

## **Demographic Change and Tourism**

### **Executive summary**

Demographics will have a dramatic impact upon tourism in the coming decades. It will impact upon the types of tourists that will travel, where they originate from, where they travel to, the types of accommodation they require and the activities they engage in while away.

#### **Growth of the world's population**

The total world population is forecast to grow over the period from 6.9 billion to 8.3 billion between 2009 and 2030. This growth will not be evenly spread across the globe, rather different regions will expand at different rates and some will actively decline as a percentage of the total.

Europe for instance will decline by 1% while the Americas and Asia will increase by 17% and 18% respectively; much of Asia's growth will be driven by India and China, who will amount for just under 20% of the world's population each (China 17.6% India 17.9%).

The proportional distribution of the global population is not projected to change greatly. However, the slight decline in Europe will make itself felt in the form of an ageing population. There will be a dramatic growth in the European over 50s population, while during the same period the Asian population will remain mostly under 45.

Population growth will generate substantial expansion in overseas travel. In 2000 the rate of international journeys was 11.5 per 100 people. If the rate did not accelerate then population increase alone would see a 20% rise in international travel, however increases in wealth particularly in developing countries are expected to see the rate of journeys grow to 20 per 100.

## Other demographic trends

Fertility and life expectancy are two of the biggest factors affecting global demographics. Life expectancy has been increasing year on year for decades in most of the world and this is a trend that is projected to continue (in some African countries suffering from the AIDS epidemic it has fallen dramatically). This trend intersects with declining fertility across much of the world. The United Nations' forecasts assume that fertility rates will all tend to converge at an average of 1.85 children per woman, with some differences across individual countries. These declines in fertility are heavily influenced by many of the developments that have extended life expectancy across the globe. Infrastructural and medical developments that prolong lifespan – especially in developing countries – tend to improve infant mortality rates and this brings down fertility levels.

Other key issues are changes to work patterns and social values that increasingly bring women into the workplace, downplaying social mores that assign a higher value to male children and so on. As these values begin to converge, so do the demographic factors they engender.

The final important factor is Migration. This influences tourism in two ways, through Migration led Tourism (MLT) and Tourism Led Migration (TLM). TLM is generally migration that takes place to fill vacancies in the tourism industry of a nation or region; for instance young people from Eastern and Central Europe migrating to Western Europe. TLM is tourism generated by migration of any type, often people visiting friends or relatives in their new homes, or migrants returning to their place of birth to do the same.

## Demographic Change and Tourism

It is important to bear in mind that not all demographic changes will necessarily hold repercussions for tourism. A recent report by the German Federal Ministry of Economics and Technology found that demographic alterations are likely to have an impact on tourism only if they 'arise in those groups (e.g. older people, children, the less affluent, single parents etc) which represent a sizeable volume, will be considerably larger or smaller in volume and whose behaviour differs from other groups'.<sup>1</sup>

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<sup>1</sup> Federal Ministry of Economics and Technology(2009) *The Impact of Demographic Change on Tourism and Conclusions for Tourism Policy (abridged)*, FMET, Berlin

Nonetheless this report identifies several demographic trends in the 13 focal countries that are likely to have significant impact upon future tourism in Europe.

## **Ageing population**

Population ageing is a phenomenon occurring across the globe; however it has taken different forms in different regions. Broadly we have divided these into two models: the 'Three Peaks' model, and the 'Slope' model.

The Three Peaks model is characterised by three successive spikes in population each progressively older than the last. This pattern corresponds to a population in which there is a clear majority of one age group at any one time, and this majority progressively aging, generating a peak on the graph (we took our forecasts at 1990, 2010 and 2030, if we had used 4 years or 5 it would have been the 4 or 5 peaks model). As a rule the Three Peaks model is seen in developed countries like Canada, and Italy.

The Slope model, by contrast, shows an age distribution that is bunched towards the younger years, with a notable tail off in the numbers of older people (hence the slope). It tends to be a feature of developing nations such as India and Brazil.

Due to its history of social engineering and the large scale social and economic changes taking place in China recently, it displays a combination of both of the above models.

