



Horwath HTLTM
Hotel, Tourism and Leisure

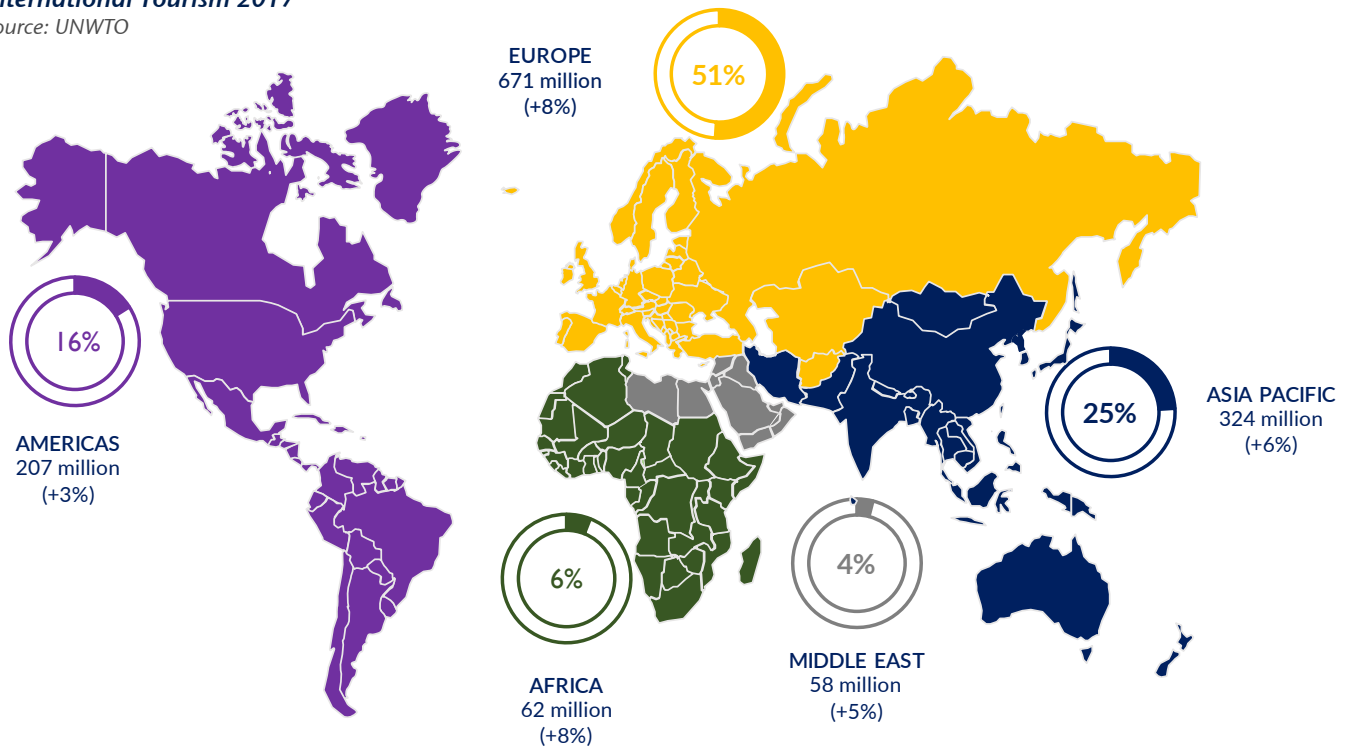
MARKET REPORT

ASIA PACIFIC:
Regional Tourism
Trends

MAY 2018

International Tourism 2017

Source: UNWTO



International Tourism

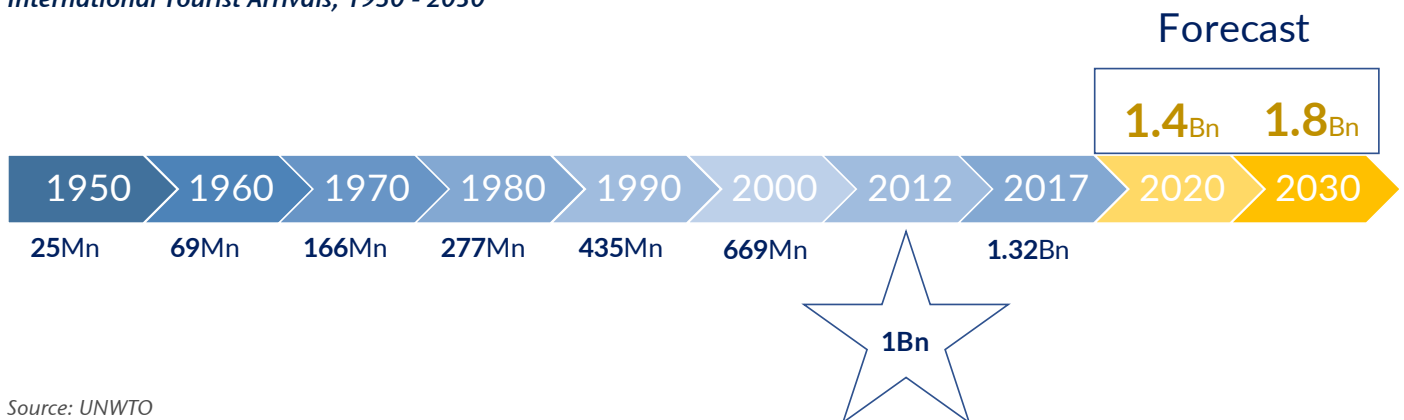
Tourism has grown virtually uninterrupted over the past decades, becoming one of the largest and fastest-growing economic sectors in the world.

International tourist arrivals have grown from 25 million globally in 