

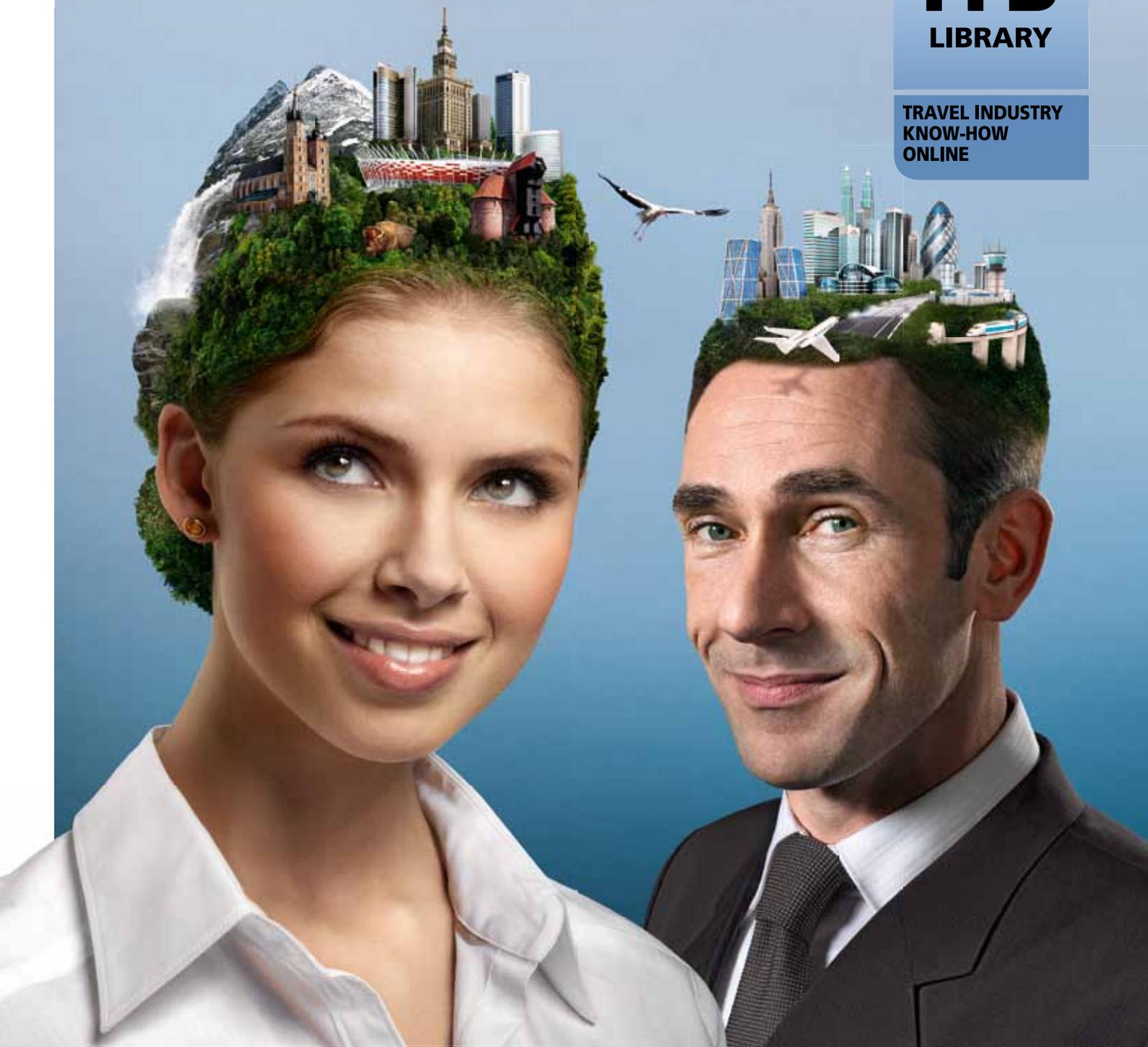
# ITB WORLD TRAVEL TRENDS REPORT 2010/2011

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– THE WORLD'S LEADING TRAVEL TRADE SHOW®



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## *ITB World Travel Trends Report 2010/2011*

### *Introduction*

This World Travel Trends Report presents the major trends, statistics and forecasts as well as key industry issues and potential future developments discussed at the World Travel Monitor Forum, held in Pisa in November 2010. At the annual event, organised by IPK International and sponsored by ITB Berlin, some 50 tourism experts and researchers from around the world present the latest statistics and trends in international travel and tourism.

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## *Executive Summary*

- "The global crisis is over"
- Strong recovery in world tourism in 2010
- New record figure for international trips
- Boom in emerging markets
- Good outlook for growth in 2011

World tourism is recovering strongly in 2010 from the recession and is firmly back on the growth path. A new record figure for international trips will be set this year, while spending is recovering well from a heavy slump last year. Growth is being driven by emerging markets such as Asia and South America while mature markets are seeing low growth. Those were some of the key messages at the 18<sup>th</sup> World Travel Monitor Forum held in Pisa on November 4-5, 2010. "The world's international travel industry is back and now even more dynamic, and this year has underlined its role as one of the mainstays of the global economy," declared Rolf Freitag, president of tourism consultancy IPK International and founder of IPK's World Travel Monitor®.

### *Key figures on global overnight travel (2010 changes compared to 2009 changes):*

All domestic and outbound trips: 9.8 billion (+5% vs -1% - *new all-time high*)

- Outbound trips: 0.935 billion (+7% vs -4% - *new all-time high*)
- Outbound nights: 5 billion (+5% vs -7% - *new all time high expected for 2011*)
- Outbound spending: € 781 billion (+7% vs - 9% - *new all time high expected for 2011*)

### *Key trends 2010:*

General: more trips but shorter length of stay and careful spending

Europe: low growth outbound & inbound

North America: low growth outbound; high single-digit inbound

Asia: double-digit growth outbound; high single-digit inbound

South America: double-digit growth outbound; high single-digit inbound

### *Outlook & forecasts 2011:*

IPK International: +4% (overnight outbound trips)

UNWTO: +4-5% (international arrivals)

*Note: the figures and forecasts within this report are based on the world macro-economic situation as of early November 2010. Subsequent developments may impact on the outlook.*

## Section A: World travel trends

### *Strong recovery in 2010 and back to growth in 2011*

World travel has bounced back strongly in 2010 from the downturn of 2009 and looks set to return to the growth path in 2011 driven by improving world economic conditions and higher consumer spending. International tourism will already hit a new all-time high this year and is heading for further growth in the 3-5% range in 2011, according to experts.

