ITB WORLD TRAVEL TRENDS REPORT
2013/2014
PREPARED BY IPK INTERNATIONAL ON BEHALF OF
ITB BERLIN – The World’s Leading Travel Trade Show®
ITB WORLD TRAVEL TRENDS REPORT 2013 / 14

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Foreword

Dear reader,

This ITB World Travel Trends Report 2013/14 was again commissioned by ITB Berlin from IPK International, organisers of the 21st annual World Travel Monitor® Forum, held at San Giuliano Terme, near Pisa, Italy, in late October 2013.

The report covers the main trends in outbound travel demand for the first eight months of 2013 together with estimates for the full year and also contains initial forecasts for 2014, as presented at the Pisa forum (as it is widely known).

In addition, it focuses on various topics and market segments that were discussed at the forum. These include the role of mobile technology and social media, the growing youth travel market, trends in the hospitality sector, the potential of Africa and perspectives on sustainability.

As the following sections make clear, the world travel industry achieved good growth this year despite the uncertain world economy. Outbound travel grew by 4% in terms of trips while spending grew by 6%. Emerging markets such as China and Russia were again the top success stories with high growth rates for outbound travel while Asia and Europe performed well as tourist destinations.

The outlook for 2014 is rosy with a 4-5% growth forecast by IPK’s World Travel Monitor for outbound travel as the world economy gradually improves. Emerging markets will remain the main growth drivers next year but both Europe and North America are expected to show solid growth as well.

As usual, the Pisa forum was organised in co-operation with the European Travel Commission (ETC). Some 50 experts from around the world, including all regions of Europe, along with North and South America and parts of Asia-Pacific, took part. They represented international organisations, national and regional tourism organisations and associations, international research institutes and private companies from travel and tourism and related sectors.

ITB Berlin is delighted to continue its close association with IPK International and the Pisa forum for the ninth consecutive year. In March 2014 at the ITB Berlin Convention, Rolf Freitag will present updated figures for 2013 as well as current forecasts for 2014.

In the meantime, we wish you happy reading!

Dr Martin Buck
Vice President Travel & Logistics
Messe Berlin

David Ruetz
Head of ITB Berlin

Rolf Freitag
President & CEO
IPK International
World Travel Trends Report 2013/2014

Section A: World Travel Trends

World travel and tourism have grown faster than the global economy this year with a 4% rise in international trips. Emerging markets such as China and Russia were again the top success stories with high growth rates for outbound travel while Asia and Europe performed well as tourist destinations. The outlook for 2014 is rosy with a 4-5% growth forecast for outbound travel as the world economy gradually improves. These were the key findings of this year’s 21st World Travel Monitor® Forum, held in Pisa at the end of October 2013.

After several years of gloomy news about the world economy, prospects for the next few years are gradually brightening up. This improving economic outlook will support further growth for the international travel and tourism sector, Dr. Gernot Nerb, an economic expert at the Munich-based Ifo Institute for Economic Research, told forum participants. “The tourism industry around the world will undoubtedly benefit from the global economic recovery, forecast at 2.8%, and from the unanimously positive forecasts for every major economic zone,” he commented. “We are on an upward path for the next two years.”

Nerb was also upbeat about Europe after a two-year period of economic depression and predicted that every eurozone economy except Greece and Cyprus could grow in 2014. Due to the strength of the euro international travellers from eurozone countries benefited from a favourable dollar exchange rate and greater purchasing power. In addition, prospects for BRIC economies remain good despite slowing growth in some countries (e.g. China and Brazil) and middle-class consumers in these markets would continue to have more disposable income for travel, he emphasised.

World outbound travel grew solidly this year, according to results from IPK International’s World Travel Monitor (WTM) presented at the Pisa forum. Based on the trends of the first eight months the volume of outbound trips will grow by 4% to 947 million in 2013 and the number of overnight stays will also increase by 4% to just over 7.5 billion nights by the year’s end. This was the first time for several years that the average length of an international trip – just below 8 nights - did not decrease. There was also a slight rise in spending. With average spending of US$ 1,659 per foreign trip, world outbound travel turnover grew by 6% to US$ 1,571 billion, according to the World Travel Monitor, which covers 90% of world outbound markets.
These figures represent solid demand despite financial crises, recessions, political turmoil and civil unrest in various parts of the world. Rolf Freitag, president of IPK International, said: “Without a doubt travelling continues to be a global mega-trend. Already today, one-third of the human race is travelling.” Moreover, this year’s figures maintain the good growth rates seen since 2010. They have led to new record numbers for outbound trips and overnight stays for the last few years. The graph below shows annual and cumulative growth rates since the crisis year of 2009:

**World travel trends (change (in %) over respective previous year)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outbound trips</td>
<td>+7%</td>
<td>+5%</td>
<td>+4%</td>
<td>+4%</td>
<td>+22%</td>
</tr>
<tr>
<td>Outbound nights</td>
<td>+5%</td>
<td>+4%</td>
<td>+2%</td>
<td>+4%</td>
<td>+16%</td>
</tr>
<tr>
<td>Outbound spending in US$</td>
<td>+7%</td>
<td>+8%</td>
<td>+4%</td>
<td>+5%</td>
<td>+28%</td>
</tr>
</tbody>
</table>

Source: World Travel Monitor 2013, IPK International

4–5% growth forecast for 2014

The outlook for world outbound travel in 2014 is good the World Travel Monitor showed. Based on the survey results, IPK forecasts a robust growth of 4–5% for the worldwide international travel market in 2014.

