



RESEARCH HIGHLIGHTS

The Newsletter of the Market Intelligence Group of the European Travel Commission
No 6 October 2008

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CHAIRMAN'S FOREWORD



Welcome to this special edition of the *Research Highlights* newsletter marking ETC's 60th anniversary.

Formed 22 years ago, the Market Intelligence Group - previously the Research Directors' Group - is one of ETC's longest-established strategic groups. It has been one of ETC's success stories, highlighting the benefits of

intra-European co-operation among the research staff of ETC's member national tourism organisations (NTOs) and promoting the exchange of market intelligence and best practice.

And it is not only co-operation among the NTOs. Another of the MIG's achievements is its record in involving other international and European organisations in its work. Partners such as the World Tourism Organization (UNWTO), European Cities Marketing (ECM), the European Travel and Tourism Action Group (ETAG) and the European Tour Operators Association (ETOA) all invest time and money in

ETC's research programme. European tourism can only benefit from such co-operation.

The range of products and services delivered by the MIG includes market studies, market profiles, benchmarking studies, handbooks of best practice, statistical overviews of European tourism - and also joint ETC-UNWTO seminars aimed at raising tourism professionals' awareness of ETC's research publications. Indeed, the market intelligence sections of ETC's corporate and extranet websites are amongst the best-visited sections of these sites.

The success of these market intelligence activities is wholly dependent on the commitment and contribution of individual MIG members. My very special thanks must go to the Market Intelligence Committee (MIC), a small group of dedicated individuals without whom this extensive and ambitious programme could never have been realised. Their professionalism and enthusiasm has kept this group productive and buoyant over the years.

Leslie Vella
Chairman, ETC Market Intelligence Group

60 YEARS OF ETC

- 1948 ETC created with 19 members
First meeting held on 18th June in Stalheim, Norway
- 1949 First marketing campaign in the United States
- 1954 US members invited to meet President Eisenhower
- 1960 US members invited to meet President Kennedy
- 1969 Conference in Amsterdam on the implications of the Boeing 747 jumbo jet for tourism
- 1974/1977/1988 Founding of Operations Groups in Japan, Latin America and Canada
- 1986 Research Directors' Group formed out of the old Research Committee
- 1998 New Media Group (now Marketing and Technology Network) founded
- 2006 Research Directors' Group celebrates its 20th birthday and becomes the Market Intelligence Group
- 2006 New European internet portal created at www.visiteurope.com
- 2008 A 39-member ETC celebrates its 60th birthday

Climate change and tourism - the way forward



**Professor Geoffrey Lipman,
Assistant Secretary-General
and Spokesperson,
World Tourism Organization (UNWTO)**

If this article had been written a year ago it would have started with an explanation of climate change, its interrelationship with tourism and the need for our industry, like others in the global community, to get behind a UN-driven plan for response.

Today the prologue is redundant

Al Gore and the International Panel on Climate Change (IPCC) are Nobel Laureates. Lord Stern's call to act immediately to save massive costs and consequences later is widely accepted, and now that the UN "Bali roadmap" has been agreed, we are in the middle of a massive two-year international negotiation for a new Kyoto. Governments, businesses, NGOs and the public are behind the need for action - even if what is needed and who should sacrifice the most are still heavily disputed.

We can assume in an optimistic scenario that a future agreement will call for reductions in carbon emission levels of 20% by 2020 (compared with 2000), and 50-80% by 2050. Developing countries and rapidly emerging economies will seek differentiated levels and timescales.

So it's a long-term issue with a short-term start date

We can also assume that the response will be a combination of four key actions identified in the Bali roadmap: adaptation (changing market patterns), mitigation (reducing carbon), technology (innovation) and financing (particularly for developing states).

The result will be a progressively intensifying and mandatory global framework with responsive regional and local action everywhere. It's already happening.

The tourism sector is moving, along with the rest of society

We face our own challenges because climate is a key component of demand, product, operation and infrastructure. Many poor, small island and landlocked states rely on tourism as a priority economic driver, and fossil-fuel-intensive transport - particularly air transport with no immediate substitute - is fundamental in our system.

