

# Tourism Industry Intelligence

## Strategic Information for Decision-Makers

### Prospects for the Canadian Market in 1999

May/June 1999

#### Strong economic growth

With a 4.2% first quarter growth of its GDP in 1999, **the Canadian economy is experiencing exceptionally strong rates of economic growth, out performing the USA.** Canada is expected to grow by 3.5% in 2000 and **post the strongest performance of the seven leading industrial economies** *Financial Times* reported. Unemployment has been reduced to 8.3%; salaries and wages are rising and the government has even cut personal taxes. The growth of Canada's economy coupled with an improvement of the exchange rate will positively affect the flow of outbound travel since **more Canadians will be enticed to travel outside the country.**

#### 12.3 million trips in 1999

**Canadians intend to make 12.3 million trips in summer 1999** compared to 12.1 million in 1998. Most of these trips will be for at least 5 nights away from home and will be to places in Canada, Europe and other destinations.

#### International travel will grow

Average annual Canadian passenger growth rate for international travel will be strong, with passenger growth to Asia being most dynamic at 8.8% between 1994 and 2009 according to *Travel Canada*. **Already, North East Asia received nearly 600,000 Canadian visitors, a growth of nearly 9.67% in 1998.**

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### Key Trends in the Canadian Market

#### Watch for online purchasing

The internet has evolved as one of the new ways in which Canadian customers and suppliers can interact directly with one another. **Nearly 48% of internet users are interested in purchasing travel on-line** according to a Canadian internet study. Consider that already: 50% of Canadian households have computers; 65% have access to a computer; 23% use the internet; and 43% of users are women.

#### Safety is a number one priority

The number one factor that Canadians consider when choosing a place to visit is their own **personal safety and security**. They will stay away from known trouble spots.

#### Florida, Mexico and Caribbean are popular

**Florida, Mexico** and the **Caribbean** (particularly Cuba) will continue to be prime sun destinations for Canadians. There will also be a huge demand for adventure travel.

#### They want to learn

The motivation for travel is changing – not only will Canadians want rest and relaxation, they **want to learn** while on vacation.

#### Europe for the summer

Europe continues to be a major destination for the summer but has lost market share as the visiting friends market shrinks.

There is also a renewed interest in domestic travel.

## Performance of the Canadian Market - Winners and Losers

	Country	No. of Months	% Growth 1998/1997*	Total Arrivals 1998
<b>Kenya, Brazil and Cuba record the highest growth</b>	<b>Kenya</b>	<b>12</b>	<b>81.7</b>	<b>18,722*</b>
	<b>Brazil</b>	<b>12</b>	<b>60.2</b>	<b>46,913</b>
	<b>Cuba</b>	<b>12</b>	<b>27.1</b>	<b>215,644</b>
	Grenada	12	18.4	4,977*
	South Africa	12	18.0	26,460*
	Costa Rica	12	13.7	42,097
	Japan	12	13.5	106,884
	<b>UK</b>	<b>12</b>	<b>12.0</b>	<b>667,000*</b>
	Jamaica	12	10.7	109,802
	Germany	12	9.1	148,450
<b>USA, UK and France receive the most Canadians</b>	Thailand	12	8.0	57,336*
	Australia	12	7.5	58,993
	Italy	12	5.9	257,000*
	Dominica	12	5.0	1,880*
	<b>France</b>	<b>12</b>	<b>3.7</b>	<b>504,000</b>
	Singapore	12	3.7	64,259
	Switzerland	12	3.1	66,001
	Barbados	12	1.9	59,946
	Cayman Islands	12	1.1	18,375
	Turks & Caicos	12	0.9	9,752*
	Aruba	12	-2.6	24,439
	Mauritius	12	-4.6	1,584
	Bonaire	12	-5.6	735
	St. Vincent	12	-5.6	4,501
	Malaysia	12	-6.6	30,082
	Finland	12	-8.6	10,711
	<b>USA</b>	<b>12</b>	<b>-11.3</b>	<b>13,421,832</b>
	Maldives	12	-25.6	1,110
	Martinique	12	-30.3	3,978
	Curacao	12	-33.5	1,544*

\* 1997 data

Source: World Tourism Organization, 1999

## Market & Consumer Trends

### Summer travel prices to increase

**The cost of summer travel in the US will rise** according to *Price-waterhouse Coopers* and *Bear Sterns* latest analysis. **Hotel rates in 1999 are estimated to rise to \$81.77, an increase of 3.9% compared to 1998.** The base rates of car rental companies increased by \$3 this spring, and could be up to 12% more for summer. The increase in crude oil prices causing gas prices to rise by 9 to 10 cents over 1998 is one of the reasons for increased costs.

