Mr. Abdulla Ziyath, Managing Director of Maldives Marketing and PR Corporation

“Thanks for providing the complimentary WTTR Report every year. It provides profound insights into the current outbound travel trends. Especially the industry forecasts are a necessary tool for our market strategies.”
Dear reader,

This ITB World Travel Trends Report 2014/15 was again commissioned by ITB Berlin from IPK International, organisers of the 22th annual World Travel Monitor® Forum, held at San Giuliano Terme, near Pisa, Italy, in late October 2014.

The report covers the main trends in outbound travel demand for the first eight months of 2014 together with estimates for the full year and also contains initial forecasts for 2015, 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 prospects for the Russian outbound market as well as the wide-ranging impact on the travel industry of technology-based sharing economy firms and social media.

As the following sections show, the world travel industry achieved robust growth this year despite diverse threats and the uncertain world economy. Outbound travel grew by 4.5% in terms of trips while spending grew by 2% by trip on average and by 6% in terms of total global outbound travel turnover. Asia, South America and North America were the main growth drivers while Europe generated solid growth. Inbound tourism grew well with a 4.8% increase in international tourist arrivals, with the Americas, Asia and Europe all performing well as destinations.

The outlook for 2015 is again positive with a 4-5% growth forecast by IPK’s World Travel Monitor® for outbound travel as the world economy gradually improves. Asia is projected to remain the strongest growing outbound market while Europe and the Americas will 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 tenth consecutive year. In March 2015 at the ITB Berlin Convention, Rolf Freitag will present updated figures for 2014 as well as current forecasts for 2015.

Meanwhile, we wish you happy reading!

Dr. Martin Buck  David Ruetz  Rolf Freitag  
Vice President Travel & Logistics  Head of ITB Berlin  President & CEO  
Messe Berlin  Messe Berlin  IPK International

ITB World Travel Trends Report 2014/2015

ITB WORLD TRAVEL TRENDS REPORT 2014/15

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Section A: World Travel Trends

Global tourism remains on course in spite of crises

People around the world have kept travelling more than ever before this year despite wars, terrorist attacks and a growing fear of pandemics as well as diverging economic conditions. The number of outbound trips increased by a robust 4.5% over the first eight months of 2014 and the prospects are bright for next year as well, experts said at the 22nd World Travel Monitor® Forum in Pisa. In 2015, the tourism consultancy IPK International expects global travel to increase again by about 4-5% in terms of outbound trips.

The global economy has slowed in recent months but is expected to grow slightly more strongly in 2015, providing a solid basis for international travel and tourism. Dr. Gernot Nerb, advisor to the board of directors at the Munich-based ifo Institute for Economic Research, told the forum. “We are convinced that the recovery will continue, although it will be bumpy,” he commented. The ifo institute currently expects world GDP to grow by 2.6% this year and 3.0% next year.

Economic growth will be driven in particular by the USA, where the economy is continuing to improve, and China, with a continued high growth rate of about 7%, Nerb said. “Due to the continuing and increasingly strong recovery of the US economy and, at around 7%, China’s economy showing consistently stable growth, we see no danger of another global recession,” he declared. In Europe, economic recovery could gather pace next year, albeit at a low level. The eurozone is expected to grow about 0.8% this year and 1.1% in 2015, driven mostly by growth in Germany and despite stagnation in France and Italy.

Nerb was optimistic about the positive impact on travel and tourism of an expected improvement in German private consumption level trends next year, due to the combination of pay rises, the new minimum wage and low unemployment. “We see no danger of people saving money due to anxiety or even fear of a recession. Next year, wages and salaries will rise more rapidly than in 2014 and will give consumer confidence an even stronger boost than in previous years. Furthermore, the introduction of a nationwide minimum wage will have a positive effect on income trends and thus indirectly on the travel industry too. Overall, in 2015 private disposable income is likely to increase by 2.8%,” he explained.

World travel has faced many challenges this year, speakers said at the Pisa Forum. Violence and political unrest has impacted on some tourist destinations, including Thailand, Kenya, and some Middle East countries. Most recently the Ebola virus outbreak in several West African countries has prompted some fears about travelling to the entire African continent despite the vast distances between, for example, East Africa and southern Africa and the affected countries.

Yet these very different threats have not led to a breakdown in global travel, according to results from IPK’s World Travel Monitor®, which covers 63 countries and 90% of global outbound demand. Rolf Freitag, president of IPK International, said: “The travel industry has remained crisis-proof even in these recent turbulent times. 2014 has been another excellent travel year.”

