



EUROMONITOR  
INTERNATIONAL

## FORECAST UPDATE: WHAT IS WAITING TRAVEL INDUSTRY

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2017 10 25, CROATIA



# Global provider of strategic market intelligence



● **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**

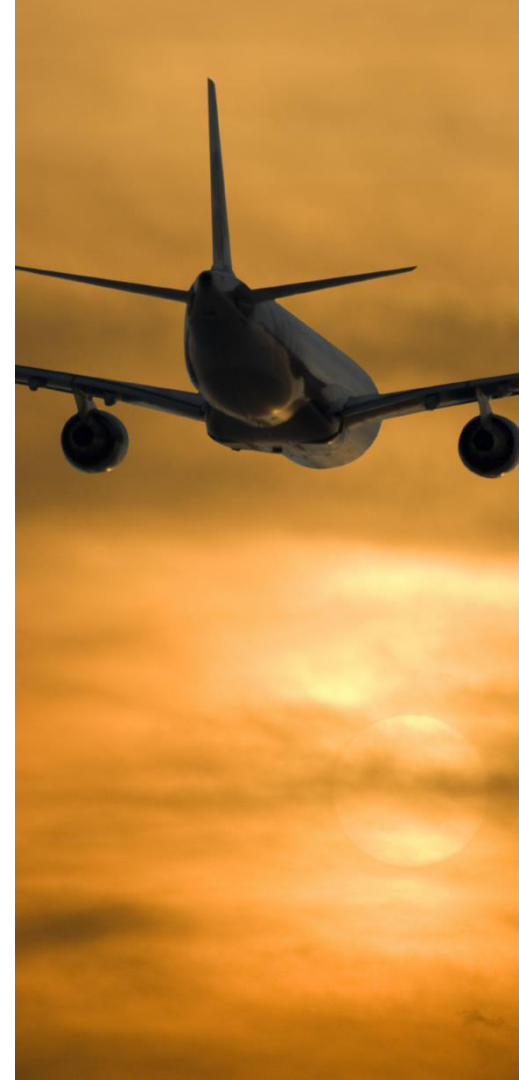
demographic, macro- and socio-economic data on consumers and economies

