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# **World Travel Market Trends Report - 2009 by Euromonitor International**



## Foreword

Euromonitor International is delighted to partner again with the World Travel Market, celebrating its 30<sup>th</sup> year.

This past year has shown us how quickly things change as the world still reels from the global financial crisis that brought the travel industry to its knees. Despite these difficulties, the 2009 Euromonitor International and WTM Global Trends Report aims to spot opportunities, innovation and proactive measures to help reverse the slump in demand and put a halt to deteriorating profits to kick-start the recovery.

- In North America the recession has created a new consumer group, the “funemployed” who are cash poor, time rich and seek to make the most of rock bottom prices.
- Innovation is also alive and well in the UK with a hip, urban concept - pop-up hotels - providing operators greater cost efficiencies. Such temporary concepts help the regeneration of deprived areas, leaving a lasting legacy for the community.
- In Asia, golf tourism proves that the “lipstick effect” is prevalent in the travel industry, with Asians unwilling to forgo their golfing in times of recession, even creating a golf fashion craze.

cont.../

- Female-only accommodation is also up and coming in the Middle East, a culturally sensitive concept that has international appeal.
- Rebranding is the name of the game in Latin America, aiming to further its luxury credentials while Africa benefits from the Obama Effect boosting roots tourism.
- In Europe, the democratisation of luxury is on the cards, with leading operators on the cusp of rolling out concierge travel services to the masses.
- In the current bleak climate, such bold steps are critical to maintain a competitive edge in anticipation of the rebound.

*Caroline J. Bremner*

**Caroline Bremner**

**Global Travel and Tourism Manager**

**Euromonitor International**

## Through the looking glass

- The unprecedented scale of the global financial crisis has taken its toll on the travel and tourism industry. With the global economy in decline for the first time in over sixty years, falling expenditure, lack of credit and rising unemployment have caused a slump in confidence and demand for businesses and consumers alike.
- This has exerted a magnified effect on industry performance, with forecasts far worse than anticipated. Global arrivals are expected to decline by -8%, hotels by -16% and air sales by -14%, going from boom to bust.
- Recognising tourism as a major revenue and employment generator, governments have been responsive to the crisis, implementing tourism stimulus packages to varying degrees of success.
- APD hikes in the UK stand out as a drag on future recovery, whereas other countries waived visas, increased connectivity, reduced VAT, offered tax incentives and Brazil, for example, removed airline price platforms.
- Companies, facing revenue and profit deterioration, took drastic measures to gain cost efficiencies from staff redundancies, restructuring, investment in online, cutting capacity, M&As to strategic alliances.
- Faced with volatile oil prices and fuel hedging costs, airlines fell massively into the red. IATA forecasts losses to reach US\$11 billion in 2009, revised downwards by US\$2 billion.
- Consumers responded to the recession by shunning luxury and trading down. The lipstick effect – clinging to life's small luxuries - was apparent with spas and golf tourism continuing to be popular. A new era of austerity has emerged in the face of unemployment and mass public debt.
- There were also areas of ingenuity by the travel industry to keep consumers travelling. 2009 marked a revival in some traditional concepts with a modern twist, eg glamping, staycations and also new product development such as “nano breaks”, catering to time poor, cash poor consumers.
- The threat of the swine flu cast a grim shadow. In Mexico, the first destination victim, occupancy rates were halved during the peak of the pandemic. To minimise the negative impact, hotels offered discounts ranging from 10% to 60% and “flu-free” guarantees to lure back tourists.

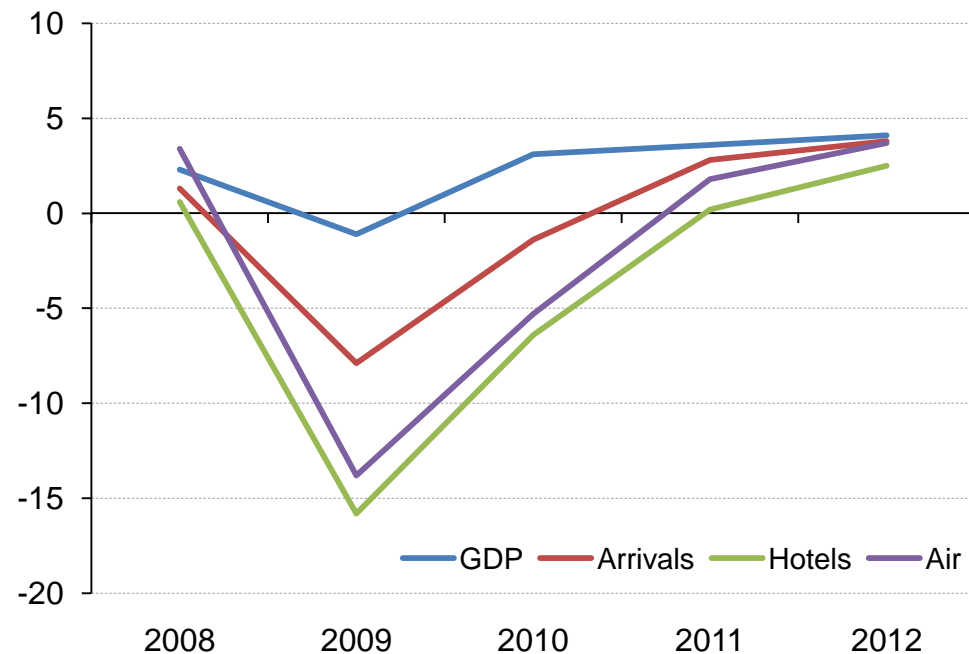
## Fear and loathing in business travel

- Luxury brands and brands dependent on business travel have all suffered, from schedule airlines, Meetings and Incentives, conference organisers, luxury hotel chains to corporate travel agents as business demand fell off a cliff. IATA reported business travel revenues down globally by up to -40% in July 2009 on 2008.
- British Airways talked of a “fight for survival”. Meanwhile, airlines continued to downsize, embark on M&A activity and evaluate their strategic alliances. In the worst case scenario, airlines turned to government for a financial bail out as seen in the case of Japan Airlines.
- Low cost carriers also suffered, but the segment fell by a mere -2% compared to -16% for schedule in value sales. Players such as Ryanair and AirAsia went from strength to strength, with the former carrying 63 million passengers, negotiating hard with airport operators, closing hubs and buying distressed aircraft.
- The expected demise of Slovakian LCC, SkyEurope, demonstrates that inefficiencies even in the LCC business model need to be ironed out and also the difficulty in securing credit for small to medium companies.
- By their own admission, hotels are a lag industry and trail economic recovery. Hotels held off discounting as long as possible, however, with continuing falls in occupancy, price discounting was inevitable. The question then became, how far and wide to go when faced with oversupply versus falling demand?
- Data from STR Global illustrates the general malaise for hotels globally. RevPAR declines varied from -19% for the Americas, -16% for Africa/Middle East to Asia and Europe around -28.5% for year to date August 2009.
- Cities such as Madrid witnessed revPAR declines of up to -40%. Tourism in Spain has felt the brunt of the global recession with its housing bubble bursting, experiencing a dramatic fall in visitors from key source markets and weakened domestic demand as unemployment creeps up to 20%, crippling the Spanish capital.
- Global chains took the rare step of selective discounting, such as Marriott’s Global Rate Break. Hotels with a diversified brand portfolio including budget brands helped mitigate trading down by consumers and businesses, but overall H1 results were bad.

## Creativity in adversity

- Global economic growth has turned positive. A full recovery to pre-crisis levels for travel and tourism is not expected until 2013 at the earliest. Hopes of a V-shaped recovery continue but threats of a W-shaped recession remain, with emerging economies set to lead the world out of recession.
- Demand will be inhibited by low consumer confidence, exacerbated by rising job losses and the need for governments to pay off burgeoning public debt, ultimately leading to higher taxes.
- Consumers are expected to embrace thrift for the long term and operators need to adapt to this.
- The 2009 Global Trends Report highlights important shifts of new consumer groups, changing expectations, new concepts and breathing new life into old formats.
- Innovation eg pop-up hotels and iconoclastic moves, such as rolling out luxury to the masses, reveal the need to rip up the rule book.
- With the UN Climate Change Conference in December 2009, the onus is on the travel and tourism industry to put sustainability at its heart to guarantee survival. Airlines are now engaged, marking a step in the right direction.
- Being ahead of the curve on carbon emissions is a smart way to engage with the new, rational consumer.

## Global Travel and Tourism: % Growth Indicators 2008-2012




Source: Euromonitor International  
Note: Arrivals in volume, rest in value

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## North America – Funemployment on the Rise

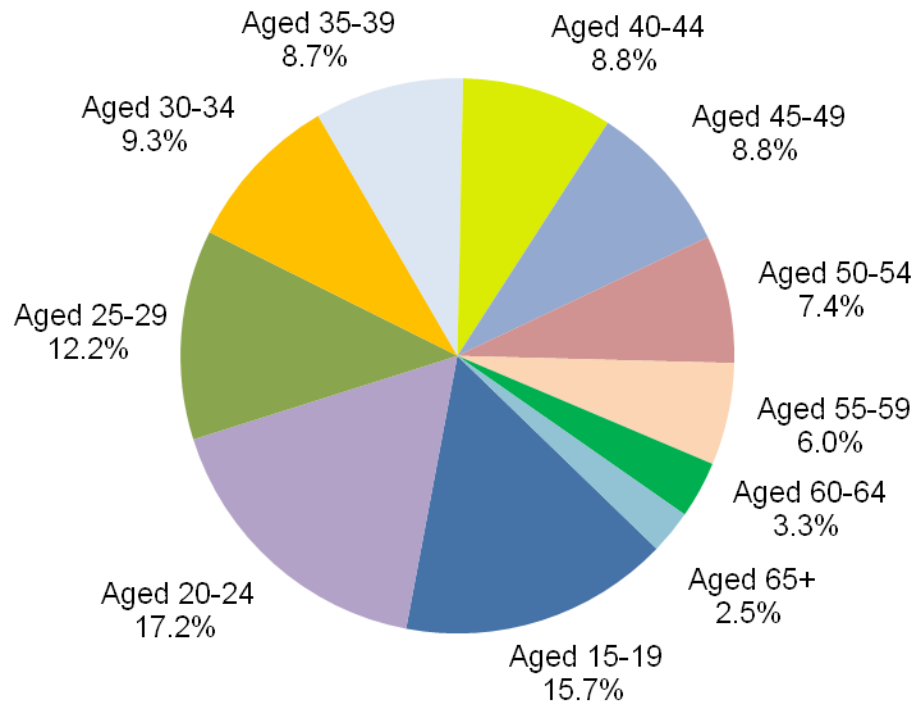
- As the Great Recession pushes unemployment rates to historic highs, some jobless embrace their situation by becoming “funemployed” - those who are unemployed but use their free time to pursue their interests.
- Once cash rich and time poor, the funemployed are cash poor and time rich, making travelling an enticing option.
- Tempted by unprecedented travel deals, this segment has a ‘now or never’ attitude towards travelling.



