



World Travel Market

# Global Trends Report 2008

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making sense of global markets

# WTM Global Trends Report 2008

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## Foreword

### MUSCLE POWER!

Out of the gloom comes a feeling of optimism.

The WTM Global Trends Report 2008, in association with Euromonitor International, demonstrates its underlying strength and influence in people's daily lives worldwide.

Regardless of references to 'meltdown,' inflation, fuel prices and falling disposable income, there is no denying that international travel and tourism is still projected to have an estimated 1.6 billion travellers by 2020.

Travel and tourism is strong and diversified, helping it to remain successful. In the past, the industry has shown that it can overcome the world's economic problems – no more so than now.

I must confess that, along with millions of others, I would guess, there were times in the past six weeks that I wondered: What next?

The compulsion to fixate on the global bank crises created an atmosphere of running for cover with a steel-domed umbrella.

But the industry must deal in facts not fear.

Euromonitor's team of experts has selected the areas of real expansion, progress and innovation that retain and expand the industry's dynamism. The 2008 report, regarded by media across the world as a respected and extremely useful year-round guide to what is new and different, makes fascinating reading.

I am delighted that we are once again in partnership with Euromonitor. It is a leading international authority on market intelligence with over 30 years of experience.

I wish you all a thought provoking and useful World Travel Market.



**Fiona Jeffery**  
**Chairman**  
**World Travel Market**

## Foreword

We, at Euromonitor International, are pleased to have the opportunity to work once again with World Travel Market on the WTM Global Trends Report. The 2008 report identifies the next generation of trends in the travel and tourism industry which offer a diverse range of opportunities world-wide.

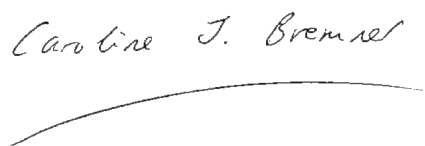
Looking across the spectrum, the Middle East enjoys a growing expatriate community turning to the region as a holiday destination. Fairtrade holidays in Sub-Saharan Africa are on the cusp of going mainstream, while Asian business travel is benefiting from the current financial crisis as companies shift to Asia for growth potential. Latin Americans are going long haul in search of international experiences, whereas North Americans are increasingly looking to travel “with a conscience”. In Europe, travel networking resonates with consumers, boosting hospitality tourism and home exchanges, while in the UK, “free” has become the new “f-word” for innovative forms of payment.

Summary of key trends:

- North Americans opt for Philanthropic Travel
- Free is the new ‘F-word’ in the UK
- Travel networking in Europe
- Middle East boosted by expatriate travel
- Fairtrade tourism in Africa
- Latin Americans go long haul
- Living the good second life in Asia
- Asia benefits from sub-prime blues

We hope you enjoy reading the report and look forward to discussing the trends with you in more detail.

Thank you and best wishes,



**Caroline Bremner**  
**Head of Travel and Tourism Research**  
**Euromonitor International**

## Global Trends 2008 Overview

According to the IMF, the current financial downturn affecting the globe is set to continue through 2009, with world economic growth to slow to 3.9% in 2008 and 3.0% in 2009. The economic and financial crisis has dramatically altered the shape of the global landscape for travel and tourism, as liquidity dries up, commodity prices rise, inflation increases and consumer demand falls. Uncertainty hangs over the industry, especially as the full scale of the downturn and government intervention in major banking markets is yet unknown. Recession is expected in the world's advanced markets and even emerging economies are not immune to the slowdown. However, governments have shown their commitment to restoring economic confidence and the IMF predicts a recovery in 2010. So what should the industry brace itself for in the short term?

### More consolidation on the horizon

The airline sector has been the hardest hit by the crisis, suffering from spiralling fuel prices and falling demand, impacting negatively on the bottom line. OAG reported that the global capacity of winter airline schedules was down by 5.2%, removing 46.3 million seats, with the US accounting for almost half. IATA quoted that 26 airlines so far have gone bust in 2008, with more casualties expected during the industry shake-out, further threatening job losses.

British Airways reported a decline in its September 2008 traffic in its premium and economy segments, of 8.6% and 4.1% respectively. Following Virgin's lead, BA has lowered fuel surcharges (excluding upper class) in response to the recent downturn in oil prices, hoping to stimulate demand as advanced bookings dry up. Discounting on business travel is emerging with Singapore Airlines business-class only flights offering deals in an attempt to lure back business travellers.

Consolidation is gearing up: British Airways is poised to merge with Iberia. A new Italian company, CAI, has taken over the assets of both Alitalia and Air One, keeping the Alitalia brand alive. The new company is expected to negotiate a partnership with Lufthansa and Air France/KLM who are also both in the bidding for Austrian Airlines. Jet Airways and Kingfisher in India have been forced into partnership to deal with the domestic air crisis. Opportunities, however, still exist for the bullish, particularly with a low cost twist. Ryanair announced plans to launch a new transatlantic budget carrier, taking advantage of companies going bust and picking up long haul aircraft for cheap. AirAsia X also bucks the trend by eyeing the UK as part of its continued expansion.

Due to the cost-cutting measures adopted in recent years such as building on ancillary revenues, coupled with this year's capacity cuts, the outlook for the global airline industry may be more optimistic seeing as oil prices have halved, easing pressure on vulnerable profit margins.

### Shifts in pricing and regional priorities

Hotel occupancy rates are falling in advanced economies such as the US and there are signs of trading down in accommodation by consumers and corporate travellers. Budget hotel operators and chains with a large brand portfolio, covering different price positions, are expected to benefit from this trend. Hilton Garden Inn, a mid-priced brand from Hilton Hotels Corp, is expanding globally, moving into Latin America and Europe so far.

Supply-wise, hotel operating costs have risen due to rising oil prices and there are clear signs that the financial crisis and lack of credit for investors is also taking its toll on future openings. In the UK, independents and unbranded operators are being squeezed out as they struggle to raise capital.

Marriott Hotels, the world's leading hotel company, is the first hotel chain to report declines in revenue and profit for Q3 2008 and, significantly, has issued a warning that future pipeline projects may be delayed or cancelled. For most global hotel brands, any slowdown in openings will impact on future profitability as they tend to operate a combination of franchised, managed and company-owned outlets. China and India are likely to remain a strategic priority for new outlet development as growth is predicted to be robust, albeit slowing. InterContinental Hotels Groups, for example, recently announced a further six hotels in China through its agreement with Shimao Group. The Middle East will also remain key, offering continued opportunities for both luxury and budget brands alike.

### **New source markets**

National tourism organisations are facing a tough time. For example, in the Caribbean, hotel room rates are reported to be dropping as flights are cut, prices rise and hotel supply outpaces demand. The Bahamas, the British Virgin Islands and others are therefore widening their reach, targeting not only traditional source markets, such as US, but also actively seeking alternative sources of visitors. Namely, the BRICs – Brazil, Russia, India and China – offer potential with their rising disposable incomes. Hotel/resort companies in the region such as Sandals are even offering consumer credits on flights and health and wellness activities to entice travellers.

### **Back to basics**

Notwithstanding sales and promotions across the board, travel retail companies are revisiting their core offer to secure future success. TUI AG, Europe's leading travel retailer, is selling off its shipping division, Hapag-Lloyd, to focus on its tourism operations. TUI recently heralded the revival of the bonded package holiday following the recent demise of tour operators such as XL Leisure Group which left consumers stranded. Interestingly, the company is also promoting its retail network of agents in the UK re-branded as providers of general travel information rather than its website. This suggests a brighter outlook for the channel, focusing on the personalised touch.

In addition, travel agencies are offering customised packages to corporate clients in response to declining travel budgets. In India, Cox & Kings is offering cost-saving measures including indirect flights, economy class and serviced apartments.

### **Embrace consumer trends for survival**

The WTM Global Report 2008 reveals consumer trends that resonate across all regions – the desire for social and environmental responsibility, social interaction, authentic travel experiences and fair trade practices. During the downturn, travel and tourism companies that adapt and integrate such business practices into their product and service offer will be best placed for survival. They will gain a valuable point of differentiation in the face of declining consumer purchasing power. Consumers are willing to trade up for sustainability, thus operators should let “conscientious consumption” now drive the travel and tourism industry through these uncertain times.

## North America Trends

### Philanthropic travel for North Americans

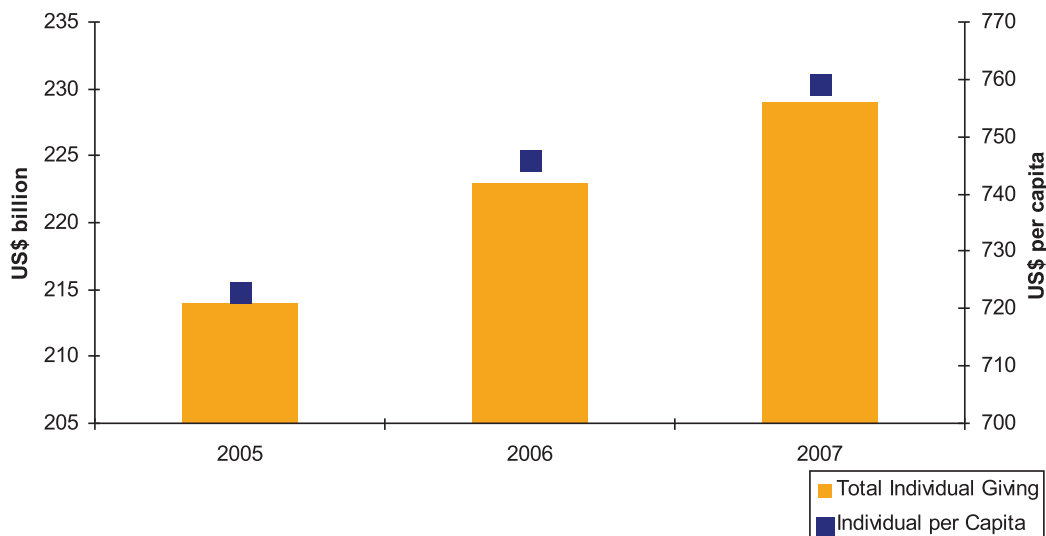
Time-starved, but cash-rich North American travellers are combining luxury vacations with elements of philanthropy to relax and give back simultaneously. These trips allow travellers to enjoy the wonders of the destination while helping local communities and preserving the environment.

#### Shifts in consumption patterns spill over into travel

With an impending global economic slowdown and growing awareness of global poverty, conspicuous consumption is now “conscientious” consumption. Events such as September 11, Hurricane Katrina, and most recently the Sichuan earthquake, have lead people to re-evaluate their priorities in life. The wealthy are forgoing excess to focus on the things that matter, including family and charity.

As high-end travellers visit far-flung destinations and see poverty and environmental destruction, they seek to apply “conscientious” consumption to their travel habits through philanthropic travel. By volunteering while on luxury holiday, high-end travellers participate in unique experiences, such as volunteering in orphanages or schools and rescuing wildlife.

