

**world  
travel  
market**



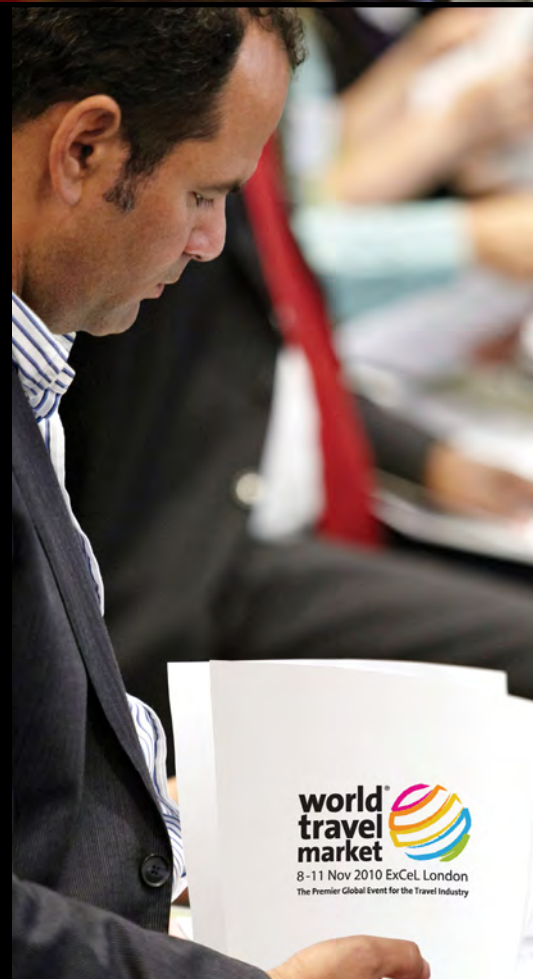
# World Travel Market 2010 Industry Report

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8-11 Nov 2010 ExCeL London  
The Premier Global Event for the Travel Industry





# World Travel Market 2010 Industry Report



## Foreword

World Travel Market, the premier global event for the travel industry, will – as it has done for the past three decades – host the global travel and tourism industry, providing the platform for deals to be done and current issues discussed.

Research of the industry's senior buyers reveals more business is poised to be negotiated at WTM 2010 than ever before, with the expanded World Travel Market hosting more exhibitors and visitors thanks to the £165 million expansion of host venue ExCeL, London.

The industry's clear desire to conduct business comes despite the many hurdles and challenges as it comes out of the global downturn of the past three years.

For the first time, World Travel Market has surveyed its key exhibitors and senior buyers (members of its Meridian Club) to discover the central issues for the industry and what will be discussed on the exhibition floor for the four days of WTM 2010 (8 – 11 November).

The findings form the backbone for the inaugural **World Travel Market 2010 Industry Report**. These results cover a range of issues from taxation, supply and demand, pressures on selling prices and margins and social media.

These results are supported by industry case studies and are put into context by comparison with a second survey of 1,000 UK holidaymakers revealing their post-global downturn booking and holidaying habits.

Fiona Jeffery  
Chairman  
World Travel Market



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# World Travel Market 2010 Industry Report

## Report Research Background

**The World Travel Market 2010 Industry Report** is based on the findings of two independent surveys conducted in September 2010.

The first is poll of 1,257 World Travel Market stakeholders comprising of exhibitors (tourist boards and private sector travel industry organisations) and the industry's senior buyers from the WTM Meridian Club.

The second piece of research is a survey of 1,000 UK holidaymakers, all of whom took a summer holiday in 2010. A full cross section of the UK public in all regions and income brackets were surveyed according to Market Research Society's guidelines.



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## 1. Taxation

Taxation is high on the agenda of the travel and tourism industry as governments globally look to raise much needed funds by hitting business with increased and new taxation measures.

Four out of ten (41.5%) senior executives in the travel and tourism industry see increased taxation as one of the biggest issues facing the industry over the next five years.

Furthermore, one in 10 senior industry executives (11.1%) see increased taxation as the single biggest issues facing the industry until 2016.

It would appear the travel and tourism industry is right to be concerned about the impact increased taxation will have on the demand for travel service.

Almost two thirds of the travel and tourism industry (63.2%) saw taxation as a negative issue the industry has faced over the past 12 months.

In 2009 the then Labour Government raised Air Passenger Duty (a tax on aviation customers) alongside a further increase this November. The new Lib-Con coalition government has allowed

this increase – which sees long haul passengers from the UK pay double the amount of APD (up to £170 per person) compared to October 2009 and mid-haul passengers pay 50% more (up to £120 per person).

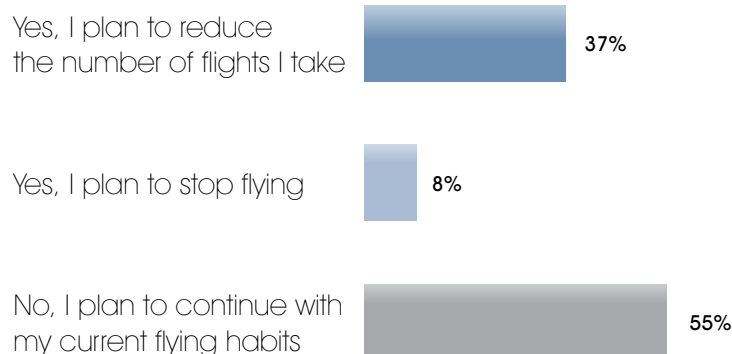
UK government projections reveal the Treasury expects to double the tax it generates from APD over the next five years to £3.8 billion. It's expected to increase from £1.9 billion in 2010 to £2.3 billion in 2011 and increase every year until reaching £3.8 billion in 2015/16.