## Signs of optimism amidst bleakness

- Within a year, the unemployment rate almost doubled in the US to reach 9.8% and is much higher when taking into account those who have stopped looking for work or taken part-time jobs.
- The bleakness and long duration of unemployment have been counterbalanced by optimists embracing new-found free time. Most have severance packages and savings to cushion the blow of unemployment.
- Over half of those unemployed in North America are under the age of 35, mainly single, without children or a mortgage.
- Some companies are enlarging the funemployed pool by offering unpaid or even paid sabbaticals.
- In Canada, Deloitte launched international development fellowships for employees in January 2009, where participants receive a stipend and are guaranteed a job upon their return.
- In the US, many law firms offer partial salaries for those who take time off and stipends for newly-hired graduates to delay their start date.

## Unemployment by Age in North America 2008



Source: Euromonitor International

## Hiatus holidays with prices not to be missed

- The dramatic drop in demand for travel has led to widespread discounting.
- Prices in 2009 are on average 20-30% lower than in 2008.
- Special promotions often provide even more significant discounts such as Marriott's Global Rack Rate Break and Starwood's 50% discount.
- Some industry players are specifically targeting the unemployed to tempt them into hiatus holidays despite their uncertain financial future, provided they have proof of job loss.
- Intrepid Travel offers the "Laid Off? Take Off!" promotion giving the unemployed a 15% discount on holiday packages up to 31 December 2009.
- Customers find that the experiential travel packages available are less expensive than staying at home, or even a traditional beach break, due to the lower costs of living in the destinations such as South Africa and Egypt
- A collection of luxury villas, Recreo Costa Rica has promoted its "Layoff Layback" plan, which offers a free night to those booking a 4-night stay.
- In the US, Squaw Valley ski resort took 62% off the price of ski lift tickets to furloughed California state employees who provided a pay stub or a state id.
- Former road warriors who travelled for business most days of the year are also cashing in loyalty points and miles to travel as budgets are pinched.

## Obama inspires a call to service

- The grim employment prospects drove more people to consider international volunteer opportunities to contribute to local communities, improve their job prospects upon return and experience a new culture.
- During his presidential campaign and inaugural address, President Obama promoted volunteering and called on Americans to give back to their communities. After election, the President and his wife created “United We Serve” in partnership with the Corporation for National and Community Service. The aim is to encourage volunteerism by making it easier to find opportunities, track their impact and create new voluntary bodies.
- For the year ending September 2008, the Peace Corps received 16% more applications over the previous year. Although the average age of volunteers is 27, the Peace Corps saw a 44% increase in applications from those over 50 years old in 2008.
- The majority of organisations require payment by volunteers to cover costs associated with the programme. However, a few such as the government programme, Volunteers for Prosperity, help potential volunteers to find grants to offset costs. Financial Services Volunteer Corps and International Executive Service Corps even cover all costs.

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**“The “Laid Off? Take Off!” promotion is bittersweet, but people are able to travel to gain perspective, experience different cultures and focus on their job search upon their return.”**

*Tiffany Richards, President, Intrepid Travel USA*



## Opportunities for insight into future trends

- Bartering with the funemployed, a price-sensitive niche, may allow small travel companies to improve their services by hosting laid off travellers. Countries like Colombia, Peru and Ecuador will likely benefit from such travellers seeking out new experiences on a tight budget.
- They also serve as a target for extended trips, world cruises and long haul airline tickets.
- Marketing to the funemployed in the offseason may be a means of increasing occupancy rates all year round.
- This group provides an opportunity for the travel industry to expand its talent pool as people use their time to travel frequently and aspire to work in the industry especially in the green economy.
- Creating funemployed packages with discounted products may also prove worthwhile, although it is important to include a volunteer aspect as the fortunate enough to travel like to give back.
- As the funemployed rejoin the workforce, it is likely that companies will need to offer sabbatical programmes, not only to promote loyalty, but to also give employees the opportunity to develop their skills. In the absence of sabbaticals, career breaks are likely to become more commonplace as workers decide to take part of their retirement early to travel and prolong their retirement. This will offer travel players the chance to partner up with employers to offer tailor-made solutions.
- Laura Rich of Recessionwire.com sees the recession as resetting values as people re-evaluate their spending habits and careers. The funemployed may be an opportunity for the travel industry to understand these consumer shifts to prepare for the future impact of high unemployment rates on the travel industry.

### Employed Population vs Unemployment Rate in North America 2008-2013



Source: Euromonitor International


## Future outlook – re-evaluation of priorities

- Despite signs of stabilisation in the North American economy, the region is expected to see a decline in real GDP growth of 2.7% in 2009 followed by a meagre 1.5% growth in 2010. As a lagging indicator, unemployment is expected to reach a peak in 2010 before slowly declining.
- However, it is expected to remain at historic levels in the next five years. This will keep the average duration of unemployment high as well as cause the pool of funemployed to grow in the short term.
- Recessionwire points out that long stints of unemployment can drain resources and lead to fewer funemployed travelling. In the long term, the change in attitude towards unemployment is likely to leave its mark on the workforce, resetting values as people re-evaluate their spending habits and careers.
- After 2010, it is expected that the employed population will return to growth and reach its 2008 level in 2013. As employment recovers and boosts confidence, it is likely that demand for travel will rebound. However, businesses and consumers are expected to remain price sensitive and cautious about their travel choices with conscientious consumerism prevailing.
- Budget players in bus, hostels, hotels and campsites were upgrading their facilities and design prior to the economic crisis as a means to compete with their luxury peers and offer affordable luxury to ever-demanding consumers. It is likely that renovated budget players will benefit in the long term as both employed and unemployed travellers stick to their cost-conscious travel habits during and after the economic recovery.

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## UK – Pop-up hotels

- The global economic crisis, triggered by financial and housing market problems, has badly affected the UK with its economy predicted to contract by just over 4% in 2009.
- The credit crunch has decimated consumer confidence and expenditure is falling, marking a shift towards more competitively-priced hotels. With the housing market down and foreclosures way up, new pop-up hotels create an opportunity for travel accommodation providers to offer affordable, high-quality yet unique hotel experiences.
- The pop-up design appeals to guests with their innovative and mobile structure, flexible room design and environment-friendly attributes.
- The arrival of a temporary structure enhances the appearance of dilapidated urban areas, boosting tourism growth, sustainability and competitiveness.
- Temporary hotels are based upon pre-built units, incorporated into a steel frame which can be easily demolished. Benefits are gained by cost efficiencies by reducing building time by almost 50% compared to traditional methods as well as minimising noise, waste and hassle.
- Pop-up hotels are also portable which transforms them into an ideal choice for festivals, sports and outdoor events, addressing demand in peak seasons. They can also be reused as separate units to house families in impoverished areas.

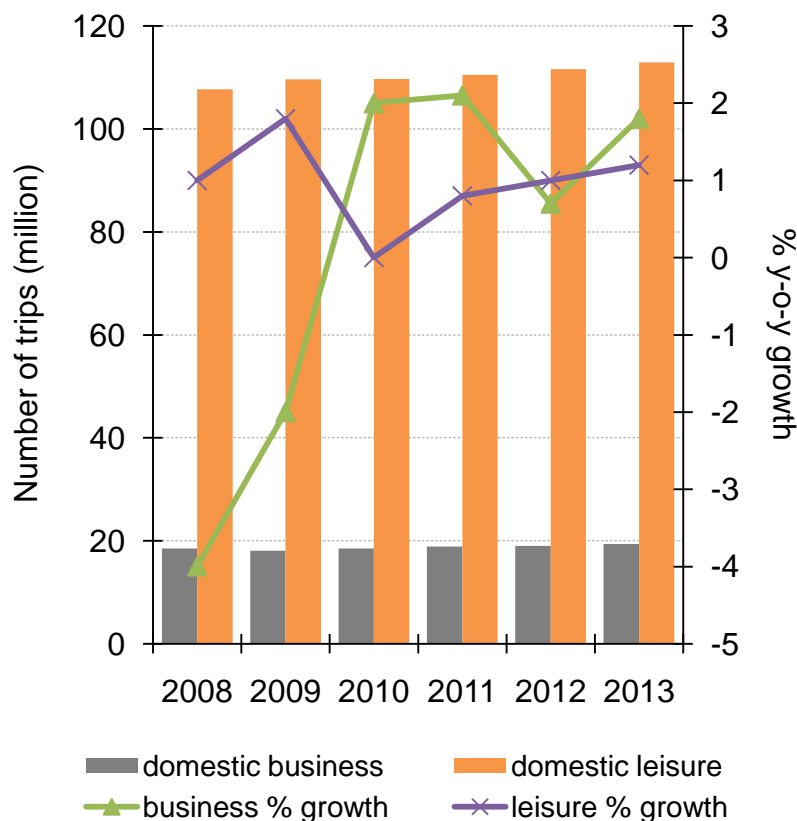




## Pop-up craze is the new pin-up

- Other industries are already leading the pop-up charge with gusto and are taking root in unconventional places - warehouses, empty rooms and rundown, old houses.
- The craze is already popular in retailing with Comme des Garcons (<http://www.guerrilla-store.com>), foodservice ([www.themoveablerestaurant.squarespace.com](http://www.themoveablerestaurant.squarespace.com)), cinema entertainment ([www.cinema41.golfstromen.nl](http://www.cinema41.golfstromen.nl)) and the art world ([www.picturesonwalls.com](http://www.picturesonwalls.com)).
- The popularity of pop-up restaurants in private homes is growing strong, offering a unique experience with celebrity chefs that welcome guests into their homes at a price, for example, Jo Wood. Famous chefs - Mosimann, Stevie Parle, Joseph Trivelli, Nuno Mendes - launched pop-up restaurants in London.
- Pop-up hotels are expected to be particularly popular with a wide consumer base from generation Y and Z to baby boomers, “transumers”, younger consumer groups and environmentalists. Transumers are attracted to products because of the experience of consuming them, rather than ownership.

