Megatrends Shaping the Future of Travel

WOUTER GEERTS
Global inbound arrivals are expected to grow by 5% to 1.4 billion trips in 2018. On the back of an upgraded economic outlook for major economies such as the US, Japan and the Eurozone, inbound receipts are expected to see an even stronger rise of 11%.

Domestic trips are booming in Asia Pacific, where trips are expected to grow by 10% in 2018. Average spend per trip is increasing, again driven by Asia Pacific. Global expenditure is expected to rise by 9%.

Low-cost carriers are outperforming scheduled airlines in terms of passenger growth—7% vs. 5%—and value sales growth—9% vs. 8%—albeit from a lower base. Absolute incremental growth is stronger for scheduled players as they are more innovative in their product offering and pricing.

Total travel sales are expected to fall just short of USD2.5 trillion in 2018. Offline sales still account for over 50% of global travel sales, but with a 2018–2023 CAGR of 12%, mobile sales are expected to considerably outperform offline and other online bookings, with CAGRs of 1% and 2% respectively.

The global lodging category is expected to grow by 6.1% in 2018, with short-term rentals outperforming all other lodging categories and registering 12.7% growth. Hotels account for 73% of total lodging sales, with luxury hotels registering the strongest growth within the hotel category.
Travel is booming, but also ever-changing. Megatrends can help make sense of shifts in consumer behaviour and attitudes that impact all countries and industries. Through extensive research and input by over 1,000 expert analysts, Euromonitor International has selected eight megatrends with the furthest-reaching impact on industries and consumers in the future.

A megatrend is not a short-term fad, but rather a trend with longevity, one representing a fundamental shift in behaviour that is defining consumer markets.

All travel trends discussed in this report are closely linked to these eight megatrends. In a rapidly changing global environment, megatrend analysis is critical for travel players seeking to remain relevant, as competition increases and new ideas disrupt the industry.
2018 Trends Shaping the Future of Travel

INTRODUCTION

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EUROPE
“Resilience” is a popular buzzword used when describing the European tourism industry. Despite economic and political turmoil, the migrant crisis and terrorist attacks over the past years, the tourism industry continues to register strong growth.

Rather than looking backwards, the region is looking forward. There are many uncertainties ahead, however, especially with regard to overcrowding.

While the media have jumped on the topic and popularised the term “over-tourism”, city tourism boards are coming to grips with a future in which they will be looking to attract the “right” traveller.

There is a growing realisation that focusing on volume on its own is not the correct approach. Instead, the incremental value that different types of tourists bring is becoming more important. By looking beyond the mass market to niches such as arts, culture, sports, adventure and wellness, the quality/price ratio tends to increase. Niche visitors are less price sensitive, which in turn improves the overall quality of supply.

![International Arrivals to Europe 2000-2018](source: Euromonitor International)
It is not all about spending, however. Being respectful of local cultures and residents is key to the harmonious sharing of city spaces.

In the case of Amsterdam, this means getting rid of the party destination reputation. Through its ‘Stad in Balans’ (A Balanced City) policy, the city is piloting various initiatives to ensure the impact of tourism and events on local residents is minimised. A recent ‘Enjoy & Respect’ campaign sought to inform tourists of expected behaviour.

Tourism boards and local politicians can be at loggerheads over priorities and how to achieve a sustainable future. As a result, the future will likely have no shortage of demand, but instead a growing understanding that there is a maximum number of tourists that destinations can and want to accommodate.

One way forward is stakeholder discussions on the benefits of tourism, an agreement of the boundaries or tipping points of sustainable growth, as well as how to mitigate the challenges of tourism.

