



ICAN 2015

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NEW UNDERSTANDINGS
AND APPROACHES IN
AIRLINE AND TOURISM
BUSINESS

MÁRCIO FAVILLA

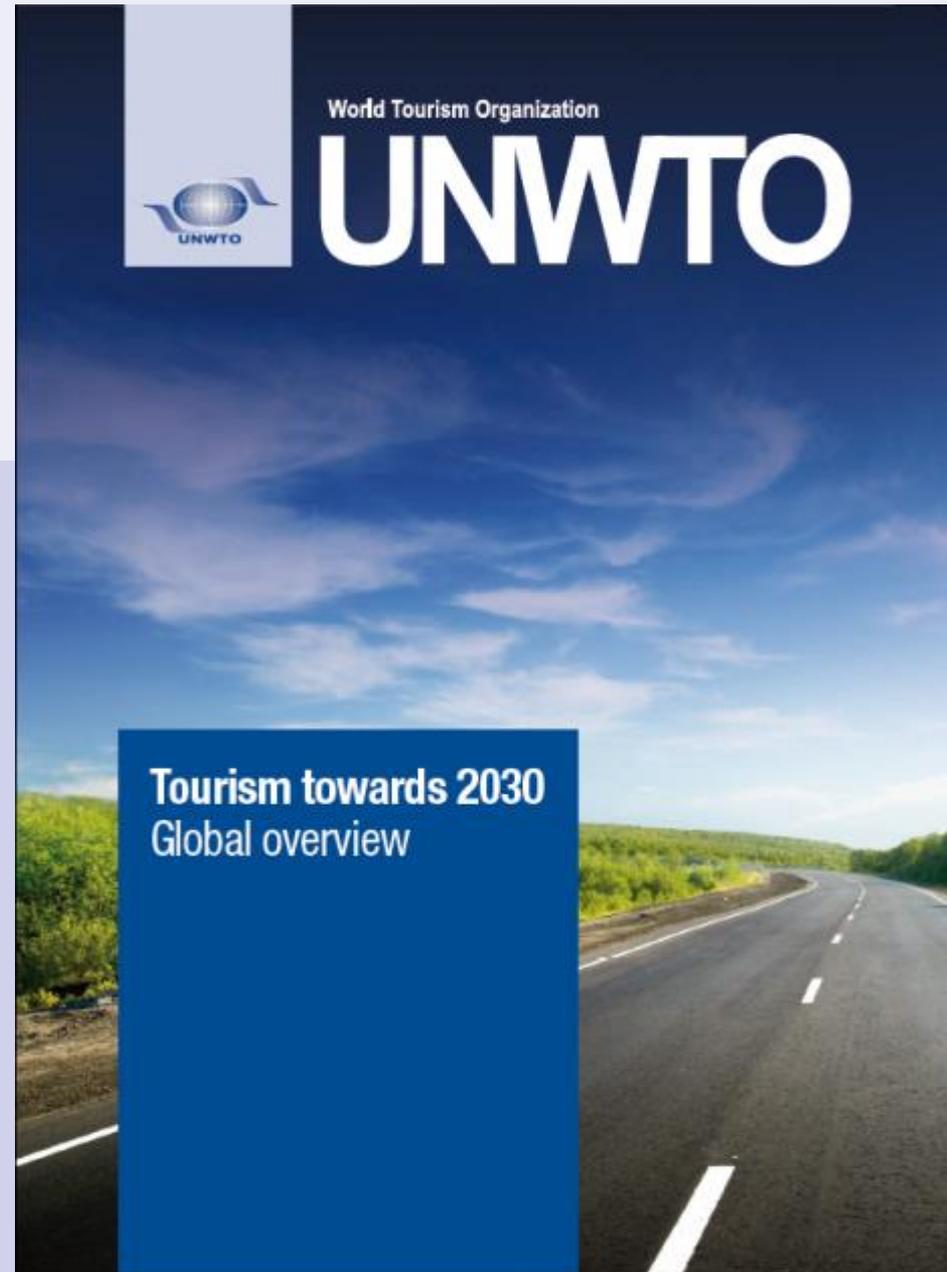
UNWTO

Executive Director





Tourism Towards 2030



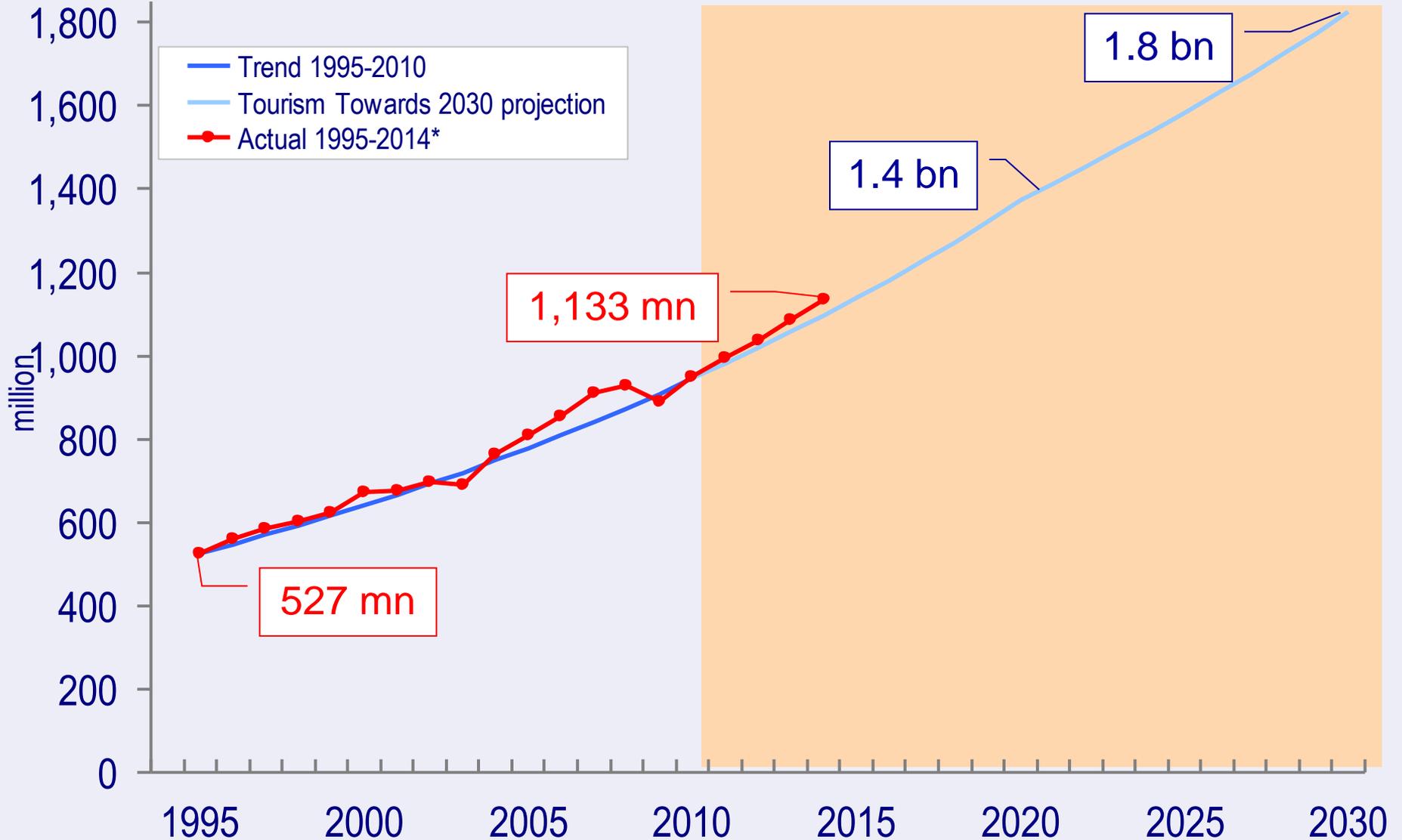


**Continued
growth of
demand**

Actual Trend vs. Tourism Towards 2030

Int'l arrivals reach 1.4 bn in 2020 and 1.8 bn in 2030

International Tourist Arrivals



Source: World Tourism Organization (UNWTO)

Continued growth of demand

From advanced markets

- established markets still far from saturated, however growth potential is comparatively moderate
- growth both from:
 - increase of participation, but tourism is already available for broad part of society
 - increased frequency: more frequent but shorter stays

From emerging markets

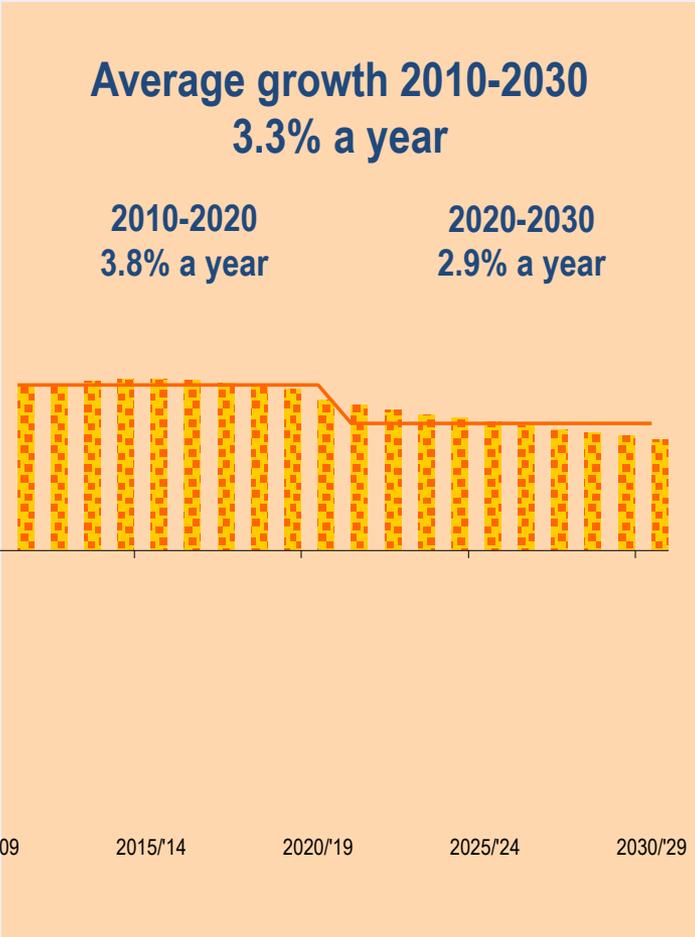
- still huge potential for growth to exploit from current travellers but above all from new emerging middle classes
- sizable populations currently still only take part in international tourism very limitedly
- economic growth in many emerging economies resulting in increasing disposable incomes
- a good share of this increase will be spent on tourism (domestic as well as international)

