

# High value city tourism

European city destinations - global markets

images - preferences - booking - behavior - spending



2015



# Foreword

Google search delivers 415 million hits on the search terms report + tourism. So why another research on tourism? Not only because tourism represents 9% of the global GDP and all jobs worldwide. Not only because the number of tourists worldwide is expected to almost double from 2010 to 2030.

Also another research because change, especially in the higher ends of the travel markets, is happening at a breathtaking speed. Because the tourism sector, due to the big differences among markets, among segments, and among destinations, requires very specific, focussed research.

This research focuses on European capital city destinations for high value Non-Euro market segments.

The city travel market has been growing nearly 60% over the last 5 years, far more than touring, sun & beach or other sectors. There are knowledge gaps to be filled regarding many issues including the mix of leisure and business travel, the meaning of sophisticated experiences or the impact of mobile web.

The IE Premium and Prestige Observatory started in 2010 with the goal of generating and sharing knowledge about the premium market and industry worldwide. With the support of MasterCard we have done research on the impact of the digital revolution in luxury client behaviour and the industry pace of adaptation. We have explored the meaning of memorable experiences and its key drivers. The Observatory has also supported premium and luxury entrepreneurship and it has given visibility to sustainable luxury entrepreneurs.

Urban tourism is a key driver of this industry. It was among the top ten most challenging issues identified by luxury experts and executives at IE Luxury Barometer 2014. At a time when up to 60% of luxury brand (apparel, accessories, cosmetics, jewellery and watches) sales in European cities are to tourists, luxury executives count on it as a key source of growth. From the industry perspective, hospitality, gastronomy and cultural sectors thrive as tourism flows increase.

The white paper “High-Value City Tourism” is based on 1700 interviews in the selected source markets US, UK, Russia, and LATAM, a vast amount of secondary research, and the opinions of a panel of experts from the hospitality, gastronomy, and cultural industries, high-value retailers and travel media, for example. The focus on high value, the results’ precision driven from a rigorous methodology and the latest data will be of interest to all players active in the high-value travel ecosystem.

For a country like Spain with strong know-how in dealing with sun and beach and touring tourism, high-value city travel is a great opportunity. Therefore, we decided go into more detail for the two capital cities of Madrid and Barcelona. We have deduced practical recommendations from the research to help to further improve the competitiveness of these two cities in the high value markets.

This work could be completed thanks to the support of MasterCard. The panel of experts has generously shared their insights into high-value city tourism, giving a new valuable dimension to this research. Thanks to the author Jörn Gieschen's rigorous work, expertise, and passion for the sector. Thank you, Andrea Dopazo who - as IE's Applied Research Director- guided us through the process.

We envision this work as one more step into generating knowledge for the premium and prestige industries. And also as a starting point for future work on cities and high-value urban travellers. We propose and offer the Observatory as a great platform and meeting point to think and collaborate and to build a stronger high-value city ecosystem in Spain and in Europe.



*Maria Eugenia Girón*

*Executive Director*

*IE Premium and Prestige Business Observatory*

*Madrid, October 29<sup>th</sup>, 2015*



#### **About the IE Observatory**

By generating worthy research & insights in collaboration with industry partners the IE Observatory for the Premium & Prestige Markets aims to be a global reference point and platform for pioneer knowledge for the premium market players in Spain, Europe, and worldwide.



#### **About Jörn Gieschen**

The study's author is an experienced freelance tourism consultant, speaker and IE collaborator. Jörn has been helping cities, countries, and companies around the world with their tourism strategies, marketing plans, innovation approaches, and branding projects.



#### **About Mastercard**

The group is a world leader in payment solutions with the vision to use their unique expertise and technology to facilitate services in a world beyond cash. Mastercard launched the unique "priceless cities" program, offering cardholders one-of-a-kind experiences in cities around the globe.

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# World, European and city tourism at a glance

## The dimensions of tourism

### International arrivals

25 mn. in 1950  
 674 mn. in 2000  
 1,135 bn. in 2014  
 1,8 bn. in 2030

Source: UNWTO

Tourism is a powerful sector, a GDP generator, a job machine; all around the world, in almost every country, region, and large city. Around 9% of global GDP and 9% of jobs currently depend on tourism. And it keeps growing almost uninterrupted, year after year for 60 years, all around the world. The number of international tourists has doubled since 1995, and now reaches more than 1,1 bn. The UNWTO expects further growth, estimating the number of international tourists to reach 1.8 bn by 2030. The expected average annual growth of 3.3% is made up of an estimated 4.4% increase in emerging destinations and 2.2% in mature destinations like Southern Europe.

## The world's major outbound markets

The last decade has seen a significant shift with regards to the biggest outbound markets, with the so-called BRIC countries, Brazil, Russia, India, China, taking a more prominent role. With the exception of India, they are already in the world's Top 10 outbound markets, with average growth rates well above those of other, more established Top 10 markets such as the US, Germany, UK, and France. The potential in all of the emerging mega-markets is still enormous, given their large populations, growing middle-class and early market stage. International travel expenditure per capita in Germany, for example, is still around 10 times greater than that in China or Brazil. Given the very different travel and destination preferences, the impact on Europe and its cities will differ across markets as the later analysis shows.

Rank		International Tourism Expenditure (US\$ billion)		Expenditure per capita (US\$)
		2013	2014*	2014*
1	China	128.6	164.9	121
2	United States	104.1	110.8	347
3	Germany	91.4	92.2	1,137
4	United Kingdom	52.7	57.6	893
5	Russian Federation	53.5	50.4	351
6	France	42.9	47.8	747
7	Canada	35.2	33.8	951
8	Italy	27.0	28.8	481
9	Australia	28.6	26.3	1,114
10	Brazil	25.0	25.6	126

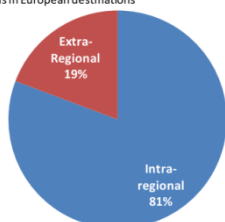
Source: UNWTO

For the purpose of this study, the long-haul markets are of special interest. Long-distance travel continues to have above-average growth rates since several years. The biggest Long-Haul market in the world is the US, followed by the UK, China, Canada and Japan.

## Destination Europe in a global market

51%, still more than half of all international travel goes to European destinations. It consist mainly of intraregional travel, but also lots of long-haul travel from markets outside of Europe. Nearly every 5th international trip in the world goes to a Southern European/Mediterranean destination. However, when looking at receipts of tourist destinations and the economic value created, the picture looks different. The 51% of international travellers to European destinations spend only 41% of the income all destinations generate from tourism.

**European Inbound 2013: 559mn**  
 Arrivals in European destinations



Source: Tourism Economics

### Top 10 European Destinations 2014

1. Spain
2. France
3. Italy
4. UK
5. Germany
6. Turkey
7. Austria
8. Greece
9. Switzerland
10. Netherlands

UNWTO, acc. to intl. tourism receipts



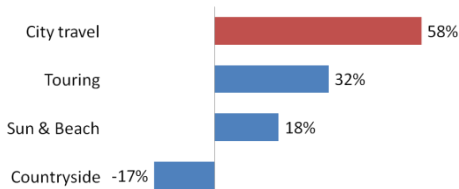
Non-European travelers account for 19% of all international arrivals in European destinations. This share will continue to grow; for the years 2014-2016 the average intraregional European travel is expected to grow around 3,5% while extra-European arrivals should grow around 5% per year. Western and Central/Eastern Europe will benefit more from this increase than Southern and Northern Europe.

## Global city tourism

And the growth goes on. According to IPK International city tourism remains the most dynamic tourism type. It now accounts for 20% of all international trips and has seen a spectacular growth of nearly 60% over the last 5 years. It must be taken into account that in addition to the 20% market share, cities are visited during touring holidays or are sometimes mixed with sun and beach holidays. But what exactly is city tourism?

Sometimes referred to as urban tourism, it is a category which encompasses all trips taken to cities/densely populated areas, where the city itself is the main destination. City travel is closely related to the so-called "short-breaks" market, because most stays only involve spending 1 to 3 nights.

Market growth (No. of Trips) 2009-2014



Source: IPK International

Global Top 20 Top Destination Cities by International Overnight Visitors (2014)

1	London	18.69 mn	11	Barcelona	7.37 mn
2	Bangkok	16.42 mn	12	Amsterdam	7.23 mn
3	Paris	15.57 mn	13	Milan	6.82 mn
4	Singapore	12.47 mn	14	Rome	6.79 mn
5	Dubai	11.95 mn	15	Taipei	6.29 mn
6	New York	11.81 mn	16	Shanghai	6.09 mn
7	Istanbul	11.60 mn	17	Vienna	6.05 mn
8	Kuala Lumpur	10.81 mn	18	Riyadh	5.59 mn
9	Hong Kong	8.84 mn	19	Tokyo	5.38 mn
10	Seoul	8.63 mn	20	Lima	5.11 mn

Source: Mastercard GDCI 2014

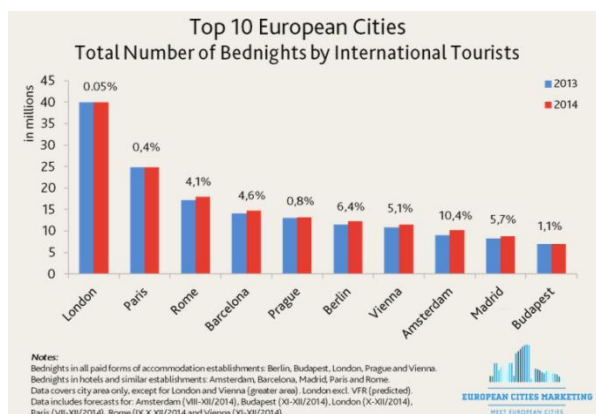
While city tourism is important all over the world, the biggest city destinations are strongly concentrated in Europe and Asia. Of the 20 cities with the most international overnight visitors 8 are in Europe and 10 in Asia. This list is completed by one North American city (New York) and one South American city (Lima).

## European city tourism

In Europe, the growth of city tourism is closely related to the rise of low cost carriers, such as Ryanair, easyjet, etc. They have opened up many city destinations to new markets and segments, driving up visitor numbers and driving down both average income and age of city travellers.

For the intra-European markets this also means much stronger competition for the traditional first tier cities like Paris, London, or Rome on the one hand, and a steadily increasing percentage of repeat visitors on the other hand. City image and product competitiveness have become more important than ever.

Looking at the extra-European markets, cities play a key role as pull-factors. Especially first-time visitors to Europe often want to see the main cities, often relating to the TOP 10 cities on the "old continent". But there is much more to city tourism in Europe. There are 44 cities with more than 1.5 mn international visitor bednights per year and there





is a second tier with 71 cities counting between 0.5 and 1.5 mn. bednights. Average growth and further potential to grow of those second-tier cities is higher than for the first-tiers.

