

ITB WORLD TRAVEL TRENDS REPORT 2011/2012

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Contents

Foreword.....	3
A World trends: New world record in 2011 and cautious optimism for 2012.....	4
B Europeans shake off upheavals and keep travelling.....	7
C Asian travel soars as incomes rise.....	10
D South America boom but weak North American demand.....	14
E The new Chinese tourists: young, well-off and hi-tech.....	16
F Quo vadis sustainable tourism?.....	18
G Rich keep travelling, poor cut back.....	23
H Online Marketing: Destinations adapt and follow customers online.....	26

Foreword

This ITB World Travel Trends Report 2011/12 was again commissioned by ITB Berlin from IPK International, organisers of the 19th annual World Travel Monitor Forum, held at San Giuliano Terme, near Pisa, Italy, in early November 2011.

The report covers the main trends in outbound travel demand for the first eight months of 2011 together with estimates for the full year and also contains initial forecasts for 2012, as presented at the Pisa forum (as it is widely known). In addition, it highlights several topics presented and discussed at the forum – such as sustainability, the internet and the rise of China – that will certainly continue to influence the industry significantly in the future.

As the following sections make clear, the world travel industry has generally performed very well in 2011 and has even exceeded forecasts. Outbound (international) trips will increase by 5% in 2011, overnight stays will rise by 4% and spending will go up as much as 8%, according to IPK's World Travel Monitor. These are impressive figures and demonstrate the industry's resilience in the face of diverse dramatic events and crises this year that impacted on the sector.

Looking ahead, it is clear that we have entered a period of political and economic uncertainty. Nevertheless, experts at this year's Pisa forum were cautiously optimistic for further moderate growth in 2012. This positive outlook is based on solid underlying demand factors in mature markets together with rising incomes and higher demand in emerging markets.

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 seventh consecutive year. In March 2012 at the ITB Berlin Convention, Rolf Freitag will present updated figures for 2011 as well as current forecasts for 2012.

Meanwhile, we wish you happy reading!

Dr Martin Buck
Vice President Travel & Logistics
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IPK International

Section A: World Travel Trends

New world record in 2011 and cautious optimism for 2012

World travel successfully steered its way past political crises and natural catastrophes in 2011 and is expected to record a new all-time high this year, exceeding even the expectations of experts. That was the key message at the 19th World Travel Monitor Forum, held in Pisa in early November 2011.

According to IPK International's World Travel Monitor, the volume of travel abroad will increase by 5% year-on-year in 2011, with domestic trips worldwide rising by 2.5%. The forecast is comparable to figures from the World Tourism Organization (UNWTO) presented at the Pisa forum. The UNWTO predicted that international arrivals will increase by 4-4.5% this year to a new all-time high. In a notable sign of the industry's resilience in 2011, these forecasts are at the upper end of the 3-5% growth range that was forecast for this year at last year's Pisa forum.

Looking ahead, experts are cautiously optimistic for moderate growth for 2012 despite the uncertain world economic outlook. Factors such as rising incomes in emerging markets and stable unemployment and disposable income in mature markets are expected to drive demand next year. IPK CEO Rolf Freitag predicted in Pisa an increase of 3-4% for world outbound trips in 2012, based on the current economic environment. This would be more moderate growth than this year but still 'a soft landing' in view of the uncertain macro-economic outlook for 2012. The UNWTO predicts a similar 3-4% increase in international arrivals next year.

A year of crises and catastrophes

2011 was a year of dramatic and unforeseen events that impacted on world travel and tourism. The protests, conflicts and revolutions in Arab countries at the start of the year, the tsunami and nuclear disaster in Japan, the euro zone debt crisis, and political and economic drama in Greece and then Italy, were just the most prominent in a long series of disruptive events around the world. In response, more than eight million travellers switched destinations, preferring to visit "safer" countries, and could not be enticed back with dumping prices, Freitag told Pisa participants.

Yet at the same time, 'New World' economies continued to boom this year, increasing private wealth in those countries. Salaries in China, Russia, Brazil and India are rising fast, with a resulting trend to upwards mobility. This continued to drive demand for foreign travel in these so-called 'emerging markets', the IPK chief pointed out.

As of early November, Germany's renowned IFO Institute was predicting that world GDP would grow by 4% this year but also next year despite the troubled world economic climate and sharp decline in confidence in recent months. However, these forecasts could be downgraded before the end of the year. Speaking in Pisa, Dr. Gernot Nerb, economic expert at the institute, said that next year would no doubt see a decline in the global economy, but he saw no immediate reason to panic. "Only a lack of coordinated measures will push the global economy back to the brink of another recession, as it did in 2008. But that is still a long way off." According to Nerb there is a 70% likelihood that the global economy will not drift back into recession. Next year Asia will again be driving the global economy. "China and India, as well as Japan, carry our hopes for 2012", he added. In contrast, the euro zone and the USA are likely to see only low growth, he said.

Tourism avoids obstacles and drives ahead

Despite this difficult political and economic environment, the worldwide travel industry succeeded in growing well in 2011. According to IPK's World Travel Monitor, the total number of trips will increase by 3% to 6.6 billion this year, based on figures for the year to date and IPK estimates. Outbound (international) trips will increase by 5% to 980 million, while domestic trips will go up more moderately by 2.5% to 5.65 billion. The number of outbound trips with overnight stays (i.e. excluding day trips) is forecast to grow by 5% to 740 million this year. However, there has been a noticeable slowdown in travel in the last few months of 2011. This has been more apparent in domestic travel than in international.

Higher average spending per trip

Interestingly, global outbound travel spending rose faster than the number of trips, indicating higher spending per trip. In total, outbound travel spending grew 8% to €828 billion in 2011, according to the World Travel Monitor. Spending per night rose 4% while spending per trip increased 2%. Asians spend the most per trip, ahead of Americans and then followed by the Europeans. These figures largely reflect the dominance of short-haul travel in Europe and longer geographical distances, and thus higher costs, for Asians and Americans.

Record for overnight stays

There was also a record number of global outbound overnight stays this year, with a 4% rise to 5.9 billion, the World Travel Monitor found. However, international travellers continued to take shorter average trips this year. Thereby, Americans take the longest trips, just ahead of Europeans, while Asians take the shortest trips.

World Travel Trends

	2009	2010	2011
All trips	-1%	+5%	+3%
Outbound trips	-4%	+7%	+5%
Outbound nights	-7%	+5%	+4%
Outbound spending in €	-9%	+7%	+8%

Source: WorldTravel Monitor® (Change (in%) over respective previous year)

Hotels enjoy higher average prices

The world's hotels and accommodation industry mostly enjoyed a year of good growth in 2011 following last year's recovery after the heavy slump in 2009, according to hospitality research company STR Global. All world regions apart from Africa saw higher demand over the first nine months of this year, forecast analyst Naureen Ahmed told forum participants. This growth outpaced the increase in capacity, resulting in better occupancy rates and rising average prices. Room yields (revenue per available room) rose by high single-digit rates in Europe and North America, at double-digit rates in Asia Pacific and South America, and even at a low single-digit rate in the Middle East. There was a sharp drop in Africa, however. Looking ahead, there is a positive pipeline in terms of investments in new hotels or upgrading, reflecting investor confidence in the sector, she pointed out.

Resilient demand for airlines

The world's air passenger market also showed resilience this year, Boeing market analyst Ricky Mack said at the World Travel Monitor Forum. Air travel's share of the total trip cost is falling due to the rise of budget airlines, he noted. Demand was increasing with an emerging global middle class with sufficient disposable income to spend on leisure, while business travel demand was being driven by corporate performance and the readiness to spend on travel in order to retain and generate business.

The rise and rise of the internet

The internet has now clearly established itself as the world's favourite place to book travel, this year's World Travel Monitor also showed. Online bookings now account for nearly half of bookings, while (besides direct bookings with hotels or airlines) travel agents meanwhile trail at not even one-third of bookings.

Leisure travel (holidays) continues to be the dominant reason (more than 70%) for outbound travel around the world, compared to business travel and visiting friends and relatives. There is little statistical difference here between Europeans, Americans and Asians, the World Travel Monitor showed.

Cautious optimism for 2012

Despite the uncertain political and economic situation in Europe and around the world, the outlook for the world's travel industry for next year remains good. Experts are cautiously optimistic for moderate single-digit growth on top of the expected new record for 2011. Assuming no major political or economic upheavals in the coming months, IPK currently forecasts that world outbound trips will increase 3–4% in 2012, based on its survey results. "People are worried but very few say that this will impact on their travel planning for 2012," IPK CEO Rolf Freitag told participants in Pisa. "We believe world tourism is on track in 2012. We expect a soft landing in 2012."

