

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the Spanish Market 2002

February/March/April 2002

Outbound travel relatively new

Although Spain is one of the world's top tourism destinations, **outbound travel is a relatively new phenomenon among Spanish travellers**. In addition to the growing desire of Spanish travellers to travel abroad, the general increase in the variety of outbound destinations promoted by Spanish tour operators and a decline in the real price for travel abroad, have also helped to increase Spanish outbound travel.

Spain has a stable economy

Spain's stable economy which continues to **rank as one of the strongest in Europe** with growth projected to continue in the 3 percent range for the next few years, will enable even more Spaniards to travel abroad in the coming years. Spain is a market of opportunity for a wide-variety of destinations.

2% growth in GDP projected

Real GDP growth slowed from 2.8% to 2% in 2001 (the slowest since 1993) but is forecasted to pickup in 2003 while inflation is forecasted to fall to 2.4% in 2002. The unemployment rate at the end of 2001 was still high at 12.9%.

Outbound travel flat

In 2001, **an estimated 4 million outbound trips were taken from Spain**. Growth through September was 3.8% and nights were up 8 % from an average trip length of 10.7 days. After September 11th, 2001 the number of trips fell leaving the number of trips made in 2001 the same as that of 2000.

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France is most popular

The three main destinations for the Spanish are France with 22 % of the market, Portugal 11% and Andorra 11%. Outbound traffic originates from Catalonia (31 %) and Madrid (17%). This is not surprising as Catalonia borders France and much of the outbound traffic is car-based.

Vacation the main reason for visit

Almost 70% of travellers from Spain are on vacation, according to the *Instituto de Estudios Turísticos* (IET). The business share of travellers has fallen from 13% to 10% in recent years.

Hotels most frequently used

Nearly two thirds of Spanish travellers stay in hotels while as much as one fifth stay with friends and relatives. Air traffic has taken some land share growing from 42% to 50% while travel by car has fallen from 44% to 35%.

Under 50% are first-timers

The future augurs well for Spanish outbound travel as **just under 50% of travellers in 2001 took their first international trip**.

Market & Consumer Trends

City breaks grow in popularity

City breaks have been one of the strongest growth sectors of the European outbound travel market over the past 10 – 15 years and will register further increases in the coming years. As a result of September 11th, 2001, the European city-break market as well as the short break market overall is performing much better than the holiday market overall. This trend will continue through 2002 with smaller cities and towns standing to gain most, especially as larger capital cities are perceived to be at greater risk of terrorist attacks. *Source: ITB 2002.*

Eco-Monitor

Air transport the fastest growing source of greenhouse emissions

The average jet pumps around a tonne of carbon dioxide into the atmosphere for every passenger it carries from London to New York. One return flight to Miami from London, and one is responsible for more carbon dioxide production than a year's motoring. People recycle their newspapers and use carrier bags, take buses and trains wherever possible and harangue the authorities to switch to wind power in an effort to be green but think nothing of taking a cheap flight from the UK to Thailand. **Air transport is the fastest growing source of greenhouse gas emissions but has so far sparked relatively little concern among governments and international bodies.** When the *Earth Summit* convened in Rio de Janeiro in 1992, aviation was barely an issue for those gathering to 'save the planet'. Ten years later, the issue can no longer be avoided. It will certainly be on the agenda at the *World Summit on Sustainable Development* - dubbed *Rio Plus Ten* - in Johannesburg this August. Once the world's leaders and every green organisation on the globe has flown in and stepped from their aluminium tubes, they will be forced to reflect on the question: **can we carry on shrinking the world without melting the planet?**