More than a third (37%) of UK holidaymakers say they will reduce their flying due to the APD increase, with a further 8% planning to stop flying altogether.

The UK Government is expected to reveal plans to replace APD with a Per Plane Tax (PPT). However, it's believed this could see the cost of flying from the UK increase further as the airlines pass the tax on to consumers.

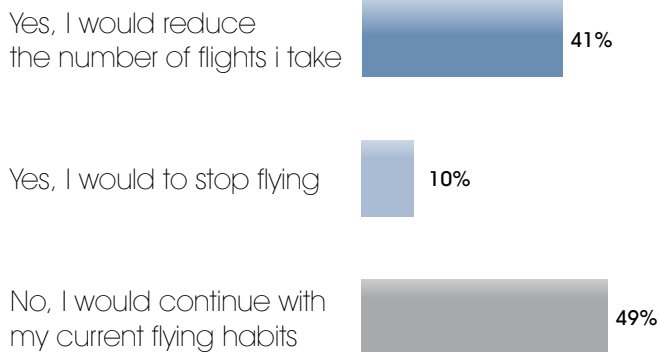
Four out of ten UK holidaymakers would reduce their flying further should a more expensive PPT tax be introduced, with a further one in ten stopping flying altogether.

### Impact November 2010 increase in APD will have on UK holidaymakers' flying habits



Survey of 1,000 UK Holidaymakers

## Impact the introduction of a Per Plane Tax would have on UK holidaymakers flying habits



Survey of 1,000 UK Holidaymakers

**"I am not anti-aviation or anti-flying, but I do think aviation should pay its way. I have no good news for you (the travel and tourism industry) on any plans to reduce taxation in the sector."**

**UK Transport Secretary Philip Hammond**

### APD from November 1 2010

	Economy	Premium Economy/ Business Class
Band A	£12 (+£1)	£24 (+£2)
Band B	£60 (+£15)	£120 (+£30)
Band C	£75 (+£25)	£150 (+£50)
Band D	£85 (+£30)	£170 (+£60)

#### APD RATES BANDS:

Based on distance from London

A: Up to 2,000 miles – includes eastern Mediterranean

B: 2,000 – 4,000 miles – includes Egypt and the US

C: 4,000 – 6,000 miles – includes the Caribbean

D: More than 6,000 miles – includes Singapore and beyond

## Case Study: Caribbean Tourism Organization (CA440 CA449)

UK visitors to the Caribbean have fallen by as much as 25% following the 2009 increase in Air Passenger Duty.

Overall, the Caribbean has seen a 12.2% decrease in the number of visitors, with Caribbean Tourism Organization Chief Executive Hugh Riley citing the 2009 increase in APD as a significant factor.

**“I am not suggesting that we can pinpoint APD as the only reason for the decrease, there is also the economy and other factors to take in to consideration, however, I am telling you the majority of Caribbean countries have seen larger decreases from the UK than anywhere else.”**

Riley wants the UK government to move the Caribbean to the same tax band as the US - APD Tax Band B. The Caribbean is currently in APD Tax Band C which sees passengers pay £75 for an economy seat and £150 for a premium seat.

Passengers flying to APD tax band B, pay between £60 and £120 in APD.

The CTO is to launch a report at WTM 2010 outlining in-depth detail of the economic damage November 2009's increase in APD has had on the islands' economy.



Caribbean Tourism Organization meets UK Tourism Minister John Penrose to discuss APD increase

## Case Study: British Airways

British Airways Chief Executive Willie Walsh has slammed Air Passenger Duty as “a disgrace” which could hinder the airlines expansion plans in the Caribbean.

Speaking at the Caribbean Tourism Organization Strategy Leadership Conference in Barbados last month - where he was launching BA's new flight from London to San Juan, Puerto Rico - Walsh said: **“We would like to grow further in this region – but that is at risk from the excessive levels of taxation we face.”**

Willie Walsh,  
Chief Executive Officer of British Airways







## 2. Emerging Markets

Almost half (47%) of the travel industry see emerging markets – including the BRIC economies of Brazil, Russia, India and China - as one of the biggest growth opportunities over the next five years.

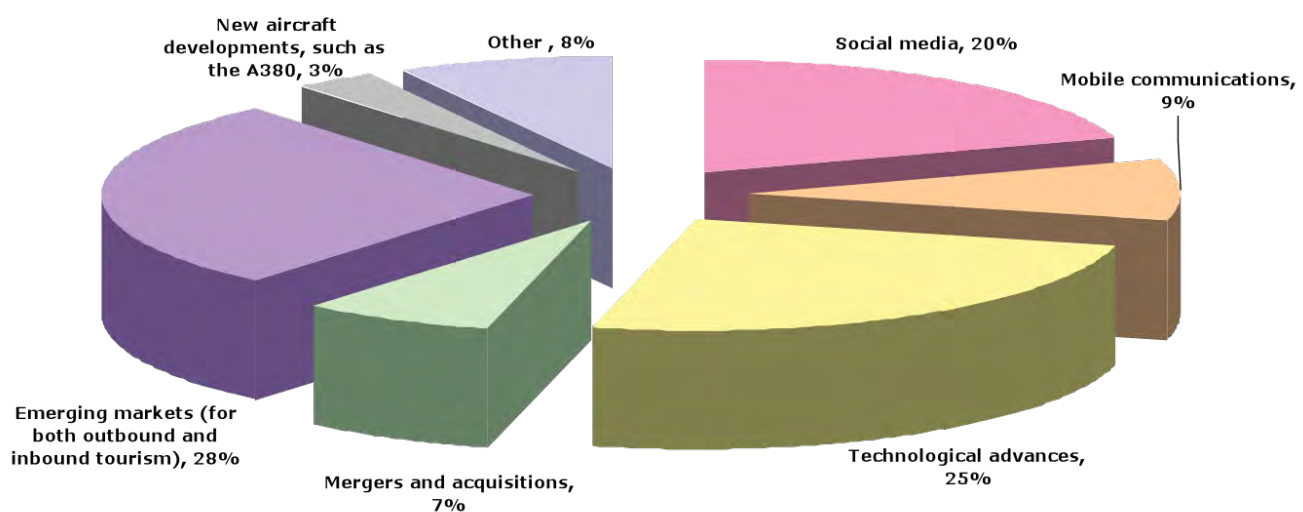
Furthermore, almost three in ten (28.6%) see the emerging economies as the single biggest opportunity for the travel industry and their organisation over the next five years – the largest percentage response to the question.