**Total and Per Capita Giving by Individuals in the US**



Source: *Giving USA*, a publication of Giving USA Foundation™, researched and written by the Center on Philanthropy at Indiana University and Euromonitor International

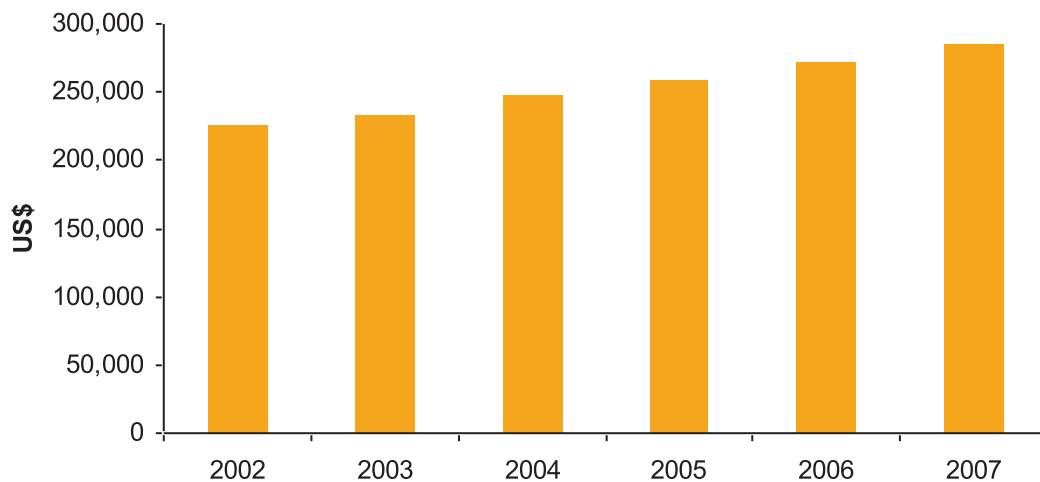
#### Companies cater to the socially-conscious jet-set

Wealthy travellers are accustomed to luxury in their daily lives and are not willing to forgo it while on holiday. As a result, tour operators are designing luxury vacations with elements of philanthropy. These trips combine luxury accommodation, gourmet meals, and spa treatments with visits to social outreach programmes or opportunities to volunteer. Serving a range of international destinations, companies such as Exquisite Safaris, work with clients to customise philanthropic private tours. Travel with Conscience also personalises trips for travellers from the US to Cambodia, Vietnam, Thailand, Costa Rica and India. In Cambodia, for example, the company offers visits to the Green Gecko Orphanage and the Landmine Museum and

Orphanage, among others. These companies also donate portions of their profits to charity and take care to minimise the environmental damage of their tours. Travel with Conscience is a zero-carbon company and offsets carbon emissions from trips by purchasing carbon credits.

Already luxury hotel companies are testing the waters to meet demand from their guests. For example, The Ritz Carlton offers “Give Back Getaways” which allows guests to volunteer with local organisations. The Fairmont Hotel in Winnipeg, Canada has a partnership with “Habitat for Humanity” to help build homes in Winnipeg. The getaway “Creating a Future” gives guests the opportunity to volunteer with Nurani Dunia in Jakarta, Indonesia, helping to prepare and distribute food among children. Some getaways have a nominal fee while others are free.

**Average Household Annual Disposable Income for the 10% Wealthiest Households in the US**



Source: Euromonitor International

**The benefits of philanthropic travel**

Philanthropic travel connects people with individuals they never would have met under normal circumstances. Many travellers form lasting relationships with the organisations that they visit by donating money and expertise to build schools, dig wells and purchase supplies. While local communities benefit, travellers return home with a renewed sense of purpose and connection to the world.

**Travel as an aspect for eco-philanthropy**

The ultra-wealthy are pioneering the concept of eco-philanthropy - the purchase of large tracts of land for preservation. Microsoft founder Bill Gates owns tracts of land in Zambia while media mogul Ted Turner owns land in South America. However, controversy surrounds the trend as people question whether it is effective to have private individuals preserving resources for the public. For example, Survival International, an advocacy group for indigenous people, prefers that lands remain in the possession of the original inhabitants. However, many governments lack the funds to preserve the resources and may sell the land to agricultural and mining interests without consideration of the original inhabitants.

To defray some of the costs of land preservation and help generate economic activity for local communities, some eco-philanthropists are adding exclusive lodges to their land for fellow ultra-rich travellers. These travellers tour the grounds and visit local community outreach programmes.

Paul Tudor Jones, an American commodities trader, has revitalised the Singita Grumeti Reserves in Tanzania. He stopped poaching, replenished animal populations and preserved the flora. To help pay for some of the maintenance costs, he opened up the reserves to luxury tourists. There are luxury cottages, a villa and tents that hold up to 54 people at once. The villa costs US\$15,000 per night, and a double room in the cottages ranges from US\$950 - US\$1,500. Visitors enjoy exclusivity and the luxurious modern conveniences of home, whilst helping to preserve invaluable land, wildlife and the community surrounding it. The packages offered by Singita Grumeti Reserves also include a tour of local communities that the reserves support by supplying jobs and training.

### **Potential backlash**

It is important that these programmes are implemented properly and framed as a cultural exchange. Government certification or endorsements from non-profit organisations is essential to maintaining credibility among tourists. Furthermore, tourists should not attend these programmes to simply observe, but to learn and to give back in a positive manner. It is imperative that tourism suppliers work with the social outreach programmes to ensure that standards are met and the communities are well-respected.

### **From luxury to mass market**

While the ultra-rich have a large impact on social programmes by spending vast sums of money through their travel and donations, the mass market also has potential for philanthropic travel. Travellers who do not have time to spend their holiday volunteering are more likely to choose industry suppliers that support local communities by paying market wages or by donating a portion of profits. However, the mass market is not willing to take on a price premium to switch to this type of supplier.

This is a good opportunity for online travel agencies to partner with social programmes, offering short volunteer activities in holiday packages as well as focused volunteer vacations. Partnering with social outreach programmes would also benefit the new lifestyle hotel brands, which combine cutting-edge design and technology to appeal to Generation Y travellers. As Generation Y is extremely socially-conscious, brands such as aloft and Hotel Indigo could further their appeal by offering volunteer packages, such as volunteering at local festivals and helping after-school programmes. It connects travellers to the local community where they are staying as well as introduces them to fellow travellers.

### **Internet offers opportunities for philanthropic tourists**

The next step for industry suppliers and social programmes is to create a strong online network for philanthropic travellers. Websites such as [www.true travellers.org](http://www.true travellers.org) share content and recommendations for philanthropic trips and organisations, but lack social networking capabilities for posting itineraries and photos to inspire fellow travellers. An all-inclusive website with booking capabilities and user-generated content would provide social programmes the ability to connect with philanthropic travellers outside of their travel industry partners and reach a broader audience.

## UK Trends

### New pricing models for travel and tourism brands

New pricing models in the UK are making inroads into the travel and tourism industry including “pay what you want”, auctions and “core free goods”. These models often pose a threat to competitors, but also provide opportunities for brands to engage with consumers and build brand loyalty. However, profitability remains the most important underlying factor - protecting revenues in uncertain economic times.

#### “Pay what you want” strikes a chord with consumers

“Pay what you want” has developed in several industries, particularly in music. Artist Prince gave away his album *Planet Earth* for free and Radiohead undertook a similar strategy with “*In Rainbows*” released exclusively online in October 2007. The price of the download, including £0, was decided by each consumer. 62% of listeners downloaded the Radiohead album for free according to comScore, with both artists focusing instead on building revenue through performance sales.

In travel and tourism, Sandeman’s New Europe tours uses the “pay what you want” model for free tours as a showcase for its paid tours in several cities across the region, according to Springwise.com. The free tours generate business for the paid tours, priced at EUR12 or EUR14. In Berlin, the free tours have a referral rate of 46% for the paid tours. Sandeman also produces city guides which benefit from the brand recognition generated through both types of tour.

Companies that invite customers to try products for free, or at a bargain price, hope that a positive consumer experience will encourage consumers to return and buy more profitable products. However, this model has been weakened by consumers having access to ever-more information, including tools on price comparison websites. In the current economic climate, consumers are reining in spending especially on non-essential items, eroding consumer confidence and heightening price sensitivity.

#### Pricing flexibility is welcome in times of economic downturn

Eating out is often the first item to go when budgets are tightened. The restaurant sector is therefore moving towards alternative pricing options, with exciting, new pricing structures. Priceyourmeal.com ([www.priceyourmeal.com](http://www.priceyourmeal.com)) is an innovative online restaurant booking site that allows consumers to dictate what they spend on a meal at top restaurants using an eBay-style auction process. In March 2008, priceyourmeal.com expanded from Scotland to London, a testament to its success. Enticed by the chance to save up to 75% off a meal, over 150,000 auctions have taken place since 2006, with successful bidders reportedly paying half of the menu price. Restaurant owners benefit by filling capacity while consumers enjoy a quality night out.

In the travel accommodation sector, Priceline.com invites customers to “name your own price” (NYOP). Priceline.com offers blind auctions where specific hotel brands and seller identities are unknown. Priceline.com, established in the US in 1998, also provides the “NYOP” feature for flights and car rental. It is likely that the company will expand its geographical reach in the future and the scope of its activities as consumers seek out lower prices. The auction model allows operators to primarily boost utilisation of hotel stock, as well as rental cars and flights, which would remain unsold if left to traditional booking methods. This allows companies to benefit from improved supply management and adds an extra revenue stream. Consumer goodwill is gained, boosting the likelihood of repeat visits to the site. This is a successful strategy, provided the right price/value ratio matches the service received.

Airlines and hotels have less opportunity to customise their products and services, as their offerings can be viewed as commodities with little room for differentiation. Their only weapon is therefore price. Two large carriers, Ryanair and Air Asia, along with Wizzair in Europe have frequent promotions offering free seats following the “core free goods” model. However, all ancillary services such as in-flight food and beverages, checked baggage, and seat selection are fee-based. The promotions are targeted at discretionary travellers who are able to travel outside peak times such as weekends, summer and school holidays. How successful the promotions are is a moot point: Ryanair’s load factor in January 2008 was 69% and 91% in August. By contrast, the equivalent figures for easyJet, which does not hold such promotions, were 72% and 91% respectively. The conclusion is that the free seats promotional strategy is not succeeding in filling up Ryanair’s aircraft.

### **Couchsurfing showcases the ‘no-cost, full-service’ offer**

The use of social networking sites such as couchsurfing.com provide free alternatives to hotels and hostels by lining up individual hosts with potential visitors worldwide. After starting out with little interest in early 2004, couchsurfing.com now brings in 10,000 new members every week. Couchsurfing.com runs as a non-profit organisation, dependent entirely on donations from members.

Couchsurfing can be viewed as providing a higher quality of service than competing accommodation suppliers. The provider greets each customer personally, meeting them at the airport or railway station on arrival. The provider sometimes offers ancillary services for free, such as a guided tour, activities with their friends and tips on getting a feel for local life. Couchsurfing.com registered almost 780,000 members in October 2008, with 24% of members in the US and 5% in the UK.

The “core free goods” model can also be found in the hotel sector in the UK and Ireland. Travel Offers Ltd ([www.travel-offers.co.uk](http://www.travel-offers.co.uk)) offers a network of 320 hotels for which accommodation is free, but guests are required to pay for dinner and breakfast. There is an annual membership fee of £35 with the cost of food between £25 to £60 per person, per night. There are relatively few restrictions on the duration of stay, or the time of year in which the service can be used.

### **Profitability is paramount and price discrimination is rife**

The travel and tourism industry is characterised by high fixed costs (such as aircraft and hotel rooms) and relatively low variable costs. By charging different prices and segmenting consumers through the use of advance booking and blackout periods, airlines and hotels can increase revenue compared to charging a standard price to all customers, known as price discrimination. Many of the new pricing models are examples of cross-subsidisation and price discrimination but with a twist: airlines’, hotels’ and restaurants’ products cannot be stored if unsold.

