What Kind of Future Do We Want for Iceland’s Visitor Economy?

How Can We All Benefit from Destination Management Planning?

Ferðamálastofa Tourism Conference
(30 Nov 2016)

Tom Buncle, Managing Director
What We Do:

- Destination branding
- Marketing strategy
- Destination management planning
- Tourism strategy and policy
- Crisis recovery


.................for countries, regions and cities

We put your destination on the map
Experience

Tom Buncle

• Managing Director, Yellow Railroad (since 2000)
• CEO, Scottish Tourist Board/Visit Scotland
• Visit Britain: USA, Canada, Norway, Southeast Asia
• Global destination consultancy:
  - UK / Europe
  - Africa & Middle East
  - North America & Caribbean
  - Asia
• Writer & lecturer:
  - destination branding & marketing
  - travel trends
Today

1. Global Trends: The Big Picture
2. Iceland: Impressions
3. Iceland: Future Challenges
5. Case Studies: What Others Have Done
6. Iceland: The Way Forward
1. Global Trends: The Big Picture
A Changing World .............

Just 35 years ago (1981)........

* NASA space shuttle maiden flight
* BMW 1\textsuperscript{st} in-car computer
* IBM launches 1\textsuperscript{st} personal computer
A Changing World

In 10 years time (2026)

**Pessimistic Scenario:**
- Travel no longer a pleasure?
- Virtual reality?
- Cost of oil, energy, water

**Optimistic Scenario:**
- Escape - Change of scenery?
- Real vs. digital world?
- New experiences:
  - e.g. space travel, attractions, luxury

$250,000
Global Trends: Future-Blind
Global Trends: Future-Blind

• “The horse is here to stay but the automobile is only a novelty—a fad.”

• “Heavier-than-air flying machines are impossible”
  - Lord Kelvin, President of Royal Society, 1895

• "The Americans have need of the telephone, but we do not. We have plenty of messenger boys."
  - Sir William Preece, chief engineer of the General Post Office, 1876

• “Television won't last because people will soon get tired of staring at a plywood box every night.
  - Darryl Zanuck, movie producer, 20th Century Fox, 1946

• “The i-Phone is nothing more than a luxury bauble that will appeal to a few gadget freaks.”
  - Matthew Lynn, Bloomberg, 2007
Global Trends 1

Socio-Economic & Geo-Political
Global Trends

**Socio-economic:**

- Ageing society (traditional markets)
- New family structures
- Urbanisation: 70% in cities by 2050
- Economic uncertainty
- Climate change & energy price: fossil vs. alternative……travel quota?
- Power of Gen Y & millennials (1981+)
- Growth of new markets ………different demands
- Pension age = less leisure time?
- Globalisation = homogeneity ➔ “desire for different”
**Global Trends**

**Geo-political:**

- Crisis as normality?......terrorism, natural disaster, disease
- But.........safety fears = more cautious (staycation?)
- Sanctions (Russia)
- Brexit and EU reform?
Global Trends

Behaviour:

- Younger longer ("60 = new 40") – "mid-youth"
- Personal fulfilment: new skills
- Health consciousness → wellness / leisure spa
- "Save & splurge": luxury for less
- Low cost airlines → expect more for less = shrinking margins
- New markets (BRIC): more luxury
- Traditional markets: restrained consumption
Global Trends 2

Travel Motivation
Travel Motivation

* “Feel Fulfilled”

* “Fly and Flop”

* “Bling and Buy”
Travel Motivation: “Feel Fulfilled”

- Escape
- Undiscovered
- Authenticity
- Experience
- Personal fulfilment

- “Old”, western Europe
- North America
- Australasia & Japan
Travel Motivation: “Feel Fulfilled”

Typical Products / Experiences:

- Nature & wildlife
- Culture & heritage
- Activity & adventure
Travel Motivation: “Fly & Flop”

“Sunticipation”

- Demographic profile
- Families
- Resort-based
- Price is important

- Northern Europe
- “New”, eastern Europe
- Russia
Travel Motivation: “Fly & Flop”

Typical Products / Experiences:

• Beach

• All-inclusive resort

• Theme parks
Travel Motivation: “Bling & Buy”

Main Source Markets:
- “New”, eastern Europe
- Middle East
- Asia
- South America