### *World outbound tourism slumped in 2009...*

In 2009, the tourism sector was heavily hit by the worldwide economic recession. The total number of outbound trips fell 4%, the number of outbound room nights declined 7% and the sector's outbound turnover dropped 9% as prices and rates tumbled, according to IPK figures. Revenue per hotel room, for example, slumped by 26% in Asia and by 19% in Europe and North America. International tourism declined with a 4.2% fall to 880 million arrivals worldwide and a 5.7% drop in spending to \$852 billion (€611 billion), World Tourism Organization (UNWTO) statistics show.

	2009	2010
All trips	-1%	+5%
Outbound trips	-4%	+7%
Outbound nights	-7%	+5%
Outbound spending in €	-9%	+7%
Int'l arrivals	-4.2%	+6-7%
Int'l spending	-5.7%	n/a

Sources: World Travel Monitor, UNWTO

### *... but makes a strong comeback in 2010*

But the world tourism industry has proven its resilience with an unexpectedly strong comeback this year. The global tourism sector will grow some 5% in 2010, according to IPK's World Travel Monitor. International travel spending will grow slightly faster by 7% to €781 billion while the much larger domestic travel market will also grow well by some 4%, the latest World Travel Monitor trends for January-September 2010 show. This year's recovery is being powered by emerging markets such as Asia, South America and the Middle East which all have double-digit growth rates. The large mature markets of Europe and North America, in contrast, are showing only moderate growth this year. (The regional results will be examined in more detail in the following sections of this report.)

### *New record for international visitor numbers*

The number of international tourists will reach a new all-time high in 2010, according to IPK and UNWTO. "There will be a new world arrival record this year," IPK president Rolf Freitag declared. International arrivals are expected to increase by 6-7% to a new record of 935 million trips, according to the World Travel Monitor. Perhaps more importantly, this represents a 2% increase on the previous record year of 2008, thus demonstrating that international tourism has not only recovered from the 2009 slump but is already growing again in real terms in the first post-crisis year.

This forecast is supported by the UNWTO's latest World Tourism Barometer which predicts a 5-6% rise in international tourist arrivals this year. This more than compensates for last year's 4% fall and will make 2010 into a new record year for international tourism in terms of visitor numbers. "The recovery that started at the end of 2009 will generate a good growth figure for this year," UNWTO executive director Márcio Favilla told Pisa participants.

Region	2009	2010
World	-4%	+5-6%
Europe	-6%	+1-3%
Asia Pacific	-2%	+9-11%
N. America	-6%	0-2%
S. America	-3%	+11-13%
M. East	-5%	+10-12%

At a regional level, Asia Pacific, South America and the Middle East are expected to see the

strongest growth in inbound tourists this year. Africa will also have good growth rates. While all these regions will probably return to or exceed 2008 levels, Europe and North America will only see a partial recovery, according to UNWTO predictions. Among individual destinations this year's winners will be South Korea (28%), China (+23%), Germany (+11%), Croatia (+7%) and Mexico (+5%), according to IPK's Outlook 2010. But Spain ( $\pm 0\%$ ) and Greece (-5%) might fall back.

Source: UNWTO

The overall positive outlook was supported during the Pisa meeting by Boeing which predicts a 7% rise in the number of international air travellers this year. While short-haul air travel remains very price-sensitive, there is a comeback for the premium long-haul market. Air travel accounts nearly half of global international travel in terms of means of transportation, according to the World Travel Monitor.

#### *Tourists count their Euros and dollars*

Tourists around the world are still being careful with their money, however. Total spending by international travellers is expected to increase by 7% to €781 billion this year, the World Travel Monitor found. Given the 9% spending decline in 2009, this represents a good recovery but leaves the 2010 figure still below the 2008 record of €800 billion. Average spending per night is expected to be €107 while spending per trip will be €1,141.

Big spenders this year in terms of international tourism expenditure include China (+22%), the Russia Federation (+26%) and Brazil (+54%), according to UNWTO figures. Among the ten largest source markets, there are positive but modest increases from Germany (+1.5%), the USA (+2.5%), France (+2%), Italy (+3%) and Japan (+8%).

#### *More hotel guests but rates still under pressure*

The world's hotels and accommodation industry will see a good recovery this year in volume terms but not quite return to growth yet, the World Travel Monitor results showed. After a 7% drop in total room nights in 2009, volumes will rise 5% this year to 5.7 billion nights. The key trend is that people are travelling again but taking shorter trips. Hotel prices are rising again as demand returns strongly but trends are very divergent around the world, according hospitality research company STR Global. Room yields (revenue per available room) are rising in Asia and improving in Europe after a

sharp drop over the last two years, Konstanze Auernheimer, director of marketing & analysis, commented at the World Travel Monitor Forum.

*Tourism to benefit from improving world economy in 2011*

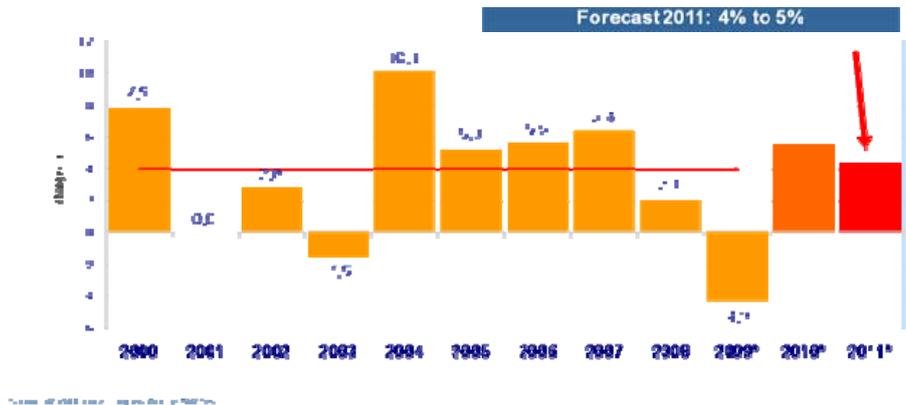
Looking ahead to 2011, good prospects for the world economy next year and beyond will be a major driver of growth for tourism. The world economy will grow 4.8% this year followed by 4.2% in 2011 and 4.7% in 2012, according to Germany's respected IFO Institute. "The world economy is on the brink of a consolidated upswing," Dr Gernot Nerb, IFO's director of industry research, told Pisa participants.

