

The Forum for the Future of Tourism in the Greater Philadelphia Region – White Paper

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APRIL 2005

Introduction & Purpose

Tourism, as a socio-economic activity, does not occur randomly. Some destinations appear to be more successful than others in offering tourism services and activities, and in attracting travelers. Because of the dramatic development of technology and transportation, the variety of destinations competing for domestic and international travelers is now much broader than in the past. The pressure exerted by competition is compelling international, national, state, and local governments to re-evaluate the existing tourism resources and to capitalize on them in order to attract more visitors (Fayos-Sola, 1996). In a highly competitive tourism market, it is increasingly important to understand the role each destination plays in relation to other competitive destinations.

The success of tourism destinations depends on many factors, such as infrastructure, accessibility, resources, attractions, marketing, and location. However, all these elements will not be sufficient to ensure sustained visitation and popularity of the destination, unless substantial coordination and integration of tourism planning, development and marketing are achieved. The numerous stakeholders involved in determining the role and development of an area define different interests and objectives, which ultimately must converge to support the marketed image of that area as a destination (King, McVey, and Simmons, 2000).

In recent years, tourist destinations managers have been criticized because of their difficulty in reinventing themselves in face of the radical changes in the external environment. Indeed, the first few years of the new millennium have brought extraordinary change and transformation. War, terrorism, political upheaval, the spread of infectious diseases, airline restructuring and the advancement and use of technology are just a few of the events that are having a profound impact on destinations' performance around the world. For example, political and environmental instability are forcing many tourism destinations to hire experts in disaster management planning to respond to increasing human tragedies and natural calamities. Ritchie, Dorrell, Miller, and Miller (2004) explain that the tourism damage caused by the Foot and Mouth disease in the United Kingdom could have been partially eliminated with the availability of a plan and appropriate preparation for unexpected events. The greatest agent for change in destination marketing is, however, technology. Recent studies (Yuan, Gretzel, & Fesenmaier, 2003) have demonstrated that tourist organizations have not fully embraced and incorporated technology in their operations and strategies, and they offer suggestions to reconfigure the organizational structure to make it more technology-friendly.

Successful tourist destinations perform activities that are more strategic in nature and which quickly adjust to the continuous changes that are occurring in the external environment (Olsen, 1996). Poon (1993) urges tourism destinations to reframe their goals and actions because tourism is a volatile, highly competitive, and unforgiving industry. Also, Poon emphasizes that: "the industry is

undergoing rapid and radical transformation—the rules of the game are changing for everyone” (p. 291).

How This Report Was Developed

The general goal of this report is to identify and describe future trends and events that are likely to affect the Greater Philadelphia Region in the next five years. The underlying premise of the Forum for the Future of Tourism is to develop foresight about the major forces driving change in the tourism/hospitality industry. The Forum comprises five Think Tank sessions. The objectives of each are threefold: 1) to identify the major forces driving change in today's business environment of the hospitality industry, 2) to estimate the timing and evolution of these forces, and 3) to determine their impact upon the industry.

To achieve these objectives, twenty-five leaders of the tourism industry gathered for a one and a half day program in Philadelphia. Participants were from within and outside the tourism/hospitality industry and included representatives from transportation companies, suppliers, attractions, lodging, special events, cultural-historical organizations, government, and destination management organizations to provide opportunities for a cross-pollination of ideas and to stimulate creative (i.e., out-of-the-box) thinking. Participants were invited based upon their qualifications defining them as experts in their respective fields. Invitation lists were developed with the assistance of personal contacts and referrals. A web page was created in which relevant material about recent tourism Think Tanks and future trends was made available to serve as preparation for the event

as well as a stimulant for creative thinking related to the future of tourism.

The Think Tanks occurred during one and a half days. Participants first gathered for a plenary session, which consisted of a brief welcoming address, overview of the Think Tank process, and the workshop's agenda. Three research questions were posed to the group:

- 1) What are the emerging patterns of change over the next five years?
- 2) What are the impacts of these emerging patterns on the tourism/hospitality industry?
- 3) What is the estimated timing of these emerging patterns of change?