Outbound travel worldwide increased by 4.5% over the first eight months of this year, outpacing domestic travel which grew by an estimated 3%. World Travel Monitor® figures showed. This means global outbound travel has grown by a solid 4-5% every year since 2011. The number of nights increased by 3% and average spending per trip rose by 2% to US$1,750 between January and August 2014. This combination of more trips and higher average spending per trip generated a 6% rise in global outbound travel turnover to US$1,750 billion.

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
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<th>2013</th>
<th>2014 YTD</th>
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<td>+8%</td>
<td>+4%</td>
<td>+6%</td>
<td>+6%</td>
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</table>

Source: World Travel Monitor 2014, IPK International

Asia and the Americas drive global growth

Global outbound travel growth this year was once again driven by Asia (+8%) and South America (+5%) as well as North America (+5%). European outbound travel grew by a solid 3% despite low economic growth. Africa grew by 4% but the Middle East region was down by 4%. (For further information on Europe, Asia and Americas trends see the respective sections later in this report.) In terms of individual source markets, Germany maintained its position as the world’s largest outbound travel market this year ahead of USA and China.

Long-haul travel continued to grow faster than short-haul travel this year, World Travel Monitor® figures showed. The six largest long-haul source markets are the USA, UK, China, Canada, Japan and Germany while the top six long-haul destinations are the USA, UK, Thailand, Italy, China and Germany.
In the business travel market, the MICE (Meetings, Incentives, Conferences & Exhibitions) segment, with a 54% market share, has overtaken the declining traditional business trips segment which is being impacted by technological solutions. Conferences/Meetings/Seminars (41%) and trade fairs/exhibitions (29%) are the two largest MICE sub-segments.

In 2014 online bookings continued to boom with a further 7% rise to a 66% share of all travel bookings worldwide but there are signs they could be reaching saturation level at about 70% in mature markets. The global market share of travel agency bookings has more or less stabilised at 24%, according to World Travel Monitor® figures.

Meanwhile, there was a sharp increase in bookings by smartphone this year. China (10% share) took first place in the share rankings, followed by the USA (7% share) and Japan (5% share). Social media channels such as review portals, blogs and forums have also become very popular for planning trips, and are used intensively by more and more travellers around the globe.

According to World Tourism Organization (UNWTO) figures, international tourist arrivals grew by 4.8% in the first eight months of 2014. At a regional level, the Americas (+8%), Asia Pacific (+5%) and Europe (+4%) showed the strongest growth from January to August 2014 while Africa and the Middle East grew by only 3%. (For further information on the regional inbound trends for Europe, Asia and the Americas see the respective sections later in this report.)

For 2014 as a whole, the year-to-date growth rate is expected to maintain momentum. The UNWTO forecasts an increase of 4% to 4.5% in international tourist arrivals worldwide, which remains higher than its long-term growth forecast of 3.8% per year for the period 2010 to 2020. John Kester, Director of the UNWTO’s Tourism Market Trends Programme, told forum participants: “There are some clouds and uncertainties but we do not expect drastic changes.” The latest UNWTO Tourism Confidence Index has slightly declined from a high level due to current geo-political and health issues but most respondents still expect better business in the final four months of this year, he pointed out.

The potential impact of the Ebola virus outbreak in several West African countries on tourism was also a topic of discussion at the World Travel Monitor® Forum. Several speakers warned that international media appeared to be over-dramatising the threat to tourism given the small role that the affected countries play in world tourism. But they admitted that travel to Africa in general could be impacted in the coming months by consumer fears about the potential risks. It was too early, however, to judge what impact the Ebola outbreak might have on international travel as a whole. This informal assessment was shared by the World Tourism Organisation expects 4 – 4.5% growth in inbound tourism this year

<table>
<thead>
<tr>
<th>Rank</th>
<th>Metropolitan Destination Areas</th>
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<tbody>
<tr>
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</tr>
<tr>
<td>6</td>
<td>Singapore</td>
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</tr>
</tbody>
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Source: World Travel Monitor 2014, IPK International

City trips are fastest-growing market segment

In the last five years people around the world have been increasingly travelling abroad on holiday, although different trends regarding the types of holiday can be seen, according to the World Travel Monitor®. Sun & beach holidays have grown by 18% over the last five years and remain the most important category with 28% of all holiday trips. However, touring holidays have grown by 32% to a 23% share of the holiday market, thanks in particular to more tours by Asians. In contrast, countryside holidays have declined by 17% over the last five years and now only represent 11% of all holidays.