World economic growth is being driven by Asia (mostly China and India) and Latin America, the economics expert said. "Emerging countries will contribute about two thirds of world economic growth this year," Nerb said. In contrast, US GDP will grow 2.7% this year but slow to 1.9% in 2011, according to the Q3, 2010 IFO forecasts. "Western Europe is improving but there are big differences from country to country," he noted. Germany is "a front-runner" with 3.7% GDP growth this year and a further 2.2% next year. "I hope Germany can be a small locomotive alongside China as the big locomotive," Nerb commented. The German outbound travel market should profit "over-proportionately" from higher private consumption levels in 2011 thanks to the sustained upturn, lower unemployment and less job insecurity, he predicted. In contrast, the UK and France might see only very low growth in 2010 and 2011, Nerb predicted.

*International tourism growth of 3-5% in 2011*

International tourism is now predicted to increase in the 3-5% range next year, according to IPK's World Travel Monitor and UNWTO forecasts. IPK's Global Travel Confidence Indicator lies at 103 points for 2011, indicating 3% to 5% growth in world outbound travel. The main drivers will be the improving world economy and low fares from budget airlines while safety and environmental concerns are not expected to impact significantly. Similarly, the UNWTO now forecasts growth of 4-5% in international arrivals for 2011, which would put the sector back at the long-term growth rate of 4% recorded between 2000 and 2009. Air passenger volumes, according to Boeing, are likely to rise about 5% in 2011.

## Forecast 2011



*The World Travel Monitor, based on half a million representative interviews a year, covers 61 leading outbound markets that represent 85% of the world's travel to all destinations worldwide. The World Travel Monitor is composed of the European Travel Monitor, the Arabian Travel Monitor, the Asian Travel Monitor and the American Travel Monitor, and is produced by IPK International, with headquarters in Munich.*

## Section B: European travel trends

### *Europe recovers despite turbulence*

Europeans have dusted off the Icelandic ash cloud and are travelling again this year. But they are shortening their trips and cutting down on spending. There are wide variations both between individual source markets and among European destinations, however.

### *A year of stabilisation*

The number of trips taken by Europeans rose 1% from January to August this year but the numbers of room nights dropped 2% and spending was 3% lower, according to the European Travel Monitor. Thanks to slightly higher growth expected this autumn, IPK predicts growth of 1-2% for the European outbound market for the full year, making 2010 into "a year of stabilisation". Short-haul travel to European destinations is stagnating but long-haul travel is growing well at 5%. This is reflected in a 2% drop in car-based travel but a 2% rise in air travel. Water-based travel is continuing to boom with a 10% rise for cruise and other ships.

At the same time, Europeans are taking shorter trips, IPK figures for the first eight months of the year show. The average length of stay declined 7% to 8 nights, with a 10% rise in the number of short trips (1-3 nights). In parallel, Europeans are spending less on their holidays. Spending per trip dropped 4% to €374. Total travel spending by Europeans will thus be lower this year than in 2009.

### *Ups and downs for outbound markets*

There are wide variations in terms of major outbound markets, however, the European Travel Monitor showed. The British market is trailing badly with a 6% decline and Germany is stagnating with 0% growth. France, Spain and Italy have low growth of 2-4% but the Nordic markets are stronger with 5-8% growth.

Destination winners with growth of over 8% from Europe include Germany, Netherlands, Egypt and China but countries with stagnant or lower European visitor numbers include the UK, Spain, Greece and the USA. Reflecting this year's uncertain market, late bookings soared this year, with a 25% increase in bookings made less than one week before departure.

The number of Europeans booking travel on the internet rose 17% and is now approaching the 50% level, according to the survey.

### *Mixed outlook for 2011*

Looking ahead to 2011, the IPK Travel Confidence Index lies at 101 points for Europe, indicating 1% to 2% growth next year. Most optimistic for 2011 are Russians, Austrian, Swedes and Belgians while Germans and British are the least confident among major



*The European Travel Monitor Trend Survey 1-8/2010, based on 100,000 representative interviews, covers 12 major markets that represent 65% of European outbound*

outbound markets. The financial crisis will continue to impact the travel behaviour of 65% of Europeans next year. The largest proportion (44%) plan the same amount of travel in 2011 as this year, while the number of people planning to travel either more or less is virtually identical at 22-23%. A clear majority (57%) plans to spend about the same on travel next year, while 37% plan to reduce travel spending. Russia, Germany and Spain are the most price-cautious markets.

*Destination Europe: low growth of 2-3% in 2010 and 2011*

Europe will see a slight pick-up in international visitors this year but will first recover fully from the global recession next year, experts said in Pisa. In 2009 the continent remained the world's largest international tourist destination with 459.7 million arrivals, or 52.2% of the worldwide total. This was a 6% drop on 2008, which had already seen stagnating volumes, according to UNWTO figures. This year Europe will see a 1-3% rise in international arrivals, the World Tourism Organization predicts. This would represent a partial recovery but not yet a return to growth.

*Ups and downs in 2010*

This moderate recovery is reflected in official figures for international arrivals in Europe over the first eight months of 2010. Southern Europe welcomed just 2% more visitors, leaving it with a 3% drop compared to 2008. Western Europe and Central/Eastern Europe are up 4% this year but remain lower than 2008 levels, while Northern Europe is showing a 3% decline compared to last year and a 10% fall compared to 2008 levels, according to UNWTO data.

This year European destinations are generally recovering but there are wide divergences, according to recent figures from the European Travel Commission, which represents most tourist boards across Europe. "The worst is over but the recovery is partly still very weak and slow in some European destinations," Tom Ylkänen, the Finnish Tourist Board's head of research, told Pisa participants. Germany, for example, had 11.5% more international arrivals over the first nine months of this year, and Italy is recovering with an estimated 3.6% increase over the same period. But Spain stagnated with a fractional 0.4% rise from January to August and Greece dropped 5.4% in the first half-year.

This trend is supported by an ETC survey of 20 European tourist boards in October 2010. This found six countries with growth of over 5%, eight with moderate growth of up to 5% and six with no growth or declines this year. "We are currently estimating average inbound growth of 2-3% for Europe this year," said Leslie Vella, Malta Tourist Authority marketing director and ETC market intelligence chairman. Recovery is generally being driven by overseas visitors, city trips and business travel. But recessionary effects in some major source markets, such as the UK, are still holding back travel to some European destinations, trips are shorter as people tighten up on spending and the Icelandic volcanic ash cloud hit travel heavily in April. Moreover, the recent ETC trends report for Q3, 2010 cautioned that growth will slow in the final months of this year since the recovery already started in late 2009.