### Americans to travel more and spend less

Most Americans travelling through the U.S. are expected to spend less, while taking more and longer trips noted the *Travel Industry Association* and *American Airlines*. **The predicted 4% rise in summer travel will bring the number of US domestic trips to 271 million.** This is attributed to the "low inflation, rock bottom unemployment, high consumer confidence and a surging stock market". Travellers expect to spend \$956 for their longest trip which should last 8.5 nights.

### Summer fads - beaches, family reunions and casino gaming

Topping the list for planned summer activities are the **beaches and lakes**. However, the percentage attending family reunions are 29% up from 25%, and going to casinos are 24% up from 19%, especially for childless travellers. As expected, **Florida, California and Hawaii** top travellers' wish list, but **Colorado, Texas and Washington D.C.** are now rated in the top 10.

## Focus: The Youth Travel Market

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### 100 million strong

In 1998 the youth travel market represented over **100 million persons (over 1.5 billion trips)**, representing nearly 20% of all international tourism arrivals and doubling from 43 million in 1980 to 84 million in 1990. The youth travel market, however, has largely been neglected by the industry. Youths are defined by the *World Tourism Organisation* (WTO) as the group of individuals aged 15 and 24 years.

**The youth travel market has a wealth of potential. Consider that:**

### Market profile

- 80% youth travel is short haul and generally restricted to the same region within which they live.
- Europe is dominant as a source of youth travellers with over 70% of youth travellers originating in Europe.
- The largest flux of youth is between the Americas and Europe.
- They spend more per trip than adults.
- They stay longer than the average international tourist.
- Over 50% take a beach holiday or leisure trip.
- A higher percentage is engaged in adventure travel.
- Over 2 billion trips will be made by 2000.

### What motivates youth travellers

**Travelling is one of the most entertaining and inspiring means for young people to develop their personalities, discover new places, cultures and life styles and to establish social relations with different peoples.** Youth travel for many reasons. These include **educational experiences, holiday, temporary employment, study tours and visiting friends and relatives.**

### Germany – the largest youth market

**Germany represented the largest youth market share with over 12 million trips** (twice as much as the UK). The top countries that generated youth travel in Europe were Italy, Netherlands and Belgium/ Luxembourg.

### France – the favourite European destination

According to the *European Travel Monitor*, **France** received the most number of trips, followed by **Spain, Austria, Germany, Italy** and **UK**.

### Youth stay longer and participate in more activities

Because youth value the travel experience, they are generally willing to spend their money on it. **The number of transactions that the youth market perform during their stay is much more than the average adult.** Hence, they are not low spenders per visit but rather low spenders per activity. Youth tend to spend more time in a country than the average adult, hence increasing the number of spending activities they engage in.

Advantages of the youth travel market:

- More benefits will go to local craftsmen as goods bought tend to be local in origin.
- In catering to the youth low capital investments can be made successfully.
- Youth have a potential buying life of half a century once they are suitably satisfied.

### Hotels, beach resorts, tents, caravans are used

The primary choices of stay for youth are hotels and beach resorts. Selling or renting tents, caravans, huts would be profitable as youth love to camp outdoors. No advanced booking or planning is necessary.

### Youth like adventure, entertainment & excitement

Youth travellers are avid patrons of discos and clubs. They are always on the look out for the hottest entertainment spots since they want to enjoy their vacation as much as possible. Youth love adventure and excitement. Theme parks provide the stimulating environment that they crave. Youth are generally technology lovers so they will make use internet cafes as well.

*Source: Travel & Tourism Analyst, No. 5, 1998*

## Aviation Update

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### Y2K readiness

**Airports in Europe and the US are better equipped for Y2K than Latin America and the former Soviet Union**, as these countries lack the information and the aggressiveness in confronting the issue. **United Airlines** for example, **spent \$90m on Y2K readiness since 1995**. The *US Civil Aviation Board* has independent experts assessing the airlines, airports, travel organizers, and air traffic control, with a full report going to the government by July 1999.

### Galileo adopts new pricing policy

**Galileo** has put a different pricing policy into place. It involves billing airlines for passive bookings. This means that **reservations that are recorded but do not represent a paying passenger, will be added to the airline's invoice**. This policy goes into effect from July 1.

