systematic setting and assigning [...] of the desired goals, measuring of the actual achievement, detecting variances from target-performance and identifying corrective actions” (cf. Weber 2010). Controlling therefore consists of the entire management process from the planning through the implementation to the actual controlling and reaction to possible deviations. The above mentioned target-performance comparison is a central instrument in controlling.

### 1.3 Status Quo of Event Controlling

In theory as well as in practice events are attributed with a superior performance in communication, especially due to their experiential character, their interactivity and their multi-sensuality, that – according to the common hypothesis – interact and achieve that messages can be better received and remembered over a longer period of time (Zanger/Drengner 2004:24). The event industry itself seems quite convinced by their product’s quality: In a survey conducted by the German event agency Uniplan, the interviewed experts thought of events as the fourth best communication instrument in terms of effectiveness and efficiency – right after the internet, PR and trade fairs (cf. fig. 3).

Unfortunately, assessments like these are not very useful as long as they cannot be based on verifiable evidence. Astonishingly, the industry does not put much



**Fig. 3.** Assumed effectiveness and efficiency of various communication instruments

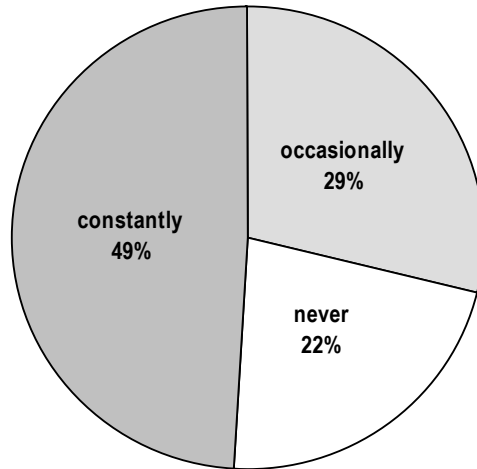
Source: Uniplan 2009 [N = 387]; also cf. Zanger/Drengner 2004, p. 24

effort in showing such evidence; in any case a systematic, extensive measurement of the events’ success is still hardly done (cf. fig. 4): Merely one half of the companies regularly measure their success at a marketing event, one fifth even never does this.

Actually the problem does not occur exclusively at the final stage of measuring, but already arises during the definition of the event objectives: Matthias Kindler, CEO of “The Event Company” in Munich, considers approximately 70 per cent of all events as a waste of money, because it had not been made clear, what should have been achieved in the target group (unknown author 2005). “Everybody was there, the food was great and it was fun” – this is what the objectives and the standard in success of many events still look like today. No wonder events are often denounced to “fun activities without any effect” by the budget holders – a huge contrast to the pointed self-confidence displayed by big parts of the event industry. These poles market the area of conflict the topic event controlling is hovering in today.

This obviously leads to the question why event performance is hardly ever measured in practice. According to a survey conducted by Uniplan (Kirchgeorg et al. 2005, p. 27) the most important obstacle is allegedly a “lack of (measuring) instruments”. This is followed up by “not enough time”, “too expensive”, “generally not measurable” and “generally unnecessary” (cf. fig. 5).

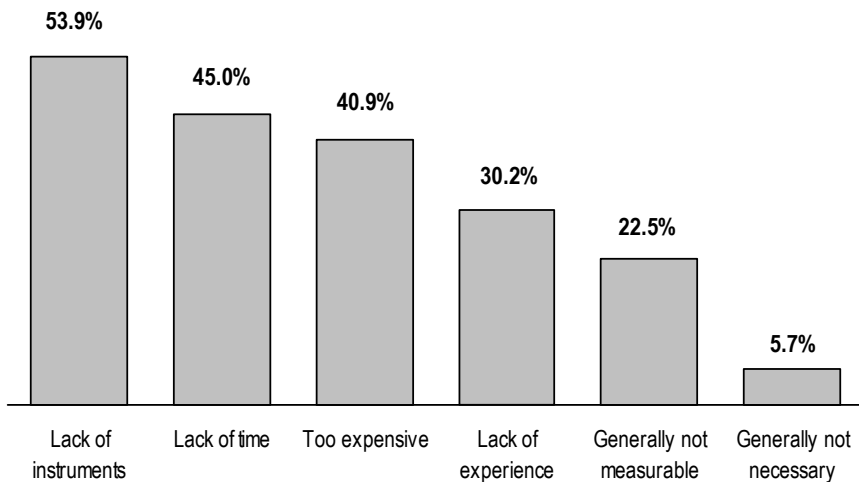
Q: »How often do you measure the performance (regarding the achievement of objectives) of the following live-communication instruments?« (result for events)



**Fig. 4.** Frequency of event controlling

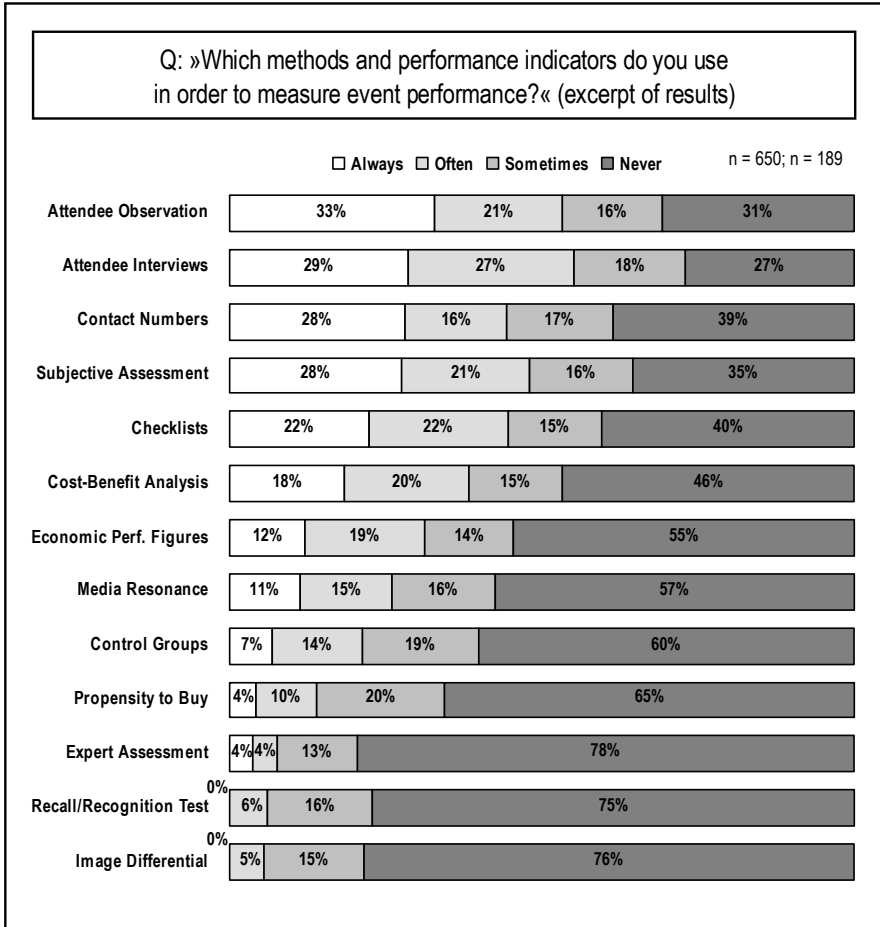
Source: Kirchgeorg et al. 2005, p. 26 [N = 387]

Q: »What does in your opinion hinder the performance measurement of your live-communication activities?«



**Fig. 5.** Alleged obstacles for event controlling

Source: Kirchgeorg et al. 2005, p. 27 [N = 387]



**Fig. 6.** Commonly used measuring methods and performing indicators in event controlling  
 Source: Ohofen 2008, p. 107 [N = 650, n = 189]

A pretended lack of time, money and experience obviously is hard to refute (whereas the latter seems to be the most credible). Nevertheless it is necessary to vehemently contradict the first, second to last and last statement: Event success is generally measurable and needs to be generally measured as any event costs money. And there is no lack of proper performing indicators at all, as this article will show.

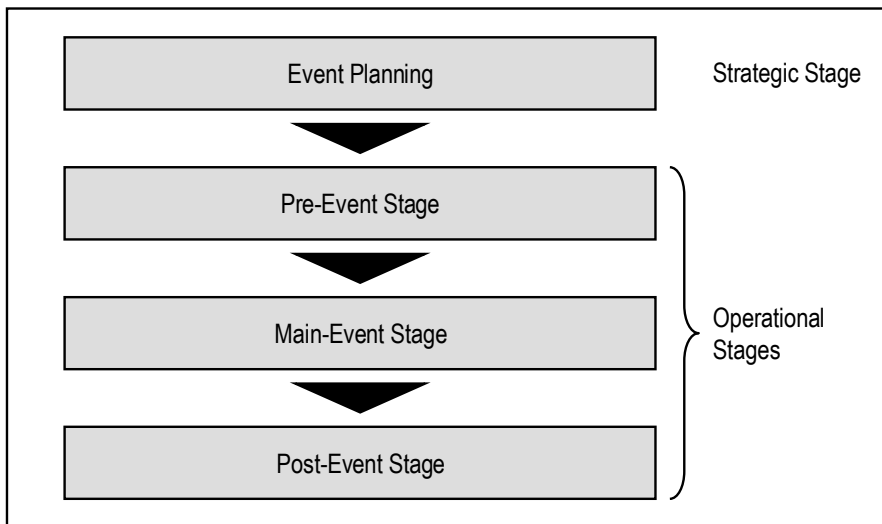
In the few cases when event controlling is applied, there is little imaginativeness with regard to the choice of performance indicators and measuring methods: Measurements usually are restricted to the analysis of contact numbers and attendances as well as surveys on attendee satisfaction, as a collaborative study of the Worms University of Applied Sciences in Rhineland-Palatia, Germany, together with the inter-trade organisation Meeting Professionals International (MPI) has

shown (cf. fig. 6). Furthermore, a short-term view is dominating whereas long-term goals are frequently left out (Zanger 1999, p. 87 f.). Especially alarming is the fact that the companies' decision-makers often tend to assess the event's success on their own and very subjectively (Erber 2005, p. 115).

## 2 Measuring of Event Impact

### 2.1 Event Stages and Starting Points for Event Controlling

Each event can basically be divided into four stages (cf. fig. 7): The strategic stage "event planning" is followed by the three operative stages "pre-event" (preparation), "main-event" (implementation) and "post-event" (assessment afterwards) (cf. also Zanger/Drengner 1999).



**Fig. 7.** Event stages

Source: own depiction

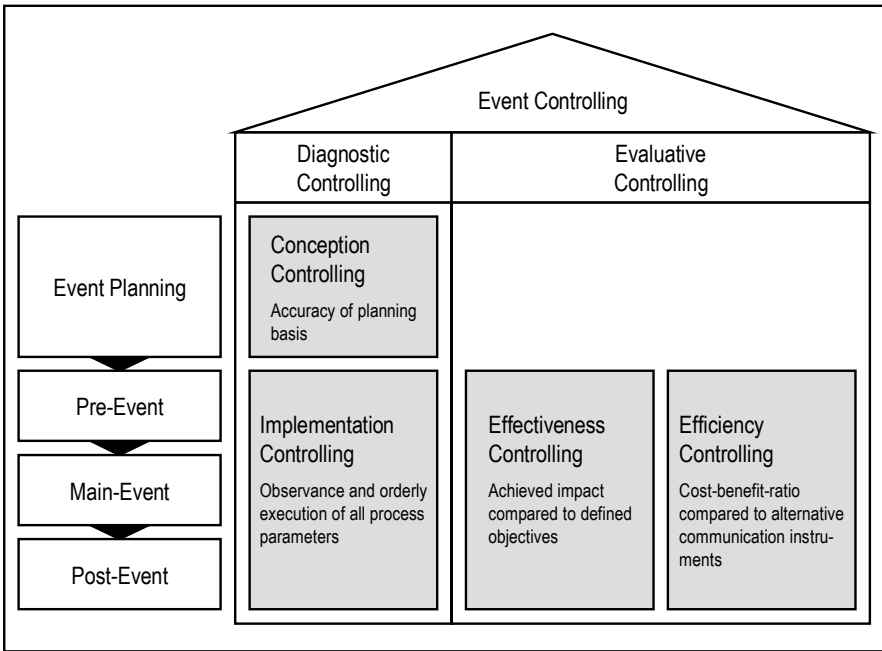
During the initial stage of event planning either an outline plan for all events within a specified period or an individual concept for a specific event is drawn up. Obligatory elements of each concept are an analysis of the situation at hand, the definition of the event's goals (every single one to be derived from the superior business objectives, the marketing objectives and the communication goals in general), as well as the coordination of the event(s) with other communication instruments regarding content, time and form following the idea of an "integrated communication".

The *pre-event stage* begins with the event’s announcement (“going public”) and furthermore consists of a detailed planning, organisation and assignment or disposition of the trades (location, technology, catering etc.).

The *main-event stage*, the course of the event itself, begins with the preparation on site (journey there, delivery, rigging) until the doors open and ends with the follow-up work on site (dismantling, returning and return journey).

The *post-event stage* consists of all activities done after the event itself is over, for instance notes of thanks for the participants, information for the non-participants and the press as well as the settlement of the budget.

Different types of event controlling belong to each event stage. These make up the system of event controlling depicted in [fig.8](#).



**Fig. 8.** System of event controlling

Source: own depiction following Lasslop/Burmann/Nitschke 2007, p. 119, Lasslop 2003, p. 162, and Burmann 2002, p. 44 f.

The both pillars of the building are called “diagnostic controlling” and “evaluative controlling”. While the methods of *evaluative controlling* refer to the event impact (its effectiveness and efficiency), the methods of *diagnostic controlling* take into account the prerequisites of these effects.

*Conception controlling* basically belongs to the event-planning stage, but partially also is an element of the post-event stage. It examines the completeness and

correctness of analyses, premises and strategic settings. Its guiding question is as follows: “Is the basis of our planning correct?”

*Implementation controlling* is occupied with the concept’s flawless execution during each stage of the event. Especially checklists are used to reach this goal. Its guiding question is as follows: “Does the realisation go off as planned?”

*Effectiveness controlling* basically consists of a target-performance comparison of the achieved impact with the originally defined objectives of the event, whereas *efficiency controlling* relates the event impact to its costs and compares this quotient to the corresponding reference numbers of alternative communication instruments.

To put it in a nutshell, extensive event controlling may be used at various stages. On the most general level these are the process (conception and implementation controlling) and the results (effectiveness and efficiency controlling) of an event.

## 2.2 Basic Methods of Data Collection

The methods to be used for the measuring of an event’s success are quite the same as the ones that can be found in all the other tasks of marketing research (cf. e. g. Berekoven/Eckert/Ellenrieder 2009; Homburg/Krohmer 2009); they are as follows:

- interview and
- observation as well a combination of both, the
- experiment.

The panel – as another combination of interviews and observation – may not be explored here, as the cause and occasion for a repeated measurement of the same topics in the same group of people hardly occurs in the event business.

The *interview* is the most frequently used method of data collection. This also applies to events. Its basic forms are the *oral interrogation* (personally via interviewers or via telephone) and the *written interrogation* (on paper or electrically/online). Both forms are very common at events: during the event the oral interrogation naturally is dominating. However, when given right after a very emotional event, the interviewees’ answers are often spontaneous, imprecise and com- plaisant. In order to avoid such distortions, the participants are given anonymous, written interviews to produce a distant assessment.

*Verbal interviews* are common, but *nonverbal interviews* are possible, too, for instance by showing pictures, that are to be assessed by the participants. The possibilities of nonverbal interviews are still hardly used at events.

An *observation* includes the systematic collection of information about people, their needs and their behaviour without having any contact to them, usually by simply watching their facial expressions and gestures as well as their physiological reactions. In addition, the simple counting of participants at an event is a method of observation, too.

Observations can further be divided into participant observations and non-participant observations. During a *participant observation* the observer mixes in

the crowd of the experimental subjects, in this case the participants of the event. During a *non-participant observation* he remains hidden or records the participants' behaviour with a video camera.

Furthermore *field observation* (an observation on site, in this case at the event) and *laboratory observation* (done in a market research institute in an artificial test atmosphere) are to be distinguished. Various technical aids can be used in a laboratory observation, e. g. pulse monitors, cameras, eye tracking devices etc. This is called *technical observation*.

The current method used for event controlling usually are field observations during the happening on site. Laboratory observation on the other hand is hardly suited for measuring the effects of a live communication instrument due to its separation in space and time from the event and its artificial atmosphere; its usage in event controlling is therefore restrained to the exploration of specific questions.

An experiment is a methodical test arrangement with the goal to discover cause and effect relations. To achieve this, a certain factor (as a possible cause) is changed and then the effect on depending units is measured. Depending on the problem, these measurements can be undertaken via interview or observation; in general, they are combined with each other. By combining various parameters – measurement before, measurement after, use of control groups – cleverly thought-out test arrangements can be created and flexibly adapted to the respective problem.

Experiments, too, are to be distinguished between field and laboratory experiments according to the place where they are carried out. And for similar reasons as already dealt with while discussing observations it is more likely to use field experiments instead of laboratory experiments in event controlling.

In order to find out which methods of measurement are especially well-suited for events and which requirements are to be fulfilled by new instruments we need to investigate the way an event works and have a closer look to its resulting performance indicators.

### **2.3 Event Impacts, Respective Performance Indicators and Measuring Methods**

#### *Event Impacts – an Overview*

The potential impacts of events are as diverse as their potential objectives. They can be divided into psychological impacts and behavioural impacts – just like the impacts of other communication instruments.

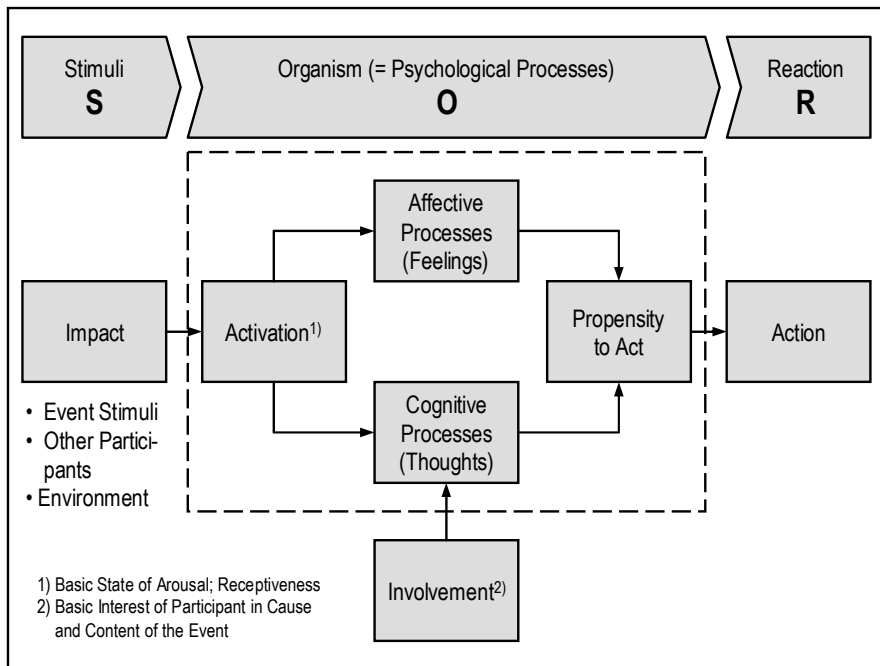
The possible *behavioural impacts* of events are diverse. They can be divided into financial and non-financial impacts. The selling of products initiated by the event is an example of the former; the latter can be, for instance, the number of attendees (a very commonly used performance indicator for the event's success).

*Psychological impacts* can be perceived in the change of the target persons' attitude towards the promoted object (products, companies, brands) and precede the behavioural impacts. According to the three-components-hypothesis, attitudes consist of emotional-subconscious judgments (affective component), rational-



conscious judgments (cognitive component) and the propensity to act which results out of the two other ones (conative component) (cf. Rosenberg et al. 1960). The intensity of psychological impacts depends on two factors: First of all, the participant's fundamental receptiveness needs to be created; this is called *activation*. As already mentioned in the introduction, events are attributed with a superior performance in activation, due to their experiential character, their interactivity and their multi-sensuality, which increase the participant's reception of the diverse stimuli and messages. However, the degree of stimulation does not only depend on an event's activation impact, but also on the target person's *involvement*, i. e. his or her interest in the event's cause and content.

A schematic depiction and structuring of the way events work according to the well-known S-O-R paradigm can be seen in [fig.9](#).



**Fig. 9.** The way events work

Source: own depiction; cf. also Nitschke 2004, p. 38

### *Affective Impacts*

Events can influence the image of any attitude object – these could be companies, its products or services or even touristic destinations; generally speaking in the marketing context: brands. *Image impacts*, i. e. the creation or change of images, are therefore a first possible performance indicator for events. Image impacts be-

long to the affective impacts because the image is created by intuition, although the impression of a brand is influenced by cognitive contents such as information. For a long time images have been ascertained via verbal interviews by means of rating scales and special instruments based on them – for instance an image profile (which is a combination of various rating scales) or a semantic differential. The same also is recommended for events.

Another affective performance indicator well-suited for event controlling that already is very popular in that field is the participant's *satisfaction*. It can be ascertained in the same way as images, which is via verbal interviews – either as a summarised satisfaction judgment by the use of one single scale according to the school grading system (“If you had to assess the event as a whole, how would you grade it?”) or as a multidimensional satisfaction judgment by the use of various scales referring to single features.

Another method known from the quality management of services would also be suitable: the critical incident technique (CIT) (cf. e. g. Bruhn 2006). “Critical moments” refer to the distinctive stages in the course of the event that the participant in the event perceives as especially satisfying or unsatisfying. By means of a so-called “blueprint” – a drawn plan showing these stages, e. g. admission, cloak-room, catering etc. – the participant is asked to retrace the course of the event and to assess the experienced level of service at the respective contact points. This method creates an extensive image of the participant's satisfaction, and potential for optimisation is discovered for every single contact point. Consequently, the CIT does not only give feedback on past events, but also shows the requirements for future events.

