

ITB WORLD TRAVEL TRENDS REPORT 2009/2010

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ITB World Travel Trends Report: Message from the Pisa Forum 2009

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ITB WORLD TRAVEL TRENDS REPORT November 2009

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Printed on environmentally-friendly paper

Foreword

Assessing the impact of the global crisis ...

This *World Travel Trends Report*, which was again commissioned by ITB Berlin from IPK International, organisers of the 17th annual World Travel Monitor Forum, tracks trends in outbound travel demand for the first eight to nine months of 2009, with estimates for the full 12 months of the year and preliminary forecasts for 2010 – both quantitative and, even more importantly in today's operating environment, qualitative.

Widely known as the Pisa Forum, the two-day annual event was this year held on 4-6 November in San Giuliano Terme, near Pisa, Italy. As usual, the Forum was organised in co-operation with the European Travel Commission (ETC), attracting nearly 70 participants from around the world.

The participants, who came from around 25 countries, represented all regions of Europe, plus North and South America and Central and Southeast Asia – as always, a multi-national, multi-disciplinary group of experts, who have given the Pisa Forum a growing reputation as the annual 'think tank' of the global tourism industry.

Authorities on world tourism or on consumer lifestyles and behaviour, the participants represented international tourism bodies such as the World Tourism Organization (UNWTO) and the Pacific Asia Travel Association (PATA), as well as national and regional tourism organisations and associations, international research institutes and private companies from travel and tourism and related sectors.

Representatives of the private sector included The Boeing Company; Ascend Worldwide (a division of Airclaims), Tourism Economics (an Oxford Economics company), STR Global, the IAO Fraunhofer Institute, the Department of Travel & Tourism Management at the Worms University of Applied Sciences, and Ifo Research at Munich University.

... and forecasting likely future trends

ITB Berlin is delighted to continue its close association with the Pisa Forum for the fifth consecutive year and, together with IPK International, we will be looking more closely at the development and characteristics of travel and tourism demand over the next few months, in the run-up to ITB Berlin on 10-14 March 2010.

The Pisa Forum confirmed the first signs of a rebound in travel and tourism demand but there are still many uncertainties with regard to 2010's prospects. It is also quite clear that, once we do finally come out of the recession and see sustained recovery in demand, the marketplace will be very different from what we had grown used to before the crisis. The industry has its work cut out to adapt to this new operating environment.

Meanwhile, we wish you happy reading!

Dr Martin Buck
Vice President Travel & Logistics
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David Ruetz
Head of ITB Berlin

Rolf Freitag
President & CEO
IPK International

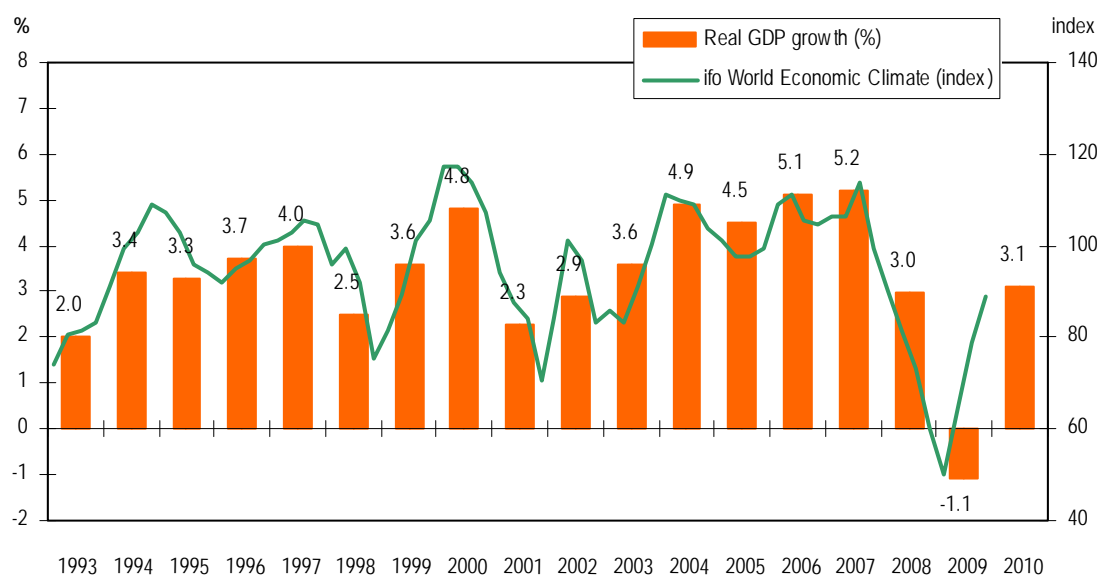
World Tourism in 2009

Economic environment

The worst recession in more than 70 years ...

This year has seen the worst recession since the 1930s, with global GDP now forecast to contract by 1% for 2009 overall. And the GDP decline expected in most countries is worse than anticipated at the start of the year.

Real GDP growth^a and the 'world economic climate'^b, 1993-2010



^a IMF data, including forecasts for 2009-10.

^b Arithmetic mean of judgements of the present and expected (next 6 months) economic situations (1995=100)

Sources: International Monetary Fund (IMF), World Economic Outlook Database October 2009; Ifo World Economic Survey IV/2009, Institute for Economic Research at the University of Munich

According to the International Monetary Fund (IMF), advanced economies should see a decline in GDP in 2009, as against a 2% rise in emerging economies. China and India will be two of the best performers.

... but there are growing signs of a turnaround

Despite the decline in global GDP, there are growing signs that the economic cycle is now turning, driven by unprecedented monetary and fiscal stimuli, reviving credit markets and recovering asset prices, with GDP growth resuming in many countries of Europe and the USA around mid-year.

Nevertheless, the recovery is expected to be slow, as financial systems remain impaired and support from public policies will gradually have to be withdrawn. Households in economies that suffered asset price busts will continue to rebuild savings while struggling with high unemployment. Global GDP growth next year is expected to be modest as a result, at 3%, and a second dip into recession early in 2010 (as the temporary effects unwind) cannot be ruled out yet.

Global tourism trends

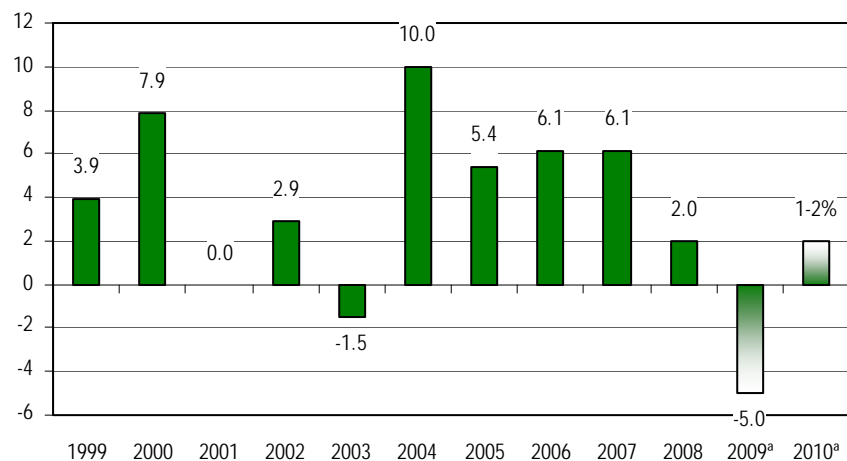
The first decline in arrivals and receipts since 2003

As has been widely and intensively documented, the impact of the global recession on travel and tourism demand has been severe. In the first eight months of 2009, international tourist arrivals fell by 7%, according to the World Tourism Organization (UNWTO), which is now forecasting a decline of 4% to 6% for the full year.

Needless to say, visitor spending has fallen much more heavily. UNWTO estimates this decline at 9% for the first half of 2009, based on returns from the world's central banks, and forecasts that it will ease to 7% by year end. However, other industry stakeholders, including IPK International, are much more pessimistic. This is hardly surprising given the impact of the crisis on airline and hotel revenues, as detailed in this report.

Nevertheless, UNWTO believes that 2010 should see a return to positive growth in arrivals of 1-2% – slightly more optimistic than industry forecasts and, indeed, those agreed by experts at the Pisa Forum.

International tourist arrivals worldwide, 1999-2008 and forecasts 2009-10 (% annual change)



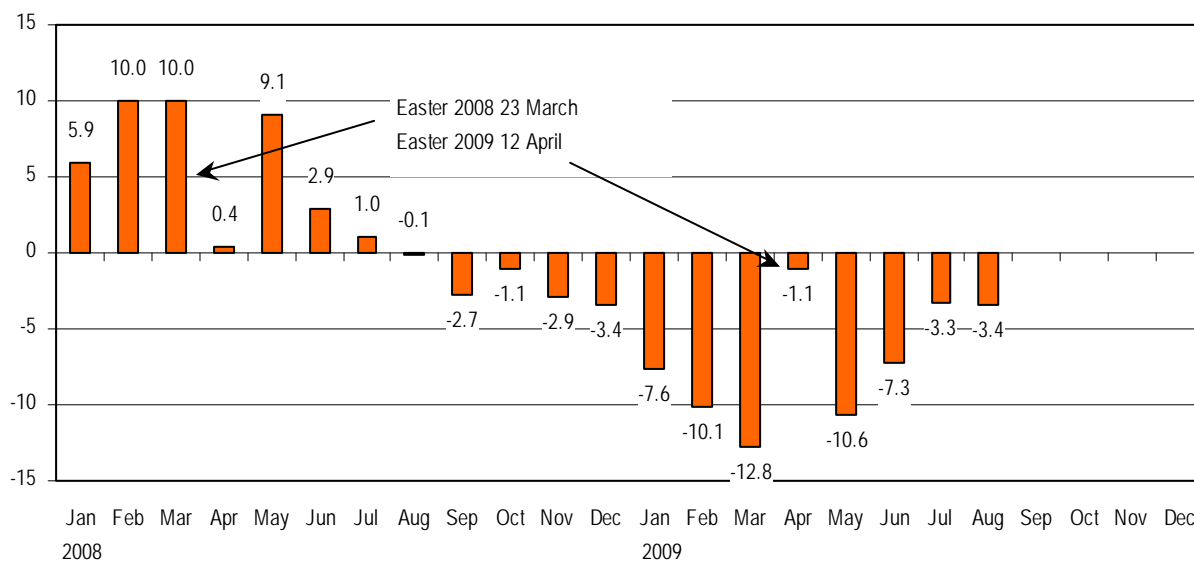
^a Forecasts

Source: World Tourism Organization (UNWTO)

Turnaround confirmed by monthly trends

Although the trend is not uniform across the world, monthly growth figures appear to confirm the turnaround – or, at least, stabilisation – with average declines decreasing since May. And preliminary results for September and October also suggest that the improvement has been sustained, with many individual destinations showing a similar pattern in terms of monthly arrivals.

