

# World Travel and Tourism: Securing Sustainable Growth for High Performance

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Despite the current threats to the global economy, world travel and tourism will continue to expand—thanks in large part to surging demand from the burgeoning middle classes of China and other emerging markets. For an industry increasingly driven by customer choice and already struggling to cope with the consequences, these millions of new customers will constitute a sustainability challenge of unprecedented proportions.

If the companies in this industry are to achieve high performance in a multi-polar world, this challenge will necessitate a transformation in strategy, as well as in operating and business models.

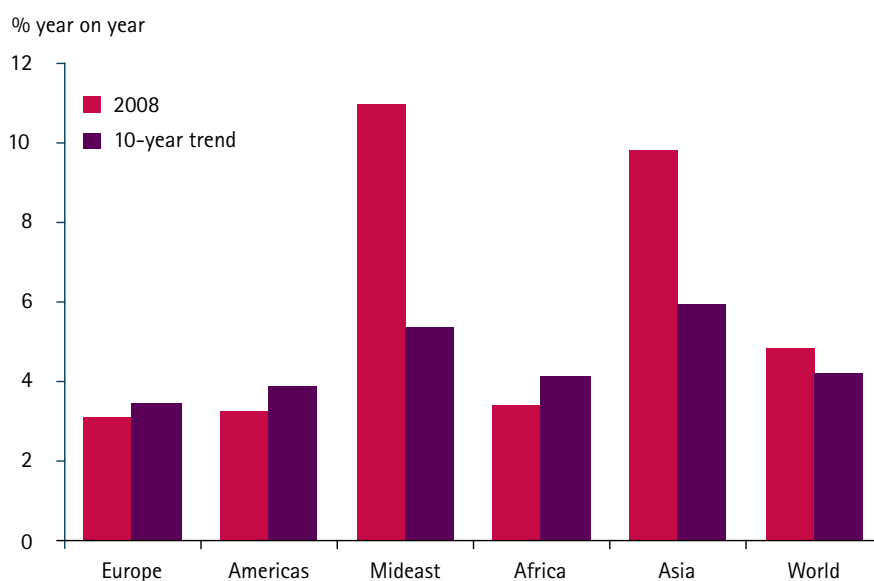
This is one of the principal findings of the World Travel and Tourism Council's (WTTC) most recent research into industry trends and Accenture's experience and analysis of what those trends mean for travel and tourism companies striving to achieve high performance.

The WTTC analysis reveals that the global industry continued to grow steadily in 2007, albeit at a slower pace. Soaring energy costs and sharper currency shifts took their toll, especially in the United States, where the dollar's steady decline has made Americans think twice about spending on foreign holidays. After decelerating to 4.1 percent from 5.2 percent in 2006, growth is predicted to decline further, to 3 percent, in the cyclical downturn of 2008. Yet despite security concerns, climate change and the potential for natural disasters, European spending on travel and tourism is expected to remain buoyant. And the likelihood of an overall contraction on the scale of 2001–03 is remote, according to the WTTC.

Prospects for the coming decade, moreover, are bright. The WTTC forecasts trend growth of 4 percent. And revenues from global travel and tourism are expected to almost double between now and 2018.

A key reason for this optimistic outlook is the surge in tourism both to and increasingly from China and other emerging markets, whose growing thirst for foreign travel will compensate for an expected slowdown in

#### Regional visitor number changes



Source: Oxford Economics

Accenture's High Performance Business research and the insights it provides help businesses and governments understand how to achieve high performance. By analyzing the performance of leading companies, the research provides a sense of the commonality of high performance—the attributes of excellence that can transcend and unite otherwise disparate organizations. We call this common ground competitive essence, which comprises the three building blocks of high performance: Market Focus and Position, Distinctive Capabilities and Performance Anatomy. These building blocks are the basis for remaining ahead of the game—what it takes to be a sustained high-performance business or government in the context of a multi-polar world.

Harvard Business Review has recognized Accenture's High Performance Business research program as one of the 10 most notable initiatives in the field during the past quarter century.

demand from some regions of the developed world. China is already the world's seventh biggest spender on tourism: in Asia, only the Japanese spend more. And the 400-million-strong Chinese middle class is increasingly keen to travel abroad. Indeed, as emerging markets generally start to play a bigger role in shaping globalization—one of the key characteristics of what Accenture calls the multi-polar world<sup>1</sup>—they are becoming a dynamic source of new travelers (as well as increasingly popular tourist destinations in their own right).

The industry's ability to cope successfully with this influx, however, is already under strain. Travel and tourism continues to consolidate—yet product differentiation remains low and competition continues to intensify. Low-cost airlines and nimble new online providers are jostling with established players for the attention of customers seeking low-cost, one-stop and “personalized” access to travel products and services—access that neither type of player can yet offer. What's more, the established players, saddled with high fixed costs, the margin-sapping consequences of a volume-driven strategy and inefficient legacy systems, are at a distinct disadvantage.

If they are to hold on to customers, rise successfully to the challenge of capturing the loyalty of millions of new ones and ultimately achieve high performance, companies in the travel and tourism industry need a new approach. They need, in particular, to:

- become much more customer-centric;
- gain direct access to customers through new distribution strategies;
- develop robust, flexible and innovative business models.

## Customer-centricity

Customer loyalty is the key to repeat business—but most established tour, cruise and resort operators, airlines and hotels lack the depth of customer insight to generate and sustain that loyalty. So do most new entrants. With their single-search engines and low-cost offers, these players might appear to offer best value for money—but they do not yet deliver the customer-centric experience today's travelers seek.

