

Segmentation Drives Indian Outbound

ALONG WITH China (PRC) (*Issues & Trends*, January 2004), India is a fast-growing and increasingly important outbound market. The two markets have much in common – large populations, growing economies, emerging middle classes and liberalising travel and aviation environments. However, there are two major differences:

- 1) **Modus operandi** – while China (PRC) is a controlled and regulated market, which is progressively liberalising its outbound travel according to specific Approved Destination Status criteria, Indians are free to travel wherever, whenever and however they wish.
- 2) **Social structures** – Compared to the Chinese, Indians have a higher level of travel experience and speak better English. The Indian travel market is already showing signs of ‘maturing’ as it comprises repeat travellers and niche markets.

The Indian outbound market is now even more important since the January 2004 South Asian Association for Regional Cooperation (SAARC) summit and the subsequent declaration of a South Asian Free Trade Zone and South Asia Tourism Year 2005. Airlines and national tourism organisations (NTOs) from Asia Pacific and beyond are keen to tap the Indian market, which at least one NTO describes as being ‘unlimited.’

FUNDAMENTALS

For many years, the Indian market posed many difficulties for marketers:

- Navigating its size and complexity
- Identifying the wealthy minority who can afford to travel
- Working within severe foreign exchange constraints

- Overcoming the lack of automation and high communication costs
- Dealing with the last-minute nature of business and Indian agents’ inexperience

Things began changing in 1979, when the foreign exchange allowance for leisure travel was increased to US\$500 per person per trip. By 1993, India was viewed as an excellent opportunity. “Liberalisation”, “privatisation” and “globalisation” have become mantras in this new era, encouraging fresh strategic thinking among bureaucrats, decision-makers and throughout industry.

Today, with a population of more than one billion people, India is the fifth largest economy after the United States, China (PRC), Japan and Germany in terms of purchasing power. One NTO says that India has at least a million US\$ millionaires. The actual number could be much higher, as most ‘rich’ Indians never reveal the extent of their wealth. Improved communications has brought online information to Indian travellers. Travel programmes present attractions and highlights of new destinations. In recent years, the liberalisation of aviation has also encouraged major airlines to step up their interest in India and allowed privately owned Indian carriers to fly abroad.

SEASONAL SOURCES

The vast majority of traffic originates from the commercial capital of Mumbai and the political capital of New Delhi. This is where new airlines and NTOs in the market are locating their offices. Longer-established organisations are branching out into secondary centres, such as Chennai and Kolkata. Yet others are investing in cash-rich smaller cities, such as Bangalore and Hyderabad, where large numbers of IT and multinational

companies are setting up. Tourism Malaysia, for example, says it is focusing on Nagpur, Ahmedabad, Rajkot, Surat, Baroda, Chandigarh and Lucknow, while Sri Lanka is concentrating on Punjab (Ludhiana, Chandigarh, and Jalandhar), Rajasthan (Jaipur), Pune, Indore and Nagpur.

Peak travel out of India is April-June, which coincides with the long Indian school holidays in early summer. However, Indians also take shorter trips during national and religious festivals, such as Diwali, Republic Day and Independence Day.

BIG SPENDERS

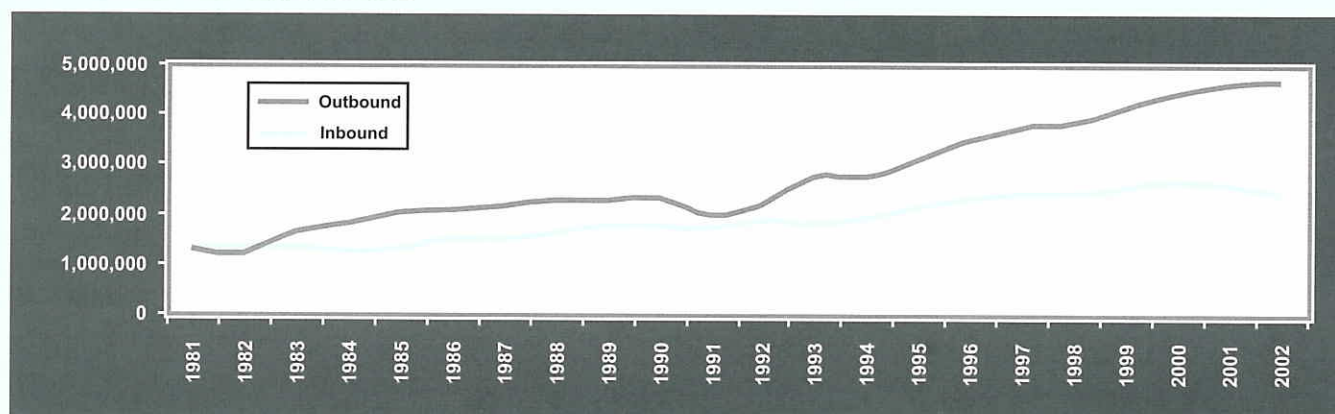
In Dubai, India constitutes the second largest source of arrivals after the United Kingdom and contributes 16 percent of Dubai's tourism GDP. For Dubai, India is the most fiscally valuable

