

# Tourism Industry Intelligence

## Strategic Information for Decision-Makers

### Prospects for Selected Markets in 1998

March/April 1998

#### French market - slow but positive growth

French foreign leisure trips and overnight volume declined in the first six months of the year by around 5-6 per cent, according to the monthly *Sofres Survey* commissioned by the *Direction du Tourisme*. The decline was mainly attributable to a fall in VFR travel (visits to friends and relations). However, **pure holiday travel, notably short breaks of less than four nights abroad, showed slightly positive growth.**

For the full 12 months, holidays abroad rose by a modest 3-4 percent. The best growth sector overall in 1997 was long haul. **Led by the USA, which now generates around 18 per cent of all French long haul travel, the sector continued to gain market share in 1997** - despite the unfavourable exchange rates for the French. In terms of growth, **Cuba and Egypt appear to have been the best performers over the past year - largely at the expense of the Asia Pacific region.**

#### Japan - Is the honeymoon over?

Japanese newly-weds appear to be less adventurous about their honeymoon travel decisions. According to a survey by *Japan Travel Bureau (JTB)*, **they are spending less on travel when they take their honeymoon overseas.** JTB estimates that for an 8-day stay, they plan to spend Y71,500 (US\$538) daily, down almost 1 per cent over 1997. **Their favourite destination, Australia has lost favour, and the big winner is the US mainland, with Hawaii following close behind.**

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#### And gloomy prospects for 1998

The prospects for Japanese outbound travel in 1998 are gloomy. Japan's outbound totals for 1997 may have increased in 1998, but is unlikely to finish the year with more than a 1% growth in Japanese departures abroad. **Preliminary results indicate a decline in outbound travel in the last quarter of 1997.**

#### UK market booms

Fuelled by the appreciating pound against major currencies, **UK outbound travel has been booming.** The number of outbound trips, for the first half of 1997, increased by 11%, according to figures released by the *UK International Passenger Survey*. The total number of summer holidays sold in 1997 exceeded 9.2 million and 10 million holidays are projected to be sold in summer 1998 according to *Lunn Poly*. **Among the winning destinations in 1997 were Mexico (up 83%), Caribbean (up 20%), Dominican Republic (up 62%), Kenya (up 16%). Growth to Far East/South East Asia declined by 26% and 73% to Morocco.** All long haul destinations grew by 6% while cruises were up by 50% according to *A.C. Nielsen*.

## Market and Consumer Trends

### Profile of the Brazilian outbound market

**In 1996, 1.8 million Brazilians travelled abroad**, with 63% travelling for leisure. Brazilians stayed 17 days abroad, spent US\$90.67 per day or US\$1,532.00 per trip and stayed mainly in hotels (76%).

**The top destination for Brazilians for the past three years have been:**

Top destinations	Market Share 1996
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USA	56%
France	10%
Argentina	9.5%
Canada	7.6%

### Major source markets

**Sao Paulo is the major source of outbound travellers in Brazil with 31% of all departures.** In second place is Rio de Janeiro (23%) followed by Rio Grande do Sul accounting for 13% of departures.

### Vacation travel motives of US travellers

According to a *USA Today* report, factors that are important to prospective US holiday-makers are:

Time with family	47%
New places/things to do	42%
Chance to relax/do nothing	42%
Time with friends	35%
Catch up at home	29%
Time with kids	29%
Visit out of town friend	28%
Learn something new	27%
reconnect with spouse	27%

*Source; Yanklelovich Monitor*

USA States producing the most cultural or historical trip visitors are:

Washington, DC	61%
Hawaii	53%
Alaska	48%
South Dakota	34%
New York, Vermont, New Mexico (tie)	33%

### African American travellers

The 34 million African-American (12.7% of USA population) have a median age of 29.8 years are found in the largest groups in :

State	Number (000,000)
New York	3.2
California	2.4
Texas	2.3
Florida	2.2
Georgia	2.1

*Source: USA Today*

## Focus: You, the German Tourist and the Law

### The most stringent travel law

German Travel Law is one of the most stringent in the world. Knowing the provisions of this law and how it applies is a very important step in effectively targeting the German market. **The Act seeks to ensure that exactly what the consumer pays for in Germany, as described in the travel brochure/prospectus, must be experienced in the destination.**

### German tour operators are liable

Under the Travel Contract Act, the **tour operator is liable for physical injury, damage to property as well as shortcomings and reduction in the value of the package tour.** In the event that such a condition exists and depending on its severity, the traveller has the right to cancel and or demand a reduction in the purchase price of the trip.