## TRAVEL OVERVIEW

FUTURE DRIVERS

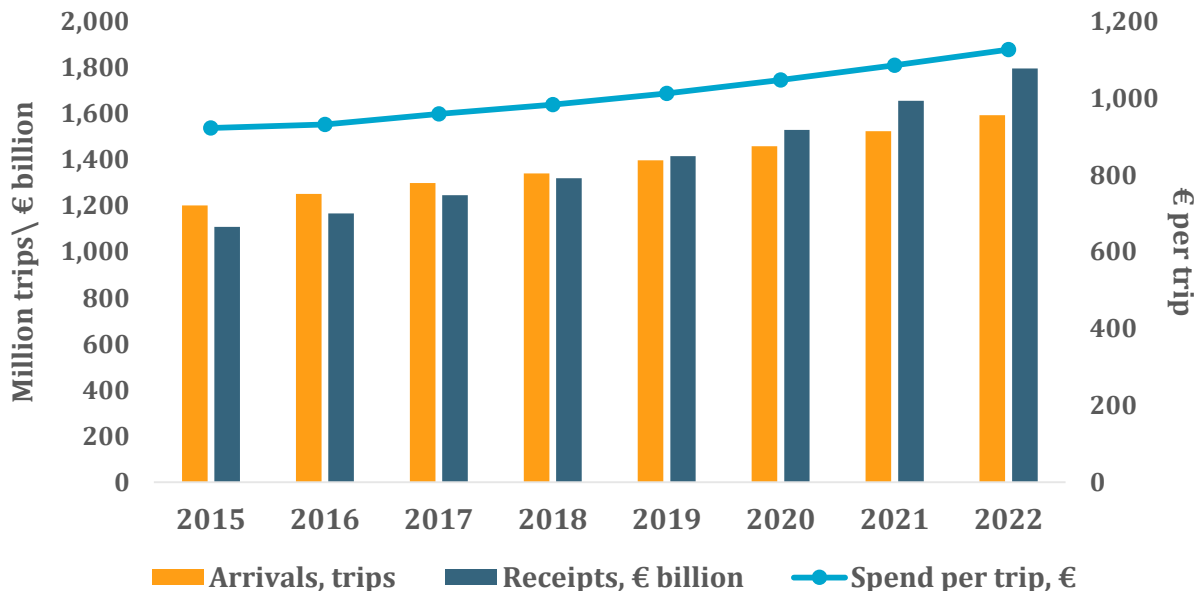
FORECAST SCENARIOS

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



**Arrivals** set to grow by **4%** and inbound receipts at a stronger rate over 2017, compared to world GDP at 3.5%



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

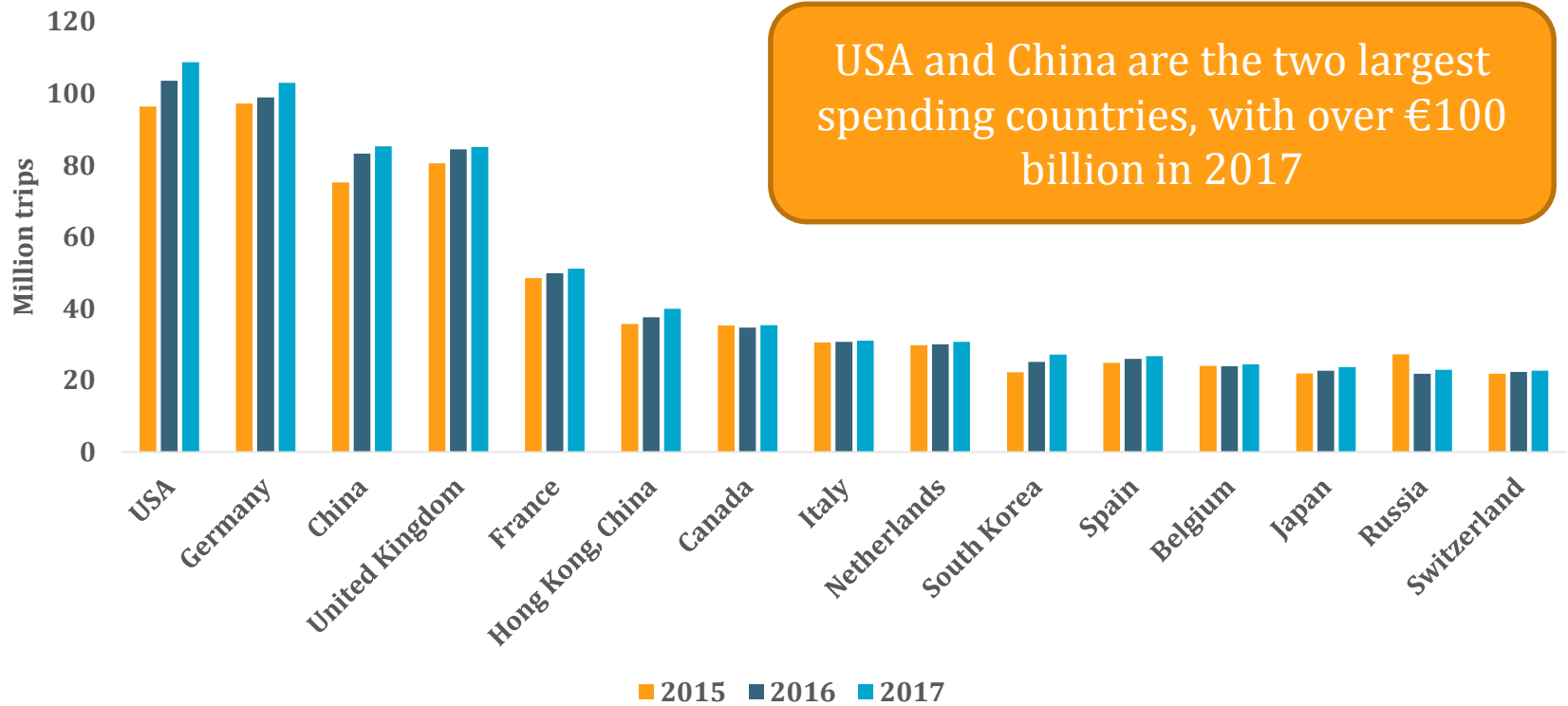


**Online and mobile** travel continues to expand across the globe, with the growing penetration of new technologies

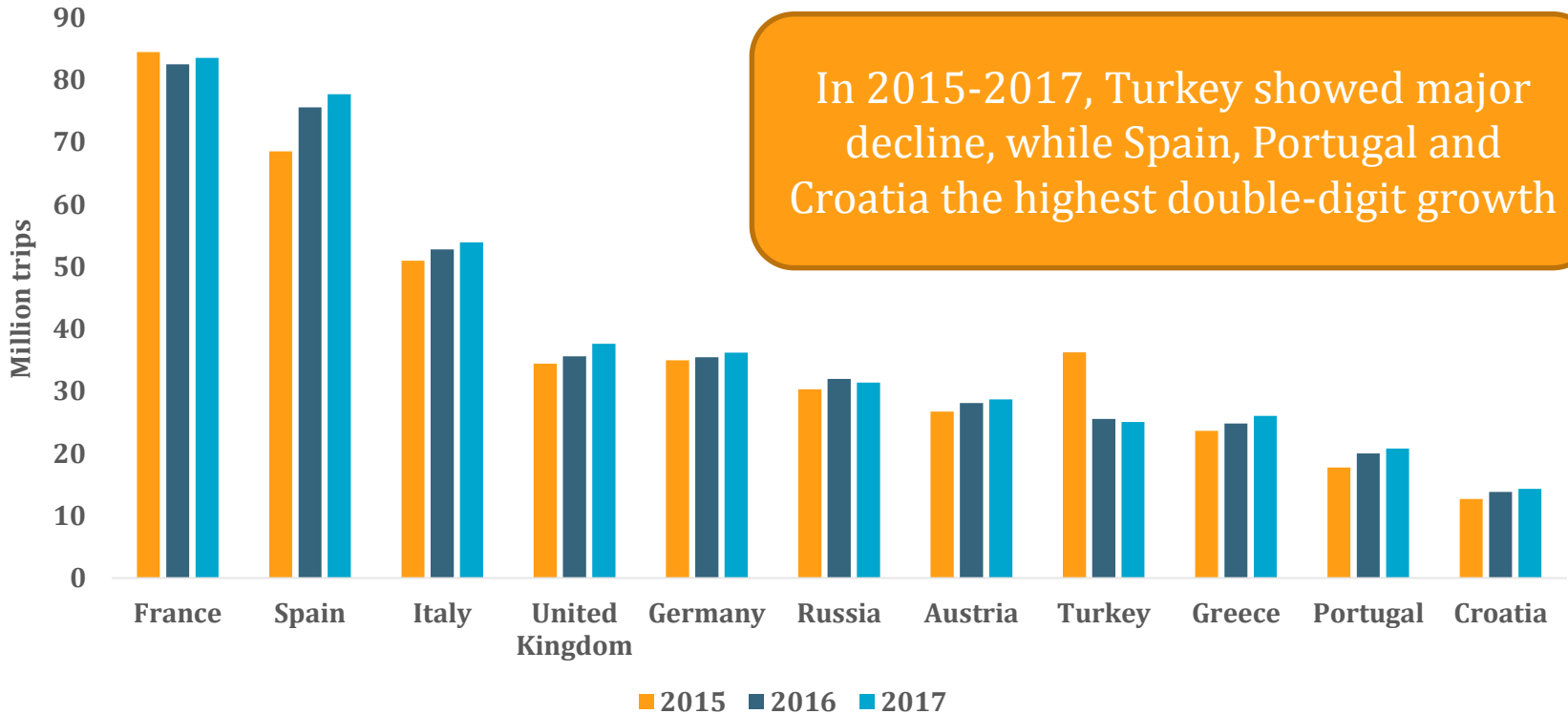


**In Europe**, in search of healthier lifestyles, but with less time on hand, **microadventures** offer short, adventurous breaks

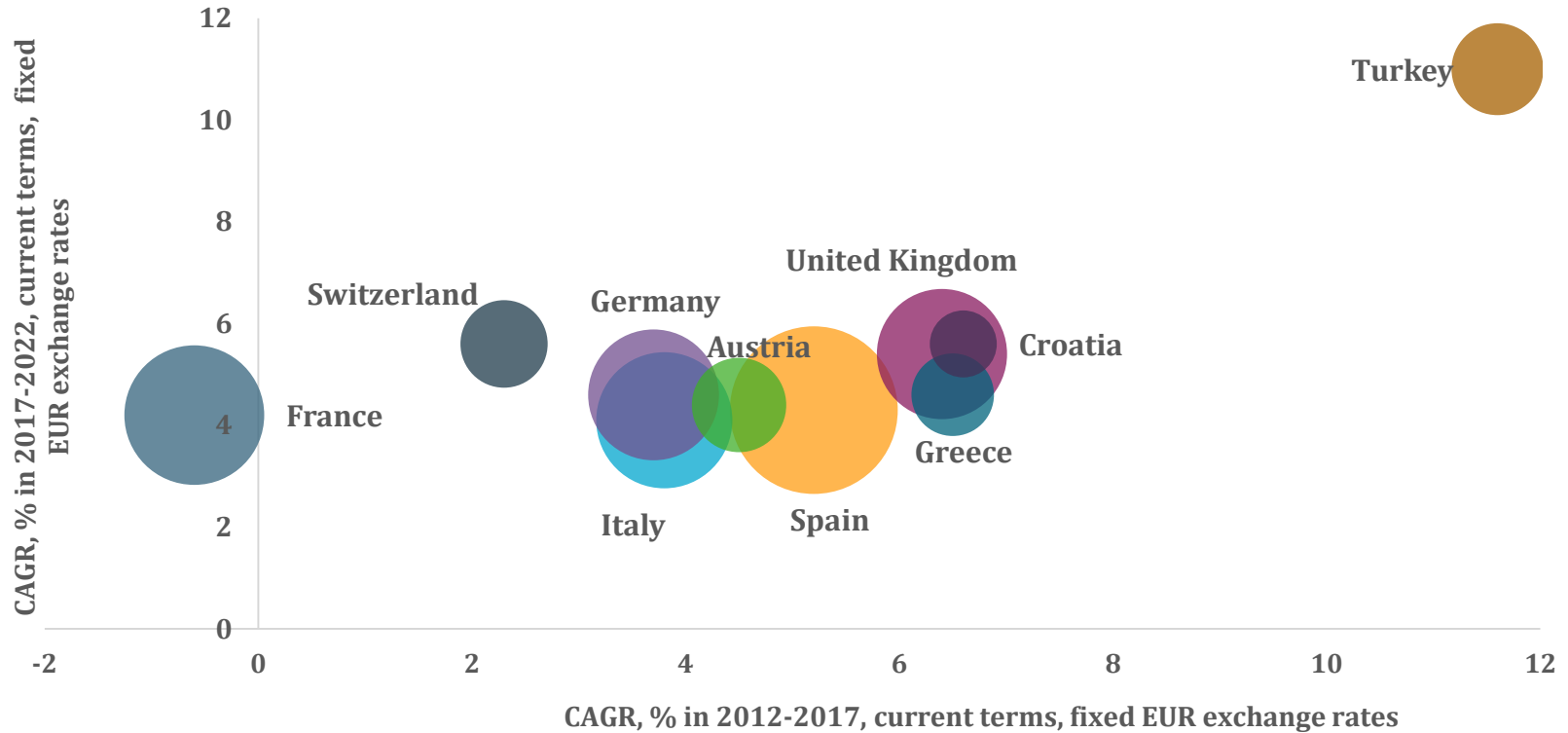
## The largest outbound source countries globally



## The largest European countries by number of inbound trips



# The largest European countries by travel receipts





## Key trends in Croatia



Main **competitors** had different performances with struggling Turkey, and showing good dynamics Spain



Construction of **the new airport** in Zagreb with expanded capacity to up to 5 million passengers



