

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the French Market in 1999

March/April 1999

Strong growth, but high unemployment

With a 2.9% rate of growth projected for its Gross Domestic Product (GDP), **France's economic growth is higher than Britain (0.7%), Germany (-1.8), Italy (1.1%) and Japan (-3.2%).** However, France's unemployment level, although nearly 1 percentage point lower than a year ago (11.5%), is still one of the highest in Europe, higher than Germany at 10.5% and Britain at 6.3%.

Low consumer confidence

The 60-million strong French population have continued to be a far less dynamic outbound travel market than most of their European neighbours. One of the reasons is low consumer confidence levels.

27 million travelled

About 27 million French adults take at least one trip of at least one night away from home. **A reported 48% of the population made a domestic trip in 1997 – averaging about four trips per person – and around 23% travelled abroad.**

Positive Euro impact

With the increasing liberalisation of European air transport and the positive impact of European economic monetary union, **demand for travel will start to pick up much more strongly.**

Key Trends in the French Market

What's Inside:-

- Market & Consumer Trends
- Focus: How will Hotels Survive the Digital Age
- Hotel & Resort Trends
- Technology Update
- Aviation Update
- Cruise News
- Focus: Impact of the Euro on Travel and Tourism
- Editorial
- Trends to Watch

Favourite travel months

The peak month for foreign travel is August, followed by **May**, in terms of trips and **July** in nights spent abroad.

More cultured

The French continue to be considered as more cultured than most European markets. They rarely opt for a pure sun-and-beach holiday, for example, as **they prefer combining rest and relaxation with cultural sightseeing.**

Long-haul - best growth

Long haul emerged as the best growth sector overall in 1998. Led by the **USA and the Caribbean**, the long haul travel sector has continued to gain market share. **Attractive, low-priced programmes for Southeast Asian destinations, notably Thailand and Bali have also spurred demand in the 1998/1999 winter season.**

Growth potential

France is a long way from reaching its outbound travel ceiling. Travel intensity is still low (58%) compared with Germany (76%).

Watch for the older folks

France's population is ageing fast. The number of senior citizens travelling is expected to grow faster than average. *Source: Travel & Tourism Analyst, 1998*

Performance of the French Market - Winners and Losers

Will complete by day's end

Market & Consumer Trends

USA shows good potential for Spring travel

This spring is shaping up as another strong season for the U.S. travel industry, the *Travel Industry Association* reported. **Three out of five people who have travelled within the past year said they are likely to take a vacation or pleasure trip this spring.** Only 9% said they plan to travel less. **Travellers, however plan to spend about \$900 on their longest spring trip, 5% less** than last year and the lowest amount since *TIA* began the yearly survey in 1993.

Europeans are satisfied

The *European Travel Monitor* confirmed that the travel sector largely understands how to satisfy their customers. Nine out of ten European holiday-makers state that their holiday trip was “really good”. The countries with the greatest percentage of satisfied customers include **Brazil, South Africa, USA, Norway, and Canada**, and also holiday destinations like **Sweden, Portugal, Great Britain, Cyprus, Ireland, Germany, Austria and Switzerland.**

Entertainment as important as health

American families are spending just as much on fun as on taking care of their health. The average American household spent US\$1,813 in 1997 on entertainment - books, television, movies, theatre, toys - almost as much as the US\$1,841 spent on health care per family, according to a survey by the *US Labour Department.*

Focus: How Hotels will Survive in the Digital Age

New management thinking necessary

A *Think-Tank on Technology* organised by the **International Hotel & Restaurant Association (IH&RA)** in March 1999, sent a clear message to hospitality leaders: **to compete in the digital economy of tomorrow requires new management thinking and innovative methods to satisfy the customer.**

Preliminary findings on the *Think Tank* follow:

The skills gap

The skills gap - **the failure of its traditional craft-based focus to produce high-calibre financial managers - was identified as holding the industry's development back.**