## Forecast Domestic Tourism in the UK 2008-2013



Source: Euromonitor International

## Pop-up pioneers

- **M-house and M-hotel** ([www.m-hotel.org](http://www.m-hotel.org)) is a concept introduced by the UK architect and Creative Director of M-hotel, Tim Pyne. The hotel structure consists of individual units which are included in a steel construction. The M-hotel is tailored towards corporate customers for a rental period of up to 3 months. It is regarded as a semi-permanent structure remaining for 7-10 years in the location where it is built. The first unit is expected to be based in Hoxton, London, and due to open in late 2009.
- **Travelodge** ([www.travelodge.co.uk](http://www.travelodge.co.uk)) joined the modular trend with the launch of a hotel in Uxbridge, in August 2008, built from steel containers constructed and fitted in Shenzhen, China. By using this “modular build” technique, the company achieved not only greater efficiency in terms of operating costs, but also a speedy construction within 20 days. Travelodge plans to build nearly 40 hotels per year by 2020, of which half are expected to be based upon the new construction approach which, surprisingly, will only be rolled out in the UK rather than internationally. Prices will be in keeping with standard pricing, at £29 or less per room.



## Pop-up goes international

- **Elquidomos** ([www.elquidomos.cl](http://www.elquidomos.cl)) (Chile) is a pop-up hotel comprising geodesic domes specialising in astronomy, at an average rate of £60 per day. Each dome is based on a platform which has a bathroom, small living room and a raised bed area. Such pop-up concepts in long-haul destinations will benefit from the strong resurgence in camping amongst price-sensitive UK travellers seeking adventure.



**“Over time more modular solutions will be coming to the market”**

*Paul Harvey, Managing Director, International & Development, Travelodge*

**“The M-hotel is intended to use land on a superficially temporary basis, because one of the problems we always have particularly in a crowded country as the UK is that people sit on a land waiting for the land value to go up. The M-hotel concept can explore the opportunities to construct hotels in underdeveloped areas. The design permits for those structures to be easily dismantled, moved and relocated around the world”.**

*Tim Pyne, Creative Director of M-house and M-hotel*

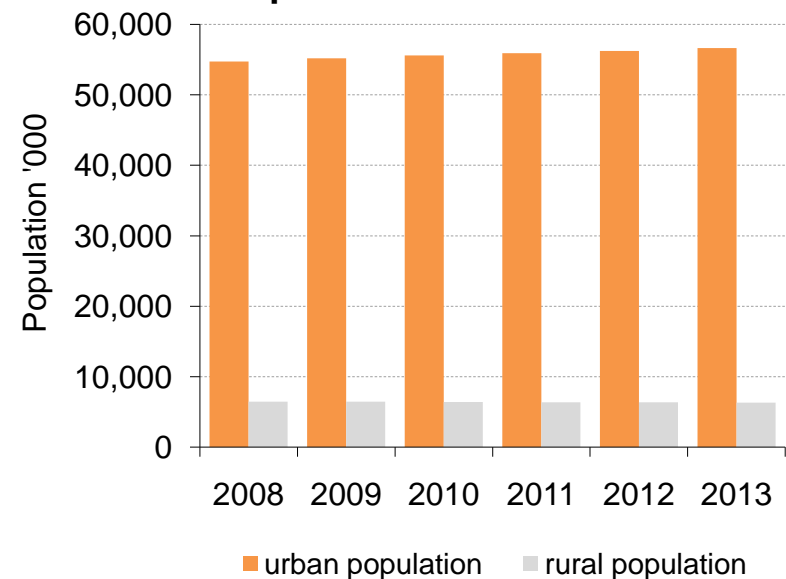
## Opportunities - from urban edge to socially responsible

- As demand for green tourism becomes increasingly popular, the appeal of temporary hotels will grow. Modular base establishments, cargo container homes and prefabricated hotels will be sustainable alternatives for work, home and play.
- With the number of vacant commercial outlets in the UK reaching unprecedented levels, many local authorities are embracing the Meanwhile Project ([www.meanwhile.org.uk](http://www.meanwhile.org.uk)) set up in April 2009, aimed at preventing high street decline. Pop-up hotels can help transform unused buildings into community art venues, providing a dual function of hotel and art meeting place. Guerrilla-style graffiti hotels can accommodate the young generation and art lovers in general, leaving a lasting legacy for the wider community.
- Re-use projects can provide not only great benefits to communities through the transformation of old structures, but also by creating original and momentous hotel structures.

## Future outlook – urban regeneration

- In times of recession and increased domestic travel, temporary hotels are expected to change the face of travel by attracting a larger customer base with their affordable pricing. They offer a sustainable and individual expression of modern living, reflecting design sensibilities.
- It has the potential to bring about long-term change in hotel construction, stimulating product development, rather than being a short-lived trend.
- Pop-up hotels create an opportunity for operators to maximise their operational efficiency and increase revenues, but also support local communities through regeneration. Their temporary status also allows businesses to reinvent themselves on a regular basis with less investment which appeals to recessionistas.
- The pop-up hotel trend can help address the lack of affordable accommodation in the UK and also be applied to unexplored, rural areas where standard hotels are not planned or permitted. The concept can contribute significantly to the development of lower income regions where unemployment has seen a sharp increase such as the West Midlands, North East and Yorkshire which seek to explore new tourism opportunities.

**Forecast Urban vs Rural Population in the UK 2008-2013**



Source: Euromonitor International

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## Europe - Concierge Travel Services: from Luxury to Mass

- Concierge travel services in Europe are currently targeted exclusively at wealthy travellers who have very little time to organise their holidays but want to make the most of them. A number of travel retailers and specialist concierge companies offer these affluent consumers a value-added service by organising holidays customised to their personal tastes.
- Concierge travel services also provide continuous advice and support before, during and after the trip. This personalised concierge service is on the verge of going mainstream and offers the travel industry the means to boost customer satisfaction and loyalty, as well as its margins.



