



Tourism Intelligence  
International

# TRAVEL AND TOURISM'S TOP TEN EMERGING MARKETS



Everything you need to know  
about the Emerging Markets

# Travel and Tourism's Top Ten Emerging Markets

Research Report



Tourism Intelligence  
International



REINVENTING  
TOURISM

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## Tourism Intelligence International

**Tourism Intelligence International** is a leading research and consultancy company that provides innovative solutions for the travel and tourism industry. Innovation, sustainability and competitiveness are the hallmarks of this consultancy. This report — *Travel and Tourism's Top Ten Emerging Markets* — is another in a series of tourism market analyses. Tourism Intelligence International is the publisher of *Tourism Industry Intelligence*, a monthly newsletter that provides analyses of and tracks the key trends and developments in the international travel and tourism industry, that is also available in French and Spanish. Other reports from Tourism Intelligence International include:

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## About the Authors

### **Tourism Intelligence International**

With offices in Bielefeld, Germany, and Port of Spain, Trinidad, Tourism Intelligence International is a highly respected travel and tourism consultancy serving government and private sector clients in both established and emerging tourism destinations around the world.

We enjoy a worldwide reputation for the quality of our research, analysis, advice and strategic planning in the field of international travel and tourism.

We are equally well respected for our abilities to help clients implement innovative processes that optimise the potential of individual operations as well as tourism sectors.

“New Tourism” is tourism that is sustainable, environmentally and socially responsible, and mutually beneficial to visitors and host countries.

As such, we are regularly retained by international agencies and organisations such as the Inter-American Development Bank (IADB), the European Union, and the United States Agency for International Development (USAID), to guide developing countries in their efforts to tap the economic and employment benefits of international tourism.

Through our bases in Germany and Trinidad, we are well placed to monitor travel, hospitality and consumer trends in the key tourism markets of Europe, the Caribbean and North America. We share these trends with clients and subscribers through Tourism Industry Intelligence, a bi-monthly newsletter containing strategic advice for decision-makers in the travel and tourism industry.

Tourism Intelligence International employs a permanent staff of six, with additional support from six part-time staff.

In addition to our internal resources, the consultancy draws on a well-established international network of tourism professionals, independent consultants, companies and research houses.

**Dr. Auliana Poon** heads Tourism Intelligence International Ltd., a leading international consulting company that provides innovative solutions for the travel and tourism industry. Innovation, sustainability and competitiveness are the hallmarks of this consultancy.

Auliana Poon led the teams that developed the tourism policy and strategy for the new South Africa in 1996; developed strategies for trend-setting companies such as Sandals International (Jamaica) and Conservation Corporation (Africa); and developed the “tourism begins at home” programme that sparked the turn around in the Bahamas tourism industry in the early 1990s. Auliana Poon also led Tourism Intelligence International’s technical support teams in implementing the Euro 6 million Eco-Tourism Development Programme (2003-2007) in the Commonwealth of Dominica and in St. Vincent and the Grenadines (2007-2009). In 2005, she undertook the competitive assessment of the Barbados Tourism Industry; developed the framework for the management and promotion of the Abu Dhabi tourism industry (2004); the Singapore Tourism Board (2003-2004);

developed the Marketing and Human resource development strategies for Mozambique (2004-2005). She has provided critical support to the development of a UniVisa System (along the lines of Schengen) in the Southern African Region in preparation for World Cup 2010 and is responsible for the development of one of the Caribbean's leading resort brands in Africa.

Auliana Poon is analyst, co-author and editor of many of Tourism Intelligence International Publications including 'How Germany will Travel 2015'; 'How the British will Travel 2010', 'How Americans will Travel 2010' (forthcoming) and Travel and Tourism's Top Ten Emerging Markets (forthcoming) as well as the company's monthly newsletter (since 1994), 'Tourism Industry Intelligence' that is also available in Spanish.

Auliana Poon is credited with:

- ▶ Inventing the concepts of 'Old Tourism' and 'New Tourism' to describe the rapid and radical transformation of the travel and tourism industry.
- ▶ Developed the concept of 'Responsible Tourism' as a fundamental premise of the South Africa tourism policy and growth strategy in the early 1990s.
- ▶ Producing one of the most referenced works on travel and tourism '*Tourism, Technology and Competitive Strategies*' that one review claims "should certainly be on the compulsory reading list of all those seeking to advise and direct strategic plan for both old and new tourism destinations".
- ▶ Advising Abu Dhabi to 'stay different' from Dubai; to focus on its culture, heritage and traditions and to assume its role as a true capital of the Emirates, with an appropriate icon – The Pearl – a pearl-like glass structure on 11 floors, out at sea, that would celebrate the life and times of its late Ruler Sheik Zayed bin Sultan Al Nahyan (1971-2004).
- ▶ Developed the concept of 'Compassionate Tourism' for Malawi.

Auliana regularly addresses travel and tourism conferences in many countries including Aruba, Barcelona, Barbados, Benin, Brazil, Denmark, Geneva, Greece, Iceland, Hong Kong, Minnesota, Norway, Sweden, Finland, Germany, London, Mozambique, Singapore, South Africa, Washington and many others.

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## Foreword

Tourism Intelligence International launches its new Market Intelligence Report on Travel and Tourism's Top Ten Emerging Markets.

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 and South-East Asia. Eastern Europe completes this picture, followed by the Latin American and finally African markets. These markets are often referred to as “emerging markets”. As older markets become mature tourism destinations and travel suppliers are keen to capitalize on these new markets.

This report addresses the travel potential of travel and tourism's top emerging markets:

- Brazil
- China
- Eastern Europe
  - Belarus
  - Bulgaria
  - Czech Republic
  - Hungary
  - Moldova
  - Poland
  - Romania
  - Slovakia
  - Ukraine
- India
- Russia
- South Africa
- The United Arab Emirates

This Report from **Tourism Intelligence International** addresses, investigates and explains key aspects of these travel markets:

- Size & significance;
- Key driving forces for travel market growth;
- What are the current and preferred destinations for outbound travellers;
- How do these travellers think, feel and behave;
- What do they do on holiday;
- How do they plan and book travel;
- What means do they use to travel to their destinations;
- How satisfied are they with the trips abroad;
- What are their motives for travel;
- What are the new travel markets for these new travellers;
- How much do they spend;



- Where do they aspire to travel to;
- What does the future hold;
- Are these travellers “old” or “new” tourists;
- Do they travel independently or use packaged tours;
- How do they differ from the traditional markets such as the US, UK, Germany, France, etc.
- What are their preferred destinations and;
- What are their aspirational/dream destinations?

This innovative report reviews the factors that drove travel industry growth of traditional markets (Europe, USA and Japan) and examines the extent to which the same factors are at play in the emerging markets (such as economic prosperity, paid holidays and the search for sun, sea and sand) and other contributing factors. The differences between the maturing (Britain, Germany) and the Top Ten Emerging Markets are highlighted and the future prospects and market peculiarities investigated.

From ‘wowing’ them with technology, to capturing shopping spend and catering to special cultural needs, Tourism Intelligence International’s latest report on the Travel and Tourism’s Top Ten Emerging Markets tells you everything you need to do to understand and woo these travel markets.

This report is a must read for those companies and countries interested in targeting these important and growing Emerging Markets.

Our 300+ page Report, ‘Travel and Tourism’s Top Ten Emerging Markets’ is only available only from Tourism Intelligence International.

## Chapter 1

# EXECUTIVE BRIEF



## 1.1 Introduction

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 and South-East Asia. Eastern Europe completes this picture, followed by the Latin American and finally African markets. These markets are often referred to as “emerging markets”.

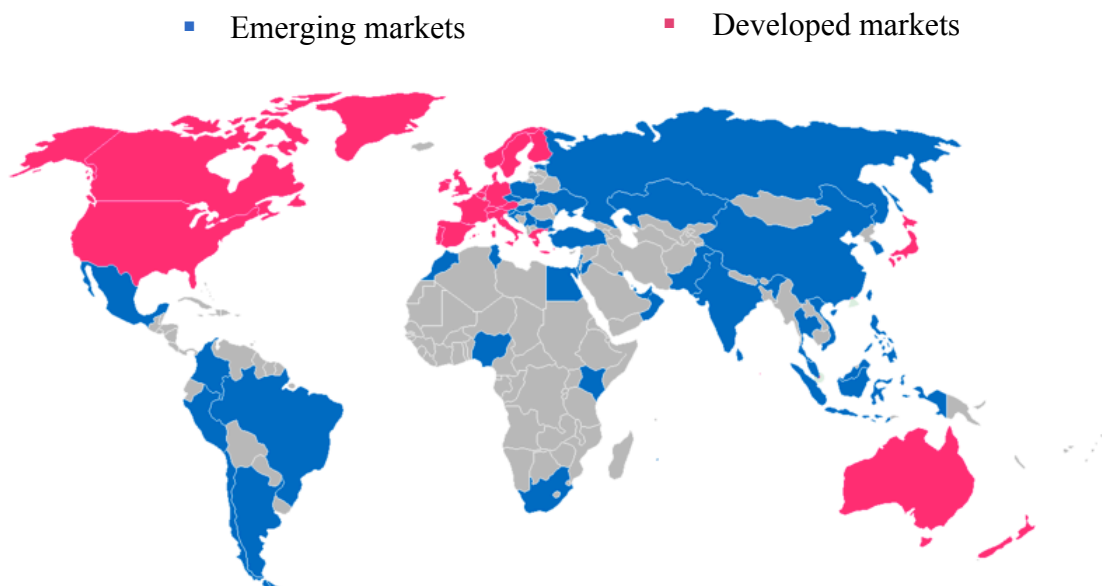
The term “emerging markets” was coined by the *World Bank* more than a quarter of a century ago, but it only started to become popular in the mid-1990s. From a handful of such countries, mostly in East Asia, the circle has gradually expanded to include several countries in Latin America, central and eastern Europe, and the Middle East, as well as a few countries in Africa. Brazil, Russia, India and China (informally referred to as the BRIC countries), are among the largest of the emerging markets that are expected to become the giants of the twenty-first century.

***Emerging markets to contribute to future growth of international travel***

***Brazil, Russia, India and China (BRIC) economies***

**Figure 1:1**

### Global Overview of Emerging Markets



*Source: Adapted from Morgan Stanley, 2008*

Many of these emerging markets are becoming important outbound travel markets. These markets are backed by growing middle classes on the one hand, and liberalising policies promoting mobility, on the other. The domestic travel potential of emerging markets – in 2006 China registered 1.6 billion trips and India 461 million – is a further proof of their long-term importance for international tourism.

***Rise of the middle class in emerging markets spurring travel demand***

Moreover, emerging markets will be very important in the global travel and tourism context, economically, demographically and culturally.

This report addresses the travel potential of travel and tourism's top emerging markets:

- ▶ Brazil
- ▶ China
- ▶ Eastern Europe
  - Belarus
  - Bulgaria
  - Czech Republic
  - Hungary
  - Moldova
  - Poland
  - Romania
  - Slovakia
  - Ukraine
- ▶ India
- ▶ Russia
- ▶ South Africa
- ▶ United Arab Emirates

This Travel and Tourism's Top Emerging Market Report from ***Tourism Intelligence International*** addresses, investigates and explains key aspects of these travel markets:

- ▶ Size;

- ▶ Importance;
- ▶ Key driving forces for travel market growth;
- ▶ What are the current and preferred destinations for outbound travellers;
- ▶ How do these travellers think, feel and behave;
- ▶ What do they do on holiday;
- ▶ How do they plan and book travel;
- ▶ What means do they use to travel to their destinations;
- ▶ How satisfied are they with the trips abroad;
- ▶ What are their motives for travel;
- ▶ What are the new travel markets for these new travellers;
- ▶ How much do they spend;
- ▶ Where do they aspire to travel to;
- ▶ What does the future hold;
- ▶ Are these travellers “old” or “new” tourists;
- ▶ Do they travel independently or use packaged tours;
- ▶ How do they differ from the traditional markets such as the US, UK, Germany, France, etc.
- ▶ What are their preferred destinations; and
- ▶ What are their aspirational/dream destinations.

## 1.2 Key Tourism Indicators

### 1.2.1 Outbound Travel

The tourism industry has been marked by rapid and almost continuous expansion. Every year, more and more people travel and the trend is set to continue. From a mere 25 million travellers in 1950, there will be more than one and a half billion travellers in 2020, predicts the *World Tourism Organization*.

***The tourism industry is growing rapidly***

**Table 1:1****Growth of International Tourist Arrivals 1950-2020**

Year	Total International Tourist Arrivals (millions)	% Growth
1950	25	-
1960	69	174%
1970	159	130%
1980	284	4%
1990	457	7%
1995	565	3%
2000	699	5%
2003	694	-1%
2004	764	10%
2005	808	6%
2006	842	4%
2007	898	6%
2010	1,006	44%
2020	1,561	55%

*Source: United Nations World Tourism Organization, 2007*

The most significant developments in international travel will undoubtedly come from the emerging markets. In 2006 the BRIC markets, Eastern Europe and South Africa accounted for approximately 23.3% of total international arrivals and almost equalled the combined number of outbound arrivals from USA, Germany and UK. And what is more astounding is that these markets will be the leaven that will create continued growth in international arrivals in the future.

China for instance has a population size of 1.3 billion citizens. However, only 34 million Chinese travelled abroad in 2006, which is less than 3 percent. A similar story is painted when we look at India. There were 8.3 million Indian

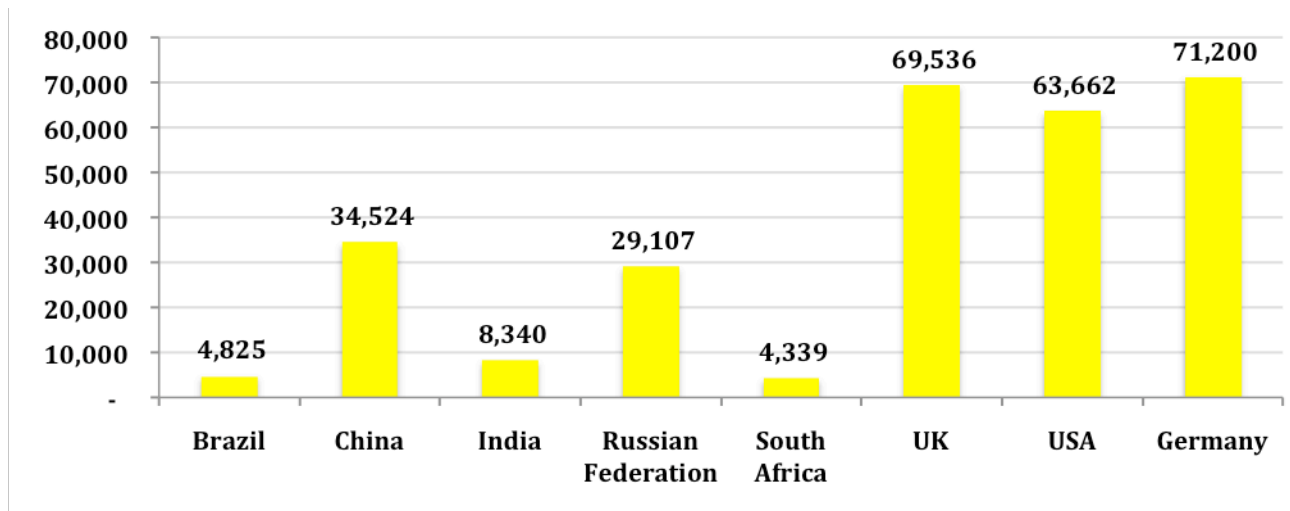
***Emerging markets will drive future growth***

***The sheer growth potential is astounding***

outbound travellers in 2006 representing less than 1% of the Indian population. On the contrary, the traditional markets are primarily saturated, with the exception of USA. Germany for instance, one of the most mature and experienced markets has a travel propensity of almost 80 percent.

**Figure 1:2**

**Outbound Arrivals from Selected Countries - 2006**

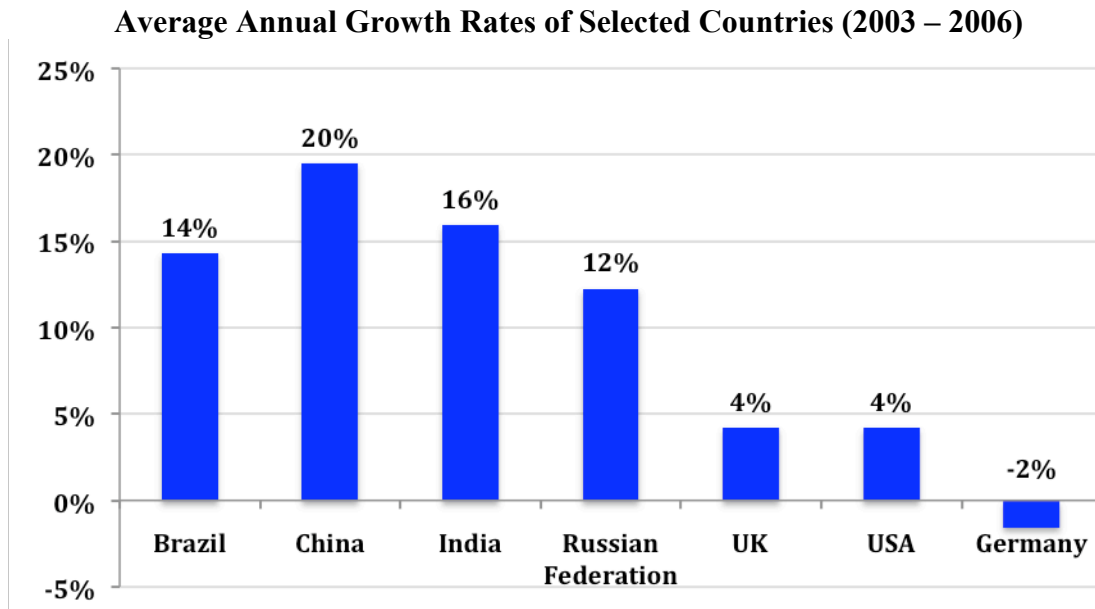


Traditional markets will continue to dominate market share. However, competing for these markets will become more and more difficult as the rate of growth of outbound travel slows. For tourism businesses, significant growth will come from the emerging markets.

***Battle for the old but new opportunities found in emerging markets***

Between 2003 and 2006, the average annual growth rate for outbound arrivals from China was an astounding 20 percent. India followed closely behind with a whopping 16 percent. Brazil saw a 14% average annual growth rate for the same period and Russia generated 12 percent. In contrast, USA and the UK grew at an average annual rate of 4% each. Germany actually saw a decline of 2%. Clearly, the traditional markets are mature and not much growth in the future can be expected to come from them.

***Faster growth in BRIC economies***

**Figure 1:3**

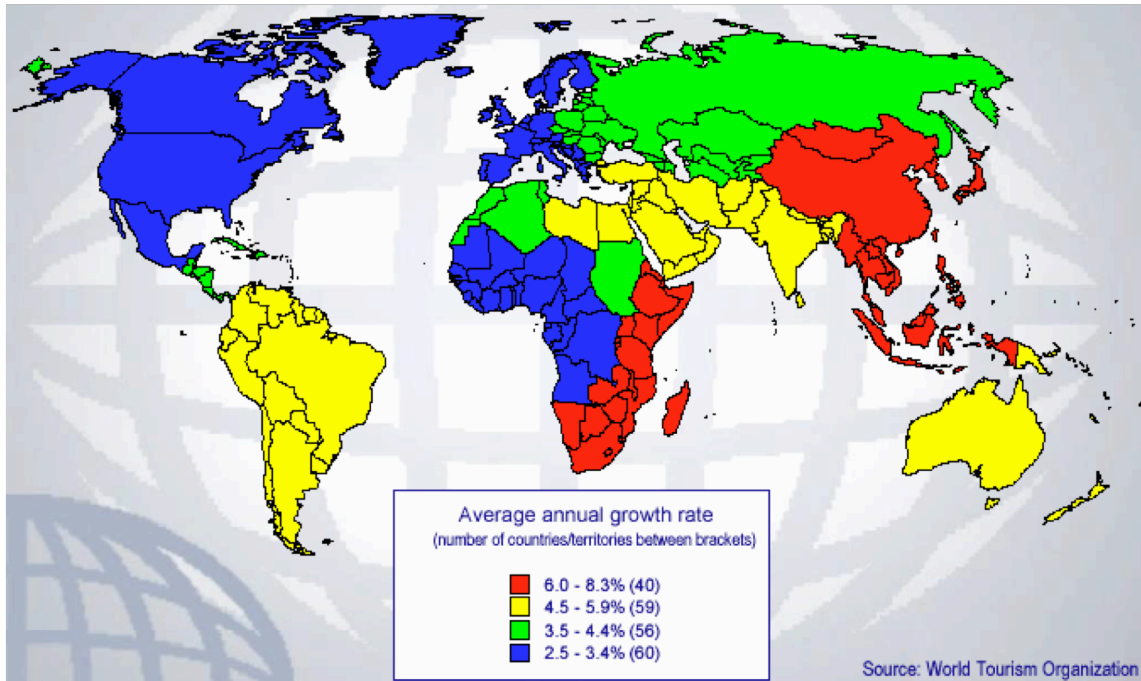
*Source: UNWTO, 2008*

The chart in Figure 1:4 depicts the UNWTO's predictions of future growth in the travel and tourism industry. The source markets that will generate the main growth will be Asia (primarily China and India) and parts of Africa and South America. Eastern Europe and Russia will generate moderate growth according to the UNWTO. The least growth will come from the traditional markets of Europe and North America.

***Watch out for China, India and Russia!***



**Figure 1:4**  
**Growth Expectations of Outbound Travel**



### 1.2.2 Tourism Expenditure

The leading outbound market in terms of tourism expenditure is the United States with US\$104 billion, followed by Germany and the UK with US\$83 billion and US\$78 billion, respectively.

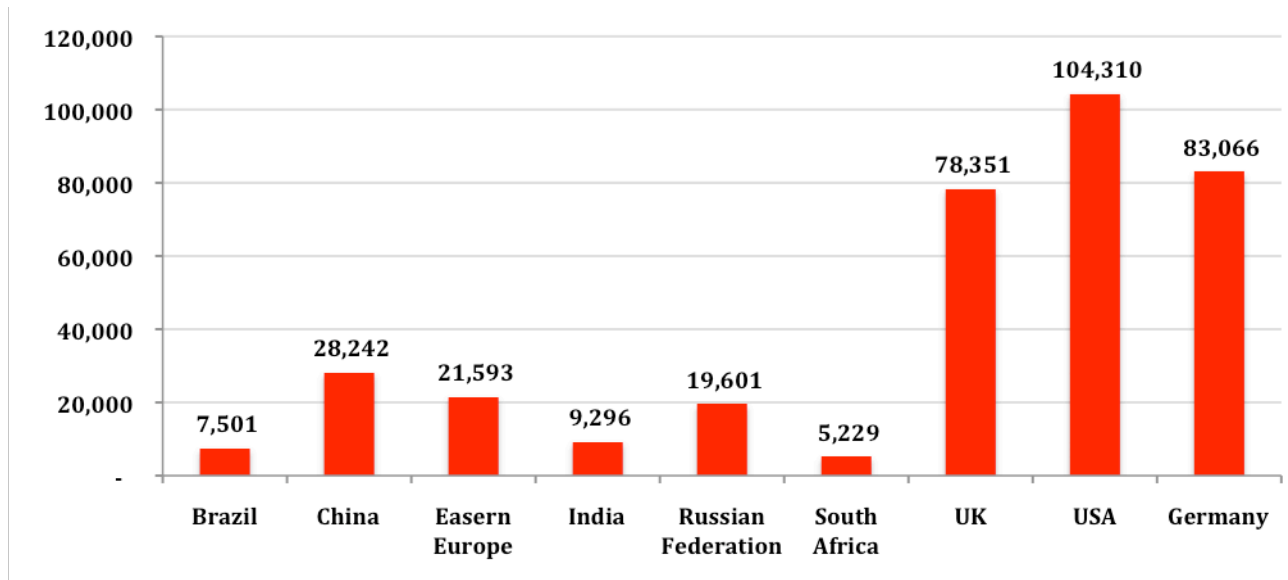
***USA still leads, followed by Germany***

The emerging markets are far behind in terms of tourism expenditure. China leads with US\$28 billion, Russia with US\$19.6 billion and India with US\$9.2 billion. Collectively, Eastern Europe (excluding Moldova) generated US\$21.6 billion in tourism expenditure. Poland and the Czech Republic were in the lead in this region with US\$7.7 billion and US\$2.8 billion respectively.

***China leads the emerging markets, followed by Russia and India***

Figure 1:5

## Tourism Expenditure of Selected Countries - 2006



While tourism expenditure from the emerging markets might seem low in comparison to the main traditional markets, what needs to be considered is that these markets are growing at a phenomenal rate.

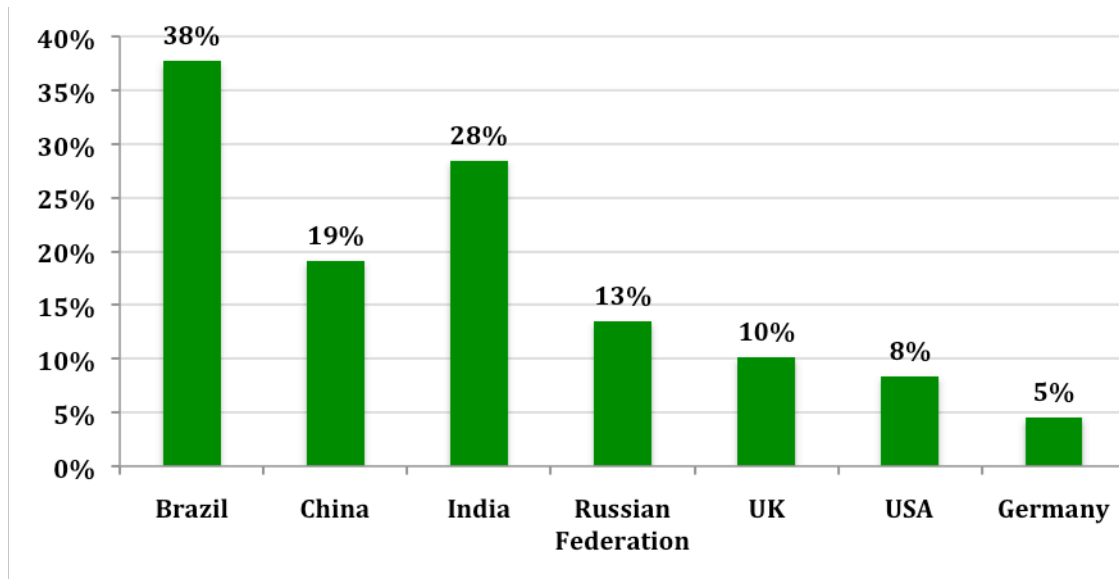
***High rate of growth from emerging markets***

Brazil leads the way with 38% average annual growth in tourism expenditure between 2003 and 2006. India was in second place with 28% followed by China with 19 percent. The more traditional markets showed lower growth rates over the same period. The UK did pretty well with 10% growth followed by USA and Germany with 8% and 5% respectively. Still these rates were considerably lower than the emerging markets.

***Brazil leads the way in terms of growth followed by India and China***

**Figure 1:6**

**Growth in Tourism Expenditure for Selected Countries, 2003-2006**



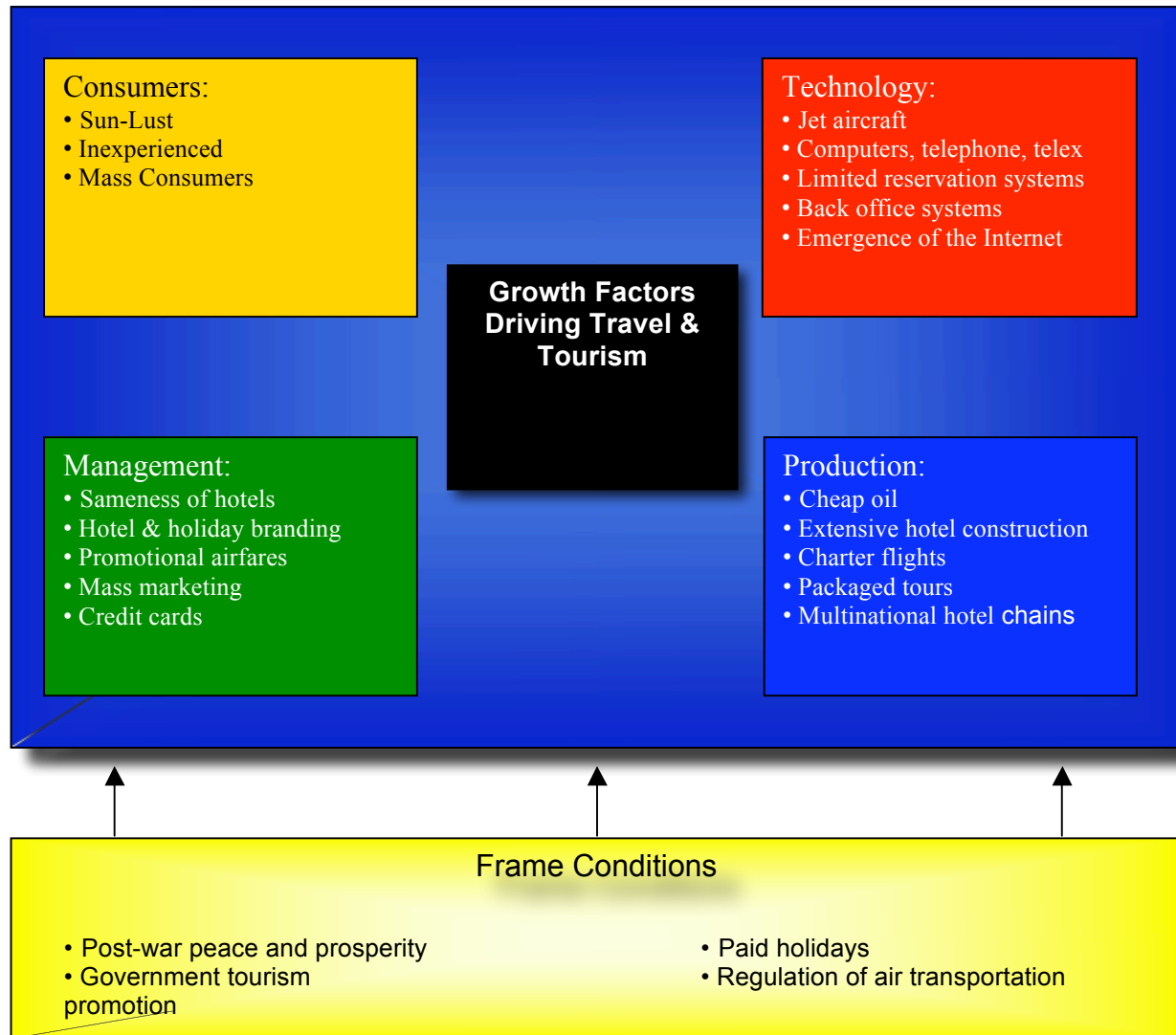
### 1.3 Factors Driving Growth

We have seen that, historically, travel and tourism demand has increased phenomenally in developed countries like Germany, the UK, France and USA. This was as a result of a number of fundamental factors that were mainly favourable:

- ▶ Post war peace and economic prosperity;
- ▶ An increase in paid holidays;
- ▶ The emergence of the jet aircraft and chartered flights;
- ▶ The search for sun, sea and sand;
- ▶ Government promotion of tourism;
- ▶ Extensive hotel construction, franchising and standardisation;
- ▶ Cheap oil;
- ▶ The emergence of the computer and the Internet;
- ▶ Mass marketing; and
- ▶ Inexperienced, sun-lust travellers.

**Figure 1:7**

**Factors Driving Growth in travel and Tourism**



In this section, we will examine the extent to which these same factors are driving the growth of outbound tourism demand from the emerging markets and what other factors, if any, are at play as well.

*Are the same factors driving growth in Emerging Markets?*

### 1.3.1 Economic Growth and Prosperity

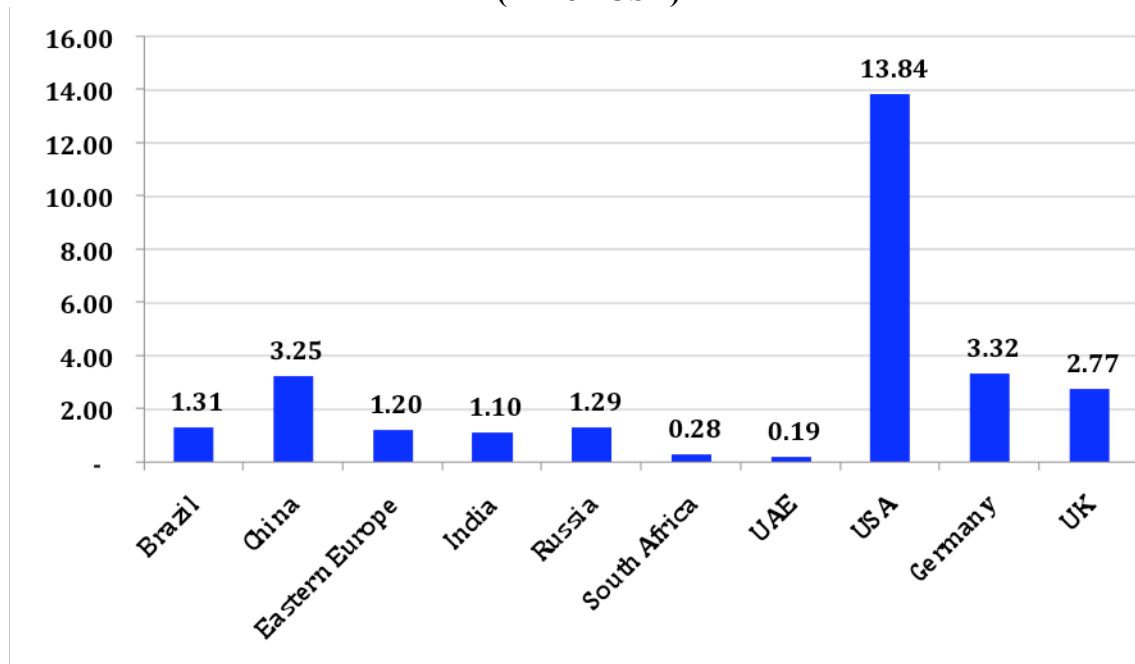
Post-war economic prosperity drove demand from many of the now well-established travel markets. And interestingly, it is also driving demand from emerging markets. Emerging markets on a whole, account for almost 40% of world GDP at purchasing power parity, although still only 20% at market value. The emerging markets featured in this publication – the BRIC markets, Eastern Europe, South Africa and the United Arab Emirates – account for almost 16% of total world GDP at market value, according to the *International Monetary Fund*.

***Emerging markets account for 40% of World's GDP***

China is ranked as the fourth largest economy in the world after USA, Japan and Germany. Brazil, India and Russia rank 10<sup>th</sup>, 11<sup>th</sup>, and 12<sup>th</sup> respectively.

**Figure 1:8**

**Gross Domestic Product at Market Value of Selected Countries as at 2007 (Billion USD)**



*Source: International Monetary Fund, 2008*

While these economies are already large, what is more striking is that they continue to grow vigorously, at more than 7% per annum on average over the past six years – more than 2% percentage points above the world average. China has performed remarkably well with over 11% in real GDP growth in 2007. India has also been growing rapidly, at close to 10% that same year. Russia grew just over 8% and Eastern Europe averaged 6.3% in 2007. Within Eastern Europe, Slovakia's economy stood out the most. In 2007, Slovakia grew at over 10%. All other Eastern European countries grew by 6% or more with the exception of Hungary, which grew at 1.7 percent.

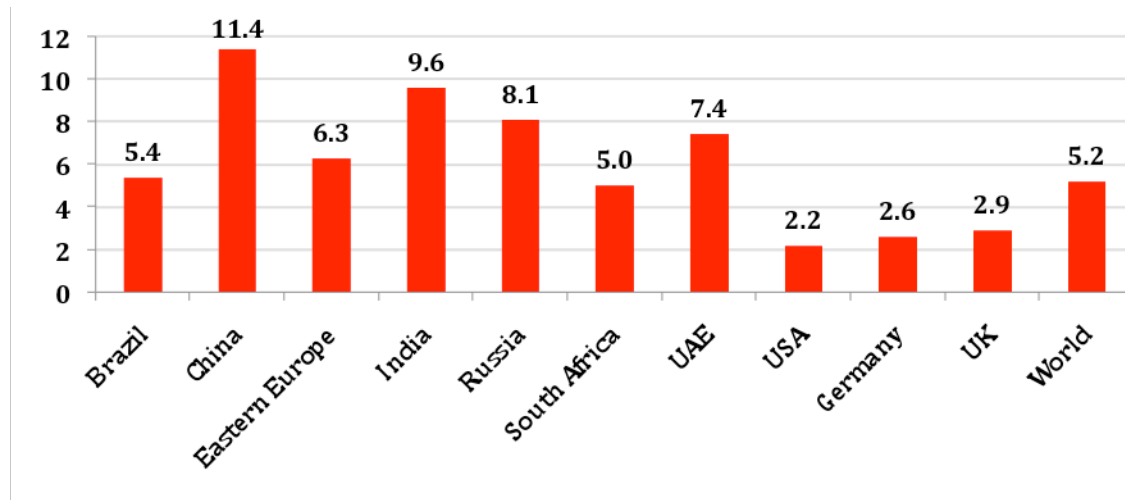
By contrast, the top traditional outbound travel markets performed below the world average. The UK, Germany and USA each had real GDP growth of less than 3% in 2007. Indeed, the emerging markets have become some of the main engines of world economic growth today. The vigour of growth in emerging markets and its resilience are good news for the travel and tourism industry. It suggests that the international travel and tourism industry may be better able to rely on the dynamism of these markets, in particular, should growth in other traditional markets lose momentum. Indeed, tourism destinations would be wise to take these new markets very seriously. In fact, sluggish growth from many traditional destinations, particularly in Europe, is being boosted by a new dynamism from the emerging markets.

***More than 7% annual growth – more than USA, Germany and the UK***

***Emerging economies are the main engines of global economic growth***

**Figure 1:9**

**Real GDP Growth (%) of Selected Countries – 2007**



Source: CIA World Factbook, 2008

Consider now the microeconomic evidence for the growing importance of the emerging markets that is perhaps even more compelling. A few examples follow: four companies among the world’s 50 largest in terms of market value originate from emerging markets. The first three companies are Sinopec, State Grid and China National Petroleum all from China and the fourth one is Petr leo Brasileiro S.A. from Brazil. Moreover, according to Forbes, seven of the 20 richest individuals in the world are from the emerging markets.

***Do not underestimate these emerging markets***

**Table 1:2**

**Richest Emerging Market Citizens in the World**

Name	World Rank	Net Worth (USD)	Country
Lakshmi Mittal	4	\$45.0 billion	India
Mukesh Ambani	5	\$43.0 billion	India
Anil Ambani	6	\$42.0 billion	India
Rinat Akhmetov	7	\$31.1 billion	Ukraine
Kushal Pal Singh	9	\$30.0 billion	India
Oleg Deripaska	10	\$28.0 billion	Russia

Roman Abramovich	16	\$23.5 billion	Russia
Alexei Mordashov	19	\$21.2 billion	Russia

*Source: Adapted from The World's Richest Billionaires, Forbes, 2008*

The number of millionaires in Brazil, Russia, India and China jumped 19% in 2007, compared with growth of 3.7% in the U.S., its slowest growth since 2002, according to Merrill Lynch's *World Wealth Report*. The U.S. still dominates the millionaire economy worldwide. It has more than three million financial millionaires, defined as those with investable assets of \$1 million or more. That's up 100,000 from 2006.

***Many millionaires are from emerging markets***

Yet emerging markets captured the bulk of the millionaire growth in 2007, with Brazil, China, India and Russia adding 133,000 new millionaires, accounting for a total of 817,000. India's millionaire population grew 23% last year, the fastest in the world. Russia is home to the second largest number of billionaires in the world after the United States, gaining 50 in 2007, reaching a total of 110 (*Source: Forbes magazine*).

***Highest growth in millionaires are from emerging markets***

The middle class in emerging markets is also growing apace. In Russia for instance, the middle class has grown from just 8 million persons in 2000 to 55 million persons in 2006 (*Source: Business Week*).

***Rising Middle Class***

Currently, less than 100 million Chinese, around 5% of its population, can be ranked as middle class. However, this number is expected to increase to 700 million by 2020, accounting for about 45% of the total Chinese population (*Source: National Bureau of Statistics*).

While millionaires are popping up everywhere in the emerging-market world, and there is a huge growth in the middle-class population, there is the economic challenge of trickling down income to lower levels of society. Of course, that is not to say that the challenges posed by income

***Income redistribution and poverty alleviation***



distribution are not among the highest priorities of most emerging-market countries. Eliminating poverty is at the top of the agenda.

In spite of the current challenges of income distribution and poverty alleviation, the present looks promising for emerging-market economies, but the future seems even brighter. The projections for long-term growth tell us that emerging markets are likely to become even weightier in the world economy tomorrow than they are today. In this respect, a study conducted by *Goldman Sachs* found startling results regarding the growth prospects of emerging markets. The BRIC markets could be over half the size of today’s six largest industrialised economies by 2025, and in less than 40 years they could overtake them. Looking ahead to 2050, China would be the world’s largest economy and India would be its third largest, behind the United States.

***The present is promising...  
The future even brighter***

***China, India and USA –  
world’s largest economies  
in 2050 (in that order)***

***BRIC economies to  
dominate the developed  
world by 2050***

### **Economic Prosperity Drove Travel Demand**

<b>Traditional Markets</b>		<b>Emerging Markets</b>
▶ Slow economic growth		▶ Rapid economic growth
▶ Slow growth in the number of millionaires		▶ Double-digit growth in the number of millionaires
▶ Wide and even distribution of income		▶ Emerging middle class

### **1.3.2 Paid Holidays**

As we have seen in many of the developed market economies of the USA, German and the UK, the real drivers of growth have been post-war peace and prosperity, paid holidays and the emergence of the jet aircraft and chartered flights. Paid holidays have been of paramount importance. We have seen that emerging market economies are growing rapidly and incomes are also growing. But do they have enough paid holidays? Do they use them all? What are their holiday-taking patterns?

The economic fundamentals are right for travel. The one factor that could cause an even greater take off in travel is paid holidays. As the Chinese obtain more paid holidays, for example, the market will boom even further.

Paid holidays in some of the top traditional travel markets, such as the UK and Germany, averaged 4 to 6 weeks (the USA is an exception with only 3 to 4 weeks of paid holiday).

**Table 1:3**

**Average Paid Holiday of Selected Countries**

<b>Country</b>	<b>Average Paid Holidays (weeks)</b>
Germany	4 – 6 weeks
USA	3 weeks
UK	4 weeks
Brazil	4 weeks
China	1 – 2 weeks
India	2 – 4 weeks
Russia	3 weeks
Belarus	4 – 8 weeks
Bulgaria	3 weeks
Czech Republic	3 weeks
Hungary	4 – 8 weeks
Moldova	4 weeks
Poland	4 weeks
Romania	3 weeks
Slovakia	3 weeks
Ukraine	3 weeks

In Brazil for example, employees have an average of four weeks annual leave in addition to 12 public holidays during the year. Also, every

Bulgarian employee is entitled (after they have worked eight months) to paid annual leave of not less than 20 working days. These days can be taken all at once or in parts.

In general Indians are not in the habit of using annual leave for regular vacations. The annual leave pattern is varied. Government employees who make up a very sizeable number in India enjoy yearly public holidays ranging from 15/16 days in the Central Government to 20/25 days in some of the states. In addition, they are allowed 15 days of leave in a year termed 'casual' for meeting unforeseen situations. And every year, 30 days of leave is earned by a public servant. This leave can be converted into cash in most cases and can be accumulated up to 180 days.

As many of these countries subscribe more and more to western lifestyles, paid vacation leave will increase over time. Paid leave can be a very important driver of growth as hard working professionals from emerging markets seek to cash in on their vacation leave to take holidays abroad. Imagine the potential from markets like China and India and even Russia. Indeed, a vital non-traditional mechanism of redressing Chinese trade is to offer Chinese more paid holidays.

***Growth in the number of paid holidays can positively affect tourism demand***

### **1.3.3 The Impact of Oil Prices**

Travellers of yesteryear were fortunate to have the luxury of relatively low oil prices. They also had the luxury of a clean conscience, not having to worry about carbon emissions. These factors, combined with the emergence of the jet aircraft (1958) and chartered flights made travel cheap and easily accessible. Cheap oil definitely 'fueled' the jet aircraft and the take off of the travel and tourism boom and the deregulation of the airline industry, decades later (1978) certainly helped.

The emerging markets are now faced with a somewhat different scenario. The price of oil is high and many airlines are fighting to stay in

business. Additionally, budget airlines have emerged and there is increasing worry about the impact of air-travel carbon emissions. They are constantly adding fees and taxes that make purchasing a ticket somewhat of a headache, not to mention that prices are constantly changing and getting higher.

Travellers of today are however, blessed with the existence of low-cost carriers or LCCs, which have made travel to nearby destinations cheap and easily available. This is however, a blessing to be had only by Europe, the USA and parts of Asia. Many emerging markets are not yet enjoying the benefits of cheap flights, having to deal with traditional carriers.

However, as these emerging markets grow in size and dynamism do not be surprised, as in the case of Asia that LCCs will begin to pop up. This will certainly enhance travel from these markets, but primarily regionally.

### **Cheap Oil Fuelled Travel and Tourism Demand**

Traditional Markets	Emerging Markets
▶ Cheap oil	▶ Expensive oil

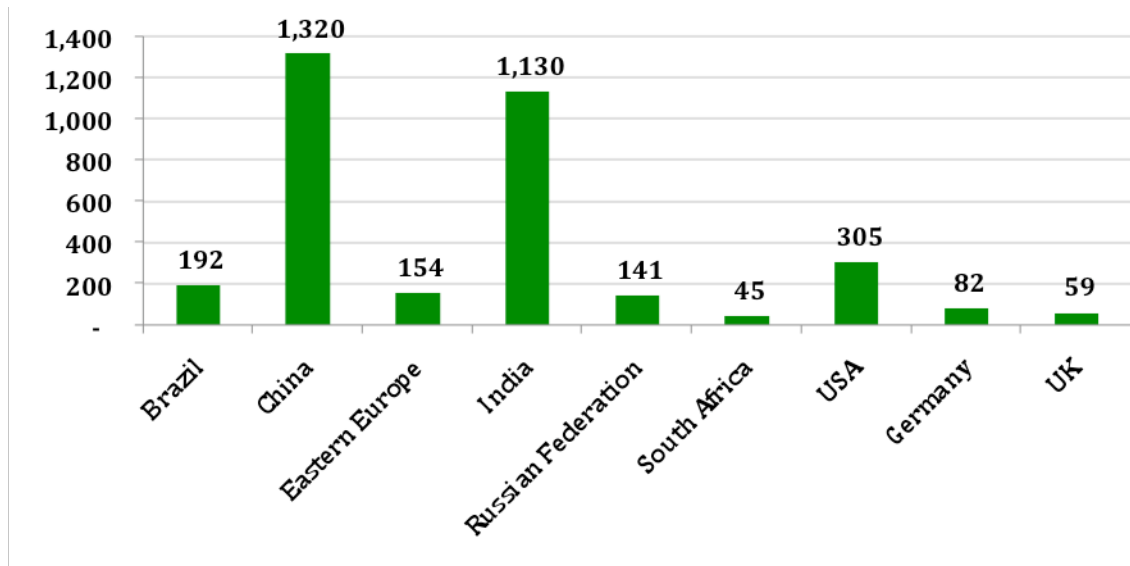
#### **1.3.4 Sheer Market Size**

It is also important to consider the sheer market size of the emerging market and their population size. Emerging-market countries are home to over half of the world's population. The BRIC markets and Eastern Europe alone have a collective population size of 2.986 billion, making up 44% of the world's population. The population size of the emerging markets covered in this publication (the BRIC markets, Eastern Europe, South Africa and the UAE) is 6.6 times the size of the top outbound markets (USA, Germany and UK).

***Almost half of the world's population is covered by emerging markets***

Figure 1:10

Population Size (million) of Selected Countries

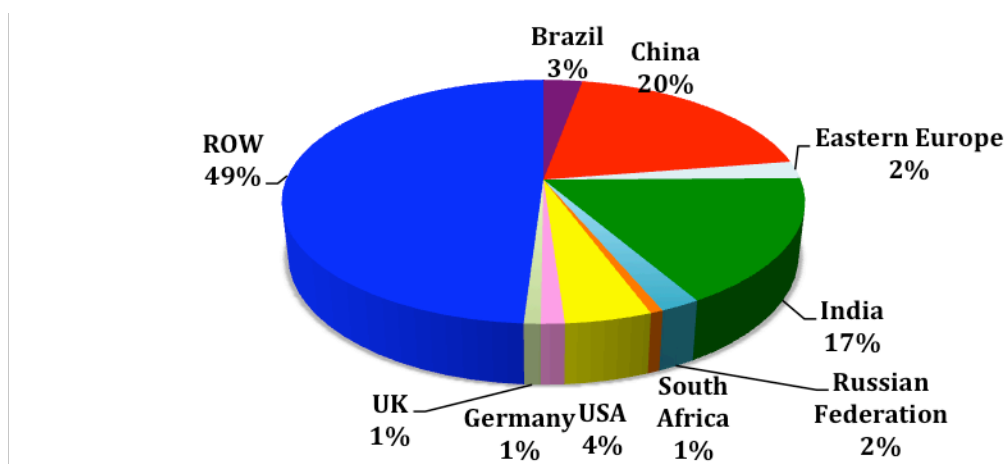


The population base of a country is the raw material that feeds the tourism industry. But one must also consider that these markets are young giants that are still growing! Indeed, expected demographic trends suggest that India could overtake China as the world’s most populous country within the next two decades, according to projections by the *United Nations*.

*Emerging markets are young giants that are still growing*

Figure 1:11

World Population Share of Selected Countries - 2008



Source: CIA World Factbook, 2008

This rapid population growth is a phenomenon that stands in stark contrast to developed countries. Whilst the populations of emerging markets like India and Brazil are young and growing, the populations of developed countries like Germany, the UK, France, Japan, just to name a few, are indeed aging and even shrinking in some instances. According to the United Nations, Europeans aged 65 and over will be 25% of the entire European population by the year 2050 compared to just 8% in 1950 and 16% in 2005.

### ***Shrinking populations of traditional markets***

**Table 1:4**

#### **Top Metropolitan Areas in the World**

<b>Rank</b>	<b>Metropolitan area</b>	<b>Country</b>	<b>Population</b>	<b>Area (km<sup>2</sup>)</b>	<b>Population Density (People/km<sup>2</sup>)</b>
1	Tokyo	Japan	32,450,000	8,014	4,049
2	Seoul	South Korea	20,550,000	5,076	4,048
3	Mexico City	Mexico	20,450,000	7,346	2,784
4	New York City	United States	19,750,000	17,884	1,104
5	Mumbai	India	19,200,000	2,350	8,170
6	Jakarta	Indonesia	18,900,000	5,100	3,706
7	São Paulo	Brazil	18,850,000	8,479	2,223
8	Delhi	India	18,600,000	3,182	5,845
9	Osaka-Kobe-Kyoto	Japan	17,375,000	6,930	2,507
10	Shanghai	China	16,650,000	5,177	3,216
11	Metro Manila	Philippines	16,300,000	2,521	6,466
12	Hong Kong-Shenzhen	China	15,800,000	3,051	5,179

13	Los Angeles	United States	15,250,000	10,780	1,415
14	Kolkata	India	15,100,000	1,785	8,459
15	Moscow	Russia	15,000,000	14,925	1,005
16	Cairo	Egypt	14,450,000	1,600	9,031
17	Buenos Aires	Argentina	13,170,000	10,888	1,210
18	London	United Kingdom	12,875,000	11,391	1,130
19	Beijing	China	12,500,000	6,562	1,905
20	Karachi	Pakistan	11,800,000	1,100	10,727

Source: "Which are the largest? Why published populations for major world urban areas vary so greatly", Forstall, Greene & Pick, 2004

Moreover, due to the profound economic transformations that are ongoing, many of the emerging markets are faced with rapid urbanisation and massive migrations from rural areas to cities.

***Rapid urbanisation, rapid growth!***

Cities in emerging markets have therefore grown in size considerably. Data also suggest that main cities and developed provinces are main source markets for outbound travel and for domestic travel as well. At present, the BRIC markets contain eight of the largest metropolitan areas in the world.

### Population Demographics Influence Travel

Traditional Markets		Emerging Markets
▶ Slow population growth		▶ Rapid population growth
▶ Aging		▶ Young and vibrant

### 1.3.5 Emerging Market Characteristics

There are a number of factors that characterise the populations of emerging markets. These have important implications for travel and are delineated below:

Outlined as follows:

- ▶ Growth in Personal Income;
- ▶ Travel as status and lifestyle;
- ▶ Young and Upcoming;
- ▶ Thirst for New Experiences;
- ▶ Travel is Social Currency;
- ▶ A means of Escape; and
- ▶ Visiting Friends and Relatives.

These are briefly explained below:

▶ **Growth in Personal Income**

Many emerging markets are enjoying a new-found level of wealth, especially for discretionary spending purposes. They are energetic, aggressive and enthusiastic in their work. They work very hard (Chinese, Indians, Eastern Europeans) and long hours – thus, they not only deserve to travel but they can also afford it.

*Growth in personal income*

▶ **Travel as status and lifestyle**

Travellers from many emerging markets are in a privileged social class that affords them tremendous opportunity like foreign education, family wealth and a high social class position. One of the main reasons for international vacation travel is that it is becoming a natural part of their lifestyle.

*International travel has status*

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, friends and family members. Culturally, there is social currency in international travel and this is a significant driver for outbound travel.

▶ **Young and Upcoming**

The emerging-travel markets, with Eastern

*Young and growing*



Europe being an exception in particular, are young and, as a consequence, its members have a thirst for new experiences, adventure and status. When this class of emerging-market travellers talks about travel they often mention certain destinations as new, exciting, “really happening”, and “rocking”. This can certainly be taken advantage of in destination marketing by appealing to this thirst for status (what’s in) and subsequently creating a social waterfall effect. International travel has status.

### ▶ **Thirst for New Experiences**

Even though many emerging markets are rich in cultural heritage, many of its citizens are unfamiliar with the cultures of other countries. A significant motivator for international travel, then, is to experience life outside of their home country. Western culture is very attractive to the Chinese and Indians. The UAE is attracted to Europe (mainly the UK) to experience the culture there.

### ▶ **A Means of Escape**

As indicated before many of the emerging markets are home to some of the most crowded and congested cities with long work hours, huge traffic jams and millions of people of all social classes everywhere and these members of these megacities want and can afford a break from it for a while. They are looking for more relaxing, less compressed and peaceful venues for vacation travel.

Tourism of the past was mainly used as a means of escape from work, routine, stress and urban ugliness at home. The traditional markets of today now seek fulfilment and possess a thirst for deep and meaningful experiences – cultural tourism, ecotourism, volunteerisms, health and well-being, etc. Emerging market travellers have not however, evolved to the level of seeking deep and meaningful fulfilment in travel. They want to shop and go sightseeing as a means of escape

***Culture is a travel motivation***

***Travel is a means of escape from crowded cities and everyday life***

***Emerging market travellers are still in the ‘escape’ mode of travel***

from their ordinary and mundane life.

### ▶ Visiting Friends and Relatives

Over the years, many emerging-market travellers have immigrated to other countries and most see it as an advantage to have family and friends around the world. When travelling, it offers both a perceived safety net, as well as easing some of the burden of travel expenses, especially when they travel in larger family and friendship groups.

***VFR is an important travel component***

The bottom line is that emerging-market travellers enjoy and crave international travel. There appears to be a stronger status-seeking component to it, as well as a visiting friends and relatives (VFR) component.

Traditional Markets		Emerging Markets
▶ The Majority are Educated		▶ More are becoming educated
▶ Old wealth		▶ New wealth
▶ Inherited wealth		▶ Worked for wealth

### 1.3.6 Cultural Importance

While facts and figures tell an interesting story about the importance of emerging markets, qualitative considerations are also important. Cultural developments are often associated with economic success of a country. It is therefore no surprise that emerging markets are growing not only in economic importance but also culturally.

***Culture needs to be taken on board***

Culturally, many emerging markets are influencing the world around them. India for instance, is the largest world producer of films, with over 900 in 2005, ahead of the European Union, with about 800, and the United States, with about 700. Other emerging markets, such as China and Russia, rank among the top ten film producers.

Historically, it has been the traditional Western cultures that have been influencing the East.

Now, it seems, that Eastern culture is influencing the West.

The East will continue to influence the world with their exotic cuisine, music, art and literature. Eastern philosophy and spirituality are already growing fast among Westerners – yoga, tai chi and alternative medicine. And the more people from these markets continue to travel, the greater will be their cultural influence on the world. The main question to consider is, “Will the travellers from the emerging markets redefine the travel and tourism industry? Will they follow the footsteps of the mass, standardised and rigidly packaged holidays as in the Western world? Will the way we travel, our travel motives and key travel trends change because of these new tourists?”

### ***Culture – both ways***

## **1.4 Traveller Profile**

It is important for travel and tourism industry participants to keep a close eye on the lucrative emerging markets by tracking who these travellers are and how they are evolving, in terms of their travel behaviour, travel motivations and satisfaction levels with tourism suppliers around the world.

Traditional travellers such as the Germans and the British are sophisticated, demanding and experienced. Emerging-market travellers are quite inexperienced but they can be equally demanding and the high level of education makes them sophisticated as well. Affluent Indians for instance are quite demanding when it comes to proper service. Eastern Europeans are also demanding and the Polish and Hungarians are known for their ‘misbehaviour’ if they don’t get what they want. Brazilians, South Africans and the Chinese are less demanding. However, this does not mean that they will stand for poor service.

### 1.4.1 Age

The bulk of emerging market travellers appears to be middle aged. Approximately half of Brazilian outbound travellers are aged 28 to 45 years and two thirds of Chinese travellers are 35 to 44 years old. And in South Africa three quarters of their outbound travellers are 25 to 54 years old.

***Emerging market travellers are middle aged***

By contrast the populations of traditional destinations such as Germany and the UK are getting older and older, redefining their tourism demand. For the most part, emerging-market countries are not afflicted by aging populations as in developed countries. China is perhaps the only emerging market that has a problem in this regard, which is caused by the policy-induced decline in fertility since the mid 1970s (the one child per household regulation).

It therefore, can be deduced that emerging markets on a whole will produce younger and more dynamic and vibrant travellers. These travellers will be more active, healthier and hipper. Tourism businesses need to be aware of this in catering to the needs of these relatively young travellers of the future.

#### Age Profile

Traditional Markets		Emerging Markets
▶ Old and Aging		▶ Young and Happening

### 1.4.2 Income

Compared to other mainstream outbound markets the income levels of emerging markets are relatively low. In the year 2005 the average disposable income of the Chinese was the lowest among emerging markets at USD \$4,325. The Czech Republic had the highest disposable income of USD \$10,156. Generally the Eastern European markets had a higher average disposable income than other markets. Brazil was

***Rise of the middle class***

comparatively high at USD \$8,723. These income levels for the emerging markets do not measure up to traditional markets. In the US, the average disposable income for 2005 was USD \$31,410, almost three times higher than the Czech Republic. The UK and Germany had disposable incomes of USD \$24,612 and USD \$24,078, respectively. While income per capita is still low because of the sheer population size, one must consider the vast number of travellers who have the means to travel. And these numbers are growing significantly.

Economic growth from these markets will bolster income levels from these markets. And the rising of the middle class in these destinations bodes well for outbound travel.

### Income Profile

Traditional Markets		Emerging Markets
▶ High but slowing income levels		▶ Low and rising income levels

### 1.4.3 Education

From all markets – emerging and traditional – outbound travellers tend to be well educated. In China for instance, as much as 70% of all outbound travellers have college education or above. In Brazil, almost three quarters of travellers have a degree. This is not too different from the UK, USA and Germany.

***Outbound travellers are well educated***

### Education and Travel Experience

Traditional Markets		Emerging Markets
▶ Experienced and sophisticated		▶ Inexperienced and curious
▶ Highly educated with a lust for the sand, sea and sun		▶ Highly educated with a lust for status and shopping

## 1.5 Market Characteristics

### 1.5.1 Purpose of Visit

The majority of trips from emerging markets are for holiday purposes. In most cases over 50% of trips from emerging markets are for holiday purposes. Moldova is in the lead with 90% of their trips making up holiday trips. Hungary follows with almost three quarters of outbound trips being for holiday purposes. Russia is 68% Brazil, 63% and China, 53%.

***Travel for holiday dominates***

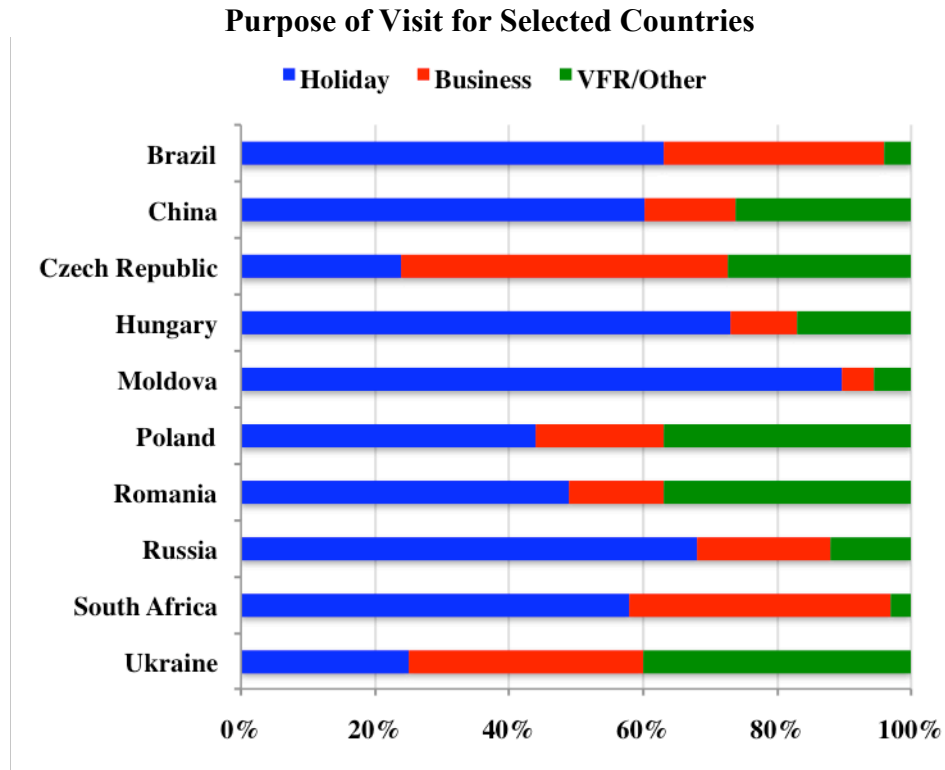
For the majority of the emerging markets, the business-travel component is relatively moderate in size. Business trips make up less than 50% of all trips from emerging markets. And in some cases it is less than 5%. However, the importance of this segment should not be underestimated.

***Business travel is moderate but still important***

The Czech Republic has the highest percentage of outbound business trips (43%). Almost one third of all outbound trips are for business purposes in Brazil, South Africa and the Ukraine. Business trips make up almost one fifth of outbound trips for Russia and Poland. Business trips make up less than 20% for the rest the emerging markets.

In the final analysis holiday travel dominates but business travel should not be slighted as this group has the means to spend. Moreover, business travellers are very likely to return to a destination either alone or with friends or family for holiday purposes.