**4,3%**  
Growth of intl. bednights in European cities 2014  
Source: ECM

Overall, the 100 cities organized in the European Cities Marketing organization have experienced a 4.3% growth in 2014, following a 3.5% growth in 2013. The years before also saw the cities outperform overall tourism growth in EU-Europe, reaching an average 6.2% annual growth during the years 2007-2012. The yearly change in source market shares in European city tourism, though, is stronger than that at country level. Airline connections and efficient marketing make a bigger difference compared to seaside or touring holidays which continue to be largely tour operator dominated. Of the biggest 9 source markets, China is the greatest success story of recent years, showing double-digit growth in 2013 and 2014. Chinese have now taken the place of Japanese travellers, as the major Asian visitor group in European cities. The number of Japanese visitor has been declining over the past two years, where as the number of Chinese and Russian visitor in European cities has doubled since 2009.



The preliminary numbers for 2015, covering the first three months suggest a continuation of the growth trend from the Asian markets. According to a ForwardKeys study on airline arrivals, Asian travel to Europe continues to have double-digit growth. Additionally, North, Central, and South America and the Middle East show growth rates of 5% or higher for travel to Europe.

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## Highlights

- ▶ Tourism is the world's largest job creating industry
- ▶ It keeps growing all around the world, but at higher rates outside the Euro zone
- ▶ City tourism is the most dynamic segment (CAGR of 6%) and outperforms overall tourism in Europe
- ▶ First time visitors to Europe often focus on the big cities
- ▶ London, Paris, and Rome take the top ranks in international visitor bed nights
- ▶ Both Barcelona (4th) and Madrid (9th) are ranked in the Top 10
- ▶ China has been the big growth driver in the past years, but also Russian tourist numbers increased heavily



## Trends to watch

Improving the value creation of city tourism requires understanding trends impacting travellers and the travel industry worldwide. Out of the existing trends we'll take a look at a selection of some of the most relevant for this study:

- ▶ General global tourism trends
- ▶ Affluent travel trends
- ▶ City travel trends



## Top 5 global tourism trends

### On and on and on - **Online in ever new dimensions**

The vast majority of travellers around the world have been using online services and platforms for inspiration, information, and booking already for many years. To be competitive, destinations have to both have their own strong web presence and be active on the most relevant platforms. Destination websites are seen as something "official", thus the content is usually highly trusted by travellers around the globe. It often is the first stop when looking for information on a destination. Successfully managing the online presence is a lot of work. Updating the destination information or improving the destination's approach to online business is a never-ending task, but one necessary in order to keep up with the pace of digital development. Some of the latest big trends shaping the development of online destination marketing are:

- ▶ **Content handover** – Following Australia's example, more and more destinations, including those one a city level, are no longer generating marketing content for their social media activities, only guiding it. Guiding means creating frames, topics, and platforms, which users—namely travellers, fans, locals, and local businesses—fill with authentic, personal content, such as pictures, videos, stories, itineraries, activities, or experiences. This type of posting is often much more personal and emotional in nature, and perceived as attractive and credible to other users. Users can be motivated to generate and contribute content through contests, fun topics, newsjacking, etc.
- ▶ **Experience orientation** - This is the area we currently see the biggest revolution in the online travel arena. To date online booking has mainly covered transportation and accommodation. Now



start-up stars like [getyourguide.com](http://getyourguide.com), [excursiopedia.com](http://excursiopedia.com), and others, are teaching travellers that activities and experiences can and should be booked online, before or during the trip. Their business models have enabled tens of thousands of activity and experience providers to gain access to the big online markets. This is important because it is the activities and experiences that can mark a great competitive advantage, whereas transportation is commodity, accommodation is mainly for the night, and urban structures and sights basically are what they are.

- ▶ **Mobile guidance** - Mobile internet connection rates abroad have been rapidly decreasing in recent years, especially within the EU countries. There is a new generation of young travellers who are accustomed to being online with their smartphone at all times. So it starts with making all the before mentioned websites mobile. But this is just the beginning. Smart apps have been, and continue to be created to inform, guide, and provide travellers with offers on the go. It is a huge playground for innovative solution designers going beyond the obvious "where-is-what apps". Some cities have developed proprietary solutions, but there are more and more third party apps taking over, using radars, gamification, social encounters, real-time connection, augmented reality, etc.
- ▶ **Bookable destination webs** - More and more destinations are deciding to gather bookable content on their own website. First, it makes life easier for travellers as they don't have to switch to other sites, effectively bridging the gap from information and inspiration to booking. Second, the site will enjoy high trust among travellers regarding data and payment safety. More importantly though, is the fact that the big OTAs (Online Travel Agencies) have accumulated a market power enabling them to charge accommodation providers and other suppliers commissions and fees, sometimes reaching outrageous sums as high as 30%. Bookable destination webs are one way for local businesses to sell at much lower cost.
- ▶ **Social media "helicoptering"** - It is not easy to track and manage all the reviews that travellers leave on sites such as TripAdvisor or Facebook. For big cities attracting people from all over the world the task is even more complicated. There are also powerful national and regional websites receiving a mass of reviews, reviews which will be in Chinese, Russian, Portuguese and Japanese, to name a few. However, with more than 80% of travellers using these reviews, mainly for accommodation, but also regarding destinations, online reviews have become a trusted source for decision makers, and as such the reviews need to be monitored and managed as an essential part of city marketing. New services like [trustyou](http://trustyou.com) or [revinate](http://revinate.com) have emerged to help structure, monitor, evaluate, and manage this chaos of information.

## Nihao, welcome to Europe - **Extra-European first timers**

8,5 mn.

Estimated number of  
Chinese tourists in  
Europe in 2020

Nowadays, many Europeans choose second-tier cities as travel destinations. They have already seen the big capital cities and are exposed, and very well connected to a huge and still increasing network of other cities, also thanks to providers like Ryanair. Among Europe's Top 10 fastest growing tourism cities we find destinations like Hamburg, Copenhagen, Bucharest, Warsaw, Lisbon, and Duesseldorf.

Still, the "Champions League" of cities are the main attraction for the many first-time visitors from growing and high-potential source markets like China, India, Brazil, and Russia, and also for other long-haul markets, especially from the Americas, North and South, and Middle and Far East.

Especially the Chinese market, now the world's biggest outbound market, is highly interesting for Europe's capital cities, yet not easy to serve. Especially attracting and satisfying Chinese travelling to Europe the first time is a challenge for many marketing boards, and businesses like hotels, tour operators, and other services. Preparing organisations and staff to cater to the affluent Chinese travellers is absolutely necessary, says Berenice Pendzialek, a consultant specialized in Chinese outbound tourism.



**Expert Shoutbox** - Berenice Pendzialek, Chinese Outbound Tourism Specialist

## Top 3 Tips for European cities targeting affluent Chinese travellers

### **#1 Know the market**

*Stereotypes are to be avoided and instead the diversity that the Chinese market represents should be embraced. To better understand this diversity and how to deal with it, training seminars for Europe's tourism industry stakeholders are recommended. China is by now a multi segment market. For both main leisure segments, group and self-organised, the tourism industry should seek to go beyond rather passive experiences, which currently mostly focus on just gazing from afar, and include tourists in everyday, authentic experiences with European locals in order to promote multi-sensual participation, for example.*

### **#2 Reach Chinese customers via digital touch points**

*A cost-effective way of reaching Chinese travellers is via the digital sphere. A first step is to build the digital presence via homepage content in Chinese Mandarin, and when possible hosted in China. Europe tourism stakeholders can keep up the conversations with Chinese travellers with social media presence by establishing an account in the microblog site Sina Weibo or in Tencent's rising star: WeChat and a Chinese social media manager. UGC is also another preferred form of digital communication, so allow your customers to instantly share their experiences online and promote the eWord of Mouth. Or invite famous bloggers to promote your city. Chinese Friendly International did this in 2013, when they invited two famous bloggers to experience a 15-day route around Spain's certified Chinese Friendly Cities: Barcelona, Madrid, La Rioja, Valladolid, Sevilla, Granada, Madrid and Segovia.*

### **#3 Adapt offerings**

*For infrastructure, it is necessary to include information in Chinese Mandarin language, for example, at airports, main tourism attractions and hotels as English is not yet as widely spoken as in Europe, for example. It is important to not just to fulfil the communication needs and focus on mere information, but to make the Chinese feel welcome. If possible, it is also recommended to have Chinese speaking staff. Above all, destinations should try to provide tourists with free WiFi wherever possible as this is increasingly becoming a basic need for travellers, but still not as common in Europe as in China.*

## End of to-do-list travel - Experiences over sights

City destinations, in particular, are more about "seeing & doing" than nature-dominated destinations, where simply "being" is often more important. To better understand this, "seeing & doing" needs to be defined. The Tour Eiffel in Paris, the Sagrada Familia in Barcelona, the Tower in London and the Brandenburger Tor in Berlin are fantastic sights. Many people want to see them once in their lifetime. But once they've seen them - what's next? How can destinations attract repeat visitors? How can they attract a new generation of travellers who are not as fascinated anymore by mere sight-seeing? These destination types will be forced to be more creative in the future.

The new "sights" are experiences, the "doing". Experiences, that are true to a place, that are authentic, that allow for interaction with locals and/or other travellers, that create long-lasting memories and stories to tell and share. Experiences often do not require a major physical or financial investment, they require creativity, local stakeholder engagement, and niche marketing. Experiences often are tailor-made and only appeal to a certain fragment of the market. Destinations, thus, need to develop and manage a system of experiences catering to specific interests and passions of the many diverse target segments. Local MSME (Micro, Small, and Medium sized Enterprises) involvement is key to success in this.

## Who needs the trade? - Booking authentically local

Nowadays too many websites want to look like Airbnb. The temptation is understandable as the American company has not only set new standards for web design, they have sparked a revolution



within the travel sector. Thanks to Airbnb, the phenomenon of booking private homes from private people all over the world has reached a new dimension, further diminishing the role of travel agents and tour operators, and becoming serious competition for hotels and professionally managed rooms, apartments, and houses. The Economist estimates that by 2016, Airbnb alone will account for 10% of the worldwide hotel market.

Another revolution is occurring in many places around the world, this time in the transport sector—the rise of "private" rides via platforms like Uber replace professional, licensed taxi services. There are many debates around these adolescent companies of the sharing economy and some cities have placed bans. But people have embraced these new opportunities when travelling and there is no way back to the old world. Destinations will find ways to collaborate with Airbnb and the like, they will have to.