Old systems in use

The hospitality industry was also seen to be hampered by **the predominance of legacy systems which are hard to update and often incompatible.**

Technology viewed as a cost

The tendency to see technology as an increasingly costly support function rather than a strategic enabler. Industry leaders must seize opportunities provided by technology so as to create, rather than be led by, the future. **Technology must be thought of as an enabler to free people so they can concentrate on the finer aspects of services and meeting market expectations.**

Trends that hotels must take on board:

1. **Internet** will be the transactional channel of tomorrow;
2. The basis of competition will be "time to knowledge", ie. **the speed at which companies transform data into knowledge to gain competitive advantage;**
3. The value of the brand is being eroded as customers increasingly select hospitality products based on destination, situation or experience criteria. **The hotel must become a packager of value-adding products, services and experiences.**

The hospitality industry needs to be re-invented:

The *Think Tank* concluded that **"the business model for the hotel industry is defective and needs to change"**. To be successful in the digital economy, the hospitality organisation must re-invent itself in the following ways:

Culture of learning

It must **foster a culture of learning and continuous improvement;**

Use technology

Use technology to enable the promised experience to be fulfilled – use technology, but maintain the "high touch";

Provide access

Recognise that **today's travellers want to stay "plugged in"** even when on holiday by **providing guests with access** to the facilities they are used to having at the home and/or in the office; and

Get online

Acknowledge that the **Internet is becoming a guest room utility**, not simply an amenity.

Hotels of the future:

Among the visions for the hotel industry of the future the IH&RA *Think Tank* identified the following:

Hotel as supermarket

- The hotel as a **multi-use facility (like a shopping mall)** with multiple concepts, both competing and complementary, and a range of products and services including retail, office rental and meeting facilities, video-conferencing, health, recreational and educational amenities in addition to lodging;

Several brands under one roof

- Several hotel brands under one roof run by the same owners/managers;

Customised rooms

- Fully configurable and **customisable hotel rooms.**

See also: Hotel& Resort Trends page 4.

Hotel & Resort Trends

Hotel challenges and strategies for the new millinnum	The <i>Think-Tank on Technology</i> organised by the <i>International Hotel & Restaurant Association (IH&RA)</i> in March 1999, highlighted several implications for hotels advancing into the age of knowledge management:
Compete with knowledge	Competitive advantage no longer rests on “ location, location, location ”, but “ knowledge, knowledge, knowledge ”.
Invest in information	The focus must be on seeking and collecting the right data and using it throughout the organisation . There must be recognition that information is perishable and be constantly updated.
Technology makes it possible	Growing systems integration and connectivity will make it possible to transform all the knowledge that hotels have into information that can be used effectively and efficiently and to convert the hotel from a traditional service-based organisation into a knowledge-based one .
Watch for raiders	If the industry failed to make the transition, it could find itself competing with some major new competitors - the Microsofts and credit card companies who are already converging on hospitality customers.
Get close to the customer	Every contact with the guest offers potential for information exchange. Data acquired must be used to learn what the guest wants and to anticipate his/her needs so that the guest stay embodies a new kind of magic .
Build smart partnerships	Data should be shared across businesses with marketing partners.
Satisfy the individual	Success in the future will depend on the hotel industry’s ability to customise their products to individuals and maintain control of guest data and the relationship-building opportunities it offers.
Customer is boss	Tomorrow’s consumers will have a clear idea of what they want and the price they are prepared for it , will not tolerate error, and will use personal smart agents to make their hotel selection and booking.
In-room comfort is key	A recent <i>Rosenbluth Survey</i> of 500 travel managers and corporate business travellers revealed that among the most important features in selecting a hotel for 25% of respondents were room comfort and furnishings . A checklist of items that make the business travellers, life hassle-free was offered:
Two powerpoints	<ul style="list-style-type: none">• Two powerpoints, situated above the desk (not under the bed or behind the TV armoire).
Phones, phones, phones	<ul style="list-style-type: none">• Phones in the bathroom, on the desk and by the bed.• Key cards that work.
International dialling made easy	<ul style="list-style-type: none">• Easily visible information on the phone number, how to get an external line, the international dialling code.• Instructions on how to work the remote control.
Tomorrow’s hotel manager	Tomorrow’s hospitality manager, the <i>Think Tank</i> predicted, will have more business savvy , more likely to have come from outside the industry, financially driven and technologically enlightened .