1950 to 669 million in 2000 and reached 1 billion in 2012. In 2017, international tourist arrivals grew by a remarkable 7 percent, recording a total of 1.3 billion.

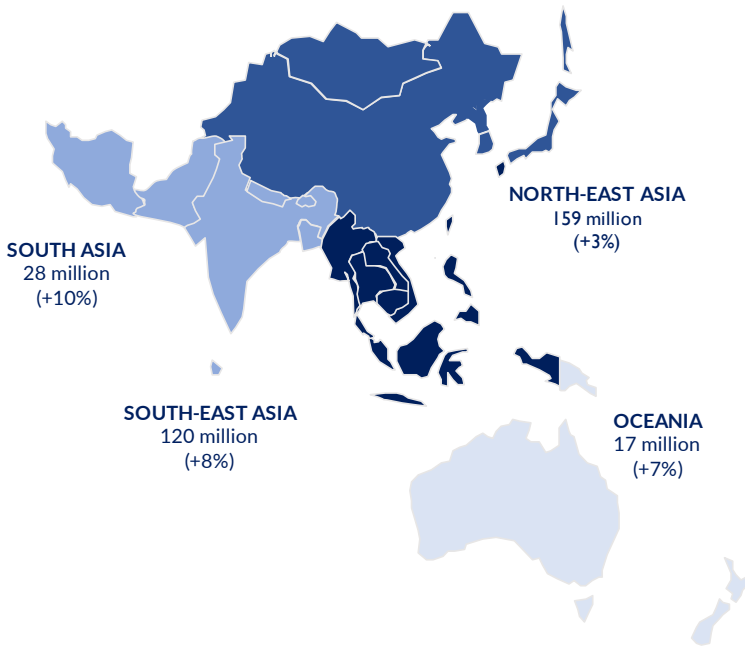
This strong momentum is expected to continue in 2018 at a rate of 4 to 5 percent. This is above the 3.8 percent average increase projected for the period 2010 - 2020 by UNWTO.

By 2030, the world's total international tourist arrivals are expected to reach 1.8 billion.

