



GLOBAL TRAVEL TRENDS & OPPORTUNITIES

BEYOND BREXIT

NOVEMBER 2016

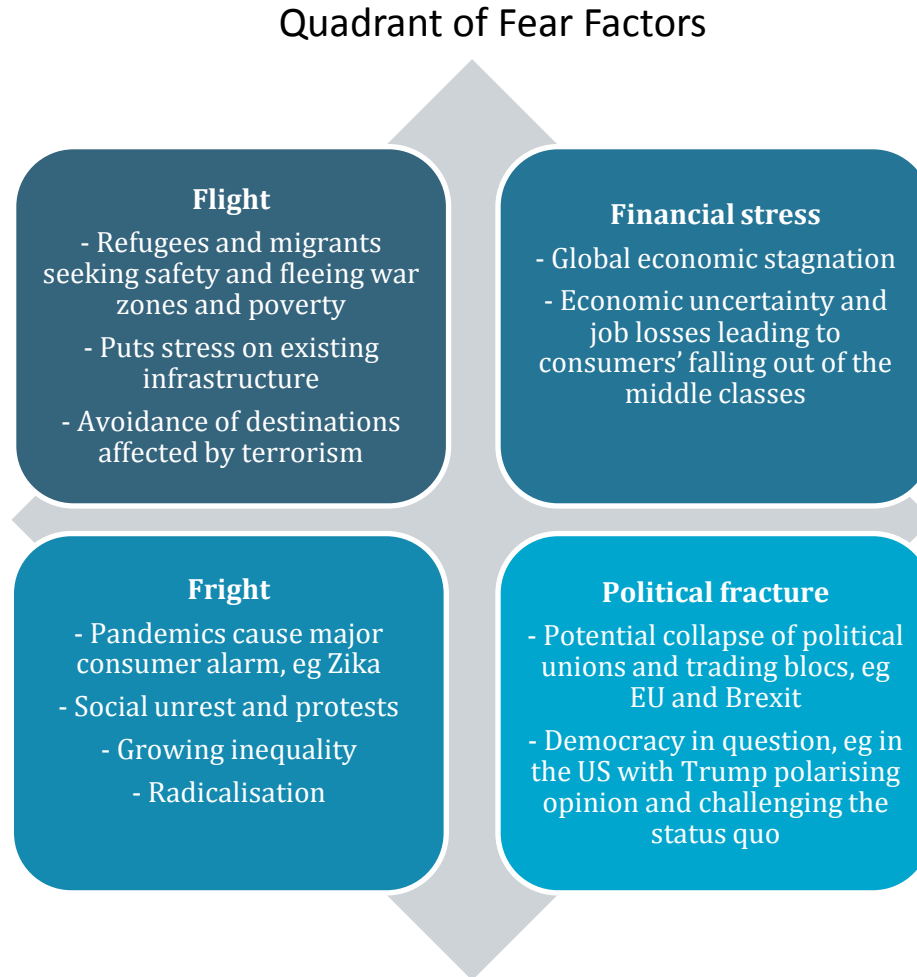
SHOCKS, SPILLS AND THRILLS

BREXIT: BOOM OR BUST?

