

# Tourism Industry Intelligence

Strategic Information for Decision-Makers

## Barbados Tourism Prospects to 2003

July 1999

### Recent Performance

Barbados has emerged as a premier Caribbean destination with **tourism leading all other sectors of the economy**. In 1998, Barbados received **over one million visitors** (1,019,007) of which 512,397 were stayover arrivals (an increase of 8.5% over 1997) and 506,610 cruise passengers (a slight decline of -2.2% over 1997's 517,888).

### Economic Importance

Tourism is of prime importance to Barbados. **In 1998 it contributed 13% of Gross Domestic Product (GDP) and employed 11.5% of the labour force**. Visitor expenditure was estimated at US\$703 million an increase of 7% over 1997. Barbados' economy continued to expand with real output increasing by three percent (3%) in 1997. It was the fifth consecutive year of economic growth and it was again accompanied by a further decline in unemployment, with the rate falling to 14.5 percent.

### Main Markets

Barbados known as "little England", has historically **received a large percentage (over 36%) of its arrivals from the UK market**. The US accounts for 21%, Europe 13%, (of which Germany is the second largest market followed by Sweden, Netherlands, Italy and Ireland) and Canada 12%. **Germany alone generates over 10,000 arrivals yearly. However in 1998 German arrivals fell by 36% as a result of decline in air access.**

### Critical Issues

Critical issues facing Barbados tourism are: the need to **conserve the environment** in the midst of rapid capacity expansion; to **involve its local population in the island's tourism drive**; to develop the **quality and quantity of human resources** to supply the industry; and to generate effective **backward and forward linkages between tourism and the rest of the economy**; and very importantly to **secure increased demand and market share** in an increasingly competitive environment.

### Key Strategies

Barbados' main strategies are: strong emphasis on **construction and refurbishment of infrastructure and superstructure** to meet present demand; **conserving the environment**; the **promotion of cultural and heritage tourism**; greater **involvement of local communities**; **education and training** of human resources in order to supply the high demand for quality labour. There are also concerted efforts to attract more North Americans to the island as well as **regain market share in Germany**. A wider economic development strategy that recognises and exploits tourism as a lead sector and a **strong focus on developing the wider services sector** (telecommunications, medical services and information technology) will help to position Barbados favourably in the new millennium.

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### Future Prospects

High levels of investment activity in the tourism sector in Barbados is expected, with an estimated US\$868 m planned investments during the period 1998-2003. **Private sector activity is very dynamic** with the complete reconstruction of Sandy Lane Hotel at US\$250m; Port St Charles US\$120 m; and Royal Westmoreland at US\$170 m; just to name a few. Room inventory is expected to increase in excess of 3,000 rooms by 2003 and surpass the 10,000 mark within the next ten years.

Source: Caribbean Futures Research and Travel Industry Analyst

## Destination Watch

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### Thailand targets the health conscious

**Thailand** is marketing itself as a prime destination for the health conscious. **Visitors can enjoy the up-market spas, various beautifying processes and Oriental-style exercises and meditation.** In addition, there are ample facilities **for plastic surgery and medical check-ups** at a low cost. Bangkok and other tourist provinces are highlighting the fact that an enjoyable holiday can be combined with excellent health care at low costs in Thailand.

### Kenya lifts visa requirements

**Kenya has lifted visa requirements for travellers from America, Japan, Canada, New Zealand** and other **European** countries when staying 30 days or less. This was done to combat the ill effects of the bombing of the US embassy in Kenya, killing 229 people and the incident where 8 tourists were killed on a safari in Uganda earlier this year.

### Curaçao celebrates Afro- Caribbean heritage month

**Curaçao** plans to celebrate Afro-Caribbean Heritage month by introducing unique three-night packages which **include a round trip from American Airlines, accommodation at the Princess Beach Resort & Casino, hotel tax and service charge, transfers and heritage and cultural tours.** The tours include **highlights of the island's African heritage through a two-day excursion that visits Plantations that recreate the living conditions of the slave period, commemorative monuments, museums and other related sites.**

### Singapore targets the youth

**In an effort to target the adventure lovers both in and out of Singapore, the island has plans for the first Youth Adventure Day** on August 21st of this year. Interested youths can participate in sailing, shooting or diving.

## Market and Consumer Trends

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### TUI targets late German bookings

**TUI has launched a large national TV advertising campaign for late bookers this summer.** This is an effort to trap the **late bookers which represent some 5.1 million vacations.** A recent market survey shows that **32% of flight packages planned by Germans in 1999 have not yet been booked, FVW** reported.

### Germany has recorded robust spending growth

**Germany has begun 1999 with a strong travel spending growth** according to *Deutsche Bundesbank*. **In the first quarter of 1999, Germans spent a total of \$12.1 billion which represents an increase of 7.1% over the same period.** **Austria** led the vacation destination choice for Germans and earned 3.2 billion while **Spain** running second earned \$1.7 billion ( a 19.5% growth rate). Turkey suffered the largest fall in German income, recording a 15.3% decrease over the first quarter of 1999.

