

# Tourism Industry Intelligence

Strategic Information for Decision-Makers

## Dominican Republic Tourism Prospects for 2001

December 2000

### Continued growth

The Dominican Republic (DR) economy is growing. The Government is working feverishly to **ensure continued growth through devaluation of the peso, income tax cuts, a 50% increase in tax sales and reduced import tariffs**. The economy grew vigorously in 1997-98 with tourism and telecommunications leading the advance. In 1998, **the GDP grew by 7%** and the country had an inflation rate of 6% which is declining.

### Tourism leads

**Tourism is the number one service industry for the DR.** In 1998, tourism contributed **US\$2,141.7 million to the DR economy**, a 20.1% increase over 1997. It also employs 7.9% of the workforce and has been given greater emphasis by the DR government because of its great potential for the economy and the people.

### Increasing arrivals

In 1999, a total of **2,665,184 tourist arrivals were recorded, a 14.2 % increase from 1998**. From the period 1990-1999, **arrivals have increased by 64.5% from 1,305,361 in 1990 to 2,147,742 in 1999**. Cruise arrivals are also on the increase. In 1998, cruise arrivals were up by 45.3% from 283,672 in 1997 to 393,631 in 1998.

### Growing markets

There is a growing trend toward European tourists visiting the island with France and Germany topping the list. The USA also contributed 25% of arrivals in 1998 and 19.1% by the end of August 1999.

### French tourists up

The DR is the second leading Caribbean destination for French tourists. In 1999, the DR received 135,000 French tourists. French tourists spend US\$1,148 per visit and will stay an average of eight nights. Just over one third (34%) of French tourists holiday twice a year and 26% travel at least once. Largely due to this, the DR Ministry of Tourism is attempting to increase the number of individual French tourists. Club Med and Accor lead the French investment in the DR.

### What's Inside:-

- Market & Consumer Trends
- Hotel & Resort Trends
- Focus: The US Seniors Market
- Editorial
- Trends to Watch
- Aviation News

### Largest hotel infrastructure

The **Dominican Republic continues to be the leading Caribbean tourist destination with the largest number of hotel rooms**. In 1998, the **DR room stock stood at 42,412** and is growing. The major hotel companies in the DR include: Occidental Hotels, Riu Hotels and Allegro Resorts. These companies expect to add approximately 1,350 rooms before the end of 2000.

### Future prospects

Tourism continues to be a top priority for the Dominican Republic. The Ministry of Tourism has determined four top priorities to promote tourism into 2001: **to maintain cleanliness, safety and order in all tourist areas within the country; to develop its cruise industry; to attract more commercial airlines and to embark on an aggressive marketing plan to grow into the U.S. market and reach out to new markets.**

Source: Dominican Republic Tourist Office, 2000

## Market & Consumer Trends

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### Business travel cost increasing

Business travel costs have risen in the past five years according to a survey conducted by *American Express*. The average **airfare bought by US business travellers has increased by 40%**. By the end of 2000, **large and mid-sized businesses in the US will spend US\$157.1 billion on travel budget an 8% increase from US\$145.4 billion**. Air travel consumes 45% of an average company's budget, 17% goes to lodging expenses, 10% to car rentals, 10% for meals and 8% for entertainment and telecommunication costs.

### Youth spend over US\$25 billion on entertainment

Young people will splash out US\$28.5 bn (£19bn) enjoying themselves this year, according to a survey by *Mintel*. The **drinks bill alone for the country's 15 to 29 year olds will amount to US\$15 bn (£10bn)**. Clubbing is also a high-spending priority of the under-30s. Drinking was the top leisure activity, followed by visits to the cinema, clubbing and eating out in restaurants.

### More Americans visiting casinos

Americans are enjoying casino gaming today more than ever before. In 1999, **30 percent of US households gambled at a casino, making an average of 5.4 trips to a casino during the year**, according to the *American Gaming Association*. These customers represent a slice of America continuing to resemble the overall U.S. population in terms of gender and age.

### Independent travel agents maintains market share

Independent travel agents are maintaining their market share against the retail travel giants. **Independent travel agents handled 43% of all summer holiday sales through retail outlets this year and 48% of winter sales**, according to the latest holiday booking survey.

## Hotel & Resort Trends

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### European hotels report increases in revpar

**Hotels across Europe reported occupancy of 70%, an increase of 3% over the same period last year**. Average room rates rose by 12% to reach **US\$132 (Euro 115)**. The main reason for this performance has been the relative strength of the dollar to the Euro, making travel for the US market more affordable. **The top five performing cities in terms of rooms yield growth are Hanover (91%), Istanbul (46%), Prague (39%), Amsterdam (28%) and Gatwick (22%)**, according to the *Arthur Andersen Hotel Industry Benchmark Survey*.

### Sydney is a winner

Sydney hotels experienced record occupancy rates during the 2000 Olympic games however results for the hotel industry around Australia were varied. **Sydney's four and five star hotels were clear champions achieving rates of almost US\$135 (AUS\$260) per day and 100 percent occupancy compared with that of Melbourne and Brisbane which achieved room rates of US\$73 (AUS\$140) per day and US\$61 (AUS\$117) per day and occupancy rates of an average of 60 percent**.

### Sun International debuts in Zambia

**Sun International is expected to open two luxury hotels in Zambia in April 2001**. This project is under construction on the banks of the Zambia River overlooking the Victoria Falls. When completed, this project will comprise a four-star 212-room Zambezi Hotel and the five-star, 173-room Royal Livingstone as well as a convention centre, a visitors centre and a small casino.