GETTING TO KNOW CHINA



Travel flies in the face of fear



US\$2.5 trn

TRAVEL PRODUCT SALES

+45%

ONLINE TRAVEL
PENETRATION 2020

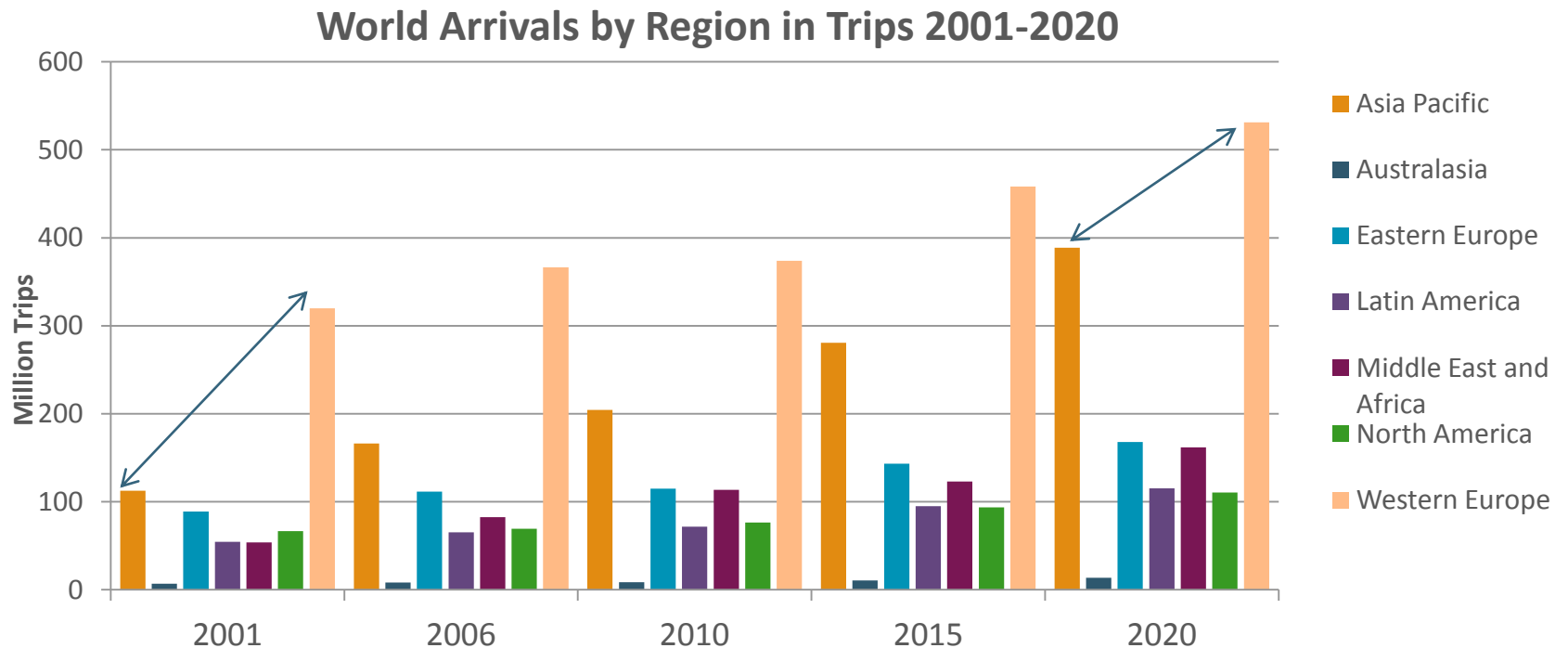
4% CAGR

GLOBAL OUTBOUND TRIPS
2015-2020

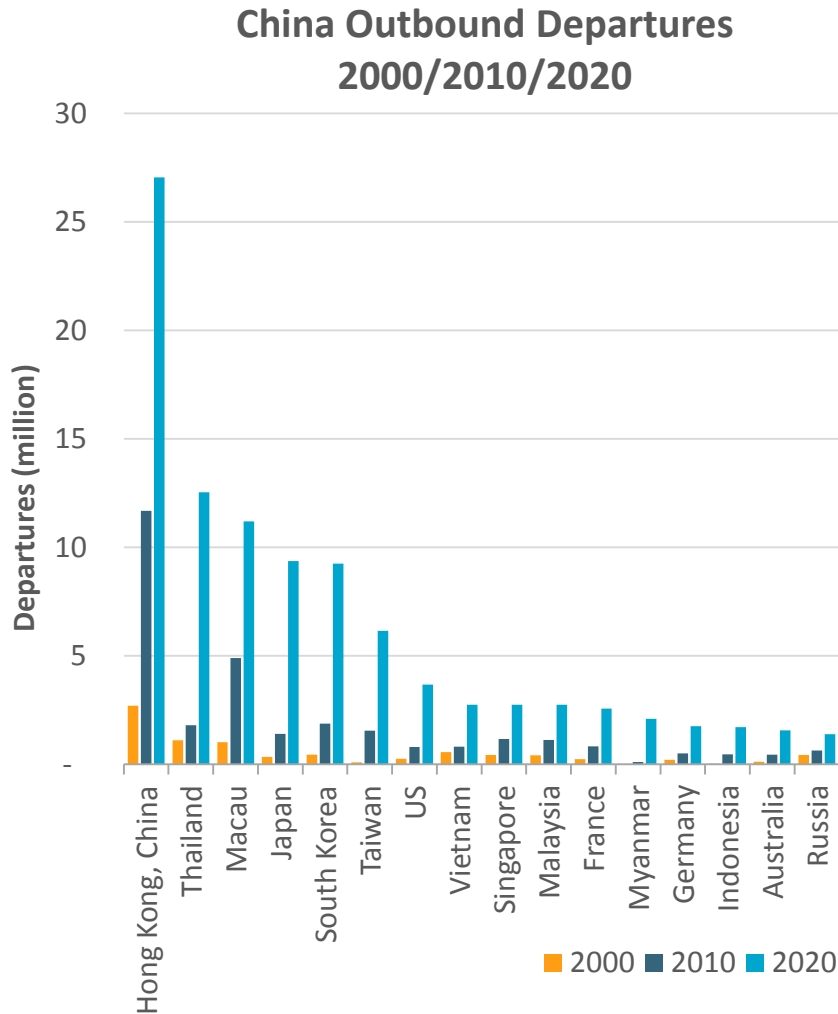
CAGR = Compound annual growth rate

Tourism demand yet to peak

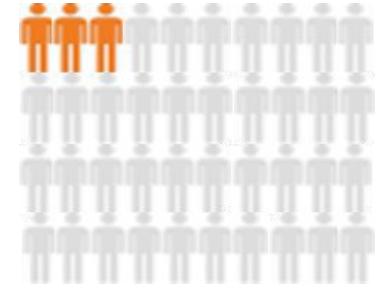
- Global demand has grown consistently over the past 20 years, shows very little signs of slowing
- By 2020, it is expected that 1.5 billion international trips will be taken
- While Western Europe remains the most popular region, Asia's ascent is at the expense of Europe



China outbound is a great opportunity but not a panacea



**China to UK 2020:
350,000 9% CAGR**



- By 2018, Chinese outbound departures expected to reach the 100 million mark
- Large steady supply from China will gravitate to Asia
- Japan and South Korea have enjoyed the strongest demand from China, aided by visa programmes
- China hard landing would knock around 7% off growth potential to UK by 2020 to around 330k