The hitherto mentioned performance indicators are typically run after the event is over and primarily measure its results. However, it is often interesting to investigate the event performance itself in order to prevent unwelcome developments. Observation methods are far better suited to this investigation than interviews. Not only does the main interest lie in the measuring of the participant's momentary satisfaction, but at the same time it focuses on the reasons for this satisfaction during the process, i. e. certain “critical moments”, as well as on group dynamics, whose importance for events should not be underestimated but has not been paid a lot of attention by research. In chapter 3.3. a method of participant observation will be presented which is well-suited to the process controlling of events: the “mystery attendee“-method.

An especially interesting performance indicator, which is also difficult to measure, are the participants' *emotions*, because the quality of an affective-subconscious experience of an event substantially influences all its other impacts. However, this is where the usual instruments in marketing research come up against limiting factors; on the one hand because the coming about of emotions still is widely unknown even after more than 100 years of research on emotions; on the other hand because the usual method of measuring emotions by interviewing is of restricted suitability. This will be further discussed in chapter 3.1.

Furthermore, knowledge about the affective impacts of certain staging elements that have had a positive influence on the event's atmosphere can be gained by interviewing participants – these are for instance certain environmental factors or sensory impressions such as audiovisual or olfactory perceptions that have contributed to the embedding of positive memories as an element of infotainment (cf. Sträßer 2001, p. 94).

### *Cognitive Impacts*

Out of all psychological impacts, cognitive impacts are the easiest to measure. Possible performance indicators are:

- The *memory* of imparted information or the acquired knowledge (*recall*, short-term/long-term)
- The recognition and the *correct relation* of imparted information, e. g. associative interconnection of advertising messages to brands and the event experience (*recognition*, short-term/long-term)
- The *credibility* of imparted information or the transmitter

Furthermore, *cognitive satisfaction judgments* – in contrast to the already discussed affective ones – can be ascertained; these are rather rational judgments about certain staging elements such as the number, length and quality regarding the content of lectures during conferences.

Verbal interviews are an advisable measuring method in all these cases.

### *Conative Impacts*

Conative impacts are changes in the target person's behaviour or propensity to act. The potential performance indicators are as diverse as the potential objectives and are derived from them. At events serving to sell (e. g. promotion events), it therefore is advisable to measure the change of the *willingness to buy*. This can happen via verbal interviews, but also via special methods such as the *constant-sum method* (cf. Homburg/Krohmer 2009, p. 299): Here the test subjects are asked to spend parts of a certain amount of money (e. g. 100 Euros) on different brands ("How would you spend 100 Euros on the following brands the next time you go shopping for the product category XY?"), and the given share of money indicates the willingness to buy a certain brand. The constant-sum method has the advantage of testing the behaviour only indirectly and therefore is suitable in case direct testing method risks bringing about false answers.

Besides the willingness to buy, every other form of propensity to act may be considered as a performance indicator, for instance the readiness to recommend – or the tendency to make use of the new-learned knowledge straight afterwards – or even the intention to participate or the registration rate (which later can be compared to the actual number of participants).

### *Behavioural Impacts*

Behavioural impacts are seldom thought of in the context of events. The thought of not only spending money on certain events, but also earning some – i. e. that events can also “sell” – nowadays still takes some getting used to for those industry representatives who have events in mind that are characterised by magnificent formal stagings and ignore simple promotion events.

An event’s behavioural impacts can further be divided into financial and non-financial ones. In this case, too, the performance indicators are as diverse as the objectives from which they are inevitably derived.

Common indicators for *non-financial behaviour* are the attendance or no-show rates, the rate of new contacts, the media resonance and suchlike. The indicators partially can be monetised, i. e. converted into money; then they are part of the financial impacts.

*Financial impacts* of events can be divided into four segments:

- Direct revenues
- Indirect revenues
- Monetised psychological impacts
- Reduced costs (opportunity revenues)

Direct financial impacts are causally related to an event because they can be directly backtracked to it. Part of them are all revenues generated by the event itself, either by selling products or fan articles (merchandise), catering, as well as entrance fees or earnings through sponsoring.

Indirect financial impacts on the other hand result from subsequent product and follow-up purchases. However, these can only be partially attributed to the event, because the participants might have encountered other marketing activities in the meantime. The cause for this problem are the interactions and synergies between the different marketing instruments created by marketing itself (cf. Homburg/Krohmer 2009, p. 887 ff.), which in the end lead to the problem that an event’s indirect financial impacts cannot be defined exactly (cf. Rück 2010).

Another difficult procedure is the monetary registration of psychological impacts; for instance the financial evaluation of the event’s positive image effect (e. g. by converting them into additional orders/market shares). Nonetheless, this is, as a matter of principle, possible and in some cases worth the effort.

Finally, reduced costs also belong to financial impacts – in other words: “opportunity revenues”, i. e. the monetary compensation of not realised opportunities. Of course, these are not real transfers but accounting indicators. An example is the cost-free media resonance of an event: Its financial equivalent can be calculated by means of a *communication value analysis* e. g. by determining the hypothetical costs of paid advertisements with the same range (cf. Lasslop/Burmann/Nitschke 2007, p. 128–134).

Financial indicators only make sense as a performance indicator when the event originally aimed at financial objectives. The throughout the industry relatively well-known “Event ROI method”, postulating that the total benefit of each event can and should be expressed in a single financial ratio, is therefore a bizarre misconception (cf. Rück 2010).

### 3 Special Forms of Performance Measurement

#### 3.1 Requirements for New Models and Methods in Event Controlling

The introductory statements concerning among other things the hardly explored effectiveness and efficiency of events, make room for further considerations. Progress and new insights need to be examined with regard to their impact as well as their applicability. It is important to develop event controlling in both aspects. Still too frequently, the only considered performance indicators are reaching the planned number of attendances and honouring the preconceived budget.

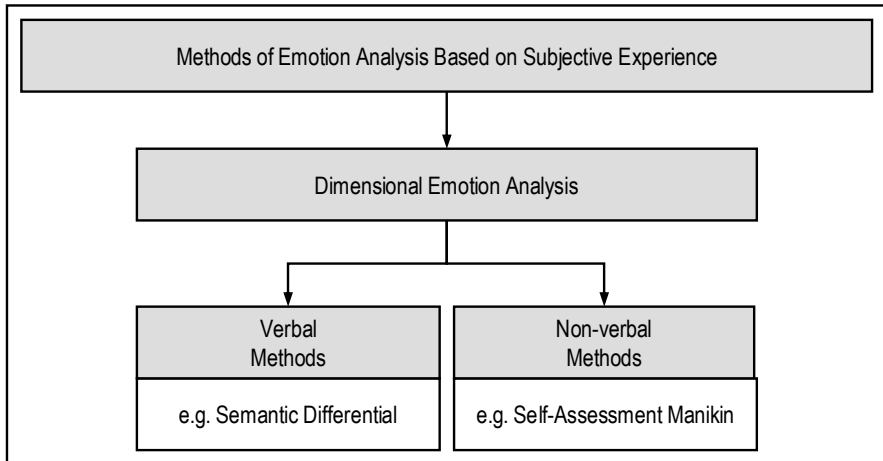
Problems regarding the measuring of an event’s success mainly occur in two fields. In the first instance it is a question of *measuring emotions*. Apart from the basic difficulty that the coming about of emotions has only insufficiently been explored and therefore possible indicators have not yet been entirely discovered, there are already a number of different methods for the measurement of emotions at our disposal:

*Psychobiological methods* examine the participants’ bodies’ reactions and measure changes in blood pressure, heart rate or skin resistance (Faullant 2006, p. 73); but due to the necessary devices, they need a lot of time and effort and, furthermore, are not practicable for events.

Alternatively this problem can be avoided by methods of *emotion analysis based on a subjective experience* (cf. [fig.10](#)). They are based on the assumption that a human has access to the feelings within himself and can convey them with his own perception and comments. The dimensional emotion analysis, including verbal and non-verbal methods, is an efficient survey model in principle – and represents, together with the “Self-Assessment Manikin” (SAM) presented in chapter 3.2. an approach avoiding the disadvantages of verbal interviews on emotions while being well-covered regarding the contents and, in addition to that, being easy and fast to handle.

The SAM is based on findings in neuro-economic research and has already been tested in the event sector during the development of an integrated event controlling model for a premier league football team (Fies 2009). As to the measurement of psychological objective impacts, SAM showed an improvement in quality as well as structuring and standardizing effects on that occasion.

A second important problem area in event controlling is the registration of process-related event impacts. Regarding quality assurance, these are of high importance; it is obviously insufficient to simply notice the results at the end of an



**Fig. 10.** Methods of emotion analysis based on a subjective experience

Source: own depiction, following Möll 2007:68

event; instead, their coming about is to be analysed and, if necessary, corrective action can be taken to control the execution of the event. It is advisable to use observation methods for analyses of the event's on-going.

The "Mystery Attendee" (see chapter 3.3) is a form of participant observation and therefore a possible solution to the described problem. It is a transfer of the well-known method of "Mystery Shopping" from the trade and service sector (Unterkircher 2008) to the event sector. The method is especially well-suited to quality assurance at conventions and conferences (Berschneider 2010).

### 3.2 Self-Assessment Manikin

As already discussed, it is possible to assess emotions at a level of subjective experience. This can basically be achieved via verbal or non-verbal interrogation. Verbal measurements are based on the test persons' verbal statements. Adjectives usually indicate emotions; they are also called "emotion words". The interrogation may have, for instance, the form of a semantic differential consisting of pairs of opposites ("happy/sad" etc.) which are measured on a multiple rating scale (cf. Drengner 2003, p. 119, 155–160, 179; Möll 2007, p. 70–75; Kroeber-Riel/Weinberg 2008). In various investigations, *three basic dimensions of emotions* could be concurrently identified (Möll 2007, p. 63):

- *Valence* describes an emotion's pleasure ("pleasant/unpleasant").
- *Arousal* describes an emotion's effect ("exciting/calming").
- *Dominance* describes an emotion's autonomy, power or aggressiveness ("being controlled/controlling").

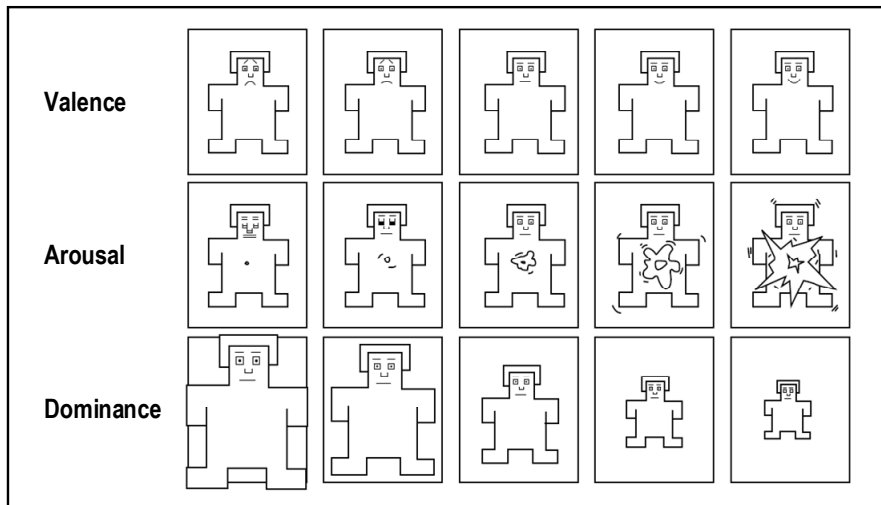
By choosing an appropriate selection of “emotion words”, emotions can be captured multi-dimensionally. This way so-called “emotion profiles” of the participants in the event are created which are, among others, suitable for the capture of brand emotions.

However, verbal measurement of emotions has two disadvantages: On the one hand, the practicability for events is limited due to the time and effort needed for the preparation, i. e. selecting the relevant emotion words on various levels, and the possibly long period of time needed for the interviews. On the other hand, objections can be alleged regarding the contents of a verbal measurement of emotions, because of the danger of measuring cognitive reflections of words instead of their emotions (cf. Möll 2007, p. 69–72). Both concerns are met by a relatively new method of non-verbal experience measurement: the “Self-Assessment Manikin” (cf. Morris 1995; Möll 2007).

The SAM enables the recording or documentation of emotions without direct contact to the visitors. This is immensely important in many cases, because this makes it possible to classify the event’s participants’ emotions without any external influences and thus without any disturbance (distortion, bias) – “exposing” emotions without any social influences.

The SAM is **conceived** similarly to the semantic differential or emotion profile. The difference lies especially within the fact that a pictorial (nonverbal) template is used instead of a verbal description of the three dimensions “valence”, “arousal” and “dominance” (cf. [fig. 11](#)).

In each dimension the five figures offer five different expressions to choose from.



**Fig. 11.** Self-assessment Manikin

Source: own depiction following Möll 2007, p. 73

- *Valence* is represented by a changing facial expression from happy (in the sense of pleasant) to sad (in the sense of unpleasant).
- *Arousal* is demonstrated by the figures' stomach; points and lines increase in size and number and decrease respectively until there is only one point left; the facial expression changes correspondingly – eyes wide open as a sign of excitement or closed as a symbol of “calm”.
- *Dominance* is shown by the size of each figure, from small (inferior) to big (superior).

The handling of the Self-Assessment Manikin is very user-friendly and this instrument is well-suited to repeated use, even at a series of events, due to the visual standardisation of the three dimensions. Emotional reactions can be measured in various contexts. In contrast to the semantic differential, a faster measurement of emotions can be achieved and there is no need for a complicated device. Therefore, the use of the SAM makes sense especially in connection with events for brand communication: the recording of emotions reacting to a variety of stimuli is possible (cf. Möll 2007, p. 74 ff.).

However, the use of the Self-Assessment Manikin brings about some challenges that need to be taken into account. One difficulty lies within the definition of the measurement point: As the SAM logic allows the measurement to be recorded only after the visitors' emotional reaction has taken place, the observers need to be well trained so the emotion's interpretation is correct and thus valid for the later analysis. Measuring a stimulus that has just occurred is, even if completed immediately afterwards, a retrospective. The realisation of a measurement during the moment of a stimulus and the documentation of the immediate emotion without cognitive distortions remain difficult; indeed only methods on a physiological level such as measuring heart rate and skin resistance can help (cf. Möll 2007, p. 75 ff.). Moreover, the measurement needs to be included into the entire planning stage of an event; additional staff should be allowed for in resource planning.

Regarding the evaluation of measurement results, it makes sense to define a target state (target value) which represents the guideline as the target result. After the measurement and evaluation, the results can be compared to the actual value, differences can be analysed and interpreted. This provides information for the monitoring of assumptions which enable an easier and faster way of examining the basis of planning.

Currently there is still a lack of case studies and experience allowing the implementation of the SAM “out of the box”. Universities and associations need to put more effort into further research and development in order to give advice about the way and extent to which the SAM should be used – and as a consequence introduce this method to more users.

### 3.3 Mystery Attendee

At conventions and conferences, interviewing participants as an instrument of evaluation has been to the fore so far; the organiser makes use of this method to



ascertain the event's quality from the participants' view (cf. Hanser 2002, p. 330). Quality is the standard for an event's success or failure, also with respect to a repetition or in the context of a buyers' market (competition of event organisers and/or competition of event offers); this is why the collection of valid data is inevitable and special attention should be paid to the quality perceived by the participants, i. e. the subjective quality.

At this point, the possibility of differentiating various concepts of quality shall be briefly considered; Garvin distinguishes among others between a transcendent and value-related approach (cf. Garvin 1984, p. 25 ff):

- Transcendent approach: Quality is the indication of extremely high requirements and standards, is something special and absolute and can only be perceived through an individual experience.
- Value-related approach: Quality is defined by the price or costs; there is a causal connection between the price and the costs of a service and its quality.

Also important is a closer look at the quality's dimensions, in which the features expected or perceived by the participants can be found again (cf. i. a. Bruhn 2006, p. 48 f.):

- Potential dimension: Physical and organisational working conditions as well as personnel and financial resources
- Process dimension: The overall process of the provision of a service with all individual processes (e. g. customer service) perceived by the customer
- Result dimension: The result at the end of a service process; the provided service's quality that is to be evaluated

Transferred to the concrete situation of a conference, technical (WHAT) and functional (HOW) criteria for the three dimensions of quality can be shown as an example (cf. Bühler 1999, p. 125):

- Potential quality in the sense of the expected quality

#### WHAT

- The speakers' expertise
- Presentation technology at disposal
- The participants' previous knowledge

#### HOW

- The speakers' reputation
- The organiser's prominence and image
- The participants' willingness to interact

- Process quality in the sense of the experienced quality
  - WHAT
    - Number of the event’s parts (workshops etc.)
    - Breaks between the event’s parts
    - Duration of the event
  - HOW
    - Atmosphere of the entire event or its individual parts
    - Level of service provided by the staff
    - Interaction and “good” conversations with other participants
- Result quality in the sense of the received quality
  - WHAT
    - The participants’ increase of knowledge
    - Number of new contacts
    - Resolution methods for the participants’ projects
  - HOW
    - The participants’ satisfaction
    - Recommendation by the participants
    - The organiser’s feedback behaviour

In order to receive a significant and extensive statement in the area of conflict of these quality dimensions, more must be done than simply interviewing the participants. Standardised interviews cannot pay specific attention to every individual participant due to a lack of flexibility and non-standardised interviews (e. g. narrative interview) require a lot of time.

One approach balancing the limitations of a participant interview is the concept of “participant observation”: an observer who watches the event from a participant’s point of view has direct access to actions and processes (cf. Flick 2009, p. 113). This approach is well-known, in variations, and is classified as a method of objective, demand-oriented measurement and belongs to the approaches measuring the service quality (cf. Bruhn 2001, p. 212). In this method usually referred to as “Mystery Shopping”, hidden observers who act as normal service customers examine the service process and measure the services’ quality in a participant observation (cf. Meffert/Bruhn 2006, p. 313).

Mystery Shopping is especially well-suited to examining an employee’s behaviour in a situation with customer contact, without the employee knowing that he is being observed (cf. Unterkircher 2008, p. 58). Depending on the way measurement criteria are established, the quality requirements from the customer’s view, as well as the reaching of defined standards in the service process, can be examined.

While being adapted to the problem area “convention and conference process” a “mystery shopper” becomes a “mystery attendee” who determines the event’s quality according to already defined criteria as a normal participant of whom the other present persons are not aware.

Following the “classic mystery approach”, the measurement’s process can be described in the following five phases:

1. Definition of the problems or the objectives
  - What is the specific aim of investigation?
  - How shall the investigation go in general?
2. Drawing up an observation sheet
  - Which quality dimensions are determined?
  - Which quality criteria are defined?
3. Selection and training of mystery attendees
  - Which attendees fit into the target group?
  - Which knowledge is a prerequisite for the attendees?
4. Data collection
5. Evaluation
  - Which recommendations for action can be derived?
  - Which conclusions can be drawn for future proceedings?

The concurrence of the organiser’s and participant’s perspective regarding the expectations can be used as an example for *stage 1*: A value proposition directed to the target group by the organiser (the organiser’s potential) leads to the attendance and realisation to which the participant contributes (the participant’s potential) – by fulfilling created expectations (process) and perceiving the event as “of high quality” (result).

The definition of quality dimensions necessary for *stage 2* can be orientated towards the temporal course of the event – for instance before, during or after the event. The dimensions themselves can refer to the specific event objectives and, in addition to that, to factors that are not explicitly stated (e. g. the staff’s readiness to help):

<i>Before</i>	<i>During</i>	<i>After</i>
Information of participants	Room conditions	Valediction
Accessibility of the location	Lectures and workshops	Departure logistics
Registration	Catering	Post-convention
etc.		

Professional competence may serve as criteria for selecting suitable people; in case the mystery attendee needs to hold a speech, he should have the relevant competence. The participants' perspective needs to be covered as extensively as possible in the course of *stage 3*. In addition, experts from the conference and convention industry should be included in the plans who can especially evaluate the conference-related factors (e. g. logistics) by means of their expertise.

In *stage 4*, the drawn up evaluation and observation sheets will be needed. The mystery attendees carry the sheets with them and fill them in right during the event. Furthermore, a review meeting or debriefing after the event with all involved mystery attendees can bring about further insights – related to the sheet's relevance as well as to further impressions and general conclusions about the observations.

The evaluation in *stage 5* summarises the single results regarding quantity; the specific questions related to the event, general questions about transport links, the location, rooms and service etc. (cf. i. a. Schreiber 2002, p. 83 ff.). An abstract makes the interpretation or the deducing of recommendation for action easier; if necessary it can follow the sheet's basic grid and be divided into the three stages (before/during/after the event).

To sum it up, it is to be said that the mystery attendee method is an effective method of measuring service quality and that it has some advantages over the classic methods regarding quantity. In order to secure the overall efficiency of performance measurement, both methods should be combined. After all, a direct interview is a message from the organiser and signals interest in the participants' criticism, even if it is just a question sheet added to the conference documents.

## 4 Conclusion and Outlook

The importance of events is steadily increasing and therefore the importance of event controlling is increasing, too. The wide-spread miscalculation of practitioners that there would be a lack of appropriate instruments for the controlling of events should have been proven wrong by this article.

The familiar and well-tested instruments of marketing research provide various measurement methods that are also suited to the special requirements of events. Nevertheless it is important to counteract the prevailing one-sided concentration on interviews; instead it is advised to make use of all available instruments and also to use the possibilities of observations. For this purpose, this article presented the event-specific analogon to the mystery shopper, the "mystery attendee", who might be as useful for events as the former is for the trade market.

Furthermore, it is important to put more effort into measuring the emotions triggered by events. The presented SAM method is expanding the verbal interrogation methods that are only partly suited for emotion measurement by a non-verbal alternative. This may not be a universal solution, but at least a step in the right direction.