## Focus: The US Seniors Market

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**A changing market** It is generally understood the traditional senior market is changing as those entering their late 50s, 60s and 70s are in better health and less sedentary than previous generations. Nation wide **the mature adult population not only vacations more, but spends 30% more per person on travel than any other group, according to the *Travel Industry Association of America*.** It is now seen that well educated 55-plussers make up the bulk of the U.S. outbound international travel market. **The mature market has an average of 16 days per year for vacation compared to their younger counterparts who take an average of only 11 days.**

**Destinations of choice** In 1998, 23.1 million US residents and 4.2 million Canadians travelled overseas. Europe was the destination of choice with UK being most popular. Of the 3.8 million visitors from the United States, over 3/4 of a million (855,000) were aged 55 and older. In addition some 750,000 Canadians visited the UK in the same year, 20% of whom were in the 50 plus age group.

**Travel between North America and Canada popular** The most popular international but not overseas destination for both the United States and Canadian travellers are each other's countries. **In 1998 almost 15 million US citizens travelled north whilst 13.4 million Canadians travelled to the USA with 13% of this total comprising seniors.**

**Adventure and nature travel** Mature travellers are fueling a boom in the adventure and nature holidays centred on a theme or hobby. They are also creating a demand for holidays that include a cultural, educational or historic element. During 1998, **53.6 million adults visited a museum or historical site and 33 million attended a cultural event such as live theatre, art or music.** The hard adventure market usually associated with younger travellers has always seen its share of mature visitors with them making up 9% of the hard adventure market and 14% of the soft adventure market in the United States. **Older travellers also spend more; an average of US\$1,300 on adventure trip, compared to US\$660 for those aged between 18-34.**

**The group tours market** Due to the changing attitudes of seniors, the group tour market has been faced with two main challenges. These are: **how do we serve the traditional seniors who may want that more sedentary tour and still attract the new seniors with more active programs and how do we keep up with the sophisticated, well travelled senior of today.** To address these issues, tour operators are finding that the best practice may be to adjust their itineraries to include such things as walking tours, and tours where the focus is on creating an experience that cannot be found through independent travel or reading a guide book.

**The future** U.S. demographics should ensure that the mature travel industry will continue to grow and become much more diversified as the boomers age. During the next decade, the leading edge of the baby boomers will enter retirement. **The 55 - 74 population will almost double from 40 million to 74 million, within the next 30 years.** Not only is the population aging at a rapid rate but Americans are living longer. In 1900, the average life expectancy was only 47. **In less than a century, the life span of North Americans has almost doubled, to an average of 71 years for men and 78 for women.**

*Source: Travel and Tourism Analyst, Travel Industry Association of America and Travel Weekly, 2000.*

## Editorial

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The rapid growth of tourist arrivals to the Dominican Republic holds some important lessons for other destinations. A cost competitive tourism sector has led the onslaught on the Caribbean market, with the DR taking away market share from other destinations in the Caribbean. Between 1994 and 1998, for example, German arrivals to the Caribbean Islands excluding Cuba, Cancun and the DR fell by 70%. By contrast, German arrivals to the Dominican Republic increased every year since 1990, representing a total increase of 587% to 1999. But this growth has not come without costs. The negative side of low price, large scale tourism began to rear its head in the quality of the tourism product in the mid-1990s. It is the strong efforts to increase quality and solve problems caused by mass tourism that continues to keep the DR on the tourism map. The lesson is that both old and new mass tourism destinations must re-invent themselves to remain competitive.

## Trends to Watch

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### Caribbean cruise share declining

There is a significant weakening in the Caribbean's dominance as king of the cruise ship industry. **The overall passenger arrivals are higher than ever, however, the percentage of cruise traffic sailing to the region is actually declining.** The total industry bed days declined from 50.5% in 1995 to 45.9% in 2000. This decline can be attributed to the fact that more passengers are opting for destinations such as Alaska and the Mediterranean.

### Websites turn air miles into money

Some business travellers have so many frequent-flyer miles sitting in their accounts that they have no hope of using them up while other fliers have too few miles to qualify for any travel award. Now, two Internet start-ups, **MilePoint** and **AOL AAdvantage**, are taking aim at both groups. **MilePoint will allow frequent fliers to convert their miles into a form of online currency that can be used for discounts with a variety of retailers.** AOL AAdvantage goes a step further. **It allows members of the American Airlines AAdvantage programme to convert their miles directly into merchandise.**

## Aviation News

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### Virgin Atlantic relaunches upper class

**Virgin Atlantic continues to increase airline luxury with new features** being offered: sleeper seats converting into six feet, eight inches of sleeping space, a private, in-flight beauty treatment area with five new massage and manicure treatments and a new lighting system that simulates eight moods including dusk and dawn. Freedom menus allow guest to order what they want when they want. This upper class service will premiere on the airline's New York, Los Angeles and San Francisco routes and will be on all transatlantic routes within the next 12 months.

### Lufthansa bid for Thai Airways

Europe's 2nd-largest airline, **Lufthansa is to bid for a 10% stake in Thai Airways International PCL.** The German airline's decision comes after the government of Thailand raised Thai Airways' foreign ownership limit to 30% from 10% making the way clear for a sale to a strategic partner.

### No-frills airlines target Europe

Airlines such as **Ryanair and EasyJet are cashing in by flying travellers from Britain and Ireland to the Continent for as little as US\$38 (£25) per round trip.** Air traffic is predicted to grow by 15% annually over the next five years and these airlines are looking to take their business to continental Europe where "duopolies" on most routes mean travellers pay top prices. Britain's no-frills airlines are looking for bases in mainland Europe.