Figure 1:12



### 1.5.2 Travel Party

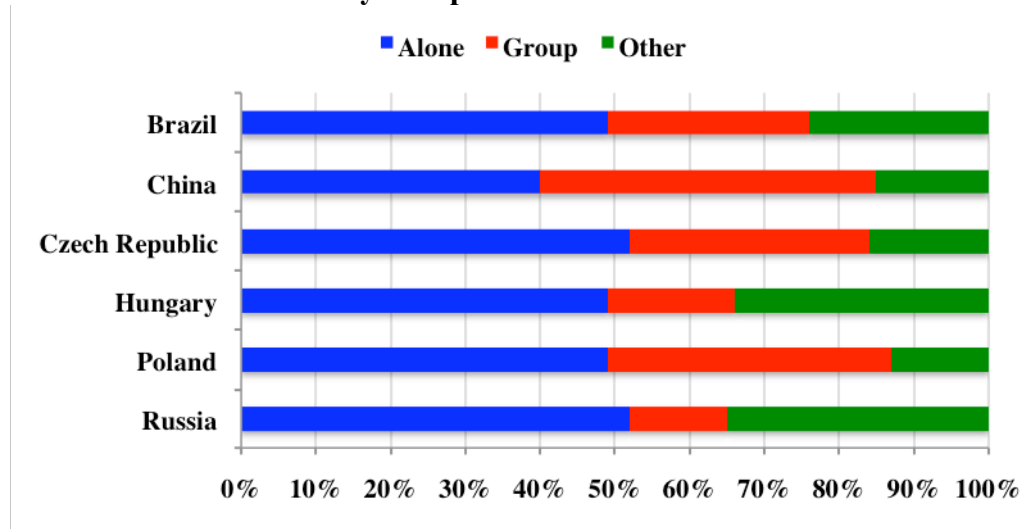
The majority of travellers from emerging markets, either travel in an organised group or with at least one other individual (usually a spouse or child). ('Group' refers to organised tour groups, whilst 'other' refers to travel with another party).

It is the regulated norm for Chinese outbound travellers taking a holiday abroad to travel in an organised group. The government of China has mandated that Chinese travellers travel in an organised group of no less than five individuals. This is the case for both business and leisure travel. The importance of travel agents and tour operators is critical here. In other markets very few outbound travellers travel alone and a large portion of those travelling alone travel for business purposes.

***Chinese must travel in an organised group of at least five travellers***

**Figure 1:13**

**Travel Party Composition of Selected Countries**



While travellers from emerging markets mainly travel in a group or with at least one other person, the percentage of those travelling alone far exceeds that of traditional markets. In Germany for example (perhaps the most mature and experienced travel market), only 13% of travellers travel alone. This shows that emerging market travellers are independent and not afraid to go on a trip alone. Additionally, limited income levels might restrict the family from travelling together and therefore only one person could afford to travel at any given time.

*Emerging markets also have their share of independent travellers*

**Travel Party**

Traditional Markets		Emerging Markets
▶ Group travel		▶ Group travel also
▶ Independent travel		▶ Not afraid to travel alone

**1.5.3 Length of Stay**

For the majority of emerging markets, the average length of stay is relatively lower than some traditional markets. In Germany the average length of stay is in excess of two weeks, while for most of the emerging markets it is less than two

*Shorter length of stay in emerging markets than traditional markets*



weeks, with the exception of Brazil and South Africa.

For the Czech Republic and Hungary, almost half (51% and 48% respectively) of outbound travellers stay away for an average of 1-3 nights. In China over one third of the outbound travellers stay away between 4 days and one week, only a small percentage stay away for two weeks and over.

These short trips can be explained by shorter paid leave in these markets. Germans receive up to 6 weeks of paid vacation, whilst workers in the Czech Republic for instance, get an average annual paid leave of 20 days, 26 days in Poland and 21 days in Romania, just to name a few. Other markets like Hungary, Moldova where paid vacation is as high as 8 weeks, the reason for such short trips can be linked to income levels. Longer trips require greater expenditure. Additionally, there is a trend towards taking short, city breaks not too dissimilar to the traditional markets. Many of these markets, primarily in Eastern Europe have the luxury of Low Cost Carriers to facilitate short trips that are convenient and affordable.

***Paid leave affects the duration of a trip***

### Length of Stay

Traditional Markets	Emerging Markets
▶ From longer to shorter trips	▶ From shorter to longer trips

### 1.5.4 Seasonality

For the majority of the emerging outbound markets, the summer months are the main months in which people take a trip abroad.

***Emerging market travellers take holiday mainly in summer months***

Over one third of all trips from Hungary, Poland, China, Brazil and Russia take place between the months of July and September. India is also popular during the summer period. This can easily be explained by the warm weather common to all northern destinations. The fact that school

is on break during this period is another boost for travel during this season. This is even more the case for traditional markets. Almost two thirds of German travellers travel during this same period, almost double that of most emerging markets.

### 1.5.5 Accommodation Type

With the exception of Brazil, China and India, most emerging market travellers stay at friends/family when on vacation. Over half of South African (56%) and Polish (54%) travellers abroad stay with friends/family. Two thirds of outbound travellers from Russia (34%), Czech Republic (34%) and Brazil 32% and one quarter of Hungarian and Chinese travellers stay with friends and family when on holiday abroad.

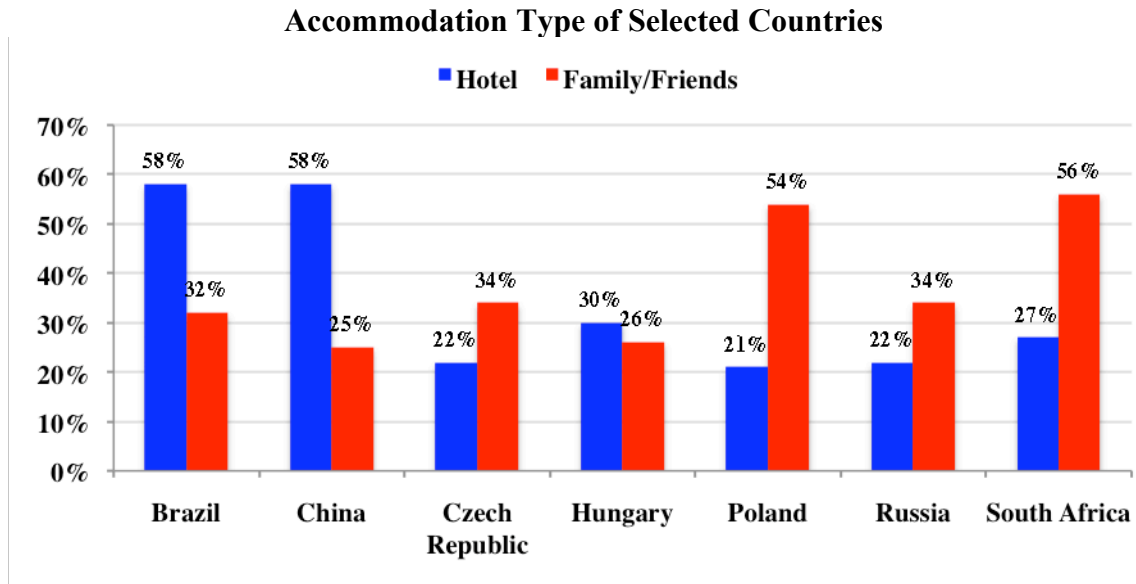
***Staying with friends or relatives – very popular***

Almost one fifth of outbound travellers from the Czech Republic, Poland and Russia, one quarter from South Africa and one third from Hungary stay at hotels. This is quite low when compared with Germany, where 58% of travellers stay at a hotel. Brazil and China however, measure up to their more mature counterpart with each also having 58% of their outbound travellers staying at a hotel.

The low use of hotel accommodation among emerging market travellers can be explained by the high number of family members living abroad. This is also why VFR is high among these travellers.

Additionally, low income levels force travellers to choose cheap accommodation options and staying with a relative or friend is certainly cheaper than staying at a hotel.

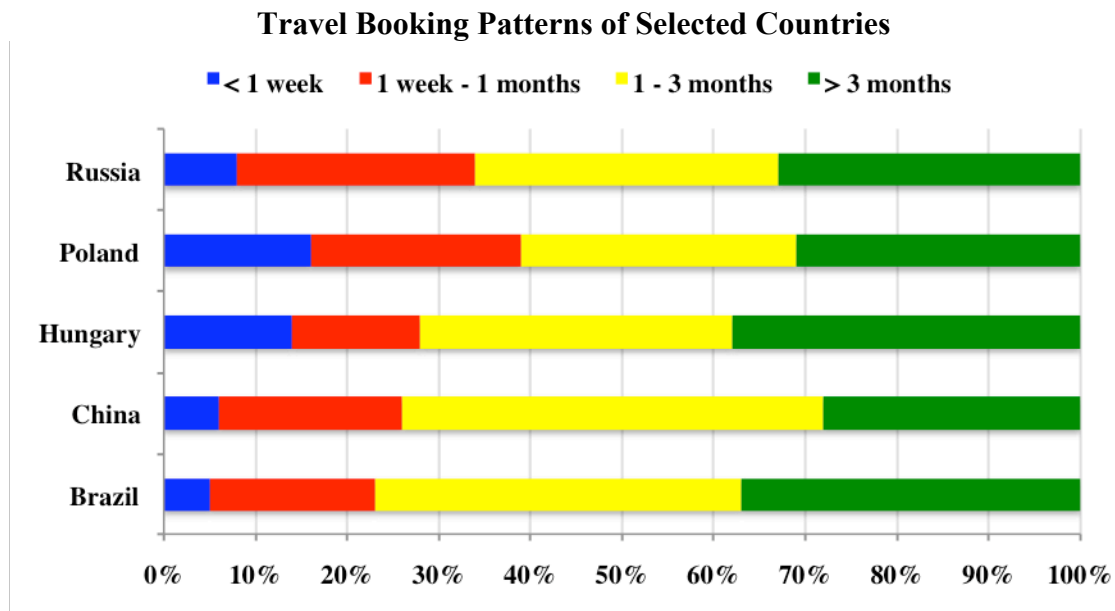
Figure 1:14



**1.5.6 Travel Decisions**

The majority of emerging market outbound travellers make their travel decision one to three months before the departure of their trip. Forty-six percent of Chinese travellers make their decision one to three months in advance, followed by Brazil (40%), Hungary (34%), Russia (33%) and Poland (30%). Booking holidays three months or more is also quite common as an average of one third of emerging-market travellers book in this fashion. The leader in this regard is Hungary (38%), followed by Brazil (37%), Russia (33%), Poland (31%) and China (28%).

Figure 1:15



Very few emerging-market travellers book last minute flights. This is opposite to traditional markets where last minute bookings is quite a norm as travellers are time starved and very busy, with constantly changing schedules.

**Travel Planning**

Traditional Markets	Emerging Markets
▶ Last minute	▶ Long planning

**1.5.7 The Use of the Internet**

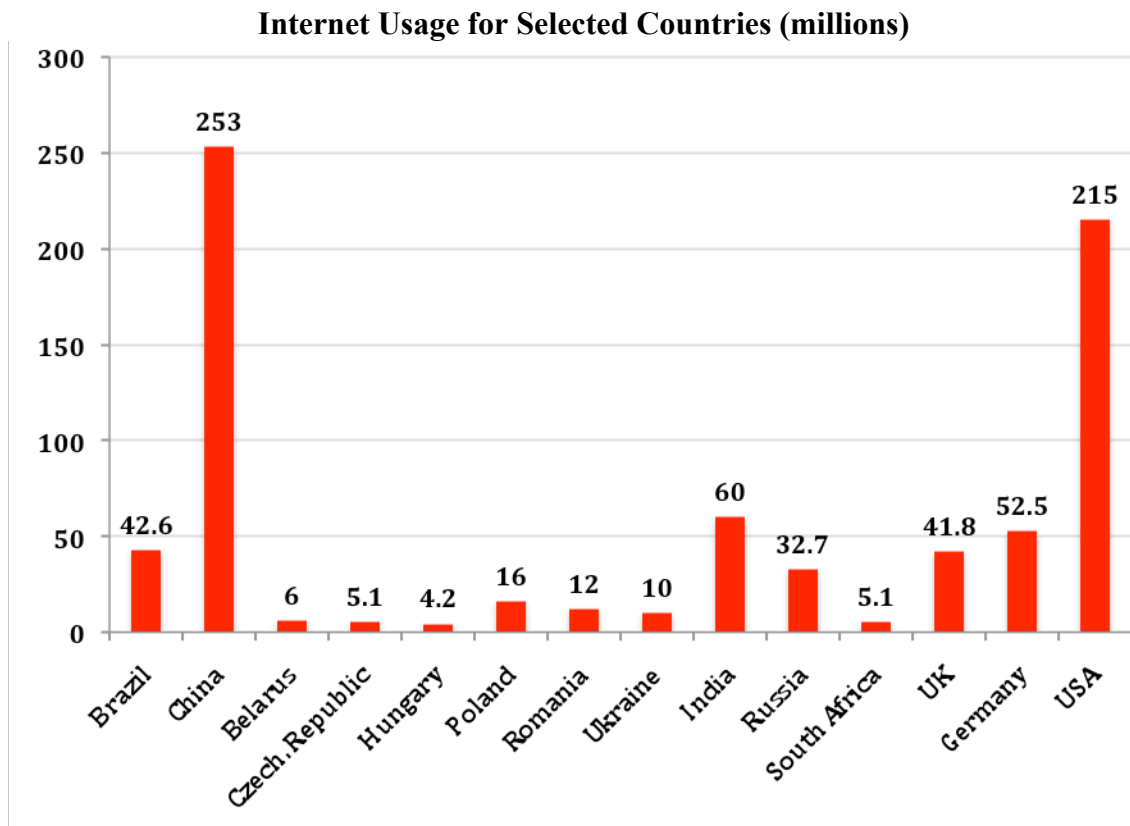
The use of the Internet to research, plan and book travel is quite a common occurrence in traditional markets. This is also becoming more and more popular for emerging markets. The sheer number of online users is absolutely astounding.

*The Internet is a major source of travel information for both traditional and emerging markets*

The Internet user population from the emerging markets covered in this report, make up over 30% of the total number of Internet users in the world, according to *Internet World Stats*.

Consider China for example. As at December 31, 2007, the total number of internet users in China reached 210 million (representing some 16% of the population) – only five million less than the United States. By June 2008 this figure was estimated to have reached 253 million far surpassing the 220 million users in the United States. Users also stay connected longer than they do in the US, spending nearly two billion hours online each week (averaging 15.9 hours) compared with 129 million hours per week. For the US, China’s largest portal – Sina.com – is one of the top five most-trafficked sites in the world, with over 100 million monthly unique visitors (*Source: Forbes*). There is rapid growth in rural areas as well (40%).

**Figure 1:16**



*Source: CIA World Factbook, 2008*

A similar picture is painted when Russia is examined closely. There are over 28 million internet users in Russia (19% of the population). And according to a survey conducted by *Best Prospects*, approximately 83% of Russian travellers use the Internet to gather information before deciding on taking a trip.

In Brazil, with over 42 million internet users, the Internet is the key source of information used when planning international travel, with an estimated 75% of all consumer travel-related research and purchase now conducted online.

### Internet Use

Traditional Markets		Emerging Markets
▶ Well-established online travel market		▶ Growing online travel market

## 1.6 Travel Motives

We have seen that travellers from traditional markets were predominantly driven by the lust for sun, sand and sea. While they are not satisfied with pure sun, sand and sea anymore, it still remains a major part of their trip and a overall motive for travel abroad. However, the main motives of travel for emerging-market travellers are shopping, sight-seeing and status-seeking. Visiting relatives and family as well as experiencing new cultures are also important travel motives.

### 1.6.1 Shopping

Shopping is a main travel motive for emerging market travellers. For instance, approximately 30% of Indian outbound travel is for shopping purposes. A similar picture is painted for Russian travellers. Russians like to shop, particularly when out of Russia where they assume everything will be cheaper. In 2006, over half of Russian visits to the UK, for example, involved some shopping both for souvenirs and for fashion items.

***Shop until you drop***

***Russians and Indians like to shop***

For the United Arab Emirates, shopping is very popular, perhaps more than in any other emerging outbound market. For example, almost three-quarters of visitors to Britain from the UAE named shopping as their most popular activity when visiting Britain, especially for luxury goods.

The traditional markets boasted about their suntans as proof of their visit to the sought-after sun and sea destinations. Emerging-markets travellers on the other hand, shop until they drop and take home souvenirs as evidence of their holiday travels.

### **1.6.2 Sightseeing**

One of the most important travel motive for emerging market travellers is sightseeing. Russians for example are showing an increased interest in new places, rather than traditional sea and sun destinations. The opportunity to view or visit well-known landmarks is an important factor in choosing a destination (e.g. Big Ben, Parliament, Tower of London and other iconic images of Britain, centred on London).

***Seeking out well-known land marks***

Similarly, Brazilians, want to visit fashionable, vibrant cities such as New York, Miami, London, Paris, etc. and are not necessarily longing for sun and sea destinations like the Caribbean.

***Visiting 'fashionable' and 'vibrant' cities***

With the inclusion of new members of the European Union, Eastern European travellers are going to visit their new neighbours. Visiting Paris, London, Berlin and many popular European destinations is a primary motivating factor driving travel from Eastern European states.

Activities of Chinese leisure tourists on Approved Destination Status (ADS) tours are necessarily somewhat restricted. They tend to be confined to quick visits to the 'iconic' sights and attractions in the capital cities, shopping and taking photographs. However, the variety and sophistication of ADS tour activities can be expected to improve rapidly in future years.

***Quick visits to 'iconic' sights for Chinese***

Chinese have a preference for city holidays (40% of all overseas trips); followed by beach holidays, 27%, and touring trips, 20%, according to the *World Travel Monitor*.

### 1.6.3 Status-Seeking

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, friends and family members. Culturally, there is social currency in international travel and that is a significant driver for outbound travel, especially from emerging markets. That is even more so if the destination is far away and well known, like Europe or USA.

For Chinese travellers for instance, overseas travel has become a badge of sophistication and the further away they travel and the higher the cost, the prouder they feel.

It is a similar story with Indians. There is a thirst for status among the young, middle-class Indians and travel to far away destinations is perceived as contributing to increasing one's status among friends and co-workers.

### Travel Motivation

Traditional Markets		Emerging Markets
▶ Sun, sand and sea		▶ Shopping, sightseeing and status-seeking
▶ Warmth of the sun		▶ Warmth of the people/culture
▶ Suntans		▶ Souvenirs

### 1.6.4 Visiting Relatives and Friends

Visiting friends and relatives (VFR) is also a very important factor in determining travel from emerging markets. For the UAE for instance, almost two thirds of travellers visit relatives/friends when on vacation. And when it comes to the two most popular long-haul



destinations for South Africans – i.e. the UK and the US – staying with friends and family is the primary choice of accommodation. Over one half (56%) of South Africans stayed with relatives and friends while on holiday in the UK in 2002-2005. This means that marketing to ethnic groups such as Africans or Asians in the UK or US is just as important as marketing to families directly. As family and friends also influence the actions that their house guests participate in.

### 1.6.5 Experience New Cultures

Many of the emerging markets possess a distinctive culture from western society and therefore many travellers from these markets are curious to learn about and experience other cultures that are different from their own.

Traditionally, mature markets have travelled from North to South in search of warmer climates. However the new emerging markets are predominantly travelling from east to west in search of new cultural experiences.

#### Travel Flows

Traditional Markets		Emerging Markets
▶ North to South		▶ East to West
▶ To visit a destination		▶ To experience a destination

### 1.6.6 Visa Requirements

The visa requirements of emerging markets are rather strict compared to traditional markets. Travellers from traditional markets like USA, UK, Germany, France, Spain do not require visas to visit many destinations. Europeans have free mobility to other European destinations. And even when a visa is required, there is little or no hassle involved in obtaining one.

*Visa restrictions limit travel flows, particularly to the US*

The picture is different for emerging markets. Many are deemed to be developing countries and issues of illegal immigration, poverty and crime

make it difficult for many developed countries to freely open their doors to these travellers. To add insult to injury, even source countries impose restrictions on their residents and citizens. This is so for China. Chinese leisure tourists are officially allowed to travel (minimum group size of five) to countries that have been granted Approved Destination Status (ADS). Visas are required for nearly all countries, but these are usually procured via the tour company. In the case of those European countries that have implemented the Schengen Agreement, a visa for one country is valid for all of them. As a result, most tours to Europe tend to stay within the Schengen region to avoid the problem of obtaining a second visa. This puts non-Schengen countries, such as the UK and Ireland (for which additional visas are required) at a disadvantage.

Obtaining visa for travel abroad continues to be a disincentive for travel to many destinations. The Government of India for instance, has bilateral agreement with 41 countries for which no visa is required for a period ranging from 30 to 90 days. However this facility is confined only to diplomatic and official passport holders.

Eastern Europeans are fortunate, as are Brazilians, who do not require visas to visit many destinations (except the USA). The easing of visa requirements will certainly help to increase travel flows from emerging markets.

### **1.6.7 Keen for Green?**

Travellers from emerging markets are relatively new to the travel and tourism scene and, as such there are no clearly identified and anchored trends. However, there are a number of issues that tourism suppliers need to consider. Are emerging-market travellers “new tourists” or are they “old tourists” that ascribe to mass tourism? Is sustainability and responsible tourism on their minds? Do they even care about their impact on the environment or the other cultures and communities they come in contact with? These

and other questions need to be critically addressed in order to understand the psyche of these travellers. This is important for marketing plans and creating brands that are tailored to the needs of these emerging travellers.

Emerging markets are not associated with 'ethicals', or consumers demanding the greening of brands. This is a 'privilege' of developed economy consumers, satiated by consumption levels, and guilt driven to spend on greener products. Significantly, with the environment being in the forefront of globalisation, growing consumer concerns now embedded in the greener business plans of multinationals, are cascading onto emerging market turfs. This promises to open up possibilities for these consumers. Also, in emerging markets, it is the new 'affluentials' that show the most 'green potential'. It is these new 'affluentials' who are driving travel and tourism demand.

Moreover, as these travellers move around the globe they will encounter new cultures and ideologies. The green culture can therefore be learnt and even adopted by these travellers, which will then overflow onto friends and family members when they return home.

With developing countries poorer than developed ones, greener consumers and even greener companies may not be the priority for now. This will not be the case for too long though, as global warming and the degradation of the environment are gaining awareness in many emerging markets. There were Live Earth concerts in Shanghai and Rio (watched by 37% of all Brazilian households).

Stirrings rather than waves characterise the green consciousness of developing-market consumers. As in the West, where hyper consumerism is passé, wealthier, globally-networked emerging market consumers are becoming more concerned about the consequences of their own and global consumption.

The Times of India, in a September 2007 article, 'How green is my wardrobe?' reports that eco-friendly fashion is no longer considered dull and boring among Indian consumers, but has made the leap from hippy to hip. "Buyers are willing to spend big bucks on these ranges. Most people wouldn't mind the difference in price because they'd feel they are saving the environment in some way. Organic fashion designer Deepika Govind sees sensitivity towards the environment as a fashionable trend in itself. And one in every two Indian managers consider greening factors to be crucial, significantly higher than their Chinese counterparts (26%), according to the *Harris Interactive poll*, 2007. This mentality is bound to spill over into the travel and tourism industry.

A snapshot of the key characteristics of the top emerging travel and tourism markets is illustrated in the table overleaf.

### Snapshot – Emerging Markets Outbound Travel Profile

Country	Age	Purpose of Visit	Internet	Travel party	Length of Stay	Seasonality	Travel Decisions	Accommodation
Brazil	28-45 yrs: 48%	Holiday – 63% Business – 33% VFR – 4%	42.6 million	Alone – 49% Group – 27%	15.4 days for leisure	July-Sep 30% Jan-Mar 29%	< 1 week – 5% 1 wk – 1 month – 18% 1 – 3 months – 40% > 3 months – 37%	Hotels 58% Family/Friends 32%
China	35-44 yrs -32%	Holiday – 53% Business – 12% VFR – 23%	210 million	Alone – 40% Group – 45%	4-7 nights (34%)	Jul-Sep 38% Jan-Mar 21% Oct-Dec 23%	< 1 week – 6% 1 wk – 1 month – 20% 1 – 3 months – 46% > 3 months – 28%	Hotel 58% Family/Friends 25%
Eastern Europe								
Belarus			5.5 million					
Bulgaria			2.2 million			Jul-Dec 54.8%		
Czech Rep.	25-34 yrs: 43%	Holiday – 21% Business – 43% VFR – 24%	5.1 million	Alone 52% Group 32%	1-3 nights (51%)			Hotel 22% Family/Friends 34%
Hungary	25-34 yrs *	Holiday –73.3% Business-10.3% Other – 16.4%	3.0 million	Alone 49% Group 17%	1-3 nights 48% *	Jul-Sep 39% *	< 1 week – 14% 1 wk – 1 month – 14% 1 – 3 months – 34% > 3 months – 38%	Hotel 30% * Family/Friends 26%
Moldova		Holiday –89.7% Business-4.7% Other – 5.6%	0.729 million		6-7 nights			
Poland	35-44 men 16-24 women	Holiday –44% Business-19% Other – 23%	11.4 million	Alone 49% * Group 38%	1-3 nights (38%) 4-15 nights (38%) *	Jul-Sep 37% *	< 1 week – 16% 1 wk – 1 month – 23% 1 – 3 months – 30%	Hotel 21% * Family/Friends 54%

		VFR – 14%					> 3 months – 31%	
Romania		Holiday: 49%; Business: 14%; VFR: 37%	7.0 million			Jul-Sep 34% *		
Slovakia			2.5 million		8.9 days			
Ukraine		Holiday: 25%; Business: 35%; VFR: 40%	5.5 million					
India		Holiday: 35%; Business: 30%; Other: 5% Shopping: 30%	120 million					
Russia	25-34 *	Holiday: 68%; Business: 20%; Other: 12%	28 million	Alone 52% * Group 13%	1.3 ngts *	Jul-Sep 39% *	< 1 week – 8% 1 wk – 1 month – 26% 1 – 3 months – 33% > 3 months – 33%	Hotel 22% * Family/Friends 34%
South Africa	25-54 (75%) *	Holiday: 58%; Business: 39%	4.8 million (10% of population)		15.9 days *	Jun – Sep		Hotel 27% * Family/Friends 56%
United Arab Emirates	35-54 (56%) male 25-34 (43%) female	Holiday – 29% Business-18% Other – 14% VFR – 39%	1.7 million	Alone 52% Group 12%	>15 – 28% 4-7 nights – 26%	Jul-Sep 37%	< 1 week – 12% 1 wk – 1 month – 25% 1 – 3 months – 28% > 3 months – 35%	Hotel 21% * Family/Friends 61%

## 1.7 Opportunities and Constraints

There are a number of opportunities and constraints that are associated with targeting the emerging travel markets. These are identified below.

### 1.7.1 Opportunities

- ▶ The emerging market economies are growing rapidly.
- ▶ Outbound travel from the emerging markets is rising with double-digit rates of growth.
- ▶ Travel to foreign countries is an important status symbol for many of the emerging markets.
- ▶ Businessmen are actively seeking opportunities in foreign countries.
- ▶ The governments of many of the emerging markets are actively trying to solidify and build international relations, trade and travel.
- ▶ The citizens of the emerging markets are highly social and enjoy travelling to visit friends and relatives.
- ▶ A large portion of emerging-market citizens has friends and relatives living abroad (Brazil, South Africa and India in particular).
- ▶ Emerging-market travellers are young and active.
- ▶ Emerging markets have unique cultures that are different from many other destinations. Interest in experiencing other cultures is quite high.
- ▶ Emerging market travellers are not afraid to travel alone.
- ▶ Travel from emerging markets is a new phenomenon and the potential for future growth is enormous.

### *Growth potential*

## 1.7.2 Constraints

- ▶ Poor income distribution within emerging market economies.
- ▶ Because emerging markets do not have the level of demand typical to traditional markets, there are few direct flights to most destinations.
- ▶ Limited demand also makes international travel relatively expensive.
- ▶ Emerging markets typically require a visa to travel to most destinations. A few exceptions exist as in the case of travel by Eastern Europeans within Europe and travellers from South Africa to the UK.
- ▶ Also, limited demand as well as limited or non-existent trade relations from these emerging markets with other countries means limited or non-existent consular presence at these countries, making acquiring visas problematic.

## 1.8 Implications for Travel Business

### 1.8.1 Capture the Shopping Spend

The economies of emerging markets are growing fast. This means that there will be more money flowing in the hands of citizens of these economies. Travel businesses have to therefore, become very creative as there will be a lot of competition for the wallets of these new travellers. Many of these emerging-market travellers like the Russians and Indians will spend a lot on shopping for luxury consumer goods. Travel businesses will have to cater to their needs. They ought to create new and innovative ways to capture the shopping spend from the emerging market travellers and create innovative shopping experiences and events. High-society fashion shows, creative cultural exhibits and shows, local art and craft, etc. could have an important impact.



### **1.8.2 Do not Underestimate Emerging Market Travellers**

Travellers from emerging markets are well educated and see travel as a status symbol. It is very easy to misjudge and underestimate them because of their differences. Although they are of a different culture and ethnicity, they ought not to be slighted in anyway. They can be quite demanding. They are generally big spenders and demand respect and acceptance. Travel businesses need to ensure that they conduct racial and cultural-sensitivity training for their employees. This is a completely new territory that we are threading on and therefore every effort needs to be made to ensure that no stone is left unturned in this regard. **A key success factor continues to be knowing your customer!**

### **1.8.3 Cater to Cultural Needs**

Many emerging markets have a completely different culture from the Western world. And while training is a good start, there is more that needs to be done. Travel businesses need to cater to the needs of these new travellers. While they are curious to find out more about the culture at the destinations they visit, one cannot expect to force the Western way of living on them while they are on holiday. Many up-market Indian travellers are known to have travelled with their personal chef while on vacation because they are not sufficiently satisfied with the cuisine of their destination. Travellers from the UAE have special needs because of their religious background. Provision of 'halaal' meat (a special way of preparing meat for Muslims), for example, should be considered if destinations and travel businesses want to attract these new travellers.

Take a page out of the book of experiences of Disney. Their site in Paris nearly went bankrupt because of their cultural insensitivity to the French market. Success only came after food and drink for customers as well as dress codes for staff were altered to cater to the French market.

They certainly did not repeat this mistake at their site in Japan.

#### **1.8.4 Wow them with Technology!**

Emerging-market travellers are very technologically inclined and savvy. Use of state-of-the-art technology is a must if you want to attract these new travellers. The Internet is necessary as many are researching and planning their trips online and the numbers are growing apace. Many new technologies are already mainstream in some of these markets. There are more mobile phones in India and China than there are landlines. Using mobile technology is crucial. Mobile advertising will be welcomed with open arms in emerging markets. Use of video messaging, Skype, Facebook and many other social technologies should not be neglected either.

#### **1.8.5 Tailor Marketing Efforts to the Young and Hip Emerging Traveller**

Emerging market travellers are relatively young and are very vibrant, hip and happening. Marketing to this market must be different from the more traditional markets that are dominated by an aging population. Their needs, interests and motivating factors will be different and therefore marketing, pricing, products, brands and promotions will need to be tailored to these new, younger markets and travellers. Don't think that advertising sun, sand and sea as was done with European markets, will work for the Chinese and Indians for instance. No! These markets want cultural experiences, shopping, city tours, sight-seeing and status-seeking adventures.

#### **1.8.6 Do Not Forget about their Friends and Family**

As indicated, emerging markets have a lot of friends and relatives abroad. They prefer to stay at these friends and family members' homes instead of hotels. Marketing to these travellers will therefore need to be done differently. In fact,

it might be useful to target marketing campaigns to their friends and relatives living in the destination country. Since emerging-market travellers will be spending most of their time with their friends and family, the latter has the ability to influence spending, activities and interests. Travellers might even rely on their friends and family to organise tours and visits to tourism sites, restaurants, shopping areas, etc.

## **1.9 Conclusion and Summary**

Emerging markets, while new to the travel and tourism industry, are a force to recon with.

They are big and getting bigger and

They are rich and getting richer.

They are travelling farther and farther away from home and

they are engaging in the mainstream tourism product but more importantly they are forging a new tourism path of their own – influenced by culture, education and a hunger for status.

They are thirsting for new cultural experiences while their predecessors hungered for the sun and the sea.

They are travelling from the East to experience the cities and cultures of the West while the more experienced tourists travelled from the North to the South in search of the warmth of the sun.

Their travel budget is generally small relative to many mainstream markets but it is growing.

They are young and active and shop and go sightseeing.

A summary of some of the key differences between traditional and emerging travel markets is presented in the table overleaf.

**Table 1:5**

**Factors Influencing Travel and Tourism Growth  
in Traditional and Emerging Markets**

<b>Traditional Markets</b>		<b>Emerging Markets</b>
▶ Slow economic growth		▶ Rapid economic growth
▶ Slow growth in the number of millionaires		▶ Double-digit growth in the number of millionaires
▶ Wide and even distribution of income		▶ Emerging middle class
▶ Cheap oil		▶ Expensive oil
▶ Slow population growth		▶ Rapid population growth
▶ 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
▶ Group travel		▶ Group travel also but not afraid to travel alone
▶ 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
▶ Warmth of the sun		▶ Warmth of the people/culture
▶ Travelling from North to South		▶ Travelling from East to West
▶ To visit a destination		▶ To experience a destination

In conclusion, while emerging markets possess many similarities with traditional markets, it is quite obvious that they are creating a unique and interesting travel and tourism scenario when no doubt change the face of travel and tourism as we know it. Don't be surprised if many destinations start opening up more Chinese-styled hotels and restaurants. Don't be surprised if street signs are in English and Hindi. The point is that traditional

markets shaped and reshaped what we know as tourism today and it would be errant on our part to assume that the status quo will be maintained, especially when the new emerging markets begin to take the lead in travel and tourism demand, which may not be as distant in the future as we tend to think.

## Chapter 2

# BRAZIL



## 2.1 Introduction

The United Nations Statistical Division considers South America to consist of the following countries and territories:

*Argentina; Bolivia; Brazil; Chile; Colombia; Ecuador; Falklands Islands; French Guiana; Guyana; Paraguay; Peru; Suriname; Uruguay; and Venezuela.*

This definition is used in the present report. The Falkland Islands, including South Georgia and South Sandwich Islands, are claimed by Argentina, and known as *Islas Malvinas* in that country.

The focus of the report is on outbound tourism originating from these countries, not their inbound tourist arrivals. In terms of size, the main outbound markets are Brazil, Argentina, Chile, Peru and Colombia. For the purpose of this chapter however, Brazil will be the primary focus.

**Figure 2:1**

**Map of South America**



*Source: Lonely Planet, 2008*

### 2.1.1 Background – South America

South America has an area of some 17.84 square kilometers (making it the fourth largest continent in the world after Asia, Africa and North America) and an estimated population of 382 million in 2008 (fifth after Asia, Africa, Europe and North America). Brazil is by far the largest country in South America, both in terms of area, population and Gross Domestic Product (GDP), followed by Argentina, but the countries (excluding the Falkland Islands and French Guiana) with the highest average per capita income in terms of purchasing power parity (PPP) are Chile and Argentina.

***South America is the 4<sup>th</sup> largest continent in the world***

The gap between the rich and poor in most South American nations is considered to be larger than most other continents. In many South American countries (particularly Bolivia, Paraguay and Venezuela), the richest 20% may own over 60% of the nation's wealth, while the poorest 20% may own less than 5%.

During the first decade of the present century, South American governments have moved to the political left, with social democratic leaders being elected in Brazil, Chile and Uruguay, and left-wing populist presidents in Argentina, Bolivia, Ecuador and Venezuela. In the late 2000s, the nations of South America banded together to constitute a supranational union intended to integrate South American economies and cultures, and potentially militaries, laws, and political structures, named the Union of South American Nations (UNASUL).

While home to some 382 million people and with a combined GDP of some \$3.7 trillion (PPP), the South American outbound market remains, as yet, quite small. Few people, other than members of the middle and upper classes, have the means to travel outside their countries on holiday or on business. With high levels of poverty, only the wealthy few can afford to travel outside their countries.

***The South American outbound market is relatively small***

### 2.1.2 Outbound Tourism from South America

Overall, the best and most comprehensive source is the information on arrivals in reporting countries compiled by the World Tourism Organisation (UNWTO), but even here there can be discrepancies



between the departures data furnished by statistical offices in the countries of origin and the arrivals data monitored in the destination countries.

In 2005 (latest year for which comprehensive information is available), excluding persons travelling abroad to seek work, the number of outbound tourists from South America who stayed overnight (or longer) in another country is very broadly estimated at 17.5 million compared with 12.2 million in 2002, an increase of 43%. This made South America one of fastest growing source markets for outbound tourism over this period (*Source: UNWTO*). It should be noted that this excludes Falklands Islands, French Guiana, Guyana and Suriname for which no data were available for outbound tourism.

***One of the fastest growing regional source markets***

In 2006 (latest year), the main source markets for outbound tourism from South America were Brazil (4.8 million), Argentina (4.0 million), Chile (2.65 million in 2005), Peru (1.9 million) and Colombia (1.6 million in 2005). The available data is shown in Table 2.1.

***Brazil leads in outbound tourism in South America***

**Table 2:1**

**Outbound Travel from South America, 2002-06**

Country	2002	2003	2004	2005	2006	% Change 2002-06
Argentina	3,008	3,008	3,904	3,894	4,009	33.3%
Bolivia	217	305	331	312	n.a.	n.a.
Brazil	2,338	3,225	3,701	4,667	4,825	106.4%
Chile	1,938	2,100	2,343	2,651	n.a.	n.a.
Colombia	1,277	1,177	1,405	1,553	n.a.	n.a.
Ecuador	627	613	603	664	733	16.9%
Paraguay	141	153	170	188	210	48.9%
Peru	1,232	1,392	1,635	1,841	1,857	50.7%
Uruguay	530	495	569	658	666	25.7%
Venezuela	881	832	816	1,067	1,095	24.3%
<b>Total</b>	<b>12,189</b>	<b>13,300</b>	<b>15,477</b>	<b>17,495</b>	<b>n.a.</b>	<b>n.a.</b>

\* data not available for Falklands Islands, French Guiana, Guyana and Suriname  
 Source: UNWTO and country data

The main destinations for outbound travellers from South America have traditionally been Central/South America, Europe and the United States. The majority

***Intra-regional travel tops South Americans' outbound tourism***

of outbound leisure tourists – particularly for long-haul travel – are primarily from the more affluent classes.

### 2.1.3 Determinants of Outbound Travel

Among the future determinants of the frequency and volume of outbound travel, the total population – or potential market size – and the per capita GDP are clearly important, as is the degree of internet usage for the increasing number of independent travellers who like to make (or research) their own travel arrangements. Details for South American countries in 2008 (or latest year) are given in Table 2:2.

In nearly all countries, population numbers, income levels and internet usage are forecast to increase. The net effect is projected to be a continuing sharp rise in outbound travel from South American countries, with the total number projected to reach approximately 25 million by 2011, an increase of 43% over the estimated total of 17.5 million in 2005.

***Continued growth in  
outbound travel forecasted for  
South America***

**Table 2:2**

#### **Population, Per Capita GDP, Internet Usage, 2008 (or latest year)**

Country	Population (million)	Gross Domestic Product **		Internet Users	
		Total (\$ billion)	Per Capita (\$)	Number (’000)	Population penetration
Argentina	40.677	523.7	13,300	16,000	39.7%
Bolivia	9.248	39.4	4,000	580	6.4%
Brazil	191.809	1,836.0	9,700	42,600	22.4%
Chile	16.454	231.1	13,900	7,035	43.2%
Colombia	45.014	319.5	6,700	10,097	22.8%
Ecuador	13.928	98.8	7,200	1,549	11.3%
Falklands Islands*	0.003	0.075	25,200	2	69.4%
French Guiana	0.209	3.5	17,300	42	20.5%
Guyana	0.771	2.9	3,800	160	20.8%
Paraguay	6.348	27.1	4,500	260	3.9%
Peru	27.926	219.0	7,800	7,324	25.5%
Suriname	0.438	4.1	7,800	32	6.8%
Uruguay	3.478	37.2	11,600	1,100	31.8%
Venezuela	26.415	334.6	12,200	5,298	20.4%
<b>Total</b>	<b>382.326</b>	<b>3,677.7</b>	<b>n.a.</b>	<b>92,079</b>	<b>24.2%</b>

\* claimed by Argentina, including South Georgia and South Sandwich Islands

\*\* in terms of purchasing power parity (PPP)

Sources: US Census Bureau, CIA World Factbook, Internet World Stats

## 2.2 Overview

Brazil is the fifth largest and fifth most populous country in the world, and by far the largest and most populous country in South America.

***5<sup>th</sup> largest country in the world***

Officially named the Federative Republic of Brazil (*Republica Federativa do Brasil*), the Federation is formed by the union of the Federal District (capital Brasilia), 26 States and the 5,564 Municipalities. After more than half a century of military intervention in the governance of the country, the military regime peacefully ceded power to civilian rulers in 1985. Exploiting vast natural resources and a large labour pool, Brazil is today South America's leading economic power and a regional leader even though this claim is partially contested by Argentina and Mexico. Social and economic problems prevent Brazil from effectively exerting global power. Highly unequal income distribution and crime remain pressing problems.

According to the UN World Travel Organisation (UNWTO), Brazil is also the largest and fastest growing outbound tourism market in South America, with some 4.8 million departures in 2006.

***Brazil is the largest and fastest growing source market in South America***

### **Brazil Outbound Travel Data**

Official Name: Federative Republic of Brazil

Population (UN 2007 est.): 191.8 million

Outbound Market Size (2006): 4.8 million

Outbound Market Size (2011): 6.5 million

Main Destinations:

Actual: Argentina; United States; Spain; Uruguay; Italy; Portugal; Chile; Germany; United Kingdom; Paraguay

Aspirational\*: Italy; France; Spain; Greece; Portugal; Switzerland; Canada; Australia; Germany; Sweden

Purpose of Visit: Holiday/Leisure: 63%; Business: 33%; VFR 4%

Internet Access: 42.6 million users at December 31, 2007 (22.4% population penetration)

\* where Brazilians would like to visit (if money were no object)

## 2.3 Background

### 2.3.1 Population

In 2007 (mid-year), Brazil had an estimated population of 191.8 million (*Source: United Nations*) compared with 169.8 million reported in the August 2000 Census (which may have been under-numerated). The population is forecast to increase to 207 million by 2017 (*Source: US Census Bureau*) and continue to grow – albeit at a slower rate - to close to 260 million inhabitants by 2050, according to the Brazilian Census Bureau (IBGE). Excess mortality due to AIDS results in lower life expectancy, higher infant mortality, higher death rates, and lower population growth rates than would otherwise be expected.

Around 80% of Brazilians reside in urban centres. The south-east region is the richest and most densely populated and has the country's two largest cities, São Paulo and Rio de Janeiro, while the south is the wealthiest in terms of GDP per capita.

#### *Main Cities*

Currently, the Brazilian Institute of Geography and Statistics (IBGE) officially recognises 15 major metropolitan regions (RMs) where approximately one third of the population live. These RMs are responsible for approximately half of the Brazilian GDP.

In population terms (2006), the largest RMs are São Paulo (19.95 million inhabitants); Rio de Janeiro (11.35 million); Belo Horizonte (5.4 million). Porto Alegre (4.1 million); and Recife (3.65 million), while the largest cities (based on the population of the municipality where the city is located rather than its metropolitan region)) are São Paulo (10.9 million); Rio (6.1 million); Salvador (2.9 million); Brasilia (2.5 million); Fortaleza (2.4 million); and Belo Horizonte (2.4 million).

***São Paulo is the largest city in Brazil***

#### *Ethnic Composition*

According to the 2000 Census, the ethnic composition was made up of white: 53.7%; mulatto (mixed white and black): 38.5%; and black: 6.2%.

There is considerable race mixing and, genetically, most Brazilians have some degree of European, African, and/or Amerindian ancestry.

### ***Language***

Portuguese is the official and most widely spoken language in Brazil. Less common languages include Spanish (border areas and schools), German, Italian, Japanese, English, and a large number of minor Amerindian languages.

### **2.3.2 Government**

*Head of State:* President Luiz Inácio Lula da Silva (since 1 January 2003); Vice President Jose Alencar (since 1 January 2003). The President is both the chief of state and head of government. He appoints the Ministers of State (Cabinet). President Lula da Silva was first elected on in October 2002, taking office, on January 1, 2003. He was re-elected with more than 60% of the votes in October 2006, extending his term as President until the next election which is due to be held in October 2010. Following the 2006 elections, the Workers' Party, or *Partido dos Trabalhadores (PT)*, is now the second largest party in the Chamber of Deputies.

The President has put social programmes at the top of his agenda, particularly the alleviation of malnutrition which, according to the United Nations' Food and Agriculture Organization (FAO), currently affects 15.6 million people in Brazil.

### **2.3.3 Economy**

In 2007, Brazil's Gross Domestic Product (GDP) amounted to an estimated \$1.8 trillion in terms of purchasing power parity (PPP) - making it the ninth largest in the world (and by far the largest in Latin America). Brazil is regarded as one of the group of four emerging global economies (Brazil, Russia, India and China). Services generated almost two thirds (65.8%) of the Gross Domestic Product (GDP) in 2007, followed by industry (28.7%) and agriculture (5.5%).

***Brazil has the 9<sup>th</sup> largest economy in the world***

In 2007, the economy grew by 5.4% in real terms over the previous year and is forecast to grow by around 4.8% in 2008 and 4.5% in 2009, according to

the International Monetary Fund (IMF). Nevertheless, the country's per capita income – about \$5,300 (PPP) in 2007 – is low by world standards, and in 2005 an estimated 31% of the population (2005) was living below the poverty line. Unemployment remains relatively high at 9.3% in 2007, while, due largely to rising food prices, the inflation rate is expected to rise to 6.4% in 2008, up from 4.5% in 2007. A major challenge is to close the widening gap between the rich and the poor.

While Brazil has the potential to become a major global power, the country's economic growth rate has tended to be slower than that of its neighbours. Boom years have been followed by periods of economic crisis and near collapse. However, growth has been steady since 2003-04, allowing the Government to repay its debt of \$30.4 billion (a record sum at that time) to the IMF in full, two years ahead of schedule, and to launch (in 2007) a four-year plan to spend \$300 billion to modernise its road network, power plants and ports.

***Brazil has potential to become a major global player***

#### **Economic Indicators (2007 estimates)**

GDP (purchasing power parity): \$1.836 trillion  
 GDP (official exchange rate): \$1.314 trillion  
 GDP – real growth rate: 5.4%  
 GDP – per capita (PPP): \$9,700  
 GDP composition by sector: *agriculture: 5.5%; industry: 28.7%; services: 65.8%*  
 Labour force: 99.5million  
 Labour Force by occupation (2003 est.): *agriculture: 20%; industry: 14%; services: 66%*  
 Unemployment rate: 9.3%  
 Population below poverty line (2005 est.): 31%  
 Inflation rate (consumer prices): 4.5% annual average

*Source: CIA World Factbook, 2008*

#### **2.3.4 Exchange Rates**

Since July 1994, the modern *real* (code BRL), plural *reais*, has been the national currency of Brazil. It is subdivided into 100 *centavos*.

The *real* was pegged to the US dollar in 1994, but following a series of adverse external and internal financial events, the Central Bank changed the exchange regime to a free-float in January 1999. The currency suffered a gradual depreciation until late 2002 (reaching a historic low of almost R\$4 per

US dollar in October of that year) but, since then – partly due to the government’s policy of maintaining orthodox macroeconomic policies – the *real* has been getting stronger against the dollar and, since the beginning of 2005, most other world currencies as well. Better exchange rates have encouraged the Brazilian outbound market which is clearly very sensitive to currency fluctuations.

**Table 2:3**

**Exchange Rates against Major Currencies, 2003-08 (reals per currency)\***

Currency	2003	2004	2005	2006	2007	2008	% Change 2003-08
<b>US Dollar</b>	3.08	2.93	2.43	2.18	1.85	1.59	- 48.4%
<b>Euro</b>	3.34	3.75	2.84	2.85	2.58	2.54	- 24.0%
<b>UK Pound</b>	4.81	5.63	4.13	4.13	3.81	3.17	- 34.1%

\* *mid-year rates*

Source: OANDA.com

### 2.3.5 Annual Leave/Holidays

Employees have an average of four weeks annual leave. In addition, there are 12 public holidays during the year.

***4 weeks paid leave***

### 2.3.6 Visa Issues

Brazilian visitors do not require tourist visas for the Schengen countries, the UK, Ireland or for most of the rest of Europe. However, a visa *is* required for travel to the United States.

## 2.4 Market Size and Characteristics

### 2.4.1 Outbound Travel

Due to widespread poverty, it is only the fairly affluent who can afford to travel abroad on holiday. Brazilians are more inclined to take holidays within Brazil, rather than abroad. For example, an EMBRATUR (*Instituto Brasileira de Turismo*) survey found that in 2006 only 3.9% of Brazilians had taken a trip abroad, compared with 36.9% who had travelled within the country.

***Only the affluent can travel***

Having peaked at over 3 million in 1997, outbound travel from Brazil declined to a low of 2.3 million in 2002 due to a combination of economic, financial



and political factors. Since then, it has recovered to 4.8 million in 2006.

**Table 2:4**

**Outbound Departures from Brazil, 2002-06**

Destination	2002 (’000)	2003 (’000)	2004 (’000)	2005 (’000)	2006 (’000)	% Ch 2002-06
<b>Total Departures</b>	2,338	3,225	3,701	4,667	4,825	106.4%
<b>% change (annual)</b>	- 11.6%	37.9%	14.8%	26.1%	3.4%	

Source: UNWTO and EMBRATUR

Expenditure on outbound tourism increased from \$2.9 billion in 2002 to \$7.5 billion in 2006, equivalent to \$1,554 per person. With international tourism receipts totalling \$4.6 billion in 2006, the overall tourism balance was in deficit by around \$2.9 billion, according to the *United Nations World Tourism Organisation*.

*Tourism expenditures outpace tourism receipts*

The number of outbound tourists is forecast to increase to around 6.5 million by 2011, according to *Tourism Intelligence International* estimates.

*6.5 million outbound arrivals by 2011*

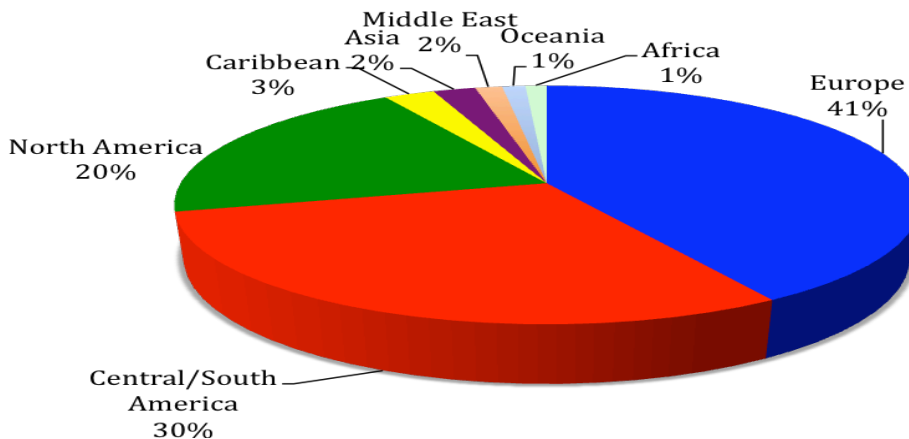
**2.4.2 Main Destinations**

Regionally, Europe is the most popular destination for Brazilian outbound travellers, attracting some 41% of the total in 2005, compared Central/South America (30%) and North America (20%).

*Europe is main long-haul destination for Brazilians*

**Figure 2:2**

**Outbound Travel from Brazil by Region, 2005**



Source: EMBRATUR, 2008



In 2006, boosted by the depreciation of the *peso*, Argentina was the single most popular destination for Brazilian outbound travellers (particularly for those living closer to the Argentinean border in south eastern Brazil), followed by the United States, Spain, Uruguay, Italy and Portugal. The next most popular South and Central America destinations were Uruguay, Chile (relatively inexpensive and popular with the middle class) and Paraguay (mainly for shopping). There has been a significant increase in travel to Caribbean destinations in recent years. Despite tougher visa requirements, the United States remains a favourite destination for Brazilians, particularly for shopping in Miami and New York (helped by the strong *real*).

***Argentina is most popular destination country for Brazilians***

Within Europe, the most popular destination in 2006 was Spain, followed by Italy, Portugal and Germany (where in each case there are close family ties with Brazil), and the United Kingdom (which is popular with Brazilians wishing to study English). Japan, Hong Kong and China are the main long-haul destinations, but visits to Australia have also increased significantly.

***Spain leads Europe as the Brazilian destination of choice***

**Table 2:5**

**Arrivals of Brazilian Tourists in Main Destinations, 2002-06**

<b>Destination</b>	<b>2002 (‘000)</b>	<b>2003 (‘000)</b>	<b>2004 (‘000)</b>	<b>2005 (‘000)</b>	<b>2006 (‘000)</b>	<b>% Change 2002-06</b>
Argentina	345	350	419	453	559	62.0
United States	405	349	385	485	525	29.6
Spain	146	97	184	222	269	84.2
Uruguay	118	151	188	198	228	93.2
Italy	114	86	129	182	219	92.1
Portugal	112	118	132	159	204	82.1
Chile	79	100	119	167	179	126.6
Germany	72	70	83	94	156	116.7
United Kingdom	83	70	78	91	112	34.9
Paraguay	43	41	49	56	98	127.9

*Source: UNWTO and country data (different basis to EMBRATUR data on departures).*

***Aspirational Destinations***

Italy heads the list of where respondents of the survey would wish to make a leisure visit ‘were money no object’, followed by France, Spain, Greece, Portugal, Switzerland, Canada, Australia, Germany and Sweden.

### Main Destinations

Actual: Argentina; United States; Spain; Uruguay; Italy; Portugal; Chile; Germany; United Kingdom; Paraguay

Aspirational\*: Italy; France; Spain; Greece; Portugal; Switzerland; Canada; Australia; Germany; Sweden

\* *not all potential destinations were included in the survey*

*Source: Anholt-GMI Brands Index/British Tourist Authority*

## 2.5 Market Characteristics

In order to supplement market information compiled by EMBRATUR, use has also been made of data relating to Brazilian visitors to Britain in 2006 from the *UK International Passenger Survey (IPS)* and from survey of Brazilian visitors to the United States carried out for the *US Office of Travel and Tourism Industries (OTTI)* to illustrate some of the main characteristics of the Brazilian outbound traveller.

### 2.5.1 Source Markets

São Paulo and Rio de Janeiro are the main sources of Brazilian outbound travel, accounting for some 38% and 25%, respectively, of all outbound departures in 2002 (*Source: EMBRATUR*).

***São Paulo is top source of Brazilian outbound travel***

### 2.5.2 Demographic Profile

EMBRATUR data show that, in 2002, just under half (48.4%) of all Brazilian outbound travellers were in the 28-45 age group, compared with 28.9% aged 46-65, 19.4% aged 18-27; and 3.3% aged 66 and over.

***Brazilian travellers are middle-aged***

In the case of travel to Britain, in 2006, over half (53%) of visitors from Brazil were aged between 25-44 (of which 32% were in the 25-34 age group). Overall, 48% of visitors were male and 52% female, with men having a slightly older age profile than women. Business visitors are more likely to be male, and VFR/Holiday to be female. (*Source: IPS*). The majority of Brazilian visitors to the US fall into the 35-54 year old age bracket (*Source: OTTI*).

***More women travel than men***

Brazilian visitors to Europe tend to be relatively affluent, with annual incomes exceeding US\$40,000

a year (Source: *European Travel Commission*), while, in 2005, some 75% of Brazilians travelling overseas possessed a university degree (Source: *EMBRATUR*).

### **2.5.3 Travel Party**

Brazilian visitors to Britain are more likely to be travelling either alone (49%) or with other adults in a tour group (27%), and only 4% in a traditional family group of spouse/partner and children. Most Brazilian visitors to the United States are married and more inclined (40%) to take their children with them.

***Brazilians prefer to travel alone***

### **2.5.4 Purpose of Visit**

Leisure trips are the main reason for Brazilians travelling overseas, although business travel is also relatively important. In 2005, almost two thirds (63%) of Brazilian outbound travel was for leisure purposes, compared with one third (33%) for business and 4% for VFR purposes.

***Leisure is main purpose for travel***

The pattern of visits varies considerably from country to country: in the case of travel to the United States, vacation/holiday trips accounted for 49% of the total in 2005; Business, 36%; VFR, 24%; and Conventions, 14% (Source: OTTI), while for visits to the UK, the average shares for 2006 were 40% for holidays; 18% for business; 23% for VFR; 14% for study; and 5% for other purposes.(Source: IPS). Portugal, Spain and Germany have higher than average proportions of VFR visits (Source: ETC).

### **2.5.5 Length of Stay**

In 2003, the average length of stay varied from for 15.4 days for leisure trips; 11.8 days for business; and 20.6 days for VFR trips, with an overall average of 15.1 days for all trips (Source: *EMBRATUR*). The average holiday visitor from Brazil spends 6 nights in Britain - with longer average stays for business, VFR and study visits.

***The average Brazilian takes two-week trips***

### 2.5.6 Frequency of visit

According to *OTTI*, Brazilians tend to make repeat visits to United States; in 2005, only 14% of Brazilian arrivals were first-time visitors. Likewise, the majority (56%) of Brazilian visitors to Britain in 2004 had visited before in the previous ten years (*Source: IPS*).

### 2.5.7 Seasonality

Most Brazilian visits to Europe take place from June to August coinciding with the winter season in Brazil. For example, in 2006, 30% of Brazilian visits to Britain were in the period July-September; 29% in January-March; and around 20% each in the remaining parts of the year, April-June and October-December (*Source: IPS*). For visits to the United States, July, December and January are the most popular months (*Source: OTTI*).

### 2.5.8 Accommodation Type

According to EMBRATUR, hotels were chosen by almost three fifths (58%) of Brazilians travelling abroad in 2003, compared with 32% who stayed with family and/or friends and 10% who used other types of accommodation (self catering, camping, etc). Most Brazilian outbound travellers tend to stay in three- or four-star hotels, but a relatively large proportion prefers to stay in five-star establishments (*Source: VisitBritain research*).

***Brazilians prefer to stay at hotels***

#### ***Market Characteristics of Brazilian Visitors to Britain, 2005/06***

<b><i>Age/Sex Group</i></b>	<b><i>Male</i></b>	<b><i>Female</i></b>
	<b><i>%</i></b>	<b><i>%</i></b>
0-15	2	5
16-24	7	18
25-34	26	36
35-44	31	12
45-54	22	15
55-64	7	10
65 and over	4	3
<b><i>All visitors</i></b>	<b><i>48%</i></b>	<b><i>52%</i></b>

#### ***Travel Party***

Family spouse/partner and children: 4%

Spouse/partner but no children in tour group:	15%
Not alone but no spouse/partner or children in tour group:	27%
Children in group but no spouse/partner:	5%
Travelling Alone:	49%

<b>Purpose of Visit</b>	<b>Travel to UK</b>	<b>All travel outside Brazil</b>
Holiday:	40%	63%
Business:	18%	33%
VFR:	23%	4%
Study:	14%	
Other:	5%	

**Average Length of Stay (for all outbound trips, 2003)**

Holiday:	15.4 days
Business:	11.8 days
VFR:	20.6 days
All Trips:	15.1 days

**Frequency of Visit**

First Time:	44%
Repeat Visitor:	56%

**Seasonality**

Jan-Mar:	29%
Apr-Jun:	20%
Jul-Sep:	30%
Oct-Dec:	21%

**Accommodation Used (for all outbound trips, 2003)**

Hotel/guest house:	58%
Free Guests with friends/relations:	32%
Other (not specified):	10%

*Source: UK International Passenger Survey/BTA*

## 2.6 Mode of Transport

In 2005, air transport (often the only feasible mode for outbound and domestic travel) accounted for 70.3% of all outbound departures, with the remaining 29.7% travelling overland (*Source: EMBRATUR*). Currently, there are no international passenger sea or rail links with other countries.

***Most Brazilians travel by air***

### 2.6.1 Air Travel

In 2007, over 6 million passengers were carried on outbound international flights - a 64% increase over 1995 - of which (in 2005) some 38% were to European destinations; 37% to South/Central America; 23% to North America; and the remaining

2% to Africa and Asia. (Source: INFRAERO). There is still an insufficient number of non-stop flights out of Brazil to international destinations, due to the financial difficulties that have affected Brazilian carriers (particularly Varig) in recent years, while the spectacular growth of air traffic in Brazil in the last few years, especially in its south-east region, has put severe pressure on airport infrastructure.

### 2.6.2 Airports

The main international gateways are *Aeroporto Internacional de Guarulhos*, located in São Paulo, and *Aeroporto Internacional do Galeão* in Rio de Janeiro, which together handled 43.3% of all passenger movements in 2005. In addition to these two, limited numbers of both international scheduled and charter flights use Salvador, Recife, Fortaleza, Natal, Manaus, Belém, Brasília, Cargonhas, Curitiba, Florianópolis, and Porta Alegre airports. Nearly all commercial airports are operated by INFRAERO, a government agency.

***São Paulo gateway  
account for most  
outbound passengers***

São Paulo's *Guarulhos* currently connects Brazil to 28 countries. A third terminal, which will boost the airport capacity to 29 million passengers, is currently under construction. *Galeão* provides connections to over 18 countries worldwide, and handles around 15 million passengers at its two terminals each year.

### 2.6.3 Airlines

The main Brazilian international carriers are Varig, TAM Linhas Aéreas and GOL Transportes Aéreos (Brazil's only low-cost airline).

Formerly Brazil's flag carrier, Varig effectively became bankrupt in January 2005, in response to mounting costs and insurmountable financial pressures, and was eventually sold to the investment group Volo. In August 2005, Varig had 49 weekly flights to Europe. At the end of 2006, this was reduced to just three: Buenos Aires, Caracas and Frankfurt. Following its acquisition by GOL in March 2008, Varig expects to serve more than ten international destinations in Europe (Frankfurt, London, Madrid, Milan and Paris), North America (Miami, New York and Mexico City), and South America (Buenos Aires, Santiago, Bogotá and Caracas).

Both TAM and GOL have profited considerably from Varig's problems. TAM is now the leading domestic and international airline in Brazil, with a 61% share of the international market, and currently flies to seven international destinations outside South America (Frankfurt, London, Madrid, Milan and Paris, plus Miami and New York). GOL's international services are confined to South American destinations (Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay).

Airlines operating direct flights between Brazil and the United States include American Airlines (Dallas, Miami, New York); Continental Airlines (Newark, Houston); United Airlines (Boston, Chicago, Los Angeles, San Francisco, Washington); Delta (Atlanta, New York); and TAM (New York), and between Brazil and Europe TAP Air Portugal (Lisbon, Porto); Air France (Paris); Iberia (Barcelona, Madrid); TAM (London, Paris); British Airways (London); Lufthansa (Frankfurt, Munich); KLM (Amsterdam); Alitalia (Milan); Varig (Frankfurt); Air Madrid (Madrid); Swiss (Zurich); and Air Europa (Madrid). Emirates introduced the first non-stop flight between Brazil and the Middle East in October 2007 and now operates daily non-stop flights between Dubai and São Paulo.

The addition of new flights by TAM to Europe, Central and South America, and the US, could help alleviate some of the present capacity shortages.

## 2.7 Future Trends

The Brazilian outbound travel market is anticipated to remain relatively buoyant in the short to medium term.

Assuming that the *real* remains strong and the Brazilian economy continues to expand at a moderate pace, TII predicts that the number of outbound trips will increase to around 6.5 million by 2011, and to grow by 4.5% on average, year to year, to over 8 million by 2020, a rise of about two thirds on 2006.

Both Argentina and the United States are likely to remain the top destinations for Brazilian outbound travel, boosted in the one case by the continuing weakness of the *peso*, and in the other by the appreciation of the *real* against the US Dollar. Trips to other destinations, such as Chile, Uruguay and

***Buoyant outlook for  
outbound travel***

Paraguay (which are now received as relatively inexpensive) are also expected to grow, as will travel to Europe (assuming there is sufficient airlift capacity).

However, given the sensitivity of Brazilian outbound travel to exchange rate movements, any weakening of the *real* could potentially lead to a significant contraction in the numbers choosing to travel abroad.

## **2.8 Planning, Deciding and Booking Patterns**

### **2.8.1 Planning**

The Internet is the key source of information used when planning international travel, with an estimated 75% of all consumer travel-related research and purchase now conducted online (*Source: EMBRATUR survey, May 2005*).

***Internet is key planning tool***

### **2.8.2 Deciding**

In 2005, 5% of visits to Britain from Brazil were decided less than one week before travelling to the UK; 18% between one week and one month; 40% between one and three months; and the remaining 37% more than three months before travelling to the UK (*Source: UK International Passenger Survey*).