### Customer compensation

The "Frankfurter Table", which is used to determine the reduction rates, **identifies the percentage of the holiday price that is to be returned to the client in the event that the holiday is not delivered as promised.** The application of the Frankfurt Table to specific areas of complaints as can be seen in the table below:

### Specific rebates allowed

<b>Accommodation</b>	difference in the category booked	10%
	difference in location	10%
	double room instead of single	20%
	triple room instead of double	25%
	no balcony	10%
	no seaview	10%
	no private bath	25%
	no air-conditioning	20%
	no radio/TV	5%
	humidity in the room	20-50%
	pest/vermin in the room	20-50%
	problems with loss of:	
	water	10%
	air-conditioning	20%
	electricity	20%
	elevator	10%
	insufficient cleaning	20%
<b>Meals</b>	noise during the day	10-25%
	noise during the night	20-40%
	no variety of menu	5-10%
<b>Service</b>	bad/inedible food	20-30%
	dirty linen	10%
	dirty tableware	15%
	unfriendly or slow service	15%
<b>Items missing as otherwise promised</b>	swimming pool	
	(out of order or dirty)	12-20%
	any kind of sporting facilities	10%
	entertainment	15%
	tour guide	10-20%

### How to avoid complaints and claims?

**Be honest and open with clients and tour operators.** If construction/renovation work is planned at your property, communicate this at once indicating the location, hours and the length of the work period. **Be proactive.** In the event of renovation, loss of water or electricity, **offer compensation.** This can be free drinks or meals, a bottle of champagne etc. **If, for example, the swimming pool or the gym facilities had to be closed unexpectedly, offer to transport guests to facilities at another hotel or location.**

### The golden rule

The golden rule is simple and effective: **If the German guest suffers an inconvenience, a service provider should offer compensation immediately.**

Source: CTO and PATA German Market Reports, prepared by Caribbean Futures, 1998.

## Cruise News

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### Carnival corners luxury market

Carnival Corporation's US\$500 million purchase of Cunard allows the company to assemble the largest luxury cruise fleet in the world. Already the owner of the luxury cruise line, Seabourne, Carnival's luxury operation now includes Cunard's five-strong fleet - QE2, Royal Viking Sun, Vistafjord and Sea Goddess I and II - in addition to three ships from Seabourne - Seabourne Pride, Seabourne Spirit and Seabourne Legend. The sale is subject to approval by US competition authorities in May.

### Cruise line threatens boycott of Grenada

Ahead of Grenada's plan to implement an environmental tax to fund a solid waste management project, **major cruise lines are threatening to boycott Grenada if the tax is implemented.** The government of Grenada plans to implement the US\$1.50 per passenger tax from May 1, 1998. The tax is to be implemented by the Organization of Eastern Caribbean States. In further developments, taxi drivers in Grenada mounted a protest against the environment tax which is seen as a detriment to their livelihood.

### Cruise bookings up

Cruise bookings are estimated to increase by as much 20% for 1998. Already, thanks to the *Cruise Lines International Association's* (CLIA) **National Cruise Vacation Month**, bookings are expected to increase by over 40%. Bookings have also been spurred by the box office hit, **Titanic**, which has brought the romance back to cruising.

## Aviation Update

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### British Airways launches low cost brand ...

British Airways has launched its low cost airline, Go. Go will operate the intra-European routes from London (Stansted) starting in the spring of 1998. Routes and fares will be announced shortly. **Likely destinations include Oslo, Milan, Berlin, Nice and Rome.**

### Lufthansa follows suit

The German national carrier, Lufthansa is poised to launch a low-cost no-frills carrier on the model of British Airways' Go to compete with budget airline Eurowing. Lufthansa plans a separate airline with an initial fleet of up to 14 aircraft to fly short-haul German and European routes away from its main Frankfurt and Munich hubs. **The airline will concentrate on the domestic market, initially, where Lufthansa makes an annual loss of US\$55 million.** Neither a start date or name has been given for the carrier, but it has been dubbed "Lufthansa Light".