Growth in international tourism will continue but at a more moderate pace

International tourism, World



International Tourist Arrivals, % change over previous year

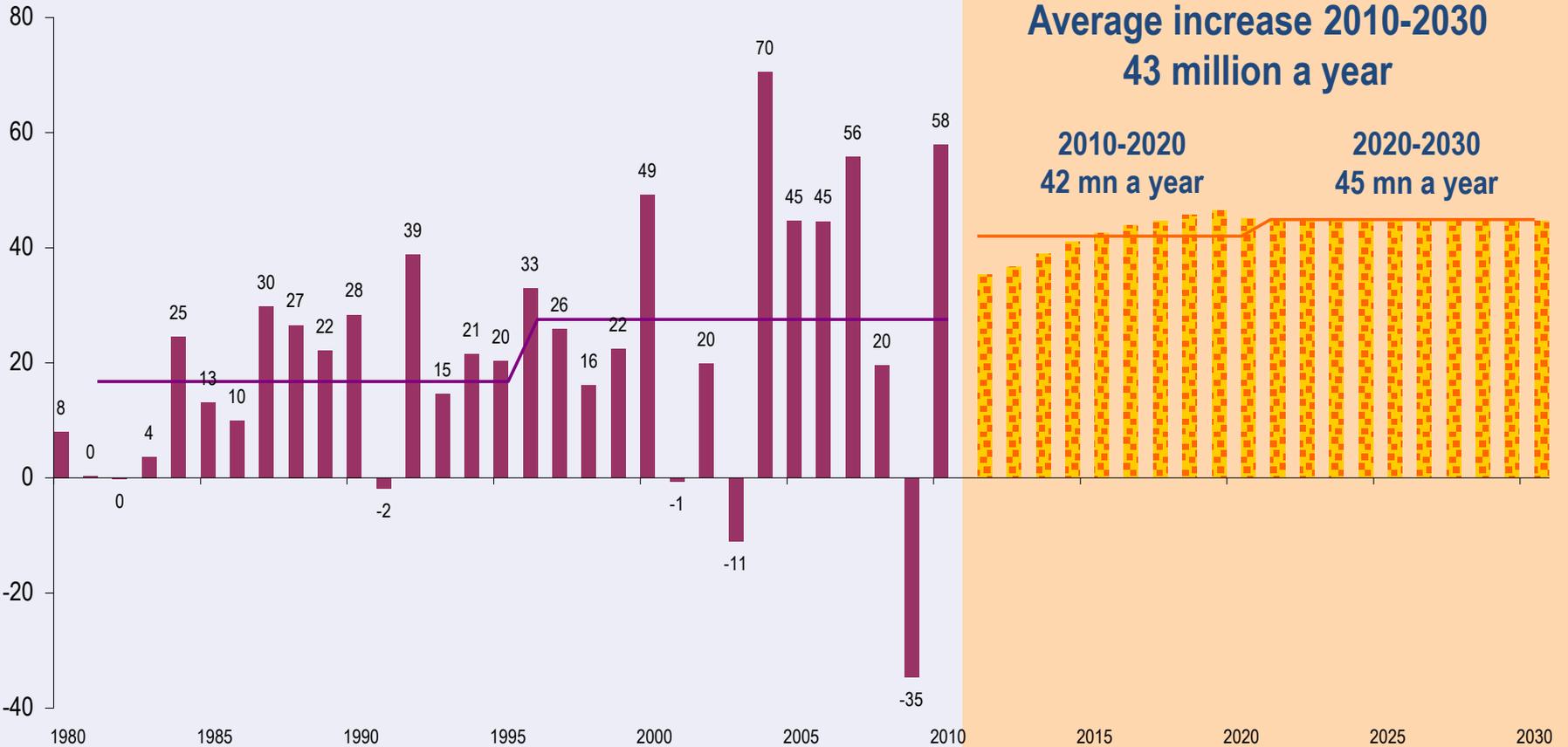


source: World Tourism Organization (UNWTO) ©

International tourist arrivals to increase by 43 million a year on average

International tourism, World

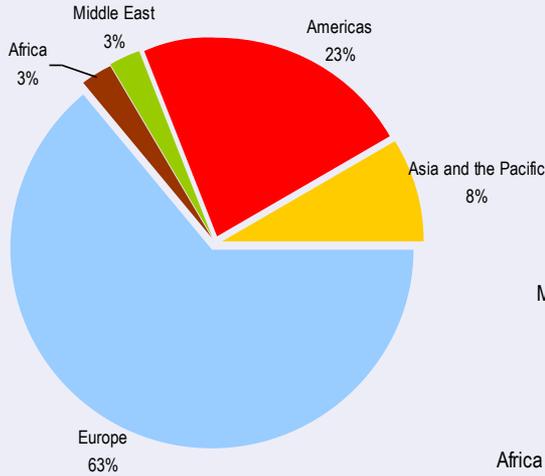
International Tourist Arrivals, absolute change over previous year, million



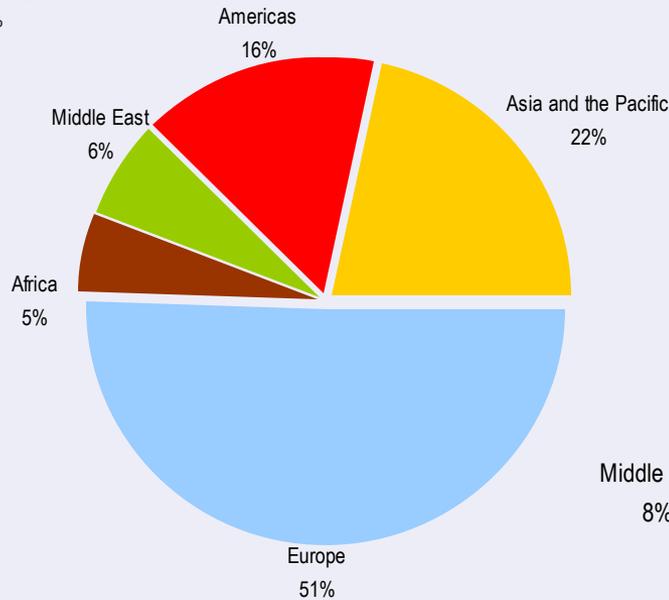
source: World Tourism Organization (UNWTO) ©