### Flight centres in lobbies

**National Airlines** plans to open flight centres in the lobbies of two of its investor hotels – the **Rio Suite Hotel Casino** and **Harrah's Las Vegas**. Services offered at these centres include ticketing, check-in, baggage services and seat assignments. What's more is that you don't need to be staying at these hotels to enjoy the convenience of these flight centres.

### Air France targets China

**Air France** has launched a campaign to become the leading airline between **Europe** and **China**. It has attempted to achieve this by beginning a sixth weekly Paris - Beijing flight.

### Inflight magazines for kids

**American Airlines** has plans to launch an **inflight magazine for kids** called **Landing Zone**. The magazine will be published bi-annually and will be available on all long haul domestic and international flights.

### Rise in air rage due to foul air

**Air Rage** cases are becoming more frequent and more serious. **Japanese Airlines** have reported a **200% air rage increase since 1992** while other Airlines such as **Cathay Pacific** and **American Airlines** have estimated a 50% rise over the last five years. **While high levels of alcohol in the blood stream was sited as one possible cause of Air Rage**, the director of *Aviation Health Institute*, Farroll Khan put forward another possibility: **foul air**. Since airlines prohibited smoking on flights, they have stopped recycling the air as regularly, thereby increasing the carbon dioxide content of the air. **This increase of the carbon dioxide could well be the cause of the increase in air rage that many airlines are noticing**. The airlines have actually stopped recycling the air since it reduces fuel costs by about 6%.

## Destination Watch

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### Hawaii begins Millenium campaign

The theme of Hawaii's campaign is "Hawaii 2000- the Dawn of the new Millenium." **It is aimed at attracting 500,000 more visitors in the year 2000**. Returning residents are offered lower rates at hotels for this campaign. Other plans include "the world's largest luau" for the ringing in of the new millenium and a **New Year's Waikiki celebration**.

### Agents fly free to Jamaica

The *Jamaica Tourist Board* has reserved 2000 seats on Air Jamaica for travel agents from the **US, UK** and **Canada**. Hotel accommodations for two nights and island tours are also included. This incentive is geared towards resisting the anticipated drop in arrivals.

## Technology Update

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### US\$1 million in sales for cyber auctioneer

**Priceline.com** reached its first US\$1 million sales a day threshold when over 5,000 airline seats were booked. For the 18 airlines they represent, **Priceline sales average at more than 20,000 air tickets per week**. Priceline has a unique sales strategy, letting buyers name the price, which should not fall below 30% of the lowest advance-purchase fare.

### Online bookings on the rise

**US consumer online bookings of leisure and unmanaged business will rise to US\$16.6 billion in 2003** predicts *Jupiter Communications*. This represents phenomenal growth from US\$2.2 billion in 1998 and the projected US\$4.4 billion in 1999. However *Jupiter* expects the quota of online dollars received by airlines to drop from 76% in 1999 to 59% in 2003. **On the other hand, hotel shares should increase to 25% in 2003 from 15 % in 1999**, and car-rentals to 12% up from 8%.

### Technology helps hotels with global distribution

**WIZCOM International, IBM, and Ensemble Solutions** (a software firm in Silicon Valley), are designing a product geared towards helping hotels with their global distribution. The aim of the product is to **enable hotels to sell through multiple channels such as CRSs**, web sites, corporate intranets, and other channels without having to maintain a variety of databases and electronic links.

### Expedia in the black in 2001

**Expedia does not expect a return on its UK investment until 2001**, although at present their UK travel market share is over US\$1.5 m a month. Purchases are made by less than a third of the 2,500 people who visit and the 2,000 who register daily, mainly because customers are not educated on the use of online buying. Despite this, **Expedia** along with **American Express** will launch a corporate system by the end of 1999, as 23% of their market is small to medium sized firms. Their future plans include a launch in Germany (summer 1999) and other European sites, as well as developing the technology for consumers to “book package tours online”.

### E-purchasing customers disgruntled

A study carried out by the **European Union** revealed that **customers who have purchased items off the internet are becoming disgruntled**. Customers bought more than 150 items from websites **spread over 17 countries** which they tried to return. Among the findings were that 8% of the items ordered never arrived; only 53% had a return policy; only 13% of the web sites promised not to sell customer's information to a third party and many websites did not clearly state delivery charges.

### LastMinuteTravel.com plays matchmaker

**LastMinuteTravel.com** plans to link suppliers and travellers as never before. Travel providers who have experienced late cancellations now have an opportunity to fill these places through the web site. In addition, any one who makes late travel plans can probably get a discount off rooms, hotels, cruises, tours and more. Another advantage of the web site for both parties is that **LastMinuteTravel.com** does not act as the middleman. Bookings are handled by the suppliers rather than a travel service company.