The improved measurement of affective impacts is probably a key to the performance controlling of events; it is proven that the greater the participants' satisfaction and sense of wellbeing, the bigger is their readiness to receiving and storing cognitive and conative messages. As the importance of emotions is increasing constantly in marketing, it can be said that event controlling can boost marketing controlling in this aspect. The chance is there. Research and practice should seize it.

## References

- Berekoven, L., Eckert, W., Ellenrieder, P.: *Marktforschung: Methodische Grundlagen und praktische Anwendungen*, 12th, rev. and exp. ed. Wiesbaden (2009)
- Berschneider, T.: *Der Mystery Reserach-Ansatz als Instrument zur qualitativen Erfolgsmessung von Kongressen*. Unknown place of publication (2010)
- Bruhn, M.: *Relationship Marketing: Das Management von Kundenbeziehungen*. Munich (2001)
- Bruhn, M.: *Qualitätsmanagement für Dienstleistungen: Grundlagen, Konzepte, Methoden*, 6th ed. Berlin (2006)
- Drengner, J.: *Imagewirkungen von Event-Marketing*. Wiesbaden (2003)
- Esch, F.-R.: *Event-Controlling*. In: Nickel, O. (ed.) *Event-Marketing: Grundlagen und Erfolgsbeispiele*, pp. 149–164. Munich (1998)
- Esch, F.-R.: *Strategie und Technik der Werbung*, 7th, rev. ed. Stuttgart (2009)
- Faullant, R.: *Psychologische Determinanten der Kundenzufriedenheit*. Wiesbaden (2007)
- Fies, O.: *Entwicklung eines integrativen Eventcontrolling-Modells am Beispiel des Marketing-Events "1. FC Köln Saisoneroöffnung 2008/2009"*. Unknown place of publication (2009)
- Flick, U.: *Sozialforschung. Methoden und Anwendungen: Ein Überblick für die BA-Studiengänge*. Reinbek (2009)
- FME (Forum Marketing-Eventagenturen): *Event-Klima 2009: Die Entwicklung und die Trends der Live-Kommunikation: Eine Expertenbefragung im Auftrage des Forum Marketing-Eventagenturen*. Rheda-Wiedenbrück (2009)
- Garvin, D. A.: *What Does "Product Quality" Really Mean?* In: *Sloan Management Review* 26(1), 25–43 (1984)
- Hanser, H.: *Kongress-Service: Planung, Organisation und Durchführung einer Veranstaltung*. In: Schreiber, M.-T. (ed.) *Kongress- und Tagungsmanagement*, 2nd, rev. ed., p. 309–331. Munich (2002)
- Homburg, C., Krohmer, H.: *Marketingmanagement: Strategie – Instrumente – Umsetzung – Unternehmensführung*, 3rd, rev. and exp. ed. Wiesbaden (2009)
- Kirchgeorg, M., Springer, C., Brühe, C.: *Effizienz und Effektivität der Live Communication im branchenübergreifenden Vergleich*. In: Nickel, O. (ed.) *Event-Marketing: Grundlagen und Erfolgsbeispiele*, 2nd, rev. ed., pp. 17–36. Munich (2007)
- Kirchgeorg, M., Springer, C., Brühe, C., Hartmann, D., Uniplan International GmbH & Co. KG: *Uniplan Live-Trends 2004/2005: Effizienz und Effektivität in der Live-Kommunikation*, research paper No. 67, chair of marketing management, commercial college Leipzig, Leipzig and Kerpen (2005)
- Kroeber-Riel, W., Weinberg, P.: *Konsumentenverhalten*, 9th, rev., upd. and exp. ed. Munich (2008)

- Kruschwitz, L.: Kritik der Produktionsbegriffe. *BFuP (Betriebswirtschaftliche Forschung und Praxis)* 26, pp. 242–258 (1974)
- Lasslop, I.: Effektivität und Effizienz von Marketing-Events: Wirkungstheoretische Analyse und empirische Befunde. Wiesbaden (2003)
- Lasslop, I., Burmann, C., Nitschke, A.: Erfolgsbeurteilung von Events. In: Nickel, O. (ed.) *Event-Marketing: Grundlagen und Erfolgsbeispiele*, 2nd, rev. ed., pp. 117–134. Munich (2007)
- Meffert, H., Bruhn, M.: *Dienstleistungsmarketing: Grundlagen – Konzepte – Methoden*, 5th, rev. and exp. ed. Wiesbaden (2006)
- Möll, T.: Messung und Wirkung von Markenemotionen: Neuromarketing als neuer verhaltenswissenschaftlicher Ansatz. Wiesbaden (2007)
- Morris, J. D.: Observations: SAM, the Self-Assessment Manikin: an Efficient Cross-Cultural Measurement of Emotional Response. In: *Journal of Advertising Research* 35(6), 63–68 (1995)
- Nufer, G.: *Wirkungen von Event-Marketing: Theoretische Fundierung und empirische Analyse*, 2nd ed. Wiesbaden (2006)
- Ohofen, I.: Status Quo und Entwicklungsperspektiven des Event-Marketings in Deutschland 2008 in Theorie und Praxis. Dissertation in cooperation with MPI e. V. and m:con GmbH, submitted to Prof. Dr. Hans Rück, professorship for business management, especially marketing, Department of Tourism and Transportation, Worms University of Applied Sciences (winter term 2008/09)
- Rosenberg, M., Hovland, C., McGuire, W., Abelson, R., Brehm, J.: *Attitude Organisation and Change: An Analysis of Consistency Among Attitude Components*. New Haven (1960)
- Rück, H.: Wirkungen von Marketing-Events steuern und messen: Event-Navigator hilft als neues Instrument. In: Otto-Rieke, G. (ed.) *Modernes Geschäftsreisemanagement*. VDR Annual, vol. 8, pp. 150–155. Munich (2006)
- Rück, H.: Qualitätsmanagement für Events (part 1): Wie Sie die Qualität Ihrer Veranstaltungen systematisch planen und kontrollieren. *Events – The International Management Magazine for Meetings, Incentives, Congresses, Exhibitions* 2009(1), 46–48 (2009)
- Rück, H.: Qualitätsmanagement für Events (part 2): Wie Sie die Qualität Ihrer Veranstaltungen systematisch planen und kontrollieren. *Events – The International Management Magazine for Meetings, Incentives, Congresses, Exhibitions* 2009(2), 26–28. (2009)
- Rück, H.: Der große Bluff: Die ROI-Methode hält nicht, was sie verspricht. *Events – The International Management Magazine for Meetings, Incentives, Congresses, Exhibitions* 2010(2), 56–60 (2010)
- Schreiber, M.-T.: Standortfaktoren: Faktoren des Ortes und der Kongress-Stätte. In: Schreiber, M.-T. (ed.) *Kongress- und Tagungsmanagement*, 2nd, rev. ed., pp. 83–98. Munich (2002)
- Sträßer, A.-K.: *Eventmarketing – Neue Wege der Kommunikation*. Norderstedt (2001)
- Trommsdorff, V., Bleicker, U., Hildebrandt, L.: Nutzen und Einstellung. *WiSt (Wirtschaftswissenschaftliches Studium)* 9, 269–276 (1980)
- Unknown author: Events: Spaßveranstaltungen ohne Wirkung?, retrieved from: <http://www.promobizz.de/modules/wfsection/article.php?articleid=132> on May 07, 2006 (article from February 28, 2005)
- Unterkircher, V.: *Mystery Shopping als Qualitätskontrolle im Dienstleistungsbereich*. Saarbrücken (2008)
- Weber, J.: Controlling. *Gabler Wirtschaftslexikon*, 17th, upd. and exp. ed., p. 620. Wiesbaden (2010)

- 
- Zanger, C.: Event-Marketing als Kommunikationsinstrument – Entwicklungstand in Wissenschaft und Praxis. In: Nickel, O. (ed.) Event-Marketing: Grundlagen und Erfolgsbeispiele, 2nd, rev. ed., pp. 3–16. Munich (2007)
- Zanger, C., Drengner, J.: Erfolgskontrolle im Event-Marketing. *Planung & Analyse* 6/1999, 32–37 (1999)
- Zanger, C., Drengner, J.: Eventreport 2003: Eine Trendanalyse des deutschen Eventmarktes und dessen Dynamik. Chemnitz (2004)





## **Corporate Social Responsibility: Help or Hindrance?**



# Corporate Social Responsibility: What Is It? What's the Point? How Does It Work?

Michael Hopkins

Corporate social responsibility is often about seeming to “do good works.” And, while there is certainly nothing wrong with doing more good, there can be an implication that companies need to do good works because the underlying structure of business is not good, or morally neutral<sup>1</sup>.

## 1 Introduction

Corporate social responsibility (CSR) has many definitions and offshoots. What is key, however, is whether one talks about CSR as integrated into business strategy or CSR as a ‘residual’, i. e. an add on set of projects that are not part of the core business strategy (sometimes known as the separation thesis). If CSR is accepted as embedded in everything a company does then CSR is simply just part of good business strategy. While if CSR is simply a set of residual activities such as after profit philanthropy it will quickly be eliminated by a vigilant CFO (Chief Financial Officer).

Donna Woods, one of the first gurus of CSR, distinguishes between CSR as a ‘before’ profit activity and CSR as an ‘after’ profit one. Clearly, the latter is the residual i. e. contribute to something ‘good’ to help reputation while not thinking too deeply about embedding in the company itself. She, along with Kang,<sup>2</sup> argues that results and interpretation come from a flawed assumption that CSR is an

---

<sup>1</sup> Freeman et al. <http://www.darden.virginia.edu/corporate-ethics/pdf/csr.pdf> accessed 13 August 2010 where Freeman also talks about corporate *stakeholder* responsibility to ensure the separation principle is not violated, however CSR also includes an ‘issue’ analysis that could be missed with this phraseology. I prefer the Donna Wood approach of CSR as Principle, Processes and Outputs (which I term Products thus forming the 3P CSR approach – see [www.mhcinternational.com](http://www.mhcinternational.com) and its Monthly Features).

<sup>2</sup> Kang, Young-Chul/Wood, Donna J. (1995): Before-Profit Social Responsibility: Turning the Economic Paradigm Upside Down, Proceedings of the Sixth Annual Meeting of the International Association of Business and Society, Vienna: 408-418.

*after-profit* obligation. This could mean that if companies are not profitable they do not have to behave responsibly! They say ‘*in the extreme, if all firms are affected by severe economic turmoil or are run by lazy, short-sighted managers, then societies would have no choice but to accept pollution, discrimination, dangerous working conditions, child labour etc.*’

Thus, embedding socially responsible principles in corporate management is what the two authors call a ‘*before-profit*’ obligation. They cite corporations who embody these ideas and see the trend accelerating. For instance, in 1950 Sears’s CEO listed four parties to any business in order of importance as ‘customers, employees, community and stockholders’. For him, profit was a ‘by-product of success in satisfying responsibly the legitimate needs and expectations of the corporations’ primary stakeholder group’. By the 1980s, Levis even repurchased its stock in the public market under the rationale that stockholder’s interests might limit the firm’s effort to be a socially responsible organisation. And, Migros, of Switzerland, funds its cultural and social programmes not by profits, but by gross sales, so that profitability does not influence the firm’s level of involvement.

## 2 So What Is CSR?

The definition which we have used as a company and in our University executive training for the past decade is:

*Corporate Social Responsibility is concerned with treating the key stakeholders of a company or institution ethically or in a responsible manner. ‘Ethically or responsible’ means treating key stakeholders in a manner deemed acceptable according to international norms. Social includes economic and environmental responsibility. Stakeholders exist both within a firm and outside.*

Michael Hopkins (MHCi<sup>3</sup>): A Planetary Bargain: Corporate Social Responsibility Comes of Age (Macmillan, UK, 1998) Updated by author Jan 2010 on [www.mhcinternational.com](http://www.mhcinternational.com).

There are alternative definitions but nearly all highlight the importance of consulting stakeholders and identifying the key CSR issues in a company (or as alert readers will have noticed in my definition) in any ‘institution’ that is a body of people i. e. corporate which can be public as well as civil society (NGOs) institutions.

Perhaps the greatest disservice to CSR has been given by the EU with its imperative that CSR is a voluntary activity over and above the legal obligations as a company. At first site this looks fair enough since none of us want more regulations since there are enough about already. However, the point about CSR is that there are many laws and obligations but there are just as many that are ignored.

---

<sup>3</sup> The author is CEO of MHCi (MHC International Ltd) – see [www.mhcinternational.com](http://www.mhcinternational.com).

Without going into too much detail, take the case of diversity. Under much European law, the rights of males and females are much the same. Now jump to the Middle East and females are treated very differently from men so what then does a company do? CSR can help a company to decide while taking into account local views through stakeholder dialogue.

Then there are a number of other definitions that urge a company to consider its social, economic and environmental obligations in society. Corporate sustainability is one of these but because the word ‘sustainability’ came out of the environmental movement what has happened is that many corporations have turned away from the social and economic parts of CSR and focused upon its environmental part. This latter appears easier to handle such as recycling waste and using more efficient renewable energy (and nothing too much wrong with that) but the knotty issues of how to handle employee rights, what should be the ethical position of the company’s board, what codes of conduct to use with suppliers, and simply treating customers responsibly are all ignored or considered of less importance.

We also have corporate citizenship, the ethical corporation, shared value, responsible business, and corporate responsibility without the ‘S’. As long as these focus upon all stakeholders, both internal and external and deal with key CSR issues that impact on the business case (reputation, staff productivity, risk reduction, compliance, sustainable products etc.) then we can be happy. There is no doubt that fashion dictates a lot in business and wording often needs to be changed to satisfy boards, managers, and shareholders. Just be vigilant that the CSR baby is not thrown out with the watery alphabetic soup!

### **3 What’s the Point?**

There is always a business case for CSR – ethics and business are entangled, and any CSR program must also be a business program and vice versa, i. e. any business program must also be a CSR program. CSR is just good business, as it means creating value for stakeholders (in an ethical way).

Yet, a heady mix of greed, overconfidence and the use of poor business models showed up flawed strategies leading to the global financial collapse of the past years. Banks and other financial institutions are once again in the news for paying huge bonuses on the backs of taxpayers’ bail outs. Is the merry go round of greed, overconfidence and flawed strategies about to spin again? Will another collapse ensue followed by a sharp drop in consumer confidence and another setback for the tourism industry? Clearly there is a need for a CSR strategy in the major financial institutions. If CSR, as it appears to be, is adopted by the tourism industry yet the global financial institutions on which we all depend do not, we shall not be in a happy position. But this does not mean that the adoption by the tourism industry to embed CSR in its activities should be curtailed. Indeed, most of them have been adopting ethical and CSR policies for decades. It’s just that no-one, until re-

cently, started to elaborate all aspects of CSR and then link them to the competitive advantage of the tourist industry. But, in the face of a hostile to CSR financial sector, should this mean that tourist operators should funnel back on their CSR strategies to the lowest common denominator in the tourist arena? Certainly a viable strategy that could lower costs in the short-term is always attractive. But is the risk to reputation too big to endanger? The sight of holiday makers stranded at various destinations when tourist companies collapse should be enough to convince the industry as a whole to adopt an overall CSR package such as bailing out those companies in need while preserving the tourist product that is being delivered.

## **4 So What Then Are the Key Elements of a CSR Strategy?**

CSR is a strategic systems approach that examines and influences the behaviour of a company towards its stakeholders while preserving its competitive advantage.

Let me deconstruct the key words in that sentence.

- CSR means treating the main stakeholders of a company in a responsible manner.
- Corporate means any group of people that work together in a company or organisation, whether for profit or non-profit.
- Stakeholders are specific groups who influence, or who are influenced directly by, the organisation (and I am sure most readers are aware of this debate – which continues into how do you choose stakeholders? How do you dialogue with them? How do you decide which views are important? etc. – but that would need another chapter, in the meantime have a look at the arguments about stakeholder engagement by Khadeeja Balkhi<sup>4</sup>).
- Social means the social system and includes finance, economy, environment as well as social issues both inside and outside the firm.
- Responsibility is about taking issues seriously that affect the corporate body or institution and about acting within – and even beyond – societal norms.
- Strategic means having a strategy that takes an idea into a practical working model.
- A systems approach means including all aspects of the system in the decision making process.
- Competitive advantage is the implementation of a value-creating strategy not simultaneously being implemented by any current or potential competitors.

---

<sup>4</sup> Published on 30 Jun, 2010 by Khadeeja Balkhi in Cover Themes, Home, Stakeholder Engagement.

Now readers may start to ask how does CSR strategy link to standard business theory? Well, let's have a look at two well known authors in that field and examine, for instance, Michael Porter and Mark Kramer's (P-K) influential Harvard Business Review Article of December 2006<sup>5</sup>. There they argue that '*while CSR depends on being a good corporate citizen and addressing every social harm the business creates, strategic CSR is far more selective*'. The interdependence between business and society takes two forms in P-K's framework: "*inside-out linkages*" where company operations impact society and "*outside-in linkages*" where external societal forces impact companies. They believe that although companies are called on to address hundreds of social issues, '*only a few represent opportunities to make a real difference to society or to confer a competitive advantage*'. I would rather use the word 'and' rather than 'or' but readers may feel I am splitting hairs at this point. They give three areas where they think competitive advantage may lie in strategic CSR.

First, identify points of intersection between your company and society. For instance, does the company provide safe working conditions and reasonable wages? Models for this can be found in the work of SA8000 or the Fair Labour Association (FLA).

Second, select specific social issues to address social needs in ways that create shared value – a meaningful benefit for society that also adds to your company's bottom line. For instance, in addressing the AIDS pandemic in Africa, a tourist company would not only improve the standard of living on that continent; it would also improve the productivity of the African labour force on which its success depends.

Third, mount a small number of initiatives that generate large and distinctive benefits for society *and* your company. Example: The Ecomagination initiative General Electric launched in early 2005<sup>6</sup> benefits society through environmentally beneficial products (such as compact fluorescent light bulbs) while benefiting the company's bottom line. The initiative boosted revenue on such products from \$6.2 billion in 2004, before the initiative began, to \$10.1 billion in 2005, over halfway to the goal of \$20 billion by 2010.

Strategic CSR transforms "value chain social impacts" into activities that benefit society while simultaneously reinforcing corporate strategy and also advances strategic philanthropy that leverages areas of competitiveness. The P-K framework, argues William Baue<sup>7</sup>, draws its strength from applying corporate strategic thinking to both leverage positive social and environmental benefits and mitigate negative social and environmental impacts in ways that enhance competitive advantage. An obvious example of this is Toyota's development of the hybrid elec-

---

<sup>5</sup> Michael Porter and Mark Kramer 'Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility', Harvard Business Review, Boston, December 2006 pp78-92.

<sup>6</sup> <http://ge.ecoimagination.com/accessed> 21<sup>st</sup> October 2009.

<sup>7</sup> <http://www.socialfunds.com/news/article.cgi/2268.html> accessed 20th October 2009.

tric/gasoline car Prius. As environmental concerns have increased, Toyota stole a march on major competitors such as General Motors and Ford by creating a series of innovative car models that have both produced competitive advantage and environmental benefits. Hybrid engines emit as little as 10% of the harmful pollutants conventional vehicles produce while consuming only half as much gas. Prius has given Toyota a lead so substantial that Ford and other car companies are licensing the technology. Toyota has created a unique position with customers and is well on its way to establishing its technology as the world standard.

Not to everyone's taste, the TV *Top Gear*<sup>8</sup> team describe it as 'Hateful lentil-fuelled transport for the insufferably self-righteous. And it's not even all that economical.' Further, Toyota recalled around 400,000 Prius vehicles globally in 2010 amid revelations that the hybrid cars could be affected by a braking fault. In a damage limitation exercise, CEO Toyoda remarked to the US Congress<sup>9</sup> that 'quite frankly, I fear the pace at which we have grown may have been too quick. I would like to point out here that Toyota's priority has traditionally been the following: First; Safety, Second; Quality, and Third; Volume. These priorities became confused, and we were not able to stop, think, and make improvements as much as we were able to before, and our basic stance to listen to customers' voices to make better products has weakened somewhat. We pursued growth over the speed at which we were able to develop our people and our organization, and we should sincerely be mindful of that. I regret that this has resulted in the safety issues described in the recalls we face today, and I am deeply sorry for any accidents that Toyota drivers have experienced.' It can be noted that his 'confused priorities' showed a lack of stakeholder dialogue with one of Toyota's key stakeholders – its customers! This lack is not as surprising as it might first appear. One of my students, Ken Kushimoto, wrote a thesis<sup>10</sup> in 2010 that analysed the CSR of top Japanese companies. He found them wanting in applying ethical behaviour to their stakeholders and, given the very hierarchical nature of Japanese companies, unlikely to change despite claiming CSR principles. Toyota, in particular, mainly pursued its main stakeholder – its shareholders – and was particularly lax in its relations with its employees and suppliers!

Another reference for thinking about strategic CSR is as a set of questions, the answers to which are constantly evolving as the discipline continues to define itself. According to authors William Werther and David Chandler<sup>11</sup>, questions include: "Who defines the boundaries between private profits and public good?" and "Can

---

<sup>8</sup> <http://www.topgear.com/uk/toyota/prius> accessed 21st Oct 2009.

<sup>9</sup> <http://www.guardian.co.uk/business/2010/feb/24/akio-toyoda-statement-to-congress>, accessed Aug 14 2010.

<sup>10</sup> [http://www.mhcinternational.com/images/stories/csr\\_in\\_japan\\_and\\_the\\_unethical\\_structure\\_of\\_big\\_corporations\\_in\\_japan.pdf](http://www.mhcinternational.com/images/stories/csr_in_japan_and_the_unethical_structure_of_big_corporations_in_japan.pdf), accessed Aug 14 2010 [unedited thesis by Ken Kushimoto as part of his work in the Advanced CSR Certificate at the University of Geneva in 2008, founded by Michael Hopkins – see [www.corporateresponsibility.ch](http://www.corporateresponsibility.ch).

<sup>11</sup> Strategic Corporate Social Responsibility (Sage Publications 2006).



the interests of firms, owners, and other stakeholders be aligned, or are they inherently in conflict?" Their book, in the process of being revised, provides a framework within which readers can explore and answer these questions for themselves.