*Monthly growth in international tourist arrivals, worldwide, 2008-09
(% change on same month in previous year)*



Source: UNWTO

Africa is the sole region to buck the general trend

The latest UNWTO *World Tourism Barometer*, published in early November, provides a detailed analysis of trends by region. Africa is the only region to have escaped the impact of the global recession, recording a 4% increase in arrivals through the first eight months of 2009.

Europe suffered the most among the other world regions (with arrivals dropping 8% from January through August), followed closely by the Middle East (-8%) and the Americas (-7%). Asia Pacific registered the smallest decline (-5%) and is now expected to lead the world in terms of the recovery in travel and tourism demand – even though Africa will remain the only region in positive growth by the year-end.

Air transport

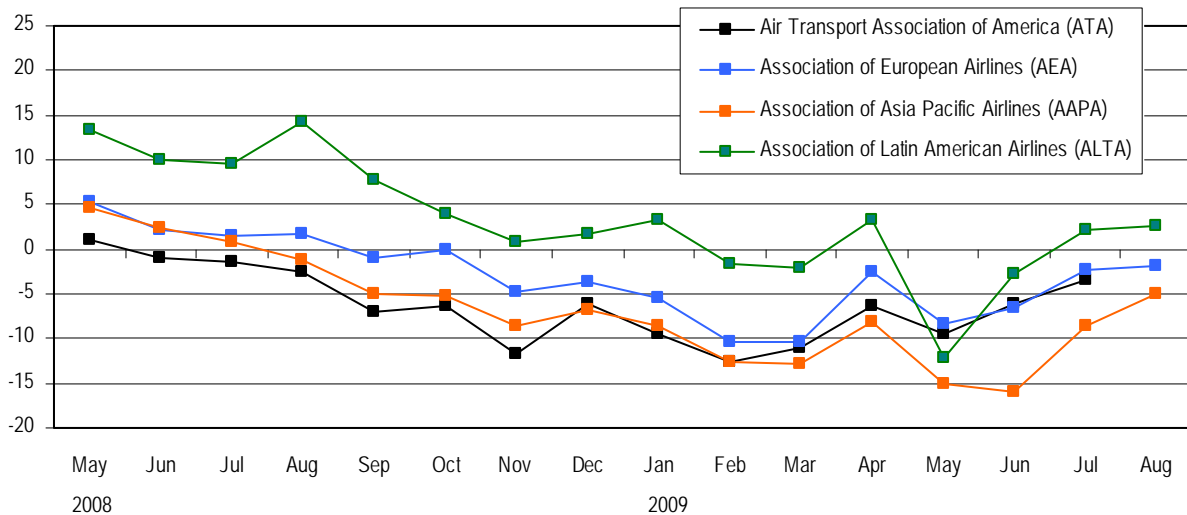
Flat is the new growth

Given the importance of air transport in leisure as well as business tourism, it is not surprising that tourism trends this year again correlate closely with the trends in air traffic (expressed in revenue passenger kilometers, or RPK). The International Air Transport Association (IATA) has reported a 5% decline worldwide for its 260 or so member carriers through the first nine months of 2009. And similar trends have been seen by airlines in different regions, with Latin American airlines suffering the smallest drop in international passenger traffic over the period (-3%) and Asia Pacific the largest (-10%).

However, as reflected in UNWTO's arrivals counts, the monthly declines have eased since June, with IATA's September traffic even showing a modest increase (0.3%). Heralded by the industry as a turnaround, this perhaps serves to highlight changing standards: ie flat is the new growth.

Results from different regional airline associations show that May was the worst month in terms of declines this year, with traffic improving (if not showing positive growth) ever since. The exception has been Asia Pacific, where traffic fell even more sharply in June, but figures improved in the third quarter and the region is still expected to lead the recovery in terms of growth in the last quarter of 2009 and in 2010.

*Air transport growth trends by region, May 2008 through August 2009
(% increase in RPK over the same month in the previous year)*



Source: Ascend, from the quoted regional airline associations

Premium travel has been the hardest hit ...

One significant, and extremely worrying, trend that has affected all regions of the world has been the trading down of business travellers in search of cheaper flights as a result of cuts in corporate travel budgets. Unsurprisingly, low-cost airlines have benefited at the expense of legacy carriers. Ryanair, for example, has carried more passengers to/from Spain than the national carrier Iberia so far this year.

... resulting in declining yields and continuing airline losses

The much sharper drop in premium traffic – down 12% in volume in the month of August and 30% in revenues, according to IATA – also explains why profitability remains so elusive to the majority of the world's airlines. Indeed, IATA is now predicting industry losses of US\$11 billion in 2009 on total revenues of US\$455 billion. This forecast compares with losses of US\$16.8 billion in 2008.

One of the unanswered questions is: Will customer behaviour eventually revert to what it was before the crisis? Or are we seeing a structural shift in travel demand, with tomorrow's corporate travellers focusing more on price than just value for money? Or are they reducing business travel to a minimum, opting instead for video-conferencing and other new-technology means of communication?

Capacity cuts have been widespread ...

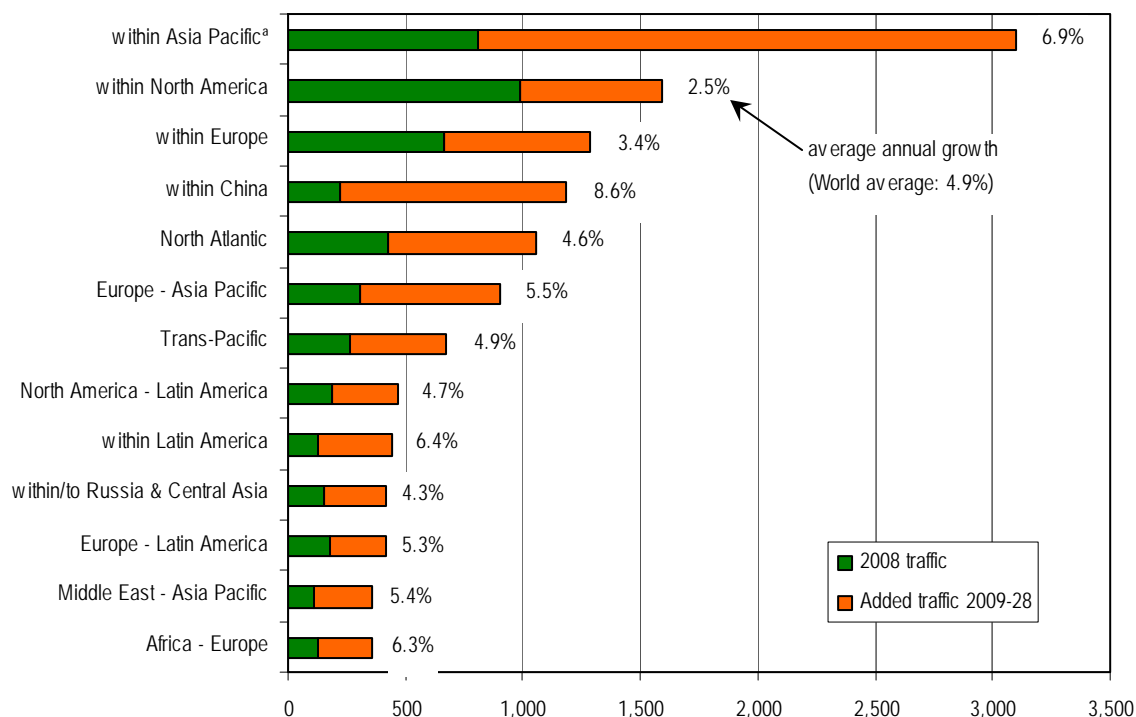
While available airline seats worldwide appear to have increased modestly in October, the first nine months of this year saw a big drop in overall capacity. Old, fuel-hungry aircraft have been phased out of airline fleets amid the uncertainties over short-term oil, and therefore fuel, prices, and the planned introduction by many governments of environmental taxes on air transport.

In addition, since mid-2008, more than 2,000 aircraft of different types – representing more than 9% of the world's airline fleet – have been taken out of operation and simply 'stored' until such time as the operating environment becomes more favourable.

... but forecasts confirm the industry's resilience

Despite the negative trends so far in 2009 and the poor outlook in terms of profitability, there is still a surprising amount of optimism with regard to the sector's future growth potential. This was highlighted in Pisa by The Boeing Company's bullish forecasts for aircraft sales/deliveries over the period 2009-28 – more than 29,000 of different types with a total estimated value of US\$3,220 billion. Of these, 31% (representing 35% of the total value of sales) are expected to be for Asia Pacific, followed by North America (with 27%, or 21% of the value) and Europe (25% of the total volume and value).

