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Innovation – an opportunity for growth in European tourism

Dear colleagues, ladies and gentlemen,

First, I would like to thank the Republic of Cyprus, my colleague Mr Antonis Michaelides and the Cyprus Tourism Organisation for hosting the 5th European Tourism Forum here in Limassol.

As you all know, tourism is one of the fastest growing economic sectors in the world. World tourism arrivals have grown heavily and international tourism receipts have increased considerably during the last two years, achieving an all-time record last year.

This could be considered surprising due to uncertainties such as terrorism, natural disasters and health scares faced by the world over recent years. However, such a development proves that tourism still has huge growth potential. Nevertheless, in the face of international competition, Europe's growth rate has not been as high as that of other parts of the world. In fact, it has been losing its market share.

New destinations, especially in Asia and the Pacific, have acquired winning positions over old destinations such as Europe. This is a trend which constitutes a major challenge for Europe and which we must reverse.

I believe the theme of this forum, "new opportunities," will stimulate ideas and solutions enabling us to build on the new growth of European tourism.

New challenges faced by tourism

Greater appreciation of leisure time, urbanisation, the ageing of the population, climate change – such as the snowline shifting increasingly northwards also in Finland – and the trend towards individualism on the one hand and communalism, on the other, are among the challenges to which European tourism must find new, innovative solutions.

Silence and cleanliness will represent a luxury in the future, but how can we benefit from these commercially? Tourism competes for consumers' leisure time with many other industries.

Role of innovations

Globalisation is progressing rapidly, challenging European industrial and economic structures. In the revised Lisbon Strategy, the Member States and the European Commission acknowledged that increased innovation was the key to responding to this challenge. Supporting tourism innovations will provide an opportunity enabling Europe to create new tourism markets and reinvent old ones.

Public policies play a particularly important role in this context. The Barcelona objective for increasing European R&D expenditure to 3 % of GDP has successfully mobilised national and EU level efforts. These are strengthening the European resource-base for research and innovation. Success in the global economy is increasingly determined by a firm's ability to respond innovatively to the changing views and needs of customers– the demand-side of the market. So far, market demand innovations have received less attention in European policy formulation than supply-side policies.

As you are aware, innovation is Finland's main theme at the Competitiveness Council during its EU Presidency. We have aimed to bring innovation policy to the centre stage among the EU's competitiveness policy measures. In addition, we seek to include innovation policy permanently on the Competitiveness Council's agenda.

Innovations in the tourism sector

Technological improvements in the transport sector have over the past decade been catalysts for a rapid process of change in the field of tourism. Today Europe's leading position as a prime mover is threatened as distance continues to shorten. Something has to be done and fast. Could supporting innovations and investing in them be one of the solutions?

During our Presidency, we have launched a new theme: broad-based innovation strategy. This draws attention not just to supply but to consumers, customers, business models, institutional processes and markets as important factors in innovation. This market demand –side policy meets the needs of tourism sector as well.

There are innovations in tourism, no doubt. Here are few examples. Tourism not only boasts product innovations such as Nordic walking tours but, for example, the exploitation of new tourist resources such as we have in Finland, including ice hotels and snow castles. The chief objective of service innovation is not to create new technologies but to exploit them commercially by building new service concepts on existing technological platforms.

Such process innovation in tourism is represented by The Northern Lights mobile-based warning system. It helps tourists to be at the right place at the right time in order to make the most of this natural phenomenon. The upgrading of quality systems at the destination, in order to meet customer demands more effectively, is a case of an organisational innovation.

On the other hand, market alliance innovations are created, for example, when entering new markets. Among tourism enterprises, these types of innovation often occur simultaneously.

It has not yet taken for granted that new tourism products must come out on an annual basis like in some other industries. Generally-speaking, the innovation process has not become routine in tourism.

Imitation and outsourcing remain the most important means of disseminating innovation. Tourism enterprises, which are mainly SMEs, can rarely count on the input of special research departments. Therefore, an innovation-oriented tourism policy must concern itself with resources that stimulate the process of innovation and make companies adopt a proactive attitude.

The close connections between academia and the business sector are being seriously questioned, since co-operation between formal R&D and enterprises accounts for very little. Contacts with customers and suppliers are far more important to the innovation process in tourism enterprises.

Innovation actions are enhanced at the beginning of the life-cycle, which is the natural stage for this. These should be enhanced even more during the best growth stage – when an entrepreneur is very motivated and has the resources required to invest in the innovation. Unfortunately, new innovations often emerge perforce when companies are in decline, as a last chance to save them.

Networks are important in all sectors of the economy. In tourism, destinations have a complex and multidimensional “total tourism experience” based on different kinds of natural, social and cultural resources and services. These resources are owned by a variety of public, private and non-profit actors.

However, tourists regard the tourist experience as a whole, and are not interested in who built the product, or who provides the service. Therefore, innovation policies in tourism should mainly aim at enhancing destination-based or networking innovations rather than single company innovations. Governments should encourage innovative firms to achieve economies of scale, innovating on the basis of co-operative alliances and other forms of networking.

We must therefore ensure that, in the future, our service sectors such as tourism will be seen as dynamic, full of creativity and new ideas, and built on a strong skill and knowledge base. Tourism enterprises are responsible for their own performance and success in a market that is already global. On the other hand, policy-makers are responsible for the quality of the operating environment.

Dear audience,

In Finland’s new tourism strategy, we have tried to address the problem areas mentioned earlier. We are encouraging co-operation between R&D institutions and tourism enterprises, while planning new methods of knowledge transfer and supporting new tourism innovations. For example, the Finnish Funding Agency for Technology and Innovation (Tekes) launched a new programme in October (2006), *Research and Development Programme for Leisure Services*, initially focusing on the development of innovative tourism services. The programme places an emphasis on research and development based on customer needs rather than technology.

Ladies and gentlemen,

Today and tomorrow we will be able to discuss the challenges European tourism faces in depth. I believe that supporting tourism innovations may comprise one solution. Hopefully, we will find practical solutions promoting the success of the European tourism industry. I wish you all an enjoyable and rewarding tourism forum.