The boom market segment, however, has been city trips which have soared by 58% over the five years to reach a 20% market share. “This is the real boom business around the world,” Freitag commented. This dynamic growth has been supported by the increase in low-cost flights and expansion of budget accommodation. According to World Travel Monitor® figures, Paris is the world’s top metropolitan destination with 18.8 million international arrivals in 2013, followed by New York, London, Bangkok, Barcelona and Singapore.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Top Long Haul SOURCE MARKETS</th>
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<tr>
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<tr>
<td>2</td>
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<td>Canada</td>
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<td>5</td>
<td>Japan</td>
<td>China</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>Germany</td>
</tr>
</tbody>
</table>

Source: World Travel Monitor 2014, IPK International

Internet bookings head towards saturation?

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Source: World Travel Monitor 2014, IPK International
Robust Europeans keep travelling despite conflicts

Despite economic gloom, conflicts and threats, Europeans travelled more than ever before this year. The number of outbound trips increased by a solid 3% to a new all-time high, according to the World Travel Monitor® from IPK International. Europe also had a good year as an international destination, especially countries in the Mediterranean. Prospects for next year generally look positive, with similar growth levels forecast for 2015, experts agreed at the World Travel Monitor® Forum in Pisa.

Weak economic growth in Europe

The economic environment for the travel sector remains challenging with the European economy likely to show low growth in 2014 and 2015. Germany’s ifo Institute for Economic Research, for example, currently forecasts 0.8% GDP growth in the eurozone in 2014 and a slight improvement to 1.1% in 2015. Dr. Gernot Nerb, an economic expert at the Munich-based institute, told delegates at the Pisa Forum that the German economy is slowing at present although it remains relatively strong with expected GDP growth of 1.3% this year and 1.2% next year. In contrast, both France and Italy continue to stagnate. France is set to see only fractional growth this year and next year. Italian GDP is forecasted to decline 0.3% this year and then slightly grow by 0.3% in 2015.

Organisation in a press release issued on October 30, 2014. UNWTO Secretary-General, Taleb Rifai, stated: “Although it is too premature to assess the full impact of the outbreak on the tourism sector, at this point we do not expect a major effect on the sector globally.”

Positive outlook for 2015

Taking all these trends, factors and issues into account, the outlook for world outbound travel in 2015 remains good, speakers agreed at the Pisa forum. Based on the trend surveys of the World Travel Monitor®, IPK’s ‘World Confidence Index’ projects a 4–5% rise for 2015. Asia is expected to be the main growth driver once again while Europe and the Americas will see moderate growth. “This is a very positive figure. It would be similar growth to 2014,” IPK President Rolf Freitag concluded.
Travel within Europe, by far the largest destination area for Europeans, grew well this year with a 3% increase, the World Travel Monitor® showed. “There appears to have been more intra-regional travel this year,” Pyka pointed out. For example, Scandinavians travelled more frequently within the region and there was a rise in Swiss travel to Austria.

However, 2014 has also been a year of long-haul travel by Europeans with above average growth for all overseas regions, according to the World Travel Monitor®. Major destinations such as Asia (+7%), North America and the Caribbean (both +6%), South America and the Pacific (both +5%) all enjoyed healthy growth in arrivals from Europe in the first eight months of this year. Africa also welcomed slightly more Europeans over the same period. However, this does not take account of the more recent impact of the Ebola outbreak in West Africa on general demand for travel to Africa.

Looking ahead, Europeans are slightly more optimistic about their travel intentions for next year than they were at the same time last year, the World Travel Monitor® survey found. The number of people who plan to travel as much in 2015 as this year or even more has gone up slightly to 72% from 70% last year. “Overall, we expect a 3% rise in European outbound travel next year which would be another year of solid growth,” said Pyka.

Top performing markets in 2015 are likely to be similar to this year, according to the World Travel Monitor®. The fastest-growing source market is forecasted to be the UK with an estimated 7% rise, followed by Switzerland, Poland and, perhaps surprisingly, Russia, each with expected growth of 4%. Germany is once again predicted to grow by 2%, and France and Spain by 1%, IPK’s European Travel Confidence Index for 2015 showed.

Source: World Travel Monitor 2014, IPK International
Section C: Russian Travel Trends

After growing rapidly for many years and becoming one of the major outbound travel markets in Europe, the Russian market went through turbulent times in 2014. The depreciation of the rouble put up the price of foreign travel by more than 20% and numerous tour operators went bankrupt. But despite these problems Russians kept travelling abroad this year and the outlook for 2015 remains positive, albeit with slower growth, experts agreed at the World Travel Monitor® Forum in Pisa.