A further 55% of the travel industry said the emerging markets had a positive effect on their business over the past 12 months, with a mere 9.2% describing the emerging markets as having a negative impact.

A number of the world's leading travel and tourism companies are setting up operations in the emerging markets including TUI Travel – the world's largest leisure travel company - which restructured in September 2010 to introduce an Emerging Markets division of the organisation to focus on the source markets of Brazil, Russia, India and China.

Furthermore, Europe's second largest tour operator Thomas Cook continues to look at acquisition opportunities in Russia and announced in September it is close to deal to purchase a Russia travel company.

### Biggest single opportunity for your business over the next five years



Survey of 1,257 senior travel and tourism executives



## Case Study: Brazil

The recently-agreed open skies agreement between Brazil and the European Union will help to open the country up as a travel and tourism destination. Research group Euromonitor International estimates that the Brazil/EU tie-up will generate an additional 335,000 passengers for Brazil in the first year. The deal, signed in the summer, benefits business and leisure travellers, and also covers cargo. Brazil's economy and aviation sector fared better than most during the recession. In 2010, air transportation sales in Brazil are likely to increase 21%, while Western Europe will drop 3%, according to Euromonitor International. For tourism, the deal comes in advance of two major events which will see a large number of additional visitors coming to Brazil from Europe. In 2014 the FIFA World Cup will take place throughout the country while the 2016 Olympic and

Paralympic Games will be hosted by Rio de Janeiro. Brazil is targeting 500,000 more visitors to the country in World Cup year (compared to 2013) and a 15% increase in Olympic and Paralympic year (compared to 2015). Outbound tourism will also benefit, as many leading European tour operators are targeting Brazil's growing middle classes as a new source market. Favourable exchange rates are also encouraging Brazilians to visit Europe. Hotel companies are also investing in the country. French giant Accor is spending around 200m adding nearly 5,000 rooms in Brazil, while Marriott International has recently opened a dedicated office for the country in Sao Paulo.

**“Brazil has great economic potential and a market ready for hotel brands. Hyatt is interested in building 50 hotels in Brazil in the next ten years.”**

**Julio Gavinho, Director of Development, Hyatt**





## Case study: Russia

The number of Russians travelling abroad increased by 43% in the first six months of 2010 compared with the same period the previous year.

More than five million Russians travelled abroad between January and the end of June this year, compared to 3.8 million for the same six months in 2009, according to figures from the Federal State Statistics and Border Checkpoint Service.

Egypt remains Russians' favourite holiday hotspot with tourist increasing by 65% to 1.14 million. More than 21% of Russian tourists visited Egypt in the first six months of 2010, up 7% from 2009.

Turkey is Russia's second most popular country for tourists with almost 924,000 holidaymakers visiting the country between January and the end of June 2010, which is a massive 44% more than the same period in 2009.

Turkey accepted 17% of all Russian tourists in the first six months of 2010.

China is the third most popular destination for Russians with a 40% increase in visitors for the first half of 2010. Around 564,000 Russian visited the country in the first six months of this year. Furthermore, the number of travel searches on Russian search engine Yandex has increased by 46% for the first eight months of the year, according to the Association of Tour Operators of Russia.

Turkey is the most searched for country with 18.4% of searches, Egypt is second with 16%.

Moscow is aiming to double its number of international tourists by the end of the decade. The capital of Russia is anticipating five million visitors in 2011 to up to 10 million in 2020.



## Case Study: India

India has boosted its presence at World Travel Market through a combination of new exhibitors and additional space to improve its position in both the inbound and outbound tourism markets.

The destination has attracted increased support from the private sector with new exhibitors including Travel Inn, Travel Services International, Trail Blazer Tours India and Quadlabs from the travel agency sector with Somatheeram Ayurvedic Group and Chariot Beach Resort from the hotels sector.

In addition to new participants, six previous exhibiting private sector companies are expanding their presence at WTM 2010 including Creative Travel, Le Passage to India and Travel Boutique Online.

The Indian Government's Tourist Office has also increased its presence while Rajasthan Tourism, and Karnataka Tourism in South-west India, are exhibiting for the first time.

In total, the exhibition space occupied by India has increased by more than 28% compared with WTM 2010

Indian private and public sector companies are attending WTM to generate new inbound and outbound business for the country as its attractiveness as an inbound destination grows and its profile as source market increases due to its ever-growing middle class.





## Case Study: China

China is predicted to lead the travel and tourism industry out of the global downturn.