## 5 From Theory to Practice: How Does It Work?

What happens when these ideas are transformed into a strategic framework to enhance the competitive advantage of a company while preserving the values of CSR?

In 2009, MHCInternational Ltd worked out a CSR strategy for a tourism company (whose name is withheld as the work is still in process). The following 16 steps were identified.

1. Identify business goals and decide upon the purpose of the social responsibility programme. Get the CEO involved if not already.
2. Define values statement and mission of company, and refine internally with management and employees. How does the long-term vision match up with business goals?
3. Find out what your competitors are doing on CSR? (bench marking) What is your company doing? (scoping study). Assess where key overall CSR/Sustainability trends are heading, including any legal requirements.
4. Decide on overall budget and set up steering group.
5. Identify existing CSR activities and projects to date with a view to identifying competitive advantage. Use an assessment model to assess their sustainability.<sup>12</sup>
6. Identify key stakeholders.
7. Research: What are the latest business standards? Check out SA8000, AA1000, GRI, ILO conventions, WTO discussions, Caux principles, UN Global Compact, ISO26000, tourism international standards and so on. What are the key issues for your own business and why? Decide which standards to adopt.
8. Identify CSR strategy for each stakeholder as a pre-cursor to future, fully-fledged stakeholder dialogues. Note that the *process* of stakeholder dialogue is more important for company performance than simply *reporting* on it.
9. Revise budget accordingly and embed CSR into all key company functions.
10. Carry out stakeholder dialogue and engage with stakeholders. Interview only a selection of stakeholders in each category but attach importance to *investors, suppliers, customers and employees in the first instance*.

---

<sup>12</sup> See such a tool developed by MHCi and examples in [http://www.mhcinternational.com/images/stories/Politeia\\_paper\\_on\\_Corporations\\_and\\_Development\\_May\\_2008.pdf](http://www.mhcinternational.com/images/stories/Politeia_paper_on_Corporations_and_Development_May_2008.pdf) accessed Aug 14 2010.

11. Identify the key indicators to measure progress as a socially responsible enterprise, e. g. use GRI's KPIs for the tourist industry<sup>13</sup>.
12. Identify the costs and benefits of the proposals.
13. Implement the activity or programme ensuring that it relates well to other proposals in the pipeline.
14. Research and develop a series of advertisements to show what you are doing in the area of CSR and market the programme accordingly. Ensure that you can back this up with internal consistent practices since this is a dangerous pitfall if that is not the case.
15. Evaluate the social responsibility proposals against cost/benefits.
16. Develop longer-term exit strategy while noting that a small CSR function may continue to exist so as to keep the company abreast of new CSR developments.

## 6 Where Is CSR Heading?

In a world view of CSR (not specifically aimed at the tourist sector), MHCi presented the following 'stylized facts' diagram in its 2010 Fourth Annual CSR Update<sup>14</sup> (cf. Fig. 1).

Essentially the diagram shows that Europe is ahead of most countries, followed by USA while emerging market economies (aka developing countries) are on the first rungs of CSR with few having a complete systematic approach to CSR (as, for instance, outlined in the 16 point program above). In fact, right now, most developing countries – and the USA to a certain extent – focus on CSR as charitable giving. How CSR and philanthropy became intertwined is curious and is another story.

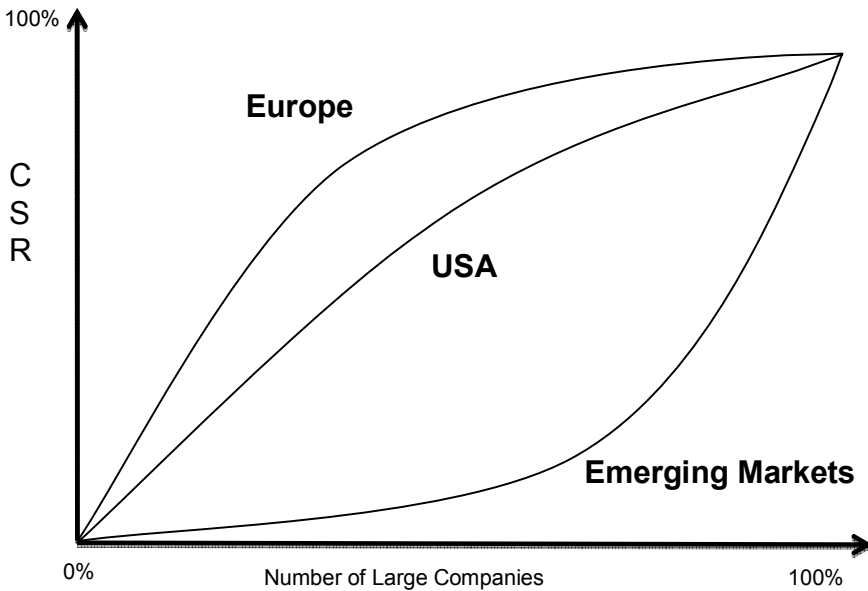
The main findings of our expert group were:

1. Surprisingly, smart companies have been using CSR and investing for the future despite the recession.
2. There continues to be an healthy CSR market as indicated by just about all companies producing social reports, increasing job opportunities in CSR and related, and increases in attendance at CSR Executive training (MHCi joint venture with University of Geneva showed an increase in revenue and student applications in 2010 over 2009). All this showed that CSR is maturing as a part of company strategy.

---

<sup>13</sup> See Global Reporting Initiative (GRI) <http://www.globalreporting.org/ReportingFramework/SectorSupplements/TourOperators> accessed August 14 2010.

<sup>14</sup> Held in London each year, the following paragraphs are taken from 2010 third annual update and can be found in more detail in <http://www.mhcinternational.com/images/stories/csrupdate2010.pdf> accessed Aug 14 2010.



**Fig. 1.** Where is CSR today around the world?

Source: MHCi, 2010 Fourth Annual CSR Update

3. The communication of CSR is a problem and consumer surveys show a lack of knowledge of CSR activities (see for instance Steven Brant Huffington Post's blog on the United Corporate States of America<sup>15</sup>).
4. Risk management and CSR is not a good link since so difficult to quantify. A consensus is gradually forming that CSR, being part of everything, should be part of, or even THE, corporate strategy – again, see above footnote.
5. Corporate Social Opportunity is rising in importance as companies see the link between CSR and new forms of profit centres, products and services.
6. At the company level it was noted that in the FTSE 100 there was little mention of adaptation to climate change even though non financial issues were moving up the agenda, While BAT saw security of supply as a major issue, Walmart clearly had a 'light bulb' moment, GE's – Resetting Responsibilities – is a good piece of work , B&Q now see CSR as about added value 'blood diamond' merchant De Beers had started to concentrate on bio diversity, and IKEA was not involved in profit at any price.

<sup>15</sup> [http://www.huffingtonpost.com/steven-g-brant/the-united-corporate-stat\\_b\\_436937.html](http://www.huffingtonpost.com/steven-g-brant/the-united-corporate-stat_b_436937.html) accessed 27 Jan 2010.

7. The question ‘Is capitalism acceptable?’ was raised in many quarters leading to intense discussions on the rule of law and the need for good corporate governance – the theme of the 2010 Davos conference.
8. In Nigeria, when thinking about QA above, CSR for Shell was definitely a branding exercise to maximise profit. Despite Shell’s excellent reputation in the West for CSR, in Nigeria its name and reputation was still poor. The question is whether they could do something about this or was this simply a hangover from the past much as the 1974 campaign on/Nestle Kills Babies’ can, it appears, never go away. Consequently there was agreement that there are differing standards between HQ country and the field: non alignment of the company’s needs with society. Companies need to be more worldly.
9. 2010 will see, finally, the launch of ISO26000 and new UN business norms on Human Rights from the very active John Ruggie. CSR will gradually be seen more and more at the strategic level of a company.
10. The failure of the State, the UN and now it seems many corporations (as indeed analysed the author’s book on ‘CSR and International Development’ shows a new need for a compact between business and the State with, in some cases, the Government becoming the dominant stakeholder – a resurgence of State Capitalism?
11. Consumers are starting to demand far more local production and the move to more responsible brands is likely to increase rapidly.
12. There is an urgent need to identify effective ways of driving change in the area of CSR.

At the same time as this event, Globescan issued their 2009 Sustainability Survey. Their bias is very much the environmental aspect of Sustainability (and many believe Sustainability is all about environmental futures) and their survey of 1200 ‘experts’ (which included MHCi) showed the following interesting table:

**Table 1.** Aspects of sustainability

Main concern	Very urgent	Somewhat urgent	Total columns
Clean water	61	32	93 %
Climate change	68	21	89 %
Poverty	51	33	84 %
Food security	33	39	72 %
Corporate Accountability	34	36	70 %
Over nutrition	7	22	29 %

Source: Globescan 2009 Sustainability Survey

As MHCi has stated many times, the issue of worldwide poverty is a catastrophe that has been with us for generations while the other concerns, albeit crucial, are fairly recent phenomenon. In the discussion, John Elkington noted that the systematic nature of problems was not being picked up with Governments behind the curve with Corporates increasingly involved in global issues. The UN, he stated, seems to be bankrupt in the debate (presumably his observation from the UN meeting in Copenhagen that finished in disarray at the end of 2009).

## **7 Concluding Remarks**

In the past decade, CSR has turned into many forms. At one end of the spectrum it is used to emphasise corporate philanthropy where we often hear of ‘CSR projects’. This notion can be found in some developed countries such as the USA but is mainly found in emerging markets across the world and is intended to increase the sustainability of such projects. At the other end of the spectrum among many large corporations there is a much broader view of CSR where the concept is at the core of a company’s business strategy.

Moreover, the collapse of firms such as Enron, Lehman Brothers, and (now largely in public hands) General Motors who all suffered from poor strategic models shows that new business strategy models are essential. And, as argued here, a key message is that CSR is becoming a, if not, the core of business activity. It is fast becoming acknowledged that a strategic stakeholder model of engagement with the business environment means that the potential for avoiding disasters and increasing success and innovation can be increased. CSR is obviously not a panacea for all ills but more and more companies are seeing that it can enhance their competitive advantage.



# Corporate Social Responsibility in Tourism – Consumer Requests and the Image of Suppliers

Wolfgang Adlwarth

## 1 Introduction and Methodology

The results of the study about the requirements of German tourists towards Corporate Social Responsibility of suppliers offering tourist services are presented in this paper as well the CSR images of these suppliers.

The survey is based on a study which was presented in 2009<sup>1</sup>. CSR-affine households were identified and analysed according to their travel behaviour and their evaluation of CSR-aspects when travelling.

The current study is also based on the Consumer Panel TravelScope where 20,000 households continually report about their travel behaviour.

In November/December 2009 another survey was conducted among 1,000 travelling households from each category about CSR:

- Tour operators
- Transport services
- Tourist regions

Topics of this survey included:

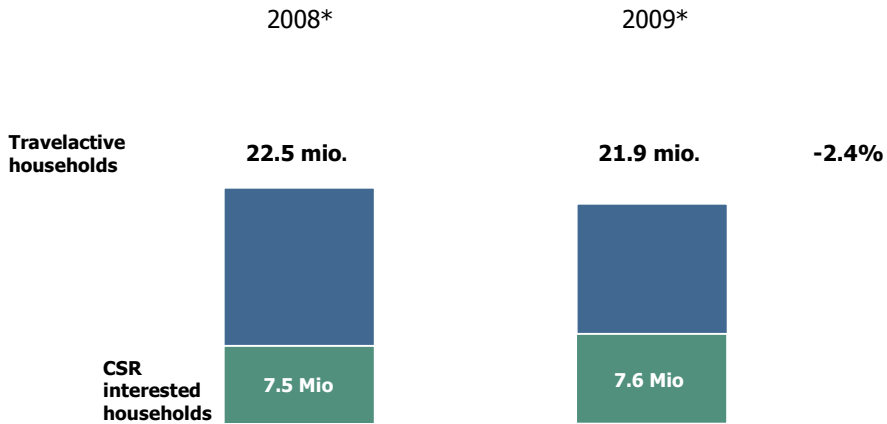
- Expectations of tourists concerning various CSR fields, e. g.: to what extent is a tour operator/supplier of transport services/tourist region expected to be committed to certain CSR topics.
- Images of selected suppliers of tourist services with regard to these CSR aspects.

---

<sup>1</sup> W. Adlwarth: Corporate Social Responsibility – Customer Expectations and Behaviour in the Tourism Sector; Roland Conrady/Martin Buck: Trends and Issues in Global Tourism 2010.

## 2 Market Developments

In 2009 the number of CSR-affine households has slightly increased by approx. 100,000 households compared to the previous year. As the number of travelling households has declined by 2.4 % at the same time, the share of CSR-affine travellers has increased from 33 % to 35 %.



**Fig. 1.** The share of tourists with affinity to CSR among the travelling German households increased further despite the crisis

\* Tourist year Nov – Oct

Source: GfK TravelScope 20,000 households

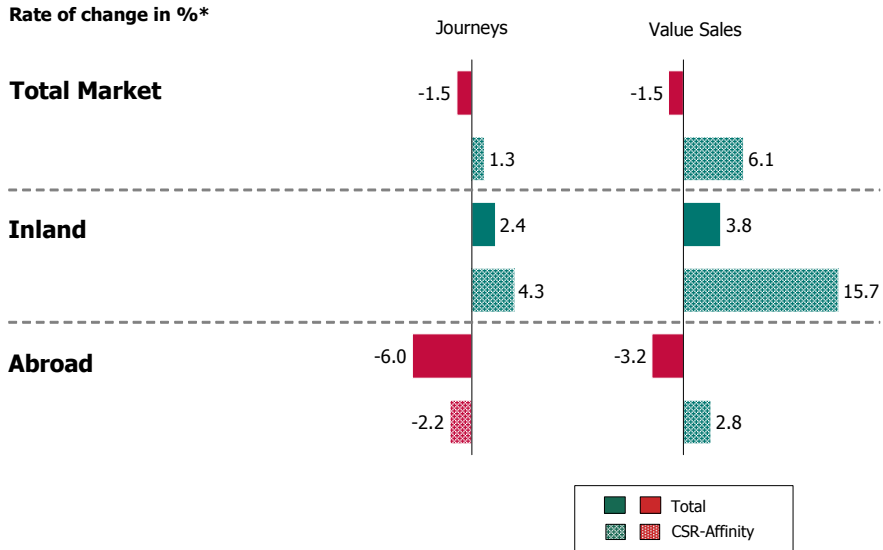
In the face of the most serious economic crisis in the Federal Republic of Germany, this result was not expected. Considering financial uncertainties, a devaluation of such ideal benefit aspects among consumers would have been expected.

However, with the crisis the value priority of consumers has changed. People increasingly long for trust and security and appreciate accountability and responsible corporate action more strongly.

Not only has the number of CSR-affine travellers increased, this target group also considerably contributes to the stabilization of travelling in the home market Germany. Without this target group travelling would have gone back much more strongly than just by 1.5 % for the tourism year 2009. CSR-affine consumers have particularly increased their holiday trips within Germany and therefore have considerably contributed to defining the trend towards tourism within Germany.

Therefore, CSR-affine travellers are a large, growing and thus very attractive target group.





**Fig. 2.** Tourists with affinity to CSR stabilized the travel market in 2009 and pushed the trend towards domestic tourism further ahead

\* Tourist year 2008/2009 vs. 2007/2008

### 3 CSR-Expectations Towards Suppliers of Tourist Services

What are the expectations towards the social responsibility of actors in the tourism market? According to travellers, how strongly should tour operators, transport services and tourist regions be committed to which CSR-fields? Based on these questions, the search fields for a CSR-commitment and thus for opportunities for actors in tourism to distinguish themselves can be derived. Like this particularly the selections of CSR-affine tourists can be influenced.

In general, ecology has top priority of all CSR-expectations among tourists. It is the tourist core topic for CSR-measures and comprises

- Nature protection
- Saving of energy and resources
- Climate protection.

These ecological topics are of particular importance for all three surveyed sectors of tourism: between 70 % and 80 % of the tourists expect supplier commitment in these areas. However, the highest expectations are towards tourist regions.

64 % expect tourist regions to be highly committed to nature protection. This also shows that CSR-expectations are not at all just altruistic motives but also

Top box 5

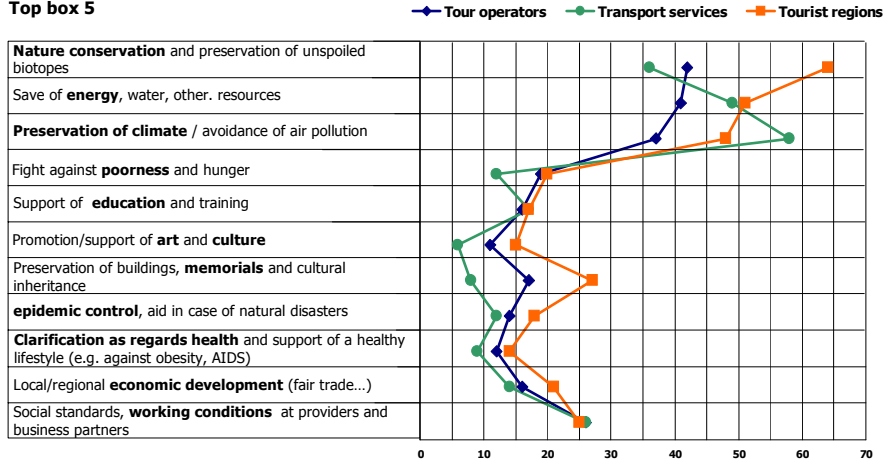


Fig. 3. The greatest demands are placed on tourist regions in general  
 Source: Ad-hoc study conducted among GfK TravelScope panellists, Dec. 2009

Total	The most important issue	Tour operator	Transport services	Tourist regions
30	Nature conservation and preservation of unspoiled biotopes	30	12	48
22	Preservation of climate / avoidance of air pollution	15	41	10
18	Save of energy, water, other. resources	16	23	15
10	Social standards, working conditions at providers and business partners	14	9	6
6	Fight against poorness and hunger	7	4	6
4	Preservation of buildings, memorials and cultural inheritance	5	1	5
4	Local/regional economic development (fair trade...)	4	3	3
3	Support of education and training	4	4	2

Fig. 4. Corporate Social Responsibility is equal to ecology in terms of tourism

address central and own holiday requests: Tourists want to spend their holidays in an intact environment close to nature. Correspondingly, 48 % of all travellers consider this as the most important CSR-measure for tourist regions.

For transport services in contrast climate protection is the primarily requested CSR-commitment. According to 41 % of all travellers, transport services should most likely be committed to this – also because they see the strongest grounds here according to the polluter principle and thus the biggest direct competence for transport services. For similar reasons there are also high expectations towards measures of transport services to save energy as well as other resources.

Nature protection is considered as the most important CSR-field for tour operators and turns out to be the most important CSR-requirement across all three areas. For tour operators the dominance of ecological requirements is not quite as strong as for transport services and tourist regions. A relatively high share of travellers (14 %) most likely expects them to be committed to social standards and working conditions.

Besides ecological topics social expectations in tourism rank second among all CSR-requirements. Generally considered, all other requirements (like fight against poorness, support of education, support of art and culture etc.) are a little less important.

However, as far as tourist regions are concerned, one area stands out which is still quite important for tourists. Preservation of buildings, memorials and cultural inheritance ranks second right after ecological topics and is thus even ahead of the promotion of social standards.

Also here, tourists obviously like to spend their holidays in a culturally interesting region. Therefore, altruistic motives mix with own holiday interests.

Main responsibility for promoting these goals is ascribed to the tourist region. However, it is also a topic tourist regions can set themselves apart with among CSR-affine tourists.

## 4 CSR-Image of Tourism Suppliers

How are individual suppliers of services in the tourism market evaluated according to their CSR-commitment?

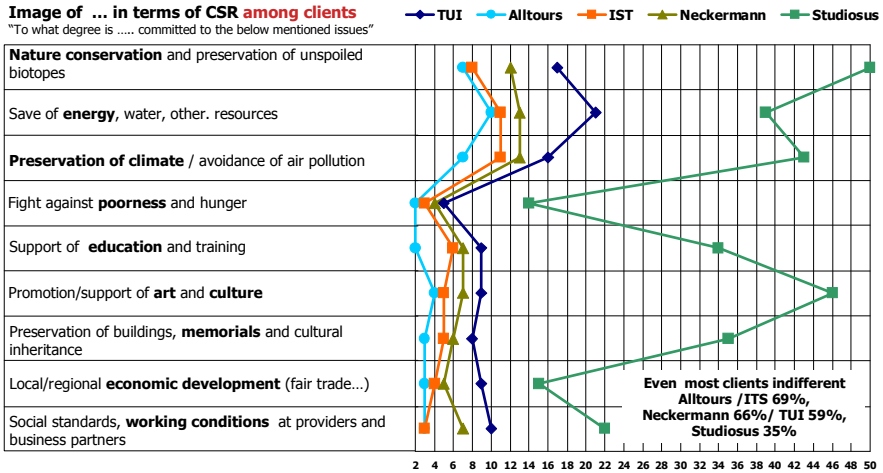
For this, the suppliers Alltours, ITS, Neckermann, Studiosus and TUI, the transport services Air Berlin, Air France, Deutsche Bahn and Lufthansa as well as the tourist regions Adriatic coast, Mallorca, North Frisian Islands and the Red Sea were surveyed based on the question: "What do you think, how strongly is... committed in the area mentioned, i. e. takes measures for promoting this goal?"

For tour operators the results show large deficits:

Tour operators have not yet been able to set themselves apart as far as CSR is concerned. 75 % to 80 % of all tourists who at least know the supplier cannot say anything about the supplier's CSR-commitment at all. Even for tourists who have already used a supplier, the share is only between 60 % (for TUI) and 70 %.

The only exception is Studiosus with only one third of its clients who are not aware of CSR. Approximately half of the Studiosus' clients are aware of the fact that the tour operator is involved in ecological issues and particularly committed to nature protection. Thus, Studiosus is the only supplier who is able to stand out as far as CSR is concerned while Alltours, ITS and Neckermann have no profile at all in this area. For TUI at least five of its clients are aware of TUI's ecological commitment.