UNWTO has been identifying tourism-related climate issues and responses since 2003 in conjunction with its sister agencies, the United Nations Environment Programme and the World Meteorological Organization.

In 2007, its activities included commissioning an influential analysis and report by experts linked to the IPCC, a multi-stakeholder summit in Davos (supported also by the World Economic Forum), two ministerial meetings and stakeholder guidelines for the industry. All of these were designed to provide sectoral input to the Bali roadmap process and leadership to the industry's response.

In 2008, it has established *Response to Climate Change* as the theme for a year-long campaign focussed on World Tourism Day (27th September). The centrepiece of this campaign will be the launch of the new website www.ClimateSolutions.travel, an international think tank of UNWTO members and a follow-up ministerial meeting at the World Travel Market in London. It has also launched a European initiative to promote energy efficiency in small hotels.

This emphasis on solutions is the vital next step

Much will come from the private sector, encouraged by regulation, incentive and dramatically high oil prices. Business has a huge appetite for innovation - particularly when costs are skyrocketing, markets are shifting and consumers are increasingly seeking climate adaptation from suppliers.

NTOs have an important role to play too. Destinations have the ultimate say in tourism production and consumption. NTOs need to lead the response cycle and drive a framework of sustainable growth with commensurate carbon reduction.

This new sustainability framework has to prioritise climate

It needs to place climate response on an equal footing with economic, environmental and social sustainability. A good example is the *Sri Lankan Earth Lung* policy, which offsets the carbon emissions generated by tourism travel, accommodation and ground services against reforestation. It then organises local suppliers and communities and markets the resulting package.

UNWTO welcomes ETC initiatives to advance the climate change agenda

In so doing, we encourage all organisations and stakeholders to embrace the principles of the Davos Declaration Process launched in October 2007. This will contribute not only to positioning tourism coherently in the evolving international structures but, more importantly, will drive a collaborative change in tourism at local level where it really counts.

ETC RESEARCH ACTIVITIES

Work in progress

ETC's 60th anniversary year is proving to be a very productive year for the Market Intelligence Group.

Markets and trends

The group's main project every year is its study of leading long-haul markets for tourism to Europe. The 2008 programme is looking at **Japanese outbound tourism**, a market that has been stagnating in recent years. This is a joint project with the Japan Travel Bureau Foundation (JTBF). ETC's own Japan Operations Group is also involved and ETOA (European Tour Operators Association), a MIG partner, has agreed to contribute to the fieldwork. Read more on page 5.

Meanwhile a series of new market studies is nearing completion. The **China Outbound Study** is to be published shortly and work on the **Russia Outbound Study** is nearing completion. The **India Outbound Study** is also well advanced with a first draft being delivered in September. See pages 4 and 5 for more information on these reports.

The latest edition of ETC's annual overview of tourism trends and developments, **European Tourism Insights 2007 and Outlook 2008**, was published in June.

Methodologies and best practice

Consultants **Yellow Railroad** were appointed in June to compile the latest in the series of ETC/UNWTO best-practice handbooks, the **Handbook on Tourism Destination Branding**. Delivery of the final study is expected before the end of the year.

Two earlier ETC/UNWTO handbooks are now being prepared for publication by UNWTO's publications department. These are the **Handbook on E-marketing for Tourism Destinations** and the **Handbook on Tourism Forecasting Methodologies**. Both will be out soon.

Seminars

A joint ETC/UNWTO seminar on e-marketing for tourism destinations was held in Budapest on 16th and 17th June and was hosted by the Hungarian National Tourist Office. Read more in the next column.

Another joint seminar, this time on tourism forecasting and strategic planning, was held in Vienna on 11th and 12th September. Over 80 people attended - an excellent turnout.

Statistics

ETC continues its support for TourMIS, the platform for the exchange of European tourism statistics online. The annual TourMIS Workshop was held in Vienna in September in combination with the forecasting seminar.