### **2.8.3 Booking**

Few Brazilians actually travel abroad as part of a package. In 2003, almost two thirds (64.7%) of Brazilians travelled independently, and only 35.3% booked with a travel agent (*Source: EMBRATUR*). This reflects the significance of VFR travel to the Brazilian outbound market, which tends to be arranged independently.

***Independent travel is popular in Brazil***

## **2.9 Media**

As South America's biggest media market, Brazil has hundreds of TV channels and thousands of radio stations. Media ownership is highly concentrated in the hands of a small number of local conglomerates such as *Grupo Globo* and *Grupo Bandeirantes* which dominate the TV, radio and newspaper markets.



### 2.9.1 Press

There is no national press, but the major newspapers in São Paulo and Rio de Janeiro reach wide audiences. They are:

- ▶ *Globo* (Rio daily) - circulation 544,000;
- ▶ *Jornal do Brasil* (Rio daily) - circulation 160,000 ;
- ▶ *Folha de São Paulo* (daily) - circulation 484,000 ;
- ▶ Estado de São Paulo (daily) - circulation 355,000; and
- ▶ *Correio Braziliense* is an influential semi-official daily, published in Brasilia. Most newspapers (including those published in state capitals) publish a weekly travel supplement.

### 2.9.2 Magazines

The most important magazines for reaching potential travellers are the weekly *Veja*, *Exame* and *Caras* and the monthly travel magazines: *Revista Viagem e Turismo* and *Próximo Viagem*. The main travel trade publications are *Panrotas* and *Brasilturis*.

### 2.9.3 Television

The main TV channels are as follows:

- ▶ *TV Band* – commercial network operated by *Grupo Bandeirantes* ;
- ▶ *Rede Globo* – major commercial network operated by *Globo*;
- ▶ *Sistema Brasileiro de Televisao (SBT)* – major commercial network;
- ▶ *TV Record* – major commercial network;
- ▶ *NBR* – operated by state-run *Radiobras*;
- ▶ *Rede TV* – commercial network; and
- ▶ *TV Cultura* – public, educational and cultural programmes;

Cable TV is well established in the major urban areas.

## 2.9.4 Radio

Radio is still a popular form of entertainment and news reporting. The main stations are:

- ▶ *Radio Nacional* – operated by *Radiobras*;
- ▶ *Globo Radio* – commercial networks operated by *Globo*;
- ▶ *Radio Eldorado* – affiliated to *O Estado de Sao Paulo* newspaper;
- ▶ *Radio Bandeirantes* – network operated by *Grupo Bandeirantes*; and
- ▶ *Radio Cultura* – public, cultural programmes.

## 2.9.5 Internet

The growing importance of the internet is illustrated by the following:

- ▶ There were 42.6 million Internet users in Brazil (representing 22.4% of the population) at December 31, 2007, according to *Internet World Stats*. While the population penetration rate is relatively low, Brazil still has the most internet users in Latin America.
- ▶ Brazil has the third largest number of broadband lines in the Americas, behind only the United States and Canada, according to *Point Topic*.
- ▶ Some 40% of Brazilian adults use the internet from home, 30% from a public access location (such as an internet café) and the remainder when at work or school (*Source: Ipsos Public Affairs survey*).

***The Internet is important***

***Almost ¼ of Brazilians use the Internet***

## 2.10 The Travel Trade

### 2.10.1 Distribution Channels

The travel trade in Brazil still plays a very important role in the consumers' choice of travel destination, but, according to VisitBritain (knowledge on territory) travel trends continue to move away from package tours toward independent travel, with only 45% of international travellers using a travel agency to organise their trips. Over 56% of all trips are part of

an escorted tour with 40% FIT. There is also a highly competitive specialised student and educational travel trade sector.

### **2.10.2 Travel Agents**

There are approximately 10,000 travel agencies in Brazil, of which around 3,000 (responsible for 80% of the national market) are members of the *Associação Brasileira de Agências de Viagens* (ABAV). Most are small, independent businesses, making them vulnerable to any change in demand. Only about 65 have international sales above \$1 million. Increased operating costs are leading to closures or mergers with larger agencies and operators.

Two of the country's leading retailers - Carrefour and C&A - have recently launched a chain of travel shops in Brazil. One of Brazil's largest tour operators (CVC) intends to open 100 outlets under the Carrefour Tourism brand name, while C&A works closely with TAM Viagens, another major Brazilian tour operator. Carrefour and C&A also run financial programmes that permit customers to pay for airline tickets or holiday packages in installments.

### **2.10.3 Tour Operators**

The main players are as follows:

- ▶ ADV Viagens e Turismo;
- ▶ CVC;
- ▶ Queensberry Viagens e Turismo;
- ▶ Soft Travel;
- ▶ TAM Viagens; and
- ▶ New Age and Agaxtur.

The majority of operators are located in São Paulo, and the main planning cycle is September to November, to be ready for the following spring.

### **2.10.4 Trade Fairs**

The main travel and tourism trade shows in Brazil are as follows:

- ▶ ABAV - Fair of the Americas held in Rio de Janeiro in October that annually attracts more than 700 exhibitors from 40 countries and some 25,000 trade professionals. Considered the major event of the Latin American travel and tourism industry focused on the trade. Organised by the ABAV) since for 36 years.
- ▶ *Salão do Turismo* held in São Paulo in June, a gathering of travel-related organisations promoted by the Brazilian Ministry of Tourism. The event is open to travel-industry professionals and the general public.
- ▶ *EQUIPOTEL* - international fair of equipment, products and services for the hotel and hospitality industry, held in São Paulo in September.

### 2.10.5 Sales Calls

Initially, it is best to target the two main potential market areas: Sao Paulo and Rio de Janeiro. Brochures and information in Portuguese are much appreciated by the local trade. The holiday periods of December/January/February and July should be avoided. Carnival and Easter are also bad times to visit.

**Table 2:6**

#### **Public Holidays, 2009**

1 January: New Year's Day	7 September: Independence Day
23 - 24 February: Carnival	12 October: Our Lady of Aparecida
10 April: Good Friday	2 November: All Souls' Day
21 April: Tiradentes	15 November: Republic Day
1 May: Labour Day	25 December: Christmas Day
11 June: Corpus Christi	

## 2.11 How They Think, Feel and Behave

### 2.11.1 Motives for Travel

- ▶ To visit fashionable, vibrant cities such as New York, Miami, London, Paris etc.
- ▶ To visit ski resorts in Argentina and Chile.
- ▶ To take advantage of cheaper shopping in Paraguay and other neighbouring South

American countries.

- ▶ To visit relatives in European countries, not just Portugal. Many Brazilians are first- and second-generation descendants of European settlers, and, as such, cultural and historical links between Brazil and Europe remain strong.
- ▶ To immerse themselves in Europe's diverse culture and heritage.
- ▶ To attend prestigious sporting occasions (football, Formula 1 motor racing, etc).
- ▶ Business, trade, official trips.
- ▶ Study, education (especially in Europe and North America).

### **2.11.2 What They Do on Holiday**

- ▶ Shopping: shopping for fashion items is one of the prime activities carried out by Brazilians on their visits to the United States and Europe. South American destinations are favoured by the more budget-conscious shopper.
- ▶ For visits to the United States, shopping and dining in restaurants are the top two leisure activities, followed by visits to historical places, art galleries and museums, and sightseeing in cities, visits to cultural heritage sites, amusement/theme parks, night clubs/dancing.
- ▶ Europe's history and heritage are strong attractions for Brazilians. For example, more than half of all Brazilian holiday visitors to Britain visit castles, museums/art galleries and parks/gardens.
- ▶ Foreign beach holidays do not appeal to Brazilian travellers, as they rightly believe that better beaches can be found at home. However, there is growing interest in Caribbean destinations.
- ▶ Winter sports (particularly in Argentina, Chile, North America and Europe).
- ▶ Nightlife and culture: Brazilians enjoy going out to cafes, bars and clubs whilst visiting a foreign country. They are also interested going to the theatre, opera, ballet, etc.

### **2.11.3 How They Feel and Behave**

Brazilians are widely regarded as racially tolerant, friendly, fun-loving, and strongly attracted to city life.

Many are enthusiastic shoppers and window shoppers as illustrated by the four most visited cities in the United States (Miami, New York, Orlando and Los Angeles) whose major attractions are shopping and entertainment.

Nevertheless, coming from the wealthier and better educated social classes, Brazilian long-haul travellers also have a wide variety of interests including action/adventure sports, art, culture and heritage, nature and travel for the sake of exploration, and folklore (music, dance, artefacts).

Interest in sport is not confined to football, but also includes tennis, basketball, motor sports, winter sports, etc.

If Portuguese translations are not available, Brazilians prefer to be given information in English, rather than Spanish.

Accommodation tends to be in 3 and 4 star hotels in city centre locations. The wealthier travellers will stay in 5 star luxury hotels. Serviced apartments and B&Bs are increasingly chosen by families as offering good value for money.

Brazilians dine at around 9.00 pm. Fresh fruit is appreciated at breakfast.

## **2.12 Information Sources**

The following are the main sources for the information contained in this chapter:

- ▶ The BBC Country Profiles;
- ▶ British Tourist Authority market guides;
- ▶ CIA World Factbook;
- ▶ European Travel Commission (ETC);
- ▶ Eurostat, the Statistical Office of the European Communities;

- ▶ International Air Transport Association (IATA);
- ▶ International Monetary Fund (IMF);
- ▶ International Passenger Survey (IPS) 2006 (UK Office for National Statistics);
- ▶ Internet World Stats 2007;
- ▶ US Census Bureau;
- ▶ World Travel & Tourism Council (WTTC);
- ▶ Agência Nacional de Aviação Civil Brasil (DAC);
- ▶ Anholt-GMI Nation Brands Index - 2006 & 2007;
- ▶ Brazilian Institute of Geography and Statistics (IBGE);
- ▶ British Broadcasting Corporation (BBC) country profiles;
- ▶ British Tourist Authority market guides;
- ▶ CIA World Factbook;
- ▶ EMBRATUR (Instituto Brasileiro de Turismo);
- ▶ Empresa Brasileira de Infra-Estrutura Aeroportuária (INFRAERO);
- ▶ European Travel Commission (ETC);
- ▶ Eurostat, the Statistical Office of the European Communities;
- ▶ Forbes magazine;
- ▶ Global Insight's "Global Tourism Navigator";
- ▶ International Air Transport Association (IATA);
- ▶ International Monetary Fund (IMF);
- ▶ International Passenger Survey 2006 (UK Office for National Statistics);
- ▶ Internet World Stats 2007;
- ▶ National Tourist Offices (various);
- ▶ OANDA.com (foreign currency exchange rates);
- ▶ US Census Bureau International Database;
- ▶ UNWTO (United Nations World Tourism Organisation);
- ▶ World Bank; and
- ▶ World Travel and Tourism Council (WTTC).

## Chapter 3

# CHINA



*All text and figures relate to Mainland China only, unless otherwise stated. The Special Administrative Regions (SARs) of Hong Kong and Macau are administered separately from the rest of the People's Republic of China (PRC).*



### 3.1 Overview

China is the world's most populous country, with a history and culture going back nearly 4,000 years. After stagnating for more than two decades under Mao Zedong's authoritarian rule, China now has the world's fastest-growing economy. Since 1978, Deng Xiaoping and other leaders have focused on market-oriented economic development, dismantling collective farming and allowing private enterprise to flourish. For much of the population, living standards have improved dramatically, but the Communist Party retains its monopoly on power and control over many facets of everyday life.

***China is the world's most populous country***

In terms of tourism, according to the UN World Travel Organisation (UNWTO), China is the fastest growing travel market in the world, with the number of outbound international travellers projected to reach 100 million by 2020. China is also a leading tourism destination – currently, the world's fourth most popular but forecast to become number one by 2020.

***China is the fastest growing travel market in the world***

<b>Full Name:</b> People's Republic of China
Population (UN 2007 est.): 1.32 billion
Outbound Market Size (2006): 20 million
Outbound Market Size (2011): 35 million
<b>Main Destinations:</b>
<b>Actual:</b> Hong Kong; Macau; Singapore; Thailand; South Korea; Japan; Russia; Vietnam; Germany; Malaysia; United States; Australia
<b>Aspirational*:</b> France; Germany; Switzerland; United States; United Kingdom; Italy; Australia; Sweden; Canada; Egypt
<b>Purpose of Visit:</b> Holiday: 53%; Business: 12%; VFR 23%; Other 12%
<b>Internet Access:</b> 210 million users at December 31, 2007 (16% population penetration)
* where they would like to visit (if money were no object)

## 3.2 Background

### 3.2.1 Population

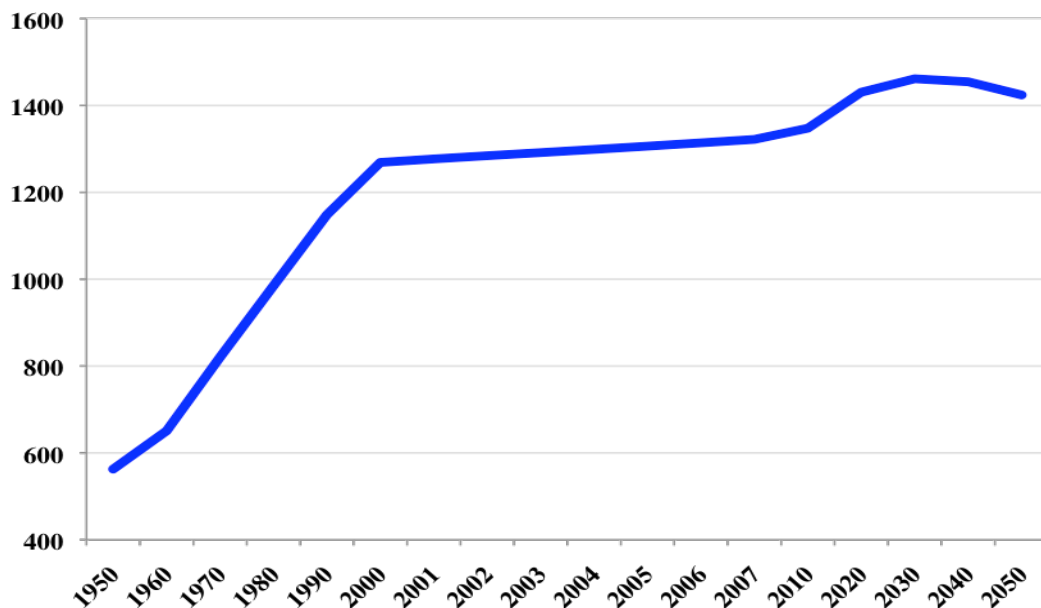
In 2007 (mid-year), China had an estimated population of 1.32 billion (*Source: US Census Bureau*). The population is expected to peak at around 1.46 billion by 2030, and to slowly decline thereafter (if both fertility and mortality rates continue to fall) to about 1.42 billion by 2050, when China is forecast to be overtaken by India as the world's most populous nation.

**1.32 billion strong population**

As a result of the 'one child policy' (introduced by Deng Xiaoping in 1979 in order to curb the country's population growth), the population is rapidly ageing, with the proportion of those aged 65 and over projected to increase from 8% of the total population at present to 25% by 2050, and the proportion in the middle age groups to decrease (*Source: United Nations*).

**Figure 3:1**

**China Population 1950-2050 (million inhabitants)**



*Source: US Census Bureau*

As the pace of urbanisation grows, the share of the rural population has fallen – from 74% of the total in 1990 to 56% at the end of 2006 (*Source: National Bureau of Statistics*). Latest projections suggest that by 2030 around 60% of China's population will be living in urban areas. The greatest concentrations of population are in the Yangtze River Delta (88 million people in 2006), Pearl River Delta (50 million), Beijing-Tianjin (39.7 million) and Liaoning (33.6 million) megalopolitan areas.

***The pace of urbanisation is rapid***

***Main Cities:*** In 2006/07, the largest metropolitan areas were Shanghai (18.7 million inhabitants); Beijing (17.4 million); Hong Kong-Shenzhen (15.8 million); Guangzhou-Foshan (13.5 million); Chongqing (12.1 million); Tianjin (7.2 million); and Changsha (6.5 million).

***Ethnic Composition:*** Han Chinese 92%, other nationalities 8%.

***Language:*** Mandarin Chinese (spoken by over 70% of the population).

### **3.2.2 Government**

Government power is divided among three bodies: the Communist Party of China (CPC); the organs of state, and the Central Military Commission, which exercises control of the People's Liberation Army (PLA).

All positions of significant power in the state structure and in the PLA are occupied by members of the Communist Party of China (CPC) which is controlled by the CPC Politburo Standing Committee, a group of 5 to 9 people, who make all decisions of national significance. Since the abolition of the post of Chairman of the Communist Party in 1982, the General Secretary is the highest ranking Party official and heads the Politburo Standing Committee.

The legislative branch is the unicameral National People's Congress (NPC), members of which are

elected by municipal, regional, and provincial people's congresses, and the PLA to serve five-year terms. Both the president and the vice-president are nominally elected by the NPC, while the prime minister is nominated by the president, and confirmed by the NPC.

*Head of State:* President Hu Jintao (since 15 March 2003); Vice President Xi Jinping (since 15 March 2008)

*Head of Government:* Prime Minister Wen Jiabao (since 16 March 2003);

President Hu also occupies the key positions of General Secretary of CPC Politburo Standing Committee and Chairman of the Central Military Commission.

### **3.2.3 Economy**

Since 1978, the change from a centrally-planned system to a market-oriented economy has contributed to a more than ten-fold increase in Gross Domestic Product (GDP).

China now has the second largest economy in the world after the United States, with a GDP of over \$7 trillion (2007) when measured on a purchasing power parity (PPP) basis. Based on current growth projections, China will be the world's largest economy by 2050. The economy grew at an average rate of 10% per year during the period 1990-2004, the highest growth rate in the world, and per capita income at an average annual rate of more than 8% per annum. Between 1999 and 2006, annual per capita expenditure on recreational and cultural services by urban households more than doubled.

Nevertheless, the country's per capita income - about \$5,300 (PPP) in 2007 - is classified as low by world standards, according to the International Monetary Fund (IMF). Although much reduced, poverty remains rife, with some 135 million still living on less than \$1 a day.

***China operates a market-oriented economy***

***The world's largest economy by 2050***

***Per capita income is low but growing***

A member of the World Trade Organisation (WTO) since 2001, China's huge trade surpluses have affected relations with the United States and other trading partners, notwithstanding the recent appreciation of the currency.

***Excellent trade relations with top economies***

#### **Economic Indicators (2007 estimates)**

GDP (purchasing power parity): \$6.991 trillion  
GDP (official exchange rate): \$3,251 trillion  
GDP - real growth rate: 11.4%  
GDP - per capita (PPP): \$5,300  
GDP composition by sector: *agriculture*: 11.3%; *industry*: 48.6%; *services*: 40.1%  
Labour force: 803.3 million  
Labour force by occupation (2006 est.): *agriculture*: 43%; *industry*: 25%; *services*: 32%  
Unemployment rate: 4% (urban areas); substantially higher in rural areas  
Population below poverty line (2006 est.): 8%  
Inflation rate (consumer prices): 4.8% annual average

*Source: CIA World Factbook*

The 11<sup>th</sup> Five-Year Economic Programme (2006-2010) aims at building a 'harmonious society' through more balanced wealth distribution and improved education, medical care and social security. The plan calls for a relatively conservative 45% increase in GDP and a 20% reduction in energy consumption per unit of GDP by 2010. However, despite attempts by the Government to cool the economy, China's GDP grew by 11.4% in 2007 and is projected to grow by 9.3% in 2008 and 9.5% in 2009, according to the latest IMF forecasts. Over the past year, China, India and Russia have replaced a weakening United States as the main contributors to world economic growth (accounting for one half of global growth in that period).

***China is a major contributor to world economic growth***

However, with annual growth persistently in double figures and inflation hitting a ten year high of 6.5% per annum in late 2007, the World Bank has warned about a possible overheating of the economy. Interest rates have already increased and new measures introduced to slow the growth of bank lending, which could curb consumer demand, including expenditure on travel.

***Economy could overheat if left to grow out of hand***

Other downsides to China's economic boom include:

- ▶ rising income inequalities and unbalanced economic development between the coastal provinces and the less developed, poorer inland regions; presently, the top fifth of the population accounts for about half of the nation's total income, while the bottom fifth earn less than 5%;
- ▶ according to World Bank estimates, approximately 200 million rural labourers have had to relocate to the eastern cities in recent years to find work;
- ▶ environmental degradation, both in the countryside and (despite the pre-Olympics clean-up) in the heavily polluted cities; and
- ▶ inefficient state-owned enterprises and large numbers of non-performing loans in the state-run banking system.

Other challenges include: (a) the need to tackle corruption and other economic crimes; (b) to sustain adequate job growth for migrants, new entrants to the work force and workers laid off from state-owned enterprises; (c) to contain social unrest related to the rapid economic change; and (d) to meet the ever-increasing demand for energy from nuclear, hydro and other non-carbon sources, and for minerals from African and other foreign countries.

### 3.2.4 Exchange Rates

The *Renminbi* (commonly abbreviated as RMB) is the currency of China whose principal unit is the *yuan*. From 1997 to 2005, the RMB was pegged to the US dollar at a rate of 8.28 yuan per dollar. Since July 21, 2005, the RMB has moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. Currently (July 2008) - for the first time in more than a decade - a dollar buys less than seven yuan.

Since revaluation in July 2005, the renminbi has strengthened significantly against the US dollar, but

***Poor income distribution***

***High labour mobility***

***Environmental degradation***

***Highly inefficient state-owned enterprises***

***Other geo-political challenges***

***Strong exchange rate fundamentals***

has weakened vis-à-vis the euro and (until 2008) the British pound.

**Table 3:1**

**Exchange Rates against Major Currencies, 2003-08 (yuan per currency)**

Currency	2003	2004	2005	2006	2007	2008*	% Change 2003-08
<b>US Dollar</b>	8.28	8.28	8.19	7.97	7.61	6.85	- 17.3%
<b>Euro</b>	9.37	10.29	10.19	10.01	10.36	10.91	16.4%
<b>UK Pound</b>	13.53	15.17	14.91	14.70	15.24	13.62	0.7%

\* mid-July

Source: OANDA.com

**3.2.5 Annual Leave/Holidays**

According to China’s labour legislation, each employee with at least one year’s working experience is entitled to paid annual leave ranging from 5 to 15 days annually, depending on seniority. Following recent changes (introduced in 2008), the main periods that Chinese nationals can take time off is during the two ‘Golden Weeks’, coinciding with the Chinese New Year (late January or early February) and National Day holiday starting on 1<sup>st</sup> October. For each Golden Week, three days’ paid holidays are given, but weekends are so arranged that most workers can have seven continuous days of holiday. The previous three-day Labour Day holiday is now reduced to a one day holiday on May 1<sup>st</sup>. Instead, there will be three additional one-day public holidays in April, June and September, respectively. These changes are intended to help alleviate the severe overloading of China’s transportation system that was previously such a feature of the May holiday, and to encourage more travel outside the Golden Weeks, but Chinese New Year and National Day will continue to be peak seasons for both domestic and outbound travel.

***Paid annual leave is low but increasing***

***Reorganisation of paid leave to avoid congestion***

**3.2.6 Visa Issues**

Chinese leisure tourists are officially allowed to travel (minimum group size of five) to countries that have been granted Approved Destination Status

***Increase in Approved Destinations***

(ADS). Visas are required for nearly all countries, but these are usually procured via the tour company. In the case of those European countries that have implemented the Schengen Agreement, a visa for one country is valid for all of them. As a result, most tours to Europe tend to stay within the Schengen region to avoid the problem of obtaining a second visa. This puts non-Schengen countries, such as the UK and Ireland (for which additional visas are required) at a disadvantage.

Travel to the Hong Kong and Macau SARs and to holiday destinations in South East Asia often appeal more to Chinese not only because of their affordability and accessibility, but also because there is either no need for a visa or because the visa application procedures have been simplified.

### **3.2.7 Approved Destination Status**

Chinese tourists are officially only allowed to travel for leisure purposes to countries that have been granted Approved Destination Status (ADS) under a bilateral agreement between the Chinese and the foreign government. The ADS programme, which came into being in July 1997, allows self-funded tourists to travel for leisure within guided groups (minimum group size of five) on a special visa. As of January 2008, China had granted ADS approval to 134 countries and regions, and implemented the programme in 91 countries, including all EU member countries. It is the responsibility of the contracting foreign country to recommend compliant and competent travel agencies as land operators for handling Chinese tour groups when they arrive in the destination country.

The impact of gaining ADS can have a substantial effect on travel flow: for instance, the number of Chinese arrivals to Australia more than doubled within three years of signing the gaining ADS agreement. Apart from allowing Chinese nationals to travel for leisure to certain countries, ADS has the additional advantage of permitting the destination country to open a tourism office in China and to launch destination marketing campaigns in China.

***Chinese must travel for leisure and by groups***

***ADS allows for destination marketing and the setting up of official tourism offices in China***



Despite these changes, the Chinese government continues to put controls on outbound tourism growth through a series of regulative measures. Even with an ADS agreement in place, independent travel is banned; travellers are limited to carrying \$5,000 if they are travelling abroad for less than six months; and the number of companies that can conduct outbound travel activities is limited (although it has increased considerably since 1997).

***Controls on outbound travel still exist***

### **3.3 Market Size and Characteristics**

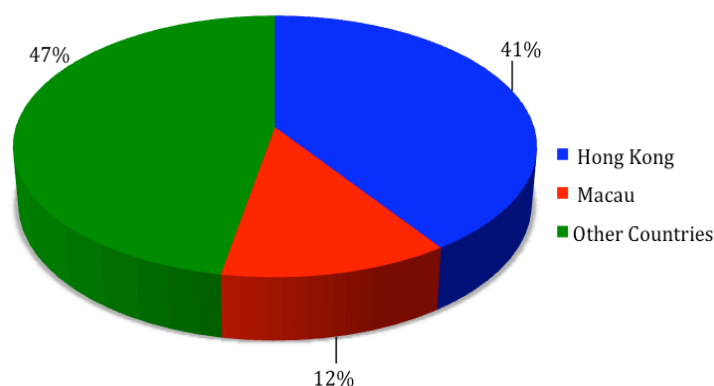
#### **3.3.1 Outbound Travel**

Prior to 1983, Chinese leisure outbound tourism was virtually non-existent as Chinese citizens were not allowed to travel abroad for personal reasons. With the opening up of the economy, the rules on travel have gradually been relaxed, firstly, in relation to 'family visits' to Hong Kong and Macau, and subsequently for visits to selected countries in South East Asia and for visits by residents to cities across China's borders. However, the most significant development has been the introduction of the ADS programme in 1997. Leisure travel demand from China has been wholly determined by the establishment of ADS agreements. The other main factors restricting outbound travel from China are cost and the limited time available to travel which means that many trips tend to be of short duration, mostly to Asian destinations, and nearly always taken during the Golden Weeks.

***Regulations, cost and time are main determinants of outbound travel from China***

In 2006, Chinese travellers made a total of 34.5 million outbound trips, of which 14.5 million were day visitors to Hong Kong and Macau, and 20 million were stay over tourists in these and other destinations. Between 2002 and 2006, the number of Chinese outbound travellers more than doubled, and, according to the China National Tourism Administration (CNTA), reached just under 41 million in 2007 (an 18.8% increase over the previous year), but is still dwarfed by the number of domestic trips (estimated at over 1.2 billion in 2006).

***Doubled outbound travel in just 4 years***

**Figure 3:2****Destination Share of Outbound Travel from China**

Source: China National Tourism Administration (CNTA), 2008

The number of stay over tourists is forecast to increase to around 35 million by 2011 (Source: TII estimates).

**Table 3:2****Outbound Departures from Mainland China, 2002-06**

Destination	2002 ( <sup>'000</sup> )	2003 ( <sup>'000</sup> )	2004 ( <sup>'000</sup> )	2005 ( <sup>'000</sup> )	2006 ( <sup>'000</sup> )	% Ch 2002-06
<b>Day Visitors (to SARs)</b>						
Hong Kong*	2,068	2,774	4,452	4,511	5,157	149.4%
Macau*	2,789	4,311	7,339	8,093	9,359	235.6%
<b>Sub-total</b>	<b>4,857</b>	<b>7,085</b>	<b>11,791</b>	<b>12,604</b>	<b>14,516</b>	<b>198.9%</b>
<b>Stayover Tourists</b>						
Hong Kong**	4,757	5,693	7,794	8,030	8,434	77.3%
Macau***	1,451	1,431	2,191	2,370	2,627	81.0%
Other Countries	5,537	6,013	7,077	8,022	8,943	61.5%
<b>Sub-total</b>	<b>11,745</b>	<b>13,137</b>	<b>17,062</b>	<b>18,422</b>	<b>20,004</b>	<b>70.3%</b>
<b>Total (including day trips)</b>	<b>16,602</b>	<b>20,222</b>	<b>28,853</b>	<b>31,026</b>	<b>34,520</b>	<b>107.9%</b>
<b>% change (annual)</b>	<b>36.8%</b>	<b>21.8%</b>	<b>42.7%</b>	<b>7.5%</b>	<b>11.3%</b>	

\* arrivals of non-resident visitors, including day visitors

\*\* arrivals of non-resident tourists, excluding day visitors

\*\*\* arrivals of non-resident tourists in hotels and similar establishments

Source: UNWTO and country data

Expenditure on outbound tourism increased from \$15.4 billion in 2002 to \$24.3 billion in 2006, equivalent to \$704 per person. The spending figures

**US \$3,500 per trip to Europe**

are deflated by the predominance of short trips to Hong Kong, Macau and South East Asia. For travel to Europe, spending is about US \$3,500 per trip, approximately five times the average (*Source: European Travel Commission*).

With some 50 million foreign tourists in 2006, China is also a leading tourism destination - currently, the world's fourth most popular but forecast to become number one by 2020 -and with international tourism receipts totalling \$33.9 billion in 2006, its overall tourism balance continues to remain in surplus (*Source: UNWTO*).

### **3.3.2 Main Destinations**

The choice of destinations for Chinese outbound travellers has always been limited by availability rather than demand. The impact of gaining ADS has had a substantial effect on travel flows from China but, despite the broadening of the ADS programme since 1997, the Special Administrative Regions (SARs) of Hong Kong and Macau continue to attract by far the largest numbers of outbound travellers from Mainland China, accounting for 55% of the total (excluding day visits) in 2006. (According to the CNTA, Hong Kong and Macau currently account for about 70% of total departures (including day trips), compared with 19% to other Asian countries and 11% outside Asia (of which 7% is to Europe). The next most popular destinations were Singapore(1.037 million arrivals); Thailand (1.033 million); South Korea (894,000); Japan (812,000); Russia (765,000); Vietnam (516,000); Germany (441,000); Malaysia (439,000); the United States (320,000); and Australia (308,000).

The figures for Russia and Vietnam include significant numbers of cross-border traders.

For Chinese tourists, a country's perceived status and reputation are important factors behind the choice of destination. Established destinations such as East and South East Asia, Australasia, the EU countries and the United States are more highly-regarded than countries such as many of those in

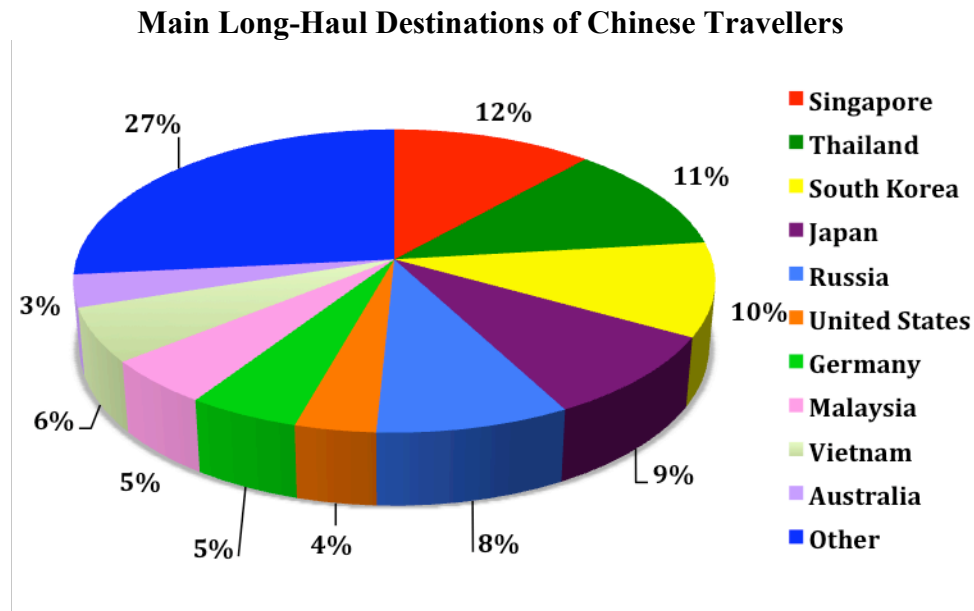
***Hong Kong and Macau attract the majority of Chinese outbound travellers***

***Safety and reputation of a destination are critical for Chinese travellers***

Eastern European, Africa and South America, which are relatively unknown or considered unsafe. Within Europe, Germany is often the first point of entry and consequently the most visited destination in Europe, followed by those European countries that have implemented the Schengen agreement (under which a visa for one country automatically entitles tourists to visit them all). Most tours tend to stay within the Schengen region to avoid the problem of obtaining a second visa. This puts non-Schengen countries, such as the United Kingdom and Ireland, at a disadvantage.

***Established destinations are preferred***

**Figure 3:3**



Until recently, travel from China to the United States has been held back given its non-ADS standing. However, under a memorandum of understanding (signed in December 2007) designed to facilitate Chinese group leisure travel from China, US destinations can now market themselves in China. The agreement also provides the necessary framework to permit group leisure travel from China to the United States under the ADS system.

**Table 3:3**

**Arrivals of Mainland Chinese Tourists in Main Destinations, 2002-06**

<b>Destination</b>	<b>2002 (‘000)</b>	<b>2003 (‘000)</b>	<b>2004 (‘000)</b>	<b>2005 (‘000)</b>	<b>2006 (‘000)</b>	<b>% Change 2002-06</b>
Hong Kong*	4,757	5,693	7,794	8,030	8,434	77.3%
Macau**	1,451	1,431	2,191	2,370	2,627	81.0%
Singapore	670	569	880	858	1,037	54.8%
Thailand	763	624	779	762	1,033	35.4%
South Korea	539	513	627	710	894	65.9%
Japan	452	449	616	653	812	79.6%
Russia	726	680	813	799	765	5.4%
Vietnam	724	693	778	753	516	- 28.7%
Germany	270	268	387	418	441	63.3%
Malaysia	558	351	550	352	439	- 21.3%
United States	226	157	203	270	320	41.6%
Australia	190	176	251	285	308	62.1%
Other	419	1,533	1,193	2,162	2,378	467.5%
<i>of which UK</i>	<i>64</i>	<i>68</i>	<i>95</i>	<i>92</i>	<i>107</i>	<i>67.2%</i>
<b>Total (excluding day trips)</b>	<b>11,745</b>	<b>13,137</b>	<b>17,062</b>	<b>18,422</b>	<b>20,004</b>	<b>70.3%</b>

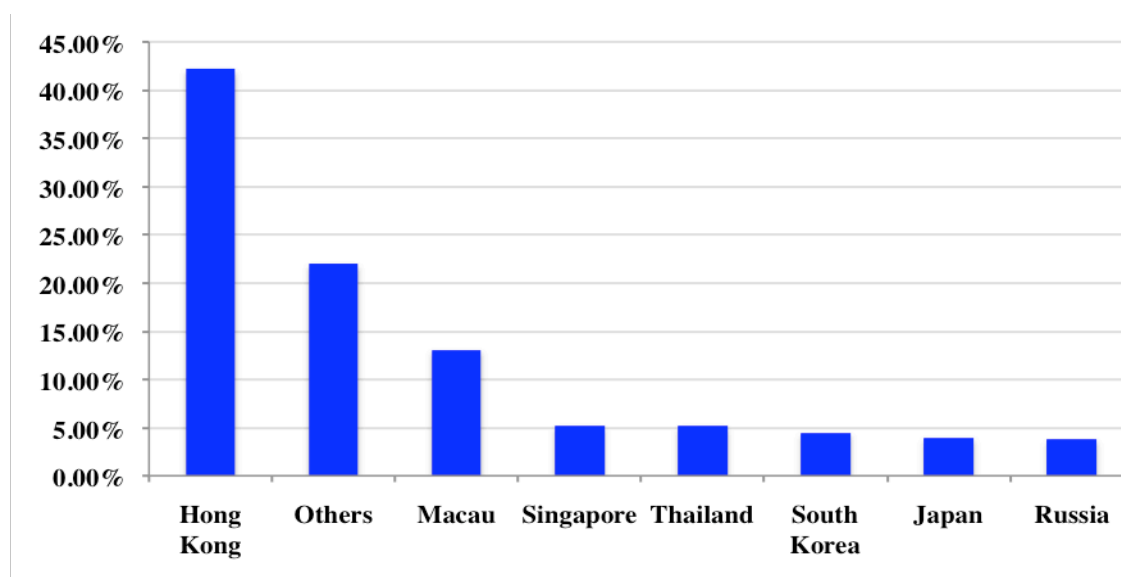
\* arrivals of non-resident tourists

\*\* arrivals of non-resident tourists in hotels and similar establishments

Source: UNWTO and country data

**Figure 3:4**

**Main Destinations for Stay-over Outbound Travel**



Source: UNWTO and country data

### ***Aspirational Destinations***

France heads the list of where respondents to a representative sample of the online population would wish to make a leisure visit 'were money no object', followed by Germany, Switzerland, United States, United Kingdom, Italy, Australia, Sweden, Canada and Egypt.

#### **Main Destinations**

Actual: Hong Kong; Macau; Singapore; Thailand; South Korea; Japan; Russia; Vietnam; Germany; Malaysia; United States; Australia

Aspirational\*: France; Germany; Switzerland; United States; United Kingdom; Italy; Australia; Sweden; Canada; Egypt

\* *not all potential destinations were included in the survey*

Source: *Anholt-GMI Brands Index/British Tourist Authority*

## **3.4 Market Characteristics**

In the absence of comprehensive market information for all Chinese outbound tourists, use has been made of data from a combination of sources, including data relating to Chinese visitors to Britain in 2006 from the *UK International Passenger Survey/Office for National Statistics* and from a survey of Chinese outbound visitors in 2005 carried out for the *Canadian Tourism Commission (CTC)*, to illustrate some of the main characteristics of the Chinese traveller.

### **3.4.1 Main Source Markets**

For outbound leisure tourism beyond the SARs of Hong Kong and Macau, the three most important source markets are Beijing, Shanghai and Guangdong (particularly Guangzhou and Shenzhen), where the major international airports are located.

***Main source markets -  
Beijing, Shanghai and  
Guangdong***

### **3.4.2 Demographic Profile**

The age distribution of outbound travellers is broadly similar to that of the general population, except for proportionately more in the 55-64 group and fewer aged 65 or over (who tend to travel

domestically instead of taking trips abroad). Most (78%) are married or partnered, compared with 20% single or never married. Persons who travel abroad generally have a higher education status (70% college level or above) and are more affluent, with a high-paying job [76% with average monthly incomes of RMB 7,000 (US \$1,024) or above].

### **3.4.3 Travel Party**

Chinese visitors to Britain are more likely to be travelling either alone (40%) or with other adults in a tour group (45%). The ADS leisure tourists visit in groups of five or more on a pre-determined and fully escorted itinerary. Business and official visitors also travel in small groups (5-9 people) and usually extend their visit by up to a week for sightseeing after business.

***Group travel is the norm for Chinese outbound travellers***

### **3.4.4 Purpose of Visit**

Leisure trips are now the main reason for Chinese travelling overseas. According to the CNTA, the proportion of leisure trips (including VFR travel) has increased from 39% of all trips in 1993 to 73% in 2003. Meanwhile, the share of official or business trips fell from 61% to 27% (although this can be affected by business travellers often applying for a holiday visa in order to simplify the visa application process). VFR travel is also significant, given the very large number of ethnic Chinese living overseas. For travel outside Asia in 2005, Holiday visits were estimated to represent about 53% of the total, compared with VFR, 23%; Business, 12% and Other, 12% (*Source: CTC*).

***Leisure is the main reason Chinese travel abroad***

### **3.4.5 Type of Trip**

According to the CTC survey, the Chinese prefer to visit one or more big cities (37%) or to engage in general sightseeing (20%) while travelling to destinations outside Asia. Specialised or niche travel has not developed to any significant extent.

***City tours and sightseeing attract Chinese travellers***

### 3.4.6 Length of Stay

The average Chinese visitor spends 13 nights in Britain - 10 nights for holiday visits. Unsurprisingly, given their proximity, stays in Asian destinations are of much shorter duration (73% between 4-7 nights).

### 3.4.7 Frequency of visit

Most Chinese who travel overseas are first-timers. For example, the majority (53%) of visitors to Britain in 2006 had not visited previously.

### 3.4.8 Seasonality

For most Chinese, the Golden Week holidays (now reduced to two: Chinese New Year and National Day) are often the only times they are able to take a holiday. Travel to European destinations takes place mainly in the summer months, with the July-September period accounting for 38% of all Chinese visitors to Britain in 2006. Business visits tend to show more balance throughout the year.

***Summer is the main season  
Chinese travel abroad***

### 3.4.9 Accommodation Type

According to the CTC survey, over half of Chinese outbound travellers stay at mid-priced hotels – twice the proportion of those staying in luxury establishments. ADS tours often book hotels in the mid-price category (which are often - particularly in European destinations – found to be inferior compared with equivalent accommodation in China and South East Asia).

***Chinese travellers prefer mid-priced hotels***

***Market Characteristics of Chinese Travellers to Britain, 2005/06***

<b><i>Age/Sex Group</i></b>	<b><i>Male</i></b>	<b><i>Female</i></b>
	<b><i>%</i></b>	<b><i>%</i></b>
0-15	8	4
16-24	4	10
25-34	24	29
35-44	32	26
45-54	25	20



55-64	5	10
65 and over	2	1
<b>All visitors</b>	<b>58%</b>	<b>42%</b>

**Travel Party**

Travelling Alone: 40%  
Family spouse/partner and children: 2%  
Spouse/partner but no children in tour group: 8%  
Not alone but no spouse/partner or children in tour group: 45%  
Other: 5%

**Purpose of Visit** (for all travel outside Asia)

Holiday: 53%  
Business: 12%  
VFR: 23%  
Other: 12%

**Length of Stay**

1-3 nights: 21%  
4-7 nights: 34%  
8-14 nights: 23%  
15+ nights: 22%

**Frequency of Visit**

First Time: 53%  
Repeat Visitor: 47%

**Seasonality**

Jan-Mar: 21%  
Apr-Jun: 18%  
Jul-Sep: 38%  
Oct-Dec: 23%

**Accommodation Used**

Hotel/guest house: 58%  
Other paid accommodation: 15% (including hostels, rented house, camping, etc.)  
Free Guests with friends/relations: 25%  
Rented house: 5%  
Other (not specified): 12%

Source: UK International Passenger Survey/BTA

### 3.5 Mode of Transport

According to CNTA, around two thirds of all departures in 2005 were made by road; 22.5% by air;

***Air travel is growing fast***

7.8% by sea; and 3.9% by rail. This includes travel to Hong Kong and Macau, which is predominantly overland. The market shares for both sea and rail have fallen since 2000, whereas the proportion travelling by air has risen from 18% in 2000 to 22.5% in 2005 (*Source: CNTA*).

### 3.5.1 Air Travel

Boosted by the increase in the number of outbound trips taken by Chinese, as well as the continuing rise in demand for domestic flights, air passenger traffic (including foreigners) grew by 106% over the period 2000-05 to reach 13.8 million. Matching the growth in demand, air capacity and the frequency of flights between China and key destinations are also increasing. Over the next 20 years, airlines based in China will spend an estimated \$340 billion on the purchase of 3,400 new commercial planes, according to *Boeing*. Chinese carriers plan to add 27 overseas routes (to the existing 268) by the end of 2009, as the new aircraft arrive. The air traffic control and reservations systems have struggled to keep pace with the phenomenal growth in air traffic, as has the availability of skilled pilots to meet the demand for flights.

### 3.5.2 Airports

China had 147 airports in operation in 2006, with the number set to rise to about 190 by 2010. There are three main international gateways – Beijing Capital International Airport; the Shanghai Pudong International Airport; and Guangzhou Baiyun International Airport. The world's largest terminal opened in Beijing in February 2008, in time for the 2008 Olympics, raising the airport's capacity to an estimated 82 million passengers per year. A new airport is planned for Beijing, starting construction in 2010. Capacity at Shanghai and Guangzhou are also being boosted – to 35 million and 27 million passengers per year, respectively.

***Airport capacity is set to rise in China***

### 3.5.3 Airlines

Currently, there are nine state airlines, of which Air China, China Eastern Airlines, China Southern Airlines and Hainan Airlines are the largest. In addition, a number of civilian-run airlines have started up since 2006. International low-cost airlines have yet to be developed in Mainland China, but no-frills carriers based outside China provide connections with various Asian destinations. As from June 2008, flights between a number of major cities in Mainland China and Taiwan have been inaugurated.

***Low-cost airlines do not exist as yet – great opportunity***

Eighty-six overseas airlines also operate air routes to China, including Aeroflot, Air Canada, Air France, Alitalia, All Nippon Airways (ANA), Asiana Airlines, Austrian Airlines, British Airways, El Al, Finnair, Japan Airlines, Korean Air, Lufthansa, Malaysia Airlines, Northwest Airlines, Qantas Airways, SAS, Singapore Airlines, Swiss International, Thai International, Turkish Airlines, Vietnam Airlines and Virgin Atlantic.

### 3.6 Future Trends

With a population of over 1.3 billion, of which less than a tenth has travelled abroad, there is considerable potential for the Chinese outbound market to continue to expand at above-average rates of growth. At present, only the fairly affluent and those middle-class consumers found predominantly in major cities such as Beijing, Shanghai, Guangzhou and Shenzhen, can afford to travel abroad, but this is gradually changing. As the Chinese middle class expands and incomes increase, the outbound market will continue to grow, while those with more modest incomes will begin to travel abroad, although, initially, this is more likely to be to Hong Kong, Macau or South East Asia.

***There is a huge untapped potential for outbound travel from China***

Assuming a relaxation of the current restrictions on independent travel, there is likely to be a move away from the present heavy emphasis on packaged group travel and on the Golden Weeks to more

individually-arranged off-peak travel. On the other hand, the ageing of the population could lead to a slowdown in growth of outbound tourism as the proportion of those with the highest propensity to travel (persons aged 35-54 years) decline, and that of those with the lowest (65 years and over) increase.

Future growth segments are highlighted below:

- ▶ The fast-expanding wealthy classes who are concentrated in the Yangtze and Pearl River deltas where, according to *Asian Demographics*, 72% of all Chinese households with incomes of more than \$7,000 per year live.
- ▶ The new elite: China is home to some 320,000 high net worth individuals (*Source: Reuters, September 2007*), of whom 76% had travelled abroad, the majority (53%) to Asian destinations, 25% to Europe and 13 % to the United States (13%); (According to a HSBC survey of the habits of Chinese luxury consumers defined as those with an annual household income of over \$25,000).
- ▶ The emerging middle class: currently, less than 100 million Chinese, around 5% of its population, can be ranked as middle class. However, according to official estimates, this number is expected to increase to 700 million by 2020, accounting for about 45% of the total population (*Source: National Bureau of Statistics*).
- ▶ Beach holidays, especially to the Asia-Pacific region and from amongst Chinese living in the cooler North eastern provinces.
- ▶ Chinese honeymooners, who typically prefer islands, or islands linked to a shopping destination.
- ▶ Online travel bookings, which could considerably be expanded given less stringent credit card and internet regulations.

***Fast expanding wealthy classes and new elite***

***The middle class is expected to grow seven fold by 2020***

In summary, increased money and leisure time, and a lifting of the travel barriers, are all serving as catalysts for a continuing boom in outbound travel.

According to UNWTO forecasts, China will become the fourth largest outbound market in the world by 2020, generating some 100 million arrivals.

### **3.7 Planning, Deciding and Booking Patterns**

The vast majority of leisure travel (including planning, deciding and booking patterns) is determined or controlled through the ADS scheme.

#### **3.7.1 Planning**

In 2006, the key sources of information when planning international travel were travel agents (68%); online sources (used at the active search phase by 42% of respondents); TV (destination advertising, travel programmes) newspapers and magazines, 40%; and word of mouth recommendations, 28% according to *MasterCard Travel China*. Chinese consumers are also exposed to repeated messages about travel from outdoor advertising media (e.g. moving posters, subway/escalator advertisements, etc.). Previous travel experience encourages consumers to try other destinations, with a tendency to progress from domestic and Hong Kong/Macau trips to short-haul, mid-haul and finally long-haul destinations, depending on cost and perceived accessibility (*Source: BTA China Market Guide*).

***Travel agents provide the main source of information for Chinese travelling abroad***

#### **3.7.2 Deciding**

In 2005, 6% of visits to Britain from China were decided less than one week before travelling to the UK; 20% between one week and one month; 46% between one and three months; and the remaining 28% more than three months before travelling to the UK (*Source: UK International Passenger Survey*).

***Most Chinese travellers decide to travel 1 – 3 months in advance***

#### **3.7.3 Booking**

For leisure travel to approved destinations, Chinese consumers are required to travel in groups and to book through a licensed agent, particularly the

***Chinese are required to book through a Travel Agent***

larger, better-known tour operators as they are considered more reliable. The number of bookings online is increasing for domestic travel, but is not so significant as yet for international travel.

### **3.8 Media**

Travel information is becoming increasingly available through a variety of media: newspapers, travel magazines, television and radio programmes, and the internet. The most frequently accessed media are international and national websites, and cable/satellite channels. The media is tightly controlled by the country's leadership. The recent opening-up of the industry covers distribution and advertising, but not editorial content.

The number of newspapers in mainland China has increased from 42 – virtually all Communist Party papers – in 1968 to more than 2,200 today, including over 400 daily newspapers whose combined circulation of 80 million is the highest figure in the world. Recent years have seen considerable organisation, including the establishment of newspaper groups, of which the largest are the Beijing Daily Newspapers Group, Wenhui Xinmin Associated Newspapers Group and Guangzhou Daily Newspaper Group.

***Largest print media circulation in the world exists in China***

With more than one billion viewers, television is a popular source of information and entertainment. State-run Chinese Central TV's provincial and municipal stations offer a total of around 2,100 channels. China is also becoming a major market for pay-TV, which is forecast to have 128 million subscribers by 2010, but the availability of non-domestic TV is presently limited (outside Guangdong province).

## Principal Media

### **Newspapers**

- Beijing Daily
- Beijing Youth Daily
- Beijing Times
- China Daily - state-run, English-language
- China Economic Times (Zhongguo Jingji Shibao) - state-run, daily
- China Youth Daily (Zhongguo Qingnian Bao) - state-run, linked to Communist Youth League
- Economic Information Daily (Jingji cankao bao)
- Farmers' Daily (Nongmin Ribao) - state-run, agricultural and rural issues
- *Guangming Daily* - conservative tabloid,
- Hua Xia Wen Zhai
- Legal Daily (Fazhi Ribao) - state-run
- People's Daily (Renmin Ribao) - Communist Party daily
- PLA Daily (Jiefangjun Bao) - People's Liberation Army daily
- *Reference News* - has the largest circulation in mainland China, published by Xinhua News Agency
- South China Morning Post - Hong Kong
- The Economic Observer - English edition of the privately-owned weekly newspaper

### **Magazines**

- **Ladies:** Elle; Bazaar; Metropolis BIBA; Rayli Pretty; Rayli Goo; Vogue; Cosmopolitan; CosmoGIRL
- **Men:** Metropolis; Esquire; Men's Health; MANse; The Outlook Magazine; MAXIM; Magazine; FHM
- **Travel:** Travel + Leisure; World Traveller; Ctrip Magazine; National Geographic Traveler; Travelling Scope; City Tourism; Traveller; Voyage; Tourism Magazine; Global Travel; Euro Travel; Air Travel; China Travel News; Travel Weekly China; TTN China; TTG China

### **Television**

- Chinese Central TV (CCTV) - state-run national broadcaster, networks include English-language CCTV-9
- Beijing TV Station
- Shanghai Oriental Television
- Travel Satellite TV

### **Radio**

- China National Radio - state-run
- China Radio International - state-run external broadcaster

### **News Agency**

- Xinhua (New China News Agency) - state-run

### 3.8.1 Internet

Internet usage in China is rapidly expanding, but state surveillance and censorship are extensive.

According to the *China Internet Network Information Centre (CNNIC)*, as at December 31, 2007, the total number of internet users in China reached 210 million (representing some 16% of the population) - only five million less than the United States. By June 2008 this figure was estimated to have reached 253 million far surpassing the 220 million users in the United States. Users also stay connected longer than they do in the US, spending nearly two billion hours online each week (averaging 15.9 hours) compared with 129 million hours per week. For the US, China's largest portal – Sina.com – is one of the top five most-trafficked sites in the world, with over 100 million monthly unique visitors (*Source: Forbes*).

***China has high and rapidly expanding Internet usage***

According to CNNIC:

- ▶ The user population is proportionally more male (58.3%) than female (41.7%).
- ▶ 67.9% of online use in China is spent accessing news, compared with searching (65.7%) and e-mailing (64.7%).
- ▶ Almost three quarters (74%) of all Internet users are located in Beijing (29%); Shanghai (27%); and Guangdong (18%).
- ▶ There has been rapid growth of Internet users in rural areas - 40% of the new users in 2007.
- ▶ Rapid growth has also occurred in Internet users under the age of 18 and over the age of 30; users with an education level of and below high school; and in the number of low-income people beginning to access the Internet.
- ▶ In 2007, broadband Internet users accounted for 86% of total internet users.
- ▶ The top seven application categories are online music; instant communication; network television; network news; search engines; online



games; and e-mail.

- ▶ In 2006, at least 2.75 million Chinese booked hotel rooms, air tickets and other travel services on the Internet, up 72% compared to the previous year. The number is expected to reach 9 million by 2010, according to a report by Shanghai-based *Research Consulting Group*. However, with the exception of trips to Hong Kong and Macau, independent travel is not generally encouraged.
- ▶ Offline bookings still generate the most business, but online transactions are growing quickly, as is the readiness of Chinese consumers to use credit cards (*Source: Eye for Travel, August 2007*).

***Offline booking is number one form of booking in China***

The main travel-related websites are [www.ctrip.com](http://www.ctrip.com) (most popular travel portal website in China); [Qunar.com](http://Qunar.com) (China's largest travel search engine and second largest travel media with over 8 million monthly unique visitors); [www.sohu.com](http://www.sohu.com), [www.tour.sina.com.cn](http://www.tour.sina.com.cn) / [travel.sina.com](http://travel.sina.com); and [www.163.com](http://www.163.com) (NetEase).

*Free Talk Travel* is a new blog-type website that allows Chinese travellers to exchange travel information and experiences.

## **3.9 The Travel Trade**

### **3.9.1 Distribution Channels**

Until the end of the 1980s, inbound and outbound travel was handled almost exclusively by the state-controlled China International Travel Service (CITS), China Travel Service (CTS) and the China Youth Travel Service (CYTS). Since then, as a result of economic liberalisation, the number of travel companies has grown to over 14,000. Major travel companies, including the CITS, CTS, CYTS, have been freed from close government supervision and administration, but, in spite of efforts to open the industry, travel agencies are still not permitted to conduct operations beyond their licensed scope.

Under the *Regulations of the Administration of Travel Agencies, 1996*, travel agencies were classified into two categories: international travel agents and domestic travel agents:

- ▶ Domestic travel agents who can only organise travel within China;
- ▶ International travel agents (ITAs) who can organise inbound tours for travellers from overseas and domestic travel business; selected ITAs can also organise outbound tours for Chinese citizens.

Previously limited to relatively few established agencies, there are now over 700 approved ITAs authorised to handle outbound travel arrangements under the ADS system, while 1,160 are allowed to solicit and receive tourists from overseas.

As there are no independent retail outlets, all operators must act as both tour operator and travel agency, including creating, promoting and selling the products. However, a few authorised ITAs in Beijing, Shanghai and Guangzhou take bookings from other domestic travel agents, in particular those who are not large enough to form their own groups.

### **3.9.2 Outbound Tour Operators**

The main players in China's travel industry are still CTS (China Travel Service), CITS (China International Travel Service) and CYTS (China Youth Travel Service) plus relative newcomers such as China Comfort Travel and China Merchants International Travel Co. The following box provides a list of CNTA-authorized outbound tour operators in the three main centres – Beijing, Shanghai and Guangdong – where business is concentrated.

**Table 3:4**  
**Authorised Outbound Tour Operators**

Name	Address	Tel	Fax
<b>Beijing</b>			
Beijing Overseas Tourism Co.	No.28 Jianguomenwai St., Chaoyang District, Beijing	(010) 65158573	(010) 65158381
Beijing China International Travel Service	No.28 Jianguomenwai St., Chaoyang District, Beijing	(010) 65150515	(010) 65158603
Beijing North Star International Tourism Corporation	10 Anhuili, Sanqu Chaoyang District, Beijing	(010) 64910683	(010) 65910684
Beijing Travel Service	28 Jianguomenwai Street, Chaoyang District, Beijing	(010) 65122441	(010) 65122219
Beijing New Ark International Travel Co.	No.3A Zaoying Road, Chaoyang District, Beijing	(010) 65011122	(010) 65011122
Beijing Huayuan International Travel Co.	No.36 Nanlishi Road, Xicheng District, Beijing	(010) 68038261	(010) 68036969
Beijing Xinhua International Tourist Corp. Holding Group	No.23A Fuxing Road, Haidian District, Beijing	(010) 68214878	(010) 68213066
Beijing Panda Tour Co., Ltd. CITS Group	No.143 Huashishangsitiao, Chongwen District, Beijing	(010) 67156078	(010) 67156081
China Ocean International Travel Service Co., Ltd.	16 Building, Middle Cui Road, Hai Dian District, Beijing	(010) 64620782	(010) 64638712
<b>Shanghai</b>			
Shanghai Spring International Travel Service	1558 Dingxi Road, Shanghai	(021) 62520000	(021) 62523734
Shanghai Great World International Travel Service	35 Xizang Middle Road, Shanghai	(021) 63514293	(021) 63224210
Changjiang Cruise Overseas Travel Corp. Shanghai Branch	623 Fuzhou Road, Shanghai	(021) 64159001	(021) 63600646
Shanghai New World Travel Service	361 Xizang Middle Road, Shanghai	(021) 63516346	(021) 63514600
Shanghai Dazhong International Travel Service	168 Xinjiang Road, Shanghai	(021) 63532130	(021) 63531349
Shanghai Qiangsheng International Travel Service	920 Nanjing West Road, Shanghai	(021) 62582909	(021) 62581585
<b>Guangdong</b>			
China International Travel Service Guangdong	185 Huan Shi Xi Road, Guangzhou	(020) 8666889	(020) 86666294
China Travel Service Guangdong	10 Qiaoguang Road, Guangzhou	(020) 83336625	(020) 83336625
China Guangdong Overseas Travel Corporation	185 Huan Shi Xi Rod, Guangzhou	(020) 86666889	(020) 86666284
China Comfort Guangdong Travel Service	367 Huanshixi Road, Guangzhou	(020) 83312845	(020) 83300485
China Youth Travel Service Guangdong	4/F, Building D of Huayuan Mansion, Tianhe Road, Guangzhou	(020) 87535093	(020) 87540057
China Merchants International Travel Co. Guangzhou	4/F, China Merchant Hotel, 111-8 Liuhua Road, Guangzhou	(020) 86519096	(020) 86519155
Guangzhou Dongfang International Tourist Company	120 Liuhua Road, Guangzhou	(020) 86669900	(020) 86688921
China International Travel	6 Yanke South Road, Shenzhen	(0755) 2220805	(0755) 2220822

Service Shenzhen			
China Travel Service Shenzhen	40 South Renmin Road, Shenzhen	(0755) 2287644	(0755) 2287644
China Comfort Shenzhen Travel Service	5/F Block, Shenfang Building, 3 Huaqiang North Road, Shenzhen	(0755) 3218064	(0755) 3258316
China International Travel Service Zhuhai	Jingshan Road, Zhuhai	(0756) 3321833	(0756) 3339655
China International Travel Service Shantou	8 Jinling Road, Shantou	(0754) 8230711	(0754) 8230704

*Source: China National Tourism Administration (CNTA)*

### 3.9.3 Foreign Participation

Consequent to China's accession to the World Trade Organization (WTO) in December 2001, foreign companies wishing to enter the lucrative Chinese outbound market are allowed to establish joint ventures with local agencies (but must have annual gross sales in excess of \$40 million) and, since 2005, to establish wholly-owned travel companies in China if their worldwide sales are over \$500 million per annum. Even then, foreign-controlled or wholly-owned travel agencies are not permitted to conduct outbound tours; their business is restricted to inbound tours and domestic tours only. Notwithstanding these restrictions, in the past five years, 25 foreign-funded travel companies agencies (including such big names as Kuoni and TUI) have set up offices in China and the Government has stated that it will soon "fully open" the domestic travel market to foreign-owned companies.

***Chinese market is open for international companies***

***But the market is still protected***

### 3.9.4 Trade Fairs

The main travel and tourism trade shows in China are:

- ▶ China Outbound Travel & Tourism Market (COTTM), held in April in Beijing, the only dedicated business-to-business outbound travel event in China.
- ▶ World Travel Fair (WTF), held in March in Shanghai; 2008 included a special Outbound Travel Forum.
- ▶ International Travel Expo Hong Kong (ITE HK), held in June.
- ▶ China International Travel Mart (CITM), held in

November in Kunming, Yunnan Province. A total of 92 countries and regions participated in 2007.

- ▶ East Asia International Travel Fair (EAITF), held in October in Dalian, Liaoning Province.
- ▶ Qingdao International Tourism Expo, held in May in Qingdao, Shandong Province.
- ▶ Guangzhou International Travel Fair (GITF) held in March in Guangzhou, Guangdong.
- ▶ Incentive Travel & Conventions Meetings (ITCM China), held in April in Shanghai.
- ▶ China Incentive Business Travel & Meeting Exhibition (CIBTM) held September in Beijing.
- ▶ China Dive Expo, China's only international trade and consumer dive event, held in Shanghai in September.

### 3.9.5 Sales Calls

All visitors (including business visitors) require a visa. Initially, it is best to target the three main potential market areas: Beijing, Shanghai and Guangdong province.

## 3.10 How They Think, Feel and Behave

### 3.10.1 Motives for Travel

- ▶ Overseas travel has become a badge of sophistication for Chinese consumers and the further away they travel and the higher the cost, the prouder they feel.
- ▶ The younger generation likes to travel in order to increase its knowledge.
- ▶ To visit major world cities (such as Rome, London, Paris, etc) with famous attractions.
- ▶ Shopping trips to Hong Kong.
- ▶ Gambling trips to Macau.
- ▶ VFR trips to overseas Chinese living in Taiwan, Singapore, Malaysia, etc.
- ▶ Business, trade, official trips. Such trips are

*Travel is a status symbol for Chinese*

*Sightseeing, shopping, gambling and VFR are main motives for travel*

usually extended by up to a week for sightseeing after business.

- ▶ Study, education (especially in the UK which is a popular destination for Chinese wishing to learn English). There will often be a touring/sightseeing programme at the end.

### 3.10.2 What They Do on Holiday

#### *What do they do*

- ▶ First time travellers under the ADS system tend to go on highly-organised and supervised multi-destination trips, especially to the Schengen area countries (which do not include Britain/Ireland).
- ▶ Repeat travellers may go on ‘deep tours’ covering just one or two countries (e.g. Italy which is very popular for this type of tour).
- ▶ Activities of leisure tourists on ADS tours are necessarily somewhat restricted. They tend to be confined to quick visits to the ‘iconic’ sights and attractions in the capital cities, shopping and taking photographs. However, the variety and sophistication of ADS tour activities can be expected to improve rapidly in future years.
- ▶ There is a preference for city holidays (40% of all overseas trips); followed by beach holidays, 27%, and touring trips, 20% (*Source: World Travel Monitor*).
- ▶ The main activities are general sightseeing and visits to scenic spots and shopping. Preferred shopping items are local souvenirs, antiques, arts and crafts; clothing and personal effects; and food items, with a strong emphasis on status brands.
- ▶ Independent travellers are more adventurous and like to explore a country as well as see famous sites. They are keen to experience city life, drinks and food, shopping, museums, etc.

