

# What awaits the travel industry

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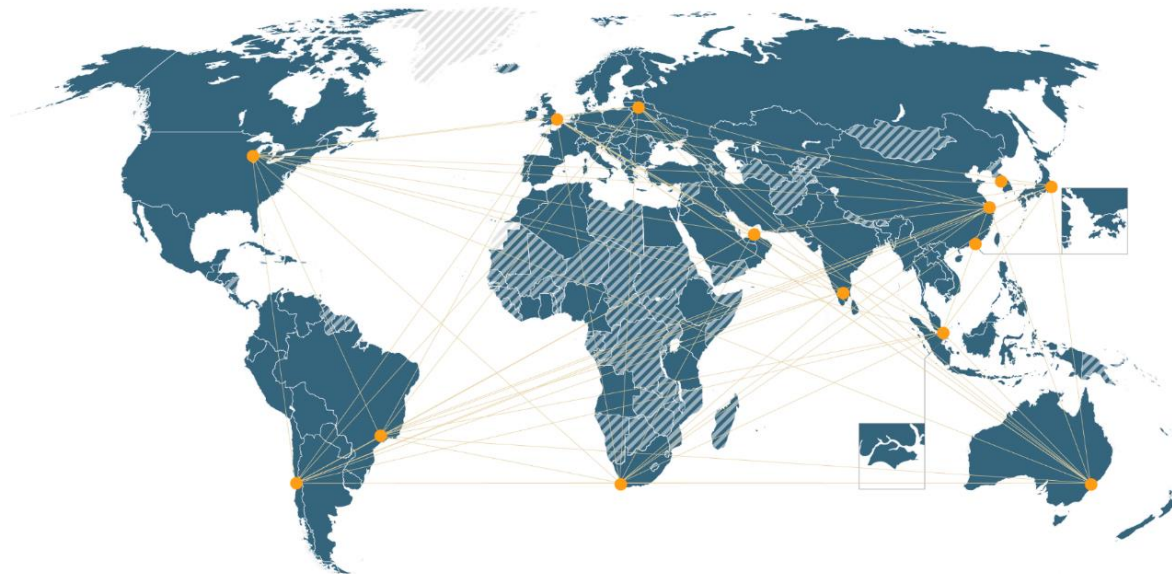
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Research Manager, Services & Payments

2018 01 18, Helsinki



# Euromonitor International network and coverage



## ● 14 OFFICE LOCATIONS

London, Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney, Bangalore, São Paulo, Hong Kong and Seoul

## ■ 100 COUNTRIES

in-depth analysis on consumer goods and service industries

## ■ + ▨ 210 COUNTRIES

demographic, macro- and socio-economic data on consumers and economies

# OVERVIEW

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## Travel overview

Future drivers

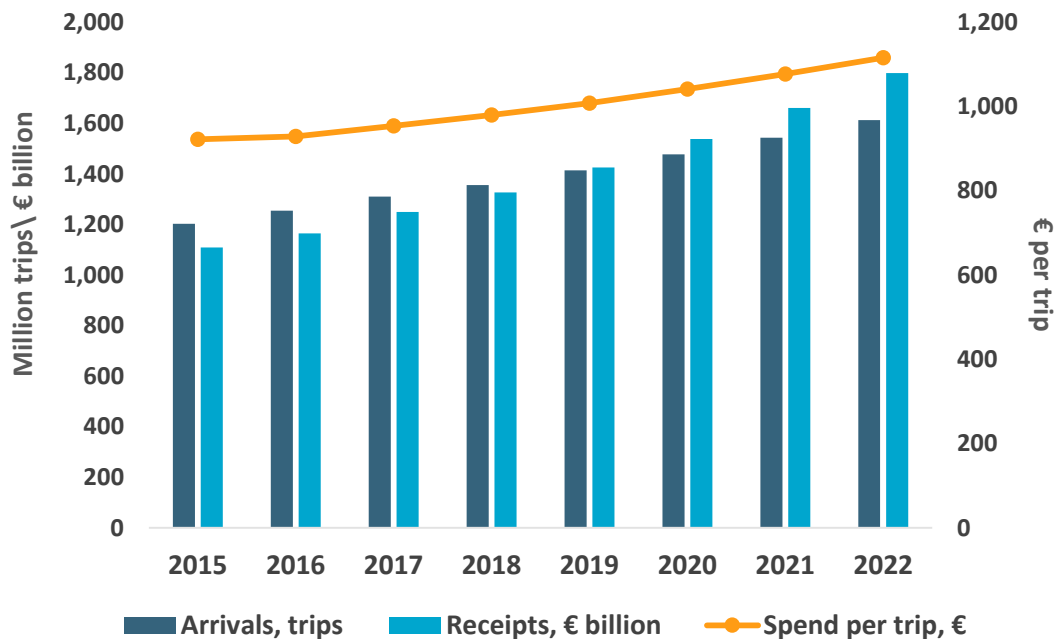
Forecast scenarios

Changing consumer



## Global inbound tourism outperforms GDP growth

### World inbound arrivals, receipts and average spend



### Travel in 2022

Arrivals, trips

**1.6bn**

Inbound receipts

**€1.8tn**

Average spend per trip

**€1,100**

## Key global trends

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**Arrivals** increased by **4%** and inbound receipts at a stronger rate over 2017, compared to world GDP at 3.6%



Increased **terrorism threats** negatively affect consumers' confidence and decision making while choosing destinations to visit