ETC/UNWTO Seminar on E-marketing for Tourism Destinations

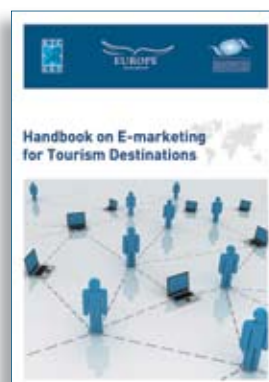
Judit Sulyok,
Hungarian National Tourist Office

This seminar, organised with the support of the Hungarian National Tourist Office, took place in Budapest on 16th and 17th June. It was held to promote the forthcoming *Handbook on E-marketing for Tourism Destinations*, commissioned by ETC and UNWTO as the most recent in their joint series of best-practice handbooks.

The event was a great success, attracting nearly 100 participants from 20 countries - one of the biggest audiences that a MIG seminar has ever attracted. Participants came from all over Europe as well as farther-flung destinations such as Jordan and South Africa. The audience included national tourism organisations, destination management organisations (DMOs), cultural institutes, hotels, tour operators, other service providers, consultants and educational institutions.

The programme covered many of the strategic and practical issues included in the new handbook. There were discussions on topics such as web 2.0 (user-generated content and customer recommendations), mobile marketing and e-commerce. Among the case studies were presentations on the Austrian National Tourist Office's e-marketing activities, Oman's online campaign in France and the experiences of the Slovenian Tourist Board in using search engine optimisation techniques (SEO - the process by which websites are designed to achieve prominent rankings in internet searches).

The seminar was led by Peter Varlow and Karin Nijhuis from TEAM, the consultants who produced the handbook for ETC and UNWTO.



MARKET STUDIES - OUTBOUND TRAVEL TO EUROPE

China

Getting the best out of any market implies knowing it well. This is the aim of the new ETC/UNWTO report, *The Chinese Outbound Travel Market - with special insight into the image of Europe as a destination*, which covers the prospects for China as a source market and includes results from consumer surveys conducted in the country during 2006.

China is one of the fastest-growing outbound travel markets in the world. Thanks to rising disposable incomes and relaxation of restrictions on foreign travel, the number of outbound trips has grown by an average of 22% per year since 2000 - reaching almost 35 million in 2006. Expenditure by Chinese tourists in 2007 was US\$ 30 billion, ensuring that China ranks fifth worldwide in terms of spending on travel abroad.

In 1995, the UNWTO predicted that China would generate 100 million arrivals worldwide by 2020, making it the fourth largest market in the world (*UNWTO Tourism 2020 Vision*). Current trends suggest that it is on course to reach that target well before 2020.

However, much of this volume is travel from the Chinese mainland to the Special Administrative Regions of Hong Kong and Macau. Around 70% of all Chinese outbound visitors are to these two areas and a further 17% travel to destinations within Asia. About 5% of outbound visitors from China reach Europe.

At present, much of Chinese outbound tourism is governed by the granting of Approved Destination Status (ADS) to tourism destinations all over the world. The granting of ADS to European countries in 2004 led to a boom in Chinese travel to Europe. If the *2020 Vision* target is met and Europe's market share stays at around the current level, we may expect to see annual arrivals from China reaching at least 5 million by 2020.

The report will be available by the end of September 2008.



Russia

Tom Ylkänen, Finnish Tourist Board

Commissioned in 2007, this joint ETC/UNWTO study is intended to provide intelligence on trends in the increasingly important Russian tourism market - and to support the development of the planned Russian-language version of *visiteurope.com*.

Russia is a fast-growing market. According to the UNWTO, it generated US\$ 22.3 billion in spending abroad in 2007, a figure which makes it the ninth-biggest outbound market in the world. Most outbound travel originates in Moscow (the most important market) and St. Petersburg.