Asia and the Pacific, the Middle East and Africa to increase their shares

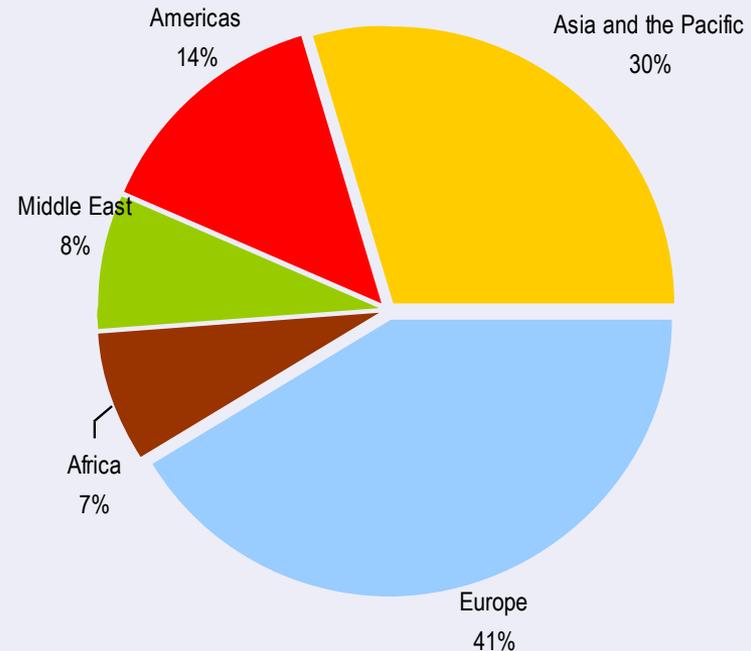
1980



2010

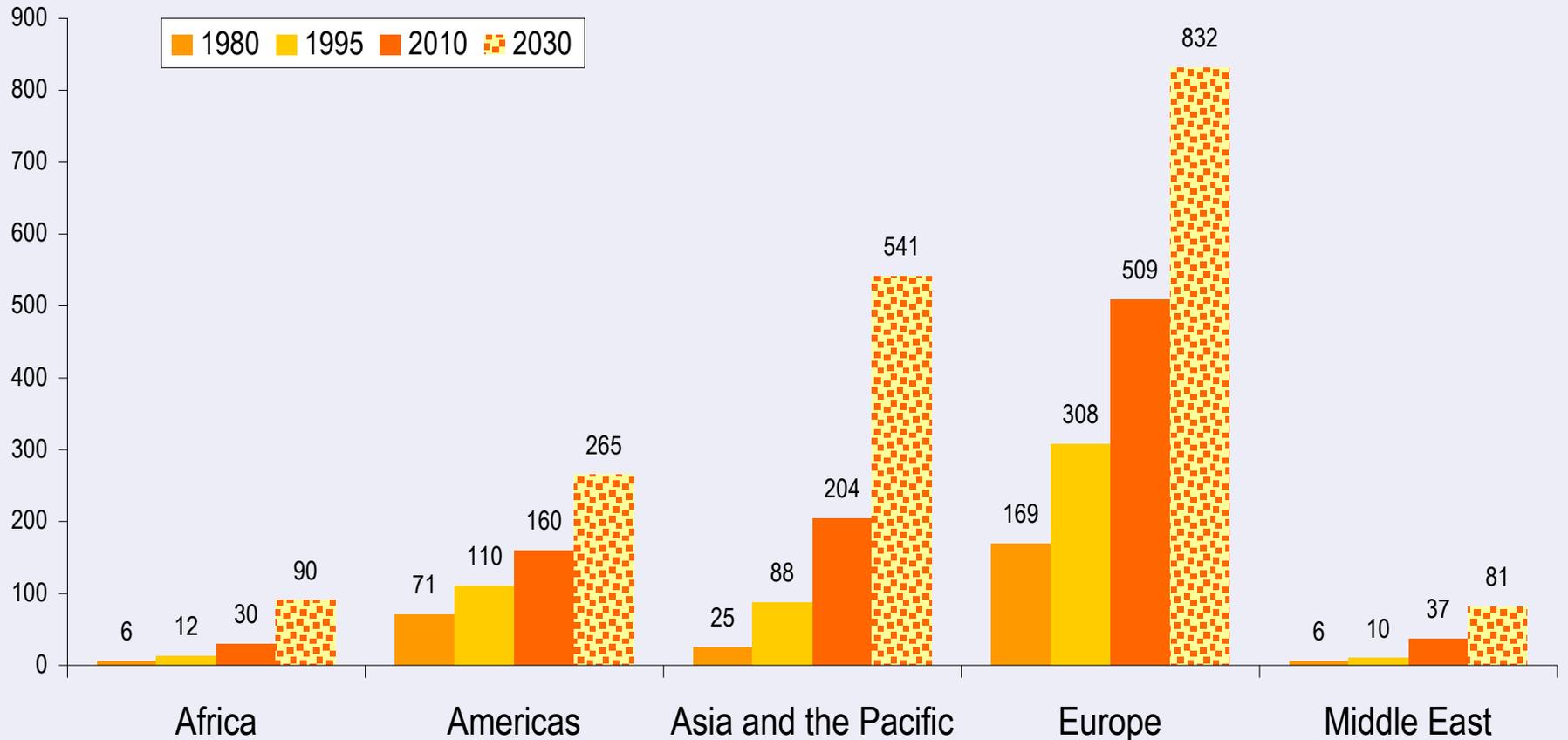


2030



Asia and the Pacific to be the outbound region to grow the most

Outbound tourism by region of origin



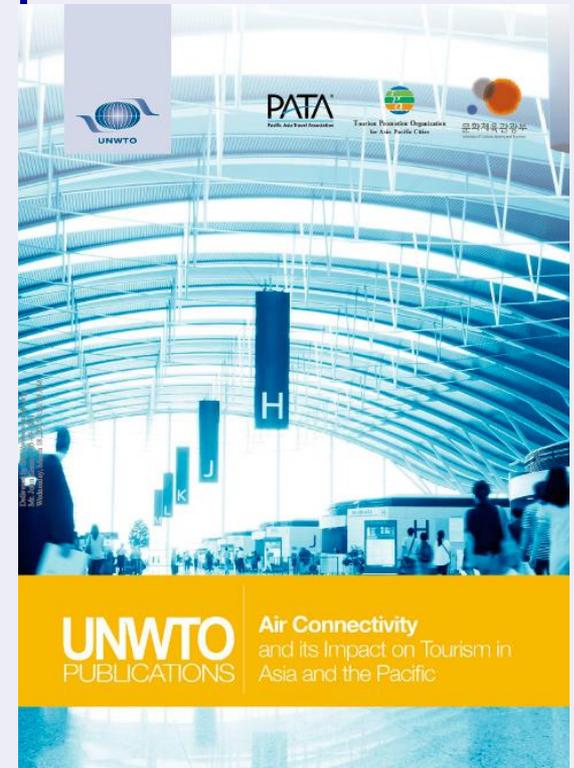


Connectivity

