

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Thailand Tourism Prospects for 2000

May 2000

Economic performance

Thailand successfully used tourism to bring about economic recovery after the Asian financial crisis. **Tourism receipts totaled US\$6.7 billion in 1999 and contributed 5.4% of Thailand's GDP.** More than 4 million Thais are directly and indirectly employed in the tourism industry. The Thai economy is expected to grow by 4.5% in 2000 while inflation is projected to be between 2.5% and 3%.

Recent performance

Thailand experienced growth in total visitor arrivals between 1998 and 1999 of 5.7%. In 1999, Thailand attracted 8,580,332 visitors with 88.8% of these coming on holiday and 8.6% on business making **the tourism industry Thailand's largest foreign exchange earner.**

Main markets

Nearly two-thirds (60.1%) of Thailand's tourist arrivals in 1999 were from East Asia. **Japan was Thailand's biggest country market in 1999 with 1,064,539 visitors with a market share of 12.3%.** Malaysia ranked second representing 11.5% of Thailand's inbound arrivals. Other top markets include China (9%), Singapore (7%) and Taiwan (6.5%). Total arrivals from Europe accounted for almost a quarter (23%) of Thailand's visitors. Of the European countries, the United Kingdom posted the most arrivals (4.9%), followed by Germany (4.3%).

Critical issues

The critical issues facing Thailand's tourism industry include the **development of its human resources** to meet the demands of the industry; the **preservation of the environment**; and the destination's **negative image because of sex tourism.** Another critical issue is the safety and protection of visitors to Thailand and to get **more quality visitors** who will stay longer and spend more money. Visitors to Thailand stay 8 days on average.

Key strategies

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Thailand achieved its growth in visitor arrivals through the mega two-year "Amazing Thailand" marketing campaign which commenced in 1998. **The Tourism Authority of Thailand had a budget of US\$66 million in 1999 and received an 8.7% increase for 2000.** The Tourism Authority of Thailand has encouraged more travel within the ASEAN region by **relaxing immigration regulations for tourists from China, Taiwan and Malaysia as well as for tourists over 55 years of age.** Thailand is trying to increase visitor expenditure with the introduction of **tax free shopping for tourists**, as they will be allowed to reclaim the 7% value added tax paid on all goods bought in Thailand. **The country is also niche marketing in the areas of golf, diving and health.** The Tourism Authority of Thailand will also collaborate with the Hong Kong Tourist Association and the Singapore Tourism Board later this year at the World Travel Market to promote the region as the best value for money.

Future prospects

Thailand's tourism industry should continue to grow in the near future. With the relaxing of immigration requirements, the Chinese market shows the most potential. **The Thai government sees tourism as the main driver of economic growth and will continue to improve Thailand's infrastructure and develop tourist sites.**

Sources: Tourism Authority of Thailand and Bank of Thailand.

Destination Watch

Increase in US arrivals in 1999

The US has recovered from a 2.9% drop in international arrivals in 1998 to record a “stronger than expected” 5% increase in 1999, according to the *US Commerce Department’s Office of Tourism Industries*. The major contributor to this rebound was a phenomenal 7% rise in Mexican visitors, the result of a favourable Mexican peso. Canada’s stronger economy also resulted in the first visitor outbound increase in three years to the US (5%), while maintaining the northern country’s dominance as the United States’ premier source for international tourists. **Overseas visitors to the US grew 3% in 1999 after a 2.1% letdown the previous year.** The consequence of a stable economy in western Europe was the receipt of 48.5 million visitors by the US and an attack by the UK on Japan’s position as the US leading overseas arrival source. Japan experienced a minor decline (1%) in outbound to the US, compared to a massive 9% drop in 1998. **UK visitors recorded a 7% increase and in the process reduced Japan’s lead from 1 million in 1998 to 600,000 in 1999.**