## **Live expectancy increasing and converging across the globe**

Across the countries examined life expectancy is increasing and male and female life expectancies are beginning to converge. There are only a few notable exceptions to this pattern. In Russia life expectancy actively declined in the 1990s and will not grow significantly between 2010 and 2030 going from 66 to 71 years. Meanwhile the difference in male and female life expectancy is not projected to moderate remaining at a stark 10 years. In Japan, life expectancy will increase, but male and female life expectancy is projected to diverge further; by 2030 it will have increased from around six to just under nine.

The next issue when it comes to life expectancy is the issue of healthy life expectancy – that is, not just how long people live, but what level of health they enjoyed while they are alive. The trend across the world has been for morbidity to decline at the same time – though not at the same rate as – life

expectancy increases worldwide. A HSBC retirement report found that only 16% of those over 70 said that they had poor or very poor health.<sup>2</sup> Individual countries – particularly developed ones – can display a considerable range on this subject, ranging from Canada with 3% to Germany with 12%. Therefore, not only is an increase in older tourists expected (because they live longer and are richer) but they will be fitter and younger looking in outlook.

## Household composition, family structures and travel parties

One of the main subsidiary effects of the demographic changes will be a change in the household composition in the countries looked at. While there are no clear cut patterns of fertility in the countries considered, broadly it can be seen that fertility declined in developed countries, but that in Northern and Western Europe it tended to rebound to closer to replacement level (2.1 children per woman). Meanwhile developing countries began the period with significantly above replacement level fertility and have subsequently declined towards replacement level, though different nations have done so at different rates.

The impact of these changes can already be seen in the developed world. We have seen a shift from what Willmott and Young called the Horizontal to the Vertical family. That means that families have tended to shift from being largely flat – with many members of the same generation to being long – with a greater spread across the generations.

This suggests that tourism is going to be required to adapt itself to provide a more varied offer. Travel parties may now be comprised of grandparents taking grandchildren on holiday, or of whole families that potentially contain great grandparents as well, with consequences for the activities on offer, type of accommodation required and staffing levels.

The rise in the developed world of the single traveller has been a significant development. It reflects a growing trend in wider society for young people to spend a period of time living alone or with friends before marrying and starting a family. If this trend is echoed in the developing world this will have a serious impact as places like India and China are set to become some of the world's largest producers of international tourists.

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<sup>2</sup> HSBC (2009) *The Future of Retirement - It's Time to Prepare*, (Online).  
[http://www.hsbc.com/1/PA\\_1\\_1\\_S5/content/assets/retirement/2009\\_for\\_report\\_en.pdf](http://www.hsbc.com/1/PA_1_1_S5/content/assets/retirement/2009_for_report_en.pdf)  
(28/06/09)

## Population location

The population of all the countries looked at (and the world) is set to become increasingly urban over the period. In addition to this factor, the rising importance of the developing world will have a large influence on tourism in the next two decades.

While urban populations are set to increase all over, the rates of increase will differ considerably. Italy's rate of urban growth is projected to accelerate, for instance, while the United States will slow somewhat. Cities dwellers tend to have a more cosmopolitan outlook, as a result of living in a more culturally diverse environment. This means they are more likely to travel abroad and this will help drive the rise in tourism that is projected.

Compared to the developing world, the relative decline in importance of the developed West is both noticeable and well known. Europe's proportion of the global population is set to decline to 9% roughly equal with that of the Caribbean and the Americas. Meanwhile Northern America contributes around 6% of the world's population, though only 1% of this is in Canada and the rest is the United States. Asia on the other hand easily dwarfs all these continents, and will continue to do so. In 2030 Asia will account for 60% of the world's population; with India and China each contributing just less than 20%.

A final factor that affects population distribution is migration. As has been discussed migration can affect tourism in two ways; tourism can draw migrants to parts of the world where there is a need for workers. And migration can draw tourists to visit their places of birth, or relatives working abroad. These two processes are clearly interlinked. Worldwide migrants made up 3% of the population between 1990 and 2005, however the global average masks the fact that Europe's migrant population went from 4% in 1960 to 9% today. If this trend continues then the migrant population of Europe could reach 12% by 2030. This would have obvious impacts, particularly for the VFR market in European tourism.

