

Tourism Industry Intelligence

Strategic Information for Decision-Makers

November 2011

Prospects for the Emerging Travel Markets 2012

Emerging markets – an economic force to reckon with

The emerging markets are an economic force to reckon with. Emerging and developing markets on a whole, account for 47.7% of world GDP at purchasing power parity. China is ranked as the 2nd largest world economy after the USA. India, Russia and Brazil rank 4th, 6th, and 8th respectively. China and India have performed remarkably well with a 10% growth in real GDP each in 2010 – 5 percentage points above the world average. Brazil grew by 7.5% and Russia followed with 4%. By contrast, the top traditional travel markets performed below the world average. Germany and the USA each had real GDP growth of less than 3.5% in 2010 and the UK grew by 1.3%. The most significant developments in international travel will undoubtedly come from the emerging markets.

Emerging markets taking the lead

In 2010, the BRIC markets alone (Brazil, Russia, India and China) accounted for 12% of total arrivals or 111.4 million. With an astonishing 57.4 million outbound arrivals, China moved up ranks to become the 3rd largest travel market, taking over from the UK (55 million arrivals).

Emerging markets are big and getting bigger

Emerging markets have significant growth potential. China for instance, has a population size of 1.3 billion citizens. However, only 4% of the total population travelled abroad in 2010. Similarly, there were 13.2 million Indian outbound travellers in 2010 – a mere 1% of the Indian population. Both China and India are growing by an average of 13% per year. On the contrary, the traditional markets are primarily saturated. Germany for instance, has a travel base of almost 80% of its population and has declined by 1.3% per year over the last 5 years (2005 – 2010).

Exploding expenditure

The USA is the top outbound tourism spender (US \$105.2 billion in 2009), followed by Germany (US \$92.7 billion) and the UK (US \$61.1 billion). However, the emerging markets are catching up fast. China leads the emerging markets with US \$47 billion in expenditure in 2009, almost double the expenditure of 2008. Russia is second with US \$28.1 billion, followed by Brazil (US \$12.9) and India (US \$11.5 billion). By 2010 China's tourism expenditure grew by 17% to reach US \$55 billion.

Outlook for 2012

With improved economic conditions and a lust for holidays, the Emerging markets will continue to shake up travel and tourism. Look out for China – they could be #1 by the end of 2012 already!

Source: Travel and Tourism's Top Ten Emerging Markets, Tourism Intelligence International, 2011 Edition

Who are the Emerging Market Travellers?

Emerging markets – the engine of future travel growth

With international travellers projected to almost double by 2020 to approximately 1.6 billion, the most significant increases are expected to take place in markets like China, India, Brazil and Russia. These markets are often referred to as “emerging markets”.

Travellers from the emerging markets are wealthy

But who are these new travellers? Firstly, they are wealthy. In spite of the recession in 2008/2009 the number of millionaires in India jumped by 20.8% (the highest in the world). China had the fourth richest millionaire in the world in 2010 and added 5% more millionaires than the average for the USA, Japan and Germany, according to *Merrill Lynch's World Wealth Report*. The middle class in emerging markets is also growing apace. In 2010 India, for instance, had 46.7 million middle class households, up 230% from 2000 (*forbes.com, 2011*). 23% of China is middle class.

They are young, hip and happening too

Emerging market travellers are also comparatively younger than the top traditional travel markets. The population of South Africa and India respectively, has an average age of 24.7 and 25.1 years. Brazil's population base is slightly older with an average age of 29 years, followed by the UAE (30.1 years) and China (34.5 years). The populations of the traditional travel markets of Japan, Germany and the UK each has an average age of 45, 44 and 39 years respectively.

These new travellers are also educated

Travellers from the emerging markets are also very educated. India has the 2nd highest number of individuals with tertiary level education (124.4 million). China captured the 3rd place with just over 100 million. Russia is in 4th place with 91 million.

They are Internet savvy

They are also very Internet savvy. The use of the Internet to research, plan and book travel is quite a common occurrence for emerging markets. The sheer number of online users is absolutely astounding. The Internet user population from the emerging markets, make up approximately 40% of the 2 billion Internet users worldwide, according to *Internet World Stats*. China leads with 485 million, followed by India (100 million), Brazil (76 million) and Russia (60 million).