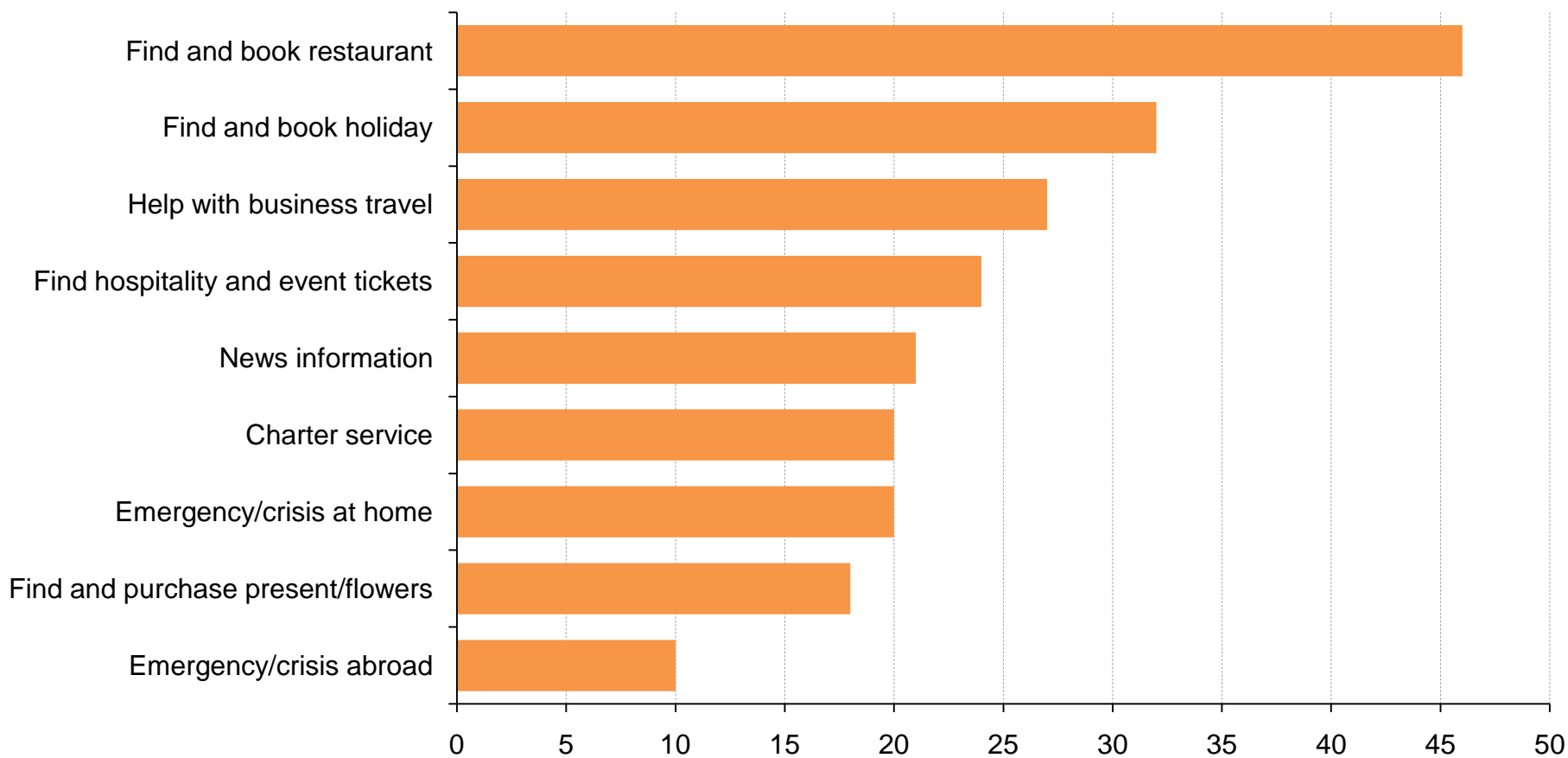
## Luxury for the masses

- To date, concierge travel services have been limited to luxury travellers in Europe, but this is poised to change with more mass tourists set to enjoy the personalised services offered by a concierge travel as travel operators explore the mass market.
- The global financial crisis has crippled Europe with real GDP growth forecast to decline by nearly 4.2% in the Euro zone in 2009; however, this shift is happening independently of the recession, driven by changing consumer preferences, a fast-moving competitive environment and new technology.
- Demand for personalised services is growing amongst mass tourists as they are increasingly used to finding a vast choice of travel and tourism products on the internet and need guidance on how to build a trip based on their needs and preferences.
- Moreover, European travel demand goes beyond sun and sea holidays or city tours to encompass rewarding and authentic experiences giving rise to experiential travel.
- The harsh competitive environment and massive transformations witnessed in the last year –falling demand, capacity cuts, trading down, reduced booking windows, rife discounting amongst others - have led to an increasingly important role for internet bookings. The offer of concierge services to the mid market will allow travel industry players to differentiate their products by adding value.
- Technology enables travel players to provide personalised concierge services to mass tourists at affordable supply costs through easier and faster communication with their travel correspondents based worldwide, service providers and the final customer.

## Three Stage Offer of Concierge Travel Services

Stage	Concierge Travel Service	Benefit to the Consumer
Before	Asks about customers' general interests, travel preferences and past experiences	Chooses the best destination
	Provides helpful and updated information about the chosen destination received from the travel operator's local contacts	Allows insight into the best places, events and experiences to make the holiday more rewarding
During	Provides information about personalised services concerning customer interests available at the destination and makes bookings	Gains prior knowledge and saves time
	Offers support to travellers in case of emergency, e.g. theft or flight cancellations	Peace of mind regarding safety and security
	Helps with further requests and required bookings of events, attractions, restaurants, etc	Frees up time to maximise enjoyment of destination
After	Follows up on customer satisfaction to increase customer loyalty and improve CRM	Engages in development of personalised service
	Receives feedback in order to start promoting future trips	Future loyalty benefits, e.g. discounts and enjoys a ready prepared, tailor-made option

### Concierge Services Usage by Type 2008 (%)



## Customisation taken to its logical conclusion

- Kuoni ([www.kuoni-group.com](http://www.kuoni-group.com)) enjoys a 1% value share of Western Europe's travel retail market and is a leading tour operator offering concierge travel services in Europe through its Kuoni Concierge service.
- Kuoni Concierge customers are able to enjoy a tailor-made holiday on the basis of their personal tastes and preferences including the reservation of events, shows, recommended restaurants and a personal shopper service at their destination.
- According to the company, customers highly appreciate the local contacts provided by Kuoni and enjoy a more authentic travel experience as a result. These contacts include people in the destination travel market as well as experts in areas of personal interest (e.g. theatre, arts, yoga, sports, local history, etc).
- Customers targeted by Kuoni Concierge are currently only in the high income bracket. However, Kuoni Concierge customers also include average income consumers travelling on a high budget for a special occasion, especially honeymooners.
- Kuoni is about to offer its concierge services to all its customers by the end of 2010. Concierge travel services will be offered to Kuoni customers for a fee estimated to be EUR20-25 per person, an attractive price to ensure a fast adoption rate.
- Kuoni's decision to target a much larger customer base through concierge travel services is based on the company's conviction that such services are key to adding value for the mid market with the aim of bolstering its competitiveness and gaining cost efficiencies.
- According to Kuoni Italia, of concierge travel services requested by customers, 74% was for advice on the destination, 12% for tickets, 9% for restaurant bookings and 5% for event bookings.

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**“Today people are overwhelmed by information on travel and tourism services and need more guidance by someone they can trust. Concierge travel services will play an increasingly important role in helping them make intelligent choices based on their individual needs”**

*Andrea Mueller, Communications Manager, Kuoni Switzerland*



## Virgin Holidays sets a precedent

- Euromonitor International expects that concierge travel services in Europe, typically offered to high-income customers or those travelling on a high budget exclusively, will expand in the next five years to embrace a much larger customer group, including mass-market travellers.
- The expansion of concierge travel services to mass travellers is already taking place in the UK, where Virgin Holidays ([www.virginholidays.co.uk](http://www.virginholidays.co.uk)) is targeting a segment of customers beyond traditional luxury travellers via its Virgin Holidays Concierge service. Concierge travel services are offered for free to all Virgin Holidays customers, including those buying budget holidays – this sets a precedent in the industry.
- Virgin Holidays personal concierges, based in holiday destinations, contact all customers who are interested in this service by phone prior to their trip. They provide impartial advice and help travellers create a tailor-made holiday including the reservation of tours, events and dinners.
- Operators in Continental Europe such as Kuoni are on the cusp of following suit.

## Opportunities – mass appeal is a no-brainer

- The development of concierge travel services is opening up the possibility for travel retailers to enrich their offer by adding personalised services even to packaged and budget holidays, the mainstay of the mass market. This provides companies with a competitive edge in the challenging era of internet bookings in the worst global recession since the end of World War II.
- Concierge services will be very useful in creating flexible travel services, where a basic package offered even at low-cost prices, can be complemented with services according to customer personal preferences.
- They offer all travel retailers the chance to generate higher volumes and improve margins.
- Online travel agents such as Lastminute.com are already offering lifestyle bookings (tickets, restaurants, etc). The development of concierge travel services would allow them to complement their online offer with the personal contact of a concierge consultant that can help customers sift through online information.

## Future outlook – into the mainstream

- Euromonitor International expects concierge travel services will reach a significant dimension within the mainstream offer of travel retailers going beyond the current customer segment of affluent travellers.
- Personalised advice to build the trip according to customer preferences will be offered on the phone by travel consultants/concierges based either in the company head office or at the destination.
- The concierge travel services will initially be offered for a small fee, with the next development for the service to be offered for free, where greater levels of exclusivity will come at a price.
- Growth will be inextricably linked to that of experiential travel in the quest for an authentic experience.
- New technology will enable these services to reach a wide audience and be cheaper to provide, thanks to the development of mobile internet devices and the opportunities of m-commerce.

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## Middle East - Female-only accommodation

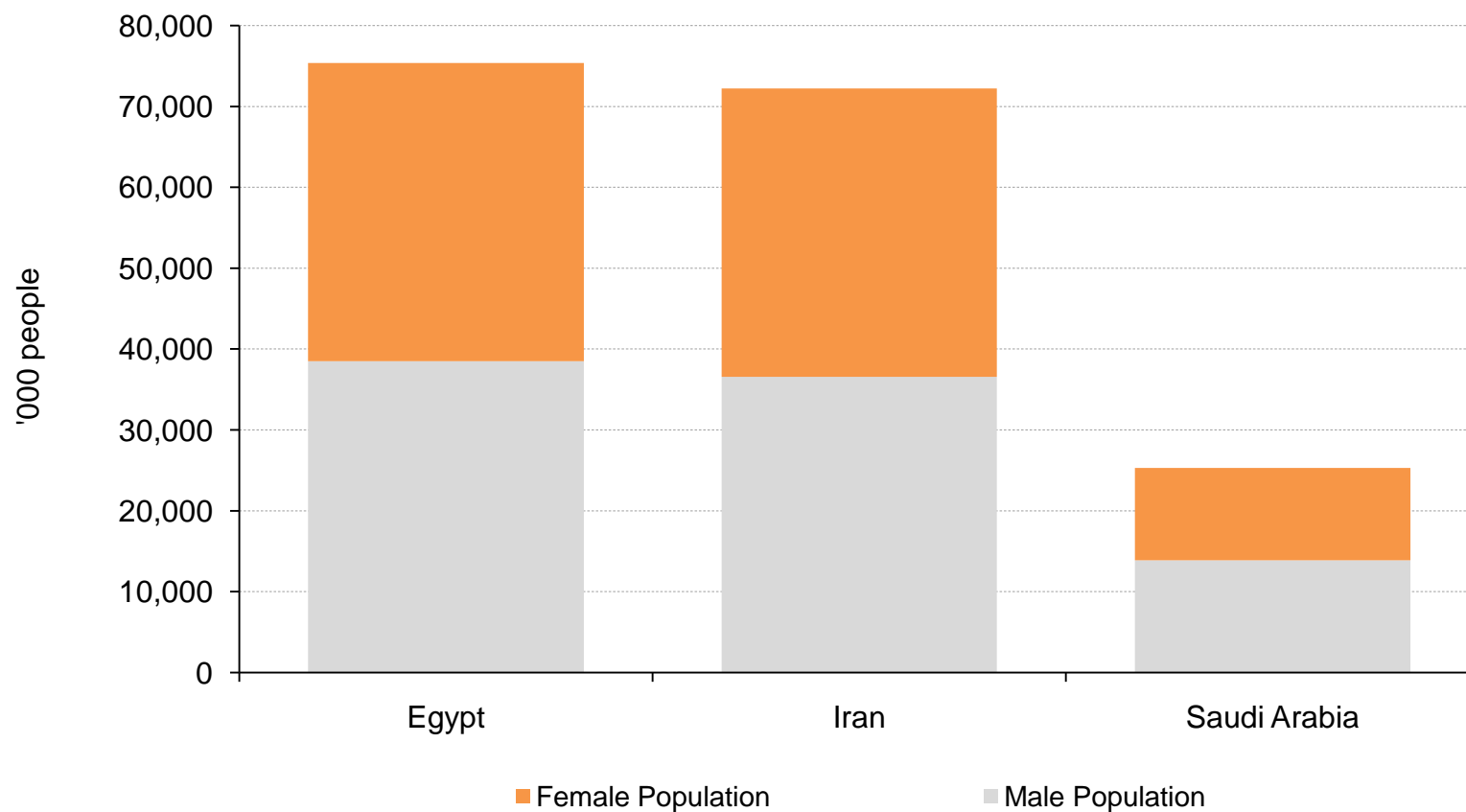
- With an increasing young population living in the Middle East, travel and tourism operators are striving to identify innovative concepts that are in harmony with the region's culture.
- Female-only accommodation is therefore relevant, especially in Muslim countries, for demographic, religious and cultural reasons.
- Such facilities have been around for decades, starting with female-only beaches, tour operators and ladies-only floors at hotels. But the exclusively female-only accommodation is a more recent trend, spearheaded in 2007 by a group of entrepreneurs in Saudi Arabia, when they opened the first female-only hotel in the region in a bid to address growing demand.