Botswana targets tourism

From a negligible tourism base in the 1960s, **Botswana has risen to become the sixth-largest tourism destination in Africa.** Tourists, especially from mainland Europe and North America, are drawn to the country by its beautiful scenery and rich natural habitats. **The Botswana government is being instrumental in developing the tourism potential to the many national parks and game reserves in its care - which themselves are attracting record numbers of visitors.** Botswana received nearly 800,000 bona fide tourists in 1998. Tourism infrastructure in terms of accommodation and transport is adequate for present-day needs, but will need further upgrading to cope with the continued influx of visitors. There is also needs to be stronger environmental management if the tourism wave is not to damage the very natural beauty that has attracted it. *Source: Travel & Tourism Intelligence Country Report No. 2, 2000.*

Market & Consumer Trends

Keys to selling travel to young adults

Understanding the character and psyche of teenagers and 23 to 35 year olds is the primary key to marketing travel to young adults. This view was expressed by a youth marketing expert at *Travel Weekly’s Technology 2000 Conference* in Chicago recently. **The understanding could be achieved by engaging in their activities such as visiting malls, bars, movies, looking at the popular web sites, reading the popular literature and treating them as “customers of technology”.** The generation inclusive of 23 to 35 year olds are described as independent, realistic, nostalgic, pessimistic, skeptical and searching for novel ways of achieving happiness and success. Travel can therefore be utilised as a means through which the search could be ended and the desired escape route found. **Teenagers are seen as more upbeat and technology oriented. Hence, the marketing key would be technological communication.** The general conclusion was that young people wish for adventures to new, unique destinations and to revel in fantasy and learning experiences.

Adventure travel impacts insurance business

Travel insurance is now a lucrative niche from which enterprising brokers can profit. This is due to the increase in the adventure travel market where travellers are now pursuing exotic vacations and dangerous activities. **The high risk associated with this ever-developing trend has caused direct insurers to be skeptical about covering “backpack travellers”.**

Focus: The German Golf Market

Golf is big business

The golf tour market was worth US\$12 billion in 1998 with the US market accounting for US\$10 billion and Europe US\$2 billion. The total value of the golf tour market increased by 10% in 1999 and is expected to rise by 11% in 2000. Industry experts predict the size of **the European golf market will double in the next 5 years to be worth US\$7 billion and triple in the US within the next 10 years to US\$30 billion.**

75% of golfers from Cenral Europe

The number of golfers and golf tourists rose by approximately 14% in the European market between 1996 and 1999. **The major sources of these golf tourists include the UK, Scandinavia, Germany, Austria, Switzerland and France** – about three quarters of the total 3.2 million European golfers.

More golf tour holidays

The number of golfing holidays taken by Europeans increased by 11% in 1999 for a total of 1,246,667. Almost half this increase (45%) was attributable to the German golfers. **By 2010, experts believe Europeans will take 4,000,000 golfing holidays with overnight stays reaching 26 million.**

Tour golfers tend to stay for 9 days on average

In 1998, UK golfers took 353,000 trips abroad for an average duration of 9.8 days at a total cost of US\$537,000 million. In comparison, golfers from Germany took 176,000 golfing holidays lasting 8 days on average and at total cost of US\$240,300 million. French golfers' holidays (66,000) averaged 7.8 days in length and cost US\$104, 400 million in total.

USA - the dream destination of German golfers

Spain is the preferred destination of German golfers. However, 40% of the respondents in surveys conducted by *Albrecht-Verlag* and *Sports Marketing Surveys* indicated that the US was their choice for the future, followed by Portugal (11%), South Africa (9%), Great Britain (6%) then Spain and Ireland (4% each). The choice of destination for a golf tour depends heavily on price.