### 3.10.3 How They Feel and Behave

- ▶ Whether on ADS group tours or on

independently organised trips, the Chinese tend to be demanding customers. They expect their bilingual guides and tour leaders to be available at all times.

- ▶ If service levels and accommodation fall short of expectations, they will not be reluctant to complain to their Chinese tour guides.
- ▶ Chinese tourists are used to modern spacious hotels in China and SE Asia, with facilities and details often lacking in the accommodation selected for them in western countries.
- ▶ Cultural differences and communication difficulties can sometimes create problems, especially if they involve discrimination, or perceived discrimination against China or the Chinese.
- ▶ They tend to be very fussy about their food, usually requiring Chinese food, and are often disappointed with what is presented as ‘Chinese’ food abroad.

### **3.11 Information Sources**

- ▶ The following are the main sources for the information contained in this report:
- ▶ Anholt-GMI Nation Brands Index - 2006 & 2007;
- ▶ British Broadcasting Corporation (BBC) country profiles;
- ▶ British Tourist Authority market guides;
- ▶ Chinese National Tourism Administration (CNTA);
- ▶ CIA World Factbook;
- ▶ European Travel Commission (ETC);
- ▶ Eurostat, the Statistical Office of the European Communities;
- ▶ Forbes magazine;
- ▶ Global Insight’s “Global Tourism Navigator”;
- ▶ International Air Transport Association (IATA);

- ▶ International Monetary Fund (IMF);
- ▶ International Passenger Survey 2006 (UK Office for National Statistics);
- ▶ Internet World Stats 2007;
- ▶ National Bureau of Statistics of China;
- ▶ National Tourist Offices (various);
- ▶ OANDA.com (foreign currency exchange rates);
- ▶ US Census Bureau International Database;
- ▶ UNWTO (United Nations World Tourism Organisation);
- ▶ World Bank; and
- ▶ World Travel and Tourism Council (WTTC).



## Chapter 4

# EASTERN EUROPE



## 4.1 Introduction

As a concept, Eastern Europe lacks precise definition. Most frequently, it refers to a geopolitical region that formed part of the former Soviet Bloc. For example, the United Nations Statistical Division considers Eastern Europe to consist of the following ten countries:

*Belarus; Bulgaria; Czech Republic; Hungary; Moldova; Poland; Romania; Russia; Slovakia; and Ukraine.*

This definition is used in the present report, with the Russian Federation (because of its size) treated in a separate chapter.

The focus of the report is on outbound tourism originating from these countries, not their inbound tourist arrivals.

### 4.1.1 Background

Since the fall of communism in 1989, the countries of Eastern Europe have undergone a considerable change. Whereas before, few citizens could travel abroad (outside the Soviet Bloc) now six (Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia) are members of the European Union (EU) which has brought many benefits for tourism, including the free movement of people across borders. In recent years, this movement has been further facilitated by the advent of low-fare airlines and new routes between Eastern European capital cities and destinations in Western Europe, particularly the United Kingdom.

Liberalisation from the planned economies of the past has resulted in high economic growth rates and rising standards of living in each of the nine countries, leaving citizens with greater disposable incomes to spend on luxuries like travel. Only Belarus has remained attached to the socialist model. Increased prosperity has also brought better access to the internet, which has encouraged the growth of independent (as opposed to organised) travel.

***Outbound travel from Eastern Europe easier because of EU membership and low cost carriers***

***The move from planned economies to a free market system has led to high economic growth***

#### 4.1.2 Outbound Tourism

Accurate measurement of the volume of outbound tourism from Eastern Europe is beset by many difficulties. Some countries (Moldova, Romania and Ukraine) provide data only for all departures abroad, including day trips, travel for trade and work purposes. In these cases, the most reliable data is that for trips organised by travel companies, which greatly underestimates the true number of outbound tourists. Overall, the best and most comprehensive source is the information on arrivals in reporting countries compiled by the World Tourism Organisation (UNWTO), but even here there can be discrepancies between the departures data furnished by statistical offices in the countries of origin and the arrivals data monitored in the destination countries.

In 2007, excluding cross-border day visits by traders or persons travelling abroad to seek work, the number of outbound tourists from Eastern Europe who stayed overnight (or longer) in another country is very broadly estimated at 54 million in 2006, compared with 48 million in 2004, an increase of 12.5%. This made Eastern Europe one of the largest and fastest growing source markets for outbound tourism over this period (*Source: UNWTO*). Leisure travel (including holiday and VFR is estimated at some 38 million in 2006.

Excluding Ukraine and Romania (where the data refers to all departures abroad, including day trips), the main source markets for outbound tourism from Eastern Europe are Poland (7.3 million overnight or longer outbound trips in 2006), the Czech Republic (6.0 million in 2007) and Hungary (5.9 million in 2007). In contrast, citizens of Moldova made only 82,000 foreign trips (organised travel only) in 2007. The available data is shown in the table below.

***Approximately 54 million Eastern Europeans took a trip abroad in 2006 – leisure travel dominates***

***Poland, the Czech Republic and Hungary produce the most outbound trips***

**Table 4:1**  
**Outbound Travel from Eastern Europe, 2002-07**

Country	2002	2003	2004	2005	2006	2007
<b>Belarus (i)</b>	1,474	1,974	2,193	2,342	2,665	
<b>Bulgaria (i)</b>	3,188	3,403	3,822	4,235	4,180	4,515
<b>Czech Rep. (ii)</b>		5,560	5,103	5,396	4,987	5,959
<b>Hungary (ii)</b>					6,007	5,949
<b>Moldova (iii)</b>	52	67	68	57	68	82
<b>Poland (iv)</b>	8,400	7,200	6,300	6,200	7,300	
<b>Romania (v)</b>			6,972	7,140	8,906	
<b>Slovakia</b>				2,200		
<b>Ukraine (v)</b>	14,729	14,795	15,488	16,454	16,875	17,335

(i) arrivals in foreign destinations; (ii) holiday or leisure trips

(iii) organised travel only; (iv) tourist trips; (v) includes day trips

Source: UNWTO and country data

Most Eastern Europeans travel overland by road (or rail) to neighbouring countries rather than to long-haul destinations. Airfares have historically been too costly for the average traveller, but in recent years low-cost airlines like Ryanair, easyJet and SkyEurope have encouraged more Eastern European outbound tourists to travel by air. However, this may now be affected by rising fuel costs.

#### 4.1.3 Determinants of Outbound Travel

Among the future determinants of the frequency and volume of outbound travel, the total population – or potential market size – and the per capita Gross Domestic Product (GDP) are clearly important, as is the degree of internet usage for the increasing number of independent travellers who like to make (or research) their own travel arrangements. Details for Eastern European countries in 2007 (or latest year) are given in the table below.

Whereas the populations of all the countries are projected to decline – largely because of falling birth rates – income levels and internet usage are forecast

***Regional travel dominates all outbound trips***

***Sheer population size and economic progress are primary determinants of outbound travel demand***

***Income levels and Internet usage are forecast to increase***

to increase. The net effect is projected to be a continuing sharp rise in outbound *leisure* travel from Eastern European countries, with the total number projected to reach approximately 51 million by 2011, an increase of 35% over the estimated total of 38 million in 2006.

Table 4:2

**Population, Per Capita GDP, Internet Usage, 2007 (or latest year)**

Country	Population million	Per Capita GDP, US\$*	Internet Users million
Belarus	9.7	10,200	5.5
Bulgaria	7.6	11,300	2.2
Czech Rep.	10.2	24,400	5.1
Hungary	9.9	19,500	3.0
Moldova	4.3	2,900	0.7
Poland	38.5	16,200	11.4
Romania	22.3	114,00	7.0
Slovakia	5.4	20,300	2.5
Ukraine	46.2	6,900	5.5
<b>Total</b>	<b>154.1</b>	<b>n.a.</b>	<b>42.9</b>

\* in terms of purchasing power parity (PPP)

Source: National Statistical Offices, CIA World Factbook, Internet World Stats, TII

#### 4.1.4 Information Sources

The main source for the statistical data in this report has been the national statistics offices of the various countries, supplemented by information collated by UNWTO. Additional sources are cited below.

##### *National Statistics Offices*

- ▶ Ministry of Statistics and Analysis of the Republic of Belarus;
- ▶ National Statistical Institute of Bulgaria
- ▶ Czech Statistical Office;
- ▶ Hungarian Central Statistical Office;
- ▶ Statistica Moldovei – National Bureau of Statistics of the Republic of Moldova;
- ▶ Central Statistical Office of Poland and Institute

- of Tourism, Poland;
- ▶ National Institute of Statistics, Romania;
- ▶ Statistical Office of the Slovak Republic and;
- ▶ State Statistics Committee of Ukraine.

***Other Sources***

- ▶ British Broadcasting Corporation (BBC) Country Profiles;
- ▶ British Tourist Authority market guides;
- ▶ CIA World Factbook;
- ▶ European Travel Commission (ETC);
- ▶ Eurostat, the Statistical Office of the European Communities;
- ▶ International Air Transport Association (IATA);
- ▶ International Monetary Fund (IMF);
- ▶ International Passenger Survey (IPS) 2006 (UK Office for National Statistics);
- ▶ Internet World Stats 2007; and
- ▶ US Census Bureau.

## Chapter 5

# BELARUS





## 5.1 Overview

Population (2007): 9.7 million  
Outbound Market Size (2006): 2.7 million trips  
Outbound Market Size (2011): 3.5 million trips  
Main Destinations: Ukraine, Russia, Poland, Turkey, Lithuania, Bulgaria  
Internet Access: 5.5 million users in September 2007 (57% population penetration)

### 5.1.1 Population

The population of Belarus is estimated to have been 9.7 million in 2007 and is projected to decline – largely because of a falling birth rate – to 9.0 million by 2025, and continue to decline in the long term (*Source: US Census Bureau*). The population is also ageing, with the proportion of the population aged 60 and over forecast to increase, while younger age groups decline. The present median age of 37 years is projected increase to 51 years by 2050.

***Population is projected to decline***

**Main Cities:** Minsk (1.7 million); Homel (481,000); Mogilev (365,000); Vitebsk (342,000); Hrodna (316,000); Brest (298,000).

**Languages:** Belarusian and Russian (both official).

### 5.1.2 Government

Following the collapse of the former Soviet Union, Belarus declared its independence in 1991. It has retained closer political and economic ties to Russia than any of the other former Soviet republics and, since 1996 has been negotiating with Russia to form a single state called the Union of Russia and Belarus. However, serious implementation of the accord has yet to take place. Since his election in July 1994 as the country's first president, Alexandr Lukashenko has steadily consolidated his power through authoritarian means. He was re-elected in 2001 and in 2006. Recent elections have been marred by irregularities. During his presidency, Lukashenko has implemented Soviet-era policies, such as state ownership of the economy. The relationship with Russia is likely to continue to be the main foreign policy priority.



## ***EU Relations***

While Belarus is seen as eligible to join the European Union (EU), and accession enjoys public support, the lack of democratic structures makes this impossible in the short term. The EU is supporting the Belarusian opposition and civil society in efforts to peacefully change the present regime, and has largely cut contacts with the government of Belarus, imposing financial sanctions and a travel ban on Lukashenko and other top leaders.

### **5.1.3 Economy**

At the 1991 dissolution of the Soviet Union, Belarus was one of the world's most industrially-developed states by share of Gross Domestic Product (GDP) as well as the richest ex-Soviet constituent republic. However, during the 1990s industrial production plummeted because of decreases in investment and in demand for exports from traditional trading partners. It took until 1996 for the GDP to begin to grow again.

Despite the constraints of a centrally-directed economy, including the re-imposition of administrative controls over prices and currency exchange rates and the re-nationalisation of a number of private companies, GDP growth has been strong in recent years, reaching nearly 7% in 2007. In that year, GDP per capita was an estimated US\$10,200 at purchasing power parity (PPP). The unemployment rate is low – about 1.6% in 2005 (officially registered unemployed).

Belarus receives heavily discounted oil and natural gas from Russia and much of its current economic growth can be attributed to the re-export of Russian oil at market prices. However, Russia's recent policy of bringing energy prices for Belarus to world market levels partly explains why real GDP growth is expected to slow to below 5% by 2009.

### **5.1.4 Exchange Rates**

The currency of Belarus is the Belarusian ruble (BYR), which was introduced in May 1992,

***GDP growth has been strong in recent years***

***Real GDP expected to slow***

replacing the Soviet ruble. In 2000, a second ruble was introduced, replacing the first at a rate of 1 new ruble = 1,000 old rubles.

As part of the proposed Union of Russia and Belarus, both states have discussed using a single currency along the same lines as the euro. However, discussions about the Union currency has continued past the 2005 implementation goal and the Belarusian ruble is no longer pegged to the Russian ruble, but (as from January 2008) to the US dollar instead.

Since 2003, the Belarusian ruble has weakened against most major currencies, particularly the euro and the British pound, but less so vis-à-vis the dollar.

***The Belarusian ruble is weakening against all currencies***

**Table 5:1**

**Exchange Rates against Major Currencies, 2003-08 (rubles per currency)**

	2003	2004	2005	2006	2007	2008*	% Ch 03-08
US Dollar	2,051.27	2,160.26	2,150.00	2,144.60	2,145.00	2,128.00	3.74%
Euro	2,315.20	2,682.22	2,673.80	2,692.87	2,920.35	3,365.20	45.35%
UK Pound	3,349.01	3,955.07	3,914.07	3,958.29	4,296.01	4,245.20	26.76%

\* end-June

Source: Pacific Exchange Rate Service

**5.1.5 Annual Leave/Holidays**

In Belarus, employees are entitled to four to eight weeks leave based on their age. In addition, there are 12 public holidays throughout the year.

***4 – 8 weeks paid vacation leave***

**5.1.6 Visa Issues**

Visitors from Belarus require a visa to enter EU and most other non-CIS countries. Following the accession to the EU and the Schengen area of its closest western neighbours (namely, Poland, Lithuania, and Latvia) at the end of 2007, the ease with which citizens of Belarus are able to travel to these countries has diminished.

***Travel more difficult for Belarusians because of close neighbours joining the EU***

As from 1 January 2008 citizens of Belarus must pay €60 for a single entry Schengen visa (several times

greater than the former cost of a visa for Poland, Lithuania, and free for Latvia). Prior to their accession to the Schengen area, Poland, Lithuania and Latvia issued, in total, more than 400,000 visas every year to Belarusian citizens. This number is now likely to decrease.

## 5.2 Market Size

### 5.2.1 Outbound Travel

There is a dearth of published data on the Belarus outbound market, most of which consists of visits to friends and/or relatives (VFR) in Commonwealth of Independent States (CIS) and other neighbouring countries, and trade-related business trips to the same states.

Based on UNWTO arrivals data, the total number of outbound travellers from Belarus is estimated at 2.7 million in 2006 compared with 1.5 million in 2002 – an increase of 81%. This number is forecast to increase to around 3.5 million by 2011 (*Source: TII estimates*). Expenditure by Belarusians on outbound tourism grew from an estimated \$243 million in 2000 to \$823 million in 2006, equivalent to approximately \$305 per person per trip.

***2.7 million trips from Belarus in 2006***

### 5.2.2 Preferred Destinations for Leisure Trips

By far the most visited foreign destination for Belarusians is Ukraine (which recorded some 2.1 million arrivals from Belarus in 2006), followed by Russia (243,000), Poland (101,000), Turkey (85,000), Lithuania (37,500) and Bulgaria (25,000).

***Ukraine is the main outbound destination***

According to polls conducted by the Independent Institute of Socio-Economic and Political Research (NISEPI), only 26% of Belarusian citizens have ever visited the EU member countries, and all those who obtained an EU visa in 2006 accounted for less than 5% of the population - allowing for those who obtained a visa on more than one occasion (*Source: EU Policy Brief 2008*).

In 2007, the number of tourists from Belarus to Lithuania increased by 50% to around 56,000 (compared with 37,500 in 2006), according to the

Statistics Department of Lithuania.

**Table 5:2**

**Arrivals of Belarusian Visitors in Main Destinations, 2002-06**

<b>Destination</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>% Change 2002-06</b>
Ukraine	1,045,093	1,595,369	1,768,081	1,841,783	2,126,839	103.5%
Russia	197,492	148,979	152,441	210,382	242,615	22.8%
Poland	110,555	102,980	90,485	95,697	100,850	- 8.8%
Turkey	36,271	43,607	62,234	77,029	85,197	134.9%
Lithuania	23,926	21,810	22,309	29,977	37,517	56.8%
Bulgaria	16,946	14,997	15,517	18,924	24,829	46.5%
Other	43,800	46,472	81,726	68,657	47,623	8.7%
<b>Total*</b>	<b>1,474,083</b>	<b>1,974,214</b>	<b>2,192,793</b>	<b>2,342,449</b>	<b>2,665,470</b>	<b>80.8%</b>

Source: UNWTO and country data

### 5.2.3 Mode of Transport

Rail remains the most popular form of transport among Belarusians due to the low prices of railway tickets in Belarus and neighbouring countries compared with air travel.

***Rail is the most popular form of transport to foreign destinations***

Minsk International Airport is the main international airport in Belarus. The airport is capable of accommodating 5 million passengers a year, but served only half a million passengers in 2006.

The airport is the main base for state-owned Belavia Belarusian Airlines that is the national airline and flag carrier of Belarus, serving a network of routes between 22 European cities and the CIS. Several foreign airlines provide service to Minsk airport, including air Baltic (Riga), Aerosvit (Kyiv), Aeroflot (Moscow), Armavia (Yerevan), Austrian Airlines (Vienna), Azerbaijan Airlines (Baku), Belavia (seasonal), Czech airlines (Prague), El al (Tel Aviv), Estonian Air (Tallinn), Georgian Airways (Tbilisi), LOT Polish Airlines (Warsaw), Lufthansa (Frankfurt), Turkish Airlines (Istanbul).

### 5.2.4 Market Trends

► The market is dominated by travel to Russia,

Ukraine and other CIS countries;

- ▶ Demand for holiday resorts in Crimea (Ukraine) and Sochi (Russia) is falling because of relatively high prices and low quality of tourism services;
- ▶ Demand is growing for inexpensive tours to Turkey, Bulgaria and Egypt; and
- ▶ The number of tourists choosing high-priced and exclusive tours is still not large, but is steadily increasing.

## 5.3 Reaching Consumers and the Trade

### 5.3.1 Key Media

Most of the Belarusian media outlets (newspapers, radio, television) are owned by the state and present pro-government points of view and interpretation of events, as in the Soviet period. There are a number of privately-owned media outlets, mostly small independent newspapers. They include the business daily BDG Delovaya Gazeta and the opposition paper Narodnaya Volya, while some foreign media outlets target Belarus. The Belarusian State Teleradio Company operates domestic radio and TV channels, and an external radio service. There is no privately-owned TV channel with nationwide coverage.

***Many small, privately-owned newspapers***

**Press:** Sovetskaya Belorussiya (Russian-language, main government daily); Respublika (Council of Ministers daily); Narodnaya Gazeta (National Assembly daily); Zvyazda (Belarusian-language daily); BDG Delovaya Gazeta (private, business daily); Narodnaya Volya (private, opposition daily); Belgazeta (private weekly); *Sem' Dnei* (weekly).

**Television:** Belarusian TV (state-run, operates the First National Channel, entertainment network Lad, satellite station Belarus-TV); Nationwide TV (ONT – a joint venture with Russia's Channel One; state holds majority stake); STV Stolichnoye Televideniye (Minsk local broadcaster); Belsat (based in Poland, targeting Belarus via satellite and internet).

**Radio:** Belarusian Radio (state-run, operates three national networks and an external service); radio Baltic Waves; (based in Lithuania); Radio Racja (based in Poland). According to the Ministry of

Information, there are in total some 151 radio channels in Belarus. 30 broadcast on FM frequencies.

### **5.3.2 Internet**

The number of internet users has increased from 1.4 million (14% population penetration) in 2003 to 5.5 million (57% population penetration) in September 2007, according to *Internet World Stats*. This level of usage is the highest among all CIS countries, second closest being Russia with 20%.

***Highest Internet usage  
among CIS countries***

### **5.3.3 Trade and Consumer Exhibitions**

The main travel and tourism trade exhibitions, which are held annually in Minsk, are: Leisure Minsk Spring Fair Tour Services (held in April) and Tour Business International Exhibition for Tourism (held in November). Both cater to the general public as well as trade visitors.

### **5.3.4 Travel Agents and Tour Operators**

Over 500 Belarusian companies are licensed for tourism business, of which the majority (86%) are small privately-owned travel agencies. Leading companies include Belintourist – the state-owned national tour operator; Alatan Tour; Master Travel; and Vneshintourist – each with headquarters in Minsk.

## **5.4 Conclusion**

For the most part it would seem that the Belarusian outbound market is not entirely lucrative because of declining population size, projected slowing of GDP growth, stricter relatively stricter visa restrictions because of the accession of neighbouring countries to the EU and because of the re-imposition of administrative controls. There are however, factors, which work in Belarus's favor, namely an increase in Internet usage and support from the EU towards making the country a European Union member. This will no doubt bolster economic growth and make it easier for travellers from this country to move around Europe. However, this will take a while to come into effect. But have no fear! Belarus will indeed be an outbound market to watch for in the future.

## Chapter 6

# BULGARIA



## 6.1 Introduction

Population (2007 est.): 7.6 million  
Outbound Market Size (2007): 1.2 million holiday trips  
Outbound Market Size (2011): 1.6 million holiday trips  
Main Holiday Destinations (2007): Greece; Serbia; Turkey; Romania; Germany  
Purpose of Visit: Holiday: 27.5%; Business: 56.2%; VFR: 9.9%; Other: 6.4%  
Internet Access: 2.2 million users in June 2007 (30% population penetration)

### 6.1.1 Population

The population is estimated at 7.6 million in June 2007 and is projected to decline – largely because of emigration and a falling birth rate – to 6.6 million by 2025 and (if present trends continue) to only 5.0 million by 2050 (*Source: US Census Bureau*).

***Population to decline because of emigration and low birth rate***

**Main Cities:** Sofia (1.4 million); Plovdiv (377,000); Varna (349,000).

**Language:** Bulgarian (official). The Cyrillic alphabet is used.

### 6.1.2 Government/Politics

After World War II, Bulgaria became a People's Republic and part of the Eastern bloc. Communist domination ended in 1990 when the first free elections since 1931 were won by the moderate wing of the Communist Party (renamed the Bulgarian Socialist Party). Bulgaria then began the slow process of moving toward political democracy and a market economy while fighting against inflation, unemployment, corruption and crime. In July 1991, the country adopted a new constitution, which provided for a relatively weak elected President and for a Prime Minister accountable to the legislature.

Bulgaria joined NATO in 2004 and the European Union (EU) in 2007. The current governmental coalition comprises the Bulgarian Socialist Party (BSP), National Movement Simeon II (the party of the former Tsar) and the Movement for Rights and Freedoms (representing mainly the Turkish minority).



### 6.1.3 Economy

While the World Bank classifies Bulgaria as an "upper-middle-income economy", with an estimated per capita income in terms of purchasing power parity (PPP) of \$11,300 in 2007, it is nevertheless the second poorest member state of the EU after Romania. However, standards of living have started to rise. Since 1997, the country has experienced strong economic growth which has averaged more than 6% in real terms since 2004 (6.2% in 2007), attracting significant amounts of foreign direct investment. GDP is projected to grow by 5.7% in real terms in 2008, and by 5.5% in 2009 (*Source: Economist Intelligence Unit*). The unemployment rate declined from more than 17% in the mid 1990s to an estimated 7.7% in 2007, which is close to the eurozone average.

Corruption in the public administration, a weak judiciary, and the presence of organised crime remain significant challenges.

### 6.1.4 Exchange Rates

The official currency of Bulgaria is the lev (BGN) which is now fixed against the euro at the rate of 1.95583 leva = 1 euro. In common with other new EU members, Bulgaria is obliged to eventually abandon the lev in favour of the euro. The current target date is 1 January 2012 but, because of soaring inflation - latest figures show an increase to 12.5% for 2007 - adoption of the euro could be delayed until the year 2013-2014.

Reflecting the strength of the euro, the Bulgarian lev has appreciated vis-à-vis sterling and the US dollar in recent years.

***Bulgaria is an “upper-middle-class economy”***

***Geo-political instability***

***Delayed adoption of the euro because of inflation***

***Currency appreciation***

Table 6:1

## Exchange Rates against Major Currencies, 2003-08

	2003	2004	2005	2006	2007	2008*	% Ch 2003-08
US Dollar	1.7327	1.5751	1.5741	1.5576	1.4366	1.2355	-28.7%
Euro	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	-
UK Pound	2.8289	2.8837	2.8656	2.8749	2.8772	2.4651	-12.9%

\* end-June

Source: Pacific Exchange Rate Service

### 6.1.5 Annual Leave/Holidays

Every employee is entitled (after they have worked eight months) to paid annual leave of not less than 20 working days. These days can be taken all at once or in parts.

**Minimum of 20 days of paid vacation leave**

In addition, there are 12 non-working public holidays in Bulgaria: 1 January; 3 March (Bulgaria's national holiday); 1 May; 6 May; 24 May; 6 September; 22 September; 24–26 December; and two days at the Orthodox Easter (Sunday and Monday).

### 6.1.6 Visa Issues

Bulgarian visitors do not require a visa to enter other EU member countries. In addition, Bulgarians can also enjoy visa free entry to many other parts of the world. Bulgaria is not expected to fully join the Schengen Agreement (which provides for a free travel zone across 25 EU states as well as Iceland, Norway, Liechtenstein and Switzerland for a period of up to three months) until 2010 or the beginning of 2011 at the earliest, (Source: Bulgarian Foreign Ministry). Joining Schengen could make visa applications more difficult or expensive for non-EU citizens wishing to visit Bulgaria.

**Bulgarians enjoy relaxed visa restrictions to many countries**

## 6.2 Market Size

### 6.2.1 Outbound Travel

In 2007, Bulgarian residents made a total of 4.5 million trips abroad (including day visits to

**4.5 million trips abroad in 2007**

neighbouring countries), of which 1.2 million were holiday trips. The number of holiday trips is forecast to increase to about 1.6 million by 2011 (*Source: TII estimates*). Expenditure by Bulgarians on outbound tourism grew from an estimated \$538 million in 2000 to \$2.1 billion in 2006 (around \$467 per trip).

Business (including professional) travellers accounted for 56.2% of all trips abroad in 2007, compared with 27.5% for holiday visitors, 9.9% for visits to friends and/or relatives (VFR) and 6.4% for other purposes of visit.

**Table 6:2**

**Trips of Bulgarian Residents Abroad by Purpose of Visit, 2006-07**

<b>Purpose of Visit</b>	<b>2006</b>	<b>2007</b>	<b>% Change 2006-07</b>
Holiday and Recreation	1,039,432	1,242,498	19.5%
Business/Professional	2,282,565	2,535,078	1.1%
VFR (as guests)	369,824	448,227	21.2%
Other	488,536	288,744	- 40.9%
<b>Total</b>	<b>4,180,357</b>	<b>4,514,547</b>	<b>8.0%</b>

*Source: National Statistical Institute*

### 6.2.2 Main Destinations

For all trips abroad, the most popular foreign destination for Bulgarians was Turkey (1.2 million trips in 2007), followed by Greece (925,000 trips); Serbia (484,000 trips); the Former Yugoslav Republic (FYR) of Macedonia (329,000); and Germany (294,000 trips).

***Turkey is the main outbound destination for Bulgarians***

For *holiday* trips, which increased by 37.6% between 2003 and 2007, the preferred destinations were Greece; Serbia; Turkey; Romania; Germany; and FYR Macedonia.

Table 6:3

**Holiday Trips Abroad by Bulgarian Residents by Destination, 2003-07**

Destination	2003	2004	2005	2006	2007	% change 03-07
Greece	48,296	94,216	105,207	141,246	320,461	563.5
Serbia*	238,178	184,043	213,731	264,031	239,799	0.7
Turkey	139,703	303,387	477,632	145,818	143,260	2.5
Romania	43,860	55,342	51,676	71,788	90,418	106.2
Germany	93,553	81,015	61,049	63,909	84,296	- 9.9
FYR	68,901	74,389	64,546	55,756	75,987	10.3
Macedonia	270,642	281,251	248,428	296,884	288,277	6.5
Other countries						
<i>Total</i>	<i>903,133</i>	<i>1,073,643</i>	<i>1,222,269</i>	<i>1,039,432</i>	<i>1,242,498</i>	<i>37.6%</i>

\* includes Montenegro

Source: National Statistical Institute

**6.2.3 Seasonality**

Some 55% of all trips abroad take place in the second half of the year, with August/September and November/December being the most popular months.

***Summer and winter are most popular travel seasons***

**Trips Abroad (%):**

Jan-Mar: 20.8%;

Apr-Jun: 24.5%;

Jul-Sep: 27.6%;

Oct-Dec: 27.1%

**6.3 Air Transport**

There are five international airports in Bulgaria at Burgas; Gorna Oryahovitsa; Plovdiv; Sofia; and Varna, with Burgas and Varna handling the bulk of the summer charter traffic.

Bulgaria Air (successor of the insolvent Balkan Airlines) operates scheduled services to 21 countries in Europe (plus Libya in North Africa). Bulgaria Air was privatised in 2006 and bought by a consortium of locally-owned companies, led by Hemus Air. A large number of foreign carriers serve Bulgaria, including easyJet (London Gatwick-Sofia).

### 6.3.1 Market Trends

The most significant future impact on outbound travel from Bulgaria will be the opening up of labour markets in the EU-25 member states to Bulgarian workers. As with Poland and other new members, this could result in a huge influx of Bulgarians seeking work in Britain, France, Germany and other EU member states, some of whom may travel as 'tourists'.

Under the transitional arrangements set out in the Accession Treaty, each of the EU-25 member states has to take a decision on access to its labour markets by citizens of Bulgaria (and Romania). In principle, five years after the accession, the transitional arrangements should end. There is, however, a possibility for an EU-25 member state to seek authorisation to continue to apply national measures for a further two years, but the transitional arrangements cannot extend beyond an absolute maximum of seven years from January 2007.

These transitional arrangements only apply to workers and their families – not to tourists, students, pensioners, etc.

## 6.4 Reaching Consumers and the Trade

### 6.4.1 Key Media

Legislation passed in 1996 gave public broadcaster status to the former state-owned radio and TV stations. In 2000, Balkan News launched bTV, Bulgaria's first national commercial channel while in 2003, Nova TV was awarded the second national commercial TV licence. In addition, there are several private regional TV channels and more than 130 licensed radio stations.

**National Newspapers (daily):** Dnevnik (English-language pages); 24 Chasa; Trud; Novinar; Monitor; Standart; Pari (business daily); The Sofia Echo (English language).

**TV:** BNT (Bulgarian National television) - public, operates Kanal 1 and satellite channel TV Bulgaria;

bTV - private, national; Nova TV - private, national; 7Dni – private.

**Radio:** BNR (Bulgarian National Radio) public, operates flagship network Horizont, cultural network Hristo Botev, external service Radio Bulgaria; Darik Radio - private, national.

#### 6.4.2 Internet Usage

The number of internet users in Bulgaria rose over threefold between 2000-07, reaching 2.2 million (30% population penetration) in 2007 (*Source: Internet World Stats*).

#### 6.4.3 Consumer and Trade Exhibitions

The main tourism and tourism-related trade fairs are:

- ▶ Tourism Expo held in Sofia once a year in October (trade and consumer).
- ▶ Nature, Hunting, Fishing Tourism and Sport International Exhibition, held in Plovdiv once a year in April.
- ▶ Spa and Wellness Tourism Exhibition held in Plovdiv once a year in October.
- ▶ Sport Expo held twice a year (April and September) in Sofia.

### 6.5 Travel Industry

The Bulgarian Association of Travel Agents (BATA) currently includes over 250 members, including both travel agents and tour operators. The oldest-established company is Balkantourist, dating from the 1950s when it was the only state-owned company of its kind. Today, Balkantourist is in private hands and offers a wide range of travel services.

Other leading travel companies include (in alphabetical order) Alder Travel; Alma Tour; Balkan Express; DM Travel; Dan-Tea Tourism & Travel; Elite Tours; Kalini; Lidia Tours; Tourchance; Sunshine Tours; and Ulpia Tours.

## Chapter 7

# CZECH REPUBLIC



## 7.1 Introduction

Population (2007): 10.2 million Outbound Market Size (2006): 6.0 million trips (holiday/leisure only) Outbound Market Size (2011): 8.2 million trips (holiday/leisure only) Main Destinations: Croatia; Slovakia; Italy; Austria; United Kingdom; Greece; Germany Purpose of Visit (UK only): Business: 44%; Holiday: 21%; VFR: 24%; Other: 11% Internet Access: 5.1 million users in June 2007 (50% population penetration)
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### 7.1.1 Population

The population is estimated at 10.2 million in 2007 and is projected to decline slightly – largely because of a falling birth rate - to 10.1 million by 2017 (*Source: US Census Bureau*). In the long term, the population is set to decrease in the under 65 age groups, and to rise in the older age groups which will form an increasing share of the total.

***Slight decline in population is expected***

**Main Cities:** Prague (1.2 million); Brno (367,000); Ostrava (309,000).

**Language:** Czech (official).

### 7.1.2 Government

Following the collapse of Soviet authority in 1989, Czechoslovakia regained its independence through a peaceful revolution. On 1 January 1993, the country separated amicably into its two national components, the Czech Republic and Slovakia. The Czech Republic joined NATO in 1999 and the European Union (EU) in 2004.

***The Czech Republic is a member of the EU***

The governing coalition is made up of the Civic Democratic Party (ODS), the Christian Democratic Union-Czechoslovak Peoples Party (KDU-CSL) and the Green Party. The official ODS candidate, Vaclav Klaus, was re-elected President in February 2008.

### 7.1.3 Economy

With an estimated per capita income of \$24,400 (at purchasing power parity) in 2007, the Czech Republic is one of the most prosperous of the former East European Soviet bloc states. The GDP grew by 5.7% in 2007, but according to the latest

***The Czech Republic is one of the most prosperous Eastern European states***



International Monetary Fund (IMF) projections, is forecast to slow to 4.6% in 2008 and around 5% in 2009. The unemployment rate stood at 6.6% in 2007. Rising inflation from higher food and energy prices poses the main risk to continued economic growth.

Reflecting the increased wealth being enjoyed by Czech citizens, there has been continued rapid growth in outbound travel from the Czech Republic in recent years. The Czech Republic is also an increasingly popular destination for inbound tourism, particularly for short breaks to Prague fuelled by the availability of low-cost flights.

***Increase in outbound travel due to increasing wealth***

#### 7.1.4 Exchange Rates

In common with other new EU members, the Czech Republic is obliged to eventually to abandon the koruna in favour of the euro. However, this process is not expected to be completed until 2012.

***The Euro to be main currency by 2012***

Since 2003, the koruna has strengthened against most major currencies, particularly the US dollar and the British pound.

**Table 7:1**

#### **Exchange Rates against Major Currencies, 2003-08 (koruna per currency)**

	2003	2004	2005	2006	2007	2008*	% Ch 2003-08
US Dollar	28.21	25.70	23.96	22.60	20.53	15.15	- 46.3%
Euro	31.84	31.91	29.79	28.37	27.95	23.96	- 24.7%
UK Pound	46.06	47.05	43.61	41.71	41.12	30.20	- 34.4%

\* end-June

Source: Pacific Exchange Rate Service

#### 7.1.5 Annual Leave/Holidays

Employees receive an average of 20 days annual leave if they work in the private sector, and 25 days if they are employed in the public sector. In addition, there are eleven public holidays throughout the year.

***Almost 3 weeks annual paid vacation leave***

#### 7.1.6 Visa Issues

Czech visitors do not require a visa to enter other EU

***Little or no visa restrictions***

member countries and, being now part of the Schengen agreement, enjoy the freedom of travel to 25 EU states and four non-EU members (Iceland, Norway, Liechtenstein and Switzerland) for a period of up to three months. They can also enjoy visa free entry to many other parts of the world.

***make travel from the Czech Republic fairly easy***

## 7.2 Market Size

### 7.2.1 Outbound Travel

In 2007, an estimated 5.96 million overnight or longer outbound holiday trips were made from the Czech Republic, of which 1.43 million trips were of 1-3 nights duration and 4.53 million were trips of four nights or longer. The total number is forecast to increase to 8.2 million by 2011 (*Source: TII estimates*). Expenditure by Czechs on outbound tourism grew from an estimated \$1.3 billion in 2000 to \$2.8 billion in 2006, equivalent to approximately \$560 per visit.

**Table 7:2**

**Holiday or Leisure Trips Abroad by Czech Residents, 2003-07**

	<b>2003</b> ( <b>'000</b> )	<b>2004</b> ( <b>'000</b> )	<b>2005</b> ( <b>'000</b> )	<b>2006</b> ( <b>'000</b> )	<b>2007</b> ( <b>'000</b> )	<b>% Change</b> <b>2003-07</b>
1-3 nights	1,203	1,072	1,022	1,038	1,434	19.2%
4 + nights	4,457	4,031	4,374	3,949	4,525	1.5%
<b>Total</b>	<b>5,560</b>	<b>5,103</b>	<b>5,396</b>	<b>4,987</b>	<b>5,959</b>	<b>7.2%</b>

*Source: Czech Statistical Office*

### 7.2.2 Main Destinations

In 2006, the most popular destination for Czech overnight or longer holiday travellers was Croatia (which recorded some 593,000 Czech arrivals in 2006), followed Slovakia (455,000, excluding day trips); Italy (406,000 in paid accommodation); Austria (354,000); the United Kingdom (323,000); Greece (264,000) and Germany 251,000). France recorded 491,000 arrivals from the former Czechoslovakia in 2006.

**Table 7:3****Arrivals of Czech Visitors in Main Destinations, 2002-06**

Destination	2002	2003	2004	2005	2006	% Change 2002-06
Croatia	697,902	699,473	663,794	615,535	593,276	- 15.0%
Slovakia	447,962	469,991	419,273	424,900	455,381	1.7%
Italy*	323,732	327,174	344,706	371,923	406,133	25.5%
Austria	226,282	265,139	295,125	317,261	354,460	56.6%
United Kingdom	122,000	202,000	274,000	294,000	322,630	164.5%
Greece	139,982	158,129	41,535	240,694	264,362	88.9%
Germany	200,903	216,286	232,286	248,674	250,555	24.7%
Bulgaria	129,945	142,096	171,726	174,766	137,800	6.0%
Tunisia	58,813	90,038	128,404	145,881	n.a.	n.a.

\* staying in accommodation establishments

Source: UNWTO and country data

According to the *Anholt-GMI Brands Index*, France heads the list of destinations where Czech survey respondents would wish to make a leisure visit 'were money no object', followed by the United Kingdom, Canada, Greece and Australia.

**Preferred Destinations**

Actual: Croatia; Slovakia; Italy; Austria; United Kingdom; Greece; Germany; France (?); Tunisia; Bulgaria  
 Aspirational: France; United Kingdom, Canada; Greece; Australia; New Zealand, Norway, Spain, Sweden, Switzerland

Source: Czech Statistical Office, UNWTO and Anholt-GMI Brands Index/BTA

**7.3 Market Characteristics**

In the absence of comprehensive information for all Czech outbound tourists, use has been made of the following data (relating only to Czech visitors to Britain in 2006) to illustrate some of the market characteristics of the Czech traveller.

**Market Characteristics of Czech Travellers to Britain, 2006****Age/Sex Group**

Under 25: 29%

25-34: 43%

Over 35: 28%

Male: 71% (88% of business visitors)

Female: 29%

***Purpose of Visit***

Holiday: 21%

Business: 43%, of which three quarters were lorry drivers

VFR: 24%

Other: 12%: including language and other students

***Length of Stay***

1-3 nights: 51% (including lorry drivers who stayed for an average two nights)

4-7 nights: 20%

8 nights or more: 29%

***Accommodation Used***

Hotel/guest house: 22%

Other paid accommodation: 15% (including hostels, rented house, camping, etc.)

Free Guests with friends/relations: 34%

Other (not specified): 29% (including lorry drivers sleeping in their vehicles)

***Frequency***

First Time: 42%

Repeat Visitor: 58%

***Travel Party***

Travelling Alone: 52%

Family spouse/partner and children: 2%

Spouse/partner but no children in tour group: 13%

Not alone but no spouse/partner or children in tour group: 32%

*Source: UK International Passenger Survey/BTA*

### 7.3.1 Market Trends

- ▶ Air route expansion, following the EU accession, has opened up the aviation market to existing and new low-cost operators, but this may be affected by rising fuel costs.
- ▶ Growing trend towards second and third holidays, with potential for developing the long weekend/city break market.
- ▶ Increasing interest in activity holidays (cycling, walking, horse riding, etc) and more adventurous activity holidays (e.g. camping, mountain climbing, etc).
- ▶ Increasing popularity of golf and fishing trips abroad.

***The opening up of the aviation market***

***Holiday frequency growing***

## 7.4 Reaching Consumers and the Trade

### 7.4.1 Booking Patterns

Traditional methods are still dominant when it comes to actually booking a holiday, although making reservations over the internet is growing. Some 43% of Czech outbound travellers would travel independently with a customised itinerary arranged beforehand, and 29% on a pre-arranged package. The majority (93%) would *consult* the internet if planning a trip. Recommendations from family and friends (71%) are also very important. (*Source: Anholt-GMI Brands Index/BTA*).

***Traditional booking methods are still dominant***

### 7.4.2 Key Media

**Newspapers:** Pravo, MFDnes, Lidove noviny, Hospodareske noviny, Blesk.

**Magazines:** Reflex, Tyden, Instinkt, Euro, Elle, Maxim, Esquire, Filter, Travel Focus, Travel Digest, Outside, Zeme Svetea, Zeme a lide, Koktejl.

**Online News:** novinky.cz, idnes.cz, aktualne.cz.

**TV:** Nova, CT1, CT2, Prima.

**Radio:** CRo1, Impuls, Evropa 2, Frekvence1 Expres, Kokodyl, Cerna Hora, Kiss, City, Rock Zone, Beat.

### 7.4.3 Internet

The growing importance of the internet is underlined by the following:

***The Internet is growing in importance***

- ▶ In June 2007, there were 5.1 million Internet users in the Czech Republic (50% of the total population).
- ▶ IT growth has been mainly driven by the tourism sector.
- ▶ Many Czechs will organise their own travel via the internet without using the resources of a travel agent or tour operator, particularly the younger generation.
- ▶ Many older Czechs are still very cautious about

making online payments via their credit cards and are not confident about sharing personal information.

- ▶ Looking for services related to travel and accommodation was the third popular activity (51%) on the Internet in 2006 after sending/receiving emails (84%) and finding information about goods and services (72%).  
*Source: Information Society in Figures 2007 (Czech Statistical Office).*

#### **7.4.4 Consumer and Trade Exhibitions**

Holiday World Prague is the premier consumer and trade holiday fair in the Czech Republic. It is held annually in February and attracted 702 exhibitors from 47 countries and over 30,000 visitors in 2007.

#### **7.4.5 Travel Industry**

The main travel companies are members of the Association of Tour Operators and Travel agencies of the Czech Republic (ACCKA), which acts as a guarantor of quality and standards, with strict membership conditions.

Some of the major companies (which are still comparatively small in terms of turnover size) are:

- ▶ Eximtours a.s. – the biggest with TUI as a major investor; it is oriented mainly towards sun and exotic holidays.
- ▶ CEDOK a.s. – as the oldest company (established in 1920), it is very well known to the public, offers a wide range of tours, but also exclusive and business travel.
- ▶ FIRO.tour offers overseas tours, sun holidays, ski holidays, etc as well as domestic holidays within the Czech Republic.
- ▶ Student Agency, which is one of the biggest coach operators in the country; it arranges budget trips and also resells both low-cost and ordinary air tickets.
- ▶ GTS International, which specialises mainly in budget travel for student and individual travellers.

The smaller travel companies normally specialise in fields such as skiing, adventure holidays or in a specific region.

## Chapter 8

# HUNGARY





## 8.1 Introduction

Population (2007): 9.9 million  
 Outbound Market Size (2006): 5.0 million trips  
 Outbound Market Size (2011): 5.8 million trips  
 Main Destinations: Ukraine; Italy; Croatia; Austria; United Kingdom; Germany; Slovakia; Greece  
 Purpose of Visit: Holiday: 73.3%; Business: 10.3%; Other: 16.4%  
 Internet Access: 3.0 million users in June 2007 (30% population penetration)

### 8.1.1 Population

The population is estimated at 9.9 million in 2007 and is projected to decline – largely because of a falling birth rate – to 9.6 million by 2017, and continue to decline long-term (*Source: US Census Bureau*). The population is also ageing, with the proportion of the population aged 60 and over forecast to increase, while younger age groups decline.

#### *Aging population*

**Main Cities:** Budapest (1.7 million, or 2.6 million in the Greater Budapest conurbation); Debrecen (205,000); Miskolc (181,000).

**Language:** Hungarian (official), known as Magyar to Hungarians.

### 8.1.2 Government

Hungary began liberalising its economy as far back as 1968, introducing so-called ‘goulash communism’. The first multiparty elections were held in 1990 and this initiated a free market economy. Hungary joined NATO in 1999 and the EU in 2004.

Following the parliamentary elections of April 2006, in which the Socialist Prime Minister, Ferenc Gyurcsány, made Hungarian political history by achieving two consecutive electoral wins, the *Hungarian Socialist Party (MSZP)* and its liberal coalition partner *Alliance of Free Democrats (SZDSZ)* took office on June 9, 2006.

### 8.1.3 Economy

Hungary has successfully made the transition from a centrally planned to a market economy, with a per capita income (\$19,500 in 2007 at purchasing power parity) around two-thirds of the eurozone average. The private sector accounts for more than 80% of Gross Domestic Product (GDP). Foreign ownership of and investment in Hungarian firms are widespread, with cumulative foreign direct investment totalling more than \$60 billion since 1989. The unemployment rate stood at 7.1% in 2007.

However, the economy is currently not performing as strongly as many in Eastern Europe. GDP grew by less than 2% in real terms in 2007, and, according to the latest International Monetary Fund (IMF) projections, is forecast to expand by only 1.8% in 2008 and 2.5 % in 2009. International observers have expressed concerns over Hungary's fiscal and current account deficits. The Government's austerity programme of tax rises and subsidy cuts has reduced Hungary's large budget deficit, but the reforms have dampened domestic consumption, including expenditure on travel abroad.

#### *Weak economic performance*

### 8.1.4 Exchange Rates

Hungary originally planned to adopt the euro as its official currency on 1 January 2010, but that date has been abandoned because of the excessively high budget deficit (6% in 2007) and it is now planned to replace the *forint* in the period 2012-2014, depending on the country's economic performance.

#### *Euro adoption by 2014*

Since 2003, Hungary's currency has strengthened vis-à-vis the dollar, and against both the euro and the British pound in 2008.

**Table 8:1****Exchange Rates against Major Currencies, 2003-08 (forint per currency)**

	2003	2004	2005	2006	2007	2008*	% Ch 2003-08
US Dollar	224.31	202.75	199.58	210.39	186.16	149.80	- 33.2%
Euro	253.17	251.74	248.20	264.18	253.45	237.02	- 6.4%
UK Pound	366.22	371.20	363.33	388.32	372.84	298.66	- 18.4%

\* end-June

Source: Pacific Exchange Rate Service

**8.1.5 Annual Leave/Holidays**

Hungarian employees are entitled to four to eight weeks leave based on their age. Most Hungarians take their annual leave entitlement in parts. However, the trend is towards longer leave. In addition, there are ten public holidays throughout the year.

*4 – 8 weeks paid vacation leave*

Holiday-taking peaks are student summer vacation: mid June - early September; Christmas/ New Year: mid December - early January; Autumn holiday: first week of November; and the Easter Holiday period.

*Student summer vacation period is holiday-taking peak period*

**8.1.6 Visa Issues**

Hungarian visitors no longer require a visa to enter other EU member countries and, being now part of the Schengen agreement, enjoy the freedom of travel to 25 EU states and four non-EU members for a period of up to three months. They can also enjoy visa free entry to many other parts of the world.

*Little or no visa restrictions for many parts of the world*

**8.2 Market Size****8.2.1 Outbound Travel**

In 2007, the total number of Hungarian outbound travellers was 17.3 million (including those travelling for employment purposes), of which 11.3 million were same-day trips to neighbouring countries and just under 6.0 million were overnight or longer trips.

**Table 8:2**  
**Travel Abroad by Hungarians, 2006-07**

Category	2006 (’000)	2007* (’000)	% Change 2006-07
<b>Same Day</b>	<b>10,590</b>	<b>11,322</b>	<b>6.9%</b>
<b>Overnight or longer</b>			
- Leisure tourism	4,470	4,363	-2.4%
- Business tourism	621	615	-1.0%
<b>Sub-total –tourism</b>	<b>5,090</b>	<b>4,978</b>	<b>-2.2%</b>
- Other purposes	917	971	5.9%
<b>Total – overnight or longer</b>	<b>6,007</b>	<b>5,949</b>	<b>-1.0%</b>
<b>Grand Total</b>	<b>16,597</b>	<b>17,269</b>	<b>4.0%</b>

\* preliminary data

Source: Hungarian Central Statistical Office

The number of tourism trips is considerably smaller. In 2007, Hungarians made an estimated 5.0 million overnight or longer outbound tourism trips, of which 4.4 million were for leisure purposes. The number of overnight or longer outbound tourism trips is forecast to increase to 5.8 million by 2011 (Source: TII estimates).

Expenditure by Hungarians on outbound tourism grew from an estimated \$1.4 billion in 2000 to \$3.1 billion in 2006 (Source: UNWTO).

### 8.2.2 Main Destinations

In 2006 (latest available year), the most popular foreign destination for Hungarians was Ukraine (which recorded some 1.2 million Hungarian arrivals in that year), followed by Italy (945,000); Croatia (403,000); Austria (393,000); United Kingdom (278,000); Germany (182,000); Slovakia (122,000); and Greece (108,000). In the same year, France recorded some 63,000 Hungarian arrivals in hotel and similar accommodation establishments.

***Regional travel takes up the bulk of trips abroad***

**Table 8:3****Arrivals of Hungarian Visitors in Main Destinations, 2002-06**

<b>Destination</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>% Change 2002-06</b>
Ukraine	776,241	1,181,959	2,011,315	1,957,708	1,158,771	49.3%
Italy	435,983	413,918	469,243	639,327	945,037	116.8%
Croatia	318,015	356,139	403,443	453,395	402,782	26.7%
Austria	247,772	286,649	325,426	363,105	392,605	58.5%
Britain	132,000	111,000	188,000	267,000	278,418	110.9%
Germany	153,502	159,146	172,047	175,953	182,185	38.0%
Slovakia	88,268	100,546	111,065	121,615	121,981	38.2%
Greece	144,509	176,113	88,393	104,125	107,959	- 25.3%

*Source: UNWTO and country data*

### 8.2.3 Preferred Destinations for Leisure Trips

Greece, followed by Spain, Switzerland, Netherlands, United Kingdom and Norway, heads the list of countries where respondents to a representative survey of a sample of the online population in Hungary would wish to make a leisure visit 'were money no object' (Source: Anholt-GMI Brands Index/BTA).

### 8.3 Market Characteristics

The following data (relating only to Hungarian visitors to Britain in 2006) illustrate some of the market characteristics of the Hungarian traveller:

<b>Market Characteristics of Hungarian Travellers to Britain, 2006</b>		
<b>Age/Sex Group</b>	<b>Male</b>	<b>Female</b>
	<b>%</b>	<b>%</b>
0 -15	4	6
16-24	6	31
25-34	34	39
35-44	26	9
45-54	21	6
55 and over	8	10
<b>Purpose of Visit</b>		
Holiday: 24%		

Business: 46%, of which over two-thirds were lorry drivers  
VFR: 21% (increased from 9% in 1999 following EU accession)  
Other: 9%: including language and other students

***Length of Stay***

1-3 nights: 48% (including the vast majority of business visitors)  
4-7 nights: 24% (53% for holiday visitors)  
8 nights or more: 28%  
Average: 8.4 days (for all overnight or longer travel abroad by Hungarians)

***Accommodation Used***

Hotel/guest house: 30%  
Other paid accommodation: 11% (including hostels, rented house, camping, etc.)  
Free Guests with friends/relations: 26%  
Other (not specified): 33% (including lorry drivers sleeping in their vehicles)

***Seasonality (for all overnight or longer travel abroad by Hungarians)***

Jan – Mar: 19%  
Apr – Jun: 22%  
Jul – Sep: 39%  
Oct – Dec: 20%

***Frequency***

First Time: 25%  
Repeat Visitor: 75% (had visited before within previous ten years)

***Travel Party***

Travelling Alone: 49%  
Family spouse/partner and children: 4%  
Spouse/partner but no children in tour group: 13%  
Not alone but no spouse/partner or children in tour group: 30%  
Other: 4%

*Source: UK International Passenger Survey/BTA*

## **8.4 Air Transport**

Budapest Ferihegy International Airport is the largest of Hungary's five international airports (the others being at Debrecen, Győr-Pér, Pécs-Pogány and Sármellék). The airport offers international connections mainly within Europe, but also to Asia, the Middle East and North America. In 2007, Ferihegy handled 8.6 million passengers.

Malév Hungarian Airlines, the national airline of Hungary, is based at Budapest Ferihegy International Airport. It flies to 50 cities in 34 countries

worldwide. Other airlines serving Hungary include easyJet, Ryanair and Wizz Air (the Hungarian low-cost airline).

## 8.5 Market Trends

- ▶ The slowdown in economic growth is not expected to reduce the demand for foreign travel, which will, however, grow at a reduced rate;
- ▶ Growing trend towards second and third holidays, including short city breaks;
- ▶ Incentive travel is also a significant and growing market segment in Hungary;
- ▶ Later marriage means more young singles with sufficient time and desire for overseas travel; and
- ▶ More college and university students spending time abroad, either to study or to work, before completing their studies.

***Poor economic growth will not hurt travel demand***

***Youth gap market is vibrant***

## 8.6 Reaching Consumers and the Trade

### 8.6.1 Deciding, Planning and Booking Patterns

In 2005, 14% of visits to Britain from Hungary were decided less than a week before travelling; another 14% between one week and less than a month; and 34% between one month and three months (*Source: UK International Passenger Survey*).

***Most Hungarians plan a trip long in advance (1-3 months)***

### 8.6.2 Key Media

National TV is the most frequently used media, with 77% watching daily, closely followed by cable or satellite TV (70%). Hungary's state-run radio and TV have lost market share due to increased competition from private broadcast media. The national and local newspapers are privately-owned, some of them by foreign groups and investors.

***Newspapers:*** Népszabadság; Magyar Hírlap; Magyar Nemzet; Blikk

***Weeklies/Magazines:*** HVG; N\_Klapja; Figyel Tourism; Utazo; Turizmus Trend; Turizmus; Panoráama; Business Traveller

**TV:** RTL; Klub; TV2; MTV1; VIASAT3

**Radio:** Sláger; Danubius; Juventus; Klub; Info



### 8.6.3 Internet

In June 2007, there were over 3 million internet users in Hungary, representing some 30% of the total population (*Source: Internet World Stats*). Some 42% of individuals in Hungary used the internet regularly (i.e. at least once a week) in the first quarter of 2006, whether at home or at any other location, (*Source: Eurostat*). Over half (51%) of internet users in Hungary use the internet to search for travel information either weekly or monthly (*Source: research conducted by InSites Consulting in May 2006*).

***Many Hungarians use the Internet (30%)***

### 8.6.4 Consumer and Trade Exhibitions

The Travel Expo of Budapest (Utazás Kiállítás) is the largest holiday fair for trade and consumers in Hungary. It is held annually in late February and attracted 930 exhibitors in 2007. The first day of the exhibition is dedicated to the trade.

### 8.6.5 Travel Industry

Until 1990, there were only a few Hungarian travel agents, all of them state-owned. Since then, numerous small private travel agencies have been established. At present, there are approximately 1,150 registered travel enterprises in Hungary. Of these, some 250 companies are members of the Association of Hungarian Tour Operators and Travel Agents (MUISZ). These 250 companies handle over 85% of the total turnover of the organised travel trade. In addition, large, foreign tour wholesalers, including Neckermann, BTI, Amex and CWT, have opened offices in Hungary.

***Market dominated by small private travel agents***

The leading tour operators are:

- ▶ IBUSZ: the oldest (in existence for more than 100 years) and best-known travel company in Hungary, operating partly as a travel agent and partly as a tour operator; its travel packages are offered by an additional 300 retailers outside the company's own 48 branch offices.
- ▶ CAR-Tour International: founded 15 years ago as a specialist tour operator; more than 300 retailers

offer its packages.

- ▶ Chemol Travel: partner of Radius (global travel management company); also active in corporate travel and incentive tourism.
- ▶ Kisalföld Volán (coach tours both within Hungary and abroad);
- ▶ Italiatour (specializing in tours to Italy);
- ▶ OTP Travel: established in 1986 by the country's largest bank, its activity covers incoming, outgoing and ticketing, with a network of 16 branch offices (plus head office in Budapest).
- ▶ Tensi Tours, founded in 1983 as the first private travel agency in Hungary and now a full-service tour operator.

## Chapter 9

# MOLDOVA



## 9.1 Introduction

Population (2007): 4.3 million  
Outbound Market Size (2007): 82,000 departures abroad  
Outbound Market Size (2011): 105,000 trips  
Main Destinations (2007): Turkey; Ukraine; Romania; Bulgaria; Russia  
Purpose of Visit (2007): Holiday: 89.7%; Business: 4.7%; Other: 5.6%  
Average Length of Stay (2007): 6.7 nights  
Internet Access: 729,000 users in June 2007 (17% population penetration)

### 9.1.1 Population

The population is estimated at 4.3 million in 2007 and is projected to decline slightly –largely because of emigration and a falling birth rate - to 4.2 million by 2025, and continue to decline long-term to 3.6 million by 2050 (*Source: US Census Bureau*).

**Main Cities:** Chişinău (648,000); Tiraspol (159,000); Bălţi (123,000).

**Languages:** Moldovan (official, almost identical to Romanian), Ukrainian, Russian, Gagauz (a Turkic language spoken in the south of the country).

### 9.1.2 Government

Formerly part of Romania, Moldova was incorporated into the Soviet Union at the close of World War II. Moldova declared its independence in August 1991 but Russian forces have remained on Moldovan territory east of the Dniester River supporting the breakaway entity of Transnistria.

Moldova became the first former Soviet state to elect a Communist, Vladimir Voronin, as its president in 2001. He was re-elected to a second term as a president in 2005 on a pro-Western platform. The main party is the Party of Communists, which holds a majority of the seats in parliament. Moldova aspires to be member of the NATO and the European Union (EU). Since 2001, it has been a member of the World Trade Organisation (WTO).

***Communism still operates in Moldova***

### 9.1.3 Economy

With no major mineral deposits, Moldova depends

***One of the poorest countries***

heavily on agriculture, particularly fruits, vegetables, wine, and tobacco. It is one of the poorest countries in Europe in terms of GDP per capita: \$ 2,900 in 2007 based on purchasing power parity (PPP), some 4-5 times lower than the average for the surrounding region (\$9,527 PPP). The official unemployment rate is 2.1% (2007 est.), but it is estimated that roughly 25% of working age Moldovans are currently employed abroad.

Moldova must import almost all of its energy supplies, largely from Russia, whose decision to ban Moldovan wine and agricultural products, coupled with its decision to double the price Moldova paid for Russian natural gas, slowed GDP growth in 2006. However, in 2007 growth returned to the 5%-6% level Moldova had achieved in 2000-05, boosted by Russia's partial removal of the bans and strong domestic demand driven by remittances from abroad. The granting of EU trade preferences and increased exports to Russia will produce growth rates of 7% in 2008 and 8% in 2009 (*Source: IMF projections*). However, the economy remains vulnerable to higher fuel prices, poor agricultural weather and the difficulty of attracting foreign investors.

#### 9.1.4 Exchange Rates

The Moldovan leu (MDL) was established on in November 1993 as the official currency of Moldova. The Transnistrian ruble is used in Transnistria.

Moldova's currency has strengthened significantly against the US dollar and the British pound in 2008, but has remained relatively stable vis-à-vis the euro.

*in Europe*

*Economic sanctions from Russia made economic growth difficult in Moldova*

**Table 9:1**

#### Exchange Rates against Major Currencies, 2003-08 (leu per currency)

	2003	2004	2005	2006	2007	2008*	% Ch 2003-08
US Dollar	13.945	12.330	12.600	13.131	12.177	9.890	- 29.1%
Euro	15.739	15.309	15.670	16.488	16.579	15.641	- 0.8%
UK Pound	22.767	22.574	22.938	24.236	24.388	19.720	- 13.4%

\* end-June

*Source: Pacific Exchange Rate Service*





### **9.1.5 Annual Leave/Holidays**

Employees are entitled to a minimum annual holiday entitlement of 28 calendar days. In addition, there are nine public holidays throughout the year.

### **9.1.6 Visa Issues**

Visitors from Moldova require a visa to enter EU and most other non-CIS countries. However, under the Visa Facilitation Agreement between the EU and Moldova, visa application procedures have been simplified for fifteen categories of Moldovan citizens.

***Relaxed visa restrictions to Europe***

Romania - Moldova's closest EU neighbour - is not yet a member of the Schengen area, but (together with Bulgaria) it aims to become a full member of the system by March 2011. This could result in a significant increase for Moldovans in the cost of a visa for Romania.

## **9.2 Market Size**

### **9.2.1 Outbound Travel**

In 2007, Moldovans who made use of officially registered travel agents made a total of 82,000 visits abroad. This number (which excludes day trips and travel for employment purposes) is forecast to increase to approximately 105,000 by 2011 (*Source: TII estimates*). Expenditure by Moldovans on outbound tourism grew from an estimated \$72 million in 2000 to \$220 million in 2006.

Table 9:2

## Moldovan Departures Abroad by Purpose of Visit, 2000-07\*

Year	Holiday, Recreation, Leisure	Business and Professional Visit	Other Purpose (including medical treatment)	Total
2000	18,578	1,080	12,794	32,452
2001	19,728	6,745	3,791	30,264
2002	33,792	1,729	16,056	51,577
2003	47,553	5,262	14,513	67,328
2004	61,087	1,953	4,806	67,846
2005	50,047	1,961	5,223	57,231
2006	58,845	4,929	4,052	67,826
2007	73,387	3,865	4,538	81,790
% change 2000-07	295.0%	257.9%	- 64.5%	152.0%

\* only includes persons who made use of the services of officially registered travel agents  
Source: Statistica Moldovei

## 9.2.2 Main Destinations

For organised travel trips, the most popular foreign destination for Moldovans in 2007 was Turkey (25,600 departures), followed by Ukraine (17,400), Romania (15,250) and Bulgaria (13,100).

Table 9:3

## Departure of Moldovan Visitors Abroad by Destination, 2004-07

Destination	2004	2005	2006	2007	% Change 2004-07
Turkey	10,309	12,526	13,802	25,636	148.7%
Ukraine	23,254	14,807	13,478	17,379	- 25.3%
Romania	10,174	8,413	9,186	15,253	49.9%
Bulgaria	4,971	10,079	18,639	13,106	163.6%
Russia	1,055	292	4,530	3,147	198.3%
Other countries	18,083	11,114	8,191	7,269	- 59.8%
<b>Total</b>	<b>67,846</b>	<b>57,231</b>	<b>67,826</b>	<b>81,790</b>	<b>20.6%</b>



Source: National Bureau of Statistics (Statistica Moldovei)

### 9.3 Market Characteristics

Purpose of Visit (2007): Holiday: 89.7%; Business: 4.7%; Other: 5.6%  
 Average Length of Stay: Holiday: 6.7 nights; Business: 3.25 nights; Other: 8.6 nights;  
 All Visits Abroad: 6.7 nights

### 9.4 Air Transport

Although the great majority of visits abroad are made overland (by road or by rail), the role of air transport is becoming increasingly important, particularly for holiday travel.

Chişinău International Airport is the main international airport in Moldova, with a capacity of 1.2 million passengers per year. In 2007, regular and charter flights operated by 15 airlines carried some 700,000 passengers to 18 countries in Europe, Asia and the Middle East. The busiest routes were Chişinău-Istanbul (130,000 passengers), Chişinău-Moscow (92,000 passengers), Chişinău-Verona (50,000 passengers) and Chişinău-Timişoara (50,000 passengers).