Europe has huge potential as a tourism destination for Russians. However, international competition is getting harder all the time, especially in the sun and beach segment which is the biggest segment for Russian outbound tourism. The good news is that touring holidays, city breaks, special-interest trips and MICE are becoming more and more popular and Europe, with its history and culture, high-quality shopping and dining, has much to offer these segments.

Russian leisure travellers are increasingly independent and the growth in internet use in the country is significant. Last year in 2007, 59 million Russians were connected to the internet. This is the second-largest internet population in Europe and a major opportunity for the Russian version of *visiteurope.com*.

Taloustutkimus, the consultants, carried out a combination of original and desk research. Publication of the final report is expected in late 2008.



Red Square, Moscow



India

Carla Aguirre, VisitSweden

Another of the world's fastest-growing tourism markets is India. With more than 1.1 billion inhabitants and GDP increasing by more than 8% every year, the country offers enormous potential for future growth in outbound travel.

Recognising the importance of this market, ETC and UNWTO decided to make it the subject of their annual market study for the 2007 work programme. The aim of the study is to add significantly to the current body of knowledge on the Indian market, providing valuable support and intelligence for future marketing activities there, not least those of ETC and its member countries. The information obtained will also help ETC to ensure that its web portal, *visiteurope.com*, meets the needs and interests of Indian travellers.

The study is a combination of desk research, interviews with the travel trade and interviews and focus groups with consumers. It will look not just at Indians' travel behaviour, trends and propensity to travel, but also go more deeply into Europe's image as a holiday destination in India, the awareness and perceptions of individual European countries, possible barriers to travel, and reactions to both the ETC Europe brand and the layout of the *visiteurope.com* portal's homepage.

Work is now well underway. All desk and primary research is complete and the first draft of the final report has been received. Publication of the final report is expected in late 2008/early 2009.



A taste of the Indian market's potential

Japan

Tom Ylkänen, Finnish Tourist Board

The study, which is being developed by ETC with the help of the Japan Travel Bureau Foundation (JTBF), is the latest in ETC's important series of market studies and has been included in the MIG's 2008 work programme.

Japanese tourism to Europe has stagnated, and even decreased, since 2007. ETC would like to find out why and come up with a strategy for ETC and its member NTOs that would allow Europe to take full advantage of this major tourism market. JTBF, an excellent partner to have in Japan, is carrying out the study and working closely with ETC's Japan Operations Group as it does so. The European Tour Operators Association (ETOA), a partner of the MIG, has agreed to contribute to the fieldwork.

As with all other ETC market studies, the Japan study will consist of both desk research and primary research in the form of consumer and trade interviews/surveys.

The desk research will be an analysis of the JTBF's outbound market database and other available data.

The consumer research will take the form of an internet survey. A sample of approximately 2000 respondents in both urban and rural areas of Japan will be asked to complete online questionnaires. The sample will include previous and potential travellers to Europe. In addition to this, five focus groups will be held in Tokyo to collect in-depth views and intelligence from younger tourists aged between 25 and 45.

The trade interviews will be conducted in both Japan and Europe. There will also be interviews with representatives of sectors outside the tourism industry in an attempt to stimulate fresh ideas and thinking on how to make Europe more attractive to Japanese outbound travellers.

The final report is expected to ready by spring 2009.



The Japanese version of visiteurope.com

STATISTICS AND BEST PRACTICE



ETC countries turn increasingly to TSA

Cristi Frent
National Institute of Research
Development in Tourism, Romania

The Tourism Satellite Account (TSA), as an international standard in tourism statistics recommended by UNWTO, Eurostat and the Organisation for Economic Co-operation and Development (OECD), is gaining increasing recognition in Europe.

A survey carried out by Romania amongst the members of ETC's Market Intelligence Group between March and May 2008 showed that 16 ETC countries of the 21 who responded have developed, or are in the process of developing, a TSA to measure the impact of tourism on their economies. ETC's current membership stands at 39 countries.

In 15 of the aforementioned 16 countries, it is the government's central statistical office that has responsibility for implementing the TSA.

