

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for Austrian Market in 2003

December 2002

A growing economy

Located in Central Europe with a population of 8 million, Austria is a well-developed economy with a high standard of living. The **Austrian economy is expected to grow by over 1% in 2002 and more than 2.5% in 2003**. The inflation rate is quite low at 1.6% and the unemployment rate is among the lowest in Europe at 5.4%.

High propensity to travel

In the past decade, leisure trips abroad **have grown by 58.1% from 2.9 million trips abroad to 4.7 million trips abroad in 2000**. This represents 67% of total trips made. European trips account for 86% of those taken abroad, while North America, only attracted 3.1% of total trips taken. **Italy (23%) accounted for the highest proportion of trips** with Greece (11%), Croatia (9%), Spain (8.4%), Turkey (7.6%) and Germany (4%) being the other popular destinations.

Length of stay

The **8 – 14 day stay abroad is most popular among Austrians (43%)** followed by the 5 – 7 day stay abroad (40%). The main purpose of all leisure trips in 2001 is for visiting the coast (48%) while sightseeing or study was the main activity for a further 22%. **Over 60% of trips to both Spain and Turkey were for beach or coastal holidays.**

High levels of expenditure

In 2001, **Australia had the highest average expenditure from Austrians at 2,530 Euros per trip**, the Americas received the second highest average expenditure per trip at 1,891 Euros per trip. Asia and the Middle East captured third position in terms of average expenditure per trip at 1,727 Euros. Europe had the lowest average expenditure per trip with 730 Euros.

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Travel intensity

The **travel intensity of the Austrian population in 2000 was 55.5%, an increase of 6% points over 1999**. Travel is highest amongst those living in the Wien region, civil servants, persons with higher education and university degrees and those in the 30 – 39 age group.

Future prospects

With Austria being land-locked, sharing borders with seven countries, **international road travel has been popular with 43% of all trips abroad being made by car**. Austrians however are showing tendencies towards going farther afield. There was an increase in charter flights to these destinations however this development was interrupted by the events of September 11. Total outbound volume is expected to grow by an average of 6.6% per annum until 2005.

Source: Austrian Outbound, Mintel International Group Ltd., 2002.

Market & Consumer Trends

Britain targets the US mature market

The *British Tourism Authority* (BTA) will revamp its promotional campaign aimed at US travellers over 55 from 2003. Some of the initiatives to target this market include a brochure for the senior market and a mature-travel Website (www.maturebritain.org). In addition, **BTA is investing in database technologies that will enable them to target the best seniors prospects: people over 55 who have been to Britain in the past five years.**

US Winter travel relatively flat

Americans are expected to take more than 139 million pleasure person-trips during the winter 2002 – 2003 season, just over one-half percent from last winter according to *Travel Industry Association of America's* latest seasonal forecast. Over 70% of US travellers intend to travel for pleasure or personal reasons while just under 40% plan to travel for business or conventions this winter. Family members continue to be the most popular travel companions. **Among those planning a winter pleasure trip 52% will take along their spouse and 28% will take children with them.**

Grandparents like their space

More than 70% of today's grandparents do not necessarily want to stay with their children or grandchildren, according to a new study *Grandparent Getaway Survey* released by Candlewood Suites. **Grandparents lead active lives that include spending time with family.** Nearly 60% of grandparents continue to work full- or part-time and are just as likely as their retired counterparts to visit their families a couple times per year. Grandparents want to see the grandchildren grow up and over half of the grandparents connect to celebrate major holidays.

Hotel & Resort Trends

Sandals receives increase in US business

Sandals and Beaches Resorts posted an 11% increase in business from the USA during the first nine months of 2002 over the same period last year, according to Gordon 'Butch' Stewart. The majority of business came through agents. Sandals has upgraded its products and spent close to US\$30 million on refurbishments and increased the value of the tour packages.

Destination Watch

Seychelles tourism grows

Despite the global slump, **Seychelles has witnessed a steady growth in its tourism sector.** In 2001, Seychelles received 119,492 tourists and for 2002 has already received in excess of 120,000 tourists. Seychelles has been marketed as a clean pollution free country with the slogan 'As pure as it gets' and the Tourism Marketing Authority of Seychelles have now added '**Seychelles – As safe as it gets**'. Seychelles has increased its accommodation capacity to 4,500 beds with the addition of a number of new luxury hotels. Some luxury properties retail at US\$9,600 to US\$11,000 per night.

Europe loses business

European Tour operators carried 1 million less visitors down to 5.6 million from January to October 2002. In addition, visitors spent less resulting in a 28% drop in revenue for the same period, according to the *European Tour Operators Association* (ETOA) survey. Members indicated that they would expect a further drop of 38% in business if there was another 'incident' in the Middle East such as war on Iraq.

