

Professional paper

THE IMPACT OF GLOBAL MEGATRENDS ON TOURISM INDUSTRY

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Abstract

The future of tourism industry will be affected by major social, economic, political, environmental, and technological changes, bringing new and often unseen challenges, threats and opportunities. The speed of technological progress has changed societal expectations and at the same time is rapidly surpassing society's ability to adapt. These megatrends are slowly forming but will have deep and long-term effects on all economic sectors, including tourism. The main aim of this paper is to analyze global megatrends and their impact on tourism. After analyzing current megatrends, they are also discussed from the perspective of potential source of innovation in tourism. Having in mind current global environment, the issue of sustainability in tourism is considered, and certain conclusions and recommendations are put forth. The conclusion is that tourism is strategically important and complex sector in many countries. Future development should be based on nurturing and developing a supportive environment for tourist demand, infrastructure, more efficient combination of available resources and valorization of natural, cultural, and historical heritage, but also by stimulating social innovation and entrepreneurship.

Keywords: tourism industry, global megatrends, sustainable development

JEL Classification: F01, Z32

INTRODUCTION

In the last decade global economy has undergone significant changes and is facing numerous social, economic, and political challenges. Long-term trends that we are witnessing have significant consequences for growth and development. The speed of technological progress has completely changed societal expectations and at the same time is rapidly surpassing society's ability to adapt. These "megatrends" are slowly forming and progressing, but once they take place, they will have a strong and lasting impact on human activities, processes, and perceptions, including tourism industry. The future of tourism industry will be affected by these major changes, bringing new and often unseen challenges, threats and opportunities.

Niewiadomski (2020) claims that this is the era of deglobalization and redefining of tourism. Indeed, tourism industry is affected by many factors, from economic crisis to ones that are not in our control, such as climate change, natural disasters, demographic

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changes etc. Institutional infrastructure and adequate policies and measures are of utmost importance for maintaining sustainable tourism development (Ianioglo and Risannen, 2020). Collaboration among different stakeholders within the industry enables integrated and holistic planning and decision making. Flexibility and agility are among fundamental preconditions for industry post-crisis recovery and future development (Uğur and Akbıyık, 2020).

The main aim of this paper is to analyze global megatrends and their impact on tourism. After analyzing current megatrends, it is discussed how those may be a potential source of innovation in tourism. Having in mind current global environment, the issue of sustainability in tourism is considered, and certain conclusions and recommendations are put forth.

1. GLOBAL MEGATRENDS

Megatrends are underlying forces that drive trends. Megatrends have the potential to change the way global economy and society functions. They are present in all spheres of the economy and society and directly or indirectly affect tourism as a service industry. The following are key social, technological, economic, environmental, and political megatrends and their effects (Table 1). It can be seen they are interdependent and intertwined. Megatrends have long-term implications for tourism industry which is a very complex industry with a highly fragmented value chain.

Table 1. Contemporary global megatrends and their effects

Type of trend	Trend description	Effects
Social trends	Population growth	Population growth will cause general increase in participation in tourism, which can lead to overuse of natural attractions and negatively affect natural resources.
	Growing middle-class	Increasing average income and decreasing level of absolute poverty result in a growing middle class. The middle-class population is expected to increase further to 4.9 billion by 2030, and it will have an increasing importance and impact on the tourism sector.
	Changes in domestic consumption	Households are getting smaller, and together with higher income and more free time create more travel and recreational activities.
	Aging population	Healthier, richer and more active elderly population is more interested in tourism products and services. Older people, especially in more developed economies, often have higher purchasing power and more time to travel.
	Health and well-being	Nowadays, there is a greater emphasis on mental health, reducing stress in particular. People are increasingly looking for activities that will provide them with natural therapy. Given today's type of jobs, the focus on health and wellness and leisure has increased, and the line between wellness and lifestyle on the one hand and health care on the other is slowly fading.
	Urbanization	People's need for green space is growing, and so is the demand for nature-based tourism services.
	Change in work patterns	Today's jobs require less physical engagement, so the demand for physical activities during leisure time is growing. Growing middle class with more flexible working conditions and more free time and disposable income has more flexible travel plans.
	Gender rights	In modern societies, women significantly influence the choice of leisure activities and more often choose nature-based tourism activities that include high quality products and services and positively affect beauty, while men appreciate challenging activities such as hunting, fishing and adventure activities.