Oceania is the region with the highest proportion of immigrants, though the United States has the largest proportion of any single nation 14% just behind 16% in Oceania.

While these trends may not correspond as well to TLM (particularly not the Hispanic population that makes up the majority of migrants to the United States of America) they are liable to generate a large amount of MLT as families travel to visit relatives abroad.

Source market	Key Demographic issues
World	Increased life expectancy – women lead men, falling fertility – still above replacement, rising population 5 to 8 billion.

Continents	
Europe	Rapidly falling fertility, ageing population high level of migration.
Asia	Rising population particularly India + China, relatively high fertility, large scale urbanisation.
Latin America and the Caribbean	Fertility falling to replacement level, slightly ageing population, extended life expectancy.
North America: United States of America and Canada	Ageing population, declining fertility but stark differences between North America and Canada, especially regarding life expectancy. High migration

Countries	
Brazil	Fertility falls sharply. Life expectancy extends but large gap between male and female, population remains young.
Canada	Historically low fertility improves slightly. Ageing population, closing gap between male and female life expectancy.
China	Fertility levelling out, population ageing and dramatic urbanisation.
France	Fertility dips then rises sharply, reaching 1.85 by 2030. Population ages much in line with rest of Europe.
Germany	Low fertility not forecast to improve dramatically. Life expectancy rises from already high level.
India	Fertility declines but remains above replacement level. Life expectancy increases and population ages but remains mainly under 40.
Italy	Low fertility does not recover very much and population ages.
Japan	Fertility low and projected to decline somewhat. Population ageing and projected largest groups 55-59 and 80-84.
Netherlands	Fertility rises during period in line with Castles' study. Population rises but not as much as some others (see above)
Russia	Large gender disparity 88 men per 100 women projected to decline to 84. Fertility dropped sharply but projected to rise steadily but not above replacement. Population does not age in same way, becomes slightly younger for period, before ageing significantly by 2030.

<b>Spain</b>	Fertility dropped very low – reached 1.18 at one point but will rise though not to replacement level. Population ages considerably and difference between male and female life expectancy remains reasonably large.
<b>United Kingdom</b>	Fertility dipped in 70s and briefly in 90s but has recovered – will be around 1.85 by 2030. Population to age considerably and will be 92% urban by 2030.
<b>United States of America</b>	Fertility peaked at 2.5 between 2005 and 2010 but will drop after, will be 1.85 by 2030. Life expectancy increases but stark national differences with Canada and Europe.

## Lifestyle and Tourism

These trends do not directly relate to strictly demographic matters but they will be hugely important for tourism. As demographic changes take place they are liable to affect the importance or otherwise of these trends.

### Increased prosperity and attitudes towards work, leisure and travel

Rising affluence around the globe has implications for attitudes towards work and leisure. As income rises it tends to be accompanied by a shift in values from work to leisure as people are greater able to afford things they want without having to put so much emphasis on employment. This trend is visible in Europe, where there has been a decline in working hours since the 1970s as well as in Latin America and the Caribbean. It is even beginning to appear in the United States of America and East Asia which have traditionally worked considerably longer hours than Europe and much of the developing world. Of course the effect of increased prosperity does not remain simple. Beyond a certain level of prosperity people may cease to feel the full benefits of improvements. People in the developed West have begun to display increasing dissatisfaction with their lifestyles, particularly in the United States where incomes have stagnated while cost of living has risen resulting in a real terms decline in standards of living for many. The economic downturn of 2008/2009 is liable to have only exacerbated this feeling. Economic constraints are liable to impact upon people's holiday choices for several years to come.

Related to this feeling of dissatisfaction is a common feeling that time pressures are becoming excessive and the modern world too complicated despite the fact that the majority of contemporary westerners now have significantly more leisure time than ever before. As a result 'Value for Time' has become and will remain an increasingly important priority in people's decision making processes, leading on to more experience intensive holidays, often of a shorter duration. The

recession will only have hardened the cash-poor, time-poor equation in people's minds further promoting the trend in shorter city break style holidays particularly as much of future tourism will originate from Asia. This should provide growth in the budget but also the traditional sightseeing categories.