*Low growth in 2011*

“Looking ahead to 2011, we are cautiously optimistic and currently forecast 2-3% growth for Europe,” Vella added. Growth next year will be driven by the continued economic recovery but there are some negative factors such as taxation on aviation and the uncertain British market, he pointed out.

## Section C: Asia Pacific travel trends

### *Asia shakes off recession with dynamic growth*

Asia Pacific is proving (together with South America and the Middle East) the most dynamic region for world tourism in 2010. Outbound travel is increasing at double-digit rates and will even end the year well ahead of 2008 levels. The region's destinations are also smiling with good growth rates this year, and the overall outlook for 2011 is very optimistic.

### *New all-time high for outbound travel in 2010*

Asia Pacific is demonstrating this year that it is one of the engines driving world tourism forwards. At present Asia only accounts for 18% of world outbound tourism, compared to 59% for Europe but is already ahead of the Americas (17%), according to the Asian Travel Monitor (which covers eight major outbound markets in the region). In 2009 there was a 9% drop in outbound trips following strong growth in 2006 and 2007 and stagnation in 2008, reflecting how the region was impacted early by the world recession.

But this year Asian outbound growth showed strong growth of 15% over the first eight months and is expected to end the year showing a 14% rise (due to comparison with the already improving Q4 2009 figures), the Asian Travel Monitor found. This result will more than wipe out two years of stagnation or decline and set a new all-time high. 2010 is even likely to show 4% growth for Asian outbound travel compared to the previous record year of 2008.

<i>Asia</i>	<i>2009</i>	<i>2010</i>
Total outbound trips	-9%	+14%
Within Asia	-8%	+17%
To Americas	-10%	+20%
To Europe	-12%	+8%

*Source: Asian Travel Monitor*

The booming outbound Asian markets this year are China, South Korea and Malaysia, which are all increasing at more than 20%, while outbound travel from Taiwan, Japan, Singapore and India are also growing at double-digit rates. Japan is the largest Asian source market with 17.5 million trips in 2009, followed by China with 13.1 million trips (excluding Chinese travel to Hong Kong and Macao), South Korea and Taiwan.

### *Asians stay mostly in the region*

In terms of destinations, 76% of Asian trips are to countries within the region, while only 13% are to Europe and 10% to the Americas. China is the most popular destination for Asians, well ahead of Thailand, Malaysia, South Korea and Japan. Asia will increase its market share as a destination this year, with a 17% growth rate, but the Americas (+20%) are also proving popular for Asians this year.

European inbound from Asia is growing at a more modest 8% and should reach 10.4 million trips by Asians this year. Two thirds of them are holidays. China has grown to match Japan as the main Asian source market for Europe, at 3.1 million trips, well ahead

of India (0.9m) and S. Korea (0.8m). The Chinese are over-proportionately interested in Europe, with the continent attracting 25% of all Chinese outbound trips compared to 17% of outbound trips from Japan and India. The Chinese mostly visit Germany, Italy and France, while the Japanese tend to head for Italy, France and Germany. Indians mostly visit the UK, followed by Germany and Switzerland.

### *Indian outbound market ready to take off in 2011*

The 2011 outlook for Asian outbound travel is positive. IPK currently predicts a further 6 to 8% increase next year on top of this year's expected 14% growth. In particular, India appears set for strong growth, with 43% planning more outbound travel next year. IPK's Travel Confidence Index for India in 2011 is at a very high 113 points. Furthermore, there are also more Japanese and Koreans planning to travel more next year than to cut back.

### *Destination Asia heading for 9%+ growth in 2010*

As a destination region, Asia Pacific is recovering fast from the downturn in 2009, figures from the UNWTO and PATA show. Most of the region is growing at double-digit rates this year and far outpacing the downturn of 2009. "Asia has bounced back faster than our expectations," declared Adam Sacks, managing director of Tourism Economics. "There are incredible growth rates that are far exceeding the losses of 2009." Intra-Asian travel is the driving force, up 16% in the first half-year, which was even an 8% rise on 2008. Long-haul travel to the region is recovering only modestly, however. Asia Pacific is currently expected to close the year with a 9-11% rise in international arrivals, the UNWTO predicts.

### *Fast growth across the entire region*

All sub-regions within Asia Pacific are recovering strongly this year. According to UNWTO figures, North East Asia welcomed 16% more international tourists over the first eight months of this year, which was 9% more than in 2008. Japan, Taiwan and Hong Kong are leading the way with growth of more than 20% but mainland China has a relatively modest 5% rise, according to PATA statistics.

South-East Asia is growing 13.1% with Vietnam up by a dramatic 36%, followed by Singapore, with a very healthy +22%, UNWTO figures show. The sub-region's 13% growth over the first eight months also corresponds to 7% growth on the same period in 2008. South Asia was up 14.3%, with Sri Lanka (+44%) and the Maldives (+20%) impressively making up for past losses. The sub-region saw a 14% rise over the first eight months of this year which amounted to a 7% increase on 2008 volumes,

UNWTO said. The only exception to this picture is the Pacific which is lagging behind somewhat with a relatively moderate 6.4% improvement.

### *China to become world's largest outbound market and destination?*

Travel to and from China was a major topic at the Pisa meeting. The country will play a decisive role in the world tourism industry in future, according to Professor Haiyan Song, chair professor of tourism at the Hong Kong Polytechnic University. "China's emergence

as the new superpower will define the global economy as well as world tourism over the next 20 years," he told Pisa participants. By 2030, the country would become the world's largest economy, roughly the size of the USA and Europe combined, he predicted.

From a destination perspective, China is forecast to grow from 130 million international arrivals in 2009 to nearly 188 million in 2015. This would give the country a 50% share of the inbound market to Asia Pacific. "China will become the largest tourist destination in the world after 2015," Professor Song declared. As a source market, the number of Chinese taking foreign trips could grow to 79 million by 2015, possibly outstripping Germany as the top outbound travel market worldwide. At present about 91% of Chinese tourists visit destinations in Asia Pacific. However, they will start to travel further in the future, Professor Song predicted.

## Section D: Americas travel trends

### *Northern strain but Southern comfort in the Americas*

The Americas are also recovering well this year but with two very divergent trends. North America is only slowly picking up from the 2009 downturn but South America is growing fast, driven by a Brazilian boom.

### *Economic improvement drives tourism*

The Americas are expected to do well economically this year with average GDP growth of 4.8% followed by a further 3.8% in 2011. However, these figures hide low expected growth for the USA and more dynamic growth in South America. For diverse reasons, it makes sense to consider travel trends for North and South America separately.