Leading research group Euromonitor International states Chinese outbound tourism will be one of the first to recover following the global economic crisis.

*The Forecast Update – Recovery in Sight?* report states China will lead the global economic recovery in terms of Gross Domestic Product growth over the next two years, registering a rise of between 8-10% for both years. This will be reflected by the continuing growth of domestic and outbound tourism. The World Travel and Tourism Council (WTC) predicts around 100m outbound international journeys will be taken by the Chinese within the next five to ten years.

The WTC estimates the number of outbound visitors in 2009 was nearly 48m. Asia remains the most popular destination of choice for most travellers. Canada is the latest destination to receive approved destination status from the Chinese authorities, with officials in Canada expecting a massive increase on the 160,000 visitors from China it welcomed in 2008.

The China Luxury Travel Network (CLTN) was launched in September at WTM's sister exhibition China, Business Travel & Meeting exhibition (CIBTM). Its aim is to consolidate the fragmented luxury travel sector in the country.

The invite-only CLTN, which has 250 members already, is in the process of setting up 12 regional headquarters to make it easier for agents to conduct business in China.

Stand Number: AS850



## Case Study: VisitBritain

The BRIC Economies – Brazil, Russia, India and China – are poised to become the fastest growing source countries for tourists to the UK, reveals a report by VisitBritain.

*Overseas Visitors to Britain, Understanding The Trends, Attitudes and Characteristics* states the number of travellers from China is set to soar by 89% by 2014.

This will see an extra 100,000 extra Chinese visitors to the UK, the fastest increase in tourism to the UK from any country.

Tourism from India is expected to grow by 29%, with more than 100,000 extra visitors. Russian visitors to the UK are expected to jump by almost a quarter (24%) with 50,000 more people visiting. Brazil is expected to send 18% more tourists – around 35,000 people – to the UK over the same period.

Furthermore, Hilton Hotels is particularly targeting China and Russia as opportunities for growth for its UK hotels, with rooms booked by Chinese visitors to its hotels increasing by 17% since 2008.







## 3. Social Media

The global travel and tourism industry is one of the most advanced when it comes to the implementation of social media.

A report in the US states the travel and tourism industry is using social media in a bid to build loyalty to their brands. The research by telecommunications company Yankee Group highlights a number of innovations including Delta passengers being able to buy tickets via its Facebook page and a number of airlines - including Virgin America, Southwest and United Airlines - using Twitter to make last-minute offers to followers.

Furthermore, in the UK accommodation-only company Holiday Brokers has revealed it sees social media taking over from email marketing, describing it as "outdated". World Travel Market's research of its

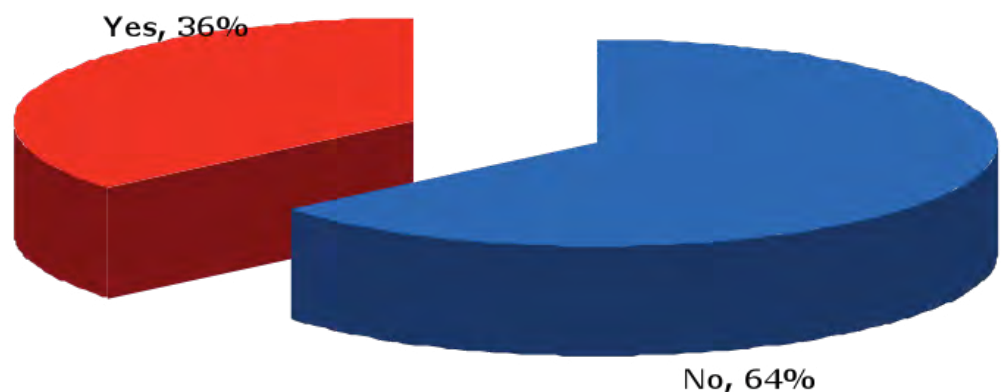
exhibitors and Meridian Club members reveals a massive 40% of the travel and tourism industry views social media as a major opportunity over the next five years. Furthermore, 20% state social media is the single biggest opportunity over the same period.

However, the travel and tourism industry's focus and commitment to creating social media platforms to communicate with customers may be misplaced.

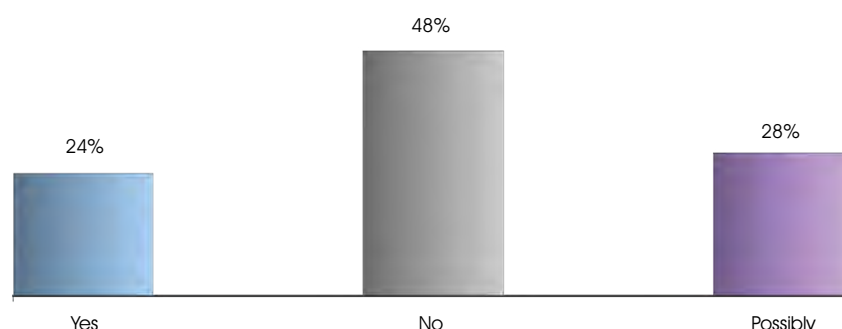
World Travel Market's research of UK holidaymakers reveals they are not as enthused by social media as the industry.

Almost two-thirds of those UK holidaymakers polled said they did not use any form of social media while researching their 2010 holiday. Furthermore, less than a quarter (24%) expected to use social media to plan their 2011 holiday.