Viable alternatives to normal aviation fuel is probably 50 years away

Travel industry leaders will argue whether 'eco' and 'tourism' can ever live happily together, but there will be shockingly little debate on whether there is any point in having the greenest of green eco-resorts in deepest Peru if all the wealthy, sandalled 'ecotourists' each burn six tonnes of carbon dioxide getting there and back. **But the prospect of viable alternatives to kerosene as the normal aviation fuel is probably 50 years away.** And the fact that the world's aircraft fleet has doubled its fuel efficiency over the past 30 years does not make up for the fact that global air traffic has quadrupled since 1970, from 350 billion passenger miles a year to 1,500 billion passenger miles a year. This is forecast to more than double by 2015 and double or even triple again by 2050. Where on earth are we going to put all those runways, planes and greenhouse gases? *Source: Joan Walters, The Guardian.*

Cruise News

Carnival pays US\$18 m in pollution charges

Carnival Cruises had to pay US\$9 million in fines together with US\$9 million to environmental groups and to change environmental practices onboard its ships after pleading guilty to releasing oily waste in the Atlantic, Caribbean and Gulf of Mexico.

Spa at Seabourn

Seabourn Cruise Lines launches an upgraded version of its ship-board Spa in May. The new menu includes Frangipani Conditioning Hair and Scalp ritual, the Elemis Aroma Stone Therapy and LT Oxygen Lifting Facials.

Aviation Update

BA woos affluent leisure travellers

British Airways is targeting well-off leisure customers with lower fares on long-haul premium routes. New Club World fares apply to bookings made 21 days in advance on 21 destinations including Barbados, Orlando and Mauritius. No changes or refunds are permitted on the new fares and there is a minimum Saturday night stay requirement however there are **savings from £400 to over £1,200 on these fares.**

EasyJet announces profit

EasyJet announced a profit before tax of £1.0 million for the six months ending March 2002 compared with a loss of £10.3 million over the same period to March 2001. Revenues were up 36% to £194 million, compared with £143 million in 2001. The results were due to high passenger demand, the timing of Easter and few weather related disruptions. In the last twelve months 8.3 million passengers flew with easyJet with around 90% of customers continuing to book through the internet. By summer 2002 easyJet will serve 45 routes from 19 airports.

Qantas to launch low-cost airline

October 2002 heralds the dawn of a new low-cost international airline, Australian Airlines. This airline will be launched by Qantas and will provide employment for the former employees of Ansett, the rival Australian carrier which collapsed. Australian Airlines will be a full service international leisure carrier, operating one aircraft type and offering a single high level of service including meals and snacks, the most comfortable seating and inflight entertainment.

Destination Watch

Jordan attempts to lure back visitors

European markets to Jordan performed well before September 11th, 2001 and fell by 35% to 40% just after the event. In order to win back tourists **Jordan has cut its tourism tax from 13% to 3%** and entrance fees to Petra and other attractions have been reduced. Also using the monarch as the focus of *UK Discovery Channel* documentary on Jordan is said to be completely revolutionary. The *Jordan Tourism Board* aims at promoting the country as a haven of safety.

China has a good year

Tourism revenue for the Chinese mainland was up 9.8% in 2001. Total revenue from domestic and overseas tourists was US\$60 billion. In 2001, **an estimated 87 million tourists were recorded**, 4.2% more than 2000. This included 11 million foreign tourists.

Austria records a better than average year

Austria's tourism industry generated 24.9 billion Euros (US\$22.8) in 2001, 7% more than 2000 figures. September 11th, 2001 has had a positive impact on Austria's tourism during the winter season as more domestic and overseas tourists chose to spend their holidays in Austria, which is considered a safe haven.

Thailand breaks 10-million visitor mark

Thailand recorded 8.2% increase in arrivals in the first eight months of 2001. There was a reduction in arrivals from September to December but Thailand still attracted 10.1 million visitors in 2001. Thailand depends on tourism for 6% of its GDP and was very concerned about loss of visitors in the aftermath of September 11th, however the *Thailand Tourism Authority* immediately launched a number of promotional campaigns that resulted in more attractive packages for international tourists.

