

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the Italian Market in 2000

August 1999

Moderate growth

Italy is expected to remain a good source of arrivals with **moderate level increases of high spenders looking for good products in the new millennium**. Italy's new generation of potential travellers expect to cash in on the increased accessibility of low-cost flights. **There is also the propensity of Italians to travel irrespective of financial constraints.**

Fastest growing outbound market

Poor economic growth and relatively high levels of unemployment have put a damper on travel over the last decade. **Italy has nevertheless emerged as the world's fastest growing outbound travel market since the late 1980's and the fifth most important market in the world, in terms of expenditure abroad.** This positive trend looks set to continue with **foreign exchange restrictions lifted; increased standards of living**, especially in the northern part of Italy; the **deregulation of air transport**; the gradual **liberalisation of legislation covering travel agencies** and the **deeply ingrained habit of Italians to take a foreign holiday.**

Over 15 million travellers

In 1998, Italy generated over 15 m (15.5 m) outbound travellers an increase of 1.9% over 1997. A further growth of 2.6% (**15.9 mn**) is expected at the end of 1999 according to *CISET Center's* forecasts. A further **2.3%** is projected for 2000. Figures released by the *World Tourism Organisation*, placed Italy in fifth position in international tourism expenditure, **accounting for US\$16.6 bn an increase of 5.2 % over 1996.**

Key Trends to Watch

More travel for leisure

Seventy-two percent of outbound travellers are within the pleasure market while the visiting friends and relatives (VFR) market accounts for twenty-four percent. **Religious, Spa and other undetermined categories account for a mere 3.5%.**

Northern Italy is strong

Northern Italy, which includes Val d'Aosts, Alto Adige, Romagna and Veneto to name a few, generates over half (54%) of the outbound travellers.

Favourite destinations

France is the most favoured foreign destination for short break (1-3 nights) holidays and business. The USA is the most important destination in the Americas, receiving over 40% of the region's totals. **Cuba received over 187,000 Italian visitors in 1998 - the highest in the Caribbean.** From a demographic study conducted on the Italian outbound market, it was ascertained that: almost **45% of foreign holidays by Italians are taken in the "third quarter"**, July to September. **Longer trips in terms of bed nights are taken in the second quarter, not the summer months.**

What's Inside:-

- Market & Consumer Trends
- Focus: Meetings & Conventions
- Editorial
- Trends to Watch
- Technology Update

Italians are independent travellers

More than one in two Italians use an agency for trips of four nights and longer and one in three books through a travel agent. **Over 20% of Italians are likely to book directly with suppliers.**

Travel preferences

Twenty-four percent of Italian holidaymakers prefer European capitals; 16% prefer the Mediterranean sun and sea, and 12% prefer the Caribbean and Cuba, 11% South America .

Source: *Travel and Tourism Analyst.*

Performance of Italian Outbound

	Country	No. of Months	% Growth 1998/1997	Total Arrivals 1998
Anguilla and Maldives post biggest growth	Anguilla	12	122.5	3,983
	Maldives	12	43.0	79,301
	Bermuda	12	10.1	958
	Germany	12	7.2	963,637
	USA	9	5.2	464,021
France is most popular for Italians	France	12	4.9	3,225,696
	Bonaire	12	2.1	1,041
	Canada	12	0.6	103,768
	Japan	12	-0.6	30,553
	Singapore	12	-1.6	40,796
	Egypt	12	-3.8	374,467
	St. Vincent	12	-5.4	1,511
	South Africa	12	-6.4	38,128
	Cuba	12	-6.8	186,688
	Antigua	12	-7.4	4,632
	Cayman Islands	12	-10.6	2,272
	Dominica	12	-11.7	174
	Jamaica	12	-15.8	17,718
	Trinidad & Tobago	12	-16.9	1,326
	Aruba	12	-17.2	2,067
	Barbados	12	-25.6	4,954
	Guyana	12	-35.9	68

Source: World Tourism Organization, 1999.

Market & Consumer Trends

Good potential for backpackers

Australia's backpacker market, which comprised 6.5% of total visitor arrivals in 1996 and 9.0% in 1998, is expanding rapidly according to the Australia's Bureau of Tourism Research (BTR). In 1998, the 336,000 backpackers accounted for 24.6 million visitor nights, an increase of 33.7%. **The UK accounted for the highest number of backpackers (72,000), followed by the USA (30,000) and Germany (29,000).** **Backpackers spending per person per day increased from US\$37 in 1996 to US\$42 in 1998,** a figure not significantly lower than the overall US\$54 spent per day by all visitors to Australia. **The average length of stay for backpackers visiting Australia was 73 days in 1998,** a slight decline of 1%. Favourite destinations are New South Wales, Queensland, Victoria and the Northern territory.

Japanese market not yet recovered

The Japanese outbound market fell just under 6% in 1998 and has not yet showed any sign of recovery. This does not augur well for Asian destinations, since Japan generates a large percentage of their arrivals. **Africa recorded the highest decline of 48.8% while Europe experienced a 1.7% increase. Japanese leisure travel fell by 5.8%.** **The decline in leisure travel was less among female travellers - 4.4% as against 7.1% in male travellers.** Spending per person is expected to decrease by 2.0%, so too will overall spending abroad. **International trips are expected to increase by 0.1% in 1999** according to *Japan Travel Bureau's* forecast.