### Did you use social media when planning your holiday this summer?



### Do you plan to use social media to help research next year's holiday?



## How holidaymakers use Social Media

The vast majority of the 36% of UK holidaymakers that use social media see it as a positive experience, although in many cases this means changing their holiday choices. Four out of ten (42%) booked their original choice after using social media, meaning 58% changed at least one component of their break. More than a third (35%) changed their choice of hotel, with 15% switching airline, ski resort or the agent/ operator they planned to book with.

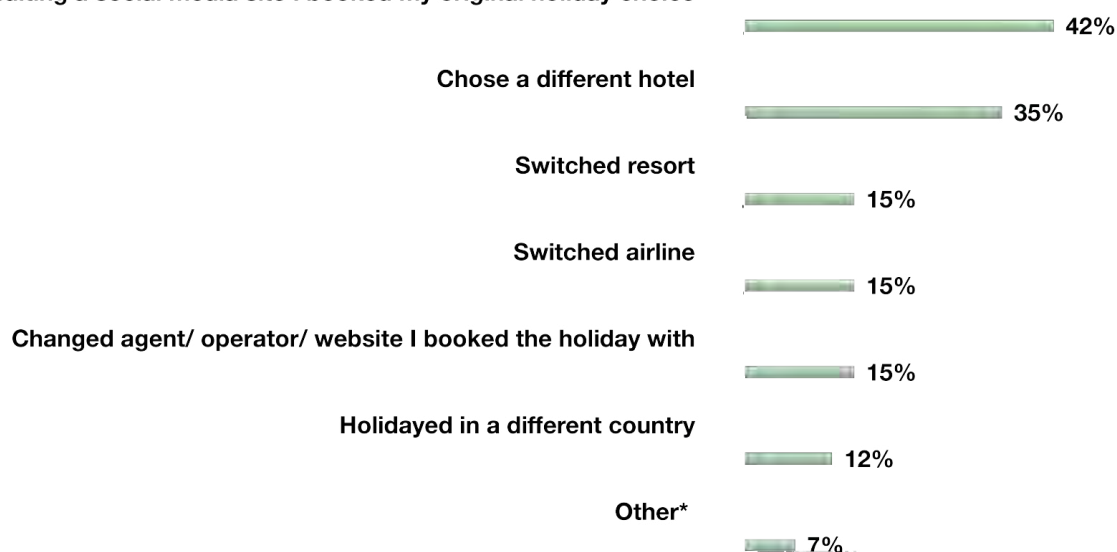
Furthermore, 12% choose a different country after consulting social media.

TripAdvisor had the greatest impact on female booking habits (74%), with Facebook having the greatest influence over men (42%). TripAdvisor has greatest influence over holidaymakers aged between 55-64 year old with eight out of ten saying the holiday reviews website has the greatest influence over their holiday choices. Facebook has the greatest influence over 25-34 year olds holiday choices (52%).

**“Social Media is getting serious. In 2011, you need to be finding opportunities to promote your brand in this new arena.”**  
**Paul Richer, Senior Partner, Genesys**  
**(travel technology consultancy)**

## How did social media have an impact on your holiday choice?

After consulting a social media site I booked my original holiday choice



Survey of 1,000 holidaymakers



## Casestudy: Korea Tourism Organization (AS650)

Korea is among the leading tourist boards embracing social media, employing an independent journalist to run a Facebook page and Twitter account about the country – Coolstuffkorea.

Korea wants its audience to have access to information and its questions answered through an unofficial site, so it employed journalist Jennifer Barclay to operate its social media content. The KTO has previously worked with the journalist on a book about Korea, so she was already viewed as an authority on the country.

Barclay has the freedom to put her own twist, insight and experience and expertise on the destination. The KTO supplies Barclay with news assistance but she is free to interact with audience in her own style.

**“Building on our successful social media platforms and using the theme of ‘recharging your energy in Korea’, we aim to ‘listen and engage’ with our audiences to market Korea’s USPs. The role of social media and the overall online marketing strategy remains a very important part of our responsibilities moving into 2011.”**

**Mr Hongki Kim, Director, Korea Tourism Organization – London office**





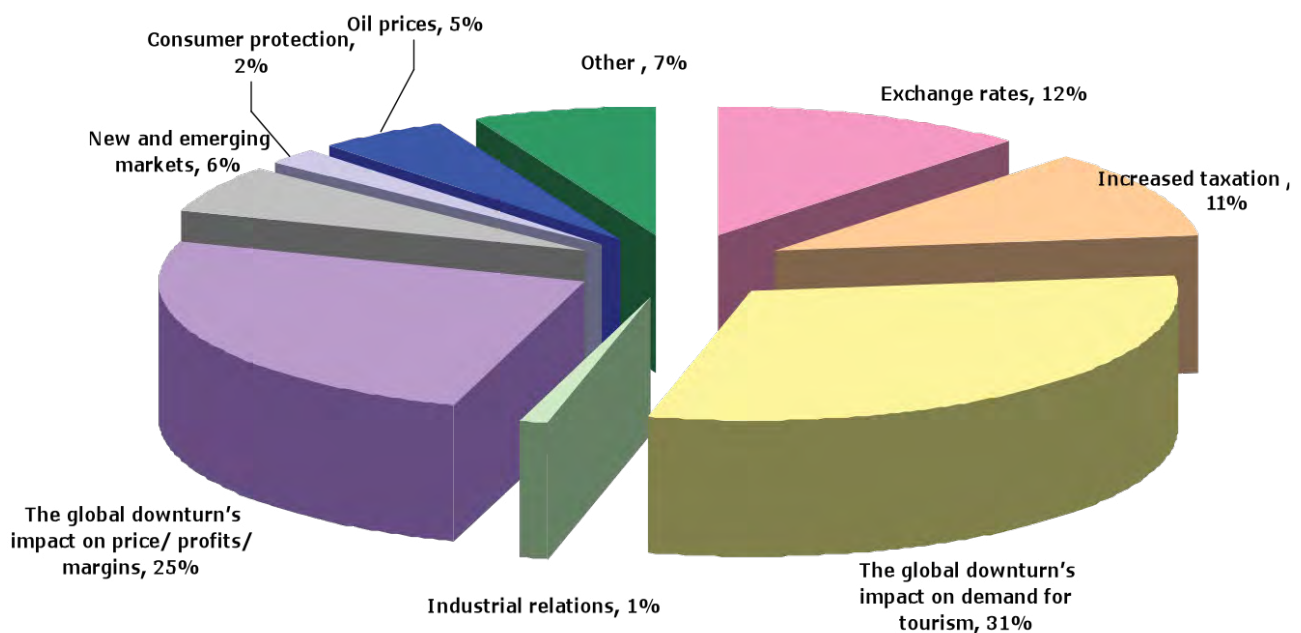
## 4. The travel industry will not recover until 2016 The aftermath of the global downturn