## Culturally-sensitive concept within Islamic law

- Female-only accommodation offers growth opportunities in the Middle East especially in Muslim countries, for demographic, religious and cultural reasons.
- The Middle East is dominated by an increasingly large youth population, boasting growing numbers of young women who have developed an interest in travelling thanks to regional NTOs and travel operators' activity.
- Prior to the global financial crisis, the region experienced explosive economic growth. Despite a cold climate in 2009, the region remains a hotspot for tourism, and GDP growth for the MENA region is expected to be 3.9% in 2009 compared to -1.1% at a global scale.
- Saudi Arabia boasts more than 30 million domestic tourists each year and has invested US\$40 billion in infrastructure. The importance of the domestic tourism market in the country is significant as Saudi women are much more likely to travel within the Kingdom than abroad due to the restrictions on travel for women.
- In Saudi Arabia, as in many Muslim countries, it is still considered risky for women to travel alone, and often frowned at by conservative Arab males, families and by society. This was the motivation behind the opening of the Luthan Hotel & Spa, the first female-only hotel in Saudi Arabia.
- Saudi Arabia is one of the most conservative countries in the world alongside Iran, and women there have very limited freedoms preventing them from speaking to or meeting male friends in public as well as driving cars.
- Islamic laws require "*Maharam*", meaning a male escort, which places restrictions on travel for women. Female-only lodging therefore makes travel possible without a mandatory male escort.
- With the year 2009 marking 30 years since the Islamic Revolution, the recent unrest in Iran also illustrates that conservatism continues to prevail heavily, hence the need for such female-only products.
- Egypt, Iran and Saudi Arabia represent key target markets for female-only concepts, where women accounted for almost half of the total population in 2008.

### Population Split by Male/Female in Select Countries 2008



## All-inclusive appeal

- Female-only accommodation should not be considered solely in terms of culture and religion for Arab and Muslim women only, but also for non-Muslims alike. Western women are likely to feel more comfortable staying at women-only hotels, given the widespread negative perceptions of women travelling alone in the Middle East.
- Such facilities are most convenient for Western businesswomen such as journalists who often travel and feel safer at female-only hotels.
- Rising interest among Westerners about the Middle East is a key contributing factor to the concept's future development. Faster growth in international visitors as opposed to intra-regional underlines the importance of targeting Western women and the need for a more "global" edge to be adopted.

## Tailored to female tastes

- Female-only accommodation takes its roots from female-only hotel floors commonly found in hotels across the Middle East and beyond. The Chopard Floor at the Jumeirah Emirates Towers in Dubai (UAE) provides a strictly female-only staff and rooms are equipped to welcome women with a variety of cosmetics and other products, including Chopard branded bathing products, a yoga mat and accompanying DVD.
- The UAE model is particularly successful given the large number of businesswomen living and working there or visiting on business. Yet the selling proposition is very different because the concept is very less related to cultural or religious aspects as it is part of a hotel for both sexes.
- Luthan Hotel & Spa was the first entirely female-only hotel in the region, managed and run by women. The hotel reported 50% occupancy post (compared to a national occupancy of 48.5%) opening and its clientele comprises businesswomen - mainly non-Saudis - and leisure guests, predominantly Saudis.
- Luthan Hotel & Spa's establishment initially came from a strong belief that a full-service spa should offer residential options as well. The facility plans to expand its model once it has reached its optimum in its home city, Riyadh.
- From Morocco, Egypt, Saudi Arabia to the Gulf, there are travel agencies such as Responsible Travel promoting female-only tours, and the existence of women-only beaches such as La Femme (near Cairo) and Yashmak both in Egypt. Dubai also introduced women-only buses to encourage women to use public transport when travelling alone.





**“Worldwide, women are seeking the additional privacy in public spaces from the beaches of Italy to trains in Brazil to taxis in Bombay, “women-only” options are being increasingly created to sate demand. Depending on the quantum of female traffic to a particular city, hoteliers may consider floors or alternatively properties dedicated to women only.”**

*Lorraine Couthino, Executive Director, Luthan Hotel & Spa*



## Opportunities - ready for export

- Female-only accommodation falls under a wide spectrum of women-only travel services already available in the Middle East. There are clearly many opportunities to market and promote female-only accommodation as part of an overarching travel experience, exclusive to women. The concept may also be considered as a pillar in the general marketing and promotion of the region.
- The legal implications of women travelling alone are advantageous to the trend, and although laws imposing a male escort are likely to be relaxed eventually, it will remain a cultural taboo in many Middle East countries in the medium to long term.
- Euromonitor International believes that the concept can also be exported to many countries rather than being confined to Saudi Arabia. Other conservative markets such as Iran and Egypt offer strong potential demand for similar facilities. These countries are often regarded as dangerous by Western businesswomen travelling alone.
- Taking a lead from Luthan Hotel & Spa, it is important to link health and wellness to women-only hotels as these can be marketed as spas and health centres with a lodging option. This makes the concept easier to sell in less conservative markets broadening its appeal.
- Many markets are developing their medical tourism potential including Jordan, Lebanon and Saudi Arabia. Potential female patients will be a key target for female-only accommodation.
- Female-only accommodation may also take a different direction, diversifying away from spas in countries like Oman, Yemen, Jordan and Syria where there are great opportunities for backpacking and adventure tourism which is catching on among regional travellers and Westerners alike.

## Future Outlook – marketing is key

- Female-only accommodation is likely to pick up in the future and the trend will take the form of more women-only floors at new hotels, and potentially exclusively new female-only hotels. Depending on the success of establishments like Luthan Hotel & Spa, new properties are likely to start burgeoning in other markets that are culturally close to Saudi Arabia.
- On a global scale, women are seeking additional privacy in public places and this will be a major driver behind the development of women-only hotels in different cities across the Middle East and not only in conservative countries where the primary target audience is local women.
- This type of accommodation will have to develop a selling proposition that appeals to both Western and Middle Eastern women by marrying their cultural relevance with their safety and security, as well as leveraging a basic comfort proposition.

Threats to Women-only Hotels	Action
Controversial concept criticised for being a sign of “regression” rather than progress	Communication and marketing to play a key role in establishing the correct positioning, promoting freedom to travel alone even in Saudi Arabia and Iran
Disapproval by conservative factions as promoting lesbianism	Travel players to help encourage increased openness to women’s liberties by supporting such concepts
Avoid misconception that it is cultural or religion-specific	Communicate message to all women about the importance of travelling in comfort and safety in the region

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## The Obama effect boosts visitors to Africa

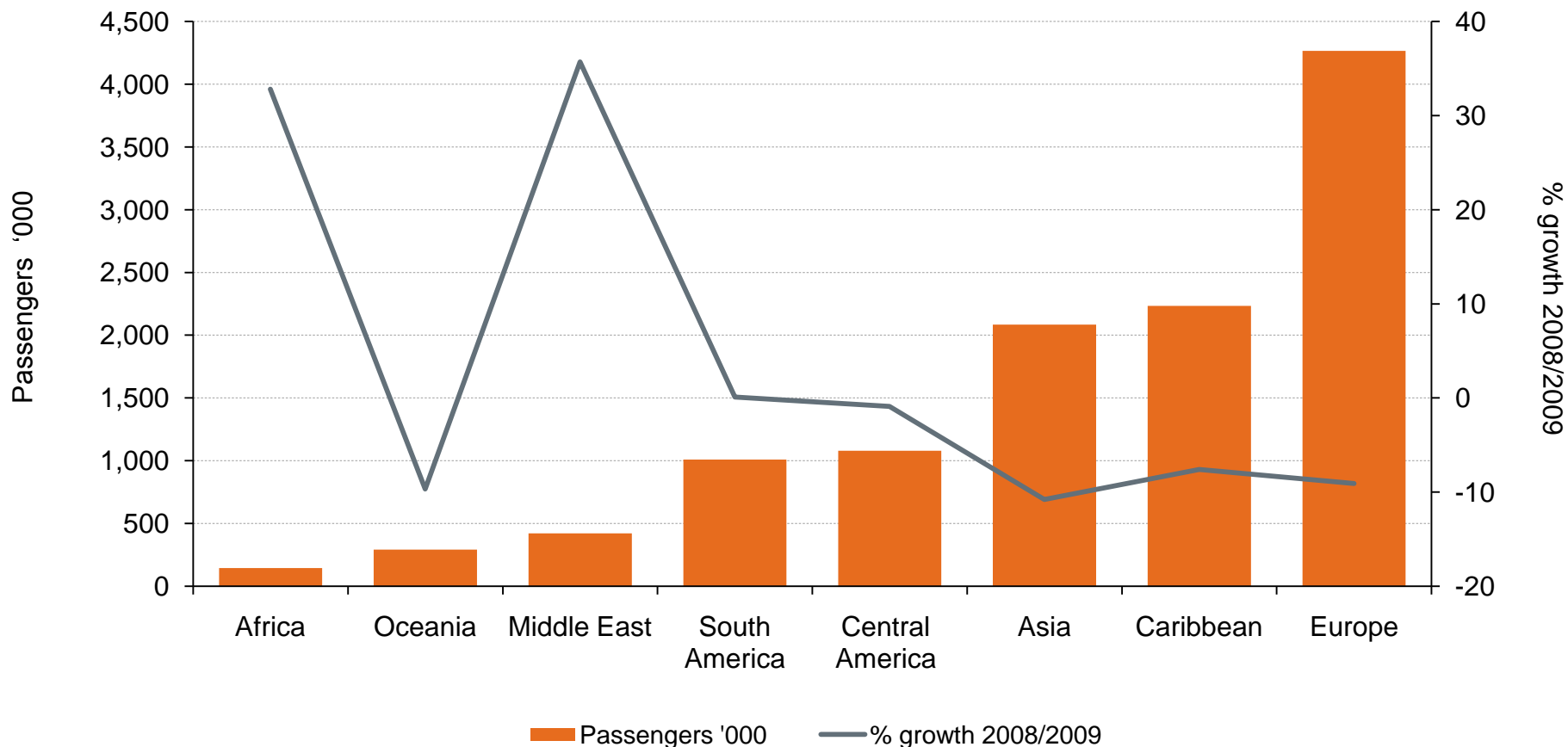
- President Obama's recent visit to Ghana put Africa under the international tourism spotlight, opening up the potential for an African tourism revival amongst Africans living abroad and returning to reconnect with their roots.
- Africa's roots tourism is still relatively unknown to many core markets and it can provide a huge boost to economic prosperity in the region and local communities, not only through direct revenues from tourism, but also long-term investment.