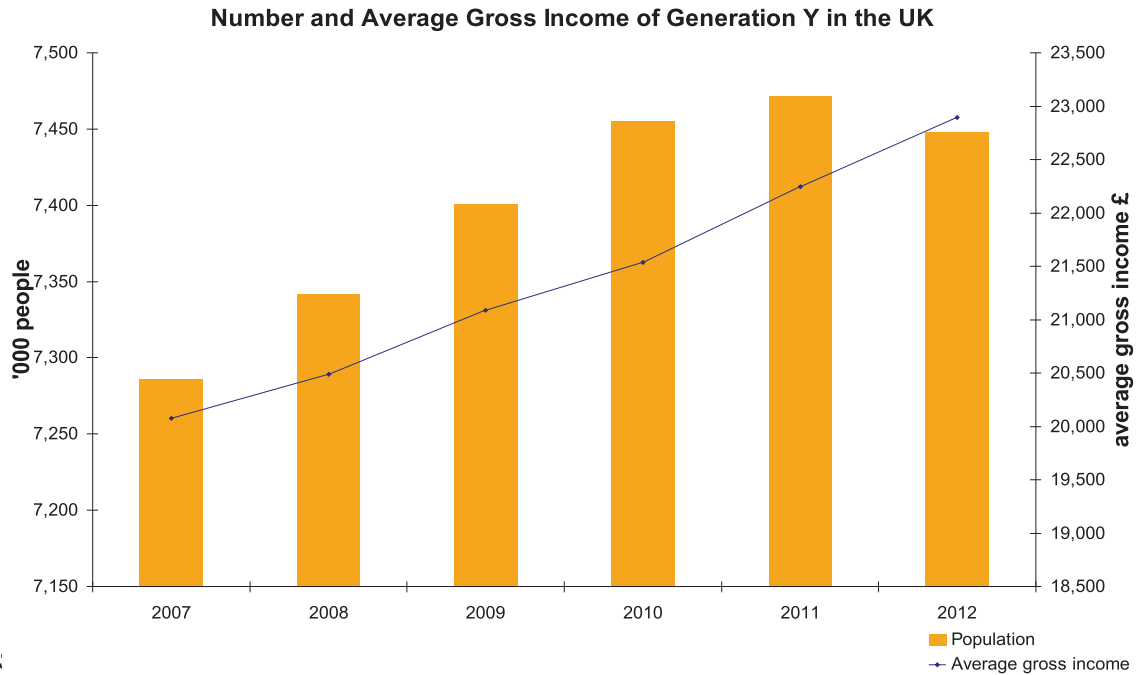
Free flights can mainly be seen as a strategy to fill unused seasonal capacity, so the probability of Ryanair offering free seats in November is much higher than in August. The same applies to hotels offloading off-peak rooms for free, but strings attached to this free service. By contrast, for a tour guide operation to add capacity requires little or no investment in extra guides, and these extra personnel are easier to shed during downturns. Price discrimination is therefore more extensive in certain sectors such as transportation.

### **Appealing to key target markets**

“Free flights” appeal to the largest section of the target market. It has no quality of service disadvantage over the “full fare” version, price being the only difference. There is no element of bargaining or auction, a style of purchasing which is not yet

widespread in the travel and tourism sector, seeing as Priceline.com in the UK is a relatively low volume operation.

The travel accommodation sector in particular, which undertakes more sophisticated market segmentation than low cost airlines, is a sector whose innovative products and services could appeal to younger age brackets. For example, the demographic for couchsurfing.com is overwhelming young with 75% of their members under the age of 30 and almost half represent the Y Generation under the age of 25. This is unsurprising, as the experience is appealing to single leisure travellers and the backpacking market. Operators wishing to engage with Generation Y should watch couchsurfing.com very closely to see how it engages with its key demographic.



**FREE is the new ‘f-word’**

The majority of players in the travel and tourism industry need to become more aware of the impact on profitability by taking account of variations in demand, careful market segmentation and, above all, willingness to pay. As well as the standard model of posting a price and then waiting for people to pay it, more and more potential customers will become accustomed to naming their own price or expecting a major portion of the product or service for free.

As the level of economic activity is likely to slow until 2010, innovative means of saving money will become more attractive. Industry players will need to work harder to attract consumers and nothing grabs the attention better than the word “FREE”.

## Europe Trends

### Travel and tourism 2.0 in Europe for more authentic travel experiences

Within the Web 2.0 phenomenon, characterised by increased online interaction and user-generated content on the internet, a segment specifically geared towards travel has grown exponentially over the past few years.

The “Travel 2.0” concept was first coined in 2003, referring to the importance of developing online travel communities and forums. These sites were uniquely driven by travellers interested in the opinions of fellow travellers instead of professional travel companies or guidebooks. Travellers are turning towards direct forms of interaction between others in search of more authentic travel experiences and connections. The evolution of the “Travel 2.0” concept and travel networking is behind the rapid development in recent years of innovative forms of travel, such as hospitality tourism and home exchanges.

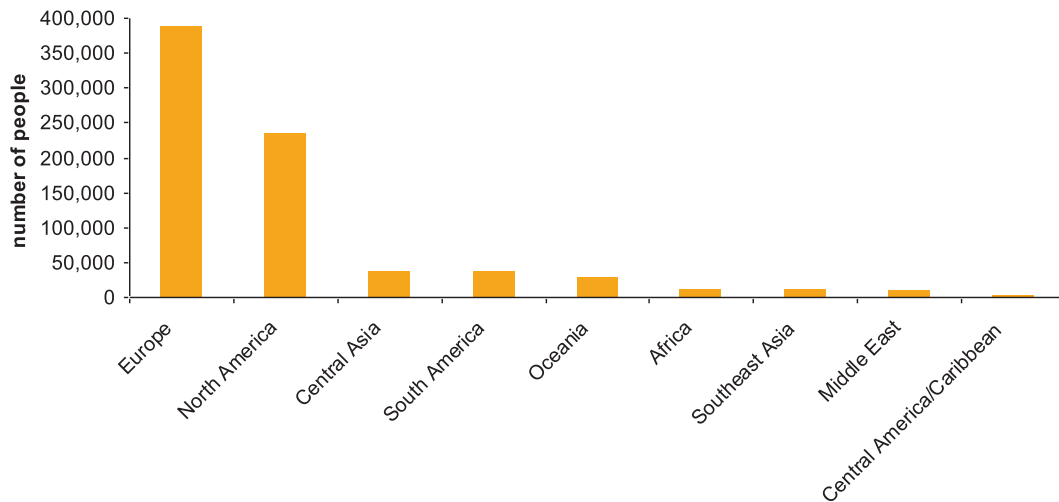
Hospitality tourism and home exchanges existed previously but only had a limited appeal to niche audiences, whereas the latest web developments have allowed them to acquire more significance in today’s travel and tourism industry. “Travel 2.0” is also behind the success of travel networking websites such as WAYN.com, where travellers exchange their experiences and in a virtual context can meet the people who live where they plan to visit.

Western Europe has witnessed a particularly impressive development in travel networking over the last two years, seen through the increased number of websites dedicated to this type of activity. This is due to the physical and cultural proximity of European countries and the increasing interaction amongst nations. European Union legislation such as the Schengen agreement, which allows free movement in the continent as well as educational programmes such as the Erasmus programme, has played a significant role in this.

#### **Hospitality tourism - where different cultures meet**

Launched in 2004 and 2000 respectively, websites such as CouchSurfing.com and HospitalityClub.org have jumped in popularity over the last two years reaching 780,000 and 330,000 users by October 2008. These websites strive to bring together travellers with locals willing to offer free hospitality and socialising opportunities. Couchsurfing has a global reach, present in 232 countries and 47,544 cities worldwide, with almost 50% of its members in Europe.

Receiving free hospitality is an important element of this type of travelling, especially in the present negative economic climate in Europe. However, saving money is not the main goal of this trend. The core objective of this type of travel is the intercultural exchange opportunities. Travellers are able to see how locals live, discovering a new country and its culture from an insider’s perspective. Conversely, locals that offer free hospitality have the opportunity to meet people from different cultures and exchange their views and experiences. Couchsurfers therefore do not behave like hotel guests, typically sightseeing on their own all day and returning late at night, but spend time with their hosts sharing their travel and life experiences.

**Number of Couchsurfers by Region 2008**

Source: *www.CouchSurfing.com* as of October 2008

### **Home exchange - live like a local**

With a home exchange, travellers swap houses to spend their holiday. This type of tourism started over 50 years ago through printed directories. However, the number of consumers interested in this concept has increased dramatically over the last few years. The trend has benefited from the popularity of online booking and travel-focused websites alongside travellers' desire to blend in with the locals.

Several companies, such as HomeExchange, Intervac and HomeLink, are active in this sector, offering members the possibility to exchange homes via the internet for a small annual fee. In the case of home exchange, the money-saving element plays a more important role than in hospitality tourism, yet the desire to enjoy an authentic experience is equal.

### **WAYN puts travellers in touch**

WAYN.com is an example of the success and popularity of travel networking sites, with 13 million users. It started from the idea of being able to visualise on a world map where friends are currently located when travelling. Its mission evolved into putting travellers in touch from all over the world, based on where they are travelling to, have been or are planning to visit. WAYN allows travellers to share information and opinions about trips with others, or get to know and meet people living locally. This allows travellers to enjoy a richer travel experience and gain a local perspective.

WAYN was initially based on subscriptions, but in 2006 began offering services for free. With free access, WAYN tripled its members in one month and today its revenues are mostly generated through advertising and partnerships with a wide range of travel companies such as HotelClub (accommodation booking website), HostelWorld (hostel/budget booking website), Kayak (metasearch engine) and Apollo Travel Direct (holiday concierge services).

### **Travel industry 2.0 keeps it real**

The travel networking phenomenon represents the convergence of several trends at play in the travel industry today. These include the impact of the internet revolution, international social networking, the search for more authentic travel experiences and contact with local communities.

Travel networking websites and activities are expected to grow steadily over the next five years and will become a major trend the industry would be wise to embrace.

Companies of all sectors of the travel industry will benefit from:

- Implementing Web 2.0 features on their websites allowing customers to exchange experiences and opinions about their experience with travel services and their trips overall. This is already happening for specialised hotel booking OTAs and has the potential to expand to websites of other travel operators such as travel blogs on airline websites or customer reviews on cruise company websites.
- Enriching their offer and adding in packages that promote interaction with local cultures such as travel packages featuring participation in popular local festivals.
- Including destinations that allow for a more authentic experience of local life, rather than just hosting famous landmarks.
- Increasing the supply of accommodation in aparthotels as well as extended stay, which allows guests to feel more at home when travelling
- Involving local communities wherever possible in tourist activities such as travel packages and hotel accommodation that includes events attended by locals
- Partnering with travel networking websites or creating new specialist sites to promote their offer

In particular, tourism promotion boards at a national and regional level will be able to promote the social aspects of their tourism product to their advantage:

- Cooperating with tour operators to create specific cultural events that allow tourists to enjoy a more authentic experience of local culture
- Promoting the accommodation of tourists in B&Bs or other types of travel accommodation outlets run by the locals
- Providing more information on their websites about ways to discover and enjoy the culture and way of life of their country, including travel blogs from local residents

## Middle East Trends

### Rise of expatriate tourism in the Middle East

With a thriving business environment and booming economies across the Gulf and other Middle Eastern countries, the region has become an attractive destination for Arabs, Westerners and Asians alike. Each year, people flock from across the world to the shores of the Persian sea and the Indian Ocean in search of job opportunities and often move to the region.