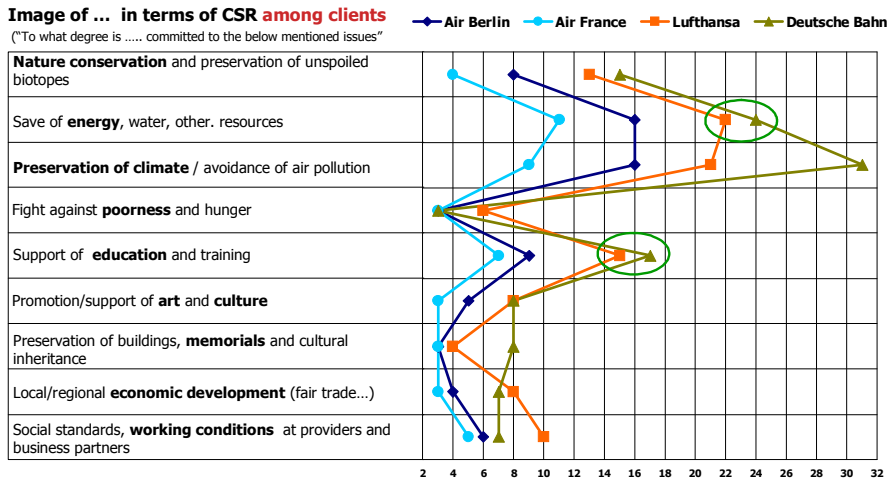
In addition to that, Studiosus is also perceived quite positively regarding the second dimension, i. e. promoting arts and culture. Although this dimension is



**Fig. 5.** Tour operator: Except Studiosus, even among their clients tour operators lack a CSR related image

\* Agreement (top box 4/5) in %

Base: households that already travelled with the corresponding tour operator



**Fig. 6.** Transport services: Even among their clients, airlines have a limited CSR related image

\* Agreement (top box 4/5) in %

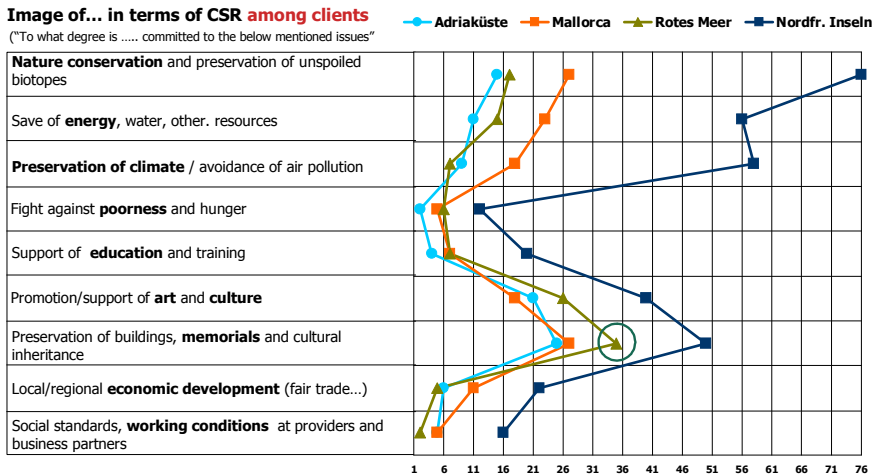
Base: households that already travelled with the corresponding transport service

generally perceived as less important, it can certainly have a great influence on the selection of culturally-oriented clients. In fact, there are considerably more CSR-affine travellers among Studiosus clients: CSR-commitment is worthwhile.

For transport services the picture is similar. Especially airlines hardly have a CSR-profile, even among their own clients. Only Lufthansa is ascribed a mentionable ecological commitment with topics like energy saving and preservation of climate.

The Deutsche Bahn is better able to set itself apart as it is associated by about one third of its clients with measures for climate protection and has thus created a certain CSR-image among tourists.

In general CSR offers a wide field for operators as well as airlines to distinguish from others with particular measures and to create a competitive advantage among CSR-affine tourists. Such measures obviously have to be demonstrated and communicated to the customer in a credible way.



**Fig. 7.** Tourist regions: The North Frisian islands enjoy a distinctive ecological image – other regions mainly focused on cultural inheritance

\* Agreement (top box 4/5) in %

Base: Households that already visited the corresponding tourist region

Tourist regions like the North Frisian Islands have already been able to distinguish themselves apart among their visitors as well as among the broad population in general. 76 % of all visitors (and 56 % of all tourists) are convinced that the North Frisian Islands are committed to nature protection and the preservation of original habitat. Thus, the North Frisian Islands are able to score with this dimension which is considered as the most important CSR-measure.

In contrast to that, holiday destinations like the Adriatic Sea or the Red Sea show image deficits. Less than 20 % of their visitors consider these two holiday regions to be committed to nature protection. Mallorca is in the midfield. Approximately one fourth of all Mallorca tourists recognize the effort of the region in environmental measures.

The tourist regions at the Adriatic Sea and the Red Sea have much better been able to set themselves apart as far as the protection and preservation of buildings, monuments and cultural heritage is concerned and also regarding the promotion of arts and culture. These are the strongest CSR-image factors for both regions, even if particular measures are perceived more strongly at the Red Sea (by about one third of the visitors).

The North Frisian Islands are also able to stand out here and thus are a very attractive holiday destination for CSR-affine clients.

Mallorca generally shows deficits regarding CSR-commitment to promote as well as preserve culture which can be seen as grounds for increased CSR-activities in this field.

Generally, it can be said for most tourist regions that they only win regarding their CSR image among tourists who have already visited the region: CSR-profiles among own clients are considerably more positive than among all tourists in general. This can be used as a basis to communicate CSR-measures publicly in order to offer the growing group of CSR-affine tourists a positive criterion for their holiday selection.

Altogether there are great potentials to address a growing and well-funded target group as well as get them enthusiastic about one's own offers through serious CSR-measures. This is the case for operators, transport services as well as for tourist regions including their hotels and infrastructure.

# CSR as Corporate Strategy vs. “Greenwashing”: CSR as a New Paradigm of Brand Management?

Christoph Willers and Agata Kulik

## 1 Introduction

In Germany as well as internationally there is an intensified discussion about corporate responsibility (HARDTKE/KLEINFELD, 2010). The superior keyword in this debate is named sustainability. Based on the social model of sustainability, the underlying assumption for the implementation of Corporate Social Responsibility (CSR)-Concepts is, that companies as social actors have to play a leading role to guarantee the existence of today’s and future generations, too (GRÜNEWALD, 2004: 5). Thereby e. g. the proceeding globalization, social value change and rising of moral demands, the increasing state withdrawal from social responsibility as well as a set of economic scandals and some more factors count as drivers of this development. While at the beginning this discussion was limited to certain sectors, e. g. automobile industry or chemical industry, meanwhile “Sustainability” can be found overall in the economy. The beginnings in the tourism sector already started during the 1970s with a critical reflection of the issue “environment” and the hint on mistakes in the development (KRIPPENDORF, 1975). This built the fundament for a discussion about the concept of sustainable tourism.

According to a study of the GfK, the German holiday trip intensity raised from about 70 % in the year 1992 to over 76 % in the year 2008 (WWF, 2009: 5). This shows that more than three quarters of the population being older than 14 years were at least once a year on a holiday which lasted more than five days. Caused by a weak economy these activities are confronted by a decreasing spending for trips abroad. Spontaneously the question comes up to what extent potentials for a sustainability-oriented tourism in such a travel and price affine population can be met. A study shows that in about three quarters of the German population a general sensitization regarding topics like climate change, greenhouse gas emissions, efficiency of resources etc. took place (BRANDSANDVALUES, 2009). Furthermore even 30 % stated to choose travels after certain environmental standards resp. state that they want to consider such criteria in the decision-making in the future (SEVENONE MEDIA, 2009: 55).

Against this backdrop, companies can position themselves lasting and reliable with sustainability affine brand positioning and achieve thereby a strong USP (Unique Selling Proposition) (LINXWEILER, 2004: 245). Not least by growing numbers of substitutes in saturated consumer good markets, thoughts concerning differentiation as well as creative, unique positioning considerations for brands and products achieve growing importance.

Many companies of the tourism sector counter the sustainability-conscious traveller with different projects and activities. Thereby the illustration of activities towards the customer varies as strong as the activities themselves. While several companies present activities proactive and “customer-equitable”, searching relevant information about companies’ activities is quite difficult. In addition, the contentual link (“fit”) between the authentic product resp. the service and the supported or implemented activity can often not be detected. As a result, aspired thoughts concerning differentiation can even be seen as so called “Green washing” in the public awareness (STOLL, 2002; LAUFER, 2003). In literature this term is denoted as the try of companies to achieve a “green image” by placing marketing and PR-activities, but without implementing appropriate activities within the supply chain (LIN-HI, 2010).

This article deals with these questions in the area of tension between corporate responsibility on the one hand and the consideration in the brand management as well as the awareness of implemented activities in the sector sustainability on the other hand. The main focus is to point out the success factors in effective management concerning the attainment of a strategic CSR-Fit.

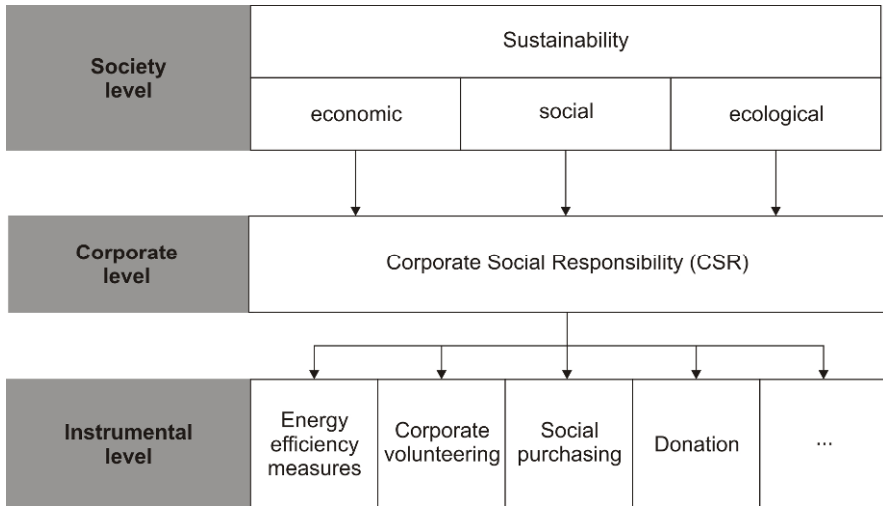
## **2 Tourism and Sustainability**

### **2.1 Concept of Sustainability and Corporate Social Responsibility**

On the one hand it is obvious, that Sustainability and CSR have appeared in brand management long time ago, on the other hand it can be observed that these terms are used in different ways. Therefore the central question is, how exactly sustainability is defined resp. how it can be differentiated from CSR?

Corporate Sustainability describes an orientation of entrepreneur business activity, where the company ensures its economic success and thereby efficiently optimizes the level of its absolute environmental and social compatibility under appropriate consideration of authorised stakeholder-requirements. Therefore it takes responsibility for its role and the consequences of its activities in economics, society and environment (HERMANN, 2005: 19). Consequently sustainable development can be defined as a development, which meets the requirements of today’s generation, without endangering the possibilities of future generations. The request to arrange this development in a long-lasting way applies for all countries and people (WIESER, 2005: 43). Basically three different dimensions can be distinguished within the framework: Society-, Corporate- and Instrumental levels (Figure 1).





**Fig. 1.** Three dimensions of sustainability

At the top (society level), there is the general concept of sustainability, which is interpreted in a very broad way and refers to the entire societal aspects. Sustainable economies can be characterized by three dimensions, which are reflected as basic-constants in an entrepreneurial responsibility (Corporate Responsibility):

- The economic sustainability is reflected by the ability to take advantage of value-added potential and transform them into competitive edges as well as to achieve a long-term security of the company.
- The social dimension is a measure for social acceptability of entrepreneur business activity and illuminates the relationships to stakeholder groups (e. g. employees, suppliers, partners, etc.). Also, the establishment of socially fair structures for further stakeholders (kindergartens, schools) is an expression of social sustainability.
- The ecological dimension contains the protection and conservation of the environment. Sustainable, ecological activities require a systematically reduction of environmental damage and risks.

Therefore assuming societal responsibility is a business objective, that is more and more considered besides the achievement of economic aims like profit maximisation. In order to reach this aim, companies engage themselves e. g. in environment protection, support projects in social sectors or particularly stand up for their employees. These activities can be combined under the term of Corporate Social Responsibility (CSR) (BROWN/DACIN, 1997). CSR can be defined as a result “as categories or levels of economic, legal, ethical and discretionary activities of a business entity as adapted to the values and expectations of society” (JOYNER/PAYNE, 2002:

300). Thereby CSR describes a voluntary long-term engagement of a company inwards or outwards, which aims at a sustaining orientation of the corporate management, culture and structure (EUROPÄISCHE KOMMISSION, 2001).

The instrumental level finally shows how sustainable activities can be implemented in the company resp. which support services in the social and ecological, but also in an economic context, result. This may include contributions in kind and monetary donations or voluntary involvement of employees in social and ecological corporate activities. In contrast energy efficient arrangements try to raise employee awareness besides resource conservation.

Thereby economical, ecological and social factors in line with sustainability management can not be considered isolated from each other. Conflicts between economical, environmental and social compatibility are not excluded in this context (BALDERJAHN, 2004: 59 ff.). Sustainable Management therefore requires that economic efficiency is brought in line with the value added potentials of social-ecological acting (WEBER, 2008: 43). Therefore an equalisation of sustainability in tourism with “ecological-tourism” does not fulfil the concept of sustainability.

## 2.2 Implementation of Sustainable Activities in the Tourism Sector

The concept of sustainability in tourism gains more and more significance in the academic and practical debate since the 1970s (FYALL/GARROD, 1997: 52). It gets particularly relevant against the backdrop, when the maximal tourist use of one area without negative effects on the natural resources, the recreational possibilities of tourists as well as on the host country’s society, economy and culture are crossed (VORLAUFER, 1999: 27). Through the tightened competition between tourist regions, limits regarding the use of the potentials of particular holiday destinations become apparent. For a long time endogenous potentials (especially natural conditions like climate, environment, landscape etc.) of the particular tourist regions have been used as free offers, without considering possible consequences resp. damages in a sufficient way (WÖHLER/SARETZKI, 1999: 67). This realisation goes along with the origin and establishment of the term “gentle tourism” and builds the beginning of demands for a sustainable and future-orientated development (BÄR, 2006: 17).

This sensitization also took place on the part of the travellers, so that a lot of travel operators resp. leisure activity providers follow these wishes by creating different projects and activities. The following examples show, that sustainability and Corporate Social Responsibility have become part of brand management long time ago and do not only affect the (anonymous) corporate level.

In direct context with a possible online booking the famous travel agency Studiosus, which offers educational journeys, for example promotes itself with the slogan “We take responsibility” (STUDIOSUS, 2010). The person who is interested in travelling can get detailed information about developments, certifications or CSR-projects in the sustainability sector. Concerning a rather sophisticated target group, which is averse to package tourism, Studiosus sets the transparency of its

acting and its communication in the foreground. By request a whole “sustainability-world” is opened to the customer, comprising background information, current CSR-projects and possibilities for engagement. In contrast to that the travel provider TUI cooperates, amongst others, with a soccer club and the Global Nature Fund (GNF) and set up a project for drinking water treatment in Kenyan schools and townships (TUI, 2010). It is noticeable, that the project as well as the general company guidelines concerning sustainability are not communicated on the mainly visited booking page, but instead can only be found on the general web presence of the corporate group. In this way sometimes the travelling-interested visitor does not notice the activities of its travel provider, in case he does not search proactive for such information. A similar example can be found within the hotel chain Best Western Hotels. The energy saving activities (construction of an energy garden at a hotel in Fribourg) are not mentioned on the online-portal of the provider. The communication only takes place in the media (BADISCHE ZEITUNG, 2010). So the potential visitor has no chance to receive this information, if he only uses the provider’s web presence.

But if CSR-projects resp. company statements concerning sustainability are communicated well-arranged and easily accessible to the travel interested person, the information should also be of use and transparent for the customer.

E. g. people who are interested in the Latin America-Travelling provider AVEN-TOURa can find the award of the company’s sustainability report under the rubric “Sustainability” (AVENTOURA, 2010). But criteria, which have been decisive for the positive award, are not apparent to the traveller. Therefore it is doubtful, if this information offers orientation to the customer or if it makes him insecure? Besides questions about the transparency of information concerning the topic sustainability and the integration in the whole company culture and communication, especially the so called “fit” resp. the accuracy of fit between action and company, gain relevance. The deficient fit-realisation can be shown with the example of the leisure and family park Europa Rust. The voting for “Miss Germany 2010” under the topic “United Charity – Beauty for good cause” was carried out at the park in 2010 (EUROPAPARK RUST, 2010). Linked to this contest was an auction for children in need. For the observer the vote for “Miss Germany 2010” stands clearly in the foreground, which overlays the aspect of social sustainability (donation and aid for children). Thereby the risk exists, that during the visitor’s information-converting-processes the activity does not fit to the company resp. to its service, so that dissonances, which can lead to reactive behaviour under certain circumstances, occur.

### **3 Chances and Risks of Corporate Sustainability**

Impacts of sustainable economic activities for the tourism sector can be found on all touristry value added process levels (travel providers, organisers, transport, hotel and restaurant industry) – as well because of own activities as on the part of

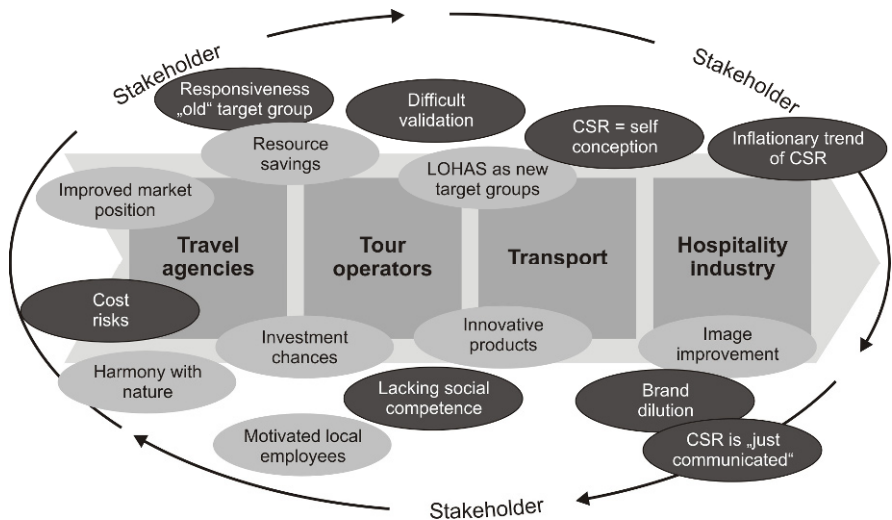


Fig. 2. Chances and risks along the touristy added value process

demands and the resulting requirements of actors involved in the market (Figure 2). These effects can be reflected in a multiplicity of chances and risks for companies, which are described exemplarily in the following (WILLERS/WEBER, 2009).

Companies connect in line with sustainable management their economic success with social and ecological responsibility towards their employees, guests and society, but also towards environment. For some years several stakeholder require an assumption of ecological responsibility by the companies (KIM, 2002: 7). The ecological dimension of sustainability contains the environmental protection through corporate activities and builds the base for the implementation of ecological brand attributes. The aims are e. g. the minimization of the material flow resp. the application of resources in line with the process chain and the environmental impact by toxic emissions as well as the increase of the recycling quote (MÜLLER-CHRIST, 2010: 323 ff.).

A sustainable management with clearly defined criteria, rights and responsibilities on both sides can thereby not only strengthen the mutual trust against the consumer, but likewise the own competition position, for example during the compliance of quality criteria. Investments in energy efficient activities in turn can lead to resource savings. A sustainable corporate strategy often leads to an advanced potential of innovations, consequential generates investment chances and strengthens motivation and binding of employees. The identification with the own company also increases the company's attractiveness for potential employees (WESTBERG, 2004: 48).

Further innovative products and services in the tourism sector can make new target groups accessible, e. g. the so called LOHAS (Lifestyles of Health and Sustainability). In the long term, ecological enterprise value and the fortification of a

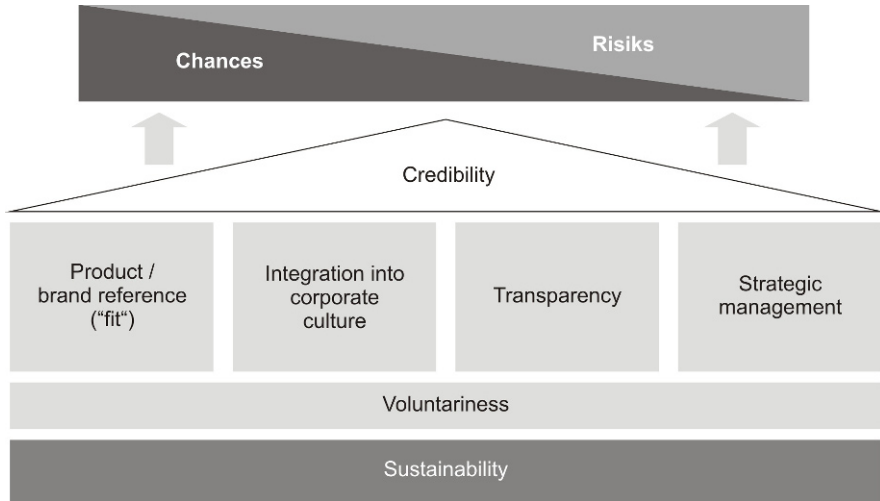
brand with sustainable attributes can especially improve the company’s image and reputation in target groups, in which ethical and moral requirements have an outstanding position, (MEFFERT, 2009: 1). However, the requirement is to fulfil the sustainable promises. In addition the linkage of sustainable brand attributes and products along the tourism supply chain can boost sales quantity, because of additionally given buying, resp. booking incentives, in form of a “Feel Good Factor”. Studies show, that the pure conscience having bought sustainable states is an important buying incentive (SEVENONEMEDIA, 2009: 11; EVERSLOH, 2010: 40).

