

# Tourism Industry Intelligence

## Strategic Information for Decision-Makers

September 2009

### Prospects for the American Market 2010

#### The US economy is in recession

The US, like many other countries, is in recession. The US economy contracted by -1.0% and -6.4% respectively for the first and second quarters of 2009, according to the *Bureau of Economic Analysis*. This does not augur well for travel in the medium term.

#### Travel down

The overall U.S. outbound market totalled 63.6 million in 2008, down by one percent compared to 2007, reflecting the economic contraction. Travel to Mexico grew by four percent whereas travel to overseas regions declined by one percent and travel to Canada declined by seven percent.

#### Record Spending

However, spending by US residents travelling abroad set a record for the fifth successive year, with USD \$112.3 billion in 2008, up 7% from 2007. Spending by US travellers within foreign countries totalled USD \$79.7 billion and spending on air transportation, via foreign air carriers (passenger fare payments), totalled USD \$32.6 billion in 2008. The top five countries in which US residents spent their 2008 travel dollars were: Mexico (USD \$11.1 billion), United Kingdom (USD \$10.5 billion), Canada (USD \$7.3 billion), Germany (USD \$6.3 billion) and Japan (USD \$5.2 billion).

#### Regional travel in the lead

Mexico was the top US international destination again in 2008 with 20.3 million travellers, up four percent from 2007. Travel to Mexico has fluctuated over the last 10 years. The strongest growth periods were in 2000 and 2004, both up by 10 percent. Canada continues to be the second largest destination for US international travellers. In 2008, 12.5 million US travellers visited their northern neighbour. Together, Mexico and Canada account for over half (51.6%) of all outbound travel from the US.

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#### Preferred overseas destinations

A total of 30.8 million U.S. travellers visited overseas markets (excluding Mexico and Canada) in 2008, a decrease of 1% from 2007. Travel was down to the top five overseas markets in 2008: the United Kingdom, France, Italy, Germany and Japan.

#### Outlook for 2010

The prospects for travel from the US are still good, in spite of the global recession. The US is an important market. Consider that:

- ▶ The US has the 3rd largest population in the world (306 million);
- ▶ The US has a low travel intensity (21%). There is room for growth; and
- ▶ US travellers spend the most on travel (USD \$112.3 billion) than any other country.

*Tourism Intelligence International* predicts that the Global Recession will end by the year 2010 and travel, which is quite resilient, will bounce back in full swing thereafter.

Source: *How the Americans Will Travel 2015*, Tourism Intelligence International, 2009.

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## Market & Consumer Trends

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### US and Global hotel prices plummet

The average price of a hotel room in the US fell 17% in the first six months of 2009 compared to the same period in 2008, according to the recently released *hotels.com Hotel Price Index (HPI)*. Room rates in the US now cost, on average, USD\$115 a night, down from USD\$139 the year before. Similarly, global hotel room prices fell 17%, driven by price drops across every continent. This is by far the most significant movement in prices seen in the hotel industry in the five years that the HPI has been published, dropping to 2004 levels.

### Business travel increases profits

The first clear link between business travel and business growth has been established based on a new study conducted by global research firm *Oxford Economics*. The results show a strong correlation between a company's investment in business travel – to meetings, trade shows, conferences, incentive and sales meetings – and its profitability. For every dollar invested in business travel, businesses experience an average US\$12.50 in increased revenue and US\$3.80 in new profits.

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## Aviation Watch

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### Virgin visas for travellers

Virgin Atlantic is making travel visas available via its website. The airline has joined forces with visa and passport services provider CIBT. This will enable travellers to secure travel visas to most countries, including China, India, Australia and Africa, through the carrier's contact centre and *Virginatlantic.com*. The agreement covers visas, passports and other documents required for travel. Virgin Atlantic's aim is to provide passengers with a seamless travel experience from the time of booking all the way through to them disembarking at their destination.

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## Cruise News

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### Smooth sailing for British cruise industry in 2010

Next year is being forecast as a record year for the UK cruise industry. More British holidaymakers than ever before are expected to take a cruise in 2010, according to cruise reviews and news website *CruiseCritic.co.uk*. A range of new ships serving the UK and Europe will increase capacity and stimulate continued growth over the next 12 months. This should result in increased UK cruise numbers, up from the 1.5 million recorded last year and similar figures expected this year, despite the tough economy.

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## Destination Watch

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### Indian tourism to don new wellness tourism mantle

From ticketing and organising sight-seeing trips, travel agents and tour operators in India are all set to don a new mantle: They intend to go global, think international and tackle thematic tourism – medical tourism in particular. The Indian travel and tourism industry will promote medical tourism in a big way. Partnering with their counterparts in Dubai tourism, the Travel Agents Association of India (TAAI) is gearing up to promote a “unique segment of wellness tourism”. Medical tourism in India is forecast to generate over US\$2 billion in revenue by 2012, according to a study by *McKinsey and the Confederation of Indian Industry*. Medical tourism is expected to grow to become 3-5% of India's total healthcare sector with projected annual growth of 30%.

## Focus: The Jamaican Recipe for Success

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### Natural Beauty

Tourism is an important part of Jamaica's economy. Jamaica is the third largest Caribbean destination in terms of international tourist arrivals (1.7 million arrivals in 2008) after the Dominican Republic (4 million arrivals) and Cuba (2 million arrivals).