### Top 10 European Cities by International Arrivals 2017

<table>
<thead>
<tr>
<th>City</th>
<th>2017 Arrivals (000s)</th>
<th>2016 / 17 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>19,842.8</td>
<td>3.4%</td>
</tr>
<tr>
<td>Paris</td>
<td>15,834.2</td>
<td>13.7%</td>
</tr>
<tr>
<td>Istanbul</td>
<td>10,730.3</td>
<td>16.4%</td>
</tr>
<tr>
<td>Rome</td>
<td>9,531.6</td>
<td>1.9%</td>
</tr>
<tr>
<td>Antalya</td>
<td>9,482.4</td>
<td>59.3%</td>
</tr>
<tr>
<td>Prague</td>
<td>8,806.7</td>
<td>7.4%</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>7,848.0</td>
<td>13.8%</td>
</tr>
<tr>
<td>Barcelona</td>
<td>6,530.1</td>
<td>0.2%</td>
</tr>
<tr>
<td>Milan</td>
<td>6,347.9</td>
<td>2.8%</td>
</tr>
<tr>
<td>Vienna</td>
<td>6,067.1</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Source: Euromonitor International
Brexit is approaching, but it is still unclear what form it will take. There is still a possibility that the UK may step out of the EU without a deal.

For the UK, outbound travel will be impacted the most by Brexit, as outbound expenditure outnumbers inbound receipts 2:1.

Although outbound expenditure is forecast to increase whatever the Brexit outcome, some USD11 billion of outbound expenditure hangs in the balance depending on the form Brexit takes. A ‘light Brexit’ would give outbound expenditure a boost, whilst a ‘no-deal’ Brexit would restrain the rate of growth.

Ripple effects are likely, particularly in the case of a no-deal Brexit. Take the example of Spain: UK travellers account for 21% of inbound revenues. A no-deal Brexit scenario could reduce 2019 receipts by USD747 million, compared with a delayed free trade agreement. This would subsequently result in a USD66 million reduction in outbound expenditure from Spain.
Travel’s customer journey is flat and linear, from (online) travel agent to airline to hotel to airline. This is a simplistic representation, but not far from the truth. Travel players are heavily siloed, and have been good at knowing their place.

Customers interact daily with major brands such as Facebook and Google, but only a few times per year with hotels and airlines. It is difficult to have loyal customers when interaction is limited.
Breaking down existing silos, and engaging with travellers outside the traditionally understood engagement phases, is becoming increasingly important. In a world where brand loyalty is fragile, being able to interact with customers in more than one phase of the customer journey is very important. Omnipresence allows brands to increase touchpoints, but also to enhance them, resulting in greater customer experiences.

**Survey: Shopping Frequency “At least monthly”**

![Bar chart showing shopping frequency by category](chart.png)

Source: Euromonitor International Lifestyle Survey 2017; 21 countries; n: 28,487
As part of its vision to become the world’s most innovative airline, Lufthansa has introduced new initiatives such as FlyNet onboard internet and the FlyingLab programme, among others.

In October 2017, Lufthansa launched a trial that allows on-board passengers to shop for groceries at retailer Rewe. Users are able to have groceries delivered by the time they get home.

The service provides both Lufthansa and Rewe with opportunities to engage with customers in new ways. For Rewe, it provides access to a space previously closed to it, while allowing Lufthansa to better understand its customers.

Understanding consumer preferences, not only when they are on the flight, but also beyond this limited time-frame, offers opportunities to personalise future engagement. Groceries might only be the start.

By 2020, Lufthansa plans to invest EUR500 million in the personalisation of digital products.

Source: Lufthansa
Hotels are good at engaging with travellers—and often much better than engaging with local residents. AccorHotels wants to change the understanding that hotels cater only to travellers by opening its hotels for the local community.

In the Q4 2017 earnings call, Chairman and CEO Sébastien Bazin suggested that players such as Amazon, Alibaba and Facebook are powerful because they have many touchpoints with their users. He stated: “what is AccorHotels’ point of contact with our customers? Well, average four times a year.”

The company launched its AccorLocal app to attract more local residents to its hotels and cater to their needs. The app offers services from local merchants and hotels, including breakfast, yoga and fitness classes, co-working spaces or package delivery and collection.

AccorHotels has acquired and invested in close to 20 companies over the past three years. The biggest deal of this buying spree was the acquisition of FRHI for USD2.7 billion.
Plastic plays an influential role in shaping modern society, evident through its widespread application and growth in use across all industries. It is hard to imagine living without plastic.