On the other hand chances always stand against certain risks, which need to be considered for all sustainable activities. Certain cost risks for procurement will result from today’s commitments in the future (for example limit prices in Fair Trade, which have to be paid independent from markets price variations). But what happens, if the traveller – against all surveys – is not willing to pay an additional charge for fulfilled environmental or social standards? Beside the selection of sustainable aspects the evaluation should be also considered. Which criteria are applied, is validity guaranteed, who places appropriate standards, can companies A and B be compared with each other, etc.? How do social standards for companies and local providers look like? In consideration of ecological “correct” conveyance of passengers discussions result – do the chosen means of transport contribute to the best eco-balance?

The question, if sustainable engagements of companies are no self-concept in terms of an honourable tradesman and if CSR is just “communicated” should be looked at. Thereby the win of new potential target groups should always respect the requirements of the “old” target groups. Furthermore there is a danger to dilute the brand by loosing its constancy. It is not seldom that the results are “Greenwashing” reproaches. Hereby PR-methods are criticised, which want to give companies an environment-friendly and responsible image in the public, like “all kippers and curtains” (STOLL, 2002; LAUFER, 2003). Originally the term applied to a suggested environment-friendliness; meanwhile it is also used for suggested corporate responsibility (LIN-HI, 2010). An actual example from the restaurant industry makes this clear: In 2010, McDonald’s began to replace the colour red in their German company appearance by green, to point out their “environmental respect” (HERMES, 2010: 40). This has been – against the damage of brand-constancy relevant aspects – noticed very negative as Greenwashing in the public’s perception (FINANCIAL TIMES DEUTSCHLAND, 2009).

## 4 Management for Best Practice

The achievement of chances and the appearance of risks in line with corporate sustainable strategies are linked closely to the (non)consideration of different factors of success. Thereby four central aspects can be derived: product/brand reference (“fit”), integration within the company’s culture, transparency and strategic management (Figure 3).



**Fig. 3.** Factors of success of sustainable management

The evaluation of possible sustainable activities of a company and the following information processing by the traveller are in a strong way affected by a realised “fit” resp. congruency between acting and the linked product/service and the brand. Brand communication adjusted to these elements is combined under the concept of Corporate Sustainability Brandings in literature. This is defined as the “process of goal-oriented distinguishing of a corporate brand by corporate sustainability.” (HERMANN, 2008: 349).

A lack of congruency can lead to dissonances and force rejecting acting of the traveller. Consequently the danger for companies exists, that the chosen sustainable strategy elements and therewith linked activities do not fit to the product and the brand or are even critically examined. Sometimes reproaches concerning the tracking of profit maximization instead of social help or the commercialization of an ecological or social aim occur.

By formulating a semantic network the “bridge” between sustainable activity and the range of products/brands can be displayed (WEBER/WILLERS, 2009). Thereby a semantic network displays the associative relations between multiple terms and objects. If mental processes attain a plausible association, a high closeness in terms of content between objects can be identified. If it is difficult to get from one term to another within the network, there is a high semantic distance. In psychology this represents the length of association chains between two cognitions (GRUNERT, 1990: 22). This exemplary construction of associated knowledge in a network allows a precise formulation and ability analysis of the relation, which could exist between activity and product resp. the advertised brand. Figure 4 shows exemplarily that a high contentual fit between the supported project partner “My climate” and the therewith linked flight service exists within the Lufthansa group.

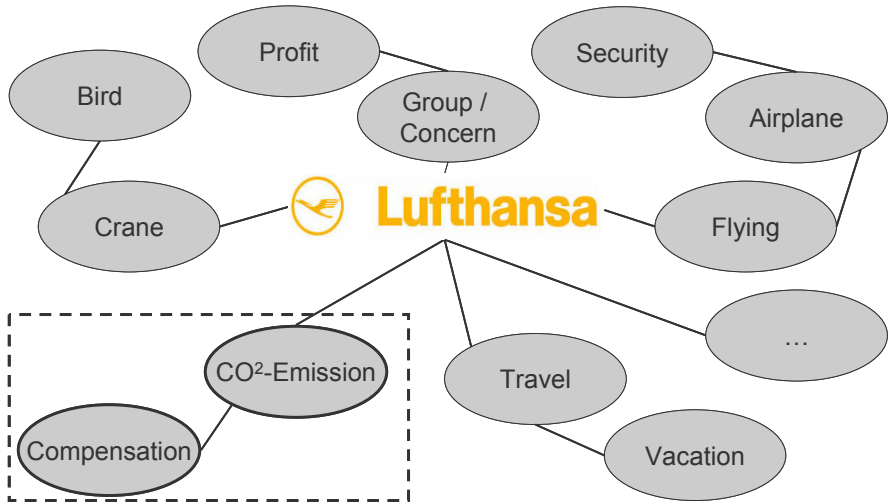


Fig. 4. Semantic network Lufthansa – My Climate

Via the project partner CO<sub>2</sub>-loads of a travel are calculated and appropriate compensating payments are made. With this exemplarily built association chain the traveller may achieve a fast and plausible association from the flight trip across questions concerning the discussed CO<sub>2</sub>-emission to an appropriate compensation and finally to the communicated project “My climate”.

MICHAEL (2003) states, that sustainable strategies generally are linked to the entire communication in terms of an integrated communication and should orient themselves to the product’s brand core or to the company to communicate an authentic, consistent and first of all unambiguous overall picture as well inside as outside. Therefore the integration of sustainable relevant activities in the corporate acting should happen in front of the background of the particular business culture and the image. Not every company suits for all activities. But the understood and lived culture of a company needs to be compatible with planned activities. Thereby it is important that economic, social and ecological engagement is part of the underlying business strategy and is built on the base of a coherent value system.

The more information exists about a market, the more transparent it is. Concurrently transparency develops credibility. Within the communication it has a key role. Because the more reliable a source of information is the earlier the communicant will accept its arguments (HRIBAL, 1999: 203). THOMMEN (1990: 132) therefore thinks that credibility was the central leitmotiv of corporate activity.

In line with sustainability principles of acting, standards and norms can create the base for the establishment of transparency. E. g. there exists the norm group ISO 14000 (environmental norm), which refers to questions linked with productivity processes and services of environmental management. The aim to improve working conditions in the global Supply Chain worldwide can be reached with the

Business Social Compliance Initiative (BSCI). The Social Accountability (SA) 8000 is said to be the first worldwide certifiable standard for social responsible business management. The “Eco Management and Audit Scheme” (EMAS) corresponds to the standards of ISO 14001 e. g. stands for a continuous improvement of ecological activity. Beyond that since 2010 the norm group ISO 26000 (ethical norm) is published. This non-certifiable norm should define, what accounts for “social responsible acting” and formulate recommendations how these should be implemented in organisations. Therefore the challenge for the (brand-)management is to convince the stakeholder of the reliability of sustainable engagement by acting in a transparent way. Thereto on the one hand clear efficiency statements should proof the performance, which in turn are communicated transparently. Objective certifications, rankings and tests support authenticity and therewith the sustainable strategy’s impact.

The last important aspect to mention is the strategically management of sustainability. In many cases companies have the will and ideas concerning sustainability. Rather sometimes the strategically and stepwise implementation of relevant activities is failed (Figure 5).

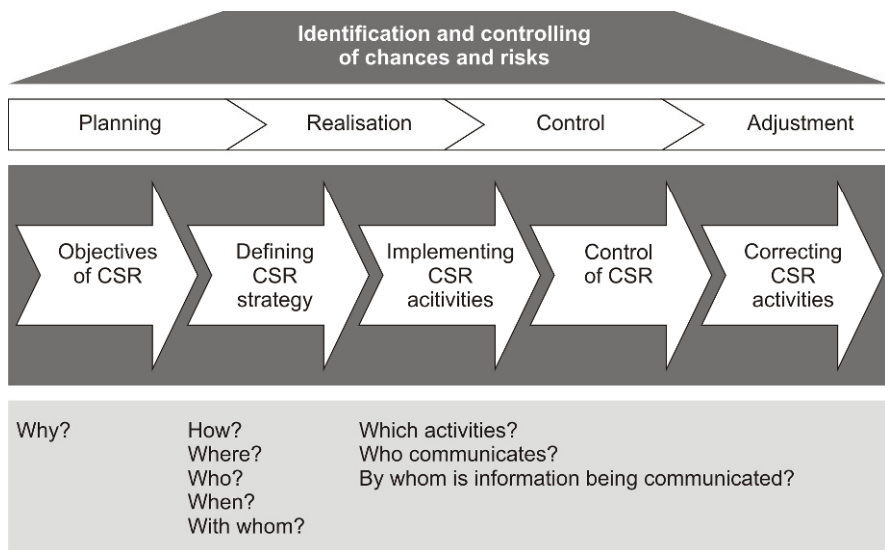


Fig. 5. Strategic implementation of sustainability

Actors often implement under pressure “ad-hoc sustainability”. Reasons therefore are the results of different aspects, especially a lack of know-how within this very complex field of action, missing intern assistance or small financial and personal resources. STECKENBAUER (2006: 164) e. g. indicates the often very short-termed orientation and operative direction in the tourism marketing.



A stepwise realisation is defined by a transparent and credible communication of the activities. In addition the control of a target achievement and its impact should be done to increase effectiveness and efficiency of arrangements resp. to adapt these if necessary.

## 5 Conclusion

By including the value “sustainability” to the brand strategy and communication, a real advantage in competition can be achieved. The tourism sector has discovered the value of the mega trend “sustainability”, but has not at all taped the full potential. Rather it counts to impart this value inwards and outwards: Inwards to show responsible acting to the employees, outwards to communicate a visible additional value for the customers and therewith to place a new standard.

Concerning the question, for which brand the people will decide, the affinity to sustainable consumer behaviour will become more and more an intense attribute to distinguish. This can also be transferred in the brand creation – considering all chances and risks. Thereby CSR has to come within and also needs to fit to the brands core (“fit”). Without an institutionalisation of the sustainable principle – inwards and outwards of tourism sector companies the risk exists, that sustainability remains a “goal to dream of”. Just to sell the “clear conscience” does not suffice. The implementation of such an ad-hoc-CSR rather holds the danger of noticed “Greenwashing”.

As a result, for the (brand-)management exists the challenge in convincing the stakeholder of the authenticity of sustainable engagement. For that purpose clear certificates of performance need to be provided and these in turn need to be communicated transparently. The shown stepwise proceeding under consideration of the presented factors of success can build the base for this.

## References

- avenTOURa: Nachhaltigkeit bei avenToura, <http://www.aventoura.de/unser-engagement/nachhaltigkeit> 13.07.2010 (2010)
- Badische Zeitung: Die Kronjuwelen auf dem Dach des Hauses, <http://www.badische-zeitung.de/freiburg/die-kronjuwelen-auf-dem-dach-des-hauses>, 12.07.2010 (2010)
- Bär, S.: Ganzheitliches Tourismus-Marketing. Wiesbaden (2006)
- Balderjahn, I.: Nachhaltiges Marketing-Management. Möglichkeiten einer umwelt- und sozialverträglichen Unternehmenspolitik. Stuttgart (2004)
- Baumgartner, C.: Nachhaltigkeit im Tourismus: Umsetzungsperspektiven auf regionaler Ebene. Vienna (2004)
- Brandsandvalues: Gesellschaftliche Verantwortung von Marken ist kaufentscheidend, <http://www.ethicalbrandmonitor.de/kategorie/03-presse>, 12.07.2010 (2009)

- Brown, T. J., Dacin, P. A.: The Company and the Product: Corporate Associations and Consumer Product Responses. *Journal of Marketing* 61(1), 68–84 (1997)
- Europäische Kommission: Europäische Rahmenbedingungen für die soziale Verantwortung der Unternehmen. Grünbuch, Luxemburg (2001)
- Europapark Rust: Schönheit für den guten Zweck!, <http://presse.europapark.de/lang-de/m359/Startseite-oben/Aktuell.c814/d7342.html?jahr=2010&kategorie=5&paginationpaging=2>, 12.07.2010 (2010)
- Eversloh, S.: Tue Gutes – und verdiene nicht daran. *Absatzwirtschaft. Zeitschrift für Marketing* 2010(7), 40–44 (2010)
- Financial Times Deutschland: Klimasünder mit grüner Weste. In: <http://www.ftd.de/unternehmen: greenwashing-klimasuender-mit-gruener-weste/50041237.html>, 03.05.2010 (2009)
- Fyall, A., Garrod, B.: Sustainable Tourism: Towards a Methodology for Implementing the Concept. In: Stabler, M. J. (ed.) *Tourism and Sustainability*, p. 51–68. Wallingford et al. (1997)
- Grünewald, M.: Corporate Social Responsibility – Konsumenten als Treiber für mehr gesellschaftliche Verantwortungsübernahme in Unternehmen. In: Freimann, J. (ed.) *Akteure einer nachhaltigen Unternehmensentwicklung*, pp. 39–55. Munich (2004)
- Grunert, K. G.: Kognitive Strukturen in der Konsumforschung. Entwicklung und Erprobung eines Verfahrens zur offenen Erhebung assoziativer Netzwerke. Heidelberg (1990)
- Hardtke, A., Kleinfeld, A.: Gesellschaftliche Verantwortung von Unternehmen. Von der Idee der Corporate Social Responsibility zur erfolgreichen Umsetzung. Wiesbaden (2010)
- Hermann, S.: Corporate Sustainability Branding: Nachhaltigkeits- und stakeholderorientierte Profilierung von Unternehmensmarken. Wiesbaden (2005)
- Hermann, S.: Wirkungspotenzial des Corporate Sustainability Brandings. In: *Akademische Marketinggesellschaft e. V./Klaute, O. (ed.) Aktuelle Perspektiven des Marketingmanagements – Reflektionen aus den Bereichen Holistic Branding, Media Management und Sustainability*, p. 347–366. Wiesbaden (2008)
- Hermes, V.: Werttreiber Nachhaltigkeit. *Absatzwirtschaft Marken* 2010, pp. 34–40 (2010)
- Hribal, L.: Public-Relations-Kultur und Risikokommunikation: Organisationskommunikation als Schadensbegrenzung. In: Hömberg, W., Pürer, H., Saxer, U.: *Forschungsfeld Kommunikation*, vol. 19. Konstanz (1999)
- Joyner, B. E., Payne, D.: Evolution and Implementation: A Study of Values, Business Ethics and Corporate Social Responsibility. *Journal of Business Ethics* 41, 297–311 (2002)
- Kim, K.: Methoden zur Evaluation der Nachhaltigkeit in Unternehmen. Kategorisierung und Analyse ihrer Stakeholderorientierung, Centre for Sustainability Management. Lüneburg (2002)
- Krippendorf, J.: *Die Landschaftsfresser*. Bern (1975)
- Läufer, W. S.: Social Accountability and Corporate Greenwashing. *Journal of Business Ethics* 43(3), 253–261 (2003)
- Lin-Hi, N.: Greenwashing. In: <http://wirtschaftslexikon.gabler.de/Archiv/9119/greenwashing-v1.html>, 02.05.2010 (2010)
- Linxweiler, R.: *Marken-Design – Marken entwickeln, Markenstrategien erfolgreich umsetzen*, 2nd extended ed. Wiesbaden (2004)
- Meffert, H.: Interview. In: <http://www.horizont.net/aktuell/marketing/pages/protected/show.php?id=88113&page=2&params=>, 15.06.2010 (2009)
- Michael, B.: Interview. In: [http://www.absatzwirtschaft.de/Content/\\_b=35070,\\_p=1003458,\\_t=ftkol](http://www.absatzwirtschaft.de/Content/_b=35070,_p=1003458,_t=ftkol), 07.07.2010 (2003)
- Müller-Christ, G.: *Nachhaltiges Management. Einführung in Ressourcenorientierung und widersprüchliche Managementrationalitäten*. Baden-Baden (2010)

- Schemel, H. J., von Laßberg, D., Meyer, G., Meyer, W., Vielhaber, A.: Kommunikation und Umwelt im Tourismus: Empirische Grundlagen und Konzeptbausteine für ein nachhaltiges Verbraucherverhalten im Urlaub, Umweltbundesamt (ed.), Berlin (2001)
- SevenOne media: Trendreport Grün, SevenOne Media GmbH. Unterföhring (2009)
- Steckenbauer, G. C.: Marktforschung in der Praxis. Standard und Stellenwert touristischer Forschung in der Marketingorganisation. In: Bachleitner, R., Egger, R., Herdin, T. (ed.) Innovationen in der Tourismusforschung: Methoden und Anwendungen, p. 161–172. Vienna et al. (2006)
- Studiosus: Wir übernehmen Verantwortung, [http://www.studiosus.com/allereisen/informationen/nachhaltiges\\_reisen/index.php](http://www.studiosus.com/allereisen/informationen/nachhaltiges_reisen/index.php), 13.07.2010 (2010)
- Stoll, M. L.: The Ethics of Marketing Good Corporate Conduct. *Journal of Business Ethics* 41(1/2), 121–129 (2002)
- Thommen, J.-P.: Glaubwürdigkeit als Grundlage des strategischen Managements. In: Rühli, E., Krulis-Randa, J. S. (ed.) Gesellschaftsbewusste Unternehmenspolitik – “Societal Strategy”: Jubiläumsband zum Anlass des zwanzigjährigen Bestehens des IbfF, pp. 121–149. Bern et al. (1990)
- TUI: Trinkbecher für Trinkwasser, <http://www.tuigroup.com/de/nachhaltigkeit/gesellschaft/projekte>, 12.07.2010 (2010)
- Vorlauffer, K.: Bali – Massentourismus und nachhaltige Entwicklung: Die sozio-ökonomische Dimension. *Erdkunde*, 53(4), 272–301 (1999)
- Weber, M.: Corporate Social Responsibility: Konzeptionelle Gemeinsamkeiten und Unterschiede zur Nachhaltigkeits- und Corporate-Citizenship-Diskussion. In: Müller, M., Schaltegger, S. (ed.) Corporate Social Responsibility. Trend oder Modeerscheinung, pp. 39–51. Munich (2008)
- Weber, T./Willers, C.: Auch das Gute muss passen. In: FAZ, 02.11.2009, No. 254, p. 14. Frankfurt/Main (2009)
- Westberg, K. J.: The Impact of Cause-Related Marketing on Consumer Attitude to the Brand and Purchase Intention: A Comparison with Sponsorship and Sales Promotion, Dissertation, Griffith University. Brisbane (2004)
- Wieser, C.: Corporate Social Responsibility – Ethik, Kosmetik oder Strategie? Über die Relevanz der sozialen Verantwortung in der strategischen Unternehmensführung. Vienna (2005)
- Willers, C., Weber, T.: Unternehmerische Risikofelder des Corporate Social Responsibility (CSR). *Risk, Compliance & Audit (RCA)* 2009(05), 24–28. Cologne (2009)
- Wöhler, K., Saretzki, A.: Umweltverträglicher Tourismus. Grundlagen – Konzeption – Marketing. Limburgerhof (1999)
- WWF: Der touristische Klima-Fußabdruck, [http://www.wwf.de/fileadmin/fm-wwf/pdf\\_neu/Der\\_touristische\\_Klima-Fussabdruck.pdf](http://www.wwf.de/fileadmin/fm-wwf/pdf_neu/Der_touristische_Klima-Fussabdruck.pdf), 12.07.2010 (2009)



# Socially Responsible Investing – Implications for Leveraging Sustainable Development

Tobias Luthe and Markus Schuckert

## 1 Sustainability and the Finance Sector

Socially responsible investors (SRI) favour certain companies over others for their accomplishment of certain sustainability criteria from social and ecological aspects, in fields such as labour rights, the production of weapons or the use of alternative energy resources (Hamilton et al., 1993).

What sectors and industries are excluded from and included in SRI funds is specific to the individual funds and cannot be generalized. In so called sustainability indices stock markets define portfolios of SRI funds guided by different objectives. The Dow Jones Sustainability Index (DJSI) for example, launched in 1999, tracks the performance of leading sustainability-driven companies worldwide, cooperating with SAM (Sustainable Asset Management<sup>1</sup>) and the Dow Jones Index. It serves as a benchmark to analyze the sustainability of investments. Its underlying sustainability assessment follows a set of criteria from economic, environmental and social dimensions (table 1). Each criteria is weighted, their assessment is done by the Sustainable Asset Management (SAM) questionnaire.

In recent time public focus for corporate social responsibility (CSR) has sharpened considerably, demanding that companies and firms shall act more responsible towards the social and natural environment (Rennebog et al., 2008).

A fundamental question is whether a company should aim at maximizing its own (shareholder) value or the social and ecological value being the sum of values for all stakeholders to become more sustainable?

Responding to this question some argue that engagement in ‚soft‘ factors such as CSR, being not directly within a firm’s core strategic focus of maximizing their return on invest (ROI) will result in trade-offs in their financial performance, due to increasing costs for socially responsible actions that might lead to economic disadvantages to their competitors. On the opposite there have been positive arguments,

---

<sup>1</sup> SAM is a global asset managing company focusing on SRI. <http://www.sam-group.com>.

**Table 1.** Corporate sustainability assessment criteria of the Dow Jones Sustainability Index<sup>2</sup>

Dimension	Criteria	Weighting (%)
Economic	Codes of Conduct/Compliance/	
	Corruption & Bribery	6.0
	Corporate Governance	6.0
	Risk & Crisis Management	6.0
	Industry Specific Criteria	Depends on Industry
Environmental	Environmental Reporting*	3.0
	Industry Specific Criteria	Depends on Industry
Social	Corporate Citizenship/Philanthropy	3.0
	Labour Practice Indicators	5.0
	Human Capital Development	5.5
	Social Reporting*	3.0
	Talent Attraction & Retention	5.5
	Industry Specific Criteria	Depends on Industry

\*Criteria assessed based on publicly available information only

stating that the costs for CSR are minimal compared to the possible benefits of motivation for employees, for the company's culture and working atmosphere, for the firm's reputation in the public as well as for risk management. A third viewpoint is that investments in CSR are considered as quite substantial but will be offset by gains in other areas, at least on the long term. This general discussion about the relationship between the perception of CSR in companies and their financial performance has been existing for more than twenty years (McGuire et al., 1988; Cornell and Shapiro, 1987).