Another objective of the survey was to compare some of the TSA data for the countries that took part in the survey. Almost all respondents provided these data.

The responses to a question on tourism's *direct* contribution to GDP were particularly interesting. They showed that Spain was the country where tourism contributed most to the economy, accounting for 10.8% of GDP. It was followed by Ireland (6.6%) and Austria (6.5%). At the other end of the scale were Poland (1.9%), Northern Ireland (1.9%) and Romania (2.0%).

Another question concerned the contribution of both incoming and domestic tourism to overall internal tourism consumption. It showed that, on average, incoming tourism accounted for 43.6% and domestic tourism accounted for 56.4%. It is clear that both types of tourism are important for ETC's member countries.

Handbook on Tourism Forecasting Methodologies

The *Handbook on Tourism Forecasting Methodologies* is the third in the series of ETC/UNWTO best-practice handbooks. It was officially presented on 12th September at the **ETC/UNWTO Seminar on Tourism Forecasting and Strategic Planning** in Vienna and will be published by the end of the month.

Tourism demand is a complex phenomenon which can be affected by a wide range of different external factors. The state of the economy, fuel prices, tourist infrastructure, natural disasters, the image of a destination - all of these can be influential. As a result, tourism demand, in all its different

forms, can be very difficult to forecast. Nonetheless, it is more and more important for destinations and private sector alike to anticipate demand trends and use this knowledge as a basis for their management decisions and planning.

This new handbook aims to be a simple guide to the complex world of tourism forecasting. It presents the basic forecasting techniques, their advantages and disadvantages, and some practical examples of such methodologies in action. It also includes an Excel spreadsheet containing further explanation and examples of the following methodologies:

- Simple linear regression
- Decomposition
- Differencing
- No-change models
- Moving-average models
- Single exponential smoothing

ETC and UNWTO expect that this handbook will contribute to the further development and understanding of tourism forecasting in general. The hope is that it will encourage more organisations and individuals to engage in the forecasting process, and that it may enhance the strategic planning and sustainable development of tourism.

The two earlier ETC/UNWTO handbooks, *Evaluating NTO Marketing Activities* and *Tourism Market Segmentation*, are still available from the ETC extranet (for ETC members) and ETC's corporate website (for non-members).



Tom Ylkänen, MIG vice-chairman, with Scott Sperling of Tourism Economics, keynote speaker at the forecasting seminar in Vienna

MEMBERS' NEWS



Developing an innovation culture in tourism

Brian Maher, Fáilte Ireland

In 2007, as part of an initiative to respond to new challenges facing the Irish tourism industry, Fáilte Ireland commissioned consultants to look at ways in which it might encourage greater innovation in the industry. The study, *Developing an Innovation Culture in Irish Tourism*, has not been published but the main points are summarised below.

Innovation in tourism can be defined as new ideas that are implemented to drive improved growth and add value.

Innovation in tourism *is not* a report, a pot of money, nor, necessarily, a eureka moment. Innovation *is* a culture, a system involving a complex range of enterprises, agencies and government departments, and a collaborative process of working. The key components that drive innovation in tourism are motivation, inspiration, direction and support, and facilitation.

Motivation: The system must deliver individuals with the hunger, ambition and business capability to take on innovative ideas.

Inspiration: These potential innovators need inspiration to develop good ideas and opportunities through market and customer insights, and effective benchmarking.

Direction and support: Government and agencies must create the conditions for the system to be effective through policy, investment and strategic planning.

Facilitation: The system must identify those ideas with potential and facilitate the innovators in accessing the resources necessary to bring the ideas to the market.

The role of the national tourism organisations in building the innovation culture can involve the following:

- Developing and communicating the strategy and objectives for innovation.
- Leading discussions in order to clarify roles, accountabilities and actions.
- Support for improved customer, market and competitor insights.
- Developing tools for understanding and measuring economic impacts.
- Improving alignment of existing individual initiatives with strategic objectives.
- Investment in recruitment and development in order to drive and support innovation.