The UNWTO gave a similar outlook, predicting that international arrivals would grow by 3–4% next year and reach the 1 billion level. More moderate growth was likely in 2012 than in 2011 due to rising uncertainty and a sharp drop in confidence in recent months, according to the UN agency.

Section B: European travel trends

Europeans shake off upheavals and keep travelling

Europeans travelled strongly in 2011 despite crises and catastrophes in destinations around the world. Outbound trips increased by 4% and thus exceeded expectations of only 1–2% growth this year. More moderate growth of 2–3% is forecast for 2012 due to the uncertain outlook.

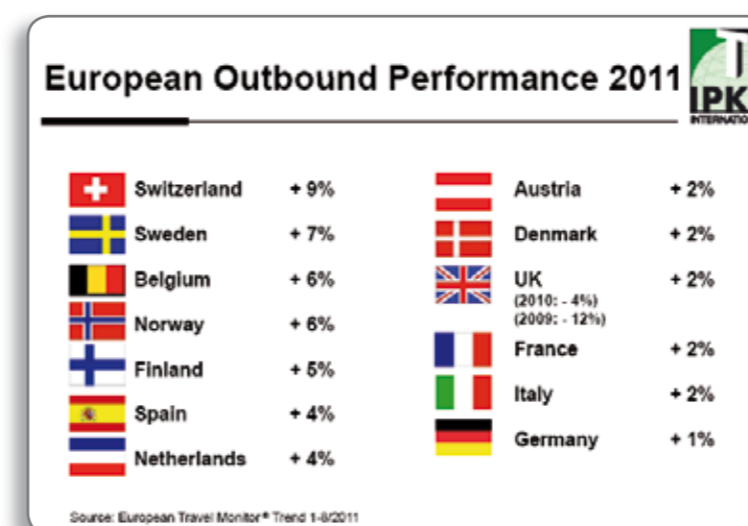
More trips but shorter and cheaper

There were certainly headwinds trying to blow European outbound travel off course during 2011. The European debt crisis, political turbulence in Greece and Italy, revolutions and conflicts in North Africa, the tsunami and nuclear disaster in Japan were all disruptive factors. Nevertheless, the outbound market continued to grow. The number of trips taken by Europeans rose 4% from January to August this year, the numbers of room nights increased 1% and spending was 2% higher, according to the European Travel Monitor trend survey. The average length of stay fell 5% to 7.6 nights and spending per trip declined 4% to €850. The number of short trips with one to three overnights rose by 10%, while figures for longer stays stagnated. In other words, Europeans travelled more but took shorter trips and kept a tight watch on their spending.

"2011 was a further recovery year but we are not yet back at the level of 2008," IPK analyst Dennis Pyka said at the Pisa forum. Beach holidays (+6%), city trips (+10%) and tours (+8%) were all in good demand during 2011 but there was a clear decline in winter snow holidays (-5%) and countryside holidays (-7%). More people flew on low fare airlines (+10%) compared to traditional carriers (-4%).

Small source markets outpace giants

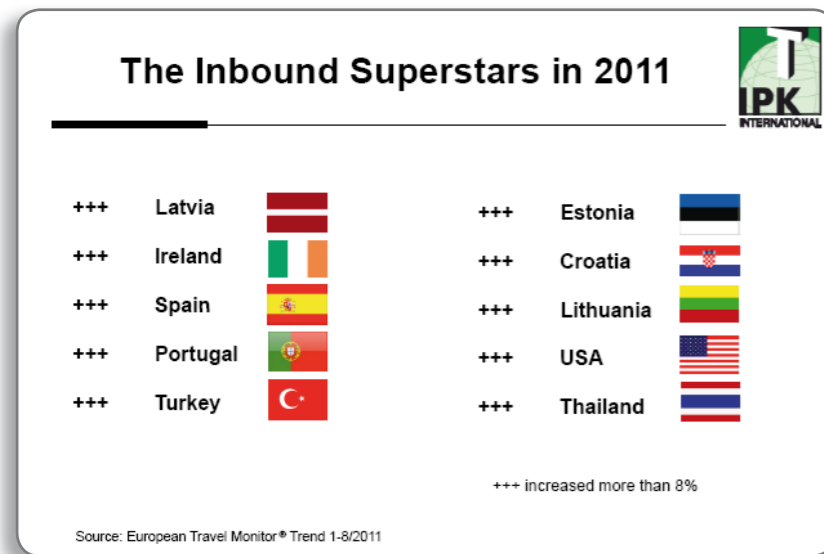
In terms of source markets, there was one very apparent trend in 2011, according to the European Travel Monitor's figures for the first eight months of the year. Small outbound markets grew much faster than large ones. Germany, for example, which is Europe's largest outbound market, grew just 1% in terms of trips, and the number two, the UK, grew only 2%. There was similar low growth for France and Italy. In contrast, Nordic, Benelux and Alpine markets grew well, along with Spain (see graphic).



The European Travel Monitor Trend Survey 1-8/2011, based on 100,000 representative interviews, covers 13 major markets that represent 75% of European outbound travel.

Big shifts among destinations

Growth in European outbound trips has been spread fairly equally between short-haul (+4%), which accounts for 90% of European outbound trips, and long-haul (+3%) destinations this year. But there have been big shifts within these two market segments. Southern European countries such as Spain, Portugal, Turkey and Croatia are among the big winners this year with growth of more than 8%, largely due to winning European tourists who would normally have holidayed in North Africa. Losers include Greece, Switzerland, Egypt and Tunisia. In the long-haul sector, the Americas (+6%), especially the USA, proved popular with European travellers this year while Asia Pacific grew only 1%, mostly due to the impact on demand from the Japan catastrophe.



“As a result of the Arab Spring, Mediterranean countries such as Greece, Portugal, Spain as well as Italy are currently benefiting from a mood of uncertainty among tourists,” Freitag commented. “the political upheavals and changes affecting society throughout the Arab world are playing into the hands of European countries on the Mediterranean.” However, according to the CEO of IPK International, Greece must take care not to squander the good reputation it enjoys as an attractive holiday destination. “Footage of violent demonstrations and striking airport employees is not conducive to improving a tourism destination’s image”, said Freitag. In such difficult times Greece will only be able to compete as a tourism destination with other countries by lowering prices. However, due to cost structures and new taxes, that is something the country’s tourism industry will have difficulty achieving.

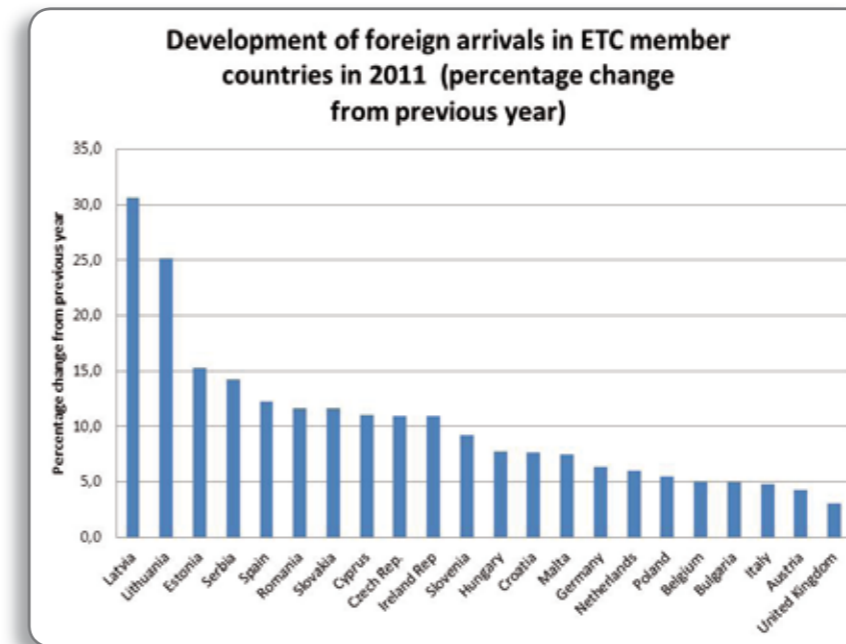
New all-time high in 2012?

Despite the general uncertainty, Europeans do not plan to cut back on travel next year, the European Travel Monitor found. As many as 64% said the current financial and economic crisis would not impact on their travel behaviour in 2012. In September 2011 travellers from 13 European countries were asked whether and how often they intended to travel next year. 43% said they would be travelling as often in 2012 as this year. 27% aimed to travel more. By contrast, 20% said they would be travelling less than in 2011. Most confident for next year are Poles, Finns and Norwegians while the Spaniards and the Italians are the most pessimistic.