Germany's outbound grows

Germany's outbound travel generated over 108 million domestic trips and 73 million international trips in 1998. Results of *IPK's German Travel Monitor* showed a **5% increase in overall trip volume** with domestic trips up 6% and international trips up 4.3%. The German North Sea is the most popular holiday region for German holiday travellers, followed by Mallorca and the Bavarian Alps. **Spain ranked number one in 1998 attracting 10.7 million Germans.**

Focus: Meetings & Conventions

More than US\$ 41 billion spent

In 1997, over 79.5 million persons attended meetings, generating over US\$41.8 billion in revenue reported *Plog Research*. Meetings and Conventions (M&C) continue to contribute significantly to the travel and tourism industry's revenue with **hotels, airlines and meeting planners receiving the highest percentage of revenues**. Though this market has experienced a decline of almost 2% in the number of attendees between 1987 and 1997, **expenditure has reached record levels**.

Conventions generate highest revenue

While conventions accounted for just 1% (11,300) of meetings held with 11.7 million attendees, it generated the highest revenue of US\$16.7 billion. This represents 40% of total meetings expenditure. Conversely corporate meetings accounted for 80% of all meetings and the highest number of attendees (nearly 49.9 million) but recorded the lowest expenditure of US\$10.8 billion. Association meetings generated US\$14.3 billion in 189,500 meetings held with over 17.9 million delegates. In 1997 an average of US\$182,390 was spent per meeting in the USA.

Spouses attend meetings as well

Most corporate and association meetings are attended by spouses. Over 7.6 million spouses attended a corporate meeting in 1997, an 18% increase from 1995. Likewise, over 2.5 million spouses attended an association meeting in 1997, revealed a 1998 meetings market study by *Cahners Travel Group*. Special activities were planned for these spouses during the meetings which last 2-3 days.

Choice of facility determined by quality and cost

Quality of food, service, negotiable rates, meeting rooms, and overall cost were the most important factors when selecting a facility. Availability of hotels or other facilities suitable for meetings , affordability of destination, ease of transporting attendees to/from location, economic distance and climate are examples of some of the other factors considered. Downtown and suburban hotels are the two most widely used facilities for corporate and association meetings. Golf resorts have seen a significant increase of 13% & 14% from 1995 for corporate and association meetings respectively.

June, September and October favoured

Seventy percent of conventions are held annually with **October, September, and June being the most favoured months for conventions**.

Scheduled, commercial airlines (79%) are the most frequently used mode of transportation for corporate meetings. 41% of attendees use rental cars while 37% use their personal cars. 32% of corporate planners frequently/ sometimes utilize national tourist offices to plan or implement meetings while **just under 50 % of meeting planners use travel agents**.

Top spots for international meetings

Europe continues to play a dominant role in the international meetings market reported the *International Congress & Convention Association*. (ICCA). In 1998 Europe represented 59% of the international meetings world - wide. Asia followed with a mere 17% and North America with 10%. South and Central America and Australia/Pacific increased their market share slightly, to 6% and 5% respectively, while Africa retained its 3% share. **The top cities for international meetings in 1998 were Madrid with 76 meetings, Vienna with 75, Copenhagen and Paris, 46 each**. The USA lost market share in 1997 and 1998 and will continue to decline, with the UK overtaking as market leader. By 2000, Spain, though its market share grew for the past three years will experience decline in 1999 and 2000. **The average income from registration fees per international meetings in 1998 was US\$258,847** compared with US\$268,500 from 1994 -1997. **Average number of participants attracted to international meetings has grown over the last five years from 648 to 790**.

Europe is tops

Source: 1998 Meetings Market Study by Plog Research & Travel Industry Monitor 1999.

Editorial

There has been a raging debate in many destinations as to whether they should attract the backpackers market. Destinations, particularly those in the Caribbean, have all vowed to go after the "up-market" client. In many cases, the sheer fragility of the environment and the need to avoid large numbers dictates the pace - "low numbers, high value tourists". Australia is one of the destinations that has actively targeted the backpackers market - with clear results. In deciding to target the backpackers market, it is useful to consider that: they stay longer; the income they spend usually reaches rural communities and craft suppliers; they tend to be trend setters (they, their kids or their parents follow later on); they are usually active; the activities engaged in tend to be environmentally-friendly; they usually require less capital outlay to cater to (small local accommodation suppliers could also benefit).

In the next issues we look at UK, Japan and US Outbound Markets, South Africa as well as Aviation Update and Hotel & Resort Trends.

Trends to Watch

Dogs and owners rest easy on holiday

The **Little Paw Hotel, Dusseldorf, is making it easy for dog owners to take a holiday.** The hotel is fully equipped with a 'pool, gym and 70 single and double rooms with piped music'. Owners rest easy when on vacation, as **the hotel allows them to see their pets over the internet through a web cam.**

Midnight at "high noon"

The **last solar eclipse for the millennium** occurred at "high noon" on August 11, 1999. **Hungary took advantage of their position as one of the prime viewing areas for this spectacular event, and has succeeded in getting all the hotel rooms in the vicinity booked.** They anticipate visitor arrivals of 200,000.

Miles forever

United's frequent flyer miles have no expiry date once its members continue to engage in a "qualifying activity" at least once every 3 years. In addition, **United will reinstate 1998 expired miles** to members who register and take either two paid return domestic trips or one paid international round trip.

Technology Update

Traveller advisories are to be posted about Y2K

Traveller advisories are to be posted **highlighting countries whose airports or aviation systems are not Y2K compliant by early fall.** The *State Department* revealed that the advisories will be based on information gathered by the *Civil Aviation Organization* and *IATA*. At a recent press conference, it was revealed that **US and Canadian airlines have already fixed their Y2K problems in 95% of their critical systems.**

Internet is an important tool for Airlines

The Internet is an important tool for airlines, revealed a study commissioned by *SITA* and *Airline Business*. It was found that **78% of airlines that have websites already in use or plan to use them to sell tickets. Approximately 40% of major airlines offer applications to frequent flyers and large corporate clients via the internet. More than 50% of tickets purchased by some airlines (e.g. US Airways) are electronic.**