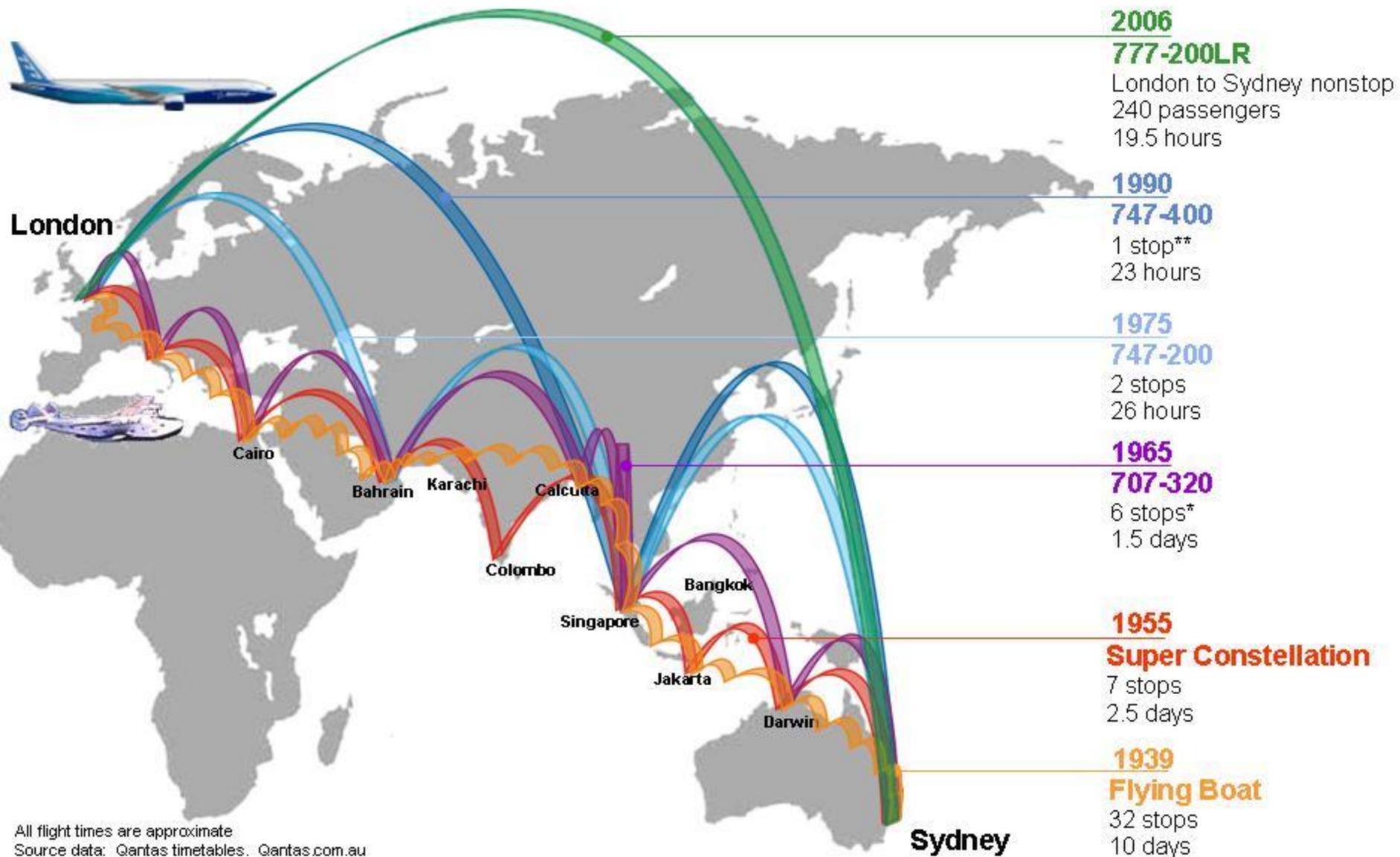


Connectivity

- Transport and tourism are closely interconnected
- Infrastructure development
- Technological development and improvement
- Air transport liberalisation
- New mega hubs
- Low-cost airlines
- Interconnectivity of means
- High-speed rail
- Facilitation: entry formalities, visas



