

The world's high growth emerging economies

Brazil, Russia, India and China – better known by the acronym BRIC – have powered ahead economically over the past decade and are forecast to become much larger economic forces in the world. GDP growth in the BRIC countries, with a combined population of almost 3 billion or 40% of the world's people, is expected to continue producing high single digit annual growth rates. Each market has an expanding middle and upper class as affluence increases. Goldman Sachs argue that the BRIC countries could be among the four most dominant economies by the year 2050.

In addition, several other smaller economies, including the Middle East, are exhibiting rates of economic growth significantly ahead of the current and forecast growth in more mature western economies. As a consequence most consumer goods and service sectors are targeting the potential of the new emerging economies for increased sales.

New Emerging Travel Markets – A Perspective

With growing affluence it is no surprise that outbound travel is growing from the BRIC countries and other emerging economies. Most of these new source markets are showing relatively strong annual growth in travel demand, although typically the prime beneficiaries are neighbouring countries.

Three of the emerging markets are now in the Top 10 spenders on international travel. China is ranked 3rd in terms of expenditure after Germany and the USA, having surpassed the UK in the past year. Japan is the 7th highest spender with Russia ranked 9th.

Table 101: Top spenders on International travel 2010 [Rank Source Market US \$ bn.]

1	Germany	77.7
2	USA	74.6
3	China	54.9
4	UK	48.6
5	France	39.4
6	Canada	29.5
7	Japan	27.9
8	Italy	27.1
9	Russian Federation	26.5
10	Australia	22.5

Source: UN-WTO

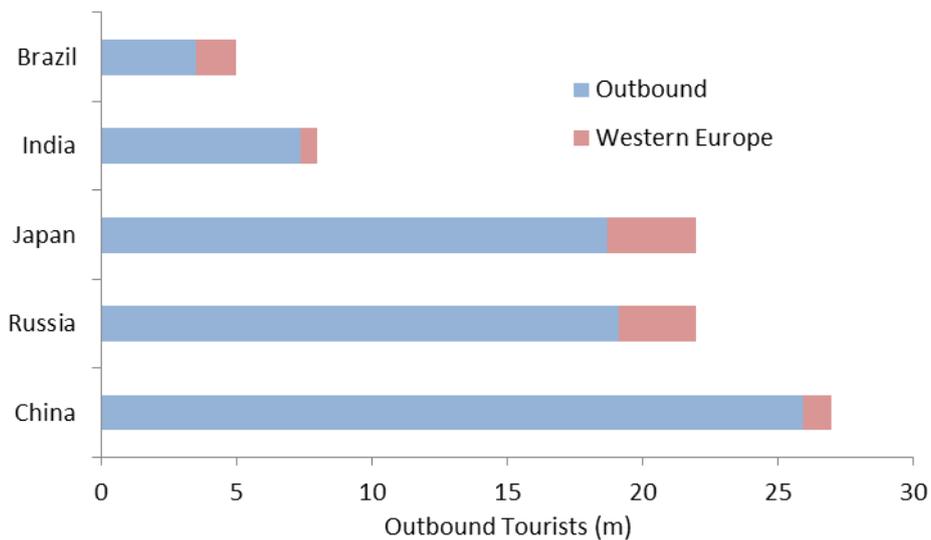
China, Russia and Japan are each a source of upwards of 22 million foreign trips per year, with China the fastest growing market for outbound travel. Latest estimates suggest that at least 9 million foreign trips are taken by residents of India each year, while the number of Brazilians travelling abroad is currently in excess of 5 million per year.

The motivations to travel include visiting friends and relatives (VFR), business, and leisure, with VFR more significant in the early years of demand growth.

Of the almost 30 million outbound trips from China, at least two out of every three are to destinations in northeast Asia, however long-haul travel to destinations outside the region has been growing at an average of 10% per annum since 2000.

Historical trends in travel would suggest that as markets develop the incidence of long-haul travel increases as repeat travellers become more adventurous and seek new destinations.

Fig.1.1: Outbound Travel from Emerging Markets



Source: Tourism Decision Metrics/VisitBritain

Demand for Western Europe from Emerging Markets

Western Europe is an increasingly popular destination from emerging markets. Currently Japanese and Russian visitors are the most numerous with close to 3 million from each country per year, followed by Brazil (estimated 1.5 million in 2010). Currently visitors from China to western Europe are estimated at just over 1 million per year and growing, while the number of Indian visitors is close to 700,000 per annum.

Western Europe now commands an estimated 18% share of long-haul travel (i.e. further than Northeast Asia) by Chinese, and a 25% share of long-haul travel by Japanese. Demand for western Europe from China has been growing at an average of 9% per annum over the past decade, while the number of Japanese visitors to western Europe has been in decline by approximately 4% p.a. over the same period. Visitor traffic from Japan is expected to fall further in the short term due to the impact of the recent disaster in the country. The most popular destinations for visitors from Japan tend to be France, Germany, Italy, Switzerland, Spain and the UK.