*Forecast growth in air travel by market, 2009-2028
(RPK bn)*



^a Includes within China

Source: The Boeing Company

The demand for aircraft is forecast to be driven by a growth in demand for air travel of between 2.5% within North America and 3.4% within Europe – two mature regions in terms of air transport – and 6.9% within Asia Pacific, thanks to strong growth forecasts for source markets such as China and India. Domestic air travel in China is in fact projected to increase by as much as 8.4% per annum over the 20-year period.

The above graph highlights the fact that intra-regional growth will continue to dominate demand within the emerging regions, while Europe and North America are expected to see stronger growth in long-haul travel – inbound and outbound.

Airfares are set to rise in the short term ...

One issue on which most of the experts gathered in Pisa for the World Travel Monitor Forum agreed wholeheartedly is that the cost of air travel is undoubtedly going to rise in the short to medium term – not least because of the expected increase in aviation taxes (which will inevitably be passed on to consumers). Current fares are clearly unsustainable if the industry is to stand any chance of returning to profitability.

... but technological advances will generate longer-term efficiencies

Nevertheless, there have been dramatic improvements in airplane efficiencies over the last 20 years, and these are expected to accelerate. A comparison between the Boeing 727-200 (launched in Q3 1988) and the B737-800 (Q3 2008) shows that, for two similar-sized aircraft (149 and 154 seats respectively), operations are 31.5% more efficient in terms of utilisation (hours flown), 33.3% in numbers of flight crew, 33% in terms of number of engines, and 87% in stage length, with RPK for the B737-800 up 117% over that of the B727-200.

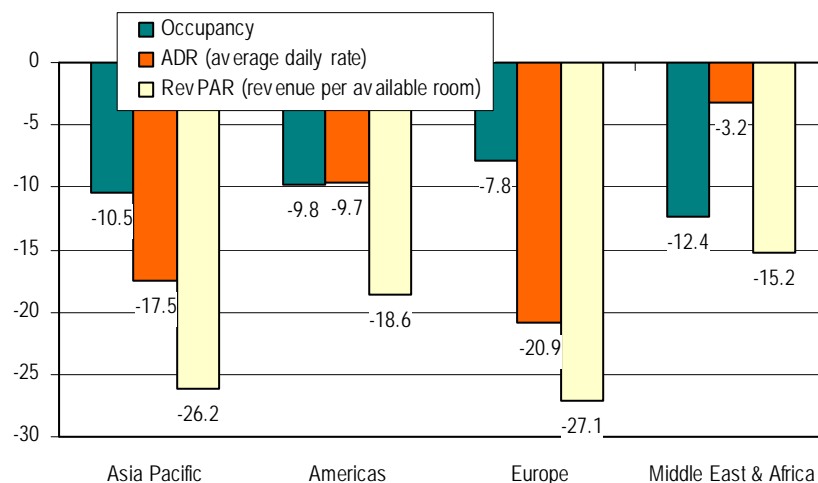
According to Boeing, the next generation aircraft will be 20% more fuel efficient, will show a 20% reduction in carbon emissions, have a 60% lower noise footprint, produce less manufacturing waste and involve fewer hazardous materials. There will also be significant improvements for passengers in terms of their comfort and flying experience.

Accommodation

Hotels slash prices to remain competitive

Reflecting the switch by many consumers to non-commercial forms of accommodation, the hotel sector has been particularly hard hit this year – and in all regions. Statistics from STR Global show the extent to which hotels around the world have resorted to cutting prices and offering special discounts in order not to lose larger proportions of their remaining customers to competitors. The only exception is Africa, where most of the decline in revPAR is attributed to a decline in occupancy rather than room rates.

*Global hotel performance, January through September 2009
(% change over same period in 2008)*



Note: Selected markets in each region, expressed in US dollars. In euro terms, revPAR in Europe was down 19.2%.

Source: STR Global

Signs of improvement are still very patchy

As in the air transport sector, though, there are signs of an improvement: by September revPAR was down only 6% in Asia Pacific, 7% in the Middle East and Africa, 16% in Europe and 17% in the Americas. However, revPAR was already falling throughout the world by September 2008, and this decline accounts for all the apparent improvement in Europe and the Americas. Relative exchange rates are also a factor. The recent appreciation of the euro against the US dollar flatters the figure for Europe slightly: in euro terms revPAR was still down 17.5% in September.

In Asia Pacific, Central & South Asia has suffered particularly heavily. In Europe it was Eastern Europe that suffered most, with heavier declines in both occupancy and room rates. In the Americas, the four parts of the continent suffered almost equally – including South America, which is supposed to be less affected by the recession. But in the Caribbean, occupancy is down only 5%, while room rates have fallen 16%.

Conversely, in neighbouring Central America, it is room rates that are down only 4%, while occupancy has dropped 19%. In Africa room rates have held up relatively well this year (in Northern Africa they were up as much as 12% in September), but occupancy is still consistently weak in the Middle East, Northern and Southern Africa. These, and other, variations make it clear that it is still difficult to generalise about a worldwide recovery in the hotel industry: local conditions are more important.

Catering to the hotel guest of the future ...

Local conditions are also expected to play a significant role in determining which types of hotel accommodation, in terms of design and functionality, are being conceived and planned for hotel guests of tomorrow. While ageing populations are a feature of most developed economies, the same cannot be said of many emerging markets, where young people will continue to predominate.

At the IAO Fraunhofer Institute in Germany, environmental considerations are paramount, with a particular focus on saving energy and ensuring sustainability. But the hotel room of the future will also need to cater to the changing marketplace, with growing demand for well-being and relaxation, including wellness facilities.

... with corporate travellers losing further share of the market ...

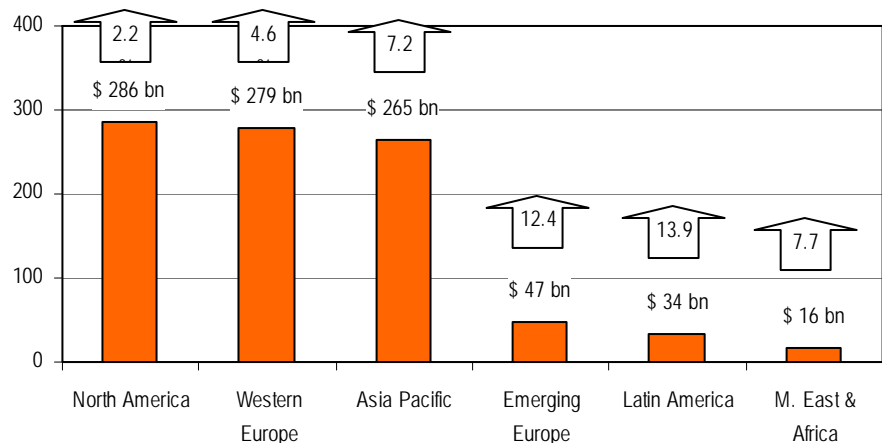
Research by IPK International and other institutes suggests that corporate travellers will lose further share of the overall market in favour of leisure travellers. Companies with more than 250 employees are estimated to have reduced corporate travel costs by some 35% in the past two years – with cuts being implemented even before the start of the current crisis.

... but spending on business travel remains strong

Nevertheless, a study commissioned from HIS Global Insight by the US National Business Travel Association (NBTA) contradicts arguments by businesses and politicians across America questioning whether business travel remains a necessary expense. For many, it is perceived as a cost to be contained and controlled during a time of economic distress, but the study shows that it can in fact be an important investment, critical to closing that next big deal or retaining that key corporate account.

Global business travel activity is estimated to have reached US\$929 billion in 2008, with 90% of this value emanating from North America, Asia and Western Europe, in similar shares. Leading regions in terms of growth over the past decade – and which are also forecast to maintain their lead over the next ten years – are emerging Europe and Latin America, followed by the Middle East & Africa and Asia Pacific (especially China, India, Indonesia and Malaysia).

Business travel spending by source region (US\$ bn 2008 and average annual % growth, 1998-2008)



Sources: HIS Global Insight for the National Business Travel Association (NBTA)

Europe

Overview of main trends

Outbound trips down 7% in the first eight months of 2009 ...

In 2008, according to IPK International's European Travel Monitor, European adults aged 15 years and over made 418 million trips abroad. There was an increase of 4% in the first four months of the year (compared with the same period in 2007) and 2% in the second third of the year, but a decline of 1% in the last third. By the first four months of 2009, outbound travel was falling more rapidly, with a 10% decline in trips, but there was an easing of the decline in the peak summer months, resulting in an average 5% fall in May-August. Overall, in the first eight months of 2009, outbound trip volume declined by 7%.

... and spending down 15%

This decline is just one aspect of well-reported efforts by European consumers to cut back on discretionary spending. Some decided to take holidays in their home countries instead of abroad; others decided not to travel so far. They reduced length of trip and daily spending. In spite of a widely reported preference for cutting secondary trips rather than main holidays, short trips (of 1-3 nights) were down 6% and longer trips down 12% – with the average length of stay down 5% to 8.8 nights.

Short-haul trips fell by 6% in number, but the more expensive long-haul trips declined by 12%. In all these respects, the trends reflected an intensification of ones that had already emerged in 2008. Overall, spending in the first eight months of the year was down 15%, with spending per trip down 9% and spending per night down 4%.

European outbound travel, 2008-09

	2008	% change 2008/07	% change Jan-Aug 2009/08 ^b
Trips ^a (mn)	418	2	-7
Short trips (1-3 nights long)	109	9	-6
Long trips (4+ nights)	309	0	-12
Holiday	293	5	-8
VFR and other leisure	62	-4	-3
Business	63	1	-7
Overnights (mn)	3,900	-2	-12
Average length of stay (nights)	9.3	-2	-5
Spending (€ bn)	396	2	-15
Spending per trip (€)	903	1	-9
Spending per night (€)	98	3	-4

^a Trips made by adults aged 15 years and over ^b Based on trends identified from 100,000 interviews in the first 8 months of 2008 in 12 of the leading source markets, which account for some 65% of European outbound trip volume

Source: IPK International's European Travel Monitor

Business, VFR and holiday travel all affected

Business travel, which had prospered in 2005-07 and through the first eight months of 2008, turned down relatively quickly in the last part of 2008, as companies reacted to the uncertain future, the difficulties of obtaining finance for working capital and the poor prospects for drumming up extra business by imposing restrictions on travel.