### Garden-related activities favoured

**Nearly 40 m Americans took part in garden-related activities, while on a trip at least 100 miles from home during the past five years** and 10m adults took a gardening trip in 1998, according to a new study from the *Travel Industry Association*. The study revealed, however, that **although Americans participated in some form of garden related activity, botany was not the primary or secondary reason for making the trip.**

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## Focus: Timeshare

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<b>3.75 million strong</b>	It is estimated that <b>3.75 million households own a resort timeshare interval on a worldwide basis.</b>
<b>6 billion worldwide sales</b>	In the resort time sharing industry, <b>the 1998 worldwide sales volume was close to US\$ 6 billion</b> , with half of this figure generated by the US industry.
<b>Strong growth recorded</b>	The members of timeshare generally grow by 2,000 yearly. <b>Between 1990 and 1998 the figures grew from 1,301,050 to 2,522,182. Participating resorts also increased during this period representing figures from 1,983 in 1990 to 3,473 in 1998.</b>
<b>Timeshare favoured by US travellers</b>	75% of time share purchasers are US residents, <b>European buyers account for 11.7% and Canada represents a further 5.7% of purchasers. The total number of purchasers in 1998 was 221,950.</b>
<b>Demographic profile of timeshare owners</b>	Timeshare owners are generally couples. <b>They tend to have no children and come from high income homes.</b> The head of the household is generally between 45 and 54 years old and has at least a Bachelor's degree.
<b>Timeshare owners spend US\$750 million annually</b>	<b>Timeshare owners contribute \$750 million in annual expenditure to countries while an average timeshare visitor party spends \$2,795 each time they take a timeshare vacation.</b>
<b>Timeshare purchasers extremely satisfied</b>	Timeshare owners are satisfied with their vacation packages with 80% saying that they are very satisfied or satisfied. <b>Most owners have used their units 5 times or more and most are unwilling to sell their timeshare units. However few want to purchase additional time at the current resort opting instead to exchange for different locations.</b>
<b>Exchange facilities available</b>	On average, a timeshare owner has made 6.7 exchange requests and gone on 5.7 exchange vacations. <b>Most persons (93%) intend to stay with their exchange companies because they are satisfied. Most people (83.1%) are either very satisfied or somewhat satisfied with their exchanges while only 3.4% were very dissatisfied.</b>
<b>Why do persons buy timeshare?</b>	Exchange opportunities are the primary reason for buying timeshare for 84.2% of all timeshare owners. <b>This means that once you buy a time share, you own a holiday. This is because you are not restricted to spend your vacation for the same two weeks, at the same resort, in the same country, for the 20 years that the time share is owned. Time in one resort can be exchanged for time at another resort.</b> Other reasons included <b>saving money on future vacations, liked resorts, certain of quality accommodations, opportunity to own at affordable price and investment or resale potential.</b>
<b>Why do investors sell timeshare?</b>	Timeshare is an increasingly important source of investment finance. For investors, <b>it offers</b> the possibility to sell the individual units (of say a 300 room hotel/resort) well in advance of construction . <b>This means that the sale of time share units can provide an important source of construction finance.</b>
<b>Future prospects</b>	<b>The timeshare industry is gaining acceptance within the wider travel and tourism market.</b> The industry has developed a cleaner image with legislation in place to protect consumer interests in the industry. This, together with the entry of big travel and hospitality brandnames (including <b>Hilton, Hyatt and Marriott</b> ) <b>will act as a dual catalysts for unprecedented growth in timeshare.</b> The number of time share holiday exchanges is expected to exceed 5 million a year by 2003, <b>estimates RCI, the world's largest exchange company.</b>

*Source: RCI Consulting: Timeshare Purchasers: Who are they, Why they buy 1998 Edition, The Resort Timeshare Industry in the Caribbean 1999 Edition & see Tourism Industry Intelligence Vol 6. No1. 1999.*

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## Editorial

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It is amazing what governments have to do to ensure the success of the Caribbean islands. In the late 1980's and early 1990's, the Barbados tourism industry was suffering from tourism fatigue (workers tired of smiling and investors wary of investing). Today, a new government later, Barbados has one of the most dynamic tourism sectors; unemployment is falling; confidence is back; investors are investing; tourists and workers are smiling. The climate has completely changed. The Bahamas is also an example of a spectacular turn-around (see **TII September/October 1997**).

Another interesting feature of the success of islands is that the successful ones seem to have two important things in common: first, they are almost all service-economy driven, not only tourism, but the wider services sector (banking, insurance, finance); second they all tend to be small. Small size has had an important advantage because the populations were too small to justify large scale unprofitable manufacturing activity (e.g. automobile assembly in Trinidad). It is therefore not surprising that today, the smaller islands in the Caribbean (Barbados, St. Lucia, Bahamas) have a higher value of their currency (\$2 Barbadian and \$2.7 EC per US\$), compared to the larger islands such as Trinidad, (\$6.3 TT per \$1 US), and Jamaica (\$33.5 Jamaican per \$1 US). It seems as though strategies that focus on developing the services sector are more compatible with small island development, than environmentally-damaging manufacturing industries.

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## Trends to Watch

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### Spain offers stone age holidays

A Spanish company is offering prehistoric experiences to its clients. **Atapuerca, northern Spain is the location of this 'stone age holiday'**. Groups of 30 people at a time engage in activities such as building huts, making arrows and cutting animal skins. The wooded archaeological site offers the ideal location for this unique experience.

### Sheraton Light for health conscious

**Sheraton Light**, to be launched by **Sheraton** in August, will feature many low-calorie foods such as mustard and tarragon chicken and tropical fruit soup. Over 100 items all equally delicious and healthy will be featured throughout the year. The program was designed specifically for the health conscious travelling executive.

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## Technology Update

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### Internet bookings will rise but not dominate

Members of the travel industry agree that **although bookings on the internet will rise over the next five years, it will certainly not be the dominant method of booking travel**. Cruise lines, car rentals and hotel chains currently indicate that **approximately 1% of all their bookings come via the internet**. They project, however, that **these figures will not rise over 5% over the next 5 years**.

### Cruise lines pay commissions on internet bookings

Carnival and Norwegian Cruise Lines have made internet bookings commissionable. **Agents will now benefit from customers who make bookings via hyperlinks to the Cruise lines web site**. This is possible through new technology aptly dubbed "the shadow", which allows the cruise lines to identify the travel agent where the sale originated.