Air Moldova is the national airline and operates scheduled services to 17 destinations in and Turkey. From the 1 January 2008, Air Moldova has adopted the low-cost model in order to be more competitive when the Moldavian aviation market is further liberalized in 2009. The privately-owned Moldavian Airlines operates daily scheduled flights to Budapest, with connections (also via Timisoara in Romania) to the largest cities in Italy and Southern Germany.

Foreign airlines include Turkish Airlines (14% share of total passenger traffic), Austrian Airlines (5%) and Tarom (2%).

### 9.5 Reaching Consumers and the Trade

#### 9.5.1 Key Media

In 2006, over 180 newspapers and magazines were published in the Republic of Moldova. Printed media, as well as TV and radio programmes, appear

in a variety of languages – Moldovan/Romanian, Russian, Gagauzi, etc. There are more than 20 radio stations and some 30 TV stations, many of them re-broadcasting stations from Russia and Romania, and over 50,000 cable and 3,000 satellite subscribers. The authorities in the breakaway Transnistria region operate their own TV and radio outlets.

**National Newspapers:** Flux (Moldovan); Kommersant Moldoviy (Russian); Komsomolskaya Pravda (Russian); Nezavisimaya Moldova (Russian); Timpul (Moldovan).

**Weeklies/Magazines:** Septamina; Literature si Arta; Observator Economic

**TV:** Moldova 1 (operated by state-run Teleradio-Moldova); PRO TV Chisinau (commercial); ECO.

**Radio:** Radio Moldova (operated by Teleradio-Moldova); Radio Nova (commercial) plus a large number of local stations.

### 9.5.2 Internet Usage

The number of internet users in Moldova rose by 85.3% in 2007 reaching 729,400 (17% population penetration), according to ANRTI, the country's telecoms regulator.

### 9.5.3 Consumer and Trade Exhibitions

The *Tourism Leisure Hotels International Specialised Exhibition* is held each April in Chişinău. In 2008, the exhibition attracted 170 companies from Azerbaijan, Bulgaria, Indonesia, Moldova, Russia, Romania, Turkey and Ukraine, and was attended by 6,400 persons.

## 9.6 Travel Industry

Leading travel companies include Moldova Tur, the oldest tourism company in Moldova handling both incoming and outgoing (Bulgaria, Cyprus, Romania, Russia, Turkey, Ukraine) business; Aerotour Moldova; AirService; Cocos Tur; Corina Travel Agency; Travel Master; Voiaj International.

## 9.7 Conclusion

Because of poor economic prospects, political instability and relatively low travel demand and scope, Moldova is certainly not in our top ten list of lucrative travel markets. However, it is still worth understanding this market for future purposes. Being part of Eastern Europe and with the possibility of accession to the EU in the medium to long term, this market could very well become a lucrative one. The outlook for the immediate future is however, not too promising but it is still hopeful because of possible ties with the EU.

## Chapter 10

# POLAND



## 10.1 Introduction

Population (2007): 38.5 million  
 Outbound Market Size (2006): 7.3 million tourist trips  
 Outbound Market Size (2011): 10.2 million tourist trips  
 Main Destinations: Ukraine, United Kingdom, Russia, Italy, Germany, France, Croatia  
 Purpose of Visit: Holiday: 44%; Business: 19%; VFR: 23%; Other: 14%  
 Internet Access: 11.4 million internet users in June 2007 (30% population penetration)

### 10.1.1 Population

The population is estimated at 38.5 million in 2007 and is projected to decline – largely because of a falling birth rate – to 38.1 million by 2017 and 32.8 million by 2047. (*Source: US Census Bureau*). In the long term, the population is set to decrease in the under 60 age groups, and to rise in the older age groups which will form an increasing share of the total – rising from 18% in 2007 to an estimated 39% by 2047.

***Population expected to decline***

Since EU accession, large numbers of Poles have emigrated to Western European countries, especially the United Kingdom, in search of better work prospects. However, there is now a net inflow of people into Poland as those who had previously emigrated to other parts of the EU are returning home due to the increase in wages and standards of living for Poles in their own country, and the depreciation of the British pound.

***Main Cities:*** the largest metropolitan areas in Poland are the Upper Silesian Coal Basin centred on Katowice (3.5 million inhabitants); the capital, Warsaw (3 million); Kraków (1.3 million); Łódź (1.3 million); Gdańsk-Sopot-Gdynia (1.1 million); Poznań (0.9 million); Wrocław (0.9 million); and Szczecin (0.7 million).

***Language:*** Polish (official).

### 10.1.2 Government

Following labour unrest in 1980 and the formation of the independent trade union *Solidarity*, Communist rule was overthrown in 1989, with *Solidarity*

winning both the parliamentary elections and the presidency in 1990. The success of the *Solidarity* movement heralded the collapse of communism across Eastern Europe. Poland joined NATO in 1999 and the EU in 2004.

The current Prime Minister is Donald Tusk, leader of the pro- business and EU-friendly Civic Platform Party, who won a surprise victory in the national elections in October 2007. He has pledged to improve relations with Russia and the EU, which had deteriorated sharply during the administration of the more nationalist Law and Justice Party. Civic Platform has formed a coalition government with the Polish People's Party.

### **10.1.3 Economy**

Poland may be regarded as a success story among the former socialist transition economies, having transformed its economy through a sweeping liberalisation programme in the early 1990s into one of the strongest in Eastern Europe. Since 2004, EU membership and access to EU structural funds have provided a further major boost to the economy. Per capita income, at an estimated \$16,200 in purchasing power parity terms (PPP) in 2007, while still below the EU average, is projected to reach \$17,800 by 2008, almost 50% up on the figure five years earlier. GDP grew by an estimated 6.5% in real terms in 2007, but is forecast to slow to 4.9% in 2008 and 4.5% in 2009 (*Source: International Monetary Fund*). Unemployment, at an estimated 12.8% of the workforce in 2007, remains relatively high but according to the latest figures the rate has now fallen to 8.8% of the workforce (*Source: Eurostat*).

***An economic success story  
within Eastern Europe***

The country still faces a number of challenges, including underdeveloped infrastructure and lingering poverty in rural areas. In addition, tightening labour markets, and rising global energy and food prices, pose a threat to consumer price stability, while rising demands to fund health care and other social services challenge efforts to reduce the budget deficit below 3% of GDP with the aim of eventually adopting the euro.



### 10.1.4 Exchange Rates

In common with other new EU members, Poland is obliged to eventually abandon the *zloty* in favour of the euro. However, this process is not expected to be completed until 2012. Since 2003 (particularly in 2008), the Polish zloty has appreciated considerably vis-à-vis the major international currencies.

***Euro adoption expected in 2012***

**Table 10:1**

**Exchange Rates against Major Currencies, 2003-08 (zloty per currency)**

	2003	2004	2005	2006	2007	2008*	% Ch 2003-08
US Dollar	3.89	3.66	3.24	3.10	2.81	2.12	- 45.5%
Euro	4.39	4.54	4.02	3.90	3.83	3.35	- 23.7%
UK Pound	6.35	6.70	5.89	5.73	5.62	4.23	- 33.4%

\* end-June

Source: Pacific Exchange Rate Service

### 10.1.5 Annual Leave/Holidays

Employees receive an average of 26 days annual leave. In addition, there are eleven public holidays throughout the year.

### 10.1.6 Visa Issues

Polish visitors do not require a visa to enter other EU member countries and, being now part of the Schengen agreement, enjoy the freedom of travel to 25 EU states and the four non-EU members for a period of up to three months. They can also enjoy visa free entry to many other parts of the world.

***Little or no visa restrictions for Polish travellers***

## 10.2 Market Size

### 10.2.1 Outbound Travel

In 2006, Polish travellers (including day visitors) made a total of 44.7 million trips abroad. The great majority (89%) were overland cross-border trips to neighbouring countries.

The number of overnight or longer tourist trips is

considerably less – amounting to an estimated 7.3 million trips in 2006. This latter number is forecast to increase to 10.2 million by 2011 (*Source: Institute of Tourism*).

**Table 10:2**

**Trips Abroad by Polish Residents, 2002-06**

<b>Trips Abroad</b>	<b>2002 (‘000)</b>	<b>2003 (‘000)</b>	<b>2004 (‘000)</b>	<b>2005 (‘000)</b>	<b>2006 (‘000)</b>	<b>% Change 2002-06</b>
<b>Tourist trips*</b>	8,400	7,200	6,300	6,200	7,300	<b>- 13.1%</b>
<b>All trips abroad</b>	45,043	38,730	37,226	40,841	44,696	<b>- 0.8%</b>

\* *The number of trips refers only to overnight or longer tourist trips, excluding work trips.*  
*Source: Institute of Tourism*

Expenditure by Poles on outbound tourism grew from an estimated \$2.8 billion in 2003 to \$4.3 billion in 2006, of which approximately half (52%) was spent before the trip and the remainder during the trip (*Source: Institute of Tourism*).

**10.2.2 Main Destinations**

According to a survey by the Institute of Tourism, over 38% of all tourist trips in 2006 (excluding any trips connected with employment) were made to Germany, with the next most-visited destinations - the United Kingdom, Czech Republic and the Netherlands - attracting around 8% each of the total. However, as pointed out in the survey report, a great number of the departures to Germany are linked with further onward travel to other countries in Western Europe.

***Regional travel dominates***

Based on UNWTO data on arrivals, the main destination for Polish outbound travellers in 2006 was Ukraine (4.0 million arrivals), followed by the United Kingdom (1.3 million); Russia (1.1 million); Italy (1.0 million); Germany (475,000); and France (427,000).



**Table 10:3****Arrivals of Polish Visitors in Main Destinations, 2002-06**

<b>Destination</b>	<b>2002 (’000)</b>	<b>2003 (’000)</b>	<b>2004 (’000)</b>	<b>2005 (’000)</b>	<b>2006 (’000)</b>	<b>% Change 2002-06</b>
Ukraine	556	1,239	1,793	3,489	3,978	615.5%
United Kingdom	188	325	528	1,027	1,326	605.3%
Russia	1,210	1,233	1,128	1,196	1,149	- 5.0%
Italy	515	426	485	735	1,021	98.3%
Germany	322	331	369	397	475	47.5%
France	593	n.a.	n.a.	312	427	- 28.0%
Croatia	358	238	241	242	276	- 22.9%
Czech Republic	349	291	254	262	274	- 21.5%
Ireland	13	17	39	125	230	1,669%
Slovakia	267	215	179	198	224	- 16.1%

Source: UNWTO and country data

### 10.2.3 Preferred Destinations

Australia, followed by New Zealand, Canada, Japan, Greece and Spain, heads the list of destinations where respondents to an online survey would *wish* to make a leisure visit ‘were money no object’ (Source: Anholt-GMI Brands Index/BTA).

### *Aspirational destinations*

## 10.3 Market Characteristics

The following data – relating mainly to Polish visitors to Britain in 2006 – are used to illustrate some of the market characteristics of the Polish traveller:

### 10.3.1 Age/Sex Composition

Poland is a young market – with 61% of all visitors to Britain aged under 35 years of age in 2006 (IPS). Business visitors are somewhat older (62% aged 25-44). Overall, 61% of visitors (and 90% of business visitors) were male and 39% were female. Males had an older profile than females, 38% of whom fell into the 16-24 age group.

### *Outbound travellers are primarily young*

### 10.3.2 Travel Party

Polish visitors are more likely than the average overseas visitor to Britain to be travelling alone or in groups made up of “other adults” – be they friends, family or colleagues. These are the most likely travelling groups regardless of visit purpose.

***Polish travel alone or with “other adults”***

### 10.3.3 Purpose of Visit

For all Polish departures abroad, the share of holiday travel was 44%; business travel, 19%; VFR, 23%; and other purposes, 14%. Compared with all visits abroad, the UK had a much lower proportion of holiday visitors (18% as against 44%) and much higher proportions of business and VFR visitors. However, it is likely that the different purpose of visit categories – holiday, business and VFR – all overlap in the UK market, given the increase in the numbers of Polish people living in the UK since EU accession in 2004.

***Holiday travel is the main reason for travel abroad***

***VFR dominates trips to UK***

<b>Market Characteristics of Polish Travellers to Britain, 2006</b>		
<b><i>Age/Sex Group</i></b>	<b><i>Male</i></b>	<b><i>Female</i></b>
	<b><i>%</i></b>	<b><i>%</i></b>
0 -15	3	3
16-24	21	38
25-34	31	27
35-44	25	9
45-54	14	14
55-64	5	8
65 and over	1	1
<b><i>Purpose of Visit</i></b>		
Holiday: 18%		
Business: 38%, of which 61% were lorry drivers		
VFR: 37% (reflecting the large Polish population in Britain since EU accession)		
Other: 7%: including language and other students		
<b><i>Length of Stay</i></b>		
1-3 nights: 38% (reflecting the high proportion of business visitors)		
4-15 nights: 38%		
15 nights or more: 24% (reflecting the high proportion of VFR visitors)		
<b><i>Accommodation Used</i></b>		
Hotel/guest house and other paid accommodation: 21%		
Free Guests with friends/relations: 54%		
Other (not specified): 25% (including lorry drivers sleeping in their vehicles)		

**Seasonality**(all departures abroad)

Jan – Mar: 14.5%

Apr – Jun: 23.9%

Jul – Sep: 37%

Oct – Dec: 24.6%

**Frequency**

First Time: 41%

Repeat Visitor: 59% (had visited before within previous ten years)

**Travel Party**

Travelling Alone: 49%

Family spouse/partner and children: 1%

Spouse/partner but no children in tour group: 8%

Not alone but no spouse/partner or children in tour group: 38%

Children in group but no spouse/partner: 4%

*Source: UK International Passenger Survey/BTA***10.4 Air Transport**

International air passenger traffic has more than doubled in the past five years, driven on the one hand by Poles making visits home from abroad and on the other by foreign tourists visiting Poland for short breaks, both facilitated by the expansion of low-cost carriers.

***Air traffic doubled between  
2003 and 2005***

The main international airports are Warsaw Frederic Chopin Airport (which handled 10.3 million passengers in 2007); John Paul II International Airport Kraków-Balice (3.0 million); Katowice International Airport (2.0 million); Gdańsk Lech Wałęsa Airport (1.7 million); and Copernicus Airport Wrocław (1.3 million). Regional airports have also seen a large increase in traffic in recent years.

LOT Polish Airlines, the national flag carrier, operates over 50 international routes throughout Europe, and to the Middle East and North America, as well as domestic services between Warsaw and ten other Polish cities. Its main base is at Warsaw Frederic Chopin Airport. In addition, a large number of foreign airlines operate to/from Poland, including low-cost carriers such as easyJet (Kraków), Ryanair (Łódź) and Wizz Air (Gdańsk, Katowice, Poznań, Warsaw, Wrocław).

## 10.5 Market Trends

- ▶ Rising disposable incomes have boosted outgoing tourism as greater numbers of Poles decide to spend part of their increased wealth on holidays abroad;
- ▶ More attractive offers by larger tour operators in terms of pricing levels and diversified product range have encouraged this trend;
- ▶ Outgoing tourism has also benefited from the recent high exchange rate of the Polish zloty against most major currencies which makes the prices of holidays abroad more affordable for potential Polish customers;
- ▶ In addition, large numbers of Polish tourists are travelling abroad to visit their friends and family members who are living and working in other countries, particularly the United Kingdom and Ireland.

***Rising disposable income boosts outbound demand***

***Strong currency***

***VFR is a main determinant of outbound travel***

## 10.6 Reaching Consumers and the Trade

### 10.6.1 Deciding, Planning and Booking Patterns

In 2005, 16% of visits by Poles to Britain were decided less than a week before travelling; another 23% between one week and less than a month; 31% between one month and three months; and the remaining 30% three months or more (*Source: UK International Passenger Survey*).

***Two thirds of Poles plan a vacation long in advance***

### 10.6.2 Key Media

There are more than 300 newspapers, most of them local or regional. *Fakt*, launched in 2003, is the biggest selling national daily.

***Extensive media channels***

The state-owned broadcaster TVP operates two national channels (which have the largest share of the television audience) as well as regional programmes and the international satellite channel TV Polonia. The leading commercial TV channels are Polsat and TVN. Up to a quarter of Poles also watch foreign TV channels. While radio has become less important, Polish Radio still reaches just over half of the

population and there are more than 200 other stations on the air (*Source: BBC country profile*).

**Daily Newspapers:** Fakt (500,000 circulation, estimated readership of 7 million); Gazeta Wyborcza (575,000); Super Express (363,000); Rzeczpospolita (80,000); Przegląd Sportowy & Tempo (161,784); Trybuna (80,000); Zycie Warszawy (45,000).

**Consumer Travel Press:** Voyage (45,000); Podroze (40,000); Poznaj Swiat (30,000); National Geographic Traveller (70,000); All Inclusive (13,000, lifestyle monthly).

**Travel Trade Press:** Wiadomosci Turystyczne (6,000); Rynek Turystyczny (4,000); Rynek Podrózy (4,000); Travel Trade Gazette (20,000, monthly).

**TV:** two national public television channels (TVP, SA) and 11 regional channels operate in Poland. National commercial channels include Polsat TV, TVN (ITI Holdings), and Channel 4. Other channels include Catholic Puls TV, RTL 7, Canal Plus, and Wizja TV.

**Radio:** Polish Radio (public broadcaster); Broker FM; Eurozet; Time; Agora; MFM and over 200 other local commercial radio stations.

### 10.6.3 Internet

The internet also provides a major opportunity to reach consumers, as seen from the following:

- ▶ In June 2007, there were 11.4 million internet users in Poland (30% of the total population), according to *Internet World Stats*.
- ▶ The proportion of Internet users who bought something online increased from 41% in 2005 to 55% in 2006, according to a *Gemius* report.
- ▶ 55% of Polish Internet users use it to search for travel information either weekly or monthly, according to research conducted by *InSites Consulting* in May 2006.

### **High Internet usage**

### 10.6.4 Consumer and Trade Exhibitions

*TT Warsaw* is the largest holiday fair for trade and consumers in Poland. In 2006, 478 exhibitors and over 30,000 visitors attended the show that is held in Warsaw at the end of September each year. *Tour Salon Travel Fair*, Poznan attracted over 20,000 visitors in 2006, including 7,000 trade visitors. The fair is held in Poznań in October.

## **10.7 Travel Industry**

Currently, there are approximately registered 2,600 travel companies, including approximately 600 tour operators, in Poland. The majority are small companies that operate in the incoming sector.

Orbis Travel (established in 1920 and one of the world's oldest tour operators) has maintained its position as Poland's largest tour operator, with a well-developed sales network comprising 42 offices and over 1,600 agents. The next largest tour operators are foreign-controlled wholesalers: Scan Holiday, TUI Polska, Neckermann Polska, My Travel and Ecco Holiday. Other Polish operators include Triada, Itaka, Sindbad and Sigma Travel.

Most travel agencies are either franchises of, or wholly owned by, the major chains (Orbis, TUI Polska, Neckermann Polska).

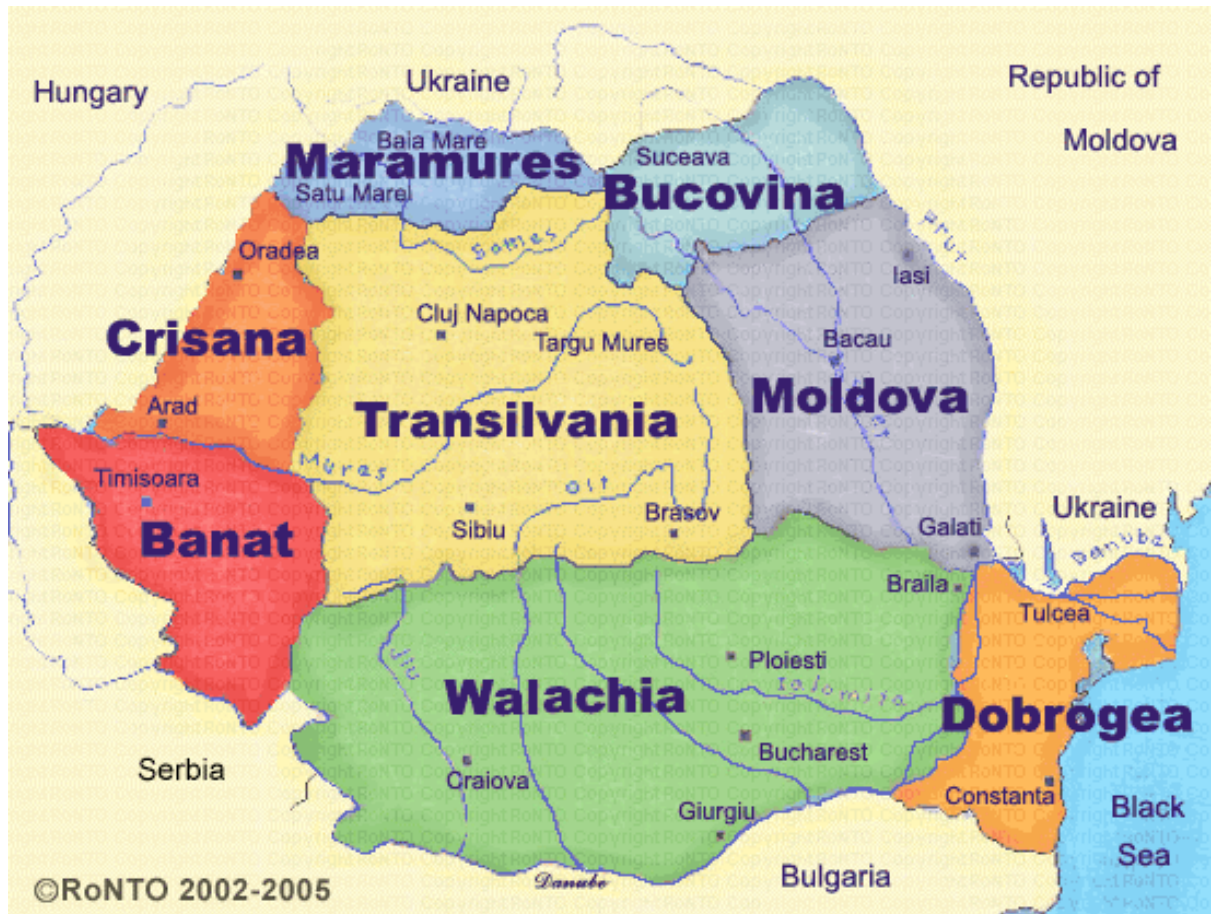
## **10.8 Conclusion**

Excellent economic prospects, a strong currency, accession to the European Union and a growing population (a strange occurrence compared to other European countries) all augur well for outbound travel from Poland. These factors just mentioned, married with the motivation to visit friends and relatives abroad makes the Polish market a lucrative one.



## Chapter 11

# ROMANIA





## 11.1 Introduction

Population (2007): 22.3 million  
 Outbound Market Size (2006): 8.9 million departures abroad  
 Outbound Market Size (2011): 13.0 million departures abroad  
 Main Destinations: Bulgaria, Italy, Ukraine, Greece, Turkey, Austria, Hungary  
 Purpose of Visit (2006): Holiday: 49%; Business: 14%; VFR: 37%.  
 Internet Access: 7.0 million users in June 2007 (31% population penetration)

### 11.1.1 Population

The population is estimated at 22.3 million in 2007 and is projected to decline - largely because of sub-replacement fertility rates - to 21.3million in 2025 and 18.7 million in 2050 (*Source: US Census Bureau*).

**Main Cities (2002 Census data):** Bucharest (1.9 million, 2.2 million in metropolitan area); Iași (321,000); Cluj-Napoca (318,000); Timișoara (318,000); Constanța (315,000).

Some 600,000 persons reside within the Galați-Brăila urban area and approximately 400,000 in the Brașov metropolitan area.

**Language:** Romanian (official). Hungarian is also spoken in Transylvania.

### 11.1.2 Government

After World War II, Romania became a Communist 'people's republic', but in 1964 the leadership declared the country's economic and political independence from the USSR. Nicolae Ceaușescu, who took power in 1965, was deposed and executed in late 1989. Partial multi-party democratic and free market measures were then introduced. Former Communists dominated the government until 1996, when they lost power. Romania joined NATO in 2004 and the EU in 2007.

***EU member and democratic political regime***

In 2004, Traian Băsescu was elected President, with an electoral coalition called Justice and Truth Alliance (DA). The Government, which has been led by Prime Minister Calin Popescu-Tariceanu since December 2004, consists of a larger coalition that

also includes the Conservative Party and the ethnic Hungarian party.

### **11.1.3 Economy**

With GDP estimated at \$246 billion in 2007, and GDP per capita of \$11,400, both measured in terms of purchasing power parity (PPP), Romania is classified by the World Bank as an upper-middle income economy.

After the Communist regime was overthrown in late 1989, the country experienced a decade of economic instability and decline, led in part by an obsolete industrial base and a lack of structural reform. From 2000 onwards, however, the economy was transformed into one of relative stability, characterised by high growth, low unemployment and declining inflation. Adoption of a very low flat tax in 2005 and other reforms have resulted in the EU's highest GDP growth in real terms: 7.7% in 2006; 6.1% in 2007; and a projected 8% or more in 2008. At an estimated 4.1% in 2007, the unemployment rate is well below the eurozone average.

The strong GDP growth in recent years has led to large current account imbalances and rising inflation, and the country's widespread rural poverty is only now starting to be addressed. Corruption and bureaucratic red tape continue to hamper the business environment.

### **11.1.4 Exchange Rates**

The *leu* (plural *lei*) is the currency of Romania. Together with other new EU members, Romania will eventually adopt the euro. However, this process is not expected to be completed until 2012 at the earliest. The leu has gained against the dollar and the British pound during 2008 but has continued to weaken vis-à-vis the euro.

***Upper-middle-class income economy***

***Over 8% economic growth proceed for the short term***

***Romania will adopt the euro in 2012***

**Table 11:1****Exchange Rates against Major Currencies, 2003-08 (lei per currency)**

	2003	2004	2005	2006	2007	2008*	% Ch 2003-08
US Dollar	3.00	3.00	3.00	2.81	2.43	2.32	- 22.7%
Euro	3.39	3.72	3.73	3.53	3.31	3.65	7.7%
UK Pound	4.90	5.49	5.52	5.18	4.87	4.61	- 5.9%

\* end-June

Source: Pacific Exchange Rate Service

**11.1.5 Annual Leave/Holidays**

The statutory minimum holiday entitlement for Romanian employees is 21 days. In addition, there are seven public holidays throughout the year. The Orthodox Easter holiday is three days' long, but the Tuesday is not an official public holiday.

**11.1.6 Visa Issues**

Romanian visitors do not require a visa to enter other EU member countries. In addition, they can also enjoy visa free entry to many other parts of the world. Romania is not expected to fully join the Schengen Agreement until 2010 or the beginning of 2011.

***Relaxed and limited visa restrictions for Romania***

**11.2 Market Size****11.2.1 Outbound Travel**

In 2007, the total number of departures abroad by Romanians travellers (including day visitors to neighbouring countries) was 11.0 million, of which the great majority (78%) were made by road, compared with 8.9 million in 2006 and 6.4 million in 2000. The number of departures is forecast to increase to approximately 13 million by 2011 (*Source: TII estimates*).

For those who made use of officially registered travel agents, the volume of overnight or longer outbound tourism (including holiday, VFR and business travel) was 522,000 trips in 2006 compared with 491,000 trips in 2005. This number is forecast to increase to

about 700,000 trips by 2011. Expenditure by Romanians on outbound tourism grew from an estimated \$430 million in 2000 to \$1,022 million in 2005.

**Table 11:2**

**Departures Abroad (overnight or longer) by Purpose of Visit, 2004-06**

Purpose of Visit	2004	2005	2006	% Change 2004-06
Holiday (excluding VFR)	157,635	161,093	257,231	63.2%
VFR	205,245	220,520	193,846	- 5.6%
Business	102,177	109,051	71,182	- 30.3%
<b>Total (organised travel)</b>	<b>465,057</b>	<b>490,664</b>	<b>522,259</b>	<b>12.3%</b>
<b>All Trips Abroad</b>	<b>6,972,000</b>	<b>7,140,000</b>	<b>8,906,000</b>	<b>27.7%</b>

*Source: National Institute of Statistics*

**11.2.2 Main Destinations**

For all departures abroad, the main destinations in 2006 were Bulgaria (1.1 million), Italy 643,000), Ukraine (348,000), Greece (285,000), Turkey (245,000), Austria (141,500) and Hungary (139,000). No data were available for arrivals in France or Germany.

*Regional travel dominates*

**Table 11:3**

**Arrivals of Romanian Visitors in Main Destinations, 2002-06**

Destination	2002	2003	2004	2005	2006	% Change 2002-06
Bulgaria	571,525	606,572	612,630	783,563	1,117,29	95.5%
Italy	155,785	185,319	366,053	530,616	7	312.5%
Ukraine	43,195	68,102	97,872	161,948	642,613	706.0%
Greece	118,885	142,012	148,853	225,570	348,157	139.8%
Turkey	177,397	184,366	168,702	201,827	285,049	38.1%
Austria	55,640	n.a.	n.a.	90,404	244,914	154.3%
Hungary	89,569	88,913	97,462	113,261	141,498	55.1%
					138,925	

*Source: UNWTO and country data*

### 11.2.3 Organised Travel

For *organised holiday trips* (excluding VFR), the most popular foreign destination for Romanians in 2006 was Greece (59,200 departures), followed by Austria (34,200); Spain (30,300); Italy (27,000); Hungary (20,900); Turkey (18,500); and Bulgaria (16,200). In total, some 96% of all departures abroad for holidays were to European destinations.

**Table 11:4**

#### Departures Abroad for Holiday Trips (excluding VFR), 2004-06

Destination	2004	2005	2006	% Change 2004-06
Greece	25,457	51,557	59,175	132.5%
Austria	4,247	13,676	34,175	704.7%
Spain	9,876	19,987	30,300	206.8%
Italy	22,694	18,699	26,969	18.8%
Hungary	2,805	4,457	20,919	645.8%
Turkey	17,041	18,492	18,506	8.6%
Bulgaria	2,633	3,200	16,185	514.7%
Other Countries	72,882	31,025	51,002	- 30.0%
<b>Total (organised travel)</b>	<b>157,635</b>	<b>161,093</b>	<b>257,231</b>	<b>63.2%</b>

Source: National Institute of Statistics

### 11.3 Market Characteristics

#### *Purpose of Visit (Holiday, Business and VFR trips only, 2006)*

Holiday: 49%  
Business: 14%  
VFR: 37%

#### *Mode of Transport (all departures abroad, 2006)*

Road: 83.3%  
Rail: 2.7% (down from 11.8% in 2000)  
Air: 13.7% (up from 8.4% in 2000)  
Sea: 0.3%

#### *Seasonality*

Jan-Mar: 18%  
Apr-Jun: 25%  
Jul-Sep: 34%

Oct-Dec: 23%

Source: National Institute of Statistics

## 11.4 Air Transport

The main international airports capable of handling wide-bodied aircraft are Bucharest Henri Coandă, Bucharest Aurel Vlaicu, Timișoara and Constanța. Bucharest Henri Coandă handled some 5 million passengers in 2007, compared with Timișoara Traian Vuia (754,000 in 2006); and Bucharest Aurel Vlaicu (386,000 in 2006).

TAROM is the national flag carrier, 95% government-owned. From its main base at Henri Coandă International Airport, it operates scheduled domestic services and international services to destinations in Europe, Africa and the Middle East. The airline carried 1.7 million passengers in 2007, marking a strong recovery from a difficult period at the beginning of 2000s, which included the cancellation of some long-haul flights.

International airlines serving Romania include Aer Lingus, Air France-KLM, Alitalia, Austrian Airlines, British Airways, Bulgaria Air, Cyprus Airways, Czech Airlines, Delta Air lines, easyJet, El Al, Finnair, Iberia Airlines, LOT, Lufthansa, Malev, Olympic Airlines, SAS, Swiss International, Syrian Arab Airlines, Turkish Airlines.

Air route expansion, following the EU accession, has opened up the aviation market to existing and new low-cost operators, including easyJet, Ryanair and Blue Air (the first Romanian low-cost airline).

*The existence of low-cost carriers*

## 11.5 Reaching Consumers and the Trade

### 11.5.1 Key Media

TV is the most popular medium for most Romanians. The state broadcaster, TVR, operates two national networks – Romania 1 and TVR 2, and a pan-European satellite channel. The largest private stations are Pro TV and Antena 1, with a large number of smaller, private stations. Most households in Bucharest have cable TV. State-run Radio Romania operates four national radio networks plus regional and local stations. In addition, there are more than 100 private radio stations.

***TV is the most popular medium for Romanians***

**Daily Newspapers:** Adevarul; Libertatea; Evenimentul; Jurnalul National (with English-language pages); Romania Libera; Nine O’Clock (English-language daily).

**Weekly Press:** Capital (business weekly).

**Television:** TVR (state-owned, operates Romania 1 and TVR 2 networks; Antena 1 (commercial); Pro TV (commercial); Prima TV (commercial); Acasa TV (commercial); Realitatea TV (commercial).

**Radio:** Radio Romania (state-owned); Radio Romania International; Europa FM (commercial); Kiss FM (commercial); Pro FM (commercial); Radio 21 (commercial).

## **11.2 Internet**

In June 2007, there were an estimated 7 million Internet users in Romania (equivalent to 31.4% of the total population), according to *Internet World Stats*.

***High Internet usage***

## **11.3 Consumer and Trade Exhibitions**

The main tourism trade fair is TTR – the Tourism Fair of Romania, which is held once a year (in March/April) in Bucharest. In 2005, TTR attracted 260 exhibitors, of which 208 were Romanian and 52 were foreign companies from 17 different countries. The fair is open to both the trade and members of the general public.

## **11.4 Travel Industry**

Most travel agents and tour operators are members of the National Association of Travel Agencies

(ANAT), which acts as a guarantor of service standards.

ONT Carpati (founded in 1936 and now majority-owned by the Bank of Cyprus financial group) monopolised the travel industry in Romania until the 1989 revolution.

Other companies include Aerotravel; Accent Travel & Events; Ali Baba Tour; Atlantic Tour; Avia Travel; T/A CMB Travel; Eurotravel; Eximtour; Happy Tours; Leader; Tour Marshal; Turism Millennium; Tour Nova Turism, Olympic International Turism; Panda Travel Agency, Paralela 45 Turism; Phoenix Tour; Pro Tours International; Romadria Confort; Sind Romania; Go Travel; TIR Travels; Transilvania Travel; Travel House International; Turism Muntenia; Vacanta; and World Travel.

International travel chains, such as Carlson Wagonlit, Radius, BTI, American Express, Lufthansa City Center, are represented in Romania by ANAT-affiliated travel agencies.



## Chapter 12

# SLOVAKIA



## 12.1 Introduction

Full Name: Slovak Republic; short form Slovakia  
Population (2007): 5.4 million  
Outbound Market Size (2006): 2.2 million; of which organised travel = 486,000 trips  
Outbound Market Size (2011): 3.0 million, of which organised travel = 660,000 trips  
Main Destinations 2006: Ukraine, Czech Republic, Croatia, Bulgaria, Austria, Hungary  
Average Length of Stay: 8.9 days  
Internet Access: 2.5 million users in June 2007 (46% population penetration)

### 12.1.1 Population

The population is estimated at 5.4 million in 2007 and is projected to decline – largely because of falling birth rates - to 5.2 million in 2030 and 4.7 million in 2050 (*Source: Eurostats baseline projection*).

***Declining population growth rate***

**Main Cities:** Bratislava (approximately 430,000 inhabitants); Košice (235,000).

**Language:** Slovak (official). Hungarian is also widely spoken in the south.

### 12.1.2 Government

Following the end of World War II, Czechoslovakia became a Communist nation within Soviet-dominated Eastern Europe. Soviet influence collapsed in 1989 and Czechoslovakia once more became independent. The Slovaks and the Czechs agreed to separate peacefully on 1 January 1993. Slovakia joined both NATO and the EU in the spring of 2004, with a 2009 target date for entry into the eurozone.

**President:** Ivan Gasparovic (since 15 June 2004), who defeated former Prime Minister Vladimir Meciar in the second round of the presidential elections in April 2004.

**Prime Minister:** Robert Fico (since 4 July 2006), whose left-wing Smer Party forms a coalition government with the centre-left Movement for a Democratic Slovakia (HZDS) and the right-wing Slovak National Party.

### 12.1.3 Economy

Slovakia has successfully pursued a difficult transition from a centrally planned economy to a modern market economy, with sustained high economic growth in recent years: 8.9% in 2006; 11.4% in 2007 and a projected 6.6% in 2008, according to the *International Monetary Fund*. In 2007, the Gross Domestic Product (GDP) was an estimated \$109.6 billion in terms of purchasing power parity (PPP), and \$20,300 per capita. At 8.4% (2007 estimate), the unemployment rate is above the EU average, but has fallen from a peak of 19.2% at the end of 2001 as a result partly of economic growth and partly of migration of workers to other EU countries.

***Sustained high economic growth in recent years***

### 12.1.4 Exchange Rates

The Slovak *koruna* has been the currency of Slovakia since February 1993. Slovakia will adopt the euro on 1 January 2009 if it continues to meet euro adoption criteria.

***In 2009 the euro became the official currency of Slovakia***

The currency has been strengthening in line with the economy. For the present, the Government has been content to let the koruna gain value.

**Table 12:1**

#### **Exchange Rates against Major Currencies, 2003-08 (koruna per currency)**

	2003	2004	2005	2006	2007	2008*	% Ch 2003-08
US Dollar	36.73	32.26	31.02	29.61	24.92	19.18	- 47.8%
Euro	41.46	40.05	38.57	37.18	33.93	30.23	- 27.1%
UK Pound	59.97	59.06	56.47	54.65	48.45	38.24	- 36.2%

\* end-June

Source: Pacific Exchange Rate Service

### 12.1.5 Annual Leave/Holidays

The statutory minimum holiday entitlement for Slovak employees is 20 days. In addition, there are 15 public holidays throughout the year.

***Three weeks paid vacation***

### 12.1.6 Visa Issues

Visitors from Slovakia do not require a visa to enter other EU member countries. In addition, they can also enjoy visa free entry to many other parts of the world. Slovakia has fully implemented the provisions of the Schengen Agreement (which provides for a free travel zone across 25 EU states, as well as Iceland, Norway, Liechtenstein and Switzerland, for a period of up to three months).

***Little or no visa restrictions for outbound travel from Slovakia***

## 12.2 Market Size

### 12.2.1 Outbound Travel

In 2005, Slovak tourists made a total of 2.2 million overnight or longer holiday trips, of which 327,000 were of 1-3 nights duration and 1.9 million were for four nights or longer (*Source: Eurostats*).

The number of participants in *organised* outbound tourism (that is, Slovak citizens using the services of registered travel agencies and other suppliers of services in tourism when travelling abroad for holiday, business, VFR, etc. reasons) was 486,000 in 2006, compared with 414,000 in 2003 – an increase of 17.5% (*Source: Statistical Office of the Slovak Republic*). Organised travel represented some 22% of the total holiday trips in 2006.

Outbound tourism is seeing stable growth due to higher disposable incomes and the strengthening of the Slovak koruna against major currencies. Total trips abroad are projected to increase to around 3.0 million by 2011, of which 660,000 trips are expected to be for organised travel (*Source: TII estimates*). Expenditure by Slovaks on outbound tourism grew from an estimated \$296 million in 2000 to \$1,055 million in 2006.

***Stable economy and strengthened currency bode well for Slovak travel abroad***

### 12.2.2 Main Destinations

For all tourist travel abroad, the main destinations in 2006 were Ukraine (505,000 arrivals), the Czech Republic (282,000), Croatia (218,000), Bulgaria (109,000), Austria (78,000), Hungary (38,000) and Greece (38,000). France recorded 491,000 arrivals from the former Czechoslovakia in 2006. No reliable data is available for Slovaks travelling to Germany

***Regional travel dominates***

that is also likely to be a significant destination.

**Table 12:2**

**Arrivals of Slovak Visitors in Main Destinations, 2002-06**

Destination	2002	2003	2004	2005	2006	% Change 2002-06
Ukraine	42,529	105,056	162,921	321,977	505,480	1,089%
Czech Republic	225,799	252,763	266,917	260,212	281,854	24.8%
Croatia	191,176	187,955	176,294	184,891	217,986	14.0%
Bulgaria	145,049	144,476	157,523	143,974	109,155	- 24.7%
Austria	49,381	54,892	66,146	70,010	78,007	58.0%
Hungary	34,199	35,520	36,482	42,352	47,334	38.4%
Greece	79,862	83,442	36,272	15,386	38,219	- 52.1%
Tunisia	16,044	21,898	34,733	39,966	n.a.	n.a.

Source: UNWTO and country data

### 12.2.3 Organised Travel

For *organised* travel abroad (including holiday, business and VFR travel), the most popular foreign destination for Slovaks in 2006 was Greece (106,000 departures), followed by Croatia (102,000); Egypt (43,000); Italy (42,000); Bulgaria (41,000); Turkey (23,000); and Austria (18,000).

The greatest increases in departures over the period 2003-06 were to Egypt and Bulgaria (where, in each case, the numbers more than doubled), whilst falls occurred in the number of departures to Italy, Croatia and Turkey.

**Table 12:3**

**Organised Travel Departures Abroad, 2002-06**

Destination	2002	2003	2004	2005	2006	% Change 2002-06
Greece	71,242	71,419	79,997	92,677	105,686	48.3%
Croatia	122,309	105,518	100,582	99,770	101,928	-16.7%
Egypt	16,618	26,183	61,437	57,465	42,556	156.1%

Italy	52,702	56,985	47,189	41,469	42,388	-19.6%
Bulgaria	20,286	36,309	44,353	45,103	40,686	100.6%
Turkey	25,728	10,145	23,437	29,501	22,682	-11.8%
Austria	11,635	8,822	11,422	12,621	18,231	56.7%
Rest of World	93,115	79,273	87,878	107,478	111,724	25.9%
<b>Total</b>	<b>413,635</b>	<b>394,654</b>	<b>456,295</b>	<b>486,084</b>	<b>485,881</b>	<b>17.5%</b>

Source: Statistical Office of the Slovak Republic

### 12.2.4 Air Transport

The main international airports are the M. R. Štefánik Airport at Bratislava and Košice International Airport.

In 2007, Bratislava Airport handled 2.0 million passengers, representing a 4.5% increase compared to 2006 and almost a 700% increase compared to 2001. Scheduled service operators include Aeroflot, Czech Airlines, Lufthansa (operated by Lufthansa CityLine), Ryanair and SkyEurope, while charter operators (mainly seasonal) include Air Cairo, Air Slovakia, Bulgarian Air Charter, Karthago Airlines, Koral Blue Airlines, Nouvelair, Seagle Air, SkyEurope and Tunisair. Bratislava's airport has become a regional hub, used by travelers from neighbouring countries, such as Austria.

***Significant growth in passenger air traffic***

Košice International Airport is the second largest international airport in Slovakia, handling both scheduled and chartered, domestic and international flights. Airport capacity is currently around 700,000 passengers a year. The main operators are Aeroflot, Austrian Airlines (operated by Austrian Arrows), Bulgarian Air Charter (seasonal), Czech Airlines and SkyEurope.

Since the launch of the low-cost company SkyEurope Airlines, air transportation in Slovakia has seen rapid expansion, which has contributed to the increase in outbound tourism. SkyEurope operates a total of 99 routes to 40 destinations in 19 countries, making it Central Europe's largest low-cost airline. EasyJet withdrew its services to/from Slovakia in October 2006 due to increased competition and insufficient profitability.

***Low-cost carriers help expand Slovak outbound travel***

## 12.3 Reaching Consumers and the Trade

### 12.3.1 Key Media

All major dailies are private and there are more than 20 private radio stations. With the arrival of commercial TV in the 1990s, the public broadcaster Slovak TV has lost its dominant position since the arrival of commercial TV in the 1990s. TV Markiza now has the largest audience. Cable and satellite TV are also widely watched, as are TV channels from neighbouring countries, in particular those from the Czech Republic and Hungary.

**Newspapers:** Pravda; Sme; Novy Cas; Slovak Spectator (English-language weekly)

**Television:** Slovak TV (public, operates two national networks); TV Markiza (commercial); TA3 (commercial, news channel via cable); TV Joj (commercial)

**Radio:** Slovak Radio (public) Radio Expres (commercial); Radio Viva (commercial); Radio Okey (commercial); Fun Radio (commercial).

### 12.3.2 Internet

In June 2007, there were an estimated 2.5 million Internet users in Slovakia (equivalent to 46% of the total population), according to *Internet World News*.

***High Internet penetration***

### 12.3.3 Consumer and Trade Exhibitions

ITF Slovakia Tour is the most important tourist trade event in Slovakia. It is held in Bratislava in January each year. In 2008, the fair was attended by a record 530 exhibitors from 29 countries. It incorporates specialised Hunting & Leisure, Golf & Wellness, and Travel Film exhibitions. Other tourism-related trade fairs include Hotel Expo-Slovakia (for order placement and information exchange in the food and beverage, hotel, restaurant and catering sectors) and Slovenska Zima (for the promotion of tourism products), which are both held in Banska Bystrica in September, and Danubius Gastro (a specialised exhibition targeting hospitality and dining out

industry professionals), held in Bratislava in January.

#### **12.3.4 Travel Industry**

There are some 500 travel agencies and tour operators in Slovakia, of which 146 are members of the Slovak Association of Travel Agents (SACKA), including 64 outbound tour operators selling their own products. The largest, active in both the incoming and outbound markets, is SATUR which was founded as a successor of the Czechoslovak travel agency Čedok in November 1993 after the division of the former Czechoslovakia. It was privatised in 1995. Based in Bratislava, SATUR has a network of 55 sale offices throughout Slovakia. Other leading Slovak travel companies include Settour, CK Tour, Globtour, Omega, Seneca Tours, etc. Foreign tour wholesalers are also active in Slovakia, including Neckermann and TUI.

#### **12.4 Conclusion**

Slovakia's high level of economic growth coupled with the strength of the euro currency bodes well for outbound travel from this country. Moreover, being a member of the European Union and the consequent relaxed visa restrictions to many countries in the world, makes travel from this nation fairly easy. As the economy gets stronger and the middle class grows, travel abroad will grow commensurately. This travel, however, will be in the most part, to regional destinations and EU member states. Long haul travel will also grow, albeit at a slower pace.



## Chapter 13

# UKRAINE



## 13.1 Introduction

Population (2007): 46.2 million  
Outbound Market Size (2007): 17.3 million (including day trips), of which organised travel amounted to 868,000 trips abroad  
Outbound Market Size (2011): 1.2 million (organised travel only)  
Main Destinations 2006: Russia, Turkey, Poland, Bulgaria, China, Hungary, Czech Republic  
Purpose of Visit: Holiday: 25%; Business: 35%; VFR: 40%  
Internet Access: 5.5 million users in August 2007 (12% population penetration)

### 13.1.1 Population

The population is estimated at 46.2 million in 2007 and is projected to decline – largely because of increased mortality, falling birth rates and outflow of labor to other more prosperous EU nations – to 41.0 million in 2025 and 33.6 million in 2050 (*Source: Eurostats baseline projection*).

#### *Declining population*

Between the 1989 and 2001 censuses, the population declined by 3.2 million people. Ukraine has the lowest birth rate in Europe but the trend has been upward in recent years, with the highest birth rates occurring in western provinces. If this is sustained, the rate of population shrinkage could slow down.

The industrial regions in the east and southeast are the most heavily populated, and about two-thirds of the population lives in urban areas.

**Main Cities (2001 Census):** Kyiv 3.1 million; Kharkiv 1.5 million; Dnipropetrovsk 1.1 million; Odessa 1.0 million; Donetsk 1.0 million; Zaporizhia 815,000; Lviv 733,000.

**Language:** Ukrainian (official), Russian (especially in the industrialized east and Crimea).

### 13.1.2 Government

Ukraine became independent again after the break-up of the Soviet Union in 1991. This began a transition period to a market economy in which Ukraine suffered eight consecutive years of economic decline. Following the 1986 accident at the Chernobyl nuclear power station, about 8% of Ukraine's

territory was contaminated, as were large areas in neighbouring Belarus. Millions of people have suffered as a result. The legacy of state control and corruption has impeded efforts at achieving necessary economic reforms and the establishment of full democracy.

**President:** the current President is Viktor Yushchenko who took office in January 2005, defeating Viktor Yanukovich, the Moscow-leaning, government-supported candidate.

**Prime Minister:** Yuliya Tymoshenko, as head of an “Orange” coalition, became Prime Minister for the second time December 2007 (having previously served in 2005).

### 13.1.3 Economy

The World Bank classifies Ukraine as a middle-income state. In 2007, the Gross Domestic Product (GDP) was an estimated \$320 billion in terms of purchasing power parity (PPP), and \$6,900 per capita. The official unemployment rate was 13.1.3%, but, because of the large numbers of unregistered or underemployed workers, the real unemployment level is probably closer to 7% (*Source: International Labour Organisation*).

Ukraine’s economy was the second largest in the former Soviet Union. With the collapse of the Soviet system, the economy contracted severely. By 1999, output had fallen to less than 40% of the 1991 level. However, in the early 2000s, the economy recovered, showing strong export-based growth of 5% to 10% per annum in real terms.

Real GDP growth reached about 7% in 2006-07, fuelled by high global prices for steel – Ukraine’s top export – and by strong domestic consumption, but the growth rate is expected to slow down to 5.5% in 2008, with 9.6% inflation (*Source: European Bank for Reconstruction and Development*). Ukraine's dependence on Russia for energy supplies and the lack of significant structural reform have made the economy vulnerable to external shocks.

Ukraine became a full member of the World Trade

*Middle-income state*

*A recovered economy*

*Recent economic growth*

Organisation in May 2008 and is eligible to become a member of the EU, but this is not likely in the short term.

### 13.1.4 Exchange Rates

The *hryvnia* (UAH) is the national currency of Ukraine. Since 2003, the exchange rate had been relatively stable at around 5 hryvnias per US dollar, but the hryvnia made substantial gains vis-à-vis both the dollar and the British pound during 2008.

***A stable currency augurs well for travel abroad***

**Table 13:1**

**Exchange Rates against Major Currencies, 2003-08 (hryvnia per currency)**

	2003	2004	2005	2006	2007	2008*	% Ch 2003-08
US Dollar	5.33	5.32	5.12	5.05	5.05	4.54	- 14.8%
Euro	6.02	6.60	6.37	6.34	6.88	7.15	18.8%
UK Pound	8.71	9.74	9.33	9.32	11.11	9.04	3.8%

\* end-June

Source: Pacific Exchange Rate Service

### 13.1.5 Annual Leave/Holidays

The statutory minimum holiday entitlement for Ukrainian employees is 24 days. In addition, there are 10 public holidays throughout the year.

***Almost three weeks paid vacation leave***

### 13.1.6 Visa Issues

Visitors from Ukraine require a visa to enter EU member countries. In October 2006, a visa facilitation agreement was signed between the EU and Ukraine, which will make it easier and cheaper for Ukrainian citizens to acquire EU visas. However, while Ukraine has unilaterally dropped a visa requirement for EU citizens visiting Ukraine, the EU is not yet ready to fully reciprocate.

***Short-term visa restrictions to EU***

## 13.2 Market Size

### 13.2.1 Outbound Travel

In 2007, an estimated 17.3 million Ukrainian citizens (including day visitors) travelled abroad, compared

***Rapid growth in outbound travel from Ukraine***

with 13.4 million in 2000 - an increase of 29%.

The number of *organised tourists* (that is, those who use the services of travel agents, tour operators to organize their trip abroad) was 868,000 in 2006 – an increase of 204% compared with 2000. This number is forecast to increase to approximately 1.2 million by 2011 (*Source: TII estimates*). Expenditure by Ukrainians on outbound tourism grew from an estimated \$470 million in 2000 to \$3.2 billion in 2006.

**Table 13:2**

**Departures Abroad, 2003-07**

Year	Citizens of Ukraine who Travelled Abroad	
	Total Number*	Tourists**
2000	13,422,320	285,353
2001	14,849,033	271,281
2002	14,729,444	302,632
2003	14,794,932	344,332
2004	15,487,571	441,798
2005	16,453,704	566,942
2006	16,875,256	868,228
2007	17,334,653	n.a.

\* including one-day visitors (based on data from the Administration of State Frontier Service of Ukraine)

\*\* Organised travel only, based on data from the State Service for Tourism and Resorts of Ukraine

*Source: State Statistics Committee of Ukraine*

### 13.2.2 Purpose of Visit

According to Ukrainian border control authorities, almost 40% of Ukrainians state their purpose of visit as private (which in most cases entails enjoying the hospitality of friends and relatives in the large Ukrainian Diaspora). Roughly 35% travel on business, and some 25% travel as tourists.

### 13.2.3 Main Destinations

Based on arrivals data compiled by UNWTO, by far the largest destination for Ukrainians making foreign visits was Russia (6.4 million arrivals in 2006), followed by Turkey (469,000), Poland (169,000),

***Russia and regional travel dominates***

Bulgaria (109,000), Hungary (69,000), China (64,500 in 2005) and the Czech Republic (49,500).

**Table 13:3**

**Arrivals of Ukrainian Visitors in Main Destinations, 2002-06**

<b>Destination</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>% Change 2002-06</b>
Russia	8,229,840	7,686,224	6,683,239	6,416,940	6,447,047	- 21.7%
Turkey	175,247	223,619	277,943	367,105	468,787	167.5%
Poland	186,709	162,945	153,463	150,964	169,384	- 9.3%
Bulgaria	95,820	104,380	89,421	96,979	109,393	14.2%
China	34,509	37,835	48,293	64,516	n.a.	n.a.
Hungary	52,196	53,615	44,960	52,848	68,751	31.7%
Czech Rep.	n.a.	n.a.	n.a.	32,817	49,564	n.a.

*Source: UNWTO and country data*

For *organised travel* abroad, the most popular summer vacation destinations for Ukrainians are southern Europe (Turkey, Cyprus, Greece, Bulgaria, Croatia) and North Africa (Egypt and Tunisia), as well as Thailand. For skiing and other winter sports, Austria, Switzerland and France attract the upper income groups whereas Slovakia, Poland, Turkey, and Bulgaria cater for the more budget-conscious visitors.

**13.2.4 Market Trends**

- ▶ Outbound tourism has been boosted by recent growth in the economy, which has expanded the size of the middle class, especially in Kyiv and other major cities;
- ▶ There is growing interest in travel to the Middle East and North Africa – particularly Egypt, Turkey and Tunisia – which appeal to Ukrainians because of their affordability and accessibility and the important fact that in many cases they can travel to these countries without the need to obtain a visa prior to arrival;
- ▶ In view of this growing potential, many established companies are stepping up their marketing activities in Ukraine, particularly

***A growing middle class and economic growth boosting outbound travel***

***Affordability and accessibility are important for Ukrainians travelling abroad***

at the main trade fairs.

### **13.2.5 Air Transport**

Boryspil International Airport, Kyiv is Ukraine's largest airport, handling the major part of international flights of the country. There are plans for expanding the airport further by building several new terminals. The other international airports are

#### ***Southern Ukraine:***

- ▶ Odessa Central International Airport; Simferopol International Airport

#### ***Eastern Ukraine:***

- ▶ Dnipropetrovsk International Airport; Kharkiv International Airport; Donetsk International Airport

#### ***Western Ukraine:***

- ▶ Sknilow International Airport, Lviv; Ivano-Frankivsk International Airport.

Ukraine International Airlines, the national flag carrier, operates scheduled domestic and international passenger and cargo services to cities in Europe and the Middle East. Its main base is Boryspil International Airport, Kyiv. The airline is majority-owned by the State Property Fund of Ukraine. Because of the rapid expansion of its domestic rival, privately-owned rival, Aerosvit Airlines, Ukraine International has had to concentrate on its core western European destinations (Amsterdam, Barcelona, Berlin, Brussels, Dusseldorf, Frankfurt, Helsinki, Lisbon, London, Madrid, Milan, Nice, Paris, Rome, Vienna, Zurich, plus Istanbul and Tbilisi), and Doha, Dubai, Kuwait, Sharm el Sheikh in the Middle East.

Aerosvit, operating as Aerosvit-Ukrainian Airlines, is now the largest Ukrainian carrier, operating scheduled domestic services to 11 cities and international services directly or by code share to over 20 destinations in Europe, China, India,

Thailand, Canada and the USA, as well as charter services. Its main base is Boryspil International Airport.

Other international airlines serving Ukraine include Air France; Aeroflot; Austrian Airlines; British Airways; Delta Air Lines; El Al; Finnair; KLM; Lufthansa; LOT; Swiss International; and Turkish Airlines. The Hungarian low-cost airline, Wizz Air has an operational base at Boryspil International Airport.

## **13.2 Reaching Consumers and the Trade**

### **13.2.1 Key Media**

Television is the main medium both in terms of audiences and advertising revenue. Privately-owned commercial networks, particularly Inter TV and Studio 1+1, attract the most viewers. Radio is also popular; there are more than 20 FM stations in Kyiv alone. The press is now relatively free, whereas under the former President a number of opposition papers were closed and several investigative journalists died in unexplained circumstances.

**Newspapers:** Fakty I Kommentarii; Silski Visti; Vecherniye Vesti; Segodnya; Kievskiye Vedomosti; Den (English-language daily); Kyiv Post (English-language weekly); Ukrayina Moloda; Zerkalo Nedeli (political weekly, English-language pages).

**Television:** National TV Company of Ukraine (state-run, operates UT1, UT2, UT3 networks); Inter TV (national, commercial); Studio 1+1 (national, commercial); STB (commercial); Novy Kanal (commercial); ICTV (commercial); 5 Kanal (commercial, news-based).

**Radio:** National Radio Company of Ukraine (state-run, operates three networks and external service); Russkoye Radio (commercial); Europa Plus (commercial); Hit FM (commercial); Nashe Radio (commercial); Radio Era (commercial).

**Online News:** Ukrayinska Pravda online news, English-language pages



### 13.2.2 Internet

In August 2007, there were an estimated 5.5 million Internet users in Ukraine (equivalent to 12% of the total population), according to *Internet World News*.

For overseas travel, the share of Internet booking is insignificant because of the low level of Internet access (available mainly in large cities) and a general fear of credit card fraud.

### 13.2.3 Consumer and Trade Exhibitions

The main travel and tourism exhibitions are:

- ▶ UITT (Ukraine International Travel & Tourism exhibition), held annually during March in Kyiv, is the largest tourism exposition in Ukraine. In 2007, the event hosted 850 exhibitors from 58 countries and regions, and was visited by 25,000 (national and international), and over 8,000 trade visitors.
- ▶ Ukraine International Travel Market, held annually during the second week in October in Kyiv, is the second largest Ukrainian travel and tourism show.
- ▶ Crimea International Travel Fair, held annually during the first week in March in Yalta, is the largest trade event in Crimea. It is sponsored by the Ministry of Tourism of Crimea.

### 13.2.4 Travel Industry

Business activity in the tourism services sector in Ukraine requires licensing. As of January 1, 2005, the State Tourism Administration of Ukraine had licensed over 2,754 travel companies (1,058 tour operators, and 1,726 travel agents), with some 3,250 retail outlets. There are certain requirements that companies must meet in order to receive a licence, including adequate financial guarantees, competent management, a certain educational level and job experience.

Leading outbound companies include Arktour Ltd., Hamalia, Meest Tour (based in Lviv), New Logic, PanUkraine, Orbita Travel Polytravel, SAM Travel

Agency (which is one of the largest), Sky Travel, Travel Agency Yana, and UTIS. Major European wholesale operators (such as Neckermann, Thomas Cook and TUI) are not yet present in Ukraine but are reportedly seeking market entry.

## Chapter 14

# INDIA



## 14.1 Introduction

India is the 7<sup>th</sup> largest country in the world with a total area of 3,287,263 sq. km. The enormous diversity of the country's natural, geographical, ethnic, cultural, linguistic and social endowments make it truly *incredible* as the latest marketing slogan describes it.

***India – a country of immense variety***

India is a Sovereign, Socialist Secular Democratic Republic with a written Constitution. As per the Constitution of India, which came into force on 26 January 1950, India has a parliamentary form of government, and the polity is federal in structure with some unitary features. India comprises of 28 States and seven Union Territories.

Hindi is the official language of the country, but English is also widely spoken. The Constitution recognises 22 languages as official languages. There are however innumerable mother tongues, believed to be more than 1600, spoken by people around the country of which 33 are spoken by more than one lakh (hundred thousand) people.

The British ruled India for 200 years. Mahatma Gandhi, revered as the 'father of the nation', led the country's unique non-violent movement for freedom, finally bringing down the curtain on colonial rule on 15<sup>th</sup> August 1947 when India became an Independent country.

India is an ancient civilisation with a very rich cultural mosaic. There are 26 World Heritage sites in the country and more than 5000 monuments and heritage sites over 100 years old are protected and maintained by the Archaeological Survey of India. Similar number of monuments and heritage products that are not of national importance are maintained by the state governments.

The country's rich cultural vivacity, heritage variety and natural beauty of great diversity—the hills, the oceans, the snows, the deserts, the rivers, fauna, and flora – should have made it an ideal destination for international tourists. But inbound tourism has languished over the years, reaching the 5 m mark

***Great potential but languishing inbound tourism***

only in 2007 – a figure much below its potential and much below the achievements of many of the much less endowed countries in the region. The redeeming feature of Indian tourism however is a booming domestic tourism, which has reached a figure of 461 million in 2006.

Outbound tourism on the other hand has always been higher than the inbound. Yet even outbound tourism was restricted by many controls and regulations of the pre-reform period of 1991. In recent years the outbound travel market has been growing at a rate of 15-20% every year, spurred mainly by the following factors.

- ▶ Liberalisation and reforms in all spheres of economic activities.
- ▶ Resultant boost to economic growth reaching 9.3 percent growth of GDP in 2007.
- ▶ Economic growth creating wealth and disposable income for a burgeoning middle class, euphemistically termed ‘The Great Indian Middle Class’.
- ▶ Reforms in areas that facilitate access and travel like passport and visa procedures, foreign exchange regulations, civil aviation modernisation and opening up of the skies.

***Outbound travel has been growing fast-helped by economic growth and policy reforms***

In the future this growth trend is expected to be sustained, possibly at a higher rate.

***The future – a sustained high rate of growth***

- ▶ The travel trade in India projects a growth rate of 20-25% in the short term. They also quote the Euromonitor Internal survey assessment that the travel market will double by 2011.
- ▶ The driving force will be economic growth. Goldman Sach’s assessment in 2007 had shown that India had the potential to be the second largest economy, bigger than USA, by 2050. This view was largely endorsed by a number of other international financial observers.
- ▶ India will undoubtedly benefit from the ‘demographic dividend’—a very large young work force. The growing workforce, doubling to 800m by 2025, benefiting from a high economic growth will naturally expand the potential of the travel market.

- ▶ As economic activities expand and growth spreads, the travel market will become more diversified.
- ▶ The increasing literacy rates in the country, which is expected to reach 80% by 2010, will provide capability to a larger number of people to communicate with the world, increasing their confidence and aspirations to travel. By 2010 India will have the largest number of English speaking people.
- ▶ High International Corporate connectivity with India and recent spurt in Foreign Direct Investment flows to India will also expand the travel market in two ways. First it will create jobs for the professionals who are more likely to join the band of new travellers. Second, it will encourage business and MICE travels.
- ▶ And the tremendous influence of the Bollywood – the billion-dollar film industry enthusing romantic imagination of Indians about the foreign locales of the films.

## 14.2 Market Conditions

That is how the world generally describes the present economic performance of the country. But that is not how it was at the beginning of India's economic planning.

In 1947, ushering in the Independence of the country, Pandit Nehru, the first Prime Minister, had made the famous speech about India's tryst with destiny. Sixty years later delivering the Jawaharlal Nehru Memorial Lecture on November 2005 in New Delhi, the architect of modern Singapore, Lee Kuan Yew said, "The destiny Nehru envisaged was of a modern, industrialised, democratic and secular India that would take its place in the larger historic flows of the second half of the Twentieth Century. Nehru's view of India's place in the World and of India as a global player is within India's grasp. The time has come for India's next tryst with destiny."