Overall, IPK’s ‘European Travel Confidence Index’ lies at 103 points for 2012, indicating 2–3% growth next year. This would represent solid growth and would mean a new all-time high number of trips, ahead of the previous record year of 2008.

Boom year for European destinations?

European destinations have had a very good year in overall terms so far this year, Tom Ylkänen, research manager with the Finnish Tourist Board told the forum. Figures from 26 countries in Europe covering the year up to July or August showed an 8.9% increase in overnight stays and a 9.7% increase in international arrivals. Visitor numbers to Europe from China, Russia and India are all up by high double-digit rates this year and there is a high single-digit rise in US visitors. Countries in Eastern Europe are showing generally strong growth compared to larger destinations in Western Europe (see graphic below). However, intra-European travel trends diverge considerably depending on source market and destination.



Source: TourMis

These figures together with an ETC survey covering 20 countries indicate that for 2011 as a whole inbound travel for Europe will grow about 6%, Leslie Vella, Malta Tourist Authority marketing director and ETC market intelligence chairman, said at the forum. Many countries expected to see slower growth in the last few months of 2011 than in the first half-year, he noted. Key factors included improved accessibility by air with more low-cost flights, good performances from important source markets and higher marketing spending compared to the last two years.

Looking ahead to next year, he added: “The outlook for 2012 can be described as cautiously optimistic and in the range of +2-3% for European inbound, but with a big ‘ceteris paribus’ (other things remaining equal).” This was due to the high levels of uncertainty at present, he explained.

Section C: Asia Pacific travel trends

Asian travel soars as incomes rise

Asia Pacific is enjoying strong growth in travel this year due to rising incomes in the region, and the outlook for 2012 remains positive despite the uncertain world economic climate, the 19th World Travel Monitor Forum was told. Outbound travel has grown 6% so far this year, according to the Asian Travel Monitor trend survey, which is slightly ahead of the 5% rise that was forecast at last year's Pisa forum for 2011. A further 5% increase is predicted for 2012.

Meanwhile, Asia Pacific is proving a popular destination this year with growth in the 5–6% range. Countries in South and South-East Asia are selling fast but growth is slower for Northeast Asia due to the sharp decline in travel to Japan.

New record for Asian outbound travel in 2011

This year Asia Pacific outbound travel has built on last year's strong double-digit growth (+14%) which represented a dynamic recovery from a 5% slump in 2009. With a 6% rise in outbound travel over the first eight months of the year, the region has confirmed itself as one of the driving forces in world travel and has set another all-time high record. This is all the more remarkable given a 6% drop in outbound travel from Japan, the largest single outbound market in Asia, over the first eight months of 2011. In particular, China has proved to be a strong growth market in terms of outbound travel.

Japanese market recovers from post-earthquake slump

As Asia's largest outbound travel market, Japan is always a closely-watched market. This is all the more so at present following the traumatic events in March 2011 with the 'triple whammy' of the earthquake, tsunami and subsequent nuclear catastrophe at Fukushima. Hiroshi Kurosu, senior researcher at the Japan Travel Bureau Foundation in Tokyo, presented an optimistic perspective for outbound travel, however, at the Pisa forum. After dipping into negative territory and reaching nearly -10% between February and June, outbound travel had picked up again since July to reach nearly +10% in August and September. Demand was proving stronger than in past crises, he pointed out, declaring: "The Japan market is still alive!" Japanese travellers were visiting Asian destinations more strongly than the USA, Europe or Australasia. In contrast, inbound travel to Japan, which hit -50% in April, was still running at about -25% in September.

Key factors in this quick recovery from the post-earthquake slump were that the affected region in Japan had only a very small share of the outbound market, there was no risk in overseas travel in contrast to past crises, flight capacity had only fallen slightly and the yen had strengthened in value, Kurosu explained. Moreover, one surprising factor was that stress concerning the disaster had motivated people to travel rather than stay at home. There was also a 'change of mindset' among the Japanese population following the March disasters, he stressed. "People are changing their lifestyle. They are thinking seriously about how to change their life." This included less mass consumption, more energy-saving, more social and volunteer work, and a shift from spending on assets to spending on experience, including travel, the market expert stressed. "Perhaps there is a move away from the mass consumption climate," he commented.

For 2012, Kurosu predicted a 4% increase in Japanese outbound travel and a continuation of the trend to more short-haul and less long-haul travel.

Asia's rising middle class wants to travel

One of the key factors driving travel demand in Asia is the rise of large, relatively well-off middle classes in the region. In contrast to the continuing uncertainty in Europe and the USA, Asia is still booming in economic terms. China, South Korea, South-East Asia and India have all grown well this year. Salaries are gradually rising in such countries and as people have greater disposable income, their desire and ability to travel abroad increase. Indeed, Asia Pacific is now home to more wealthy people than all of Europe, according to the 2011 World Wealth Report from Capgemini and Merrill Lynch Global Wealth Management. The number of multi-millionaires in the region has grown nearly 10% to 3.3 million while Europe's equivalent population increased only 6% to 3.1 million. This very well-off group naturally has a high propensity to travel.

Addressing the Pisa forum, Mason Florence, executive director of the Mekong Tourism Coordinating Office (MTCO), predicted: "Asia's more sophisticated urban life will create demand for more specialised products, such as heritage and culture, 'edutainment' theme parks, soft adventure, luxury holidays and sports tourism." In terms of individual countries, he added: "There will be further growth in outbound travel from China and India due to their rising purchasing power. Indonesia and Vietnam should be watched as major outbound markets and also the Philippines, to a lesser extent. What's more, Japanese outbound travel will start to grow again and the market will be stimulated by the arrival of low-cost carriers next year."

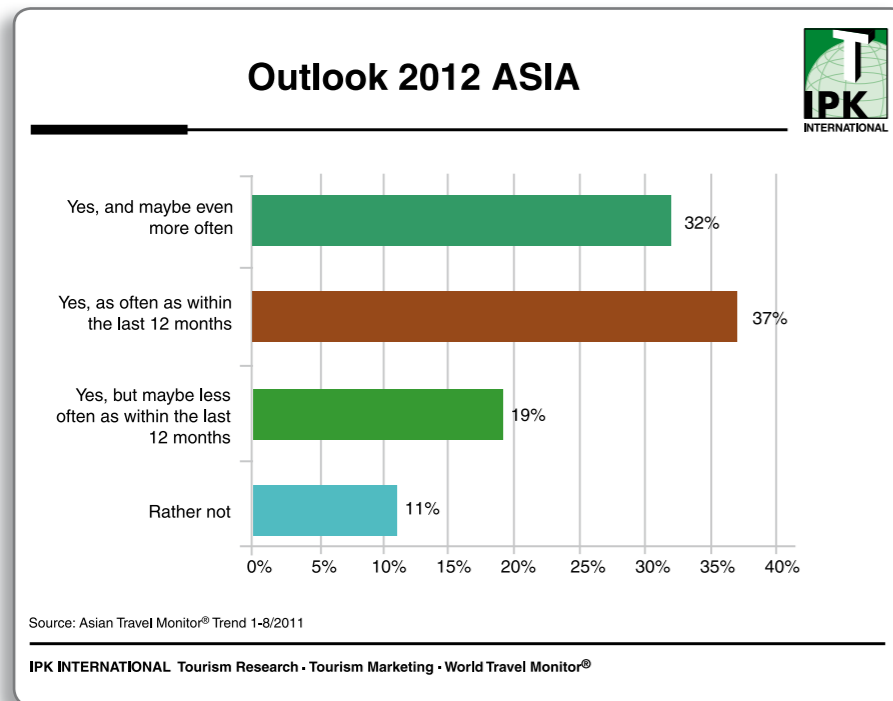
Low-cost airlines open up markets

The fast growth of low-cost airlines has played a strong role in helping to develop travel within Asia in recent years. Three large carriers (Air Asia, Jetstar and Tiger Airways) have emerged, and budget airlines now fly to more than 150 destinations across the continent, Florence pointed out. At the same time, Gulf-based carriers are opening up new routes to Asia, and more Asian airlines have joined one of the global airline alliances, thus creating new connections. Intra-Asian air travel already became the largest regional market in the world in 2009.