CAGR = Compound annual growth rate

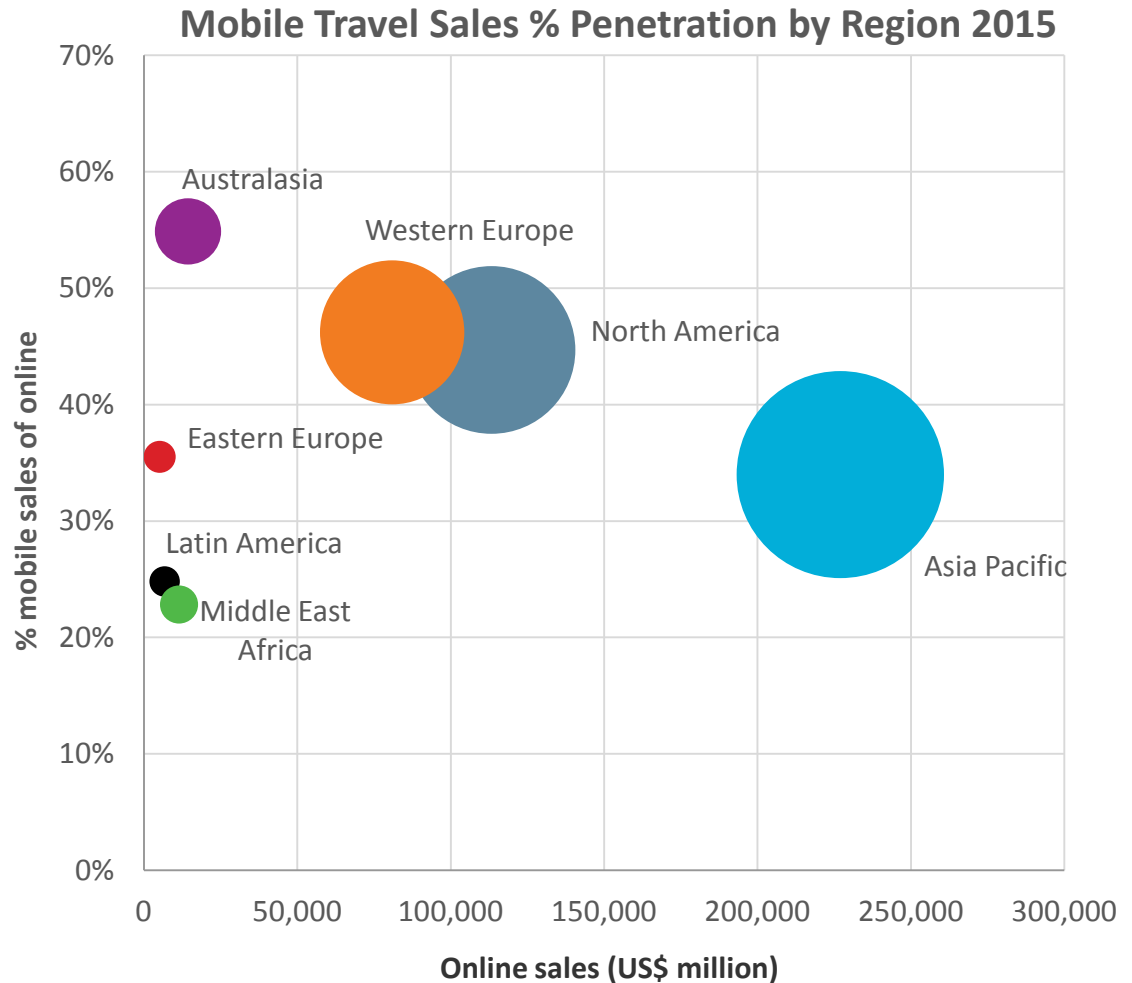
Continued diversification to safeguard tourism demand

- Asia Pacific will be key to tourism strategies; India, Indonesia, Singapore, Malaysia and China will see big jumps in their importance to global tourism as a % share of departures
- Conflict and economic strife will see Russia, Ukraine and Brazil continue to lose momentum

Winners	Departures '000 2020	Ranking 2020	Ranking position change 2015/2020	Losers	Departures '000 2020	Ranking 2020	Ranking position change 2015/2020
India	26,379	15	6	UK	95,749	4	-1
Indonesia	13,280	27	6	Russia	30,878	10	-1
Singapore	27,094	13	4	Australia	20,908	20	-1
Turkey	11,065	33	4	Belgium	26,814	14	-2
Malaysia	23,083	19	3	Germany	113,317	3	-3
Thailand	14,003	26	3	Switzerland	24,971	17	-3
China	116,484	2	2	Japan	24,380	18	-3
South Korea	29,868	11	2	Ukraine	18,079	22	-4
US	119,471	1	1	Brazil	9,135	39	-8

Asia's impressive mobile prowess

- Asia adopted the mobile channel enthusiastically
- Asia US\$77 billion sales in 2015 and a penetration of 34% of total
- Given that Australia has a mobile penetration of 60%, the potential in Asia Pacific is huge
- For any travel brand targeting the East, there is no point without a mobile strategy fully integrated in the mix



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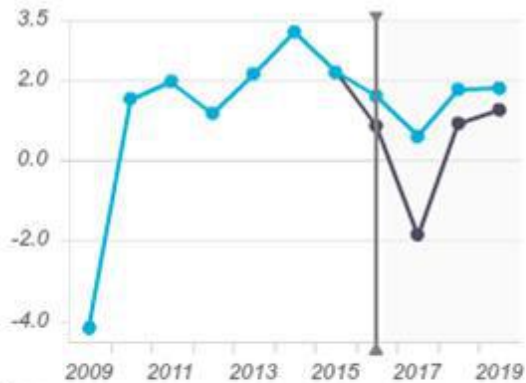