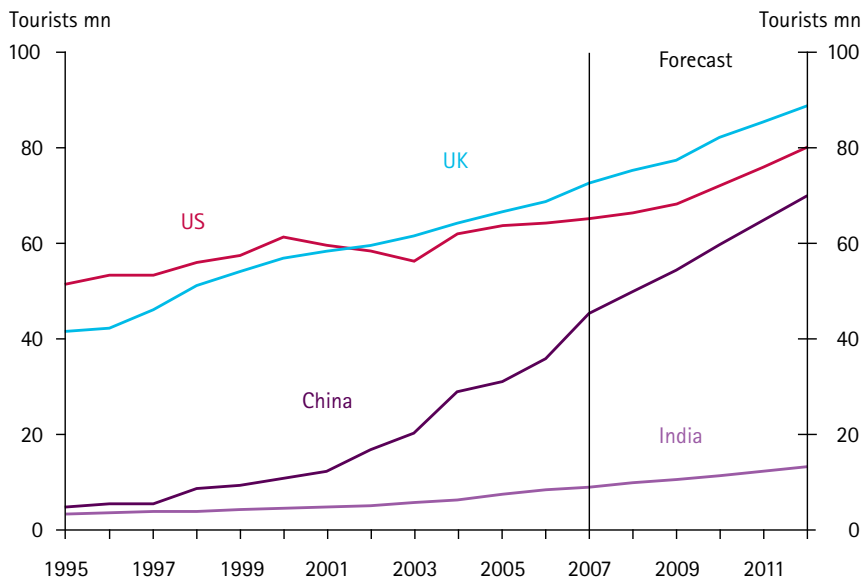
That is because price alone is no longer the issue. Most customers want travel products and services at the best possible price. But that does not necessarily mean the lowest price. Today's travelers seek more personal, tailored travel, and growing numbers have specific social, cultural and environmental requirements as well.

Growing numbers of emerging-market travelers—70 million of them from China alone by 2012, according to the World Travel and Tourism Council's research—are rapidly developing similarly diverse and sophisticated tastes. Catering to these tastes is becoming just as important as price. Yet many travel companies still lack the basic customer segmentation information that would help them identify the requirements of different types of customers, particularly the most profitable.

Business intelligence systems that not only capture customer expectations directly, but also provide the capability to act on them will facilitate the right, dynamic approach. By deepening customer intimacy these systems can help companies develop innovative, value-added products and services that will enhance the customer experience.

<sup>1</sup> The Rise of the Multi-Polar World. The rapid growth of emerging economies, closer economic integration across geographies, and unparalleled advances in information and communications technologies are converging—and we call this fast-evolving economic geography the “multi-polar world”. Within this context, Accenture conducts thorough research in this area and proactively helps clients navigate the opportunities and challenges of a multi-polar world in their quest to achieve high performance.

## Trends in outbound tourism flows



Source: WTTC/Oxford Economics

profitable growth becomes much more complex. There are obviously exciting opportunities inherent in key developments like the surge in emerging-market travel—in both directions—but providers need the distribution strategies and business models to exploit them. Above all, if they are to attain and sustain high performance, they need to develop the customer-centricity to understand, respond to and even to anticipate the needs of travelers, wherever they may originate.

For more information, please contact Alex Christou, Managing Director—Accenture, and Member of the WTTC Executive Committee ([alex.christou@accenture.com](mailto:alex.christou@accenture.com)).

## New distribution strategies

Travel distribution is moving online—and direct-to-customer—worldwide, with dramatic implications for providers. Customer-centricity demands a personalized approach to each individual customer—yet most customers also expect their searches to be swift and simple to accomplish. So providers have to offer both, ensuring that their systems are flexible and scalable, as well as capable of enhancing the customer experience with innovative search and trip-planning features.

Companies' sales channels need to be intelligent and well-oiled, multi-channel but centrally-managed. That is a tall order—especially as providers also have to make sure that in re-inventing their travel procurement processes they don't penalize profitability. It is not, however, impossible. Integrated, multi-channel and multi-component distribution strategies can help minimize distribution costs while exceeding customer expectations—the key to operational excellence in any industry.

## Innovative business models

Players need to be highly differentiated in just about every aspect of what they offer—and alternative business models, including partnering and outsourcing, may be the only way to develop the more variable cost structures essential to success.

The quality of customer relationships and the standing of the brand will drive differentiation. Companies that develop virtualized business models—simplified by transformational outsourcing partnerships and whose mission-critical support services are powered by third-party experts—will be able to focus more closely on the customer and the constantly changing marketplace. Witness Ryanair's successful leveraging of the reservation and distribution system of Navitaire, an Accenture-affiliated company, or the way that Thomas Cook has Accenture run its finance, HR and IT back-office services.

The global economy, demographic change, technology and market liberalization continue to drive change in world travel and tourism—but in a multi-polar world the impact of these forces also multiplies. And sustaining

Accenture is a member of the World Travel & Tourism Council (WTTC) Executive Committee and the strategic partner of WTTC's Tourism Satellite Accounting (TSA) research. This research is the principal tool used by the WTTC to educate policy and business leaders about the travel and tourism industry's economic strength and importance. The TSA research, produced for 174 countries, is the preeminent source of data about and forecasts for the industry.

## About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With 178,000 people in 49 countries, the company generated net revenues of US\$19.70 billion for the fiscal year ended Aug. 31, 2007. Its homepage is [www.accenture.com](http://www.accenture.com)

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