Looking further ahead to 2020, IPK predicted that “modest” growth in the developed world will mainly come from more trips per inhabitant, leading to a higher travel frequency. In contrast, emerging markets will grow fast due to a surge in first-time visitors. The ‘new world middle class’ is expected to double by 2030, resulting in 1.5 billion more middle-class people eager to travel around the world. This will change the picture of world travel over the long term. Regions such as Asia and the Middle East are expected to close the ‘travel gap’ with mature markets (Europe, North America, Japan, Australia/NZ) while growth in the “South” is predicted to be led by countries such as Brazil and India. The following map displays the current travel levels around the world:
The strong growth of international travel by people in emerging economies around the world was once again the dominant element of regional travel trends in 2013. Regions such as Asia, the Middle East and Latin America grew strongly, driven by the growth of first-time travellers from the new middle class in countries such as China and Brazil. The large outbound markets of Europe and North America generated solid growth at high levels. The graph below shows the regional trends since 2011:

**World regional travel trends (trips) (change (in %) over respective previous year)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2012</th>
<th>2013 YTD</th>
<th>2014 forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>+5%</td>
<td>+4%</td>
<td>+4%</td>
<td>+4-5%</td>
</tr>
<tr>
<td>Europe</td>
<td>+4%</td>
<td>+2%</td>
<td>+2.5%</td>
<td>+3-4%</td>
</tr>
<tr>
<td>North America</td>
<td>-1%</td>
<td>+3%</td>
<td>+3%</td>
<td>+3%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>+6%</td>
<td>+7%</td>
<td>+8%</td>
<td>+9%</td>
</tr>
<tr>
<td>South America</td>
<td>+7%</td>
<td>+12%</td>
<td>+6%</td>
<td>+6%</td>
</tr>
</tbody>
</table>

Source: World Travel Monitor 2013, IPK International
In terms of individual outbound travel markets, the traditional ‘Big Three’ – Germany, the USA and the UK – are now being challenged strongly in the rankings. Germany (+2%), the USA (+1%) and the UK (+3%), grew moderately this year. However, China continued its dramatic growth with a 26% rise in outbound trips this year and is now number one for total spending, number two for the volume of trips and number four for the quantity of overnight stays. Russia, too, is growing fast, with a 12% increase in trips this year, and is now number five in terms of overnight stays. Brazil (+6%) is also rising steadily up the ‘travel league’. The following graph shows the world’s six largest outbound travel markets:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Trips (1+ nights)</th>
<th>Overnight Stays</th>
<th>Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Germany</td>
<td>Germany</td>
<td>China</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>UK</td>
<td>USA</td>
</tr>
<tr>
<td>3</td>
<td>USA</td>
<td>USA</td>
<td>Germany</td>
</tr>
<tr>
<td>4</td>
<td>UK</td>
<td>China</td>
<td>UK</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>Russia</td>
<td>Japan</td>
</tr>
<tr>
<td>6</td>
<td>Canada</td>
<td>France</td>
<td>Canada</td>
</tr>
</tbody>
</table>

Source: World Travel Monitor 2013, IPK International

Note: for further details about regional and national market trends please see the regional sections of this report.

In terms of different market segments, leisure travel is clearly outgrowing business travel. Over the last five years spending on holidays has grown by 25% and on ‘Visiting Family & Friends’ (VFR) by 17%, while business travel only increased by 16%.

Since 2009, the volume of city trips has increased by 47%. Tours grew by 27% thanks to more long-haul trips, putting both segments ahead of the overall 25% growth in foreign holidays. In contrast, the largest segment, sun & beach holidays grew only by 12% while countryside trips declined by 10%.
“Tours and city holidays by consumers in emerging markets have driven tourism growth in the last four years,” Rolf Freitag said.

In the business travel market, there has been an interesting shift in demand. The so-called MICE sector – Meetings, Incentives, Conferences & Exhibitions – has grown much faster than traditional business travel since 2009. Substantial cuts in corporate travel spending are a key reason behind this trend. Over the first eight months of 2013, the MICE segment grew by 6% while traditional business travel shrank by 10%, the World Travel Monitor showed. The MICE segment now accounts for 54% of the total business travel market. Within the MICE segment, incentives (+61%), conventions (+44%) and conferences (+27%) have all grown strongly since 2009 on a cumulative basis while traditional company trips have declined by 10%.

The internet increased its dominance as a booking channel to 65% this year with a 10% rise in bookings while travel agency bookings increased by just 4%, resulting in a market share of 24%. Mobile bookings are growing fast but at 2% remain small on an overall basis. “In mature travel markets, online booking seems to be close to saturation with a market share of about 70%,” Freitag pointed out. “In these markets the downward trend for travel agency bookings seems to have stopped at around 20%. Moreover, travel agents were again able to even increase their market share slightly since emerging markets with a high proportion of first-time travellers still need the support of travel agencies.”
World Tourism Organization expects another record year

World tourism is continuing to power ahead this year after a new record in 2012 when international arrivals broke through the one billion barrier for the first time, John Kester, tourism trends director of the World Tourism Organization (UNWTO), told forum participants. International arrivals grew by 4% to 1.035 billion last year and have increased by a further 5.3% to 747 million over the first eight months of 2013, according to UNWTO figures. In response to this positive trend, the UNWTO has upgraded its original full-year forecast for 2013 of 3–4% growth, made at the start of this year. “We are likely to end the year with a near 5% rise,” Kester said. However, for 2014 the UNWTO is more cautious at present due to the uncertain global economic situation.

WTTC: world tourism turnover growth is slowing down

Although travel & tourism is growing in volume terms, the industry's overall turnover growth has slowed slightly this year, according to the World Travel & Tourism Council (WTTC), which represents the industry's private sector. The industry’s total contribution to world GDP is now expected to grow by 2.9% in 2013 compared to the initial forecast of 3.2%, research manager Rochelle Turner told the forum. “This is mostly due to a decline in investments in tourism,” she explained. The travel & tourism industry directly contributes US$ 2.1 trillion (US$ 2,100 billion) to the world economy, according to the WTTC. This figure rises to more than US$ 6 trillion when incorporating indirect effects, representing about 9% of global GDP. Moreover, the sector employs 102 million people, representing 8.7% of all jobs worldwide. “Travel and tourism is also a significant employer of women and young people in many economies around the world,” Turner underlined.