• Brand-driven
• Personal indulgence
• Social status
• Symbol of wealth
• Evidence of success
• “Eco-indifferent”
Travel Motivation: “Bling & Buy”

Typical Products / Experiences:

- Shopping
- 5-star hotels
- Luxury brands
2. Iceland: Impressions
Iceland: Impressions

15 'Project Inspiration' workshops – 250 people
Iceland: Impressions

People

- Friendly
- Welcoming
- Open, straightforward
- Sense of humour
- Resilient
- Dynamic, energetic
Iceland: Impressions

People

• “When the fish are there, we fish”
• JDI mentality – no time to plan
• Individualistic vs. collaborative
• Results-driven
• Short- vs. long-term focus
Iceland: Impressions

Country

- Breathtakingly beautiful
- Pristine wilderness
- Geologically mind-blowing
- Clean, fresh, invigorating
- Tranquillity
- Serenity
- Emotional space
Iceland: Impressions

Country

• Congestion at pinch points
• Parking and toilet facilities
• Signage and design
• ‘Sense of place’
• Facts vs. stories
• Local distinctiveness
• Access to information
Iceland: Impressions

Risks

• Unfulfilled visitors
• Low spend in rural areas
• Unwilling to stray off the circle
• No reason to return – “seen all there is to see”
• Low repeat business
• Failure to maximise revenue opportunities
• Tourism underperforms
Iceland: Impressions

Opportunities

• ‘Release the pressure’:  
  – Manage access to congested areas  
  – Spread the traffic more in off-season

• ‘Break the circle’  
  – Package and promote remoter areas  
  – Develop regional diversity

• Maintain sustainable growth  
  – Long-term marketing  
  – Stress local distinctiveness
Iceland: Impressions

In 10 Years’ Time…..?

• Sustainable, acceptable growth – of the kind desired
  – Medium-high spend visitors
  – Interested in the experience Iceland offers
  – Curious to see more and return

or...........

• Faded, one-time destination
  – “Been there, done that…….where next?”
  – Under-investment = decline
3. Iceland: Future Challenges
Iceland: Relentless Growth

Iceland: Visitor Arrivals 1995 - 2015

6.07% CAGR\(^{(a)}\) ‘95 - ‘10

22.4% CAGR ‘10 - ‘15

Heimild: Ferðamálstofa og greining KPMG

ATH: (a) CAGR (c. cumulated annual growth rate) er árlegur jarðaðarvöxtur yfir tí minibl.
Iceland: 4 Scenarios

1. “Niceland”
   - Flexibility in tolerance limit
   - Iceland is competitive

2. “Tourists – No thank you!” (Ferðamenn – Nei takk)
   - Tolerance limit exceeded
   - Iceland is competitive

3. “Rooms available”
   - Flexibility in tolerance limit
   - Iceland is not competitive

4. “Over the Edge”
   - Tolerance limit exceeded
   - Iceland is not competitive
Iceland: Challenges Ahead?

- Economic recession (e.g. Brexit, USA) ?
- Airline routes – intercontinental
- Visitor fatigue – “been there, done that”
- Destination fatigue – maintaining a unique experience
- Congestion – visitor tolerance, environmental degradation
- Failure to inspire ‘beyond the circle’ – repeat visits
- Lack of awareness of product diversity – “no more to see”
- Risk to the natural environment & feel of Iceland
- Fashion
Destination Life Cycle

- Product innovation
- Coherent planning
- Strong national brand
- Regional diversity
- Inspired marketing

Butler: Tourism Area Life Cycle

- Total visitor numbers exceed number of permanent residents
- Major part of the economy will be based on tourism
- Capacity levels reached or exceeded, with environmental, social and economic problems
- Well-established image, but no longer fashionable
- Heavy reliance on repeat visitation
- Product innovation
- Coherent planning
- Strong national brand
- Regional diversity
- Inspired marketing

Time

6. Rejuvenation

7. Decline

Butler: Tourism Area Life Cycle
Iceland: Future Scenario?

Implications for Iceland?

......or ?
4. Destination Management Planning

- What is it?
- Why is it important?
Destination Management Planning

What is destination management?

- Making a plan
- People working together

for the benefit of visitors,

and the good of the community
Destination Management Planning

What is destination management?