The UK strikes out alone

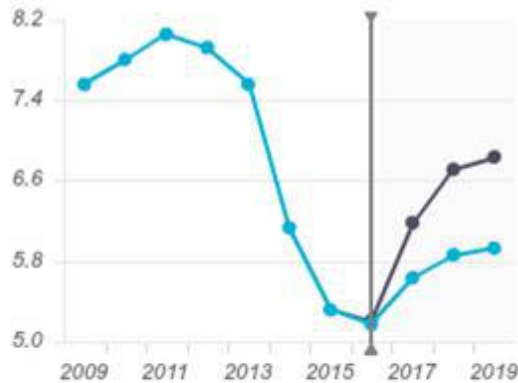
United Kingdom

Forecast
Annual

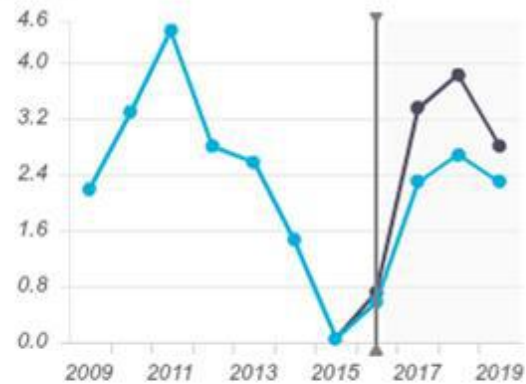
Real GDP Growth



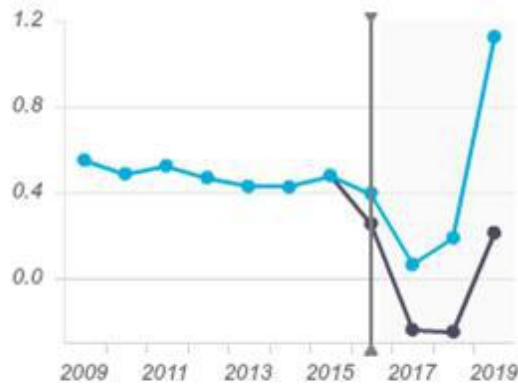
Unemployment Rate



Inflation



Interest Rate



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Last Update: 31 August 2016

- Vote to leave the EU within two years has heightened economic uncertainty
- Article 50 will be triggered by end of March 2017
- Disorderly Brexit scenario points to a recession in 2017
- Bank of England has cut interest rates to near zero

