

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the Indian Market in 2001

July 2001

A growing economy

India has made tremendous progress in the last decade with the economy opening up to foreign investment. **India has been among the world's leaders in GDP, averaging 5.4% since 1990.** In 1999, the GDP was US\$1.805 trillion and the real growth rate was 5.5%.

Travel demand increases

International travel is becoming important to Indians. Consider that:

- The dynamism of the Indian economy has meant an increase in personal incomes, which makes international travel now available to a large number of Indians.
- There has been a relaxation in foreign exchange restriction from US\$500 per person to US\$5,000.
- Indians now have greater access to information and exposure to international trends and views.
- The Indian film industry has had a remarkable impact on the demand for international travel among the Indian public.
- India's air transportation system, which has been tightly controlled by government, has now begun to open up.

Market size

There were **3.9 million Indians travelling abroad in 1999, the largest number ever.** This was a 1.9% percent increase over the previous year. The average rate of growth per year since 1990 has been 6.1%.

Expenditure abroad

Details of Indian overseas expenditure are limited and there is a huge variation among countries. For example, in Singapore, Indians spent US\$162 per day in 1998 but spent only US\$27 per day in Malaysia. **Expenditure levels are influenced by the visitor mix and reasons for travelling to a given destination.**

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Favourite destinations

Singapore is the prime destination for travel from India with over 288,383 arrivals in 2000. This is followed by USA (228,072), UK (183,000), Thailand (163,980), Dubai (158,329), Nepal (140,661) and Hong Kong (107,370).

Purpose of travel

Business travel was the main reason for travel and accounted for 29% of all departures according to the *1996/97 International Passenger Survey*. Other important reasons for travel were **visiting friends and relatives (20%), holiday/leisure travel (17%) and employment (13%).**

Characteristics of Indian travellers

A number of characteristics influence the travel patterns of Indians. Consider that:

- Leisure travellers come mainly from the family market.
- Cruising is currently a vibrant sector of outbound travel.
- Indians are conservative in their tastes and prefer foods with which they are familiar.
- First-time Indian travellers usually take a trip that consists of several countries.

Source: *Travel and Tourism Intelligence, 2001.*

India: Winners and Losers

	Country	% change 1998/99	No. of months	Total 1999
Jordan leads	Jordan	28.4	12	24,104
	Malaysia	27.5	12	46,537
	Israel	26.7	12	14,823
	Belgium	24.5	12	13,979
	Morocco	23.5	12	2,637
	China	22.0	12	84,203
	Dubai	19.8	12	158,329
	New Zealand	19.5	12	6,602
Singapore, Switzerland and Austria are performing well	Singapore	15.5	12	288,383
	Switzerland	14.6	12	64,543
	Australia	12.5	12	33,630
	Thailand	10.0	12	163,980
	Hong Kong	9.3	12	107,370
	United States	7.5	12	228,072
	Mauritius	7.0	12	13,583
	Kuwait	5.1	12	226,629
	United Kingdom	4.4	12	183,000
	Maldives	-1.0	12	11,621
Indonesia loses significant market share	Taiwan	-1.4	12	11,556
	Nepal	-2.1	12	140,661
	Pakistan	-6.1	12	63,225
	Bulgaria	-17.1	12	1,755
	Indonesia	-69.8	12	24,064

Source: World Tourism Organisation 2001

Market & Consumer Trends

Weekend travel up for Americans

Half of all U.S. adults take at least one weekend trip per year, according to the latest *Travel Poll* by the *Travel Industry Association of America (TIA)*. **Almost 30 % of Americans have taken five or more weekend trips in the past year and 35 % say they have taken their children with them during weekend travel.** The rise in weekend travel is directly tied to the busy, fast-paced society of the USA. Shorter trips allow travellers a chance to enjoy new adventures with a minimal outlay of time, vacation days and finances.

Travellers enjoy shopping

Shopping is an integral and, arguably, the most important element of the travel experience for many travellers who travel and shop. **More than half (51%) of all shopping travellers say that shopping was the primary or secondary purpose of one or more of their trips taken last year**, according to *Travel Industry Association of America (TIA)*. It is estimated that travellers in the US spent approximately US\$37.3 billion, in total, on retail purchases while travelling in 1999.

Hotel & Resort Trends

US hotel profits decline

The average US hotel will incur a 5.6% decline in operating profit this year. While operating-profit margins remain high, the anticipated drop this year is compared with the 10% increase in 2000. Travellers are taking a bite out of hotels' profit margins by choosing less-expensive accommodations, ordering less food and using cellphones.

Major hotels impose energy surcharge

Major hotel chains are charging guests a surcharge to cover increased energy costs, mainly, from unusually high natural-gas prices. Marriott, for example, is charging \$3 per room, per night to cover energy bills. Hotel executives say the temporary charge was necessary to cover their high natural-gas bills from the long winter, but some argue that hotels are trying to pass on what is essentially a room-rate increase.

Focus: The Cruise Industry

A lucrative industry

The cruise industry has emerged as the fastest growing sector of the travel and tourism industry. **A total of 500,000 passengers took a cruise for more than two days in 1970; in 1980, this figure had nearly tripled to 1.4 million and by 1998, an estimated 8.2 million passengers took a cruise vacation.** Since 1980 the cruise industry grew at an average annual rate of 7.6%.