### *Low growth for North American outbound market*

In 2009 US outbound travel was down -3.4%. But with 61 million outbound trips, the USA remained the second-largest source market after Germany and ahead of the UK in 2009. In terms of long-haul destinations from the USA, the European and Central American regional shares decreased by 1%, whilst Asia Pacific managed to increase its share by 1%. Caribbean and South American destinations were able to keep their market shares. The large North American outbound travel market is expected to grow only slowly this year, mostly due to the weak US economy. The 2011 outlook is likewise rather modest.

### *South Americans go travelling... and shopping*

The largest outbound market in South America, Brazil, is performing very strongly this year with a 26% rise in outbound trips. And Brazilians are proving big spenders this year as well. Spending abroad has soared 54% to \$11.5 billion this year as they take advantage of their strong currency to splash out in Miami and elsewhere in the USA. Other positive factors driving growth in the Brazilian outbound market include many first-time international travellers, mostly in groups, and foreign studies. "There is high pent-up demand for foreign travel and we are seeing plenty of first-time travellers," explained Jeanine Pires, former Embratur president and now head of the government's Olympics 2016 organisation.

This dynamic growth is only outpaced by neighbour Argentina, with a 34% increase, while Colombia is showing a 12% increase, according to IPK's Americas Travel Monitor, which now covers all 13 outbound markets in North and South America, having added Ecuador, Bolivia and Venezuela this year. About half of all trips by South Americans are within the region, followed by 15% to Europe and North America respectively.

### *Americas arrival numbers back to 2008 levels*

As a whole, the Americas are recovering well as an international tourist destination this year. The UNWTO forecasts 4-6% growth for the region after a 5% decline in international arrivals last year, which will effectively mean a return to 2008 levels.

### *Tourists flock to the USA*

North American inbound travel is doing well this year with 9% growth from January-August, according to UNWTO figures. However, this will still leave it 2% below 2008 volumes. The USA is performing well with a 12% increase in inbound trips over the first seven months of this year after last year's 5% drop to 55 million international arrivals. Its two largest source markets, Canada and Mexico, are performing well with good double-digit growth, Japan is recovering strongly with a 21% rise and there is a 40% surge from Brazil on top of last year's 16% growth from the South American country. British visitor numbers to the USA remain depressed with a 3% drop over the first seven months of 2010 following last year's 15% decline.

### *Real growth for South America*

South America has a 7% rise in inbound travel from January-August, according to UNWTO figures. This represents a 2% rise compared to 2008 figures. Brazil is booming with 13% growth in international arrivals while the domestic holidays sector is also performing strongly with a 26% rise to 68 million domestic arrivals. "Brazilians are only just starting to travel within their own country," explained Jeanine Pires in Pisa. In other words, Brazilians are travelling more strongly both abroad and within their country. Looking further ahead, the 2014 World Cup and 2016 Olympics in the country would prove major drivers for more tourism to Brazil, she predicted.

In contrast, the Caribbean is lagging behind with only a 4% increase in inbound trips, according to the Americas Travel Monitor. Official statistics show a 3% rise over the first eight months of the year. The region has been particularly hit by weak visitor figures from the USA.

### *Optimistic South Americans want to travel next year*

Looking ahead to 2011, South Americans are more optimistic than North Americans in their travel planning, the Americas Travel Monitor shows. While 78% of North Americans say the financial crisis will impact on their travel next year, the figure is only 63% for South Americans. Optimistically, 37% of South Americans plan to travel more next year, a high figure, and only 17% will travel less. The number of South Americans visiting the USA is predicted to rise by a further 10% next year following a 16% rise this year. As a result, IPK's South American Travel Confidence Index is standing at a healthy 104 points.

In contrast, 23% of North Americans say they will travel less next year, 22% plan more travel and 55% about the same. The North American Travel Confidence Index has dropped to 98 points, indicating stagnation or even a potential decline in outbound travel next year.

## Section E: Emerging markets

### *Emerging markets heat up the tourism industry*

*Countries such as China, India and Brazil will grow into major tourism markets in the years to come but destinations and the tourism industry have to start now to market themselves and adapt their products and services to these millions of potential new customers, according to experts.*

The BRICS are already warm and will heat up even more in the future. So the international travel industry must keep a cool head and start working now to win their business. That, roughly paraphrased, was one of the key messages at this year's World Travel Monitor Forum in Pisa where emerging markets were one of the hottest topics.

Rank	Origin	Trips in Million	Share
1	Germany	72.6	10%
2	USA	64.0	9%
3	Great Britain	54.9	8%
4	France	31.7	5%
5	Canada	27.3	4%
6	Netherlands	23.5	3%
7	Italy	22.4	3%
8	Russia	21.7	3%
9	Japan	19.6	3%
10	China	16.1	2%

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At present, the likes of China, India and Brazil represent only a small proportion of world travel and tourism, although Russia (the fourth BRIC country) has already emerged as a major source market for Mediterranean destinations and various European countries over the last decade. IPK's ranking of the world's ten largest outbound markets (*shown above*) puts Russia in eighth position while China is tenth at present. At a regional level, Asia Pacific only represents 18% of world outbound tourism compared to 59% for Europe.

In future, however, the four BRICs and also many of the so-called 'Next-11' countries (the next-largest emerging markets) will enjoy strong economic growth. Over the next few years, Asia (mostly China and India) and Latin America will drive world economic growth, contributing up to 75% of global GDP growth from 2010 to 2012, Dr Gernot Nerb, director of industry research at Germany's IFO Institute, told Pisa participants. This economic growth will create a new middle class and lead to greater spending power for consumers in those countries. At present, household consumption (as a % of GDP) is substantially lower in India and China, for example, than in developed countries.

These new world economic powerhouses will also play a much more important role in the world tourism industry in future. By 2020, according to IPK, the number of Chinese outbound travellers could double and the number of Indians travelling abroad could grow fivefold. This would raise both countries within a decade to the top six outbound markets worldwide.