The travel and tourism industry fear the long-term impact the global downturn will have on the industry, believing it will struggle to return to pre-downturn demand levels and profitability until 2016.

More than half of the industry (52%) believes the global downturn's impact on tourism demand is one of biggest issues facing the industry over the next five years. Furthermore, 49% felt the downturn's impact on price, profit and margins is a big issue over the next five years – the two biggest percentage responses to the question.

When asked what is the single biggest issue facing their business over the next five years the global downturn's impact on demand for tourism is cited by more than three out of ten people (31%), while the downturn's impact on price, profit and margins is cited by a quarter – again the two biggest percentage responses to the question.

### What is the biggest single issue facing your business over the next five years?



Survey of 1,257 senior travel and tourism executives

## **Case Study: Euromonitor International (Stand UK&I 1010): Hotel discounting**

The hotels sector has suffered the most with heavy discounting during the global downturn meaning the sector will not recover to pre-2008 crisis levels until 2014, reveals Euromonitor International's *Forecast Update – Recovery in Sight?* report.

The report paints a worrying picture for those hotels that dropped their rates to respond to the financial concerns of customers, stating they will struggle to increase prices to more sustainable levels as the global economy recovers. Hotel sales fell 7% in 2009 with the reduction in corporate travel and luxury hotel bookings a deciding factor. Hotels that discounted rates are struggling to increase prices as value for money remains at the forefront of consumers' minds. This is predicted to lead to a further 0.1% decline in 2010.

The hotel sector in Australasia, Latin America and Europe will take the longest to recover.



making sense of global markets



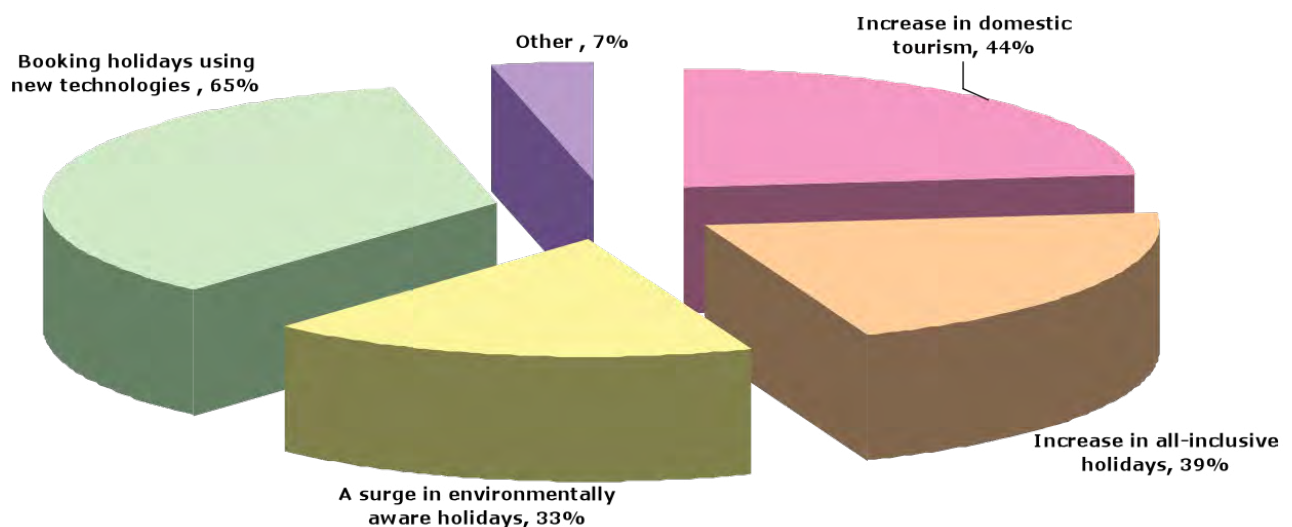


## 5. Technology/Mobile

Technology in the travel industry has advanced at a phenomenal rate over the past two decades. It wasn't that long the only technology the industry used was the airlines' CRS systems and the travel agents' package holiday booking system viewdata, both the technological equivalents of Ceefax. Today the industry talks about multi-distribution channels with internet search engines such as Google arguably the most important players in the travel and tourism industry. Search engine rankings (both natural and paid) can make or break a travel retailer.

The mobile phone is also growing in importance with some experts predicting mobile phone manufacturers could become more important to the industry than search engines. The travel industry is particularly aware ever-evolving technology will play an even more important role in the future with almost two-thirds (65%) seeing booking holidays using new technologies as the biggest consumer trend of the next five years – the largest percentage response to the question.