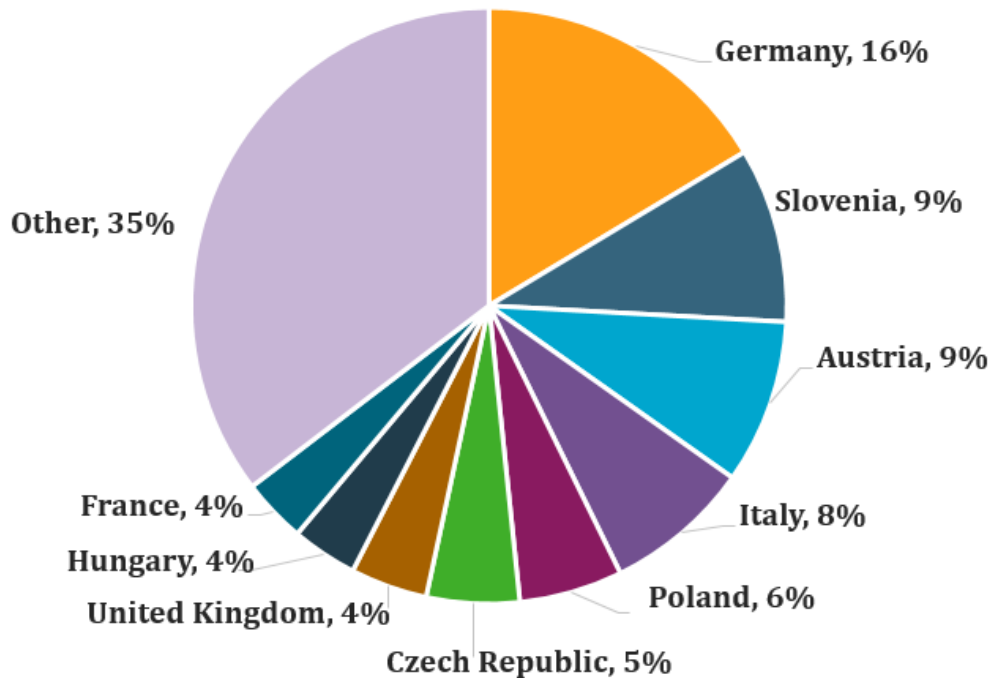
Key **source destinations** remain the same, but growth comes also from non-European countries like China or USA



Additional **development opportunities** in mountain area and during the off-season

# Inbound arrivals to Croatia in 2017

## Arrivals by number of trips



## Croatia in 2017

Arrivals, trips

**14.5mn**

Inbound receipts

**€9.3bn**

Average spend per  
trip

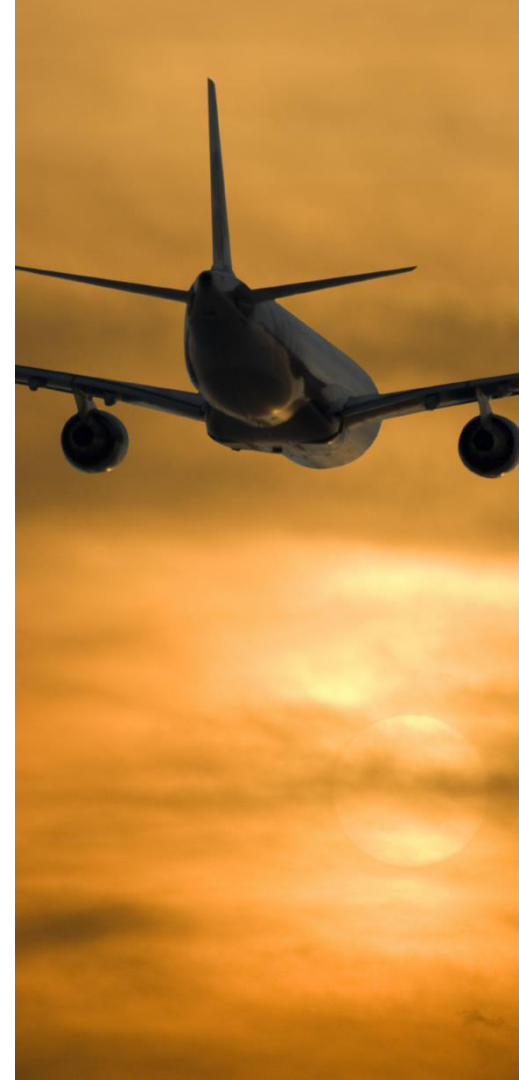
**€640**

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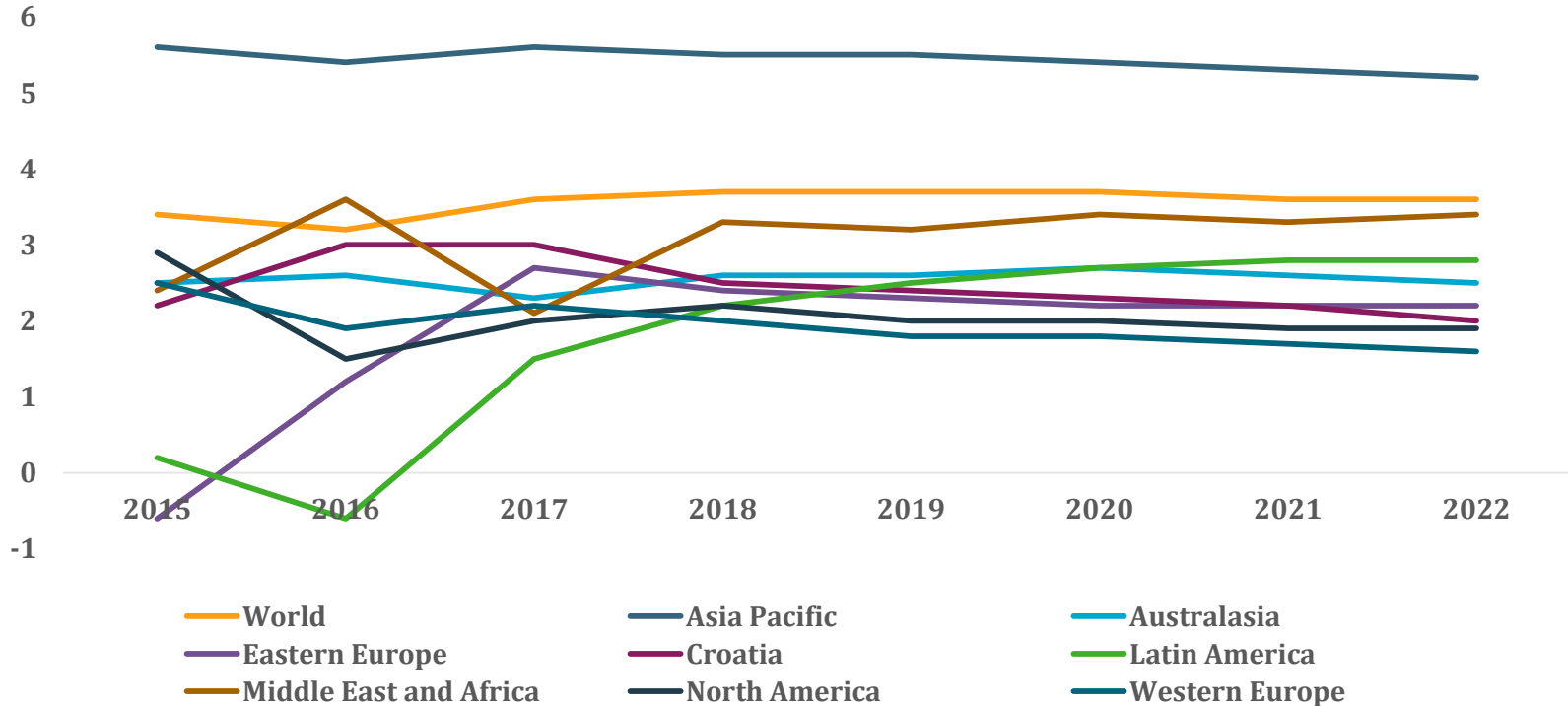
CHANGING CONSUMER