The existing pool of expatriates living in the region is increasing every day, creating a new target market for short breaks, returning home or simply getting to know the region better. With better tourism offerings, these “new” tourists are increasingly turning to the Middle East for their holidays.

#### Middle East travel boom

Although the region has been a magnet for tourism for hundreds of years, the past decade has been the most exciting for the Middle East. Many countries are repositioning themselves as business and tourism hubs through billions of dollars in investment in tourism infrastructure and developments. Countries such as the UAE have almost tripled the number of international arrivals thanks to hefty investments. In 2008, the UAE received almost 9 million international tourists, with arrivals from the UK on top of the list at 1.1 million, followed by Saudi Arabia with 879,000 expected arrivals.

Growth in the region has been driven by a flourishing hotel sector and increased promotion from national tourism organisations. International hotel chains such as InterContinental Hotel Group, Mövenpick and Kempinski are aggressively expanding across the region. In the UAE, the number of hotels is expected to grow from 453 in 2007 to 515 in 2012. Even more hotel outlets are forecasted for Egypt and Saudi Arabia with increments of 213 and 162 respectively over 2007-2012. Opportunities for budget travel are also being offered with chains such as easyHotel already eyeing this part of the world for growth.

#### Growing population of expatriates with money to burn

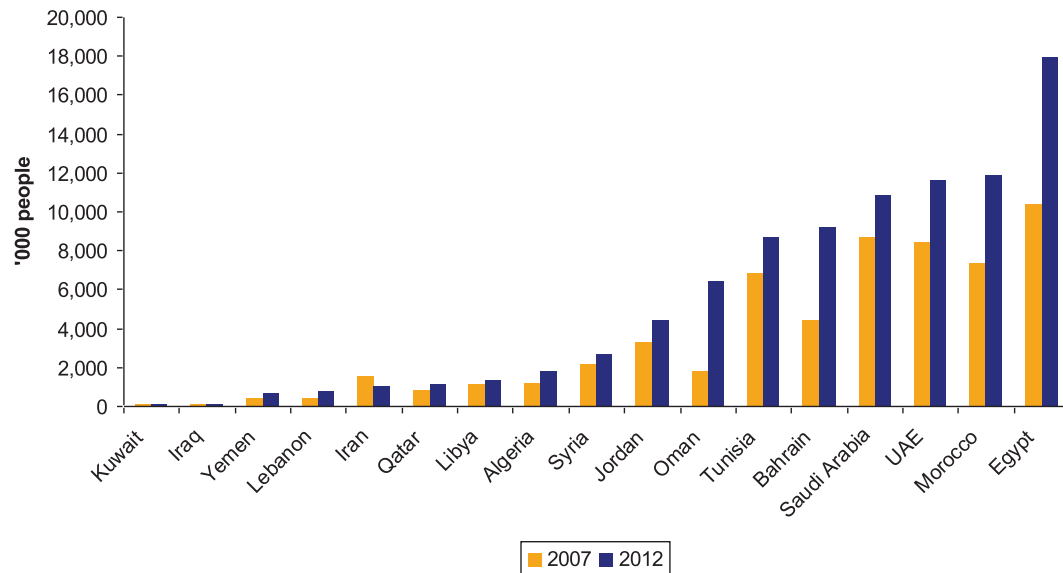
The number of expatriates living in the Middle East has grown massively for decades, with an average 5% growth annually, estimated by the Arab Advisors Group. In the UAE alone, more than 80% of the 3 million residents are made up of expatriates. Thus, there is an audience of 2 million people likely to travel at least once a year to visit their home countries, often staying for 2-3 months. This consumer segment is also the key driver of outbound tourism spending of almost US\$6 billion in the UAE, the second highest spend in the region after Egypt outbound, according to Euromonitor International.

The UAE also has the largest number of expatriates from the West thanks to its more “open” culture and environment. Countries such as Saudi Arabia and Kuwait have larger numbers of Asian and Arab expatriates including Indians, Pakistanis, Syrian, Jordanian and Lebanese expatriates.

Westerners and Arab expatriates mainly work in high-end positions such as finance, advertising and insurance. On the other hand, most Asian expatriates such as Filipinos, Pakistanis, Indians, Indonesians, and other Asian nationals usually work in the lower-salary industries such as construction and transportation. This has allowed travel and tourism companies to target tourists through tailored services according to nationality. Luxury, adventure/trekking and ecotourism are generally targeted towards

British, American or Arab expatriates, whereas budget travel arrangements are currently geared towards the lower-income expatriate market.

**Number of Arrivals to the Middle East 2007/2012**



Source: Euromonitor International

Arab expatriates from Lebanon, Syria and Jordan tend to be men working abroad with family at home. There are also many male employees working in the oil industry, living alone in the region without a family. This trend is driving travel and tourism suppliers, such as travel agencies, to tailor their services to the single male consumer by including destinations that are more attractive to single men or packages for singles that are affordable.

The emergence of low cost airlines in the region has made travelling easier and cheaper for these single men, for whom travelling low cost is hassle-free. As such, low cost airlines such as the UAE's Air Arabia, Kuwait's Al Jazeera, Saudi Arabia's Sama and others target this group by offering accessible ticket prices to regional destinations, sometimes charging as little as US\$100 per person. This has made it easier for regional expatriates to go back home more often and for less, while also boosting intra-regional tourism among the international expatriates.

The budget segment is a strong option for operators in the region, especially with the large number of single expatriates living in the area likely seeking low cost deals for their accommodations and transportation. Travel agents should consider including dynamic packages for singles that are bundled and marketed as singles' packages since these are lacking for this consumer demographic.

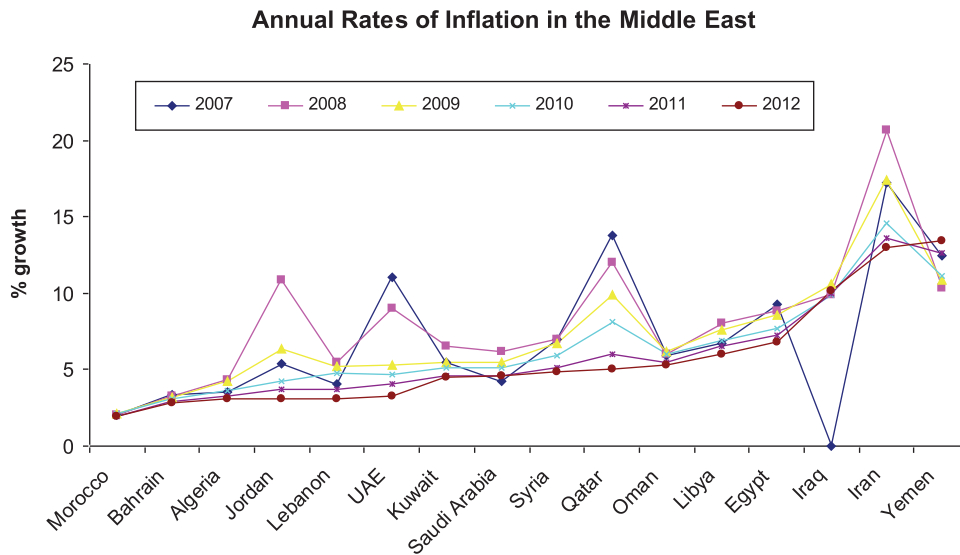
### **Rising prices cause concern for consumers**

An important factor contributing to increased intra-regional travel is the rising cost of oil and the resulting increase in the price to fly. Because of this, many expatriates living in the region are increasingly reluctant to travel to faraway destinations for short periods of time. Rising inflation is also causing headaches for expatriates as the cost of living in some Gulf countries is proving increasingly expensive. Residents of Qatar and the UAE have suffered most, with inflation reaching as much as 13.8% in Qatar and 11% in the UAE in 2007. While inflation is expected to ease down, it is still causing uncertainty and a desire to save money among expatriates.

This has caused this segment to consider visiting neighbouring countries. Travel retailers such as [www.uflyonline.com](http://www.uflyonline.com), airlines and hotels are following the trend, with new and more attractive travel packages to regional destinations. Packages lure expatriates with deals including airline tickets and accommodation at low prices to emerging destinations such as Muscat and Salalah in Oman and Sanaa in Yemen.

This provides the opportunity to package regional luxury travel in an attractive way, establishing both the added-value of travelling regionally and the cost advantage over long haul. This could be advantageous to 5-star hotels and spas in the region that can still afford to impose high prices counterbalanced by cheap transportation prices.

This is also an important opportunity for budget travel suppliers as residents of the region become increasingly conscious about household spending. Low cost airlines and budget accommodation therefore need strong communication and promotional strategies to reach out to those whose disposable incomes cannot allow luxury or long haul travel.



Source: Euromonitor International

**Varied offerings for a diverse market**

Driven by the presence of an increasingly young population of regional, European and American expatriates who enjoy backpacking, destinations such as Oman and Yemen are on the up due to their rich ecosystems. The demand for adventure and trekking packages in the UAE and Oman will grow by an average of 11% and 8% per year respectively during 2007-2012, according to Euromonitor International, largely driven by expatriate travel. Oman, with its rich blend of ecotourism, adventure and trekking opportunities, will see arrivals grow from 1.8 million in 2007 to over 6 million in 2012, with a very notable increase from the UAE growing over 400% to 1.2 million.

As the region offers many untapped opportunities for adventure and ecotourism, travel and tourism suppliers would benefit by identifying new destinations. Although many travel agents offer ecotourism and adventure packages, many of these destinations are not located in the region and most packages currently focus on the same destinations in Oman and Yemen. Governments and tourism authorities should actively seek out more new destinations in the UAE, Lebanon, Jordan, Syria and even Bahrain that can offer attractive ecotourism opportunities.

The adventure/eco-tourism trend goes hand in hand with the recent emergence of budget accommodation, contributing to the development of budget travel for lower-end expatriates and for adventurous Western travellers. The combination of low cost airlines such as RAK Airways, Air Arabia, Jazeera and Samba, budget accommodation with the likes of easyHotels and more youth hostels and motels will contribute to a new and potentially lucrative budget market. Coral International has even launched a new budget, environmentally-friendly brand, ECOS Hotel, to tap into this growing sector.

### **Opportunities for both luxury and budget**

Luxury travel is very popular among Arab expatriates and will continue to gain as evidenced with Jumeirah, Rotana and InterContinental Hotels Group all recording growing profits in the region. While Arabs have traditionally been luxury travellers, always choosing expensive accommodation and rarely flying with low cost airlines, the rise of expatriates in the region is creating more demand for budget travel. With supply set to increase, Arabs may become interested enough to turn to budget travel themselves. Residents of the region have rarely been offered cheaper travel options in the past.

Rather than staying within the UAE, many Jordanian, Syrian, Egyptian and Lebanese expatriates living in the country are opting for weekend breaks, taking a drive to Oman and spending a weekend in Muscat on a budget. Budget travel should target all nationalities and residents of the region including wealthy local Arabs or regional expatriates.

Low cost airline marketing strategies so far have been limited. The segment has been unable to lure the mass market or change the habits among regional customers. Consumers are still wary about low cost travel and are used to traditional airlines which they consider safer. Consumer education is required from LCCs to explain the safety and comfort of their products, as many still believe that quality and security measures may be compromised in order to keep costs down.

Despite the strong potential for growth in the budget market, the region's largest potential remains in the luxury market as most current developments include 5-star hotels, or in the case of Dubai, 7-star hotels. The larger profit margins are in this sector and with an Arab population enriched by petrodollars, developers want to target the wealthy and generate stronger growth. Even if budget travel succeeds in attracting a fair share of the market, the sector will never affect the prosperity and growth of the luxury travel market in the Middle East. Traditional airlines and 5-star hotels are therefore in no danger of losing market share to low cost airlines or budget hotels. It is simply a different market that can grow in parallel.