*Chinese travel held back by visa restrictions*

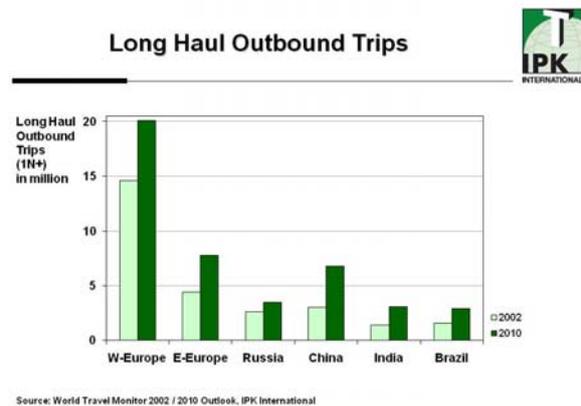
The potential of China in view of its continued economic growth and good long-term prospects was a major talking point in Pisa. Professor Haiyan Song, chair professor of tourism at the Hong Kong Polytechnic University, stressed that several key factors would drive a dramatic growth in Chinese outbound travel over the coming decade, including the emergence of a large Chinese middle class which could afford to travel abroad and changes in visa regulations. At present most Chinese travel abroad in groups due to visa regulations (as well as for language and cultural reasons) but to Hong Kong, where no such rules apply, about 70-80% of trips are made individually. "In the future if there are no visa restrictions for travel to Europe and America, then I'm sure the percentage of individual travellers will go up significantly," he commented. Moreover, any strengthening of the Chinese currency, the renminbi, would increase purchasing power for outbound travel, he pointed out. The currency had already risen 20% against the dollar over the last decade. Other speakers urged the European travel industry to collaborate and work with authorities to ease visa restrictions, which are seen as a significant barrier to greater travel from China and India to Europe.

*Brazilians start travelling long-haul*

On the other side of the world, a less-noticed boom is also taking place. Brazilians, boosted by years of good economic growth and a strong currency, are also starting to travel much more, both within their own country and abroad. The number of outbound trips by Brazilians has soared 26% this year, for example, and further strong growth is expected in 2011 as well. Due to the large number of first-time travellers and also for language reasons many Brazilians prefer to travel in groups and also have high levels of spending, especially for shopping. Many young people in South America's largest economy are also interested in studying abroad to improve their education and training. While the USA remains the favourite foreign destination, Brazilians are starting to travel long-haul in greater numbers. New long-haul flights, such as by Emirates, and the merger of TAM and LAN into South America's leading airline LATAM, would support this growth in the future, predicted Jeanine Pires, former Embratur president and now head of the government's Olympics 2016 organisation.

*Taking a balanced view of emerging markets*

A note of caution, however, was sounded by several tourist board representatives. European destinations should take a balanced view of the potential of emerging markets versus the size and importance of their existing major markets, they said. Even though the emerging markets will grow faster



than traditional markets in the years to come, the actual increase in visitor numbers will be bigger from traditional markets due to the much larger customer base, they pointed out.

### *China and India: cultural differences and similarities*

For European tourist destinations wanting to profit from this growth in outbound travel from emerging markets the key questions are which markets to concentrate on and how to target them, speakers stressed at the Pisa meeting. In the short-term, China and India should be the focus markets due to their size, fast growth and emerging middle class, several participants suggested. According to IPK's Asian Travel Monitor, Chinese and Indian visitors have an average stay of nine nights in Europe, which is somewhat longer than Japanese tourists (but shorter than Koreans). The Chinese are the bigger spenders. With €235 per night the Chinese spend about 20% more on trips to Europe than Indians (€195), which is mainly due to their more pronounced shopping behaviour. In general, Asian travel to Europe is becoming more diversified. While tours are still the main purpose (61% of the total holiday share on trips to Europe), the CityBreak holiday (12%) and the Sun&Beach holiday (10%) are slowly growing, the Asian Travel Monitor showed.

One common theme when marketing to China and India is the importance of the "Europe" brand, according to IPK source market studies. With Asian tourists tending to visit on multi-country tours, it could make sense to promote cross-border packages with a 'European name'. However, it was particularly important to pay careful attention not only to the social and cultural similarities but also the differences between these two giant countries, it was emphasised at the World Travel Monitor Forum. Chinese tourists, for example, prefer to travel in groups due to visa requirements but also for reasons of social behaviour, culture and language. In contrast, after an initial group trip, Indian travellers are often ready to repeat their visits with individual trips thereafter. Chinese-language services and information are essential for Chinese groups, while Indian travellers generally have good English skills.

### *European destinations eye Asian tourists*

European countries are taking a diverse approach to trying to attract more Chinese and Indian visitors, a discussion on emerging markets at the Pisa Forum showed. Above all, a key question was how much to invest in marketing now with the aim of a long-term pay-off. Malta, for example, is focusing on niche markets such as English courses for Asians, said Leslie Vella, Director Marketing Support and Development for the Malta Tourist Authority. A relatively small number of South Koreans come to the island for up to six months to study English but they generate a total of about 100,000 room nights for the island's accommodation sector, he gave as an example. Ireland and Switzerland are clearly benefiting from "the Bollywood effect", other speakers pointed out. A number of Indian movies have been filmed in both countries in recent years, and have sparked off considerable interest in the two destinations.

The European Travel Commission, which represents 36 national tourist offices in Europe, will start operations in China next year to promote the continent. "We are embarking on the adventure that is China," commented Raf De Bruyn, ETC's executive director (a.i.). In particular, ETC, which already has 'operations groups' in Japan, North America and Brazil, is looking at how to brand Europe as a travel destination for the Chinese.

## Section F: Social media & mobile technology

### *Tourists get social and mobile*

Social media and mobile technology will dramatically change the face of the tourism industry in future. Holiday tips from friends worldwide, interactive bookings and mobile travel guides at the destination will become the norm in years to come, according to experts at the World Travel Monitor Forum meeting in Pisa.

### *Travellers are active social media users*

Around the world more and more travellers are using social media. In the USA, about 52% of the 152 million adult leisure travellers – or some 79 million people - already use social media, Laura Mandala, managing director of US-based Mandala Research, reported. They represent an attractive customer segment generating \$102.9 billion for the domestic US tourism sector compared to \$69.5 billion from non-social media users. Their greater impact is driven by a higher average number of trips (5.4 per year vs 4.2), although they spend less per trip on average. A high 41% of US online leisure travellers have become 'travel social fans' (TSFs), signing up as friends, fans or followers of travel suppliers on social networking sites, she said.

US social media users tend to be active on Facebook, read other social sites, use the internet intensively for travel information, check out hotels on TripAdvisor and use online travel retailers such as Travelocity and Expedia, the American tourism researcher explained. But only a low 20% rely on social sites for leisure travel information and websites are trusted much more than social networks. Like non-social media users, they still rely heavily on traditional sources for trip information, such as friends and family, brochures and diverse media.

"These figures shows that travel in social media is still at an early stage," Mandala commented. "Destinations should thus get into social marketing but they must establish trust with the users. Credibility and dependability are critical," she stressed. Travel suppliers should segment the social media target audience into different types, select their targets and then position their product with a distinct image, she recommended. At present, the travel industry spends only a low sum on marketing via social media and has few effective ways of measuring the success of its activities, according to research.