Positive outlook for 2012

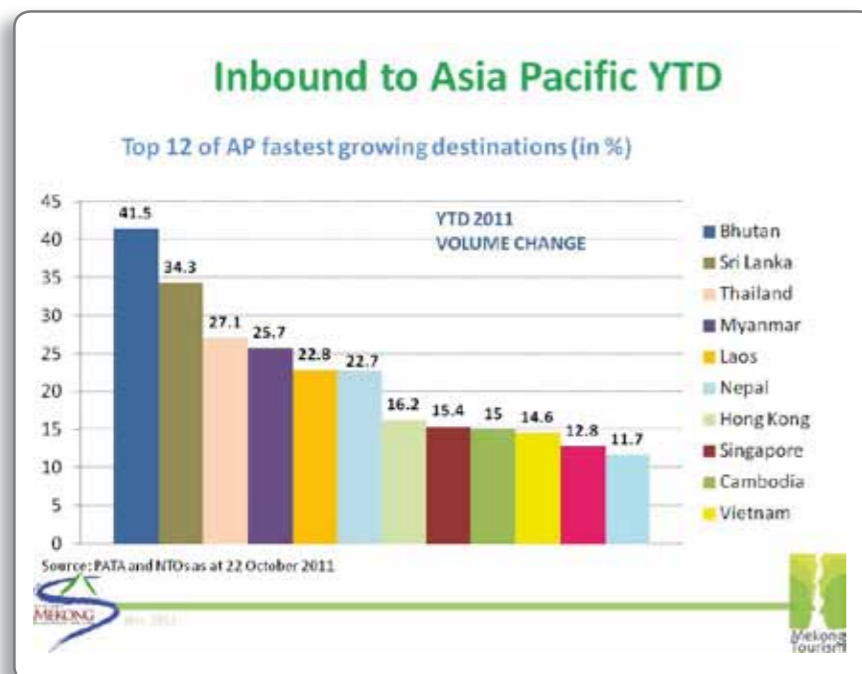
Amid the economic uncertainty in Europe and the USA, Asia continues to be one of the key drivers of the world economy. The outlook for Asian travel next year is also very positive, according to the Asian Travel Monitor. Asked about their travel intentions for 2012, a high 32% of survey respondents said they would travel more in 2012 than in 2011, while 37% plan similar levels and only 19% want to reduce their travel.

The overall Asian Travel Confidence Outlook for next year is at a good 105 points. China and India lead the way with 111 and 110 points respectively, reflecting continued strong travel demand in Asia's two most populous countries. Unsurprisingly, the outlook is weaker in Japan (98 points). Overall, the IPK forecast for Asian outbound travel in 2012 is for another year of healthy growth with a 5% rise in outbound trips.



Southern & Southeast Asia destinations grow fast in 2011

Meanwhile, Asia has firmly established itself as one of the world's fast-growing destinations over the last decade, is generally performing well this year and can look forward to further growth in the years ahead, experts told the Pisa forum. International visitor arrivals to the region nearly doubled to 204 million between 2000 and 2010, according to UNWTO figures. The organisation predicts 5–6% growth in international arrivals in Asia Pacific this year after a 12.8% increase in 2010. South Asia (+14%) and Southeast Asia (+12%) are setting the pace this year, according to Pacific Asia Tourism Association (PATA) figures. The three fastest-growing destinations are Bhutan, Sri Lanka and Thailand.



Mekong states work for more tourists

Countries and regions cooperating in the Mekong Tourism initiative are successfully winning more tourists this year, the organisation's chief executive Mason Florence told the Pisa forum. The initiative, which comprises Cambodia, Laos, Myanmar, Thailand and the two Chinese provinces of Yunnan and Guangxi, has increased visitor numbers to the Greater Mekong sub-region from 20 million in 2005 to 31 million last year. The ambitious target is to top the 50 million mark in 2015.

Thailand is by far the largest destination with nearly 16 million annual tourists while Vietnam draws about five million international visitors. "But more visitors are now visiting the smaller Mekong destinations," Florence reported to participants. Myanmar, Laos and Cambodia, for example, all have high double-digit growth rates this year, PATA figures show.

A further boost is expected as countries in the ASEAN organisation ease and simplify travel regulations. At present, Malaysia is the largest source market for the Greater Mekong sub-region with 2.6 million visitors, ahead of China (2.4 million), Thailand (2.2 million), South Korea (1.9 million) and Japan (1.8 million).

Positive forecasts for travel to Asia

Looking ahead, Asia's key destination regions can expect good single-digit growth rates over the next two years, Florence told the Pisa forum, citing PATA forecasts. Northeast Asia can expect growth of 5% in 2012 and 5.5% in 2013, Southeast Asia is expected to grow 7% and 6% over the next two years, while South Asia should see growth of 6% next year and 5.6% the year after, he said.

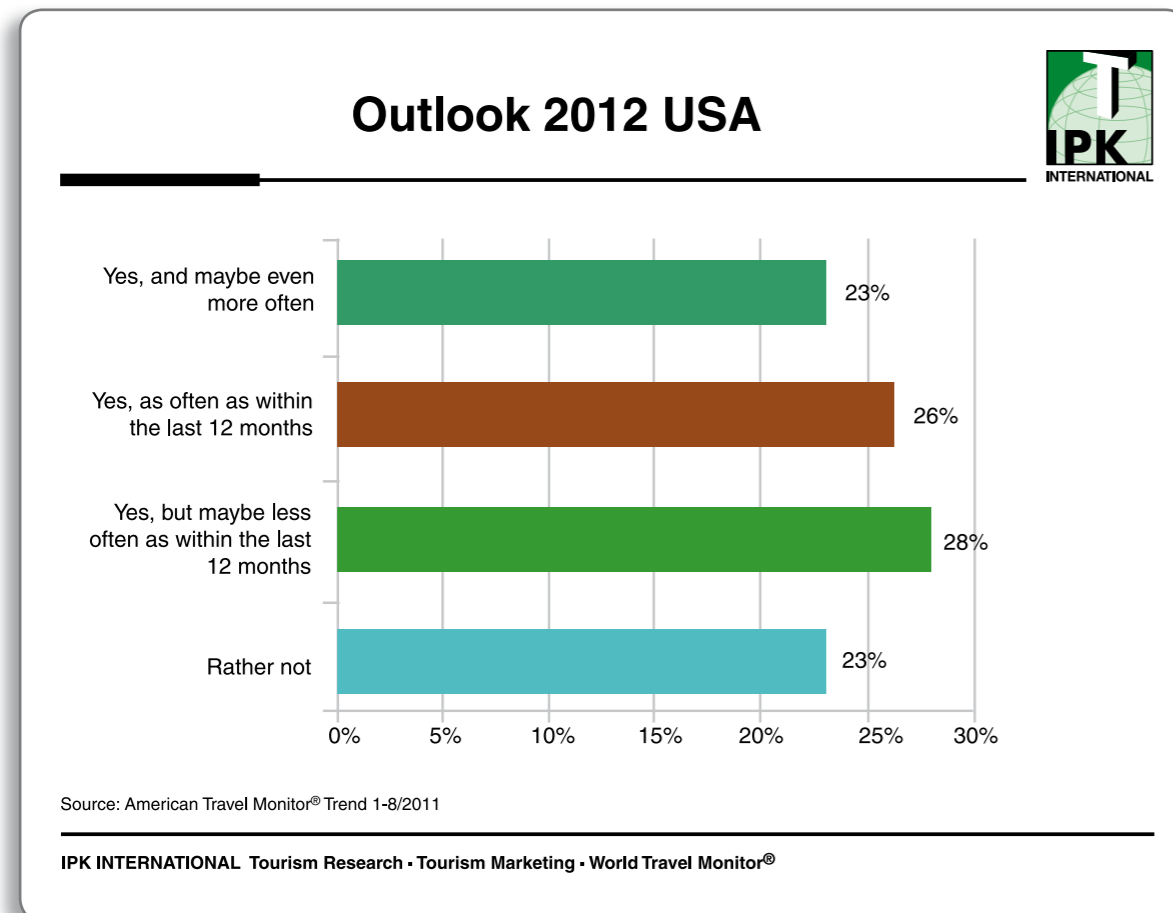
Section D: Americas travel trends

South America boom but weak North American demand

Travel trends in the Americas in 2011 have been a story of two halves and this is likely to continue in 2012, experts said at the 19th World Travel Monitor Forum in Pisa. South America is showing strong double-digit growth for both outbound and inbound travel. Consumers from the region are continuing to travel strongly as local economies remain on the growth path, and the region is also welcoming more international visitors this year. In contrast, the US outbound market remains weak and inbound travel is growing only moderately. For the Americas as a whole, the UNWTO predicts growth of 4-5% in international arrivals this year after a 6.4% increase in 2010.

Stagnation in the USA

Outbound travel from the USA showed zero growth over the first eight months of this year and the outlook for 2012 is also weak, according to the American Travel Monitor trend survey. Only 23% of Americans plan more international travel next year, 26% about the same, 28% plan to travel less and a high 23% do not plan any international travel in 2012 (see graphic). As a result, the IPK Travel Confidence Indicator for the USA next year is only at 98 points. A 2% drop in US outbound travel is thus expected in 2012.