Because of the exclusion of certain investment opportunities that are not valued as socially responsible, it is criticized that SRI funds underperform conventional funds or investment opportunities, and the higher the screening intensity for a higher social standard, the lower is the performance of the SRI funds. Recent studies have shown, however, that for most countries there is no statistically significant evidence for a general underperformance relation, but that a higher screening intensity may decrease the performance of SRI funds (Renneboog et al., 2008), because such funds cannot participate in and profit from the potential growth of various/other sectors.

Those finance institutions developing SRI funds communicate indeed their long term success because such investments avoid uncontrollable risks that origin from not sustainable behaviour (Sarasin, 2009), although in the short term their performance may be lower. SRI funds are expected to show superior risk/return profiles because SRI investors value sustainability as a catalyst for long term successful, less risky management.

<sup>2</sup> [http://www.sustainability-index.com/07\\_html/assessment/criteria.html](http://www.sustainability-index.com/07_html/assessment/criteria.html).

## 2 Linking Responsibility to the Consumer

The finance sector does maybe not inherit the best reputation in terms of acting socially responsible, but rather being self focused on short term revenue and cash-flow maximization, despite the negative impacts and side effects such practices might cause in the social and natural environment. The recent economic crisis from 2007 to 2009 has been caused to a great extent by the finance sector through extremely risky investments, bets and transactions for maximization of revenue and cash-flow, building up a huge global bubble that finally burst.

It has been generally assumed that investors are only interested in earning the highest possible return for a given amount of risk. In accordance to this assumption, investors are mostly unwilling to sacrifice on the possible level of ROI for socially responsible behaviour (Pava and Krausz, 1996). This implies that human behaviour is driven by the maximization of self-interest which is usually stated in economic textbooks known as *homo economicus*: a maximized return driven behaviour (Fehr and Gächter, 2000, 2002). However, empirical evidence has shown that aspects of responsibility towards the social and the natural environment, selflessness in general steer human behaviour as well (Fehr and Fischbacher, 2003). In the economic literature further evidence can be found that – despite the human egoism of maximizing self-interest – social sanctions or loss of reputation may stimulate responsible behaviour of individuals even if additional costs are involved (Akerlof, 1980; Romer, 1984).

The financial system is interwoven with market supply and demand, thus each individual decision and behaviour counts in steering the system, in defining what level of social responsibility and sustainability in general could or should be achieved, defined by the total sum of all individual values for all stakeholders.

## 3 The Finance Sector and Climate Change

Being the world's major capital provider, banks are constantly prone to risks, uncertainties and opportunities, and therefore their assessment is positioned within the banks' core tasks and competencies. Climate change is a major threat for businesses as it is for the world society. There are both direct and indirect threats and opportunities, for example direct through the more frequent occurrence of extreme natural hazards or indirect through policy adaptations, exploitation of resources or value shifts in society. Opportunities may arise from new industries and innovations being developed and strengthened such as from renewable energies. With regard to risk management the success of the banking sector will be partly determined by their ability to anticipate the impacts of climate change, and consequently by their ability to direct investments into a more climate friendly economy (Furrer et al. 2009).

## 4 The Responsibility of the Finance Sector

However, because of their central role as the world's major capital provider, banks have the power to trigger and control certain developments by strategically directing investments into certain industries, sectors or practices more than to others. This power involves the social responsibility to carefully direct and use this role. Climate change poses risks on the banking sector and may directly or indirectly threaten its future; reversely the banking sector can partly help to steer the world's economic development in a direction that slows down and mitigates climate change, as it can with merely social developments. The decision where major sums are being invested may well affect the international business environment and outstream on the world sustainable development. In responding to global environmental change a major challenge is the decoupling of economic growth from environmental degradation, leading to a qualitative growth model. One indicator for a more sustainable qualitative growth model is the transformation to a low-carbon economy, an economic system that is capable of emitting less carbon dioxide equivalents by strong technological efficiency increments, by a generally lowered consumption and production, and by a financial and political stimulus system of an international cap and trade market for emissions, today in place as the Clean Development Mechanism (CDM)<sup>3</sup>. The finance sector has a key role and a key responsibility in this development, defining the term of socially responsible investment.

## 5 Sustainability Reporting in the Finance Sector

As part of their CSR engagement the finance sector began to publish sustainability reports in order to not only – as conventionally done – inform shareholders and customers about its economic performance, but to become more transparent within their overall social responsibility to their clientele and to the public in general. Sustainability or CSR reporting has more and more become a commodity of major companies, not only in the finance sector but also within the tourism industry.

Reporting often follows the international standard of the Global Reporting Initiative (GRI) to ensure completeness, comparability, transparency and trustworthiness. The GRI<sup>4</sup> includes general criteria such as the overall strategy and analysis of the firm, its general profile, corporate governance, environment, society, product responsibility, economic aspects and more specific financial parameters such as the internal scanning criteria for SRI funds. One example may be the GRI report of the Bank Sarasin, a leading and pioneering supplier of private financial services (Sarasin 2009). Sarasin has a long Swiss history, founded in 1841 by the Sarasin brothers who also founded the Swiss National Park Engadin in 1914. First

---

<sup>3</sup> <http://www.cdmgoldstandard.org>.

<sup>4</sup> <http://www.globalreporting.org>.



time in 1989 Sarasin included ecological criteria into their product performance assessment, starting their engagement in SRI. In 2009 SRI funds made up for 21 % of their total managed funds. In 2008 Sarasin signed the 'Investor Statement on a Global Agreement on Climate Change', is as well participating in the Carbon Disclosure Project (CDP) and follows the Principles of Responsible Investment (PRI)<sup>5</sup>. The CDP aims on communicating the carbon emissions of leading international firms and their strategies to minimize their emissions. The PRI are an investor initiative in partnership with the UNEP Finance Initiative<sup>6</sup> and the UN Global Compact<sup>7</sup>. The PRI provide a framework that environmental, social and corporate governance (ESG) issues are being considered in investment portfolios.

In addition to their growing SRI product portfolio Sarasin implements CSR within their own organization, for example in energy efficiency, in human resources – gender mainstreaming or personal career development – and sponsors cultural events as well as scientific think tanks outside its institutions. The Sarasin internal sustainability research approach for the development and rating of SRI funds follows a three-step analytical approach: first all industry sectors are analyzed for ecological chances and risks to identify the best fit in sectors and companies, second and building up on the first step the specific behaviour of the respective company is assessed, and thirdly a financial assessment is applied. The interplay of ecological and social aspects with the financial performance is of high importance in order to define and estimate the underlying risks for the long term performance of a SRI fund. In the analyzing process Sarasin exempts firms from the sectors nuclear energy, weapons, chlorine and agro chemistry, tobacco, porn and genetically modified agricultural products (Sarasin, 2009). Sarasin is amongst the first banks engaging into SRI and may be one of the leading suppliers of sustainable investment portfolios today.

This very simplified summary of a highly complex interrelated system of finances, economics, market functions and politics shall open the critical view on what socially responsible investing means, and how it relates to the world's major service industry, tourism.

## 6 Investing in Tourism

Travel and tourism today are the major service industry worldwide, and thus an important sink of capitalist accumulation. This fact creates opportunities as well as risks and responsibilities. Tourism development is depending on investments and capitalization, providing local or regional employment and development. On the contrary, tourism operations harm the environment. Neglecting cultural traditions

---

<sup>5</sup> <http://www.unpri.org>.

<sup>6</sup> <http://www.unepfi.org>.

<sup>7</sup> <http://www.unglobalcompact.org>.

in foreign countries, the exclusive employment of non-local staff, over-consumption of water in arid places and emissions from aircrafts and cruise ships are key examples of non sustainable tourism operations. A third dimension are influences from global environmental change affecting tourism, for example climate change on diminishing snow reliability for winter tourism in mountain regions, or economic crashes such as the described financial crisis in 2007–09. Tourism is dependent on investments, and the global economy, even more so in rural places, is dependent on tourism, but irresponsible tourism and management can lead to harmful, destructive and not sustainable development.

Investments in tourism thus need to follow similar criteria of SRI, as outlined for the SAM and the DJSI. A framework to measure and assess the sustainability of the tourism industry has been provided by the World Tourism Organization UNWTO with the Global Sustainable Tourism Criteria (GSTC)<sup>8</sup>. Launched at the World Conservation Congress in 2008 the GSTC are a set of 37 voluntary standards defining a baseline any tourism operation should follow and intent to achieve. Socially responsible investments should therefore be guided by these criteria when investing into tourism, but unfortunately this has not yet become a common practice in any industry.

## 7 Conclusion

Socially responsible investing (SRI) can help to drive a more sustainable development of the world socio-economic system, in fact SRI is necessary in order to cope with global environmental change, mitigate climate change and support the fair economic development of poor countries. Guidelines for SRI in general both on an institutional, sectoral and on an applied level exist and are in place but still need to become adopted by a greater number of actors.

In the tourism industry in especial the implementation of criteria such as the GSTC on a broader industry level is needed to leverage the growing niche of sustainable or responsible tourism operators and practices on a level that affects the whole industry to drive a real change towards sustainability. The finance sector is asked to direct capital flow into tourism according to SRI criteria as provided sector specific with the GSTC in order to support the sustainable change of the tourism industry and in order to follow the social responsibility code of the finance sector.

However, the link between both industries in terms of SRI does not yet seem to be appropriately developed.

---

<sup>8</sup> <http://www.sustainabletourismcriteria.org>.

---

## References

- Fehr, E., Gächter, S.: Fairness and retaliation: the economics of reciprocity. *Journal of Economic Perspectives* 14 (2000), 159–181 (2003)
- Fehr, E., Gächter, U.: Altruistic punishment in humans, *Nature* 415, 137–140 (2002)
- Fehr, E., Fischbacher, U.: The nature of human altruism, *Nature* 425, 785–791 (2003)
- Furrer, B., Hoffmann, V., Swoboda, M.: Banking & Climate Change: Opportunities and Risks. An Analysis of Climate Strategies in more than 100 banks worldwide. SAM, ETH Zurich and zhaw (2009)
- Kotler, P., Haier, D.H., Irving, J.: *Marketing Places: attracting investment, industry and tourism to cities, states and nations*. The Free Press. A Division of Simon & Schuster, New York (1993)
- McGuire, Jean B., Sundgren, A., Schneeweis, T.: Corporate Social Responsibility and Firm Financial Performance. *The Academy of Management Journal* 31(4), pp. 854–872 (1988)
- Hamilton, S., Jo, H., Statman, M.: Doing Well while Doing Good? The Investment Performance of Socially Responsible Mutual Funds. *Financial Analysts Journal* 49(6), pp. 62–66 (1993)
- Renneboog, L., Ter Jenke, H., Zhang, C.: The price of ethics and stakeholder governance: The performance of socially responsible mutual funds. *Journal of Corporate Finance* 14(3), 302–322 (2008)
- Sarasin: GRI-Report. Nachhaltigkeit bei Sarasin. Sarasin & CIE AG, Basel (2009)

## Internet Sources

- SAM: <http://www.sam-group.com>, accessed on August 30th, 2010
- Dow Jones Sustainability Index: [http://www.sustainability-index.com/07\\_html/assessment/criteria.html](http://www.sustainability-index.com/07_html/assessment/criteria.html), accessed on August 30th, 2010



# **Beyond the Boundaries of the Tourism Industry**



# Competent and “International” Body Language as a Key Qualification in the Tourism Industry

Monika Matschnig

Be it within curriculums of appropriate training facilities, in advanced training programs or in job profiles of the tourism industry, there is one aspect turning up more and more frequently, namely the aspect of body language.

One explanation for this is undoubtedly the growing importance of non-verbal communication with respect to business relations and business situations in general. After all, working life requires a high degree of willingness to communicate, and apart from job-related qualifications, companies also expect a well-trained demeanour in front of the most varied target groups. Thus, the so-called soft skills play a decisive role and give a competitive edge in this glutted market. Every person wants to appear self-confident, determined and vigorous, even if he feels unsure of himself, shy or overtaxed. This is not a problem with the right body language. Those, who have over and above that the ability to empathize and know how to read signals from business partners, colleagues and superiors, have a clear advantage in situations like negotiations, presentations and appraisal interviews.

Another explanation for this is that a sector as complex and heterogeneous as the tourism industry requires particularly diligent training with regard to body language. Just like the vocabulary of a foreign language, gestures in body language and their meanings may differ from nation to nation or rather from culture to culture, but these subtleties are often not as consciously perceived as verbal barriers are. However, when crossing borders, it is often the non-verbal communication that is more important than the verbal communication, but it is more “dangerous” as well. The higher the dependency of facial expression and gestures on cultural standards, the more likely is it to drop a (non-verbal) clanger. Especially in formal, business situations, for example international meetings, this may have a negative effect on conversation and negotiation results. Therefore, it is advisable to swot up vocabulary, even at a non-verbal level, in order to always find the right words *and* gestures.

Let’s get back to the basics of our personal background for the moment. Before daring to attempt foreign body languages, it is necessary to have a good command of one’s own body language in order to increase one’s own repertoire. The reason for doing so is that the individual body language of a person, in other words posture, gestures, facial expression as well as voice volume and tone, constitute 93

per cent of the impression that we give to others. This is hardly surprising because the body language of a person reveals more about the personality than a thousand words could. No other human language is as elemental, nor as honest, as our body language. Words can deceive, words can lie; but a fake smile cannot hide the truth. Whether we like it or not, our body betrays our true feelings and thoughts. Thus, understanding posture, gestures and facial expression correctly can be of great advantage. On the one hand, it is helpful because we can use this knowledge for our own body language, since the right gesture at the right moment can sometimes work a miracle. On the other hand, it is helpful because we are able to interpret body signals of other persons.

An “evergreen” in respect to body language, which has proved to be true time and again, is the finding that the first impression is the last impression. Without being aware of it, we form an opinion about a person we are meeting for the first time in a matter of seconds. That explains, for example, why the importance of the handshake when first meeting someone is not to be underestimated. This is especially true for business sectors such as the tourism industry, in which service culture plays a dominant and decisive role. In fact, many psychologists share the opinion that the success or failure of a business relationship can depend on the right handshake, because the way two persons greet each other says a lot about their intention, self-image and attitude.

- A strong handshake is an indication of a strong and self-confident character.
- A limp handshake, in which the fingers are not stretched out properly and where the other hand is not grasped properly communicates that the person is insecure.
- Extending the whole hand until the two hands are web-to-web when greeting someone, is a sign of an open person, who has no reservations and shows total commitment.
- Those who leave a hollow space between the palms when shaking hands might be open but are not willing to reveal everything yet.
- Also a person with a “stiff” hand or someone, who grasps the palm only with the fingers when shaking hands, wants to keep a distance.
- Those who extend only a few fingers to the other person might be present but indifferent.
- If the palm is facing up when greeting someone, it indicates that the person is dominant.
- A person who further grasps the forearm of the other person with his free hand is dominant as well. This person wants to lead.
- A person who covers the top of the other’s hand with his free hand expresses something totally different. This emotional gesture can be seen as a very appreciative one.



- This sort of handshake is not to be confused with the so called “used car dealer-attitude”, in which the extended hand is grasped from the sides with both hands. This is supposed to create a sense of familiarity, but in fact, comes across as rather unappealing.

The purpose of using body language at the first impression and at the ones that follow is to have a sovereign as well as a positive effect on business partners, superiors, employees and customers. Our posture, the way we stand, sit or walk is our very own business card. With a firm posture, i. e. standing straight, with the chest out and the head up, we communicate self-awareness and self-confidence whereas a person, who is always restless, someone who is very stiff or someone who is literally droopy, has a completely different effect on others. Such people come across as undetermined, inflexible and listless. In addition to the right posture, it is essential to have a sovereign and natural gait to leave a pleasant and competent impression on others. Just like we have an ideal posture while standing, we should make sure that we do not slouch while walking either – after all, the Stone Age is long gone.

So that was a bit about the basics of successful body language in today’s business world. In case of tourism industry however, there are other, more specific challenges to face. After all, one body language is not like another – much less in international communication.

## **International Body Language**

Just like foreign language vocabulary and grammar rules non-verbal signals of other nations and cultures play an important role in intercultural communication and indeed make it a lot more complicated. The reason for this is that facial expression, gestures and posture are closely related to a specific culture and social norms. Countless studies have proved that emotional facial expressions are universally decodeable, but are nonetheless not always understandable. Basic or universal emotions like fear, happiness, sadness, surprise, anger and disgust are expressed in the same way almost all over the world and for instance are shown by frowning as a sign of scepticism or anger. Nevertheless it can depend on the respective social conventions, not only who laughs, but also when and in which situation. Thus, dropping a clanger can happen really easily in international communication and it is advisable to be aware of the peculiarities in international body language.

In order to demonstrate the importance of international differences regarding non-verbal signals, it is worthwhile paying special attention to some examples that underline the range and consequences of body language communication difficulties between nations and cultures:

- In 1988 a Thai entertainer was sentenced in Los Angeles for having murdered a 32-year-old Laotian. The Thai was a singer in a Thai cabaret. The landlord, a Laotian, put his foot on a chair so his sole was facing the Thai. The Thai interpreted this according to the Thai-Laotian culture as a gross insult and shot the Laotian after the show.
- In 1995 the US-congressman Bill Richardson travelled to Iraq to meet Saddam Hussein in order to negotiate the release of two Americans. When he took his seat, he crossed his legs so that Saddam Hussein could see the soles of his shoes. As a consequence, Saddam Hussein instantly left the room and the negotiations were broken off. In some Arab cultures the soles are seen as the dirtiest part of a human and it is therefore an affront to show them to somebody.
- In 1995 a wedding in Southern Egypt ended with two persons dead and three wounded because the groom took his bride by the hand in order to take her home. The bride's brother found this inappropriate, because according to Egyptian traditions a man and a woman are not allowed to show their affection towards each other in public before their marriage has been consummated. The bride's brother reproached the groom's uncle because the groom had not been brought up properly. This led to a fight in which the uncle and the brother were killed and three more wedding guests suffered gunshot wounds. And this all happened only because a newly-married couple was holding hands.
- In Saudi Arabia an American woman kissed an American man on his cheek in a car. This was observed by a member of the National Guard. Both Americans were married, but not to each other. As a result the American woman was deported from the country, the American man made the mistake of complaining about this and was therefore thrown into prison.
- An American lawyer accompanied the governor of his state to Japan. There he held a speech to high-ranking Japanese civil servants. After his speech he was quite dejected because he was under the impression that the audience had been asleep. But it is actually a token of highest concentration to close your eyes and slightly nod your head while listening to a speech.
- The fact that the Japanese do not smile might lead every European to the conclusion that there is nothing to laugh or smile about for them at all, that they are not happy but sullen and humourless instead. But the reason for the eternally neutral facial expression is a completely different but yet simple one. It does not befit them. In the Land of the Rising Sun it is still unusual to show any emotions, including happiness of course, and therefore it is avoided. Japanese men do not laugh in public and the women do not show their teeth while laughing. The natural facial expression in the Western world is only slowly gaining acceptance in the Far East, but at least it is now tolerated. And as the merits of smiling, such as the release of neuro-

transmitters (the "happy" hormones), are recognised and accepted, the Japanese are even putting effort into training smiling.

The Japanese "smiling problem" shows just like all the other examples, that a simple facial expression which naturally belongs to one's own repertoire of body language can be inappropriate when in conversation with a foreigner. For instance the correct way of having eye contact holds pitfalls that should not be underestimated.

In Northern Europe and North America direct eye contact stands for frankness, honesty, integrity and interest. Arab cultures too are accustomed to intensive eye contact, but it does not necessarily mean that they are interested in intensifying the contact to the opposite number. Instead they want to find out the real intentions of the other person, based on the conviction that "eyes don't lie". Nevertheless, this peculiar gesture can be easily misunderstood. According to the Arab culture, people who do not want to show their inmost feelings keep their expressions to themselves and don't turn their face to their interlocutor, but to other people. This behaviour can easily be judged as a lack of interest, but simply might just be an expression of shyness or restraint. Assuming a lack of interest from not looking at your opposite number would also be wrong in Japan, because direct eye contact is regarded as an invasion of a person's privacy and therefore looked upon as impolite. Even in offices, where the Japanese sit close to each other, it is an unspoken code not to make eye contact and thus tolerate the other's privacy. They don't even look at each other while bowing as a greeting.

Furthermore, the correct way of greeting can be crucial to the further development of international contact. Whereas the classical handshake is a common greeting gesture in the occidental culture – firm for the Germans and Americans, but soft for the French –, the greeting rituals in Asia differ strongly. The so-called Namasté-welcome, which is very common in India and many parts of Asia, requires a small bow made with hands pressed together in front of the chest. Similarly, the hands are often also clasped together in the Middle East and Latin America. The typical Japanese welcome is a mixture of both greeting gestures and consists of both, a small bow and a handshake. In order not to do anything wrong, the most important element of a non-verbal greeting is the distance to the opposite number. The distance of an outstretched arm should be maintained. Moreover, the bow should reflect the relationship of the persons towards each other. There is only one golden rule to follow: The bow of the person, who is in terms of hierarchy (such as age, social status etc.) below the other one, should be deeper and longer. In general, a medium deep bow is suitable for most occasions.

People in search of a clear "yes" or "no" should also know the various alternatives of non-verbal communication when acting internationally. A nod of the head indicates agreement in the whole world, but in some cases, e. g. in India, Pakistan or Bulgaria, the side-to-side tilting of the head means the same.