Air travel is taking off

The positive figures were echoed by two aviation specialists. Olivier Jager, CEO of aviation data company ForwardKeys, said international air bookings had increased globally by 3% in the first 10 months of the year, based on bookings processed by the main GDS worldwide. International bookings were (as of 26th October) 2.5% higher in the final two months of the year. Ricky Mack, Director, Aviation Systems Analysis for Boeing Commercial Airplanes, said world airline passenger travel is growing at around 5% so far this year, and is resilient, outperforming the below-average world economic growth. Load factors, so far, are slightly better than last year while fares were generally stable compared to 2012, he told the forum. Looking ahead, he predicted that emerging markets, led by China, India, Brazil and Russia, would drive passenger growth in the years ahead.
The hotel industry is also having a strong year in 2013, as Wolfgang Schlamminger, Forecast & Research Analyst at the leading hospitality data research company STR Global in London, told the Pisa forum. Occupancy rates are rising in most regions of the world due to healthy demand, whereas only North America, Central-South America and the Middle East were able to record positive growth in average daily rate (ADR), according to the company’s analysis of data from over 47,000 hotels worldwide.

In Europe, demand increased about 3% over the first nine months of the year while hotel capacity grew only slightly. As a result, the average occupancy rate rose by 2.2% although the ADR weakened by 1.5%, STR Global’s data showed. “2012 was quite a busy year for Europe with the European Championship in Poland and Ukraine, and the Olympic Games in London. Therefore it is not a surprise that ADR shows a 1.5% decrease in 2013,” Schlamminger commented. Southern Europe is recovering well in terms of hotel occupancy and prices this year while prices are falling in Northern and Eastern Europe although occupancy is rising. North America is also performing well this year. Demand was up 2%, well ahead of low capacity growth, pushing the occupancy rate up by 1.5% and the average room price rose by 3.9%.

In Asia, however, supply has grown faster than demand for the first time in two years, Schlamminger pointed out. The active pipeline based on hotel rooms in Asia suggests an additional 13% rise in capacity in the next few years. The region’s occupancy rate weakened slightly by 0.4% and the average rate dropped by 3.5%. In contrast, demand outpaced supply significantly in the Middle East in the first three quarters of this year and the region’s ‘active hotel room pipeline’ remains hot, with 37% more capacity being planned or constructed at present. Occupancy improved by 3.3% and the average daily rate rose by 3.6%.
Europe shakes off economic difficulties with a good tourism year

Europe has had a good year for outbound and inbound travel and tourism in 2013 despite the continent’s economic problems. Higher growth is predicted for outbound travel next year while inbound travel might be somewhat slower, according to experts at the Pisa forum.

Outbound travel grows solidly in 2013

European outbound travel has shown solid moderate growth at a high level this year. Outbound trips grew by 2.5% from January to August 2013, according to the European Travel Monitor® from IPK International. Overnight stays increased by 2% and spending rose by 1%. Europeans again went on shorter trips this year, with the average length of one stay dropping by 2% to 7.9 nights. This trend, already apparent in recent years, was due to a combination of more short trips (+9%) and fewer long trips (-1%). Spending went up by 1% overall. Spending per night went up by 2% to €114 but the average spending per trip dropped by 1% to €904 due to the shorter average length of trips.

Most European source markets grew solidly this year, although there were extremes at both ends of the range. Russia was Europe’s fastest-growing outbound travel market this year, with a 12% increase in outbound trips in the first eight months of the year, and France was surprisingly strong in view of the country’s weak economy, with a 5% rise. Sweden and the UK (both +3%) also grew well, and German trips increased by 2%. In contrast, Spain (-4%) and Italy (-5%) again slumped due to their economic problems.

![European OUTBOUND - Individual Performance 2013 -](image)

Source: World Travel Monitor 2013, IPK International
European outbound growth was equally spread between short-haul and long-haul destinations, with a 2% rise in each. The main overseas winners in terms of attracting more European visitors were South America (+9%), the Pacific (+6%) and Africa (+3%) while Asia (+2%), Central America (+2%) and North America (+1%) had more moderate rises. In contrast, European travel to the Caribbean slumped by 8%.

The leisure travel market has surpassed the overall market so far this year. Holidays were up by 3% and other leisure travel increased by 4%. All major types of holiday grew well, with strong growth for countryside visits (+12%) and ‘snow’ holidays (+8%) in particular, with moderate growth for sun & beach holidays (+3%) and city trips (+2%). In contrast, European business travel declined by 1% as companies cut back on travel spending given the tough business climate in many countries. Bookings via the internet continued to grow fast, rising by 12%, while bookings through travel agencies rose only by 3%.

Looking ahead to 2014, slightly more Europeans (38% vs 36% last year) said the difficult economic conditions would affect their travel planning for the coming year. Nevertheless, a stable 28% said they would like to take more international trips than last year, 42% intend to travel as often as this year and only 9% (compared to 11% a year ago) plan not to go on a trip abroad next year. IPK therefore predicts that European outbound travel will grow by 3–4% in 2014.

The top outbound growth markets next year are expected to be Russia (+10%), Switzerland (+7%), the UK (+7%) and Sweden (+6%). Germany is likely to grow solidly by 3%, while Spain, France and the Netherlands are said to grow moderately but Italy is expected to see a further decline.
Europe had a good year for international tourism in 2012, according to figures from the UNWTO. Arrivals increased by 3.5% to 535 million while international tourism receipts rose to € 353 billion. This year is looking even better with a 5.4% rise to 396 million international arrivals over the first eight months, according to UNWTO figures. In response, the world Tourism Organization has raised its 2013 full-year forecast for Europe from 2-3% (predicted at the start of the year) to 5%. However, the prospects for next year are less clear. “We do not think we will see the same strength next year,” said John Kester, UNWTO tourism trends director.