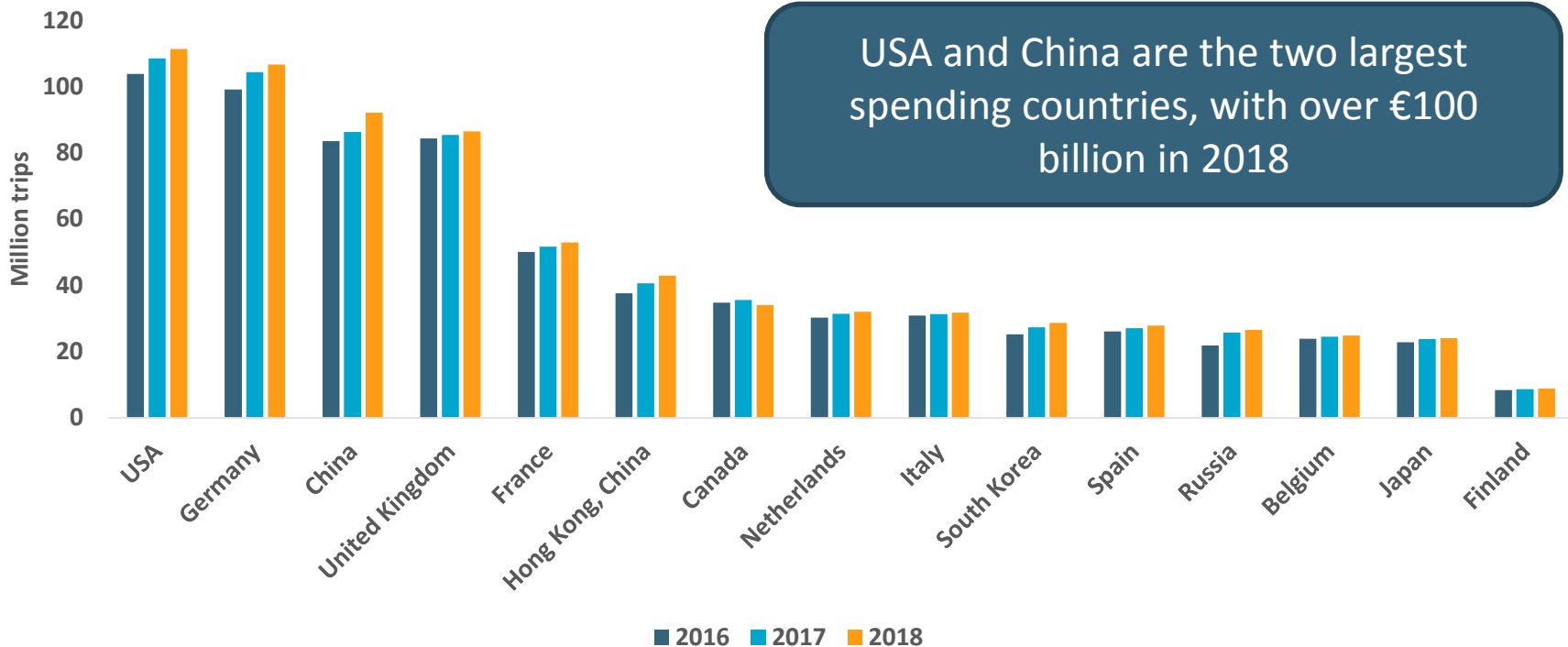


**Online and mobile** travel continue to expand across the globe, with the growing penetration of new technologies

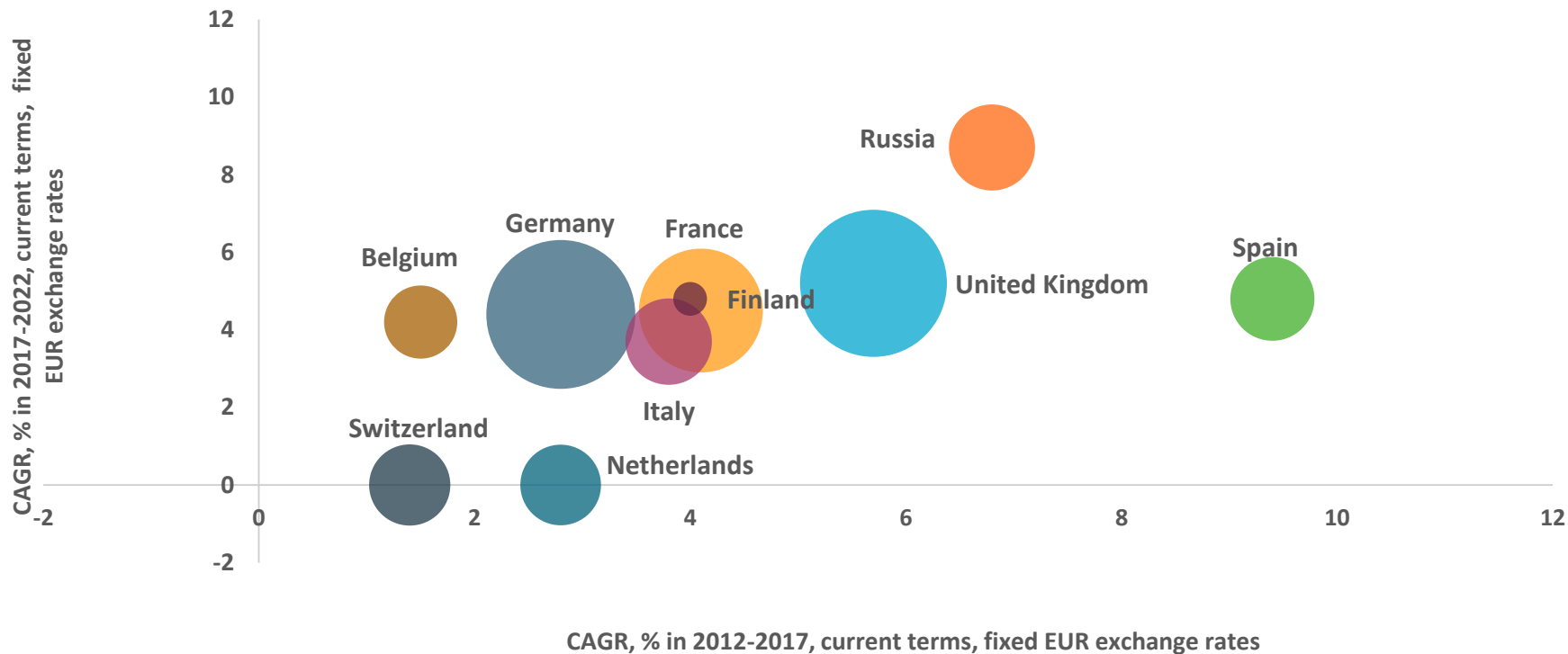


**Domestic travel** is the bedrock for tourism demand, demonstrating higher growth rates both globally and in Europe

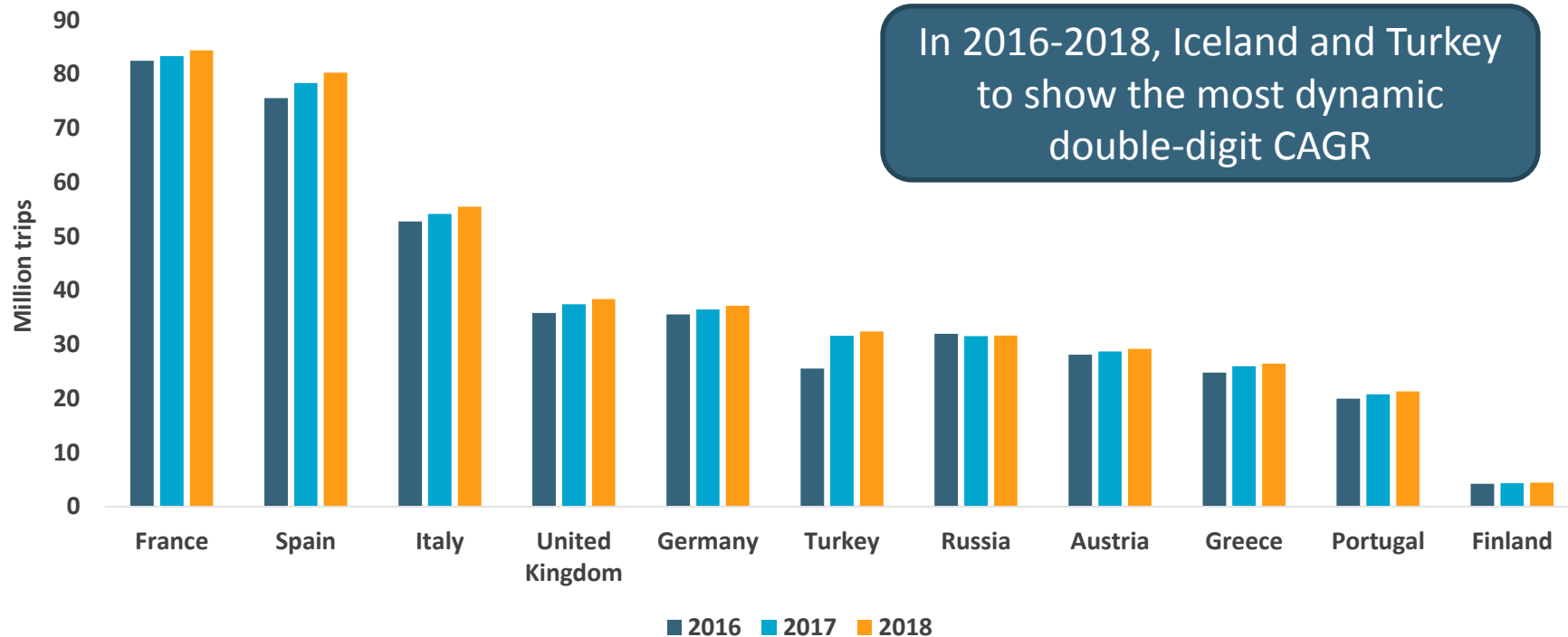
## The largest outbound source countries globally



## The largest European countries by travel expenditure



## The largest European countries by number of inbound trips





## Key trends in Finland

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Improving **flight connections** and growing **digitalisation** fuel growing demand for both outbound and inbound travel



**Sweden** and **Estonia** remain the two largest outbound destinations, and **Turkey** showing dynamic growth after the steep decline



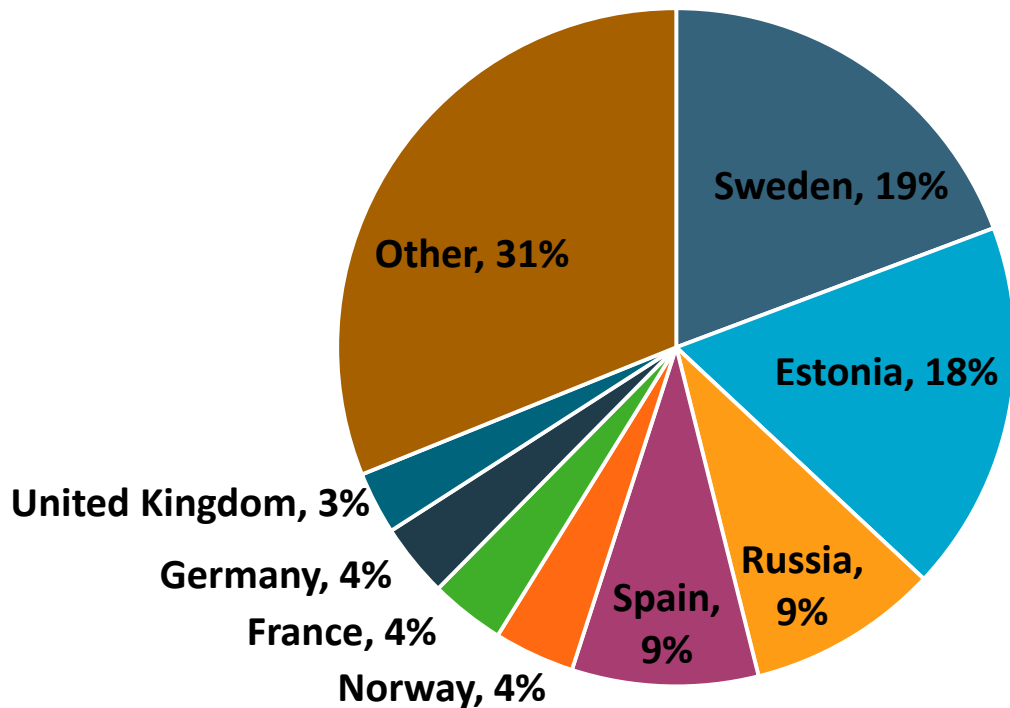
After three years of decline, **Russia** starts small recovery in terms of arrivals to Finland, together with stabilised economic situation



