

Tourism Industry Intelligence

Strategic Information for Decision-Makers

November/December 2008

Prospects for the Emerging Indian Market 2009

Fastest growing economy

India has generally been described as the fastest growing free market economy. In 2006-07 the GDP growth rate soared to 9.4% making it a trillion dollar economy – the 12th nation to achieve this milestone. The economy grew at an average annual rate of 8.8 per cent during 2003 to 2007. India's economic potential will be larger than the US by the year 2050 according to *Goldman Sachs*. This augurs extremely well for travel abroad.

Super spenders

In 2006, there were 8.3 million Indian outbound travellers, up 15.3% over 2005 according to the *UNWTO*. This figure is almost double the number of inbound arrivals to India. In 2006, Indians spent USD \$9.3 billion on travel abroad, up 19.2% from the previous year. India has one of the highest growth rates out of all source markets. Indians on average, spend above USD \$900 per trip. In 2006, out of all foreign visitors to the UK, Indian travellers were the second highest spenders (an average of GBP 850 per trip).

Top destinations

The main destinations for Indians travelling abroad were Singapore, with 659,000 travellers, Bahrain (590,000) and Thailand (430,000). The US and the UK were 5th and 6th with 407,000 and 367,000 Indian arrivals each.

Who they are

Indian travellers are price sensitive and group travel forms a large part of the travel market. Indians travel primarily for leisure (35%), business (30%) and shopping (30%). A large portion of the market is comprised of first time travellers, encouraged by growing spending power. They are generally not the modern type of short, but frequent holiday takers, combining as many destinations as possible during the first visit. The average stay of leisure travellers is within the 10 to 15 day range.

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What they want

Indian travellers are now exhibiting a thirst to explore new destinations and experiences. They are not looking for sun, sand and sea but rather sight-seeing, status and shopping. Culture is also important.

Future outlook is extremely bright

Consider that India's population is expected to be the largest in the world by 2050; their economy is growing faster than all first-world countries; they have the highest growing middle class in the world and some of the richest people on the planet; and Indians are relatively new to outbound travel. All of these factors combine to bode well for future outbound travel from this lucrative emerging market. By the year 2011, the number of Indian outbound travellers will double to 16.3 million and outgoing tourism expenditure will grow by over 25.7%, according to *Euromonitor International*.

Source: *Tourism Intelligence International, Travel & Tourism's Top Ten Emerging Markets, 2008*

Market & Consumer Trends

Fall in travel demand for 2008

International tourism demand fell during the period June to August 2008, severely constrained by the current economic crisis. The first five months of the year started off well, with growth in international arrivals of 5.7% (January to April). And in May, growth was 7%. However, growth during June to August fell to less than 2%, bringing the average for the year (Jan-Aug) down to 3.7%. Growth in international arrivals for 2008 is now projected to be between 2 and 3 percent, according to the *UNWTO*, well below the first quarter performance.

Online travel sales dip for first time in a decade

For the first time since 1998, growth of online leisure and unmanaged business travel dipped into single digits this year, according to market tracker *Phocuswright*. However, online travel annual growth still outpaces the total travel market for 2008 (9%) and this is set to continue until at least 2010 (7% per annum). The report also shows that online travel agents are receiving a “counter cyclical lift” as consumers are driven back to the web in search of a bargain.

Men pay while women have the say

Four out of five women (84%) expect their male partner to pay the full cost of their first mini break away, even though 73% of the women want to decide when and where they go, according to a recent *Hotels.com* study.

Cruise News

Cruise industry thrives as the economy dives

Cruises are thriving online in the economic downturn, according to the latest figures from *Hitwise*. UK Internet hits to cruise websites increased by 8.2 percent between September 2007 and September 2008, while overall traffic to travel websites fell by 4.6%. The increase in cruise website visits was due to a surge in traffic from older people and increased demand for all-inclusive deals. The proportion of visitors to travel websites aged 45 and over increased from 39.8% in September 2007 to 45.2% in September 2008. And almost 60% of visitors to cruise websites were over 55 years old.

Trends to Watch

Online booking without credit card?

Mexican airline, **Aviacsa**, is now accepting payment for flights at any of the 6,000 **OXXO** convenience stores in Mexico. This new payment alternative, provided on Aviacsa's website, opens the door to online booking for those who do not own a credit card. Aviasco has already seen a great response; in the first weeks they sold over 3,000 tickets in OXXO stores and expect this to rise to 35,000 by the end of 2008. Could this new innovation spread to the rest of the industry?

Eco Monitor

A New Year gift – biofuel flight from Continental Airlines

Continental Airlines announced plans for the first biofuel-powered demonstration flight of a U.S. commercial airliner, to be conducted in Houston on Jan. 7, 2009. The demonstration flight, which will be operated with no passengers, will be powered by a special fuel blend including components derived from algae and jatropha plants – sustainable, second-generation fuel sources that don't impact food crops or water resources, and don't contribute to deforestation.

Focus: How to Survive the Current Economic Tsunami

10 strategies that will make you win:

▶ **Differentiate or die**

The world is experiencing an economic crisis that has not been seen since the post World War II era. The travel and tourism industry, while resilient, has not been unaffected. It is because of this economic crisis that many in the industry are looking around for answers as the Grim Reaper comes knocking at their door. **Tourism Intelligence International** has put together 10 strategies that we are certain will help during these difficult economic times.