International Tourist Arrivals, 1950 - 2030



Source: UNWTO

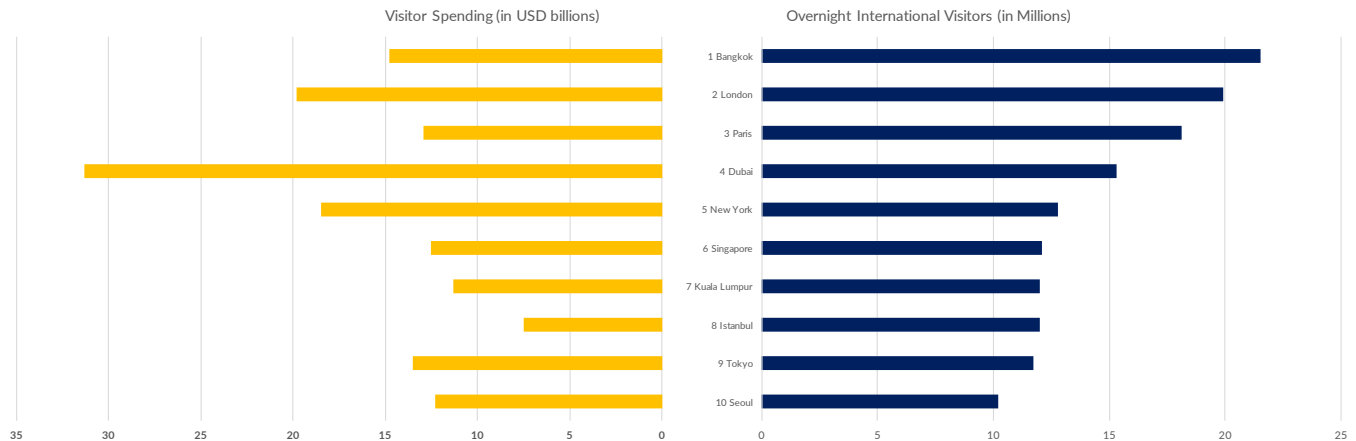


Unprecedented Growth

Asia Pacific recorded 324 million tourist arrivals in 2017, close to a quarter of the world’s total.

- East Asia has historically been the best performer in the region in terms of number of arrivals, led by Japan with arrivals growth of 19 percent in 2017. The countries in this sub-region have strong safety and health conditions, world-class infrastructure, and are among the most ICT-ready globally. They are able to attract tourists by balancing offers leveraging on their natural and cultural resources.
- South-East Asia exceeded the region’s average arrivals growth in 2017, driven by strong results in Vietnam (+29 percent) and Indonesia (+22 percent). The sub-region offers competitive prices and takes advantage of its natural resources to attract tourists.
- South Asia was the fastest growing sub-region in 2017, led by the strong performance of India (+15 percent). Robust demand from western source markets and new visa facilitation regulation contributed to the strong results.

Global Top 10 Destination Cities By International Overnight Visitors (2016)*



Source: MasterCard City Index, 2017. *Latest available data

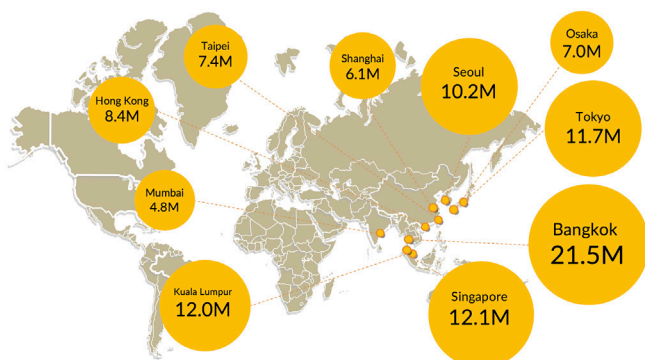
Asian Pacific Destinations Lead Global Visitor Arrivals

According to Mastercard Global Destination Cities Index (GDCI) 2017, Asia Pacific destinations made up half of the world’s top 10 most visited cities. Furthermore, the region also had the highest visitor spending among its top 10 cities. The international visitor spend in the region indicates the region’s strong growing popularity.

Popular Destination Cities in Asia Pacific

Bangkok is the most popular destination in the region as well as in the world. Singapore is in second position, Kuala Lumpur in third, followed by key cities in East Asia—Tokyo, Seoul, Hong Kong, Taipei, and Osaka. Mumbai is the only Indian city in the Asia-Pacific top 10.

Top 10 Destination Cities By International Overnight Visitors, 2016*

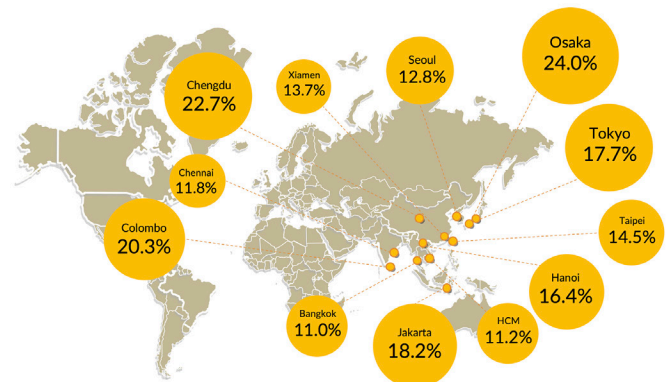


Source: MasterCard City Index, 2017. *Latest available data

Fastest-Growing Destination Cities

With a Compound Average Annual Growth (CAAG) rate of 24 percent between 2009 and 2016, Osaka leads as the fastest-growing destination city in Asia-Pacific. It is followed by Chengdu in China and Colombo in Sri Lanka.

