Key Findings

OECD Tourism Trends and Policies
2020

OECD

About the OECD Centre for Entrepreneurship, SMEs, Regions and Cities

The Centre helps local, regional and national governments unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation and implement sound tourism policies.

About the OECD Tourism Committee

The OECD Tourism Committee, created in 1948, acts as the OECD forum for exchange, and for monitoring policies and structural changes affecting the development of domestic and international tourism. It actively promotes a whole-of-government approach to support the sustainable economic growth of tourism.

About this booklet

This booklet contains highlights from OECD Tourism Trends and Policies 2020. The 2020 edition analyses tourism performance and policy trends across 51 OECD countries and partner economies. It highlights the need for coherent and comprehensive approaches to tourism policy making, and the significance of the tourism economy, with data covering domestic, inbound and outbound tourism, enterprises and employment, and internal tourism consumption. Tourism policy priorities, reforms and developments are analysed and examples of country practices highlighted. Thematic chapters provide insights on preparing tourism businesses for the digital transformation, and rethinking tourism success to promote more sustainable and inclusive tourism development. The report was undertaken in co-operation with the European Union.*

Find out more
www.oecd.org/cfe/tourism/

OECD Tourism Trends and Policies 2020

Tourism is a steadily growing and economically important sector globally and locally. It makes significant contributions to job creation, export revenue, and domestic value added, and helps improve the attractiveness and well-being of places, not only as destinations to visit, but also to live, work and invest. What measures are needed to build resilience and address the challenges confronting the sector (sustainability, climate change, digitalisation, health crises and other external shocks) and ensure local businesses and communities reap the benefits of this growth? OECD Tourism Trends and Policies 2020 outlines the latest tourism developments across OECD and selected non-OECD countries, and takes a deeper look at two of these challenges: digitalisation and sustainability.

After six decades of consistent growth, tourism is an important driver of economic growth. On average, the sector directly contributes 4.4% of GDP, 6.9% of employment and 21.5% of service exports in OECD countries. It is of vital economic, social and cultural importance, and offers real prospects for sustainable and inclusive development; however, integrated and forward-looking policies are needed to ensure this growth better delivers benefits for people, places and businesses.

International tourist arrivals topped 1.5 billion globally in 2019 for the first time, representing an increase of 3.8% year-on-year (UNWTO). Home to some of the world's top tourism destinations, OECD countries welcomed more than half of global arrivals (56.9%) in 2018, and growth in tourist arrivals to OECD countries has outperformed the world average since 2014.
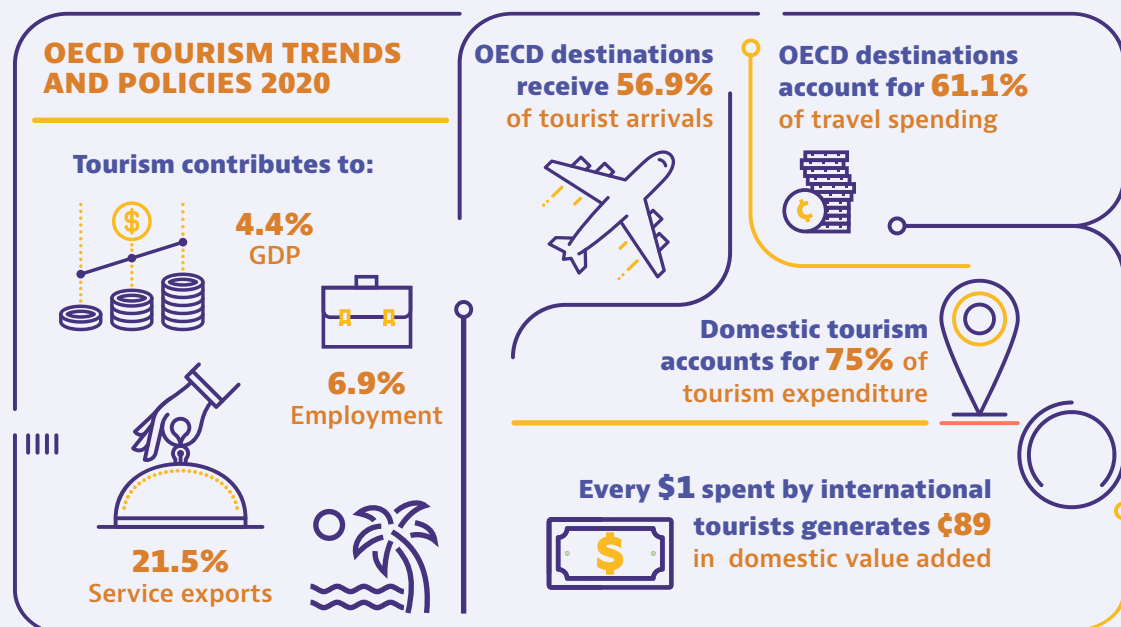
Every tourism dollar spent by international visitors generates 89 cents of domestic value added on average in OECD countries, more than for overall exports. This spending has positive knock-on effects for other sectors and local communities in tourism destinations, in terms of revenue and jobs. That said, domestic tourism is the mainstay of the tourism sector in the majority of OECD countries, with people travelling within their own country accounting for 75% of tourism expenditure.