Golfers like additional activities

According to a survey, the nearness of a golf course to culturally, historically or visually interesting places, the possibilities for entertainment other than golf, or being close to good restaurants are also criteria in deciding which destination to choose. **Proximity to beaches was of secondary importance.**

How much Germans spend

Most German golfers (40%) are willing to spend US\$ 1,100 to US\$ 1,650, while 24% were inclined to spend less than US\$ 1,100. Twenty four percent (24%) also stated that they would consider spending between US\$ 1,650 to US\$ 2,200. A total of 6% were prepared to spend more than US\$ 2,200, and only 3% would spend US\$ 3,300 and upwards. Female golf tourists are more spendthrift than their male counterparts and are willing to spend US\$ 1540 compared to US\$ 1480.

Impact of exchange rate

Apart from German golf tourists' responsiveness to prices, **the falling value of the Euro is making the US a very unfavourable destination.** Conversely, Americans are regarding Europe as real value for money nowadays.

Golfers' preferences

Nearly half of the respondents (48%) **want to be able to reserve start times.** A total of 45% think that hotel guests should have **reduced green fees** and 34% of survey respondents wished the **hotel price was inclusive of green fees.** About a quarter (24%) suggested flight costs be included in the golf tour package.

Mediterranean and Middle East upcoming

Top destinations Spain and Portugal are on the decline because of over-saturation and high fees while destinations in the Mediterranean and Middle East are on the rise, particularly Morocco, Cyprus, Tunisia and the Turkish Riviera.

Source: Golf Tours 2000, Albrecht Verlag.

Editorial

Two significant developments have taken place in the travel and tourism industry. The first is the acquisition of Thomson's, the largest tour operator in England by the C&N Group, Germany's third largest tour operator.

Germany's largest tour operator Preussag (owner of TUI) secured a US\$2.7 billion take over of Thomson Travel, Britain's largest travel company. Preussag would sell its 50.9% stake in Thomas Cook to assuage competition concerns (and already, the privately-owned US Travel Business, Carlson Companies is showing a keen interest, in acquiring all of it). It seems as though the European tour operator business is the second is the weak showing of the Euro and the relative strength non-Euro currencies, particularly the of the dollar and British pound sterling.

The fate of the Euro, which has lost 30% of its value in the last few weeks is also a concern for travel from Europe. Travel to from Euro-based European destinations to dollar-based destinations such as the USA, Latin America and the Caribbean is now adversely affected. On the other hand, travel from dollar-based destinations to Europe has now become very competitive.

Trends to Watch

First class air tickets less profitable

First class air tickets are less profitable than economy fares according to new research by Stockbrokers *Robert Flemming & Co.* The study reasons that **there are too few first class passengers on each route and seats are often filled by airline management and travellers with business-class upgrades that add nothing to the bottom line.** Long haul business tickets are the most profitable. **"Excellent prospects" are expected for premium economy.** Analysts believe that premium economy could become the most profitable category as it gives full fare economy passengers better service than cut-price travellers without undermining business class through automatic upgrades.

Technology Update

Travelocity to focus on customer service

Travelocity, the internet travel site is very concerned with the gap existent between internet travel shoppers and buyers. Although accumulating US\$500 million from bookings within the last quarter, **only a meagre 5% of the travel site's users actually utilise the services provided.** The remaining 95% tend to use conventional means of travel planning such as travel agencies. To counteract this trend, Travelocity plan an increased concentration on customer service and to provide attractive, unique services not found in conventional travel planners.

Increased interest in internet information

Research shows a numerical rise in persons seeking travel information on the web. *Yesawich, Pepperdine & Brown* found that **50% of a sample consisting persons in the \$100,000 or more household income category, travelled based on an offer from the internet.** Thirty percent (30%) of them actually purchased the travel package on-line. Also discovered was that 56% of the respondents requested the option of personalised vacation activities based on their individual lifestyle. This demonstrated a 4% increase from last year's survey.

Hotels join forces to establish website

Internet users can now secure reservations to three leading hotel chains. **Granada's Forte Hotels, Hilton International and France's Accor, have formed a conglomerate to establish a website offering on-line reservations to any one of each chain's European hotels.**