Similar trends were reported by the European Travel Commission (ETC), which represents national tourist boards. Europe has generally had a good year for inbound tourism in 2013 and is looking ahead relatively confidently to more growth in 2014, according to an ETC survey among its members. “Most countries reported a positive performance in the first 6-8 months of this year,” said Leslie Vella, of the Malta Tourism Authority and chairman of the ETC Market Intelligence Group. Winners so far this year with an overall double-digit growth in international arrivals are Iceland, Slovakia, Serbia and Latvia.

The ETC is currently predicting an overall 4% rise in inbound tourism to European countries in 2013, driven by rising visitor numbers from Russia, Asia and the USA. This year most European countries have higher numbers of visitors from Russia, Germany, the UK, Norway, Sweden, France and Switzerland but the picture is more mixed in terms of visitors from the Netherlands, Spain and Italy.

For 2014, the organisation forecasts a further 3% rise, with growth to be sustained by a mix of intra-European and overseas source markets. “However, there is still a cloud of economic uncertainty hanging over many destinations,” Vella cautioned.

In regional terms, destinations in Central and Southern Europe are doing much better than Northern Europe this year. In Southern Europe, most countries forecast more tourists this year. Malta, Portugal and Croatia, for example, expect 6-8% growth this year while Italy predicts a 2.5% rise. The region is expected to see a further 3% growth in 2014.

In Central and Eastern Europe, most destinations are generally performing well this year. Germany, Switzerland, Hungary and Bulgaria all have good growth while Austria, the Czech Republic and Belgium have low growth. The 2014 forecast shows 2-4% growth.

In Northern Europe, Nordic destinations expect similar international visitor numbers as last year, with lower German visitor numbers balanced by growth from Russian and Asian markets. However, the UK is doing well with a 5% rise this year so far while Ireland expects a 6% growth this year. Northern Europe is expected to see a better performance (1-4% growth) in 2014.
Section C: Asia Travel Trends

Asia is one of the world’s travel hotspots in 2013 with a strong growth as well for outbound travel and incoming tourism as for domestic travel and therefore it was also a focal point on the first day of the forum. China is certainly the driving force behind this upward trend in the region. The outlook for next year is also very positive with further high growth predicted thanks to increasing prosperity in many countries, experts agreed at the Pisa forum.

Outbound trips by Asians grew by 8% over the first eight months of 2013, according to IPK’s Asian Travel Monitor®. The two major markets, however, showed dramatic differences, Stefanie Grothe, research analyst at IPK International, said. Outbound trips by Chinese travellers soared by 26% but the number of Japanese outbound trips declined by 2%. (For further details of these two markets see below in the ‘China’ and ‘Japan’ sections.)

This divergence between Chinese and Japanese outbound markets is likely to continue in 2014 as well, the Asian Travel Monitor found. Chinese outbound travel is expected to grow by a further 18% while the Japanese market is predicted to improve slightly to a ‘stable’ zero growth. For the overall Asian outbound market, this means that the number of international trips is likely to increase by a healthy 9% next year.

This surge in international travel by Chinese people has reinforced their clear leadership of the Asian outbound travel market. With 45 million international trips and travel expenditures of US$ 84.4 billion in 2012, the Chinese market was already double the size of the Japanese market in volume terms and nearly 80% larger in terms of spending, according to IPK’s World Travel Monitor figures. The Japanese took 19.4 million outbound trips and spent US$ 47.3 billion on international travel last year.

In comparison, the other major Asian markets appear small. However, they are also growing healthily in terms of international trips and spending. The ‘top ten’ outbound markets in 2012 were:

<table>
<thead>
<tr>
<th>Country</th>
<th>Outbound Traveller</th>
<th>Outbound Spending (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>45.0 mn</td>
<td>84.4 bn</td>
</tr>
<tr>
<td>Japan</td>
<td>19.4 mn</td>
<td>47.3 bn</td>
</tr>
<tr>
<td>Korea</td>
<td>13.2 mn</td>
<td>19.1 bn</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>10.0 mn</td>
<td>13.0 bn</td>
</tr>
<tr>
<td>Australia</td>
<td>8.6 mn</td>
<td>23.6 bn</td>
</tr>
<tr>
<td>India</td>
<td>7.2 mn</td>
<td>19.0 bn</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6.8 mn</td>
<td>4.8 bn</td>
</tr>
<tr>
<td>Singapore</td>
<td>6.2 mn</td>
<td>7.5 bn</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5.3 mn</td>
<td>7.2 bn</td>
</tr>
<tr>
<td>Thailand</td>
<td>3.3 mn</td>
<td>4.3 bn</td>
</tr>
</tbody>
</table>

Source: World Travel Monitor 2013, IPK International
As a destination, Asia is having a strong year in 2013, with international arrivals up by 6.3% between January and August, according to figures from the World Tourism Organization. South-East Asia is performing strongly with a 12% increase after 9% growth last year, and South Asia has grown by 6%, up from 4% in 2012. Oceania is growing at a stable 4%. In contrast, North-East Asia has dropped back to a low 3% increase in arrivals over the first eight months compared to 6% growth last year.

As mentioned above, the Chinese outbound travel market continued to boom in 2013. The number of outbound trips soared by 26%, the number of overnight stays by 12% and spending by 15% over the first eight months of this year, IPK’s Asian Travel Monitor showed. The number of long trips (4 nights or more) rose by 28% compared to 21% for short trips, increasing the average length of an international trip fractionally to 6 nights. However, spending per trip (€1,765) and per night (€294) has declined. This dramatic growth means that China is now the world’s number one for total spending on outbound travel, number two for the volume of trips and number four for the quantity of overnight stays.