By the second quarter of 2009, leisure travel was also falling quickly, and the travel industry feared for the summer season. This turned out to be less bad than expected since many consumers were waiting until the last moment to make their bookings, and poor weather in many European countries stimulated foreign travel.

IPK International estimates that in the first eight months of the year, business trips were down 7%, holiday trips down 8% and VFR and other leisure trips (which had already been weak for several years) down 3%.

Confirming the trend towards late bookings, IPK International also estimates that bookings within a week of travel increased by 18% in these eight months, while trips booked one week to one month before departure fell by 5%, those booked 1-3 months before fell by 13%, and those booked three months or more in advance fell by 12%.

Sun & beach and city holidays only marginally affected

In the European market, touring and countryside holidays have been the main casualties of the slackening demand in 2009: both were down 20% in volume terms in the first eight months of the year. It is interesting that snow holidays – concentrated in the first months of the year – were up 11%, while mountain holidays – often to the same resorts later in the year – were down 15%. Many ski resorts of course benefited from plentiful and late snowfalls this year, and from popularity among young affluent people who were not then much affected by the recession and rising unemployment.

Trends in European holiday travel by main type of holiday, January through August 2009 (% change on same period in 2008)



Note: The types of holiday are shown, left to right, in order of their importance

Source: IPK International's European Travel Monitor

Sun & beach holidays, which form by far the most important category of outbound holidays among Europeans, have performed relatively well in both 2008 and 2009, following three years of only modest growth. But, as will be seen below in the analysis of destinations, holidaymakers have been abandoning traditional destinations such as Spain, Portugal and the Caribbean for newer ones in North Africa, the Eastern Mediterranean and further afield.

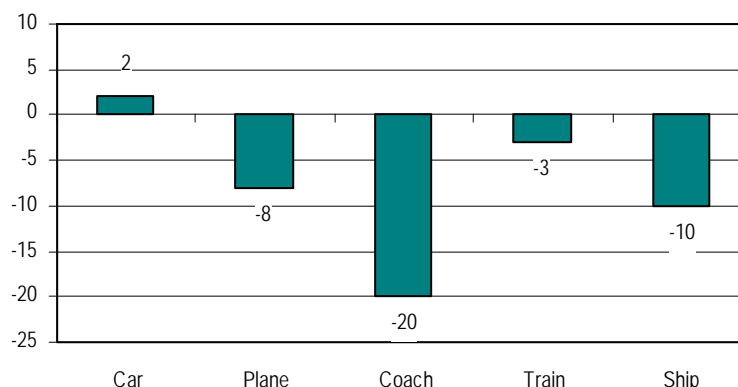
The comparatively strong performance of city holidays is worth attention. City breaks, in a symbiotic relationship with low-cost carriers and high-speed railways, had been growing quickly year after year, but faltered in 2008. Once again, the suspicion re-emerged that European demand was approaching saturation. But in spite of that reported tendency to sacrifice short breaks rather than main family holidays, and in spite of the weakness of the UK market (one of the most important sources of city-break demand), they have declined by only 5% in the first eight months of this year. That figure is calculated on the relatively weak performance in 2008, so it is too early to draw firm conclusions from this trend, but it is clearly worth watching.

Air travel loses its momentum

The long-term trend in European travel has been for a steady increase in the use of air travel. Car travel has been weak for several years, but this trend was reversed in the first eight months of 2009, with a 2% increase in trips. The rise in air travel paused last year, perhaps because of rising fuel prices and a growing awareness of the hassles and environmental costs of travelling by air. And it fell heavily this year, recording a decline of 8% in the first eight months.

Rail travel has been enjoying a recovery, from low levels, in terms of tourism demand, associated with the introduction of new high-speed services, and this too continued in 2008. Cruising has been a booming market, and ferry travel has been doing well, but trips by ship declined by 10% in the first eight months of the year. Coach travel, among European travellers at least, continues to slide, suffering a drop of 20% so far this year.

Trends in European outbound travel by means of transport, January through August 2009 (% change on same period in 2008)



Source: IPK International's European Travel Monitor

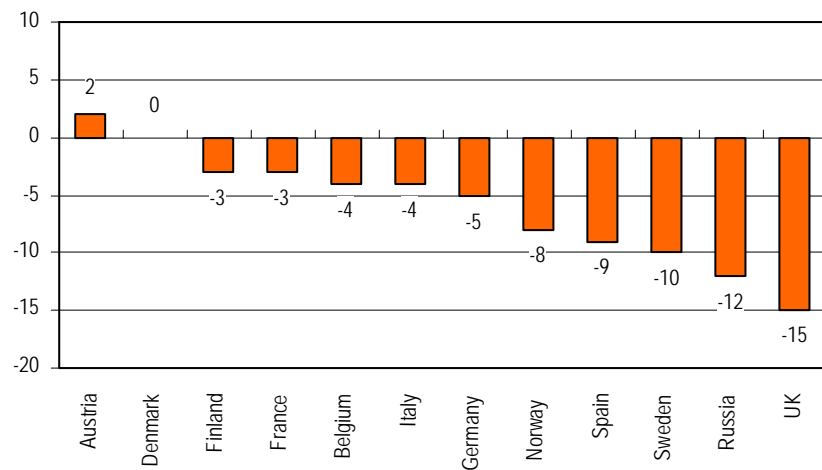
Leading markets

Almost all European markets suffer declines

Very few European markets have provided any growth in outbound travel so far this year. Among the 12 markets monitored by IPK International's European Travel Monitor (see following graph), only Austria shows an increase, with Denmark unchanged over the first eight months of 2008.

Declines are much more plentiful. Among these 12 markets, declines range up to 10% for Sweden, 12% for Russia and 15% for the UK. And year-to-date statistics posted by many members of the European Travel Commission (ETC) on the TourMIS database generally confirm the trends.

Performance of selected European outbound travel markets, January through August 2009 (% change on same period in 2008)



Source: IPK International's European Travel Monitor

Anecdotal evidence, backed by less comprehensive statistics, suggests that trends in outbound travel for many smaller European markets have been towards the bottom end of the range. For obvious economic reasons, outbound travel from Ireland, Iceland, Spain, Portugal, the Baltic States and most countries in Eastern Europe has been very weak this year. Travel from the Nordic countries, which have generally not been seriously affected by the recession, might have been expected to hold up relatively well, but the figures for Sweden suggest otherwise.

Leading destinations

Long-haul destinations are the hardest hit

The general consensus within the travel industry is that long-haul travel has been much more seriously affected than short-haul, and IPK's findings that European long-haul trips are down 12% and short-haul 6% this year bear this out. However, some long-haul destinations continue to report good, or relatively good, performances from individual European markets (especially France and Germany). The Canadian Travel Commission, for instance, was 'pleased' by declines of only 2-3% from these markets. And, thanks to the weak won, South Korea has also seen an increase in European demand.

*Important factors include
exchange rates ...*

The notion that a strong euro is damaging euro-denominated destinations was perhaps played out in 2008: in 2009 some eurozone destinations (eg the Netherlands, Italy and Germany) have been doing relatively well, and some non-eurozone destinations (eg the UK and Hungary) have failed to capitalise further on their competitive exchange rates. But it is clear, both from the year-to-date figures and from reports from the destinations themselves, that euro-denominated 'sun & beach' destinations, such as Spain, Portugal, Malta and Greece, have been suffering from competition from cheaper destinations such as Turkey, North Africa, Croatia and Montenegro.

... and proximity

Another widely reported trend is for neighbouring destinations to have benefited from the tendency to holiday closer to home – a trend confirmed by detailed figures for arrivals from neighbouring countries in, for instance, Germany, Austria, Switzerland and the Nordic countries.

The following table, representing IPK International's estimates of the performance of selected world destinations in the European market, shows the other side of the same coin: very few destinations outside Europe and North Africa have performed better than average. They include, as already mentioned, South Korea, as well as Cuba and the Dominican Republic (which make a contrast with other Caribbean destinations reporting large declines from Europe).

IPK estimates that European trips to North America, South America and Asia Pacific were all down by 10% or more, and those to Southern Africa were down the most, even though international travel generally to Southern Africa has been rising this year.

Performance of the European market^a in selected destinations, January through August 2009 (% change on same period in 2008)

Very weak performance (declines of more than 10%)

Finland	Spain	Malta	Romania	Cyprus
Czech Republic	Baltic States	Poland	South Africa	Kenya
USA	Brazil	Mexico	Chile	China
Japan				

Weak performance (decreases of 5-10%)

Denmark	Norway	Ireland	Belgium	France
Germany	Switzerland	Portugal	Greece	Hungary
Russia	Canada	Thailand	India	

'Not that weak' a performance (decreases of 1-4%)

UK	Netherlands	Austria	Italy	Bulgaria
Croatia	Egypt	Tunisia	Dominican Rep	Cuba

Positive performance (increases of 1% and more)

Sweden	Turkey	Morocco	South Korea
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^a Based on the 12 markets specified above

Source: IPK International's European Travel Monitor

Americas

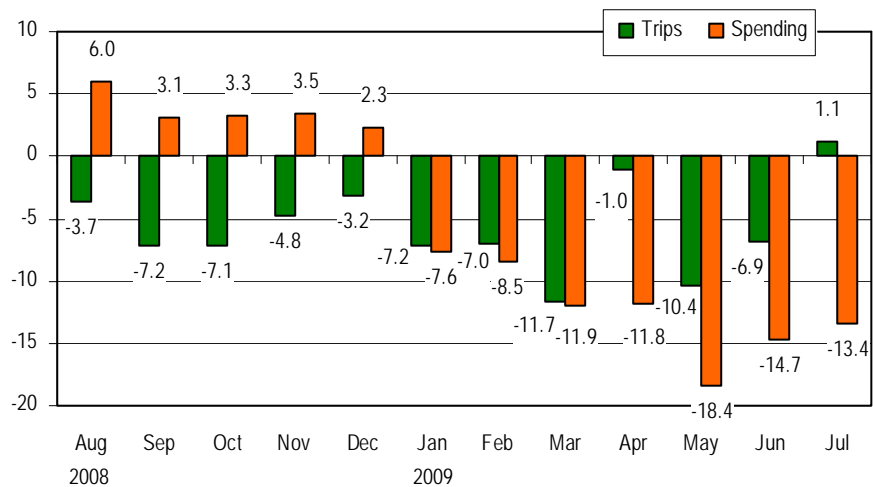
USA

Outbound trip volume (finally) stabilises ...