At the beginning of independence, India started a planned, regulated process of economic development with the government playing the role of the 'commanding heights'. The process strengthened social institutions for the protection of

*The fastest growing free market economy*

*India's second tryst with destiny*

*Economic reforms leading to high rate of growth*

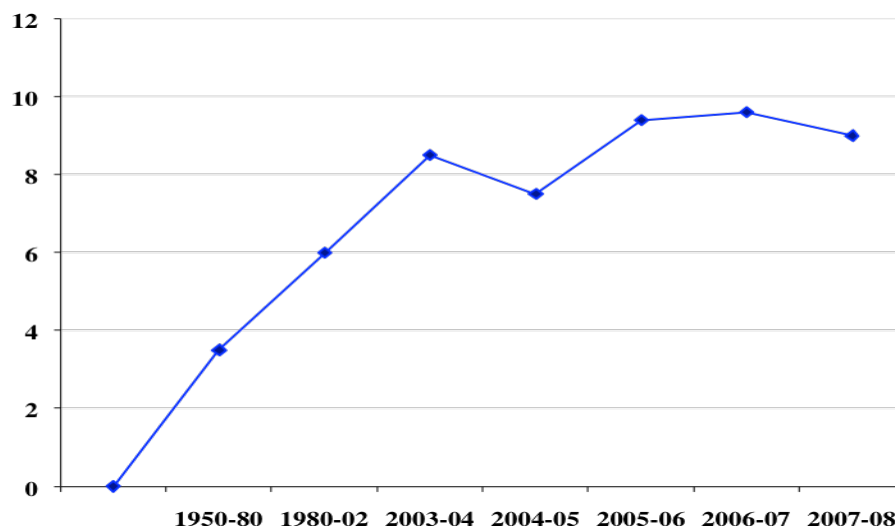
the poor, provided self-reliance to local industries and set the base for development.

But productivity and efficiency often suffered and the growth rate remained poor – averaging between 3.5 percent and 4 percent, which the critics of India’s planning process light heartedly referred to as the ‘Hindu rate of growth’. In 1991 India faced an unprecedented balance of payments crisis and was forced to initiate wide ranging economic liberalisation and reforms process. The then Finance Minister and the present Prime Minister had to assure the sceptics that ‘nothing could stop an idea whose time had come’ but to take all critics on board the reforms process, assured that liberalisation will be brought in ‘with a human face’. In the following decade various reforms have been introduced and the results have been spectacular. In 2006-07 the GDP growth rate soared to 9.4% making it a trillion dollar economy – the 12<sup>th</sup> nation to achieve this milestone. The economy grew at an average of 8.8 per cent during 2003-04 to 2007-08. The growth in per capita income was significant- “per capita income growth average – 7.1 per cent during – 2003-04 to 2006-07, more than double of 3.4 per cent annum recorded during the 1980s and the 1990s.”

***India joins the trillion-dollar economy club***

**Figure 14:1**

**Average Annual Growth Rates of the Indian Economy**



Source: Reserve Bank of India, Annual Report 2006-07  
 Planning Commission of India, 11th Five Year Plan.

During the early part of 2008, global economic slowdown, inflation and high oil prices have put some spanners in this growth process but the future prospect continue to be bullish. Goldman Sachs had shown India’s potential to be larger than US in 2050. Their report still supports that ‘exciting potential’ considering India’s remarkable ‘demographic advantage’. By 2020 India will create the equivalent of the combined working population of France, Germany, Italy and UK. The Report further estimates another potential source of travel market—by 2020 140 m people are expected to migrate to the Indian cities.

***The ‘demographic dividend’  
 – entrants to India’s  
 growing travel market.***

**Table 14:1**

**India’s population dividend – large work force (million)**

Age Group	Year 2000	Year 2020
0-14	350	350
15-24	190	230
25-49	330	480
50-59	70	130
60+	80	140
<b>All ages</b>	<b>1020</b>	<b>1330</b>



Source: UN / Goldman Sachs-Global Economics Paper No.169, 2008.

India is known to have a very large pool of technical manpower. If the projected growth of the working force proportionately filters into the professional categories, the potential group of people who will be earning enough to travel will also be increasing substantially. The implications of this population dividend for the travel market therefore are enormous.

***A large skilled manpower-potential consumers in the travel market***

#### **14.2.1 The Great Indian Middle Class**

The most striking socio-economic feature of the India's economic growth has been the emergence of a huge middle class which has disposable income to spend on consumptions including travel. It is estimated that in 1980 the middle class comprised of 8% of the total population or 65m people. By 2000 it had grown to 22% of the population and 220 m people. By 2010 it is projected to grow to 32% of the population or 368m people.

***An exploding middle class***

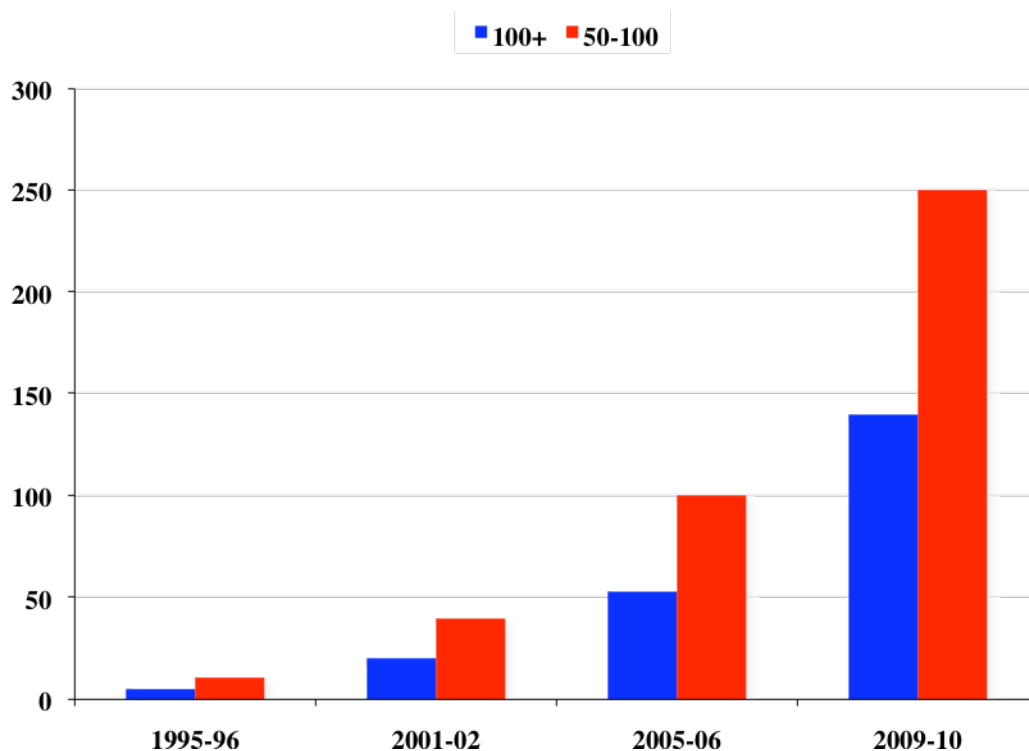
The National Council of Applied Economic Research in its study of the middle class growth phenomenon 'The Great Indian Middle Class'(prepared for the Business Standard) comments-"with upper income and rich classes growing fast...India's income demographics will be unrecognisable by the end of the decade" *Times of India* quoting a survey report by the Capgemini consulting firm mentioned that there were 50,000 households in 2005 with annual income of more than a crore and by 2010 this figure was to reach 140,000. From 2003-04 the number of those who made more than a million dollars or about Rs.5 crore grew in India by 14% faster than in America or in the UK.

***More consumer expenditure on travel***

Although the growth of income consumer expenditure on travel was growing there is no specific study of expenditure on international travel. The UNWTO outbound study refers to another study which reported that in 2003 among the fast growing components of consumer spending,

**Figure 14:2**

**Growth of High-Income Households**



Source: India Outbound series, UNWTO, 2006

Vacation is a prominent part of the consumer spending. Vacation may refer to either or domestic or international, but it has started figuring prominently in consumer spending along with the growth of middle class income.

*Vacation is a prominent part of consumer spending for Indians*

**Table 14:2**

**Percentage Growth of Consumer Expenditure on Travel**

Items	%
Consumer durables	53
Books and music	32
Movies and theatre	38
<b>Vacation</b>	<b>32</b>
House textile	29
Mobile phones	98

Source: India. Outbound series UNWTO.2006.

The World Travel and Tourism Council (WTTC) had taken note of this possibility of increasing propensity to travel as GDP growth takes place. “According to estimates of personal consumption, Indians spend on an average of US\$ 12.60 on Travel and Tourism which represents 4.5% of total personal spending in 2001. This has risen from a mere 2.25% in 1998 and is projected to grow to 5.75% of total spending in 2000.

***Total tourism demand will expand exponentially***

Because of the sheer size of numbers, however, even this small change in personal consumption positions India as the fastest growing country with personal Travel and Tourism projected to grow at 9.7% annually over the next decade. The implications of this annualised growth are enormous. As the Indian economy grows and generates even larger surpluses total tourism demand will expand exponentially.

#### **14.2.2 The Language Advantage**

India has many languages, dialects, mother tongues and Hindi is the official language. However English is widely spoken and that gives an advantage to the Indian travellers abroad. The familiarity with English is increasing with the spread of literacy. The literacy rate, which was a mere 17% in 1951, grew to 52% in 1990 and stood at 65% by the end of the century. By 2010 it is projected to be 80%. As the population has grown in the meantime, the real growth in numbers of literate people is huge. It is estimated that by 2010 India will have the world’s largest number of English speakers, even influencing the way the language is spoken. Professor David Crystal of the Cambridge Encyclopaedia of the English Language is quoted as saying “when 300 million Indians speak a word in a certain way that will be the way to speak it.”

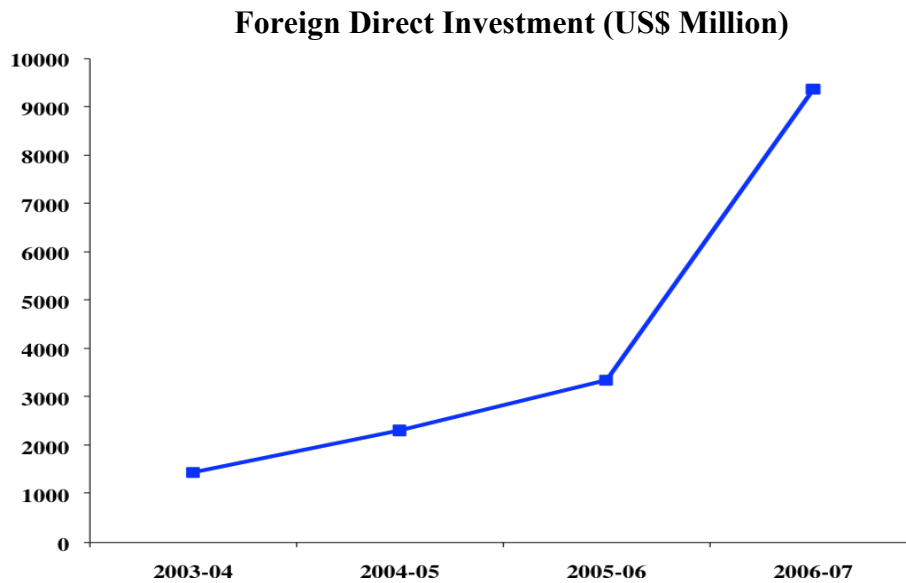
***Communicating with the world – 300 million English-speaking people***

### **14.2.3 Growing Multinational Business Connections**

The travel industry has reported an increasing number of MICE travellers from India. This phenomenon is explained by India's expanding business connection with the world. In particular, the number of Indian multinational companies is increasing; more multinational companies are investing in India or are sharing in business with Indian counterparts. Foreign Direct Investments in India is increasing at a fast rate. In the first quarter of 2007, there were 72 foreign takeovers worth \$25 billion by Indian companies. The Contract Research Outsourcing (CRO) market in India is worth US\$250 million and is growing at 30-40 per cent year on year. In 2007, 1000 Indian companies received Foreign Institutional Investments, 125 Fortune 500 companies have R&D base in India, and 390 Fortune 500 companies outsourced Software Development to India.

***Growing business ties inducing larger Indian travellers***

The FDI flows have also shown spectacular increase. Even this figure is only the equity capital under Automatic route and Government route. Acquisition of shares of Indian companies by non-residents and equity capital of unincorporated bodies are not included. According to the Department of Industrial Policy and Promotion, the total volume of FDI from all accounts was \$25 billion in 2007-08 and was expected to reach US\$ 40 billion in 2008-09. These increasing business connections seem to have three major impacts on the travel market. First, they encourage the MICE travel that is growing in India. Second, they also lead to more business travel for the professionals. And third, such economic activities create a larger pool of well-paid professionals who are capable of and more inclined to travel.

**Fig 14:3**

*Source: Annual Report. 2006-07. Reserve Bank of India.*

#### **14.2.4 Annual Leave and Holidays**

In general Indians are not in the habit of using annual leave for regular vacations. The annual leave pattern is varied. Government servants who make up a very sizeable number in India enjoy yearly public holidays ranging from 15/16 days in the Central Government to 20/25 days in some of the states. In addition they are allowed 15 days of leave in a year termed 'casual' for meeting unforeseen situations. And every year 30 days of leave is earned by a public servant. This leave can be encashed in most cases and can be accumulated up to 180 days.

Most private enterprises follow similar pattern of leave either on their own or in case of some industries regulated by government rules. The encashment option is generally widely used and leave for vacation holidays has not become the fashion in India.

As in the Western countries, the holiday travels are linked to the academic sessions. However, in India most academic sessions start in June-July and therefore the summer is normally a lean period for travel. The festival season starts in India in late September and continues till February-March. This is a period for travel for most Indians.

### 14.2.5 Stable Exchange Rates

In recent times a stable and sometimes favourable exchange rate of the rupee has increased confidence in the currency and encouraged outbound travel.

*A stable currency supports travel demand*

During the long period from 1947 to 1971 India followed the par value system of exchange rate, fixing rupee's external value against gold. In 1975 it was pegged to a basket of currencies. Subsequent to the balance of payment crisis of 1991 wide ranging reforms and liberalisation steps were taken and in 1994 India achieved full current account convertibility of the rupee. At the time of these reforms there was apprehension that the rupee may 'run' against the dollar as it soared beyond USD \$1=Rs 47. In April 2008 the dollar – rupee exchange rate fell sharply from Rs 45 and above to below Rs 40. The rupee has now stabilised around USD \$1=Rs40.

The movement of the rupee vis-à-vis the dollar is shown in the table below and the movement of the rupee exchange rate in relation to pound sterling and euro is shown in the chart below. The rupee is becoming stronger against the major currencies in recent times – coinciding with the higher growth rates and strength of the economy.

**Table 14:3**

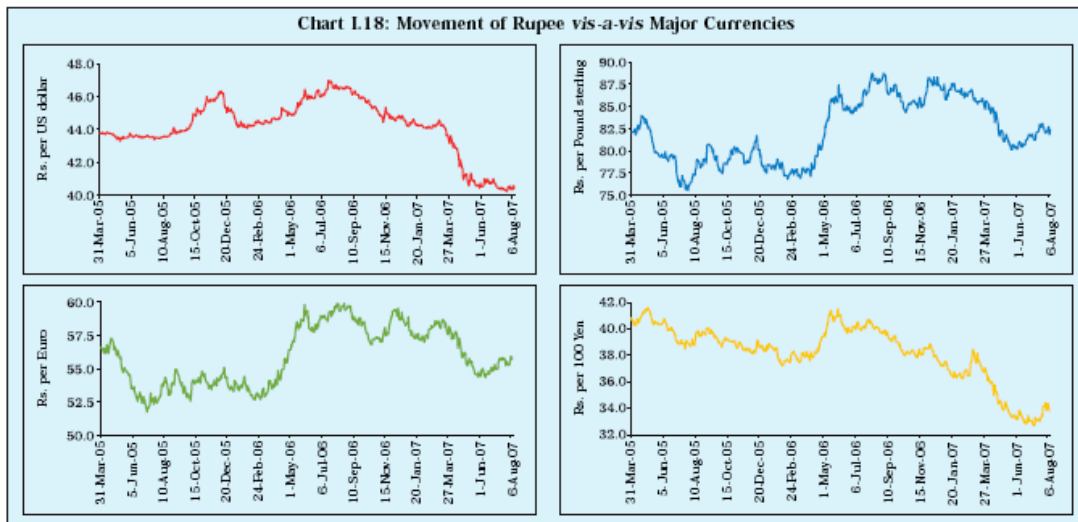
**Movement of Rupee-US Dollar Exchange Rate: 1998-99 to 2005-06**

<i>Year</i>	<i>Average Exchange rate (Rs per US\$)</i>
<b>1998-99</b>	42.07
<b>1999-00</b>	43.33
<b>2000-01</b>	45.68
<b>2001-02</b>	47.69
<b>2002-03</b>	48.40
<b>2003-04</b>	45.96
<b>2004-05</b>	44.93
<b>2005-06</b>	44.28
<b>2006-07</b>	45.28

*Source: Report on Currency and Finance, Reserve Bank of India 2005-06*

Figure 14:3

### Movement of the Rupee vis-à-vis Major Currencies



Source: Reproduced from Annual Report 2006-07. Reserve Bank of India.p75.

## 14.3 Factors Facilitating Growth

There are a number of factors that are influencing travel demand from the lucrative market of India. These are briefly explained below.

### 14.3.1 Easier Passport Controls

The impact on potential travellers of such reforms is likely to be immense. At present 32 offices across the country and 160 Indian Missions and Posts abroad are authorised to issue passport. According to the Ministry of External Affairs there are about 35 million passport holders in the country in 2007. The Outbound Report of the UNWTO has pointed out some implications of the liberalised passport regime for growth of the travel market, in the context of emerging large middle class in India.

*The number of passport holders is increasing very fast in recent times*

- ▶ Though the number is small compared to the population of the country and the large number of potential travellers, the number of passport holders in India would be larger than the total population of many countries.

- ▶ The number of passport holders indicates the size of potential travellers. Since only about 25% of this number is travelling at present, the outbound numbers can grow rapidly if the other facilitating factors are in place.
- ▶ The growth in number of passport issued has been very rapid in recent times. In fact out of the total of 35 million passports about 27 million have been issued during these nine years.

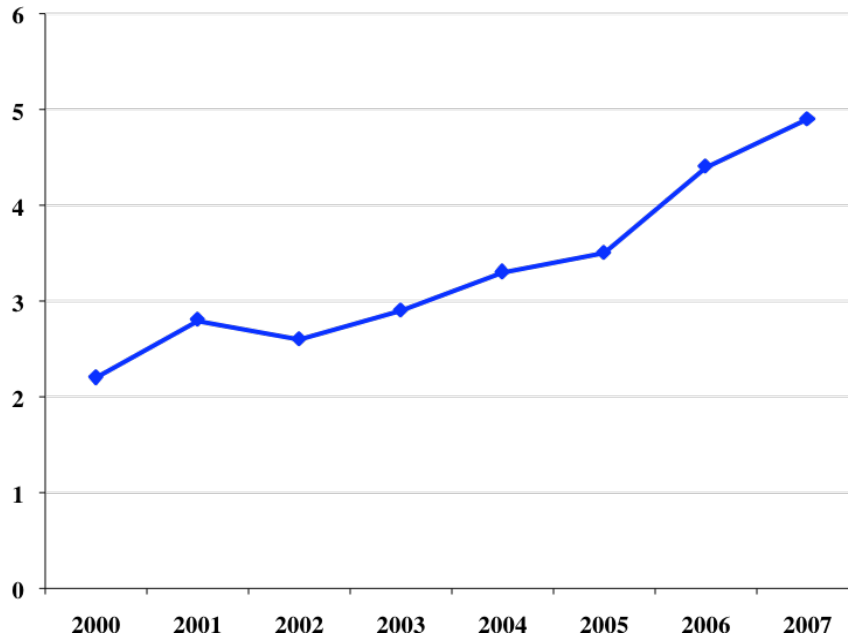
### 14.3.2 Visa Facilities

Obtaining visa for travel abroad continues to be a disincentive for travel to many destinations. The Government of India has bilateral agreement with 41 countries for which no visa is required for a period ranging from 30 to 90 days. However, this facility is confined only to diplomatic and official passport holders.

Visa is not required for Indian nationals to visit Nepal, Maldives and Bhutan. The Ministry of Tourism has been trying for quite sometime to put in place 'Visa on Arrival' on reciprocal basis with some countries. However some countries like Malaysia, Sri Lanka and Thailand have unilaterally extended visa on arrival facility to Indian nationals, apparently with resultant increase in arrivals from India. Egypt is considering visa free travel for Indian travellers. (Egyptian Tourism Board in a presentation in Pacific Asia Travel Writer's Association Seminar on 30<sup>th</sup> August at New Delhi).

*Visa facilities—much scope for reforms*



**Figure 14:4****Growth in Number of Passport Holders in India**

Source: Ministry of External Affairs. Government of India.

Visa fees are also decided on the principles of reciprocity. The following countries grant *gratis* visa to Indians as per bilateral agreements.

- ▶ Afghanistan
- ▶ Argentina
- ▶ Bangladesh
- ▶ Korea
- ▶ Jamaica
- ▶ Maldives
- ▶ Mauritius
- ▶ Mongolia
- ▶ South Africa
- ▶ Uruguay

### **14.3.3 Liberalisation in Foreign Exchange Regulations**

Perhaps reforms in the foreign exchange procedures are one of the most crucial facilitating factors helping the growth of the travel market. For decades India has been concerned about the balance of payments situation and consequently followed a very strict regime of exchange controls. Getting foreign exchange to travel was difficult, cumbersome and restrictive process and travel aspirations were affected adversely. Ironically the crisis in the balance of payments situation in 1991 forced the country to introduce reforms in the financial sector dismantling most of the restrictions and making foreign exchange almost freely available for travel. The latest instructions are briefly stated below:

#### ***Reforms and liberalisation of foreign exchange regulations facilitate travel***

- ▶ Authorised persons can release up to US\$ 10,000 or its equivalent in one financial year on a declaration basis for one or more private visits to any country (except Nepal and Bhutan).
- ▶ The foreign exchange released is not required to be endorsed in the passport.
- ▶ International credit card payments for expenses while on visit abroad have been allowed without any monetary ceiling.
- ▶ Under Liberalised Remittance Scheme authorized dealers can allow free remittance up to US\$ 25,000 per financial year for any permissible current or capital account transactions.
- ▶ Authorised dealers can remit foreign exchange up to a reasonable limit for tour arrangements abroad.
- ▶ Individuals can open and maintain foreign currency accounts with a bank outside India.
- ▶ Authorised dealers can allow foreign exchange up to US\$ 100,000 each for employment, emigration, education and medical treatment purposes.

Indians have a reputation as big spenders. Now more of them can afford to spend. And the foreign exchange reforms allow them more freedom to do

so. The country had a foreign exchange reserve of US\$ 312 in May 2008. The facilities to travellers can only get better.

#### **14.3.4 Civil Aviation Reforms**

About 87% per cent of the tourist arrival to India is by air. It is estimated that about the same percentage of people travel by air out of India to different destinations.

India has very impressive civil aviation infrastructure. The Airports Authority of India (AAI) manages 127 Airports including 16 International Airports, 8 Customs Declared Airports, 79 Domestic Airports and 24 Civil Enclaves at Defence Airfields.

There are 454 airports/airstrips in the country including non-operational and unused airports. But for long years India followed a policy of ‘restrictive skies’. State owned Air India and Indian Airlines had the monopoly of domestic and international air movements and the AAI the sole responsibility of operating and managing the airport systems. Operations of foreign carriers were controlled by a strict regime of bilateral agreements, based on reciprocity. As a result air seat capacity restrictions and congested airport facilities affected travel market growth. The UNWTO Outbound Report on India refers to the assessment of the Ministry of Civil Aviation that both the Delhi and Mumbai airports which handled about 73% of international air movements were either saturated or were going to be soon.

In recent times reforms and liberalisation policies have been introduced broadly on the following lines:

- ▶ Opening air operations, both domestic and international to the private sector.
- ▶ Allowing private operators to develop Greenfield airports and to manage and improve existing ones.
- ▶ Liberalising the bilateral agreements and opening up the skies.

***Great civil aviation infrastructure***

***But restrictive policies inhibited growth***

***Reforms and liberalisation boosting growth***

As part of the new policy for expansion of the air infrastructure the government has taken up modernisation and development of 30 non-metro airports across the country. This development will among other things, enhance and spread air access to new source regions and markets.

The results have been visible over the last few years as can be seen from the growth in aircraft movements and passenger traffic. A related development has been the emergence of the low cost carriers changing the travel pattern of the Indians but at the same time putting further pressure on the infrastructure. So much was the enthusiasm over the new found freedom in aviation sector that in the prestigious Paris show in 2005 Indian firms made the biggest bookings for 400 aircrafts against the existing fleet strength of 215 aircrafts.

**Table 14:4**

**Airports – Trends in Aircraft Movements.**

<b>Year</b>	<b>International Number (000)</b>	<b>% Change</b>	<b>Domestic Number (000)</b>	<b>% Change</b>
1999-00	99.70		368.02	
2000-01	103.21	3.52	386.58	5.04
2001-02	107.82	4.47	402.11	4.02
2002-03	116.44	7.90	444.21	10.04
2003-04	132.93	14.16	506.04	13.92
2004-05	158.90	19.00	570.83	13.00
2005-06	190.88	20.30	647.34	10.30
2006-07	215.57	12.9	862.02	33.2

*Source: Ministry of Civil Aviation. Annual Report 2007-08.p47 and UNWTO. India Outbound Series. P.31*

**Table 14:5**  
**Trends in Passenger Traffic**

<b>Year</b>	<b>International Number (000)</b>	<b>% Change</b>	<b>Domestic Number (000)</b>	<b>% Change</b>
1999-00	13.29	2.9	25.74	6.9
2000-01	14.00	5.4	28.01	8.8
2001-02	13.63	-2.7	26.36	-5.9
2002-03	14.82	8.8	28.90	9.6
2003-04	16.65	12.3	32.04	10.9
2004-05	19.45	17.0	40.10	25.0
2005-06	22.37	15.9	50.97	27.1
2006-07	25.78	17.1	70.60	30.2

*Source: Director General of Civil Aviation (DGCA) Ministry of Civil Aviation.*

The reforms have also made a great difference to the connectivity to different countries as is evident from the expansion of the number of flights and seat capacity for the foreign carriers. The numbers have almost doubled between summer of 2006 and 2008. (See Table below). In addition, the capacity of the Indian carriers has increased on international routes with Jet Airways operating international flights to SE Asia, Middle East and UK/USA. The Ministry has also been traditionally increasing the capacity during peak periods beyond the authorisation as per bilateral agreements.

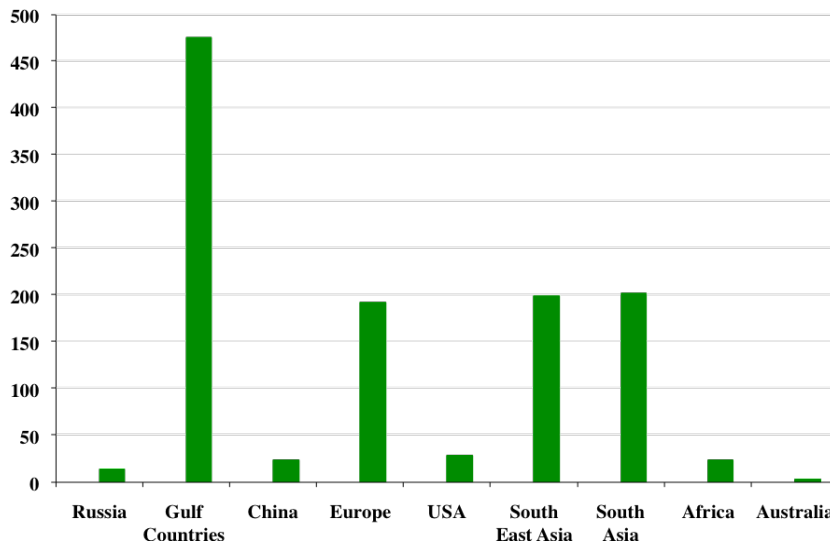
**Table 14:6**  
**Foreign Carriers – No. of flights and Seat Capacity**

<b>Year</b>	<b>No. of Flights Per Week</b>	<b>Seats Per week</b>
Summer 2006	776	188,577
Summer 2008	1242	313,171

*Source: Director General of Civil Aviation (DGCA) Ministry of Civil Aviation.*

Figure 14:5

Region wise Foreign Airlines Flights per Week – Summer 2008



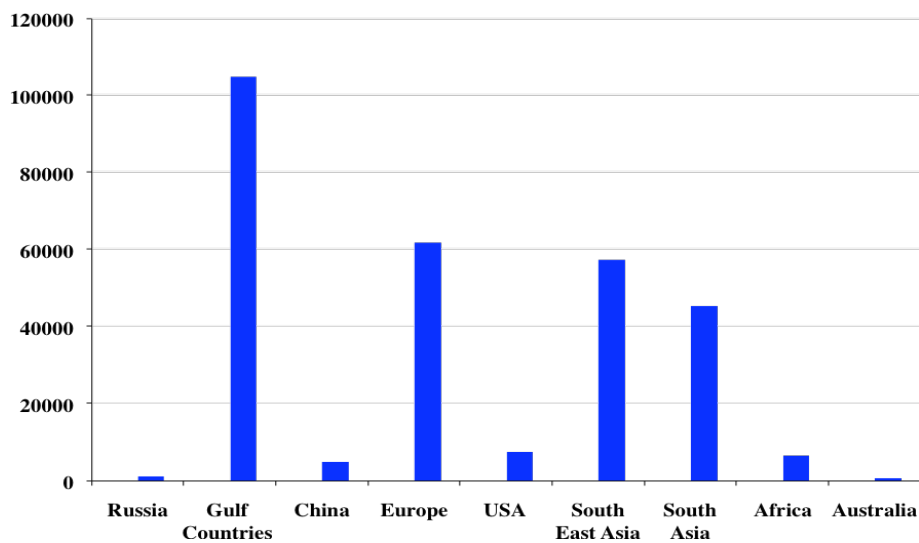
(Note: The flights to Hong Kong have been shown under SE and not under China).

The growth in connectivity has helped travel to various destinations but the spread is not even. The entitlement figures however do not tell the whole story. Much depends on their actual utilisation. Moreover the authorisations keep changing depending on actual demand. In case of USA, for example, the figures show only the direct flights. USA benefits greatly from the linkages through Europe.

***Improved connectivity is helping travel***

Figure 14:6

Foreign Airlines Seat Capacity per Week – Summer 2008



Source: DGCA, Ministry of Civil Aviation, 2007

The UNWTO study has referred to the estimate of the Ministry of Civil Aviation that by 2010 the passenger traffic in Indian airports will grow to 90-100 million. The number of domestic travellers is expected to be 59 m and 35 m international passengers. UNWTO has projected the growth of inbound tourism to India by 2010 at less than 10m. Therefore the projection of the Ministry of Civil aviation about passenger growth leaves vast capacity for outbound tourism to grow.

#### 14.3.5 The Main Gateways

As per PATA report on Indian outbound tourism, Mumbai and New Delhi managed 72.8% of all embarkation and disembarkations in India's top five international airports in 2003-04. In 2006 out of the total departures of 8,33,9614 travellers, the share of different airports were as follows:

***Delhi and Mumbai are the main hubs of international travel***

**Table 14:7**

#### **Main Gateways in India**

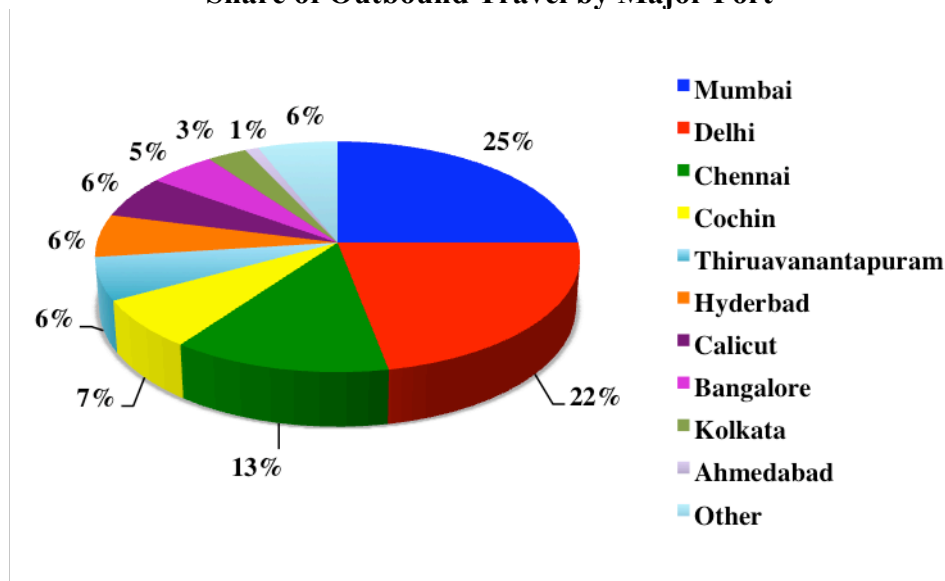
<b>Major Cities</b>	<b>Outbound Travellers</b>
Mumbai	2,368,115
Delhi	1,764,264
Chennai	1,039,973
Cochin	591,236
Thiruvananthpuram	474,309
Hyderabad	461,616
Calicut	454,606
Bangalore	369,508
Kolkata	232,219
Ahmedabad	95,714
Others	488,054
<b>Total</b>	<b>8,339,614</b>

(Source: India Tourism Statistics. 2006. Ministry of Tourism.)

The percentage share of each of the airports is shown in Fig.3.4. The category ‘others’, it can be seen, is emerging as a substantial number, higher than all the airports except the first four mentioned above. It implies that the Indian travel market is getting dispersed and is likely to be more dispersed in future as the policy of airport expansion takes shape.

Figure 14:7

Share of Outbound Travel by Major Port



Source: India Tourism Statistics, 2006

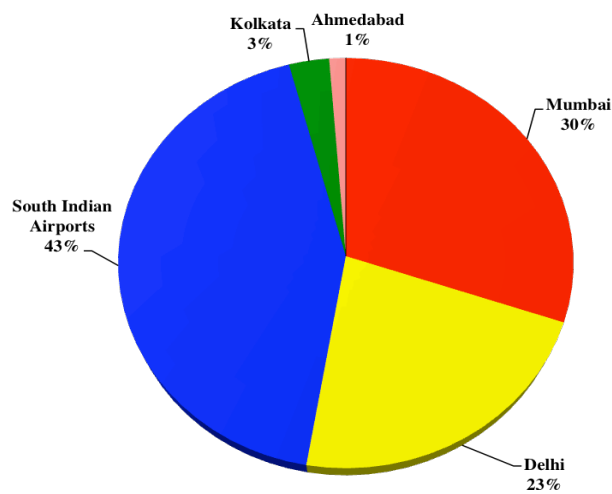
Individually, Delhi and Mumbai are the most important gateways, the figures of region wise departures points towards a much larger travel market in the South. Fig 3.5 shows the comparative percentage shares of the main airports excluding the departures from the airports clubbed as ‘others’.

***Largest number of departures from South India***



**Fig.3.5**

**Outbound Travel by Airports – % Regional Share**



Source: India Tourism Statistics, 2006

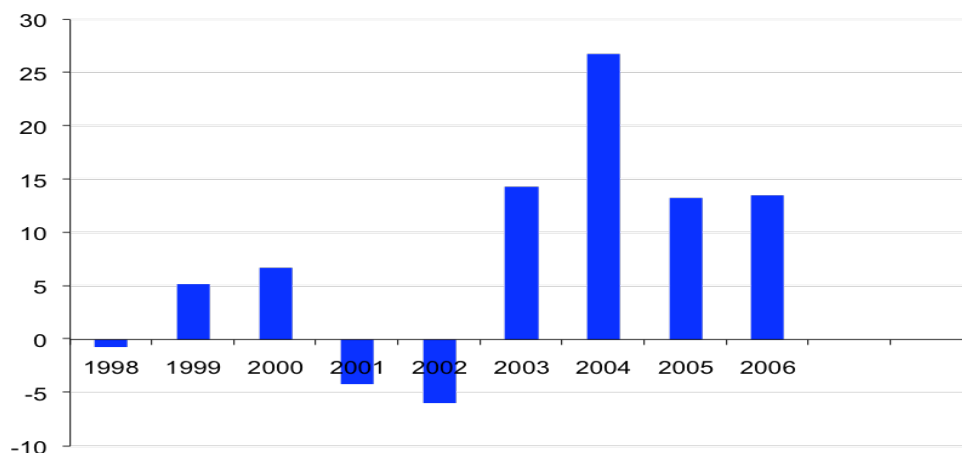
**14.4 Market Size and Trends**

At the beginning of the new millennium, international tourist arrivals to India suffered a major setback. In 2001 the growth rate was negative (-4.2%) In 2002 there was a still bigger decline. (-6.0%). But spurred by the highly successful marketing campaign—**Incredible India**—inbound tourism arrivals have shown spectacular growth.

*The Indian market is growing fast*

**Figure 14:8**

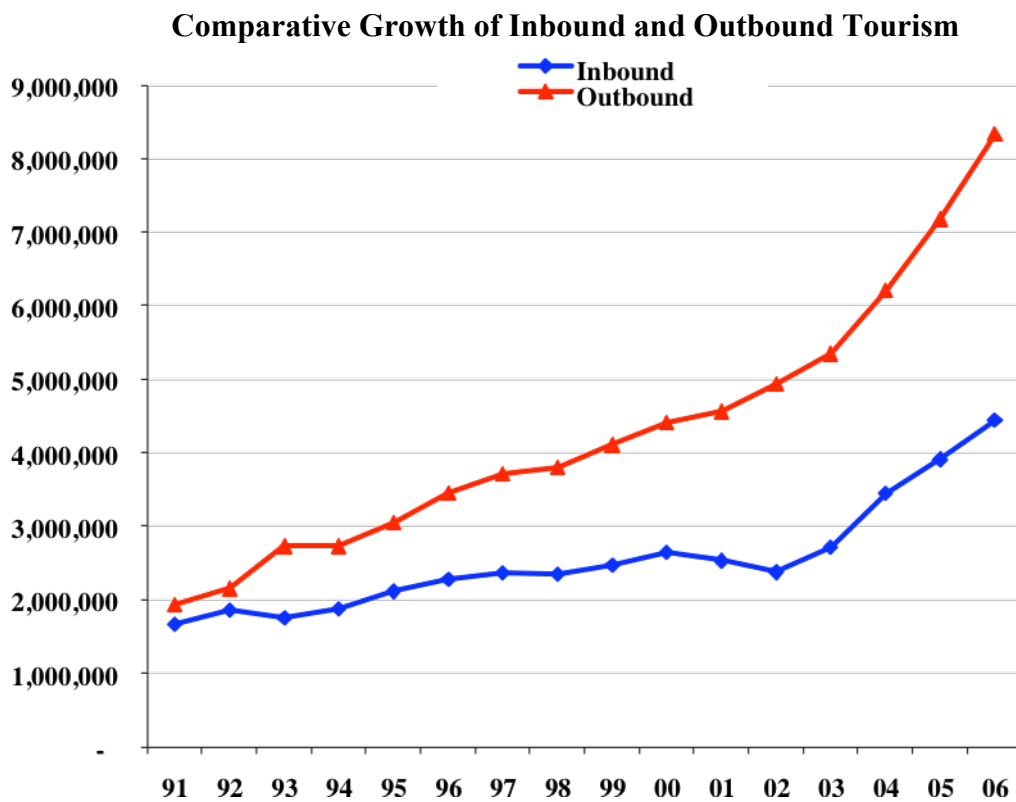
**Growth Pattern of Inbound Tourism**



Source: India Tourism Statistics, 2006

The growth of outbound tourism from India has been traditionally marginally higher than the inbound. With the economic liberalisation measures of the early part of the 1990s the outbound travel received a spurt in 1994 and thereafter, facilitated by a variety of favourable factors like the fast growth of the economy, increased liberalisation of the civil aviation infrastructure and emergence of a strong middle class, the outbound tourism has been growing at a constantly fast rate.

**Fig 14:**



*Source: Indian Tourism Statistics.2006. Ministry of Tourism Government of India.*

The growth pattern for the last decade shows that there is a sudden spurt during the last few years, which also coincide with the jump in GDP growth rate.

**Table 14:8****Percentage Growth of Outbound Travel**

<b>Year</b>	<b>% Change</b>
1997	7.6
1998	2.3
1999	8.0
2000	7.3
2001	3.4
2002	8.2
2003	8.3
2004	16.1
2005	15.6
2006	16.1

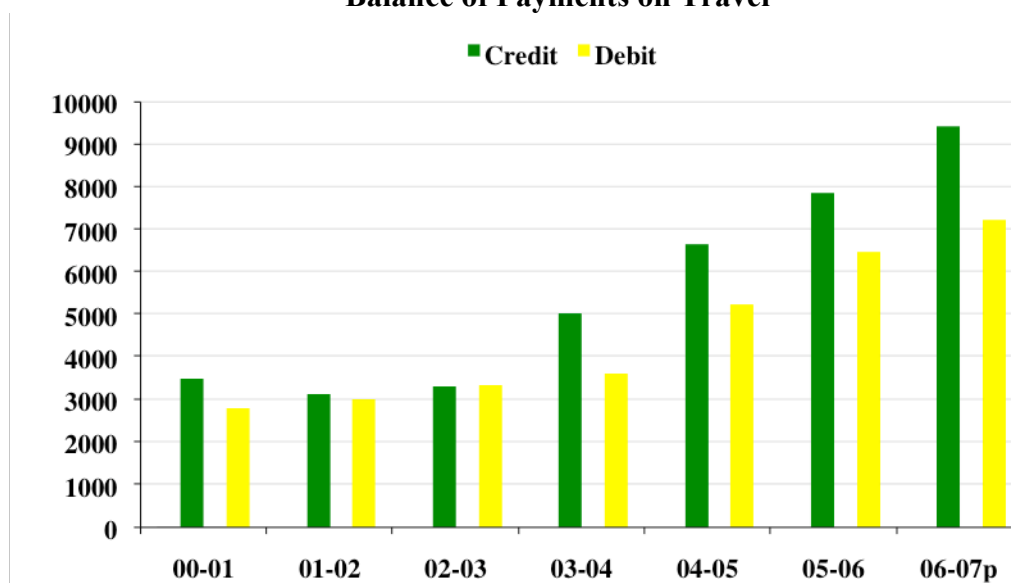
*Source: India Tourism Statistics 2006. Ministry of Tourism Government of India.*

The numbers have almost doubled during the period from 2000 to 2006 and despite the good growth of inbound tourism, it is only about half the size of outbound tourism. As per UNWTO statistics the average growth of outbound tourism from 1990 to 2000 has been 6.8 per cent and between 2000 and 2006 the average growth has been 11.2 per cent. This growth and the nature of spending by Indians are partly reflected in the overall balance of payments figures on account of travel. In 1990-91 the total credit on travel was US\$1456 against a debit of US\$ 392. By 2002-03 while the credit figures rose to US\$ 3312 the debit at US \$3341 created a negative balance of US\$29. The figure 4.3 shows the growth of travel expenditure and an idea of spending by the outbound travellers from India. The figures do not include the transportation expenses.

***Fast growing travel expenditure***

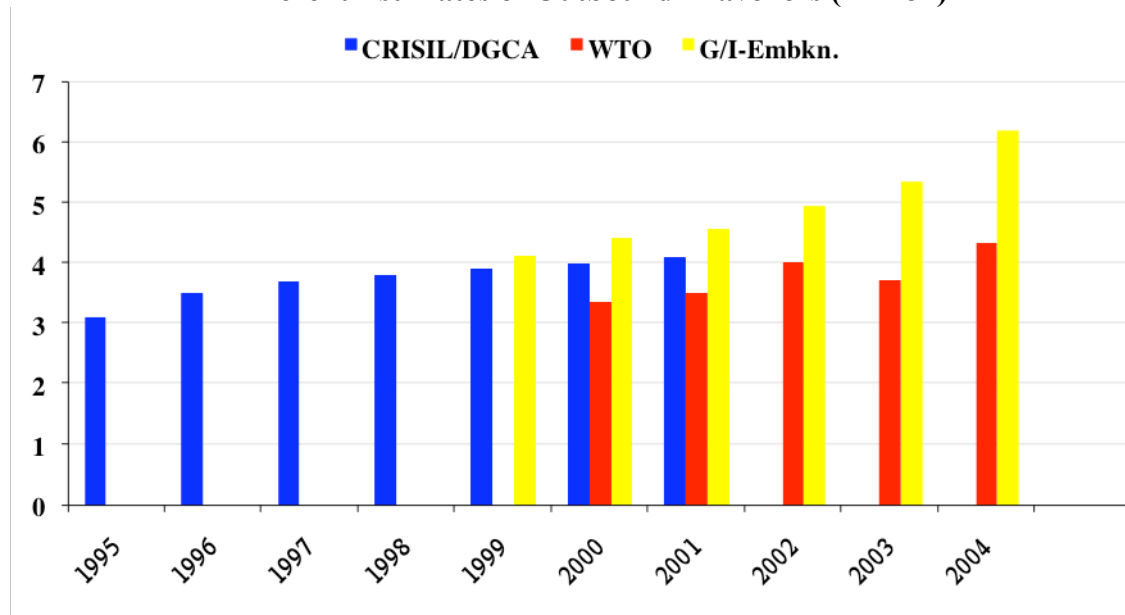
**Figure 14:9**

**Balance of Payments on Travel**



*Source: Handbook of Statistics on the Indian Economy, 2006-07*

The outbound travel figures are collated from the data collected by UNWTO. UNWTO compiles the data on the basis of arrival statistics of the receiving countries. There are gaps in these compilations. For example, countries like Spain, Germany and France do not figure in the compilation for 2005 and 2006. The UNWTO report on India’s outbound tourism also refers to the gap between figures of UNWTO, embarkation statistics of the Bureau of Immigration and a survey done by an independent agency-Crisil. The embarkation figures could also include Non-Resident Indians returning to their places of residence, students and persons on job immigration. We have therefore accepted the UNWTO figures as the most reliable and widely accepted statistics of travel trends.

**Figure 14:10****Different Estimates of Outbound Travellers (million)**

Source: India. Outbound Series. UNWTO.2006.

The top ten destinations of Indian travellers in 2006, as per UNWTO are listed in the table below.

**Table 14:9****Top Ten Destinations of Indian Travellers**

Main destination	No. of Outbound Indian travellers
Singapore	658,892
Bahrain	590,198
Thailand	429,732
Kuwait	413,109
USA	406,845
UK	366,745
China(2005)	356,460
UAE	356,446
Saudi Arabia	345,431
Malaysia	279,046

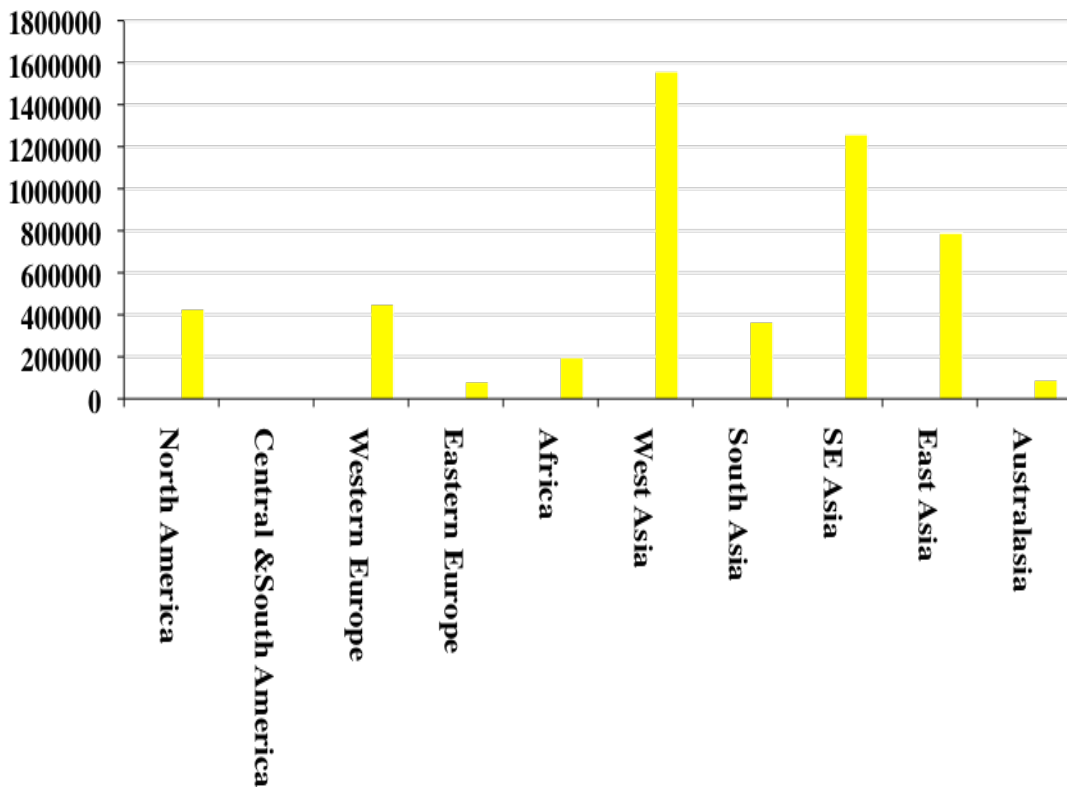
Region wise SE Asia continues to be the favourite destination. The Gulf region and West Asia have emerged as very strong contenders. (See Fig.4.5). As can be seen from Fig.4.6 this trend has been continuing over the past few years. A portion of West Asia travellers could be job related and a large number could be VFR travellers as the region has a very large number of NRIs. (Non-Resident Indians). However undoubtedly the arrivals to places like Dubai have shown significant increase primarily for the following reasons:

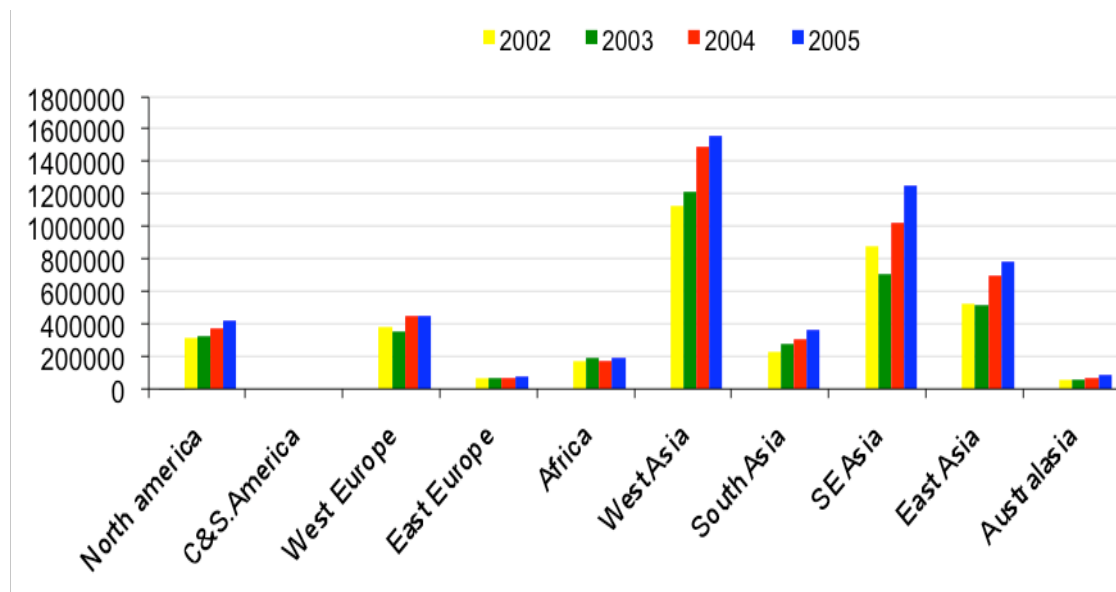
***West Asia is growing***

- ▶ Proximity and very good connectivity;
- ▶ Shopping attractions;
- ▶ Intense marketing campaign; and
- ▶ Offering a different product experience like desert carnival etc.

**Figure 14:11**

**Regional Destinations – 2005**



**Figure 14:12****Destinations Trends Region Wise**

Source: India Tourism Statistics, 2006

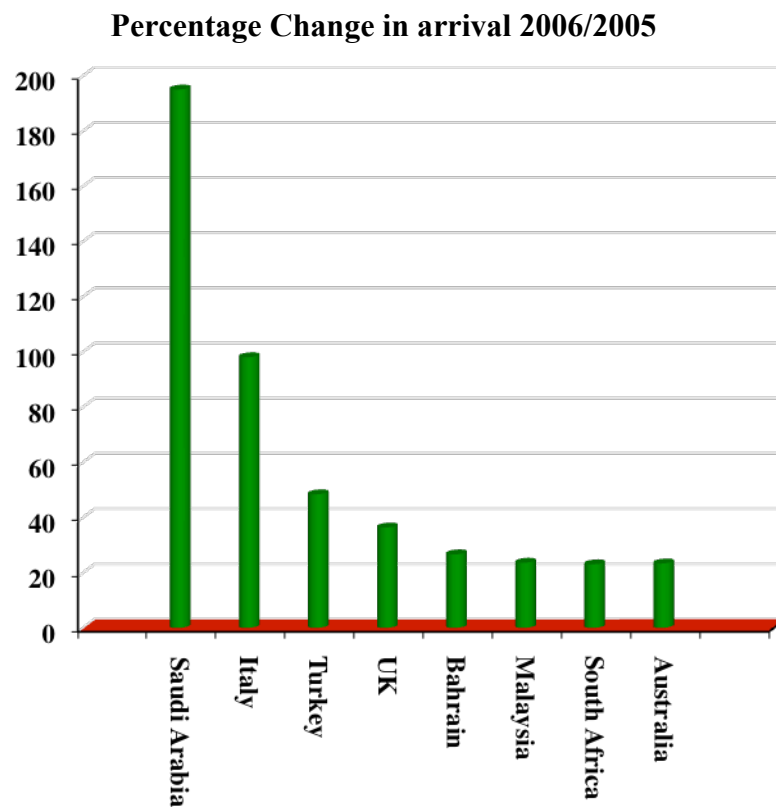
Similarly, the continued preference of *SE Asia continues to be favourite* Indians for SE Asia can be attributed, among others, to the following factors:

- ▶ A growing number of Indian travellers belong to the group of new or first time travellers, enabled by the growing income growth. They prefer short duration, familiar destinations which SE Asia offers.
- ▶ SE Asia allows multiple destinations travel.
- ▶ Visa formalities have been relaxed by many SE Asian countries.
- ▶ Air connectivity is very good and allows more choice than most other regions.
- ▶ Indians are fond of group travel and this region is better organised by Indian operators for group travel.
- ▶ There is ethnic, cultural and cuisine familiarity.

- ▶ The region has traditionally been the favourite shopping escapade for the Indians and in spite of the globalisation process, this interest has not diminished much.

However intense marketing by some of the NTAs, the preference of the repeat visitors for niche travel and new destinations seem to have shown some effect in recent years. Percentage change in arrival to the countries in 2006 over 2005 shows that new destinations like Turkey, South Africa and Australia are emerging. Some of the countries showing high percentage growth in 2006 are shown in Fig.4.7.

**Figure 14:13**



*Source: India Tourism Statistics, 2006*

#### **14.4.1 Outbound Market Trends**

The Indian outbound tour operators are bullish about the future growth of the Indian outbound travel

***Travel Industry upbeat about future trends***



market. Their enthusiasm, which has not been dimmed by the recent global economic outlook, stem as much from their own practical experience and perception as from the encouraging assessment of the international organisations like UNWTO, PATA, World Travel and Tourism Council (WTTC), Euromonitor, etc. Way back in 2001 WTTC saw the robust growth of outbound tourism as a threat to national tourism earnings. “The growth of outbound tourism arising out of increased per capita income”, it says, “could provide a different picture in the future. The only way to counter the threat of outbound tourism is to develop and promote tourism within the country.” UNWTO estimates a 15-20% growth in outbound travel from India. PATA’s forecast also “remains bullish”. The Indian travel media has quoted the reported research finding of Euromonitor International that by 2011 the number of outbound travellers will double to 16.3 million and outgoing tourism expenditure will grow by over 25.7% to reach a value of US\$21 billion by that date.

It is felt that some of the following factors which helped in the growth of Indian outbound tourism will continue to support a strong growth in the future:

- ▶ Good performance of the economy, despite slowdown in the early part of 2008, creating a substantial disposable income in the economy.
- ▶ Growth of Indian MNCs and flow of multinational investments in India opening opportunities for MICE travel abroad and also creating a group of high income young professionals who are more willing to travel.
- ▶ Liberalisation of air transport and passport and visa formalities making it easier to travel.
- ▶ In some cases, expansion of low cost carriers making travel more affordable.
- ▶ More intensive marketing by National Tourism Authorities (NTAs) arousing the aspirations of the consumers, which are further ignited by the Bollywood movies shot in foreign locales.

More and more NTAs are giving greater attention to the Indian market primarily for two factors—first, the enormous potential of a fast growing economy of 1.2 billion people; and second, the reputation of the Indians as big travel spenders.

A survey of the tour operators and their perception of the future trends by Travel Trend Today magazine mentions that the big players in the industry were confident of 25-50% growth in the coming years. The survey sums up the assessment of some of the key operators as shown in the table below.

**Table 14:10**

**Travel Industry Projection of Growth**

<b>Travel Agency</b>	<b>Volume Growth 2007</b>	<b>Forecast for 2008</b>
Thomas Cook	30-35%	40%
Beacon Holidays	20%	18-20%
Kesari Tours	32%	45-50%
Raj Travel	52%	80-100%
SOTC	20%	

*Source: Travel Trends Today, January 2008*

**14.5 Market Shape and Dynamics**

The Indian travel market is very wide, diverse in nature and a fast emerging market the characteristics of which are just evolving. Various surveys of varying sample sizes, often not very intensive, have tried to capture the essence of the market. The disembarkation information in destinations also provides useful data on the profile of the Indian traveller. In spite of that there are big gaps in information and generalisations on the profile can be misleading. But all the surveys and the observations of the industry confirm a few broad trends.

***The market is wide and complex***

Presenting the ‘India Outbound Tourism; A PATA Snapshot’ in the Travel Mart 2005, PATA highlighted some salient features of the India Market:

- ▶ It is complex due to its size and myriad target segments.
- ▶ The average length of stay of Indian travellers on vacation was 12 to 15 days.
- ▶ Family-oriented holidays predominated.
- ▶ Indian consumers are very price sensitive.
- ▶ Indian booking patterns are late.

***Some emerging consumer trends***

***Leisure travel predominates but business travel is growing***

The UNWTO Outbound survey of India refers to the TNS Indian Travel Dossier – a study conducted across 15 cities. The findings note some of the following trends:

- ▶ As can be expected of a market driven by new-found economic wealth, a high proportion of the travellers are first time travellers.
- ▶ Package tours account for almost one third of all such trips. Tour operators play an important role in the planning of the leisure travel.
- ▶ The average duration of vacation is 10 to 14 days.
- ▶ Most of the tours being packaged, credit card payments were low.
- ▶ The MICE travellers, a growing number, Internet booking was more than others. They used the tour operators less than others.
- ▶ For business travellers use of credit card was more and the report says ‘traveller’s cheques are now passé.’

#### 14.5.1 Purpose of Visit

The overwhelming number of visitors is ‘leisure’ travellers. In recent years the number of business travellers is growing fast. This phenomenon is understandable in the context of growing international interests in India’s economic future as noted earlier.

The UNWTO Report refers to industry assessments and considers the purpose of travel to be of the following pattern in general.

**Table 14:11**

#### **Purpose of Travel**

<b>Purpose of Visit</b>	<b>Percentage Share</b>
Leisure	35%

Business	30%
Shopping	30%
Others	5%.

Shopping however, may not be the sole motive for travel but most likely is combined with vacation travel. Nevertheless the PATA Report refers to two studies – one by Mercury Travels and another by ACNielsen (Indian Outbound Travellers Study 2005), which put the figures of business travels much higher at 40% and 57% respectively.

A reliable indicator of the trends would be the country reports of arrivals at destinations. The table below shows the destination figures of purpose of travel for a few countries of the Asia Pacific Region. It also includes estimates based on actual experience given by TRAC- an agency, which represents marketing interests of 8 NTAs in India.

**Table 14:12**

**Purpose of Visit (%)**

Country	Leisure	Business/MICE	VFR	Others
<b>Destination Country's Estimates</b>				
Australia	37	29	23	11
Hong Kong		67		
Korea	25	30		48
Sri Lanka	48	26	11	7
Thailand	70	15		
<b>TRAC Estimates</b>				
Korea	52	48		
Malaysia	73	15	5	
Mauritius	Almost all			
Sri Lanka	62	20	7	

*Source: India Outbound Series, UNWTO, 2006. TRAC – Internal Report.*

### 14.5.2 Length of Stay

As has been pointed out Indian travellers are price sensitive and group travels form a large part of the travel market. Therefore the package tour destinations decide the length of stay of the tourists. A large portion of the market are first time travellers encouraged by growing spending power. They are generally not the modern type of short but frequent holiday takers. Therefore they like to combine as many destinations as possible during the first visit. There are many reports but no definite study to show the average length of stay but from the considerations mentioned, combined with the arrival data of destinations (source- UNWTO Outbound Report) it appears that the average stay of the leisure travellers is within the 10 to 15 days range.

### 14.5.3 Source Regions

Growing prosperity has been considered to be the driving force of the outbound travel from India. But travel is not the function of income alone. Hosts of other factors like local tradition and aspirations, availability of good facilitating services nearby, marketing penetration and awareness also determine the numbers of potential travellers from an area. Moreover, India is a country of great diversity and income growth and prosperity have not been evenly spread.

*North and West are considered to be the main source regions*

The UNWTO Report and the PATA Outbound Report indicate that the North and West Regions of the country have produced the largest number of travellers. UNWTO study puts the figures as follows:

**Table 14:13**

#### Percentage Share of Outbound Travel by Region

Regions	% Share of Travellers
North and West Combined	60%
South	25%
East	10%
Others	5%

PATA, relying on the studies by ACNielsen, TNS and Synovate puts the total outbound departures from Delhi and Mumbai airports at over 50%--implying that these regions are the most important source regions.

These assumptions seem to be largely supported by the pattern of per capita income growth in the states of the country (see table below) and the number of passports issued from different regions. (See table below). Per capita income level is considerably better in these regions compared with the rest.

**Table 14:14**

**Per Capita State Domestic Product at Current Prices. 2005-06.**

States		
East	Arunachal Pradesh	23,788
	Assam	18,598
	Manipur	20,326
	Mizoram(for 04-05)	22,417
	Nagaland(for 04-05)	20,998
	Orissa	17,299
	Sikkim	26,412
	Tripura	24,706
	West Bengal	25,223
	A&N Islands	34,853
North	Bihar	7,857
	Jharkhand	19,066
	Haryana	38,832
	Himachal Pradesh	33,805
	J&K(for 04-05)	18,630
	Punjab	34,929
	Rajasthan	17,863
	UP	13,262
	Uttarakhand	24,585
	Chandigarh	86,629
	Delhi	61,676
Central	Madhya Pradesh	15,647
	Chattisgarh	20,151

South	Andhra Pradesh	26,211
	Karnataka	27,291
	Kerala	30,668
	Tamilnadu	29,958
	Pondicherry	48,477
West	Goa	70,112
	Gujarat	34,152
	Maharashtra	37,081
	All India	25,716

Source: Economic Survey, 2007-08

Out of 3.08 million passports issued in December, 2005 in 30 offices across the country, about one million were issued in North and West regions.

**Table 14:15**

**Number of Passport Issued per Region.**

	2005	2004	2003	2002	2001	2000
Hyderabad	253331	284753	257850	231530	244795	208156
Mumbai	206029	218355	187222	206318	211984	149974
Kozhikode	227321	237355	189555	186476	163339	130854
Chennai	197558	216367	202657	179506	168860	150143
Delhi		158258	152013	128387	193189	167394
Trichy	204171	261803	217300	180364	201514	147305
Chandigarh	191401	184987	170104	142744	162078	117431
Ahmedabad	198296	235335	256289	200067	188904	146977
Bangalore	173273	167010	152986	140936	130670	123542
Jalandhar	154122	166425	161884	126248	149432	120545
Total (of 30)	3088837	3352780	2955529	2666555	2780738	2243033

Source: Ministry of External Affairs. /India Outbound Series. UNWTO.2006.p.27  
(The figures of 2005 are up to December only)

However, the number of Passports issued in the southern region was even higher – about 1.25 million.