The Russian economy has slowed significantly in the last two years for diverse reasons, Dr. Gernot Nerb, from the ifo Institute in Munich, Germany, explained. In 2013, Russian GDP grew only 1.3% due to lower demand for raw materials and the falling oil price. This year the economy has been seriously impacted by international sanctions following the Ukraine crisis, rising inflation and the continued fall in oil prices, resulting in a significant drop in the value of the rouble against major currencies. International institutions expect the Russian economy to have only fractional growth this year, he pointed out. The ifo Institute expects Russian GDP to grow about 1% next year.

In recent years, Russia has been one of the major growth drivers for European outbound travel with double-digit annual growth rates. Between 2005 and 2013, the number of foreign trips taken by Russians more than doubled, rising 118% to reach 31.5 million trips last year, the World Travel Monitor® from IPK International showed. In comparison, overall European outbound travel grew only 15% over the same period.

Tourism to European destinations was again robust and resilient this year with a rise in international visitor numbers despite the impact of international crises, experts said at the World Travel Monitor® Forum.

International tourist arrivals (overnight visitors) in European destinations grew by 4.2% to 413 million over the first eight months of 2014, according to figures from the World Tourism Organization (UNWTO). For the whole year 2014 the UNWTO expects growth of 3-4% for Europe. “European growth is still well above the long-term growth trend,” commented John Kester, Director of the UNWTO’s Tourism Market Trends Programme. “Many countries are doing well and it’s fairly across the board.”

Southern Europe and Northern Europe were the two fastest-growing sub-regions, each with a 7% rise in international arrivals from January to August 2014. Western Europe saw slower growth with a 3% increase over the first eight months of 2014 but arrivals to Central and Eastern Europe dropped by 1%, in view of the slowdown in Russian outbound tourism, according to UNWTO figures.

The top performing destinations this year have been Greece, Spain, Turkey, Germany and the UK, Valeria Croce, head of research at the European Travel Commission, said. In addition, there has been a comeback for short breaks in Europe while Spain, Portugal and Germany are proving popular for longer stays, she pointed out.

Overseas visitors kept coming to Europe in good numbers this year, Croce said. “The US outbound market is still very solid and is expected to continue growing in the next few years, as is Canada,” she commented. Moreover, Europe is seeing double-digit growth in Chinese visitor numbers as well as from smaller markets such as India and the UAE, but growth from Japan and Brazil has weakened.

The overall prospects for both European outbound and inbound tourism are thus positive for 2014 as well as 2015, experts agreed. For 2015 outbound trips are forecast to rise about 3%, according to the World Travel Monitor®.
More than half (55%) of these holidaymakers head for beach destinations, while city trips (15%), tours (less than 10%) and other types of holidays are less important, IPK figures for 2013 show. Beach and city holidays have grown significantly since 2007 while tours have fallen back.

Russians also spent more on their foreign trips. The average length of stay for a foreign trip increased to 12 nights in 2013 from 11 nights in 2007 while spending rose by 35% per night on average. Russians also book holidays in advance much more than in the past, IPK figures show. Like in many countries, bookings through the internet have soared in recent years and now account for about 50% of bookings while travel agency bookings have remained stable at about 40%.

Slowdown in 2014

This year, however, the Russian travel market growth has slowed considerably. The total number of Russian outbound trips declined by 1% over the first eight months of 2014, according to the World Travel Monitor® survey. But Dmitry Tichshenko, Director of Strategic Development at PREKO Consulting in Russia, who presented the latest figures, told delegates in Pisa: “It’s not as bad as it may seem.” The overall 1% decline is heavily influenced by an estimated 50% drop in the number of Russians visiting Ukraine, the second most popular destination in 2013, he explained. Many of these holidaymakers did not travel abroad this year, while only a small number travelled to other destinations instead.

However, excluding travel to Ukraine, the Russian outbound market again grew by a very healthy 10% in the first eight months of this year, the World Travel Monitor® showed. Travel to Turkey, the top destination for Russians with more than 4 million trips last year, again grew at a double-digit rate, according to IPK figures. Greece and the UK also enjoyed double-digit growth in arrivals from Russia, while trips to the USA and Thailand increased strongly as well. In contrast, fewer Russians travelled to Spain and Germany (the third-largest destination) this year.