Americans switch to 'staycations'

This negative forecast, however, could have been worsened given the state of the US economy, Ken Andrews, of New York-based Andrews Research Associates, told the Pisa forum. "In the circumstances, it's good news that it is only 2% down. The USA is a soft spot but it's not a disaster," he commented.

US consumer confidence had been hit by several factors in recent years, the experienced economic expert pointed out. Incomes were stagnating, unemployment was rising, the housing market remained weak, and people were saving their money rather than spending it, he explained. As a result, Americans were seeking value for money travel deals. There was also a trend to 'staycations', with people staying at home or holidaying in nearby regions rather than going on a full vacation, he added.

Slower inbound growth

Meanwhile, travel to North America has slowed this year, according to the latest UNWTO figures. International arrivals were only 3% higher over the first eight months of this year compared to 7% growth in 2010.

Strong growth for South American outbound travel

In contrast, South America is again a success story this year. The boom in outbound travel by South Americans seen in recent years has continued in 2011, Rolf Freitag, CEO of IPK International, told the Pisa forum. The growth rate over the first eight months of this year was 15%, the American Travel Monitor trend survey showed. However, growth rates are starting to slow somewhat.

Brazilians are continuing to spend heavily on foreign travel as they take advantage of solid economic growth and a strong currency. Their international tourism expenditure soared by about 45% over the first eight months of 2011 which came on top of a 50% increase last year. An interesting analysis of the similarities and differences between the Brazilian, Argentine, Chilean and Mexican outbound markets was presented by Gabriela Espinosa, research director of the Mexican Tourism Board, based on detailed World Travel Monitor data. Travellers from these four emerging markets tend to be relatively young, well-educated and well-off, generally travel for leisure purposes and tend to go on sightseeing tours, she said. Brazilians often go on long-haul trips and spend more money, Argentines and Chileans tend to travel mostly within South America while Mexicans have a strong focus on visiting the USA. However, there is still a shortage of low-cost airlines in Latin America that would generate stronger long-haul growth, she pointed out.

Double-digit rise in visitor numbers to South America

For inbound travel, South America is one of the world's hotspots as a destination region in 2011. International arrivals to the region increased by 13% over the first eight months of this year, which followed a 10% rise in 2010. In comparison, the Caribbean and Central America (both +4%) have only moderate growth so far this year.

Section E: New Chinese tourists

The new Chinese tourists: young, well-off and hi-tech

Forget groups of older people in drab suits obediently following tour guides around the sights. Today's (and, above all, tomorrow's) Chinese tourists are young, affluent, well-dressed and hi-tech, and they want individual experiences combined with Chinese-ready services. That was the message from a leading China expert at the 19th World Travel Monitor Forum.

China is poised to become a major force in world tourism as more Chinese travel abroad and the country becomes a more popular destination, Jens Thraenhart, president of Dragon Trail, a Beijing-based tourism and digital marketing company, told the forum. The World Tourism Organization predicts that 66 million Chinese will travel abroad this year, up 15% on 2010. Although the vast majority still visit neighbouring Hong Kong or Macau, the number of Chinese consumers travelling to destinations in Asia or beyond is growing fast. In 2010, they took 16 million outbound trips, according to the Asian Travel Monitor from IPK International.

"The Chinese travel market is changing a lot," Thraenhart stressed. "Chinese tourists are going beyond Hong Kong and Macau now." The number visiting destinations in Asia Pacific (excluding Hong Kong and Macau) soared 28% to 11 million in 2010, according to IPK's Asian Travel Monitor. In Europe, countries such as France and Germany now feature among the favourite destinations for Chinese overseas travellers. Moreover, the Chinese are welcome guests as they spend a high proportion of their travel budget on shopping.

Individual experiences instead of tour groups

A key change is the trend away from group to individual travel. Thraenhart said: "The new Chinese tourists are getting more demanding. They are moving towards an experience-based choice model from a price-based choice model, demanding higher quality services and moving from traditional tour groups to more individual travel experiences." At present, most Chinese travellers still want to pack in as much sightseeing as possible but this will change in future as travel becomes part of a more affluent lifestyle and desires such as relaxation and entertainment become more important, he predicted.

Nevertheless, language and culture remain vital factors for Chinese travellers. Destinations and hotels should ensure they offer 'China-ready' services to visitors from the People's Republic to make them feel welcome and at home, Thraenhart recommended. "This ranges from hot water cookers for instant noodles and slippers in the hotel room to Chinese menus in restaurants and Chinese-speaking staff or audio guides at destinations and museums," he said.

Young high income professionals drive growth

The driving force in the growing Chinese outbound travel market comprises young professionals with high income, Thraenhart said. This group already represents a significant segment of the total outbound market. This makes them very different from their well-off counterparts in developed economies. "Affluent Chinese consumers are on average 20 years younger compared to the US and Europe," the Beijing-based expert explained. They tend to be interested in individual experiences and are big shoppers, especially of well-known Western brands. Their average spending per visit, for example, is increasing at double-digit rates.

New Chinese tourists are 'digital natives'

Perhaps the most important characteristic of the new Chinese tourists, however, is that they are 'digital natives' who have grown up using computers, the internet and now mobile technology and social media. Now they are using these digital channels to plan and book their travel. Online bookings of tours, flights and accommodation are increasing fast in China, even through travel agents still remain the main booking channels, the Asian Travel Monitor found. Outbound consumers use online media extensively for travel planning and information purposes. After their trips they heavily use social media and other online platforms to communicate their experiences. More generally, digital and social media have become the most influential information and communications channels in China, Thraenhart stressed. "With close to 500 million internet users in October 2011, more than anywhere else in the world, at a penetration of just over 35%, the internet in China is different, complex, very active, and fast growing," he commented. An overwhelming 92% of Chinese online users – double the proportion compared to Europe or North America - are estimated to use social media in some way. Moreover, Chinese consumers are very open to receiving marketing messages via social media or micro-blogs, in contrast to many people in Western nations. Mobile internet access is also growing very fast.



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Do's and don'ts for the travel industry

Against this background, however, there are some very important 'do's and don'ts' for international companies, destinations and other travel suppliers seeking to target Chinese consumers through digital media, Thraenhart stressed. His three key recommendations were:

- Chinese-language websites should not be straight translations of international websites but separately developed with specific market-relevant content and links to local Chinese search engines (Baidu) and digital media.
- Websites should be hosted in China to respond quickly to censorship issues and should avoid links to blocked overseas social media (Facebook, Youtube, Twitter).
- They should enable Chinese consumers to interact online, including links with local social media.

"Travel companies and organisations should remember that Chinese consumers associate irrelevant websites with a bad experience and also a lack of respect towards them," Thraenhart concluded.

Section F: Sustainability

Quo vadis sustainable tourism?

The world tourism industry is moving towards a more sustainable business model but still faces many challenges and obstacles, according to experts at the 19th World Travel Monitor Forum. External factors are increasing pressure on the sector to make itself 'greener' but customer demand for 'sustainable holidays' is relatively weak. At the same time, cruises are now coming on to the radar screen in terms of their sustainability following a traditional focus on planes, cars and hotels.

The Green Growth & Travelism Vision

Professor Geoffrey Lipman, former WTTC head / UNWTO Assistant Secretary General and now "chief disruption architect" at greenearth.travel presented a vision of how the travel industry could – and, in his view, must – change in the future.

Lipman first described the global geopolitical strategy designed to respond coherently to today's worldwide challenges of economic uncertainty, climate change, and poverty, as well as tomorrow's increasing population consuming scarce resources. "Green Growth is a new vision for 2050, the date we have to stabilise global temperatures to make extreme climate change tolerable," he declared. "Green Growth is a strategy for dealing with all these issues together." This new approach involved transforming all investment, production and consumption to a low carbon, socially inclusive model for the benefit of the planet and its inhabitants.

The global travel sector could play an important role as part of this transformation, Lipman said. The sector accounts for about 5-10% of the world economy and of global employment, it is growing faster than GDP and doubling in size every decade.

He stated that by embracing green growth the travel sector could meet its carbon reduction obligations and grow sustainably. But it would take tough committed actions now, not words, declarations and promises to do things 20 years into the future without structured transparent measurement.

However, Lipman warned that cash-strapped governments could be tempted to increase taxes on tourism which he described as "a cash cow".

"Travelism" and Sustainable Communities

Looking ahead, Lipman coined the phrase 'Travelism' to describe the worldwide role of the travel and tourism industry within the global economy. 'Travelism tomorrow' will have to be based on "sustainable mobility, sustainable destinations and sustainable lifestyles", he declared. All travel products ("planes, hotels, cars – everything") will have to be sustainable and at the end of the day it will be destination controlled because that's where the impacts are felt.