The region's real challenge remains. Can the region offer an attractive combination of budget and luxury travel catering to the evolving needs of its growing expatriate population? Catering to this group is essential for overall tourism growth as it ensures every expatriate group has the opportunity and ability to travel.

## Africa Trends

### Fairtrade holidays to boost sales of Sub-Saharan tourism

Fairtrade branded products are a success worldwide and enjoyed 47% growth in 2007 according to the FLO (Fair Trade Labelling Organisations International). This market segment complements the travel and tourism industry well, offering large potential for development particularly in Sub-Saharan Africa tourism destinations.

A number of niche tour operators are already active in this field, responding to growing demand for sustainable tourism and more authentic travel experiences. This segment now appears ready to be promoted through larger-scale operators, opening up to a wider consumer audience familiar with the fairtrade logo and its underlying principles.

#### Fairtrade products: a growing market segment

The fairtrade movement started in Europe in the 1960s. The principles of the movement were to give world market access to marginalised producers and ensure fair prices for their products, enabling them to have decent living conditions.

Initially, fairtrade products were sold through specialist world-shops. However, the movement achieved success when, after 2002, the FLO introduced an international fairtrade trademark. Thanks to certification and distribution through mass market channels, including supermarkets, sales of fairtrade certified products have grown steadily over the last 5 years to reach a value of US\$3.6 billion in 2007. This is evidence of the willingness of consumers worldwide to pay more for fairtrade branded products, essentially becoming a premium segment of the market. Currently, FLO fairtrade certification mainly concerns agricultural products.

#### Fairtrade tourism in Africa

Tourism appears particularly suitable to fair trade practices due to its economic importance, labour intensity and because of its large potential in developing regions such as Africa. Tourism development in Sub-Saharan Africa so far has been minimal compared to its potential. Fair trade in tourism practices would drive tourist development in the region, promoting the respect of the local communities, the environment, and sharing the economic benefits with the local population.

Fairtrade branded holidays to Africa could be a powerful tool to promote tourism to Africa amongst ethical and eco-friendly travellers worldwide, who would be attracted by the region's numerous eco-tourism attractions as well as the possibility to discover its culture.

#### FTTSA: the first fairtrade in tourism trademark

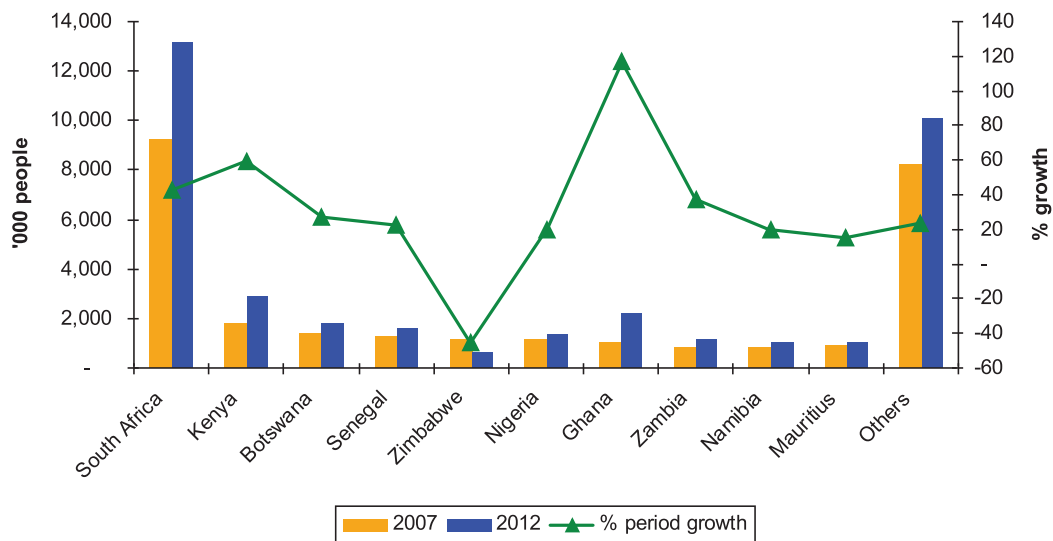
Created in 2001, the Fair Trade in Tourism South Africa organisation (FTTSA) was the precursor of fairtrade branding in tourism and is still the most significant example today. Having identified tourism as one of the main drivers of economic growth in the country after the end of apartheid, the South African government worried its development would unfold at the expense of local communities and the environment. For this reason, it supported the creation of FTSSA whose objective is to facilitate the integration of fairtrade principles into South African tourism, helping marginalised communities benefit from sustained tourism growth.

The system is based on the FTTSA trademark, awarded to tourist businesses meeting the criteria set by the organisation, including fair wages, ethical business practices, respect for human rights, the local cultures and the environment. Businesses which are awarded certification have the right to display the FTTSA logo.

Presently there are 30 fairtrade tourist companies certified by FTTSA in South Africa which are active in sectors such as travel accommodation, guided tours, adventure travel, tourist attractions, and natural and game reserves. The FTTSA logo is so far present in the catalogues of 25 international tour operators associated with certified South African tourist businesses.

FTTSA activities have been growing steadily over the last few years and its logo is increasingly recognised. Following its success, the organisation is considering expanding its activities to destinations in other Southern African countries, potentially to Mozambique and Botswana.

**Forecast Arrivals to Sub-Saharan Africa**



Source: Euromonitor International

**Travelling with respect**

The rising popularity of ethical travel is behind the success, in particular in the US and UK, of a growing number of niche tour operators specialising in fair trade holidays in Africa and other developing destinations.

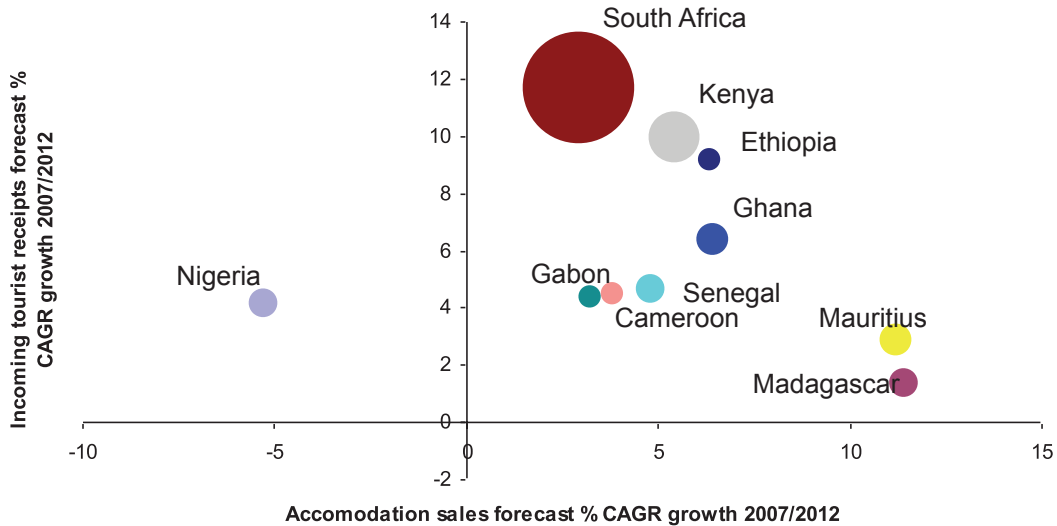
Tribes ([www.tribes.co.uk](http://www.tribes.co.uk)) is an award-winning, UK-based specialist travel company whose mission is to offer holidays inspiring to travellers, but also beneficial for the local people, wildlife and environment. The company offers holidays with an emphasis on fair trade and responsible travel in several developing destinations mostly in Africa including Lesotho, Namibia and Malawi. Their trips have a strong focus on contact with local communities through accommodation in community-owned lodges, participation in cultural activities in local villages and cooperation with local conservationists.

Hills of Africa ([www.hillsofafrica.com](http://www.hillsofafrica.com)) is a US-based tour operator specialising in organising fair trade holidays in southern Africa. Its destinations include South Africa, Botswana, Zambia, Zimbabwe and Mozambique. All the properties available in its South African itineraries are certified by FTTSA.

A number of British tour operators specialising in fair trade and sustainable tourism are members of the Ethical Tour Operators Group coordinated by Tourism Concern. Tourism Concern is a UK-based national government organisation

focusing on tourism benefits for local communities, for which it has been campaigning for the last 18 years.

**Forecast Tourism Performance in Key Countries in Sub-Saharan Africa**



Source: Euromonitor International

Note: size of bubble is representative of incoming tourist receipts in US\$ million in 2012

**Access to wider travel distribution channels is key**

Fairtrade branded holidays are only a small niche in the global travel and tourism industry. However, they show a large potential for growth similar to the growth agricultural fairtrade products currently enjoy. This potential is supported by current travel trends such as the desire for sustainable, more authentic holiday experiences and contact with local communities.

This growing interest is expected to encourage a larger number of African tourism businesses to embrace fairtrade in tourism practices in the next five years and in several tour operators internationally including them in their itineraries.

The involvement of major tour operators and the distribution of fairtrade holidays through the main travel agencies and OTAs are expected to be integral to the development of fairtrade tourism, just as distribution through supermarkets was integral to the success of fairtrade agricultural products.

As witnessed with agricultural products, the existence of a fairtrade trademark would also play an important role in the distribution of fairtrade tourism services. Today, such a trademark exists only in South Africa, but not at an international level. The introduction of such a recognised trademark, under the auspices of a respected international organisation such as the UNWTO, would reassure travellers about the authenticity of the fairtrade claims and be a critical driver of tourists to Africa.

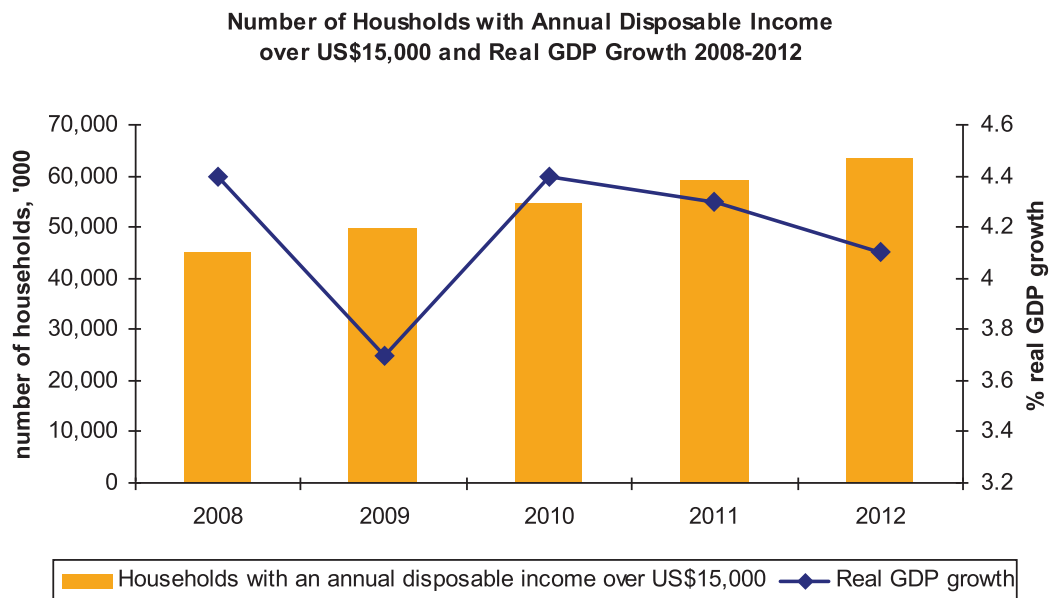
## Latin America Trends

### Latin Americans go long haul

Strong economic growth in Latin America has spurred long haul travel for tourists in the region. Low interest rates, growing disposable income and aggressive promotions have increased leisure travel to Europe and Asia Pacific amongst Latin Americans. Business trips have also boosted travel between Latin America, Europe and Asia due to increased trade between the regions.