## Values and attitudes

There are four major attitudinal trends that will impact upon tourism in the next two decades. These are: the growth of more internationalist and cosmopolitan attitudes; ethical issues (and related to that environmental concerns, covered separately); and an increasing sense of adventure and willingness to try things.

In the rise of the cosmopolitan internationalist, globalisation of trade and industry, educational networks, social networks, media and civil society have produced a generation that is more international in its outlook than any before. This is demonstrated in membership of international organisations, studying abroad, taking part in human rights campaigns and so on. This trend looks set to continue in two notable forms. Firstly, it will be increasingly dominated by the rise of Global Asia. Data from the World Values Survey shows young Asians are the group with the biggest increase in international concern; as Asia comes to dominate the world market more and more this can only continue. By contrast, the World Values Survey indicates that Global America is in retreat, young Americans are less and less interested in global perspectives and events than their parents or even their grandparents were.

Closely linked to an internationalist outlook is a rise in ethical concerns. Particularly in Western Europe the World Values Survey shows a sharp rise in membership of ethical organisations, political campaigns, and support for foreign aid. However, as well as a generational increase, there is an overall increase across all generations implying that developmental benefits from increased tourism are likely to engender more tourism and generate more positive stories about the contributions of tourism to sustainability and development to counter act the negative impression that can be given.

Environmental concerns have been growing year on year since 1995, as measured by membership of Green organisations. The only exception to this pattern has been in the United States of America



where there has recently been a slight fall in membership. Importantly there is a distinct generational shift in membership of these organisations, with people growing up in the last decade being the most prominent members. This implies that by 2030 those aged around 50 and below are most likely to be concerned and any attempt to target that market should be aware of this. Environmental concerns have risen sharpest in East Asia, possibly because in this region people are already experiencing the consequences of climate change and other environmental threats.

Tempering the rise in environmental concern is an increasing reluctance to pay extra for green products and options. This is most marked in the United States of America where consumers have suffered from wages that declined in real terms compared to significant rises in the cost of living. In particular it will become increasingly difficult to charge consumers extra for environmental services, options or products which they perceive to engender no further cost to the supplier, or which are undertaken in replacement for a tax or tariff.

There is also a trend towards the greater appreciation of risk and adventure in holiday travel, particularly in the developed world. There is evidence that this is an age rather than a generational trend. It is likely, therefore that as people age their attitude towards risk and adventure will modify, and more traditional holidays will begin to hold greater appeal for them. An ageing population will therefore have considerable impact on the development of this trend.

## Technology

Increased access to technology and particularly to the internet has been a major driver of global awareness which has been such a driver of tourism. The internet has been a vital development within the tourism industry itself as consumers use it to research ideas, compare notes, gather information and of course book trips online.

Across the globe, internet access is growing particularly in developing countries. Between 2005 and 2007 penetration (as measured by internet connections per 100 people) nearly doubled in places like China and (albeit from a very small base) India. Already high in Brazil, it increased 65% to 35 connections per 100. Perhaps more important, has been the growth of mobile internet, in many developing countries internet access has become primarily based around this with fixed line connections being by-passed completely.

This is important not just because the internet will become increasingly important as a sales and marketing medium as the numbers with access to it grow but also because of the demographic distribution of usage. Not surprisingly, younger people are much more likely to frequently use a personal computer. As these people take their technology skills with them when they age so online activity will become ever more important for travel and tourism.

## The fragmentation of tastes

The trends discussed above can all be viewed as constituent of a larger trend. Once again this is not a demographic trend per se but it is highly influenced by demographics. Rising affluence, greater internationalism, an appetite for risk taking, more sophisticated marketing, the feeling of greater time pressures, and improved access to technology all contribute to a fragmentation of tastes. This is particularly the case in developed countries where a unique experience has become a selling point for a holiday by itself. People increasingly feel that they want a holiday that expresses some element of their individuality and that offers them an experience that is unavailable elsewhere.

There are signs that this is becoming true of the developing world also, but in the main tourism generators: India and China travel tastes appear to be somewhat more conservative. Marketing and communications strategies should therefore be aware that they are unlikely to be selling to a homogenous block, but rather a series of shifting tribes and segments that will need to be catered for.