High-profile coverage such as BBC’s Blue Planet II series, which brought images of the destruction that plastic waste brings to the worlds’ oceans, and the launch of the Ocean Cleanup attempt to reduce the Great Pacific Garbage Patch, have greatly increased awareness amongst consumers of plastic’s negative attributes.
In December 2017, 200 countries signed a UNEP resolution to tackle all forms of pollution, and noted that unless action was taken “oceans would contain more plastic than fish”.

Companies from all industries, including adidas, P&G and Ecover, today use ocean plastics in their products, and many travel players have pledged to take action by reducing plastic waste.
Due to their abundance, low reusability and recyclability, straws have become enemy number one. Many companies, including Alaska and American Airlines, Marriott, Hilton, AccorHotels and Hyatt, have pledged to end the use of plastic straws.

The race is now on to find the best alternative. US-based Loliware has been working on launching edible products, amongst which are Lolistraws—edible, hyper-compostable straws.

The straws can be eaten, or if disposed of, will biodegrade like a banana peel. The product is made from seaweed, organic sweeteners, flavours and colours derived from fruit and vegetables.

While there are many alternatives to straws, including those made from paper, bamboo or bioplastic, simply replacing the material does not address the issue of waste reduction. Lolistraws offer a plastic and waste reduction solution.
Running a solid sustainability strategy can become a useful marketing tool for Ryanair. Improved customer experience is on Ryanair’s agenda, and the operator’s latest ambitions are testament to its goals to boost efficiency, embrace more “green” practices and in the process become known for more than just cheap flights.

Ryanair is the biggest budget operator in Europe in terms of passengers carried, overtaking established scheduled airlines through aggressive route network expansion and rigorous cost control.

In 2018, the company announced plans to completely remove non-recyclable plastics from its aircraft by 2023. The initiatives include using biodegradable cups and paper packaging.

The airline will also encourage passengers to use their own cups. This mimics the increasingly popular initiative in coffee chains, which offer discounts when customers bring their own mugs.

Ryanair leads the low-cost segment in Europe, with expected sales just short of USD9 billion in 2018, ahead of players such as easyJet and Norwegian Air Shuttle.
ASIA
Travel in Asia is booming. The region continues to enjoy strong performances in both inbound and outbound travel, supported by rapidly growing economies, and an expanding middle class seeking to spend its increasing disposable income on travel.

The gradual process of loosening visa restrictions has made travelling in the region easier, with 80% of arrivals in Asia originating from the region.

Positive geopolitical developments and sporting events further boost the region’s attractiveness. The next Summer Olympics will be held in Tokyo, and the next Winter Games in Beijing, after PyeongChang hosted the 2018 Winter Olympics.

The past Winter Games highlighted the potential of improved relations between South and North Korea. Major uncertainty remains, but the potential of improved relations could be far-reaching for the region.
Technology is a major enabler of travel growth, and nowhere more so than in Asia. Countries such as South Korea, Australia and China are global frontrunners in digital connectivity, but other countries such as Thailand, Malaysia and Indonesia are also gathering pace, developing user-friendly online booking platforms and convenient online payment systems.

Online travel intermediaries such as Ctrip and Fliggy are today’s travel enablers in China, while traditional travel intermediaries in Japan and South Korea such as JTB and Hanatour are actively investing in their online channels to meet demand from their constantly-connected consumers.

Global online travel intermediaries such as Expedia and Booking Holdings are aggressively expanding their business into Asia by engaging in partnerships with regional players. Price pressures and discounting are rife, resulting in many players stumbling. With so much potential, however, efforts continue on all sides.

Source: Euromonitor International
In October 2017, President Xi Jinping introduced China’s next 5-year plan at the 19th National Congress of the Communist Party. Plans include lower dependency on imported goods, deregulation of prices and a boost to the environment, as the country moves towards electric vehicles.

Tourism is a key pillar of the Chinese economy, and much investment has been made to improve infrastructure and standards, in addition to tourism-friendly policies and initiatives. Most emphasis, however, is put on China’s outbound potential.

Thanks to the strong influence of GDP per capita and the growth in high-income households, China is forecast to overtake the US and Germany to become the largest source of outbound departures by 2030.