Focus: The New American Traveller (Bobos)

Bobos - the new upper class

The last few years have seen the emergence of a new group of consumers in America: the Bobos. “Bobo” is the short name for “Bourgeois Bohemian”, an expression coined by journalist David Brooks in his book describing this new group, *Bobos in Paradise: The New Upper Class and How They Got There* (Touchstone, 2000). **Bobos have high-quality education and lifestyle and were born roughly between 1960 and 1970.** Bobos are considered to be America’s “new upper class”. It is important therefore for professionals in the travel and tourism industry to understand the Bobo phenomenon since someone who has entered the “upper class” can probably be counted on to take a trip now and then.

Urban, well-educated and professionally successful

The Bobos are “bourgeois” in the sense that they are urban, well educated, professionally successful and, in their own special way, extremely materialistic. Bobos are top income generators, occupying managerial or entrepreneurial positions in “cool” professions and spending freely to support their demanding lifestyles. They are the new “enlightened elite”. Yet, at the same time, they are also “Bohemian”, because **their values reflect spiritualism and the quest for balance, healthiness and meaning.** Well educated to begin with, they feel driven to expand their cultural horizons through experiences and travel – which also justifies some of their materialistic urge.

Bobos are full of paradoxes

The Bobo lifestyle is positively brimming with paradoxes, as its practitioners find ways to make mega-consumption appear to fit into a moral framework of “simple” values such as egalitarianism, the quest for authenticity and self-discovery.

Bobos are happy to spend on top-of-the -class items

According to the *Observer*, “combining the free-spirited, artistic rebelliousness of the bohemian beatnik or hippie with the worldly ambitions of their bourgeois corporate forefathers, the Bobo is a comfortable contortion of caring capitalism”. **Bobos are only too happy to spend their money on the priciest, top-of-the-class item in the store** – that’s the Yuppie side of their mentality. But the only reason they are willing to do so is because their hippie side has talked them into it. The Bobos’ hippie mentality manifests itself in a supposedly greater concern for the *immaterial* benefits of these purchases than for the crass luxury of ownership. In other words, if owning the big-ticket item will result in a philosophically uplifting experience, then by all means – buy it! For when a Bobo buys something, he doesn’t derive status so much from the item’s brand or price tag *per se*, but from its perceived “goodness”.

Details are critical for Bobos

To a Bobo, no details are insignificant. On the contrary, they are critical, because it is through these details that they are able to decode the inner qualities of the things they buy, and thus it is these subtle details which actually make them worth buying in the first place.

Bobos like to feel accomplished

Bobos like activities that manage to appeal to their sense of status and self-improvement at the same time. When it comes to pleasure, the familiar paradoxical aspect of the Bobo mindset becomes apparent once again: Bobos want their fun, but it should be hard work. It should come with an element of sensibility, dignity and self-betterment. Adventure?

Vacations must seem industrious

Yes, but within guidelines that make sure everyone is accorded due respect. Vacations must seem *industrious* or at the very least, *contemplative*. The more a holiday seems to be an ordeal, the more it will appeal to the Bobos as a self-improving form of fun. **A Bobo doesn't want to come back from his holiday relaxed; he wants to come back a better person.**

In order to target Bobos consider the following.