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## Hotel & Resort Trends

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### McDonalds enters the hotel industry

**McDonalds is planning to open a hotel near Zurich airport.** The 200-room hotel will be geared toward tourists and business travellers and features a drive in **McDonalds** restaurant called **McDrive**.

### Hotel land prices in Singapore hot

**Singapore's** hottest properties are their hotels. However this is not because tourism is increasing. In fact property developers are eyeing the hotels due to their value if converted into condominiums. **Land for condominiums are 3 to 5 times more valuable than land for hotels** estimates Anthony Karp, vice president of *Jones Lang LaSalle*.

### New paradise for thrill seekers

**Hedonism III is the newest hotel catering to the fantasies of the adult and epicurean market.** Situated on Jamaica's sultry north coast, it boasts of "swim-up rooms" and a marble bath with a roman tub in each of the 225 rooms. **Hedonism III opens in Fall 1999 and it also features a disco with a four story see-through waterslide.**

### Four Seasons expands

At **Punta Mita Mexico** the **Four Seasons Hotel Chain** will open its new 140-room resort carded for July 1 1999. Other **Four Seasons Resorts in Cairo, London** (Canary Wharf), **Scottsdale, Paris** and **Dublin** will open their doors this year, bringing the number of hotels under their umbrella to 50.

### Sun International takes a gamble

**Sun International** will purchase **Starwood's** 715 room **Desert Inn** for \$275m. The **Las Vegas Landmark** will be under new ownership by March 2000.

### Rooms on rail

**Luxury trains** are Africa's answer to the cruise tourism industry in the Caribbean. Luxury trains such as **Africa Rail Romance**, the **Blue Train**, **Rovos Rail** and **Authentic Steam Train** allow passengers a hassle free travel through to the waterfalls, game parks, nature reserves and deserts of **Southern Africa**.

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## Cruise News

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### Carnival launches Travel Hotline

**Carnival** launched a **Travel Hotline** which is geared for guests who experience a travel emergency on route to their cruise. The hotline is the first of its kind in the cruise industry.

### Cruise and fly

**Norwegian Cruise Line** is giving its clients the choice to sail or fly. Available on the Boston-Bermuda cruises, clients can cruise to Bermuda and fly back and vice versa.

### Cruises on the upswing

The demand for cruise ships is on the rise with 48 contracts worth US\$14.6 billion to be fulfilled by 2003. **Passenger growth over the next four years would be an additional 4.5 million passengers** *GP Wild* estimates. The larger cruise lines - **Carnival Corporation**, **Royal Caribbean International** and **P & O Princess Cruises** are the dominant players claiming 64% of the new capacity in 1999. Orders of 12,000 lower berths per annum from 2004 to 2009 are also forecasted.

### Biggest cruise terminal in Malta

**A Maltese led consortium is awaiting approval to construct the biggest cruise line terminal ever in Valletta Harbor, Malta.** Upon completion of the terminal, Malta will be known for having the leading cruise liner ports in the Mediterranean and indeed in the industry.

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## Focus: Impact of Y2K on Travel and Tourism

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### What is Y2K?

In the past most computer programs were written to facilitate only the last two digits of the date. The Y2K problem arises because the date 2000 may be mistaken for 1900.

### Nobody knows for sure

Technology experts working on the Y2K problem concedes that nobody can be certain of the exact implications of the Y2K bug. While computer systems may not come crashing all at once, it is probably reasonable to assume that flight delays and reservation errors would be far reaching. **Timers in motors, pool filters, elevators, fax machines and a number of pieces of equipment controlled by computer chips may or may not work. In addition the big question is if my resort is full for the millennium will my systems work?** Will my supporting services work? And will the services at home work? In other words, anything that relies on data processing can potentially malfunction.

### Effects are global

The **Y2K bug spans all organisations, industries and countries**. The bigger more complex the information system the more complex is the maintenance. It is estimated that US\$300 - \$600 billion will be spent worldwide on trying to solve the problem. The industries most at risk are airlines, communication, finance and manufacturing. What can go wrong:

### What can go wrong?

#### Airlines

#### Cruise Lines

- **Reservation systems** that are not Y2K compliant may experience several service delays and overhead losses.
- **Ticketing** information may be impossible to retrieve thus resulting in chaos and financial losses.
- **Flights** may not be allowed to take off and will be cancelled without warning.
- **Airport runway lights** may no longer be operational.
- Failure in computer chips may result in **navigational problems, safety and security** and other electrical systems.
- The same problems in reservation systems may apply.
- Cruise lines have many suppliers who they depend on for their inventory. Any failure in the supplier's systems will also result in delays.