The large group was divided into five, predetermined groups of approximately five participants each. Each group was moderated by a facilitator and conducted in a modified Nominal Group format. Sessions lasted approximately 45 minutes each, spread over the course of the one and a half days. The facilitator was assisted by a Ph.D. student, who served as a public recorder for the group, documenting all the discussion on flip charts for reference, on-going dialogue, and, later, consolidation of common themes and ranking.

At the conclusion of each session, participants were given a series of colored stickers (“dots”) which were placed on the points s/he felt had the biggest impact on the tourism industry. Upon completion of this exercise, the dots are tallied. Participants were then reassembled so that the highlights of each group could be shared, discussed, synthesized, and validated

within the larger group. As a result, forces are ranked and collapsed.

How To Use This Report

The present report is intended as a guideline for multiple future scenarios. Tourism decision makers should consider it as a source that will help them in assessing their future strategic decisions in light of new business forces. These forces represent the basis for a decision support system specifically geared towards the needs of tourism executives operating in the Greater Philadelphia Region. In short, this report intends to provide answers to those interested in building competitive strategies based on future forces instead of past events. In reading this report, forward thinking industry leaders will be able to learn answers to such questions as:

- What types of changes will shape tourism in the Greater Philadelphia Region?
- How will external events and trends affect my business or organization?
- What will be the impact generated by those events and trends?

How This Report Is Organized

Shown below are the major sections of this report.

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We Welcome Your Questions and Comments!

In order to ensure that we fully support your efforts, please feel free to contact us. In addition, we welcome your feedback. Please direct your comments or questions to:

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The Economic Environment

The Key Economic Forces

This section identifies the most significant forces and trends that will influence tourism in the Greater Philadelphia Region from an economic perspective. The economic environment includes events and elements such as recession, exchange rates, employment/unemployment, global economy, inflation, oil prices, interest rates, and others.

The dominant economic topic discussed at the forum was how to guarantee a stable flow of funding, which in turn, would direct the appropriate budgeting of marketing and planning money. The common concern about inadequate funding was based on the assumption that public authorities do not recognize tourism as a leading economic engine.

Local, national, and global markets will become more competitive and will exert more financial pressure on business and public organizations. Participants acknowledged the increasing challenges associated with providing adequate returns on invested capital in the tourism industry and asserted that it will be necessary to engage in creative forms of funding and investment in the future.

Public and private partnerships involving tourism and non-tourism organizations such as infrastructure and transportation, will help control costs and increase revenue maximization. Higher tourism taxes will lead to travelers' discontent since, ultimately, travelers will carry the burden of increased economic costs. Creativity will be a core competence in such a competitive environment because it will be increasingly difficult to generate cash flow. Creative alliances with community organizations, business representatives and developers will become a popular strategy for survival and success.

Economic Force One: *Funding for Tourism*

Tourism is the third largest income generator in Pennsylvania; however, funding allocated to tourism organizations does not reflect the economic strength of this industry. Tourism will continue to be funded on a marginal basis in light of local governments' failure to recognize it as a major revenue

generator. Most likely in the future, tourism taxes will not be reinvested in the industry. They will, instead, be used to fund education and other unrelated services which rely heavily on public support.

Impacts

Destination Management Organizations (DMOs) will be forced to operate with less public financial support. Budget cuts and layoffs will occur frequently and will impact the overall performance and effectiveness of marketing activities conducted by CVBs. In addition, the quality of services and products at destination could be compromised by the scarce funding. Competition for public funding will increase as financial resources dwindle and destination organizations will face fierce competition for visitation, both domestically and internationally.

This undesirable scenario will also translate into increased taxation on visitors, especially in lodging and parking. New financial sources and investors will be required to fund destination services and development projects.

Economic Force Two: *Strategic Partnerships*

New partnerships and alliances among a wide array of tourism stakeholders at destination are likely to emerge. The goal of these new partnerships is to create a cohesive and well organized package of tourism products and services to enhance the overall experience of visitors. The increasing desire of travelers who want to "experience" a destination cannot be satisfied by individual businesses. Only the destination as a whole, when all its components are directly involved and perfectly orchestrated by DMOs, can deliver such an experience. Integrated partnerships will involve private and public organizations alike. They will not only be limited to tourism organizations and may include many other participants, such as government representatives working in infrastructure and transportation.