# Macroeconomic stability is crucial for the evolution of tourism

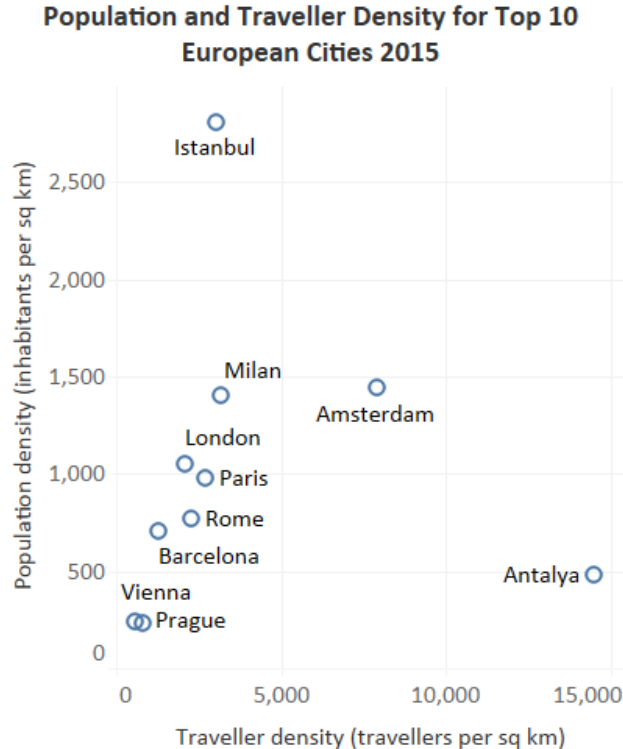
Real GDP Growth, %



# GDP growth highlights

GDP GROWTH	HIGHLIGHTS
 <p><b>Eurozone</b></p> <p>3 0</p> <p>2</p> <p>'17</p>	<p>After years of disappointing growth, the Eurozone economy is experiencing healthy growth. GDP growth forecasts was increased to 2% in 2017 and 2018</p>
 <p><b>Croatia</b></p> <p>5 0</p> <p>3</p> <p>'17</p>	<p>The economy will see moderate gains in 2017 being supported by tourism and private final consumption, rise in EU funding and public investment</p>
 <p><b>China</b></p> <p>9 0</p> <p>7</p> <p>'17</p>	<p>China's economy showed resilience in the first half of the year, but is expected to slow down in the second half, leading to 7% growth for 2017</p>
 <p><b>The US</b></p> <p>3 0</p> <p>2</p> <p>'17</p>	<p>US GDP growth forecasts were maintained at 2% in 2017-2018, reflecting a mix of lower expected costs of protectionist policies</p>

## Over-tourism important to take into account for promotions



Many European cities struggling from over-tourism, with Amsterdam having one of the highest number of people per sq km and travellers per sq km



“Visit Amsterdam, See Holland” is a marketing campaign by the Amsterdam Metropolitan Area, which includes Amsterdam and 16 surrounding municipalities, encouraging 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



## 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

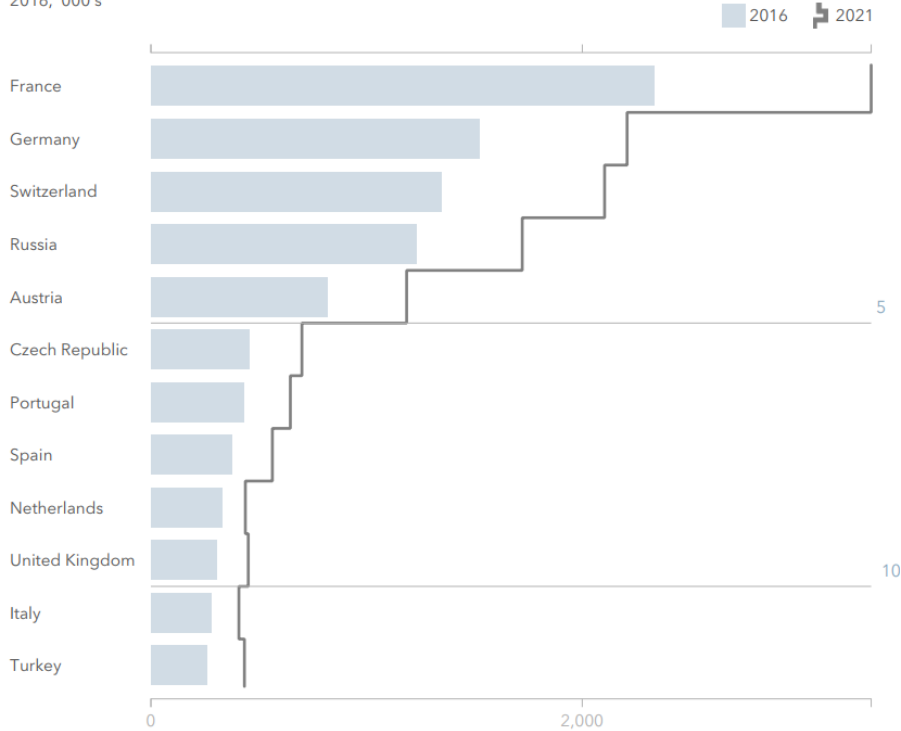


Budget carrier Norwegian Air Shuttle offers long-haul with tickets starting from £149 one way. Offering low-cost long-haul flights is all about tapping the trend of middle-class consumers ‘Trading Up, Trading Down’

# Chinese tourists in Europe

## Departures by Destination

From China  
2016, '000's



By 2021, we expect that China will be the world's second largest source of outbound tourism, with 116 million trips, overtaking Germany