Moreover, the figures of port wise departures of Indians show the share of the South to be much higher. Even if we discount the possibility of a large

***Other regions, particularly South, are also emerging as important source regions***

number of these being migrations for jobs to the Gulf regions, the importance of South India as a source region has to be underlined. While Delhi and Mumbai account for more than 50%, all the airports in South account for the region's share 43 percent.

The marketing strategy to catch the Indian travel market of the future must also take note of the growing wealth and disposable income in the smaller towns and what is called the 'tier II' cities. 'Times of India' reported that according to industry estimates the growth of first time travellers from tier-II cities is around 40-45%. As an illustration, it quotes Tourism Malaysia as saying that in 2006 Malaysia received 74.2% of first time travellers from India with a 'major' contribution from tier-II cities.

***The small towns and tier-II cities are new market sources***

It is not surprising, considering that the small towns and rural areas have emerged as important growth spots in the economy and the amount of money available in these towns is growing. (See Table below). It gives an indication of the number of households in small towns and rural areas by 2010 in different income brackets.

**Table 14:16**

**Number of Households (000) and income levels in small towns and rural areas**

<b>Income category (Rs '000 annum)</b>	<b>Rural areas</b>	<b>Small towns (under 5lakh popn.)</b>	<b>Total</b>
<90	110750	15400	135400
90-200	20000	9060	41300
200-500	3270	1575	9050
500-1000	510	295	1710
1000-2000	135	90	545
2000-5000	40	30	200
5000-10,000	7	6	40
10,000+	2	3	20

*Source: National Council of Applied Economic Research. (NCAER). The Great Indian Middle Class. (Reproduced from India Outbound...UNWTO)*



#### **14.5.4 Seasonality**

On the basis of the arrival data given by the destinations UNWTO Report has mentioned that Indian tourists do not have any clearly defined season for travel. Most destinations have reported that they receive maximum number of travellers from India in winter, which coincides with the festival season in India.

#### **14.5.5 Accommodation**

As reported by PATA Indian travellers are good spenders but equally cost conscious. They prefer to stay in moderately-priced accommodation and individual traveller would prefer to stay in budget hotels. Group travellers people are taken care of by the operators and generally 3 star accommodations are the standard. The business traveller, which is a major segment, is taken care of by the corporate houses and generally would stay in more luxurious hotels.

The industry believes that a very large portion of independent travellers stay with family and friends. There are about 20m non-resident Indians around the globe. Therefore a large number of the outbound travellers probably stay with friends and relations.

#### **14.5.6 Niche Travel**

A new generation of young Indian travellers who are short duration repeat travellers is emerging. They look for new experiences and new destinations. “Indians are looking beyond traditional foreign destinations when planning tour itineraries” says The Telegraph. The report goes on to quote the Travel Agents Association of India indicating a fair amount of interest in destinations like Indonesia, Philippines, Macau, Vietnam, Latin America—places that are not traditional favourites with Indians. “New Destinations anticipate 10-25% growth this year” says Travel Trends Today and quotes NTA representatives of Monaco, Spain, Korea, Gold Coast, Ireland and Victoria (Australia) in support. ‘Today’s Traveller Newswire’ for example reported that out of the way destinations like Finland registered 45% growth in 2006.

***Preference for niche travel  
and new experiences  
growing***

Along with preference for niche travel some new activities like cruise travel also have caught the imagination of the Indian travellers. The Travel Trends Today (January 2008) has mentioned that according to industry estimates the cruise sector has been growing at a rate of about 10 per cent in recent times. India, it says, can expect a market size of 184,710 cruise tourists by 2010-11 that can touch 1.2 million by 2030-31. PATA Outbound Report confirms this optimism and mentions that in 2006, 50,000 Indians had cruise travel –a growth of 20,000—and could become the second largest market for cruise in Asia Pacific after Australia.

## **14.6 Profile of the Indian Traveller**

### **14.6.1 Indians are High Spenders**

According to the UNWTO World Tourism Barometer India's expenditure on tourism (excluding travel) grew at 28% in 2006-07 making it the highest growth of all source markets in UNWTO's top 25.

Indians on average spend above \$ 900 per trip. According to the Hong Kong Tourism Board, spending by Indian travellers averaged HK\$ 4854. Indian visitors to Britain spent over 315 million pounds in 2006—an increase of 89 million (38%) making the Indian tourists the second highest spenders with an average per capita spending of 850 pounds per trip. Singapore Tourism Board reports that in 2007 Indian tourists spent S\$ 1050 million or over 10 per cent of the total tourism receipts of Singapore. In USA, spending by Indian visitors amounted to \$3.6 bn in 2007, an increase of 40 per cent making the Indians the sixth highest spenders in the country. In Malaysia the market share of receipts from Indian tourists increased by 30% in 2007 to reached RM 724.7 million.

### 14.6.2 Age and Gender

No definite information is available on age and gender of the Indian travellers. The Indian passenger Survey of 2003 had estimated that almost 66% of the travellers were in the age group of 17-35 years. According to the UNWTO outbound study, 60% of the travellers belonged to the age group of 15-45. It also mentions that as per the estimates of the industry, 65-70% of the travellers were male—a fact that can perhaps be partly explained by the growing number of business travel.

### 14.6.3 FIT or Group Travel

The big operators handle mostly group travellers. As disposable income is growing and is being dispersed to different regions, the number of FIT from small towns is also reportedly growing. But no precise estimates are available. According to the International Passenger Survey 2003 of the Government of India 57% were individual travellers. The UNWTO study, after consulting the industry has put the ratio between individual and group travellers at 40:60.

### 14.6.4 What Do They Do During Visits

People who travel in package tours in groups are committed to the group's itinerary. However all such tours have a component for shopping, which is a strong characteristic of Indian travellers. Some of the Indian travel agents estimated that for many Indians-about 30% according to some- shopping is a primary motive for travel. (UNWTO report).

Some of the arrival reports of the destination countries give an idea of the preferences of the Indian travellers. (*Source: UNWTO*).

Australia:

- ▶ Shopping and marketing 63%
- ▶ Beaches 45%
- ▶ Visit wildlife parks, zoo, aquarium 29%
- ▶ Guided tours 2%
- ▶ Going to clubs, disco pubs etc 24%

Thailand:

- ▶ Culture
- ▶ Nature
- ▶ Beaches
- ▶ Shopping

Sri Lanka:

- ▶ Culture and religion
- ▶ Nature

Malaysia:

- ▶ Beaches
- ▶ Culture and history
- ▶ Beaches and nature trail

#### **14.6.5 Food**

All the industry surveys comment on the Indians' fondness for their own food. The adventurous ones who go out for cuisine experiences abroad are limited. Almost all the major tour operators packaging tours make it a point to mention that Indian food would be available during the trip. One of the reasons for strong preference for SE Asian destinations is the availability of Indian food in most destinations. Fortunately most destinations in SA and SE Asia and also UK have plenty of establishments catering Indian food.

#### **14.7 What Indians like to do when on vacation abroad?**

"Been there, done that, Indians look beyond the traditional hotspots", screams a Headline in the 'Travel Trends Today' of September 2008. "While the outbound market continues to grow, new destinations are steadily gaining favour with the Indian market", it says. "Indian travellers now exhibiting a thirst to explore new destinations and experiences"

***Indian travellers now exhibiting a thirst to explore new destinations and experiences***

It neatly sums up the psyche of the new travellers and explains what they like to do on vacation. Indian outbound travel is driven by status symbol of the nouveaux riche – motivated by the intent to ‘show off’ – and the newly acquired purchasing power, which other compatriots may not have. As of now, such travellers form a small percentage, but this group is growing. They would like to:

- ▶ Show that they were where others have not been;
- ▶ Done something new;
- ▶ Experienced the speciality of the place visited.

Many destinations like Monaco and Las Vegas are catching on to this new desire of the Indian traveller. Monaco, for example, is by no means a cheap destination – all hotels are in the five star category, costing upwards of 300 euros. “However,” says Joseph Fernandes of AviaReps who represent Monaco in India, “there is a growing population of Indians who are keen to experience the opulent casinos, nightlife and shopping of Monte Carlo.” Mr Fernandes mentions similar trends in New York as well. Indians like to explore the entertainment and nightlife – experiences sorely missed back home.

“The number is small. They are generally the ‘high end’ travellers”, agrees Mr Anil Bhandari, who was the MD of the Travel House, one of the leading outbound operators from India. “But there is no doubt the trend is growing. It is a different scenario altogether. They have clear objectives about what they want to do in a country. In Switzerland, they are likely to be honeymooners enjoying the scenery, but they would like to have a go at skiing.” What they do, depends on the place they visit, says Bhandari. For example, in Las Vegas it will be gambling; Orlando is more likely to be fun with family; Thailand will be shopping and nightlife; and New Zealand and Australia perhaps falling in the category of ‘been there’ travellers. Shopping everywhere tops the list of activities of Indian travellers. What Indians normally do not like to do, according to Mr Bhandari, is sunbathing and swim in the sea.

***Driven by status and new wealth***

***Everyone has their eye on India***

***Made up of primarily ‘high-end’ travellers***

Major Murli, MD of the Cosmopolitan Tours and Travels and a long term Sr. Vice President of the Indian Association of Tour Operators (IATO), echoes similar feelings. “It is no longer the same old Indian travellers who shy away from anything out of the way. Evening life is becoming a major attraction and activity of the Indian travellers. It will be hypocrisy to say that they do not visit pubs or go to night entertainments. They want to explore whatever is new or special at the destination.”

***Indians want to explore the new***

This fondness for entertainment perhaps is confirmed by the experience of Thailand. The expenditure by Indian travellers is fast increasing in Thailand and not all of that is explained by shopping and sightseeing. According to Mr C.K.na Ayudhya, Director of the Tourism Authority of Thailand, “We have seen their spend grow to US\$476.35 million in 2007, 21% higher than in 2006. Indians have now started spending more in shopping, food and entertainment while in Thailand.”

***Indians are fond of entertainment***

“Entertainment including casinos, nightlife and bars,” says Mr. Subhas Goyal Chairman STIC Travel, one of the prominent outbound operators, “is a growing interest of the Indian traveller. Of course, food and shopping still tops the list of activities and interests of most of the family leisure groups.”

For the same reason the new Indian travellers would like to take a cruise tour wherever possible. As mentioned earlier, cruise is one of the fastest growing areas in India and Indians travelling abroad also like to indulge in this activity.

***Cruising is becoming more popular***

## **14.8 Tapping the Indian Market**

“All these different factors”, says PATA’s India Outbound Report, “make the Indian outbound traveller a highly valuable proposition.” The same report also considers that compared to China, which has attracted much attention, ‘India probably offers greater potential for growth in the short to medium term’.

***India – an emerging valuable market***

A Growing number of National Tourism Administrations (NTAs) are showing keen interest in the Indian market. In most of the marketing strategies, the travel agents play the most dominant role. The national carriers also are key factors in promoting a destination. The different methods used by the NTAs to woo the Indian travellers can be briefly stated as follows:

- ▶ Opening NTA offices for continued presence and activities.
- ▶ Engaging local representatives to promote the country.
- ▶ Engaging travel agents as ‘Special’ agents for the country—like Australia.
- ▶ Organising special events, road shows within India and outside for Indians.
- ▶ Continued electronic and print media campaigns, like Singapore, Malaysia (Malaysia, truly Asia), Thailand (Amazing Thailand), Dubai, Australia and Sri Lanka have been doing.
- ▶ Influencing the travel agents through FAM tours.

***Many NTAs opening offices in India***

About 20 countries have their NTA offices in India—some of them having more than one office in the country. Some more countries are actively considering opening office in India. Spain is expected to open an office in 2008. Tunisia is looking at the Indian market closely and keen to have proper representation. (TravelBiz Monitor, July 30, 2008). Nigeria has opened a representational office in India in July 2008. Japanese government has designated India as an emerging and promising market and Japanese National Tourist Office (JNTO) is contemplating opening an office in India. The Polish Tourist Organisation intends to set up a Polish Specialist programme to educate the Indian market.

According to TRAC who represent eight countries in India, 58 countries were actively present in the Indian market. (Travel Trends Today, January 2008).

A Survey by the Today's Traveller Newswire (August 2008) outlines some of the strategies adopted by the NTAs for promotion.

- ▶ Attracting tourists by offering value for money family packages.
- ▶ Entering the evolving *niche* market.
- ▶ Many like Hong Kong and Singapore brand themselves as the ultimate shopping destinations.
- ▶ Some are emphasising the cultural relationship and attractions.
- ▶ Others are offering the answer to Indians' gastronomic quests.

The India travel media is full of reports of what the NTAs are doing or intend to do. A sample of the reports will give an indication of how the NTAs are trying to enter the market:

- ▶ 'Germany: communicating it right'. (TravelBiz Monitor, June 30, 2008). The strategy focuses on cultivating the market, developing the product, diversifying activities and communicating to educate about Germany. They are even creating websites in regional languages.
- ▶ 'Tourism Australia to open new office in India' (Today's Traveller Newswire, March 2007). The new office is to intensify marketing activities that are on going through 487 registered Aussie Specialist agents selling Australian holidays.
- ▶ 'South Africa road show a success'. (Today's Traveller Newswire, March 2007). The road show covered three metros, 1200 travel agents and around 43 delegates from various South African trade groups represented.



- ▶ ‘Visit Egypt Campaign, 2008’. According to the Egyptian Tourism Board (presentation in New Delhi, 30<sup>th</sup> August, 2008) apart from the continuing interest in the Pyramids and cultural interests of Luxor, they were appealing to new interests like *Sufi* music, belly dancing etc in their presentations in India. They are trying to exploit the great impact of bollywood in outbound tourism by offering film shooting in Egypt locations and by making the actress Celina Jaitly their brand ambassador.
- ▶ ‘Projecting UK in a new light in Indian market’ (TravelBiz monitor, June 30, 2008). Britain intends to intensify efforts to increase the growing market by holding ‘Destination Britain 2009’ campaign.
- ▶ A Survey by the Today’s Traveller Newswire (August 2008) highlights some more ideas of the NTAs and their future plans.
- ▶ Hong Kong is continuing to tap the shopping interests of the Indians and the traditional image of Hong Kong as a shopping destination.
- ▶ Sri Lankan tourism intends to add the religious flavour to their tourist attractions for Indians. They plan to popularise the *Ramayana* concept—the hugely popular Indian mythology with links to Sri Lanka.
- ▶ Malaysia would continue its success of arrivals from India by selling multi-destination packages complementing the neighbouring countries’ tourism products.
- ▶ Thailand would like to cash on the Indian fondness for family holidays. They are focussing on family vacations with kids.

#### **14.8.1 Growing Use of E-Ticketing and Online Booking**

India is one of the fastest growing countries in terms of internet uses. According to the PATA study there are 120m internet users in the country. The growing internet awareness is encouraging on line bookings.

In 2008 the percentage share of travel agents in the total e-ticketing market was estimated to have decreased from 40% to 32%. On line travel bookings are estimated to grow to \$2bn in 2008

against \$295 m in 2005.

Indian travel booking pattern is traditionally said to be late bookings. The percentage of package tours being significant, on line ticketing for this segment is lower.

## **14.9 The Indian Travel Trade Structure**

The Indian travel trade industry is very big but fragmented. In the initial stages of tourism development in the country, private initiatives were limited. Government therefore had to step in to play the role of the regulator as well as promoter. The private sector has come of age now but the tendency to depend on government is not yet totally overcome.

Ministry of Tourism is the nodal agency for development of tourism and coordination with other ministries in the Centre. The Constitution of India lays down the procedures for distribution of functions between the states and the centre. The states have their own departments of tourism and the directorates and Corporations to promote state tourism.

Tourism development in the country has always been looked at primarily from the point of view of foreign exchange earnings. Outbound tourism as such therefore did not find a place in the scheme of things or in the policy perspectives. However, many areas of tourism development like development of civil aviation, had bearings on outbound tourism.

The Ministry of Tourism official statistics says “in order to provide quality services to the tourists, the Ministry of Tourism grants recognition to travel agents, tour operators, tourist transport operators, adventure tour operators and domestic tour operators. As on June 2007, 327 travel agencies, 433 tour operators, 169 tourist transport operators, 17 adventure tour operators and 13 domestic tour operators were recognised with the Ministry”. This number seems very small considering the size of operations in the country. PATA has mentioned that there are more than 20,000 agents spread across the country, but acknowledges that most of them could be just unregistered with the government and doing

only very small ticketing functions. Most of the industry associations claim membership in the range of 1500 to 2000.

The following are the main national level organisations of the travel industry in India having members who handle both inbound and outbound travels:

- ▶ Travel Agents Association of India (TAAI) – more than 1900 active members in 2006.
- ▶ Indian Association of Tour Operators (IATO) over 1000 members covering all segments of tourism industry.
- ▶ Travel Agents Federation of India (TAFI).

***No exclusive agents for  
outbound market only***

In addition, the following organisations look after specific sectoral interests:

- ▶ Domestic Tour Operators Association of India.
- ▶ Indian Tourist Transport Association.
- ▶ Adventure Tour Operators Association.
- ▶ Tourists Guide Federation of India.

In addition, there are associations in the hotel and restaurants sector for the members of these trades. Three national industry organisations – Confederation of Indian Industries (CII), Associated Chamber of Commerce and Industry (ASSOCHAM) and Punjab, Haryana, Delhi Chamber of Commerce (PHDCC) – have tourism wings and pursue issues to promote tourism in the country in a holistic manner. However none of them directly relate to outbound tourism nor do they have many activities relating to outbound tourism.

The travel agents and the tour operators play an important role in servicing the outbound market. Some countries like Australia have specifically based their strategy of promotion through the travel agents selected by them and given special status. But both the PATA Report and the UNWTO report have pointed out that while the big multinational and Indian companies like Kuoni, SOTC, Cox & Kings, Raj Travels, International Travel House, TCI, etc have a major share, the market is composed of too many small agents and operators across the country that together have a very large share of the

business. This could perhaps be explained by the fact that with the economic growth spreading to the non-metro areas, demands from small towns are increasing. And such demands are met by local operators. The marketing strategy to woo Indian travellers should include ways to meet the aspirations of travellers from smaller towns.

#### **14.8.1 Fairs and Events**

For the Indian travel industry the most important international travel events are:

- ▶ The ITB Berlin.
- ▶ The WTM London.
- ▶ The Arabian Travel Mart, UAE.
- ▶ PATA Travel Mart.

Many travel agents, handling outbound tourism participate in these events regularly.

There are many exhibitions in the country organised in different places mostly for domestic and inbound tourism. They are not held on fixed dates or places and therefore do not have a specific brand attached to them. South Asia Travel and Tourism Exchange (SATTE) is one event that is held regularly and covers both inbound and outbound travel. SATTE however is largely South Asia focussed, though it has tried to cover other countries as well.

The Kerala Travel Mart has also become an annual event of importance for both inbound and outbound tourism. It takes place every year around September and draws all segments of the industry.

The annual conferences of the major industry associations have become occasions for road shows and marketing of countries and destinations. In fact two of them TAFI and TAAI have started holding their conferences outside India to enable better interaction both outbound and inbound. The TAAI conference for 2008 will be held in London in September. Such conferences were held in Sri Lanka, Malaysia Singapore as well.

## Chapter 15

# RUSSIAN FEDERATION



## 15.1 Overview

Population (2007 est.): 141.3 million  
Outbound Market Size (2006): 8.4 million leisure trips  
Outbound Market Size (2011): 10.7 million leisure trips  
Main Destinations:  
Actual: Turkey; China; Egypt; Finland; Italy; Spain; Germany;  
Greece; UAE; Poland; Bulgaria; France  
Aspirational\*: France; Spain; Japan; Italy; Germany; United Kingdom;  
Netherlands; Greece; Switzerland; Norway  
Purpose of Visit: Holiday: 68%; Business: 20%; Other: 12%  
Internet Access: 28 million users in June 2007 (19.5% population penetration)  
\* *where they would like to visit (if money were no object)*

The Russian Federation, or Russia, is by far the largest country in the world, covering more than an eighth of the Earth's land area, and, with some 141 million people, the ninth largest in terms of population. It extends across the whole of northern Asia and two-fifths of Europe. Russia has the world's largest mineral and energy resources.

The Russian Federation was founded following the dissolution of the Soviet Union in 1991. The federation consists of 83 *subjects* (or areas), which have equal federal rights in the sense that they have equal representation - two delegates each - in the upper house of the Russian parliament. However, they do differ in the degree of autonomy that they enjoy. Russia is a permanent member of the United Nations Security Council and a leading member of the Commonwealth of Independent States (CIS) and the G8 group of nations.

## 15.2 General Market Conditions

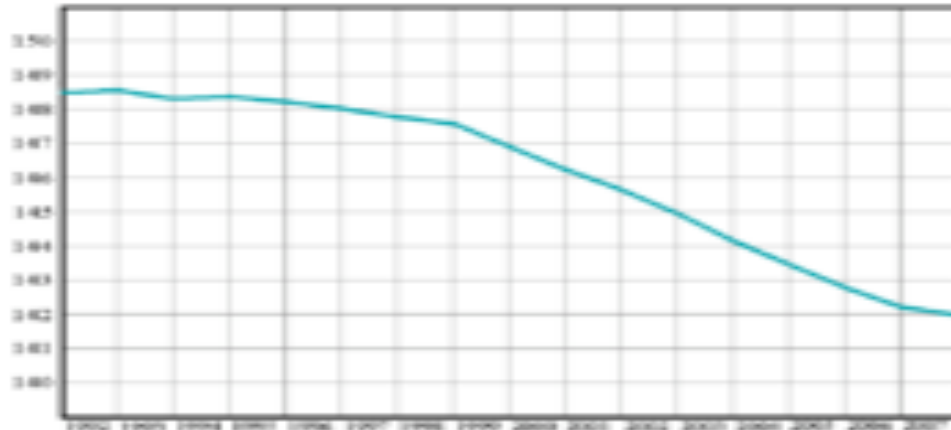
### 15.2.1 Population

In 2007, Russia had an estimated population of 141.3 million (Source: US Census Bureau). By 2017, the population is projected to decline to 134.5 million and then continue to decrease in the long-term. Russia's population is shrinking at an accelerating rate, with the United Nations forecasting a fall of one third by 2050. Although

younger age groups are in decline, those aged 60 and over are forecast to increase.

**Figure 15:1**

**Russian Population 1992–2050 (million inhabitants)**



*Source: US Census Bureau*

Russia's population peaked at the beginning of 1992 at 148.7 million. The primary causes of the population decrease are a high death rate and low birth rate, with the number of deaths exceeding the number of births. While the birth rate is comparable to that of many other European countries, the death rate is substantially higher.

Approximately 78% of the total population lives in European Russia, west of the Ural Mountains, and only 22% within Asia (which comprises three-quarters of the total land area). The population density is highest in European Russia, in the central and southern Ural Mountains, and in south western Siberia.

**Main Cities:** 73% of the population lives in urban areas. At the 2002 Census, the two largest cities in Russia were Moscow (10.1 million inhabitants) and Saint Petersburg (4.7 million). Eleven other cities have over one million inhabitants, in descending order: Novosibirsk (1.4 million), Nizhny Novgorod (1.3 million), Yekaterinburg (1.3 million), Samara (1.2 million), Omsk (1.1 million), Kazan (1.1 million), Chelyabinsk (1.1 million), Rostov-on-Don



(1.1 million), Ufa (1.0 million), Volgograd (1.0 million) and Perm (1.0 million).

**Ethnic Composition:** Russians (79.8%); Tatars (3.8%); Ukrainians (2%); Other/unspecified (14.4%).

**Language:** Russian is the only official state language, but the Constitution gives the individual republics the right to make their native language co-official next to Russian. According to the 2002 census, 142.6 million people speak Russian, followed by Tatar, 5.3 million and German, 2.9 million speakers.

### 15.2.2 Government

In the immediate post-war period, the Soviet economy and society stagnated. From 1985 onwards, Mikhail Gorbachev (1985-91) introduced the policies of *glasnost* (openness) and *perestroika* (restructuring) in an attempt to modernise the country. However, his initiatives inadvertently led to the dissolution of the Soviet Union. Following an unsuccessful military coup against Gorbachev, Boris Yeltsin came to power and declared the end of Communist rule. The USSR divided into fifteen independent republics (including Russia) and was officially dissolved in December 1991. Yeltsin served as the first President (1991-99), followed by Vladimir Putin (2000-08).

The current President is Dmitry Medvedev, sworn in May 2008, as the chosen successor of Vladimir Putin who was barred by the constitution from running for a third presidential term. However as Prime Minister (since May 2008), Mr. Putin remains at the heart of power. In the December 2007 elections for the State Duma, his United Russia Party won 64% of the votes.

### 15.2.3 Economy

In 2007, Russia's Gross Domestic Product (GDP) amounted to an estimated \$2.1 trillion in terms of purchasing power parity (PPP) – making it the



seventh largest in the world – and estimated \$14,700 per capita. It grew by 8.1% in real terms over the previous year. The average salary in Russia was \$640 per month in early 2008, up from \$80 in 2000. The proportion of Russians living below the national poverty line has fallen from 40% in 1998 (at the lowest point of the post-Soviet collapse) to 16% in 2007. Unemployment was 6% in 2007, also down from about 12.4% in 1999.

Russia is the world's leading natural gas exporter and the second leading oil exporter, with the world's largest natural gas reserves, second largest coal reserves and eighth largest oil reserves. Yet, despite higher energy prices, oil and gas only contribute to 5.7% of Russia's GDP which the Government predicts this will drop to 3.7% by 2011.

#### **Economic Indicators (2007 estimates)**

GDP (purchasing power parity): \$2.088 trillion

GDP (official exchange rate): \$1.286 trillion

GDP - real growth rate: 8.1%

GDP - per capita (PPP): \$14,700

GDP - composition by sector: *agriculture: 4.7%; industry: 39.1%; services: 56.2%*

Labour force: 74.1 million

Labour force - by occupation: *agriculture: 10.8%; industry: 28.8%; services: 60.5%*

Unemployment rate: 6.2%

Population below poverty line: 15.8%

Inflation rate (consumer prices): 11.9% annual average

*Source: CIA World Factbook*

The USSR economy was the second largest in the world prior to the Soviet collapse, after which there was a steep fall in output, with GDP declining by roughly 50 percent between 1990 and the end of 1995. A severe financial crisis in August 1998 further exacerbated the economic decline. However, since the turn of the century, rising oil prices, increased foreign investment, higher domestic consumption and greater political stability have bolstered economic growth which has averaged 7% annually for nine straight years since 1998, with average personal incomes growing by more than 12% per year in real terms. Oil export earnings have allowed Russia to increase its foreign reserves from \$12 billion in 1999 to some \$470 billion at the end

of 2007, the third largest reserves in the world.

However, economic development has been unevenly spread geographically, with the Moscow region accounting for a disproportionately large share of the GDP. Much of Russia, especially indigenous and rural communities in Siberia, lags significantly behind. Nevertheless, poverty has declined steadily and the middle class has grown from just 8 million persons in 2000 to 55 million persons in 2006 (*Source: Business Week*), while Russia is home to the second largest number of billionaires in the world after the United States, gaining 50 in 2007 for a total of 110 (*Source: Forbes magazine*).

Despite Russia's recent economic success, serious problems persist. The heavy dependence on oil, natural gas and other mineral resources, metals (which account more than 80% of export earnings and 30% of government revenues) leaves the country vulnerable to fluctuations in world commodity prices. Inflation grew to about 12% by the end of 2007, up from 9% in 2006. The upward trend continued during 2008, driven largely by rising food costs. Corruption and lack of trust in institutions continue to affect domestic and foreign investor confidence.

#### **15.2.4 Exchange Rates**

Since 2003, the Russian ruble has appreciated against most major currencies, particularly the US dollar and the British pound, but in 2008 weakened vis-à-vis the euro, and with the economy performing strongly, it should continue to make gains – making outbound travel more attractive for price-sensitive components of the Russian outbound travel market.

**Table 15:1****Exchange Rates against Major Currencies, 2003-08 (rubles per currency)**

	2003	2004	2005	2006	2007	2008*	% Change 2003-08
US Dollar	30.69	28.81	28.28	27.19	25.66	23.45	-23.6%
Euro	34.69	35.82	35.19	34.12	34.94	37.02	6.7%
Pound	50.13	52.78	51.46	50.04	51.39	46.77	-6.7%

\* end-June

*Source: Pacific Exchange Rate Service***15.2.5 Annual Leave/Holidays**

Officially, Russians are entitled to 24 days holidays a year (after six months in a job). In addition, there are 10 public holidays each year.

**15.2.6 Visa Issues**

Visitors from Russia require a visa to enter EU and most other non-CIS countries. Following the accession of its closest western neighbours (Poland and the Baltic States) to the EU and the Schengen area at the end of 2007, the cost of a visa for those countries is considerably higher than it was before they joined Schengen. For visits to Britain (which is not part of the Schengen system, the visa price is still higher. However, in November 2007, an agreement was signed between the EU and Russia that could see the removal of visa restrictions on travel by Russians to and within EU member countries which, if implemented, could significantly increase travel from Russia to those countries.

Travel to holiday destinations in the Middle East and North Africa appeal to Russians not only because of their affordability and accessibility but also because they can travel to these countries without the need to obtain a visa prior to arrival.

## 15.3 Market Size and Characteristics

### 15.3.1 Outbound Travel

With the fall of communism in 1991, Russians were able for the first time to travel to countries outside the Soviet bloc. Increasing prosperity has further boosted the tendency to travel outside Russia, whether for business or for pleasure. Although foreign travel has until recently been confined to affluent Russians, this is gradually changing as incomes continue to rise. Russia now ranks (2007) as the sixth largest outbound market in Europe in terms of arrivals, behind Germany, the United Kingdom, France, Italy and the Netherlands, and tenth biggest in the world in terms of spending (*Source: European Travel Commission/UNWTO*).

In 2006, Russians made a total of 29.1 million trips outside the country, of which 13.3 million were to CIS states and 15.8 million to non-CIS countries. Expenditure by Russians on outbound tourism grew from an estimated \$8.8 billion in 2000 to \$19.6 billion in 2006, equivalent to approximately \$685 per visit.

It is estimated that the volume of non-CIS outbound trips rose by 18% in 2007 to 18.5 million and international travel expenditure by an estimated 22% in the first three quarters of 2007 (*Source: Goskomstat/UNWTO*).

**Table 15:2**

#### **Outbound Travel from Russia, 2003-06**

<b>Outbound Visits</b>	<b>2003 '000</b>	<b>2004 '000</b>	<b>2005 '000</b>	<b>2006 '000</b>	<b>% Ch. 2003-06</b>
CIS countries	8,823	11,263	13,638	13,336	51.2%
Other countries	11,747	13,244	14,778	15,771	34.3%
<b>Total</b>	<b>20,572</b>	<b>24,507</b>	<b>28,416</b>	<b>29,107</b>	<b>41.5%</b>

*Source: Federal State Statistics Service (Goskomstat) and UNWTO*

### 15.3.2 Main Destinations

The main destinations for outbound travel are neighbouring CIS countries, particularly Ukraine (6.5 million in 2006, of whom 91% stated that they were on a 'private visit'); Georgia (3.0 million); and Kazakhstan (2.6 million). The great majority of Russian trips to CIS countries tend to be for VFR or business reasons; not all are captured in the UNWTO arrivals statistics.

Based on Federal State Statistics Service (*Goskomstat*) and UNWTO data, it is estimated that in 2006 China (with 2.35 million arrivals) was the most popular outbound non-CIS destination for Russians, followed by Finland (2.3 million), Turkey (1.8 million), Estonia (1.25 million) and Egypt (1.0 million).

The figures for China include significant numbers of cross-border traders, while those for Finland include Russian transit visitors using Finland as a gateway to enter other parts of Europe. Whereas Germany and the United Kingdom have seen rises in the numbers of arrivals from Russia since 2003, Poland and Lithuania (but not Estonia) have experienced declines which may be partly attributed to the need for Russians to obtain visas to enter these countries following their assumption of EU membership.

**Table 15:3**

#### Number of Departures by Russians to non-CIS Countries, 2000-06

Destination	2000 ( <sup>'000</sup> )	2003 ( <sup>'000</sup> )	2004 ( <sup>'000</sup> )	2005 ( <sup>'000</sup> )	2006		% Ch. 2000-06
					( <sup>'000</sup> )	% leisure	
China	997	1,372	1,765	2,170	2,352	55.6	135.9
Finland	1,585	2,029	2,083	2,100	2,341	24.0	47.7
Turkey	733	1,312	1,756	1,903	1,829	80.7	149.5
Estonia	1,040	951	972	1,204	1,254	5.7	20.6
Egypt	136	418	662	770	1,002	90.1	636.8
Poland	1,075	666	559	803	849	19.9	-21.0
Lithuania	1,156	896	786	793	838	5.4	-27.5
Germany	450	790	825	815	753	30.0	67.3

Italy	167	201	247	308	365	67.4	118.6
Spain	232	215	238	279	309	79.6	315.3.2
France	136	232	286	335	279	49.8	105.1
Greece	89	137	148	200	257	77.4	188.8
UAE	118	193	229	222	234	74.4	98.3
Britain	110	170	209	218	215	39.0	95.5
Bulgaria	104	112	130	179	209	70.8	101.0
Czech Rep	90	89	158	183	200	68.0	122.2
<b>Sub-total</b>	<b>8,218</b>	<b>9,783</b>	<b>11,053</b>	<b>12,482</b>	<b>13,286</b>	<b>46.2</b>	<b>61.7</b>
<b>Other/ unspecified</b>	<b>n.a.</b>	<b>1,964</b>	<b>2,191</b>	<b>2,296</b>	<b>2,485</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Total</b>	<b>n.a.</b>	<b>11,747</b>	<b>13,244</b>	<b>14,778</b>	<b>15,771</b>	<b>515.3.3</b>	<b>n.a.</b>

*Source: Goskomstat, UNWTO and TII estimates*

### 15.3.3 Leisure Trips

In 2006, Russians made an estimated 8.4 million overnight or longer outbound leisure trips; this number is forecast to increase to 10.7 million by 2011 – a 27% increase (*Source: Global Insights 'Global Tourism Navigator'*). This may be an underestimate as it is stated that in 2007 alone the number of outbound leisure trips rose by over 20% (*Source: Goskomstat*).

In 2006, the most popular destination for Russian *leisure* travellers was Turkey (1.5 million visits), followed by China (1.3 million); Egypt (0.9 million); and Finland (0.56 million).

Beach and sun holidays are an extremely important segment of the Russian outbound travel market, particularly for destinations for which no visa is required, or for which visas can be obtained on arrival. Turkey (and now Egypt) are the most popular destinations due largely to the relatively inexpensive package holidays that have been developed and heavily promoted by Turkish tour operators for middle income Russians (who later introduced similar programmes for Egypt). Thailand (mainly Pattaya, Phuket and Koh Samui) and India (mainly Goa) have also seen large increases in the number of Russian visitors since 2000. Austria, France and Switzerland are the main ski destinations.

China is shown to be Russia's second most popular holiday destination (after Turkey), with approximately 60% of trips stated to be for leisure or sightseeing reasons. However, it is likely that many Russian business visitors to China combine business and leisure during their stay. Easing of visa restrictions - 22 Chinese cities now offer visa-free access to Russians - has made it simpler for Russians to enter China and contributed to the growth in arrivals.

Both Italy and Greece have recorded significant increases in the number of arrivals from Russia over the period 2000-06, particularly for beach holidays that are often combined with cultural sightseeing. The United Kingdom has also recorded an increase in Russian visitors, albeit at a somewhat slower rate of growth than some other European countries. In 2007, most European destinations recorded increases of over 20% in arrivals from Russia, particularly Austria, Croatia, Cyprus, the Czech Republic, France, Latvia, Lithuania, Monaco, Montenegro, Portugal, Serbia, Slovenia, Spain, Switzerland and Turkey (*Source: European Travel Commission*).

#### **Main Destinations**

Actual: Turkey; China; Egypt; Finland; Italy; Spain; Germany; Greece; United Arab Emirates; Poland; Bulgaria; France

Aspirational\*: France; Spain; Japan; Italy; Germany; United Kingdom; Netherlands; Greece; Switzerland; Norway

\* *not all potential destinations were included in the survey*

*Source: Anholt-GMI Brands Index/British Tourist Authority*

#### ***Aspirational Destinations***

France heads the list of where respondents to a representative sample of the online population in Russia would wish to make a leisure visit 'were money no object', followed by Spain, Japan, Italy and Germany.

### 15.3.4 Market Characteristics

In the absence of comprehensive market information for all Russian outbound tourists, use has been made of data from a combination of sources (including data relating to Russian visitors to Britain in 2006 from the *UK International Passenger Survey/Office for National Statistics*) to illustrate some of the characteristics of the Russian traveller.

#### ***Market Characteristics of Russian Travellers to Britain, 2006***

##### ***Age/Sex Group (UK only)***

Under 25: 29%

25-34: 43%

Over 35: 28%

Male: 71% (88% of business visitors)

Female: 29%

##### ***Purpose of Visit (Source: Russian Travel Monitor, IPK International)***

Holiday: 68%;

Leisure: 12%

Business: 20%

*Business travellers often apply for a tourist (holiday) visa in order to simplify the visa application process.*

##### ***Length of Stay (UK only)***

1-3 nights: 51% (including lorry drivers who stayed for an average two nights)

4-7 nights: 20%

8 nights or more: 29%

##### ***Seasonality (UK only)***

Jan-Mar: 20%

Apr-Jun: 17%

Jul-Sep: 39%

Oct-Dec: 24%

*Three public holidays in January make this a good time for Russians to travel to warmer climates. Travel to European destinations takes place mainly in the summer months.*

##### ***Accommodation Used (UK only)***

Hotel/guest house: 22%

Other paid accommodation: 15% (including hostels, rented house, camping, etc.)

Free Guests with friends/relations: 34%

Other (not specified): 29% (including lorry drivers sleeping in their vehicles)



*Data from the Finnish Tourist Board found that 51% of all Russian visitors in 2006 stayed at hotels compared with 24% who stayed with friends or relations.*

***Frequency of Visit (UK only)***

First Time: 42%

Repeat Visitor: 58%

***Travel Party (UK only)***

Travelling Alone: 52%

Family spouse/partner and children: 2%

Spouse/partner but no children in tour group: 13%

Not alone but no spouse/partner or children in tour group: 32%

Other: 1%

### **15.3.5 Mode of Transport**

According to *Goskomstat*, around 50% of all trips undertaken by Russians to non-CIS countries in 2006 were made by air and 34% by road. As expected, Russians tend to travel to neighbouring non-CIS countries, such as China and Poland, mainly by bus, car or rail. However, for most of the more popular holiday destinations, air travel is the only feasible option. For example, in 2006, some 86% of Russian visitors to Britain travelled by air; and 98% of those who visited Thailand.

Boosted by the increase in the number of outbound trips taken by Russians, as well as the continuing rise in demand for domestic flights, passenger air traffic handled by Russian airlines grew by 8.3% in 2006, compared with 2005. Matching the growth in demand, air capacity and the frequency of flights between Russia and key destinations is also increasing. Europe is by far Russia's largest and most important international aviation market, with around 75% of all foreign passenger traffic directed to European destinations each year. According to *Airbus*, passenger air traffic between the CIS and Western Europe is forecast to grow by 6% per annum until 2023, while passenger air traffic in international airlines serving Russia is projected by IATA to expand by 9.3% annually.

Reflecting the increasing demand, in recent years there has been a substantial rise in the number of

foreign carriers operating to/from Russia, particularly to/from Moscow. In April 2006, UK and Russia agreed a major expansion of air services that would double the number of flights between London and Moscow. Most of the trips to European countries are on scheduled air carrier services. However, for some destinations (notably Croatia, Cyprus and Greece), charter flights as part of a tour package are more usual.

Russia's three leading international airports are located in Moscow: Domodedovo, Sheremetyevo and Vnukovo. There are up to 70 other airports handling international services, but the Ministry of Transport has plans to reduce the number of such airports and to replace the existing network with (in addition to Moscow) international hubs in key cities such as Saint Petersburg, Novosibirsk and Krasnodar. Domodedovo is the fastest growing of the three Moscow airports and expects its passenger traffic to more than double by 2015. Expansion plans will allow it to handle up to 35 million passengers each year. Likewise, reconstruction at Sheremetyevo will increase Terminal B's capacity from 8 million to 18 million passengers per annum, alleviating the present chronic over-capacity. Vnukovo, the smallest of the three, handled 5 million passengers in 2006.

The major Russian international carriers are Aeroflot (7.3 million passengers in 2006); S7 Airlines (4.9 million); Rossiya (2.8 million); UTair (2.4 million); and KrasAir (1.1 million). Through its hub at Sheremetyevo, Aeroflot (Russia's flag carrier) operates 302 flights per day to 93 destinations in 47 countries in Africa, Asia, Europe and North America, accounting for some 51% of all international passenger traffic in Russia. *Sky Express*, Russia's first low-cost airline, was established in 2006 by a consortium of investors which included KrasAir, the European Bank for Reconstruction and Development (EBRD) and others. Based at Vnukovo Airport in Moscow, its main focus initially is on internal routes.

### 15.3.6 Market Trends

Although Russia's population is declining at an accelerating rate, it is steadily getting richer with higher disposable incomes available for former luxuries, such as foreign travel, which continues to hold a high status for most Russians. Expectations of services are particularly high. As a result, Russian tourists can be quite demanding.

According to research carried out by the Moscow-based *Tourism Marketing Intelligence (TMI)*, the key demographic markets are as follows:

- ▶ The ***emerging middle class*** estimated by TMI to number 8 million, of which the great majority reside in Moscow, St. Petersburg and the other main cities. The average middle class consumer will typically take at least one foreign holiday each year, availing of this opportunity to buy designer and other luxury goods.
- ▶ The ***upper income group***, comprising about 1.5 million persons, living mainly in Moscow and St. Petersburg, for whom value-for-money is one of the most important criteria when deciding on a holiday destination.
- ▶ The ***young professionals*** (often employed by multinationals) who tend to speak good English and are the most experienced internet users (although still more likely to use the internet for holiday research rather to buy on-line).
- ▶ The so-called '***Golden Youth***', or children aged 18-25 of the Russian super rich, who numbering 500,000-1,000,000 live mostly in Moscow, travel frequently to cities in western Europe on short VFR breaks.
- ▶ The 100,000 or so ***Russian millionaires or billionaires*** who tend to be aged 35-45 years. Some like to indulge in very conspicuous consumption, spending their wealth on designer goods and five-star luxury; others prefer the privacy afforded by private villas and/or yachts and may own several properties abroad, which they visit frequently throughout the year.

## 15.4 Reaching Russian Consumers

### 15.4.1 Deciding, Planning and Booking Patterns

The key sources of information when planning a trip are: the internet, word-of-mouth recommendations and travel agents. While the internet may be used to conduct research on destinations and hotels, the actual booking is usually made in the travel agency. Secondary sources of information include guide books; TV programmes such as *Vokrug Sveta (Around the World)* and *Neputeviuje Zаметke*; and magazines such as *Voyazh I Turizm*.

Research carried by the European Travel Commission (ETC) indicates that Russians are late bookers, which is one of the reasons why they prefer travelling to countries, such as Turkey and Egypt which provide either visa-free or visa-on-arrival facilities. In 2005, 8% of visits to the UK from Russia were decided less than one week before travelling to the UK; 26% between one week and one month; 33% between one and three months; and the remaining 33% more than three months before travelling to the UK (*Source: UK International Passenger Survey*).

### 15.4.2 Media

There are more than 400 daily newspapers. The major nationals are based in Moscow, but many readers in the provinces prefer local papers. Several influential dailies are controlled by companies with strong political ties.

For most Russians, television, especially via the national networks, is the main source of domestic and international news. TV broadcasting is dominated by channels that are either run directly by the state or owned by companies with close links to government. For example, both Channel One and Russia TV - two of the three main federal channels – are state-owned, while energy giant Gazprom owns NTV. An English-language satellite channel, Russia Today, was launched in late 2005. There are hundreds of radio stations, with state-run networks

competing with music-based commercial FM stations.

***Newspapers:***

- ▶ Komsomolskaya Pravda - mass circulation, left-leaning daily, controlled by energy group YeSN.
- ▶ Kommersant – business-orientated daily, controlled by steel tycoon Alisher Usmanov.
- ▶ Moskovsky Komsomolets - popular privately-owned Moscow daily.
- ▶ Izvestia - popular daily, owned by state-run gas monopoly Gazprom.
- ▶ Rossiyskaya Gazeta - government-owned daily.
- ▶ Nezavisimaya Gazeta - influential privately-owned daily.
- ▶ Trud - left-leaning daily, owned by Promsvyazbank.
- ▶ Argumenty i Fakty - popular weekly, owned by Promsvyazbank.
- ▶ Novaya Gazeta - twice-weekly, known for its investigative journalism; English-language pages.
- ▶ The Moscow Times - English-language daily.
- ▶ The Moscow News - English-language weekly.

***Television:***

- ▶ Russia TV Channel - national network, run by state-owned Russian State Television and Radio Broadcasting Company (VGTRK).
- ▶ Channel One - national network, 51% owned by state, 49% by private shareholders.
- ▶ NTV - national network, owned by state-run Gazprom.
- ▶ Centre TV - owned by Moscow city government.
- ▶ Ren TV - Moscow-based commercial station with strong regional network.
- ▶ Russia Today - state-funded, international English-language news channel, via satellite.

**Radio:**

- ▶ Radio Russia - national network run by state-owned Russian State Television and Radio Broadcasting Company (VGTRK).
- ▶ Ekho Moskvyy - editorially-independent station, majority owned by state-run Gazprom.
- ▶ Radio Mayak - state-run national network.
- ▶ Russkoye Radio - major private network, music-based.
- ▶ Voice of Russia - state-run external service, broadcasts in English and other languages.

**15.4.3 Internet**

There were 28 million internet users in Russia (representing 19.5% of the population) in June 2007, according to *Internet World Stats*. Usage is highest among men: 25% compared with 18% among women; among younger users between 18-24 years old: 46% penetration compared with 9% above 45 years; and among students (51% penetration), top managers (45%) and qualified specialists (41%), according to 2006 survey conducted by *Romir Monitoring Holding*.

The Internet is often used to research different holiday destinations, but the actual booking still tends to be made in the travel agency. However, more experienced and independent travellers may make their travel arrangements directly, with the majority of such e-commerce transactions stemming from residents of Moscow, followed by St. Petersburg. However, use of the internet is restricted by the fact that many Russian banks do not permit the use of a credit card to book over the internet. Amongst Britain's *Best Prospects*, identified in a 2005 online survey, most respondents (83%) would consult the internet if planning a trip to Britain (*Source: British Tourist Authority*).

## 15.5 The Travel Trade

### 15.5.1 Distribution Channels

The main channels of distribution for Russian outbound travellers are travel agents, tour operators and the internet. Whereas during the Soviet era, there were only three state-owned travel companies, today, there are over 12,000 travel agencies and some 5,000 tour operators, all privately owned. There is not always a clear division between travel agencies and tour operators, but the situation is changing as large tour operators increasingly tend to deal less directly with customers, preferring to work through a network of agents. Most of the larger companies are members of the Russian Union of Travel Industry (RUTI).

Following the withdrawal of travel company licences in 2007 and the introduction of financial guarantees, tour operators are now responsible for providing financial bonds of up to \$200,000. This is expected to lead to a decrease in the number of smaller operators and a strengthening of the larger ones.

### 15.5.2 Travel Agencies

Travel agents play a more important role in Russia than they do in western countries. The vast majority of Russian business and leisure travellers will book their trip through a travel agency, only using the internet to compare prices of flights and hotels.

Agencies are most heavily concentrated in Moscow (with 4,217) compared with only 327 in Saint Petersburg and less than 100 in a large provincial city. Major travel agent brands include *Kuda.ru*, *Last-minutes offers* and *RFR group*).

### 15.5.3 Tour Operators

Following consolidation, a few major tour-operator brands have emerged in recent years. Most are

based in Moscow (which is estimated to control almost two thirds of the total market in terms of sales) and, to a lesser extent, in Saint Petersburg.

The 20 or so leading tour operators have annual turnovers ranging from \$100 million to over \$300 million. As a distribution channel they use an agent network, although direct sales can make up to 50% of sales. Many of the smaller tour operators specialise in single destination sales. Some specialise in the fast-growing business segment, organising business trips, conferences, meetings and incentive trips for corporations.

In 2006, for the first time since its monopoly role during the Soviet era, Intourist regained the position of the largest Russian tour operator, topping \$338 million in annual revenues, according to the joint survey by the leading business daily *Kommersant* and the travel industry news agency *Tour Info*. The other leading Russian tour operators in terms of turnover were Inna Tour; Tez Tour; Natalia Tour; Coral Travel; Neva; Sputnik; PAC Group; Primobky Airline Agency; and Capital Tours.

#### **15.5.4 Trade Fairs**

The main tourism and tourism-related trade fairs (all held annually in Moscow) are:

##### **MITT**

Moscow International Travel & Tourism (MITT) show, held in March, is the leading annual forum for the travel industry in Russia. MITT 2007 featured over 2,700 companies from 110 countries and regions, and attracted over 120,000 buyers from across Russia.

##### **ITM Intourmarket**

An exhibition (also held in March) organised by the Federal Ministry of Tourism to compete with MITT, it is still small compared with MITT. In 2007, 1,263 companies took part, of which 935 were from Russia.



## MIBEXPO

Meetings, incentives and exhibitions fair. With over 150 participants, the fourth annual exhibition in September 2007 attracted over 5,000 visitors.

### 15.5.5 Sales Calls

All visitors require a visa. Business visas from private companies now have to pass through the Ministry of Foreign Affairs and this takes around ten days on the Russian side. Express visas can be organised in less time but they cost more.

## 15.6 How They Think, Feel and Behave

### 15.6.1 Motives for Travel

- ▶ The *wealthy elite* are seeking luxury breaks in first-class hotels with fine dining, boutique shops, health spas, etc. The choice of destination is often made according to its perceived social status.
- ▶ The *middle classes* wish to escape from the harsh Russian winter to warm-weather beach destinations in Turkey, Egypt, Cyprus, Dubai, Spain, etc.
- ▶ Russians are showing an increased interest in new places, rather than traditional sea and sun destinations.
- ▶ They often like to visit foreign destinations that are featured in Russian literature, films and songs.
- ▶ The opportunity to view or visit well-known landmarks is also an important factor in choosing a destination (e.g. Big Ben, Parliament, Tower of London and other iconic images of Britain, centred on London).
- ▶ Trips abroad by *poor seniors* are typically paid for by their children or grandchildren wishing to compensate them for the lack of opportunity to travel to the West during the Soviet era.

- ▶ Children of wealthy parents go abroad on language courses, preparatory courses and long-term education. In many cases, a member of a family escorts the child to the school or college, and stays for a while in a hotel in a nearby town.
- ▶ For the grown-up children of the new Russian elite, the main purpose of the trip abroad is to live life fully e.g. by spending freely and generally having a good time.
- ▶ VFR trips are made to ethnic Russians living in former Soviet Union and Warsaw Pact countries.
- ▶ Business, trade, official trips are also important.

### 15.6.2 What Do They Do on Holiday

On average, wealthy Russian tourists are estimated to spend five times more per night than travellers from other countries on high-end luxury products, including five-star hotels and spa retreats; fine dining at famous restaurants; chauffeur transfers; personal shoppers, premium language schools for their children, etc. They are prepared to pay for a wide range of services, but expect high standards in return. Their favourite pastimes are watching sports, shopping, gambling and outside entertainment. Sometimes they also sometimes like to investigate real estate opportunities for possible investment.

While middle-class couples/families still prefer countries with warmer climates, more and more are turning towards holidays, which allow them to combine seaside relaxation with an interesting cultural programme, as well as spa treatments. They also like to visit museums, child entertainment centres (if they have children) and to shop.

Most Russians like to shop, particularly when out of Russia where they assume everything will be cheaper. In 2006, over half of visits to Britain involved some shopping both for souvenirs and for fashion items.

First-time visitors will focus more on sightseeing and are more likely to go on a guided tour to see famous monuments and buildings. Repeat visitors

***In general, Russian tourists abroad spend more money than tourists from other countries***

***Russians love to shop***

***Russians like sightseeing and interacting with locals***

will seek more interaction with the local people and exploring the country's way of life.

The opportunity to view or participate in a sporting activity is a strong attraction. Interest in golf is growing rapidly among the wealthy.

Russians tend to make greater use of spa facilities on holiday than most other visitors.

### 15.6.3 How Do They Feel and Behave

- ▶ The Russian style is to spend a lot on their vacation, even when they are not rich. In particular, the *nouveau riche*, tend to spend very liberally on food, entertainment, excursions and shopping.
- ▶ Although they will not expect their hosts to speak Russian, they will prefer to have Russian-speaking guides for sightseeing tours.
- ▶ They tend to be hearty eaters and imbibers—favouring traditional Russian fare.
- ▶ Russian tourists can be quite demanding. Expectations of services are particularly high.
- ▶ In the early years after the fall of Communism, the capricious and sometimes rude behaviour of the new Russian elite made them infamous abroad, particularly in hotels and fashionable resorts. While this type of behaviour has since moderated, their habit of spending a lot has not.
- ▶ Being financially dependent, the *poor seniors* are restricted to pre-paid package tours and tend not to buy any optional services.

***Sport is a strong attraction for Russians***

***Spending is norm for Russians on holiday***

***Russian speaking guides are preferred***

***Heavy drinking and eating***

## 15.7 Information Sources

The following are the main sources for the information in this report:

- ▶ Anholt-GMI Nation Brands Index - 2006 & 2007.

- ▶ Association of British Travel Agents (ABTA).
- ▶ British Broadcasting Corporation (BBC).
- ▶ British Tourist Authority.
- ▶ CIA World Factbook .
- ▶ European Travel Commission (ETC).
- ▶ Eurostat, the Statistical Office of the European Communities.
- ▶ European Commission.
- ▶ Federal State Statistics Service (Goskomstat).
- ▶ Forbes magazine.
- ▶ Global Insight's "Global Tourism Navigator".
- ▶ International Air Transport Association (IATA).
- ▶ International Monetary Fund (IMF).
- ▶ International Passenger Survey 2006 (UK Office for National Statistics).
- ▶ Internet World Stats 2007.
- ▶ National Tourist Offices (various).
- ▶ Pacific Exchange Rate Service.
- ▶ US Census Bureau International Database.
- ▶ UNWTO (World Tourism Organisation).
- ▶ VisitBritain Perceptions of Britain Research – 2006 (Qualitative).
- ▶ World Bank.
- ▶ World Travel and Tourism Council (WTTC).

## Chapter 16

# SOUTH AFRICA



## 16.1 Market Snapshot

Diversity is a key feature of South Africa, where 11 languages are recognised as official, where community leaders include rabbis and chieftains, rugby players and returned exiles, where traditional healers ply their trade around the corner from stockbrokers and where housing ranges from mud huts to palatial homes with swimming pools.

*A very diverse market*

Very much Africa's superpower, South Africa has the continent's biggest economy, with strong financial and manufacturing sectors. It is a leading exporter of minerals and tourism is a key source of foreign exchange. But many South Africans remain poor and unemployment is high – a factor blamed for a wave of violent attacks against migrant workers from other African countries.

*The superpower of Africa*

In the grand scheme of things, the South African outbound travel market is somewhat insignificant, accounting for a mere 0.5% of both worldwide tourism expenditure and the total number of outbound arrivals in 2016. That same year, it ranked only 32nd in terms of total outbound expenditure. One has to recognise however, that South Africa is the number one emerging market from the African continent. It stands in stark contrast to some of its neighbouring African countries, such as Mozambique, Malawi, Zimbabwe, Lesotho, all of which have outbound markets that are not even worth writing home about.

Reflecting the overall economic environment, South Africa's outbound market suffers from two extremes. On the one hand there are outbound travellers whose main concerns when making travel decisions are price and value for money. While on the other hand, there are those who are less concerned about cost and who enjoy exploring long-haul and exotic destinations. The former tend to limit their travel within the African region.

## 16.2 General Market Conditions

South Africa is located, as one might expect, on the southern tip of Africa. It is bordered by the Atlantic Ocean on the west, the Indian Ocean on the south and east. Along its northern border, from west to east, lie Namibia, Botswana, and Zimbabwe, and to the northeast are Mozambique and Swaziland. Wholly enclosed by South Africa, and situated in its eastern central plain, is the independent kingdom of Lesotho.

South Africa is the envy of many of its neighbours. As an outbound market it has some key ingredients that make it a success when compared to other Southern African states. It has a large population that is more educated and with higher incomes than other African countries. It is an economic super house within Africa and now it can boast of a relatively stable political platform since the beginnings of democracy, which replaced the nasty apartheid regime.

*The envy of the Africa region*

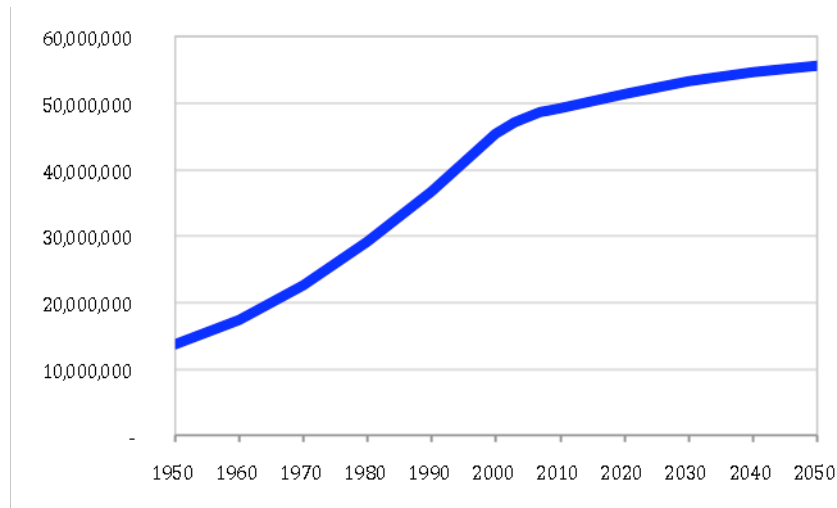
### 16.2.1 Population

South Africa, dubbed the 'Rainbow Nation', is currently home to a diverse mix of 48 million people. South Africa is dominated by Black Africans, who comprise about 77% of the total population. Whites account for 9% of the population, Indians or Asians account for 3%, and the remaining 9% consist of individuals of mixed heritage. Although Africans dominate the country, this segment itself is not culturally or linguistically homogeneous, encompassing various tribes and ethnic groups. Based on United Nations projections the rate of growth of the population in South Africa is expected to slow down from an average annual growth rate of 2.3% between 1950 and 2006 to a projected average annual growth rate of 0.32% between 2006 and 2050.

*The 'Rainbow Nation'*

**Figure 16:1**

**South African Population Over Time 1950 – 2050**



Source: United Nations Statistics Division, 2008

Population is a very important market determinant for outbound travel. The higher the population the greater the base for outbound travel. So a diminishing rate of growth in South Africa’s population does not augur well for outbound travel from that country.

***Population is an important determination of outbound travel***

Another point to take into consideration is the high rate of death due to HIV/AIDS. One in seven South Africans is afflicted with the disease and there are no signs that this trend will curtail anytime soon. This could hurt the prospects for outbound travel because of the adverse effects that HIV/AIDS has on the growth prospects for the population.

***HIV/AIDS reeking havoc in South Africa***

**16.2.2 The Economy**

South Africa is the economic hub of sub-Saharan Africa, accounting for about a third of regional GDP. The country is the largest producer of gold and platinum, and its well-developed mining, manufacturing, services and agricultural sectors rival those found in the developed world.

***The economic hub of Africa***

The latter part of the 1990s was a difficult time for the new South Africa, with slow growth rates seen as the government attempted to reverse past injustices.



Concurrently, the country was afflicted by ‘brain drain’ as qualified professionals and the well educated left to pursue careers in other countries. After a rather tumultuous start, the government’s sensible fiscal and monetary policies, in conjunction with a trade liberalisation programme, gradually began to yield encouraging results.

In 2006, the country experienced its highest GDP growth since the end of apartheid. This strong rate of growth was sustained into 2007. And Economists estimate that South Africa’s economy expanded by 4.5% in 2008.

While growth in post-apartheid South Africa has been quite good, and is now accelerating, it has been rather slow in comparison to other emerging economies: India, for example, saw a real GDP growth rate of 9% in 2007, and GDP for Eastern Europe expanded by 6%. Seemingly, social and structural issues – these include poverty, crime, corruption, unemployment and AIDS – are preventing South Africa from realising its full economic potential.

Moreover, despite its economic successes, South Africa is still characterised by sharp inequalities. While much of the white population and a growing black middle class are enjoying the fruits of a flourishing economy, currently, over half of the population is deemed to be living in poverty (57.5%).

South Africa has been suffering from a widening gap of income inequality due in large part, to the high level of unemployment, which stood at 216.5% in 2006, according to the *International Labour Organisation*. Refugees and illegal immigrants from neighbouring African countries represent a significant proportion of the informal employment sector, and this is another mitigating factor behind the country’s high unemployment rate. South Africa is estimated to harbour over 8 million refugees and illegal immigrants.

However, in spite of weak labour market conditions and the high level of poverty, consumer spending

### ***A growing and buoyant economy***

### ***Poor distribution of income leading to gross inequalities***

among the middle and upper classes remains a key driver behind South Africa's economic growth. Consumer credit has been rising steadily since 2003, and in the final quarter of 2006, household debt was at an all-time high of 73.8% of disposable income.

Moreover, earnings for the middle class have increased and, during the 2004-2007 period, per capita household disposable income rose by an average of 5%, stimulating expenditure on non-essential items, including travel. However, travelling overseas is still very much the preserve of the middle classes. Indeed, just under one in ten South Africans headed abroad in 2006, and spent an average of US\$784 per outbound traveller, which is equivalent to about 10% of South Africa's average annual household income.

### 16.2.3 Exchange Rates

The Rand, South Africa's currency, is the most widely traded emerging market currency to date. At the start of the century, the Rand started experiencing volatility, which further adversely impacted on an already hurting South African economy.

As the Rand strengthened gradually against the US dollar during 2001-2006 period, South African outbound travel grew steadily at an average rate of 2.7% per year. However, the number of South African arrivals to the US is still lower than that recorded prior to 9/11. As a matter of fact, the number of South African visitors to the US actually dropped by 6.3% from 2001 to 2006. Seemingly, other factors – security fears, a lack of leisure time, intensifying competition and poor destination marketing efforts – have played a more significant role in keeping South Africans away from the US.

The Rand has also performed well against the British pound over the same period, resulting in a marked increase in the number of visitors to the UK, the most popular destination for South Africans. Clearly, outbound travel from South Africa seems sensitive to shifts in exchange rates, although this is not the sole factor when it comes to making decisions to travel

***Increased middle class income levels***

***The rand is the most widely traded currency in Africa***

***Positive correlation between currency rates and outbound travel***

***Travel to UK increased as the rand became stronger***

abroad.

## 16.3 Outbound Tourism

### 16.3.1 Outbound Arrivals

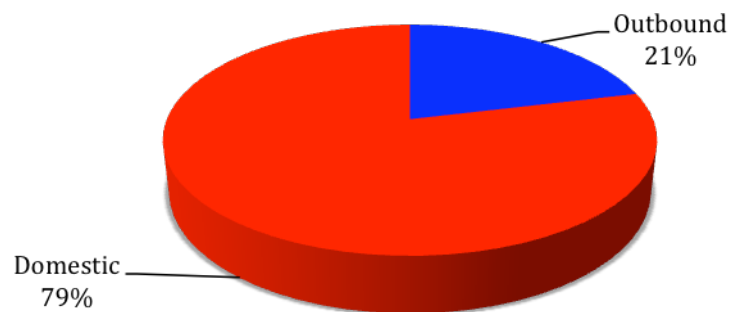
With the exception of 2001, due to the events of 9/11, outbound travel has risen year on year since the demise of apartheid in 1994. Conversely, the propensity to travel abroad in South Africa remains low, reflecting the fact that only the affluent can afford to travel. The propensity to travel remained relatively stable from 2000 to 2005, before reaching an all-time high of 9.8% in 2006, mirroring record highs in consumer confidence and expenditure that year.

South Africans are more inclined to travel domestically than to travel overseas. In 2005, 14.7 million South Africans made 36.2 million domestic trips versus 4.3 million outbound trips. In 2007 outbound trips had only marginally increased to 4.4 million.