“Destination Management is a process of leading, influencing and coordinating the management of all the aspects of a destination that contribute to a visitor’s experience, taking account of the needs of visitors, local residents, businesses and the environment.”

Visit England
Destination management planning

Destination management: “the virtuous circle”

Visitors

Responsible tourism development

Residents

Business

Environment
What is a destination management plan?

“A Destination Management Plan (DMP) is a shared statement of intent to manage a destination over a stated period of time, articulating the roles of the different stakeholders and identifying clear actions that they will take and the apportionment of resources.”

A DMP is a dynamic never-ending process!
Key elements of a DMP

- Defined area
- Assessment of current tourism performance and impact (positive and negative)
- Destination appeal, access, infrastructure, landscape, built heritage, public realm, visitor facilities and services
- Destination image, brand and marketing - prioritised
- Visitor products and experiences + development priorities
- Skills needs
- Governance structure and communications
- Vision

5-year strategy + action plan
Destination Management Planning

Benefits of a DMP

- Regional cooperation
- Stronger together
- Shared resources
- Efficiency/joined up approach
- Local solutions
- Focused approach - priorities

- Mutually desired result (increase benefits & reduce negatives)
- Better visitor experience
- Enhanced quality of life
- Improved competitiveness
- Better business
- Reduced costs
Destination Management Planning

The customer journey: from arrival to departure

Arrival, Welcome, Access, ‘Sense of place’/ ‘Destination feel’
Destination Management Planning

The customer journey: from arrival to departure

Arrival, Welcome,

‘Sense of place’/‘Destination feel’

experiences,
Destination Management Planning

The customer journey: from arrival to departure

- Arrival, Welcome, Access, Signage (directional)
- ‘Sense of place’/‘Destination feel’
  - How easy?
  - How good?
  - How efficient?
  - How engaging
  - How appealing?
  - How distinctive?
  - How “us”?
- Accommodation
  - Restaurants, Cafes/bars
  - Shops
- Internal transport Infrastructure
- Attractions, tours, guides, events, activities, experiences,
- Landscape, Built environment, Visitor facilities (toilets, parking etc.)
- Interpretation, information
DMP: Details Matter

Unspoilt nature
DMP: Details Matter

Unspoilt nature
DMP: Details Matter

- 33% believe what a brand says about itself
- 92% believe what peers say about a brand (Neilsen)

“If you make customers unhappy in the physical world, they might each tell 6 friends. If you make customers unhappy on the internet, they can each tell 6,000 friends.” - Jeff Bezos - CEO Amazon.com
“If you don’t know where you’re going, any road will take you there”

Lewis Carroll, author of ‘Alice in Wonderland’
or nowhere!
DMP: Critical Success Factors

- Clearly defined area
- Knowing what you (& the community) want
  - Volume vs. spend, quality vs. diversity, short-term vs. sustainability
  - Type of tourism = type of visitors
- Understanding your markets
  - Who they are/might be
  - Why they travel & what they want
- Honest appraisal of your product
  - Strengths & deficiencies
  - Development needs
- Leadership & governance
- Cooperation
  - Focus on common goal
  - Shared commitment = joint effort + pooled resources
  - Human relationships !!!
5.

Case Studies: What Others Have Done
Dorset, England – Collaboration

Municipality structure:

- Dorset county council
- 2 unitary authorities: Bournemouth & Poole
- 6 districts
- Population: 412,905
- Area: 2,653 km²
Dorset, England – Collaboration

Challenges:

• Mixed business fortunes
• Need more off-peak business
• Spare capacity in high season
• Economic uncertainty
• Lack of capital to invest in refurbishment / upgrading
• Need better skills – training in marketing, customer care and product knowledge
• Inadequate basic visitor services (e.g. car parking / toilets)
• Improve marketing, market research and information services
• Recognition local authorities need to work together
5 strategic objectives:

• Raise the profile of Dorset as a visitor destination

• Capitalise on Dorset’s inherent resources – manage & enhance access to coast and countryside

• Enhance quality and distinctiveness: accommodation, attractions, customer service, food, culture, events, environment

• Support tourism businesses and human resource development

• Strengthen delivery structures and processes (DMO, DMP)
Results:

- Shared vision
- Combined resources
- Clear focus
- Greater impact
Lochaber, Scotland: Season Extension

Challenge:

- Snow unreliable
- Ski days declining

Solution:

- Mountain biking = spring - summer - autumn

Result:

- Year-round tourism
- 12 x host to Mountain Bike World Cup
- 1x host to Mountain Bike World Championships
- Also orienteering
Cinque Terre, Italy: Visitor Management
Cinque Terre, Italy: Visitor Management

Challenge:
- 5 fishing villages – UNESCO – connected by cliff trails
- 2.5 m visitors in 2015 – cruise & coach pressure
- Environmental damage
- Congestion – residents’ & visitor tolerance

Solution:
- Cinque Terre card: access to paths & sites + train & bus
- Conservation guidelines for tourists
- Limit = 1.5 m visitors (2016) – counter devices on roads
- Advance ticket sales
- App for visitors showing congestion levels
New Zealand: Destination Transformation

The Problem:

- NZ exports decline
- Distance from major markets
- Old-fashioned image
New Zealand: Destination Transformation

Solution:

• Distance: focus on Asia
• Distinctiveness: natural environment = quality
• Destination + products: tourism, food & drink
New Zealand: Destination Transformation

From faded ..... to fresh
New Zealand: Destination Transformation

Nature + Adventure = “World capital of adventure tourism”
Results:

• Differentiation on basis of quality
• Changed attitudes: from dull to ‘cool’
• Competitiveness – increase in produce sales
• Rejuvenated tourism product
• Tourism growth
• Tourism image drives country image
• Synergy between tourism, produce, sport and diplomacy
Spain: New Image, New Products
Iceland: Progress at Home

4 approaches to regional destination management
Iceland: Austurland

Challenge:
- To attract visitors “outside the circle”

Approach:
- Marketing
  - Brand
  - Market segmentation
  - Signage - design
  - Audit of municipalities’ investment
    (e.g. hiking trails, rest stops etc.)
Iceland: Snaefellsnes

**Challenge:**
- To manage visitors in a sensitive environment
- To attract visitors outside the main season
- Attitudes: traditional industries vs. tourism

**Approach:**
- Systems to reduce visitor congestion
- Traffic management
- Visitor management: ‘welcome’ vs. ‘no-go’ areas
- Brand development
- Link with other plans – 5 municipalities
Iceland: Katla Geopark

Challenge:
• To persuade visitors to stay longer and spend more
• To enable access while protecting the environment

Approach:
• Designate visitor sites
• Restrict access to others
• Partnership
• Geopark
Iceland: Reykjanestá

**Challenge:**
- To address negative perceptions
- To attract visitors

**Approach:**
- Geopark
- Product development
- Signage and interpretation
- Partnership
6. Iceland: The Way Forward
Iceland: The Way Forward

“Been there, done that”

“Let’s go back

.......and let’s see more of the country

off the beaten track”
Iceland: The Way Forward

- Shared vision of the future
- Collaborate on planning – at local & national levels
- Decide what kind of tourism you want
- Understand who will deliver this and what they want
- Develop suitable, sustainable, products & experiences
- Don’t be afraid to manage access
- Monitor success and be alive to market trends
- Keep the faith.......... the road will be Icelandic!
‘Spirit of Iceland’
Takk fyrir!

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Tourism Forecast - 2030

Asia and the Pacific, the Middle East, and Africa to increase their shares of international tourist arrivals

Source: World Tourism Organization (UNWTO) ©
Tourism Forecast

Overnight Tourism Flows By Region

But.....volume growth continues to Europe

Europe+ c. 50%
Brecon Beacons, Wales

- Private sector led
- Focus:
  - Area distinctiveness – brand
  - Marketing, esp. PR
  - Booking system

Result:
- Collaboration
- Business growth
Cumbria, England – DMP

Municipality structure:
- Cumbria county council
- 6 districts
- Population: 498,000
- Area: 6,768 km²
Cumbria DMP: Approach

- Arts
- Food and drink
- Skills & business development
- Sustainable transport connections
Synergy: tourism + food

Destination Transformation: New Zealand
Travel Motivation: “Selfie-Sticker”

- Iconic destination collector
- “Look where I’ve been”
- “Been there done that”
- Low repeat tendency?