### Impact on travel

The millennium brings with it not only the promise of a fresh start and new beginnings, but also the fear of automated computer systems crashing. Travellers are concerned about their safety and are skeptical about whether the airlines and other travel related services are Y2K compliant.

### Outbound travel is risky

- Outbound travel is the riskiest since it is difficult to ascertain the extent of Y2K readiness of countries.
- **Australia, Belgium, Canada and the US are the most prepared for Y2K. British Airways and American Airlines** are also ready.

One of the major issues with the Y2K problem is that of the legal issue associated with it. This includes establishments being liable if anything goes wrong typically as a result of a breakdown in the supply chain. In addition to this, insurance companies are not assuming the risk for anything that could go wrong as a result of the millennium bug.

### To avoid the year 2000 problem:

- Organise a team now to deal with your information systems, engineering and security.
- Obtain as much information as possible on Y2K which would help in eradicating the problem – via the internet, software for testing compliance, tradeshow, your peers in the industry.
- Internet sites such as Year200.com, NSTL.com and Y2K.com are useful sources of information for your specific problem
- Prepare for worst case scenarios – fire controls, elevators, smoke detectors may not work.
- Have a manual contingency plan in place.

*Source: Are you Y2K Ready? Presentation at CHIC 1999, Travel Impact Newswire, Consumer Reports Travel Letter.*

## Editorial

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Poor economic growth has produced a very price-sensitive Canadian outbound travel market. With this new economic dynamism, **travel suppliers will need to re-look their strategies in targeting the Canadian market**, particularly in preparation for 2000 when Canada is expected to post the strongest performance of the seven leading industrial economies.

**With a potential buying life of half a century, the youth travel market is an important, yet neglected, travel market.** Youth look for entertainment, excitement and adventure and, contrary to traditional thinking, they are not low spenders – youth perform more transactions and participate in more activities than the average adult; but spending per activity tends to be lower. **The youth market is also attractive for those destinations that want to promote craft and local involvement in tourism – youth will purchase craft of local origin and in some market segments relatively low capital investments are required (tents, camps) to cater to the youth.** Such products and services are within the reach of the local suppliers.

**We are also witnessing the African answer to the cruise tourism industry – the railway.** The cruise ship used to be a means of travel – now it has become the destination. With the **hassle free travel that cruise ships offer** (no need to pack, unpack, check in and out, fly, or drive before you move on to another destination), cruise tourism has made a major impact in the **Caribbean**. With such luxury rail products as the **Blue Train** and **Africa Rail Romance**, **rail tourism in Africa could become as important an industry as cruise tourism in the Caribbean.** Already, destinations such as **Swaziland** are seriously developing this product.

In the next issues we will look at the prospects for the Italian, British and US markets in 1999 and 2000. We will also feature destinations such as Barbados, Australia and South Africa. We will also provide a millennium travel update and provide analyses of the time share, spa, conference and incentives and golf travel markets. **Tourism Industry Intelligence** will be produced monthly from July 1999.

## Trends to Watch

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### Conference centre introduces organic dining

**Queen Elizabeth II Conference Centre** has introduced organic dining to meet the demands of their attendees. According to the head Chef at the conference centre, **people are growing more concerned about what they eat and where their food comes from.** People are realising more and more the dangers that can be associated with inorganic food. **The now fully organic menu is available at about 25% more than the price the original one.**

### Magazine enters travel business

**Better Homes and Gardens** magazine has decided to enter the travel business with the launch of **Better Homes and Gardens Vacations**. Its tours will be marketed through selected travel agencies and directly to the consumers via the Internet. The strategy is geared at targeting a more diverse clientele.

### Club Med dismisses agent and gets taken to court

**Club Mediterranee** dismissed the travel agency chain **Eole** from its promotions network as it was dissatisfied with their sales strategies. However a **Belgian court found Club Med's actions to be unfair and they were told either to pay \$29,000 a day or reinstate Eole.**

### Eurotrains allows kids to go free for Summer

**Eurostar trains** offers kids free passage when travelling with an adult for the summer period. The trains link places such as **Eurodisney, Paris, London** and **Brussels** to name a few. The offer applies from June 30 to August 31.