Travel from Russia to western European destinations has been buoyant in recent years and is expected to continue to deliver robust growth in the short to medium term.

Brazil is a fast growing market for travel with healthy growth to Europe, most particularly to Spain and Portugal.

Visitor traffic to the UK from emerging markets

The BRIC markets have shown strong growth to Britain in recent years, with India the top source, due in part to historical linkages between the two countries, resulting in a strong VFR and business travel component.

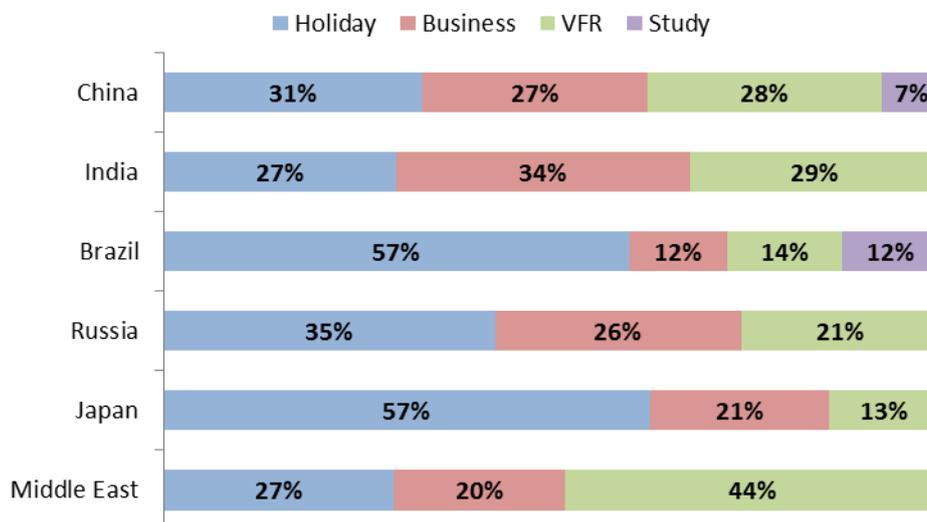
Fig. 1.2: Visitors to UK (2010 Provisional Data)

Market		% growth 12 months to May 2011	Av. spend per visit*
India	429,000	+9%	£1,057
Japan	247,000	NC	£736
Brazil	190,000	+24%	£808
Russia	166,000	+18%	£1,021
China	109,000	+41%	£1,673
Saudi Arabia	57,000		£2,177
UAE	24,000		£2,185

Source: VisitBritain (*excluding airfares)

While the Japanese market has been flat, China has grown by 41% over the past 12 months with visitors spending an average of £1,673 per visit to Britain. The Chinese are only outspent by visitors from the Middle East.

Fig. 1.3: Emerging markets purpose for travel to the UK



Source: VisitBritain

Opportunities for Ireland?

While the emerging markets provide an opportunity to attract new visitors, the volume of visitors in the short term is likely to be modest, though offering some longer term potential.

As a secondary European destination, Ireland's appeal and attractiveness is finite in each of the emerging markets. However, some short to medium term opportunities exist, and as the base of experienced travellers increases so too will the opportunity for Ireland. Achievement of market penetration will depend on removal of some barriers to visiting Ireland and the effectiveness of destination marketing and trade distribution.

Some specific opportunities for Ireland include:

- Business and professional language programmes
- Third level education
- Combined visit to the UK for leisure visitors on package tours
- Short leisure breaks from Moscow
- VFR in selected markets
- Sports and cultural visits

Barriers to Growth

The facilitation of growth from emerging markets will require a number of issues to be addressed if Ireland is to achieve breakthrough. The issues include:

- More convenient access and interlining on flights to Dublin
- Improved distribution of competitive Ireland product throughout key tour operators in each market
- Entry visas: ideally a permanent agreement for common entry visas to UK and Ireland, together with more convenient application procedures
- Language and cultural adaptation of Irish tourism services (e.g. guides, cuisine, accommodation) to cater for the needs of new markets

Conclusions

- ❖ Despite the fast growing demand for international travel and positive forecasts for continued growth from the emerging markets, the short to medium term opportunities are limited, while some long term potential exists. Nurturing these markets and adapting to the diverse needs of these travellers is essential to ensure a positive outlook for tourism to Ireland in the longer term.
- ❖ Education – language and third level programmes – appear to represent an immediate opportunity in several of the emerging markets.
- ❖ Visa requirements are amongst the principal barriers to growth in the short term. The new short-stay Visa Waiver Programme allowing visitors with a visa to the UK to visit Ireland, while a welcome development, needs to be extended to allow for any significant market penetration beyond the 2012 London Olympics.
- ❖ Some investment in the emerging markets is justified on the basis of developing an awareness of Ireland as a tourist destination, but needs to be proportionate to the opportunity.