Holidays are the clear reason for the overall rise in Chinese international travel. The number of foreign holidays has surged by 30% this year. All types of holidays are growing fast, led by tours (+42%), city trips (+29%) and beach holidays (+27%). Other leisure travel is 17% higher, while business trips have only increased by 6%.

As the outbound market expands, many Chinese are initially travelling to Asian destinations before taking a long-haul trip to Europe or the Americas. This ‘regional’ growth trend reflects similar travel patterns in more mature, large Western markets where most travel is intra-regional. It is therefore unsurprising that the number of trips by Chinese to Asian destinations has risen 31% this year so far while long-haul trips have grown “only” 13%.

Looking ahead, the boom in Chinese travel will continue in 2014, according to the Asian Travel Monitor. A high 44% plan to travel more in 2014 than this year while 46% will travel just as much. Overall, IPK predicts Chinese outbound travel will grow by a very strong 18% in 2014.

This very positive travel and tourism outlook is underlined by the rapid growth in the number of middle-class Chinese consumers with sufficient disposable income to travel, and above all the massive potential future growth, Asia expert Chandrashekhar Singh Khangrakpam, founder and director of Mumbai-based Centaur Research pointed out. At present only about 7% of the 1.3 billion Chinese have an annual income of more than US$15,000 and the country’s total consumption expenditure per household is relatively low at US$13,428 per year. This is still far below the income
and consumption levels of countries such as Japan, South Korea and Taiwan. However, the relatively small number of well-off Chinese consumers is already spending heavily on property, Western branded goods and luxury items, as well as travel, Singh pointed out. Given the young profile of these affluent Chinese consumers this spending trend can be expected to continue for a long period to come, he predicted.

‘New’ Chinese travellers want individual experiences

“The ‘new Chinese traveller’ is young, wealthy, better educated, urban and technologically skilled in social media and internet usage but remains price-sensitive,” Valeria Croce, head of research at the European Travel Commission, told forum participants. When travelling, they want to get away from old-fashioned group tours and are more interested in individual experiences, she explained.

The overwhelming majority (70%) of Chinese travellers remain ‘traditionalists’ who are most interested in visiting famous places and attractions in Europe, she confirmed. However, there are other emerging ‘travel tribes’ with other interests, according to ETC research, she pointed out. About 10% are ‘Wenyi youth’ travellers who are socially-oriented and interested in personal experiences, for example, while about 7% are ‘connoisseurs’ who focus on quality. A further 10% are active ‘experience-centred travellers’ who want to explore and discover.

Europe is an attractive destination for these Chinese tourists with its diversity of cultural and natural attractions, Croce underlined. Europe also has some unexpected advantages, including friendly people, good preservation of historic attractions, good shopping, safe and not over-crowded cities, and a clean environment including clear blue skies, she noted. But barriers still remain, such as complex visa procedures, relatively high prices, lower hotel standards and a lack of information in Chinese, she added.

Japanese cut back on trips within Asia

In contrast to the buoyant Chinese market, the Japanese outbound travel market is declining, according to the Asian Travel Monitor results. The number of trips dropped by 2% in the first eight months of the year, nights fell by 3% and spending was 6% lower. Holiday trips were down 2% and business travel declined by 6%. The average costs of a trip have dropped to €1,918 with €314 spent per night.

This downward trend is hitting Asian destinations more than long-haul destinations. The Japanese, who traditionally take nearly half of their international trips outside Asia, have increased non-Asia trips by 2% this year but trips to Asian destinations have slumped by 10%. The Japanese have cut back tours by 20% but city trips (+3%) and beach holidays (+14%) are bucking the downward trend this year. Due to this development, the average length of a trip has dropped slightly to 6.1 nights. Looking ahead to 2014, the mood among Japanese consumers for travel planning is cautious despite the recent upturn in the economy. More people than last year (32% vs 28%) said the economy would affect their travel planning. Only 18% plan to travel abroad more next year, 50% about the
same, 13% less and a high 19% will not travel internationally at all. Based on these figures, IPK predicts that Japanese outbound travel will stagnate in 2014.

The strong growth in Asian outbound travel is expected to continue in the coming years, Chandrashekhar Singh Khangirakpam told forum participants. The general mid-term outlook for Asian outbound travel remains very positive thanks to economic growth, the increase in the number of young, well-educated middle-class consumers and rising levels of disposable income in many countries, he explained. “In future, Asians will continue to spend on consumer goods, lifestyle and luxury items but travel will also be a priority,” he emphasised.

“Asians have high service expectations”

However, the demands, wishes and behaviour of Asian outbound travellers are complex and changing, according to Prof Walter Jamieson, Director of the Service Innovation Program at the College of Innovation, Thammasat University in Bangkok. This is particularly important for European destinations to understand, he underlined.

“More Asians are travelling internationally on holiday and are making more short trips within Asia. The low-cost airlines such as Air Asia with their ‘everyone can travel’ slogan are opening up markets. The low-cost carriers are a significant game-changer,” he explained. South-East Asian (ASEAN) destinations, for example, are trying to work together more closely to offer a wider range of holidays for Asian visitors under the slogan “Southeast Asia - Feel the warmth”, Jamieson said.

“What’s significant is that Asians find that journeys within Asia meet their expectations. They are definitely spoiled regarding service levels. So when they visit Europe or North America for the first time, they’re getting more concerned about service levels and getting value for money,” the Canadian-born tourism expert said. “Asians want to be treated fairly and they want to be respected and understood.”

Moreover, the priorities for Asians on long-haul trips are starting to change away from typical ‘whirlwind’ sight-seeing tours taking in ‘10 countries in 7 days’, according to Jamieson. The ‘new Asian tourist’ is well-educated, well-informed, better-off and younger than in the past. This means they are more demanding in terms of quality and service, and are interested in more individual, adventurous and creative travel experiences, he explained. Destinations can respond to this trend by diversifying their tourism offers and introducing more ‘theme-based’ tours, he recommended.
Section D: America’s travel trends

South America outpaces North America - again

International travel in the Americas has once again been marked by very different trends this year. The large North American market has grown moderately while the smaller South American market has continued to soar upwards. Similar trends are forecast for 2014, as well.