Finally he said that education would play an important role in this paradigm change. Together with colleagues he is now setting up a 'Green Growth & Travelism Institute' that would be part of a World Environment University and which would provide an academic support for the green growth transformation.

He also drew attention to the new International Council of Tourism Partners (ICTP), a network of tourism destinations working together to embrace and promote quality green growth. He concluded by noting that for the first green growth movers significant international funding would become available to support transformation.



Is there Demand for Sustainable Tourism?

Sustainable holidays are 'nice to have' but not a 'must' for most consumers around the world and a majority of people remain unwilling to pay extra for them. However, there is an attractive niche group – one tourist in five – that is actively interested in booking a 'sustainable' trip, including a high proportion in emerging markets. These were the key conclusions of a wide-ranging survey presented at the Pisa forum.

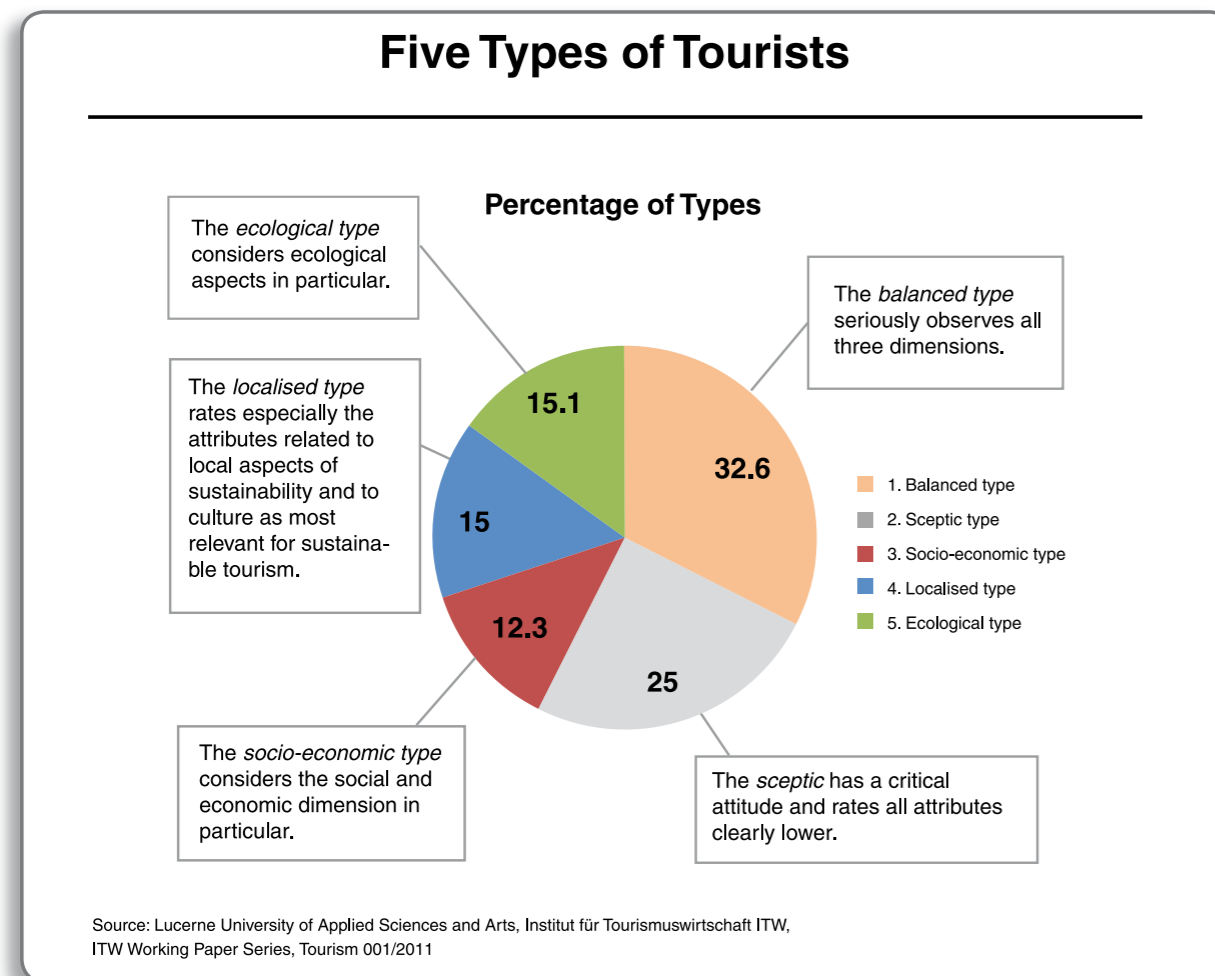
The survey, conducted by the Lucerne University of Applied Sciences and Arts' Institute of Tourism and IPK International, quizzed some 6,000 consumers in eight large travel markets (Brazil, Germany, India, Russia, Sweden, Switzerland, UK, USA) about their attitudes towards sustainable tourism. The aims, explained Dr Roger Wehrli, Head of Research at the institute, were to gain an in-depth understanding of how consumers view the topic of sustainable travel and holidays, identify different types of 'sustainable tourist' and evaluate whether they would be ready to pay a premium price for such products.

Five views of sustainable tourism

In general, tourists are well informed about the important aspects of sustainable tourism, Wehrli said. Interestingly, there is a balanced perception about the relative importance of ecological, social and economic topics. In other words, people see the role of environmental protection, involvement of local communities and their cultures, and issues such as locally-sourced products and jobs as equally important within sustainable tourism.

The survey identified five different groups in terms of how tourists view sustainable tourism:

1. The balanced type (33%) sees all three topics (ecological, social and economic) as equally important.
2. Sceptics (25%) view the importance of all three topics critically.
3. The ecological type (15%) considers ecological aspects to be most relevant for sustainable tourism.
4. 'Localists' (15%) see the local aspects of sustainability, such as local culture and products, as the most important part of sustainable tourism.
5. The socio-economic type (12%) stresses the importance of social and economic aspects within sustainable tourism.



Unsurprisingly, there are wide differences between these types from country to country, reflecting the characteristics of the population and the economy. Germans and British, for example, are the most critical in terms of sustainable tourism. There are more ecological types in Switzerland and more social-economic types in Brazil and India (where poverty and income equality are more important general issues).

'Sustainable' tourists are an attractive minority

In general, consumers only rank sustainability as the 7th most important factor out of eight when booking a holiday, the survey found. (The top five factors were climate, price, destination accessibility, culture and landscape.) "But, for 22 % of the respondents, sustainability is among the top three influencing factors while booking holidays. This group of tourists, the so-called 'sustainability-aware' tourists, presents an interesting target group," Wehrli told the forum. This figure of about one in five is broadly similar for each of the five types outlined above, although it reached one in four (26%) for 'balanced types'. Perhaps surprisingly, however, there was an above-average share of 'sustainable tourists' in the three emerging markets (India, Brazil and Russia) while the figure ranged between 12% and 17% in the five Western countries.

Would you pay more for a sustainable holiday?

In a separate second part, the survey also investigated whether there was a potentially interesting market for sustainable tourism products. Some 5,000 Swiss consumers were asked whether they would be ready to pay a premium price for holidays with sustainability attributes such as CO₂ emissions compensation, use of local products and services and environmental management measures, based on a choice between the same holiday with and without these attributes. In general, the Swiss welcomed having the choice of booking sustainable tourism products. But they were not willing to pay a substantial premium for the inclusion of specific attributes. "There was only a small willingness to pay about 1.5% on top of the total price for all the sustainable tourism aspects," Wehrli said. However, there was some evidence that potential customers of sustainable tourism products demand completely sustainable products and are less price sensitive for such a product.

Summing up the survey's findings, Wehrli said: "There is an interesting market segment with a target group of 22% sustainability aware tourists who consider sustainability as important when booking a holiday. But only about one third of the 22% actually book sustainable holidays. Moreover, there is only a small readiness to pay more for a sustainable holiday. In other words, sustainable tourism products are only interesting for suppliers as niche products. But they could be part of a successful differentiation strategy in order to gain additional market shares."

There was also a brief discussion at the forum on the advantages and disadvantages of voluntary versus obligatory surcharges on holiday prices to finance compensation of CO₂ emissions. Wehrli commented that: "I believe the best option is for an opt-out." This would mean that consumers would have to specifically opt out of paying a CO₂ surcharge rather than choosing to 'opt in' by paying an additional voluntary fee to compensate for their CO₂ footprint. Geoffrey Lipman took a more forceful line, saying that 'offset options' are like "moving the deckchairs on the Titanic". The ex-WTTC chief and now head of the greenearth.travel organisation claimed: "People will not pay until there is a price for CO₂. We have to include it in the holiday price."

