

Tourism's 2004 Boom Underpinned by Record Web Sales

by Gerald Oliver

Recovery in the tourism sector was sustained and global during 2004. According to the World Tourism Organization (WTO), the number of international tourist arrivals in the first eight months of the year is estimated to have reached 526 million – an increase of 9% compared to the previous record year of 2002. Growth for the year as a whole is expected at 10%. Of particular note has been the growth of online bookings, with one US publication describing the growth in bookings through hotels' branded Web sites as "meteoric".

The upbeat assessment was made by the WTO's Deputy Secretary General Dr Dawid de Villiers at London's World Travel Market in early November. "We knew that prospects for 2004 were good, but the strength of the rebound has even surprised us," he said. "We are confident that the tourism sector is back on the right track after three difficult years. It is encouraging to see that destinations and industry have regained confidence."

Of course, part of the increase is a reaction to last year's depressed figures due to the Iraq war, SARS and the weak economy. But confirmed figures for the first eight months of 2004 showed an increase of 42 million international arrivals (9%) compared to the corresponding months of 2002 – the previous record year.

A projection based on the data available for the first eight months, combined with a fairly conservative estimate for the remaining four months of 2004, indicates growth for the full year of 2004 of close to 10%, according to the WTO. The last time a comparable percentage has been recorded was 20 years ago in 1984, when international tourism recovered from the persistently weak economy of the early 1980s.

In absolute numbers the increase corresponds to an estimated 65 to 70 million more arrivals. All regions will share in this increase, although not to the same extent. Almost half of all new arrivals will be recorded in Asia and the Pacific, which already took a share of 27 million of the 58 million new arrivals up to August. Europe, which is growing at a slower pace but on a much larger base, will record the second largest share (16 million more arrivals already in the first eight months). The Americas, the Middle East and Africa, which respectively gained 9 million, 4 million and 2 million international arrivals up to August, will together take about the same share as Europe.

For 2005 expectations are more moderate. Leisure tourism is expected to sustain its growth, while business tourism will recover further. Healthy economic growth is anticipated for both established and emerging source markets. High oil prices are a concern, but so far, they have not greatly affected the economy at large or tourism in particular. For international tourism, the WTO expect worldwide growth to meet or just slightly undershoot their own long-term forecast of 4% a year. A clear shift is also noted, from the handling of external factors and crisis management back to a renewed focus on the internal competitive factors of destinations and products such as product development, training and promotion."

An in-depth analysis of world tourism in 2004 will be published in the January 2005 issue of the WTO World Tourism Barometer, scheduled to be issued at the end of January (available at www.world-tourism.org).

The Web Makes a Stronger Mark

European travel Web sites have been in the news in recent weeks, as new evidence comes through of the strength of Web sales. The Association of British Travel Agents (ABTA) noted at their annual convention in November that "the Internet is making further inroads into holiday sales with record numbers booking online". Figures released at the convention showed that 19% of UK holidaymakers now book their package holiday online – six times more than in the year 2000.

More evidence of travellers' changing habits came from a Mintel report published earlier in the year. Research carried out for MINTEL found that two in four (38%) of UK adults had booked a holiday independently in the previous year, compared to just one in four (25%) who had booked a package holiday.

What is more, the popularity of independent holidays is expected to continue to increase further, with expenditure on these holidays forecast to rise by a massive 78%, to reach a value of just over £21 billion by 2009.

"The increased popularity of independent holiday owes almost everything to the Internet," according to Silvia Bartels, senior leisure analyst at Mintel. "Essentially the Internet has brought the travel agent to most people's sitting rooms and it can no longer be argued that booking a package holiday is necessarily more convenient, as the greater use of the Internet has simplified the process for the independent traveller. Low cost airlines have also helped, especially as three-quarters of all independent holidays are taken from the UK by air."

Some 40% of those who had been on an independently booked holiday had arranged it on the Internet compared to fewer than three in ten (27%) who had used a travel agent. The Internet will continue to play a large part in the distribution chain of all holidays, but in particular independent holidays, say Mintel.

Independent Holidays-UK-September 2004, Leisure Intelligence Travel : Price £995 / €1495 / US\$1795. Go to www.mintel.com

...Across the Travel Sector ...

Another report launched at the World Travel market, commissioned from IPK International by the European Travel Commission (www.etc-europe-travel.org), noted that use of the Internet for online booking – as opposed to simply 'looking' (gathering information prior to booking a trip) – is growing fast in Europe. They report:

"In the first eight months of 2004, the number of trips involving online bookings increased by 39% in the ten top markets surveyed. This means that 27% of total outbound trip volume in these markets now involves online booking for at least part of the trip. The equivalent share was just 19% in 2003.

"Clearly, the incidence of Internet bookings among the smaller, less mature European markets is much lower, but it is growing fast – much faster, in fact, than online travel 'looking'. Although the travel trade still dominates as far as travel distribution is concerned – of all European pre-booked outbound trips in the first eight months of 2004, 45% involved a travel agency and/or tour operator – some 30% were at least partially booked online. Of the total online bookings, 40% are for air travel, 35% for accommodation and 25% other services (car rental, ground excursions, insurance, etc).

"A comparative analysis of booking patterns between the British, French and Germans – based on the ETM findings for the first eight months of 2004 – suggests that the British are most likely to use the Internet. They even make their bookings online more frequently than they do through travel agencies. Germans are the least likely to book online, but they are nonetheless the most frequent bookers of accommodation online (of the three markets). And the French are most likely to book complete package tours via the Internet."

... While "Meteoric Growth" is Reported From the US ...

The report of "meteoric growth" in bookings as a result of hotels pushing their own branded Web sites came from Hotel & Motel Management, the Ohio, US-based publication. In an October article by Bruce Adams, the magazine quotes PhocusWright estimates that, in 2004, more than 20% of all hospitality revenue in the US will be generated from the Internet, up more than a third compared to 2003.

The magazine also quotes research by Smith Travel Research and the Hospitality Sales & Marketing Association reporting that branded hotel sites account for 75% of Internet reservations. The survey covered 34 branded hotel chains representing almost 1.2 million rooms.

Finally, Bruce Adams quotes Best Western International's Beth Delci, director of e-business initiatives – reporting that reservations on their brand website have been up 40% this year – and Carlson Hotels Worldwide's Chris Brosnahan, VP of distribution and reservations – reporting an Internet reservations growth rate of 60% over 2003.