The country will also be the largest inbound market by 2030, and domestic tourism in China is big business. The latter represents 4.7 billion trips in 2018, and is forecast to reach 6.7 billion by 2023.
TRAVEL TREND 3

While connected consumers are seen running towards technology and connectivity, there is also a palpable counter trend, whereby consumers are resisting this always-on mentality. Especially in Asia’s highly connected culture, this will become increasingly important.

Counter to FOMO (Fear of Missing Out), the Joy of Missing Out (JOMO) corresponds to concerns regarding the impact of constant connectivity on consumers’ lives and highlights the enjoyment of being mindful of the moment.
Concerns of over-connectivity also often relate to government or brand abuse. China, for example, is introducing a social credit system to rate its citizens based on their online activity. Meanwhile, the case of Facebook’s Cambridge Analytica scandal is still fresh in the minds of many consumers.

Rather than completely cutting off, tech companies are trying to persuade users to simply limit their online time. Google Wellbeing, for example, summarises daily habits and helps users break them.
With the tagline “You need to get lost to find yourself”, US and UK-based luxury, bespoke travel company Black Tomato helps travellers to disconnect from their everyday lives.

Only knowing what time they should be at the airport, every detail of the trip is kept secret from the traveller, to ensure that they truly feel lost. Provided with information about checkpoints, travellers need to find their own way back to civilisation.

Destinations include the jungles of Western Borneo in Indonesia, and the deserts of Western Mongolia.

Jos Davies, Head of Marketing at Black Tomato, told Euromonitor International that Get Lost has a clear objective: “In a world of 24/7 connectivity and instant gratification, we wanted to offer travellers a service that gave them the rare chance to disconnect, escape, earn their experience.” She notes that the experience, while active, can be relaxing, as it is away from a Wi-Fi connection.

According to Euromonitor International’s 2017 Lifestyle Survey, the most popular aspect of holidays remains relaxation (51%). However, 34% of respondents look for nature and outdoor activities and 12% for sports and adventure activities.
Situated on Koh Kood island, and only accessible via a 1-hour flight by private jet from Bangkok, Soneva Kiri Resort houses 24 villas and 11 private residences, set either on the beach or up on the slopes of the rainforest. Every hut is built with sustainable materials, including local timber.

The resort follows a SLOW LIFE philosophy: Sustainable, Local, Organic, Wellness, Learning, Inspiring, Fun, Experiences. In 2014, the resort was awarded The Butterfly Mark for its environmental conservation practices.

Offering high-end luxury, the resort markets itself as a sanctuary away from the daily hustle and bustle, and is reminiscent of the “good old times” before the always-on culture.

Beyond the traditional experiences expected at a beach resort, Soneva Kiri also offers an open-air theatre showing Hollywood classics, and an observatory to allow guests to gaze at the stars.

Thailand’s crackdown on Chinese zero-dollar tours seems to be working. In 2018, total arrivals are expected to be up by 6.7%, while receipts increase by 8.4%.
In 2016, the US and China worked together to achieve the landmark Paris climate agreement with 195 signatories. Since then, however, US President Trump has announced his intent to withdraw from the agreement, leaving China to reconfirm its commitments and take on a leading role.

Images of heavy smog in China’s major cities are shared around the world, giving China a reputation as a heavy polluter. It is no wonder that environmental stewardship is high on the agenda of the country’s leaders.
At the same time, much attention is focused on China’s modernisation over the past decades, often with disregard to conserving the environment or its heritage.

Through the 2017 launch of the “all-for-one” tourism programme, the country is changing tack, and is looking at conservation, diversity of cultures and the natural environment as important aspects of a cohesive tourism offering. At the same time, it sees tourism as a way to boost rural economies.

Source: Euromonitor International
Amanyangyun Resort in Shanghai offers a unique blend of centuries-old historical heritage surrounded by minimalist modern architecture.

Born from the idea to save and preserve 50 Ming and Qing dynasty villas and over 10,000 camphor trees threatened to be demolished by a new infrastructure project in Jiangxi, the resort was built just outside Shanghai where all 50 village houses and trees have been painstakingly relocated as part of a conservation project.

The resort has one of the largest spas in Shanghai, focusing on the traditional healing practices of China, combined with modern tools.