Technological trends	Cultural diversification	Today we are facing multicultural society. The influx of tourists of different cultural backgrounds, preferences and expectations requires a new type of governance that will provide answers to different preferences of tourists.
	Values and lifestyle	Today's tourists have sufficient financial resources, but they do not have the time. They are looking for unique, personalized and authentic experiences. Also, there is a growing environmental awareness among them.
	Generation Y and Z	New generations are influencers. These are age groups based on technology, diverse and specific needs for communication, consumption and tourism experience.
	Transport	New technologies reduce costs and increase travel speed. The availability of various tourist destinations has increased.
	High technologies	High-tech outdoor recreational equipment and clothing provide recreational tourists with increased comfort, safety and access to natural destinations and enable the growth of such activities.
	Information and communication technologies (ICT)	New technologies implementation enables adding value and lowering operating costs. Social media allows for greater transparency between consumers and providers. Consumers have greater power while tourist destinations need to find ways to be competitive. Mobile technology and the expansion of mobile services encourage tourists to visit and experience new and unfamiliar areas of nature. The Internet of Things is expected to help manage visitor flows, improve traffic systems management and encourage monitoring of fragile ecosystems.
Economic trends	Economic growth in developed countries	Growth, higher incomes and more leisure time allow spending more resources on tourism activities.
	Economic growth in emerging markets	Economic growth in emerging economies, contributes to the expansion and diversification of tourism.
	Sharing economy	Sharing economy is a new way of doing business based on the principle of sharing, renting and exchanging services and products that encourages sustainable management of available resources (for example, Airbnb).
	Fuel costs	Despite occasional cuts, oil prices are expected to rise, which will negatively affect the cost of travel.
	Economy of experience	At a time when supply is plentiful and it is no longer easy to differentiate products and services by quality, consumers are looking for other factors on which to base their choices, so features such as design as well as creative combinations of products and services become more important.
Ecological trends	Climate change	Climate change has different impacts on different types of tourism. For example, winter tourism is negatively affected because winters become warmer and rainier, so problems are expected in ski resorts and similar forms of winter tourism. Climate change is also leading to, for example, the disappearance of coral, fish and environmental degradation that will reduce activities such as diving, sightseeing and the like.
	Land use and landscape change	Rural depopulation, urbanization land use for road reconstruction and energy production have led to various landscape changes and loss of their aesthetic value which reduces the attractiveness to tourists.
Political trends	Political turbulences, wars and terrorism	Political instability in regions such as the Middle East, Africa and parts of Asia is projected to reduce tourist flows in general and increase the attractiveness of tourist destinations that are perceived as safe.
	Border regulation change	Changes in border regulations through the implementation of various agreements, such as Schengen, have reduced travel restrictions, created new tourist opportunities and traffic.

Geopolitics

In today's globalized world, tourism is also used as an instrument for realizing geopolitical goals. Example are sporting events.

Source: authors compilation.

Given the already high interdependence of current megatrends, economic development megatrends are manifested within demographic situation, growing global trade, emerging consumption patterns, changing resource quality, increasing resource needs due to declining natural resources, the impact of human activities on ecology and new technologies. All these changes have impact on other areas and thus, it is necessary to have a holistic perspective.

3. MEGATRENDS AS A SOURCE OF INNOVATION IN TOURISM

One of the most prominent megatrends that will have an impact on tourism is certainly the change in awareness of tourists, which affects all segments of the economy and life. New generation of population, so-called Millennials or Generation Y, people born between 1980 and 1995 (wider range 1978-2000), but also Generation Z, the younger generation of Millennials born between 1996 and 2010. These new generations have recently been the leader in raising and changing awareness, culture of nutrition and consumer consumption towards sustainable development, environmental protection, climate protection, protection of non-renewable resources, circular economy, animal protection and generally responsible life and business in all segments. In addition to being extremely careful about what ingredients they consume, they are also very aware of how their actions, directly or indirectly, affect animals, the environment, and other beings. The new generation has as its primary goal its well-being, i.e., achieving and maintaining their general state of comfort, health, happiness and peace, and in order to achieve this they avoid all products and services whose ingredients directly or indirectly do not provide good immune, metabolic, mental and psychophysical balance.