Top 10 Fastest Growing Destination Cities By International Overnight Visitors, 2009 - 2016*

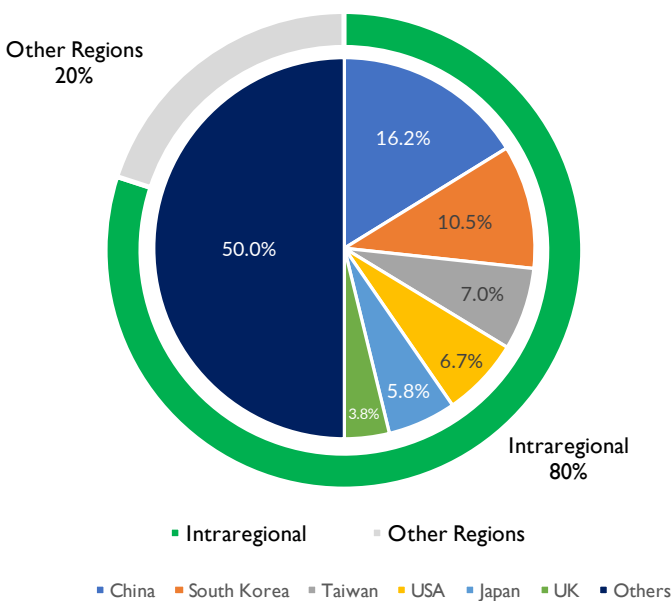


Source: MasterCard City Index, 2017. *Latest available data

Top Origins Markets for Asia Pacific Destinations

A notable feature of tourism in Asia Pacific is 80 percent of the traffic is intraregional. Chinese outbound tourists to Asia Pacific grew by a CAAG rate of 25.8 percent for the last 7 years, moving from 5th place in 2009 to becoming the largest contributor to Asia Pacific tourist arrivals since 2012. China currently generates over 16.2 percent of total international overnight arrivals in the region and is the largest source market for most destinations in the region. The remaining top five source markets in order are Korea, Taiwan, U.S and Japan.

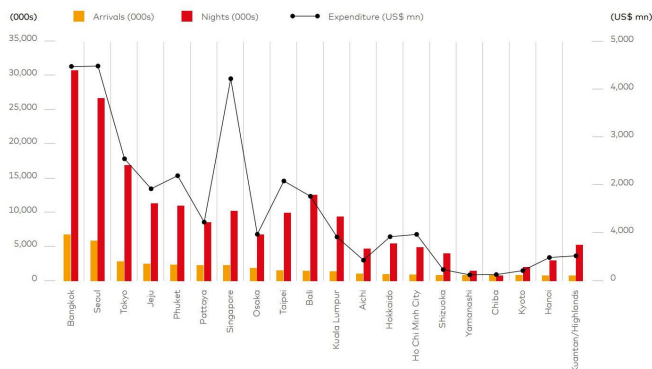
Top Origins Markets For Asia Pacific Destinations, 2016



Source: MasterCard City Index, 2017

The top 20 destinations for Chinese outbound travellers in Asia Pacific are spread across Northeast and Southeast Asia.

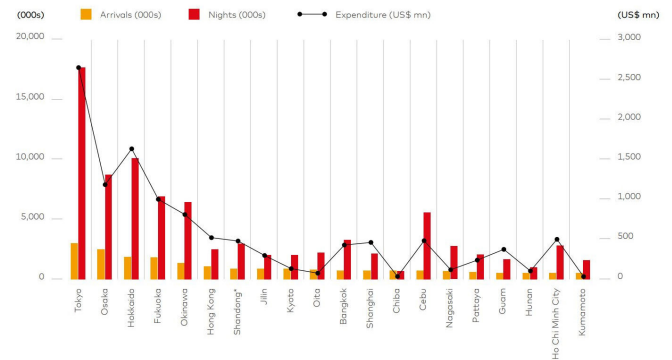
Top 20 Asia Pacific Destinations For Tourists From China, 2016



Source: MasterCard City Index, 2017

In 2016, South Korea, Asia Pacific’s second most important source market for tourists, generated 35.7 million overnight tourists. South Korea’s top 20 destinations for outbound tourist are mostly in Northeast Asia with Japanese destinations Tokyo, Osaka, and Hokkaido forming the top 3.