## Summary and Implications for Tourism

There are major challenges and opportunities for tourism inherent in the demographic changes that lie ahead. Fundamentally, these involve population growth and age structure change driven by differential fertility rates and vastly improved health care. Some of the implications of these for tourism are considered below.

### Population and ageing

- Tourists from developing countries are likely to be younger with very distinctive needs from the older tourists from more traditional source markets

- This could force a stark choice for tourism destinations in their marketing, communications and product development. Do you choose to attract older or younger tourists? Or try to attract both and run the risk of not satisfying either segment?
- For the transport and accommodation, the tension between designing products and services for older and younger tourists may not be so stark. Design that takes into account the needs of older tourists (for example providing greater ease of use) might simply come to be seen as examples of good design for all
- There may be a radical challenge in current assumptions about the implications of ageing for tourism needs and wants. For example, we may see younger tourists who are still working full time looking for time to relax on holiday, whilst older tourists who generally have more time on their hands go on holiday to try new activities

### Life expectancy

- Increased life expectancy will mean there are larger numbers of older tourists from existing markets in developed countries. The needs of these consumers may be many such as the need for proximity to medical care (this is important given the forecast increase in conditions such as obesity and allergies in future).
- Fortunately, developments in telemedicine should help facilitate travel and tourism for older (and younger) tourists with chronic medical conditions – but access to reliable information and communications technology will be expected by these tourists in future
- Older tourists will have a ‘younger’ outlook than previous generations of older tourists and may well be more adventurous wanting to try new things
- Despite this, greater numbers of these older tourists will have minor disabilities (such as difficulties climbing stairs etc). Both the accommodation and transport sectors of the industry need to take account of this in terms of design and staff training

## Household composition and family structures

- Overall, as households and families become more diverse – more multigenerational, more singles, more ‘second’ families and so on – the whole of the tourism sector will have to respond to this diversity
- Marketing and communications will have to address new needs and wants that result from these emerging family and household structures. For example, communications will have to demonstrate an understanding of the diverse needs of those travelling in multi-generation parties
- Accommodation providers also need to respond to this new demographic diversity through more flexible accommodation (especially adjoining rooms designed for the needs of three generations)
- Accommodation pricing might also seek to tap into (rather than alienate) the growing singles markets. This might involve more attractive pricing for single people or improved childcare and babysitting for single parents in hotels and resorts

## Population location

- The changing distribution of the population across the globe (along with changes in the economic centre of power) will see an increase in the importance of Asian tourists to the European market
- This requires all elements of the industry to be sensitive to the cultural and religious needs of these tourists
- Among urban dwellers in developed markets the experience of urban life might create a demand for rural tourism experiences (for a change of scene and a change of pace)
- For these groups we envisage a strong appeal for tourism products that offer a ‘back to nature’ element (perhaps experiences on farms that put tourists in touch with the realities of food and drink production)

## Migration

- In the recent past migration into Europe has increased significantly. This looks set to continue as does migration within parts of Europe
- This will give a strong boost to the VFR and migration led tourism markets
- These tourists will have a diverse set of needs depending on their circumstances. Most economic migrants will be relatively poor and dependent on low cost forms of travel such as budget airlines or coach travel
- However, there will be a significant minority of relatively wealth migrants (and their families) working in the great financial centres of Europe or whose children are located in Europe for their education. These tourists will have very different needs and may use premium travel options and stay in premium accommodation

## Other issues

- The attractions of leisure, tourism and travel remain strong. Tourism and holidays will remain a high priority for consumers in developed markets and will increase as a priority for consumers in emerging markets
- As will the faster growth of tourism in less affluent and less experienced emerging markets will not only boost budget travel but also more traditional tourism activities (like sightseeing and shopping)
- Given that younger consumers are more concerned about international development issues and global poverty, the tourism industry should do all it can to communicate the development benefits of tourism
- Finally, all of these factors combined, suggest an increasing fragmentation of tastes and markets in future. This trend is already well established in developed markets, but it will also spread to emerging markets as they become more prosperous. This will make accurate segmentation and accurately targeted marketing and communications even more important (and ever more challenging!)