In addition to the price, the composition and the ratio of harmfulness and benefits of each product or service are now important to tourists, and the price itself is less important as decisive criterion for selection. Earlier generations did not take into account all the mentioned factors as Millennials do, but the ratio of price and product preference was the key factor in buying and consuming tourism products. The peculiarity of today's Millennials is that they explore the market every day in search of the optimal tourist offer for them, sharing their experiences and opinions both on a personal immediate level and on social networks. Therefore, it is concluded that someone's (non)recommendation is the best advertisement or discrediting factor of a tourist destination, product or service. Another specificity of the millennial tourist market is the need for personalization. The tourist wishes and needs of Millennials are no longer the same and similar to each other but require the personalization of the tourist offer according to certain preferences. Consumers are looking for tailor-made solutions that suit their character, and societies are no longer divided into homogeneous groups, but increasingly consist of different niches.

The OECD (2017) defines four key megatrends that will have a significant impact on tourism:

1. The evolution of visitor demand. Globalization and demographic trends are changing the demand of visitors. Over the next few decades, visitor demand will evolve as incomes and education levels grow in emerging economies, the global population continues to age, and new consumer groups emerge. Combined, these factors will affect travel

frequency and passenger expectations. For example, the share of people over the age of 60 in the world's population is expected to almost double, so the travel market for the elderly will grow significantly and infrastructure and support services will need to be adapted to their demand. At the same time, Millennials and Generation Z will represent key tourism consumer groups until 2040. Each of these groups has unique travel preferences. Destinations will have to adapt to these changes in demand.

2. Sustainable growth of tourism. A global shift towards low-carbon and resource-efficient targets will impact tourism. Tourism industry is a relevant factor in energy consumption and emission generation. It also contributes to the use of fresh water, environmental degradation and unsustainable food consumption. At the same time, tourism can have a positive effect by encouraging the growth of awareness of environmental values. Given the cross-sectoral nature, even small improvements will have an important impact.

3. Enabling technologies. Digitization is transforming the tourism industry. New technologies are changing the way tourist behave and also how suppliers provide their services. Machine learning and automation are already being integrated into some parts of tourism, while ICT is progressively changing tourism value chains and the position of SMEs within them. The technologies in question represent both opportunities and challenges for tourism development and policy makers who need to consider both supply and demand impacts and develop policies that involve all stakeholders. Access to information is another trend due to advances in ICT and other technologies that have significantly changed the way we communicate, collect information and distribute products and services.

4. Passenger mobility. Passenger mobility is key to tourism growth. Transport is a necessary component of the tourist system, connecting markets in tourism, generating regions into destinations. Location, capacity, efficiency and transport connectivity can play an important role in destination development, affecting visitor mobility. Passenger mobility will be affected by a range of internal and external factors over the next few decades, presenting both opportunities and challenges to policy makers. Just some of the factors that will affect passenger mobility are changes in immigration and customs policies, innovations in transport, access to infrastructure, and the like.

There are a number of other trends with a major impact on tourism. Blockchain technology will improve the payment system and services in tourism, geographic information systems (GIS) technology will provide a scientific approach to tourism analysis, the Internet of Things. Things (IoT) will improve the service processes and structure of tourism communication and distribution and cloud computing or storage of data in the cloud will improve data management, monitoring and evaluation of artificial intelligence (AI), virtual reality (virtual reality) reality (VR) and augmented reality (AR) (World Tourism Cities Federation, 2017).

Tourists are increasingly interested in authentic travel experience. Equally interesting are the independent tourist trips in which individual tourists go on a trip, as well as trips that unite several different generations from the same family-friendly circles and households. The sustainability of tourism is also emphasized, so there is a growing desire for tourism that takes care of reducing waste, preserving the environment and climate and the like.

Further development of tourism in a sustainable way is a key prerequisite for continued competitiveness. One of the main challenges of sustainable tourism development lies in collaboration of different stakeholders in the tourism value chain to

deliver a coherent full experience, but also in creating innovative solutions that address the main challenges of tourism development such as identifying new niches, reducing seasonality and improving working conditions. Therefore, it is very important to identify key tools for tourism industry development, in order to make its management and sustainable development as successful as possible. Although megatrends seemingly relentlessly change the course of demand in a way that is difficult to follow and adapt to, it is possible to use them for the development of tourism. In order to attain sustainability and development of tourism industry it is important to support tourism demand by creating and promoting a tourist destination brand, improving data availability, improving cooperation with educational institutions, creating awareness of the importance of innovation, increasing the attractiveness of tourism, all to stimulate innovation and entrepreneurship (Ecorys, 2009). It is also necessary to combine available resources more efficiently by creating awareness of supply chains, promoting networking and cooperation through the supply chain. Equally, it is important to ensure the sustainability of tourism development by encouraging further development of social and environmental sustainability of tourist destination, active support and participation in social dialogue and raising awareness of the importance of the principle of sustainability.