Two factors are the driving force behind this trend. First, consumers try to get better deals by cutting out the middle-man, the travel agency, or tour operator. The second factor is even more powerful—it is experience driven. Travellers connect with local people via Airbnb, allowing them a greater level of immersion in the city. Rather than travel "like a tourist", they live like locals and get to know the city in an authentic and unique way. Furthermore, they see there are a million other ways to sleep rather than just in a standard hotel room.

### Single-double-triple-multi room - **Fragmented travel demographics**

Airbnb is solving another problem that the travel industry is facing on a more frequent basis. That is, the problem of catering to a much more diverse and fragmented structure of travel groups. For example, many suppliers have not been able to adapt well to the single traveller, only one of the ever more important target groups. It is not only the accommodation offer that is failing to adapt, many activity-based companies still design their products, services, marketing and price structures focusing couples or 2+2 families. Increasingly, the market will have to cater to new types of travel groups:

- ▶ Single travellers of all ages
- ▶ One-child families
- ▶ One-parent-families
- ▶ Groups of friends of all ages
- ▶ 3- or sometimes even 4-generation grand-families
- ▶ High-income families with 4 or more children
- ▶ etc.

Accommodation-wise the offer is growing for these interesting target groups. Thank you, Airbnb and company. Huge regional differences can still be seen from market to market, and there is still immense potential in the design of service solutions and experiences for these target groups. Zell am See in Austria has shown how to adapt to these challenges, focusing an entire sector to enhanced value creation for rich, large families from the Middle East.



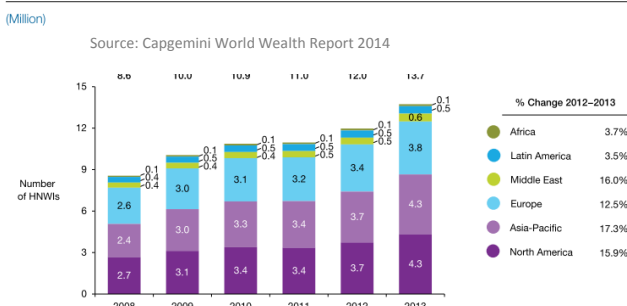
# Top 5 affluent travel trends

## More and more and more – HNWI numbers keeps rising worldwide

Affluent, millionaires, Wealth Upper Class, HNWI, UHNWI, centa-millionaire, billionaires. There are many different groups, terms, and definitions of people who are able to spend good money on high-value travel. One common factor among almost all of these groups is that they are growing, in numbers and/or average spending power.

A study done by Allianz Research which differentiates between lower, middle, and upper wealth classes, shows that although shrinking, 75% of the world’s population still belongs to the lower wealth class, with new financial assets below 5,300 € per capita. But this group is shrinking, the fight against poverty is slowly showing results. Also shrinking, by 35 mn. people from 2000 to 2013, is the upper wealth class, defined as those with net assets of more than 31,800 €, therefore covering the vast share of the Western middle class. In developed economies such as the US, Japan, and many European countries, many people were demoted to the middle wealth class. One could call them "middle class losers."

FIGURE 1. HNWI Population, 2008–2013 (by Region)



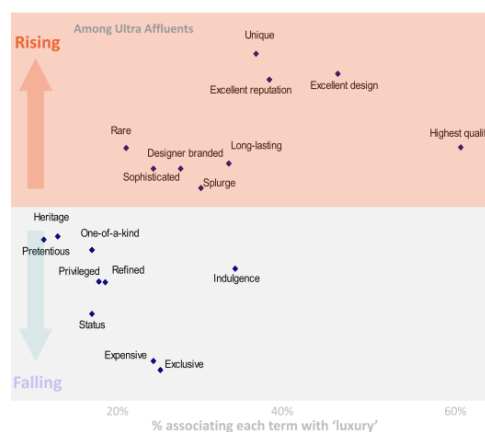
At the same time the number of High Net Worth Individuals, defined as people with more than USD 1m in net assets (excluding primary home ownership), has been growing strongly year after year - all across the world. In 2008 there were still 8.6m HNWIs, in 2013 the number had risen to 13.7m. All of the big regions—North America, Asia-Pacific, Europe, and the Middle-East—experienced double-digit annual growth rates.

## Millennial millionaires – New luxury travel segments

In the US, the largest affluent market in the world, and the one setting many trends for the rest of the affluent world, a generational change is underway. Baby Boomers still account for 38% of the affluent market, but the Millennials (now aged 18-34) already make up 22% of the total market, with their share steadily increasing, following the Ipsos Affluent Market Survey USA 2014. The millennials have a totally different spending behaviour than the baby boomers or Generation X. In addition to the USD 100k+ household income as affluents, they also often count with access to significant wealth accumulated by their parents. Have affluent baby boomers and Generation Y still significantly used travel agents for their high value holidays, the Millennials are totally at ease booking a 5,000 USD villa or tour online. AdAge Insights, though, remarks the big difference in spending behaviour between rich (former) kids and successful career or entrepreneur highfliers, the latter showing a much more conservative spending behaviour.

## Soul over status – the new luxury

It is also the Millennials ending the era of mass affluence, where status still was a major motivation. Instead, many are asking for more personal experiences, willing to pay more for it than the former mass affluence target group. Status has lost part of its significance among affluents, especially in the mature markets according to the Ipsos Affluence Barometer. Following the logic of Maslow's hierarchy of needs, new key concepts enter the game - those from the very top of the famous pyramid, like self-



Source: Ipsos Affluence Barometer 2014



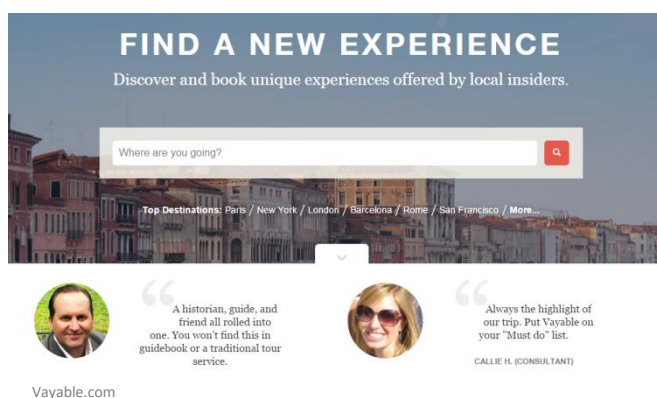
actualization, creativity, or the pursuit of inner talents.

The evolving luxury is often idiosyncratic, meaningful, experiential, pure. The new marketing language, as suggested by Ipsos, is quiet, lush, practical, innovative, and less formal than before.

One must take into consideration, though, that this "Luxury 2.0" is mainly found in the more mature affluent markets in North America, Europe, and Japan. The old dictate of status, indulgence, and exclusive and visible luxury is still valid among many affluent in newer luxury markets such as China, Middle East, and Africa. For the moment, both worlds will still have to be served, a task often impossible using a single business model. Undoubtedly more and more Luxury 1.0 affluent will turn into Luxury 2.0 customers over time.

### Getting personal - starting off online

As mentioned before, the new luxury segments are much more interested in deeply moving, sometimes even transformational, personal experiences when travelling. The irony is that most of these "personal experiences", often including connecting to local people, are booked online. And even approximately 2/3 of America's ultra-affluent book their holidays online. Online services like Vayable



do start a personal relationship, often involving a local guide, using an online platform.

There are two differing opinions regarding online connection during holidays. One part of the affluent—often stressed-out, 24/7-digitally connected people—consider digital detox to be a true luxury. De-connecting with technology to re-connect with the offline world—with people, loved ones and locals alike.

Another part of the affluent, especially affluent Millennials who are digital natives born into this digital world and do not have negative feelings about being connected 24/7, believe the contrary. As with their every day life, they also feel the need to be connected during holidays. For both groups, online should be seen as a powerful potential facilitator for a new quality of offline experiences.

### Paying for purity - New destinations off-the-beaten path

New destinations are needed for the affluent. Not necessarily, because they are driven to more and more new places. The opposite is the case, 3rdplanet research has found that the affluent are more likely to return to highly-valued places than other market segments. The trouble is that affluent people often set the trend for other target groups to follow, to a certain degree their repeated visits support the mass-ification and loss of authenticity of destinations.

Affluents have the purchasing power to buy their way out of this dilemma in two ways: (i) moving to new destinations not easily accessible to others, e.g. high-end resorts in remote areas of Mozambique, Oman, or the Seychelles, or (ii) by selecting accommodation and experiences which are off the beaten path, even in mass destinations such as the major European capital cities. Stress reduction plays a key role in the appeal of these "destinations in the destinations"—plants, noise reduction, space, privacy, and views are crucial elements. Therefore, city marketers have the job of defining these new "destinations" within their given destination, this does not necessarily mean moving affluent repeat visitors to other parts of town, but facilitating the access to unique places just a block away from the main action.



## Top 5 city travel trends

### Culture is now - **Redefining cultural activities**

The term "cultural travel" has long been reduced to activities related to cultural heritage and tradition. But tour operators, like TUI, report an ongoing decrease in the booking of classic sightseeing tours and visits. In trend-setting cities, like Berlin, Lima, or Singapore, the potential to attract large numbers of cultural visitors is much more related to the present, or even the future of those places, than to their history alone. New, exciting online concepts like Tel Aviv start-up [blendwiz.me](#), offer cultural encounters among all kinds of visiting and local aficionados. You are a male from Belfast and love Flamenco? You can now find other people passionate about it in the city you are visiting. Other city activities involve local artists, small designers, musicians, or non-professional locals, connected by online networks and platforms.

### Smart cities - **Smart travelling**

According to 3rdplanet research, 3 out of 4 travellers use a mobile device while on-the-go. Nowadays, the majority of them use smartphones, especially affluent travellers. And as Europe has reduced the cost of mobile data abroad, there is room for many new smart mobile solutions. These solutions are no longer only about guiding and informing travellers while they move through a city, but also about inspiring and surprising them, enabling remarkable experiences. Cities also use digital and other technology to enhance the travel experience through effective crowd management, providing sustainable practices, or by simply providing free and fast wireless internet in many areas. More and more, smartphone apps complement these efforts, some in collaboration with the cities, others alone. For example, the start-up Toursnapp, has developed a smartphone app using a "radar" to detect interesting sites while on the go, complemented by verbal guidance and augmented reality to inspire and inform tourists while they spontaneously discover a city.