## Spend per Departure from China

2015-2022, USD '000's



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



### Population using the internet

75%/66% in 2016

**83%/78%** in 2021

### Mobile internet penetration of total subscribers

72%/45% in 2016

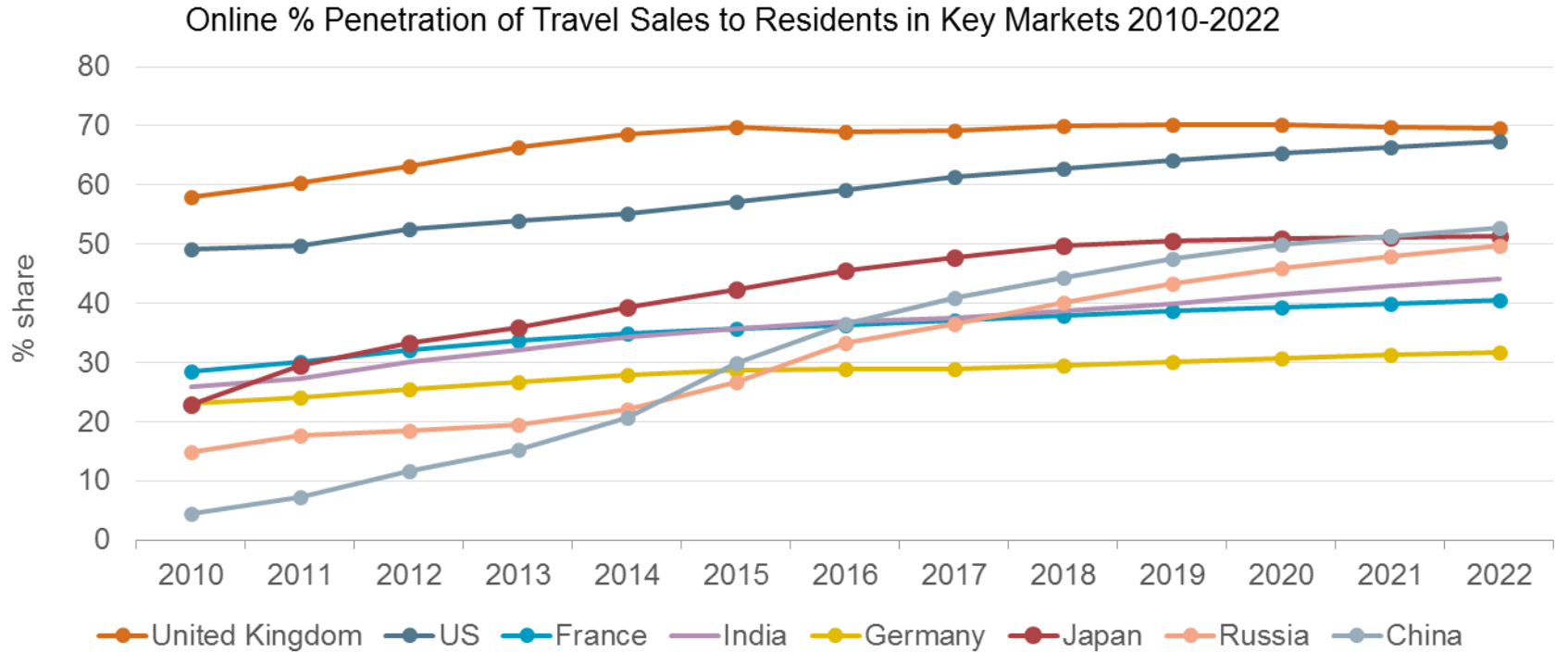
**96%/82%** in 2021

### Households have smartphones

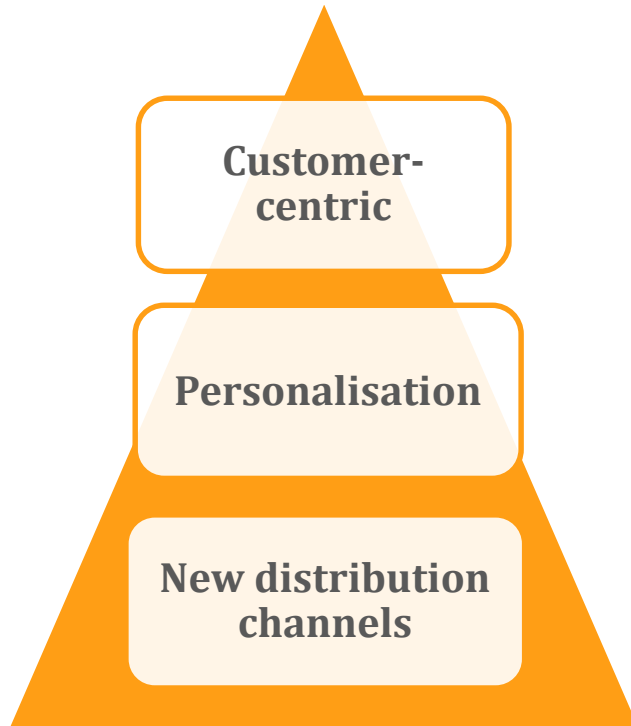
69%/51 in 2016

**80%/75%** in 2021

# Online channel is on the rise



# Technology impacting loyalty



**Customer-  
centric**

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

**Personalisation**

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

**New distribution  
channels**

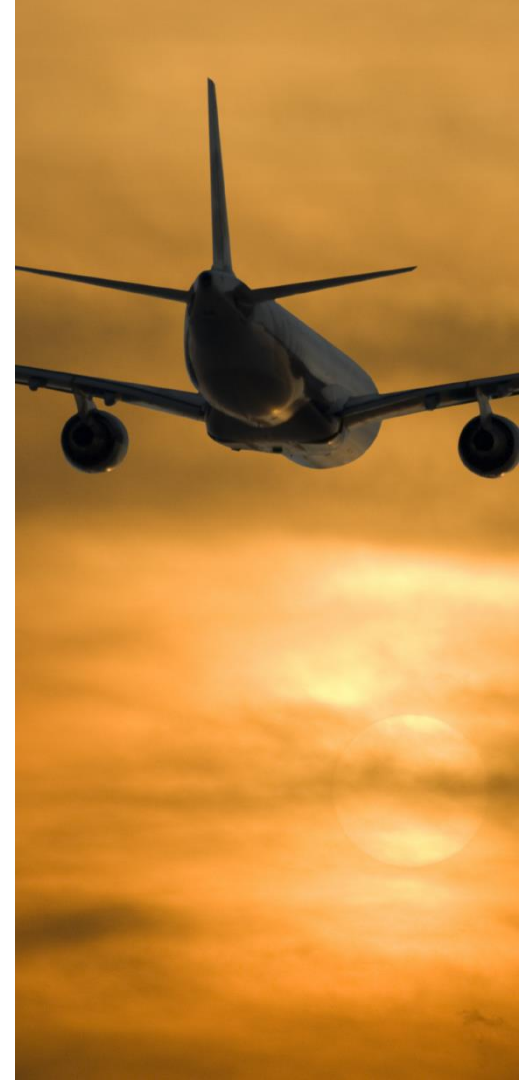
Customer loyalty has been changing over the years, impacted by the shift towards online distribution, growing e-commerce, social media

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FUTURE DRIVERS

FORECAST SCENARIOS

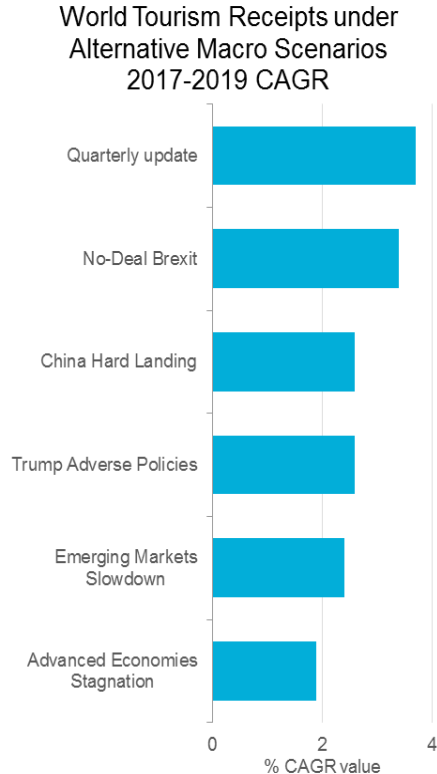
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# Global risk scenarios

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 Q2 2017.

# Impact on world tourism receipts



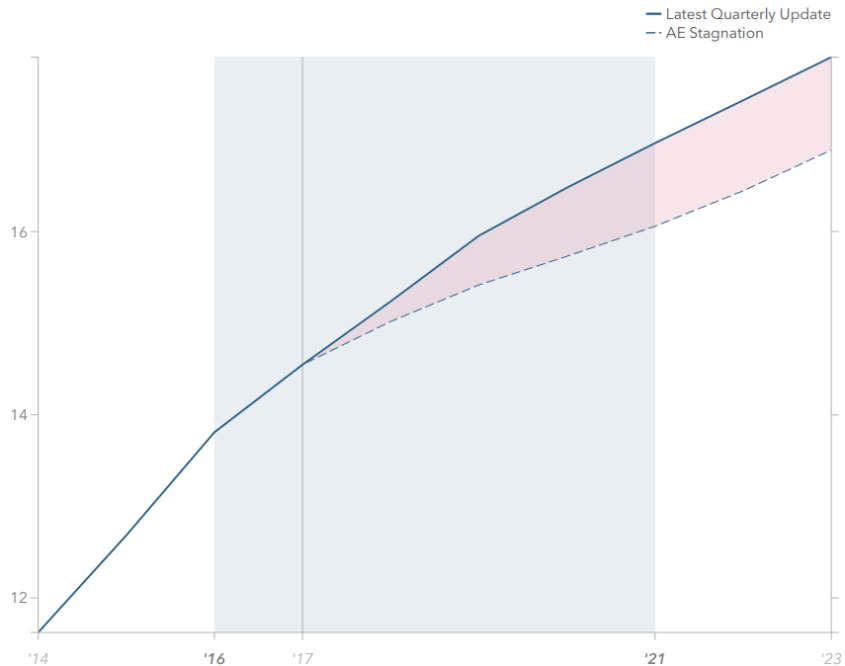
- For most scenarios such as Advanced Economies Stagnation, Emerging Markets Slowdown, the probability has declined relative to February.
- The likelihood of a hard landing in China and collapse in Brexit negotiations remained unchanged over the last six months.
- With Trump's unpredictability remaining a major risk for the US, we have replaced the US Severe Recession scenario with Trump Adverse Policies scenario.



# The impact of macroeconomic stability

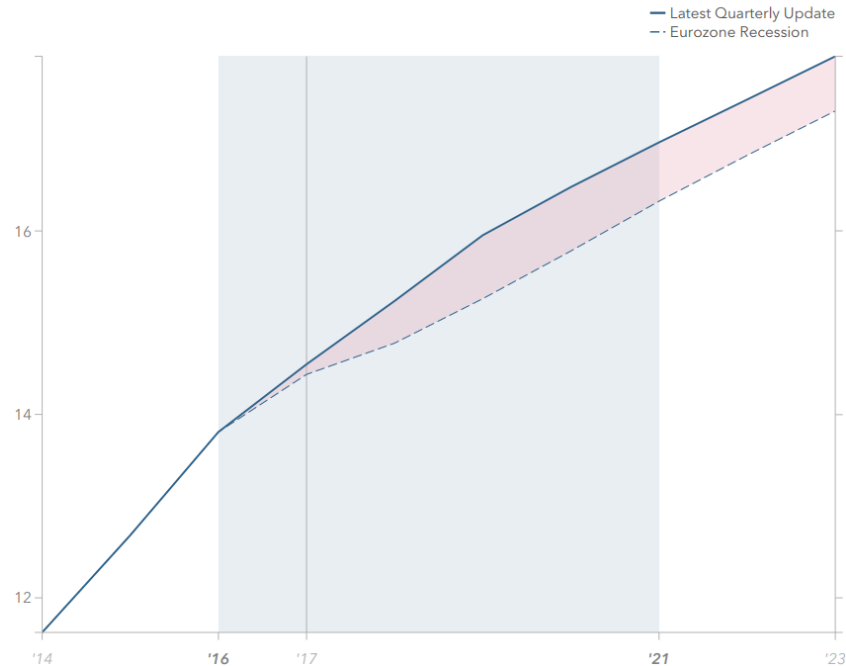
## Advanced economies stagnation scenario