North Americans go on longer international holidays

The North American outbound travel market grew respectably this year after several weak years thanks to good growth out of Canada (+6%) and a low rise in US international travel. International trips by North Americans grew 3% this year, with US outbound trips up by 1%, according to IPK’s American Travel Monitor® survey covering Jan-August 2013.

North Americans took longer trips this year, as the average length increased to 6.9 nights and the total volume of overnight stays rose by 5%. Long trips over 4 nights increased by 9% while short trips dropped by 9%. Spending increased by 3% in line with the number of trips, and the average cost of a trip was thus stable at € 1,455.

Leisure travel was the clear growth driver with a 3% rise in international holidays, IPK’s American Travel Monitor showed. Beach holidays (+6%) and city trips (+5%) grew well but tours increased only by 1% and there was a 3% drop in the number of cruise holidays, the survey found. International business travel grew by 2%.

Looking ahead to 2014, 27% of the North Americans plan to travel abroad more, 39% the same and 22% less, the American Travel Monitor found. Based on these factors, IPK forecasts a further 3% rise in outbound trips next year.

Source: World Travel Monitor 2013, IPK International
South Americans keep travelling ... and spending

South America has remained one of the world’s boom travel regions this year and prospects remain good for 2014. Brazilians, with their love of short shopping trips, are one of the key factors behind this regional growth.

Over the first eight months of 2013, the number of international trips taken by South Americans increased by 6%, IPK’s American Travel Monitor survey found. There was a 10% increase in trips within the Americas and a low 2% rise in overseas travel. There was a real boom in short trips (less than 4 nights) which increased by 16%. Longer trips grew just 1%, and the average length of an international trip dropped back to 7.5 nights. The total number of international overnight stays by South Americans thus grew only 2%.

Holidays were the main reason for this surge in international travel by South Americans. The number of foreign holidays increased by 9% over the first eight months of 2013, with tours (+13%), city trips (+6%) and beach holidays (+4%) all growing well.

South Americans are still spending heavily on international travel this year, with a 12% rise in total expenditure. The average spending on an international trip increased by 4% to €1,679, which is equivalent to €223 per night. Indeed, Brazilian outbound travel spending has even grown as much as 16% this year, according to Jeanine Pires, Brasilia-based director of Pires & Associates. However, the image of the Brazilian ‘big spender’ is no longer always true, she emphasised. “Brazilians shop a lot but it’s changing. New travellers who travelled first in 2008 and 2009 are experimenting with new or different destinations. So shopping is still very true for North America trips but not necessarily for Europe,” she explained.

Looking ahead, South Americans remain optimistic about their travel planning for next year. A very high 43% plan to travel abroad more, 34% the same and only 19% less than this year. Based on these findings, IPK is predicting a further 6% rise in South American outbound travel next year.

Brazil World Cup to score for inbound travel in 2014?

In contrast, inbound travel to the Americas grew only moderately by 3.2% over the first eight months of the year, according to UNWTO figures, in line with a 3-4% forecast for 2013 as a whole. However, experts predict a surge in international travel next year due to the World Cup in Brazil. This is expected to attract some 600,000 international visitors, mostly from other parts of Latin America but also from North America and Europe.

Moreover, the soccer extravaganza is not expected to have a significant impact on the boom in outbound travel by Brazilians. Pires told the forum: “I don’t think the World Cup will affect Brazilian outbound travel so much next year. Brazilians will still travel.” Brazilians tend to take their main holiday during the December - January summer holiday period, and also in July, she explained. The World Cup is taking place from June to mid-July, so maybe only the first 2 weeks of July will be affected.
Section E: Youth travel trends

Young travellers head for new horizons

Young people around the world are travelling more, spending more and exploring new destinations, according to travel industry experts at this year’s World Travel Monitor forum.

A growing market

Youth travel was long seen as a small part of the travel and tourism industry, characterised by cheap prices and low spending. However, the picture has changed in recent years, according to diverse studies. The World Tourism Organization (UNWTO) estimates that youth travel generated US$ 182 billion in international tourism receipts in 2012, and represented more than 20% of the more than one billion international arrivals. The average cost of a trip by a young person amounted to US$ 910. The number of international trips by young people might increase from 200 million trips a year at present to 300 million by 2020, UNWTO has predicted.

The European youth travel market represents nearly half of the global market with some 93 million outbound trips by 15-29 year-olds in 2011, according to IPK International’s European Travel Monitor. With a 23% share, youth travel has a similar share of the European market as worldwide. Most (66%) young Europeans go on relatively short trips of less than seven nights and spend US$ 900 per trip on average. Germany (17m outbound trips), France (7.9m) and the UK (7.3m) are the largest three markets.

However, the market is even more valuable when longer or more expensive trips for purposes such as studying abroad, work experience and volunteering are taken into account, according to the World Youth, Student and Educational Travel Confederation (WYSE).

From backpackers to ‘flashpackers’

Youth travel is a growing segment of the global travel industry, David Chapman, WYSE Director General said at the Pisa forum. “Young people represent 20% of the total global travel market,” he told the audience of travel experts. The key reasons for this growth are that today’s youth – ‘Generation Y’ - has more money to spend on travel, is travelling more often and to more distant countries than in the past, he said. Traditional backpackers are declining while ‘flashpackers’ - hi-tech, socially connected young travellers - are becoming a new part of the market.