Technology Update

Virtual pay

Super-Clubs as the first travel supplier for **Virtual Pay**, an Internet-based electronic payment system offered by **National Processing Corp.**. The system will enable agents to debit their bank accounts and send a credit to **SuperClubs** by entering bank information, payment amount and other information at the **Virtual-Pay** or **SuperClubs** Web sites. **Virtual Pay is used in other industries, including online brokerages and banks, but it is new to the travel industry.**

Six-fold increase in internet bookings

After years of very little change, the proportion of Internet bookings in Europe has multiplied by six in 1998, reported the *European Travel Monitor*. In absolute figures the proportion is still small, however the growth in Internet travel bookings is a very important market trend in **Europe**.

Top Internet countries

America is the world's most wired country, with one site for every nine Americans, according to Network Wizards. Other English-speaking countries also rank high, but they have fewer websites per head than the Nordics. There are 106 websites for every 1,000 Finns. **The US, Finland, Norway, Denmark and Sweden are followed by Australia, Canada, Netherlands, New Zealand, and Switzerland.** The growth of the total number of websites remains spectacular. In January, 1999, there were **43.2 m web sites** of them, **an increase of 46% on a year earlier.**

Aviation Update

One World Alliance

One World Alliance members are British Airways, American Airlines, Canadian Airlines, Cathay Pacific, Iberia and Qantas and Finnair. The vision of Oneworld is: **"to make global travel more rewarding for you; to create a world where you always feel at home how ever far from home your journey may take you"**. Oneworld partners claim to offer the following benefits:

More support

One World members together carry a total of 206 million passengers a year on a fleet of **1,783 aircraft to more than 680 destinations in 143 countries.** More than **220,000 employees** to assist travellers on the ground and in the air.

Access to airline lounges

Access to more than **200 executive lounges** irrespective on which member carrier is flown.

Smoother transfers

Smoother transfers for passengers travelling across the global networks of the five carriers.

More miles

Passengers have a change to **collect and exchange miles among Oneworld airlines.**

More value

Greater value through a range of **round-the-world products, including new Oneworld explorer fares.**

Star Alliance grows

The Star Alliance formally admitted new members Ansett Australia and Air New Zealand. A passenger who belongs to a frequent flyer program of another Star member can bank miles in that plan and apply them toward elite status by flying one of the Down Under carriers. **The other members of the Star Alliance are Air Canada Lufthansa, SAS, Thai, United and Variag. All Nippon joins in October.** The Star Alliance is actively wooing **Singapore Airlines** as a member and hope to announce membership in May.

Cruise News

A billion dollar industry

The Cruise Industry generated a total economic impact of \$11.6 billion in the U.S. in 1997, a figure that could reach \$18.3 billion in 2002, according to a study commissioned by the *International Council of Cruise Lines*. **Direct spending by cruise lines and their passengers came to \$6.6 billion**, including \$1.8 billion on airline travel and **\$1.2 billion on other transportation services**. Food and beverage expenditures came to \$607 million according to a *Price Waterhouse Coopers* and *Wharton Economic Forecasting* study.