The US outbound travel market has fallen short of expectations for many years. While it remains an important source of international visitors and expenditure by virtue of the size of its population (it is ranked among the top three in the world ranking of both categories), it is worth remembering that the majority of Americans have still never travelled abroad.

With regard to the impact of the current recession and financial crisis, the US outbound market started falling in June 2008 and, as reflected in the following graph, has had a very bumpy ride since then, with monthly declines reaching as low as 12% in March 2009 (due in part to the Easter effect). However, outbound trip volume finally appears to have stabilised in the last couple of months, recording a modest 1% increase in July and, according to preliminary estimates, a similar rise in August.

US outbound travel^a and travel spending^b, August 2008 - July 2009
(% change on same month in previous year)



^a Trips by air ^b 'Total travel & tourism imports' (expenditure on travel and passenger fares)

Source: Office of Travel and Tourism Industries (OTTI), US Department of Commerce (DOC)

... while travel spending continues to decline

The same cannot be said of US expenditure on outbound travel, however. Admittedly, the negative trend started much later, in January 2009, and after reaching what appears to have been a low in May this year (-18%), has shown an improvement on a month-by-month basis. But spending was still 13% down for 2009 overall through the month of August.

Moreover, current forecasts from the Office of Travel & Tourism Industries (OTTI) and Tourism Economics suggest that there will be no real recovery in the remainder of 2009, and outbound travel demand, although improving, will be flat

at best next year. This is attributed to the facts that the labour market is weak and that there has been a huge loss of wealth through the crisis: confidence levels remain low as a result.

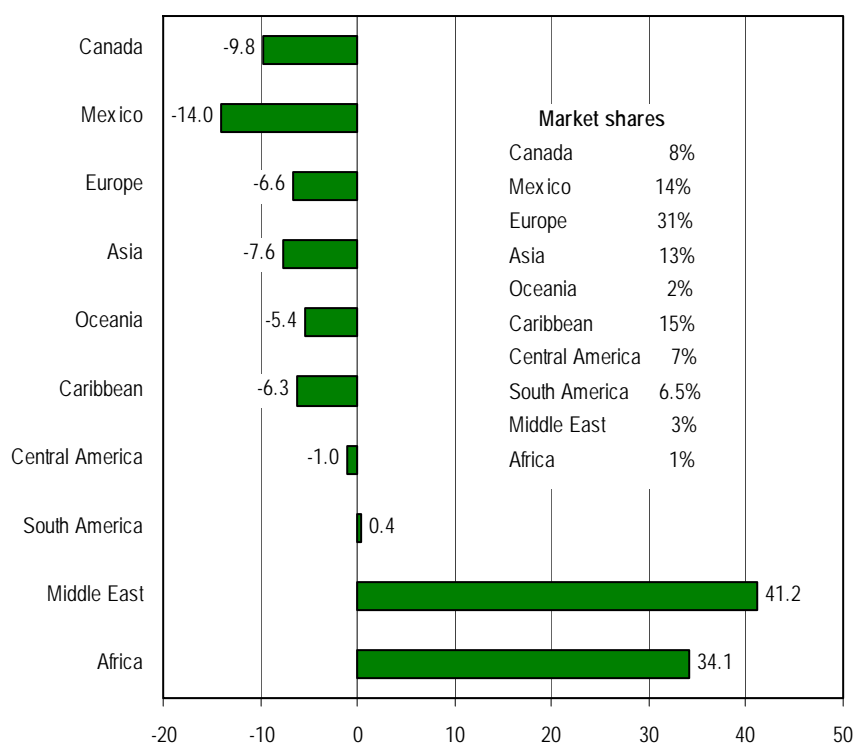
One positive factor is the impact of the Western Hemisphere Travel Initiative (WHTI), which has forced widespread passport adoption, which will hopefully stimulate travel abroad as confidence returns to the market.

Europe emerges relatively unscathed

Trends for the first seven months of this year show that short-haul destinations have suffered the most from the downturn in US outbound air travel, with Mexico at -14% and Canada at -10%. (It should be noted, however, that the comparisons shown here are for air travel only, and both destinations attract far more US visitors by surface transport.) By comparison, Europe, which accounts for 31% of all air trips, was down 7% – slightly more than the Caribbean, but less than the fall in demand for Asia (-8%).

Central and South America were more or less unchanged over January to July 2008 and the only destinations to record an increase over the period were the Middle East (+41%) and Africa (+34%), clearly from low bases.

*US outbound travel^a by region, January through July 2009
(% change on same period in previous year)*



^a Trips by air

Source: OTTI, US DOC

OTTI data shows that Europe attracted some 18 million visitors from the USA in 2008, almost double the number to Asia, although it has been losing share over the past decade to emerging destinations – and particularly other points in the Americas. The most popular destinations in Europe, in terms of numbers of American visitors, are (in order of importance) France, the UK, Italy, Germany and Spain.

Canada

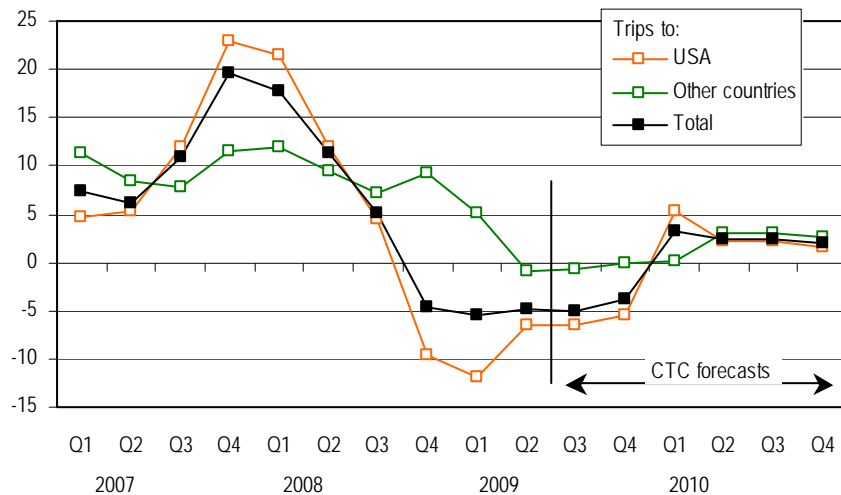
Bucking the trend in long-haul travel

Although total outbound travel from Canada was down 5% in terms of trip volume in the first eight months of 2009, this was largely due to an 8% decline in demand for the USA. Overseas trips increased by 2% over the period, thereby maintaining the market's unbroken growth record over the past six years for long-haul destinations. A closer look at the figures shows that long-haul travel increased by 5% in Q1 but has since been more or less flat, with the result that the Canadian Tourism Commission (CTC) is now forecasting only 1% growth by the end of the year.

Meanwhile, the decline in trips to the USA is easing (as the US currency depreciates again), so total trip volume should end 2009 down 3.5%, and current forecasts point to 2.5% growth in 2010.

Nevertheless, the market is not considered to be entirely out of the woods yet as unemployment is expected to rise next year to around 9.3%, up from an average of 8.4% in 2009 so far, and up from 6.1% in 2008, and there is also increasing pressure on disposable incomes.

Canadian outbound travel Q1 2007 to Q2 2009 and forecasts Q3 2009 to Q4 2010 (% change on same quarter in previous year)



Sources: Statistics Canada; Canadian Tourism Commission (CTC)

Strength of the Canadian dollar has helped to sustain demand

While the Canadian dollar has lost some ground against the strong euro – the European currency has appreciated from C\$1.47 in 2007 to C\$1.56 in 2008 and C\$1.60 this year – the continuing strength of the Canadian currency (against the US dollar as well as the euro) has helped to sustain demand for travel to long-haul destinations.

Europe is still very much top of mind for Canadians, although Asia is gaining share of the market, and most travel to the region is discretionary. Holidays account for 67% of total overseas trip volume, with an additional 18% for visits to friends and relations (VFR) and 21% 'other'. Business travel generates a mere 13% of trips. Moreover, 34% of Canadian overseas travel is made during the winter months.

South America

Weathering the recession relatively easily?

South America has been fortunate in that – so far – it has been weathering the global economic crisis relatively easily. The UNWTO's latest *World Tourism Barometer* shows it to be the only sub-region outside Africa where tourist arrivals have not fallen significantly so far this year. Given the damage inflicted on long-haul arrivals by the recession, it is clear that travel within the region has been thriving.

However, while travel around the world has been showing signs of turning upwards in recent months, recent figures from South America have generally been turning down. And IPK International's travel confidence survey in Brazil, is also, for a growing market, relatively downbeat: it suggests that 29% of Brazilian travellers want to travel as much in 2010 as they did in 2009, that 28% want to travel less, and 18% would rather not travel. Time will tell whether these patchy figures reflect a real slackening in demand for travel.

International attention, when considering this resilience, has been very much focused on Brazil. However, although Brazil dominates South America in terms of population and the size of its economy, it does not do so as an outbound travel market.