### Double-digit declines in the Caribbean Region

With the onslaught of the Global Economic Recession, many Caribbean countries suffered double-digit decline in tourist arrivals in 2008. Anguilla took the worst hit with a decline of 18.8%, according to the *Caribbean Tourism Organisation*. Tourist traffic fell 14.3% in Antigua, 13.7% in St. Lucia and 11.3% in the Cayman Islands.

### Sustained marketing results in sustained arrivals to Jamaica

Jamaica, on the other hand, reported tourism growth of 4% through 2008, generating over 63,000 more tourists than in 2007. American tourist numbers increased by 1.2% on 2007 figures, despite the global economic crisis. Moreover, 139,000 visitors came to Jamaica in January 2009, representing a 3.4% increase over January 2008 figures, according to data released by the *Jamaica Tourist Board's (JTB) Research and Marketing Intelligence Unit*. Tourist arrivals for the month of January netted the country around US\$16 million. While others were cutting back on marketing expenditure Jamaica did the exact opposite and was literally the only voice in the market.

### New International brands & increased competition

In addition to sustained marketing spend, Jamaica is benefiting from international brands and foreign investments. Brands such as the Ritz Carlton and the presence of new Spanish hotel groups such as RUI, Grupo Piñero, Iberostar, Fiesta, Excellence and Fuerte, adding over 6,000 brand new hotel rooms and generating over 10,000 jobs, are creating a winning formula for Jamaica's success. These international brands not only add capacity, bring management know-how and access to international markets, they also bring increased competition, forcing many players to innovate and improve products and performance.

### The success of 'all-inclusive resorts'

But it is not only the international brands that are contributing to the island's success. Many local brands are also adding value. The leading all-inclusive SuperClubs and Sandals brands are continuously innovating – Sandals have installed concierge services at their hotels and has taken over the Four Seasons property in the Bahamas and SuperClubs will completely rebrand themselves.

### SuperClubs & Sandals are best in the world

Sandals and SuperClubs brilliantly copied the Club Med formula, 'Caribbeanised' it and with the 'All-Inclusive' philosophy, have gone on to improve upon it, surpassing Club Med. Today, Sandals and SuperClubs resorts can be considered to be the most successful all-inclusive resorts in the Caribbean and perhaps the world over.

### Other success factors

Other factors that have contributed to the success of Jamaica's tourism sector include strong partnership with and support from the government, the international recognition of reggae music, success in sports (e.g. Bolt), excellent marketing campaigns (e.g. "One Love") and high quality and wide range of visitor accommodation.

*Source: Tourism Intelligence International, Successful Tourism Destinations; Caribbean Tourism Organisation; World Tourism Organisation, 2009*

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## Editorial

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Last summer 2008, everyone seemed to be catching on to the new buzz word – ‘staycation’, or stay at home vacation, a term that reflected the times. Gas prices were high and Americans vouched to stay at home instead of travelling. The term was also expected to pick up steam this summer because of the Global Economic Recession. However, ‘staycationers’ have not lived up to their promise. In fact, according to a recent survey conducted by *Kayak.com*, 95% of Americans had planned on taking a vacation in summer 2009. And while travellers remain conscious of the economy, more than 41 percent of respondents said the recession would not affect their summer travel plans in any way. The fact is that Americans will travel and have been doing so all year long. The increase in arrivals to Jamaica is testimony to that fact, since Americans make up nearly two thirds of arrivals to Jamaica. Do not expect any significant growth though. There may even be a decline. However, survival of the fittest is the name of the game. You either get in the game (sustained marketing efforts, focus on quality, offer value for money, etc.) or die. But why the enthusiasm for travel this summer? For one thing, lower airfares and frequent fare sales make it more affordable to fly in 2009. Also, an abundance of travel deals are taking some of the burden off lodging costs at resorts and hotels.

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## Technology Update

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### Tourism websites show strong growth in downturn

The reliance that consumers have on travel Web sites has not weakened. Despite the downturn, transactional Web sites (i.e., suppliers and online travel agencies) showed strong growth in June monthly visitors year-over-year, with cruise lines up 19% and hotel chains up 13%. Online travel agencies (OTAs) also showed slight increases in hotel and car rental visitor volume in the first half of 2009 compared to 2008 and 2007. The only category to show a decline in traffic from 2008 through 2009 was the OTA air category, which was down by 15%.

### Is Twitter for twats?

Not so, according to a survey of prominent travel industry experts conducted by *Travel Insights 100* revealing key insights into how they feel about and utilize Twitter, a relatively new social media network. The popularity of Twitter in the travel industry is unquestionable. However it is a recent phenomenon, with the majority of respondents just started using the tool in the past twelve months (52%). Surprisingly, the majority of respondents (91%) recommend using Twitter to find travel information.

### Business as usual in the air

Starting at the end of September, BA promises no interruption in passengers’ business while in the air. The use of mobile phones and blackberries for sending text messages and emails will now be allowed for business travellers travelling between the world’s two most important financial cities – London and New York.

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## Eco Monitor

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### Aviation industry pledges to slash carbon emissions

At the United Nations Summit on Climate Change in New York, the aviation industry, represented by British Airways head, made a dramatic pledge to slash carbon dioxide emissions in half by 2050, well below 2005 levels. This move will force up airfares and spark a green technology race among aircraft manufacturers. Additionally, the top objectives of the agreement is to make all industry growth carbon-neutral by 2020 and to cut carbon dioxide emissions by 1.5% per year over the next decade.