Cruise passengers on ice

Passengers will be able to ice skate in the Caribbean when the world's largest cruise ship is launched in November. **The 3,100-cabin, Voyager, of Royal Caribbean Cruise Line, will boast the first ice-skating rink and climbing wall on a cruise ship**. The unusual facilities are part of the company's plan to attract younger clients. According to *Jerome Dangelidis*, Royal Caribbean general manager for Germany and Sweden, **"the increase in cabins reduces the fixed cost so we can make the prices more affordable for younger people."**

Caribbean and the Bahamas lead

The Caribbean and the Bahamas remain the leading markets for cruise lines in North America, with more than 42% of the capacity, according to a *Cruise Lines International Association* survey. That's down two points from last year, but the share is still twice that of Europe, which weighed in at 20%, CLIA said. Alaska ranked third with almost 9%, followed by the **Panama Canal** at 6.6%, the **Pacific coast of Mexico** with 5.5% and **Bermuda** at 3.2%. **Onshore, 'eco' and adventure tours also are becoming popular.**

Flexible plant and equipment

Cunard Line Ltd. pulled its five **Cunard** and **Seabourn** ships out of their scheduled **Croatia** pattern and rerouted them to Italy's east coast. **Seabourn's Seabourn Spirit and Legend, and Cunard's Vistafjord and Sea Goddess I and II dropped Dubrovnik and other Croatian destinations on the Adriatic and instead visit Ancona, Bari, Otranto, and the Tremiti Isles, on Italy's Adriatic coast**, *Travel Weekly* reported. Cunard and Seabourn became the fourth and fifth major cruise lines to avoid Croatia in search of safer destinations as a result of the NATO bombing operations in Yugoslavia and the potential of spreading warfare throughout the Balkans. Earlier, **Holland America Line and its affiliate, Windstar**, both abandoned **Dubrovnik**, and rerouted the **Maasdam** and the **Wind Surf**, to **Italy** and **Greece**, respectively.

1998 is a record year for the cruise industry

In 1998 North American ships carried nearly **5.9 million passengers** with an estimated **capacity utilisation of 91.6%**, setting a new record. According to *Cruise Lines International Association* (CLIA) North American vacationers grew by 7.8% to 5.4 million and could break the 6 million mark before the turn of the millennium if the cruisers continue to grow at the predicted 8% in 1999. For the first quarter of 1999, **some cruise lines have reported business on the books at 40 percent ahead of the same period last year.**

Focus: Impact of the Euro on Travel and Tourism

Dawn of the Euro	New Year's Day 1999 marked the birth of the euro, the new universal currency of 11 participating countries in the 300-million people strong Economic and Monetary Union (EMU).
Euro members	Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain are the first to participate in the introduction of the euro. Three other members of the EMU- Great Britain, Denmark, and Sweden may eventually join the currency program. Greece has not been able to meet the EMU's financial criteria for participation.
Euro time-table	Jan1, 1999 - Dec 31, 2001: The euro is a virtual currency. It is used only in non-cash transactions, such as charge-card purchases and traveller's check transactions. During the transitional period, the paper money and coins of 11 EMU countries will remain in use.
virtual currency	
notes and coins introduced	Jan 1, 2002: The first euro notes and coins will be introduced into circulation. The coins will carry a common European face on the "heads" side, but the "tails" side will have a different design in each member nation. The notes will be uniform throughout the EMU.
only Euro is legal tender	Jan 1-June 30, 2002: Euro notes and coins will coexist with the currencies of the 11 EMU countries as various national currencies are phased out. Jul 1, 2002: Only the euro will be accepted as legal tender in the 11 EMU countries.
Euro impacts:	International travellers will soon be able to skip the hassles and costs of changing money in each country as they travel through Europe. No longer will they waste precious time calculating new exchange rates every few days.
hassel-free travel	
huge savings	Tour operators and travellers alike are expected to save great sums from the reduced exchange rates transactions. Tour operators alone could save US\$4 million in currency exchange.
mixed feelings	There are mixed feelings regarding the impact of the Euro on the part of major tour operators. According to Sidney Perez, head of Association of British Travel Agents (ABTA), London, " there are those who believe that the single market with a single currency should lead to greater prosperity in Europe and this should mean that more people will choose to take holidays ". On the other hand, recognising the world economic climate, there is concern about the ability of a diverse group, like the Euro zone, to manage the impact of a full blown recession.
Euroland less price competitive	There will be continued growth for both leisure and business purposes, however the demand for holidays to those destinations within the Euro zone, will enjoy only half the growth of destinations outside, an ABTA report concluded. The reason given for this is a lack of price competitiveness is the likely strength of the Euro, combined with possible harmonisation of taxation and high social costs, will continue to make the cost of Euroland tourist services relatively more expensive than those provided by destinations outside.
Impact depends on strength of the Euro	The euro is worth approximately US\$1.10. The impact of the Euro on US dollar-dominated travel destinations such as the Caribbean and Latin America will depend upon the strength of the Euro. The stronger the Euro to the US\$, the stronger will travel demand be out of Europe and vice versa.