The new resort responds to customer demand for authentic, natural and local experiences. By embracing the local history and heritage, the brand is aiming to stand out from the crowd, going beyond pure functionality and providing a more immersive experience to its consumers.

Shanghai is expected to receive 7.4 million international visitors in 2018. The city is known for its modern infrastructure, but history and heritage will remain important pull factors.
Ant Financial, a subsidiary of Alibaba, launched the Ant Forest project in August 2016 as a special feature on Alipay.

It encourages users to reduce their environmental impact by providing a personalised carbon footprint, proposing ways to reduce this footprint, and provides rewards for carbon savings. The reward comes in the form of a virtual tree which grows as rewards are collected. Once fully grown, a real tree is planted by Ant Financial in Inner Mongolia.

The scheme teaches users about their carbon output and the effect on the natural environment, which will have an impact on Chinese travellers’ demands and expectations of travel brands and destinations both domestically and internationally.

Similar apps, such as an EU app called WasteApp, highlight how gamifying and rewarding users’ positive behaviour can help increase awareness and boost uptake.
Trump is gold for the media, and when in September 2017 the US National Travel and Tourism Office (NTTO) announced that visitor numbers had fallen by 5% year-on-year, inevitably it was put down to “the Trump effect”.

Since then, however, the NTTO has had to revise its figures, now showing an actual 2% increase in visitors in 2017, despite a drop in Mexican visitors of over 6%.

While it seems the “Trump effect” has had a negative impact on arrivals from Latin America, the new data shows that arrivals from Canada and other overseas markets have continued to grow.

However, uncertainty remains. While the US, Canada and Mexico are mutually reliant on each other for tourism, the NAFTA / USMCA negotiations have and will provide a lot of uncertainty, which could negatively impact travel. Together with the ever hotter trade war between the US and China, business travel in the region may be hit hardest over the coming years.

Top 10 Countries Impacted by Potential Trump Trade War

Source: Euromonitor International Travel Forecast Model. Trump Trade War scenario is defined as 45% tariffs on China, and 15-20% tariffs on other Asian countries, also dropping out of NAFTA, and imposing 35% tariffs on Mexican imports. Asian countries and Mexico retaliate with their own tariffs.
Latin America is in turmoil. 2018 saw three of its largest nations, Brazil, Colombia and Mexico, elect new presidents. Nicaragua has seen bloody protests against its socialist government.

Venezuela’s economy continues to decline, with inflation expected to be around 13,000% in 2018. The country’s government devalued its currency by 95%—with five zeros being removed from the currency—with the new Sovereign Bolivar pegged to a state-run cryptocurrency not quoted on any recognised trading platform.

Meanwhile, mid-term elections in the US on November 6—the launch date of this report—could result in a Democratic win on Capitol Hill, which would likely stop Trump’s domestic policies in their tracks.

The unrest and widespread uncertainty will likely put a damper on travel in the region. In the case of Venezuela, tourism has almost completely stalled.
Canada made the decision to legalise recreational use of marijuana in October 2018. The US Border Patrol, however, has announced that it will not allow anyone affiliated with Canada’s legal cannabis industry to enter the US.

It is not just users or people working in the industry who will be banned from entering, but anyone affiliated with or who has invested in cannabis companies.

Companies in Canada, including multinationals such as Coca-Cola, are scrambling to find ways to cash in on the legalisation.

With Canada the largest market source for US tourism, blocking all affiliates to these companies could have a major impact on the tourism industry, and seems highly impractical.

While it is likely that the amount of people turned back remains low, it provides a further strain on the relationship between the two countries.
Consumers are travellers for a limited period each year, but are consumers all year round.

Many travel brands know a thing or two about great products and services, which consumers would want to access beyond their travels. This offers opportunities to open retail outlets or restaurants.

This blurring of travel and retail works both ways. There is a growing number of retail brands which are looking at the travel industry to increase touchpoints with their customers.
BLURRING INDUSTRY LINES

Hotels and restaurants are great places to let consumers experience products before buying them, and to show products “in-situ”, making the brand engagement more experiential and premium.

There are many examples: West Elm and Muji have opened hotels, Equinox Gyms will be opening one in New York and IKEA has promoted its food and tableware products through pop-up restaurants.