4. SUSTAINABILITY AS AN INTEGRAL PART OF TOURISM DEVELOPMENT

Sustainability has become much more than just a megatrend, both in tourism and in all other sectors of the economy. In addition to being an imperative for competitiveness in tourism, it is also a facilitator of monitoring and implementing all other megatrends in tourism industry. However, sustainability of tourism still requires significant and continuous effort with the introduction of numerous changes and the integration of all stakeholders and aspects of the destination's tourism system. Sirk (2017) says that sustainability is more of a declarative way of business performance rather than practical.

Niedziółka (2021) highlights the fact that sustainable tourism entails educated tourist and service providers that consider not only current consumer needs but future needs as well. In order for tourism development to be propulsive, competitive and responsible, it must be based on sustainable principles with a focus on policy, planning, implementation and monitoring of sustainability. Sustainable development is the key to continuous and secure economic and social progress, without the use of non-renewable natural resources and damage to the environment. Quality cannot be achieved or maintained without sustainable development, which has been recognized globally in recent years. One of the most widespread and influential ways of explaining sustainable development is to present it as the integration of the three areas of economic, social and environmental concern. What is more, UNESCO (2010) is applying a holistic approach to sustainability and defines four dimensions of sustainable development: (1) natural, (2) economic, (3) social and (4) political dimension. So, in addition to the above three, a fourth one has been added - the political dimension.

Unsustainable consumption and production practices are one of the major barriers to sustainable development. Improving sustainable consumption and production (SAP) practices is necessary in the tourism industry in order to contribute effectively to sustainable development (UNWTO, 2019a). However, although the economic sustainability of tourism is important, much greater emphasis needs to be placed on the social, cultural and environmental pillars of sustainability (UNWTO, 2018), without which the sustainability of tourism industry is not possible.

Tourism multidisciplinary affects different sectors of the economy; encourages trade and provides a wide range of socio-economic opportunities. Tourism industry also affects natural resources and has the potential to significantly affect the protection of natural resources and is an important actor in combating negative effects of climate change. For example, many determinants of health also lie in sectors other than healthcare (ecology, water, agriculture, education, employment, urban and rural life, trade, tourism, energy, etc.) and continuously promote closer links between health and other sectors, especially healthcare sector and tourism (World Health Organization, 2002).

In order to ensure sustainable and responsible tourism development, significant efforts are needed to move towards renewable energy sources, increased consumption of local products and educating all key stakeholders, including tourists. It is important to include climate change and biodiversity conservation in tourism planning, development, implementation and monitoring, and to strengthen partnerships and cooperation between the public sector, the private sector and local and regional communities. The private sector in tourism also has a role to play in combating the negative effects of climate change. For example, by designing new hotels and accommodation facilities on green principles, part of the accommodation facilities can contribute to reducing environmental impacts. On the one hand, tourism industry has a negative impact on climate change, and on the other hand, negative climate change affects tourism itself, so this interdependence must be properly directed and used in a way that timely adaptation of tourism mitigates climate change.

Furthermore, tourism is one of the sectors with blue growth potential. Namely, tourism industry connects a number of different segments of the economy such as transport, infrastructure, communications, healthcare, agriculture, education, security, customs, accommodation and creative industries. Thus, tourism is a very inclusive activity, and entails the growth and development of other economic activities. For this reason, it is important to strengthen tourism and see it not only as a separate economic entity, but through the prism of inclusion through which inclusive tourism enables strengthening relationships and interactions between different actors in the tourism industry, forming partnerships with the private sector and stimulating local economy. vulnerable groups and the active involvement of the local community and the emphasis on sustainability taking into account environmental, social and economic factors. Some of the ways to strengthen the inclusion of tourism and ensure its benefits are integrating poorer local communities into tourism value chains through active participation of the business sector, ensuring compliance with international standards of tourism products and services, ensuring market expertise, capacity building, policy advocacy and formal market links with existing tourist destinations and suppliers. It is by strengthening tourism as an inclusive activity that quality improvement and its successful management are ensured.

