

Five global megatrends reshaping MENA's travel and tourism industry

Dr. Martin Berlin, PwC Partner and Global Deals Real Estate Leader



Demographic and Social shifts

Hot on the heels of evolving and streamlining the industry to serve the millennials, the hotel industry is once again at the helm of innovation to attract and retain the senior traveler. Although this demographic shift can cause uphill economic battles for some countries, the travel and tourism industry is rolling up their sleeves to serve a new entrant: the silver tourist. According to the UN, 21% of the world's population will be people aged sixty or above by 2050.

The characteristics, the preferences and the behaviours of the senior traveler can be the polar opposite to that of the millennial or even the Generation Z. The silver tourist believes spending big on holidays and embraces traditional hotel concepts, while the millennial and Generation Z have shunned the cookie-cutter approach to hospitality and is looking towards the shared economy concepts in the lodging industry. So what does this mean for the tourism industry?

This niche tourist segment prefer face-to-face interaction within this digitised industry.

Therefore, they have the capability of bringing back tradition into the industry namely with the resurgence of travel agents, tour operators and traditional hotel concepts vs high tech driven hotel concepts.

Shift in global economic powers

The Indian and the Chinese economies continue to play a strong global role, although the latter is unquestionably experiencing slower growth. In contrast, India has picked up speed over the last couple of years due to its status as a net importer of oil and other commodities (and therefore a beneficiary of lower global prices) and a new government since 2014 that has been introducing more business-friendly policies to stimulate economic development and growth. This shift in global economic powers from the western to the Asian economies has placed the Middle East at the centre of many fast growing markets.

While most countries are gearing up to attract and retain the Asian traveler, destinations within the Middle East have already put the wheels in motion by improving air connectivity with the Asian destinations, easing the visa facilities, focusing on introducing a variety of activities in the family and cultural sectors, providing world-class retail options and using Asian celebrities for promotion.

Urbanisation

Many countries within the GCC attract urban tourists; wherein the main city is the targeted destination for the traveler. Development of urban tourism is strongly dependent on economic growth, technological growth and increased air connectivity.

Tourism offerings usually vary from retail, leisure and wellness, cultural, theme parks, sun and sand but are usually concentrated "in-the-city." However, the downside of urban tourism is the negative effect it has on the environment including, air pollution, noise pollution and over utilization of resources. With water scarcity looming in the far horizon, it is important for the region to develop policies around sustainability within the tourism industry.

Climate Change and Resource Scarcity

Although climate change and its impact has been the center of various debates over the past decade, the planet is unable to support current models of production and consumption. A growing population requires around 35% more food, 40% more water and 50% more energy while we are already at the brink of resource scarcity.

The region is vulnerable to warmer summers and water scarcity as a response to climate change (Source UNWTO).

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Additionally, the impact of this change in the tourism landscape is estimated to be strongly negative as it will compromise visitor numbers if the GCC summers get hotter.

There are important control measures to be implemented in the form of a sustainability roadmap with clear targets and mitigation strategies. There also needs to be a strong contribution from key players across the tourism value chain (i.e. government authorities, meteorological departments, developers, hotel operators and the tourist).

Technology

For many years, corporate technology was far more advanced than anything available to the consumer. But two key dates – 2007 and 2010 (the launches of the iPhone and the iPad respectively) – decisively shifted this imbalance in favor of the consumer. Consumers now have a very high benchmark for the experiences that they expect from their everyday use of digital apps and platforms.

The smartphone penetration for the GCC markets is among the highest in the world, reaching 78% in the UAE and 77% in Saudi Arabia which constitutes a great opportunity for GCC to leverage on digitization. The travel and tourism industry has witnessed the infiltration of digitisation across the entire value chain.

From influencing the decision to travel to receiving feedback after the travel is complete, everything can be conducted on a digital platform or smartphone. It is important for the hotels in GCC to embrace digitization to attract the technology-savvy consumer. Technologies such as mobile check-in, BYOD entertainment, wearable technologies, geo-location based marketing programs are set to redefine the new normal in the hospitality industry.



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