and travel agents, at least for new travellers. Therefore, NTOs have to work hard to develop awareness among travel agents and supply them with appropriate products to sell. For example, in 1997, Dubai had links with only 22 Indian tour operators but now has more than 560 active agents and tour operators across India. By 2003, the Australian Tourist Commission (ATC) had 126 agents in 44 Indian travel agencies enrolled in its online Aussie Specialist programme.

MARKET SEGMENTS

In the past, Indian outbound travel was dominated by trips to neighbouring Nepal and Sri Lanka, package tours to Europe, VFR trips to the large Indian communities in North America, UK and elsewhere and shopping, sightseeing and VFR trips to

India Inbound/Outbound, 1981-2002



source market alongside Germany. The New Zealand tourist board says average total spend by an Indian visitor is about US\$2,000 per trip per person, projected to increase to US\$3,000 by 2008. Major growth is expected from business visitors whose average spend is currently US\$5,000 but is expected to hit US\$7,000 by 2008.

Malaysia reports that Indian visitors spend about 25 percent of their total travel budgets on shopping alone. Sri Lanka estimates that Indian visitors spend US\$75-US\$80 per person per day on shopping. The Swiss tourist office says Indians stay in three- or four-star hotels and spend an average CHF250-CHF350 (US\$200-US\$280) per person per day on shopping.

STRUCTURE

India's huge market means a heavy reliance on tour operators

Southeast Asia. In recent years, Indians have begun to venture to new destinations, such as Kenya, South Africa, Australia and New Zealand, because they offer something different. Moreover, visits to these countries are counter-cyclical and generally off-season.

A number of market segments are clear, each warranting a different approach:

1) **Package tour travellers:** The biggest players in this segment are tour operators who offer group package tours of 10-21 days duration. Indians travelling in a group need a coach to themselves, at least one Indian meal a day, basic sightseeing, shopping opportunities and little strenuous activity. Hotels need enough rooms to accommodate the whole group; however, they need not be centrally located.

Australian universities in seven Indian cities and conducts regular seminars and exhibitions to tap student interest. South Africa and Kenya are focussing on attracting wildlife and nature educational trips. Singapore offers studies in health care and various academic fields like management and communications.

Honeymooners

Honeymooners are another rapidly growing market segment, which is both long staying and high yielding. Romantic destinations with scenic beauty, art and opera are preferred, especially in Europe.

MARKETING ANGLES

Visit Britain was the first foreign NTO to open an office in India, in 1988. Today, dozens of NTOs are represented. Many NTOs begin by marketing their popular icons and major cities but gradually diversify into marketing their secondary cities. Many marketing activities are routine: Attending Indian travel trade shows, which are proliferating; familiarisation trips for agents and journalists; invitations to cover international travel trade shows; food festivals, contests and competitions using popular media; and celebrity endorsements.

Developing alliances is critical. Italy, for example, supports Indian buyers who deal directly with Italian suppliers rather than through foreign operators. Italy's familiarisation trips for agents and journalists include lesser known regions such as Sicily, the Campania region and Piedmont and feature wine, food and jewellery tours. In addition to natural partnerships between NTOs and airlines, tour operators and media, NTOs are also forging partnerships with educational institutions, chambers of commerce, soft-drink companies, high-end retail stores, scotch whiskey brands and even restaurants.