There are various causes for these diverse trends, Tichshenko explained. The rouble devaluation against the dollar and the euro means that the cost of foreign travel, particularly to eurozone destinations, has effectively risen by more than 20% this year. “Russians have also been worried about a possible negative attitude to them in Europe following the crises in the Crimea and Ukraine,” he commented. At the same time, rising inflation is having an impact on consumers financially. Moreover, trust in tour operators has declined dramatically due to this year’s insolvencies, including thousands of tourists who were stranded abroad and had to be flown home.

Source: World Travel Monitor 2014, IPK International

Price will be decisive factor in 2015

Against this difficult background, the outlook for the Russian outbound market points to low but solid growth in 2015. One Russian in three says the Ukrainian crisis and its consequences will have an impact on their travel behaviour next year, the World Travel Monitor® found. The main impact is likely to be that Russians will book less expensive trips or try to save money on travel next year (18%), travel within their own country instead of going abroad (10%) or do not travel at all (5%).

However, the overall mood remains positive with 67% of Russians planning to travel abroad as much as or more than this year, while 23% might travel less and only 10% will not go abroad. Based on these results, IPK currently forecasts that Russian outbound travel will grow by 4% in 2015. This would be a year of solid growth despite the Ukraine crisis, reflecting Russia’s status as a relatively stable and mature European outbound travel market.

Summing up the results, Tichshenko said: “Russians are still looking to travel. More expensive destinations will perhaps be the losers next year and more Russians will go to cheaper destinations. There’s a lot of uncertainty.” IPK International President Rolf Freitag agreed, saying: “Russian consumers still want to travel. The battle for the Russian market will be won or lost on price next year.”
Section D: Asia Travel Trends

Asia keeps driving world travel growth

Asia has remained the key growth driver for the world outbound travel market once more this year with a growth rate of 8% in the first eight months. Moreover for 2015 Asia is expected to outpace the rest of the globe again with 8% growth in outbound trips, the World Travel Monitor® Forum in Pisa heard.

Solid economic growth

Economic growth in Asia remains stable overall with a 4.7% rise in regional GDP expected this year followed by 4.6% in 2015, Dr. Gernot Nerb, an economic expert at the Munich-based ifo Institute for Economic Research, told the forum. Growth in China is slowing towards the 7% level as the economy moves from focusing on investment towards more consumption, he said. Japan is seeing modest growth again after a long period of stagnation due to government efforts to overcome deflation.

Nerb said for Japan a growth of 1% is expected this year and also at least in 2015. Among other major economies in the region, South Korea is expected to show solid growth of 3-4% this year while Indian GDP is growing more strongly (+5.9%) under the new government, he added.

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Source: Ifo Institute for Economic Research, 2014

China surges ahead

Asia has been one of the powerhouses of the world outbound travel market in recent years. From 2009 to 2013, the number of Asian outbound trips grew by 53%, which was twice as much as the overall global growth of 22%, World Travel Monitor® figures show.

During this period, China has emerged as one of the global leaders in the outbound travel sector, together with Germany and the USA. Japan has remained important although losing market share while South Korea, India and Taiwan have all grown. China and Japan now account for about 50% of all Asian outbound travel.

Asians mostly travel within the region and 75% of trips were made to countries in Asia in 2013. Europe’s share of Asian outbound travel was 15% last year while trips to North America had a share of 9%. Travel to Australia/Pacific and in particular to Latin America and Africa was clearly less relevant for Asians.

Meanwhile, Asians are travelling abroad more and more on holiday, with the share rising to 72% in 2013, World Travel Monitor® figures showed. In terms of holiday types, Asians still mostly go on tours, often of several countries, although the share has dipped to below 40%. Instead they now go on more city trips and sun & beach holidays (both about 20%). Other private trips are declining while the business travel sector has also fallen back.

“More travellers are going to places for a longer time,” explained IPK International’s Senior Research Analyst Stefanie Grothe. “They no longer want to see everything in five days.” Asians are booking their travel much more on the internet, with bookings having almost doubled to about 60% since 2009. Travel agents remain important in Asia, however, although their share of bookings has declined.
North American outbound travel picks up as economy grows

Economic prospects in North America are improving considerably due to a combination of growth and improved confidence levels, Dr. Gernot Nerb, an economic expert at the Munich-based ifo Institute for Economic Research, told the forum. The institute expects North American GDP to grow by 2.2% this year and then by 3.2% next year, he said.

Better economic conditions

The large North American outbound travel market has grown solidly this year and North Americans are not only travelling more but also staying longer and spending more, World Travel Monitor® figures show. The number of outbound trips increased by 5% in the first eight months of the year, with trips longer than four nights up by 8%. As a result, nights went up by 10% and turnover grew strongly by 19%.