### *Mobile technology takes off*

The dramatic success of smart phones such as the iPhone over the last few years opens up exciting new opportunities for the travel industry. As many as 40% of international travellers already own a smart phone with internet and e-mail access and other functions, while 57% have a conventional mobile phone (2% still do not have a mobile phone), this year's World Travel Monitor revealed. More than 40% of smart phone owners already use their devices to get destination information, and 34% of business travellers / 26% of leisure travellers use them to make booking changes during their trip.

Unsurprisingly, more and more travellers are also using social networks by mobile access during their trips. As many as 37% of international leisure travellers say they use mobile social networks, according to the World Travel Monitor. This means holiday photos and other contents are being posted online on sites such as Flickr or Facebook while the traveller is still at the destination.

### *A flood of travel apps*

The travel and tourism industry is already responding to this growth with a flood of apps that are proving popular, Mats Staugaard, head of Norwegian consulting firm Infinite Loop, told Pisa participants. Tripadvisor, for example, was the most-downloaded app for a year due to its useful content. However, the industry should be sure to develop products for all smart phone types, not just iPhone, and also consider mobile websites rather than apps, he suggested.

Non-travel companies and organizations are also targeting the sector with various applications. For example, Wikihood, the new Wikipedia iPhone product, is designed to organise and display “the world’s knowledge about any location worldwide” with text and images, including cultural information. According to their website, “you can go on a virtual city tour using the new, enhanced map component which can show all locations as pushpins along with their picture on a satellite or schematic map”.

Based on GPS location-fixing technology (a new ‘mobile mega-trend’ according to Staugaard), this is effectively a personal tour guide in a smart phone.

### *“I spy with my mobile eye”*

A powerful new tool for the tourism sector could be the combination of GPS with the in-built camera which can be developed into so-called ‘augmented reality’. This refers to viewing something through the smart phone camera combined with additional screen displays of information or images. This creates an interactive display of the user’s immediate surroundings. LonelyPlanet has already launched interactive city guides for smart phones featuring this technology.

Destinations are now starting to take advantage of augmented reality. The Dutch Tourist Board, for example, recently launched such a smart phone app under the name “Holland-layer” using the free Layar Augmented Reality technology. Consumers firstly download the app to their smart phone and can then use the phone’s camera to call up location-based tourist information and get directions. Information is generated from the tourist board’s database covering 17,000 points of interest in the country. *“As a visitor to Holland you’ll have access to all the relevant touristic information and explore the country in a whole new way... For example, if you are standing on the Museumplein in Amsterdam and activate the Holland-layer, you’ll be able to access all the information on attractions and museums nearby and it will even point you in the right direction.”* (Source: Dutch Tourist Board)

### *Real-time travel information*

Moreover, the travel industry is one of the obvious sectors for use of important real-time data such as changes to flight times. Trip Deck, for example, is an iPhone app that manages flights, hotel reservations, car rentals or other services, and includes real-time flight tracking. *(On November 18 Expedia announced the acquisition of Trip Deck creator Mobiata. Mobile traffic currently accounts for approximately 4% of all visitors to Expedia.com, with mobile bookings up in 2010 nearly five times over the previous year. "Mobile and travel are just made for each other," said Joe Megibow, Expedia's VP of Global Analytics and Optimization.)*

### *Ads and cash but what about the costs?*

Looking ahead, two other new developments could be highly important for the tourism industry, Staugaard said. Apple is now testing mobile advertising under the product name 'iAds' with ads from diverse companies. According to CEO Steve Jobs, "iAd offers advertisers the emotion of TV with the interactivity of the web". This new product gives destinations and travel providers a new marketing channel to target mobile phone owners directly. Another big trend will be mobile payment, according to Staugaard. "The iPhone will also turn into a wallet to pay for everything imaginable," he said. In particular, mobile ticketing will be an important development for the travel sector.

One negative factor, however, remains the high costs of downloading data on mobile devices when outside the home country due to high roaming tariffs. Since July 1 this year, an automatic €50 monthly limit on roaming costs has been introduced within the EU and operators have to send users a warning when 80% of their limit has been reached. "There will be no more bill shocks for tourists or business travellers surfing the internet with smart phones or laptops while in another EU country," Neelie Kroes, Commission Vice-President for the Digital Agenda, declared while presenting the measure in Brussels earlier this year. The Commission aims to get EU roaming charges down to home country levels by 2015. But there is no such cap for overseas destinations. And despite the €50 overall limit international travellers have little transparency about the individual cost of activities such as using an interactive travel guide in a European capital city or searching online for a hotel or restaurant.

### *Travel industry tries out social media and mobile technology*

Against this fast-changing technological background, participants in the Pisa meeting discussed how the industry could best use social media and mobile technology. Many destinations have yet to develop social media marketing strategies, according to Expedia research. Yet there are already success stories. Air Asia, for example, has one million Facebook followers and claims to generate 13% of sales through the social network. In Japan, 20% of domestic flights are booked through mobile phones.

In Europe, many countries are already active in social media but face the challenge of measuring the return on investment. The approach is diverse. The Netherlands, for example, has an online department which is active in a wide variety of areas, including social media and mobile technology. In the social media field, the Dutch are focusing in particular on users in the USA, Spain and Italy since their target groups in these countries are heavy users of social media. Austria gives its social media experts considerable freedom, knowing that the technology and the demands are changing rapidly and that the social media experts are the ones to best understand and address the technology trends. Furthermore, the rapid pace of technological change also meant by the time strategies had been discussed and approved they might be outdated, some participants pointed out.

## Section G: LOHAS – Lifestyles of health and sustainability

### *Lohas – the new premium tourism customers?*

Well-off, well-educated, health-conscious and socially and environmentally aware – meet the Lohas. They could be the tourism industry's new premium customers in the years to come, according to experts at the World Travel Monitor Forum meeting in Pisa.

### *"Lifestyles of health and sustainability"*

'Lohas' is an acronym for a new social phenomenon that has emerged over the last decade or so and that is increasingly recognised as a major consumer movement. Officially standing for "lifestyles of health and sustainability" the catchy abbreviation has also come to refer to the people themselves. According to the US website Lohas.com, the term refers broadly to consumers interested in goods and services "focused on health, the environment, social justice, personal justice and sustainable living". Essentially, these are people who live and consume in an informed, aware and ethical manner, especially with regard to their own health and fitness, and to social and environmental issues. They are also interested in spirituality and new technologies. The term thus covers diverse sub-groups who have these attitudes in common (and therefore cannot simply be abbreviated to "green consumers").