The search for unique marketing angles continues. Singapore, Hong Kong and Dubai are promoting the cruise market. Sri Lanka targets Hindu devotees to its Ramayana religious links. Images of clean and green places are important to Indian travellers, most of who come from densely populated environments. That is why the Austrian NTO conceptualised the novel theme of 'Water' – rivers, water parks and waterfalls.

Sport

Cricket is the top sport in India and offers valuable opportunities. The ATC has appointed Australia's just-retired cricket team captain, Mr. Steve Waugh, as Australia's Tourism Ambassador to India. He will participate in a range of marketing

initiatives, including online and magazine promotions and publicity events. Mr. Waugh is the most recognisable Australian among Indians. Apart from cricket, he has also done charity and fund-raising work in India. Earlier, in 2002, the ATC held 'Face the Thunder', a 26-city consumer road show offering amateur Indian batsmen the chance to win a holiday adventure in Australia. Other countries to have capitalised on India's craze for cricket are South Africa, host of the 2003 cricket World Cup, and Sri Lanka.

Film-making

Virtually every NTO is wooing the multi-billion dollar Bollywood film and entertainment industry to shoot movies, advertising spots and documentaries at their destinations. These visitors offer the most cost-effective means of reaching the mass consumer, therefore NTOs are supporting film and production houses to ensure maximum identifiable exposure and publicity in India. The ATC, for example, worked with an Indian television production company to shoot soap opera stories set against icons such as the Sydney Opera House. Fifteen million Indian Hindus watched the series. Australia is using its technical capabilities in post-production, visual effects, 3D animation, music and sound to attract the Indian film industry. New Zealand has also attracted filmmakers and wants to build upon the success of *The Lord of the Rings* trilogy. Malaysia has made the Petronas Twin Towers a popular background setting among Bollywood producers.

Internet

The growing influence of the Internet, the convergence of entertainment and communications technology and increasingly techno-savvy 25- to 40-year olds is significantly influencing marketing. NTOs and airlines are upgrading their Web sites and digitalising their marketing imagery, with more focus on music and other sensory perceptions rather than text. Switzerland is using the Internet for competitions, news and advertising. The ATC's consumer Web site provides links to Aussie Specialist agents. Airlines are also offering departure and arrival short messaging and e-mail alert services.

AIR ACCESS

The liberalisation of Indian aviation has been a major factor in the travel boom. Foreign and privately owned Indian carriers now have much more freedom to operate services to and from India. Thai Airways International, for example, first began flying

visitors comprise 63 percent of total traffic from India, higher among those heading on to China (PRC). China (PRC) is projecting large increases in business travel, especially in the wake of closer political and trade ties with India. Indian business travellers also account for the largest segment of total Indian arrivals into Dubai.

Studying abroad

Thousands of Indians are pursuing studies abroad. The United Kingdom, Australia and New Zealand attract most students and find that they also generate significant VFR traffic. In 2002/2003, Australia issued 102 percent more student visas to Indians than in the previous year. A professional body represents

India Outbound: Asia Pacific Destinations, 1998-2002

Destination	1998	1999	2000	2001	2002
Singapore	243,611	288,383	346,356	339,795	375,634
Thailand	162,105	181,033	224,104	229,751	280,641
USA	210,975	228,072	274,202	269,674	257,271
China (PRC)	65,656	84,203	120,930	159,361	213,611
Hong Kong	97,438	107,370	131,368	161,752	193,705
Malaysia	33,751	46,537	132,127	143,513	183,360
Sri Lanka	37,356	42,315	31,860	33,924	69,960
Nepal	143,229	140,672	96,995	65,329	65,629
Canada	42,179	47,826	66,000	64,900	55,492
Korea (ROK)	40,606	43,829	51,369	47,657	52,726
Japan	33,298	35,930	38,767	40,345	45,394
Australia	29,400	33,600	41,500	48,200	45,000
Indonesia	40,850	24,064	34,221	34,962	33,688
New Zealand	5,315	6,602	8,327	12,665	17,270
Philippines	20,945	18,637	18,570	15,391	14,826
Chinese Taipei	11,717	11,556	13,233	13,103	13,982
Maldives	11,734	11,621	10,616	8,511	11,377
Macau	7,214	7,094	7,530	8,659	10,574
Myanmar	4,281	5,083	5,605	5,572	5,691
Cambodia	1,195	1,455	1,767	2,271	3,785
Pakistan	67,050	63,225	66,061	58,378	2,618
Lao PDR	8,814	6,533	3,309	2,693	2,319
Papua New Guinea	1,047	1,141	1,019	1,013	764
Mongolia	277	366	337	270	197
Bangladesh	57,937	62,935	74,122	78,090	N/a