North Americans go on longer trips

Holidays were the main growth driver with a 6% increase between January and August while business travel performed solidly with a 4% rise, the World Travel Monitor® found.

International tourist arrivals to Asia Pacific rose 5% over the first eight months of this year, according to the World Tourism Organization (UNWTO), somewhat slower than the 7% growth seen in 2013.

Arrivals to South Asia (+8%), North-East Asia (+7%) and to Oceania (+6%) grew faster than the Asian regional average over the first eight months of 2014, UNWTO figures showed. In contrast, South-East Asia slowed with an increase of just 2%.

North America has travelled abroad more this year as economic conditions improve and solid growth for outbound travel is expected for 2015, experts said at this year’s World Travel Monitor® Forum in Pisa.

8% growth in outbound trips

This year Asian outbound trips grew by 8% over the first eight months, which once again was about double the global growth rate, according to the World Travel Monitor®. “Intra-regional travel within Asia has grown about 10% this year, travel to Europe is stagnating and to North America is slightly higher,” commented IPK International’s Stefanie Grothe.

Based on current economic trends and healthy travel intentions, the IPK forecast for Asian outbound travel in 2015 is for further growth of 8%. This would see the region growing twice as fast as global outbound travel once again.
Americans seek new travel experiences

Furthermore, new patterns of American leisure travel are continuing to emerge, according to Suzanne Cook, president of Suzanne Cook Consulting and former head of research at the US Travel Association. Consumers are more interested in individual and local experiences, authenticity, well-being, community and engagement as part of their travel, she said. As a result, demand is rising for specialist and niche travel and tourism, such as wellness, sustainable trips and adventure/sports.

'Millennials' drive US outbound travel growth

Meanwhile, there are also significant changes in generational travel patterns. Cook highlighted the three main sections of the adult population: ‘Boomers’ now in the 50–68 age range, ‘Generation X’ (aged 34–49) and ‘Millennials’ (aged 13–33). The millennial generation of young adults is not only the most optimistic about their personal future and that of their country and the world but also travels more. In recent years millennials have travelled much more strongly both within the USA and abroad. In contrast, travel by boomers has stabilised after declining during the 2000s but Gen X adults have significantly reduced their travel over the last decade, she explained.

"Millennials are more confident, more spontaneous and want to decide for themselves," she commented. In particular, young Americans are intensive users of technology and social media. "They have confidence in technology and trust social media which they see as an enabler of positive travel experiences rather than an interruption," she said. In addition, they are also the strongest users of ‘alternative accommodation’ forms.

Cook also stressed that contrary to some ‘myths’ about free-spending affluent Americans, most well-off people are not luxury consumers but generally have similar values and lifestyles as middle-class people, focusing on good quality and value. "Among affluent Americans, however, travel is a high priority and there is a favourable outlook for this consumer segment," she noted.

Indeed, Americans generally are “work martyrs” and do not take all the vacation days that they are entitled to, Cook emphasised. "The average American earns 21 days off a year but only uses 77% of them, so he or she forfeits nearly 5 days or a whole working week," she said. If Americans took all the days off that they are entitled to, it could generate $118 billion in additional direct travel spending, according to US Travel Association estimates.

Good outlook for 2015

All these trends and factors combined with the economic background of rising GDP and falling unemployment provide a positive environment for travel. The IPK forecast for North American outbound travel in 2015 is for a 3% increase. "This would be another year of solid growth," said Cook.

South American outbound travel slows

South American outbound travel has slowed this year after several years of above-average high single-digit growth but still grew by 5% in the first eight months of the year partly due to the football World Cup in Brazil and despite an economic slowdown in the region. Weaker growth is likely next year due to continuing economic challenges in the region's two main markets, Brazil and Argentina, experts agreed at the World Travel Monitor® Forum in Pisa.

Economic conditions in South America have worsened this year, Dr. Gernot Nerb, an economic expert at the Munich-based ifo Institute for Economic Research, told the forum. The growth seen in recent years has cooled and confidence is low, mostly due to the economic slowdown in Brazil. The institute expects the region to generate GDP growth of just 1.4% this year and 2.2% in 2015. Brazilian GDP is forecast by the IMF to grow by just 0.3% this year but by a better 1.4% in 2015. Argentina remains in the economic doldrums due to its massive debts and experts see little signs of improvement in the year ahead. The best economic performers at present are Columbia, Bolivia and Uruguay, Nerb said.