Growing popularity of **Lapland** among international visitors, especially from Europe and Asia

## Outbound departures from Finland in 2017

### Departures by number of trips



### Finland in 2017

Departures, trips

**8.6mn**

Outbound expenditure

**€4.1bn**

Average spend per trip

**€473**

## Top 100 City Destinations Ranking

Rank	City	2016 Arrivals (million)	2017 Arrivals (million)
1.	Hong Kong	26.5	25.7
2.	Bangkok	21.3	23.3
3.	London	19.2	19.8
4.	Singapore	16.6	17.6
5.	Macau	15.4	16.3
6.	Dubai	14.9	16.6
7.	Paris	14.4	14.3
8.	New York City	12.7	13.1
9.	Shenzhen	12.6	13.0
10.	Kuala Lumpur	12.3	12.8

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## Key trends of the Top 100 City Destinations

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In 2016, the Top 100 accounted for **558 million** international arrivals, that is **46%** from overall 1.3 billion trips worldwide



**Importance of cities** for tourism is growing, with the Top 100 outperforming global arrivals in 2017 and forecasted to continue the same dynamics



Increasing **urbanisation** will continue to be major driver, increasing cities visits for both business and personal purposes



**Asian cities** presence in the Top 100 increased from 34 cities in 2010 to 41 cities in 2017 and forecast being 47 cities in 2025

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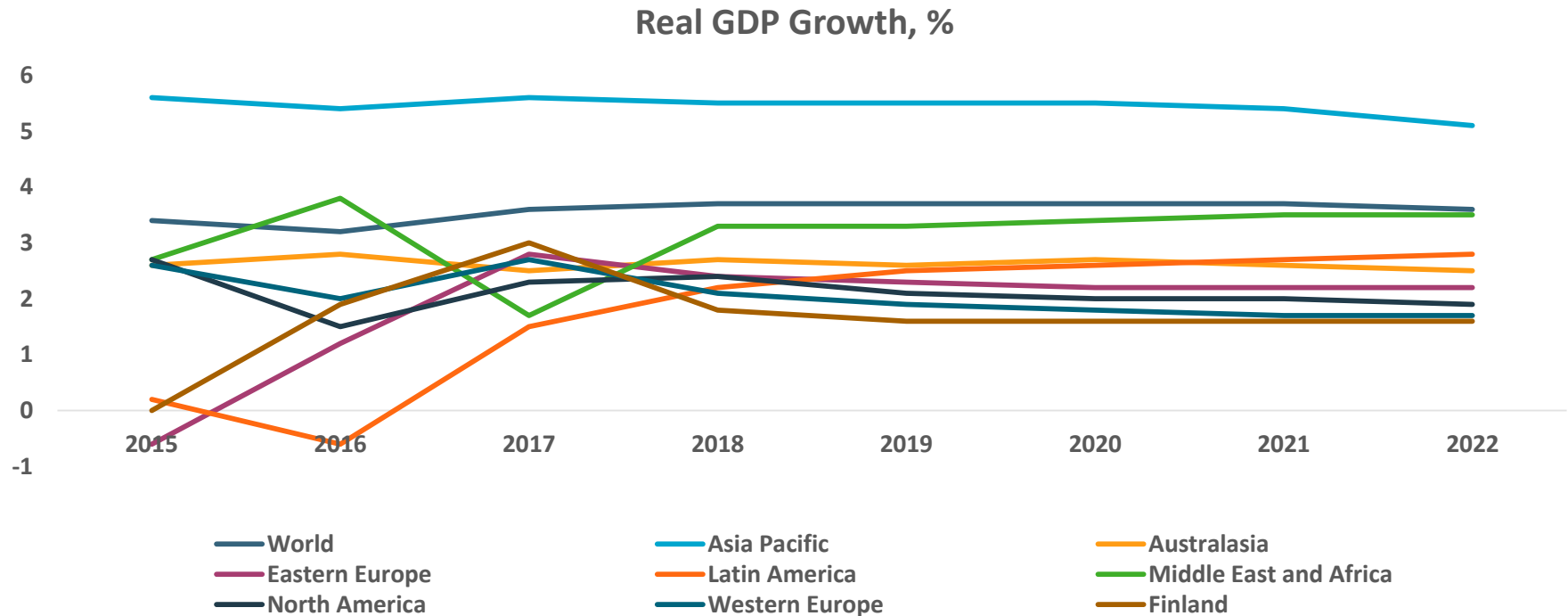
Changing consumer



# Forecast drivers



# Macroeconomic stability is crucial for the evolution of tourism



## GDP growth highlights

<b>Eurozone</b>	The growth has strengthened beyond expectations. Private confidence is high and the unemployment rate has declined. GDP growth is set to <b>2%</b> in 2017 and 2018.
<b>Russia</b>	Economic activity dynamics in 2017 were better than expected. We expect real GDP to expand by around <b>2%</b> per year in 2017-2018.
<b>China</b>	Economy continues a very gradual slowdown. High state investment and robust consumption growth should lead to a real GDP growth rate of <b>7%</b> in 2017, <b>6%</b> in 2018.
<b>The US</b>	GDP growth forecasts were maintained at <b>2%</b> in 2017/18, as economy has improved, business investment has accelerated, consumption is exhibiting growth.
<b>Finland</b>	Economy strengthened in 2017 with <b>3%</b> real GDP growth with moderate gains in private consumption and growing investments and rebound in exports.



## Norwegian Air Shuttle: offering low-cost long-haul flights

The global sales value of low-cost airlines is set to rise by an average 5.4% per year over 2017-2020, compared to 3.9% for the whole airlines sector



Budget carrier Norwegian Air Shuttle offers long-haul with tickets starting from £149 one way. Offering lost-cost long-haul flights is all about tapping the trend of middle-class consumers 'Trading Up, Trading Down'