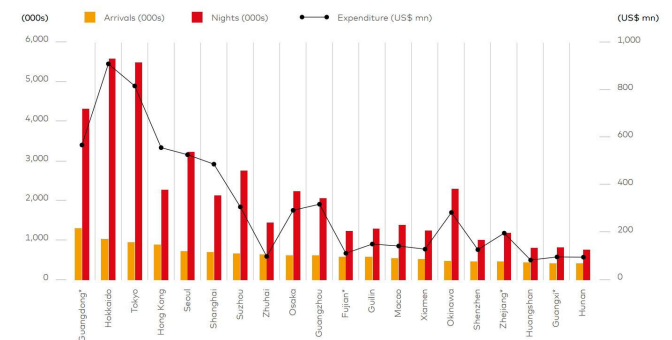
Top 20 Asia Pacific Destinations For Tourists From South Korea, 2016



Source: MasterCard City Index, 2017

Taiwan, Asia Pacific’s third most important source market for tourists, contributed 23.8 million overnight international arrivals. Unlike the Chinese, Taiwan’s top 20 destinations for outbound tourists are all in Northeast Asia, specifically in China and Japan.

Top 20 Asia Pacific Destinations For Tourists From Taiwan, 2016



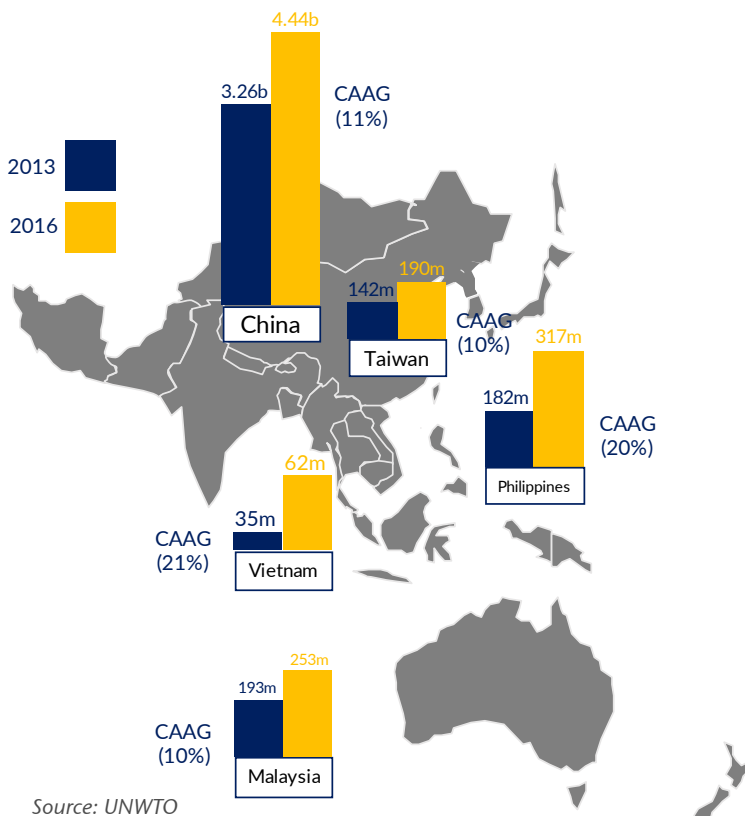
Source: MasterCard City Index, 2017

Asia Pacific Domestic Tourism Market

Domestic tourism in many markets in Asia Pacific has seen tremendous growth over recent years. Between 2013 and 2016, Vietnam recorded the strongest growth in domestic tourism, driven by the growing middle class. LCCs have also been a growth catalyst with Vietjet Air increasing its fleet size from 18 to 45 aircraft between 2014 and 2016.

Beside the world’s largest outbound tourism market, China is also leading the world in terms of domestic tourism, recording 4.44 billion trips in 2016. In the first half of 2017, growth of outbound tourism slowed and an increasing number of Chinese tourists travelled domestically. The growth is driven by improved transportation with high-speed railways, flights and other traffic systems, together with innovated and upgraded travel products.

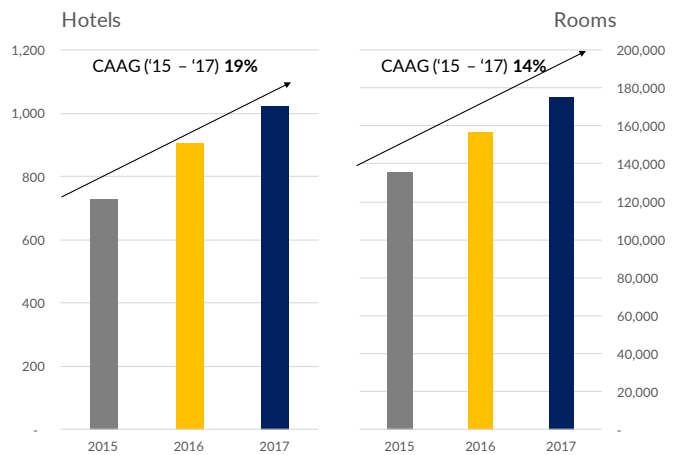
Top 5 Fastest Growing Domestic Tourism Markets, 2013 - 2016*