Global Retail and Hotel Outlets 2018

Source: Euromonitor International
**CASE STUDY WEST ELM TURNS HOTEL ROOMS INTO STOREFRONTS**

Becoming a lifestyle brand is at the top of many companies’ agenda. Embodying the values of their target audience to ensure lasting loyalty to the brand is key, and having multiple touchpoints with the customer—both offline and online—enables this.

West Elm is a well-reported case of a retailer expanding its reach, with the home furnishings company planning six hotel openings in the US.

West Elm not only blurs the boundaries between retail and hospitality, but also between the home and the hotel, with all products in the hotel available for guests to take home.

The company has a strong focus on sustainability, artisans and independent designers, which fits extremely well with the changing demands of travellers, increasingly looking for authentic, boutique and lifestyle hotels.

“West Elm retail has been furnishing residential houses for many years and the design and style truly reflect today’s traveller, so it was an opportunity to allow hotel stays to feel more residential.”

David Bowd – Principal, West Elm Hotels

Source: West Elm
Cathay Pacific has seen a slump in sales in recent years, as competition increased and long-haul demand dipped. Disappointing results in 2017 forced the company to reinvent its services, with the company deciding to have a renewed focus on food.

Acknowledging that Cathay Pacific may not be well known in the US, the Hong Kong-based airline launched a series of food pop-ups in New York featuring dishes from around Asia. This event had consumers taste what they could experience by taking a trip serviced by Cathay.

Flights are highly commoditised, so airlines must differentiate themselves through in-flight experiences. The company has taken inspiration from its own noodle bar at its hub airport lounge in Hong Kong to stand out.

The initiative received considerable attention, with the pop-ups gathering over 800 million social media impressions.

Cathay seems to have slowly turned its fortunes around. In 2018, sales are expected to grow by 1.6% to total just under USD5 billion.
The access economy, where consumers are moving away from ownership and are paying to access goods or services for a limited time, is booming.

Travel has been revolutionised by the access economy, from booking lodging in privately-owned short-term rentals through Airbnb, to booking a taxi through Uber, engaging in a guided tour with Vayable, to dining with locals through EatWith.

Yet the access economy has the potential to transform many more areas, disrupting sectors and creating new ones.
Mobility is an area with plenty of innovation. Bike-sharing programmes were the big trend over the past years, but the next big thing coming from the west coast of the US is scooter-sharing.

And from Latin America our understanding of what constitutes urban mobility is being challenged, as flight-sharing becomes an alternative mode of urban transport.
Scooter mayhem has arrived. Pictures of bicycle graveyards in China have done the rounds in global media, and now it is the time for scooters.

In the US, particularly San Francisco, electric scooters have taken over the streets. As the new form of mobility caught on, companies such as Lime, Skip, Bird and Spin put thousands of scooters on street corners in the hope that people would choose their brand.

In August 2018, however, only Scoot and Skip were given licences by the local government for a 1-year pilot. Collaboration seems to have been the deciding factor, with the two successful companies most responsive to local requests and complaints.

Scooters are now in over 65 US cities, but there are major cities where the battle has not yet taken off, including New York and most European capitals.

According to the Financial Times, Skip has raised a modest USD31 million from investors in its first year of operation. Competitors Bird and Lime both raised close to USD400 million.
CASE STUDY VOOM TAKES SHARING TO THE SKIES

Who wants to be stuck in traffic when you could soar over the city in a helicopter? Most people would like this idea, but costs are surely an issue.

Voom, an initiative of Airbus Group’s Silicon Valley thinktank A3, offers helicopter rides above Sao Paolo and Mexico City booked through an Uber-style app, with pre-booking and on-demand services. Prices start at MXN2,500 (USD133), which allows it to compete with chauffeur-driven cars.

Highlighting the potential of this service for travellers, Voom announced a partnership with Air France, offering Air France passengers a discount on helicopter flights to the Mexico City airport for a more seamless travel experience.

Other regions are also looking towards the skies. Dubai is testing flying taxis, while Wingly—based in France—offers a booking platform where over 10,000 private pilots offer to take passengers on trips—plane pooling for private flights.

