

MAY 1999

## Big Boost for Travel & Tourism Research

### **As economic crisis takes its toll, NTOs search for new markets and new marketing strategies.**

Research is the major beneficiary of the upheaval in the Pacific Asia travel and tourism industry.

A total of six PATA national tourism organisations have reported making significant increased allocations for research in their 1998/99 budgets as they seek to obtain a better grip on how visitor arrivals are shifting, and tap the emergence of new country markets and new customer segments in existing markets.

Responses to a survey of PATA's Government Category members showed the following NTOs have increased their spend on research in 1998/99: Hong Kong, China +132 percent, Thailand +66.7 percent, Papua New Guinea +50 percent, Hawaii +9.5 percent, Australia +6.3 percent and Korea (ROK) +0.6 percent.

The allocation shows a clear need to gain a better understanding of markets, including the use of new marketing methodologies and technologies. Traditionally, research has not been a major ticket in overall NTO budgets but in view of the instability that has characterised visitor arrivals in the last two years, it is now clearly being viewed as an investment rather than an expense.

In spite of the economic crisis, which has dented both inbound and outbound visitor arrivals in the region, many markets still have considerable life in them, and many customer segments within the economically-affected countries still have purchasing power.

The increased research effort is intended to help NTOs find better ways to reach those markets through more careful, finely-tuned strategies and campaigns that will broaden their customer base while maintaining the flow of existing customers.

The growing focus on research will yield considerable medium- to long-term benefits to the Pacific Asia travel and tourism industry, which has every reason to ensure that consumers continue to maintain interest in taking a holiday as part of their discretionary spend.

It will also presage a shift in the usage of sales and marketing channels as the traditional avenues of advertising and promotions give way to those that can produce a more quantifiable and measurable impact, especially direct-mail and the Internet.

While people bitten by the travel bug in the boom years will continue to want to travel, the additional research will open up opportunities for attracting the many Pacific Asia millions who may travel once economies improve.

Clearly the overall economic crisis affected both the inbound and outbound sides of the travel and tourism industry throughout the Pacific Asia region. It is estimated that an average of about six to seven percent of annual growth has been lost, equating to about three million fewer travellers.

The government category survey has yielded a number of lessons for Pacific Asia NTOs. The main one is that national tourism organisations can no longer afford to put too many marketing eggs in one basket: some destinations for example, were heavily hit, in part because of their excessive dependence on the Korean and Japanese markets.

Others however, which had a relatively good mix were much less affected as the sudden spurt in European traffic more than compensated for the decline in ASEAN and Northeast Asian traffic.

An analysis of the inbound/outbound market trends showed that weaker currency countries generally fared better than those with stronger currencies, with the exception of Indonesia. The national economies of

Hong Kong, China and Singapore were less affected by the currency fluctuations but that disadvantaged them in terms of the value for money factor when compared to (for example) Thailand and Korea (ROK).

## Analysis of Selected Country Results

**Australia:** Overall inbound visitors declined by 3.5 percent in 1998 with Japan still remaining Australia's number one market, ahead of both New Zealand and UK. The result was positively assisted by the marketing efforts in Europe and North America, especially with the Olympics awareness creation campaigns.

The budget for 1998/99 was up 13.3 percent to A\$88 million. The administrative budget was slashed by nearly 8 percent and the research and promotion budgets raised respectively by 6.3 percent and by 15.2 percent. The promotion budget was cut in Japan and Asia, but boosted in North America and Europe. In fact, Asian promotional spending remains the same in some of the weaker local currencies, giving quite a promotional windfall.

Final outbound figures were not reported for 1998 but an increase was projected over the 2.9 million outbound Australians in 1997. Bali being a favourite hunting ground of the Australians helped Indonesia replace the US as the third favourite outbound destination after New Zealand and the UK. The relatively high cost of a holiday in Australia and the strength of the Australian dollar vis à vis some of the Asian currencies further boosted travel.

**China (PRC):** Inbound visits by foreigners declined 4.3 percent to 7.1 million in 1998 with no change in the rankings of the top inbound markets: Japan, Russia and Korea (ROK). If however, visitors from Hong Kong, China; Chinese Taipei and Macau are included, arrivals rose 10.2 percent to 63.47 million. Excluding visitations from these immediate neighbours, China (PRC) is projecting a growth of 10 percent in 1999.

Outbound, no major change was projected for 1998 over the 8.17 million visitor departures in 1997, with the top three destinations being Hong Kong, China; Macau and Thailand. However, the government indicated that outbound travel was being closely watched and limits had been placed on foreign business travel. Even so, it is projecting a 3.5 percent increase in outbound travel in 1999.