Asia Pacific Hotel Development

Hotel Management Agreement (HMA) deal signing in Asia Pacific is among the healthiest in the world with no sign of slowing down. In 2017, 1,020 HMAs were signed by international operators, reflecting a CAAG rate of 19 percent between 2015 and 2017.

Deal Signings In Asia Pacific, 2015 – 2017



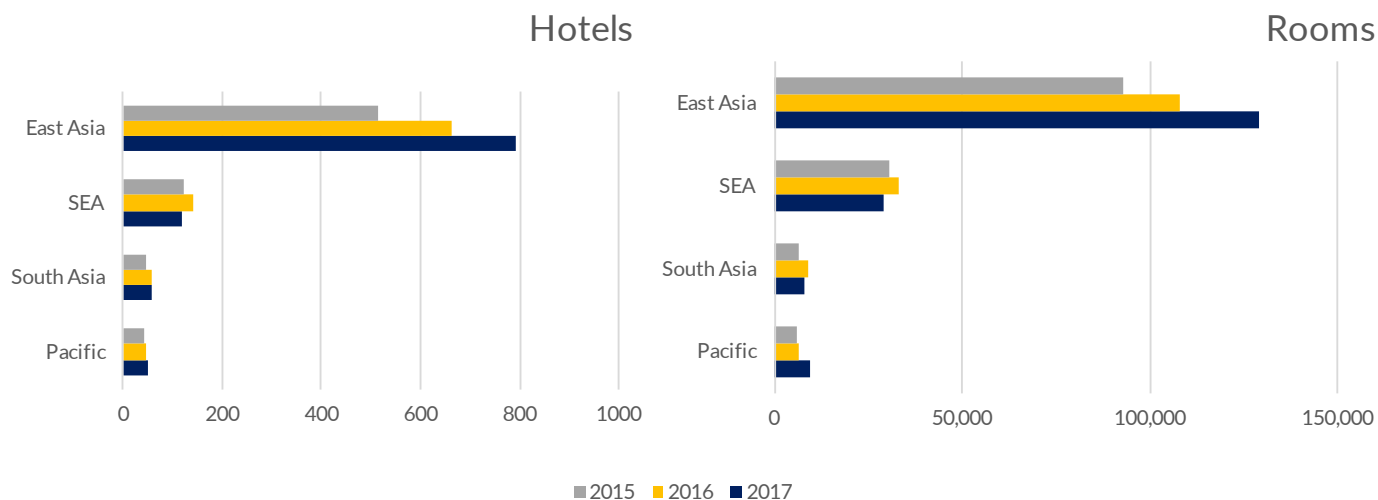
Source: Horwath HTL

East Asia has been the most active sub-region for HMAs, with 794 projects in 2017 involving up to 130,000 rooms.

The top five markets for HMAs are:

- **China (738 projects):** by far the leader in terms of HMAs signed. Cities with largest HMAs signed are Beijing, Shanghai, Chengdu, Hangzhou, and Guangzhou. The management companies with the highest HMAs signed are Wyndham, Hilton and Accor. The fastest growing brand for each group are Wyndham’s Super 8, Hilton’s Hampton Inn & Suites, and Accor’s Ibis.
- **India (56 projects):** ranking second in Asia Pacific. Cities with the most HMAs signed are Goa, Bengaluru, Behradun, Mumbai, and Hyderabad.
- **Australia (35 projects):** with Melbourne accounted for 40 percent of the HMAs signed in 2017.
- **Indonesia (31 projects):** most of the HMAs are in established markets such as Surabaya, Jakarta, and Bali.
- **Thailand (28 projects):** majority of new projects will be in Bangkok and Phuket.