A large-scale survey of 34,000 young people (aged up to 35) in 137 countries carried out by the association showed changes over the last decade. Fewer than half (45%) of young people now travel on holiday while nearly as many (38%) travel for educational purposes (e.g. language learning, study). There is also a significant number (15%) travelling for work experience purposes while about 5% travel due to volunteer projects. The drop in the ‘holiday market share’ could be due to a rising number of unemployed young people using their ‘free time’ to travel for work, educational purposes or cultural experiences, according to WYSE.
One interesting trend is that a lot more young people now describe themselves as “tourists” - nearly 30% in 2012 compared to about 15% in 2002. In contrast, the number of “backpackers” has fallen to about 15% from more than 30% a decade ago.

**More flights and hotel stays**

Low-cost coach (bus) / train travel remains the main form of transportation but the importance of air travel has soared in recent years due to the growth of low-cost airlines, according to WYSE. Similarly, young people are also staying in hotels more often than in the past, due partly to the rise of low-cost hotels (see also separate section on ‘Low-cost Accommodation’). Hostels and hotels are now on the same level with about one third of the market each, ahead of cheaper or private accommodation. Younger people under 25 tend to prefer hostels while the ‘older’ end of the youth market prefers hotels.

**Young travellers get more global**

Today’s youth is clearly a generation of global travellers, according to the WYSE survey. Southern and Northern Europe remain the top two destination regions but have dropped back slightly. In contrast, the Americas, Asia Pacific and Africa have grown strongly in popularity over the last decade. “Young people are travelling more to long-haul destinations,” Chapman said. Moreover, there is an attractive financial benefit for destinations attracting young visitors. “Older people tend to stay in internationally-owned hotels, so the profits are exported. However, young people stay in locally-owned accommodation, so their money tends to stay in the destination,” he explained. The following graph shows changes in destination demand between 2002 and 2012:
**Section F: Low-cost accommodation**

Is ‘Sleep Cheap’ the next mega-trend? Will ‘low-cost beds’ be the next big trend in the travel and tourism industry after the rise of ‘low-cost flights’ over the last decade? And when will hotels rediscover ‘guests’ and become ‘hosts’ once again? Those were two of the hospitality ‘hot topics’ discussed at this year’s World Travel Monitor forum in Pisa.

The international hospitality market is increasingly splitting into a ‘top end’ and ‘bottom end’, according to several speakers. Over the last four years, the total number of international overnight stays has increased by 16% to 7.5 billion nights, according to the World Travel Monitor from IPK International. However, there have been clear winners and losers in the battle for these 200 million additional overnight stays. Over the last four years, private and alternative accommodation has grown by 31% and budget accommodation by 15% while luxury is up 19% but mid-market accommodation has grown only 8%, IPK president Rolf Freitag told the Pisa forum.

![World Outbound Accommodation Choice 2009 - 2013: What Was Driving Overnight Growth?](image)

Source: World Travel Monitor 2013, IPK International
Hotel investors play safe with premium and budget

One major reason for this divergence is the sheer expansion of luxury and budget hotels on the market, according to hotel trade journalist Maria Puetz-Willems, founder of hotel industry information platform hospitalityInside.com. Tighter financing due to the global financial crisis has resulted in investors playing safe by focusing on strong markets, well-known brands and successfully established business models to ensure their return on investment. “This means that hotel operators are being driven into new extremes, such as luxury or budget,” she commented. “Investors are less interested in new operators, new ideas or concepts at present. They prefer projects that are easy to understand, to calculate and to finance. That means that standardisation is increasing and hotels are becoming more commoditised.” In the budget sector, some chains are also focusing strongly on brands and value-for-money. The German Low Budget Design Hotel Group Motel One, for example, is concentrating on prime locations in major cities which have been reserved for upscale and luxury properties and brands in the past. Location is thus being redefined by new and creative market players, Puetz-Willems pointed out. In some holiday destinations, so-called ‘no frills’ rooms, with extra charges for all kinds of ‘non-core’ services, are slowly entering the industry.

But these trends have also impacted the customer experience, Puetz-Willems said. “No one talks about guests any more, just customers and clients. “Travellers looking for ‘individual experiences’ such as more personal hotel stays or unique locations have been “forgotten”, she warned. In response, smaller hotels should use the internet better to target travellers searching for more individual hotels and thus compete with bigger players, she recommended. Such hotels needed to present their USPs, offer themes, tell ‘true stories’ and become ‘part of the neighbourhood’ much more. “For smaller hospitality operators, there is a real chance to get back to the roots of hospitality and to benefit by being a host again!” she declared looking at the new gap arising between the luxury and budget extremes.
The trend to low-cost accommodation is being driven by diverse factors, including budget flights and technological change such as the internet and social media, Maria Teresa Agostini, consultant with Milan-based PKF Consulting, told the forum. Young people in particular – the so-called ‘Generation Y’ – are taking advantage of this trend.

Different kinds of low-cost accommodation have emerged in recent years. Budget hotel chains are expanding rapidly, hostels are improving and diverse private accommodation forms have sprung up, Agostini explained. The ‘free hospitality’ network Couchsurfing, for example, enables travellers to stay as a guest at a host’s home on a hospitality exchange basis. So far it has 6m registered members, with an average ‘guest’ age of 28 years. New forms of cheap rental of private accommodation have also emerged. The best-known, Airbnb, has had 10 million bookings to date while there are diverse other platforms in this sector as well, she said.

Meanwhile, hostels are transforming their image by improving their offer, for example with smaller dormitories, more professional management and better facilities, Agostini emphasised. As a result, they are now attracting a wider range of guests rather than just groups and young people. But their rates remain low, with an average room rate of € 59 and a bed rate of just € 17. Diverse new hostel chains have emerged in Europe and are growing fast, such as A&O, Generator, Meininger and Wombats.