"Lohas are a lifestyle phenomenon discussed as the new premium target group in tourism," explained Katja Neller, Senior Consultant with German research company and direct marketing full service provider in data and analytics, Schober Group. "They think global, are very mobile and open-minded. They are looking for a type of tourism that is ecologically sustainable and meets their standards of ethics and social justice." But they are also critical consumers, especially of 'greenwashing' marketing strategies.

Estimates of the number of Lohas in Western countries vary widely, with surveys reporting figures of anything from 5% to 30% of the adult population. In the USA, where the term is longest established, the number of LOHAS consumers is estimated at 19% of the adult population, or 41 million people. The US market for LOHAS goods and services is put at \$209 billion (Source: The Natural Marketing Institute, 2008), including a large 'eco-tourism' market estimated at \$42 billion.

### *German Lohas favour domestic holidays*

In Germany, Europe's largest economy, about 20% of the population can be identified as Lohas and live mostly in major urban areas, according to this year's in-depth 'Schober Lifestyle Report on LOHAS'. As far as travel is concerned, most of their trips are beach holidays and short holidays, followed by cultural trips, active holidays (sports, hiking) and wellness breaks. An overwhelming 53% of German Lohas holiday within their own country, followed by neighbouring Austria (14%) and Italy (12%). The rest holiday in diverse European destinations and only 4% book long-haul holidays. When booking

travel, ecological aspects are important (64%) but price remains the top factor (77%) and brand is less important (45%).

### *Diverse demand for sustainable tourism*

Along the same theme, the diversity of demand for sustainable tourism and “eco-holidays” was also discussed in Pisa. According to the World Travel Monitor, travel behaviour will not be affected in 2011 by the worldwide discussion on climate change. This prediction was supported by initial findings from an ongoing study by the Lucerne University of Applied Sciences and Arts on consumer attitudes towards sustainable tourism in eight major world markets. Sustainability ranks just seventh out of eight topics in terms of importance when booking a holiday, Roger Wehrli, head of research at the Institute of Tourism, reported. For 20%, however, it was a top three issue. (In contrast, 42% of US leisure travellers say they are willing to pay more for “green” travel products, US researcher Laura Mandala told participants.)

According to the Lucerne University survey, consumers clearly see local products, community and culture as being the most sustainable. However, long stays and CO2 compensation measures are only seen as sustainable by a relatively low number of people, and more than 60% of consumers see CO2 compensation as unsustainable, Wehrli said. In contrast, energy efficiency, waste management and involvement of the local community in tourism are seen as highly sustainable.

### *UNWTO focuses on climate change*

UNWTO executive director Márcio Favilla stressed that as world tourism recovers and returns to growth, the sector had to tackle the issue of climate change. World tourism contributes 5% of global CO2 emissions, he said, with 40% of that figure from air travel, 32% from car travel and 21% from accommodation. Ricky Mack, Boeing’s Market Research & Forecasting Director, stressed that the aviation industry will take a major step forward in the future with the commercial **availability of sustainable biofuels for aviation**. IATA’s vision of making the airline **industry CO2-neutral beyond 2020** was achievable, he added.

## Section H: Hi-tech tourism

### *Smart hotels and interactive customers*

*Within 10 years we could be checking into hotels staffed by robots, using automated 'smart rooms' and socialising interactively with other guests and complete strangers. That was a vision of the future presented at this year's Pisa Forum.*

'Smart hotels' are one of six different possible types of 'Future Hotels', said Vanessa Borkmann, project manager at Germany's Fraunhofer IAO Institute, which has been working on the topic for the last few years. Others could include basic modular hotels for budget travellers, middle-class hotels used as branded showrooms, 'avant-garde' hotels for trendy guests, wellbeing resorts for health-focused guests and community hotels either for travellers with a specific cultural background or socially-oriented travellers. All of them are sustainable hotels as consumers become more and more environmentally-conscious.

### *'Hotel families' in social networks*

In future, hotel guests could create different public profiles of themselves that other guests could access, Borkmann said. Online communities of like-minded people with similar interests could be set up, and hotel experiences and recommendations exchanged. At the same time, hotel operators could use the profiles to fashion products and services in line with customer wishes, and offer various individualised services on demand. Members of this new 'hotel family' could then meet up in the hotel and undertake joint activities depending on their interests. After the stay, guests could communicate their product feedback to their social community.

### *Automated rooms*

In the 'smart hotel' of the future, guests could check in and enter their room using a PIN code previously transmitted to their smart phone or even via biometric authentication, declared Borkmann. 'Smart rooms' could be designed with relaxing curves rather than straight lines as walls integrate various functions and technologies. The room would contain a range of interactive features such as intelligent 'energy beds', wall displays that convert into giant TV screens, or TV screens as interactive interfaces or workspaces. The environment could even be individualised for each guest or situation using his or her profile. This might mean automatically adjusting the lighting colours or climate, for example. The bathroom could even be converted into a personal wellness centre!

While this vision may sound futuristic and a long way in the future, some of these concepts are already being tested and showcased in the 'NextHotelLab' section of the inHaus2, Fraunhofer's research facility for commercial properties, located in Duisburg, north-west Germany. The research is being supported by diverse partners including Steigenberger, Lindner Hotels and HRS.

### *The interactive consumer – Tourist 2.0*

Such a Future Hotel would be technically possible thanks to dramatic improvements in technology in recent years, Borkmann explained. Adults around the world are going online, using social media and buying smart phones. Technologies such as sensors, RFID, biometric recognition and robots are gradually entering the social and commercial world.

The next step could be to use 'ambient intelligence' for the development of so-called 'augmented identity' (a.id), according to Borkmann. "a.id makes the barriers between the virtual and the real world disappear," she declared. A person's mobile or smart phone would be used to transmit his or her location and to exchange data with diverse networks, based on various user profiles. The information could then be viewed on 'virtual' displays projected in front of the person.

### *Robots at reception?*

Technological change was also identified by Professor Haiyan Song, chair professor of tourism at the Hong Kong Polytechnic University, as one of the key drivers for tourism in the future. "Robots will manage, serve and guide our travel with high quality and consistent service," he predicted. "For example, hotel receptions will use robots in future." Technology will be one of the key topics shaping the hotel industry over the next five years, agreed Konstanze Auernheimer, director of marketing & analysis at hospitality research company STR Global. The others would be the customer, the brand, talent and sustainability, she predicted at the 18<sup>th</sup> World Travel Monitor Forum from IPK International in Pisa.

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