**Expert Shoutbox - Luis F. Robledano, CEO Toursnapp**

**Travel apps - changing the way tourists move in a city**

#### ***Travel apps are game changers***

*Of course most big websites have been optimized for mobile phone use by now. But the recent few years have seen the rise of another digital approach, on its way to change the ways we explore a city forever: travel related smartphone apps. According to a google research 78% of US travellers have downloaded/used at least one travel-related app. That explains another impressive fact: of all travel stages the in-destination experience is the one where the smartphone is being used most, more than for any of the stages at home (where internet access usually is cheaper or free) like inspiration, research, booking, or post-trip. Travel apps can do so much more than just mobile optimized websites. They use the GPS function to accompany you while walking a city, they carry specific tools like augmented reality that detects monuments simply through the camera lens to then tell you the story behind, etc. The range of innovation coming with these travel apps is enormous. Our app Toursnapp, for example, detects, alerts, and guides you and explains - via augmented reality and voice - nearby cultural sites as you move freely and spontaneously through a city.*

#### ***DMOs must decide and endorse***

*Businesses and DMOs must make choices, though. The offer of apps is broad and people are not sure which one or two or three are the best for their purposes to discover YOUR city. This is where the tourist office/destination website enters the game, because for a tourist this still is the most trusted source of information. So tourist offices should be prepared to offer a very small selection of apps for different purposes. Usually 2 or 3 apps will do. This way the DMOs can also contribute and control content in order to make sure the visitor experience is the best possible. In the best of the cases the apps are somewhat adaptable to your needs, easy to manage and distribute, and come at*



*no cost for the DMO. Check the market, compare, dare to ask for individual configuration, and run a test phase to check acceptance before you carefully choose your city's winning apps.*

## Hey, big spender - Shopping tourism on the rise

In Paris it already is very common—Chinese sales staff and shopping assistants. But not only Chinese, also other Asian, Russian, and Middle-Eastern tourists are extremely high spenders in the European capital cities. Luxury goods are often cheaper to purchase in Europe and even more important, they are from Europe, the home of their favourite luxury brands. Nine of the ten most respected luxury brands are from Europe. And while the concept of authenticity is not so important with regards to culture for the so-called Luxury 1.0 travellers from Asia and the Middle East, it certainly is with regards to luxury brands. Additionally, in both regions buying expensive presents for family, friends, and colleagues back home, is almost a must. Flying home with not one, but 25 Montblanc pens, or a Rolex watch is nothing unusual for these travellers. Tax redemption schemes make tourism shopping

even more attractive. On the other hand, tourist from more mature travel markets are often tired of finding the same brand in every city, and prefer to look for typical local goods and services, such as small, hidden galleries or young local fashion designers. "Small is beautiful" and "local over global" are the mottos for them.

Tourism definitely drives shopping, but more and more, shopping is becoming a main motivation to travel. Dubai, for example, organises a huge shopping festival each year, attracting people from all over the region and world.

## Eating local - Culinary tourism as core experience

Food is a great and easy way to access the contemporary culture of a place. People all around the world are increasingly conscious about the differences, origins, and elaboration of food. While younger generations may be more used to consuming international cuisines in their home town, nothing beats the original A paella in a small whitewashed stone restaurant by the Spanish seaside is undeniably much better than at the "Don Alfredo" restaurant in London. Similar to shopping, food is increasingly a main motivation for choosing a particular place to visit. An illustration of this is Lima, Peru, which has successfully created a hype around its food temples and markets. Who knew about Peruvian food 10 years ago? It is now home to one of the best five restaurants in the world and its food culture attracts hordes of tourists. When not the main motivator, food can still be at the centre of many tourist experiences, from visiting breweries and tasting beer to exploring urban organic markets and fresh cooking with a local chef.

## Bleisure - Mixing business, work and leisure

Big cities host big businesses, big conferences, and big fairs. Business travel is a vital part of the travel market in cities. Working habits are changing; more and more people work remotely, they work on weekends and during holidays, and they take time to play when on business trips. According to an Expedia survey, this is especially true for Millennials, as 62% of them have extended a business trip into a vacation before. Comparatively, only 37% of those 46-65 year olds reported doing the same. Another Bleisure study conducted by Bridgestreet Hospitality found that six out of ten business travellers said they are more likely to combine leisure time with business trips than they were five years ago.



Cities and businesses will have to find ways to better cater to this share of business travellers, both to the classic business trippers, which is only one half of the market, as to the other half of the market who are visitors of conventions, conferences, fairs, and other business related events. The city of Zurich, Switzerland, for example, has embraced this trend and has started a collaboration with its hospitality sector to better combine business and leisure oriented services in the city and hotels.

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## Selected Top Trends

### Global Travel

- ▶ On and on and on - **Online in ever new dimensions**
- ▶ Nihao, welcome to Europe - **Extra-European first timers**
- ▶ End of to-do-list travel - **Experiences over sights**
- ▶ Who needs the trade? - **Booking authentically local**
- ▶ Single-double-triple-multi room - **Fragmented travel demographics**

### Affluent Travel

- ▶ More and more and more - **HNWI numbers keeps rising worldwide**
- ▶ Millennial millionaires - **New luxury travel segments**
- ▶ Soul over status - **the new luxury**
- ▶ Getting personal - **starting off online**
- ▶ Paying for purity - **New destinations off-the-beaten path**

### City Travel

- ▶ Culture is now - **Redefinition of cultural activities**
- ▶ Smart cities - **Smart travelling**
- ▶ Hey, big spender - **Shopping tourism on the rise**
- ▶ Eating local - **Culinary tourism as core experience**
- ▶ Bleisure - **Mixing business, work and leisure**



# Europe's major city destinations

## The star cities

There are two types of stars. "The tourist magnets" are the cities that attract the most international overnight visitors. Overnight visitors spend at least one night in a paid or unpaid accommodation within the city. According to 2014 statistics, the top three cities were also the only ones with international overnight visitors in the double-digits of millions, namely London, Paris, and Istanbul, ranging from 12m to 19m visitors. The visitors counted arrived from both inside and

The tourist magnets <i>mn. overnight visitors 2014</i>		
1	London	18,7
2	Paris	15,6
3	Istanbul	11,6
4	Barcelona	7,4
5	Amsterdam	7,2
6	Milan	6,8
7	Rome	6,8
8	Vienna	6,1
9	Prague	4,9
10	Munich	4,9
11	Madrid	4,3

The growth stars <i>growth overnight visitors 2010-14</i>		
1	Istanbul	81%
2	Vienna	33%
3	London	27%
4	Munich	26%
5	Amsterdam	22%
6	Prague	20%
7	Barcelona	19%
8	Paris	17%
9	Milan	17%
10	Madrid	4%
11	Rome	1%

Source: Mastercard Global Destination Cities Index 2014

outside Europe. While London attracts "only" 33% of its overnight visitors from outside Europe, non-Europeans account for 53% of Paris's visitors.

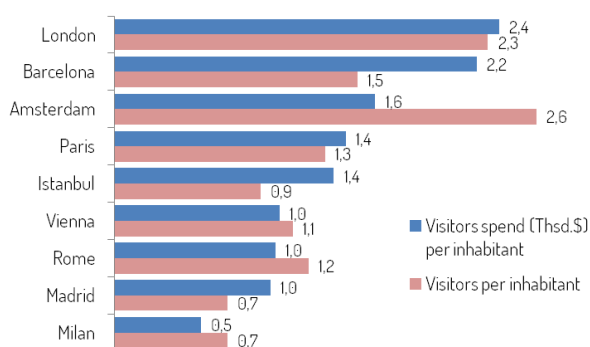


The second star category is "The growth stars". Here we have a clear winner, Istanbul, who has grown 81% in the past four years. The cities success in this category is largely a result of the aggressive global expansion strategy of national carrier Turkish Airlines, which aims to be nothing short of the world's largest and best airline. In Feb 2015 it had reached the No. 4 rank worldwide, as determined by the number of worldwide destinations it flies to. According to the Air Hub Index Score, Istanbul is already the sixth

largest air traffic hub in the world, following London, Paris, Frankfurt, Dubai and New York. With more than 25% growth over the past four years, the growth runner-ups are Vienna, London, and Munich.

## Tourism impact

Tourism can be a double edged sword. The cities' main intention with tourism is to generate employment and income for its residents, creating a positive economic impact. Of course, there is also



Data sources: Mastercard Global Destination Cities Index 2014, TourMIS/based on National Statistic Offices

a cost factor, as cities have to invest in infrastructure, marketing, and services in order to cater to tourists. On the other hand, too many tourists poorly managed can create negative impacts on a city like congestion, rising prices, and degradation of local culture.

Looking at the combination of the spending of visitors per inhabitant and the number of international overnight visitors per inhabitant creates an interesting picture. We can see that both Barcelona and Madrid have a much better impact balance than a city like Amsterdam. This



conclusion is valid, but also rather simplified when evaluating the real impact. Many other factors not taken into consideration play a role here, e.g. how tourists spread across the city, what they spend on (local businesses vs. international chains), seasonality, length of stay, and so on.

## City brand power

### Tripadvisors Traveler's Choice 2014

Top 20 big cities in Europe

1	Istanbul	6	Berlin
2	Rome	7	Florence
3	London	8	Barcelona
4	Prague	9	St Petersburg
5	Paris	10	Budapest
11	Lisbon	16	Vienna
12	Venice	17	Milan
13	Madrid	18	Athens
14	Amsterdam	19	Dublin
15	Krakow	20	Moscow

\* list modified, smaller cities eliminated from original ranking also make it onto the list.

There are different approaches towards measuring the brand power of tourist destinations. Most are on a country brand level, but there are also some interesting ones on a city level. A tremendously powerful tool is Tripadvisor's Travellers' Choice Award. Each year millions of travellers vote and rate the best destinations worldwide across different categories. There is little change in the cities that top the list rankings from year to year.