Good outlook for 2015

A growth driver for world travel

In the boom years from 2009 to 2013, South American outbound travel grew by 50% in terms of the number of trips, which was twice as much as the overall global increase, World Travel Monitor® figures show.

South Americans started to travel outside the continent much more, with growth in travel to North America and other parts of the world, while travel within South America declined to below 50% of outbound trips. The proportion of holidays rose from 60% in 2009 to nearly 70% in 2013, with sun & beach holidays and tours remaining the main types of holiday, each with about 30%, while the number of city trips increased significantly to about 20% of all holidays. Brazil and Argentina, which together account for about 50% of the South American outbound trips, saw diverging trends until 2013. Brazilian outbound travel soared thanks to increasing prosperity while Argentina lost market share due to its economic problems.
The number of South American outbound trips grew by 5% over the first eight months of 2014, according to World Travel Monitor® figures. As mentioned above, there was strong intra-regional travel to Brazil. At the same time – and contrary to some predictions – the World Cup in June and July did not stop Brazilians travelling abroad. It simply resulted in them travelling either before or after the event, meaning the July high season changed because of the event, Pires said. Moreover, the slowdown in the Brazilian economy had not directly impacted consumers with the financial means to travel abroad, she emphasised. “International travellers are still travelling in 2014. However, I feel that next year could be different. The currency has devalued and that makes trips abroad more expensive. So there could be a slight slowdown in international trips,” she predicted.

Meanwhile, the other major outbound market in South America, Argentina, grew well between 2010 and 2012 but has been clearly impacted by the country’s economic problems in the last two years. The number of outbound trips grew only slightly in 2013, according to World Travel Monitor® figures.

Looking ahead, IPK’s Travel Confidence Index for South America, which takes travel intentions and economic trends into account, shows an expected 3% rise in the number of outbound trips next year. “This would be a further year of growth. However, the declining growth trend already seen in 2014 is expected to continue in 2015,” Pires concluded.

Source: World Travel Monitor 2014, IPK International
Section G: Customers / Individualisation

Technology-based ‘sharing economy’ firms are increasingly penetrating the travel industry by offering consumers far more individualised choice than traditional suppliers and are disrupting the established business model by using private resources for lower-cost commercial activities, experts said at this year’s World Travel Monitor® Forum in Pisa. Traditional travel suppliers need to respond quickly and innovatively if they are to stop losing market share, speakers warned.

US-based accommodation provider Airbnb and the ride-sharing app Uber are just two of the newcomers who are making an ever bigger impact on the travel industry. The dramatic and controversial growth of so-called ‘sharing’ firms such as Airbnb and competitors such as Homeaway, Wimdu and others has seen them grab a significant share of the accommodation market in recent years. Over the last five years, the so-called ‘para-hotellerie’ segment, covering different forms of private accommodation ranging from holiday homes, bed & breakfast and hostels to staying with friends & relatives, has soared by 35% to reach a 40% share of the overall world outbound accommodation market, according to the World Travel Monitor® from IPK International. “This sector is growing very fast. It’s a new segment that is driving the business,” commented IPK President Rolf Freitag.

The so-called ‘sharing economy’ poses a major challenge to the traditional travel business, Jason Clampet, co-founder of New York-based travel industry intelligence company Skift, told forum participants. The basic idea is to use available resources more efficiently, whether this is accommodation, car transportation or other activities. “The sharing economy is absolutely disruptive and is changing how we use things. The impact on travel is huge,” he declared.

In the accommodation sector, for example, Airbnb now offers some 330,000 rooms worldwide, making it one of the world’s ten largest “hospitality brands” alongside long-established leading hotel companies, according to Skift figures. “Hotels only stand to lose if they do not see why people are going to Airbnb,” Clampet warned. Meanwhile, fast-expanding Uber has taken a dramatic amount of business from taxi companies in cities where it operates. Moreover, the transportation supplier also represents a potential threat to car rental firms if it starts to offer advance planning for longer trips, he added.

Airbnb and Uber have completely different business models compared to traditional travel companies, the technology expert explained. They are essentially technology platforms that market privately-owned assets or resources such as accommodation or cars on a commercial basis. For consumers, they are attractive because they offer lower prices, better accessibility, great flexibility, ease of use and “a user-focused mission” including transparency and interactive communications.