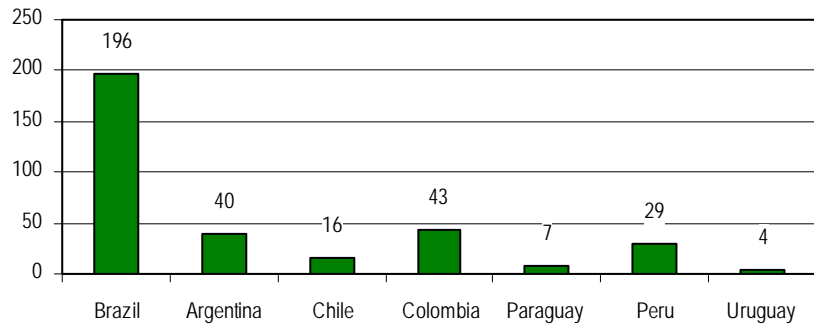
Outbound travel intensity from Brazil is very modest

Brazil generates only two outbound trips per year per 100 inhabitants, while Argentina generates 12 and Uruguay as many as 21. While Brazilians, as a nation, are not yet as affluent as the Chileans, Argentines and Uruguayans, this is not the principal reason for the differences shown in the following graph. Brazil is a vast country that very much looks to itself for its holiday and business travel requirements. In particular, its multi-ethnic inhabitants have no need to look beyond its own shorelines for family sun & beach holidays.

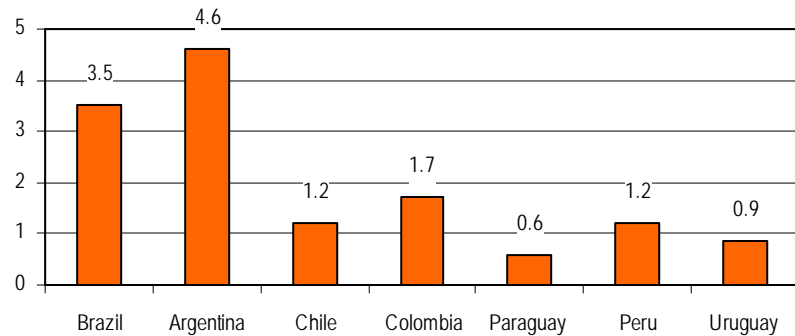
By contrast, many Argentines are used to nipping across the borders to Uruguay or Brazil for their family holidays: in 2008 sun & beach holidays accounted for 54% of outbound holiday trips from Argentina, but only 11% from Brazil. The Uruguayans, living in a much smaller country, have greater need to look abroad for variety in their holidays. More generally, most South Americans wealthy enough to travel are much more likely to look abroad than the Brazilians. This tendency is reflected in the preoccupations of the travel trade in Brazil, which regards its thriving domestic market as much more important than its outbound market.

Principal South American outbound travel markets, 2008

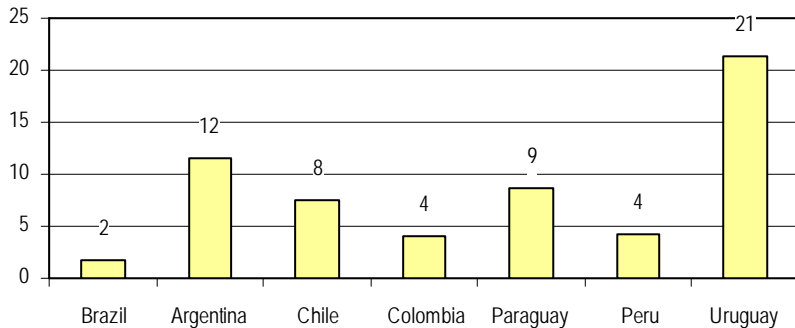
Population (mn)



Outbound trips (mn)



Trips per 100 population



Source: IPK International's South American Travel Monitor

Destination choice determined in part by geographical location

Geographical location is an important consideration for South Americans in choosing destinations. Colombia is much closer to North and Central America than the others, and this is reflected in the larger numbers of trips to those regions. Chile is culturally and economically somewhat isolated from its neighbours by the Andes and it is this, as much as its affluence (with a GDP per capita of US\$15,000, it is the wealthiest country in South America), which explains a rather higher proportion of long-haul trips. Paraguay, with a GDP per capita of only US\$4,000, nevertheless generates more trips per 100 inhabitants than Chile, but most of these trips are local.

The Brazilians may not be quite as affluent as the Chileans, Argentines and Uruguayans, but they spend more per trip. This may principally be a result of the fact that, with the country's very low outbound travel intensity, those who do travel abroad tend to come from the richest segments of society. Trips abroad are also more likely to be 'important' and to long-haul destinations.

*GDP per person and spending on overseas travel, 2008
(US\$)*

<i>Destinations</i>	<i>Brazil</i>	<i>Argentina</i>	<i>Chile</i>	<i>Colombia</i>	<i>Paraguay</i>	<i>Peru</i>
		<i>Uruguay</i>				
GDP per person	10,100	14,200	14,900	8,900	4,200	8,400 12,200
Spend per trip	2,340	1,680	1,590	2,050	1,220	1,440 1,550
Spend per night	205	119	140	121	112	105 128

Source: IPK International's World Travel Monitor

Asia

Overview of regional trends

Demand picking up after double-digit decline in the first half of 2009

From January through June 2009, outbound travel from the eight Asian source countries monitored by IPK International declined by more than 10% overall. This was attributed in part to the recession but also to the impact of the outbreak of A(H1N1) influenza: Asians have not forgotten the scare caused by the SARS epidemic in 2003.

The sharp decline in demand took many in the industry by surprise but it is probably fair to say that a number of other influences contributed to destabilising the market, not least the fact that Asia is a young market and, therefore, much more volatile than, say, Europe or North America. Despite rock-bottom airfares, low-cost airline travel in the region was also suffered a setback – albeit to a modest extent – in part as a result of airline capacity cuts, which resulted in lower seat availability and, therefore, rising airfares.

Nevertheless, a shift since the month of June to positive growth for some individual markets – in particular China – means that the year-to-date trend eased to a decline of 7% by the end of August (the latest month for which trends are available across the region). IPK is now forecasting a 5% fall in outbound trips for Asia overall in 2009, with the total volume likely to remain flat in 2010. This will, however, depend very much on the performance of the leading markets, Japan and China.

South Korea hit hardest, but Japan and China follow close behind

The biggest decline so far in 2009, in terms of outbound travel, has come from South Korea, down more than 10% over the same period in 2008 – a decline due in large part to exchange rates: in the six months from September 2008, the won went through a period of great volatility, involving massive depreciations. It should be noted that South Korea was already weak as an outbound travel market in 2008 following several years of consistently strong growth.

There have also been poor performances this year from Japan (yet again), China, India and Thailand, all down between 5% and 10% from January through August. Demand for Taiwan, Singapore and Malaysia, meanwhile, fell over the same period by between 1% and 4%.

Performance of selected Asian outbound markets, January through August 2009 (% change on same period in 2008)

Very weak performance (declines of more than 10%)
South Korea

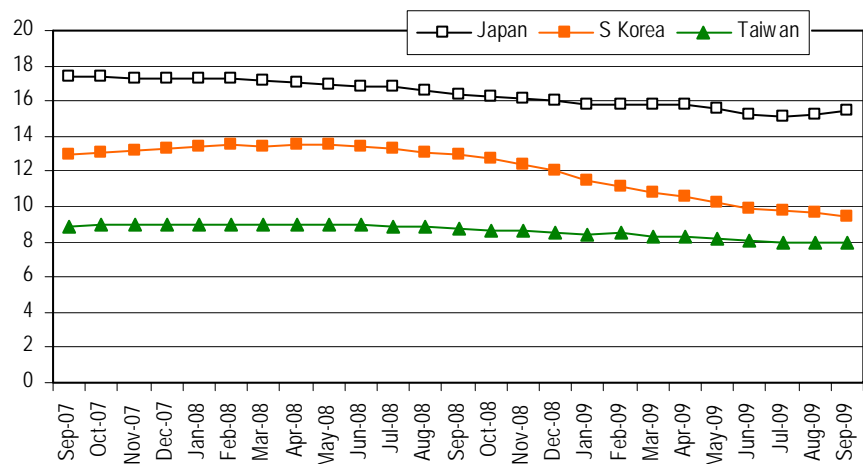
Weak performance (decreases of 5-10%)
Japan China India Thailand

Less weak (decreases of 1-4%)
Taiwan Singapore Malaysia

Source: IPK International's Asian Travel Monitor

The following graph shows the monthly moving 12-month totals of trips out of Japan, South Korea and Taiwan, as measured by the Pacific Asia Travel Association (whose figures differ slightly from those of IPK International, which are measured on a different basis). It can be seen that Taiwan has stabilised in the last few months, while Japan has even picked up. But South Korea remains on a downward track – although the won has very largely recovered against the US dollar and renminbi, it remains rather low against the yen and euro, and the travel market continues to feel the effects of its earlier weakness.

Trend in outbound travel from Japan, South Korea and Taiwan, Sep 2007 - Sep 2009 (mn trips: monthly moving 12-month totals)



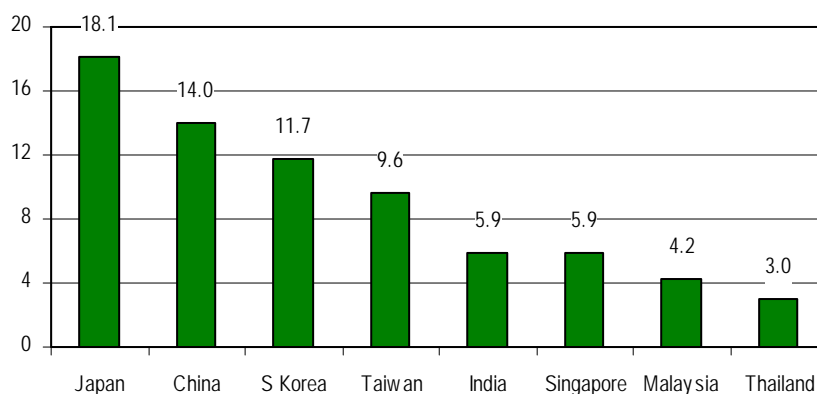
Source: Pacific Asia Travel Association (PATA) from the Japan National Tourism Organization, the Korea National Tourism Organization and the Taiwan Tourism Bureau

Japan leads in terms of total volume, ahead of China

To put things into perspective, the following graph highlights the volumes of outbound trips from each of the eight markets surveyed. In contrast to official data from the China National Tourism Administration (which measures all travel, including same-day trips and trips to the Chinese Special Administrative Regions, or SARs, of Hong Kong and Macau), IPK's Asian Travel Monitor excludes not only travel to the two SARs, but also to Taiwan.