They seek status from travel abroad

Many citizens of emerging markets, who are of means, enjoy the status that international travel brings and are quick to boast about their trips to their colleagues. Culturally, there is social currency in international travel and this is a significant driver for outbound travel.

Source: Tourism Intelligence International, Travel and Tourism's Top Ten Emerging Markets, 2011 Edition

Emerging vs. Traditional Markets – How do they Differ?

Emerging markets gaining ground on traditional markets

Emerging markets are completely different from the traditional markets. The top three traditional travel markets are the US, Germany and the UK. These markets have been the backbone of travel and tourism for decades and account for 20% of global travel demand. Emerging or BRIC economies (Brazil, Russia, India and China) are the new kids on the block and are shaking up the travel and tourism sector. Already, these markets account for 12% of total international arrivals.

Traditional markets are maturing whilst emerging markets are growing

But how do these new markets compare with the mainstream ones? Firstly, the traditional travel markets are experiencing slow growth in outbound travel. Markets such as Germany and the UK have been experiencing growth rates between -1 and +3 per cent on average over the past five years (2005 – 2010). However, emerging markets have been experiencing double-digit growth. China and India for example have been growing on average by 13% respectively.

Emerging markets heating up while traditional ones are slowing down

Economic growth also highlights their differences. The economies of the emerging markets have been growing by leaps and bounds. In fact, whilst the traditional markets were struggling to cope with the 2008/2009 world financial crisis, the emerging economies did not go into recession. Both China and India had double-digit GDP growth (10.3% each) in 2010, while Germany (3.5%), USA (2.8%) and the UK (1.25%) experienced slow growth that same year.

They are also younger in age and travel experience too

Traditional markets are experienced and mature travel markets. The new travellers are young and curious about travel. But the comparison goes even beyond travel experience. Emerging markets are comparatively younger than the traditional travel markets. The respective populations of India and Brazil for example, each has an average age of 25.1 and 29 years. For China it's 34.5 years. The population of the traditional markets of Germany and the UK each has an average age of 44 and 39 years respectively. There is a 19 year age gap between Germany and India.

Old versus new wealth

Travellers from the traditional markets have been accustomed to wealth. Many of the more mature travellers have inherited their wealth and travelled because they simply could. The new travellers have earned their wealth and it is relatively novel to them. They see travel as social currency – the more they travel the wealthier they feel.

From sun, sand & sea to status, shopping and sightseeing

Traditional Western markets have travelled in search of warm weather. They lusted after the sun, sand and sea. Emerging markets have a different take on travel. They are looking for other "S"s. They want shopping, sightseeing and opportunities to gain status / social recognition.



Traditional Markets	Emerging Markets
▶ Slow economic growth	▶ Rapid economic growth
▶ Wide and even distribution of income	▶ Emerging middle class
▶ Old and Aging	▶ Young and Happening
▶ High but slowing income levels	▶ Low and rising income levels
▶ Experienced and sophisticated	▶ Inexperienced and curious
▶ Highly educated with a lust for the exotic	▶ Highly educated with a lust for experiencing new cultures
▶ From longer to shorter trips	▶ From shorter to longer trips
▶ Well-established online travel market	▶ Growing online travel market
▶ Sun, sand and sea	▶ Shopping, sightseeing and status-seeking
▶ Travelling from North to South	▶ Travelling from East to West
▶ To visit a destination	▶ To experience a destination

Source: Tourism Intelligence International, Travel and Tourism's Top Ten Emerging Markets, 2011 Edition

Editorial: The global travel and tourism industry is changing rapidly and radically. The key drivers of change are the new demanding customers, on the demand side, and information technologies (IT), on the supply side. Information Technologies – from the mobile phones to the Internet and Facebook – have taken the travel and tourism industry by storm. These technologies are happily facilitating production economies of flexible, segmented and individual holidays. But it is really the customers that are driving the changing face of the travel and tourism industry, through key demographic, psychographic and geographic influences. Many traditional travel markets are experiencing maturity. Plus, their populations are aging. This means that it would become increasingly difficult to compete in these markets. The key emerging markets, also known as the BRIC economies (Brazil, Russia, India and China) – are now witnessing strong growth and new wealth, is the new hope for future travel growth. Emerging markets will drive the growth of international arrivals from 940 million in 2010 to a forecasted 1.8 billion by 2030.

Tourism Intelligence International

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- Market Research and Analysis
- Feasibility Studies
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