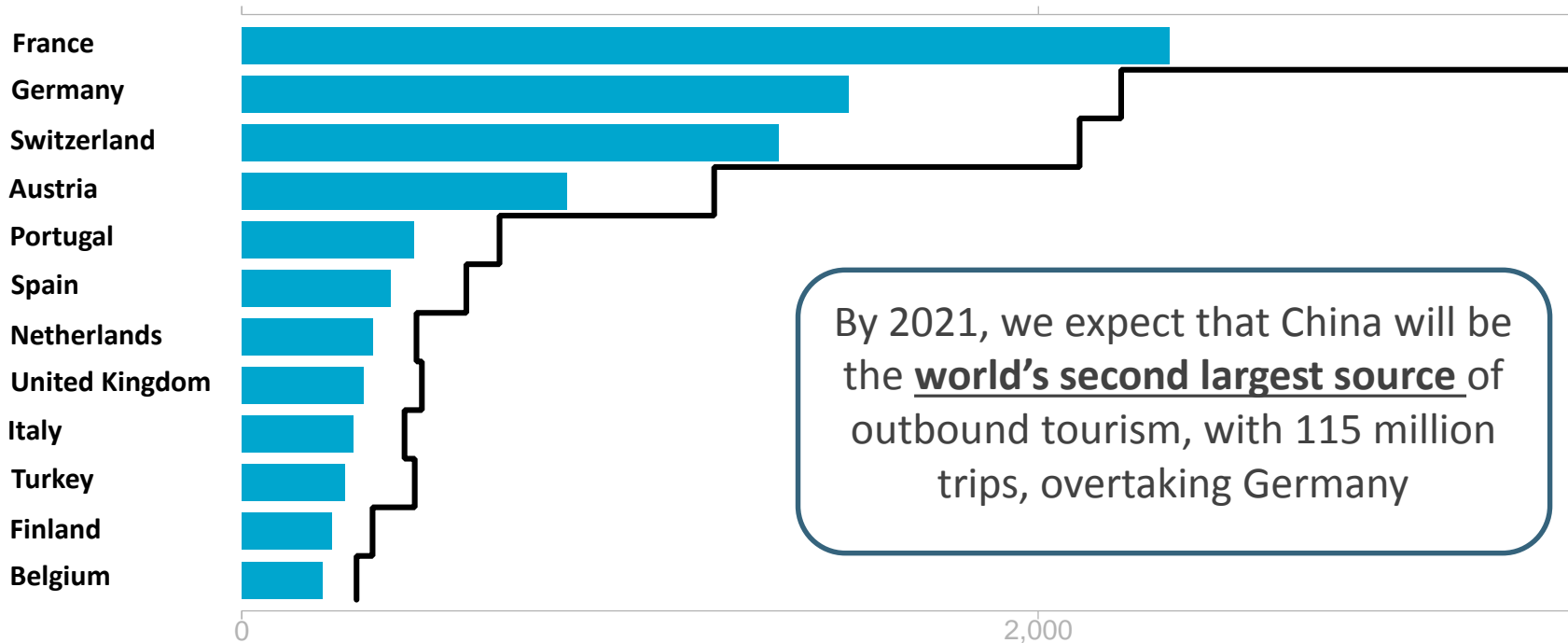
# Chinese tourists in Western Europe

## Departures by Destination

From China

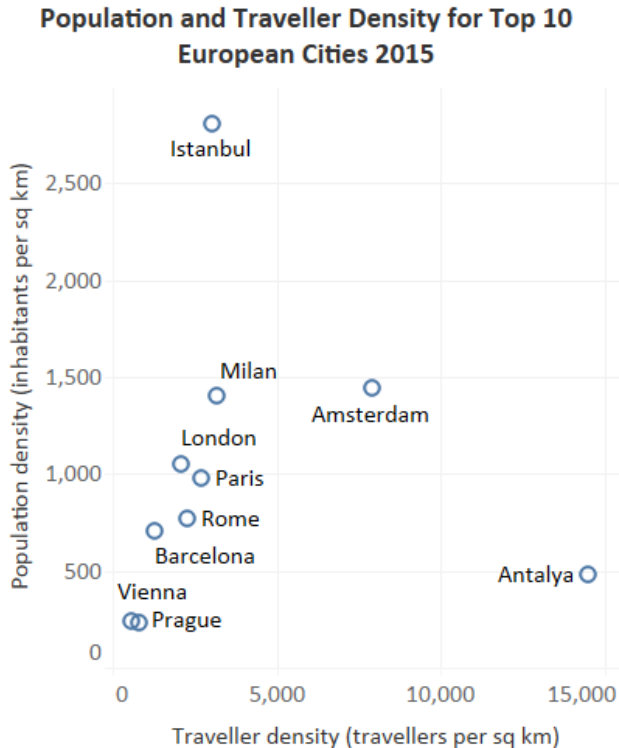
2016, '000's trips

■ 2016    ▣ 2021



By 2021, we expect that China will be the world's second largest source of outbound tourism, with 115 million trips, overtaking Germany

## Europe aims to strike the right balance between residents and tourists



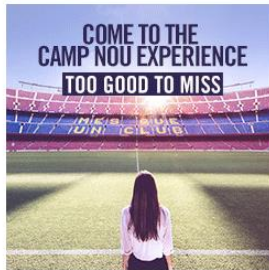
Many European cities struggling from over-tourism, with Amsterdam having one of the highest density. Barcelona and Vienna also being worried about overflows.



Europe has been at the forefront of the criticism concerning over-tourism, as the presence of tourists has started to damage the local environment and the quality of life.

# Over-tourism important to take into account for promotions

## Changing the mindset: **there's more to Catalonia than Barcelona**



Source: Catalunya.com



**“Visit Amsterdam, See Holland”** is a marketing campaign by the Amsterdam Metropolitan Area, which includes Amsterdam and 16 surrounding municipalities, encouraging international tourists to visit places beyond Amsterdam



## Virtually in Dubai: recreating experiences to fuel interest

The UK is the third largest source market for the UAE, with over 1.6 million trips in 2016. 75% of the visits are arrivals to Dubai



The Dubai department of Tourism & Commercial Marketing launched the campaign “Here today, Dubai tomorrow”, during 2016 at London’s Waterloo Station to draw British holidaymakers by recreating Dubai’s key tourist experiences using VR

## Population in Western/Eastern Europe will be digitally connected



### Population using the internet

**77%/69%** in 2017

**85%/79%** in 2022

### Mobile internet penetration of total subscribers

**79%/53%** in 2017

**98%/88%** in 2022

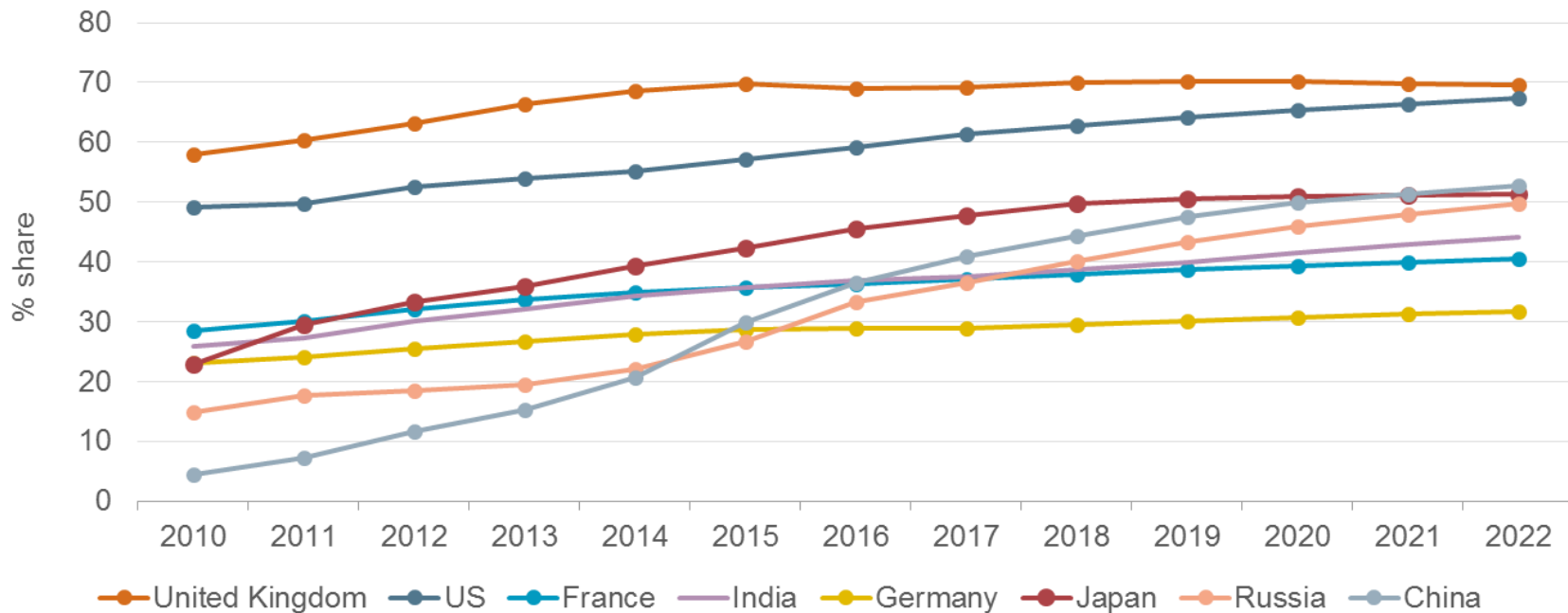
### Households have smartphones

**70%/62%** in 2017

**86%/83%** in 2022

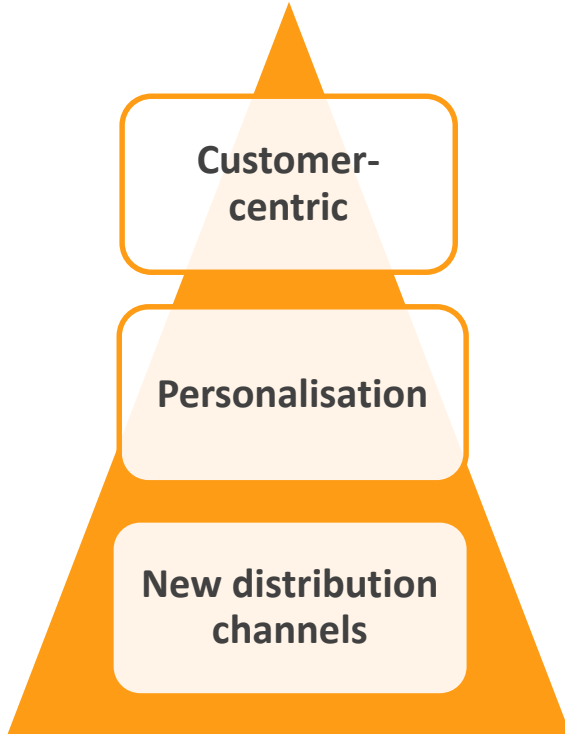
## Online channel is on the rise

Online % Penetration of Travel Sales to Residents in Key Markets 2010-2022



## Technology impacting loyalty

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A more customer-centric and focused loyalty membership approach, which could include experience-led reward programmes