## DNA of roots tourism

- Despite the global economic crisis, Africa still enjoyed one of the world's highest growth for inbound arrivals at just over 3% in 2008. This was fuelled by an increase in government funding towards tourism, improving the quality of travel in many African countries as well as tourists seeking cheaper destinations than those in Europe.
- Africa also represents one of the fastest growing outbound destinations for the US. Air traffic from the US to Africa increased by 33% during the first five months of 2009 according to OTTI.
- The popularity of DNA testing to identify areas of ancestral origin has helped the increase in travel among African Americans to Africa, spurred on by celebrities such as Oprah Winfrey, using technology to trace their roots. There are now more than 2,000 genealogy companies in the US, and over 35,000 DNA tests have been performed since 2002 by African Americans.
- Cultural and heritage tourism is therefore becoming increasingly popular in Africa. To meet this demand, a great number of heritage attractions connected with the Transatlantic Slave Trade are present in West African countries such as Ghana, Gambia and Senegal.
- An asset to the promotion of roots tourism is the diversity of culture and hospitality across Africa, but also the increasing political stability in countries such as Ghana, and for that very reason, the country was the first to welcome President Obama on his first official trip to Africa.
- Increased global interest in Africa thanks to the internet has raised awareness of Africa, and helped make the region more accessible. The expansion of package holiday itineraries to include countries such as Gambia has opened up African destinations to a wider audience.
- The election of a US President with a Kenyan heritage has resulted in a surge of popularity for Kenya as a tourist destination especially for African Americans. There is an increasing desire for travellers to visit Obama's ancestral village Kogelo, where his grandmother still lives.

**US Air Traffic Overseas 2009**



Source: Euromonitor International

## Discrete target market with potential

- The US is Africa's biggest source market where 41 million African Americans reside, growing in population by over 1% year-on-year and enjoying an average income of US\$32,000.
- The average African American traveller to Africa is from the 45 and over age group. They like travelling in groups, enjoy festivals and cultural events, spending on average between 10-12 days.
- Generation Y accounts for 31% of the African American Diaspora, amounting to over 12.7 million people. As part of the second fastest growing minority group in the US, generation Y enjoys greater standards of education and economic prospects than previous generations as well as an inherited culture, representing a strong opportunity for Africa over the long term. As America's first family, the Obama's are the most influential role model for this generation.
- The general perception of Africa held by people of African origin is gradually changing, as they become more inquisitive about their heritage. However, the majority has limited understanding of the region, with a negative image perpetuated by the media.
- The view of African American visitors by Africans is also changing due to the former's participation in the successful election of the first US President of African origin, as well as the increasing number of African American celebrities that champion good causes in the region.

## Diaspora on the agenda

- Following the election of President Obama, numerous travellers wish to visit his ancestral home. Many agencies offer Obama packages, such as the President Obama Africa Roots Tour by Africa Travel Waves (Kenya).
- This 8-day tour includes a visit to Kogelo Village where Barack Obama Sr was born. Visitors learn about the culture of the Luo people, go on a game drive in the Maasai Mara followed by a trip to Nairobi. Other examples include the Presidential Heritage Safari and President Obama Africa Roots Tour by Bush Troops Safaris (Kenya).
- In October 2009, Tanzania hosted the Fifth International African Diaspora Heritage Trail (ADHT) Conference to explore how to transform cultural heritage assets into tourism destinations. The event also serves as the official launch of Tanzania's new heritage trail "The Ivory and Slave Route" in Tanzania and East Africa.
- African Governments and NTOs have thrown their support behind roots tourism; key events include Black History Month, Juneteenth, PANAFEST (Ghana), Emancipation Day and Africa's Golden Gateway Project.
- Ghana was also the first African country to host the United Nations World Tourism Day in September 2009 with the central theme, "Tourism Celebrating Diversity".

Company	Products	Countries Covered
Spector Travel (USA)	Africa roots tourism	Benin, Ghana, Senegal, Gambia, Cote d'Ivoire
Derby Tours (Ghana)	Slave Route Tour of major trade sites (18 days)	Benin, Togo, Ghana, Burkina, Faso, Mali
West African Adventures (Senegal)	Cultural and Roots Programme (10 days). Major sights on the tour include Goree Island, Jufureh and James Island in the Gambia	Senegal, Gambia
Gambia Tours (Gambia)	Family-run Roots Tour, offering day-trip aboard cruise ship, including visits to Gambia's main slave sites, prison islands, Kunta Kinte's village	Gambia

**“The host communities should reposition themselves by providing goods and services to African American tourists. Local tour operators and retailers will benefit from working closer with their American counterparts, such as the Convention & Visitors Bureau, and other associations to create awareness and promote their products and services directly to the African American market.”**

*Charlotte Haymore, President, TPOC (Travel Professionals of Color)*



## Opportunities for engagement

- Roots tourism provides Africa with an opportunity to re-brand itself by changing perceptions and projecting a positive image of the continent. With Barack Obama as an ideal role model, there is no better time to do this.
- The recent election of president Obama will continue to encourage an increasing number of people with African origin to use DNA testing to trace their African roots. Those tracing their ancestry are more likely to get involved with local communities, through investment and personal commitment.
- The benefits of roots tourism can be maximised by positioning Africa in the most appropriate way to people of African origin and by Africa recognising visitors of African origin as a large potential market.
- Africa's roots tourism potential lies in the strength of authenticity of its products. Visitors investigating their personal history are looking for an authentic trip and healing experience. Heritage tour organisers should ensure that they provide more than just the mainstream historical slavery tours. They should strive to provide Diaspora visitors with direct engagement with the community.
- Budget camping safaris will be popular with African American Generation Y travellers, as well as more traditional visitors such as backpackers and gap year travellers.
- There is a need for cooperation between African countries to provide multi-destination itineraries, which will also benefit trade within Africa, particularly the West region which has witnessed slower tourism than other regions.
- NGOs need to work more closely with national tourist offices and travel companies to develop itineraries for roots tourists. Euromonitor International believes that a "3H Tour" (Heritage, History and Help) should be created whereby NGOs would provide tourists with an itinerary and access to community projects in return for a percentage of the tour operator's revenue. The Dutch based, SNV, is an example of collaboration between local tour operators and NGOs that could be replicated for African destinations.

## Future outlook – Obama to head boom

- Euromonitor International estimates that 42 million international tourists will visit Africa by the end of 2010. This is a great opportunity to use Obama's heritage to grow Africa's travel and tourism industry and may lead to a boom in roots visitors.
- As the first US president of African origin, Obama's influence has spread beyond African Americans to Europe and Latin America, which are the two largest markets of African Diaspora outside the US.
- Roots tourism will make a significant impact on the socio-economic development of Africa, bringing income generation for local communities and governments, improved infrastructure and increased standards of living.
- The long-term sustainability of cultural heritage tourism is essential for the development of roots tourism to preserve the region's natural assets for the benefit of local communities.
- All eyes will be on President Obama when he eventually will return to his father's homeland to see just how far roots tourism can transform the African travel and tourism industry.

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**Asia tees off with golf tourism**

**Latin America re-brands as a luxury destination**

## Asia tees off with golf tourism

- Asians are crazy about golf and the recession has done little to curb their enthusiasm.
- Their love of golf, whether for business or leisure, has made its mark and tourism boards are becoming wiser and making big money from this popular sport.
- Asian markets are looking for ways to attract golfers, who tend to be high-value consumers with higher than average spending habits.
- The spread of golf in Asia also indicates a rising standard of living as well as lifestyle and status that consumers aspire to.



## Golf as an income generator

- Golf tourism and related property development in Southeast Asia have enjoyed government support, identified as an engine for revenue growth especially in countries with underdeveloped tourism infrastructure such as Cambodia, Laos and Vietnam.
- Current leaders are Malaysia and Thailand, where the sport is usually bundled with resort, adventure and eco-tourism.
- To lure ever more golfers from Japan, South Korea, Singapore and China, a number of packages, incentives and marketing campaigns have been created through cross-industry cooperation.
- Firefly, a Malaysian low-cost carrier, launched a new golf membership card in collaboration with Advantage Golfing Solution (AGS), offering unlimited rounds at discounted rates in golf resorts on its network.
- In Thailand, golf tourism was worth approximately US\$800 million in 2009, with 260 golf courses growing at 10% per annum. The golf segment is in much better shape than the country's struggling tourism industry, with arrivals contracting by 15% in Q1 2009.
- Political unrest combined with the economic crisis led Thailand to turn to niche and luxury sectors, which golf straddles, to attract die-hard golfers. Tourist Authority of Thailand (TAT) partnered with luxury hotels and golf clubs to launch the "Golf in a Kingdom" campaign in 2009 ([www.golfinakingdom.com](http://www.golfinakingdom.com)), specialising in custom itineraries.

