

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the French Market in 2001

March 2001

Stable economy

The French economy is continuing to prosper and will experience GDP growth rates of 2.6% in 2001 predicts the *Economist*. The unemployment rate is still high at 9.2%. However, it has declined by 1.4% over the last year and the country has a low inflation rate of 1.6%. **These favourable economic indicators spell good news for the travel and tourism industry.**

Outbound travel on the increase

France has not been a very dynamic outbound travel market in the past. Due to its varied landscape and climate, **most French prefer to holiday in France**. However, this trend is slowly but surely changing. Due to shorter and staggered school holidays and the fact that most companies close in the summer, **more French are travelling abroad**.

Long haul travel becoming popular

Long haul travel is becoming relatively important among the French due in part to close trading and personal links with countries such as Tahiti, New Caledonia, Martinique and Guadeloupe as well as the **liberalisation of France's air transport and low cost flights to exotic destinations**. Between the period 1989-1999 arrivals to the Americas and East Asia and the Pacific have increased by 83.2% and 68.8% respectively.

Propensity to travel

About three-fifths (58%) of the population aged 15 years and over take at least one trip away from home every year. However, 18 million French adults do not travel at all, neither for business nor leisure.

What the French look for

The French do not go on holiday just for the sun, sand and sea experience. Rather, they **prefer combining rest and relaxation with culture, history, and discovering new experiences**.

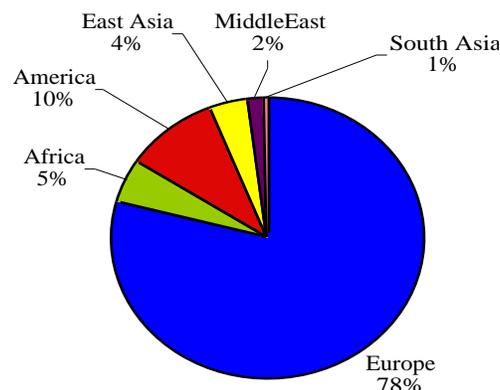
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Expenditure abroad

There has been a fairly consistent growth trend in spending on travel abroad. **Expenditure increased by 94% between the period 1989-1999** from US\$8,964 million to US\$17,332 million, according to the *World Tourism Organisation*.

Favourite regions for French travel abroad



Source: World Tourism Organisation, 2001

France: Winners and Losers

| | Country | %change 1999/1998 | No. of Months | Total 1999 |
|-------------------------------------------------|----------------------------------|----------------------|---------------|-------------------|
| Italy leads | Italy | 349.3 | 12 | 10,121,344 |
| | Hungary | 134.3 | 12 | 204,552 |
| | Egypt | 78.6 | 12 | 313,048 |
| | Algeria | 29.2 | 12 | 49,559 |
| | Dominican Republic | 36.4 | 12 | 130,587 |
| | Cambodia | 27.2 | 12 | 23,694 |
| Cuba, Bermuda, China are performing well | Cuba | 21.7 | 12 | 123,607 |
| | Bermuda | 14.4 | 12 | 792 |
| | China | 12.7 | 12 | 155,640 |
| | Guadeloupe | 12.2 | 12 | 124,330 |
| | Spain | 5.7 | 12 | 5,722,570 |
| | USA | 4.5 | 12 | 1,059,014 |
| | Belgium | 3.9 | 12 | 868,086 |
| | Brazil | -3.4 | 12 | 117,122 |
| | Germany | 2.3 | 12 | 854,405 |
| | Martinique | 1.8 | 12 | 447,730 |
| | Switzerland | -1.0 | 12 | 445,648 |
| | Thailand | 1.7 | 12 | 227,219 |
| | Venezuela | -7.9 | 12 | 25,617 |
| | Jamaica | -11.0 | 12 | 3,796 |
| | Turkey loses market share | Austria | -11.1 | 12 |
| Malaysia | | -18.4 | 12 | 21,208 |
| Turkey | | -33.9 | 12 | 270,280 |

Source: World Tourism Organisation 2001

Technology Update

Travel top Internet buying in the UK

The British are spending more on holidays and travel than any other commodity bought via the Internet, according to the *NOP Research Group*. Around 400,000 people in the UK bought trips online in December 2000 with spend per head averaging US\$630 (£420). This compared with 335,000 online grocery shoppers who spent an average of US\$170 (£113). ***NOP* expects those online shopping activities to double or treble within the next year.**

Priceline extends last-minute bookings for all travel services

Priceline.com is extending its last minute booking feature to all of its travel services including last minute car rentals. **As late as 6 pm priceline customers can book air fares for the next day, hotel rooms for that evening and with the latest option, rental cars for pick-up within four hours of booking.**

Hotel & Resort Trends

Marriott joins perfume and jewellery retailer in new 'high flying' venture

Bulgari, the renowned high-end Italian retailer, is looking to the same high-flyers who buy its jewellery, perfume and watches to stay at its new joint venture hotels being developed with **Marriott International**. **Marriott and Bulgari are aiming to entice the 'crème de la crème' – those for whom top brandnames are an essential part of daily living.** The belief is that existing deluxe hotel chains such as Ritz-Carlton, Four Seasons and Mandarin Oriental do not adequately meet this market demand. **The US\$140 million joint venture plans to operate in about 12, 150-200 room hotels worldwide in areas such as New York, London, Paris and Rome.**

Sandy Lane to reopen

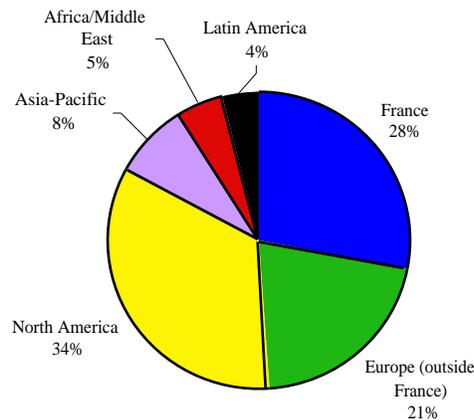
Sandy Lane resort will reopen in Barbados after a US\$280 million plus renovation and expansion. The five-star property was demolished in April 1998 for this project. Among other enhancements, the number of rooms was reduced from 120 to 112, making the suites about 30% larger than before.