British Tourism Framework Review

David Edwards, VisitBritain

The British Tourism Framework Review, due to report in the autumn, is intended to show how VisitBritain, funded by the British government and working with other publicly funded agencies in the UK, can best meet the strategic objectives set for it by the government. These include the marketing of Britain and England overseas, English domestic marketing and securing the tourism benefits of the 2012 London Olympics.

Among the issues under discussion are:

- How British tourism can prosper in an increasingly competitive global tourism market. Although it is doing better than many traditional competitors, emerging destinations are outstripping its performance by a considerable margin. The threat to Britain's international competitive position will be assessed.
- The impact on VisitBritain of devolution in the UK. The Scottish Government, the Welsh Assembly and the London Assembly all have official tourism powers, and the English regional development agencies (bodies responsible for promoting economic development) spend significantly on tourism too.

The whole process is underpinned by a detailed examination of what drives tourism in the UK, both now and in the future. Key tourism trends have been identified, as have a vast array of 'factors of change' that will help to shape tourism in the coming years. And there has been an in-depth quantitative and qualitative analysis of the visitor economy's contribution to Britain.

The review comes at a time when the re-emergence of inflation is squeezing consumers' discretionary income and the cost of travel has increased markedly - all in stark contrast to the past two decades when incomes went up and travel costs fell. Considerable research effort is underway to ensure that the implications of the current economic environment are understood and responded to with appropriate marketing campaigns.

MEMBERS' NEWS/ETC NEWS

A new tourism brand for Finland

Tom Ylkänen, Finnish Tourist Board

A new tourism brand for Finland was launched in June this year. This brand was part of a much larger branding project covering Finland's foreign trade activities and the promotion of both inward investment and Finnish culture.

The brand's development was co-ordinated by a group of representatives of the Ministry of Foreign Affairs (which is responsible for the overall branding of Finland), the Finnish Tourist Board and the tourism industry. This group came up with the initial ideas and engaged an advertising agency then to create the core values and the new look that will be used on the internet and in print.

These core values are the four 'C's:

1. **Creative:** Finland's unique culture and countryside inspire Finns to compose and create unique design.
2. **Cool:** This applies to both the weather and the country. (However, the weather is sometimes sunny and Finns are actually very warm people).
3. **Contrasting:** Finland is full of interesting contrasts - the four seasons, the midnight sun and the polar night with the aurora borealis. There are also influences from the east and the west to be seen in Finland.
4. **Credible:** Finland is a safe and reliable destination; everything works well and there are no unpleasant surprises.

These will form the basis of all marketing communications.

To help differentiate it from its competitors, Finland has been given a completely new look: all images will be in pastel colours and the main Visit Finland logo - resembling an Aalto vase seen from above - is now coloured pink and orange.



Interested in ETC's market intelligence?

Information on all currently available publications is available on ETC's corporate website.

Go to www.etc-corporate.org and click on *Market intelligence/ Reports - studies - trends*.

Some publications such as *European Tourism Insights 2007 - Outlook 2008* and our market profiles, *Market Insights*, are available as free downloads. New market studies and best-practice handbooks, as and when they appear, may be purchased through the website - but are available free of charge to ETC members.

Dates for MIG diaries 2008/9

5 November 2008	MIC meeting, Pisa
6 - 7 November 2008	IPK World Travel Monitor Forum, Pisa
5 December 2008	MIC meeting, Brussels
11 - 13 February 2009	23rd Annual MIG meeting, Ljubljana

ETC Market Intelligence Group

The members of the MIG are the research directors from ETC's 39 member NTOs. The group provides a forum for the sharing of market intelligence, as well as for the commissioning of new research which benefits 'Europe' as a whole. Its work is steered by the *Market Intelligence Committee (MIC)*, a small sub-committee of volunteers from the full group.

Collaboration with partners such as UNWTO, European Travel & Tourism Action Group, European Cities Marketing and the European Tour Operators Association enables the MIG to augment its budget and maximise its research output.



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