### Survey Highlights – Reasons Cited for Impact on Visitor Arrivals 1998

- Economic crisis
- Currency fluctuations and devaluations
- Political instability among regional countries, perception of insecurity
- Negative publicity of political, economic, social and environmental, such as haze
- Promotion of domestic travel in some countries
- Increased competition among destination countries
- Closure of Philippine Airlines
- Aircraft accidents
- South Asian nuclear tests
- World Cup soccer tournament

### Major Budgetary Trends

- Overall, higher NTO budgets planned in 1998/99 to maintain competitive edge and market shares
- Rejuggling of promotional budgets, with money going out of less-productive markets. However, much money remained within the Pacific Asia region in anticipation of the economic crisis bottoming out
- Major increase in research allocations
- Significant cutting of administrative costs

### Inbound/Outbound Trends

- Small growths in visitor arrivals projected by most countries in optimistic anticipation of economies bottoming out and currencies holding steady
- Based on the same assumptions, small growth in outbound travellers projected for 1999

**Hong Kong, China:** One of the more heavily affected Pacific Asia destinations, thanks not only to the economic woes in the major markets of Japan and Korea (ROK), but also due to the strength of its dollar. The 1998 total arrivals of 9.5 million were 8 percent down over 1997. Hong Kong, China also cited the promotion of domestic travel in some regional countries for affecting its arrivals. It is still projecting a turnaround and a possible 4 percent growth in 1999.

The 1999/2000 budget is projected to be down 5.3 percent to HK\$575 million. Allocations for promotion and administration are being cut but will be increased by 132 percent for research, to HK\$7.89 million in 1999/2000. The promotional budget itself is being redistributed, with 2 percent declines in allocation for both North America and Japan and a 4 percent increase in the allocation for Asia.

Thanks to the currency's strength, outbound travel remained relatively robust in 1998, reaching 47.6 million, an increase of 14.4 percent over 1997. Even excluding traffic to Mainland China and Macau, the number of outbound trips grew by 11.7 percent to reach almost 4.2 million. China (PRC), Macau and Thailand remained the major destinations.

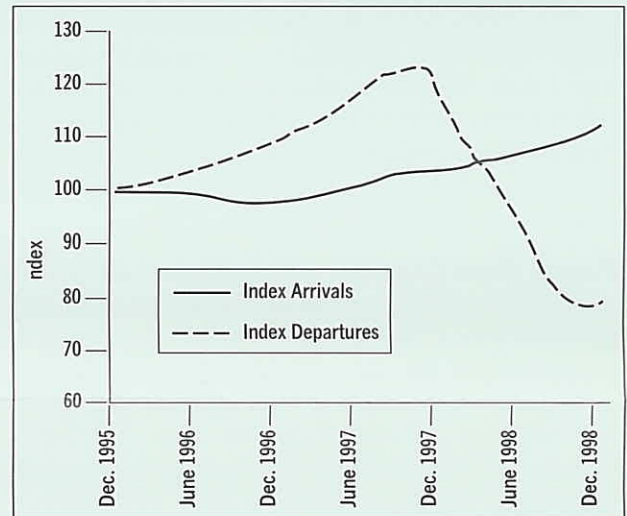
**Fiji:** Inbound foreign visitors totalled 371,342 in 1998, a growth of 3.3 percent over 1997, thanks largely to what the Fiji Visitors Bureau called aggressive marketing campaigns in major source markets and additional airline capacity on major routes. Japan, the third largest inbound source market in 1997, was replaced by USA. A further growth of 7.1 percent was projected for 1999. Outbound travellers totalled 78,441 in 1998, an increase of 5.7 percent. The FVB's budget remained about the same during 1998 at 12.9 million Fiji dollars. Promotional expenditure has been cut marginally in Asia and redirected to the USA.

**India:** Inbound visitors totalled 2.36 million in 1998, virtually the same as the 2.37 million in 1997. Indian tourism authorities cited the Southeast Asian economic crisis, the Indian general elections and the World Cup soccer tournament in France as all having an effect on arrivals numbers. Projected growth for 1999 is 8 percent. By contrast, a robust Indian economy saw a 3.7 percent increase in Indian outbound visitors to 3.86 million in 1998. Major increases are planned in the Indian tourism promotion budget for 1999, including a 34 percent increase in the allocation for Asia, 25 percent up for North America, 22 percent up for Europe and 16 percent up for Japan.

**Japan:** The economic crisis in Korea (ROK) affected visitor arrival numbers from there and was cited as the main reason for a 0.7 percent decline in visitors to 4.1 million in 1998. However, the weakening of the yen against the dollar in late 1998 helped the situation somewhat by improving the relative competitiveness of the destination as did additional marketing in the USA and Europe. In turn, the country's own economic situation prompted outbound departures to fall every month throughout 1998 to end the year with an overall decline of 6.7 percent to 15.8 million. The only countries that managed to maintain some market share were those where currencies were the weakest.

**Korea (ROK):** Building upon the weak won with a tourism marketing campaign, Korea pulled off an 8.8 percent increase in visitors to 4.25 million in 1998 and is projecting another 8 percent growth in 1999. However, the once robust outbound market collapsed

Index of Foreign Arrivals and Resident Departures, Annualised for Korea (ROK) [Index, 1995=100]



by 32.5 percent to 3.07 million. A small growth of 5.6 percent in outbound is expected in 1999, with closer-to-home destinations like China (PRC) taking priority over long-haul destinations like North America. The Korea National Tourism Organization (KNTTO) budget has fallen 4 percent to 42 billion won but the KNTTO has slashed administrative and other such expenses in favour of a 6 percent increase in the allocation for promotions. Country allocations have been similarly adjusted in 1999, down 4 percent and 1 percent respectively for promotions in North America and Europe, but up 5 percent for Japan.