It is mainly the big city destinations which make it into the best choice list and compete amongst each other. There are however select medium-sized cities, which are more or less famous tourist places like Florence, Venice, or Krakow, that

Asset strength		Brand strength	
Average score 59		Average score 60	
1	Paris, France ..... 89	1	Paris, France ..... 99
2	London, UK ..... 88	2	London, UK ..... 97
3	Munich, Germany ..... 86	3	Barcelona, Spain ..... 96
3	Barcelona, Spain ..... 86	3	Berlin, Germany ..... 96
4	Amsterdam, Neth ..... 83	3	Amsterdam, Neth ..... 96
5	Rome, Italy ..... 79	4	Munich, Germany ..... 87
6	Milan, Italy ..... 77	5	Stockholm, Sweden ..... 85
6	Vienna, Austria ..... 77	6	Prague, Czech Republic ..... 83
7	Madrid, Spain ..... 75	7	Rome, Italy ..... 81
8	Athens, Greece ..... 73	8	Athens, Greece ..... 80
9	Frankfurt, Germany ..... 72	9	Madrid, Spain ..... 77
9	Stockholm, Sweden ..... 72	9	Vienna, Austria ..... 77
9	Antwerp, Belgium ..... 72	10	Milan, Italy ..... 75
9	Prague, Czech Republic ..... 72	11	Dublin, Ireland ..... 74
10	Oslo, Norway ..... 71	12	Edinburgh, UK ..... 70
11	Berlin, Germany ..... 70	13	Frankfurt, Germany ..... 67
11	Lisbon, Portugal ..... 70	14	Copenhagen, Denmark ..... 65
12	Naples, Italy ..... 69	14	Hamburg, Germany ..... 65
12	Dublin, Ireland ..... 69	15	Stuttgart, Germany ..... 64
13	Hamburg, Germany ..... 68	16	Oslo, Norway ..... 60

Another interesting approach is Saffron's European City Brand Barometer. The City Brand Barometer looks at both brand strength and asset strength. Brand strength is determined by a panel of well-informed experts who vote on factors such as the quantity and strength of positive/attractive associations, pictorial recognition, conversational value, plus counted media appearances. Asset strength is a combination of factors like the quality and quantity of attractions, gastronomy, ease of transport,

Brand utilisation	
Average score 91	
1	Berlin, Germany ..... 137%
2	Stockholm, Sweden ..... 118%
3	Prague, Czech Republic ..... 115%
3	Liverpool, UK ..... 115%
3	Amsterdam, Neth ..... 115%
4	Barcelona, Spain ..... 112%
5	Paris, France ..... 111%
6	London, UK ..... 110%
6	Athens, Greece ..... 110%
7	Dublin, Ireland ..... 107%
8	Edinburgh, UK ..... 104%
8	Madrid, Spain ..... 104%
9	Rome, Italy ..... 102%
10	Munich, Germany ..... 101%
10	Belfast, UK ..... 101%
10	Glasgow, UK ..... 101%
11	Vienna, Austria ..... 100%
12	Copenhagen, Denmark ..... 99%
12	Newcastle, UK ..... 99%
13	Milan, Italy ..... 97%

climate, cost, shopping, and prosperity. The combination of the two creates an interesting brand utilisation factor, which tells us how well a city is able to leverage its assets to create a positive brand image. Berlin, Paris, Barcelona, and Madrid all make it into the Top group of the cities with the best tourism assets, but have very different brand image strengths. According to the European City Brand Barometer, Berlin is a great place, but compared to its outstanding brand strength, it is quite overrated and runs into the danger of not being able to fulfil visitors' sky-high expectations. Paris and Barcelona are also overrated according to the list, while Madrid's real attractiveness is in line with its brand strength. On the other hand, cities like Lisbon, Antwerp, and Dublin have stronger assets than brand power, and thus have lots of room for improving their marketing without having to invest heavily in improving tourism asset quality.

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## Highlights

- ▶ London and Paris are still by far the two biggest city destinations in Europe
- ▶ Istanbul is the growth star, but does not generate the length of stay and spending of rivals yet
- ▶ Many top cities have more tourists per year than inhabitants
- ▶ London, Barcelona, and Amsterdam are among the cities generating most tourism income per inhabitant
- ▶ A city's image is sometimes better than reality, such is the case in cities like Berlin, Stockholm, and Prague, as well as Barcelona.



# The Non-Euro source markets overview

In the following the report will focus on a few of the major Non-Euro, mostly long-haul source markets for European cities. A selection of key markets has been done according to the following criteria:

1. Non-Euro countries only
2. High number of arrivals and nights spent in Europe and Spain
3. Diversity of selected markets (from different key world regions/continents)
4. Recent growth level and growth potential
5. Existence/accessibility of market data through both primary and secondary research

The pre-screening identified 4 key markets to look at in-depth, including primary research:

- United Kingdom
- United States
- Russia
- Brazil/Latin America

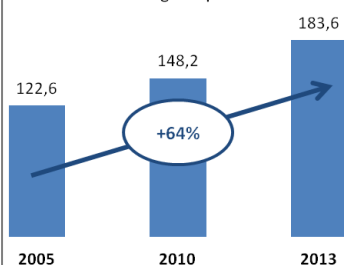
## Market relevance for destination Europe

Long-haul travellers to Europe usually don't come for beach or other types of relaxing holidays. They come to travel around, to visit Europe's famous landmarks—usually (in) cities—to see unique architecture and to experience other cultures. They come to taste local foods, to go shopping, and to enjoy the local lifestyles. First time-travellers are especially likely to flock to the famous big cities in Europe. An American visiting the UK will most likely spend the majority of time and money in London, a Brazilian travelling to France in Paris, and so on. So, despite the absence of good, comparable city level market data, an understanding of country level data will shed light on the relevance, growth, and differences among the afore mentioned

### Fact 1 - Strong growth

Non-European (plus Russian) travel in Europe has been growing strongly since 2008. This growth means more than 60m additional bednights for European hoteliers from outside heartland Europe.

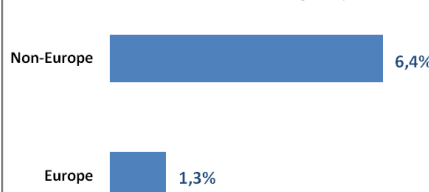
Growth Non-European travel in Europe  
- mn. nights spent -



### Fact 2 - Outperforming Europe

Non-European (plus Russian) travel in Europe has grown more rapidly than intra-European travel in the past 8 years. The years 2010 to 2013 even saw an average yearly increase of nearly 12%.

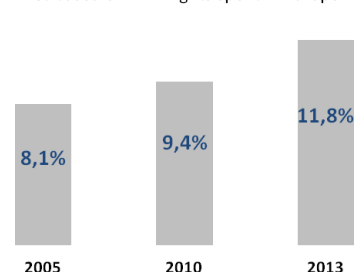
Growth European vs. Non-European travel in Europe  
- CAGR 2005-2013 based on nights spent -



### Fact 3 - Bigger market share

The market share of Non-Europeans (plus Russians) among all international travel in Europe has reached nearly 12% by 2013. It has steadily increased over the recent years.

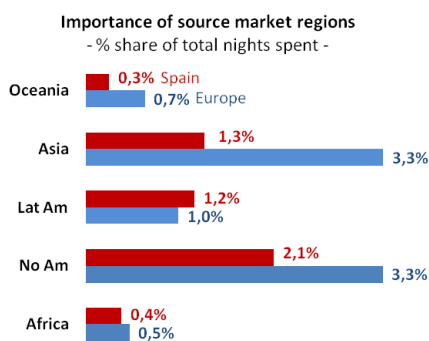
Market share Non-European travel  
- % based on mn. nights spent in Europe



. Due to lack of data bednight in Romania and Ireland could not be taken into account, the bednights in UK for 2013 are an estimate. Russia has been added to Non-European markets for the purpose of this research. Bed nights = hotel nights.



# Major source markets for Europe and Spain



Source: Eurostat

Currently, European inbound travel is heavily dominated by two world regions: North America and Asia, both with a similar number of bednights spent. As a leading beach tourism destination, Spain naturally has a lower share of Non-European bed nights than the European average. Still it is remarkable that Spain has not yet achieved a highly popular status as an European destination in Asia. Asia is a particularly interesting source market region, both with regards to high-end travel and to city tourism, and while Spain is lagging behind, it provides a lot of growth potential.

Here is the good news: Spain has been strongly catching up in the last couple of years. From 2010 to 2013 Asian tourism to Spain has been growing faster than the European average. The same is true for tourism from Oceania. Growth rates of tourism from both North and Latin America, remains slower for Spain. So while efforts should be made to continue the recent success in Asia, a re-activation of marketing Spanish destinations to the Americas could have a positive impact.

## Average annual growth of bed nights 2010-13

Source markets	Europe	Spain
Africa	7,4%	6,7%
North America	3,6%	2,7%
Latin America	10,7%	6,4%
Asia	11,4%	16,8%
Oceania	5,8%	13,0%

Source: Eurostat

## Nights spent by Non-European visitors 2013

Europe			Top 10 source market regions	Spain		
mln nights	Share	Rank		Rank	Share	mln nights
47,5	31,3%	1	United States	1	29,0%	4,4
30,4	20,0%	2	Other Asia	3	10,3%	1,6
12,2	8,0%	3	China incl. Hong Kong	8	4,9%	0,8
11,4	7,5%	4	Japan	4	7,6%	1,2
10,9	7,2%	5	Other Latin America	2	15,8%	2,4
10,1	6,6%	6	Australia	9	4,3%	0,7
8,4	5,5%	7	Canada	7	6,2%	0,9
8,3	5,5%	8	Africa	5	7,5%	1,2
7,0	4,6%	9	Brazil	6	7,1%	1,1
3,2	2,1%	10	South Korea	10	2,2%	0,3
151,9	100,0%		Total Non-Europe		100,0%	15,3
<i>In comparison</i>						
151,9	8,9%		Total Non-Europe (of all nights)		5,3%	15,3
49,5	2,9%		Russia (of all nights)		3,2%	9,0
111,1	6,5%		UK (of all nights)		16,5%	47,3

Source: Eurostat

Looking at the specific countries and regions that make-up an important share of the total Non-European visitor market, there is one big common factor: the US is still by far the most important Non-European source market for both Europe as a whole and for Spain, accounting for around 30% of all Non-European visitor hotel nights. Then there are also big differences, especially regarding the Asian markets. Both the more mature markets of Japan and South Korea have a similar market share in Europe as they do in Spain, but Spain is clearly lagging behind with regards to China/Hong Kong and other, newer Asian source markets. Given the cultural links to Latin America, markets like Brazil have a higher presence in Spain than in Europe as a total.

If comparing the two European Non-Euro markets mentioned, UK and Russia, the differences get clear. For example, compared to US tourist nights in Spain, there were twice as many nights spent by Russians and more than ten times as many nights spent by British tourists. Looking at Europe as a whole, Russians and US-Americans spend more or less the same number of nights in European countries.