From a business perspective, such firms are asset-light because they own the sales platform but not the resources. This means they can operate at low cost and also pass on legal liability to the providers who are private contractors, Clampet pointed out. However, they are also attractive to commercial operators. For example, in New York commercial hosts (with more than two property listings) only represent 6% of Airbnb’s total number of hosts but account for 37% of private short-term rentals in revenue terms.
Most controversially, these ‘sharing’ firms also operate in a legal ‘grey area’ and frequently violate housing, labour, tax and other laws, Clampet said. Both Airbnb and Uber have faced legal challenges in many cities around the world where authorities claim they are operating illegally. However, he highlighted the example of Amsterdam, where the city council had forced Airbnb to adapt to local accommodation rental laws, as “a great example of what cities can do to work with these companies”. The city council recently created a new category of accommodation called “private rental” that enables residents to rent the accommodation they live in for a maximum of four consecutive nights on condition that they own it or have the owner’s permission, and residents must pay tax on the income earned as well as a tourist tax.

Meanwhile, one interesting new trend is that other start-ups are now being launched to fill in gaps in the sharing economy, such as handover of accommodation keys and cleaning services, Clampet continued. “There are real new business opportunities emerging around this sharing economy.” He also predicted that similar ‘sharing’ firms would emerge in other parts of the world.

However, hotel groups are starting to respond to the challenge of Airbnb by broadening their offering, he added. For example, some chains are adding apartment options and putting more emphasis on their “local” status. In addition, they are becoming more transparent by incorporating customer feedback, using social media reviews and improving customer communications.

The rapid growth of the web- and mobile-based companies in the travel market also reflects the relatively slow reaction of the traditional travel industry to the internet and social media channels, Albert Brenner, managing director of the Düsseldorf-based Digital Transformation Group, told forum participants. “Start-ups own the Social Media space. Travel brands would have been in the perfect position but they did not do it,” he commented. Although most travel companies have responded in recent years to digital opportunities, the landscape is very diverse, he said. “Some travel companies are good, some are not. Some focus purely on generating bookings and do not have a full social business model that, in addition, can create customer loyalty and long-term brand equity,” he commented.

Social Media has a particularly heavy influence on travel – before, during and after a journey – and the advance of mobile technology and emergence of wearables will increase this trend, Brenner said. “The convergence of social, local and mobile technology and content will be the next transformation step for the travel industry,” he predicted. But given the preference for apps rather than mobile websites, it is unclear how many travel-related apps consumers would actually want and use, he questioned. At present about 70% of the most used travel apps in the USA belong to intermediates and travel agencies, for example. It is vital for the travel industry to understand this next phase of change and its impact on the travel business model, go-to-market and how consumers decide on their next trip.

In general, Social Media today is used by all demographic groups and is a much more diverse landscape than just the well-known leading platforms such as Facebook and Twitter, Brenner underlined. Companies can use Social Media for marketing, brand monitoring, customer service, crisis response and diverse other business activities, he pointed out.

One big gap, however, despite the flood of web- and mobile-based travel and transport information services, is in the area of “seamless mobility” for visitors using local public transport, carsharing, bikesharing and other forms of transport. Tourists and business travellers still have to use a variety of different information sources to plan and navigate their way through their destinations. Helga Jonuschat, from the Berlin-based Innovation Centre for Mobility and Societal Change (www.innoz.de), said that local transport providers had typically created their own individual websites and apps but it was so far proving very difficult to integrate them into a single information platform that could be especially useful for tourists. “For example, it’s very difficult to have single ticketing including public transport, car- and bikesharing,” she commented.

Seamless travelling a long way off

![Intermodal travelling is complicated!](source: Innoz, 2014)
The hotel room of the future

Meanwhile, technology will have a dramatic impact on hotels in the future, according to a top researcher. The hotel room of the future could be very different to today, said Vanessa Borkmann, from the Fraunhofer research institute in Stuttgart, who presented some of the wide-ranging activities and results of the institute’s ‘FutureHotel’ research project. The three most likely developments in the near future are automated check-in, individual choice of a specific room and individual energy-efficient lighting (controlled by scenes and profiles), she predicted. Further in the future, guests might be able to use speech-control to adjust their hotel room settings such as lighting and heating, or even design their own rooms by selecting the bed type, bathroom design and images on wall-sized screens. Other ideas for the future include ‘pay-per-use’ hotels and use of robots for simple tasks, she concluded.

Conclusions

Overall, speakers agreed that technology will continue to impact dramatically on the travel industry by enabling companies to offer far more individualised services in the future. With the rapid growth of newcomers who are winning market share with “disruptive” business models, traditional travel companies need to respond quickly with innovative products and services to defend their competitive positions.
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