Secrets of Success: Accor

Accor Profile

Accor is the number one hotel management company worldwide with 3,500 Hotels (390,000 rooms) in 90 countries. Its hotels range from budget to luxury class, in the business and leisure sectors, together with travel agency activities, restaurants and casinos. The company has experienced steady growth in operating margins, **double-digit earnings for seven consecutive years** and the earnings per share (EPS) has doubled over four years.

Accor has hotels worldwide



Positioning and branding

Accor caters to all categories of consumers including those who are very aware of the relationship between value for money, quality and service. Accor is well equipped to deal with the demand. The Group is the only company present across the whole range from five star to economy and budget, in both business and leisure. Over 2,000 of the Group's 3,000 hotels are in the economy and budget sector. With Ibis, Formule 1 and Etap hotels in Europe and rest of world (except USA) and Motel 6 and Red Roof Inns in the US, Accor has made itself a leader in the budget hotel sector. The Group is also well placed in the upper and medium class hotel range with Sofitel, Novotel and Mercure Brands on all five continents.

Technology – a key focus

Since 1997, **new technologies have been at the heart of Accor's strategy.** In the first stage of the "Accor 2000" project a Global Telecommunications Network, a New Central Reservation System and an Area Yield Management System were set up in Accor's 3,500 hotels to energise Accor sales and image. The company is also keenly focusing on the Internet. The Internet is being used by Accor for commercialization, competitive advantage and value creation. The full range of the Group's products are available online. Each day the Accor website receives more than 50,000 web surfers. The total number of Internet reservations received to date is up to 40 hotels fully booked. Accor is also aiming to have 365,000 fully interactive rooms.

The people aspect

Accor believes that human resource skills are the key to the Group's success. The Group has numerous training, promotion and mobility programs for 129,000 employees. "Succeeding together" is the motto behind the human and social aspect of the company.

Synergies from related activities

The Group has embarked on a strategy to diversify its position in the travel and tourism industry. **It has formed alliances, partnerships and management contracts within other sectors of the industry. Accor has penetrated the travel agency sector, casino, restaurant, and on-board train service sector.** Accor has also embarked on an active environmental policy and is supported by a network of correspondents in each continent who are involved in expertise and training at different levels from purchasing to using renewable sources of energy. This strengthens the Group's global offer to service its customers.

Source: Accor Company Data, 2001.

Editorial

Accor has pursued a rather aggressive expansion strategy in the last decade that sees the company as the third largest hotel company globally. Unlike other global chains, Accor has specifically targeted the value-conscious traveller, with nearly two-thirds of its properties in the budget segment. Accor is perhaps the only hotel chain in the world that consciously targets all price segments of the hotel market.

Continued aggressive expansion, particularly in the Asia/Pacific region and strong emphasis on people and technology adoption as well as synergic expansion into related activities, have set the foundation for a bright future for Accor.

Trends to Watch

Travel Agents make bulk of money from insurance deals

Most travel agents make the bulk of their money from insurance deals, yet they can be undercut by 50% or more by Internet sites, telephone insurers, specialist brokers or even High street retail chains.

Overweight passengers to pay for 2 seats

Large airline passengers who fill two seats can be charged for more than one ticket, a US judge ruled. Cynthia Luther, weighing more than 300 pounds, sued Southwest Airlines for harassment and discrimination after she was told to buy a second ticket before she boarded a flight "so as not to inconvenience other passengers seated next to her". Superior Court Judge Marilyn Hoffman said **the airline's policy was not discriminatory.**

Three way Japanese travel agency merger

Japan's second- and third-largest travel agencies have agreed to merge in January 2003. The timetable sees Nippon Travel Agency, Japan's number three, and TiS, the in-house travel agency of West Japan Railways, come together in autumn 2002 before Kinki Nippon joins them by 2003. **The new firm's total turnover should reach 1.3 trillion yen, almost equal that of Japan's, and the world's, biggest travel agency, JTB.** A drop in demand for business travel and the economic woes of the region have seen Japanese travel agents struggle recently. Discounters and dotcoms have exacerbated the difficulties. Kinki currently has 270 branches, while Nippon has 261 outlets.

Eco-monitor

Philippines spend to save Earth

The Philippines Tourism Authority (PTA) is spending US\$4.38 million on the promotion of nature and the environment in its bid to position itself as an environmentally friendly travel destination. The priority areas for environmental improvements are Boracay, Aklan, and Balicasag islands. Boracay is getting a new fresh water supply system, sewage and waste disposal. Balicasag is being promoted as a diving destination. The PTA also supports the protection of the world's smallest primate.

Environmental Tourist Attraction

The Eden Project in Cornwall, UK is a one of its kind environmental attraction, which is set to open. **It resembles a collection of radar domes and it is claimed to be the gateway into the world of plants and people.** The aim of the Eden project is to show how sustainable development depends on plants.