Superior profitability

Not only are cruise lines profitable, but they tend to be more profitable than standard hotels and all-inclusives. **Cruise lines realise an operating profit per berth of US\$31,038 per year, while all-inclusive hotels have an operating profit per room of US\$29,372 per year and US\$17,100 of the standard hotel,** according to *Tourism Intelligence International*.

Market segmentation

Cruise lines have successfully diversified their product to appeal to every possible target group. There is literally a cruise vacation for everyone. Over the past 10 years, the industry has responded to extensive consumer and market research which has influenced the addition of new destinations, new ship design concepts, new on-board/on-shore activities, new themes and new cruise lengths to reflect the changing vacation patterns of today's consumers. Cruise lines are also known to cater to special lifestyle markets such as lesbian and gay cruises, non-smoking cruises and wedding and vow-renewal cruises.

Changed customer demographics

The demographics of the cruising population have been changing dramatically. **Today, nearly half (47%) of all cruisers are from the 25-39 years old age group. Prior to 1989, cruisers were more likely to be 60 years or older and were likely to earn an annual income of US\$60,100 or more.** Today, there are as many passengers with incomes with over US\$60,000 as there are passengers with income of under US\$40,000. Cruising is no longer the domain of the 'wealthy elderly'. In addition, since 1989, over a quarter of new cruisers travel with their children.

Continued growth

The world cruise fleet is set to grow its annual passenger capacity by 41% over the next six years to an estimated 15.3 million passengers by the end of 2006. This is an increase from 10.8 million at the start of 2001. The year 2006 is the last year for which any new buildings have been ordered.

Source markets

In North America, the annual capacity is set to grow by 43.7% for the period 2001-2006 from approximately 7.5 million berths to 10.8 million berths at the end of 2006. Locally-based operators in Europe plan to grow their annual passenger capacity by 101.9% from 1.7 million passengers to 3.5 million passengers. Meanwhile, in Asia, operators will decrease from approximately 1.6 million passengers to 1.0 million passengers based on announced ships deployments.

Britain - fastest growing cruise market

Britain has the second largest and fastest growing cruise market after the USA. Cruise holidays have quadrupled in popularity over the past decade and more British people now take cruises than any other nationality in the world apart from the Americans. **In 1999, British residents booked four times the number of cruises taken than at the start of the decade.** The most popular cruise destinations for the British in 1999 were the Mediterranean (279,100), Caribbean (143,400), short cruises from Cyprus to Israel and Egypt (91,400), Scandinavian/Baltic (55,200), Atlantic islands (67,100), Alaska (15,100) and the Far East (13,700).

Source: Cruise Industry News, 2001 and Tourism Intelligence International, 2001.

Editorial

Accounting for more than half of cruise passengers internationally, Americans continue to choose to cruise. The extremely price competitive cruise options, their short duration, seamless character (no packing and unpacking when you arrive at new destinations) and a wide range of special interest cruises, including gay and lesbian sailings, will ensure that the US industry continues to grow. The German and Japanese markets are still small in comparison, but the growth potential looks good.

Trends to Watch

Lap dancing phenomenal growth

Lap dancing is the fastest growing sector of the leisure industry. Clubs in the UK have experienced unbelievable success since lap dancing's arrival from the US. The industry is estimated to be worth US\$5 billion (£300 million) a year.

Deals on travel websites not always best bargains

Travel websites are still surging in popularity while **experts now say neither the Web nor travel agents can be trusted to deliver the best deals.** The Web was supposed to change the rules of travel, allowing consumers to directly access rock-bottom prices. In the marketing-driven business of plane tickets, it's not always easier to find a cheap fare on the Web than on the phone.

Aviation Update

Airlines push internet reservations

Airlines are pushing their customers to buy online and are willing to reward those who do so. Passengers are being lured with discounts and bonus miles. US travellers will spend US\$14 billion buying airline tickets online this year. Travellers are embracing the internet because airline websites are proving an effective way to compare fares and schedules.

Passengers take legal action against airlines

Legal action has been launched against three major airlines over blood clots suffered by passengers during long haul flights in Australia. Cases regarding the condition known as DVT are being undertaken against KLM, Qantas Airways, British Airways and Australia's Civil Aviation Safety Authority. Damages can run into millions if they are awarded.

Destination Watch

Hawaii builds environmental centre

Hawaii has commissioned a US\$10.6 million project at Hanauma Bay, a popular snorkel spot to build an environmental centre. At the environmental centre roughly 4,000 visitors who come to the bay each day will have to view a mandatory video on the protection of reefs and its importance to Hawaii.

New tourism efforts in Hong Kong

Hong Kong unveiled a two-year US\$30.7 million tourism campaign designed to add depth to the visitor experience through community-based involvement. 'City of Life: Hong Kong Is It' will provide more than 200 events, festivals and attractions in each of Hong Kong's 18 districts. This move is in an effort to make the people of Hong Kong active in the tourism industry as well as provide a more "homely" feeling to visitors. Hong Kong ranks second among the top 15 destinations in the *World Tourism Organisation* rankings, receiving over 13 million visitors in 2000, an increase of 15% over 1999.

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