



Innovation and survival in the tourism economy

BVET Conference: Putting ideas to work John O'Neill, Executive Director and General Manager Tourism New South Wales

Good afternoon. Welcome back to the session. I'm John O'Neill. I'm the Executive Director and General Manager of Tourism New South Wales.

I'm pleased to acknowledge our partnership with TAFE NSW. We have 22 students working in our business this year.

(Audi Visual: current TVC)

You've just seen one of a series of television commercials Tourism NSW has produced to promote travel to one part of NSW.

Agencies like mine have long been characterised as marketing agencies because of such advertising.

But if you think about what we do another way it could be more accurate to characterise us as running an enterprise with two principle lines of business – content production and consultancy.

This also hints at the profound shift that has and continues to occur in our world of travel and tourism – and the knowledge and skills required to survive and prosper in it.

The television commercial which I produce is no longer just that.

It is a piece of rich content which will be distributed through many channels.

Earlier this year, Tourism Australia launched what we will all know as the 'Where the Bloody Hell are You?' advertisement. It has been downloaded almost a million times by users of the internet on computers around the world ...

The second function that agencies like mine undertake has traditionally been described as 'industry development'.

In some respects, it is drawing on the same 'bucket' of expertise that we use to make ads – our knowledge of visitor demand for the supply of tourism product.

When we think we can connect the two immediately – and in a way which is 'sustainable' – we promote our destinations. But we also consult around supply options to attract new over time.



This, role, too has changed.

For example, we used to have to go and present our insights to tourism operators and other government agencies. Now stakeholders can 'self serve' from our library of knowledge online. We're also resisting more in 'top down' plans instead looking to celebrate or promote innovative successful tourism product sourced online and elsewhere.

So what does this mean for people working in my business?

Well, first of all everyone who works in it needs to learn new things and ways of thinking or be trained in new things before they come to work with us.

For example:

- Marketers need to know about keyword buys, podcasts, RSS feeds, search engine optimisation, online viral campaigns etc, etc.
- And our systems and processes need to be built around a 'knowledge management framework'. Culturally, our staff need to know what that means and how that benefits them and our stakeholders and how it can extend our reach.

The digital economy, in short, has literally turned our business inside out. Our strategic priorities are now based around digitised content and web distribution to enable ourselves and others in the industry to penetrate existing and emerging markets for NSW.

I am using our business as a lead-in to illustrate radical and profound change which is endemic through the tourism and travel supply chain. Technical innovation has led to profound disruption and opportunity. We have seen the disintermediation of old businesses – travel agents – and the rise of new ones such as lastminute.com and Wotif.

Tourism is one of the most exciting and progressive industries in Australia employing an estimated quarter of a million people direct and indirect in NSW alone. That's about 8% of the workforce.

The industry has a larger output than

- Agriculture Forestry and Fishing;
- Mining and Communication Services; and
- Electricity, Gas and Water Supply.

It generates more than \$23.3 billion annually for the NSW economy. \$6.4 billion from international visitors.

Tourism is also a very big global business. Globally, tourism employs 77 million people, that's 2.8% of total world employment. Global spending on travel and tourism exceeded US \$6 trillion in 2005. (source: World Travel & Tourism Council).



Yet, the tourism economy is surprising in its profile. Despite the dominance of global airline and hotel businesses in the public mind, more than 90% of tourism businesses in Australia are small - motels, backpackers hostels, boutique retreats, B&Bs, farm stays, attractions and so on..

In Australia, nine in ten of the 350,000 businesses in the tourism economy employ less than 20 people. And three in five businesses actually employ less than four people.

Given that profile, think about this.

Since 2001 the most purchased items over the internet are airline tickets, event tickets and accommodation.

In 2005, 52 million people worldwide used the internet to plan their travel.

One in three international visitors to Australia researched their trip on the internet, one in two booked their accommodation online and two in five booked their airfare over the web.

The SME profile for the tourism sector makes the challenge of understanding how to use technology to connect and compete in the global marketplace- and the innovation and training which that requires - all the more profound.

If part of our challenge is about being skilled enough to fight for a share of the world marketplace using new technology, the other part of the challenge is having professional services staff who can meet customer expectations of a world-best practice standard.

The majority of employees in the travel and tourism economy work in hospitality – food and beverage, accommodation etc.

Many of the roles are not highly skilled nor highly paid and much of the workforce is transient.

Tourism Training Australia estimates that 50% of the hospitality workforce is casual. If you exclude travel agents and transport workers, the tourism workforce is dominated by young, female workers on low pay with relatively little formal education.

A recent poll of companies in the transport and tourism industries by the Tourism and Transport Forum has highlighted the challenges.

More than 75% of companies surveyed said their businesses were seriously affected by labour shortages. The companies listed difficulties finding and retaining staff to work as chefs, cooks, food and beverage staff, sales and front of house staff. The level of turnover was also largely voluntary.



Our challenge here appears to be about building career paths.

This may mean multi-skilling and better rates of pay. It must mean innovation, education and training, and collaboration, partnership, industry and government co-operation and association.

And, again, it will require an aggressive use of technology by business owners for yield management via the training and deployment of 'just enough' human resource to stay competitive with low-labour cost destinations with which we compete.

In recent years there has been a movement within training colleges towards higher standards of accreditation.

And increasingly hospitality training colleges offer a variety of skills based training recognised by the industry and designed to turn out tourism managers who have a working knowledge of business process beyond basic functions.

Fortunately in the tourism and travel sector the challenge innovation has long been central to survival in the jungle of global tourism economy as technology delivered new and faster modes of transport and communications to join up the world as the following video shows.

(Audio Visual: 100 Years of Tourism)

So I'm confident the innovation is a challenge which we in the Australian tourism industry will meet, helped along by discussions like those ensuing from this conference today.

Thank you.