Personalisation can help build an emotional connection between consumers and travel brands

Customer loyalty has been changing over the years, impacted by the shift towards online distribution, growing e-commerce, social media



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**Forecast scenarios**

Changing consumer

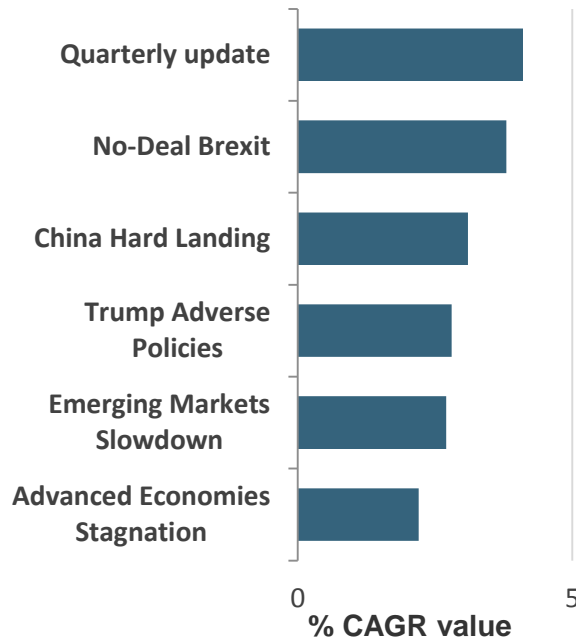


## Global risk scenarios

Scenario	Description
Advanced Economies Stagnation	Growing influence of populism leads to rising trade and immigration restrictions. Labour productivity growth declines significantly below the baseline forecast. Falling private sector confidence reduces consumer spending and investment.
Emerging Markets Slowdown	Long-term potential output in emerging markets lower than expected. Domestic business and consumer confidence drop significantly. Increase in capital outflows leads to higher financing costs.
China Hard Landing	A rise in the proportion of non-performing loans leads to a banking crisis and tightening credit conditions, especially for the private sector. Private sector confidence declines, slowing the rebalancing process.
Trump Adverse Policies	The US imposes tariffs on imports from Mexico, China and other Asian countries, leading to a trade war. Stricter immigration restrictions reduce labour supply. Private sector confidence and stock market values decline.
No-Deal Brexit	UK-EU negotiations stall, and the UK leaves the EU in 2019 without making a deal with the EU. Trade relations with the EU default to WTO conditions with higher barriers.
Quarterly Update	Euromonitor International's latest industry forecast as of Q4 2017.

## Impact on world tourism receipts

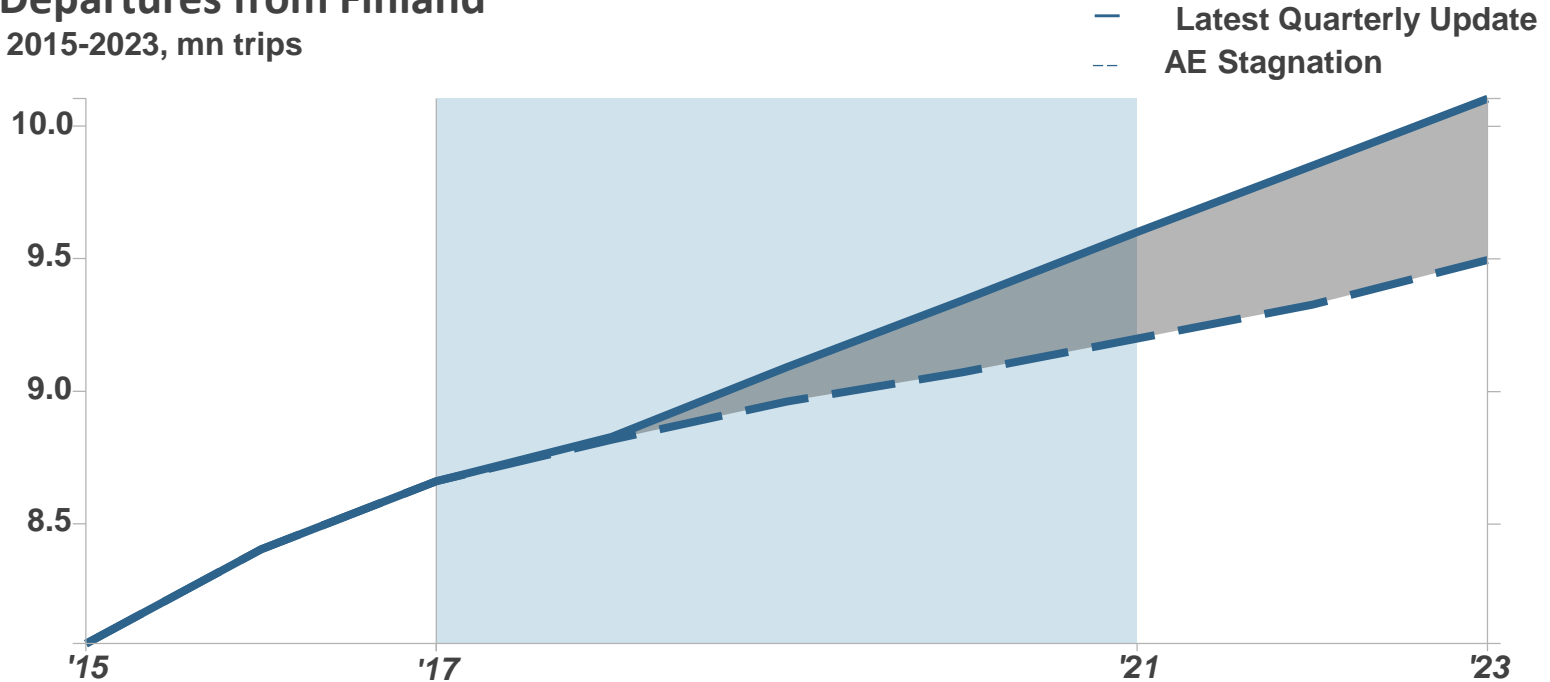
**World Tourism Receipts under  
Alternative Macro Scenarios 2017-  
2019 CAGR**



- For most scenarios such as Advanced Economies Stagnation, Emerging Markets Slowdown, the probability is the same relative to August.
- Due to the growing pressure not to accommodate the demands for EU exit payments, a No Deal Brexit scenario looks slightly more likely than it did in August.
- We have reduced the probabilities of US policy scenarios.