Tourism industry is projected to continue to grow by an average of 3.3% per year until 2030 with a consequent increase in environmental impact (UNWTO, 2019b). Given the inevitability of environmental and resource depletion, and consequently social and economic degradation due to such trends of unsustainable growth, changing the focus and direction of action towards the sustainable consumption and production and sustainable development is imperative. The main goal of the sustainable consumption and production is to maintain the natural capital and productivity of our planet in order to meet the needs of people and sustain economic activities (UNWTO, 2019a). Sustainable consumption and production extends across economic sectors as it focuses

on sustainable and efficient management of natural resources at all stages of the value chain of products and services. It represents a holistic approach by connecting economic processes with environmental and social issues.

It is crucial that policy makers prioritize strategic approaches that optimize the use of natural resources, in order to meet global environmental challenges as well as the continued growth of tourism (UNWTO, 2019a).

Tourism policies therefore have a mission to lay the foundations for tourism development and management. They can and should play an important role in improving sustainable consumption and production. In order to integrate sustainable consumption and production into tourism policies, it is crucial to include three groups of instruments (UNWTO, 2019a): (1) regulatory and legal instruments, (2) economic and fiscal instruments and (3) communication instruments.

In line with these megatrends, it is estimated that tourist arrivals will continue to grow until 2030, when 1.8 billion international tourists will cross borders and over 7 billion tourists will travel within their country's borders (UNWTO, 2019b). Such growth is also reflected in the environmental impact of the sector, which in 2008 was estimated to contribute 5% to global CO₂ emissions. Consequently, it is important to look at tourism industry, not only from an economic but also an ecological point of view, and to prioritize the separation of tourism growth from the growing use of natural resources.

As tourism industry depends directly on the quality of the environment in which it operates, environmental impacts must be addressed to ensure long-term competitiveness while maximizing its contribution to sustainable development (UNWTO, 2019b). As a transversal economic sector, tourism has expanded and fragmented the value chain that requires the collaboration of a wide range of stakeholders to deliver a tourism product and implies diverse linkages with other sectors, affecting circularity in tourism value chains. Furthermore, tourism, like no other sector, involves direct interactions between visitors (consumers) and the host community (producers) which has an impact on the individual orientation towards more sustainable tourism behavior and demand. These features, combined with other features of the tourism sector, which currently accounts for about 10% of global GDP, 7% of exports and 1 of 10 jobs worldwide and projected growth, puts the sector in a unique position to systematically promote sustainable practices (UNWTO, 2019b). Consequently, the integration of sustainable consumption and production practices into the tourism sector has great potential to achieve large and multiplier effects.

The United Nations (UN) is also working in this direction within the United Nations Steering Committee on Tourism for Development (SCTD) with its sectoral initiative within the Delivering-as-One initiative. The initiative was launched in 2007 with the aim of responding to the challenges of a changing world and supporting development in a unique and jointly coordinated way. The main objectives of the SCTD are to support developing countries, monitor the development of progress, mobilize the necessary financial resources and promote tourism. SCTD encourages integrated tourism development and provides specialized tourism support in order to maximize tourism capacity, and to support developing countries in meeting their development goals, while ensuring the preservation of environmental, cultural and natural assets. The main areas of SCTD intervention are: (1) strengthening good governance and sustainability in tourism; (2) promoting investment in tourism; (3) strengthening the positive effects of

tourism on poverty reduction; (4) encouraging the development of human resources in tourism.

CONCLUSION

Tourism is a very complex system that is multidisciplinary and multisectoral. It is quality management that provides the tool for managing such a complex tourist system, following the latest and significant megatrends and market volatilities. When considering competitiveness of tourism and analyzing the mentioned trends, it is necessary to consider the growing interconnectedness of tourism industry and a wide range of other industries with significant growth potential, such as environmental, cultural and creative industries. Of particular interest is the complex interconnection with the information and communication technology sector. Another fundamental factor of competitiveness in tourism is ensuring sustainable development. This is possible by nurturing and developing a supportive environment for tourism demand, infrastructure, more efficient combination of available resources and valorization of natural, cultural and historical heritage, but also by stimulating social innovation and entrepreneurship. Innovations are a strategically important segment of increasing competitiveness, quality management and tourism and the economy in general. New generations have different habits, values and needs and they are already reflecting the long-term characteristics of the market and tourism demand around the world. Policy makers will need to respond to all emerging challenges and develop policies that encourage greater mobility and confidence, while promoting sustainable tourism growth and maintaining border security and integrity. In order to do this, it is necessary to identify and analyze megatrends and identify how they affect tourism industry, but also to find opportunities and ways to use them for the purpose of promoting future responsible and sustainable development of tourism.

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