### Biggest consumer trend of the next five years?



Survey of 1,257 senior travel and tourism executives

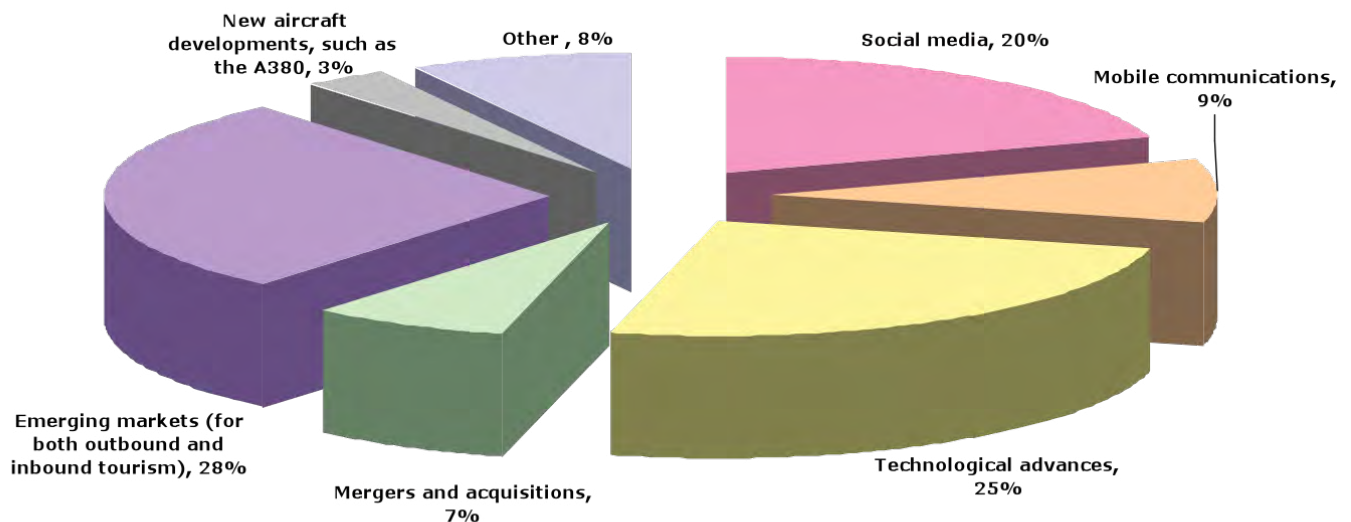
Technology is more than a consumer trend. Respondents to the industry survey also view developing technologies as a major opportunity for their businesses over the next five years with technological advances and mobile communications cited by 46% and 25% respectively.

**“Mobile has come of age. Consumers are beginning to show a preference for the smart phone interaction which has nothing to do with voice, the traditional medium of phones.”**

**Paul Richer, Senior Partner, Genesys (travel technology consultancy)**

Furthermore, a quarter of the industry view technological advances as the single biggest opportunity over the next five years with mobile communication cited by almost one in ten (9%)

## Biggest single opportunity for your business over the next five years



Survey of 1,257 senior travel and tourism executives



## Case Study: Israel

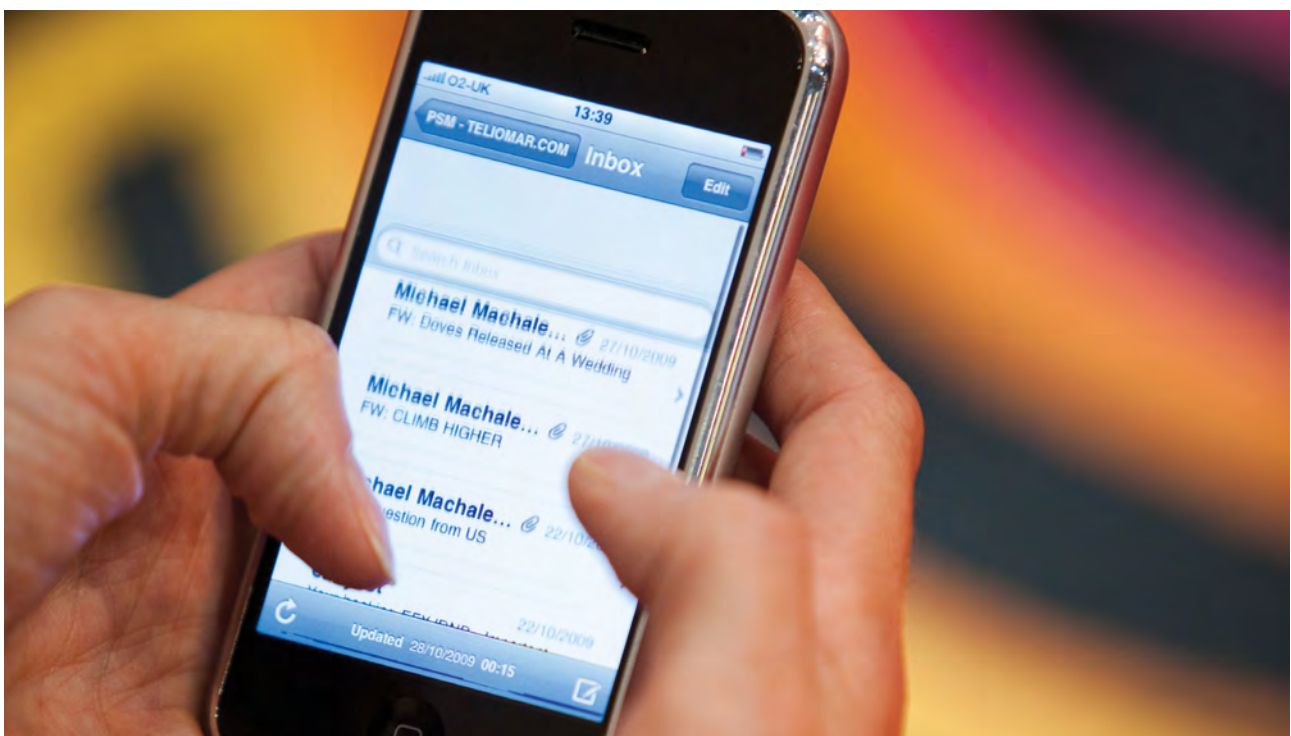
Israel has become the latest destination to harness mobile technology by introducing a tourism application for iPhones.

