

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Bermuda Tourism Prospects for 2000

January 2000

Economic performance

Tourism a key industry for Bermuda. Bermuda received US\$477.5 million from visitor expenditures in 1997, which **contributed a quarter of Bermuda's National Income (GDP)**. Bermuda's tourism industry contributes almost half (46%) of its foreign exchange. In addition, more than 65% of total employment on the island is linked to the tourism industry.

Recent performance

Bermuda received just over half a million visitors (557,000) **with a third (188,331) of these visitors being cruise passengers in 1998**. There were **3.5% more cruise ship passengers in 1998 than in 1997 and from January to July 1999 Bermuda captured 8.1% more cruise passengers than in the same period in 1998**. Total arrivals fell by 2.9% between 1998 and 1997.

Main markets

About **80% of the visitors to Bermuda are US citizens**. Canada is the next biggest market, accounting for 9.1% or 33,628 of total visitor arrivals. Europe is the third largest market representing 8% of visitor arrivals in 1998.

Critical issues

A **critical issue for Bermuda is the decline in arrivals from the US market**. Only 290,500 US tourists visited Bermuda in 1998, down from a peak of 425,000 in 1980. **Bermuda also has one of the highest room rates in the Caribbean**. Bermuda's average occupancy rate was 58.4% in 1997, according to the *Caribbean Tourism Organisation*, below the average for all Caribbean destinations, which stood at 67%.

Key strategies

A key strategy is to **emphasize Bermuda's arts, culture and heritage to position Bermuda as a more holistic island experience rather than just sun, sand and sea**. Bermuda has also implemented a Tourism Competitiveness Programme, provided favourable tourism investment incentives and maintained low rates of taxation. **Another key strategy is the limiting of the number of cruise lines and passengers that can visit the country - maximum of six ships per week**.

Future prospects

With a **new government**, a renewed focus on tourism, an **energised private sector**, strong emphasis on **conserving the environment**, the promotion of **romantic tourism**, emphasis on delivering **value for money** and **improved labour relations**, Bermuda's tourism industry is poised for future growth.

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Source: *Travel & Tourism Intelligence Country Reports, No. 4 1999*.

Cruise News

Carnival gets back into hotels

Carnival Corporation is getting back into the resort business with a \$775 million non-cash takeover of Fairfield Communities, an Orlando-based time-share operator with 28 resorts in North America and six under development. **Carnival claims that they need to take the brands they have developed and leverage them into other areas of the vacation business,** reported *Travel Management Daily*.

Sandals sets sights on cruise ship

Up-market all-inclusive resort operator Sandals is in advanced talks with a shipbuilder about placing an order for a cruise ship. The vessel, which is unlikely to be launched for another year, will carry up to 600 passengers.

Increase expected in cruise sales

A surprisingly strong tradewind of sales in 1999 has left travel agents forecasting a hurricane of cruise sales in 2000, according to a study by *Cruise Lines International Association (CLIA)*. **Forty nine percent of CLIA-affiliated agencies reported higher than expected sales in 1999 and 85% believe that sales increases are imminent in the new millennium.** The study found that referrals (92%) followed by direct mail (68%) are the main business getters for the industry while individual bookings were more prevalent than group sales.

RCL to pay for pollution

Royal Caribbean Cruise Lines will settle a lawsuit from Alaska with a \$3.5 million payment, for dumping waste in its waters during 1994 and 1995. As part of the settlement, RCL has pledged to either join or establish an organisation that responds to chemical spills and appoint an official responsible for environmental compliance during Alaska-bound trips. **It was also agreed upon that the discharge of water from toilets, sinks, showers, laundry facilities or galleys will not be done within three nautical miles of Alaska's coast.** The cruise line has spent up to \$30 million the last two years on state and federal penalties.

Technology Update

Internet travellers display infidelity

Disloyal bookers represent the largest category of online travel planners according to a *Forrester Research* e-commerce brand loyalty study. **This category represents 69% of those surveyed** while "curious bookers" and "loyal bookers" comprise 24% and 7% respectively. **The study also indicates that disloyal bookers are the least frugal, spending at an average of \$1,040 of their \$2,337 travel budget online.** Curious bookers are labelled as being less experienced than disloyal ones, and tend to browse around before returning to a specific site. These travellers spend 45% of their budget online and average three trips annually. Loyal bookers are defined as those who deal with a specific agency without engaging in any browsing. However, they are not as lavish as their counterparts, spending only \$800.

Access to hotel rooms via cell phone

Travellers with Wireless Application Protocol (WAP) enabled mobile phones will now have access to the hotelguide.com global hotel directory at <http://wap.hotelguide.com>. WAP, an open, global specification, provides mobile phone users untroubled admission to information and service. **This new service provides users with the opportunity to locate any hotel worldwide,** and contact its reservation desk through the use of basic commands. With 60,000 hotel listings in more than 200 countries, hotelguide.com is working towards showcasing their directory on portal services operated by cell phone companies around the world.