Arrivals to Croatia  
2014-2023, mn



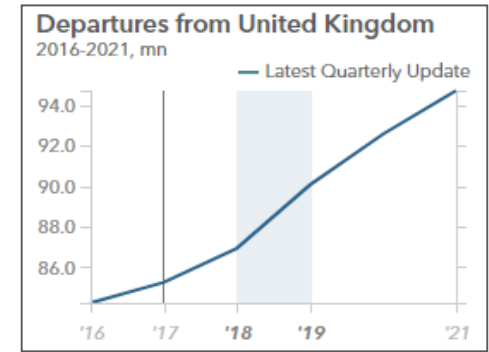
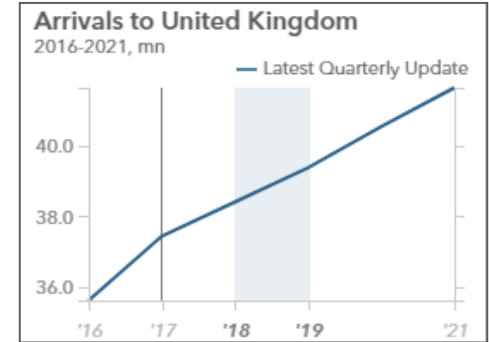
## Eurozone recession scenario

Arrivals to Croatia  
2014-2023, mn



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

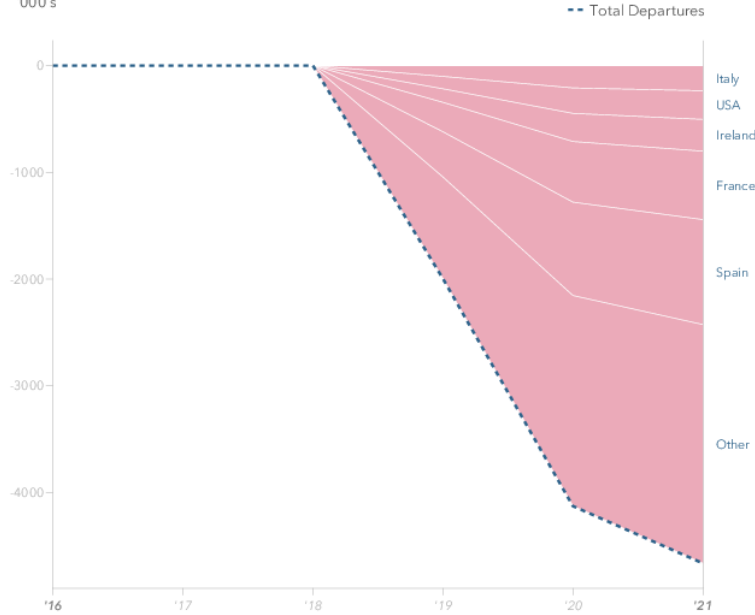
- In the past months, the UK has contended with multiple terror attacks that will weigh on inbound demand for 17/18
- No-Deal Brexit would result in the best outcome for inbound arrivals once the UK leaves the EU, as that would cause a further depreciation of the pound
- For UK outbound departures, the 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

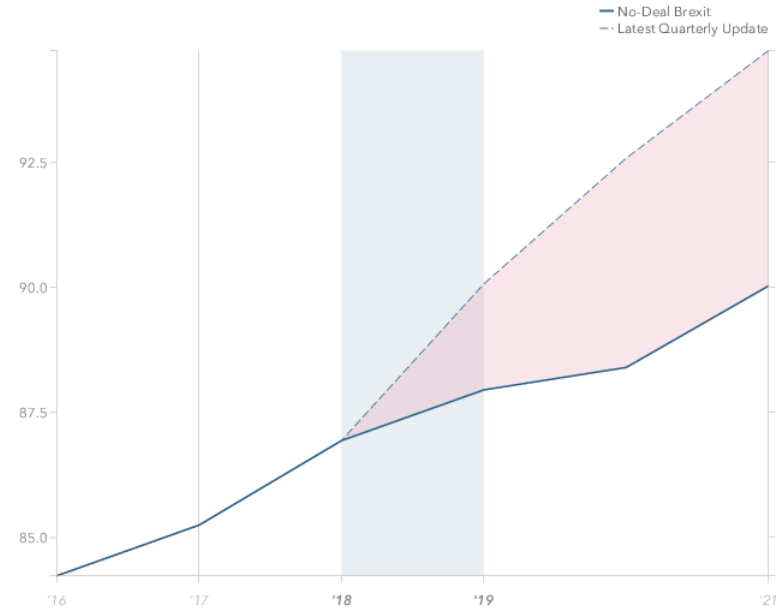
Scenario Impact on Departures from United Kingdom, 2016-2021

No-Deal Brexit Scenario in 2019Q1  
'000's



Total Departures from United Kingdom

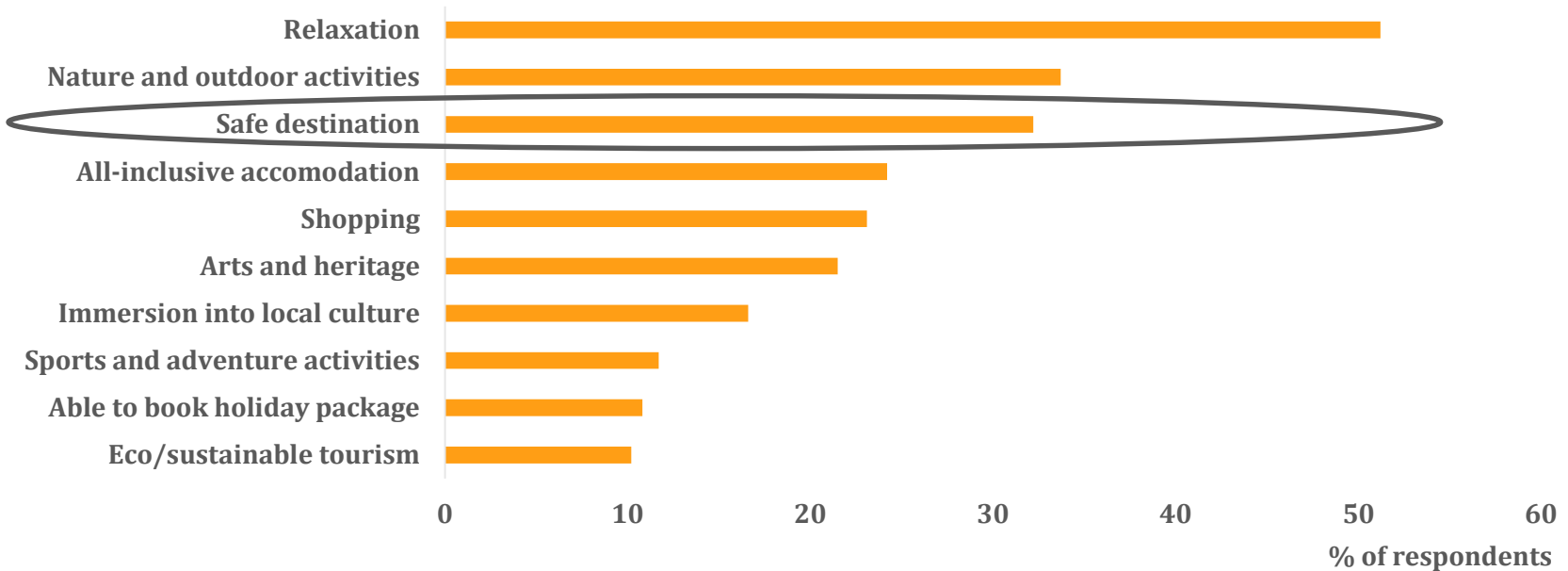
2016-2021, mn



No Deal Brexit would reduce UK departures from the baseline forecast of 90 million by 2% to 88 million in 2019, and outbound spending by almost €2 billion