Breakthroughs in airplane capabilities give airlines additional choices to improve service



All flight times are approximate
Source data: Qantas timetables. Qantas.com.au

Cost of transport has remarkably decreased

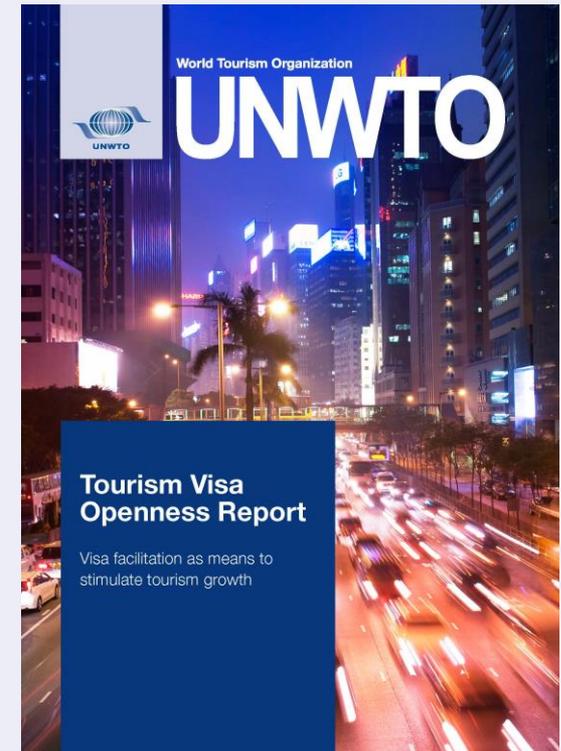
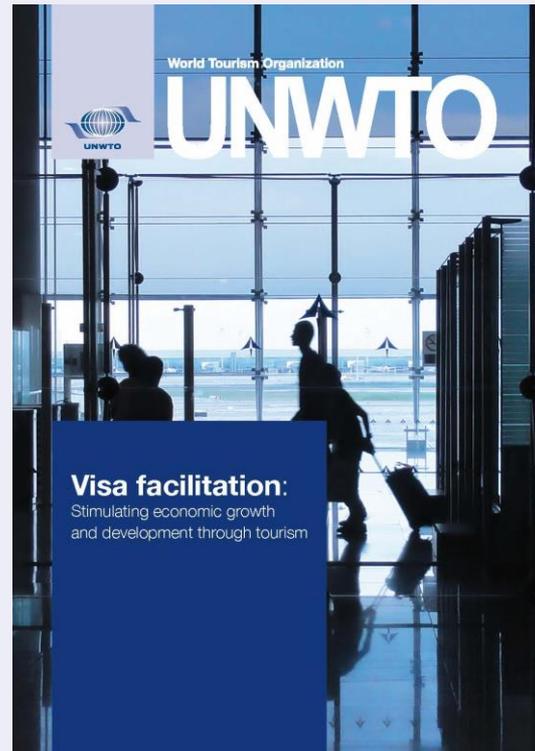
Wages vs airfares

time taken to earn the lowest Sydney-London return airfare



Visa facilitation: UNWTO jointly with partners has worked closely with stakeholders to move agenda forward

Various reports to analyse the issue and make policy recommendations



For more information and download of reports, see <http://rcm.unwto.org/en/content/facilitation-tourist-travel>



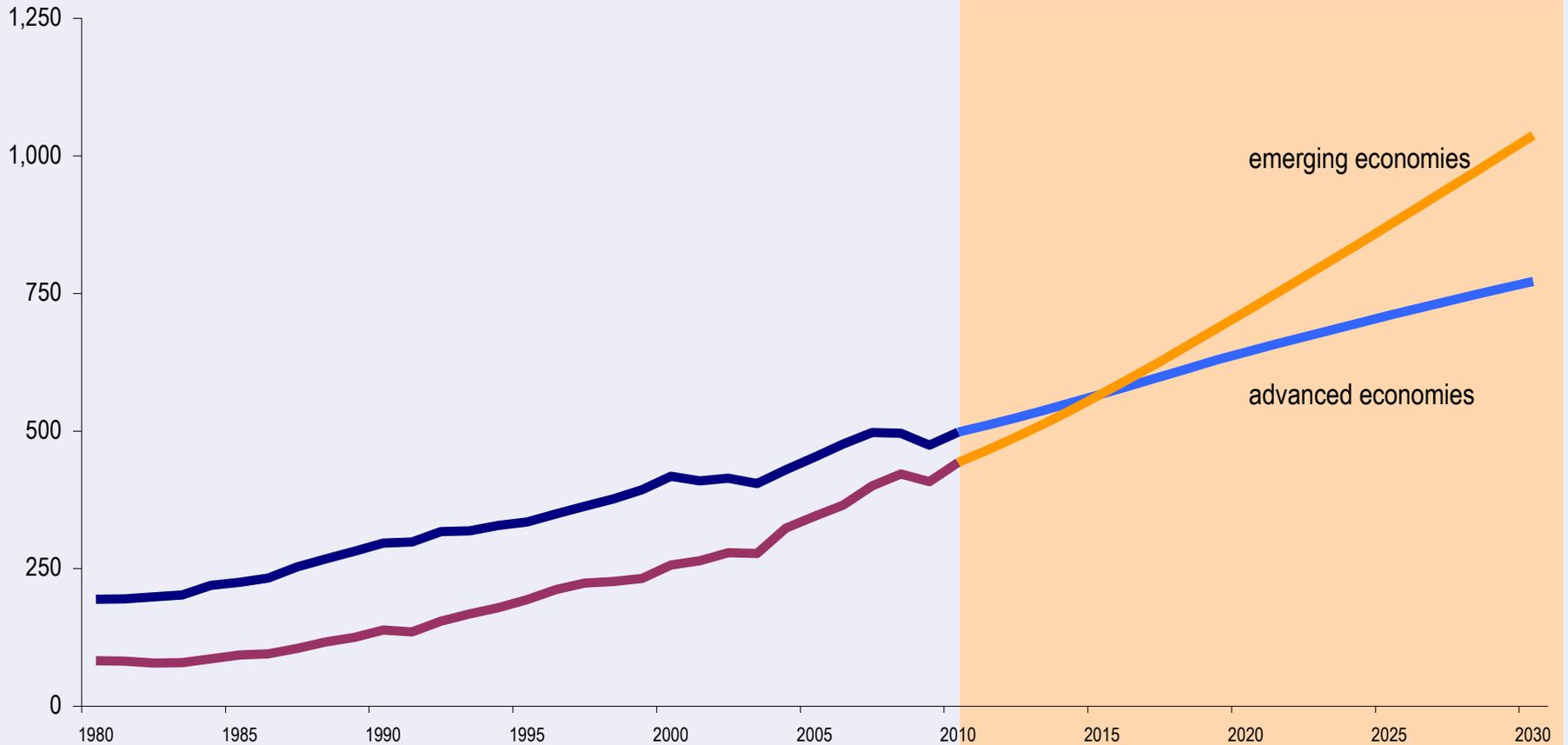
Diversification

Diversification

- Tourism development, like society and economy overall, is characterised by ever increasing diversification and sophistication
 - of destinations
 - of source markets
 - of products
 - of segments
- tap emerging markets
- China boom
- shift from products and service to experience
- need for upgrade and regeneration of existing offer
- develop products, markets, segments that complement current ones
- also intensified competition