### Virgin to upgrade service

Starting 2001 or 2002, when delivery is taken of its first A340-600 airline, **Virgin Atlantic** will inaugurate a first class cabin service. **The service will feature double beds and showers as well as drive through check-in.**

### BA bows out

British Airways is closing its **17 US ticket offices** because customers are buying tickets through the airline's Internet Web site, over the telephone, or through independent travel agencies. The airline expanded its **Internet** presence and plans to introduce electronic ticketing facilities at its **22 airport locations.**

## Hotel & Resort Trends

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### Bass buys Intercontinental

The **Inter-Continental** hotel chain, with **187 hotels and 65,000 rooms** world-wide has been acquired by British based brewers **Bass**. In the deal **Bass**, will pay the owner of the hotel chain, **Saison** of Japan, \$2.9 bn for the chain. **Bass** hotel division includes such brand names as: **Holiday Inn, Holiday Inn Express, Crowne Plaza** and **Stay Bridge Suite**.

### Allegro on the move

With the opening of its **419 room** all inclusive property, **Allegro Resort** has established a presence on **Aruba**. The property called the **Allegro Americana Aruba** is scheduled to begin operating on May 1, 1998.

### Tour operator takes over hotels

**TUI**, the giant German tour operator (the largest German tour operator with 27% market share) is negotiating to take over **IFA hotels**, which has **27 properties in Spain, Turkey, Austria and Germany**. The deal will give **TUI** control of **7 hotels in Grand Canaria, Spain**.

## Eco Monitor

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### Brazil invests in ecotourism

**Brazil is planning a US\$200 million programme to develop ecological tourism in the Amazon**. The programme, which is being funded by the **Inter-American Development Bank (IADB)**, calls for 50 per cent of the US\$200 million to go toward financing private sector companies interested in investing in ecotourism in the Amazon region. The other half will be used to improve and expand the conditions for ecotourism.

### Latin America leads in ecotourism

In 1996, **Brazil invested US\$3 billion in ecotourism** - less, in terms of gross domestic product (GDP), than **Costa Rica, the Dominican Republic, Ecuador, Peru, Chile and Argentina**. But investment levels in Brazil are expected to increase rapidly in the coming years - to US\$8 billion in 1998 and US\$12 billion in 1999, according to the *Latin American Association for Environmental Planning and Management*. **Among Latin American countries, total investment in ecotourism accounts for some US\$21 billion**.

### Cruise tourists too much for Dominica?

**The Dominican tourism sector is at the cross road with respect to the mix of stayover and cruise visitors**. With hundreds of cruise visitors lining up to visit ecotourism sites, concern has been expressed over the damage that this could cause to Dominica's image as an ecotourism destination. **Calls have been made for limits to be placed on the number of cruise ship calls and cruise passengers to the island**. **Annually some 200,000 cruisers visit Dominica and contribute between US\$10-13 mn to the national economy, while an estimated 60,000 stayover visitors come to the island each year and contribute US\$45 mn to foreign exchange earnings**. This was disclosed by the president of the *Dominica Hotel and Tourism Association*, **Mr. Atherton Martin**.

### Poland promotes its national parks

The **Polish National Tourist Office** has launched a campaign to **promote its wildlife and its 22 national parks to the travel industry**. Poland's national parks are exceptional in Europe for their range of wildlife, their size and varying geographical interest, but are little known outside Europe. **Although the parks have received some 10 million visitors a year in recent times, few of these are from western travel markets**. *Poland State Sports & Tourism Administration* has launched a comprehensive brochure - 'Poland, the Natural Choice' which outlines each park and their tourism possibilities.

## Destination Watch

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### Cuba adds capacity

**Spanish Hotel group Tryp** is to build a third property in **Cuba** at **Punta Hicacos**. The US\$30 million development is due to be completed at the end of 1999. Meanwhile, **SuperClubs** has opened two properties in **Cuba**, the 200 room **SuperClubs Sierra Mar** and the 34 room **SuperClubs Los Galeones**. **Sandals** has also announced plans to enter the **Cuban** market.

### India to boost tourism

Although tourism is now **India's** single biggest foreign exchange earner and its third biggest industry, **the world's seventh largest and second most populated country has long been considered a tourism destination of unrealised potential**. Its wealth of cultural attractions, not to mention its historic monuments and wildlife remain largely untapped because of excessive bureaucracy, lack of incentives and protectionist policies.