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## Highlights

- ▶ European destinations have stronger inbound growth from Non-European markets than from European markets
- ▶ Asia and North America are the most important source market regions, however the US remains the biggest market
- ▶ Spain lags behind in the Asian markets, but has been catching up in recent years
- ▶ Latin America remains an especially strong source market region for Spain
- ▶ Non-European tourists account for 9% of all international bed nights in Europe (compared to 5% in Spain)
- ▶ Russia alone accounts for around 3% (not included in Non-European bed night count)



# Major markets one by one



## United States

United Kingdom

Russia

Latin America

Country	United States of America
Inhabitants	319m
Number of hotel nights in Europe	47.5m
Hotel nights in Europe per 100mn pop.	14.9
Share of Non-European markets	31.3%
Average annual Growth 2010-2013	3.8%
Flight time major cities to Paris	7-12 hours

## 1. AMERICA'S WEALTHY

By far the largest population of wealthy people in the world - and growing

The dominance of the US in the global club of High Net Worth Individuals (HNWIs, people with more than 1m USD in liquid assets) prevails. According to Cap Gemini's 2014 World Wealth Report in 2013 29% of all HNWIs worldwide were US-Americans. A number which grows year after year; in 2013 there were over 4m HNWIs in the US, that's 570,000 more than one year before.

Looking to the group of affluent, that is adults living in households with a yearly income of at least USD 100,000 , the trend is the same - growth. Ipsos recorded a 6% increase of affluents in the US in 2013 compared to 2012, and another 8% increase in 2014 compared to 2013, reaching an all-time high of 67.5 m people. This is 23% of the US-American population.

The US is the biggest high-spender market in the world by far and will remain in that position for years to come.

A HNWI generation shift is underway

Baby Boomers (aged 50+) account for 38% of America's HNWI market, but this share is constantly decreasing as the number of Generation X and Y (the latter often also called Millennials), take over. Millennials now account for 22% of the HNWI population. It is expected that by the year 2017 Millennials will outspend Baby Boomers, a compelling reason to take a closer look at this segment of the market.

The Millennials - torn between materialism and value concerns

In general, the average American Millennial spends four times their own income, meaning that they are use to spending their parents' money. This means that personal income is not always the right measure to identify your target segments. Materialism among this group is higher than ever. Jean Twenge, a professor of psychology at San Diego State University and author of "Generation Me: Why Today's Young Americans Are More Confident, Assertive, Entitled -- and More Miserable Than Ever Before." says that "it comes from the media's glorification of the rich and famous, yet there is rarely a backstory about how hard those people worked to get there." This "Generation Me" shows off the young wealth on social media sites like "richkidsofinstagram". Those who work hard to earn their money are much more conservative about their spending. What they do have in common with their peers is the high digitalisation of their life and consumer behaviour. According to Ipsos, 88% of them use social media at least once a week, and on average they spend close to 6 hours Facebook alone. They also trust in peer and consumer reviews and personal online recommendations more than any other source when considering a purchase.



In contrast to their high materialism, affluent American Millennials are also much more interested in having a positive social impact than previous generations. In general, the desire among HNWIs in the US to have a social impact is somewhat lower than the global average, but over 80% of the Millennial HNWIs state that it is extremely or very important, a number that increases among women. For the HNWI over 60 years old this percentage drops to only 32%. When it comes to social impact, women tend to show greater interest in cultural topics, while men show a preference for economic topics.

## 2. AMERICAN AFFLUENT TRAVEL

American travel consulting firm MMGY has done interesting research in the US, talking to 1.250 affluent travellers with an annual income over USD125k. Highlights of the findings include:

### Travel intensity

- More Trips: In 2013, travellers with an annual income of \$250,000 or more took an average of 6.2 leisure trips, significantly more than the 4.7 vacations taken by those with an annual household income between \$125,000 and \$250,000.
- Both groups plan to spend more on travel in the coming years

In general it can be said, the higher the income the greater the travel intensity, especially abroad.

### Destinations

Europe is a top destination for affluent American travellers. 60% of the interviewees stated the interest to travel to Europe within the next 2 years. That is more than those expressing an interest in travelling within the US (50%) or the Caribbean (50%). The top mentioned destinations in Europe were:

1. Italy (41%)
2. England (40%)
3. France (38%)

### Booking

- Travel agencies are not completely out of fashion: 25% plan to use the services of travel agents, an increase over the past years. Increasing specialisation of travel agents could be an important reason for this.
- OTAs are being used, but mainly for research. While 60% use them for research, only 30% use them for booking.
- Affluent American travellers actually prefer booking directly with the service providers, which accounts for 45% of the bookings, almost half of which are done via phone.
- Travel review sites also have an impact, around a third of respondents stated that they have visited online communities, forums, or blogs with reviews. 75% of those using these sites go in-depth and take their time to read individual evaluations.

### Interests & Motivations

In nearly all travel related surveys, relaxation and disconnection receive the highest scores as travel motivations, for America's affluent this was closely followed by exploration, experiences, and relationship enhancing:

- 75 % cite the desire to have enough time to relax and unwind
- 64 % want to explore new cities and attractions
- 59 % wish to experience different cultures
- 54 % want to enhance their relationships



## Huge differences due to different income levels

According to the Shullman Research Center, there are significant differences in the travel behaviour among affluent and the Top 1% of the wealthy US population. In their study, Shullam Research Center compared the 75-250k USD household income group with the Top 1% of 500k USD and more household income group. Some of the biggest differences include:

The Top 1% are:

- Twice as likely to be travelling outside the US than the Affluent (59% to 28%)
- 2.5 times more likely to be planning an international adventure trip (23% to 9%)
- More than twice as likely to plan on staying at five star resorts (24% to 11%)
- Almost 4 times as likely to stay at a luxury boutique hotel or resort (11% to 3%)

When comparing the affluent with the non-affluent travellers (using the definition of The Resonance Report 2013 on affluent American travel: 150k+ HH income) the gap is even bigger. While the average American worker takes 3.8 days for vacation, the affluent American takes 18 days, almost five times as many. Also this affluent group of makes up only 9% of the American population, however accounts for 37% of all travel spending.

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## Highlights

- ▶ The US is by far the world's biggest wealthy market - accounting for nearly 30% of all HNWI's worldwide
- ▶ The gap is widening, the number of rich US-Americans continues to grow strongly
- ▶ Almost one in every four US households is an affluent household with a annual income over USD 100k
- ▶ By 2017 the Millennials (currently 38 years old and younger) will outspend the Baby Boomers
- ▶ Affluent millennials are torn between the materialism/status and values/concerns
- ▶ Affluent travellers will increase travel spending
- ▶ Europe is Americans' top holiday destination - 60% want to go in the next 2 years (higher than the US with 50%)
- ▶ Huge differences exist among different high-income levels of US-American travellers



United States

**United Kingdom**

Russia

Latin America

Country	United Kingdom
<b>Inhabitants</b>	64m
<b>Number of hotel nights in Europe</b>	111.1m
<b>Hotel nights in Europe per 100mn pop.</b>	174
<b>Share of Non-European markets</b>	na
<b>Average annual Growth 2010-2013</b>	4.8%
<b>Flight time major cities to Paris</b>	-1 hour

## 1. BRITAIN'S WEALTHY

### Europe's second largest HNWI market

The UK is No. 5 in the world ranking of number of HNWIs, with nearly 530,000 Brits having more than 1m USD of liquid assets. As in the US and all Top 5 countries, the number has double-digit growth, from 2012 to 2013 the growth rate was 13.4%. Predictions for the next years are positive for luxury marketers, as the rich are also getting richer in Europe. CapGemini estimates an annual growth of average for Europe of over 7% for 2013 to 2016.

Social impact is also increasingly important to UK's HNWIs; 60% say having a positive social impact is extremely or very important to them, this is completely in line with the global average. The combination of charity and travel has tradition in the UK, more than in any other European market.

### Women rule the affluent market in the UK

There is a phenomenon in the UK where there are 25% more female than male millionaires in the age groups of 18-44 and over 65. If this percentage stays constant, women in Britain will hold 2/3, or 65%, of the British wealth over the next 10 years according to Zoe de Givenchy, founder of the Financial Jam Sessions in London. Givenchy also states that research shows that over 80% of purchase decisions are made by women, and there is no reason to believe this would be lower for travel decisions. Further, Givenchy believes, that empathy, altruism, aesthetics, service and connections are key concepts that need to be leveraged in order to reach these powerful female consumers.

## 2. AFFLUENT TRAVEL IN THE UK

### Affluent spending confidence returns - travel activity goes up

Recent research by ABTA, the British travel trade association, states that affluent consumers are breaking away from the cautious optimism that has dominated the market for the last couple of years. The group of affluent looks to drive growth in the travel industry in 2015: "In 2014, people took an average of 3.0 holidays per person, however those in social class 'A' took 4.7 holidays per person. This is a marked increase from 2013 when this group took 3.6 holidays per person and is likely to continue into 2015. Package holidays in particular are very popular with affluent holidaymakers with two thirds (66%) of those in social class 'A' taking a package holiday in 2014 compared to an average of 51%."

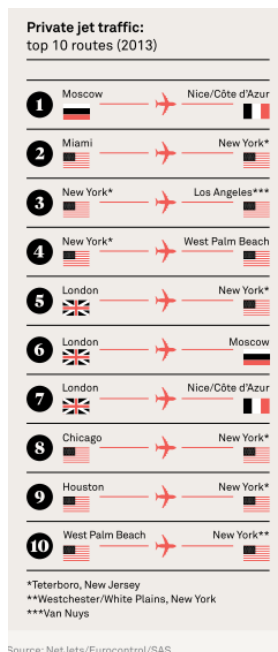
### A look at the British Mass Affluent

According to a 2014 report by Collison Group named "Motivating the Affluent Middle," the British affluent market is much more driven by the desire to spend time as a family than others. With 21% stating this the most important motivation, the share is higher than in all other mass affluent markets researched (US, China, Brazil, India, Italy, Singapore). Another important aspect of the British Affluent is the balance of business to leisure trips. In all other markets researched, people went on more business trips than leisure trips - not in the UK, where the average number of trips taken was 5.7, a low number in comparison to their peers.



Looking at their online behaviour, it is striking that use of social media in the UK is lower than in key emerging affluent markets. The one exception is travel bargain, coupon, and price comparison sites, here the Brits take the lead. This is, at least in part, the result of the presence of many luxury travel deal sites in the UK and Europe in general. Consequently, Brits have a lower level of loyalty to their favourite brands than other markets.

### London is the world's UHNWI's most important city



A look at Britain's wealthy travellers must include a close look at London. Home to the biggest share of British affluent, London is also the first or second home to many wealthy Non-British, both with and without British passports. According to research by Knight Frank, London now hosts the biggest number of HNWI's in the world, followed by New York, Singapore, Hong Kong, and Shanghai. No wonder three out of the world's ten most frequented international private jet routes are in and out of London. This makes London a very interesting source market region for luxury travel providers, but also a very challenging one due to the wild mix of cultural backgrounds of its UHNWI (Ultra High Net Worth Individuals) population.