# Importance of safety

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

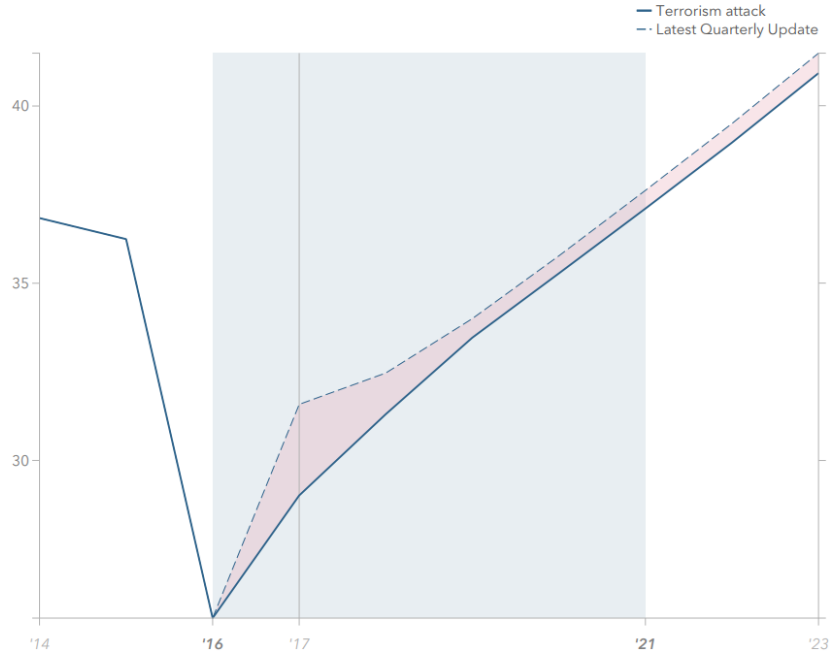


\* Euromonitor International, Global Consumer Trends Survey 2017, 28,487 respondents in 21 country, age between 15 and 65+

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

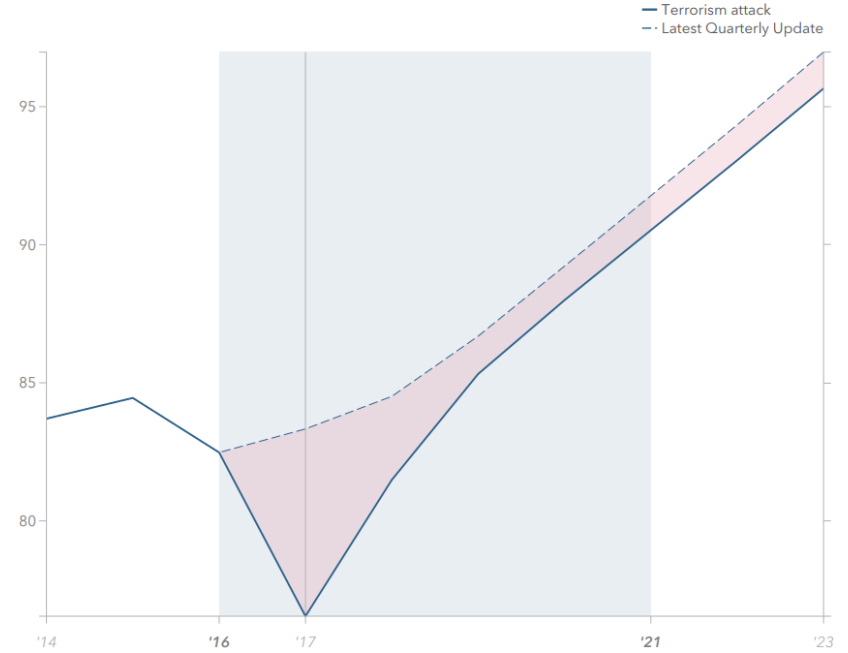
## Arrivals to Turkey

2014-2023, mn



## Arrivals to France

2014-2023, mn

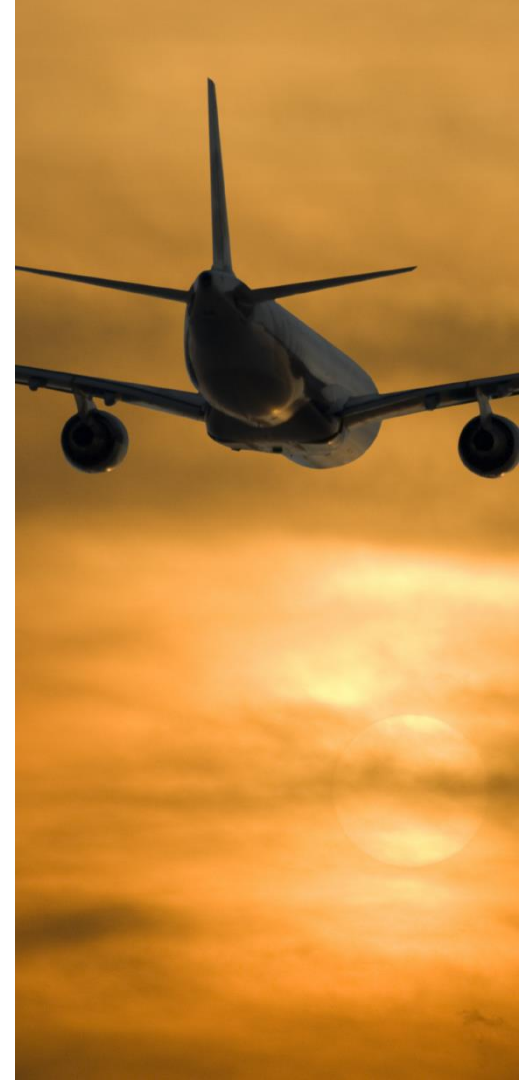


TRAVEL OVERVIEW

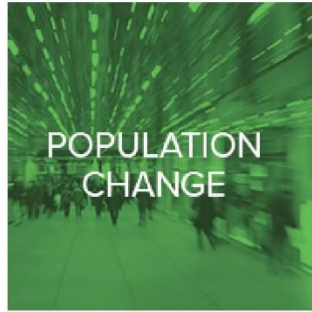
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# Main drivers behind changing consumer trends



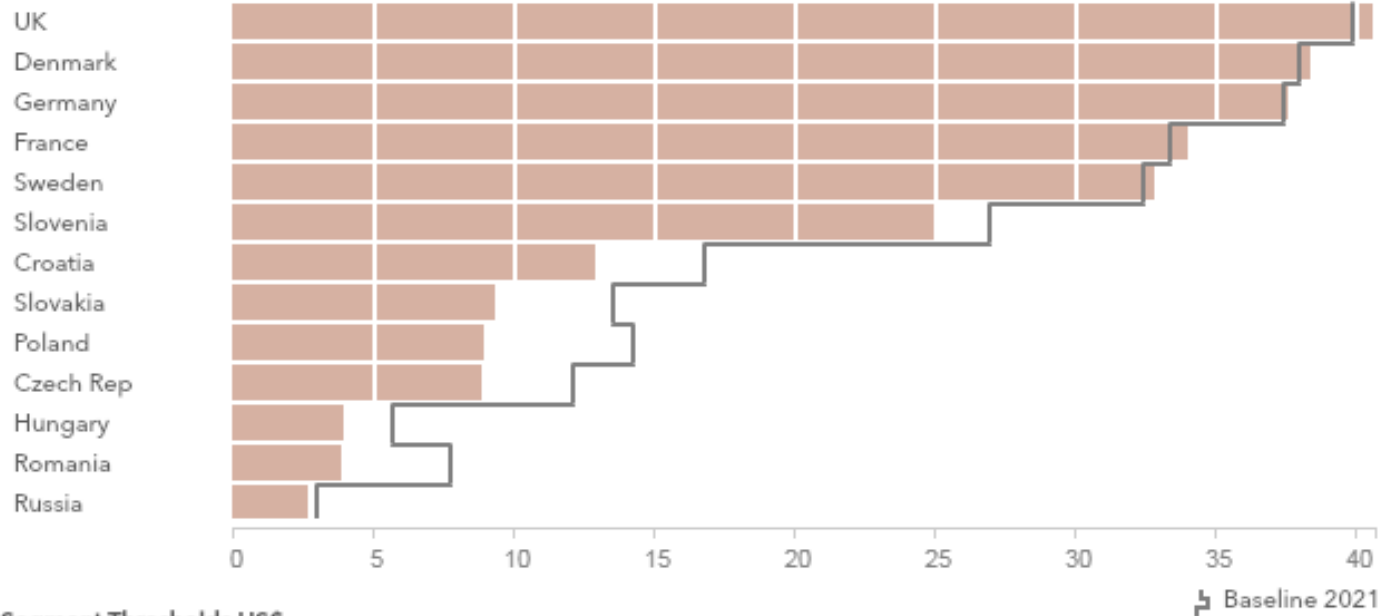
# Key Megatrends





## Middle Segment 2016

Disposable Income Distribution, Constant 2016 Prices, % of Households



Segment Thresholds US\$

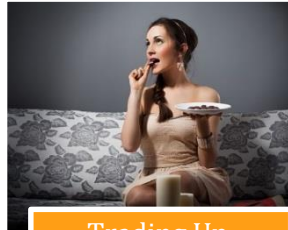
0 ≤ Bottom < 35,000 ≤ **Middle** < 65,000 ≤ Top