- The Thai campaign aims to go beyond intra-regional demand to lure recession-hit North Americans and Europeans to Thai golf clubs offering comparable quality at a fraction of the price. A day's golf at Thailand's top clubs costs on average US\$100-180.

### Number of International Standard Golf Courses in Asia 2009

Country	Number
Japan	2,500
China	310
Thailand	260
South Korea	251
Malaysia	189
Indonesia	125
Philippines	70
Singapore	20
Vietnam	18
Laos	4
Cambodia	4

## Female celebrity golfers drive revival

- In Japan there are approximately 2,500 golf courses, with an estimated 1 in 10 Japanese playing the game regularly as a result in a drop in golf course fees since the economic crash in the 1990s. That era saw the demise of nearly 600 golf courses and losses of ¥13 trillion.
- During the current recession, the sport has seen a revival due to the emergence of younger golf stars. Media attention on female players such as Miho Koga, Momoko Ueda and Ai Miyazato has generated interest in the sport among urban, upper middle-class Japanese women – the new target for golf tourism and golf club marketing.
- Golfing is considered as ideal by older Japanese women and is seen as a low impact, lifestyle sport. Golf clubs attract women with ladies-only packages and a chance to socialise. Many clubs offer ladies-only courses and free golf clinics for ladies and the younger generations.
- Accordia Golf Co Ltd is Japan's largest golf course operator with 123 owned courses and plans to spend US\$163 million to buy 10 new courses per year according to Reuters.

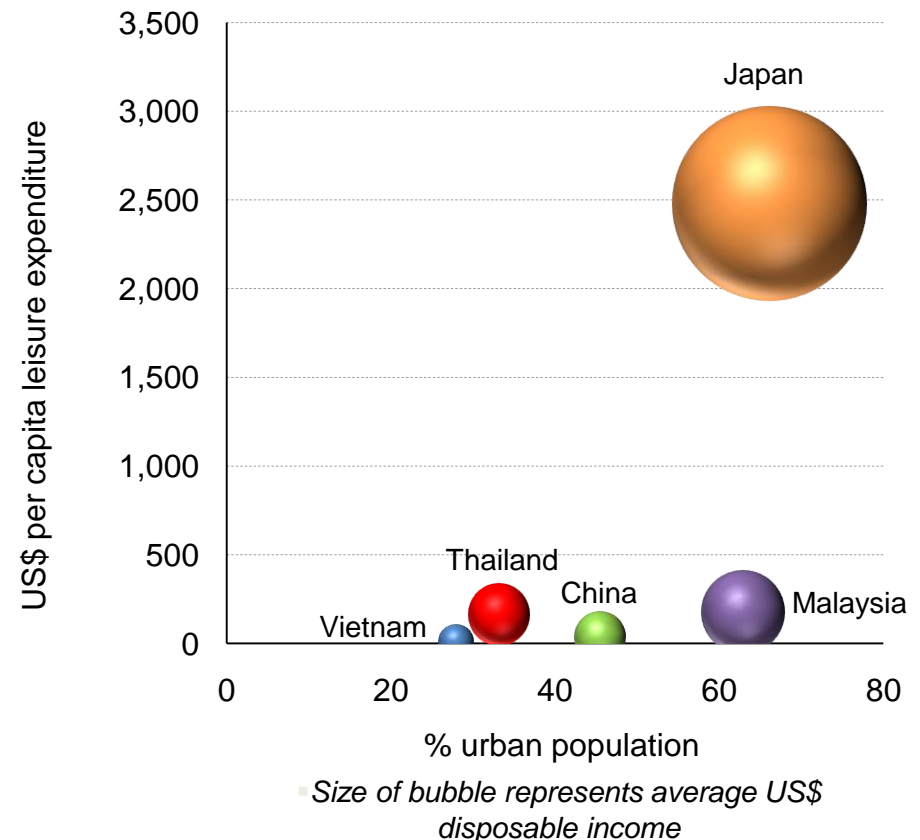
## Golf is the new Japanese fashion craze

- Golf has become so popular that a new fashion is emerging among young women in Japan, mimicking golf outfits with websites such as Golf Digest Women-style offering advice on the sport and golf fashion tips ([www.golfdigest.co.jp](http://www.golfdigest.co.jp)).
- Sanrio's Hello Kitty character has made an appearance on putters, drivers, golf balls and other accessories. Mic Golf also launched new Fit 39 Nail golfing gloves in 2008, especially for women, designed to show off their manicures.

## China – sport of the rich

- Rapid economic growth in China has created a new elite class which has jumpstarted golf demand.
- China ranked fifth in the world and second in Asia in 2007 according to the Asia Times, with over 300 golf courses operating and hundreds more under construction. Shenzhen is even home to the world's largest golf club, Mission Hills Golf Club.
- The majority of China's golf courses are luxury resorts as the sport is marketed as luxury.
- Government policy has contributed to its exclusivity, with golf membership designated as a luxury activity bearing 23% consumption sales tax - 18 percentage points higher than other sports.
- In November 2009, the World Golf Championships (WGC) takes place in Shanghai. Tickets have been discounted heavily to students, young people and families to boost attendance. Yang Yong-eun - the first Asian born winner of the PGA Tournament including in 2009 - has heightened awareness of the sport among the young.

## Comparative Spending Power in Asia



Source: Euromonitor International

## **Southeast Asian Golf Trail**

- The Southeast Asian Golf Trail is fast becoming one of the most popular and affordable ways to enjoy golf in Asia. Introduced in 2009 by Golfasian ([www.golfasian.com](http://www.golfasian.com)), the trail combines premier courses in Thailand, Vietnam and Cambodia at a low cost. Premier clubs such as American Pebble Beach cost US\$500 per day for visiting golfers. Participating golf courses include Montgomerie Links Vietnam, Colin Montgomerie's only golf course in Asia.

## **Laos - off the beaten track**

- Laos is fast becoming a new destination for golfers with four major golf resorts. The country will be increasingly attractive as it is substantially cheaper and has a rustic appeal than the mega golf resorts.
- The Laos side of the Mekong River is undergoing a mass development project. It will house a golf course, casino, several hotels, duty-free zone and be connected to Southern China by a new highway.

## **Overcoming obstacles in Vietnam**

- Vietnam won the "Undiscovered Golf Destination of the Year" by the International Association of Golf Travel Operators (IAGTO) but has faced setbacks due to the lack of national policy coordination. There are 144 golf projects under construction, with only 18 operational. Complex planning procedures, public discontent, poor infrastructure and corruption mean projects take 10 years to finish.
- The government supported the launch of the Ho Chi Minh golf trail in 2007, in partnership with Golfasian, Exotissimo Travel, Mandarin Media and Budget Car Rental, targeting business travellers.
- However, the importance of developing local packages for domestic travellers has become apparent following the global financial crisis.

**“The growing popularity of golf tourism in spite of the global financial crisis shows that the “Lipstick Effect” is also happening in the travel and tourism industry whereby consumers are unwilling to forgo life’s small luxuries in times of hardship.”**

*Caroline Bremner, Global Travel and Tourism Manager, Euromonitor International*



## **Opportunities - health benefits for healthy profits**

- In the current economic climate, with real GDP growth in Asia Pacific expected to slow to 0.5% in 2009, the cost of playing golf will be a major hindrance. Lower membership fees, incentives and bundled tours will help pique demand.
- Golf clubs and resorts should explore partnerships with domestic and regional airlines and tour operators for improved cross-industry and -border cooperation.
- Women will continue to offer a valuable, untapped resource in Japan with great potential for health/wellness alliances.
- The 2009 WGC-HSBC Championships precedes the 2010 World Expo and presents a unique opportunity to promote golf in Shanghai and beyond.
- To ensure growth of golf in Vietnam during its infancy, it is important to educate and promote the sport to locals.


## **Future outlook - hole in one**

- Despite economic uncertainty, golf tourism in Asia has a bright outlook, creating exciting opportunities for golf enthusiasts and travel and tourism companies alike.
- The region is expected to attract regional golfers who may have chosen Western locations, as well as Western golfers to play at exceptionally low prices on premium courses.
- Emerging destinations such as Cambodia, Laos and Vietnam are embracing golf tourism to entice high-end visitors from Japan and China. Cambodia will showcase its credentials at the International Golf Travel Market conference in Malaga (Spain), November 2009.
- As wealthy Asians opt for staycations, golf clubs should promote their services to locals in partnership with equipment distributors and retailers.
- The growing number of world-class golf courses, high-profile celebrities and international tournaments point to a dynamic future for golf tourism in Asia.

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## Latin America re-brands as a luxury destination

- While luxury travel suffers globally due to the economic crisis, travel industry players in Latin America are investing in luxury infrastructure to appeal to local and international travellers during and after the economic crisis. The region hopes to attract high-spending visitors which spend eight times more than the average visitors.
- Often perceived as a low-cost destination with limited high-end infrastructure, Latin America is preparing to steal share from North America, Europe and Asia Pacific in the luxury tourism segment.