High levels of uncertainty lead to downside risks

Tourism demand

Macro-economic
Exchange rates
Population
Trade
Mega events

Geopolitical

Conflicts
Terrorism
Advisories

Pandemics
Natural disasters

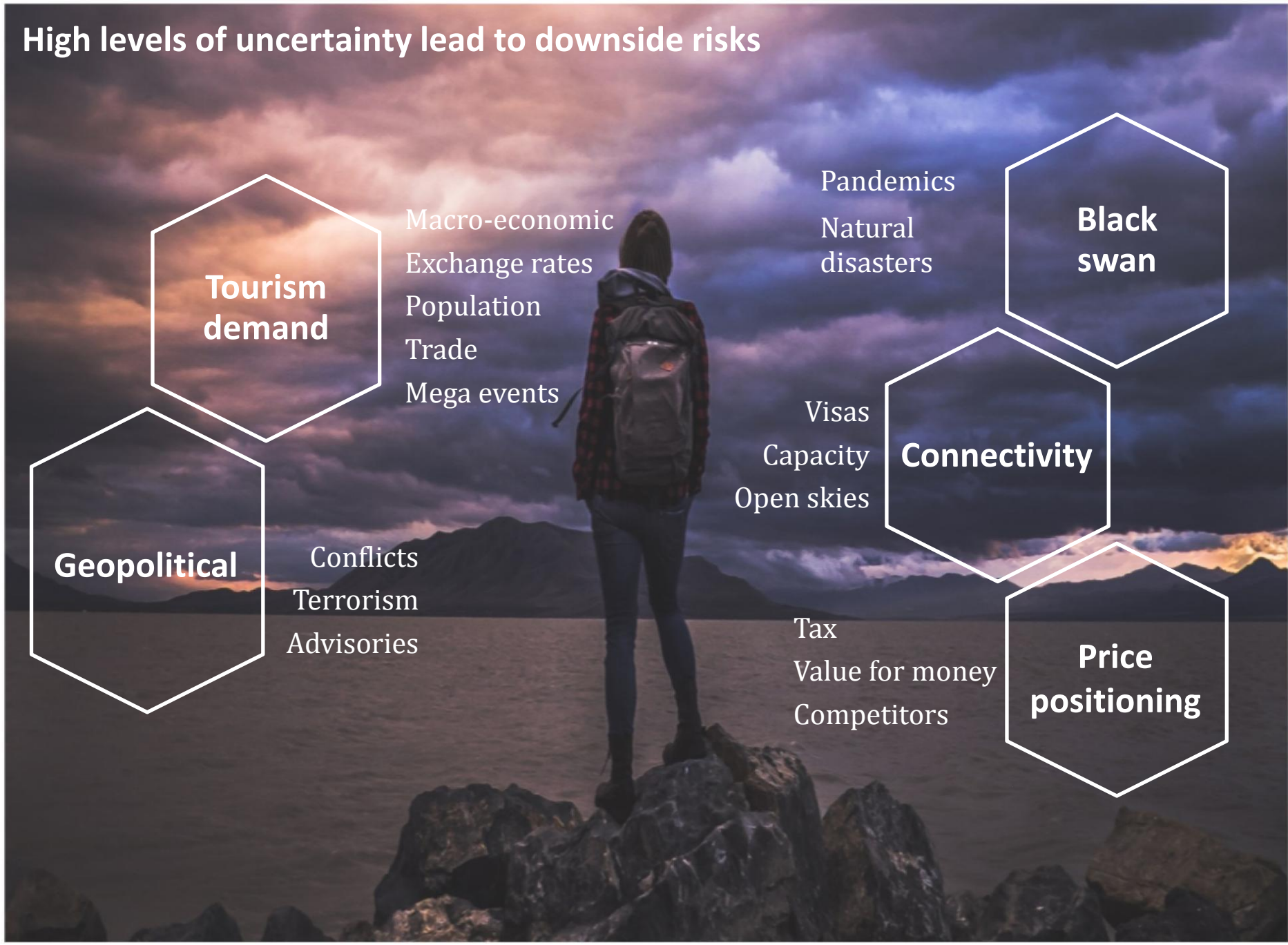
Black swan

Connectivity

Visas
Capacity
Open skies

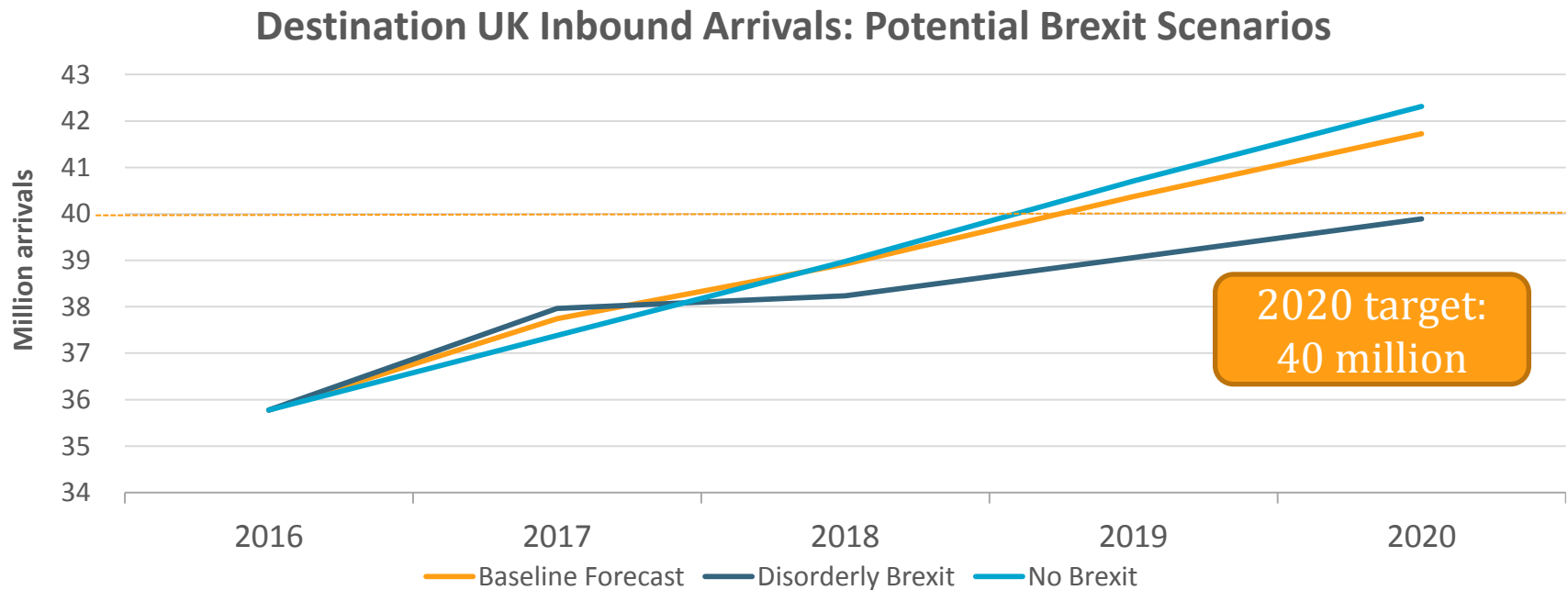
Price positioning

Tax
Value for money
Competitors



UK shaken and stirred by Brexit

- In a Disorderly Brexit scenario, UK inbound arrivals potential fall of around 2 million visitors over 2015-2020
- However, the 30 year low in sterling post-Brexit will help to encourage visitors to the UK in the short term
- Yet to be seen whether capacity will remain at previous levels - airlines reducing exposure eg Delta, Wizz Air



Impact of Brexit on travel through multiple lenses

- ATOL protected packages, cruise and all-inclusive will be back in favour after the vote

Area	Inbound	Domestic	Outbound
Leisure	+	+	-
Business	-	-	-
Luxury	+	+	-
Adventure	+	+	-
Short-term rentals	+	+	+
Packages	-	-	+
Cruise	-	+	+
Sustainability	+	-	-
LCCs	+	-	-

Strategies for success

Capacity and connectivity

- New routes to emerging regions; LCCs expansion; revival of long haul, low cost; airport expansion

Competitiveness

- Price wars; currency boon for inbound visitors; domestic demand uplift

Fiscal initiatives

- VAT reduction to 5% for hotels and restaurants; phasing out APD to ultimate removal

Industry consolidation

- M&A or bankruptcies for budget brands, independents and SMEs; oil price volatility and supply cost rises

Removal of freedom of movement and people

- Capacity shift from UK
- Labour shortage from migrant workers
- Reduction in high spending business travel