#### Rising middle class ventures abroad

Rapid economic growth in Latin America is fuelled partly by the boom in commodities as exports of copper, gold, soya and beef skyrocketed in recent years. This booming export industry has fuelled economic growth, which in turn has brought more households into the middle class and increased disposable income. Flushed with this newly acquired disposable income, more Latin Americans are travelling both domestically and internationally. Additionally, low interest rates have made it easier for these travellers to finance their trips.



Source: Euromonitor International

#### Companies seize the opportunities in long haul travel

Under pressure from airlines that prefer to sell direct, travel retailers in Latin America have focused on selling packages, particularly higher margin, to long haul destinations such as Europe. In Chile, Viajes Falabella, the travel arm of retailer Falabella, uses its store cards to target promotions towards the middle class by offering instalment plans. Recently the company offered a 16 night tour to Spain, France, Germany, Austria and Italy (excluding airfare) for US\$1,857, which could be paid for in 24 instalments of US\$125 with the Falabella card.

The expansion of airlines into these long haul routes has aided the increase in outbound tourism. LAN Airlines, in 2005, launched direct flights to Australia and New Zealand from its hub in Santiago, Chile. Air Madrid, a low cost, long haul carrier, flew from Madrid and Barcelona to Buenos Aires and Santiago. While its tenure was short (2005-2006), its low fares encouraged first-time visitors from Chile and

Argentina to travel to Europe. In 2006, the airline failed to meet safety regulations and was banned from flying. Air Comet stepped in to fill its place with modest success. The airline ended its flights from Santiago to Madrid, but will add flights from Buenos Aires to Madrid. The existence of these low cost, long haul airlines helped bring European travel within reach of lower income households in Latin America.

Additionally, European legacy carriers continue to expand capacity and add direct flights from Europe to Latin America. In 2005, Air France connected Paris with Santiago directly. Lufthansa added a direct flight from Frankfurt to Buenos Aires in October 2007. Iberia is expanding into Central America, increasing capacity by 16% in 2007, with direct flights between San José de Costa Rica and Madrid as well as connecting Madrid with Panama and Guatemala.

### **Europe: a must-see**

The first stop for the long haul, Latin traveller is Europe. The cultural and historic ties between Europe and Latin America are strong not only with Spain, but with Germany and Italy as well. Additionally, the attractions found in Europe are must-sees for Latin Americans, especially in Paris, Rome, Madrid and Berlin. The shared passion for football boosted arrivals significantly to Europe in 2006 as Latin Americans flocked to Germany for the World Cup and toured Europe while there.

Additionally, Iberia has built a large network of international and domestic flights from Madrid. Madrid's international airport, Barajas International Airport, connects Latin American travellers to the rest of Europe. The common language and similar cultures makes Spain a top destination, particularly for first trips to Europe.

### **Business binds Asia Pacific and Latin America**

Chile has been particularly keen to forge stronger business ties with Asia by signing free trade agreements with China, Japan, New Zealand and India. More Chileans are travelling for business to explore opportunities in these countries. In 2007, 347,000 Chileans visited China, while 128,000 visited Japan according to Chile's tourism promotion board, Sernatur (Servicio Nacional de Turismo). The number of Chilean visitors to India rose from 28,000 in 2002 to 72,000 in 2007.

Japan, by signing a free trade agreement with Mexico in 2004, has strengthened economic ties with Mexico allowing Japanese manufacturers to sell into the local market as well as export to the US. Aeromexico has enjoyed great success with its direct flight to Tokyo from Mexico City. Brazil has also grown closer with China as the country relies on Brazil for agricultural products. According to the Ministry of Tourism in Brazil, Embratur, the number of Brazilian departures to China reached 27,588 in 2007, up from 6,985 in 2002.

### **Australia is a fun-loving place**

Despite the amount of paperwork and medical exams required for visas, Australia is growing in popularity for Latin Americans. According to Tourism Australia, 51,391 Latin Americans visited Australia in 2007, an increase of 23% over 2006. On average, Latin Americans spent US\$6,230 per trip, including international airfare, and stayed an average of 58 days.

30% of Latin American visitors came for a holiday drawn by the friendly people, nightlife, beaches and similar climate. 79% of visitors are unaccompanied individual travellers in the country for business, education and adventure holidays. However, the number of adult couples has also increased, rising from 9% of visitors in 2003 to 16% in 2007 as couples take more adventure holidays.

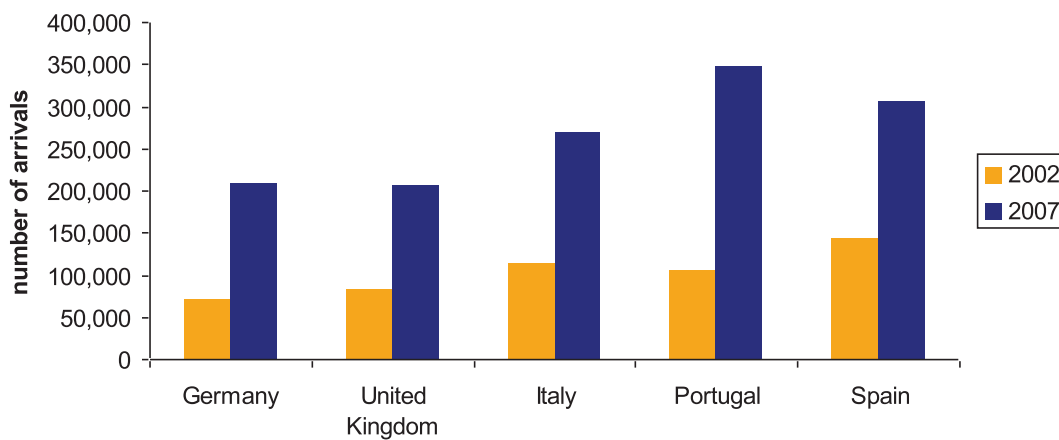
Australia has gained in popularity for young adults seeking higher education with a possibility of permanent migration due to the shortage in specialised labour. As a

result, 25% of Latin American visitors go for education purposes and 15% went to visit friends and family.

**Brazilians on the move**

Like other Latin American countries, Brazil has benefited from export-driven GDP growth and, subsequently, a strong currency. As a result, total departures from Brazil grew strongly from 4.8 million to 5.5 million in 2007, according to Euromonitor International. While the bulk of that remains regional, European and Asian destinations such as Portugal and China outpaced the growth in total departures. Additionally, Spain has gained in popularity as its mild climate draws Brazilian families when they are off between December and March due to religious holidays. Germany also received a boost of Brazilian tourists thanks to the World Cup in 2006.

**Brazil Arrivals to Key European Countries 2002/2007**



Source: Euromonitor International

**High price of fuel threatens long haul routes**

With the cost of oil reaching new heights in 2008, peaking at US\$147 per barrel in July 2008, airlines are taking measures to survive. This includes raising fares, adding fees and cutting capacity, thus making travel to further distances more expensive. Long haul travel is particularly susceptible to higher prices as airlines cut unprofitable routes due to the higher cost of fuel.

While economic growth in Latin America is expected to slow in the upcoming years, it will still remain positive and outpace that of developed countries. In 2008, real GDP growth is expected to reach 4.4% for Latin America while Western Europe is expected to grow 1.8% and North America at 1.3%. It is likely that the commodities boom will continue, with the expansion of the Latin American middle class remaining permanent. As a result, the rise in airfare prices should not deter long distance travel for Latin Americans.

**Latin Americans are a bright spot for mature destinations**

The emerging long haul travellers in Latin American provide many opportunities for airlines, travel retailers and mature destinations. Airlines are expected to benefit from opening new routes to connect these regions, while travel retailers are selling tour packages to new international travellers who prefer a guide on their first long haul trip. Mature destinations are capitalising on this new source for visitors to boost growth in arrivals and tourism receipts. Europe is likely to benefit the most as its draw among travellers is universal, with the relatively high cost considered to be worth the trip. The recession in Europe may be a blessing for Latin travellers as the downturn could further weaken the Euro and Sterling. European industry suppliers may also be inclined to discount their offerings, making Europe accessible to more Latin Americans. The discounting may help combat the long-held perception that Europe is expensive and encourage travel, even when the economy rebounds and the Euro gains strength.

The potential merger between Iberia and British Airways will also open up Heathrow as a hub for Latin American flights, benefiting the UK and northern European destinations. Additionally, the expansion of the Schengen zone is likely to increase Latin American visitors to Eastern Europe as tour operators assemble thorough multi-country tours.

Australia and New Zealand, disproportionately hurt by high fuel prices due to their locations, may see a downturn in long haul visitors from Europe and the US. However, Latin America travellers are likely to continue visiting, especially when Qantas launches a direct flight from Buenos Aires to Sydney in November 2008. Perceived as more welcoming than the US, Australia and New Zealand are top destinations for Latin Americans to learn English and pursue advanced degrees. In July 2008, Chile signed a free trade agreement with Australia, which included 1,000 scholarships for Chileans to study in Australia. Chilean industries such as wine, mining and agribusiness are eager to expand their presence in the Australian market and business travel between the countries is expected to pick up thanks to the free trade agreement.

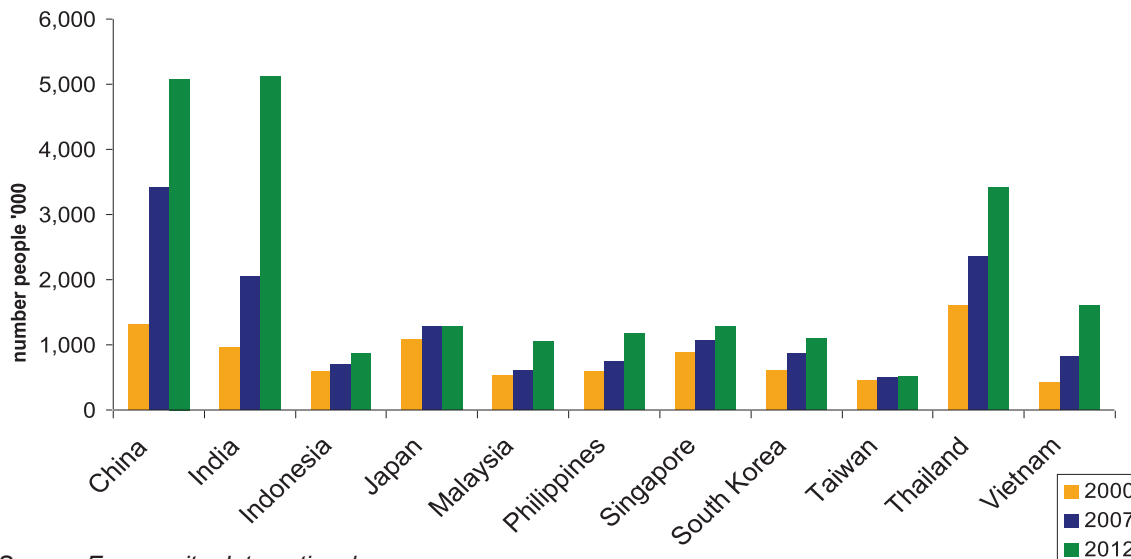
## Asia Trends

### Living the good (second) life in Asia

Asia, particularly South East Asia, is becoming a destination for older Europeans looking for an unhurried, extended holiday without extending the budget. Holiday takers end up enjoying the region so much they decide to make the stay permanent.