**Macau:** Visitor arrivals totalled 6.95 million in 1998 a marginal decline of 0.74 percent. The Macau currency, the pataca, is directly linked to the US dollar, and this affected inbound arrivals. Declines in visitors to neighbouring Hong Kong, China worsened the situation as traffic there often 'flowed-on' to Macau. In 1998, 64 percent of the promotional budget of US\$5.2 million was allocated for Asia and 20.5 percent for Europe. The outbound market remained quite stable, with weak-currency countries being the major beneficiaries, along with the 1998 Expo in Lisbon, which boosted tours to Europe.

**Northern Mariana Islands:** Dependent mainly on Japanese and Korean business, the Northern Marianas experienced a 30 percent decline in inbound visitors to 488,889 in 1998. Its total budget for 1998/99 was US\$7 million of which US\$3.7 was to be spent on promotions, 82 percent in Japan.

**Palau:** Dependent on Japan and Chinese Taipei for most of its visitors, Palau saw a 13 percent decline to 64,194 inbound visitors in 1998. But better flight connections from the US mainland and Hawaii to Palau helped offset the losses in volume from other markets. The Palau Visitors Authority budget of around US\$950,000 in 1998/99, was allocated as 14 percent to Chinese Taipei and 14.5 percent to Japan. Allocations for Japan, Asia and North America were cut in favour of an increase for Europe and Chinese Taipei.

**Papua New Guinea:** Some 68,610 visitors were received in 1998, an increase of 3.8 percent over 1997, thanks in part to an increase in the number of flights from Australia, the major market. Also to be thanked were the opening of a new international terminal at Port Moresby and more cruise-ship visits. The Papua New Guinea Tourism Promotion Authority reported planning a 30 percent increase in its 1999 budget, including a doubling of the allocation for promotion and a 50 percent increase for research. Interestingly, PNG's outbound traffic, at 122,077 in 1998, is double that of its inbound flow, with again Australia being a major beneficiary. A further 10 percent growth in outbound is projected for 1999.

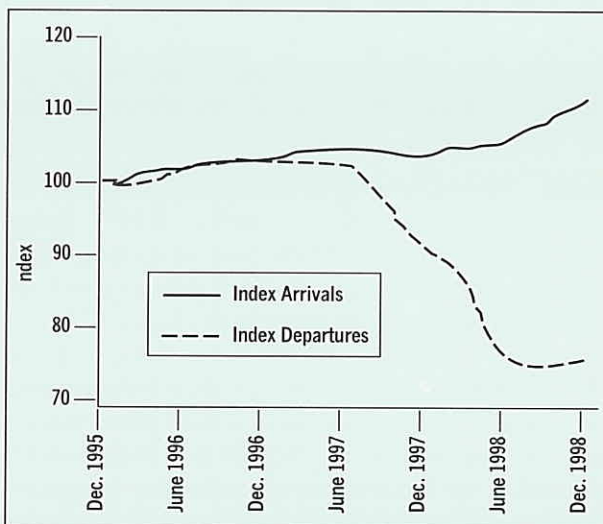
**The Philippines:** The Asian financial crisis and the temporary closure of Philippine Airlines affected inbound arrivals significantly. After a decline in 1998 of almost 3.3 percent, an increase of 6 percent is optimistically projected for 1999. Outbound traffic was also similarly affected. The Philippine Tourism Authority is to cut 1999 promotional spending in North America in favour of increased allocations for Japan and Asia.

**Singapore:** Inbound visitors declined 13.3 percent to 6.24 million in 1998, thanks to the regional economic and social turmoil but a small turnaround growth of up to 2 percent is projected in 1999. Outbound departures in 1998, wavered slightly month by month but at roughly same level as 1997, viz 3.67 million. The 1999 Singapore Tourism Board budget was raised 5.8 percent to S\$127 million in 1998/99, but administrative costs have been slashed 12 percent in favour of a 16 percent increase in promotional spend. The STB has embarked upon a search for new markets for which promotional spending has been increased by 5 percent compared to growths of 1-2 percent in traditional markets.

**Thailand:** Visitor arrivals totalled 7.7 million in 1998, up 7.5 percent over 1997. Reasons include: the value for money factor, the high-profile Amazing

Thailand campaign, good flight connections and visa-on-arrival facilities. A 7.25 percent growth is projected for 1999. The Tourism Authority of Thailand budget is projected to rise 4.9 percent in 1998/99 with an increase of 66 percent allocated for research. The promotional budget for Asia was lowered by 0.4 percent but increased 3.7 percent and 1.4 percent respectively for Europe and North America. Outbound travel declined dramatically in the first half of 1998 but showed signs of stabilising later in the year to finish 14.9 percent down overall.

Index of Foreign Arrivals and Resident Departures, Annualised for Thailand [Index, 1995=100]



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