WINNERS

LOSERS

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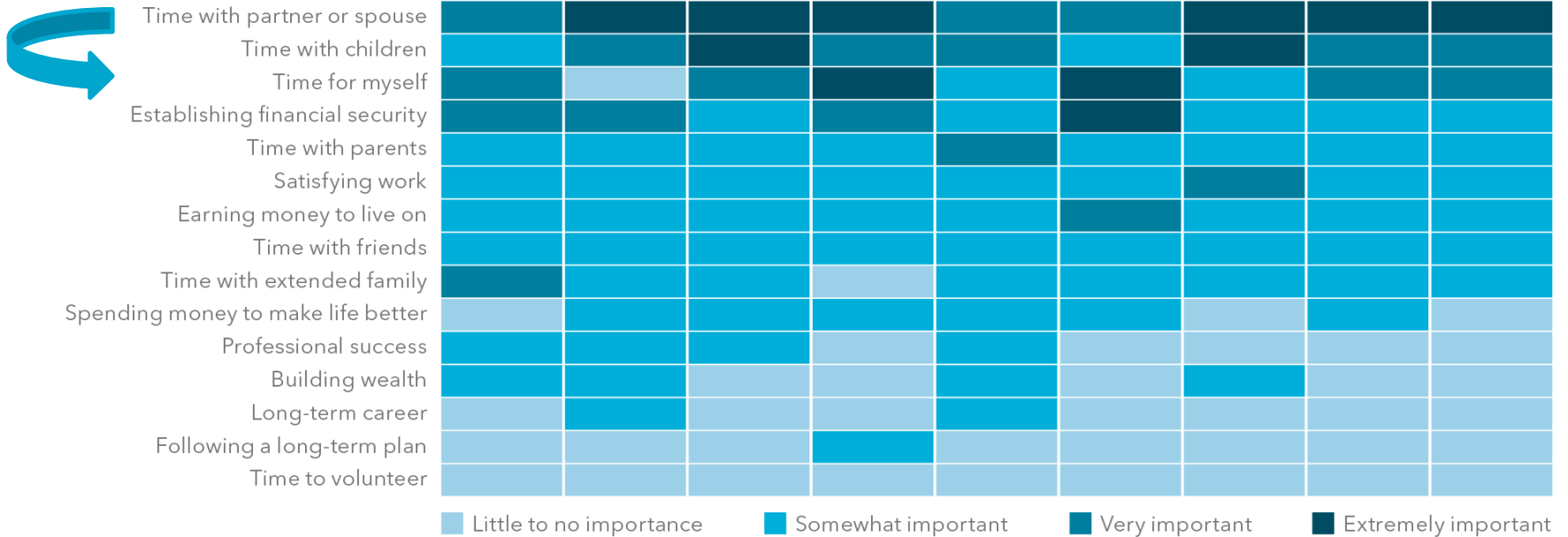


Consumer priorities across the globe

- Time spent with loved ones, including oneself, ranked as most important by respondents
- Long term plans, along with volunteering, deemed as less important

Family, Friends, Self, or Work

What Do Consumers Rank as Most Important?



Euromonitor International's Global Consumer Trends Survey 2015 results are drawn from ~16,300 online consumers ranging in age from 15 to 65+ and living in 9 major markets: Brazil, China, France, Germany, India, Japan, Russia, United Kingdom, and the USA.