## Highlights

- ▶ The UK is the second largest HNWI market in Europe, and keeps growing
- ▶ Similar to the world average, 60% of wealthy Britains say having a positive social impact is very important
- ▶ Unlike in other countries, two-thirds of the British wealth will be held by women
- ▶ Affluent UK travellers are still mainly package travellers
- ▶ They travel as much as 5 times a year for holidays
- ▶ The British affluent traveller is more family-driven than any other nation reviewed
- ▶ Brand loyalty among UK affluent travellers is lower than in other markets
- ▶ As a city, London has the highest HNWI population worldwide



United States

United Kingdom

**Russia**

Latin America

Country	Russia
<b>Inhabitants</b>	142 mn.
<b>Number of hotel nights in Europe</b>	49.5 mn.
<b>Hotel nights in Europe per 100mn pop.</b>	34.,9
<b>Share of Non-European markets (in included)</b>	24.6%
<b>Average annual Growth 2010-2013</b>	23.8%
<b>Flight time major cities to Paris</b>	3-4 hours

## 1. RUSSIA'S WEALTHY

### The land of the ultra-rich

Russia is the land with the highest wealth inequality in the world. Only 110 individuals hold 35% of the country's riches. In 2013 there were 84,000 millionaires in Russia. This number is rather small when looking at the large size of Russia's population; countries like Turkey, Mexico, Indonesia or Hong Kong have higher numbers. When reaching out to Russian UHNWIs, one must increasingly look for them in London, New York, Zurich or Paris. Recent research found that 33% of those still in Russia stated they would like to emigrate in the nearer future.

Also remarkable is the average age of UHNWIs in Russia compared to the those in rest of the world. While the average age of billionaires in France, Hong Kong, Brazil, Germany or the US, is over 65, the average age in Russia is only 49. Almost all of the Russian UHNWIs are self-made people, having amassed their own fortunes. They are only a little philanthropic compared to their Western peers; only 26% of them have charitable foundations, compared to over 50% of their peers in Western countries.

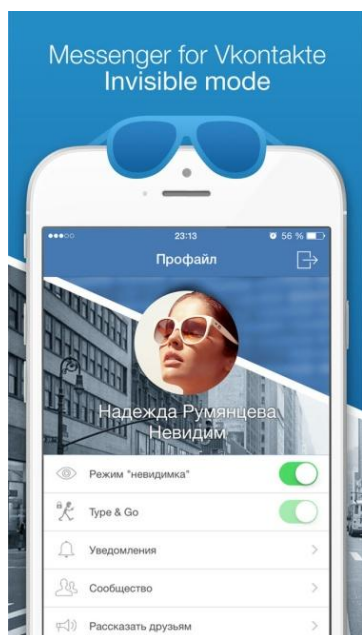
### More cautious affluent

A lot of international service providers are focused on serving Russia's super-rich. Often neglected is the group of about 1,2m affluent Russians, who, according to RT, have liquid assets between USD42k and USD 425k. This segment is growing due to an increasing number of Russians taking leadership positions formerly held by expats in Moscow. Even though they are still said to be less cautious spenders than Western Europeans, this group has become more cautious with spending money than before. The Ukraine crisis and the growing political distance between Russia and "the West" will further increase this trend. According to a 2015 Nielsen consumer research report, 60% of Russian consumers stated they expect prices to rise and 78% said they have become more thrifty with their money in the past months.

### Western marketing ends East of Poland

Russia's affluent spend a large share of their luxury shopping budget abroad. This is one major reason why countries like France, Italy, or the UK sell over 50% of their luxury goods to tourists. Western luxury brands are highly demanded by Russians, especially abroad, because in Russia counterfeiting is a huge problem. When marketing luxury brands to Russian, there are some unique rules Western marketers need to understand, but still get wrong.

"In Russia, leading global brands consistently underinvest in language optimization, prove absent from local social platforms, and copy Western mobile investments despite a different device mix found on the ground, all of which significantly handicaps the majority of prestige brands examined." says Leeza Kuznetsova, Research Lead at L2.



Russians, especially Millennial affluents, are amongst the most avid social media users and expect a strong presence of luxury brands to be present there as well. While Facebook does have some power in Russia, vkontakte has over double the reach and is by far the most important Russian social network. Still, Facebook is the preferred platform of many affluent Russians with international contacts, so both or all top 3 social media platforms should be utilized. Even though many of the affluent speak English, the broad and proper use of Russian language is of utmost importance. A recent study unveiled that only 14% of global luxury brands have a Russian language version of their websites. Russian affluent consumers tend to save less and spend more than other consumers and following the desire to show their gained economic and social status, big brands matter to them. Back in 2007, Time Magazine reported that Russians have the greatest top-of-mind awareness of European luxury brands, higher than Chinese or India's affluent. Having local presence in the big Russian cities is another business factor to leverage as the fear of counterfeiting and related quality issues is so strong in Russia.

## 2. AFFLUENT TRAVEL IN RUSSIA

### Travel matters oh so much to Russia's affluent

When asked on what categories Russia's affluent would spend more money in the coming year, the 2013 Visa Affluent Study revealed that the top 2 priorities for Russians were travel related: 1. Family Holiday, and 2. Luxury weekend holidays. Other experience based activities top the list: 3. Fine nights out with family and friends, 4. charity, 5. fine dining, after which the "object" section, with things like jewellery, cars, or designer clothes, follows. No other country researched, including China, India, Japan, Brazil, UAE, or Australia, ranked holidays so high.

### Different travel related values of Russian affluents

Interpreting the 2013 Visa Affluence Study provides some great insights into what matters to Russia's affluent and how their travel relevant values differ to those of other nations. The top 3 key attitudes that high value travel marketers need to understand about Russia's affluent are the following:

#### #3 - "Life is good"

Russia's affluent have a strongly positive view of the world and they are well aware they are on the very sunny side of life. Out of the 10 nations analysed, only the Chinese have a higher agreement to the statement "Life is rich, positive, and full of good things".

#### # 2 - "Life is now"

Russians are not at all thrifty, they want to spend their money and get great brands, objects, and experiences - those which classify as "once in a lifetime" - in return. Among the nations surveyed, they are the least interested in saving money or using it for their retirement. Also, they do not see as much meaning in helping other people as affluents from other nations.

#### # 1 - "Luxury means personalisation"

The most important point and most remarkable difference is Russia's affluents' desire for personalisation of services and experiences. When asked what affluence meant to them the No. 1 statement was "Allows me to demand things for products and service that are personalized". When asked what luxury is for them the No. 1 statement was "luxury means being able to get services and experiences that are catered to my preferences." These values were among the highest worldwide.



## Serving Russia's affluent requires the Concierge approach

The consequence of the Russian interest in personalized services is visible in the market place. Companies like Prime Concept and Travellermade are of Russian origin and are very successfully selling their services to affluent travellers. They describe their services with terms like "lifestyle management", "tailor-made travel and experiences", and "global concierge services." The British Quintessentially Group is another company in that sector that has had huge success in the Russian market.



**Expert Shoutbox - Anna Isaeva, Director Business Development, Traveller Made (Moscow, Russia)**

### 5 facts about the mass affluent Russian city travellers

1. *European big culture capitals are among most popular destinations - Traveller Made TOP 10: Paris, London, Milan, Rome, Barcelona, Vienna, Berlin, Munich, Madrid, Venice, Lisbon, Prague*
2. *Mass affluent traveler are rather conservative repeat visitors, they prefer to go to the same places (hotels) on regular basis rather than discovering new places every time.*
3. *Heavily trending in the past couple of years: Event based travel (Sport, Opera, Concert, Exhibitions, Performance and Fashion)*
4. *Russian mass affluent travellers can be inspired to travel by offering interesting hotel or even restaurant offers like new openings and/or special discounts.*
5. *Russian travellers from this segment prefer and are ready to spend extra money for individual arrangements during their trips, more than other any European travellers, for example fast track lanes or lounges at airports at arrival and departure, prearranged transfers instead of taxi, personal guide, vip entrance to venues, itinerary with advance reservation in restaurants, etc.)*

When serving the Russian ultra rich there are certain success factors to be considered for luxury travel marketers.

**Flexibility** - UHNWIs often change destinations, timings, activities or desired services from one moment to the next.

**Privacy** - while travelling (use of private jets or cars), staying (villas or suites with in-room dining + entertainment), and experiencing ("the private bodega tour", not mingling within tour groups)

**Tailor-made experiences** - surprises and services adapted to their lifestyles, needs, and personal preferences, e.g. having food on an excursion from their favourite restaurant in town.

**Familiarity** - UHNWIs often bring along their own companions and staff. The staff should be able to serve as usual, taking care of the well-known needs and habits of the travellers.

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## Highlights

- ▶ Russia has some of the world's richest people among its UHNWIs - 110 people hold 35% of national wealth
- ▶ On the other hand, there are only 85,000 millionaires, relatively few compared to other nations
- ▶ Russia's rich are rather young and care less about social causes compared to other countries
- ▶ The 1,2mn affluent Russians have become much more cautious regarding their spending in recent crises
- ▶ Marketing with "Western" methods will fail with Russia's affluent
- ▶ Travel matters a lot to them and is more important for them than for their worldwide peers
- ▶ Hedonism and personalisation (e.g. concierge services) are important marketing approaches



United States  
 United Kingdom  
 Russia  
**Latin America**

Region	Brazil & other Latin America
<b>Inhabitants Brazil (and Rest of LatAm)</b>	202m (415m)
<b>Number of hotel nights in Europe</b>	7.0m (10.9m)
<b>Hotel nights in Europe per 100mn pop.</b>	3.5 (2.6)
<b>Share of Non-European markets</b>	4.6% (7.2%)
<b>Average annual Growth 2010-2013</b>	12.5% (9.6%)
<b>Flight time major cities to Paris</b>	12 hours (12-15 hrs)

Due to a lack of individual country data, research for Latin America will focus on Brazil in most parts. General research does however suggest more homogeneous behaviour among affluent travellers in Latin American countries than among Asian countries, for example. Reasons for homogeneity of behaviour include more similarities in language, culture, religion, development stage, flight distance, etc.

## 1. LATIN AMERICA'S/BRAZIL'S WEALTHY

### Latin America's stake in the famous BRIC markets

Brazil is not only Latin America's biggest and most populous country and economy, it also has the highest number of HNWI's on the continent by far. There were around 172k of them in 2014, a number similar to that of countries like South Korea, the Netherlands, and slightly more than Spain, Russia, India, and Saudi-Arabia. Next on the list of Latin American countries is Mexico with 130k and Argentina with 109k HNWI's. Looking at the number of billionaires, Brazil is the 5th largest hub in world, ahead of the UK and Japan.