## The impact of macroeconomic stability

### Departures from Finland 2015-2023, mn trips



# Brexit is just one of the threats for travel in UK

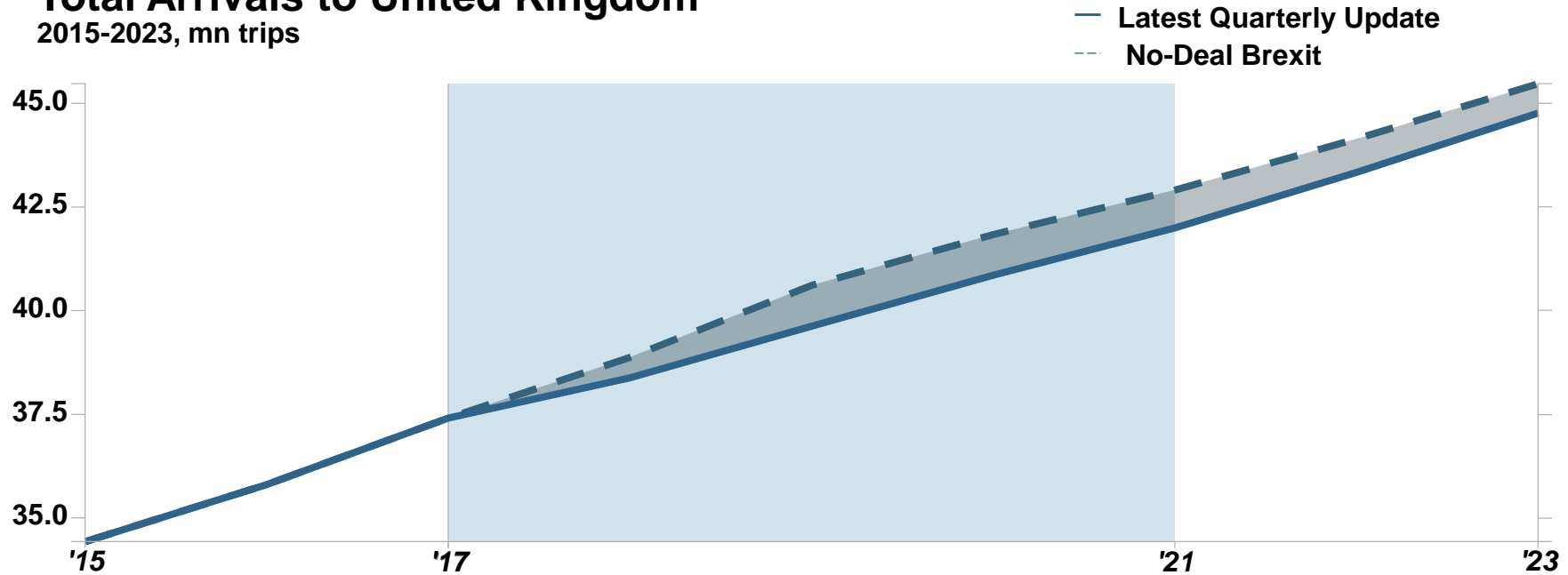
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- In the past year, the UK has contended with multiple terror attacks that will weigh on inbound demand for 17/18
- No-Deal Brexit would result in the best outcome for inbound arrivals once the UK leaves the EU, as that would cause a further depreciation of the pound
- For UK outbound departures, the best case scenario is a Light Brexit, where macro-economic conditions improve
- A key cornerstone of any deal will be the UK's position on freedom of movement and access to European open skies
- Low cost carriers like Ryanair have been vocal about the need for a new UK-EU bilateral air agreement

## No deal Brexit scenario

## Total Arrivals to United Kingdom

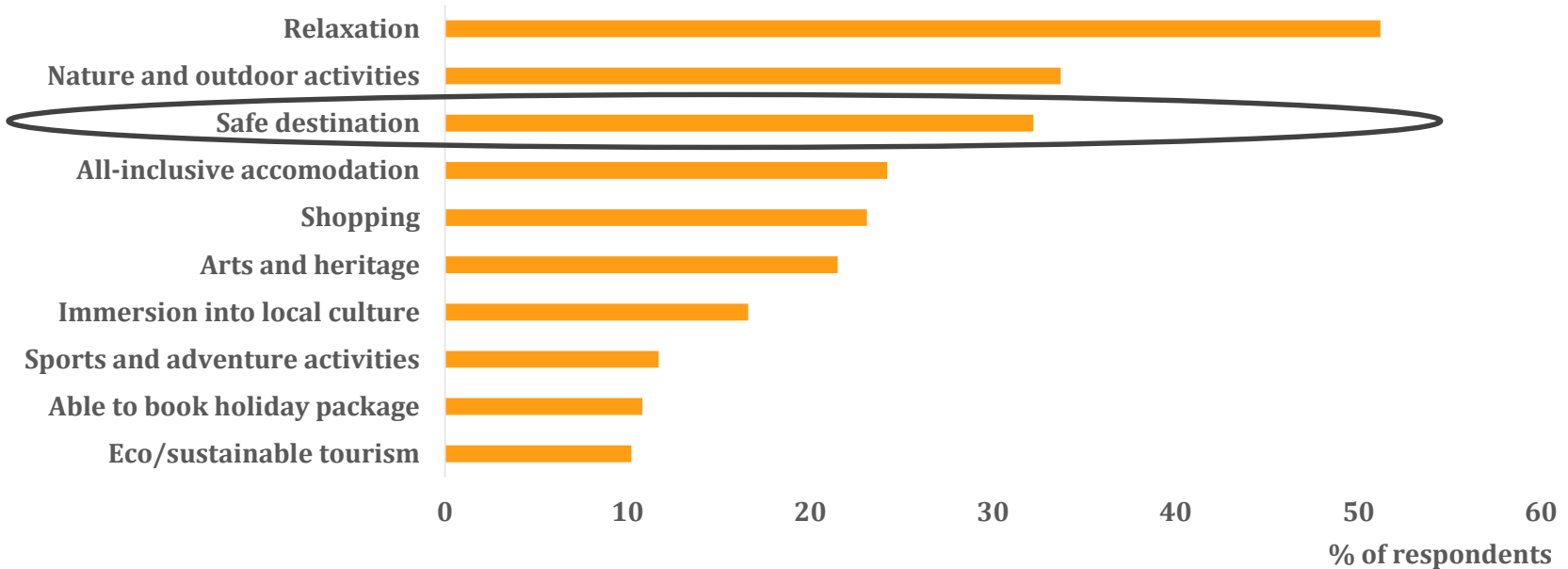
2015-2023, mn trips



No Deal Brexit would increase UK arrivals from the baseline forecast of 40 million to 41 million in 2019, and incoming receipts by almost €1 billion

## Importance of safety

What type of features do you tend to look for when travelling for leisure?

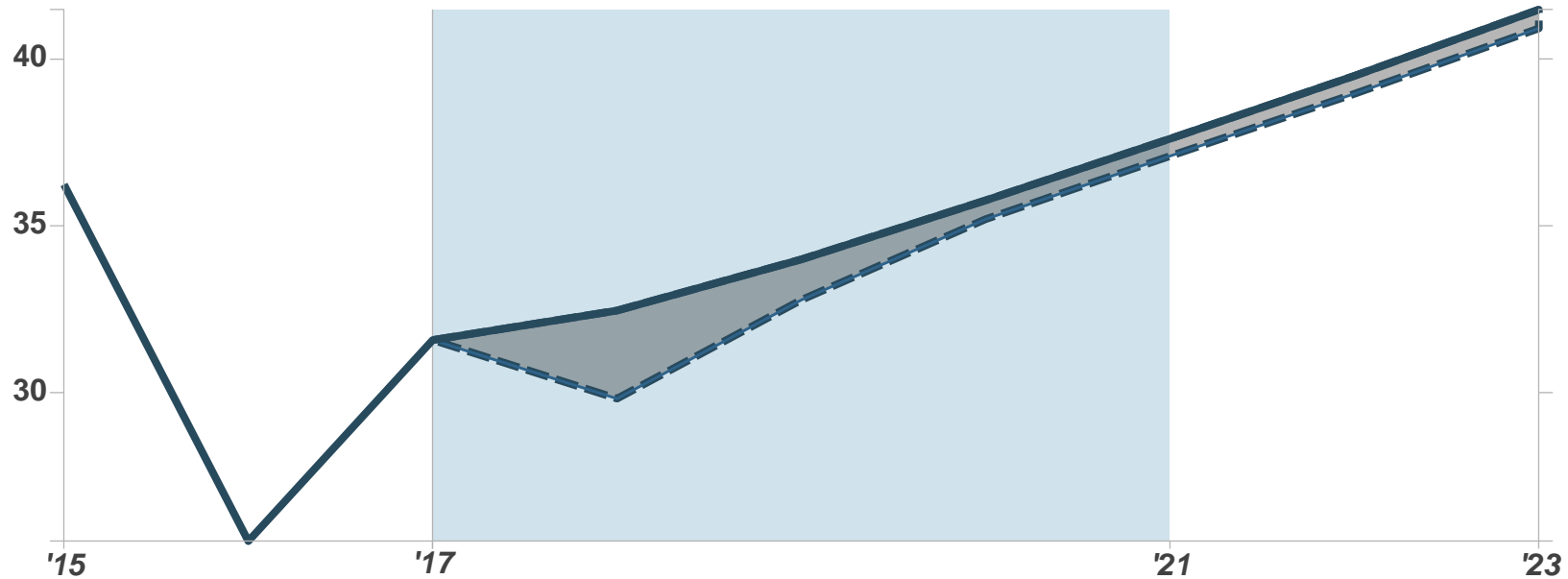


\* Euromonitor International, Global Consumer Trends Survey 2017, 28,487 respondents in 21 country, age between 15 and 65+