The resulting figure of 14 million for Chinese outbound trips puts China in second place in the ranking, behind Japan with 18.1 million, but ahead of South Korea with 11.7 million in 2008. Taiwan follows in fourth place, generating 9.6 million trips. All other sources, according to the Asian Travel Monitor – and even India – still have a long way to go to catch up with the leaders.

Outbound travel from Asian markets, 2008 (mn trips)



Source: IPK International's Asian Travel Monitor

Intra-Asian travel continues to dominate

More than three quarters of all outbound trips from these eight Asian markets are for other Asian destinations, according to 2008 data, and this share will increase by the end of 2009 if year-to-date trends persist, as many expect.

While intra-Asian trip volume fell by 'only' 5% from January through August this year, travel to Europe (14% of total trips) was down by 10% and that to the Americas (9% share) by 15%.

Breakdown of total Asian outbound trip volume by destination region, 2008-09

Destination	Market share 2008	% change Jan-Aug 2009/08
Asia Pacific	76	-5
Europe	14	-10
Americas	9	-15
Africa	1	na

Source: IPK International's Asian Travel Monitor

China overtakes Japan as the leading Asian market to Europe

The top destinations for Chinese (outside 'greater China') are Thailand, the USA, Malaysia and Japan.

One good piece of news for Europe's travel and tourism industry is that, seemingly against all the odds, the Chinese market has overtaken Japan to become the leading Asian source for the region, generating 11 million arrivals in 2008, 34% of the total volume of the eight markets surveyed, according to the Asian Travel Monitor. Japan accounts for 29%.

However, the total is forecast to drop to 10 million this year as Chinese, like many other Asians, switch to destinations closer to home. In some cases, this has not been entirely their own choice, as the Chinese Government issued an edict earlier in the year stating that no Chinese Government employee could travel abroad in 2009.

Chinese are not such a good bet for European destinations as Japanese in terms of spending, either. The total spend by Chinese on transport, accommodation, F&B and incidentals (ie excluding shopping) is €240 per night, as against €320 for Japanese, €185 for Koreans and €180 for Taiwanese.

Current Outlook

The short to medium term

Beware of comparing statistics

This update of the ITB Berlin/IPK *World Travel Trends Report*, which incorporates the message from the November 2009 World Travel Monitor Forum in Pisa, draws on a number of sources represented by the different participants in Pisa. But most of the findings presented are taken from the World Travel Monitor and its offshoots in Europe, Asia and other parts of the globe.

The focus of this report is on demand for travel and tourism in 2009 and 2010, which explains why much more attention is placed on outbound travel trends and spending, rather than on arrivals in, and receipts for, different destinations – topics covered extensively by other organisations and associations.

IPK International's World Travel Monitor findings are gathered from some 400,000 interviews conducted annually in 52 countries (in some, on a monthly basis), forming the single most comprehensive representative sample survey of outbound travel in existence, allowing for strict comparisons between the different markets surveyed. However, it is important to note that the Monitor data cannot necessarily be compared with that from other sources.

This is because other sources use different criteria and methodologies in their assessment of trends – eg some include China SARs as international destinations for mainland Chinese, others quote only main destinations visited, or the first destination visited on a trip, and others again quote 'outbound trips' as the cumulative arrivals of a particular source market in different destinations. Clearly, this can cause confusion and, for these reasons, forecasts may also differ significantly.

Despite the differences in terminology and methodology, experts gathered in Pisa for the annual Forum were largely in agreement about prospects for the remainder of 2009 and the outcome for 2010.

*The road ahead
still looks bumpy*

How sustainable are the first signs of economic recovery? This was one of the key questions debated by experts in Pisa. Some clearly believe the crisis is over, while others are expecting a second dip into recession in 2010.

While the economic environment, and particularly the role of monetary policy and the future of stimulus packages, will clearly be important factors in determining travel and tourism demand over the short to medium term, they will not be the only influences. One obvious concern is the threat of the H1N1 influenza virus becoming more virulent which, although now deemed unlikely, is still a possibility.

Statistical trends for the first half of 2009 might appear overly negative as they are based on comparisons with a strong H1 2008. Conversely, while there have undoubtedly been signs of a recovery since the middle of the year, any improvement is likely to appear more impressive than it really is, since we are entering a period in which the comparative base of last year began its decline. So even a mediocre performance may look good against the backdrop of H2 2008.

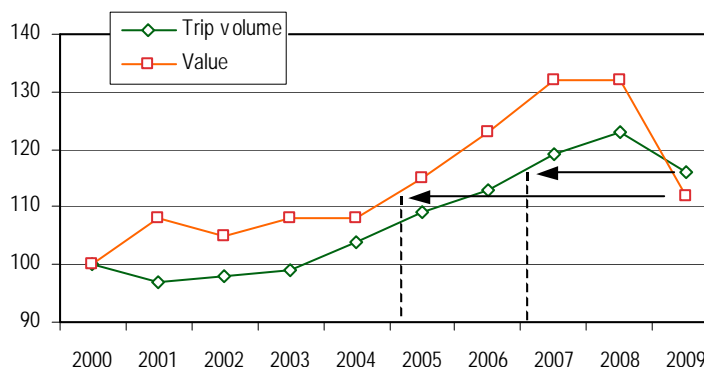
2009: the final counts

Taking these different factors into account, the Pisa Forum agreed broadly with UNWTO's latest forecast for arrivals, published in the November *World Tourism Barometer*, of a full-year decline in 2009 of between -4% and -6%.

For individual source regions (not covered by UNWTO, of course, as it focuses on destination regions), opinions are mixed, but the general consensus is that Europe and North America will be down 5-6% on 2008's level, in terms of demand, while Asia Pacific's decline will ease in the last few months of the year to end 2009 at about -3%.

As already indicated, forecasts for expenditure are more pessimistic. UNWTO expects global tourism receipts to be down around 7% on 2008's level – two percentage points worse than arrivals. While the growth in receipts generally outpaces that in arrivals (by an average of 0.9 percentage points since 1980), receipts are always more seriously affected in times of economic downturn. Indeed, the Pisa Forum agreed that the decline could be even worse than predicted by UNWTO.

European outbound travel, 2000-09
(2000 = 100)



Source: IPK International's European Travel Monitor

By way of example, IPK's forecasts for Europe (see previous page) – the region for which the most comprehensive data has been gathered this year to date – show that total spending on travel and tourism in 2009 (including pre-trip expenditure before leaving home) will fall back to its early 2005 level, while trip volume will be less affected, reverting only to its level early in 2007.

2010: the jury is still out

As for 2010, the Pisa Forum concluded that there are currently too many uncertainties to be able to predict with any real confidence the likely trends in terms of travel and tourism demand from the world's leading source regions.

For the time being, pending developments over the next few months, the best 'guesstimates' suggest that neither Europe nor North America will do better than achieve a flat year in terms of growth, unless the economic recovery is much stronger in the USA than currently expected. But Asia Pacific should see at least a modest increase in outbound trip volume – mainly for intra-regional destinations – a trend also forecast for South America and the Middle East.

Continued preference for shorter, less costly trips

Nevertheless, European travellers surveyed by IPK International in October 2009 (and who had already taken a trip in 2009) appear less confident than they, or their compatriots, were a year ago. As might be expected, a sizeable minority say they will spend less on their trips by making them shorter, travelling off-season, or visiting destinations closer to home. And the shift from long-haul to short-haul travel can be expected to continue in most world regions.

More than two thirds of respondents (68%), however, claim they will travel next year at least as much as they did in 2009 (which was, admittedly, less than in 2008) and only 32% (but compared with 20% last year) say they will travel less or not at all. It is worth noting that responses closely resemble those from respondents to similar questions posed by IPK in other regions.

Next year's^a travel intentions among Europeans, 2009-10

Among Europeans who say the economic recession has affected their travel plans (52%), the % share of those who agree with the following:

	<i>2009</i>	<i>2010</i>	
Will travel as much as this year and maybe even more		48	27
Will travel about the same as this year	32	41	
Will travel less often	14	21	
Will not travel at all	6	11	

^a Questions re travel intentions for the next years were posed in October 2008 and 2009

Source: IPK International's European Travel Monitor

Business travel demand will continue to lag that for leisure travel

Business travel is likely to remain weak in 2010, as companies search for ways of reducing their outgoings, including the amount spent on business travel and the number of events and conferences that are held.

This weakness may manifest itself through a further decline in the number of business trips, but also through companies opting for cheaper travel and accommodation options. According to the National Business Travel Association of Canada, for example, the number of companies implementing strict travel policies is up 14% over last year. And the figure is similar in the USA. Corporate travellers will be under pressure to prove that their trips are worth the expense – that they demonstrate a return on investment.

Legacy airlines, famously, have been finding it very difficult to fill the front ends of their aircraft. They will probably use aggressive marketing, including promotional fares for first- and business-class passengers, in an attempt to get these executives back into those pricier seats. However, the cost of airline travel generally, and particularly economy class, is almost certain to rise to help restore the industry to the minimum of profitability required for survival.