2) **FIT travellers:** More Indians are holidaying on their own, mainly the emerging middle-class. They are usually highly educated, open to western culture and influences, and living in nuclear families. Comprising parents and children of any age, they travel as a family group and usually head for long-haul destinations in search of new experiences.

3) **Ad-hoc groups,** including incentives and conventions: Small groups of 15-20 passengers and dealers' incentive groups of 15-100 passengers travel on special tailor-made itineraries.

4) **Jet setters:** This high-end segment comprises regular travellers who shop, ski and look for new experiences. A small but important segment, they book their hotels directly.

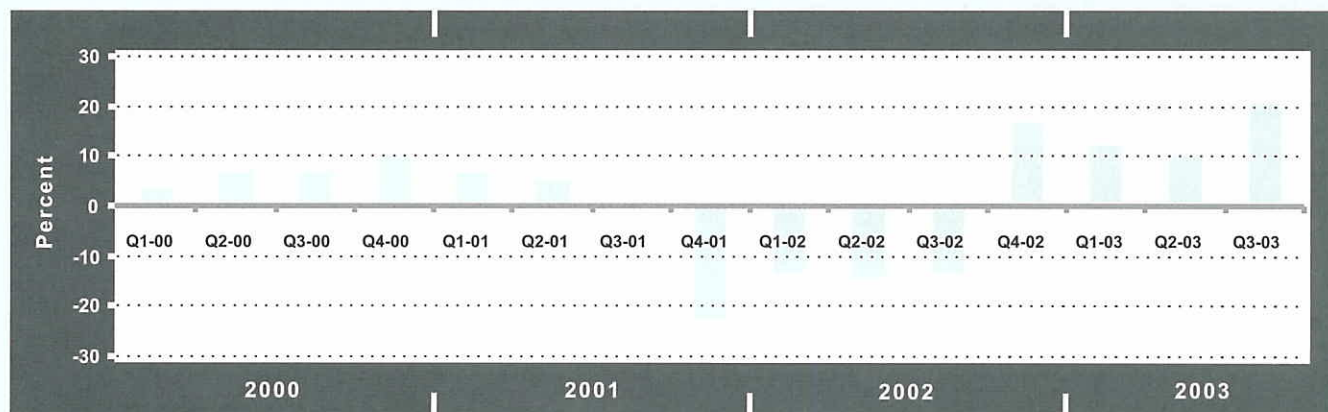
Austria has noted that although group traffic is still a major

Catering to the Indian palate, especially to strict vegetarians, is extremely important. The Jains, for example, do not even eat garlic. Many tour groups travel with their own chefs. Indian restaurants are emerging in European cities and resorts and along the routes of package tour itineraries. For the 2003 cricket World Cup, which South Africa hosted, South African Airways teamed up with an Indian restaurant to launch a 'Great Curry and Kebab Festival'. Every passenger received a voucher to use at the restaurant.

Visiting friends and relatives

There are about 20 million Indians and people of Indian origin living abroad. The 60,000 Indians in New Zealand, for example, are an important catalyst for arrivals. The VFR segment

India Inbound: Year-on-Year Percent Change by Quarter, 2002-2003



IVAs performing remarkably well through 2003, despite SARS etc. result in part is due to a comparison to 2002 which was not as healthy as previous years.

market, there has been a shift to higher-end FITs and repeat travellers. FITs constitute almost half of Austria's tourist traffic from India. They are 35-40 years of age and like to explore mountains, vineyards and lakes as well as the city. Their average stay is six days. The NTO has also noticed that people from Delhi are more adventurous, while Gujaratis, who comprise a major share of the Mumbai market, prefer to travel in groups.