*Steady growth in outbound travel since apartheid*

**Figure 16:2**

#### South African Outbound vs. Domestic Travellers 2005



*Source: Statistics South Africa, 2007*

### 16.3.2 Tourism Expenditure

Even though it is Africa's most critical and largest outbound market, South Africa only ranked 36<sup>th</sup> in terms of total global tourism expenditure in 2005, just 0.5% of total international arrivals that same year.

**Table 16:1**

**South African Outbound Expenditure**

<b>Year</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Tourism Expenditure (USD \$bn)	2.1	1.9	1.8	2.8	3.1	3.4	3.4
Expenditure per person (USD \$)	548	508	474	n/a	815	860	784

*Source: United Nations World Tourism Organisation, 2008*

Between 2000 and 2006 the average annual rate of growth in South African outbound expenditure was 8.4 percent. In general South Africans spend almost 2% more on travel abroad than the average international traveller. So while outbound travel in terms of numbers might be insignificant in the grand scheme of things they do spend more than the average traveller, which is good for tourism business.

***South Africans spend more than the average international traveller***

**16.4 Main Destinations**

It should be noted that not all South African residents who departed the country in 2000 and 2003 were asked for details of their final destination. The totals might therefore, not correspond correctly with the overall outbound figures of the *United Nations World Tourism Organisation* and *Statistics South Africa*. It should be further noted that the figures only relate to departures from South Africa’s three main international airports – Cape Town, Johannesburg and Durban.

**16.4.1 Regional**

Long haul travel from South Africa is dominated by Europe, which is unsurprising given the close colonial and historical ties that South Africa has with the UK, Germany and the Netherlands. Africa is the next most visited region, followed by North America. In recent years, North America, like Europe, has seen its share of the South African outbound market decline marginally. The African region grabbed a bigger share of the outbound sector in the latter year, suggesting that in spite of favourable exchange rates and a buoyant economy, a fair number of South African travellers are still somewhat price sensitive,

***Europe tops South Africa’s regional destination of choice***

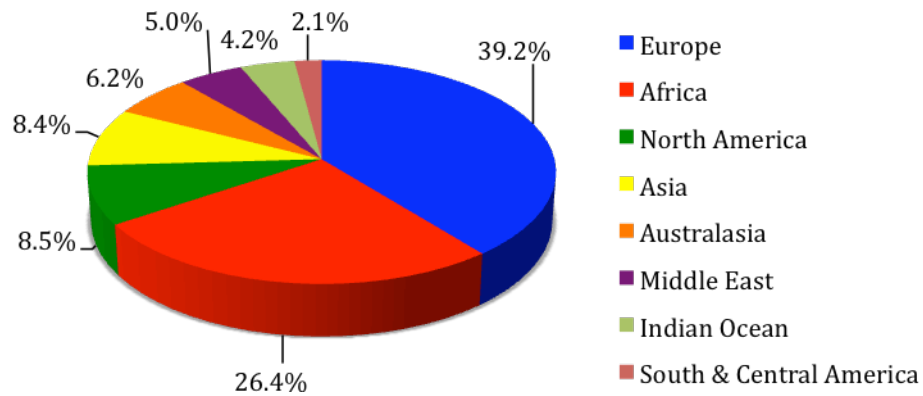
preferring to travel closer to home, perhaps as part of a short break, rather than to more expensive long haul destinations perceived as expensive, such as those within Europe and North America. The introduction of low-cost flights to neighbouring African cities has also fuelled demand for intra-regional travel.

Demand for travel to long-haul destinations such as Asia and Central and South America has increased at a greater pace than that to the traditional favourites of Europe or North America, indicating that cost still plays a pivotal role in South African travel decisions. By and large, airfares from South Africa to Asia and South and Central America are similar to those of Europe and North America. Arguably, however, visits to destinations in Asia and both Central and South America cost less overall owing to the relatively lower cost of living in these regions.

***Asia and Central/South America experience the highest growth in SA outbound travel***

**Figure 16:3**

**Regional Market in Outbound Travel from South Africa, 2003**



*Source: Statistics South Africa, 2007*

**16.4.2 Europe**

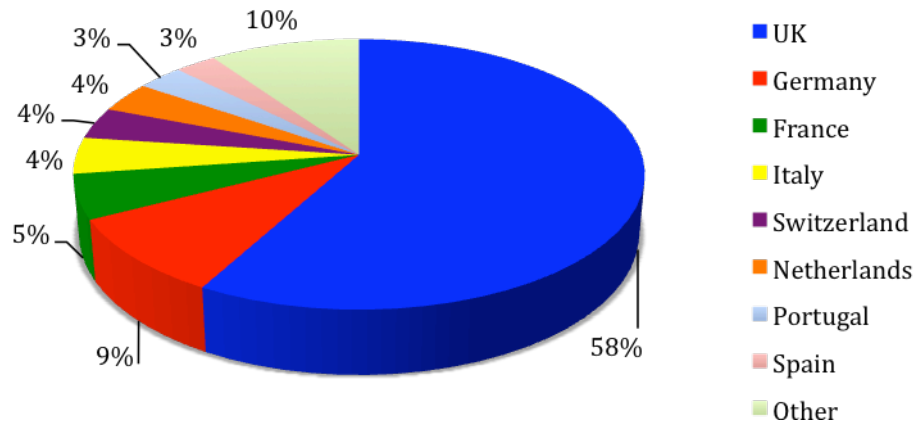
The UK remains the top European destination for South African travellers as it imposes fewer visa restrictions on South African visitors than other

***UK is #1 destination for South Africans***

European nations. South Africans need not apply for a visa to visit the UK if their stay is for less than six months. In contrast, South Africans have to apply for a Schengen visa, which can be a rather costly and arduous process, in order to visit other European destinations. South Africans can also apply for the UK Working Holidaymaker Scheme (WHM), which permits them to work in the country for a maximum period of two years. In 2005, 452,000 South Africans were granted admission into the UK on one of its immigration or work permit schemes, representing an increase of 9.7% on 2003 figures, according to the *Home Office*. South Africans were the fourth-largest nationality, after Australia, India and Japan, to be granted leave to remain in the UK that year. And given the large number of South African working and living in the UK it is not surprising that the main purpose of travel by South Africans to that country is the Visit Friends and Relatives (VFR).

**Figure 16:4**

**Market Share of Outbound Arrivals to Europe from South Africa**



*Source: Statistics South Africa, 2007*

**16.4.3 Africa**

A decade ago, South Africans shunned visiting the rest of Africa, as it was perceived to be poor, dangerous and uninviting. However, this has since

***More and more South Africans explore the rest of Africa***

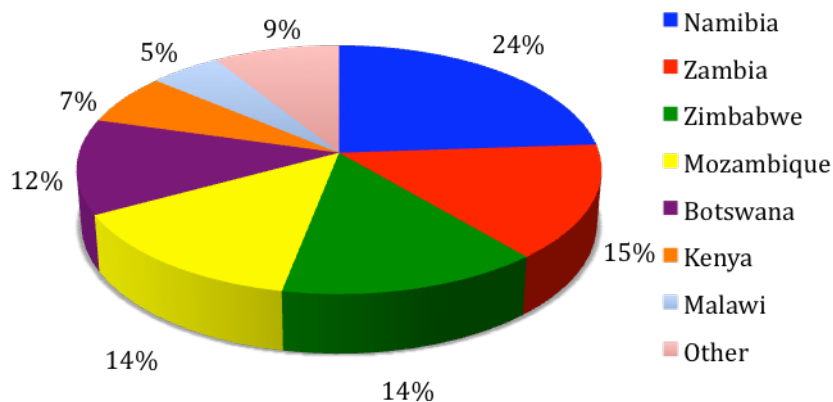
changed, with more and more South Africans exploring their continent. There was a resounding rise in the number of visits to neighbouring African countries over the period 2000-03, with the exception of Zimbabwe, which has been rocked by political and civil unrest in recent years. Tour operator *Thompsons Tours* said it took more than 1,000 bookings from South Africans travelling in Africa in May 2006, more than three times as many as in May 2001.

Namibia, which attracts the largest proportion of South African travellers among all the African destinations, is primarily a holiday destination for South Africans, with numbers peaking in June, July and December. During June and July, Namibia's winter season, temperatures are at their coolest and there is minimal rainfall, making it an ideal time to visit the country. Namibia was perceived as an ideal destination for those wishing to explore the great outdoors, the country's natural beauty and tranquility. Fishing and camping were the prime draws for South African travellers to the country, according to *Namibia Tourism*.

***Namibia is #1 destination in Africa***

**Figure 16:5**

**Market Share of Outbound Travel from South Africa to the African Region, 2003**



*Source: Statistics South Africa, 2007*

Zambia, the second most popular African destination among South Africans, saw the number of South African arrivals to the country double from 2000 to 2003 (from 12,000 visitors to 25,000). Victoria Falls and Chobe National Park are popular spots for South Africans to visit. Years of civil war and strife have kept tourism to Zambia at bay in the past. Nonetheless, since peace was attained in the early 90s, it has regained its standing as a popular tourist destination among South Africans.

***Zambia is second favourite destination in Africa***

#### **16.4.4 The Americas**

The US is still perceived by South Africans as a high-cost destination, even with the recent decline in the relative value of the dollar. Nevertheless, it remains the top South African outbound destination within the Americas. From 1994 onwards, travel to the US from South Africa increased steadily, until a sharp decline occurred in 2001 due to a combination of factors including a faltering South African economy, the devaluation of the rand and the events of 9/11. Rises in the price of oil in subsequent years, which pushed airlines into implementing fuel surcharges, suppressed the growth in arrivals from South Africa to the US. 89,000 South Africans visited the US in 2005, equating to a rise of 14.1% over 2004 according to *Office of Travel and Tourism Industries (OTTI)*. However, the number of inbound arrivals from South Africa to the US has yet to recover to pre-9/11 levels, and there is little sign of this happening in the foreseeable future.

***The US is perceived as expensive***

### **16.5 Market Characteristics**

The following section is based on data collected by the National Tourism Board of South Africa in their study of the South African outbound market in 2004. However, owing to limitations of the study the data should be used with caution.

#### **16.5.1 Planning**

The most important source of information on deciding which destination to visit was friends and family as well as travel agents. Other print material

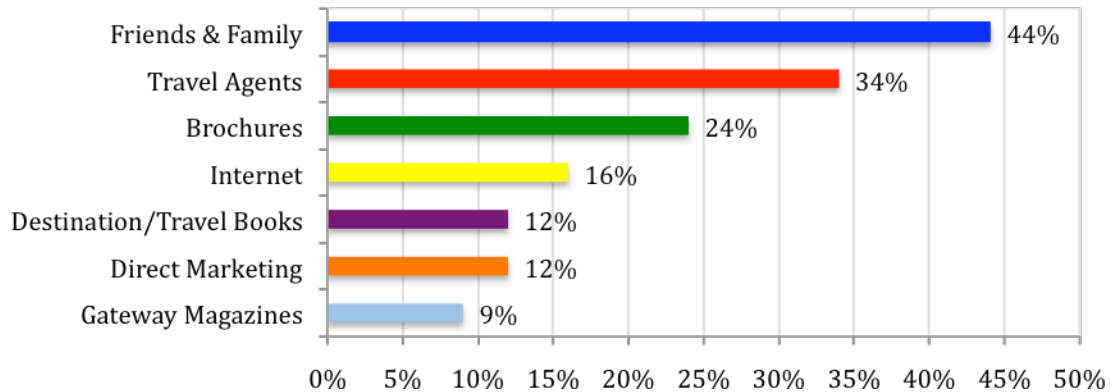
***South Africans make travel decisions based on 'word of mouth'***



did not have any significant weight with South Africans suggesting that word of mouth is very important for them in their travel decision-making process.

**Figure 16:6**

**Most Influential Source of Travel Information for South Africans**



*Source: National Tourist Board, 2007*

The survey also found that black South Africans were more likely to depend on travel agents rather than their acquaintances or relations for advice. This reflects the fact, as highlighted by Statistics South Africa and national tourism bodies, that the majority of South African travellers are ethnically white. Black South African outbound travellers therefore have a much smaller pool of friends and family (or even none at all) who have travelled abroad to ask for advice.

***Black South Africans depend more on travel agent advice***

### 16.5.2 Booking Type

Close to half of South Africans use travel agents or contact suppliers directly to book their holidays. In the case of Namibia, South Africans are liable to book components of the holiday separately, suggesting that a significant proportion of South African visitors to the country are actually independent travellers.

Internet bookings do not seem to be the norm. Fewer than 10% of South Africans has access to the

***Internet Bookings is not the norm***

Internet. However, online retail sales in South Africa actually increased by 25% in 2004, to US\$71 million, according to a report by *World Wide Worx*. In 2007, this had risen to around US\$90 million. Airlines have been the main beneficiaries of this boom in e-commerce activity in South Africa.

### 16.5.3 Demographic Composition

There are no demographic data available for South African outbound travel on a whole. Therefore, in order to get an insight into the demographic composition of the South African outbound travel market we will take a look at the number one destination for South Africans, namely the United Kingdom.

Approximately 75% of South African visitors to the UK come from the 25-54-year-old age group, according to UK's 2005 IPS survey. South African arrivals to the UK are visibly older than the average UK visitor. As a whole, the UK draws 46% of its visitors from those aged 25-44 years, compared to just 30% of 45-64-year-olds. Notably, the number of South African visitors aged 55-64 years increased by 52.3% between 2000 and 2005, while the number of arrivals aged 25-34 years and 35-44 years actually declined by 7.8% and 3.3%, respectively.

***South Africans travellers to the UK are in the upper middle-aged bracket***

On the whole, it therefore seems that the average South African visitor is a relatively mature, probably a well-travelled individual who possesses sophisticated tastes and expectations. According to the *British Travel Association*, South African visitors to the UK tend to originate from the ABC1 class, which characteristically consists of professionals and white-collar workers, suggesting that they are well educated as well.

Studies carried out by both the BTA and OTTI indicate that most South African visitors actually travel alone. Couples form the next biggest segment, followed by families. However, the number of family holidays taken by South Africans is decreasing, owing to rises in associated travelling expenses. Numerous studies by various tourism organisations

***South Africans primarily travel alone***

illustrate that the desire to explore the history, heritage and culture of other countries are the main motivators to prompt South Africans to travel abroad.

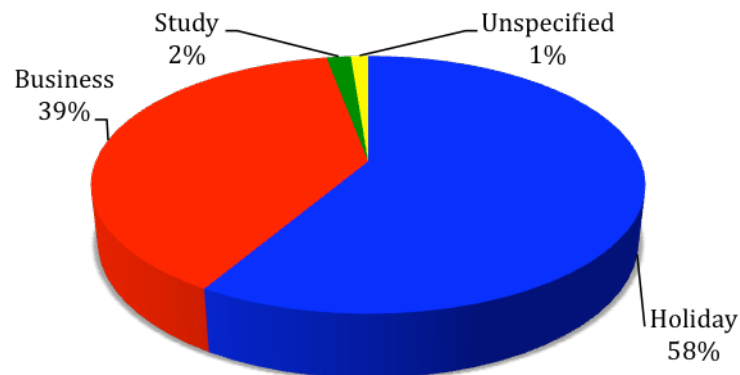
#### 16.5.4 Purpose of Visit

Holidaymakers form the bulk of South African departures. However, this does not reflect the fact that a significant proportion of travel undertaken by South African residents is for VFR purposes. Some 46% of South African visits to the UK can be accorded to arrivals citing VFR as the primary purpose of their visit to the country in 2005, representing an increase of 14 percentage points since 2000. Holidays, on the other hand, amounted to only 28% of all visits, and saw a 12-percentage point decline over the same period.

***Holidays constitute the main purpose of travel abroad***

**Figure 16:7**

**Departures from South Africa by Purpose of Visit, 2003**



*Source: Statistics South Africa, 2007*

As might be expected, South Africans are likely to be repeat visitors in destinations where friends and relatives reside, or where there is a sizeable South African expatriate community. In 2005, 78% of South African visitors had visited the UK within the last ten years, and, in 2006, some 55% of South African arrivals to Hong Kong claimed that they had visited the city before. Conversely, in Mauritius, where taking a holiday was the main purpose for the majority of South African stays in 2004, repeat visits only accounted for 39.8% of all visits.

***South African are repeat visitors***

Research carried out by the BTA found that more South Africans are choosing to travel independently, and that most tour operators cater to these people by offering simple packages with add-on options. Smaller special-interest operators, such as those involved with sporting tours, also generate significant business.

***More and more South Africans are independent travellers***

### **16.5.5 Length of Stay**

Again, little or no data is available from South African sources as to the average length of stay of outbound travellers. However, we will look at the UK market to gain some insights in this regard.

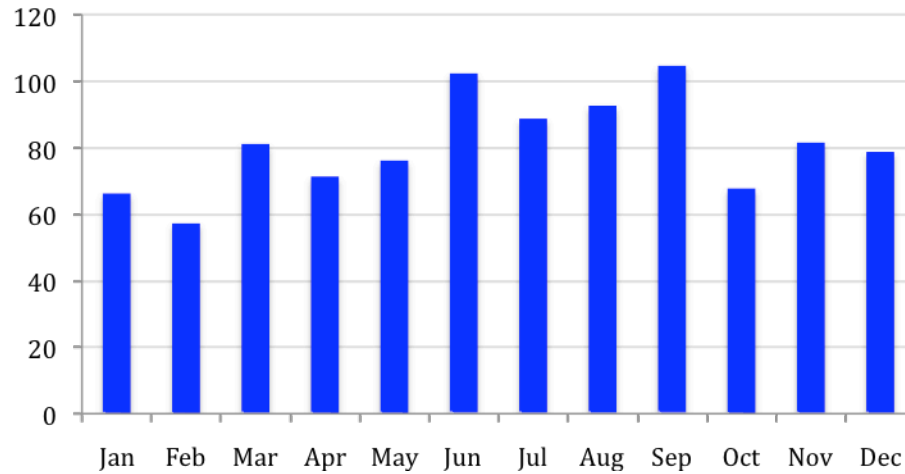
In the UK, in 2005, South Africans stayed for 116.9 days on average, marking a slight increase over the 14.4-day average stay recorded in 2000. Evidently, the strengthening of the South African rand against the British pound has encouraged South Africans to stay for slightly longer periods in the UK. The growth and spread in South African immigrants is also spurring longer stay over periods for VFR visits to the country.

***South Africans stayed over two weeks on vacation***

South African visitors to Hong Kong stayed for about 2.8 days on average in 2006. This is slightly shorter than the 3.3 days recorded in 2001 and is due partly to the fact that more South African tourists are heading to the mainland or to neighbouring Asian countries, where even greater shopping bargains are to be found. Arrivals to Mauritius from South Africa in 2004 stayed for around eight days. This is unsurprising, given that the bulk of South African visits to the country are on package deals, which normally last a week.

### **16.5.6 Seasonality**

By and large, tourism from South Africa is not skewed towards a particular month. However, there is a notable high season from June to September, South Africa's winter/spring season, during which there are three national public holidays.

**Figure 16:8****South African Travel Abroad by Months, 2003**

*Source: Statistics South Africa, 2007*

**16.5.7 Accommodation**

When it comes to the two most popular long haul destinations for South Africans – i.e. the UK and the US – staying with friends and family is the primary choice of accommodation. On the other hand, in Mauritius – deemed to be a more affordable destination than either the UK or the US, and where the main purpose of a visit is for a holiday rather than VFR – hotels are the primary choice of accommodation. In 2004, around 88% of South African visitors to Mauritius stayed in a hotel, often as part of a package.

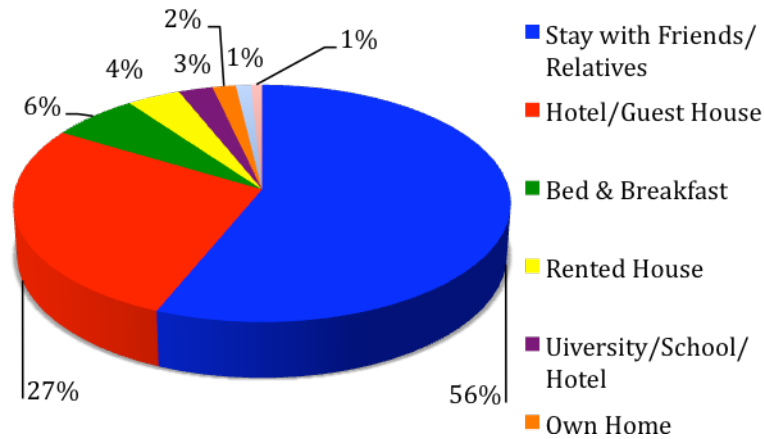
A close look at the UK reveals that some 56.2% of all South Africans travelling to the country during 2002-05 stayed with friends and relatives. In 2002, when the rand depreciated significantly against the world's major currencies, 61.5% of all South African visits involved stays with relatives and friends. Usage of hotels, guesthouses and bed and breakfasts has dipped sharply since 2001, reflecting the rise of VFR visits and the decline of South African holidaymakers in recent years. Conversely, usage of hostels/universities and campsites, both of which are cheaper options, have seen sizeable increases in

***Staying with friends and family is number one accommodation type for South Africans***

visitor numbers, albeit from a small base. When not staying with friends/relatives, South Africans tend to select budget accommodation.

**Figure 16:9**

**Type of Accommodation used by South African Outbound Travellers to the UK, 2005**



*Source: Office of National Statistics, 2007*

According to the BTA, South African outbound travellers desire good, efficient service and clean accommodation. Generally, they match their expectations to the type of accommodation booked. Even though there has been a gradual strengthening of the rand since 2002, some of the major travel consortiums have reported that a higher proportion of South Africans travelling overseas are booking two- or three-star accommodation. The Internet has also made it possible for tourists to compare prices prior to booking, leading to more competitive pricing strategies and better deals for travellers.

***Efficient service and clean surroundings are top motivators for South Africans choosing accommodation***

## 16.6 Mode of Transport

### 16.6.1 Road Travel

South Africa's extensive road network – the longest in all of Africa – is the prime mode of transport used by South African residents departing the country. Extending for nearly 7,200 km, the network of national roads links all major centres in the country to one another as well as to neighbouring countries,

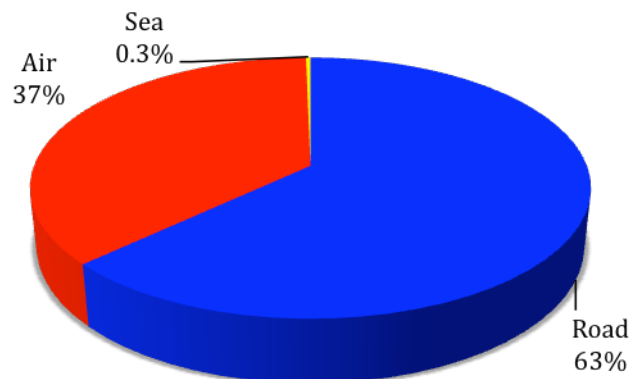
***Travel by road is # means of transport for South Africans travelling abroad***

including Botswana, Namibia, Zimbabwe, Lesotho and Mozambique. Approximately 1,900 km of these are toll roads serviced by 27 mainline toll plazas. Some 72.4% of recorded South African road departures in 2003 were to Swaziland, Botswana and Mozambique. However, most trips – particularly those taken by road to other parts of Africa – are often for business or trade, rather than holiday purposes.

The South African government has embarked on a number of public-private partnerships (PPPs) to improve existing road conditions. One of the largest PPP projects to date was the recently completed N4, a 630-km road extending from the Gauteng border to Maputo in Mozambique. Approximately US\$4.7 million was set aside for this construction and rehabilitation project, which the South African government envisioned as a means to facilitate both trade and tourism between the two countries. A similar budget was allocated for the N4 Platinum Toll High Skilpadhek border post with Botswana.

**Figure 16:10**

**Main Mode of Transport for South African Outbound Travel, 2003**



*Source: Statistics South Africa*

### 16.6.2 Air Travel

Air travel, on the other hand, commands a little over a third of all South African departures. From 2000 to 2002, the number of South Africans leaving the country by air fell by 16.3%. This reflects the fall in

***One third of South African travellers travel by air***

the number of outbound travellers over this period, partly due to the depreciation of the rand and South Africa's economic troubles. Generally, air passengers are more inclined to be travelling on holiday rather than on business.

Repeated studies carried out by the *Airports Council International* (ACI) highlights that Africa suffers from a shortage in capacity, and therefore has more passengers than it can handle. The general feeling is that the demand for travel in and out of Africa exists. However, it is hindered in part by the inefficiency and high prices facing consumers in the aviation market owing to the slow liberalisation of aviation routes. In order to free South Africa from the aviation constraints that hinder its tourism sector, the government initiated a five-year strategy in July 2006. This strategy aims to increase African connectivity through the accelerated implementation of the Yamoussoukro Declaration, which is intended to secure the integration of airlines and the establishment of regional bodies. In short, the South African authorities hope to improve the accessibility of South Africa, which will help not only inbound travel to South Africa but outbound travel as well.

***Limited air capacity is a challenge for South Africa***

In comparison to most of its neighbours, South Africa boasts a modern, well-developed air transport infrastructure that rivals that of developed nations. It is also the largest aviation hub in the region. In 1993, fewer than 12 international airlines were flying to South Africa on a regular basis. Today, over 70 international carriers – including the country's own South African Airways (SAA) – connect South Africa's three main gateways of Cape Town, Johannesburg and Durban to over 700 international cities.

***Most developed air transport infrastructure in Africa***

During the period 2005 to 2025, the region is projected to grow by an average of 16.8% each year, facilitated by the addition of routes and infrastructural investments. The *International Air Transport Association (IATA)* anticipates that passenger numbers between Africa and Europe will see an increase of 16.1% during 2006-10, stimulated by the opening of new routes. In order to meet

***New capacity growth projected to 2025***



demand effectively, capacity has to developed as well. Both SAA and its rival, Kulula, have instituted and implemented long-term fleet expansion plans to ensure that they are able to meet the projected surge in both inbound and outbound passenger traffic.

## 16.7 Travel Trade

South Africa's travel retail industry is highly fragmented, with numerous small players targeting niche markets. There are seven players that dominate travel sales. Tour operators and travel agents now face the uphill task of generating alternative forms of revenue while reducing operational costs, as airlines and car rental firms – the primary traditional source of turnover – have cut commissions to the travel industry in recent years. While the market comes to grips with the commission-less environment, its aim of achieving greater transparency and stimulating higher service quality has not yet been achieved.

Travel agents are still perceived, particularly by the emerging black middle-class, as an invaluable source of information. A lot of South African consumers still prefer the personal touch when it comes to making bookings, and most require some form of assistance and reassurance. Online travel bookings are still a relatively new phenomenon, although there has been substantial growth in this market segment in recent years. Positively impacting travel retail sales since 2003 was the increase in disposable income and spending by South Africans, which in turn boosted outbound travel.

Moreover, despite consolidation within the industry, and the cost-cutting exercises initiated by various players, the number of travel retail outlets has grown in the last seven years. There are now about 1,700 travel agencies and tour operator outlets in South Africa, representing an increase of approximately 4.7% since 2000, according to *Mintel*. The top seven players currently command about a third of all outlets operating within the industry, and just over half of all travel retail sales.

***A fragmented travel trade industry***

***Travel agents are important for black South Africans***

***Travel retail outlets experiencing steady growth***



**Table 16:2****Travel Agency/Tour Operator Profile in South Africa**

<b>Company</b>	<b>Branches in SA</b>	<b>Sales (US\$ million)</b>	<b>Company Profile</b>
Sure Travel Group	134	471.7 (2005)	Founded in 1979, the company is now Southern Africa's largest independent single travel agency brand. It offers a wealth of outbound travel packages and products, including cruising and coach tours. Sure Travel Agencies are all independently owned. It also has 13 franchises across South Africa specializing in the student, youth and independent travellers market. According to the company, it currently possesses a 20% market share of the retail travel industry.
FCM Travel Solutions/ flightcentre.com	133	333 (2006)	Since opening its first retail store in the mid-1980s, the company has experienced continued expansion, mainly through acquisitions. It now has a total of 1,695 travel retail units operating in Australia, the UK, New Zealand, South Africa, China, Canada, and the US.
South Africa Travel Centre	180	300 (2005)	The firm is modeled on the Lufthansa City Center franchise, which was established in South Africa as SAA City Center in July 1997. In July 2004, the company was rebranded as the South African Travel Centre. It is a subsidiary of SAA and offers three distinct bands: SA Travel Centre and Worldchoice as leisure bands, and SA Travel Centre Business Plus, a corporate travel brand. It has also introduced a new Worldchoice Affiliation solution, known as 'Member of Worldchoice', tailor-made for small, independent travel agencies, which provides limited access to SA Travel Centre Group benefits.
Tourvest Holdings Pty	124	204.4 (2006)	Tourvest consists of a consortium of independent businesses and is listed on the Johannesburg Stock Exchange. It is split into four divisions, including Outbound Travel Services. Nine travel retail bands operate

			within this division, including the Seekers Travel Group, American Express Travel Group, Matles Travel, travel.co.za, Indo Jet Travel, Lesedi Cumming Travel, AATB, Seekers Lesedi Travel, and Lesedi Travel. The Outbound Travel Services division also operates a tour operator arm made up of three bands: Absolute Tours, Absolute Skiing and ATO Travel & Tours. Operating income for the outbound division grew by 31% to reach US\$8 million in the 2005/06 financial year, which was claimed to be a rather stagnant market. Tourvest is currently concentrating on expanding its outbound product portfolio and strengthening its position in the South African travel retail sector through a greater online and on-street presence.
Holiday Holdings International Travel Group	3	88.7 (2005)	Established in 1976, Holiday Holdings is the largest independent and privately-owned, multi-faceted travel services consortium of its kind in South Africa, responsible for travel, accommodation and air ticket sales.
Thompsons Tours	6	76.6 (2005)	Anton Thompson established Thompsons Tours in 1978. In 1998, the partners sold the business to Cullinan Holdings, a company quoted on the Johannesburg Stock Exchange. Subsequently Cullinan Holdings has bought Pentravel, a chain of 16 retail travel agents, and developed Cullinan Business Systems, a specialist supplier of information technology to the travel industry. It is now one of the largest outgoing travel wholesalers in all of South Africa.
Rennies Travel	22	57.4 (2005)	Rennies Travel was established in 1954, and is 75% owned by the Bidvest Group and 25% by the black empowerment organisation, the WBD Group. The firm is managed under the BidServ division.

*Source: Mintel, 2008*

Market shares continue to slide in the face of intensifying competition, predominantly from low-cost airlines and dedicated online travel retailers such

***While still small, online travel sales is growing***

as travel.co.za. Online travel sales are now worth over US\$450 million in South Africa (according to World Wide Worx), a fact that has not gone unnoticed by tour operators and travel agencies. Many small and large enterprises now have an online presence, and see it as a critical means to sustain and increase profitability in the foreseeable future.

On the other hand, even though the South African online travel market still exhibits a lot of growth potential, the existence of a large number of small and medium-sized firms putting their products and services online makes it difficult for customers to use the Internet as a comprehensive research and booking tool, due to the confusing and excessively large amounts of information. Furthermore, only one in ten South Africans currently has access to the Internet: this is seven percentage points lower than global Internet penetration levels, as outlined by Internet World Statistics. It partly explains the relatively low Internet usage by South African outbound travellers to source information and make travel bookings, and the continuing dependence on personal sources of information and travel agencies. There is certainly a dire need for a deeper level of government involvement to facilitate integration within the online travel sector.

## 16.8 Future Outlook

At the outset, it seems that South Africa's outbound travel market has recovered from the negative impact of the devaluation of the Rand, and from the economic slowdown that afflicted the country in the early part of the decade. Consumer spending and confidence in South Africa is currently at an all-time high, fuelled primarily by a surge in consumer credit. On the whole, the economic prospects for South Africa appear rosy, with modest growth anticipated in the foreseeable future.

The South African outbound segment is overtly price sensitive, with the exception of the super-wealthy. With other discretionary consumer items, such as white goods, sitting higher on the priority list for both the existing and emerging middle-class, travel

***Internet information overload is a challenge for travellers***

***Only 10% of South Africans have Internet access***

***Positive economic prospects for South Africa***

***The outbound SA travel market is price sensitive***

may well take a back seat for many South African consumers. Real household consumer expenditure will increase by only 16.5% in 2007, compared to the 6.9% achieved in 2005, According to the *PNC Financial Services Group*. Generally, travel to long-haul destinations is still considered to be a luxury by most South Africans, even by some sections of the affluent classes.

Emigration patterns from South Africa will continue to exert an indirect influence over outbound travel flows. In March 2006, *Research Surveys* found that South Africans living abroad are most likely to be found in the UK (41%), followed by the US (14%) and Australia (13%). Around 5% of South African emigrants are found in New Zealand, Canada, and Ireland. Consequently, outbound travel to destinations with sizeable expatriate South African communities, will likely remain popular for a long time to come, especially in the event of a lull in consumer spend.

Growth of outbound travel from South Africa will remain dramatically slower than that of other emerging markets, as it continues to be hampered by escalating household debt-to-disposable income ratios. If the economy continues to be buoyant and the Rnd continues to remain relatively strong, then South African outbound travel could be comparable to the *United Nations World Tourism Organisation's* predictions for growth in international arrivals.

The propensity to travel among South Africans is tipped to remain marginally lower than the worldwide average, standing at about 10% in the short term. On the other hand, increasing capacity at South Africa's international airports and the continued expansion of its low-cost aviation sector suggests that there is certainly potential for further growth in the long run, particularly for intra-regional travel, a luxury that most of South Africa's middle class can afford.

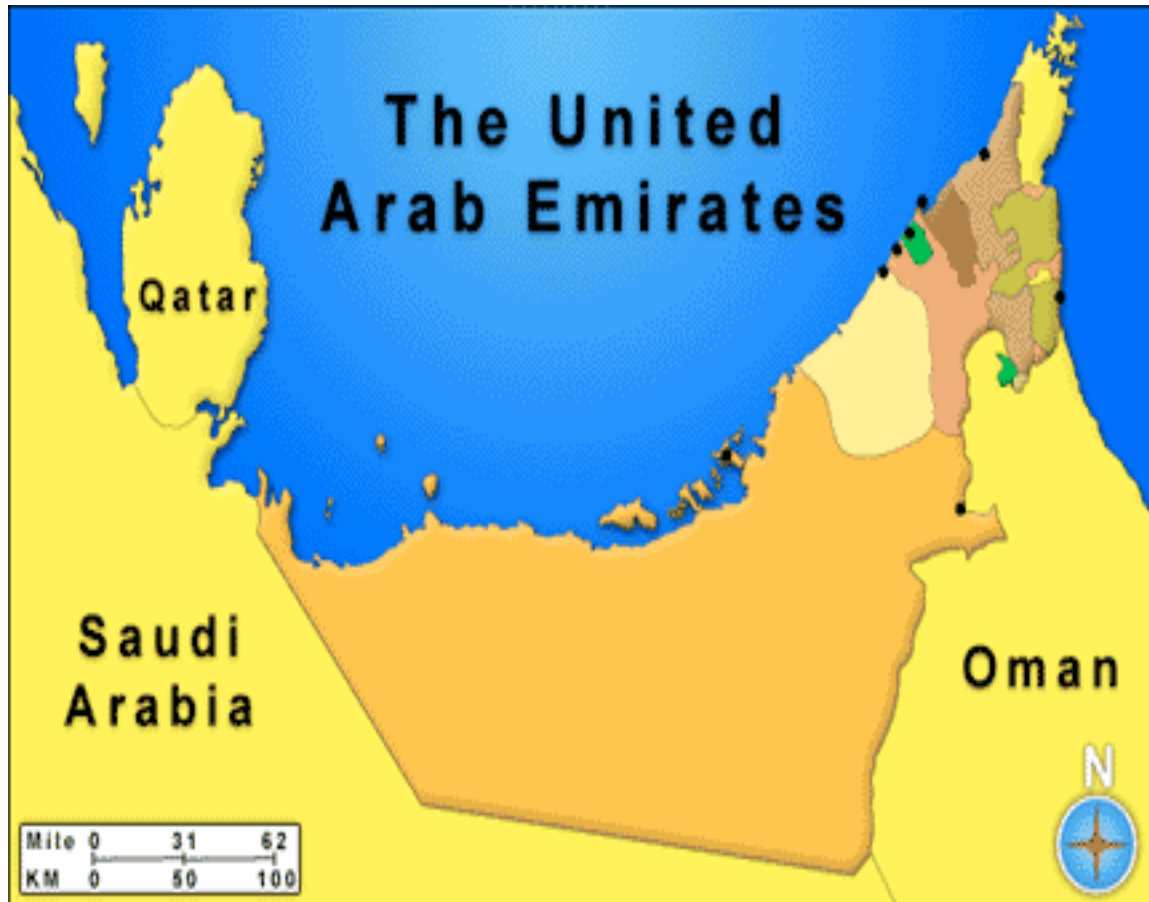
***Emigration patterns will continue to shape SA outbound travel***

***SA outbound travel will grow slower than other emerging markets***

***Propensity to travel will continue to remain low***

## Chapter 18

# UNITED ARAB EMIRATES



## 17.1 Overview

The United Arab Emirates (UAE) is a federation of the following seven states (termed emirates): Abu Dhabi; Ajman; Dubai; Fujairah; Ras al-Khaimah; Sharjah; and Umm al-Quwain.

The UAE, rich in oil and natural gas, has become highly prosperous in recent years. A huge construction boom, expanding manufacturing and a flourishing services sector are helping the UAE diversify its economy, particularly in Dubai, where inbound tourism now accounts (according to some estimates) for as much as 20% of GDP. Nevertheless, continued dependence on oil and the existence of a large migrant workforce remain significant long-term challenges.

In addition to inbound tourism, the UAE (as home to a large local and expatriate population with a high per capita income) is also a growing market for outbound travel.

***The UAE is highly prosperous***

***A growing outbound travel market***

Population (UN 2007 est.): 4.4 million
Outbound Market Size (2006 est.): 2.0 million trips
Outbound Market Size (2011 est.): 2.8 million trips
Main Destinations: Saudi Arabia; United Kingdom; Thailand; Oman; Bahrain; Egypt; Malaysia; Singapore; United States; Syria; Australia; India
Purpose of Visit (UK only): Holiday: 29%; Business: 18%; VFR: 39%; Other: 14%
Internet Access: 1.7 million users at December 31, 2007 (39% population penetration)

## 17.2 Background

### 17.2.1 Population

The population amounted to 4.1 million in 2005, according to the census results for that year, of which 20% were UAE nationals. The figure is estimated to have grown to 4.4 million in 2007 and is projected to increase to 6 million by 2017 (*Source: US Census Bureau*).

***UAE nationals make up 20% of total resident population***



Approximately 85% of the total population lives in the three largest emirates (Abu Dhabi, 34.3%, Dubai, 31.8%, Sharjah, 19.2%).

The UAE population has more than twice as many males as females. The gender imbalance is the highest among any nation in the world. Non-citizens, attracted from all over South Asia and the Philippines to the UAE by economic opportunities, represent an estimated 85% of the total population. The UAE has also attracted a growing number of affluent expatriates from Britain, North America, Australia, Japan and other developed countries, attracted by the warm winter climate, beaches, golf courses, and the relatively low cost of living.

**Main Cities:** About 88% of the UAE population reside in urban areas. The most populated city is Dubai, with approximately 1.4 million inhabitants in 2006. The next largest cities are Sharjah (685,000); Abu Dhabi (630,000); Al Ain (350,000); Ajman (202,000); Ras al-Khaimah (113,000); and Fujairah (74,000), according to the Ministry of Planning.

**Ethnic Composition:** Emirati 19%; other Arab and Iranian 23%; South Asian 50%; other expatriates 8%.

**Languages:** Arabic (official), Farsi, English, Hindi, Urdu.

***The majority of the population live in urban***

### 17.2.2 Government

The UAE is a federation with specified powers delegated to the UAE federal government and other powers reserved to member emirates.

The Presidency and Premiership of the United Arab Emirates is *de facto* hereditary to the ruling families of Abu Dhabi and Dubai, respectively. The Supreme Council, consisting of the rulers of the seven emirates, also elects the Council of Ministers. The Federal National Council (half appointed, half elected) reviews, but cannot change or veto, proposed legislation.

The Ruler of Abu Dhabi, HH Khalifa bin Zayid al-Nuhayyan, has been President since the death of his father in November 2004), while the Ruler of Dubai, HH Muhammad bin Rashid al-Maktoum, has been Vice President and Prime Minister since 5 January 2006.

### 17.2.3 Economy

Since the discovery of oil more than 30 years ago, the UAE has undergone a remarkable change from a poor region of small desert sheikhdoms to a modern state with a high standard of living. The Gross Domestic Product (GDP) ranks third in size the Middle East- North Africa (MENA) region, after Saudi Arabia and Iran, and the UAE had the fastest growing real GDP in the world, between 2005 and 2006.

#### **Economic Indicators (2007 estimates)**

GDP (purchasing power parity): \$167.3 billion

GDP (official exchange rate): \$192.6 billion

GDP - real growth rate: 7.4%

GDP - per capita (PPP): \$37,300

GDP composition by sector: *agriculture*: 1.8%; *industry*: 59.3%; *services*: 38.9%

Labour force: 3.1 million

Labour Force by occupation (2000 est.): *agriculture*: 7%; *industry*: 15%; *services*: 78%

Unemployment rate (2001 est.): 2.4%

Population below poverty line (2003 est.): 19.5%

Inflation rate (consumer prices): 11% official rate

*Source: CIA World Factbook*

In 2007, the GDP amounted to an estimated \$167.3 billion in terms of purchasing power parity (PPP). Industry generated well over half (59%) of the GDP in 2007, followed by services (39%) and agriculture (2%). In 2007, the economy grew by 7.4% in real terms over the previous year. The country's *per capita* income - about \$37,300 (PPP) in 2007 - is the third highest in the Middle East (after Qatar and Kuwait). Although becoming less dependent on natural resources as a source of revenue, petroleum and natural exports still play an important role in the economy, especially in Abu Dhabi.

#### ***A rapidly growing economy***

Real GDP growth is forecast to average 7.6% a year

in 2008-12, reflecting in large part buoyant public and private investment expenditure. The current account surplus is expected to remain large as growth in non-oil export earnings and high global oil prices offset growth in imports (*Source: The Economist*).

#### 17.2.4 Exchange Rates

The UAE dirham, introduced in 1973, is the national currency. Since November 1997, the dirham has been pegged to the US dollar at a rate of 3.6725 dirhams.

**Table 1:**  
**Exchange Rates against Major Currencies, 2003-08 (pesos per currency)\***

Currency	2003	2004	2005	2006	2007	2008**	% Change 2003-08
US Dollar	3.67	3.67	3.67	3.67	3.67	3.67	-
Euro	4.16	4.57	4.57	4.62	5.03	5.80	
UK Pound	6.01	6.73	6.69	6.77	7.35	7.32	

\* *yearly average*

\*\* *mid-year rate*

*Source: OANDA.com*

#### 17.2.5 Visa Issues

UAE nationals require visas for all visits to the UK/Ireland, Schengen countries and the United States.

### 17.3 Market Size and Characteristics

#### 17.3.1 Outbound Travel

There are no published official data on the volume or breakdown of outbound tourist travel from the UAE. However, according to the UN World Travel Organisation (UNWTO), UAE residents spent an estimated \$8.8 billion on outbound tourism in 2006, an increase of 142% compared with 2002. Based on average expenditure estimates, this would imply a total of around 2.0 million outbound tourist trips in 2006.

Table 17:2

## International Tourism Expenditure by UAE Residents, 2002-06

Destination	2002 (\$ mn)	2003 (\$ mn)	2004 (\$ mn)	2005 (\$ mn)	2006 (\$ mn)	% Ch 2002-06
Tourism Expenditure	3,651	3,956	4,472	6,186	8,827	141.8%
% Change (annual)		8.4%	13.0%	38.3%	42.7%	

Source: UNWTO

With international tourism receipts totalling US\$5 billion in 2006, the overall tourism balance was in deficit by around \$3.8 billion in that year (Source: UNWTO). The number of outbound tourist trips is forecast to increase to around 2.8 million by 2011 (Source: TII estimates). It must be stressed that this is a very broad estimate.

***Exponential growth in  
outbound expenditure*****17.3.2 Main Destinations**

In 2006, Saudi Arabia was the single most popular destination for UAE outbound travellers (particularly for Muslim pilgrims), followed by the United Kingdom (including British nationals residing in the UAE), Thailand, Egypt, Oman, Bahrain, Malaysia, Singapore, the United States, Australia, Syria and India, with Saudi Arabia, Malaysia, Thailand and Australia recording the greatest percentage increases in arrivals from the UAE over the 2002-06 period.

Table 17:3

## Arrivals of UAE Tourists in Main Destinations, 2002-06

Destination	2002 ('000)	2003 ('000)	2004 ('000)	2005 ('000)	2006 ('000)	% Change 2002-06
Saudi Arabia	176	189	239	1,043	800	354.5%
United Kingdom	109	113	147	134	178	63.3%
Thailand	44	39	61	65	87	97.7%
Egypt	29	32	32	35	43	48.3%
Oman	78	87	103	75	n.a.	n.a.
Bahrain	38	37	42	44	52	36.8%
Malaysia	14	6	21	30	35	150.0%
Singapore	21	16	25	28	34	61.9%
United States	19	18	23	27	33	73.7%

Australia	13	15	20	22	25	92.3%
Syria	15	21	27	28	26	73.3%

Source: UNWTO and country data

### 17.3.3 Market Characteristics

In order to supplement the dearth of official market data, use has been made of data relating to UAE visitors to Britain in 2006 from the *UK International Passenger Survey (IPS)* to illustrate some of the main characteristics of the UAE outbound traveller. This has been supplemented with information from the *Middle East Outbound Travel Survey* carried out in the UAE and Saudi Arabia in 2002.

#### ***Demographic Profile***

In the case of travel to Britain, in 2006, over half (56%) of male visitors from the UAE were aged between 35-54, whereas 43% of females were aged 25-34 years. Overall, 63% of visitors were male and 37% female, with men having an older age profile than women (Source: *IPS*).

***Outbound travellers from UAE are predominantly men***

#### ***Travel Party***

UAE visitors to Britain are most likely to be travelling alone (52%), compared with 14% with spouse/partner but no children in travel party; 13% in a traditional family group of spouse/partner and children; and 12% with other adults (friends, family or colleagues).

***The vast majority travel alone***

#### ***Purpose of Visit***

The average purpose of visit shares were: holiday, 29%; business, 18%; VFR, 39%; and other, 14% (Source: *IPS*). The results for VFR may be skewed given the around half of UAE visitors to Britain are British nationals residing in the UAE. According to the *AME Info Online Business Travel Survey 2003*, London is the most visited city for business, followed by Mumbai and Dubai.

#### ***Length of Stay***

For visits to Britain, 28% of UAE visitors stayed for 15 or more nights, another 26% for 4-7 nights, and the remainder for either 1-3 nights (23%) or 8-14 nights (23%).

***Frequency of visit***

In 2004, most (75%) UAE visitors to Britain had visited before in the previous ten years (*Source: IPS*).

***Seasonality***

Most overseas travel takes place in the summer months when temperatures soar. For example, 37% of visits to Britain took place in the period July-September compared with only 16% in January-March. The two Eid holidays (whose dates vary depending on the timing of Ramadan) are also increasingly popular for short breaks, while large numbers of Muslims take part in the annual *hajj* pilgrimage to Mecca (which in 2009 is due to take place from 25-28 November).

***July to September is the main season for outbound travel from UAE***

***Accommodation Type***

In 2006, the highest proportion of nights spent in Britain (61%) was as a free guest with relatives or friends. About one fifth (21%) of all nights were spent in a hotel or guest house.

***Staying with friends/family while on holiday is the norm***

***Market Characteristics of UAE Visitors to Britain, 2005/06***

<b><i>Age/Sex Group</i></b>	<b><i>Male</i></b>	<b><i>Female</i></b>
	<b><i>%</i></b>	<b><i>%</i></b>
0-15	6	9
16-24	8	6
25-34	18	43
35-44	26	22
45-54	30	12
55-64	11	8
65 and over	1	0
<b><i>All visitors</i></b>	<b><i>63%</i></b>	<b><i>37%</i></b>

***Travel Party***

Family spouse/partner and children: 13%

Spouse/partner but no children in tour group:	14%
Not alone but no spouse/partner or children in tour group:	12%
Children in group but no spouse/partner:	9%
Travelling Alone:	52%

***Purpose of Visit***

Holiday:	29%
Business:	18%
VFR:	39%
Other:	14% (including education)

***Average Length of Stay***

1-3 nights:	23%
4-7 nights:	26%
8-14 nights:	23%
15 + nights:	28%

***Frequency of Visit (2004)***

First Time:	15%
Repeat Visitor:	85%

***Seasonality***

Jan-Mar:	16%
Apr-Jun:	22%
Jul-Sep:	37%
Oct-Dec:	25%

***Accommodation Used (% of all nights spent)***

Hotel/guest house:	21%
Rented house:	7%
Own house:	8%
Free Guest with relatives or friends:	61%
Other:	3%

*Source: UK International Passenger Survey/BTA*

**17.3.4 Future Trends**

The UAE outbound travel market is anticipated to remain strong in the short to medium term. Assuming no serious deterioration in the regional security situation, TII estimates that the number of outbound trips will increase to around 2.8 million by 2011. Saudi Arabia is expected to continue to dominate, particularly during the *hajj* pilgrimage, while, given the large number of British expatriates

***Forecast for outbound travel from UAE is very promising***

resident in Dubai and the other emirates, the United Kingdom is likely to retain its number two spot.

Britain will also remain popular as a preferred destination for the lucrative Emirati extended-family segment which tends to have high disposable incomes and to take long, city-based holidays where there is good shopping and plentiful entertainment for children. Thailand, Egypt and Malaysia will be the most popular holiday destinations.

There is also expected to be a growing focus on health and wellness, spas and relaxation vacations. On the other hand, enticing UAE residents away from their own country, with its growing range of world class visitor attractions (including a major new theme park), will pose an increasing challenge for competing destinations.

### **17.3.5 Air Transport**

#### ***Airports***

Currently, the UAE has six international airports, with another under construction.

#### ***Dubai International Airport***

Dubai International Airport is the fastest growing airport in the Middle East. It is continuously developing and currently has 2 terminals and accommodates 100 airlines, which connect to over 140 destinations. Some 40 million passengers are expected to use the airport in 2008 (compared with 34.3 million in 2007). This number is expected to reach 65 million by 2010.

#### ***Al Maktoum International Airport***

Al Maktoum International Airport is a major new airport under construction near Jebel Ali in Dubai at an estimated cost of \$82 billion. It will be the main part of Dubai World Central, a planned residential, commercial and logistics complex scheme. When fully built in 2017, the airport will be capable of handling 120 million passengers and 12 million tons

***UK to remain preferred long-haul destination***

***Health & wellness – a budding niche opportunity***

***Dubai International is the fastest growing airport in the Middle East***



of cargo annually.

With the existing Dubai International Airport being expanded to accommodate 75 million passengers a year, Dubai is set to become the largest airport hub in the world.

#### *Abu Dhabi International Airport*

The Abu Dhabi International Airport (ADIA) currently accommodates 40 passenger airlines which serve a total of 90 destinations. In the first half of 2008, ADIA registered an increase of 39% in the number of passengers compared with the corresponding period of 2007 – up from 3.1 million to 4.3 million. A new passenger facility at Terminal 3 has brought the total passenger capacity at the airport to over 12 million per annum.

#### *Al Ain International Airport*

The Al Ain International Airport was opened in March 1994, as Abu Dhabi's second international airport. The airport is currently used by eight international airlines (Gulf Air, Pakistan International Airlines, Alia Royal Jordanian, Egypt Air, MTE Donavia, Qatar Airways, Krasnoyarsk Fras Air and Uralinteravia).

#### *Sharjah International Airport*

Sharjah International Airport (opened in 1977, replacing an earlier airfield built by Imperial Airways in 1932)) is located only about 15 km from Dubai. Since Air Arabia's launch in 2003, Sharjah International Airport has witnessed a substantial increase in passenger traffic, with more than 1.5 million tourist arrivals in 2007.

#### *Ras Al Khaimah International Airport*

The Ras Al Khaimah International Airport was opened in 1976. In total, 27 airlines-passenger and cargo now operate scheduled and non-scheduled services, to destinations in the Middle East, Central Asia, the Indian subcontinent, Africa and the Far

East, as well charter flights from Europe.

### *Fujairah International Airport*

The Fujairah International Airport started operations in October 1987. It is mainly used for cargo flights and military stop-offs, and has very few passenger flights throughout the year.

### *Airlines*

Currently, there are four national airlines operating in the UAE.

### *Emirates Airline*

Emirates Airline was established in May 1985 by the Dubai government. Emirates (which is a subsidiary of the Emirates Group – a holding company headquartered in Dubai) is the seventh-largest airline in the world in terms of international passengers carried and ranks amongst the top ten carriers worldwide in terms of revenue. The airline operates over 2,350 passenger flights per week, to 91 destinations in 55 countries all over the world. During the 2007/08 financial year, Emirates carried 21.2 million passengers – a 21% rise from the previous year. The airline has recorded a profit every year since its inception, except the second, and growth has never fallen below 20% a year. According to the company, Emirates will increase its fleet to 200 aircraft by 2012 and over 450 by 2020, and would have 600 aircraft if Dubai Airport were able to handle them.

### ***Major growth for Emirates Airline***

### *Etihad Airways*

Etihad Airways, based in Abu Dhabi, was set up as the national airline of the UAE in July 2003. The Abu Dhabi government is the sole owner of the company. However, it does not put any new money into, nor does it interfere with running the airline.

Etihad (Arabic for ‘united’) operates services to the Middle East, Europe, the Indian subcontinent, North America, the Far East, Africa and Oceania from its

main base at Abu Dhabi International Airport. In 2007, Etihad carried more than 4.6 million passengers and expects to carry more than six million in 2008. The airline has not yet made any profit since its inception, but expects to do so by 2010.

### *Air Arabia*

Air Arabia, known in Arabic as Al Arabia or Al Arabiya, is a low-cost or budget airline established in October 2003 as a joint venture between the Sharjah Civil Aviation Department and the Sharjah Airport Authority. Air Arabia is the first airline of its kind in the Middle East and North Africa (MENA) region and is focused on catering to flights within the Middle East and the Indian subcontinent. It currently has flights to Bahrain, Egypt, India, Iran, Jordan, Kazakhstan, Kuwait, Lebanon, Oman, Qatar, Russia, Saudi Arabia, Sri Lanka, Sudan, Syria, and Yemen.

### *RAK Airways*

RAK Airways commenced operations in 2007, with flights to/from Colombo (Sri Lanka), Dhaka (Bangladesh), Calicut (India), Beirut (Lebanon) and Sofia (Bulgaria). The airline intends to operate both charter and scheduled services to meet the demand of the various markets that it serves. In July 2008, RAK Airways announced that it will launch a new national airline of the Democratic Republic of Congo later this summer (to be probably called Air Congo).

In addition to the UAE national airlines, a large number of international airlines operate flights to/from the UAE.

## **17.4 Reaching Consumers and the Trade**

### **17.4.1 Deciding, Booking and Planning Patterns**

According to the *Middle East Outbound Travel*

*Word of mouth from family*

*Study* carried out in 2002, family and friends (53%) are key influences in selecting a destination, followed by travel agents (18%). Familiarity with a country via a web search also plays a role in decision making.

***and friends is key in making travel decisions***

In 2005, 12% of visits to Britain from the UAE were decided less than one week before travelling to the UK; 25% between one week and one month; 28% between one and three months; 18% between three and six months ; and the remaining 17% six months or more before travelling to the UK (*Source: UK International Passenger Survey*).

#### **17.4.2 Key Media**

Dubai has become the media hub for the Middle East. An Electronic Commerce and Media Zone Authority was created in 2000 to attract regional and international media outlets. Major media organisations - including Reuters and Sony - and publishers, artists and writers have moved into Dubai Media City and its counterparts offer two key advantages: tax benefits and freedom of speech.

***Dubai is the media hub for the Middle East***

There are hundreds daily, weekly and monthly publications with a very good Pan-Arab distribution. There are also a number of key Arabic satellite channels targeting Arab youth and family segments in the Middle East with a variety of programmes covering live entertainment, sports and lifestyle. The consumer media are dominated by the Arabic publications with a growing number containing specific travel sections.

Key media include:

##### ***Newspapers (English language)***

- ▶ Gulf News - Dubai-based
- ▶ Gulf Today
- ▶ Khaleej Times - private, Dubai-based daily
- ▶ Emirates Business 24/7 - daily
- ▶ The National - Abu Dhabi-based daily
- ▶ Saudi Gazette

▶ Gulf Marketing

***Newspapers (Arabic)***

- ▶ Al-Bayan - private, Dubai-based daily
- ▶ Al Ittihad
- ▶ Al Khaleej
- ▶ Al Sharq Al Awasat
- ▶ Akbar Al Arab

***Travel Trade Magazines***

- ▶ Travel & Tourism News (TTN)
- ▶ Travel Trade Gazette (TTG)
- ▶ Middle East
- ▶ Middle East Traveller
- ▶ Travel Holiday & Shopping
- ▶ Assiyaha (Tourism)
- ▶ Asfar (Travel)
- ▶ Al Musafir Al Arabi (Arab Traveller)
- ▶ Al Siyahi (The Tourist)

In addition, there is a large number of consumer and lifestyle publications (both in English and Arabic) that often feature travel destinations.

***Television***

- ▶ Dubai Media Incorporated (DMI) - pan-Arab broadcaster, operates Dubai TV, Dubai One
- ▶ Abu Dhabi TV - pan-Arab broadcaster
- ▶ Ajman TV
- ▶ Sharjah TV
- ▶ MBC - Dubai-based pan-Arab broadcaster
- ▶ Al-Arabiya - news channel operated by MBC

***Satellite TV Channels***

- ▶ Dubai TV; Dubai Business; Dubai Sports; Abu Dhabi TV; Emirates TV; MBC; LBC; Future; Channel 2; Rotana; Al Nujoom

### **Radio**

- ▶ Abu Dhabi Radio
- ▶ Radio Asia - commercial, broadcasts in Hindi, Urdu and Malayalam
- ▶ Ras al Khaimah Radio
- ▶ Al-Arabiya FM - commercial, Arabic pop
- ▶ Dubai 92 - commercial, English-language pop
- ▶ Noor Dubai 93.9 - commercial, "Islamic-oriented" news, talk
- ▶ City 1016 - commercial, programmes in English and Urdu

### **17.4.3 Internet**

Internet use is extensive. There were 1.7 million internet users (representing 38.6% of the population) in December 2007 (*Source: Internet World Stats*). This was the second highest online population penetration rate in the Middle East, after Israel. The internet is used mainly as a source of information when planning to go on holiday. The actual booking is usually done through a travel agent or the airline's holiday department.

***Internet use is extensive in UAE – 2<sup>nd</sup> highest in the Middle East***

### **17.4.4 Trade and Consumer Exhibitions**

The Arabian Travel Market (ATM), held in Dubai in May, is generally recognised as the most important travel industry event for the Middle East and the premier regional forum for outbound tourism. ATM 2008 attracted 2,229 exhibitors with over 14,000 trade and other visitors from 114 countries. Some 2,200 members of the public visited on the consumer day. The 16th edition of Arabian Travel Market will take place at the Dubai International Convention & Exhibition Centre from 5-8 May 2009.

***ATM is most important travel industry even in the Middle East***

### **17.4.5 Travel Industry**

#### ***Travel Agencies***

There are approximately 1,000 agents in the UAE.

The majority act purely as ticketing agents. Leading travel agents in Abu Dhabi, Dubai and Sharjah include:

- ▶ Al Rais Travel (25 offices throughout UAE)
- ▶ Al Futtaim Travel (Dubai-based)
- ▶ Al Tayer Travel (Dubai)
- ▶ Al Naboodah Travel (Dubai, Sharjah)
- ▶ Kanoo Travel (Dubai)
- ▶ Salem Travel Agency (Abu Dhabi and Al Ain)
- ▶ Sharaf Travel (Abu Dhabi, Dubai, Sharjah)
- ▶ SNTTA (Sharjah National Travel Agency)

### ***Tour Operators***

Emirates Holidays is by far the largest and most important tour operator, with only a few, much smaller competitors. Their brochure is launched at the Emirates Holidays Fair at the end of April.

#### **17.4.6 Sales Calls**

Key times for promotional visits to the region are February through to late May/early June and September through November. It is best to avoid Ramadan, Eid and other public holidays, and the hottest part of the summer from end of June to the middle of September.

***Key time for promotion is February to May***

### ***Public Holidays 2009***

<b>1 January:</b>	New Year's Day.
<b>20 January:</b>	Al-Hijra (Islamic New Year).
<b>9 March:</b>	Mouloud (Birth of the Prophet).
<b>20 July:</b>	Leilat al-Meiraj (Ascension of the Prophet).
<b>20 September:</b>	Eid al-Fitr (End of Ramadan).
<b>27 November:</b>	Eid al-Adha (Feast of the Sacrifice).
<b>2 December:</b>	National Day.

*Note: Muslim festivals are timed according to local sightings of various phases of the moon and the dates given above are approximations.*

## **17.5 How They Think, Feel and Behave**

Most Emiratis are prosperous, with money to spend on luxury goods, education and travel. For youth, travel is seen as a means of self-improvement and part of the drive to experience new things and learn about the world. The families segment is also a very important and a very lucrative market. It tends to be city-based, seeking shopping, entertainment and with attractions for children.

### **17.5.1 Motives for Travel**

- ▶ To escape the summer heat;
- ▶ To visit iconic overseas cities and attractions;
- ▶ To attend prestigious sporting occasions (football, horse racing, golf, etc);
- ▶ To enjoy new experiences and freedoms;
- ▶ To visit spas and wellness centres;
- ▶ Study, education (especially in Europe, North America and Australasia);
- ▶ Business, trade, official trips;
- ▶ To make home visits (for the very large number of European and Asian expatriates living in the UAE); and
- ▶ To go on pilgrimage to Mecca (The Hajj).

### **17.5.2 What They Do on Holiday**

- ▶ Shopping is very popular - perhaps more than in any other emerging outbound market. For example, almost three-quarters of visitors to Britain from the UAE named shopping as their most popular activity when visiting Britain, especially for luxury goods.
- ▶ Families are looking mainly for city-based



entertainment, sightseeing and leisure pursuits.

- ▶ Emirati families enjoy greenery in parks, historic botanical gardens, etc.
- ▶ When abroad, many male Emiratis like to visit night clubs and casinos, where they can indulge in activities that are often not available so freely in the UAE.
- ▶ There is a growing focus on health and well-being, spas and relaxation. In recent years this area of business has grown from a small niche opportunity to a major source of incremental revenue, particularly for European destinations.

### 17.5.3 How Do They Feel and Behave

- ▶ Belonging to family group (which on vacation can total up to 30 people) is very important. Most things are done as a group.
- ▶ Emiratis demand a very high level of service, especially when compared with what is available back home.
- ▶ Five-star hotel suites and high-quality serviced apartments in city centre locations are the most favoured type of accommodation, preferably with inter-connecting rooms. Other accommodation requirements or preferences (as found from *VisitBritain* research) include:
  1. Air conditioning during the summer;
  2. Entertainment for the children;
  3. Separate male and female areas or timings in recreational areas;
  4. Spray hoses in the toilet; and
  5. Signs indicating the direction of Mecca in the bedrooms.
- ▶ Before trying out new dishes, most UAE nationals will need to be sure that they are *halal*

(i.e. prepared as prescribed by Muslim law).

## 17.5 Information Sources

The following are the main sources for the information contained in this Chapter:

- ▶ British Broadcasting Corporation (BBC) country profiles;
- ▶ British Tourist Authority market guides;
- ▶ CIA World Factbook;
- ▶ European Travel Commission (ETC);
- ▶ Eurostat, the Statistical Office of the European Communities;
- ▶ Forbes magazine;
- ▶ International Air Transport Association (IATA);
- ▶ International Monetary Fund (IMF);
- ▶ International Passenger Survey 2006 (UK Office for National Statistics);
- ▶ Internet World Stats 2007;
- ▶ Ministry of Planning, United Arab Emirates;
- ▶ OANDA.com (foreign currency exchange rates);
- ▶ The Economist;
- ▶ US Census Bureau International Database;
- ▶ UNWTO (United Nations World Tourism Organisation);
- ▶ World Bank; and
- ▶ World Travel & Tourism Council (WTTC).