Focus: Worldwide Hospitality Industry

Asia suffers loss

The worldwide hotel industry **sustained in 1998 an overall marketing and financial performance consistent with prior years**. This success was experienced by all regions except Asia, which suffered a profound negative impact of more than 50% in its Gross Operating Profit (GOP).

Asia economic crisis affects world occupancy levels

In 1998, the worldwide hotel industry **maintained occupancy level comparable to the last three years, despite decreasing slightly to 66.7%**, compared to 67.7% in the prior two years. This overall decrease is due mainly to the economic crisis that affected the Asia Region in 1998.

Daily rates increase

In 1998, **the achieved average daily rate increased moderately to US\$90.89**, versus US\$88.83 in 1997. The major increases were observed in Europe and North America, while the major decreases occurred in the Asian Region.

“Best of Class” shows class

The “Best of Class” hotels, based on the top 25% financial performers, **achieved a Gross Operating Profit (GOP) of 39.1% on a worldwide basis**. This is approximately 10% higher than the rest of the industry. A comparable pattern is observed on a regional basis.

Chain-affiliated hotels are more profitable

Chain-affiliated hotels continue to report a higher performances compared to independent hotels. The chains achieved an average occupancy rate of 67.8%, and an **average daily rate of US\$93.30**, while those managed independently obtained an average occupancy of 63.6% and an average daily rate of US\$84.28. **They also achieved a GOP of 33.9%**, which is 4.5% higher than the participating independent hotels.

Leisure and business travellers dominate

The two major contributors to the hotel industry are the tourist leisure and the business travellers who each represent one-third of the market segmentation that fill the hotel rooms around the world. The tour groups and the meeting participants, who represent one-sixth and one-tenth respectively of the occupancy worldwide, follow them.

Outsourcing increasing

The outsourcing operations continue to increase on a worldwide basis, principally in food and beverage facilities, with one-tenth of the operations being managed by outside concessionaires. Asia is the region where this type of operations has been spreading rapidly, with one out of four facilities being outsourced, followed by Australia and New Zealand with one out of five operations being outsourced in that region.

Direct inquiry preferred

Direct inquiry generates one-third of the hotel room occupancy and is the most important source of occupancy on a worldwide basis. The travel agent with one-fifth and the tour and the tour operator with one sixth follow this type of information source.

Hotel industry Y2K ready

Four out of five respondents have attained the hotel industry’s Y2K compliance. This pattern, with slight variations, was observed in each region surveyed.

High occupancy expected

Seventy percent of worldwide respondents are expecting to reach 67% occupancy in the year 2000. The higher expectations came from Australia and New Zealand with 74% (the Olympic Games), while Europe is expecting the lowest occupancy with 64%.

Source: Horwath Worldwide Hotel Industry Study 1999.

Editorial

The move by leading cruise line, **Carnival**, into the resort business and by leading all-inclusive resort operator, **Sandals**, into the cruise business should come as no surprise. For the last ten years, all-inclusive operators, cruise lines and resorts have been very profitable and expanding rapidly. Cruises and all-inclusives are two profitable leisure market segments that will continue to grow. Tourism destinations are seeking to benefit from the growth of the cruise tourism industry by ensuring that their environments are not polluted. Alaska ensures that **Royal Caribbean** pays for environmental damage and Bermuda limits cruise tourism and therefore has the highest passenger head tax in the Caribbean – US\$60.00.

Next Issue: Prospects for the German and Canadian markets.

Trends to Watch

Flying beauty salon

Virgin Airlines is offering an onboard beauty salon to its upper class patrons. **The flying salon**, featuring a beauty therapist, face, scalp and full back massages, manicures and a bar, **will be completely outfitted on all aircraft in approximately 12-18 months.**

If you're gay, no way

Gay foreigners will not be granted visitor visas to the Philippines. This ruling was published on Monday 13th December 1999 and states that **it is illegal to issue a visa to foreigner in a homosexual relationship with a Filipino.**

Club Med chief charged for flight crash

Gilbert Trignano, the founder of the **Club Méditerranée**, and his son **Serge**, are to be prosecuted for manslaughter for their alleged responsibilities in the **1992 crash of a Club Med charter flight in Senegal killing 30 people**, the *Financial Times* reported. **The charges are based on the view that the Trignanos, then running Club Med, were offering a complete holiday package and thus were responsible also for the safety and maintenance of the aircraft.**

Gay & lesbian market potential

With enormous purchasing power, the gay and lesbian market has a great deal of potential for the travel and tourism industry. **Gays and lesbians have over \$800bn in assets and, 65 per cent have completed college. In addition, as they are not necessarily raising families their disposable income is greater** claims **Walter Schubert** of the New York Stock Exchange. Gays and lesbians are also well-connected - 60 per cent own a personal computer and are online for more than 20 hours a month, or double the US national average, the *Financial Times* reported.

Undersea resort for Maui

Plans are in the works to build an undersea resort and hotel off the island of Maui. The hotel will not come on stream for at least three and a half years. **The hotel will have a land base with twenty underwater rooms in a vessel three hundred feet offshore.** The hotel is the brainchild of the **Cala Corporation of Oklahoma City** with assistance from the **University of Hawaii School of Oceanography.**