© 2017 Euromonitor

# Middle class retreat in the developed countries



Fickle Consumers



Trading Up,  
Trading Down



Glorified Frugality



The Sharing  
Middle



From Having to  
Being



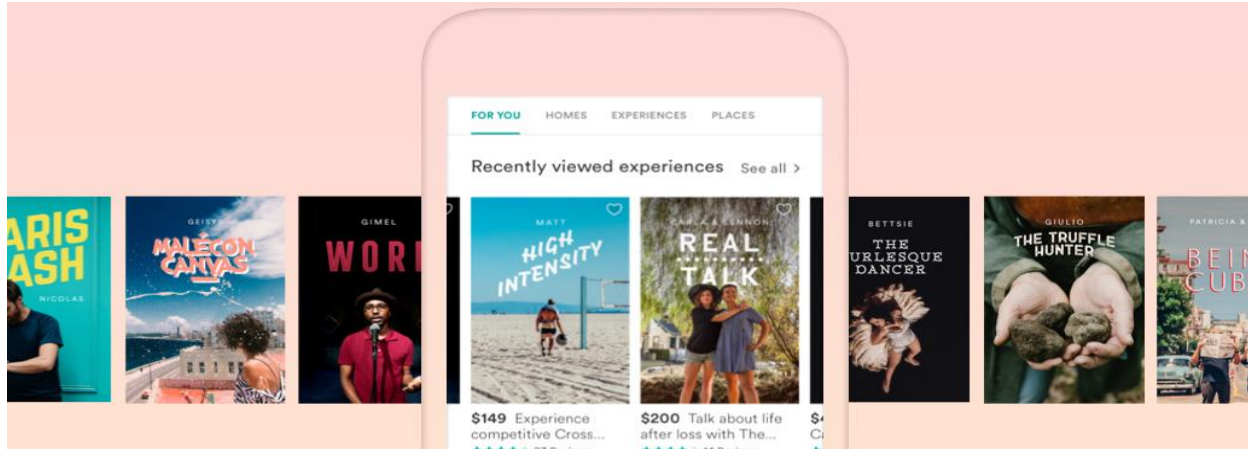
Home of the Deal



Thrill of the Deal

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

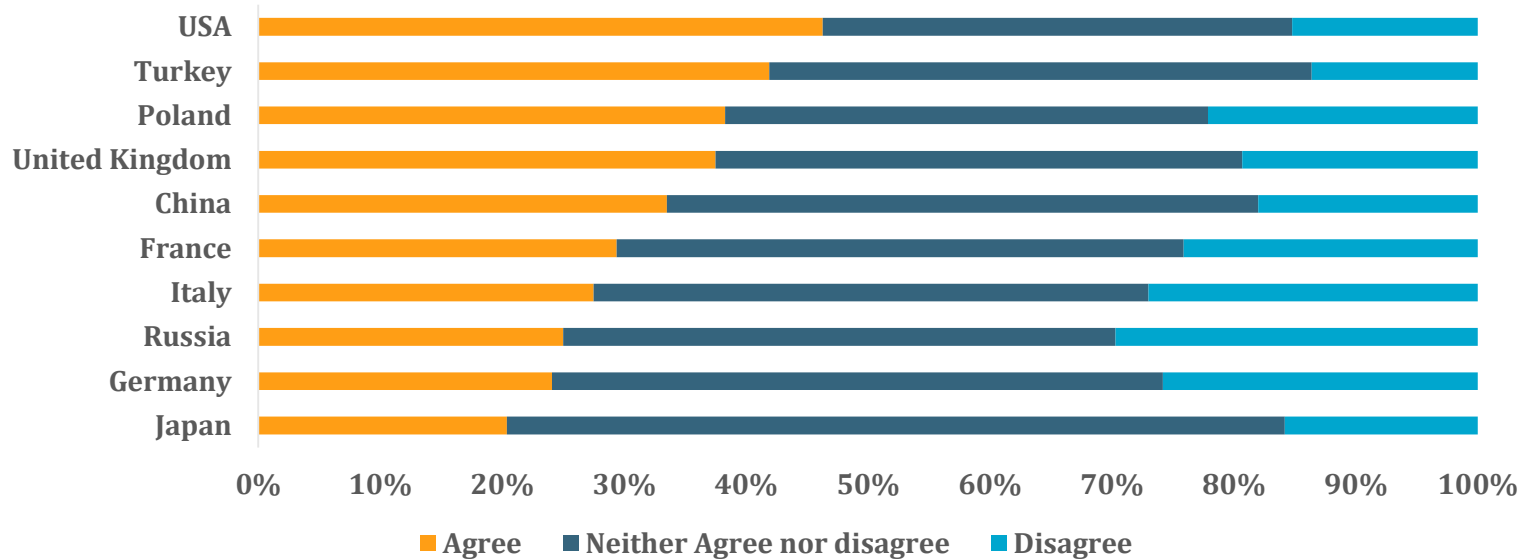
Founded in 2008, Airbnb has seen astronomical growth to register a company valuation of US\$30 billion in 2017



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



- Prioritising experiences over things
- Shifting value toward engagement
- Authenticity and tailored interaction
- Telling the story of the product or service
- Experiencing something as a local would

## 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 to the Moon in 2018

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

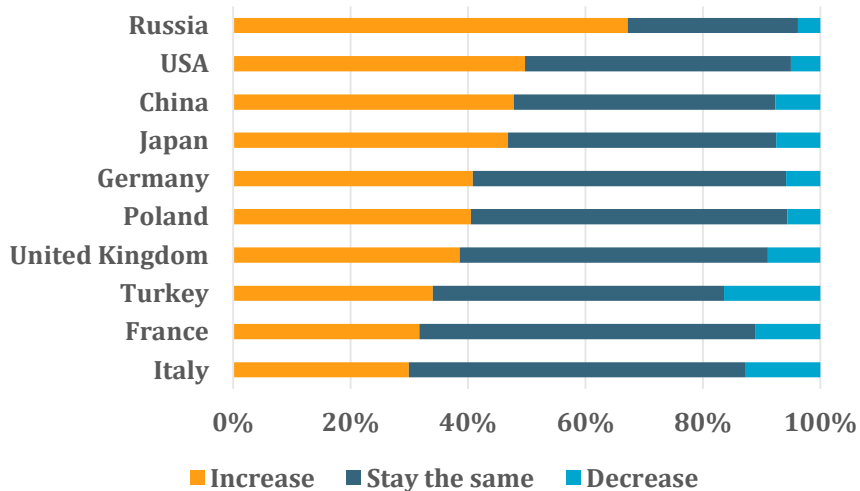


SpaceX announced that it will take two private citizens on a trip around the Moon in 2018. As the number of high net worth individuals increases and experiences are prioritised over possessions, demand for unique trips such as to space is set to emerge.

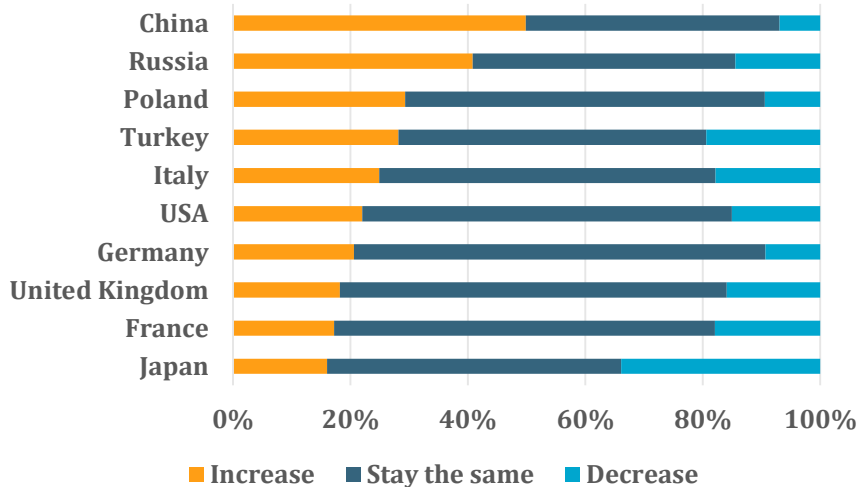


# In the next 12 months do you intend to change any of the following habit?

## Saving money



## Spending on travel/holiday



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**THANK YOU FOR YOUR ATTENTION**

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