## Forecast scenario in case of hypothetical high-level terrorism attack

### Total Arrivals to Turkey 2015-2023, mn trips

— Latest Quarterly Update  
- - Terrorism attack





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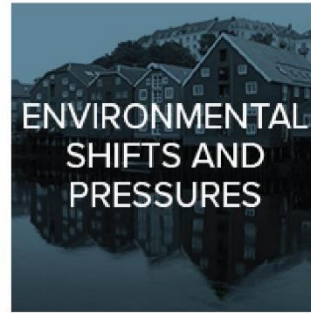
Forecast scenarios

**Changing consumer**



# Main drivers behind changing consumer trends

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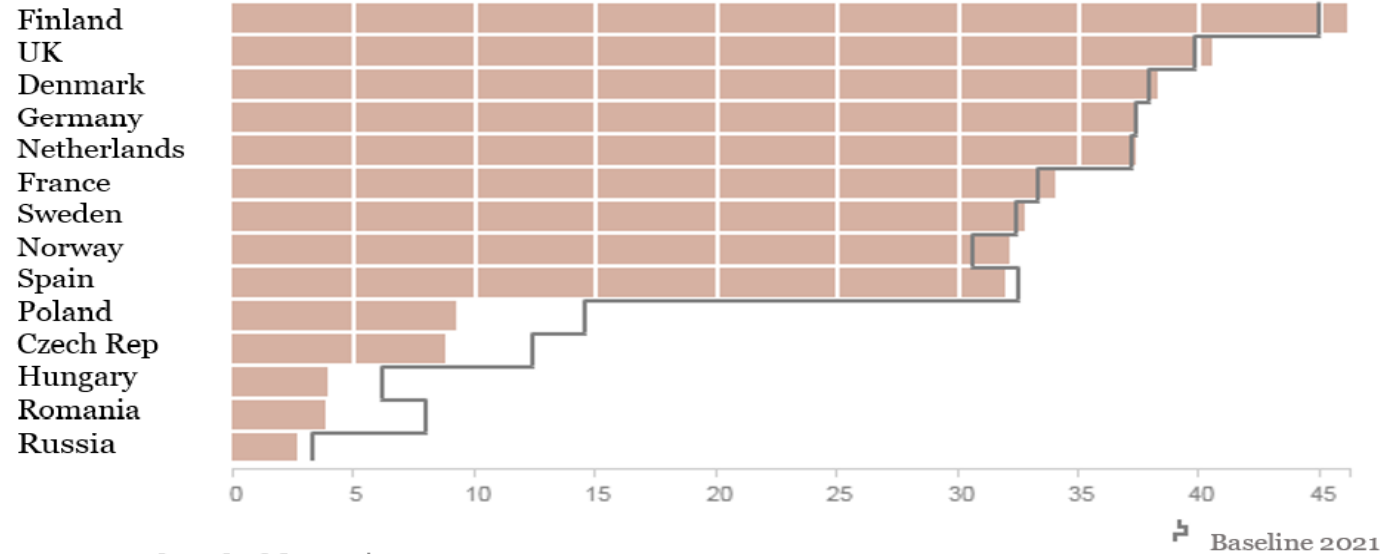
# Key Megatrends

Experience More		Shifting Market Frontiers	
	Healthy Living		Shopping Reinvented
Middle Class Retreat		Ethical Living	
	Premiumisation		Connected Consumers

# Middle class in Europe

## Middle Segment 2016

Disposable Income Distribution, Constant 2016 Prices, % of Households



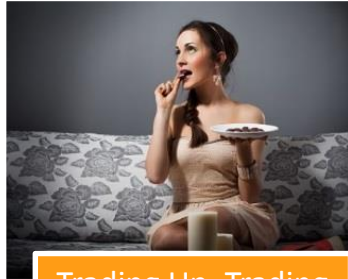
Segment Thresholds US\$

0 ≤ Bottom < 35,000 ≤ Middle < 65,000 ≤ Top

# Middle class retreat in the developed countries



Fickle Consumers



Trading Up, Trading Down



Glorified Frugality



The Sharing Middle



From Having to Being



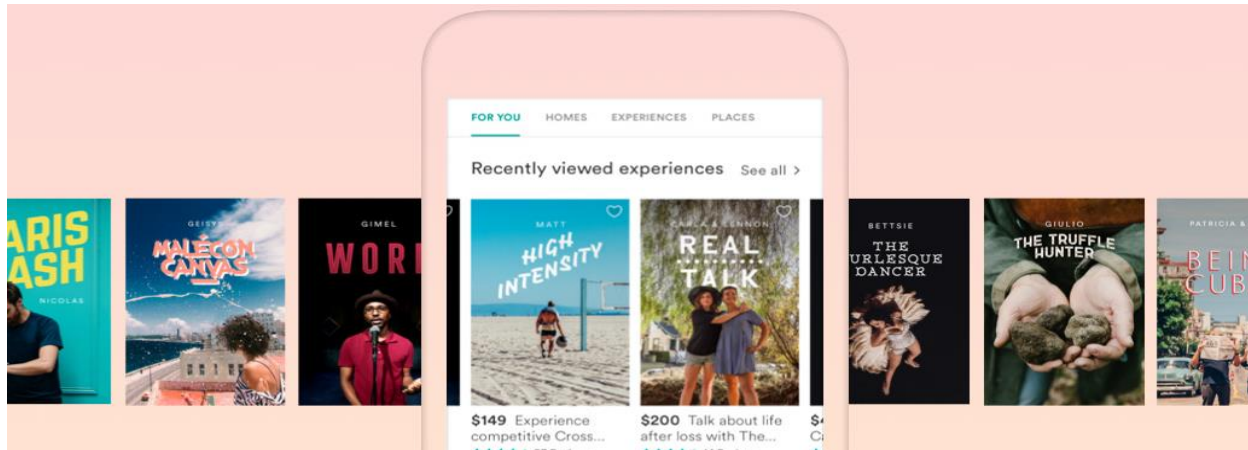
Home of the Deal



Thrill of the Deal

## Airbnb: allowing to optimise resources and get local experience

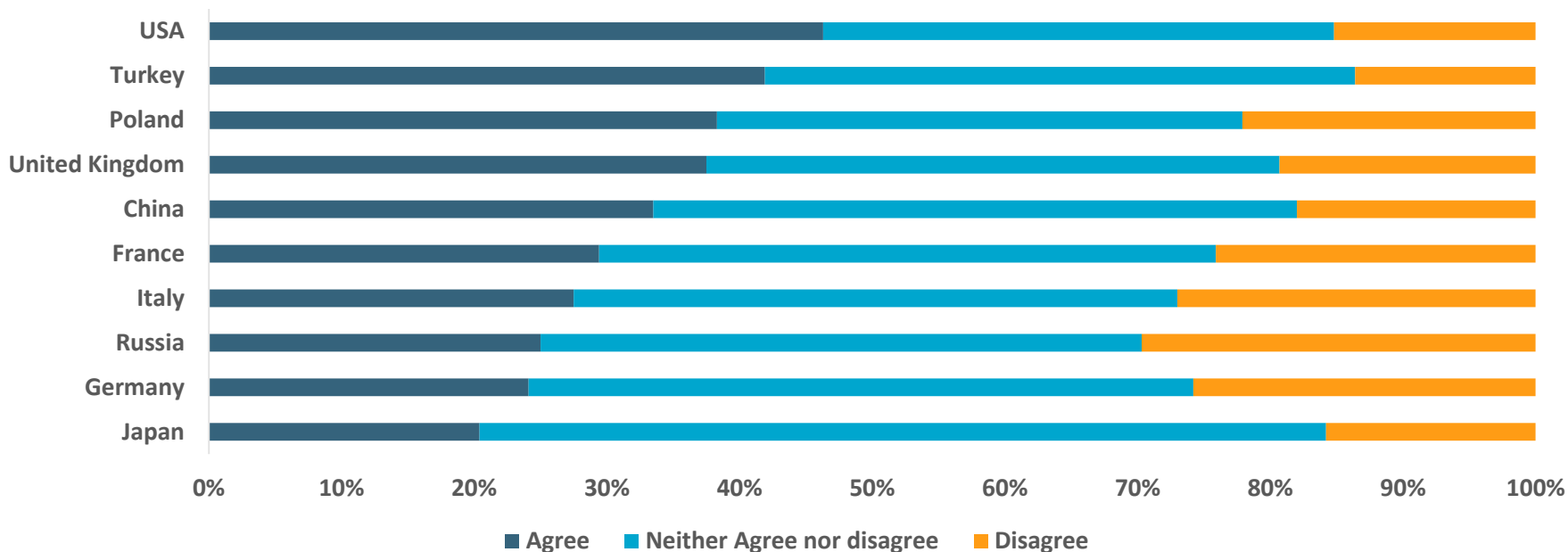
Founded in 2008, Airbnb has seen astronomical growth to register a company valuation of US\$30 billion in 2017