Impacts

Proliferation of partnerships and alliances at destination will push the application of branding from the traditional business perspective to a new destination perspective. The Greater Philadelphia Region, as well as its competitors, will invest money and effort into branding strategies that create a unique sense of place and allow for a clear positioning. Another effect

of destination partnerships will be cross-marketing of products and services, especially when these products and services consistently match with what attracted visitors to the area in the first place. New and increasingly varied products will be created and marketed to offer alternative experiences to different travel segments.

Overall, collaboration among community representatives, non-profit organizations, attractions, transportation facilities, infrastructure, services and residents will achieve the critical goal of more evenly distributed wealth throughout the region. Even areas that are not traditionally considered as attractive to tourists, such as North Philadelphia, will benefit greatly from a coordinated effort to develop community tourism, which allows visitors to interact with those communities located in such challenged areas.

Economic Force Three: *Changes in National and Global Economies*

Participants predicted continuous and substantial market changes in the next five years. These changes will occur in both the domestic and international markets and will encompass emerging markets, new competitors, skilled workers, and energy costs.

Impacts

The opening of the Chinese travel market will represent a new, quickly emerging market segment and the unprecedented number of business joint ventures with Indian organizations will boost visitation from that country. As demand changes, tourism organizations will become more flexible and will learn to interact with new segments. This necessarily implies working with different cultures, backgrounds, needs and wants. Tourism operators will need to make efforts to broaden their understanding of new international market segments and the associated business potential.

As the market becomes more complex and dynamic, the search for qualified and specialized personnel will increase. In order to fulfill this new demand, new outsourcing firms will be created.

New markets not only offer new opportunities for inbound travel to the U.S. but also they generate more competition. China, for example, is already among the top five most visited countries in the world and experts predict that it could become the most visited destination worldwide.

All participants considered the increase in oil prices as a major threat to the entire tourism industry. This upward price trend is expected to continue and it will result in decreased travel, especially in Europe, where the price of gas per gallon is well above eight dollars. As oil continues to reach new highs, the dollar will weaken and imported supplies will become increasingly expensive.

The economic challenges that lie ahead are of utmost concern to the Forum participants. One group specified that "there is no relief in sight," to highlight its belief that tourism organizations will face more threats than opportunities. A number of global and domestic challenges were identified in this section, such as increasing taxation for tourism services, the changing structure of the labor market, increasing competition, insufficient funding and newly formed partnerships within a destination. Other forces, such as rising health care and retirement costs and terrorism, were also presented as challenges to the growth of tourism in the Greater Philadelphia Region.

The Political Environment

The Political Forces

Tourism is a highly fragmented industry and it is necessarily dependent on the political environment because of its reliance upon governmental funding. Tourism encompasses issues of freedom of mobility, the politics of security and the negotiation of risk; thus, it challenges the very notion that tourism can exist apart from the policy-making arena. Considering the significant impact that politics has on this industry, Forum experts identified the political environment to be the most important among all the environments discussed during the Think Tank.

Political Force One: *Political Interests and Leadership Agendas*

One of the most significant political forces identified by the Think Tank experts was the variability of political interests and leadership agendas. The experts complained that political agendas change every election cycle resulting in an inconsistency in tourism planning and policy formulation in the Philadelphia area. For instance, when a state commission was formed to address the viability of gambling in the Philadelphia region, it failed to include any representatives from the tourism industry. Think Tank participants cited this as just one example of political expediency taking precedence over substantive, informed policy making.

Impacts

Political apathy may undercut any development efforts undertaken by destination decision makers. The experts cited the incomplete Penn's Landing area as a classic example of how inconsistent policies and regulations implemented by past and present political leaders can result in abject failure. Penn's Landing may never reach its full potential because of continuous changes in the local government and spotty planning. Some DMO representatives pointed out that there are clashes between the established political boundaries of some counties and the reality of the geographic distribution of certain attractions and tourism organizations. This "disconnect" results in tourist organizations finding themselves caught in the middle and subject to the whims of politicians in several different regions. In their opinion this undesirable scenario will have a great economic impact on tourism in the region.