Increased online travel to secure the best options

As documented by the twice-yearly *World Travel Trends Report*, the last few years have seen a sharp rise in the percentage of travellers using the internet, not just for researching travel options, but also for booking flights, hotels and complete holiday packages. The results of the European Travel Monitor for the first eight months of 2009 confirm this trend.

European online travel trends, January through August 2008-09 (% of trips)

	<i>Jan-Aug 2008</i>	<i>Jan-Aug 2009</i>
Online booking	41	45
Online 'looking'	14	14
All internet users	55	59
Non-internet users	45	41

Source: IPK International's European Travel Monitor

The percentage of online bookers in Europe has risen to 45% – and the share in some markets, such as Scandinavia, is much higher still, ranging up to 67%. Similar trends in other parts of the world – even in China, where the self-tailoring of holidays is becoming more and more popular – suggest that the trend is becoming a structural change and is here to stay.

Main drivers of growth

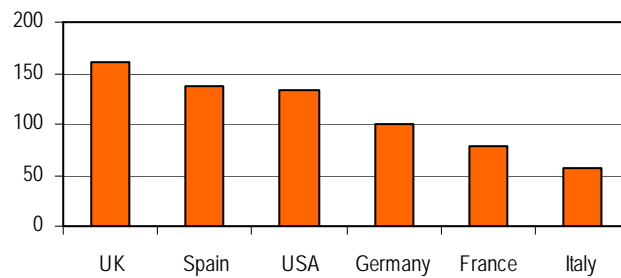
Confidence levels are still relatively weak

One of the main drivers of growth in travel and tourism demand is business and consumer confidence, which can be even more important than disposable income (and is not necessarily dependent on it).

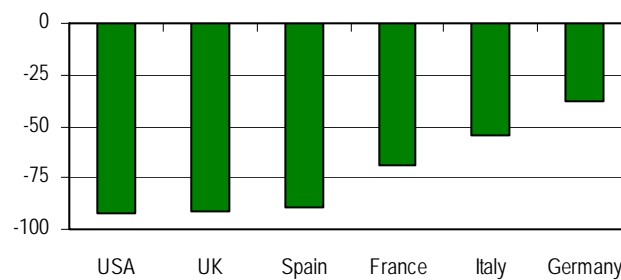
In most leading source markets, confidence levels dropped to record lows in the early part of 2009 but, at least in terms of consumer confidence, they have since picked up steadily. However, they are still relatively weak and are forecast to remain so through the current era of austerity, due to massive losses in asset values and concerns about private (and public) debt and unemployment.

Impact of the recession on household wealth and debt, 2008-09

Household liabilities as % of disposable income



Decline in household wealth as % of GDP



Source: Oxford Economics

Unemployment remains a major concern

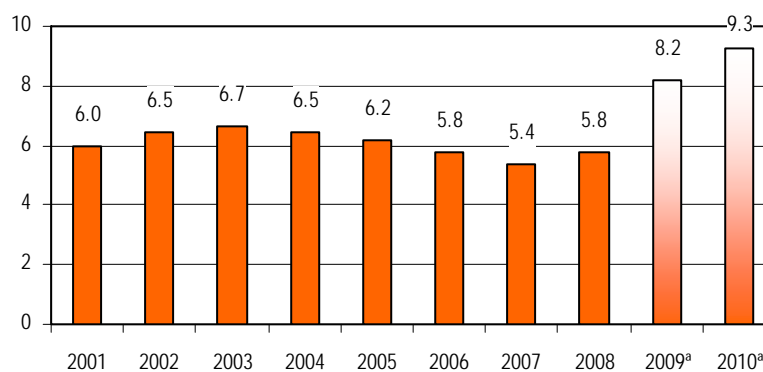
Nevertheless, many consumers have so far been cushioned from the full impact of the economic recession. In the USA and some European countries, for example, the fact that interest rates have been so low has meant that people are saving money on monthly mortgage and credit card payments which, in turn, has

inflated their disposable incomes. But it is clear that in many countries incomes will not rise and taxation will rise in the next few years.

And unemployment, as a lagging indicator, is still a major concern. Changes in personal circumstances, such as unemployment in the family, naturally tend to have a rapid and dramatic impact on travel plans, but unemployment rates also have a strong effect on the confidence of consumers not directly affected.

Unemployment is increasing in the developed world and even in emerging markets in Asia and Latin America. Current forecasts from the International Monetary Fund (IMF) suggest that 8.2% of the world's labour force will be out of work in 2009 – up from 5.8% in 2008 – and that the level of unemployment will again rise to 9.3% in 2010. Clearly, there will be regional differences, but few countries will remain unscathed.

*Unemployment in developed economies, 2001-2008 and forecasts 2009-10
(% of labour force)*



^a Forecasts

Source: International Monetary Fund (IMF)

Structural changes in the travel & tourism market ...

In line with growing industry opinion, the general consensus at this year's Pisa Forum was that we can no longer expect a return to pre-crisis market characteristics and behaviour. The recession, coupled with advances in technology and changing demographics and lifestyles, has had a huge impact on travellers, and destinations and suppliers need to adapt to the new marketplace if they are to prosper or even survive.

... due to changes in demographics and lifestyles

Some of the main changes discussed in Pisa, and which will increasingly take centre stage, were:

- The ageing of the population in main source markets and the impact this is having on travel preferences and behaviour;
- Green consumerism – increased environmental awareness and concern about issues such as climate change (even though the majority of the population does not yet actively seek 'green products');

- The increase in discretionary thrift and mercurial consumption, or lack of brand loyalty;
- A greater focus on authenticity in terms of destinations, products and experiences;
- Demand for greater value for money – at all price and market levels; and
- A search for simplicity.

Consumers in times of crisis

To quote an article from the *Harvard Business Review* by John A Quelch and Katherine E Jocz, no two recessions are alike and suppliers need to reclassify consumers according to their emotional responses to each recession. Pre-crisis segmentation is totally obsolete. The current downturn, according to the authors of the report, has resulted in four distinct types of consumer (for marketing purposes), and their behaviour can be applied to travel and tourism:

- *Slam-on-the-brakes* consumers who feel the hardest hit and put all spending on hold. These are likely to be those who have lost their jobs, or whose friends have lost their jobs, so they see doom and gloom all around them and are likely to cancel all holiday plans and discretionary spending.
- *Pained-but-patients* economise, but less aggressively. They adjust their spending downwards in the short term but still plan ahead, in the hope of coming out of it in the foreseeable future. These consumers are unlikely to cancel holiday plans completely.
- *Comfortably well-offs* keep buying, and travelling, but they are more selective in what they buy, as well as being more conscious of value for money. They are also increasingly careful not to exhibit their travel behaviour too ostentatiously – a sign of the new 'luxury shame'.
- *Live-for-todays* carry on as usual, though delaying major purchases. But these types of consumers are more likely to prioritise holidays over consumer goods such as washing machines or even cars.

Strategies and responses to the downturn

Crisis reveals underlying structural weaknesses

In addition to having to deal with changing consumers and demand, one of the paradoxes of crises is that they make underlying structural weaknesses more visible, and these were debated in some detail in Pisa.

Ageing stock and the need for regeneration, energy dependence, climate change and other sustainability issues, insufficient market differentiation and diversification, a lack of co-operation and co-ordination – these were some of the many issues addressed.

New research, and new ways of using research

The changing marketplace, due both to the recession and to shifting demographics and lifestyles, has compounded suppliers' and destinations' problems in understanding their customers. So instead of battenning down the hatches and lying low until the dark days are over, many have used the recession

to change the way they do business – in particular their research and marketing activities, and the way they use research.

A number of examples were given by the NTOs among the Pisa Forum participants, including:

- A re-allocation of budgets to focus more on core short-haul markets – neighbouring and domestic;
- Undertaking new consumer research on the credit crunch to determine changing behaviour, intentions and decision-making processes – and using the results of this research better to inform marketing decisions;
- Sharing research and research activities with regional tourist offices and other partners;
- Focusing research on activities in the field and on performance analysis.

Changing the marketing message as well as the medium

Most NTOs also agreed that the recession has also given them the opportunity to rethink their marketing strategies – something that is more difficult to do when times are busy – and to plan for the longer term. Among the examples cited were:

- A complete review of marketing plans – both for the short and longer term – with increased tactical marketing in the short term;
- Aligning marketing and promotions to markets that have the best/easiest access;
- Freeing up funds for increased domestic marketing and to be able to respond to new opportunities;
- Educating the trade to switch from traditional marketing methods to digital media, with increased focus on the use of social media;
- Increased government lobbying/promotions to demonstrate the value of tourism – to protect budgets – with an insistence on tourism's impact in terms of job creation and economic contribution.

Partnership is key

Throughout the discussions in Pisa, the main message reiterated by all sectors of travel and tourism for the industry at large was the importance of co-operation – public-private partnerships, but also partnerships between different sectors of the industry (such as airlines, hospitality groups, tour operators, niche market associations, etc) and, increasingly important, technology specialists able to help in developing new media marketing campaigns. Other recommendations from NTOs included:

- Encourage the travel trade to work more with, but also rely less on, the public sector;
- Match private-sector marketing spend dollar for dollar in joint campaigns;

- Free up public sector funds to mobilise partners to make joint bids for conferences;
- Agree new deals with airlines to encourage them to keep flying to the destination;
- Expand co-operation and partnership to involve neighbouring countries, ie in joint research and marketing programmes.

*Business cycles are always
with us*

The travel and tourism industry has been fortunate in recent decades in that it has been a growing sector of the world economy, central to the 'globalisation' that has been such a prominent aspect of prosperity. It has been unfortunate in the current recession – as in most recessions – in that (as a largely discretionary activity) travel and tourism can be relatively easily reduced when economies are required. The recent gloom should not be allowed to obscure the longer-term trend. But one thing is certain – 'the times, they are a-changing'.