The Israel tourism ministry app, launched last month, allows users to receive updated information on sites, tours, accommodation and events. Information will be updated by the tourism ministry and relevant tourism bodies. The system will be adapted to other mobile appliances in the future. iPhone users can also upload photographs and add comments to social media sites such as Facebook and Twitter.

After downloading the application free of charge from Apple App Store, users can access the app when offline, although updates will only be available with an internet connection.

The app, which has been launched in English and Hebrew, will also be translated into other languages such as Russian, German and French.

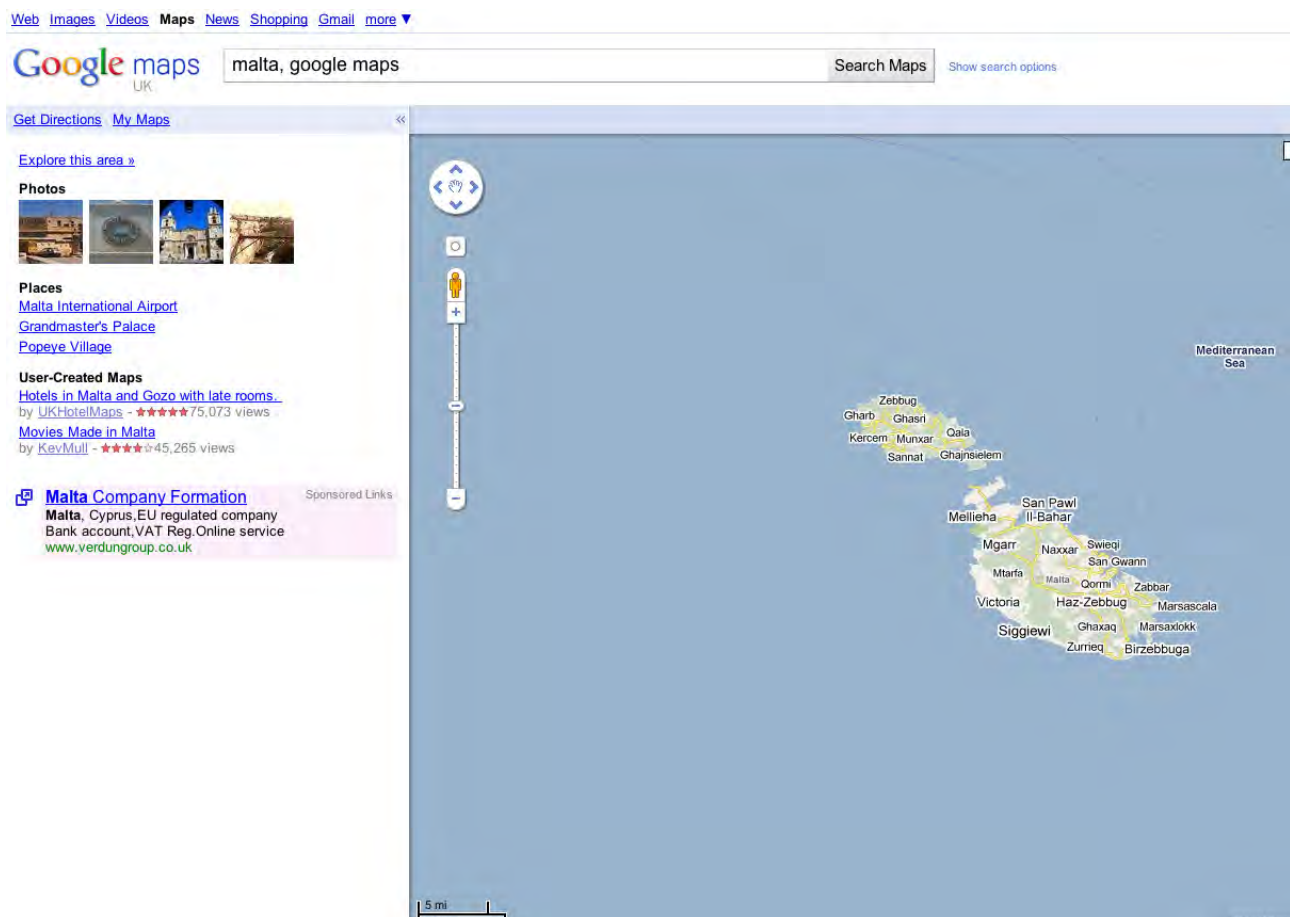
A wider range of information will be added to the app including public transport, fuel stations and hospitals.



## Case Study: Malta

Malta is launching an iPhone app at World Travel Market 2010.

The free app uses geo-satellite and Google Maps to guide users around the tourist attractions of Malta, giving details on events, local attractions and recommended locations.





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