

INNO-Grips Workshop on Disruptive Innovation
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Disruptive Innovation in European Tourism

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Agenda

1. The tourism sector in Europe
2. Main innovation trends in tourism and their disruptive impact
3. Implications for the European tourism industry
4. Policy recommendations

The tourism sector in Europe

- Defined as the provision of services for people travelling to and staying outside their usual environment for less than one consecutive year for leisure or for business purposes.
- Business activities:
 - Accommodation, travel agencies and tour operators (fully)
 - Transport by land, water and air; museums, cultural and sports activities and amusement and recreation activities (partly)

Key figures for European tourism

- Tourism produces directly 5% of European GDP (indirectly 10%)
- 9.7 mio. jobs directly (indirectly more than 20 mio. jobs), i.e. more than 5% of total workforce directly (12% indirectly)
- ~ 1.8 mio. enterprises, 99% micro or small enterprises.
- 6 of the world's top 10 tourism destinations by arrival are in Europe; 7 of the top 10 by receipts

Volume & market shares

- International arrivals: 477 mio. in 2010 (+3.2% compared to 2009)
- International receipts: € 306 billion in 2010 (+4%)
- Europe's share of international tourism arrivals: 51% in 2010 (in 1990: 62%)
- Share of international tourism receipts: 44% in 2010 (in 1990: 55%)
- Effects of the 2008/2009 financial crisis: Decline for the first time after WWII; growth bounced back in 2010; full recovery to prior peaks in 2011

Main innovation trends (1/5)

- **Internet bookings**

- In the last 15 years, steady growth in internet bookings at the expense of other sales channels.
- In 2011 close to 40%!
- USA and Western Europe as market leaders in internet bookings with mature markets.
- 2 conflicting, parallel trends: dis-intermediation & re-intermediation → challenge for tour operators and travel agencies; new entrants such as online travel agencies!

→ STRONG DISRUPTIVE IMPACT!

Main innovation trends (2/5)

- **Dynamic packaging**

- Alternative to standard pre-packaged offers in travel.
- After some years of hype, now relatively common tool often blurring the boundary between “real” dynamic packaging and pre-arranged partially modular packages.

→ Share in dynamically packaged travel is expected to rise further, but without completely disrupting the market!

Main innovation trends (3/5)

- **Yield management systems**

- Integrated information systems, which contribute to the revenue optimisation of supply capacities by (semi-)automatically and dynamically regulating prices and quantities.
- Positive as it fosters the tourism industry's overall utilisation of capacities leading to high gains in efficiency and some mitigation of the seasonally fluctuating demand.

→ Incremental innovation!

Main innovation trends (4/5)

- **Online review and rating platforms**
 - Many travellers have more confidence in travel reports and recommendations provided by other tourists than in information provided by tourism companies.
 - The future of online travel is to incorporate inspiration, discovery and recommendation into the online traveller experience just as much as transactions.
 - Increase in market transparency.

→ Strong impact, but not disruptive!

Main innovation trends (5/5)

- **No-frills airlines**

- Attract a totally new market while “eating into” the market share of legacy airlines.
- Strong pressure on legacy carriers, fostering them to reduce fares and adapt especially their service concept on short-haul routes.
- The distinction between traditional flag carriers, no-frills and charter airlines is becoming increasingly blurred.

➔ The invention of no-frills airlines clearly disrupted the market!

Implications for European tourism

- Major innovation trends pose more opportunities for European tourism than threats:
 - **E-Tourism** in Europe has already entered a **mature stage** → one of the global innovation leaders!
 - **Management** and **service standards** in European tourism are comparatively **high** → competitive advantage!
 - Many European players in tourism have already **consolidated their position!**

Policy recommendations

- No evidence for a specific disruptive innovation policy design in the tourism sector, apart from possibly launching ‘soft measures’.

→ Create positive framework conditions for European tourism companies to adopt these innovations in the best possible way.

Thank you for your attention!

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