

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the Swiss Market in 2003

January 2003

Highest GDP per capita

Switzerland has the highest GDP per capita of any country in Europe. Swiss GDP was forecasted to grow 1.3% in 2003 and 2% in 2004. The country has a population of 7.32 million and a population growth rate of 0.3%. Inflation is quite low, between 0.5% to 1%.

Travel patterns

High income and wealth levels provide Swiss with the means for extensive and frequent travel abroad. The Swiss still enjoy one of the world's highest per capita income levels and the stability of the Swiss franc has been an important factor encouraging Swiss to travel. Switzerland ranked 15th in the world in total outbound expenditure of US\$6.3 billion.

Popular destinations

There were **12.3 million Swiss outbound arrivals in 2000**, 4.5% more than 1999 figures. Europe accounts for the majority (84%) of outbound trips. France, Italy, Spain and Germany are the most popular European destinations since they are very close to Switzerland. The USA is the most popular long haul destination for the Swiss with 310,000 arrivals in 2000.

Reasons for trip

The **single most important reason for private travel is visiting friends and relatives** (23%). This is closely followed by beach holidays (22%). The fastest growing travel motivations are sports holidays which has grown from 5% to 9% between 1999 and 2000 and health and wellness holidays with growth from 3% to 5% in the same period. The months of June to August are the most popular months for Swiss travel.

Organisation of trip

Most trips are organised by the Swiss themselves. In 1998, 64% of Swiss travelers did their own planning, while 15% was arranged through the big tour operators and the remaining 21% booked through other smaller specialist tour operators. The most popular means of transport is the family car (used for 45% of all trips).

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How much the Swiss spend

On average Swiss on private holidays spend US\$834 per person and per trip or US\$116 per night. However, Swiss spend an average of US\$1,194 (Sfr1,636) per person per trip or US\$475 (Sfr651 per night) on business.

Places to stay

The **Swiss tend to stay in a hotel** (49%) while staying with friends and relatives (32%) is still popular.

The future

For all types of personal trips **the Swiss attach the most importance to landscape and nature and having time for their partner or family.** The one factor enhancing international travel is the renewed strengthening of the Swiss franc against all major world currencies. This encourages the growth of long haul travel from Switzerland.

Source: Switzerland Outbound, Mintel International Group Ltd., 2002.

Market & Consumer Trends

More Americans plan to cruise

The number of Americans who “definitely” or “probably” intend to take a cruise in the next three years rose to more than 44 million, according a study commissioned by the *Cruise Lines International Association* (CLIA). By comparison, CLIA’s September 2001 research predicted that 7.4 million North Americans would travel in 2002. A more realistic prediction however is that **27 million Americans will travel by 2005**, according to CLIA’s executive director.

Top ten adventure travel destinations

The top ten adventure travel destinations as determined by the vacation purchases of adventure and experiential travellers are **China in first place** in 2002 up from third place in 2001. **Peru fell to second place** in 2002 from first in 2001, **Galapagos jumped to third place** in 2002 from sixth position. Interestingly, Alaska, Costa Rica, Egypt, Australia, Italy, Vietnam and Ireland took the other 6 spots. However, destinations like Tanzania, Morocco, India and Nepal have moved off the top ten list in 2002 as some of the countries were hard hit with unrest. This list was announced by iExplore, an online resource for travellers wanting to get off-the-beaten path.

Hotel & Resort Trends

Bathrooms – a measure of hotel cleanliness

The **condition of the bathroom was the number one determinant of the cleanliness of a room** according to 75% of the respondents in a *Kimberly-Clark* survey of 618 adults whom visited a hotel last year. The importance of the bathroom cannot be understated as over 80% of respondents inspected the bathroom and its supplies within 15 minutes of entering a hotel room while more than 50% examined the room immediately on entering the hotel room. **Cleanliness ruled over in-room amenities such as a whirlpool or spa** (23%), a full-connected office (13%) and a book and video library (6%). Dirty hotel room bathrooms bothered hotel guests, according to 28% of those surveyed.

Budget segment is resilient in the UK

On a rolling-12 basis the luxury, first-class and mid-market sectors have all experienced significant occupancy declines post September 11th, 2001 across continental Europe, according to *Deloitte & Touche*. Occupancy levels in the luxury sector fell from 70% to 62%. The budget sector performed marginally well with occupancy levels up one percent to 63% for Continental Europe. On the other hand, **occupancy levels for budget hotels in the UK increased 5 percentage points between January 2000 and September 2002 while the luxury segment plummeted 15 percent from 77percent to 63 percent.**

Eco-Monitor

Half Moon first winner of Emerald award

Half Moon Golf, Tennis and Beach Club is the first winner of the Emerald Award for Sustainable Tourism. The Emerald award honours a luxury hotel with a proven track record in environmental responsibility. Half Moon has proven to be a property that combines the provision of luxury services and accommodation with a concomitant commitment to environmental conservation and sustainable tourism. Half Moon was also named the Caribbean’s leading hotel at the World Travel awards in October 2002.