Emerging economies to surpass advanced destinations by 2020

Inbound tourism, advanced and emerging economies



source: World Tourism Organization (UNWTO) ©

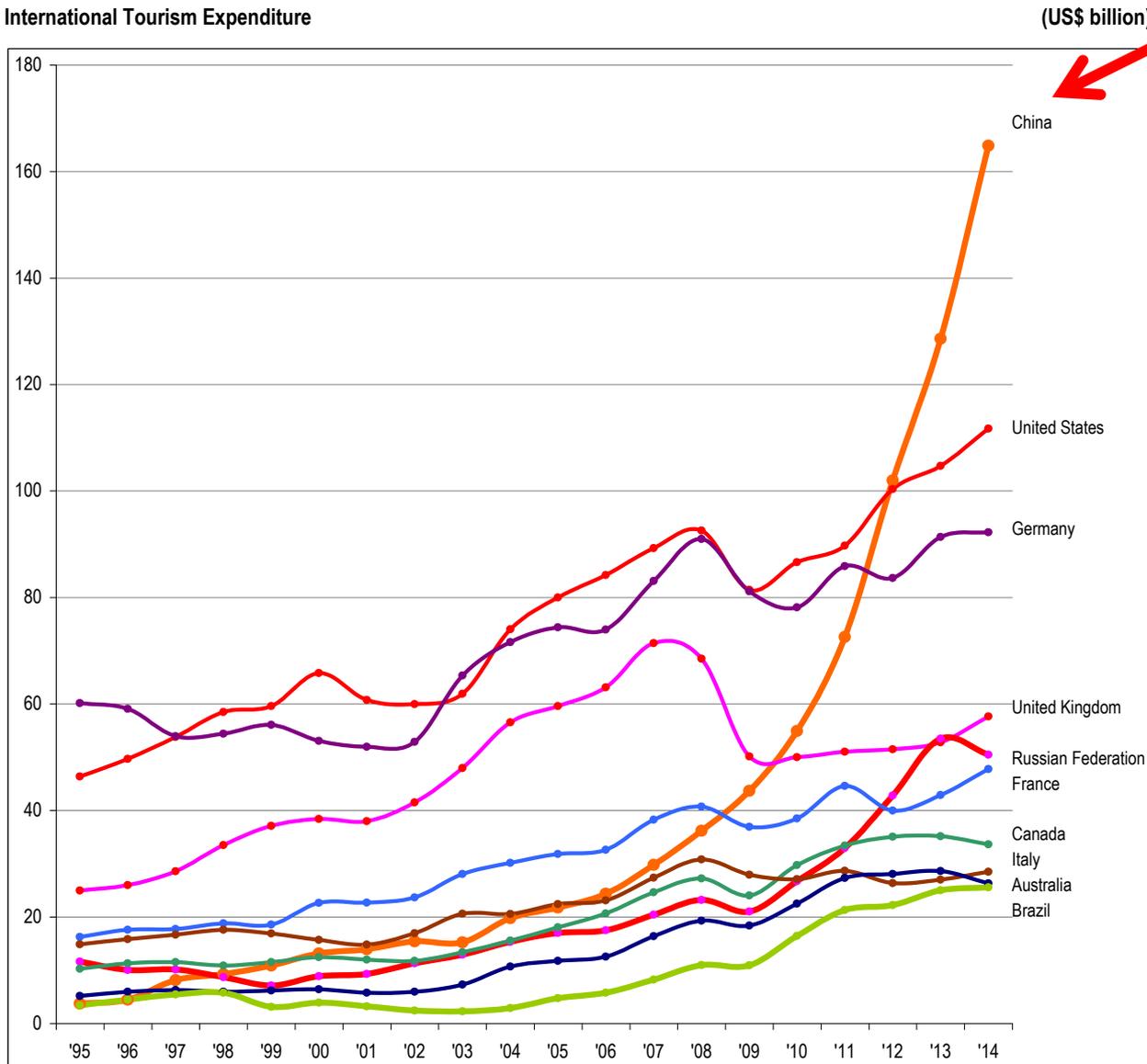
Diversification

Rank	1950	Share	1970	Share	1990	Share	2014	Share
1	United States		Italy		France		France	
2	Canada		Canada		United States		United States	
3	Italy	71%	France	43%	Spain	39%	Spain	29%
4	France		Spain		Italy		China	
5	Switzerland		United States		Austria		Italy	
6	Ireland		Austria		Mexico		Turkey	
7	Austria		Germany		Germany		Germany	
8	Spain	17%	Switzerland	22%	United Kingdom	18%	United Kingdom	15%
9	Germany		Yugoslavia		Canada		Russian Federation	
10	United Kingdom		United Kingdom		China		Mexico	
11	Norway		Hungary		Greece		Hong Kong (China)	
12	Argentina		Czechoslovakia		Portugal		Malaysia	
13	Mexico	9%	Belgium	10%	Switzerland	9%	Austria	11%
14	Netherlands		Bulgaria		Yugoslav SFR		Thailand	
15	Denmark		Romania		Malaysia		Greece	
	Others	3%	Others	25%	Others	34%	Others	45%
Total	25 million		166 million		436 million		1133 million	



China became number 1 outbound market in 2012 and strong growth continues

World and regions: Outbound Tourism
International Tourism Expenditure



Source: World Tourism Organization (UNWTO) ©



The Chinese Outbound Travel Market

2012 Update



Understanding Chinese Outbound Tourism

What the Chinese blogosphere is saying about Europe



High potential outbound markets

International Tourism Expenditure: increase 2007-2014*

(US\$ billion)

International Tourism Expenditure:
 between 2007 and 2014 total up by € 293 billion (US\$ 362 bn),
 from € 644 bn (US\$ 883 bn) in 2007 to € 937 bn (US\$ 1,245 bn)
 in 2014 (current terms) in spite of 2008/09 crisis
 Average growth rate in real terms: +2.7% a year





Disruption

Disruption

Business is continuously evolving thanks to:

- New ideas
- R+D (C+I)
- Innovation
- Entrepreneurship (low capital and technical barriers)
- Economic and social changes
- Technological changes
- Changing customers' behaviours
- Not only technology but also business models, design, service, etc.