While in the short-term the picture for tourism is mixed, mainly due to an uncertain economic outlook and external shocks such as health crises and extreme weather events, over the long-term tourism is expected to continue to grow.

In response, governments are adjusting their policies and putting in place strategies so that local communities, small tourism businesses and less developed destinations can fully share in the benefits of a dynamic tourism economy.

Recognising the need for a strategy is one thing. Making sure there is action to deliver policies on the ground is another. To do this, countries are putting in place measures to co-ordinate better across and between different levels of government, improve destination management, modernise regulations, adopt digital solutions and work more closely with the private sector and civil society when designing policies.

OECD TOURISM TRENDS AND POLICIES 2020

Tourism contributes to:

4.4% GDP

6.9% Employment

21.5% Service exports

OECD destinations receive **56.9%** of tourist arrivals

OECD destinations account for **61.1%** of travel spending

Domestic tourism accounts for **75%** of tourism expenditure

Every **$1** spent by international tourists generates **¢89** in domestic value added

Preparing tourism businesses for the digital future

Digitalisation is transforming and reshaping tourism, enabling consumers to travel in unprecedented numbers and giving tourism businesses immediate access to global markets. However, much of the growth is concentrated on a small number of prominent platforms and digital-tech businesses and many small traditional tourism businesses are struggling to understand the opportunities and reap the benefits.

Tourism outperforms other sectors when it comes to the share of businesses making online sales in the 28 OECD countries for which data is available. On average, 77% of the accommodation and food and beverage service businesses in OECD countries have a website or homepage and 70% use social media. However, productivity-enhancing technologies (e.g. cloud computing, data analytics) have generally received low uptake in tourism.

The digital economy is having a profound impact on the tourism sector, transforming the process of communicating with tourists and marketing tourism services, and opening up new and creative ways to deliver tourism services and enhance the visitor experience. Tourism services are delivered locally, but tourism businesses operate in global markets, and the information intensive nature of these services makes them ripe for digitalisation. Consumers are also driving change. Gen Z, Millennials and the generations that follow will be the bulk of tourists by 2040. They are digital natives and their relationship with technology will continue to influence tourism service delivery. The sector needs to future proof itself to accommodate these new customers, but many tourism businesses are falling behind.

Tourism businesses that do not invest in digitalisation will struggle to survive, let alone thrive in the future. Governments can help create the right conditions to maximise opportunities for businesses while protecting consumers and accounting for the different challenges and issues faced by traditional tourism businesses and digital native firms.

Tech-driven digital native companies are some of the largest and fastest growing in the tourism sector. These include well-known examples such as Skyscanner, Expedia, Booking.com and Airbnb. Because of their capacity to scale up quickly, their global operations and their lack of physical property, they have taken advantage of gaps in planning, safety and labour laws, amongst other regulations, leading to a situation where digital native companies often enjoy a competitive advantage over traditional tourism businesses.

As digitalisation evolves, new technologies are merging with other technologies, and with the physical world (e.g. wearable technologies, AR, image recognition, etc.). When digitalisation

Towards smarter tourism development

Innovation

Technology

Sustainability

Governance

goes beyond individual businesses, this can lead to the creation of smart tourism destinations which embrace new technologies to encourage innovation, improve the visitor experience, and manage tourism more effectively.

Around 85% of those enterprises with a major role in the delivery of tourism services in OECD countries are SMEs. Some of barriers faced by tourism SMEs in seizing the opportunities associated with digitalisation include:

✦ Inadequate access to digital infrastructure (e.g. high speed internet access and widely available Wi-Fi).

✦ Insufficient resources including access to finance, networks, skills and time.

✦ A mismatch between current and anticipated sector skills requirements (e.g. digital/IT, data analytics and administration/finance), while tourism businesses may not have the financial or management capacity to employ tech experts or invest in workforce training.

✦ A focus on business survival makes them risk averse to business innovation coupled with uncertainty around the benefits of digitalisation, especially when considering the costs.

Governments have a key role to play in fostering the digital technology uptake in tourism, and encouraging the participation of SMEs. They should take steps to:

✦ Ensure the appropriate infrastructure is in place, whether it is high-speed broadband access, or taking innovative approaches to city and regional planning.

✦ Actively champion the digital transformation of tourism, by modernising regulatory frameworks and strengthening capacity of SMEs to participate in the digital economy.