A recent survey conducted by Dubai to gauge visitor feedback found that Indian travellers pursue water sports, family-oriented entertainment products and even desert safaris. It has also seen arrivals growth among Indian golfers. Other NTOs report interest in ski products, theme parks, cruises, spas, health and relaxation. Korea (ROK) and Sri Lanka are marketing their Buddhist heritage. Malaysia is keen to have pre-qualified Indians invest in land under its 'My Second Home' offering.

accounts for nearly half of Air New Zealand's Indian visitor traffic to New Zealand. In 2002, Visit Britain launched an intensive family reunion campaign to encourage Indian residents to invite their friends and relatives to Britain. Two-, five- and 10-year visas are available to Indian visitors who can explore the United Kingdom with their friends and relatives. The North American offices of China Airlines are promoting 'Indian Ethnic' fares to resident Indians to travel back to India, via Taipei, to visit families and friends. Since most of the travellers are from Punjab, the airline has opened sales offices in Chandigarh and Jalandhar.

Business and MICE travel

India's growing economy means that more Indian business people are on the move. Hong Kong, for example, says business

to Kolkata in 1963 and to Delhi in 1968. Due to long-standing disagreements over a bilateral air traffic pact, it was not until October 2001 that the airline began flying to Mumbai. Chennai followed a full two years later. Now THAI is keen to operate flights to Bangalore and Hyderabad.

The competition on some of the popular sectors is intense, especially in the off-season, but airlines want to improve yields. Most foreign airlines now have a presence in the major hubs of Mumbai and New Delhi. Strong business and cargo traffic enhances the profitability of routes to these cities. Kenya Airways, for example, says its Mumbai-Nairobi route is its second highest source of revenue outside Africa. Major airlines seek to operate at least one daily flight from each of these Indian gateways. Nearly all airlines want to add capacity, via either larger aircraft or higher frequencies.

Interline agreements with private Indian carriers, such as Air Sahara and Jetair, are common. Airlines are also pursuing transit traffic by making use of alliances. Singapore Airlines, for example, is using its Star Alliance relationships to ferry passengers from India to New Zealand via Changi airport. Cathay Pacific is using its OneWorld connections to carry passengers to the US east coast. China Airlines, Malaysia Airlines, Singapore Airlines and THAI are doing the same. However, this kind of traffic is volatile. The introduction of non-stop services between Delhi and Toronto in 2003, for example, affected transit traffic going through London.

One major market with a capacity shortage is China (PRC). China Eastern only began flights between Delhi and Beijing on March 28, 2002. Air India began flying to Shanghai in winter 2003. Chinese carriers have most of their aircraft tied up in the domestic market, providing opportunities for other airlines to fly between India and China (PRC) via Hong Kong and Bangkok.

Airlines are hiring Indian cabin crew. Lufthansa, for example, has 112. Kenyan Airways is recruiting Kenyans of Indian origin. Indian chefs are also in demand to design in-flight menus, while in-flight entertainment is adapting to suit the tastes of Indian passengers.

Some airlines have set up their data-processing work in India. British Airways has spent more than INR100 million (US\$2.2 million) on a state-of-the-art office in Gurgaon for its Global Business Unit and South Asian sales operations. The property offers a unique rooftop facility with a swimming pool and health club.

CHALLENGES AHEAD

As India's economy and transport links improve, the biggest remaining obstacle in front of the Indian outbound market is visas. Only a few countries and territories, such as Nepal, Hong Kong, the Maldives and Sri Lanka, currently allow Indian travellers visa-free entry. Others, such as Thailand, offer visas on arrival, while the United Kingdom and Australia give multi-year, multi-entry visas to VFRs and potential frequent travellers. Furthermore, not all countries have embassies and diplomatic missions in major Indian cities. Given the growth, size and potential of the market, governments are working to make it easier for Indian travellers to get visas. This includes granting multiple-entry and multi-year visas and expanding visa-issuing representation.

Other challenges facing the industry in India are the costs of media and marketing, increasing competition, understanding consumer attitudes and preferences, changing distribution systems and aviation capacity. The only comforting factor is that the market is very large. Indians who travel to one destination today, will travel to another tomorrow. It is just a matter of what catches the eye.

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