Secrets of Success: Four Seasons

Four Seasons profile

By the end of 2002, Four Seasons will be managing 58 hotels in 27 countries in hotels that range in size from 200 to 300 rooms while **revenue is likely to exceed US\$180 million and revenue under management contracts will be US\$1.8 billion.**

Devotion to service

Four Seasons **is one of the most lucrative brands in the world. Its success is attributable to its devotion to service.** Isadore Sharp, founder and CEO, says that the company is successful because of its Golden Rule – “do unto others as you would have them do unto you”. This guiding principle is about people dealing in a sincere way. Delivering consistent quality of service is critical to being the best.

Ranked among the top hotels

Four Seasons properties ranks among the top world hotels. In Harper’s annual survey of the world’s top hotels, **Four Seasons took 14 of the 40 entries on the list.** (Harper’s survey polls 2,500 sophisticated travellers, more than 85% have the title of president, CEO, owner or partner).

Good staff attitudes

Choice of staff is a key element for Four Seasons success. **Every employee has four to five interviews from the dishwasher to the senior managers.** Staff are chosen based on their enthusiasm and sincerity as Sharp believes, “it is very hard to train somebody with a poor attitude to be highly motivated”. Four Seasons has extensive training programs which ensures that employees know the exactly the right way to do things.

Attention to detail

One of the philosophies of Four Seasons is that 99% guest satisfaction is not good enough. If 1% of customers are dissatisfied then this could be to the detriment of the company. In order to maintain business Four Season works on 100% guest satisfaction. In fact Four Seasons came first in J.D. Power’s annual *North American Guest Satisfaction Survey* which received responses from 13,000 people. On check-out guests are offered glasses of fresh lemonade and toothpaste requested late one evening arrived within five minutes are just some of the ways in which Four Seasons pays attention to detail. In one case the Four Seasons seamstress used a mother-of-pearl button from her own dress to fix the dress of a guest who needed it to go to her daughter’s graduation.

No price cuts

Four Seasons ended 2001 with the strongest balance sheet it ever had. The ratio of long-term debt was 14.5%, half of what it was at the end of 2000, it had \$132 million in cash, almost double the long-term debt. After September 11, 2001, Four Seasons did not cut prices and managed to average US\$222 per room in 2001 compared to US\$167 at Ritz Carlton, its major competitor.

Expansion in Asia

Four Seasons has a strong brand and has expanded to Europe opening hotels in Dublin and Prague in 2001. **Four Seasons also plans to open 2 hotels in the Middle East.** With already 14 hotels in Asia, Four Seasons is looking at opening others in Malaysia, Seoul and Beijing.

Editorial

The three golden rules of hotel success has always been “location, location, location?”. As Four Seasons has shown, however, while location may continue to be important, necessary and critical to a hotel’s success, it may no longer be sufficient. The right staff with the right attitude, attention to detail and devotion to service are also essential ingredients in a hotel’s success.

Trends to Watch

Return to normalcy

Tourism has been seen as particularly vulnerable to war and terrorism however this industry has an intrinsic resilience which is linked to the persistence of demand for travel and tourism. The results of the first three quarters of 2002 have confirmed that the industry will return to normalcy eventually. No matter what the difficulties and risks, **consumers still seek to travel even if it means changing their destination or postponing their trip.** In fact six major observations have been made by the *Recovery Committee* set up by the *World Tourism Organisation*. The first, the crisis in tourism has been global – international receipts were down by US\$464 billion. Secondly, the predicted collapse did not take place, thirdly different destinations were affected by varying degrees and fourthly the impact varied by market segment. The fifth observation was the notable change in **consumer behaviour where shorter holidays were taken, more last-minute travel decisions were made and destinations closer to home were chosen.** The final observation was the accelerated structural changes on the supply side where for example already-weakened carriers (pre-September 11) have disappeared – Sabena and Swissair to name a few.

First e-mail from Commercial Airliner

Lufthansa and Boeing have announced that the first e-mail sent via a broadband Internet connection from onboard a scheduled commercial airliner, successfully reached its recipient. From January 15, 2003, Lufthansa will offer passengers a multitude of real-time services including Internet and fire-wall protected intranet access, e-commerce, entertainment content, transmission and receipt of data, shopping, travel and destination information.

Business travellers search for ‘deals’

Business travellers are searching for more economical ways to travel. According to the *International Air Transport Association’s* (IATA) October survey, 28% of business travellers expect a decrease in their company’s air travel budget. Over two fifths of the business travellers surveyed indicated that limiting the class of service used (40%), using travel agents to achieve deals (43%) and choice of airlines/low cost carrier (45%) are essential strategies in achieving business travel cost savings. **Business travellers, once the high-yield passengers of the airline industry have now joined the low-yield leisure travellers in the search for ‘deal’**, putting further financial pressure on an industry that is already suffering from costs of boosting security.