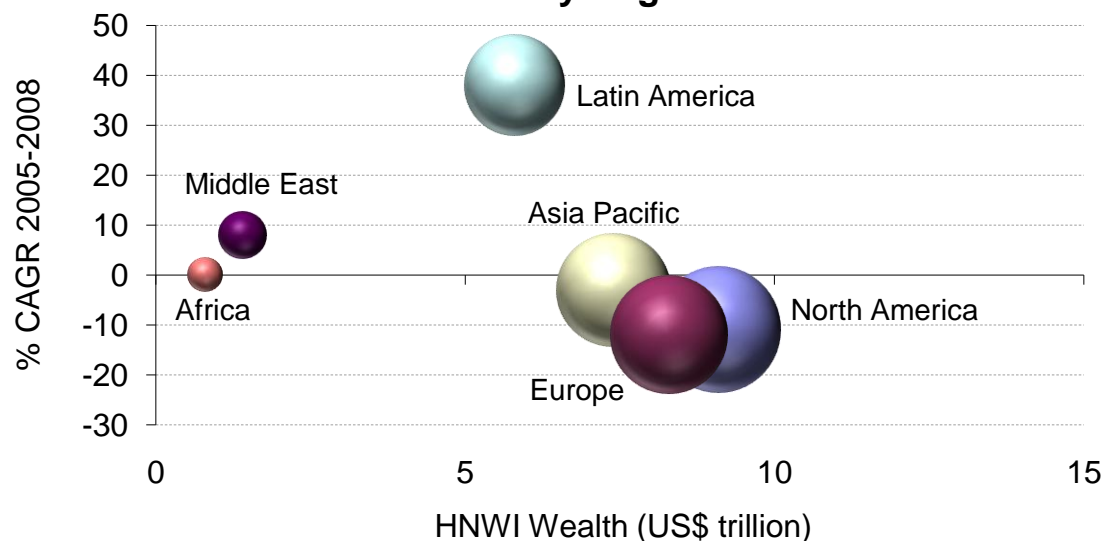
## Government action to capture luxury travellers

- Despite accounting for only 3% of travellers, wealthy travellers spend eight times more than average tourists on travel and tourism products according to a study published by Core Brazil.
- Prior to the global recession, many players embarked on transforming Latin America into a luxury destination to capitalise on the boom in luxury travel. These efforts continue, especially in South America. Despite a gloomy economic outlook, the industry hopes to gain an increasing share of international and domestic luxury travellers in preparation for the global economic recovery.
- In July 2009, EMBRATUR and the Brazilian Luxury Travel Association (BLTA) signed a cooperation agreement to promote Brazilian luxury tourism destinations in the US, Italy, France, Portugal, Germany, Argentina and the UK. EMBRATUR hopes to attract more visitors that spend US\$20,000 per trip compared to the average US\$2,500 spend per trip. This includes international fairs and familiarisation trips for the trade.
- The Mexican government also continues to invest in luxury infrastructure. According to the Secretary of Tourism, US\$3.6 million out of the US\$13.6 million federal tourism budget for 2009 will be invested in states like Guanajuato that are diversifying their tourism supply with luxury products and services through the construction of luxury hotels like the Rosewood Hotels and Resorts and the revitalisation of the city's historic centre.
- The Comisión de Promoción del Perú para la Exportación y Turismo (PromPeru) is actively pursuing luxury travellers as well. The main focus of its promotional offer is on the exoticism of the region and exclusive services such as taking a luxury cruise in the Amazon, travelling from Cuzco to Machu Picchu in a luxury train and enjoying the Titicaca Lake from a private island.
- The increased exposure of Latin American countries in trade shows, conferences and business events such as the International Luxury Travel Market (ILTM) is an excellent opportunity to promote the quality, sophistication and uniqueness of their luxury offer internationally.

## Latin America as a source market

- Although international travellers are the primary target, statistics from the World Wealth Report show that the region itself presents enormous potential for intra-regional and domestic luxury travel as wealthy Latin American consumers have been the least impacted by the global economic crisis.
- North America, Europe and Asia Pacific regions registered heavy losses in the overall High Net Worth Individuals (HNWI) financial wealth, while Latin America registered the smallest decline of only 6% in 2008. This is because HNWI's in Latin America often have more conservative asset allocations.
- Brazil, the largest country by HNWI in Latin America, saw its wealth decline by 8% in 2008, far less than the global average of 20%. Losses in other countries such as Colombia were even smaller, given the smaller impact the world recession had in South America.
- Although the region is expected to experience negative real GDP growth of -2.5% in 2009, there are some bright spots. Peru and Panama are expected to grow by 3.5% and 3% respectively. Brazil officially exited recession in Q2 2009 . As a result, the region is expected to recover more.

## High Net Worth Individuals (HNWI) Wealth Distribution by Region 2005-2008



Bubble size represents share of wealth by region 2008

Source: Euromonitor International

## Luxury pipeline development

- The hotels sector continues to pursue luxury strategies in Latin America, especially as the region weathers the global economic crisis relatively well. The low penetration of global luxury brands in Latin America illustrates its potential for growth where only 8% of hotel outlets are part of a hotel chain.
- In April 2009, Four Seasons announced plans to open three hotels in Brazil by 2012 in Rio de Janeiro, São Paulo and the Northeast Region of the country. Total investments are expected to reach US\$450 million.
- The growing prominence of Brazil as a luxury destination was acknowledged by Condé Nast when five Brazilian luxury hotels made it into the top of the luxury hotels list in Latin America – Hotel Unique, Pousada Maravilha, Kiaroa Eco-Luxury Resort, Ponta dos Ganchos and Kurotel.
- AMResorts opened two Secrets Resort & Spas in the Mayan Riviera in August 2008, which offer “unlimited-luxury exclusive for adults”. Secrets Silversands Riviera Cancún and Secrets Maroma Beach Riviera Cancún are both all-inclusive resorts.
- Other countries such as Colombia, Peru, Panama and Argentina are also seeing aggressive investments in the luxury segment. Argentina, for example, is set to open five new 5-star hotels in the next two years, adding 500 rooms to its hotel supply.



**“With a population of nearly 376 million people, South America has very few international brands. The cost of construction, land and labour are significantly lower than in North America and Europe, therefore requiring less investment for setting up new businesses.**

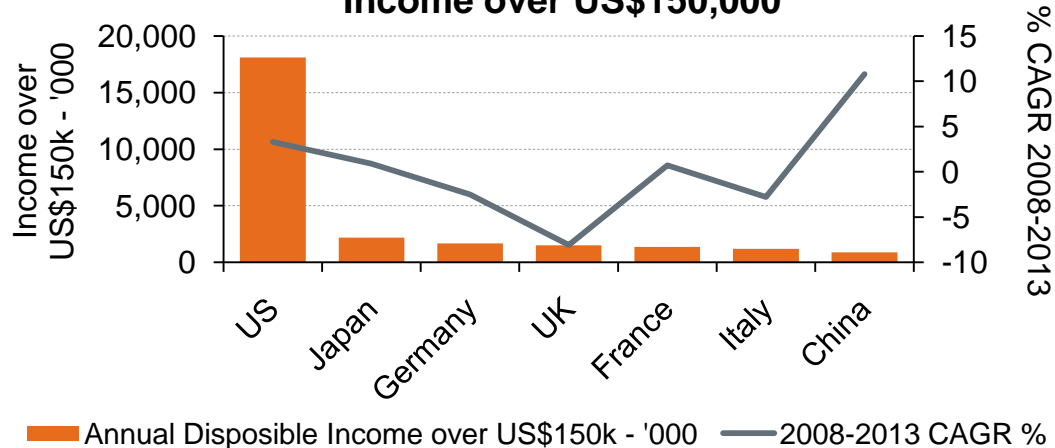
**The luxury boom is already happening in some areas and the result will be noticed in about 5 years from now when the region will be booming with new properties being launched and demand driven this way as never before.”**

*Nicolas Klenner Peluffo, President - Brazilian Luxury Tourism Association (BLTA)*

## Expanding the target market

- While the global economic crisis has caused declines in travel to Latin America from the US, France, Italy, UK and Germany, these countries are still expected to retain their status as the wealthiest where Latin American countries already have promotional strategies in place.
- In 2008-2009, Brazil and Mexico increased air links with Middle Eastern countries such as the United Arab Emirates, through Emirates, which are potential source markets for high-spending tourists.
- Asia Pacific is also a target for luxury tourists. In March 2009, Brazil and Argentina joined forces to attract more South Koreans, Japanese and Chinese tourists. The initiative includes workshops in South Korea and China, participation in an international trade show in Japan and the launch of direct flights from South Korea to Brazil until the end of the year.
- By 2013, China is likely to surpass France, Italy and the UK in the total number of high-earning households, making it an ideal source market. In 2008, a total of 36,766 Chinese arrived in Brazil by air.
- In August 2009, the Singapore and Peruvian governments signed a new open skies agreement and the Singapore government entered into expanded bi-lateral agreements with Colombia and Ecuador. These agreements are expected to expand air travel between the two regions and help Latin America boost the number of Asian luxury travellers.

**Growth/Decline of Homes with Disposable Income over US\$150,000**



Source: Euromonitor International

## Opportunities - from luxury to eco-luxe

- The focus on luxury demand is expected to encourage a larger number of Latin American hotels, airlines and travel retailers to embrace luxury tourism practices, boost overall competition and, consequently, enhance the level of services offered in the long term.
- Latin America, with its vast natural parks and biodiversity, is expected to benefit from an increasing interest in “eco-luxe” where the desire for “natural” overlaps with the desire for “luxury”. Future developments that embrace the eco appeal such as the Kiaroa Eco-Luxury Resort in Brazil or ecological regions such as the Amazon and Patagonia are most likely to stand out to environment-friendly luxury travellers.
- Increased air links and enhanced tourism relations with Asia Pacific and the Middle East are crucial to boost demand for luxury products in Latin America, given the growing levels of disposable income and affluence in those regions respectively.
- Brazil hosting the 2014 Football World Cup and 2016 Olympic Games will be a key growth catalyst.

## Future outlook - challenges ahead

- Repositioning as a luxury tourism destination is set to be a major challenge for Latin America, as the region is known for its underdeveloped tourism infrastructure.
- To attract high spending tourists and retain them, Latin America will need to improve its infrastructure quickly and offer flawless levels of service which governments are focused on achieving.
- While in the short term, there may be a decline in luxury travel, Latin America is well-positioned to gain share in a dwindling market due to its new infrastructure, must-see tourist attractions and promotional strategies.  
Furthermore, luxury travel among Latin Americans remains strong, spurring luxury travel regionally and domestically.