According to the Tom Tom Traffic Index 2017, Mexico City is the most congested city in the world, with drivers on average spending 66% extra travel time stuck in traffic.
MIDDLE EAST AND AFRICA
Reviving destinations outpace mainstream destinations in the Middle East and North Africa, largely on account of visa changes, increased tourist safety and the popularity of low-cost carriers leading to redeemed confidence from key source markets.

With economies heavily based on the oil industry, countries such as the United Arab Emirates and Saudi Arabia are increasingly looking to diversify their economic activities, with the latter now opening up to international tourists.

With tourism becoming more important for many economies, and despite geopolitical challenges, countries in the region are looking for closer collaboration to diversify the tourism offering.

Family and group travellers seeking experiential travel and solo travellers seeking health and wellness or adventure are key target groups. This translates into investment in theme parks, mid-market lodging, low-cost air travel and package holidays.

**Historic % Growth of Inbound Arrivals to Middle East and Africa**

![Map of Middle East and Africa with color legend indicating growth rates.](source: Euromonitor International)
Africa continues its rise

The rise of experiential travel has favoured growth of companies such as Airbnb in Africa. Strong travel demand, lacking hotel stock and a general absence of regulation benefit short-term rental platforms.

Airbnb aims to invest USD 1 million in Africa by 2020 to promote community-led tourism projects. According to the company, Africa is seeing some of the strongest growth in bookings. Egypt, entering a period of renewed stability, saw growth in guest bookings of 134% over 2017-2018, with further strong growth in Kenya (60%), South Africa (60%), Tanzania (53%) and Morocco (50%).

Increasingly, Africa is not just seen as a destination, but also as a plethora of source markets. Local companies such as Travelstart and Hotels.ng, as well as Tajawal.com in the Middle East, are able to benefit from this growth by offering services in local languages, having greater understanding of local consumer preferences and behaviour.

Top 10 Countries for Short-term Rental Bookings in MEA

Source: Euromonitor International
DISPERSAL BEYOND DUBAI

Preparing to welcome over 20 million tourists in 2020, the United Arab Emirates remains the region’s tourism hub, with continued investment in the sector as the country gets ready for Expo 2020.

A new visa-upon-arrival policy boosted arrivals from Russia and China, achieving volume growth of 120% and 41% respectively in 2017. A free transit visa for up to 48 hours has also bolstered growth, as Dubai takes advantage of its position as a regional hub.

While tourism is heavily concentrated in key cities, dispersion to Northern Emirates is picking up pace as they are starting to reap the benefits of their marketing efforts.

‘Book your Emirati Experience’ was officially launched by Abu Dhabi to promote authentic cultural experiences in partnership with local residents. Whether this platform can compete with global players such as Airbnb’s Trips is questionable, but the focus on experiences is positive for future growth.

UAE Inbound City Arrivals, 2018 (000s trips)

Source: Euromonitor International
The Middle East and Africa region, and United Arab Emirates in particular, has been at the centre of innovation in an effort to make the travel journey completely frictionless.

Biometrics and facial recognition are becoming increasingly common in airports, arguably one of the travel spaces with the most friction. Technology is being used to reduce it. Dubai Airport, for example, has installed a face-scanning Virtual Aquarium, a tunnel equipped with over 80 facial recognition and retina cameras, replacing traditional border gates.
Seamlessness in the destination is also of utmost importance, whether it is facial recognition cameras in hotels, online check-in and keyless entry, holistic mobility solutions and other smart city initiatives, or frictionless payment facilities.

Near-ubiquitous mobile connectivity has contributed to expectations of seamlessness through technology. Travellers will increasingly expect to find such solutions in the destinations they visit.

Source: Euromonitor International Lifestyle Survey 2017; Middle East only, n: 1,010
CASE STUDY EMIRATES’ SEAMLESS LUGGAGE PROCESSING

Emirates Airlines has developed an in-house Baggage Management System called Wasla to provide full control of its global baggage operations.

This has already resulted in a considerable fall in levels of lost and delayed luggage, but Emirates has much grander plans for the future.