✦ Encourage uptake and investment in new technologies, skills and innovation and support existing tourism SMEs to take advantage of the benefits of the digital transformation, and promote the development of smart tourism destinations.

✦ Develop capacity-building initiatives such as travel-tech incubators, accelerators, mentoring opportunities and other non-tech initiatives (e.g. tourism networks).

Smart tourism in action

The smart wine tourism initiative in the Napa Valley, United States, uses Wi-Fi, the Internet-of-Things, and geolocation software to target nearby tourists in a destination and invite them to enjoy a wine experience during their visit.

More: http://napagreen.org

Rethinking tourism through a sustainability lens

Globalisation and technological advances have spurred on the significant growth in global tourism leading to cheaper airfares, making it easier for people to plan and book their own travel, and then to share their experiences with friends in real time. With continued strong growth forecast in global tourism, significant investment is required to provide the accommodation, transport and other tourism-related services and infrastructure necessary to meet expected demand, while enhancing economic, social and environmental outcomes.

However, the growth in the tourism sector is putting pressure on infrastructure, the environment, local communities and other economic sectors. Despite tourism's clear potential as a driver for positive change, it is widely accepted that rapid or unplanned tourism growth can have negative consequences. For example, overcrowding and congestion of tourism-related infrastructure (overtourism or unbalanced tourism) can lead to the degradation of natural and historical sites, monuments, landscapes and public spaces. If unchecked, it can significantly affect sensitive cultural heritage and environmental sites, and the daily lives of residents, often resulting in negative attitudes and resentment towards tourists and the sector.

For example, excessive pressure from tourism in and around Amsterdam has had a negative impact on liveability, whereas other places in the Netherlands still benefit insufficiently from tourism opportunities and economic benefits. In response, the Netherlands Board of Tourism and Conventions introduced the Perspective 2030 strategy to shift from promoting visitation to managing visitors, to build a loved, valuable and liveable destination for the benefit of visitors and residents alike.

There is a growing argument that tourism success should not be measured solely by visitor numbers, but rather its ability to contribute to local economies and the net benefits it provides to destinations. Furthermore, sustainable tourism should not be considered a special form of tourism, but rather all forms of tourism should strive to be more sustainable.

While there is no standard response to these problems, failure to address adequately the effects of increased tourism can lead to concerns over the value or worth of tourism for destinations and even resentment towards visitors. It has the potential to negatively impact destination competitiveness in the long-term, meaning some destinations could become victims of their own

success.

Countries have taken significant steps over the last decade to better understand tourism's effects on the natural environment and host communities. Despite this progress, negative impacts linked with rapid growth in visitor numbers show that, for many, finding a balance between environmental, economic and social impacts remains elusive.

A specific challenge for policy makers will be providing the right incentives throughout the value chain to promote sustainability, and demonstrating clearly that policies promoting sustainable and inclusive growth are both business friendly and necessary.

To address increased pressure on those destinations experiencing unbalanced tourism growth and help existing and emerging destinations to strike a balance between the benefits and costs associated with tourism development:

✦ There is a need to rethink tourism success, with a greater focus on the environmental and socio-cultural pillars of sustainability to deliver net benefits to local and indigenous communities, contribute to achieving the SDGs, and combat climate change.

✦ Policy makers must ensure that efforts to grow tourism are pursued within the wider context of city, regional, and national economic development strategies, and in close co-operation with industry and civil society.

✦ Governments need to take additional steps to understand the impacts of tourism, and mainstream sustainability in tourism policies and industry practices to better support the transition to a carbon neutral and climate-resilient tourism economy.

✦ Policy makers need to develop a forward-looking agenda and ensure access to comparable and timely data to inform decision-making and better plan for the type and scale of tourism development appropriate for destinations.

Sustainable tourism in action

The New Zealand Tourism Sustainability Commitment is an industry-led initiative established by Tourism Industry Aotearoa, designed to guarantee that every New Zealand tourism business is committed to sustainability by 2025.

More: www.sustainabletourism.nz

OECD Tourism Trends and Policies 2020

Key facts

Tourism is a steadily growing and economically important sector, globally and locally

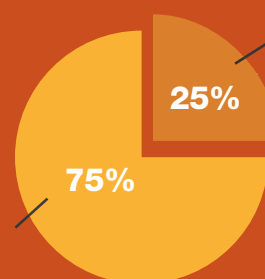Representing on average

4.4%
of GDP

6.9%
of employment

21.5%
of service exports

Domestic tourism is the backbone of the sector in the majority of OECD countries

Tourism consumption

International tourism
25%

Domestic tourism
75%

OECD countries receive more than half of global arrivals and travel spending

56.9%

$ **61.1%**

Every $1 spent by international tourists generates 89 cents of value added in the domestic economy

www.oecd.org/cfe/tourism

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the European Union