Key Future Trends - Part 1

What does the future hold?

In the aftermath of September 11th, renewed economic recession, and uncertainty about the outbreak and impacts of a possible new War, key questions for travel and tourism suppliers are: What will the future hold?; How will travellers react? How can we grow in these uncertain times?; Where will growth come from?; How can one compete and even win market share?

The four key emerging trends to watch in 2003 are as follows.

Trend 1: Cheaper, faster holidays

One major area of travel growth is the taking of shorter and more frequent breaks. This trend is driven by a busy, stressed and time-poor executives (and their partners who are also working). The opening of Eastern Europe with new and fresh and close-by destinations are also driving this trend. But critically, the low cost carriers that have made travel to cities faster (than road and trains) and cheaper (than scheduled) carriers are also critical drivers of these trends.

Trend 2: Closer to Home

An emerging trend, spurred on by the aftermath of September 11th is that **travellers are opting for destinations closer to home**, that is, within their geographic regions. Intra-regional travel has also boomed. Already, there is a noticeable trend in Japan to visit destinations within the Asian region. This is not only because the Asian region is perceived as being outside the terrorist belt, but also, because of the slow-growth in the Japanese economy, Asian destinations being perceived to be cheaper and offering better value for money. A similar trend observable in the US market where price competitive and close by destinations are benefiting from this trend. Late bookings is also on the increase and the internet facilitates this tremendously.

Trend 3: Increased Polarisation

More and more, **the industry is being polarised into the mega and the micro**; the safe and the unsafe; the mass tourists and the individualists; the mega airlines and the low cost carriers. More and more, the industry is being polarised into the large global players and the really small players. The industry seems to be losing its middle ground. The importance of globalisation and alliances have become so important that connections and connectability are now critical for competitive success. Industry polarisation is expected to continue as company restructuring, mergers, alliances, acquisition and even bankruptcies around the world continue.

Trend 4: Enough is Enough

At the level of the tourist destinations, **there is growing concern about sustainability, the protection of the environment and preservation of cultural heritage.** Recently, the Balearic islands took the lead with the ecotax; Seychelles has been trying to implement one for some time and other destinations are likely to follow. Jamaica is taking major initiatives to involve local communities in the tourism sector and ensure that locals benefit from the tourism industry. Mauritius and Barbados are making major strides in conserving its environment and encouraging locals to experience the richness of their own tourism products.

Editorial

As we examine the key trends in the travel and tourism industry and consider what the future will hold, it is clear that what we are witnessing the continuing and deepening of trends evident in the industry even before September 11th, 2001. The polarization of the industry into very large and niche players, the increased experience and expectations and the 'new' travellers, the taking of shorter holidays, and the increased adoption of information technologies are all long term structural trends in the industry. The more temporary trends are those directly brought on by September 11th - security concerns and travelling closer to home.

Trends to Watch

Solid tourism projections for 2003

For most of 2002 demand for travel has been hit by worries over travelling as a result of September 11th, 2001 and by decreases in spending associated with the global economic downturn. **Forecast for travel and tourism activity in 2002 is modest with solid expectations** for growth in 2003 of 4.1% in real terms, according to the *World Travel and Tourism Council*.

War could worsen airline woes

The number of people flying in November 2002 was down nearly 18% from November 2000, according to the *US Transportation Department*, and this could worsen if America goes to war with Iraq. Since the terrorist attacks of September 11th, 2001, 80,000 employees have been laid off with wage cuts for others and reduced number of flights. Airlines still expect to lose US\$9 billion in 2002 and two – United Airlines and US Airways have already filed for bankruptcy. **A war on Iraq could make an already bad situation worse**, according to *American Airlines* chief executive, Don Carty.

Technology Update

Online booking jumps in 2002

The number of Americans using the Internet for actual travel planning has increased dramatically since 1997 from 12 million Americans to 64 million Americans planning and researching travel options online in 2002. In 2002, 39 million people actually booked travel using the Internet, a 25% increase over 2001 figures. In addition, in 2002, the Internet is being used more frequently to make reservations, with 70% saying that they do at least half of their travel booking online, up from 56% last year. "The enhanced accessibility of last minute specials via the Internet, as well as low prices on last minute travel, is stimulating later booking patterns", according to Dr Suzanne Cook, Senior Vice President, *Travel Industry Association of America*. Online hotel bookings are predicted to surge from US\$5 billion to US\$14.8 billion in 2007, according to *Jupiter Research*.

Growth continues for two dot.coms

While some dot.coms have collapsed and jobs have been lost, two Dallas-based dot.coms, **Travelocity.com and Hotels.com are expanding and hiring**. Travelocity has up to 21 job openings for software engineers while Hotels.com is hiring aggressively. Both companies have been profitable in the online business.