Since the turn of the century, the percentage of holiday takers aged 65 and above in developed Western countries such as US, UK, France, Germany, has increased steadily. Overall tourism arrivals from the US, UK, France and Germany to China, India and Thailand take centre stage amongst the Asian nations with tourist arrivals doubling in number in the next five years, according to Euromonitor International.

**Number of Arrivals from the US, UK, France and Germany to Asia  
2000/2007/2012**



Source: Euromonitor International

The Economist’s “Big Mac Index” is usually used to measure currency exchange rates, but also gives an indication of how far the US dollar will stretch overseas. Based on 2007 data, Asian currencies such as Singapore, Indonesia, Malaysia and Thailand have been trading below their benchmarks. Retirees in countries enjoying the benefits of the strong Euro and British pound are hence able to enjoy a higher disposable income abroad than at home. This, in turn, entices them to consider setting up a second home in Southeast Asia with their increased spending power.

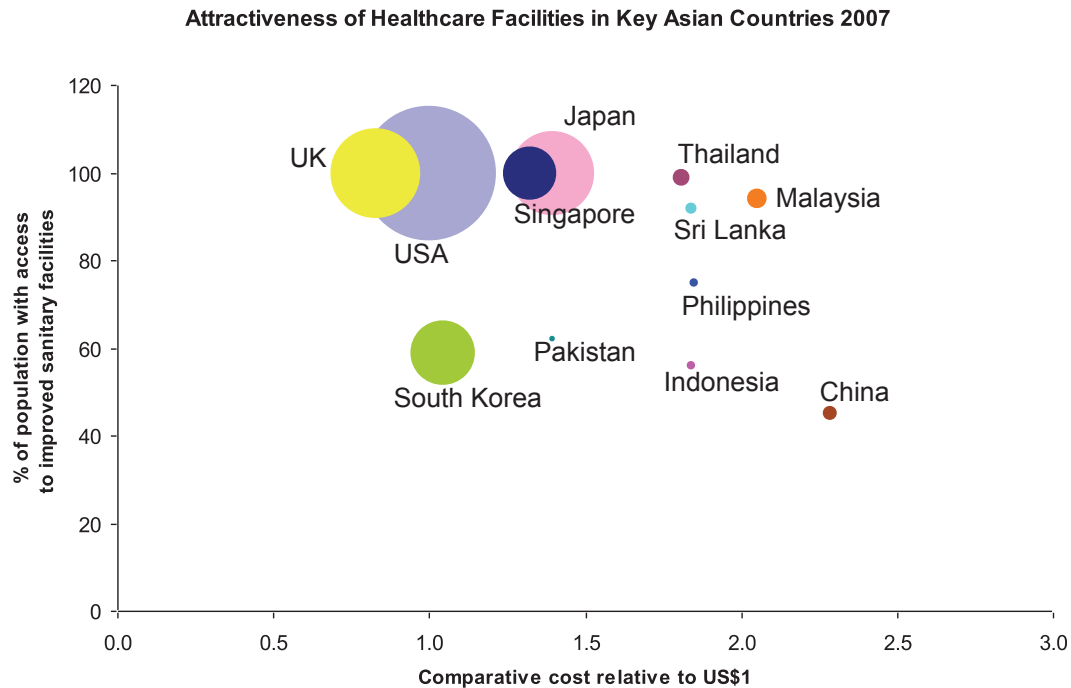
#### Healthcare is a primary consideration

A sense of adventure, sunny beaches and pleasant tropical climates would attract any tourist, but one seeking to stay for the longer term would also have to factor in the cost of living and the availability of basic necessities such as good healthcare. Countries such as Malaysia, Thailand and Singapore scored almost perfect marks, with major cities in Asia having little or no problems with world-class sanitary facilities. Southeast Asian countries are still relatively cheaper compared to their western counterparts in terms of medical healthcare costs.

In fact, the relatively cheaper medical treatments bundled with an inexpensive vacation has made medical tourism a big tourism earner for Asian nations. The

industry grossed an estimated US\$60 billion worldwide in 2006 with Thailand, India and Singapore as the main Asian beneficiaries.

It is clear that some Asian countries are natural magnets for people seeking to retire abroad, especially since non-Asian retirement alternatives such as Mexico and Central America are becoming more expensive in comparison.



Source: Euromonitor International

Note: Size of the bubble is indicative of US\$ per capita health expenditure

**Attracting the silver market**

With this trend in mind, the more astute Asian countries go the extra mile to attract long-staying retirees with incentive programmes.

Malaysia has a programme called “Malaysia My Second Home” open to all foreign citizens, which is endorsed and promoted by the government. The programme allows a participant to have easy immigration access through a ten-year visa, own property and businesses as well as invest. The key draw is that a person on the programme is able to retain their citizenship and any privileges in their country. In 2006, 8,700 successfully applied for the programme.

Other Southeast Asian countries have also jumped on the lucrative retirement market with Thailand at the forefront. The country is marketing luxurious beach homes in Phuket and the Andaman Coast, Pattaya, Hua Hin and Koh Samui to the retiree crowd. Thailand has also introduced a retirement visa with 12,000 foreigners successfully getting the nod in the first seven months of 2006. This visa allows retirees to reside in Thailand for one year, and allows tax-free shipping of personal belongings within 6 months from the date of entry. To qualify, the retiree needs to show that Bt800,000 (US\$23,100) is in their bank account. This type of visa, however, does not allow employment and retirees need to report to the immigration department every 90 days to verify their current address.

In addition, Singapore has Sentosa Cove, a super-luxury condominium development planted right next to two upcoming Integrated Resorts where overseas buyers are

permitted to own a 99-year lease for land with houses. Foreigners are also allowed to own condominium developments in Singapore.

### **Helping the retirement dream come true**

Not only do Asian countries have programmes to ease the entry of long term guests, some Western countries have also put in place policies to make the move abroad smoother. In April 2006, the UK government introduced a “Qualifying Recognised Overseas Pensions Scheme” which allowed its citizens to transfer their entire retirement savings to a foreign pension plan, without having to pay any additional taxes to the government.

Technology has also lowered the barriers to moving abroad. A large proportion of households in many Asian countries have a high household penetration of mobile phones and internet connectivity. For example, more than a third of Malaysian, Thailand and Singaporean households own a mobile phone, and access to the internet is readily available in major cities.

Video conferencing, cheaper calls over the internet, easy access to email and messaging services has made it easier to keep in touch with his friends back home. Another offshoot of the advances in the internet is the wealth of information available about retiring overseas. Many travel website and discussion forums have helpful communities willing to share advice and tips for staying at a particular country including [www.retireaway.com](http://www.retireaway.com), [www.asia-expatsforum.com](http://www.asia-expatsforum.com) and [www.retire-asia.com](http://www.retire-asia.com).

To cope with this potential life-changing experience, retirees can also employ travel coaches who will work with them to achieve their eventual goals. Depending on the client’s interest, the travel coach will be in charge of finding the right retirement destination and activities. Retirees who are seeking adventure in their daily lives can choose to participate in adrenaline seeking activities such as jet-skiing and trekking, whereas those seeking mental rejuvenation can participate in meditation camps and yoga.

### **Taking the rough with the smooth**

Naturally there are some possible downsides to retiring abroad. Some of the conveniences taken for granted in a developed country may not be as readily available. Not everyone is able to adapt to the culture and lifestyle of the newly adopted country, and some retirees do decide to return to their home country after several months of stay.

No one is safe from the spectre of inflation, and some retirees may find the gains from their stronger dollar eroded by rising oil prices and transport costs. Recent political instability in nations such as Thailand and Malaysia might prove to be a concern for some retirees. As long as there is no large scale unrest threatening personal safety, retirees will still consider Asia as the next step in retirement.

The long term trend is still likely for more expatriates to retire in Asian countries, given the relatively cheaper costs, rising standards of living, and the ease of keeping in touch with relatives back home using technology. Asian countries looking towards this segment to stay, spend, and invest, would do well to explore ways to attract them with incentive programmes.

For hotel and property developers, amenities such as ramps for wheelchairs, slip-free tiled bathrooms, comfortable beds, adequate lighting and 24-hour access to medical facilities could be introduced to make the properties more retiree-friendly. Discounted senior citizen room rates or long-term package deals would also sweeten the deal.

Likewise, travel and tour operators can take advantage of this trend by providing niche services, such as wellness retreat packages for the elderly. These packages may include massages, recreational activities, flexible menus to cater to different diets and medical check-ups in addition to the usual site-seeing tours. Travel insurance operators could also come up with customised protection for retirees, especially those considering a big move to exotic destinations, without them incurring huge premiums.

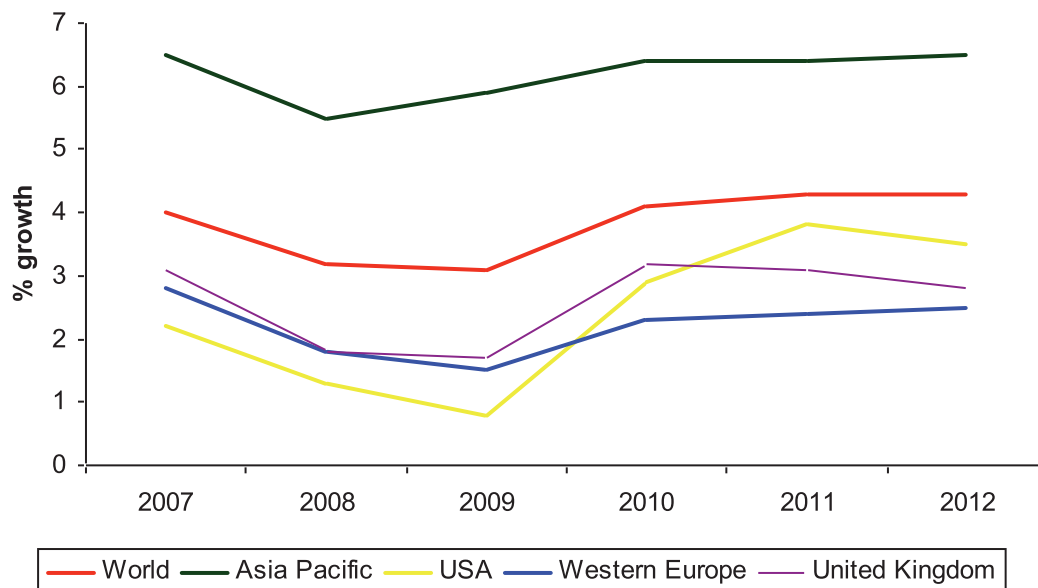
For retirees who want to make a difference to their second homes, companies can look into providing avenues for them to contribute to society, such as initiating social responsibility programmes, or participating as volunteers in environmentally-friendly taskforces. This makes their retirement more meaningful and participatory.

## Asian destinations benefit from US sub-prime woes

The ongoing US sub-prime crisis has hurt many investment banks and financial institutions badly, notably Citigroup and UBS, forcing these companies and others to look towards Asia for growth. Asia accounted for an estimated 80% of global growth in key financial institutions in the first quarter of 2008, and offers an alternative source of revenue as liquidity and investor confidence dries up.