**India's Ministry of Tourism** is now aiming to more than double international arrivals to India to **5 mn by the year 2000**. This is expected to be achieved through the removal of visa restrictions, the cutting of red tape for inbound travellers and the granting of bilateral and unilateral concessions to certain countries. In addition, **investment in hotel development and other tourism facilities and services will be stimulated by the provision of incentives such as credit free loans and tax holidays**.

The **Associated Chambers of Commerce and Industry of India** estimates that India needs to spend US\$7.7 bn to meet a target of five million tourists by the year 2000 and **hotel rooms must be increased from 50,340 to 1,250,000 by 2000**. In 1997, according to preliminary estimates, India attracted 2.4 mn international tourist arrivals, a growth of 3.9 %. Its international tourism receipts totalled just under US\$3.2 bn, up 6.5%.

### Stagnation for Thai tourism

**Thailand** recorded visitor arrivals of 5.3 mn in the period January-September 1997, up less than 1% over the same period of 1996. An analysis by the *Tourism Authority of Thailand* (TAT) indicates that visitor arrivals have been affected by both the several months of haze in **Southeast Asia** as well as the regional economic crisis. Two of the most significant market regions for **Thailand, Europe** and **East Asia**, both experienced major slowdowns from January through September 1997. Among European markets, **Germany** declined by 0.6%, **Italy** by 6% and **France**, by 1.9%. Seven of the 15 European markets experienced a decline. However, the **British** and especially the **Scandinavian** markets are doing extremely well. There were further declines from **South Asian** countries, too. Visitors from the **East Asian** region as a whole declined by 15.3%, with the biggest drop coming from the Pakistan market, down 36%.

### Venezuela is up

Preliminary estimates point to a **6.7% increase** in **Venezuela's** tourist arrivals in 1997, to 800,000. Tourism also earned US\$1.2 bn for the State and generated 9.4% of all employment (including jobs indirectly linked to tourism). Some 60 new tourism development projects were approved by the Venezuelan government in 1997, including four winter ski resorts near **Merida**. This involved the granting of more than US\$150 mn in preferential rate loans.

### Ethiopia strengthens position

Preliminary estimates point to a second year of tourism growth for **Ethiopia**, +2% in arrivals and +4.4% in international tourism receipts, reflecting the increased efforts by government to improve and expand tourism facilities, introduce new training programmes for tourism personnel at all levels and encourage new investment in the industry.

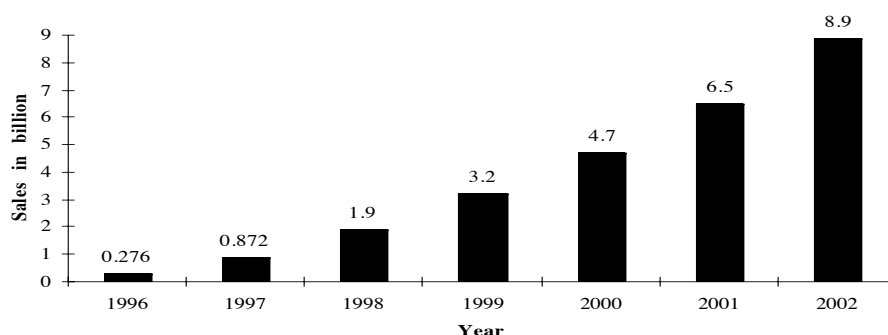
## Technology Update - The On-Line Travel Market

### Revenue will triple

**Online travel revenue will triple in 1998 and sales will increase by 440% to \$4.7 bn in the year 2000**, predicted the *Travel Industry Association (TIA)*. The TIA report, *Travel & Interactive Technology - A Five Year Outlook* based on research conducted for TIA by *Jupiter Communications* found that:

### Net bookings to increase to US\$8.9 billion in 2002

#### Bookings on the Net



Source: Travel Industry Association, 1998.