How sustainable is the global cruise market?

The global cruise industry has been slow to 'green' itself and needs to move up a gear to offer 'sustainable cruises', a leading cruise expert told the Pisa forum. But the industry should see sustainability as an opportunity, not a threat, Dr. Alexis Papathanassis, Professor for Cruise Management at the Bremerhaven University of Applied Sciences in Germany, stressed.

The world cruise industry has boomed in recent years with 35% growth between 2005 and 2010. In Europe, the cruise sector now represents 6.5 million holidays a year, or about 2% of all European holiday travel, according to IPK's European Travel Monitor. Yet parallel to this dynamic growth, the cruise sector has been slow to take up the topic of sustainability, the cruise expert said. Cruise operators have tended to react to public pressure on environmental and social concerns. But this has not always been sufficient and has rarely been pro-active, he pointed out.

Divergent approaches and critical environmentalists

In theory, sustainability in the cruise industry needs to cover the entire lifecycle from ship-building through cruise operations (including transportation of passengers and goods to the departure ports), onboard consumption and waste disposal, along with issues of socio-cultural sustainability, he stressed. The practice, however, looks very different. Papathanassis praised the introduction of sustainability reports by cruise operators, although these tended to reflect divergent approaches and priorities. Holland America Line, for example, has taken a holistic approach trying to cover all aspects of sustainability, he said. Italy's Costa Cruises presents its sustainability activities in terms of a scorecard, German firm AIDA Cruises focuses mostly on environmental topics while P&O Cruises highlights social responsibility issues.

"What's more, environmentalists have started to look very critically at the cruise business," he stressed. Friends of the Earth, for example, publish a Cruise Ship Environmental Report Card grading 11 cruise lines (and covering 113 cruise ships). In the 2010 report, only two companies gained a B grade, while there were four Cs, four Ds and one F.

The Triple E Approach and the 'missing E'

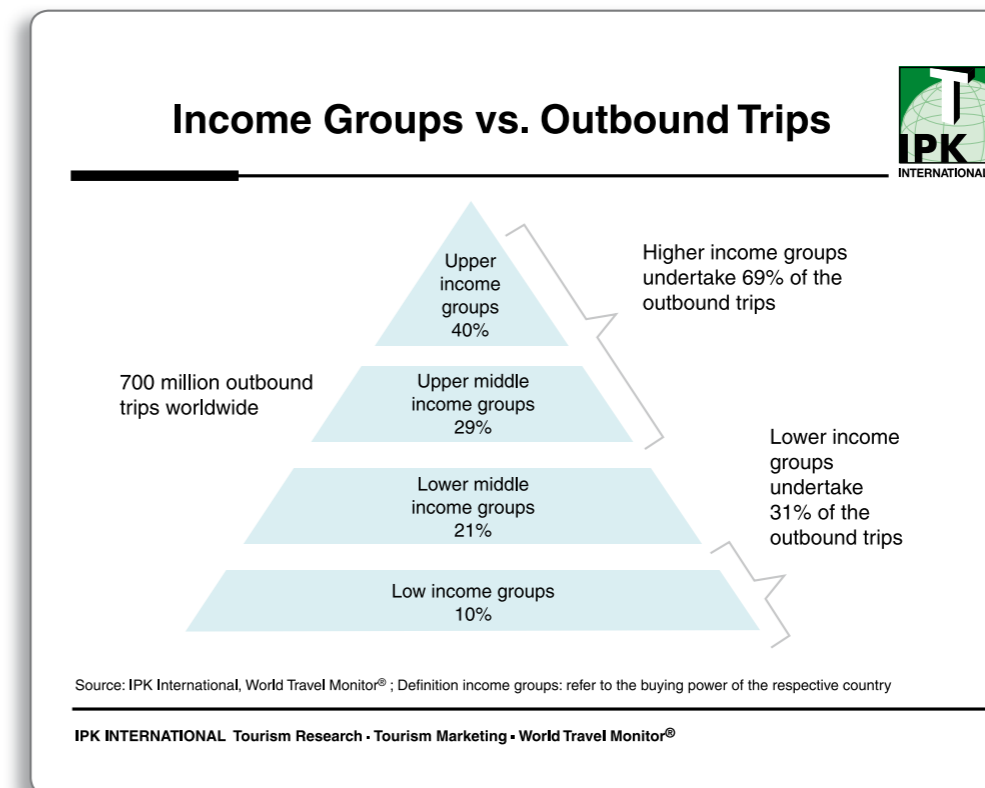
At present, the cruise industry is taking a 'Triple E' approach to sustainability based on Engineering (more environmentally-friendly ships), Education (activities and reports) and Enforcement (legal controls), Papathanassis explained. But more could be done in all three fields. "More controls are necessary instead of the 'patchwork' of rules and regulations," he stated. More innovative engineering and new technical solutions were required to reduce the environmental impact of cruise ships. In addition, "companies should see sustainability as a business opportunity and make environmental protection part of a cruise, for example," he suggested. This could range from on-board activities to 'green' shore excursions where passengers help a local community. What is missing in the sector, however, is 'sustainable responsibility' incorporating all the different aspects and players into a common approach, the cruise expert said. "Sustainable cruising is complex," he admitted. A multitude of measures covering legal controls, technological innovation, educational initiatives and responsibility development were all required. "But the cruise industry should address these issues openly and take sustainability as a business opportunity," he concluded on a positive note.

Section G: Rich vs. Poor

Rich keep travelling, poor cut back

Well-off people kept travelling through the crises of recent years while low-income people have scaled back their travel, according to figures presented at the 19th World Travel Monitor Forum. Moreover, there are now more well-off travellers in Asia than in Europe or the Americas in relative terms, while there is also a significant minority of low-income Europeans who spend relatively highly on leisure travel.

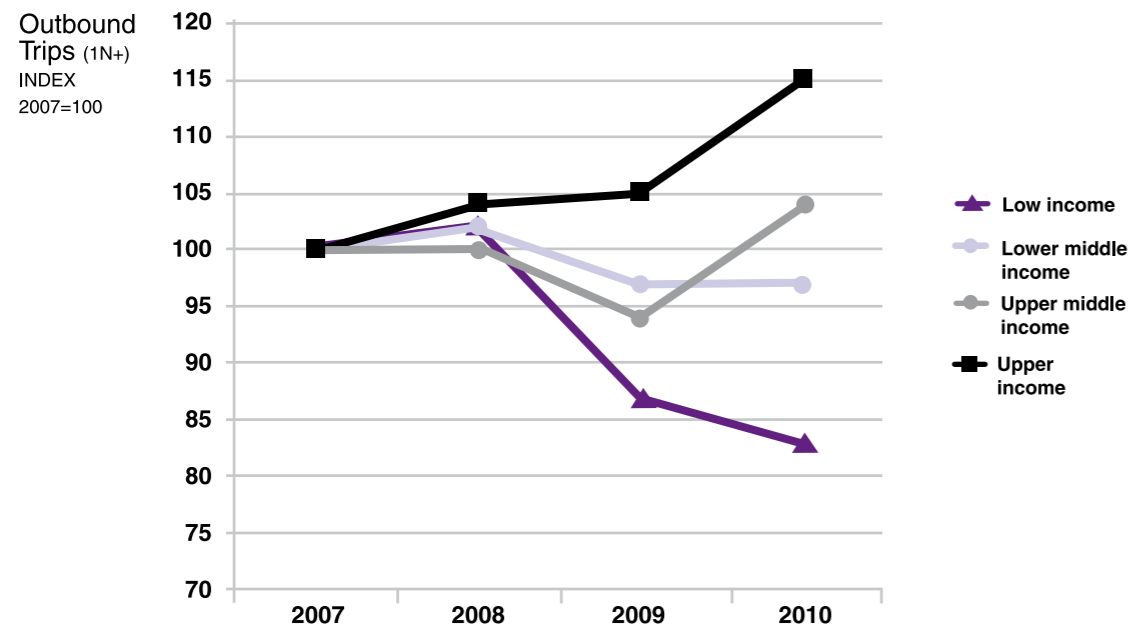
About 1.4 billion adults worldwide – or 30% of the global adult population – have sufficient disposable income to be able to travel abroad, Barbara Postel, senior analyst with IPK International, told the forum in an in-depth analysis of the travel characteristics of richer and poorer people. They take about 700 million outbound trips a year, according to the World Travel Monitor. After all, as many as 31% of these outbound trips are undertaken by lower income groups and 69% by higher income groups. In other words, well-off people take more than twice as many trips as 'poorer' people.