Disruption

Resulting in:

- Offering new products
- Offering better service
- Enhancing experience
- Use of economies of scale
- Decreasing costs
- Increase labour productivity / value added
- Sources of market growth
 - Inclusiveness, open up for new customers
 - Enables more frequent trip taking

Disruption

Market concentration

- Tourism sector still strongly characterised by fragmentation
- Lower concentration of its industries as compared to others (e.g. automobiles, oil, computers, micro processors, beverages, etc.)
- From highest to lowest: GDSs, online booking engines, cruise lines, airlines, car rentals, TO/travel agencies, hotels, restaurants, attractions
- Traditionally very few big worldwide players, but some new ones have appeared, e.g. Expedia, Booking, TripAdvisor, etc.
- Within industries also strong diversity in size and model, e.g. in hotels a few large companies owning properties, or with management contracts, franchises, and a large number of medium and small-sized companies
- Asymmetry in power, e.g. OTAs versus hoteliers
- Change of balance of power between Operators – Consumers – Intermediaries

Disruption

Some (recent) game changers

- Airline alliances (One World, Star Alliance, Sky Team)
- Low-cost carriers (RyanAir, AirAsia, easyJet, Gol, ...)
- Online direct booking: OTA – Online Travel Agencies
- Non-traditional operators
- Mega hubs in the Middle East (UAE, Qatar), Turkey
- All-inclusive resorts
- Cruise lines
- Vertical integration (TO, TA, airline, resort, attraction, ...)
- Internet and social media

Disruption

A connected world, a connected customer

- Internet, social media, mobile technology (apps, GPS, etc.) single biggest change in past decades
- Sharing economy: internet and social media to share opinions, reviews, etc.
 - Increase of choice and transparency for customers
 - oops... my clients talk back
 - valuable feedback, need to be responsive
 - pecking order: if you do things right, you can charge a better price
 - it gets harder if you want to sell a lousy product to an ignorant customer
 - reputation management / positioning / branding / loyalty building even more important
- Platform economy: internet as intermediary
 - B2B, B2C but also C2C
 - Increasingly platform use for transactions between private persons, offering for instance goods and services in auctions (eBay); accommodation (airbnb); transport services (Uber, Lyft and blablacar); dining at home (eatwith and eatfeastly).

Disruption

Adaptation

- Issue not new, but internet makes transactions far easier
- In most cases need to recognise it is an economic transaction
- Might not fit into some existing rules, but necessarily illegal (??)
- Different traditions and regulation, for instance private rental long established practice in many coastal and mountain destinations, e.g. 'zimmer frei'
- Maintain level playing field
- Take inefficiencies out
- Review existing rules and adjust if needed
- But do not overdo it

Sustainable Development Goals



8.9 by 2030 devise and implement policies to promote **sustainable tourism** which creates jobs, promotes local culture and products

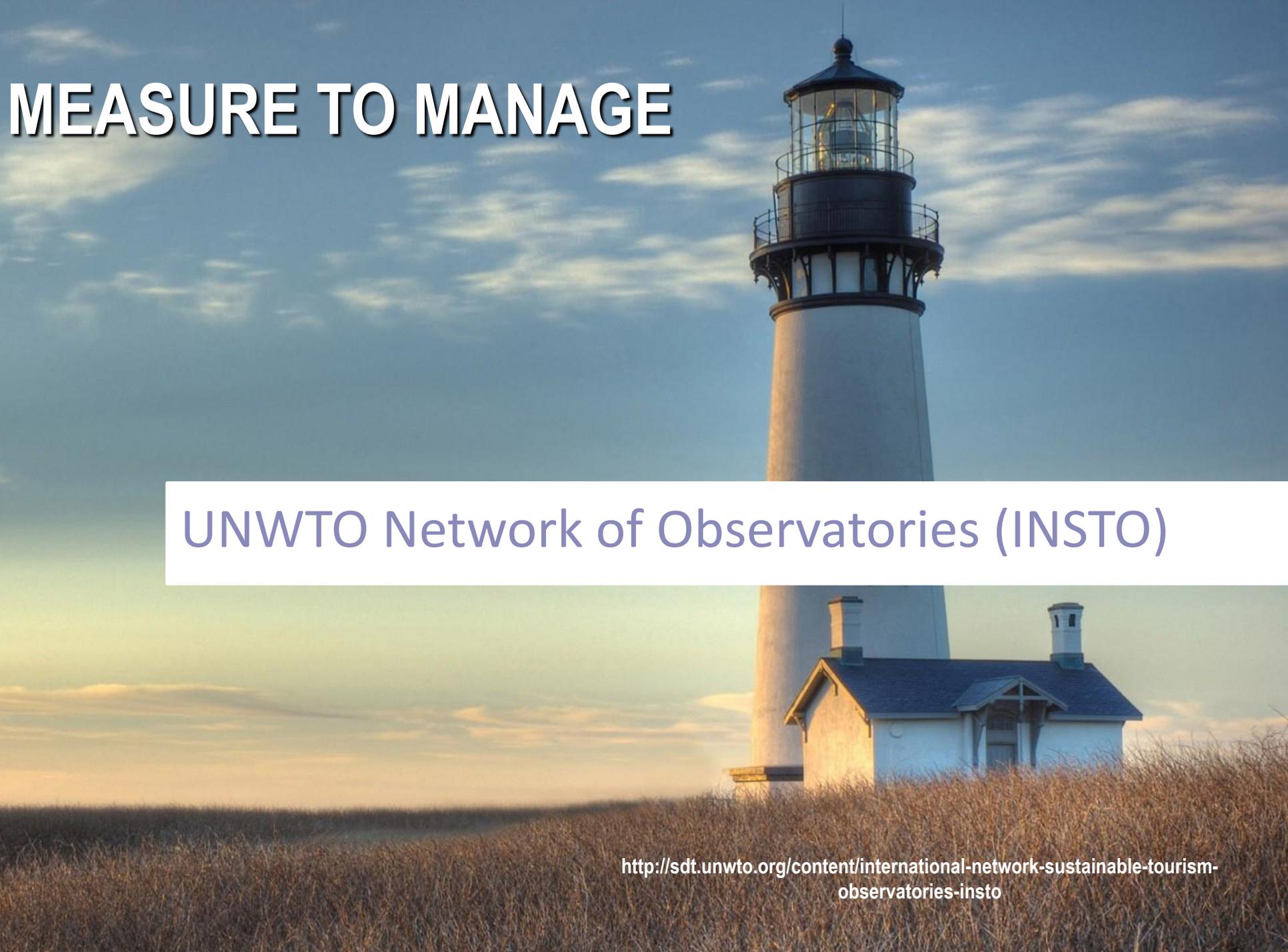


12.b develop and implement tools to monitor sustainable development impacts for **sustainable tourism** which creates jobs, promotes local culture and products



14.7 by 2030 increase the economic benefits to SIDS and LDCs from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and **tourism**