Disagreement is just as diversified. Apart from the ubiquitous head-shaking, there are further signals indicating disapproval that might not be understood immediately. Some examples are throwing back one's head in southern and Arab countries, raising the eyebrows in Greece or waving one's hand in front of one's face in Japan.

While you can't do too much wrong with regard to international facial expressions, the ice you walk on while gesturing is a lot thinner. Many of the gestures we naturally use in everyday life exist in other nations, but often they indicate something completely different. Assuming that the same signal means the same thing everywhere can lead to embarrassing misunderstandings.

Even the frequency of touching the opposite number can be a pitfall of non-verbal communication. In South America it is common to touch the other person about 180 times per hour; a behaviour that would irritate or even shock most people in Europe. On the other hand, a South American visitor participating in a typical Northern European conversation with less body contact might think his interlocutor did not like him very much.

The space somebody needs to gesture is also a very important factor, because the more space somebody needs, the more attention he is attracting. So the more room the arm movements take up, the greater the effect and starker the impression on the onlooker. That is one reason why men use bigger gestures than women in most cultures. But there are also many divergences at an international level. If an American manager wants to emphasize a point during a discussion, he bangs his fist on the table and accompanies his own words with staccato drumming on the table. Even female managers use this gesture, but in a slightly toned-down variation.

In contrast, Japanese men do not need as much space for their gestures. "Space" is restricted in Japan and claiming lots of elbow-room could be seen as intruding into the private territory of others. To the Western way of thinking "typical" Japanese behaviour might seem servile or self-conscious, and for instance during business negotiations even uninterested or indifferent. Japanese, on the other hand, regard intensive arm movements as a distraction and thus cannot concentrate properly on the spoken word. In contrast to this, Arabs make even more use of their arms in non-verbal communication than Americans. They emphasize each word with huge gestures and thus indicate clearly their emotions like annoyance or enthusiasm.

Not only can gestures be very different, but also extremely misleading – even more so when particularly self-explanatory and commonplace signs are involved. In North America and Europe, joining the thumb and index finger to form a circle and holding the other fingers straight signals agreement and approval. The Japanese use it as a symbol of money, in France, Belgium and Tunisia it is understood as "zero" and describes something as being worthless. In Malta, Tunisia, Greece, Turkey, Russia, parts of South America and in the Middle East the "O"-sign is regarded as an obscene and insulting gesture.

"Thumbs up" is made by extending the thumb upwards and is a sign of acknowledgement almost everywhere, but for instance in Australia and Nigeria it is an uncalled-for method of telling someone to go away. Raising the index and middle finger and separating them to form a "V" is a symbol for either victory or peace. However, in Great Britain and Australia this sign is very offensive and tells someone in no uncertain manner that he is not welcome anymore.

Even small children learn that "it is rude to point at strangers", which still is one of the most used gestures in Western cultures, but is absolutely taboo in

China, Indonesia and Sri Lanka. Even left-handed persons might unwittingly fall out of favour in Arab cultures, because it is inconceivable to accept something proffered by a left hand. But why? Because the left hand is thought to be unclean and is reserved for hygienic functions. This also is why it is not supposed to rest on the table during a meal or is most certainly not used to eat with at all.

Compared to the countless cultural differences, these examples were only a small fraction of all the possible traps which might occur while communicating non-verbally on an international scale. However, there is a set of simple rules that might help to reduce the number of such mistakes, even if they cannot be avoided completely.

- Body language should not be regarded separately but in its context. One single sign does not imply much if the other body parts do not reinforce the impression. The combination of language, body language, culture and current situation is decisive.
- In international communication there is no room for prejudice; only the unbiased ones can understand their counterparts.
- Diversions can be discovered easily, even in a foreign body language. A person who shows his emotions and thoughts via his body language is authentic. But if the signs do not fit the words, mutual comprehension is difficult. The problem is easily solved by simply asking.

## Conclusion

In order to succeed in non-verbal communication all over the world, a person should bear in mind some important aspects regarding contact to people from other nations and cultural backgrounds:

- Sign language is not to be seen as isolated. Its meaning correlates to interpersonal relations and is defined by situation, place and time. They depend on local culture, are acquired together with spoken language and are often ambiguous.
- It is useful to know the opposite number's cultural background when trying to interpret his body language correctly. But at least as important are also empathy, sympathy, understanding, acceptance, curiosity and the awareness that differences exist. It is necessary to recognise these differences in order to succeed in both interpersonal and intercultural communication.
- The reason for misunderstandings in non-verbal communication, in spite of common ground in cultural standards, is the fact that nobody is able to perceive a situation in exactly the same way as his counterpart. According to personal experiences each person perceives its environment differently.

This leads to the question of how to hedge one's bets in terms of international body language without having to memorise the non-verbal vocabulary of each nation? The most advisable solution appears to be to use body signs sparingly. The less body language is used, the less it can be misunderstood.

## References

- Axtell, R.E.: *Gestures: the do's and taboos of body language around the world*, revised and expanded ed. Wiley, New York (1998)
- Beamer, L., Varner, I.: *Intercultural Communication In The Global Workplace*, 4th ed. McGraw-Hill International Edition (2008)
- Lyle, J.: *Körpersprache*, Gondrom Verlag (1999)
- Lutterjohann, M.: *KulturSchock Japan*, Verlag Rump (2003)
- Matschnig, M.: *Körpersprache: Verräterische Gesten und wirkungsvolle Signale*, 2nd ed. Verlag Gräfe & Unzer (2007)
- Rückle, H.: *Körpersprache für Manager*. Verlag mi (2000)
- Strittmatter, K.: *Gebrauchsanweisung für China*. Piper (2004)
- Yu N.: *The Chinese HEART in a Cognitive Perspective – Culture, Body, and Language* (eBook) (2009)

# The Serious Benefits of the “Joy-Care Factor” – Humor, Laughter, Fun, Optimism and Love in Service of the Workplace

Lenny Ravich and Avi Liran



**Fig. 1.** Lenny Ravich, Avi Liran

In 2006, Gallup published results of a productivity and engagement study “Feeling Good Matters in the Workplace” in the U. S. A., with conclusive results: Happier employees are better equipped to handle workplace relationships, stress, and change. Caring and joyful relationships with employees, customers and even investors and suppliers are vital components of that. Companies that help employees improve their wellbeing and invest in cultivating meaningful caring relationships

see boost in productivity, engagement, and resilience on rainy days. Gulati and Kletter (Gulati; Kletter, 2005) concluded in a research with Fortune 1000 companies top executives that strong relationship centred companies outperformed the competition both in profit and shareholders value.

Juxtaposed with this is today's demanding customer – a customer who makes it plain that apart from transactional excellence, she also has a need to FEEL LOVED.

This got us thinking. The two main emotions that stood out for us were cheerfulness and feeling loved. To our simple minds, they are inter-connected – one leads to the other. They are also age old concepts and nothing new to humankind. However, it is something that now reads well, but does badly. How can these two mantras become part of an organisation's DNA? It involves a shift in the culture and thinking within the organisation and that always starts at the top.

## 1 Creating a Delightful Workplace – An Elated Employee Spreads Vivacity

Airlines safety manuals all say: “Should pressure drop in the cabin, please put the mask on yourself first, and then attend to your child”. Likewise, we need to make sure our employees have the “oxygen” first before they can distribute it to their customers.

How do we help our employees become merrier? In our work, we constantly hear people say “It's easier SAID than done” when we talk about personal exuberance



**Fig. 2.** Helping the child to reach his oxygen mask

Source: [www.airtoons.com](http://www.airtoons.com)



being a vital foundation for a mirthful work environment. With all respect, we beg to differ – we claim that it is “Easier DONE than Said” or “EDtS –The Joy Factor at Workplace and Service.”

Taking professional skills as obvious, what is the “oxygen” needed to perform at our best?

- A corporate culture that supports employees to be happy first so they can extend their happiness to peers and customers.
- A leadership team that roles model Care in a joyful way, supporting employees in taking ownership of their own well-being.
- The learning of how to de-stress and handle challenges effectively with a smile.

*“When work is a pleasure, life is a joy! When work is a duty, life is slavery.”*

Maxim Gorky

### **Donkey Tales**

*A farmer had a donkey who he over-worked and under-fed. One day the poor donkey died. The farmer sat at its grave and cried bitter tears, “Such bad luck dogs me! Just when I had taught him to work so efficiently without food, he has to go and die on me”.*



**Fig. 3.** Dragon and Donkey, Shrek the Third, 2007

Source: Paramount Pictures, [www.allmoviephoto.com](http://www.allmoviephoto.com)

## **Choose to See the Beauty in the Ugly**

### **A Strategy That Works in Real Life**

Talking about a donkey, we all remember the original movie Shrek. When the fire breathing Dragon closes in on Donkey, he smooth talks the Dragon, noticing she is a female then giving her compliments, “Why of course you’re a girl dragon. You’re just reeking of feminine beauty ... hey, what’s the matter with you; you got somethin’ in your eye?”

You could argue that the donkey’s compliments were insincere and said solely to save his life, yet he ends up as a father of five fire breathing flying donkeys.

Who of us has not met a fire breathing dragon in our lives, especially in a competitive workplace? Weren’t we intimidated, full of fear and stress?

Donkey comes to teach us an alternative strategy – choose another reaction. A positive one.

If it does not work with the helpless person at work, it is still a great strategy to use at home with people you love. Choose to see the beauty. Most of the times the beauty will appear.

Today’s top talent is certainly not like the donkey. The more skills they possess, the more freedom of choice they have. The immediate total cost of losing such talent is roughly estimated at half-year’s salary. Cost of re-hiring, re-training, burden on the others while searching for replacement are some of the cost involved. If this individual takes away your core customers to your competition, the loss can run into several millions of dollars.

The “carrot & stick” method of motivation is extrinsic and an outdated model that worked during the Industrial Age. It is short-lived in its attempts at motivation. The top talents you would wish to attract and retain today value intangibles much more than just money. Daniel Pink (Pink, 2006; Pink, 2009) discusses why extrinsic factors belong to the last century. While they work to a certain extent in routine jobs, they achieve the opposite results when creativity is needed. Intrinsic factors, on the other hand, such as purpose, mastery and autonomy have proven to be more effective. Dr. Dan Ariely (Ariely, 2010) adds insights from Behavioral Economics on how social intrinsic elements such as love, gratitude, praise, trust and a sense of community among others, can be priceless and should be handled with care by managers. Intrinsic motivation is very effective. It boosts creativity, loyalty, sense of ownership and contributes to self engagement which increases productivity.

The engagement survey conducted by the Corporate Leadership Council in 16 countries all over the world clearly revealed that ‘emotional commitment factors’ had a much stronger impact on discretionary effort (going the extra mile) than ‘rational commitment factors’. Emotional commitment again is intrinsic

whereas rational commitment is extrinsic. While we try to rationalize the logic of engagement, we wrongly assume that people are rational and act from their brain. In many of their actions there conclusive evidence that we are much more influenced by our emotions.

EDtS philosophy suggests that leaders must elevate their relationships with the employees, customers, suppliers and investors towards a more social and personal interaction type role model; CARE from the HEART with JOY as a value of the company culture.

## 2 Choose Your Attitude – Love What You Do! We Will Love You Too

People come from all over the world to the fish market in Seattle to watch and engage with the world famous crew of fishmongers of Pike Place Fish throwing fish and having fun with customers and among themselves. Charthouse Learning, a company from Minnesota, had taken the opportunity to develop Fish philosophy. They authored a fiction book “FISH!” based on the real Pike Place Fish recipes. This book deals with the attitude that fish sellers in a fish market bring to their job. Do they work out of luxurious surroundings? Certainly not! Are they elated with what they do? Oh yes! Their core philosophy is: “There is always a preference about the way you do your work, even if there is not a choice about the work itself.” The big question is, “how do we go about doing this?” That’s where laughter and humour come into play.

Jack Canfield, the co-author of the Chicken Soup for the Soul series gives us a formula:  $E+R=O$ . E stands for the events in our life, R is our response to these events and O is the outcome. The E (event) cannot be changed, but we certainly can control our R (response) to that E (event), which in turn will impact the O (outcome). **We can choose to feel any way we want by being more resourceful in our ways of thinking.**

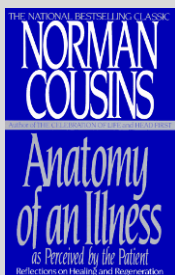
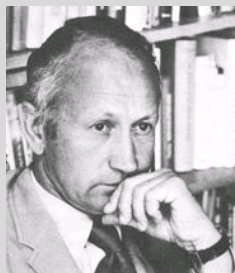
“A smile is the shortest distance between people” said Victor Borge, the comedic pianist. Both writers of this piece believe in sharing a smile with people. The initial response is a look of shock (some even move away as if they might contract something unspeakable), but usually there is a tentative smile in return. That return smile does it! Even an insufferable day becomes that much more bearable.

Laughter and humour are also the best natural medicines we already have. For us personally, the best things about this form of medicine are: It is free and no bad side effects! (Unless you suffer from Hernia).

By preferring to giggle at your troubles, you begin the winning of mind over matter – because you are not letting your challenges get to you. It is a fact that no problem will be solved by getting stressed about it. Making a conscious choice to laugh at the difficulties prevents unproductive stress which will put our health at risk. Laughter allows you to focus on a solution rather than the problem.

## “A Laugh a Day Keeps the Doctor Away?”

### The story of Norman Cousins



In 1979, the article Norman Cousins had published 3 years earlier became the first chapter of his book, ‘Anatomy of an Illness’.

In his book Cousins describes how he was diagnosed in 1964 with ankylosing spondylitis, a sickness that attacks the function of the spinal cord and is excruciatingly painful. A rare

disease that usually results in acute inflammation of the spine. His case was so severe that he was given a one in 500 chance of recovery and a few months to live and had to take dozens of painkillers a day.

Realizing that negative thoughts and attitudes could paralyze his immune system, he reasoned that positive thoughts and attitudes may have the opposite effect. So he left the hospital and checked into a hotel where he took mega doses of vitamin C and watched humorous movies and shows, such as ‘Candid Camera’ and the Marx Brothers.

He found that ten minutes of boisterous laughter resulted in at least two hours of pain-free sleep. He continued his routine until he recovered. He used the same method to recover from a heart attack years later.

His amazing recovery story sparked much interest in exploring scientifically the connection between body-mind-soul, plus the chemistry and emotions behind it.

The most famous story so far on humour and merriment as medicine is from the past editor of the NY Times, Norman Cousins. Extensive research on ‘laughter therapy’ began after the New England Journal of Medicine published an article by Norman Cousins in 1976. In the past decade there were dozens of studies which confirmed that delight assists our physical and mental health.

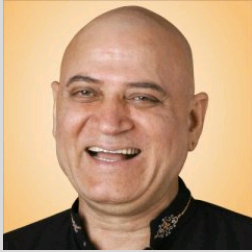
Therefore, DETERMINE YOUR ATTITUDE. Just reflect on this for one minute: if selecting to do what you like is freedom, how much more freedom is there in preferring to like what you do?

Contemporary research shows that jocular people are more altruistic, more productive, more helpful, more likable, more creative, more resilient, more interested in others, friendlier, and healthier. Joyous people make better friends, colleagues, and citizens. Working on having cheerful service would not only make our customers upbeat, it would boost the thrill of all the people in the immediate surroundings.

All of us can be humorous. Being cheerful does not mean telling jokes or playing tricks. What it does mean is adopting an attitude that helps keep us feeling

## “A Laugh a Day Keeps the Doctor Away?”

Dr. Madan Kataria



Laughter Yoga is the brainchild of Dr. Madan Kataria. He is an Indian physician who started the first laughter club in a park on 13th March 1995, with just 5 people.

Today, it has become a worldwide phenomenon with more than 6000 social laughter clubs in 60 countries.

Laughter Yoga combines Unconditional Laughter with Yogic Breathing (Pranayama). Anyone can **Laugh for No Reason**, without relying on humour, jokes or comedy. Laughter is simulated as a body exercise in a group; with eye contact and childlike playfulness, it soon turns into real and contagious laughter.

The concept of Laughter Yoga is based on a scientific fact that the body cannot differentiate between fake and real laughter. One gets the same physiological and psychological benefits.

Dr. Kataria’s most recent research has been published by JCH in October 2008.

Results of a study involving 200 IT professionals in Bangalore were conclusive. In the Laughter group there was a significant drop in heart rate. Blood pressure and Cortisol (stress hormone) levels were significantly reduced. Positive emotions increased by 17% and negative emotions dropped by 27%, Perceived stress dropped significantly, and Alexithymia dropped by almost 9%, indicating a significant improvement in emotional intelligence.

[www.laughteryoga.org](http://www.laughteryoga.org)

great with whatever we favour to do today. By deciding to take yourself lightly and your work seriously, and by valuing gaiety and pleasure as a shield against negative emotions, you are making a personal alternative for better health and business results at the same time.

OK! So how does all of this help the corporation? If you scroll back to the top of this article, there is a point about how today’s demanding customer has a need to FEEL LOVED. So just how can happy employees, working for joyous companies fulfil this?

### 3 Humor as Another Way of Showing Love, Compassion and Care

When Lenny met Dr. Patch Adams, the creator of medical clowns in hospitals all over the world and the director of Gezuntheit Hospital, he asked him what humour

meant to him. His answer was, “*Humor is another way of showing love, compassion and care.*” We took that to mean that if our intention is to make people smile and chuckle that shows how much we prize and appreciate them.

What has that got to do with the service industry? Today’s service is about the experience. It is less about the content and more about the process. For example, in an industry rife with bankruptcies, layoffs and high oil prices, one thing has been consistent....Southwest Airlines has been a winner. Their message to the world is: “If you want to have fun, this is the place to work.” As a matter of fact, potential Southwest employees are those who exhibit a fun-loving, caring and giving spirit.

## 4 Online Reviews Value Care, Kindness, Genuine Service and Even Sense of Humor

With the growing importance to online reviews portals such as TripAdvisor, readers share not only the physical attributes of the places they stayed, the airlines they travelled, the places they dined, but they also shared how it made them feel.



Fig. 4. Search results for “care”

Source: [www.tripadvisor.com](http://www.tripadvisor.com)

For better or for worse the word “Care” appears 232,567 times in TripAdvisor. It is such a powerful word that is used also almost 150,000 times in forums that discuss experiences.

Reviewers are quick to condemn vendors who don’t appreciate them and are generous in giving high scores to vendors who really show positive regard. Many praised the ability to overcome a problem with care and give higher marks to the vendor despite the unfortunate errors and problems.

The word “Happy” appeared 419,442 times. Let’s face it, your customers want to be jolly and if you can be merrily serving them, they will reward you and praise you, because people can forget what you say, even forget what you do, but they will NEVER forget how you made them FEEL.

By the time you are reading the next lines, it is likely that the word LOVE had reached 400,000 hits in the reviews of TripAdvisor. Tim Sanders, author of “Love

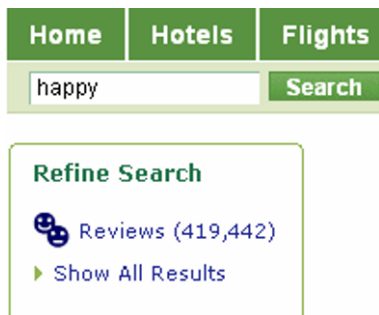


Fig. 5. Search results for “happy”

Source: [www.tripadvisor.com](http://www.tripadvisor.com)

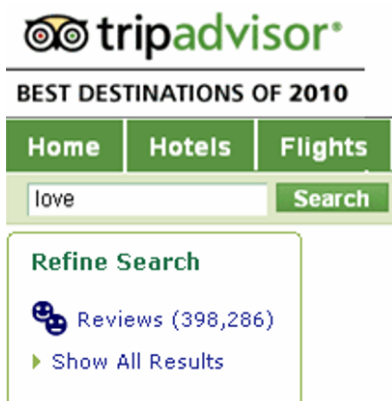


Fig. 6. Search results for “love”

Source: [www.tripadvisor.com](http://www.tripadvisor.com)

is the Killer App” says, “We’re moving from a service economy to an **experience** economy. We have shifted our focus from the benefits of a product or the service it provides to the type of sensations or experiences it creates.”

A majority of the front line workforce in the hospitality and tourism industry joined the business not because of the short hours or the high pay. They usually love people, have a passion and a calling to serve, connect and communicate with guests and partners. Now just think – when this passion is fed the oxygen of delight and playfulness, what’s bound to happen? Can you see, hear and feel the difference it will make to the customers who come in contact with such an organisation?

Lenny once ordered a cup of tea in a Bangkok café. The waiter that took his order said, “thank you” and left. Lenny was puzzled! Where he came from, he would have thanked the waiter for serving him, but this was a different cup of tea (pun intended!). When the waiter returned, Lenny asked him why he had thanked him. Was it a local custom? The waiter smiled and said, “I was brought up to believe that whenever I get a chance to serve someone, I get closer to God. By your asking me to serve you, you have helped me get closer to my maker. So I appreciate you.”

We were blown away by his answer. We thought to ourselves, “If serving someone gets us closer to God, and if we add some humour, laughter and optimism to that ingredient, that’s about as close as we are going to get to God without knocking Her over.”

The great tennis player Arthur Ashe sums it up rather neatly: “It is not the urge to surpass all others at whatever the cost, but the urge to **serve** others at whatever cost”.

## References

- Gulati, R., Kletter, D.: Shrinking Core, Expanding Periphery: The Relational Architecture of High-Performing. *Organizations California Management Review* 47(3) (2005)
- Pink, D. H.: *A Whole New Mind – Why Right-Brainers Will Rule The Future*, Rep Upd ed. Riverhead Trade, New York (2006)
- Pink, D. H.: *Drive – The Surprising Truth About What Motivates Us*, 1st ed. Riverhead Hardcover, New York (2009)
- Ariely, D.: *Predictably Irrational – The Hidden Forces That Shape Our Decisions*, revised and updated ed. Harper Perennial, New York et al. (2010)
- Lundin, S. C., Paul, H., Christense, J.: *Fish! A Remarkable Way to Boost Morale and Improve Results*, 1st ed. Hyperion, New York (2000)