Rich travel more, poor travel less

In the four years from 2007 to 2010 – covering the 'crisis years' of 2008 and 2009 and the 'recovery year' of 2010 – there was sharp divergence in travel patterns, with "low-income groups travelling a lot less, whereas upper-income groups even travelled significantly more," Postel pointed out. Another perhaps unexpected fact is that 50% of Asian outbound travellers fall into the 'upper income' category compared to 43% in the Americas and 39% in Europe. This undoubtedly reflects above all a larger number of less well-off Europeans who can afford to go on foreign holidays.

Development of Outbound Trips - Poor vs. Rich -



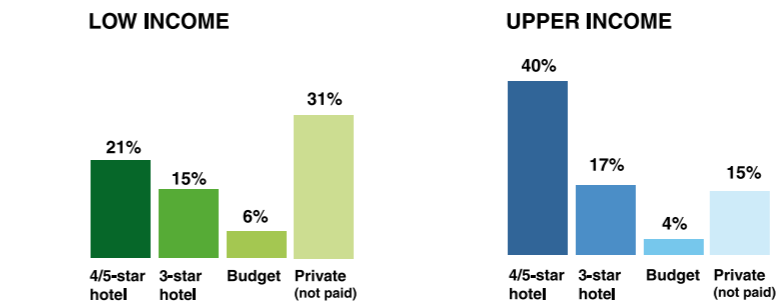
Source: World Travel Monitor® 2007-2010 – IPK International

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Rich Europeans spend more, poor focus on price – but not always

Looking in more detail at European travellers by income group, Postel presented figures that confirmed well-established travel patterns but also contained some surprises. In general, well-off travellers tend to be aged between 30 and 59, whereas low-income travellers are frequently under 29 or over 60. High-income travellers expectedly spend more on travel, on average €930 per trip and person, but there also is a considerable share (38%) spending only €250-749 per trip, indicating a significant price sensitivity also with the well-established travellers. As might be expected, high-income travellers prefer to stay in high-grade accommodation, while less well-off people stay above all in private and also mid-range accommodation. However, there is also a significant number of less well-off people who are ready to spend a sizeable amount on travel, the IPK figures revealed. While the average spending per trip is only €590, as many as 9% of 'low income' travellers spend €1,500 or more on a trip and as many as 21% of low-income travellers stay in 4/5-star hotels. Moreover, a relatively high 11% go on long-haul holidays (compared to 15% of upper income people).

Type of Accommodation - Poor vs. Rich -



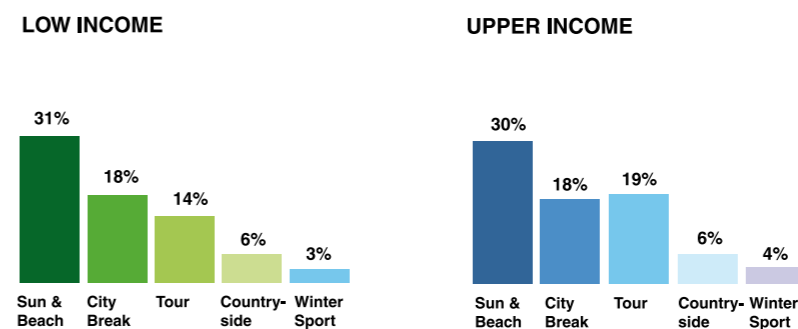
Source: European Travel Monitor® 2010 – IPK International

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Similar holiday wishes despite income differences

Another insightful fact is that despite substantial income differences the types of holidays taken by the two income groups are remarkably similar. "There are no major difference in holiday, types between the two groups," Postel pointed out. Sun & beach holidays are the clear preference, followed by city breaks and tours for both, the well-off and less well-off.

Main Type of Vacation - Poor vs. Rich -



Source: European Travel Monitor® 2010 – IPK International

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All in all, higher-income travellers form the majority around the world but there is also a large number of lower-income people travelling abroad, sometimes spending more than would be expected. "The segment of less well-off travellers should not be forgotten in marketing activities," Postel recommended. "In Europe, the lower income segment is more important than elsewhere because in Europe "low income" groups are more interested in travelling to foreign countries and are financially able to do so," she added.

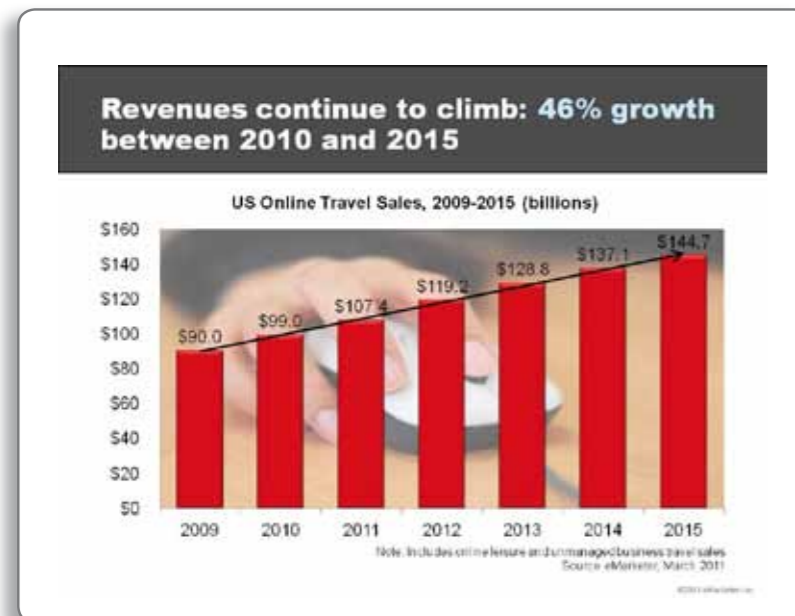
Section H: Online marketing

Destinations adapt and follow customers online

Tourism destinations need to modernise their marketing strategies and follow customers online, experts agreed at the 19th World Travel Monitor Forum.

The world has gone online. Consumers around the globe now inform themselves, buy and sell products and services, and communicate with others on the internet, through social media and via smartphones.

The travel and tourism industry is no exception. Tickets, holidays and other travel products and services are researched, booked and then commented online more and more. And this trend will speed up in future, experts agree. Online travel sales in the USA, for example, are forecast to grow 46% to \$145 billion from 2009 to 2015, according to digital research company eMarketer. More and more travellers are starting to use their smartphones to manage their entire travel experience, from information and booking, through use at the destination to post-trip activities, CEO Geoff Ramsey stresses. Moreover, people are becoming 'social travellers', using online social networks while on holiday. Innovations building on this smartphone trend are augmented reality functions, mobile city tours and mobile payment.



"Destinations must be brands"

For tourism destinations, the challenge is to respond to these fast-moving changes with up-to-date marketing strategies, according to speakers at the Pisa forum.

Destinations need to develop into brands in the new "post-advertising" era, Klaus-Dieter Koch, managing partner of Brand:Trust, a Nuremberg-based brand strategy consultancy, told forum participants. A brand is "much more than a logo or a slogan", he stressed. A well-managed brand should be the "condensed expression of peak performance", the German-based expert said. It should differentiate from competitors, and be attractive and credible to its target audience, he emphasised.

For Eulogio Bordas, CEO of Barcelona-based tourism marketing consultancy THR, destinations should modernise their traditional marketing strategies in response to structural changes in the demand. In addition to five basic customer needs (relaxation, discovery, enjoyment, learning and meeting), he identified 12 new 'customer demands', ranging from activities, self-discovery and wellness through to 'hyper-tourism, causes and fun-learning'.

Above all, destinations should position themselves in terms of themes and not geographically, he recommended. Innovative ways for destinations to present themselves would be in terms of different 'experiences', for example.



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In a discussion on the merits of destinations working with tour operators, Bordas claimed that in the past this had led to "high volumes but low profits" for destinations. With the development of the internet, however, "today there is no reason not to go direct to the market. This is a big change. We cannot survive ten years more of doing nothing. We have to discover ways of making healthy profits for everyone," he declared.

Innovative online marketing case studies

The successful example of Tiscover, the Austrian-based online destination marketing and booking platform, was presented by CEO Matthias Gründbock. The company presents destinations in Austria, Switzerland, Germany and Italy, along with holiday themes and integrates online accommodation booking. It also offers online marketing services.

A very different kind of online accommodation booking platform was also presented at the Pisa forum. Wimdu, a Berlin-based start-up that launched in March 2011, offers private accommodation at low prices and now has a database of 35,000 properties in more than 100 countries. Giuseppe Mozzillo, country manager Iberia, said that Wimdu ("Travel like a local") offered travellers the opportunity to meet local people, stay at their homes and discover 'hidden parts' of destinations that only locals know. "We are a mix between a social network and a listings space," he explained. Mozzillo stressed that Wimdu checks accommodation itself in person as much as possible to ensure quality and avoid misuse.

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