Tomorrow's travellers

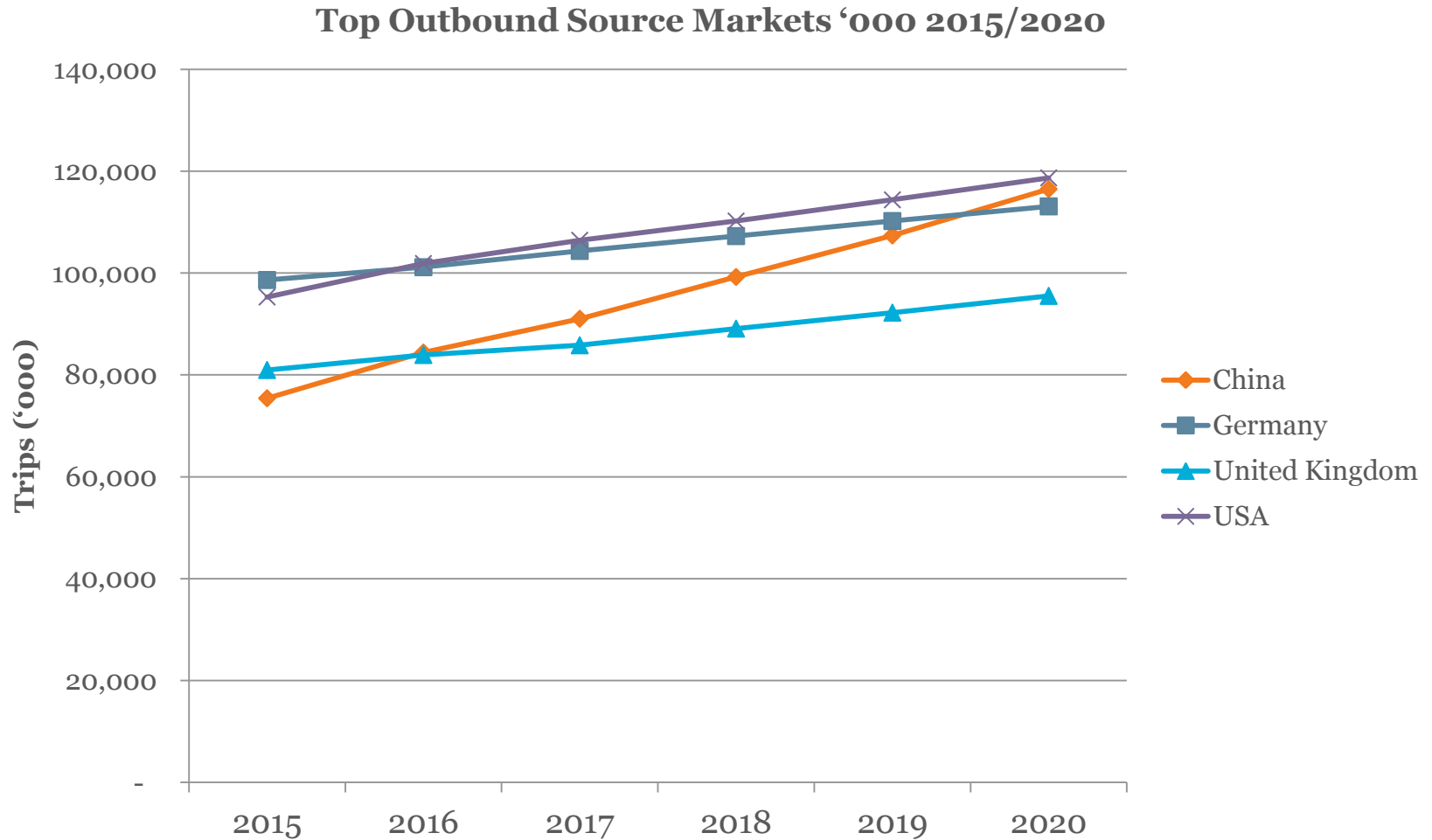
Babyboomers ageing

- Traditional source markets of North America and Europe will remain important but ageing
- Need “adventure lite” style that cater to health, dietary and medical requirements

Replaced by...

- More ethnically diverse traveller mix as new middle classes from Asia and Latin America start to travel
- China will overtake the US, Germany and the UK to be the world's largest source market
- BRICs lost their shine, but MINTs - Mexico, Indonesia, Nigeria and Turkey - offer potential

China leapfrogs the competition



Meet tomorrow's travellers – Zheng Wei

- He's aged 35 and works in manufacturing in Chengdu
- Earns US\$20,000 a year
- He's got a wife and a 2-year-old daughter
- Passion for cycling and has been saving to visit the Cairngorm National Park because he saw it featured on Sina Weibo
- He checked out the destination to see if China UnionPay is accepted
- He's highly active on WeChat
- Looking forward to shopping for luxury brands, wine and local art
- First independent trip
- Worried about not speaking the language



Responsive to different priorities

- The Chinese are renowned for their love of shopping
- Strong affinity for luxury brands
- Asian consumers are highly urbanised, social and tech-savvy
- Tradition, values and heritage are fundamental
- Customise for language and food & drink preferences

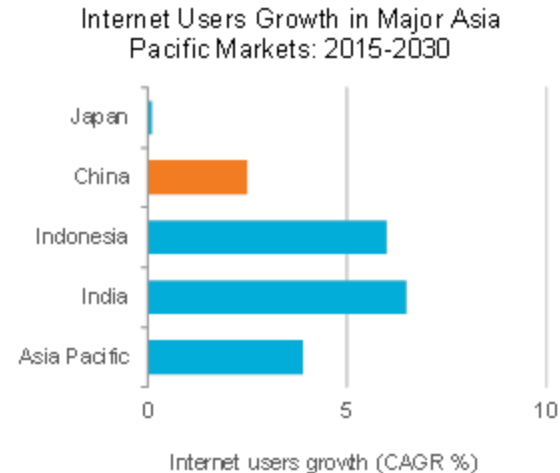
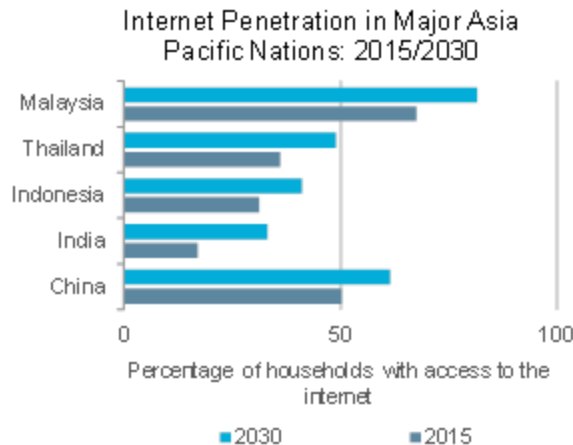
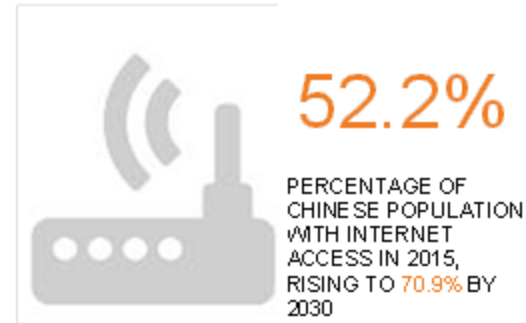
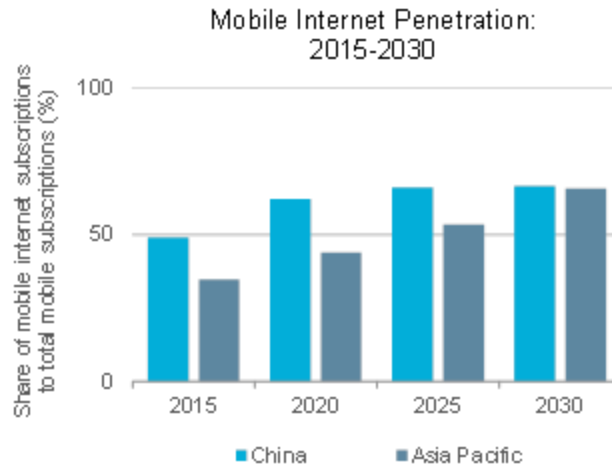
China Outbound Travel Spending Priorities 2015