This trend was underlined by David Chapman, Director General of the World Youth, Student and Educational Travel Confederation (WYSE). Hostels are moving away from their image as cheap mass accommodation and are diversifying their markets, to target young travellers such as ‘flashpackers’ and business users, he explained. “Hostels today have better facilities, social spaces and more free Wi-Fi. In fact, the difference between a hostel and a hotel is simply the ‘s’ - which stands for the ‘social’ aspect,” Chapman declared.
**Section G: Mobile technology**

**Travel industry should ‘get mobile’**
The international travel industry needs to get ‘mobile’ ready for the future growth of bookings via smartphones and tablets. Social media have already established themselves as key sources of information for consumers before, during and after their trips. Those were the key ‘technology’ messages at this year’s World Travel Monitor Forum.

**Mobile bookings still low**
Consumers mostly use their smartphones and tablets for travel information purposes but have not yet started making bookings through the devices to any great extent. At present worldwide bookings by smartphone account for only about 2% in developed markets (USA, Europe, Japan). However, the Chinese are already racing ahead here and about 4% of their outbound trips this year were booked using a smartphone, according to IPK’s World Travel Monitor. Brazilians also use their smartphones intensively before, during and after their trip, according to the latest survey figures. Rolf Freitag, president of IPK International, commented: “When booking international trips with smartphones and tablets the search is done quickly and spontaneously. 70% of hotel bookings made via smartphone are decided on within 24 hours. Future-oriented research shows that the potential for high-speed travel decision-making is bigger once supply becomes more fragmented and diverse. The travel industry should be prepared for this.”

Other industry experts also predict that mobile bookings will take off once there are more customer-friendly options, including better travel apps, introduced. Access to websites by mobile devices has soared from just 2.9% in 2010 to over 14% this year, growing about 4-5 times in most parts of the world, especially in Asia, as the graph below indicates:

**Social media are ‘integral’ part of travel planning**
Meanwhile, social media, including Facebook, Skype, blogs, forums and review sites, now play a major role in travel planning for most people around the world. Once again the Chinese (95%) and the Brazilians (84%) are the heaviest users but two-thirds of Europeans and Americans check out what people are saying as well.
Content is digital king

A visionary look towards future trends in the internet, social media and mobile technology was given by Curt Simon Harlinghausen, Social Media & Strategist and Nerd at AKOM360, a Düsseldorf-Munich-Hamburg based digital marketing agency that works for many leading German and international brands. He predicted that the present division into ‘offline’, ‘web’ and ‘mobile’ worlds would be replaced in future by ‘offline’, ‘digital’ and ‘object’ worlds. People would use different digital devices and technologies on the one hand, while chips would make objects traceable or interactive.

“In future, content will rule the digital world,” he said. “Content is still king but targeted, context-related real-time content will be ‘King Kong’!” He predicted that ‘push’ marketing using social media such as Facebook and Twitter would become much more common rather than simply ‘pull’ via Google. Companies would have to become much more creative with their marketing, differentiate their products and services, and be transparent about their activities, he recommended. In technical terms, companies should “think mobile, act mobile and the rest will follow”, Harlinghausen said.

A more critical view of social media trends and prospects came from Timothy O’Neil-Dunne, Managing Partner of T2Impact, and one of the Expedia founders. Facebook is starting to lose users as people switch to new services such as Instagram and messaging systems, he pointed out. “The marketplace is fragmenting. Social media is failing to keep people engaged,” he claimed. Predictions that a high proportion of travel services would be booked by mobile technology were unrealistic, O’Neil-Dunne said. “Travel is very complicated. Single applications that take care of your entire trip are not there,” he pointed out.
Section H: Africa

The lion slowly stirs… Africa is gradually improving its economic strength, paving way for the small outbound travel market to grow well in the coming years as more people have sufficient income to travel abroad, according to experts at this year’s World Travel Monitor Forum.

The ‘Rise of the South’ Many countries in the so-called ‘South’ have improved their economies significantly in recent years, Stine Junge, Private Sector Officer with the United Nations Development Programme (UNDP), told forum participants. According to the organisation’s 2013 ‘Human Development Report’, many developing nations “are now rising with unprecedented speed and scale”, she said. The global middle class is predicted to grow to 3.2 billion by 2020 and to 4.9 billion by 2030, with 80% of it in countries in the ‘South’. Much of this development (rising middle class) is happening in India, China and Brazil (BRICs). Another less noticed upward trend is taking place in Africa. For example, Ghana and Uganda are among the 18 ‘high achievers’ in terms of human development over the last two decades. These countries are characterised by strong proactive governments, innovative social policies and have linked their economies to global markets, Junge noted.

Looking ahead, diverse international organisations predict solid economic growth in Africa in the years and decades to come. For example, UK-based Oxford Economics recently forecast that African GDP would grow faster than any other world region up to 2030 and, combined with rapid urbanisation and rising populations, would create dynamic new consumer markets in cities across the continent.

Africa outpaces world travel growth One sign of the economic growth in Africa is the rise in outbound travel. According to figures from IPK International’s World Travel Monitor, outbound travel in the Africa/Middle East region has regularly grown in a 6-9% range in recent years, thus outpacing worldwide growth. Rolf Freitag, president of IPK International, commented: “As countries in Africa develop their economies and the number of people with sufficient disposable income to travel increases, we can expect to see a steady above average rise in international travel in the years to come. This will benefit countries both within and outside Africa.”
Nevertheless, the African outbound travel remains very small at present. IPK estimates the total market size at some 40 million outbound trips this year, which represents only about 4% of total worldwide outbound travel. The largest source markets are Nigeria, South Africa and Egypt. The top destination within the continent is South Africa while the Gulf States in the Middle East are the most popular destination outside Africa. There is also a significant flow of South African visitors to Europe, with an estimated 0.7 million trips a year.

Some 53 million international visitors travelled to Africa in 2012, reaching a new record level, according to the World Tourism Organization (UNWTO). This 6% improvement on the 2011 figure was largely due to a 9% recovery in North Africa arrivals and the continued growth of sub-Saharan destinations, which grew by 5%. The UNWTO has predicted a further 4-6% rise in international arrivals this year.

Source: World Tourism Organization (UNWTO)
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