As Airbnb experienced astronomical growth and became a major disruptor of the lodging industry, it is losing its status as a peer-to-peer sharing platform, with professional renters increasingly using the platform to rent out properties

## Changing consumer values in 2017

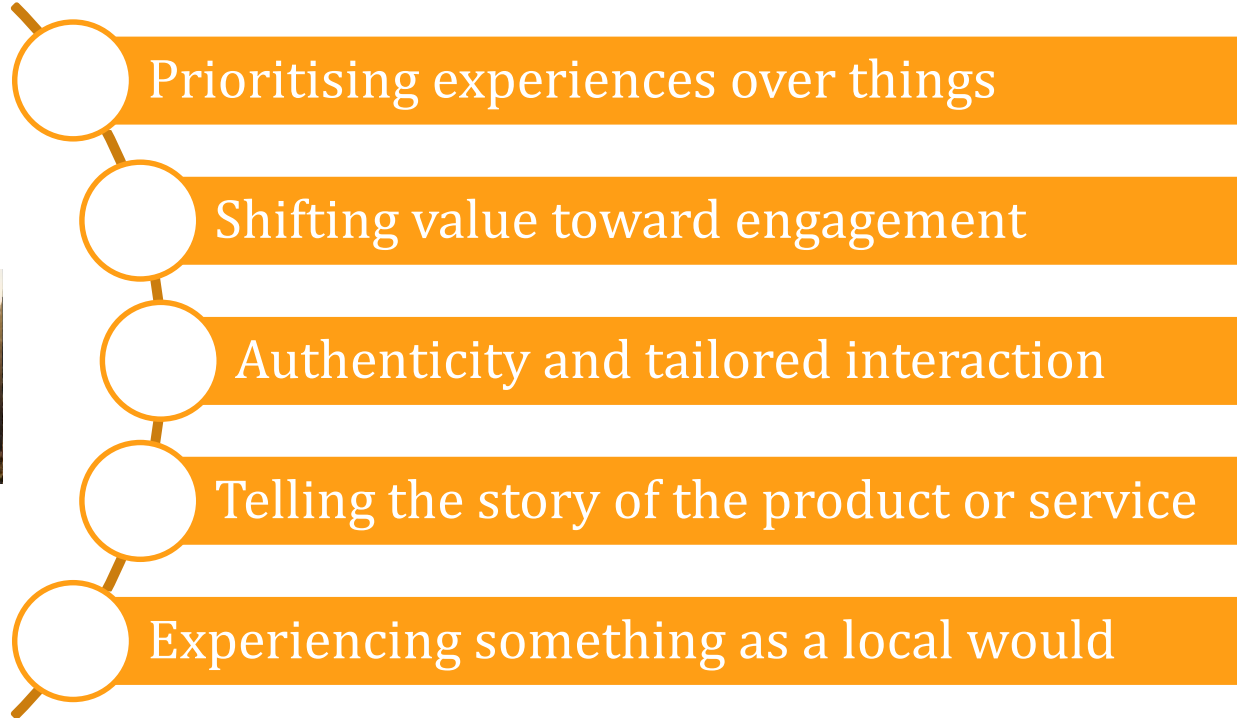
I prefer to spend my money on experiences rather than things



\* Euromonitor International, Global Consumer Trends Survey 2017, 28,487 respondents in 21 country, age between 15 and 65+

## Experience More – Driving Factors

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## ICEHOTEL: experiencing the extreme

Adventure travellers have a more positive impact on local destinations than their mass counterparts, spending more per trip (US\$3,000) and longer in destination, eight days.



The ICEHOTEL in Sweden is one of extreme experiences. Guests are supplied with sleeping bags, and sleep on beds made of ice covered with reindeer pelts in a room kept at  $-5^{\circ}\text{C}$ .

## Game of Thrones: experiencing the series

Game of Thrones the highest ranked TV series on IMDB with 9.5/10 ranking that was filmed also in Croatian Dubrovnik



Dubrovnik almost doubled number of international arrivals to join the 1 million club during 2011-2017

## SpaceX: first tourists around the Moon in 2018

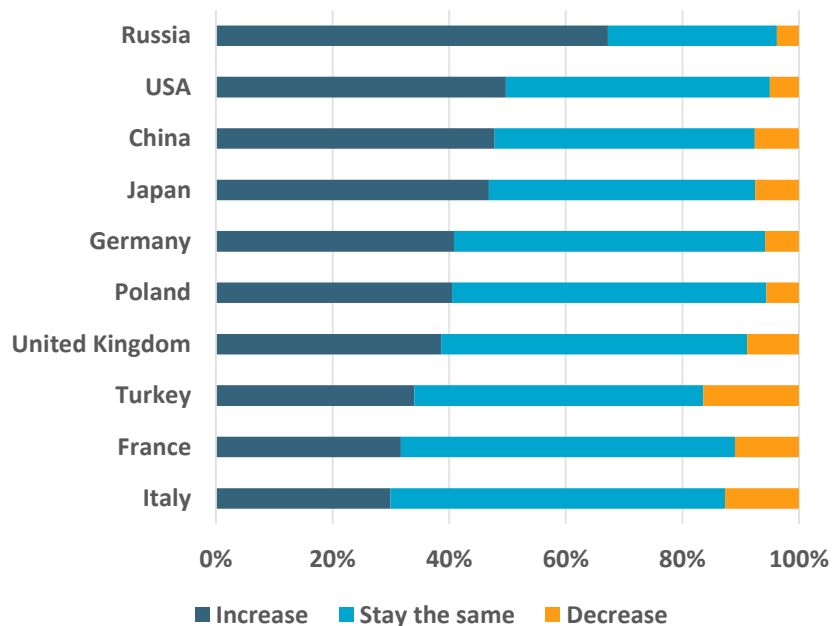
There will be 12,000 individuals with over US\$10 million annual disposable income on Earth in 2021



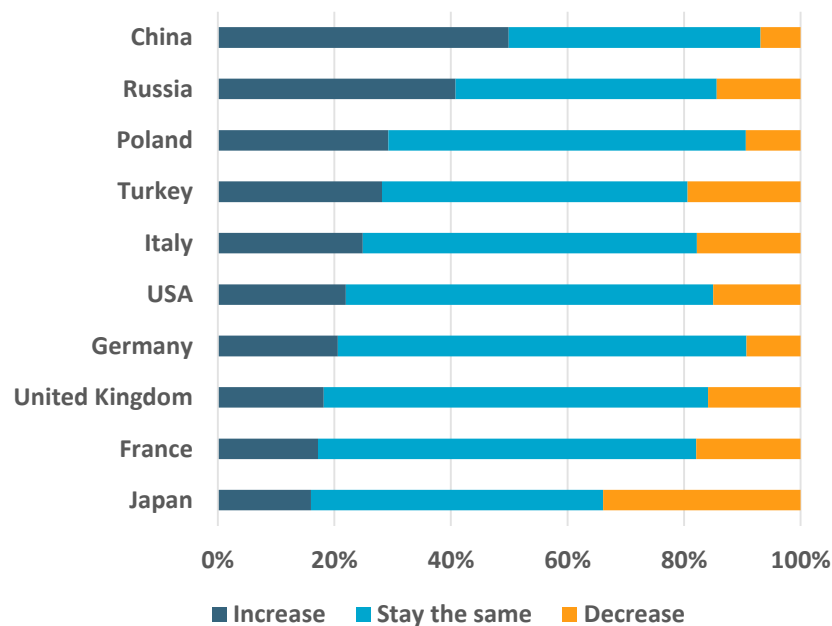
SpaceX announced that it will take two private citizens on a trip around the Moon in 2018. As the number of high net worth individuals increases and experiences are prioritised over possessions, demand for unique trips such as to space is set to emerge.

## In the next 12 months do you intend to change any of the following habit?

### Saving money



### Spending on travel/holiday



\* Euromonitor International, Global Consumer Trends Survey 2017, 28,487 respondents in 21 country, age between 15 and 65+

# Thank You

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