Type	US\$ million 2015	Rank
Shopping	53,109	1
Food	18,926	2
Activities	17,672	3
Lodging	15,882	4

Top Three Outbound Source Markets (US, Germany and UK) Spending Priorities 2015

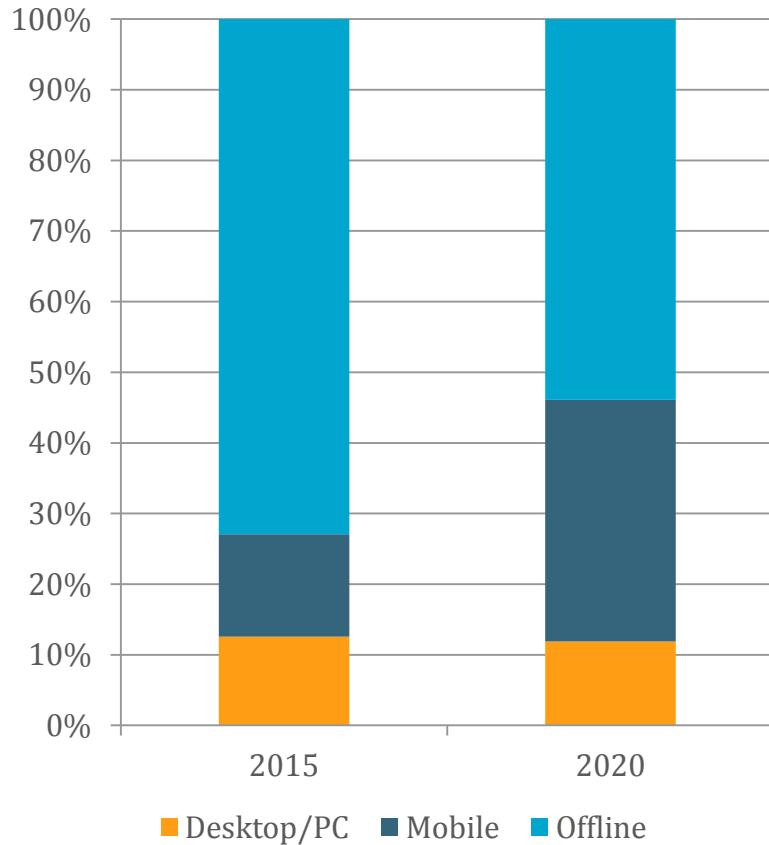
Type	US\$ million 2015	Rank
Lodging	78,706	1
Food	58,274	2
Shopping	44,099	3
Activities	37,294	4

China is home to world's largest internet and mobile consumers

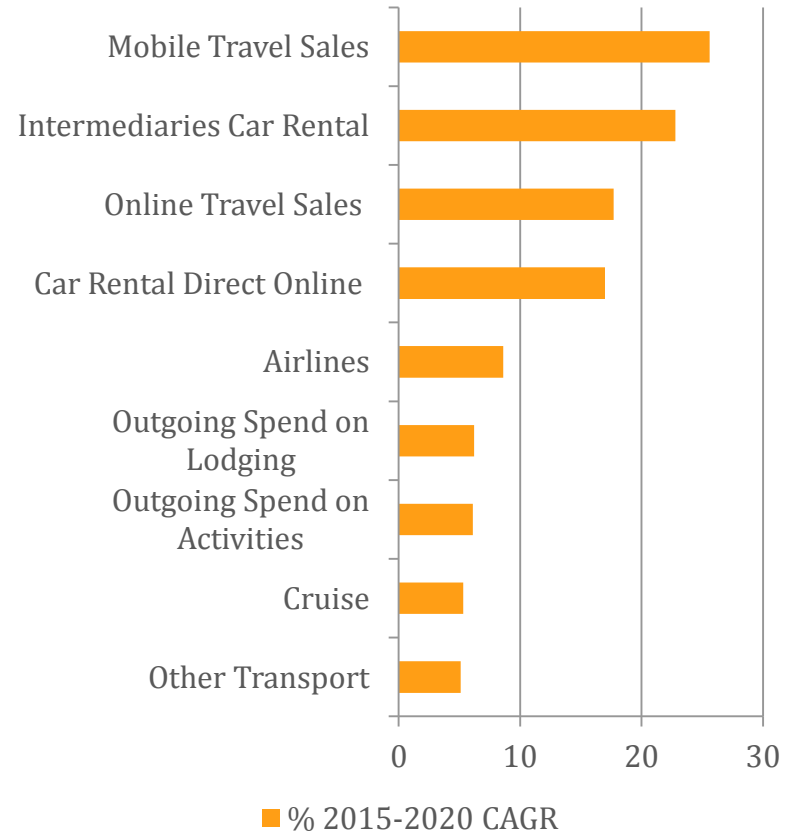


China moves to mobile first for travel sales

China Travel Product Sales by Platform 2015/2020 % Value Share



China Travel Products Forecast Annual Growth 2015-2020



Note: Sales to Residents



THANK YOU FOR LISTENING

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