HMA Deal Signings In Asia Pacific By Region, 2015 - 2017

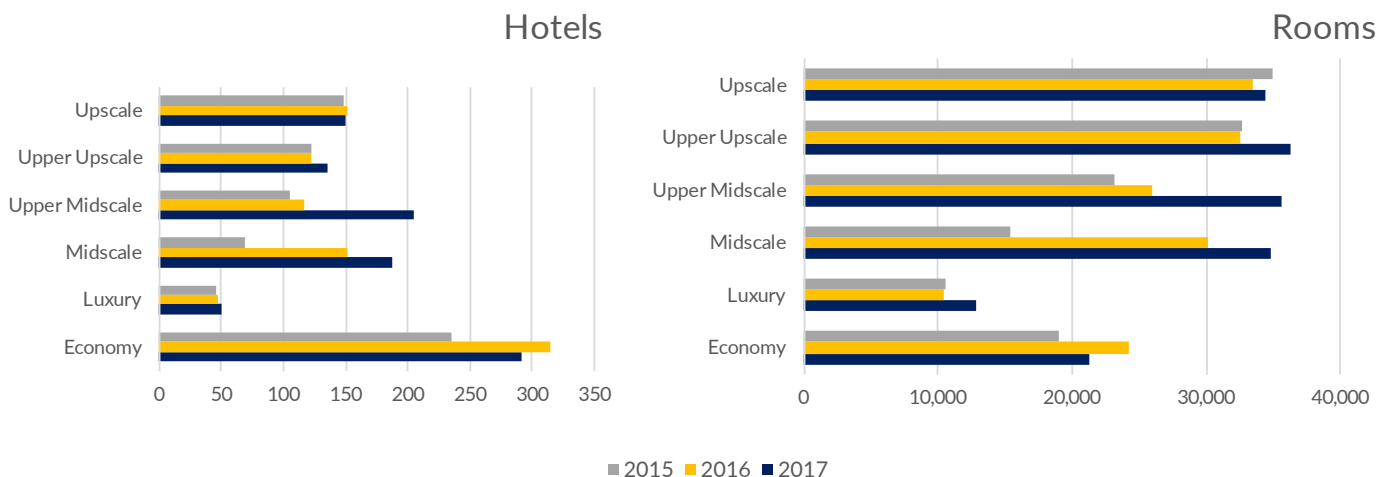


Source: Horwath HTL

In 2017, the Upper Upscale segment accounted for the largest portion of rooms, followed by Upper Midscale and Midscale. However, the Economy segment registered the highest number of hotels, albeit with smaller room counts.

The robust growth of supply in these segments is in response to the growing demand from the middle class with sufficient disposable income to travel and more paid holidays.

HMA Deal Signings In Asia Pacific By Tier, 2015 - 2017



Source: Horwath HTL



Four Key Tourism Trends Needing To Be Addressed

The potential for tourism development in Asia Pacific is tremendous, with UNWTO projecting a CAAG rate of 5 percent in tourism arrivals between 2016 and 2030.

The region expects to achieve a total of 535 million tourist arrivals by 2030, 30 percent of world total. The continued rise of the middle class and increased investment into the travel and tourism industry are expected to fuel growth. Supporting growth is increased market openness, air connectivity, and travel facilitation.

Thus, it is important for the industry stakeholders to keep up-to-date with the key drivers impacting tourism growth, with the following being of particular influence and impact.

1. The dominance of China:

Chinese tourists are already the world's most powerful single source of demand, yet its potential is far greater, as only an estimated 9 percent of the Chinese population have currently been issued passports. The industry expects 200 million Chinese to travel abroad in a few years' time. The growth of this market and its development potential will continue generating tremendous business opportunities for tourism destinations, local tourism suppliers and service providers.

The tourism market has also been reshaped by China's growing market for mobile applications and cashless mobile payment. Chinese tech leaders are partnering with hotel brands, retailers, and banks to create data-driven services and changing travel booking trends and methods. A few examples include:

- Travel agencies, hotels, and airlines are finding new ways to provide full brand experience to their customers via WeChat. i.e.: control of hotel room (Caesar Entertainment), check-in services (China Southern Airline), customer services (Air France), Loyalty Program (IHG), etc.
- Alipay and WeChat are spreading rapidly throughout the world. The number of foreign airports, retail stores, hotels, and other service providers accepting Alipay and WeChat Pay has increased substantially.

Destinations and hotels need to adopt diverse marketing strategies, as well as using popular Chinese technologies and media channels, to target Chinese consumers. In addition, it must closely cooperate with Chinese tour operators, leveraging on their understanding of, and influence in, the local market.

Of course, the unprecedented growth in Chinese tourist arrivals may lead to 'overtourism'. The problems associated with it vary from degraded tourist experience to overloaded infrastructure.

Long-term problems include environmental damage and threats to culture and heritage. Chinese travellers may overwhelm other visitors and locals if their inbound numbers are not managed properly.