Tim Clarke, the company’s CEO, said that building works on the new Al Maktoum International Airport, which will become one of the largest airports in the world and Emirates’ main hub, have been halted, as a redesign is needed to introduce more cutting-edge technology, including robotics and IoT, all to make the customer experience increasingly seamless.

The company sees a future in which robots take care of all luggage handling, from check-in to plane, and plane to belt. Travellers can walk through security without the need to take off items of clothing or empty bags. All phases, from check-in to immigration to boarding, should become easier.

Emirates Airlines is the fifth-largest airline brand globally, with 2017 sales of USD20.3 billion.

Source: The Emirates Group
Near-field communication (NFC) technology is becoming common around the world, and SnapScan has paved the way in South Africa for proximity payments.

SnapScan’s development in Africa allows travellers to benefit from a mobile, cashless and cardless payment product.

The technology was launched through a partnership between tech start-up FireID and Standard Bank. Using QR codes, the initiative is available to a wide range of businesses, including market and street vendors and charities.

In August 2018, Samsung SA also entered the country with Samsung Pay. According to the company, acceptance and take-up has been higher in South Africa than it was during the US launch in 2015.

These payment technologies, and the concept of a cashless society, have great potential to make travelling to foreign countries far more seamless. Travel players will need to ensure they cater to tourists looking to use this technology.
While the middle class is in retreat in many developed countries, struggling to maintain the economic position they enjoyed for the last half a century, the middle class is booming in developing regions such as Asia and Africa.

This translates into a greater desire to travel for leisure purposes, and the stronger economy boosts business travel.

The tourism industry, particularly in Africa, has historically catered to the wealthy international traveller, resulting in a strong focus on inter-regional flight networks and high-end lodging.
Today, a shift in demand and improving infrastructure means a strong increase in low-cost carrier flights and a drive to increase hotel segmentation.

With long-term sustainability of the region in mind, however, it is important that this does not become a race to the bottom, as illustrated by the struggles of some European countries today.
CASE STUDY RADISSON HOTEL GROUP SEES MID-SCALE OPPORTUNITIES

Early in 2018, Radisson Hotel Group announced plans to grow its portfolio in sub-Saharan Africa to 120 hotels by 2023, an increase of 60% on current stock.

While its past focus has been on its upper-upscale Radisson Blu brand, moving forward 65% of the new hotels will be upscale and mid-market hotels.

The company has recently introduced the upscale Radisson brand in Africa, with the first opened in Dakar, Senegal, in January 2018.

Andrew McLachlan, Senior VP, Development, Sub-Saharan Africa at Radisson, told Euromonitor International that Africa is now ready for mid-market hotels, as infrastructure to support hotel operations has improved and the market has matured and is ready for segmentation.

McLachlan suggests that South Africa in particular is ready for trendy economy brands such as Radisson’s Prizeotel, which he believes will be introduced in the country in the near future.

85% of hotels in Radisson’s African portfolio have African owners, highlighting the growing wealth of the continent.

Source: Radisson Hotel Group
The Emirates have some of the most high-end airlines catering to wealthy travellers from the region. However, in an effort to cater to a bigger audience, Etihad Airways—often seen as the most luxurious airline in the world—introduced payment instalment plans. Residents of the UAE, Saudi Arabia and Egypt can book flights and pay back in monthly instalments ranging from three to 60 months.

In September 2018, the company also introduced hand-baggage only fares. Called the Deal Fare, the new policy offers more choice and a cheaper alternative for Etihad customers.

Meanwhile, Dubai-based Emirates Airlines announced a code-sharing partnership with its sister brand, low-cost carrier flydubai. There is talk of a potential merger between Emirates and Etihad.

The steps taken by these players indicate how trading down can help luxury brands carve out opportunities in the affordable luxury space.
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In his role as Consultant—Travel, Wouter Geerts has direct responsibility for the quality of travel data and written analysis, with a specialism in lodging and intermediaries research. Wouter has a special interest in the access economy, short-term rentals and new forms of urban mobility. Prior to his role at Euromonitor, Wouter completed a PhD on sustainability in the hospitality industry at Royal Holloway, University of London. He further holds a Bachelor’s in International Hospitality Management, and has worked in different roles in and with the hotel industry.
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