During times like these, differentiation is critical. Travel and tourism operations need to offer what no one else is offering. Destinations need to move away from the norm (sand, sea and sun) and offer culture, health and wellness, compassionate tourism, eco-tourism, etc.

▶ **Focus on your core business**

Travel and tourism companies need to focus on their core business to secure future success. They need to “stick to their knitting” and shed those areas that are not their strengths. TUI AG for example, is selling off its shipping division to focus on tourism. That is an important lesson from a tourism industry leader.

▶ **Offer value for money**

During economic crises, consumers become bargain hunters. This is why the cruise business is continuing to do well, as there is a perceived value for money over other forms of travel. Deliver 5-star value at 4-star prices!

▶ **Let the BRICs support you**

During hard times it is advisable to target other source markets for additional sustenance. Namely, emerging markets like the BRICs – Brazil, Russia, India and China. In its new publication *Travel and Tourism's Top Ten Emerging Markets* **Tourism Intelligence International** shows how to woo these markets – from halaal meat to high street shopping – the answers are all there.

▶ **Embrace consumer trends or go bust**

The desire for social and environmental responsibility, social interaction, authentic travel experiences and fair trade practices, among others, are all consumer trends that should not be ignored. In fact, adhering to these trends is an excellent marketing tool and saves cost in the long term. In its report, *Sustainable Tourism Development – A Practical Guide for Decision-Makers*, **Tourism Intelligence International** shows how tourism businesses can be best placed for survival by adopting social and environmental responsibility.

▶ **Free is the new ‘F’ word**

Nothing grabs the attention like the word FREE, especially during difficult economic times. Some tour operators are offering free basic tours to boost future demand. Others in the industry are ensuring that all their seats are filled, even if it means giving some away. Do this to add value and you can't lose.

▶ **Maintain marketing stamina**

During recessionary periods, many are looking for ways to cut cost. Cutting marketing costs is not advisable at this time. Stay the road and maintain focus. Marketing dollars will pay off in the end and will even be more effective during a recession because everyone else will be cutting corners.

▶ **Alternative marketing**

However, if you MUST cut marketing spend, there are other cheaper options available – email marketing, digital/Internet marketing, direct mail, press releases, public relations tactics, blogs, ezines, free online classifieds, etc.

▶ **Be innovative**

Innovation is critical for success and even more so during recessionary times. Foster research and development and encourage creativity among management and staff. Look for alternative ways of doing business and even copy innovative best practices from other industries in order to stay ahead in yours. Read *Tourism Industry Intelligence* regularly to keep up with innovative ideas.

▶ **Tactical pricing**

Customers will be shopping around for the best deals. You do not have to cut list prices. Instead, offer more temporary price promotions and discounts. In tough times, price cuts attract more consumer support than promotions such as sweepstakes and mail-in offers.

Editorial

The global economy is going through one of the most severe economic crises since the great depression. The crisis is broad, very complex and systemic in nature. The tourism sector has not been left unscathed, as consumer spending has been sliding considerably. On the supply side, the credit crunch has affected primarily small and medium enterprises that make up the backbone of the tourism industry. Given such circumstances, there is reasonable cause to be worried. However, there is absolutely no need to panic. **Tourism Intelligence International** has always been a believer in the resilience of tourism. We have seen this resilience in times of terror, in the aftermath of the tsunami and during the post SARS outbreak. Tourism will bounce back. Travel is a firmly established social phenomenon and a basic necessity in many first world economies (e.g. Germany and Britain). Tourism, while being affected by the crisis, is less vulnerable than other economic sectors. And just as people will not stop eating during an economic crisis but eat differently and eat more at home than outside, people will not stop travelling but simply travel differently. There is therefore a bright silver lining for the future of tourism business in general. We are very optimistic about the future so stay focused and most of all, do not panic!

Technology Update

The Internet continues to take the lead

The Internet has emerged as the leading platform for travel and hotel sales, and is now the most important distribution and marketing channel in the industry. By the end of 2010, over 45% of all hotel bookings will be completed online. All major hotel brands already generate in excess of 40% of the bookings via their brand website. Therefore, it makes sense for independent hoteliers to invest in this fast-growing sector and accentuate their online strategies to survive in a struggling economy.

Paperless boarding pass

It would appear that Bmi is almost ready to introduce its mobile phone boarding technology. The airline has been testing paperless boarding since May, which sees two dimensional bar codes sent to passengers handsets once they have checked in online. These barcodes are then scanned by crew. The tests have been successful. So far only passengers on services from Edinburgh and Manchester to London Heathrow (one way) and from Belfast City to Heathrow (return) have used the new paperless boarding service.

Aviation Watch

More congestion, more delays ahead

By 2030, climate change and a lack of airport capacity will mean that one flight in two will risk delays or cancellation at highly-congested airports, according to a new *EUROCONTROL* report. The study reveals that even with the economic downturn, demand for flights in Europe will rise from 10 million today to 20.4 million by the year 2030. Airports are working to make the most of their capacity and expand to meet demand, but on current plans, they will only be able to handle 18.1 million of those flights, leaving 2.3 million flights a year or 6,300 flights a day unaccommodated.

Hotel Watch

Luxury that is sustainable

Shompole Lodge in Kenya adds another area of eco luxury to its portfolio by introducing the exquisite **Shompole Collection**. It is worth noting that it is also sustaining livelihoods. African artisans, women's groups, independent traders and craftspeople (who price and determine the fair value of their own products) all contribute their expertise to produce a collection of high quality unique house wares, jewellery and tribal arts.