Hence, several actions need to be taken by tourism authority leaders and other stakeholders including:

- Destinations need to shift their focus from commercialisation to sustainable tourism planning and management.
- Careful land-use planning and zoning efforts must be taken seriously by governments and developers.
- Hotels will need to implement innovative thinking around guest expectations and using sustainability practices.

2. Driving Domestic Demand:

Travelling within national borders is gaining popularity Asia Pacific-wide. In China, Malaysia, Vietnam and the Philippines, domestic travellers have become the driving force for development.

Tourism products should focus significantly on the interests of the domestic market including: pricing, religious beliefs and lifestyles, which often differ materially from those of international inbound markets. Currently, there is lack of product differentiation for the various needs of different segments.

Tourism and hotel products should be diversified and unique to meet multiple demand characteristics instead of treating them as a homogeneous group.

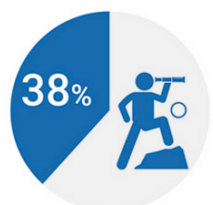
3. Travel has now become a significant form of self-expression and self-actualization:

Sabre published a study detailing four new types of travellers emerging in Asia Pacific.

The largest share of travellers falls into the category of ‘Explorers’, who place high value on discovery and self-actualisation. Travel is about helping them grow as individuals.

Meanwhile, 20 percent of travellers are ‘Connectors’ and 18 percent are ‘Opportunists’, whose travel motivations are mainly self-expression, self-indulgence, establishing status, and sharing experiences.

4 Types Of Emerging Travellers In Asia Pacific



EXPLORER

Place high value on self-actualization and discovery



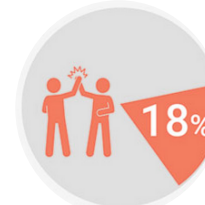
FOLLOWER

Travel is about enjoying the moment with loved ones



CONNECTOR

Travel is about establishing status



OPPORTUNIST

Like to travel to pamper themselves but also tempted by promotions

Source: Sabre

A one-stop approach is no longer valid in the travel market. With travel becoming an important means of self-expression, travel products and services need to be more personalized.

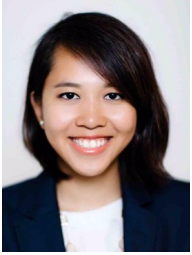
Furthermore, as travellers crave new and novel experiences - something that is ‘share-worthy’ - hotels need to rise to the challenge and go beyond cookie-cutter rooms and services to surprise and delight guests.

4. Tech is changing the way we travel:

The hospitality industry is a dynamic environment in a constant state of evolution. Through technology, the industry is changing at an unprecedented pace. To stay competitive, product and service providers must adapt to and implement new technologies to ensure traveller satisfaction, including, but not limited to, the following:

- **Social media & Peer Review Sites:** Social media has a profound impact upon the hospitality industry. Monitoring social media mentions and reviews continue to be critical for hotels, allowing them to manage their online reputation.
- **Artificial Intelligence (AI) and machine learning:** AI has become an integrated and valuable everyday tool. Many hotels are using AI to automate certain aspects of their business. Chatbots are enabling easier traveller communication and are expanding to different media: chat, social channels, voice assistants and more. Thus, hotels are required to be up-to-date and put in place new tools and technologies connecting them with their guests in more meaningful ways.
- **Voice - Siri and Google go mainstream:** Digital assistants will soon be able to search hotels, check the status of flights, and more. Hotels need to align with the growing traveller adoption of this technology to ensure they are equipped and at full performance when it becomes ubiquitous.
- **Augmented Reality (AR), Virtual Reality (VR), and Mixed Reality:** Adopting VR will help to enhance both destination marketing and the quality of experience. Meanwhile, AR has a big role to play for destinations and attractions by enhancing visitors' understanding and enjoyment.
- **Messaging systems with extended functionality:** Messaging systems are becoming more sophisticated with extended functionality such as information, booking, payment, networking, and content-sharing. The most significant example is WeChat. Service and product providers are required to integrate these new systems and their functionalities in their operation to stay competitive.

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After graduating from Ecole Hôtelière de Lausanne with a specialisation in Finance, Minh joined Pan Pacific Hotel Group, looking after Revenue Management and Performance Management.

Minh Joined Horwath HTL in 2015, where her areas of speciality include financial feasibility, tourism planning, market research and performance analysis for projects across the Asia Pacific region, including Indonesia, Malaysia, Maldives, Singapore, Thailand, and Vietnam.



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