Self-exploration is important to the Bobo

1. **Bobos are consummate shoppers and will put quite some effort into weighing the alternatives open to them, picking and choosing only the best.**
2. **A Bobo vacation is above all a learning experience.** The Bobo holiday should be tailor-made, with private guided excursions and mini-adventures under the tutelage of a wizened local sage, all arranged in advance.
3. Self-exploration is also an important Bobo theme, so a holiday which disguises high-quality pampering of the body as a healthy dose of spiritual oneness.
4. **Bobos like places full of untouched natural beauty just waiting to be meditated about and places that are isolated enough not to be overrun by other tourists.**
5. The Bobos got where they are today on merit. Bobos regard travel as a formative experience for their children, opening and enriching their minds to other cultures, allowing them to "live" history and culture, and giving them unique experiences which are relevant to their education. The educational value of travel for their children would have powerful appeal to Bobo parents shopping around for a trip.
6. **Bobos want their holidays to include an element of accomplishment, an ordeal to master.** The educated class is not looking solely for fun, but for fun through intellectual / spiritual / physical enhancement. The desire to rack up achievements, even on holiday, is very strong with the Bobos!
7. Bobos need to be walked through the buying process. **Since they are not looking for off-the-shelf holidays, you must be prepared to spend time with them, researching various possibilities and building a holiday that is unique, just for them.** You will need patient, knowledgeable and flexible salespersons whose job is not only to sell the features of the holiday package, but especially the Bobo benefits. This is more like counseling than selling.
8. Lastly, while it may be true that good sales skills are important, inspired promotional material is an absolute must. It is very important that you use the written word to promote your product in just the right way. **A detailed description of your product is critical, because the Bobos will pore over it in the research phase of their holiday planning.** A good *storyteller* is essential. Your promotional material has to make choosing a holiday, a destination or a hotel seem like an exercise in Bobo virtue. It calls instead for a particular emotional resonance, a link to Bobo values, and an affirmation that the experience will be aesthetically uplifting, intellectually challenging, personally fulfilling, expensive, exclusive and unique!

Bobos need to be walked through the buying process

A good storyteller is essential to a Bobo

Source: *How the Americans will Travel 2007, February, 2002 & Bobos in Paradise: the New Upper Class and How they Got There* by David Brooks.

Editorial

You have heard of the Hippies, the Yuppies (Young Upwardly Mobile Americans), the DINKS (Double Income No Kids), the Milkies (Modern Introverted Luxury Keepers), now here come the Bobos (the Bourgeois Bohemians). Somewhat of a born again hippy, this time with loads of money, the Bobos are a not to be under-estimated group. Ignore them at your own peril! Travel professionals need to take heed as Bobos are the ultimate leaders and trend setters that other groups will eventually follow.

Technology Update

Electronic ticketing takes off

It is now possible for travellers to use **a single e-ticket when flying on four of USA's largest airlines**: American, United, Continental and Northwest. This follows the various interlining agreements that are currently in place.

Travel Site had 12% increase in traffic in March

Web traffic to travel websites increased 12% to 51.2 million surfers in March compared to 45.9 million surfers in February, according to *Nielsen/Net Ratings*. Nine of the ten top travel sites recorded double digit growth. At the top of the list was Expedia with 11.6 million visitors, up 18%, followed by Travelocity with 10.2 million visitors which was up 24%. Orbitz (6.6 million visitors), Southwest Airlines (5.2 million visitors) and CheapTickets (4.4 million visitors) were also among the top five.

Ebookers has surge in full-year sales

Ebookers fourth quarter 2001 performance has met internal targets. In fact, turnover in 2001 was US\$146.6 million up from US\$82 million in 2000 while pre-tax losses fell from US\$37 million to US\$25.6 million.

Expedia reports 103% increase in revenue

On-line travel agency Expedia reported 103% increase to US\$116 million in total revenue for the first quarter of 2002. In addition, gross bookings for the first quarter were up 64% to US\$1.1 billion from the previous year. The numbers are a result of consumers and suppliers embracing the travel marketplace built at Expedia according to Expedia's CEO, Richard Barton. In addition, Expedia's 'Expert Searching and Pricing' platform enables its customers to custom-build their trip and chose from a broad selection of brands.

US Web travel bookings to reach US\$64 billion

Online travel sales in the US are predicted to reach US\$64 billion by 2007, more than double the 2001 figures, according to *Jupiter Media Metrix*. While the travel industry was badly hit in the wake of September 11th, 2001, the Internet as a channel for booking travel is becoming a method of choice for consumers and businesses and it will continue to grow stronger. **Managed online travel in the US will grow more than 400% to US\$27 billion by 2007 from only US\$5 billion in 2001**, predicts *Jupiter*.