### 29 million online

Use of the Internet has been primarily a U.S. phenomenon. According to the report, there are now **approximately 28.7 mn U.S. households online**. By the year 2000, North America will continue to lead with 60.4 mn online-households. **Europe is projected to have 36.6 mn and Asia/Pacific Rim 16.6 mn households online.**

### “High touch” still in

Increasing competition among online travel sites will increase awareness and draw more consumers to the market. While traditional travel agents will feel the pinch from online competition, the report said that **a large segment of travellers will continue to seek out the human interaction that comes from purchasing through an agent.**

### Dominance of mega stores

Internet travel is currently dominated by **six mega-travel websites that account for 40% of the travel-related sites**, but generate 75% of the Internet revenue in the travel industry.

### Travel is number 1

Travel is the number one spending segment for the online consumer market. Travel purchases will continue to grow dramatically in the next few years, making this product segment likely to **remain the number one category in online consumer spending through the year 2002.**

### Airline tickets dominate

**Airline tickets generated \$243 mn or 90% of all online travel sales in 1996.** By the year 2001, the proportion of airline tickets sold online is expected to drop to 73% and account for \$6.5 bn. Non-airline sales, mostly hotel and car rental, are expected to grow from \$31 mn in 1996 to \$2.2 bn in the year 2002.

### Direct bookings to increase

Airlines, hotels and other travel-related businesses, will see a significant increase in the volume of direct bookings made by online users. **Direct sales by suppliers will grow from 22% in 1997 to 30% of total online sales in 2002.** The leading incentive for suppliers to develop websites is to have a direct link to consumers and avoid the commissions paid to travel agents.

Source: TIA - *Travel & Interactive Technology: A Five Year Outlook, 1998*

#### Future issues will cover:

- Health and Spa Tourism
- Destination: Jamaica, Bhutan, Cuba
- Time Share
- The US Honeymoon Market
- The Asian Crisis : Impact on Travel & Tourism

## Market Indicators

Indicators Market	GDP Growth (% change) last yr. last qtr.	Unemployment (%) Rate 1998	Wage/Earnings % change 1997/1996	Exchange Rate to the US \$ latest for 1998	Market Share %Total Arrivals 1997	GDP Growth (% change) 1998
USA	+3.7 +3.7	4.6	+4.1	--	8.0	+2.8
Canada	+4.2 +3.0	8.6	+1.8	1.42 Can	2.9	+3.3
UK	+2.9 +2.5	4.9	+4.5	0.60 £	4.2	+2.3
Germany	+2.4 +4.1	11.5	+0.8	1.85 DM	2.6	+2.6
France	+3.2 +3.1	12.1	+2.9	6.20 Francs	10.9	+2.8
Italy	+2.8 +0.7	12.1	+2.4	1,823 Liras	5.6	+2.3
Spain	+3.6 +3.7	20.3	+3.1	157 Pesetas	7.1	+3.5
Japan	+0.2 -0.7	3.6	-0.5	133 Yen	0.7	+0.5

Source: *The Economist*, April 1998, *World Tourism Organization 1998*

## Trends to Watch

### Flight in space

For a downpayment of US\$5,000, travellers can book a seat on a twice weekly service to out of space. Scheduled by **Zegrahm Space Voyages** to come on stream from December 1, 2001, the trip will cost US\$98,000 and must be paid in full 180 days before departure, *Travel Weekly* reported.

### Chemist to sell travel insurance

The giant chemist chain **Boots** in the **UK** unveiled details of its scheme to **target the sale of travel insurance to its 4 million customers who hold loyalty store cards**. There is also a possibility that insurance policies could be sold through **Boots** 1300 outlets in the **UK**. Analysts claim that the store's strong image is a big selling point for the scheme.

Comment: This is yet another example of how information technology is creating the basis for the **diagonal integration** of travel and related services. Unlike vertical integration where firms joined together to control different stages of production (e.g. airlines and hotels) and horizontal integration where firms take over each other to gain market/monopoly power (e.g. Thomson's in the UK), diagonal integration is customer-focused. Diagonal integration allows companies to get closer to the consumer; to market a range of services to a targeted clientele (**American Express, Midland Bank** .... and now **Boots!**). Diagonal integration also affords lower costs of production through synergies and strategic alliances, economies of scale and scope - all this, largely through the production platform of information technology (See *Tourism, Technology and Competitive Strategies*).

### Free promotion

It is estimated that **Cuba received US\$500 mn in free publicity, thanks to the Pope's** recent visit to the island. Already enquiries from US travellers interested in Cuba has increased from 50 calls a week to 100 and growing, *USA Today* reported in January this year.

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