As a result, key financial executives are undertaking more frequent business trips to major Asian destinations, especially business hubs such as Hong Kong, Singapore, Tokyo, Shanghai and Mumbai. During these trips, business travellers attempt to build upon and court investment from the cash-rich region, which has taken on a more critical role in the face of financial turmoil across the globe. Subsequently, according to Euromonitor International, business tourism to Asian destinations is expected to grow strongly, posting a forecast compound annual growth rate of 9% over 2007-2012.

**Real GDP Growth by Selected Country/Region 2007-2012**



Source: Euromonitor International

### Cash-rich Asia offers growth potential

Asia has been flagged by many companies such as Goldman Sachs as a strategic priority. Even in the current environment, developing economies in Asia-Pacific registered a respectable 6.5% GDP growth in 2007 and are expected to post a slightly lower 5.5% GDP growth in 2008, according to Euromonitor International. This growth is driven by strong performance in the manufacturing, tourism and services industries.

However, despite the existing presence of regional headquarters and local offices in major Asian cities, key executives from the finance and banking industry in Western Europe and North America have been increasingly shuttling back and forth in an effort to gain market share in the region. A recent survey of hotel rates by Hogg Robinsons Group found significant shifts in travel patterns within the banking and finance sectors towards cities such as Mumbai, Bangalore and Tokyo. Hotel rates in

Singapore and Mumbai spiked at a staggering 36% and 26% respectively in the first half of 2008 alone.

Although hotels for business-travellers only are not in development, hotels in Asia are upping their luxury quotient to cater to the influx of business travellers. St. Regis is at the forefront of this trend with its newly opened luxury hotel in Singapore offering airport transfers in a customised fleet of Bentley limousines, as well as multi-lingual, Blackberry-totting butlers available 24 hours a day. Business centres, fitness centres and all-day luxury spas, free wireless internet, even the rental of mobile phone/Blackberries and laptops are all business-oriented features that are increasingly being adopted by hotel chains such as InterContinental Hotels Group and Pan-Pacific Hotels.

#### Hotel Performance in Key Asian Cities 2008

City	Occupancy %		Average Room Rate US\$		Rooms Yield US\$	
	CY YTD	Change YTD %	CY YTD	Change YTD %	CY YTD	Change YTD %
Bangalore	73.7	-1.9%	297	2.7%	219	0.7%
Bangkok	71.7	2.2%	113	12.3%	81	14.8%
Hong Kong	80.4	-1.5%	201	11.8%	162	10.1%
Kuala Lumpur	70.1	-1.3%	108	20.6%	76	19.0%
Mumbai (Bombay)	69.8	-9.2%	313	26.0%	218	14.5%
Shanghai	58.4	-7.9%	146	7.7%	86	-0.8%
Singapore	79.3	-5.2%	214	36.2%	170	29.2%
Tokyo	75.3	-5.9%	216	20.2%	163	13.1%

Source: STR Global

Note: CY - current year, YTD - year to date on previous year for the period 1/2008 to 7/2008

#### Meetings and incentive travel opportunities abound

As executives and management from Western Europe and North America travel to Asia in greater numbers, opportunities to cater to this group of top-end business travellers and meetings and incentive travel activities will increase. International hotel chains have taken notice with expansion plans moving forward in the region. 2008 saw Four Seasons open its first property in Mumbai, offering 202 rooms and suites with over 500m<sup>2</sup> of indoor meeting and function space. Marriott and Accor also expanded their operations in Hong Kong with Marriott's first Courtyard hotel and Novotel Nathan Road.

Meetings and incentive travel activity in Asia has also picked up in the wake of major international conventions such as the 2006 IMF and World Bank conference hosted in Singapore and the 2008 Olympics in Beijing. These events resulted in increased investment in facilities and infrastructure. Singapore is expected to complete the Marina Integrated Resort, including a convention centre capable of accommodating over 52,000 people, in late 2009. Hyatt is especially well-positioned to profit from Asia's meetings and incentive travel boom, having convention facilities in over 40 properties around Asia, as well as multiple city hotels strategically located near major convention and exhibition hubs.

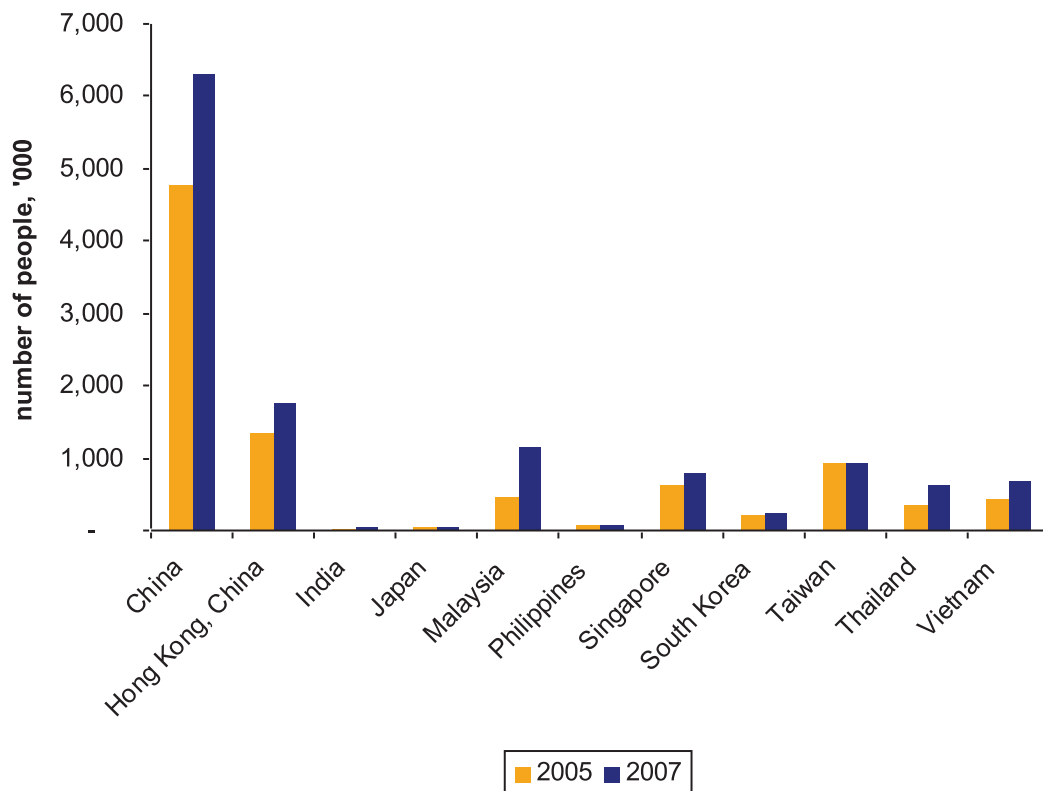
In particular, meetings and incentive travel operators are beginning to tie up events with entertainment venues such as casino resorts and theme parks to benefit from high-spending convention tourists. Singapore's Marina Integrated Resort and The Venetian Macao are the trendsetters, both offering over a million square feet of

meetings and incentive travel space in a resort setting combined with a casino, theatres, showrooms, shopping and restaurants. The Venetian Macao also offers a regular production show by the world-renowned Cirque du Soleil.

Future activity includes Singapore's Resort World, due to open in 2010, which will boast seven indoor and 10 outdoor venues for meetings and incentive travel events capable of hosting 12,000 people. Resort World will also host a new Universal Studios theme park, the world's largest oceanarium and marine-life park, which will also have a luxury spa. Joy Valley Theme Park in Shanghai, also due to open in 2010, will offer an amusement park, hotel rooms, 5,000 capacity theatre and convention centre.

It is important for meetings and incentive travel operators to look beyond their traditional approach. Operators should consider how to differentiate their standard offer to push the boundaries of leisure add-ons, which clearly necessitates a deeper understanding of consumer leisure trends. The Signature at MGM Grand in Las Vegas was recently chosen as business travellers' resort of choice in the Best in Stay for Business Hotels in Vegas awards. This illustrates the potential that lies in integrating luxury, entertainment and convention facilities under one roof in Asia.

### Meetings and Incentive Travel Arrivals to Asia 2005/2007



Source: Euromonitor International

### Exclusively business-class all the way

The increase in business tourism goes hand-in-hand with a rise in business-class air travel to Asia. Business-class only flights have been much talked about as an alternative to the traditional two- or three-tiered seating configuration on most international flights, where business-class only flights have just taken off. Singapore

Airlines has converted its direct flights between Singapore and New York (Newark) to a business-class only configuration in the face of overwhelming demand – forcing travellers to make bookings up to six months in advance. It will similarly convert its direct flights between Singapore and Los Angeles by September 2008.

Other major established airlines, such as British Airways, are also considering introducing long-haul business-class only flights to tap into this burgeoning market for corporate travellers between Asia and US/European cities. If such flights prove popular enough, airports that service business class only could be set up in key Asian cities, reducing the time required for business travellers to clear immigration and customs. Singapore has recently introduced JetQuay, the first of such terminals in Asia to target the Commercially Important Person (CIP), and response has been strong with overwhelming demand reported during the F1 Formula race in Singapore in September.

The aviation industry in Asia, particularly in China and Hong Kong, is still highly regulated and limits the number of flights that can be operated from Shanghai and Beijing. In the face of soaring jet fuel prices, the chances of a business class only carrier being set up in Asia and operating successfully remains slim. Instead, a major carrier already operating direct flights between China and the US or UK, such as American Airlines and British Airways, is more likely to launch a successful business class only model. London-Hong Kong, London-Shanghai, and London-Singapore-Sydney are some of the possible routes that British Airways might introduce business-class only flights to. Much hinges on the success of British Airways business class only transatlantic flights due to start in 2009.

### **Asia promises a bright future**

By 2012, Asia is expected to welcome 80 million business visitors. The shift in business tourism to Asia is expected to further increase demand for business-class seats on flights between Asia and US/European business hubs. Singapore Airlines business-class only flights between Singapore and major US cities are a sign of things to come. Overwhelming demand for its business class only seats caused airlines such as Virgin Atlantic, which recently scrapped their plans for business-class only transatlantic flight, to possibly reconsider their strategy. In the past, some financial institutions only allowed business class level flights for trips over 2.5 hours but have recently extended this to 4 hours. However, with flights between Asia and North America and Western Europe often stretching over 12 hours, this is not expected to have a significant impact on business class travel to the region.

Corporate travellers are also not expected to turn towards budget carriers in an effort to cut costs as such flights are notoriously cramped, making them unsuitable for long-haul trips for executives. High-end hotels such as St. Regis and Westin are well positioned to take advantage of the continued influx of business travellers, offering a unique luxury office and lodging away from home. Facilities such as round-the-clock business centres, gyms and luxury spas, as well as personalised services provided by well-trained butlers are increasingly being adopted by hotels focusing on the corporate travel market.

Meetings and incentive travel operators with integrated entertainment facilities such as casinos, theme parks, amusement parks and luxury spas will be best placed to tap into higher spending convention delegates, heightening the attractiveness of bringing the family on the long haul trip. It is important that meetings and incentive travel operators work with leisure as well as corporate travel retailers to customise packages to ensure that the business/family holiday trend is maximised, especially in the light of additional revenues through value-added services such as theme park admissions, tours and adventure activities. This presents both a challenge and opportunity for operators in how to cater to this potentially high spending segment,

mixing family and business, to ensure that the right levels of service are provided from childcare to internet access.