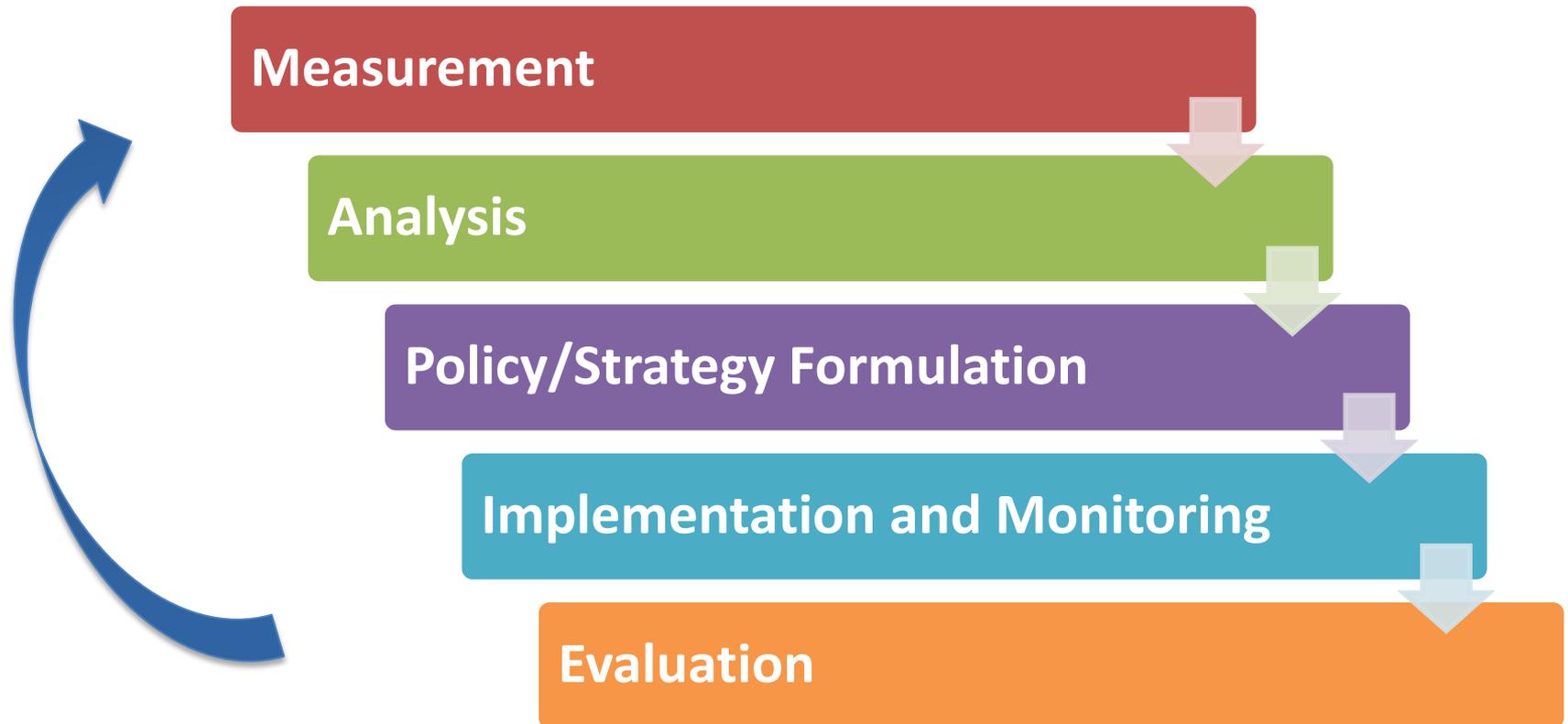
MEASURE TO MANAGE



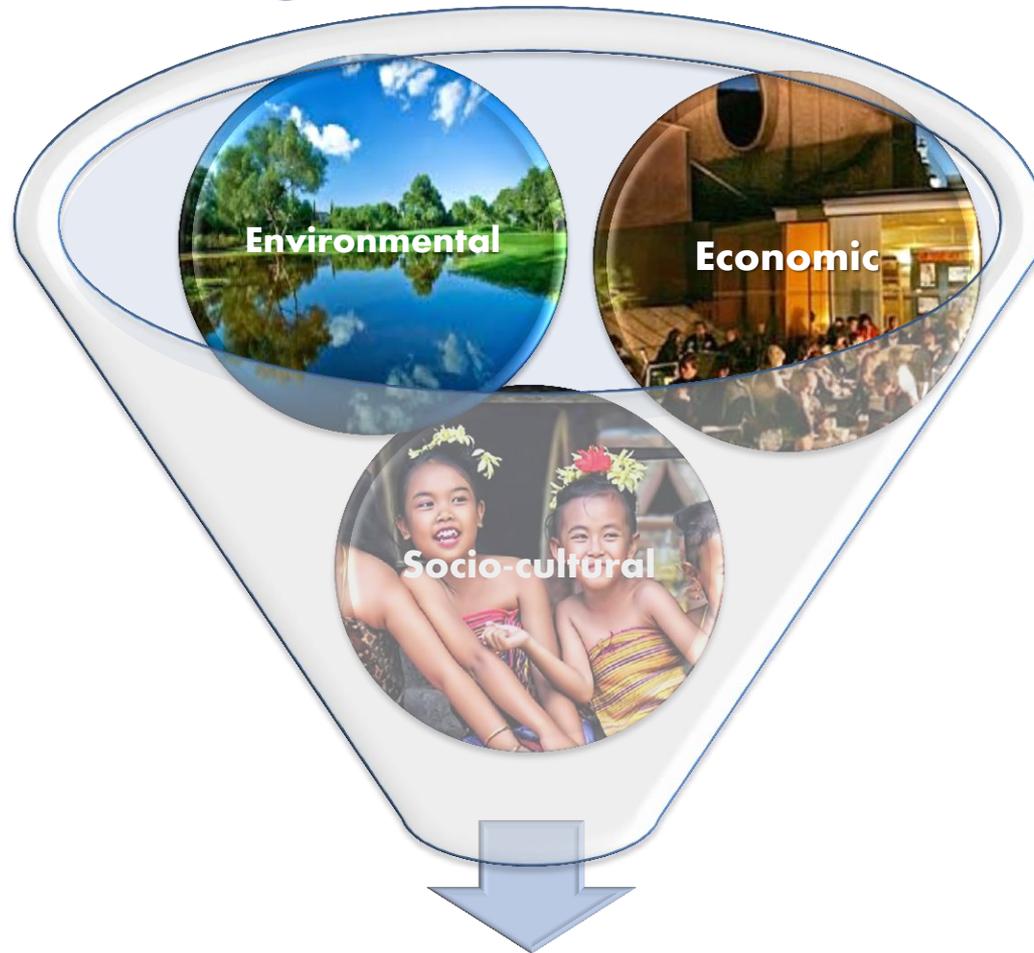
UNWTO Network of Observatories (INSTO)

<http://sdt.unwto.org/content/international-network-sustainable-tourism-observatories-into>

MEASURE – MANAGE – IMPROVE



Measuring for impact at destinations: Exploring existing and new approaches



UNWTO Network of Observatories (INSTO)



World Tourism Organization | a specialized Agency of the United Nations



Round-up



Round-up in one page

- *Tourism Towards 2030* shows that there is still a great potential for further expansion in coming decades
- Emerging as well as established destinations can benefit from this trend and opportunities, **provided they have the adequate conditions and policies** with regard to business environment, infrastructure, facilitation, marketing and human resources
- Along with opportunities, challenges also arise in maximising social and economic benefits and minimising negative impacts

Long-term tourism growth pattern: more moderate, sustainable and inclusive



**Thank you very much for
your attention!**

Márcio Favilla

**World Tourism Organization
(UNWTO)**

www.unwto.org