Source: ITB Euro-Kongress 1999; Consumer Reports Travel Letter, December 1998.

Editorial

In this issue, we examined the French outbound travel market. France is a less dynamic European travel market that is bogged down by low levels of consumer confidence. There is a perception among the French that the economic situation is a cause for concern. Despite the fact that the French favour their former colonies (Tahiti and New Caledonia in the Pacific; Martinique and Guadeloupe in the Caribbean; Reunion Island in the Indian Ocean and Western African States) the French market does have growth potential. Consider that the French increasingly view travel as a high priority, one which they are reluctant to forego; and the French have more days of annual leave entitlement than any other European market – including 41 public holidays!

We note the growth of cruising - one of the industry's fastest growing segments and of course, one of its major advantages – it offers the ultimate in flexibility – never a dull moment! A new port of call every day; myriad of activities in which to participate on shore and; much to the envy of their fixed competitors (here we are referring to hotels), they can shift their bodies and markets to the sound of war. This is exactly what we are noticing with respect to the shift from Croatia.

It is also very interesting to observe the US appetite for entertainment – equal in importance to health in terms of spending. Holidays and holiday-taking are also part of this trend to spend on fun and enjoyment. It is a market segment that will continue to grow in the USA. In a real sense the limits to growth of travel and tourism are not size of airports or hotel plant, but what we call the frame conditions – regulations on paid leave. Can you imagine the impact on travel and tourism when the USA moves to the six-week holiday pattern like most of Europe?

In the next issues of **Tourism Industry Intelligence**, we will look at the prospects for the Italian, British, Canadian and US markets in 1999 and 2000 as well as strategies to target the gay market. We will also focus on the restructuring of tourism boards, London's Millennium strategies, Australia's internet strategy, the performance of Cuba and South Africa as well as Airlines and the Millennium bug. Our Eco-Monitor will also return in the next issue.

Trends to Watch

Holidaymakers walk on water

It's a miracle! **Israel is to build a submerged bridge in the Sea of Galilee for the tourist to stroll across in their own version of Jesus Christ's walk on water.** The bridge will be just below the surface and with no rails to enhance the effect for photographs. Lifeboats and guards will be on hand to protect those of little faith, *TTG* reported.

End to shark feeding

Tourists visiting **Manly Oceanworld in Sydney, Australia** may no longer be able to watch sharks being fed by scuba divers. **The sharks were judged to be growing too fat.**

BA initiates loan scheme for travel

If you cannot afford a vacation, British Airways will lend you the money. The carrier is testing an operation at six of its U.K. Travel Shops, in conjunction with **Abbey National Group**, that **offers loans of \$800 to \$24,000 at a 15.9% annual interest rate.** Borrowers can pay off the loan within three months at no interest. If the experiment is successful, it will spread to all of BA's U.K. shops **This may be the first time an airline has gone into the loan business since Pan Am and Household Finance offered the 'Fly Now Pay Later' plan in the days of old.**

Drugs tourism

Fueled by recent flood of young Western travelers eager to test Laos most famous local crop and export, **opium dens are opening rapidly and with apparent government impunity to serve tourists in Northern Laos.** The venues catering to foreigners are concentrated in a handful of towns but international drug control **officials say they fear a serious drug-tourism problem has taken root.**