	CAGR 2013-2016F
Global	6.9%
Africa	6.0%
Middle East	6.6%
Latin America	2.3%
Europe	7.1%
North America	6.4%
Asia-Pacific	9.8%

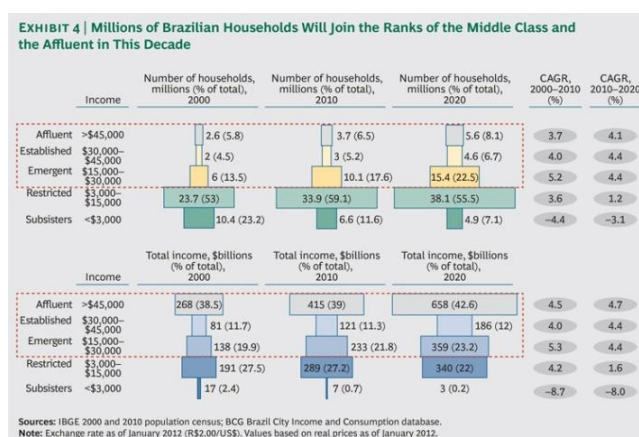
But Latin America is also the slowest region in the world in terms of the growth of wealth and the number of wealthy. Consulting firm Capgemini, issuer of the yearly "World Wealth Report," expects the growth of wealth in Latin America to be only 2.3% for the period 2013-2016. The growth will be higher than 6% in all other continents/world regions

In addition to the HNWI base, there are around 2.2m affluent in Brazil, accounting for approximately 1.8% of the adult population.

### Economic difficulties with consequences - short-term or long-term?

Brazil's government and economy are in a difficult situation right now—inflation, heavy corruption, and weak exports, combined with high private debt, have led the country into a difficult situation. Many experts do not expect a quick recovery.

A 2012 BCG investigation foresaw an important ongoing increase of the mass affluent population from 3.7m to 5.6m households with more than USD 45k annual income. The question is whether or not this



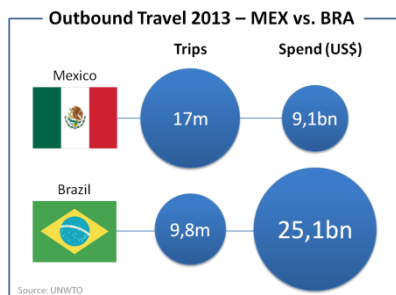


number can still be reached with the ongoing uncertainty of development. In any case, it is predicted that it will not negatively impact the growth of the super rich. While the number of affluent, especially the mass affluent, may not grow as forecasted, it is expected that the growth in the number of UHNWI in Brazil will outperform the global UHNWI growth by as much as 50%.

## 2. AFFLUENT TRAVEL IN LATIN AMERICA/BRAZIL

### Brazil is already Top 10 among outbound travel spenders

Brazil has caught up quickly to the world's biggest travel nations. It is now ranked No. 10 of all nations in terms of international travel spend. Brazilians take around 10m outbound holiday trips per year. Mexicans take 17m outbound trips, but only spend USD 9bn for those trips compared to USD 25bn spent by Brazilians. Though their favourite long-haul destination is the US, the especially affluent tourists flock to Europe. Looking at the ultra-rich flying by private jet, the average annual growth of flights to Europe has been greater than 20%. Here the top destinations were France (especially Paris and South of France), Spain, Italy (especially Milan), Portugal, and the UK.



### Status, stress-relieve and climate matter to the affluent Brazilian traveller

Research of the high-end Brazilian traveller completed by VisitBritain showed that in Brazil success is about personal achievement. "This means feeling socially accepted, physically attractive and healthy, being respected and having access to new things which allows people a feeling of exclusivity. Additionally, all Brazilian high end consumers feel successful and are regarded by society as being successful." According to Damiana Buosi, Research Partner for VisitBritain in Brazil "success is fulfillment of personal tastes and desires." So helping to achieve travel underlining the status, and helping Brazilian travellers gain elements to show their status, is of great importance for luxury travel marketers targeting Brazilian markets.

Another key aspect is time and relaxation. Given that the highest number of affluent Brazilian travellers are from, or work in, Sao Paulo, one can easily understand why escaping from congestion, traffic jams, and aggressive behaviour is so important to Brazils affluent travellers. The VisitBritain study stresses this factor: "As everyday life in Brazil is a busy working lifestyle against a backdrop of socialising and networking, holidays need to offer rest and recuperation from their hectic lives. Time is seen as a luxury and consumers appreciate the "micro pleasures" or moments they take for themselves. So holidays offer a chance to recharge and escape from everyday life..."

Another interesting factor is the climate, which seems to matter much more to Brazilian travellers than to those from China or North America. Brazilians tend to avoid cool and/or rainy weather conditions on holidays, making the South of Europe a much more attractive destination than the rest of the continent.

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## Highlights

- ▶ Brazil is Latin America's biggest wealth hub, followed by Mexico and, ranking 3rd, Argentina
- ▶ Brazil has 2,2mn affluents, 1mn more than Russia, for example
- ▶ Among all world regions, the increase in affluent individuals is lowest in LATAM
- ▶ The number of UHNWIs increases quickly, though
- ▶ Mexicans travel more outbound than Brazilians, but Brazilians spend much more outbound overall
- ▶ The US is more important as a destination than Europe
- ▶ Brazil's affluent travellers need more time for rest & relaxation to escape from Brazil's megacity life stress
- ▶ There is a preference for warmer climates, that means travelling in the summer or to Southern Europe



# High value city traveller images, interests, behaviour

In addition to the insights gained from secondary research, the IE Premium and Prestige Business Observatory has undertaken primary market research among affluent travellers in a selected range of key Non-Euro markets, namely United Kingdom, Russia, United States, and to some extent, also in Latin America. Above all, the focus of this primary research was to better understand the preferences and behaviour of travel to the big European city destinations; the preferences and behaviour regarding destination image and choice, both pre-travel and in-destination inspiration and information, the mix of business travel with leisure time, and travellers' interests, activities, and spending patterns. In the following section we will share the insights with highest relevance and news value for organizations aiming to generate more value for and from affluent travellers.

## 1 - City travel experience

In this first category of research we look at the relevance of city travel among other travel forms, the type of city travel taken, the frequency of travel, and the track record of the European cities visited. The latter shows not only the most and least visited cities, but also analyses different degrees of loyalty or repeat visits per city and market.

### City travel taken

When asked to rank the frequency of 10 different types of travel, business city travel consistently ranked highest or second highest among the affluent travellers in the UK, the US, Russia, and Latin America. However, the actual share of people with at least one business trip per year is very different between the countries. Around 40% of Britons and Americans have at least 1 city business trip per year, while around two-thirds of Latin Americans and Russian do. In all countries, a slight majority take multiple city business trips per year, which means they are constantly being introduced to possible new leisure city destinations. As the research shows (see the "Bleisure" section), this is only not important for cities as a possible "teaser" for future leisure city holidays, but also very important in

Type of travel	Frequency ranking			
	UK	USA	RUS	LATAM
City trips for business	1	1	2	1
Short city break (1-3 nights)	2	2	3	2
Round trips / touring (self-drive)	3	3	5	4
Trips to festivals or events (min. 1 night)	4	4	10	10
Longer city holidays (4+ nights)	5	5	6	8
Beach holidays	6	7	7	3
Nature / adventure focussed holidays	7	6	1	5
Round trips / touring (organized)	8	8	8	9
Combination nature/beach holidays with big city stay	9	9	4	7
Winter mountain / countryside holidays	10	10	9	6

terms of the amount of time and money dedicated to leisure activities during the business trip (in addition to corporate spending).

*Different travel types with different impact on cities. Blue background = the city is the only destination. Grey background = cities are (often) part of*

*the travel taken. White background = usually no city involved.*

### Cities visited for holidays

When it comes to the most frequently visited cities, there is only one city that makes it into the top 3 across all source markets researched - Paris. More than 80% of the affluent Britons, and more than 60% of affluent US-Americans, Latin Americans, and Russians have visited the French capital at least once. Astonishingly, roughly half of all Latin Americans who have been to Paris have visited the city more than twice. In the US, only 30% of Paris visitors can say the same.



Paris - Top 3 destination across all markets



### Top 3 cities visited for leisure

	UK	USA	RUS	LATAM
1	Paris	London	Paris	Madrid
2	Amsterdam	Paris	Prague	Paris
3	Barcelona	Rome	Rome	Barcelona
...				
10	Vienna	Prague	Vienna	Prague
11	Budapest	Istanbul	Amsterdam	Budapest
12	Istanbul	Budapest	Budapest	Istanbul

Note: London as natural No. 1 in UK has been eliminated from the list

When it comes to the No. 1 cities there are understandable differences; there are marked cultural similarities in the ranking. For Latin Americans, including Brazilians, both the Spanish-speaking cities of Madrid and Barcelona are among the top visited, with Madrid coming in as the No. 1 European city destination. For US-Americans, London is the natural No. 1. For Russians, Prague is the No. 2 visited city, a city that is among the least visited by both US- and Latin Americans.

Looking at the least visited cities, Central Europe is lags behind in number of visits. Of its "tourism capitals," Prague, Vienna, and Budapest, two of the three always appear among the three least visited (on a list of 12) for all of the markets researched. Istanbul, except among Russia's Affluent, also does not make it to the Top 10.

It is interesting to note that when looking at the "loyalty factor", that is, the measurement of the share of visitors to a city that have been there at least 3 times, differences among cities are not very big in most markets. Two facts stand out. First, London is the most dominant city, with a well-above average loyalty rate of approximately 50%. All other cities scored around 40%.



London - highest share of repeat visitors

Second, in Latin America there seems to be a tendency to prefer to repeat visits to the most famous cities over discovering new European capital cities. London, Paris, Madrid, and Barcelona are the 4 LATAM top city destinations in Europe, and have significantly higher loyalty scores than the all of the rest. Even loyalty scores for cities like Rome, Berlin, or Amsterdam are far from the 40% to 50% loyalty score of the most famous cities.

## 2 - City attractiveness

In this section of the research we analyzed which cities affluent travellers from the UK, US, Russia, and Latin America find the most attractive. The cities' image was compared among those who have actually visited the city and those who have not, allowing for very interesting conclusions to be drawn with regards to marketing potential. To allow for a better understanding of why people find a city attractive and take it into consideration for a trip, another part of the research was dedicated to selection factors and understanding their importance to travellers in the selected markets.

### City selection factors

It is important to understand who and what influences individuals who are thinking about travelling to a European city destination (e.g. where they hear, see, or read about a city, so everything marketing related). This is analyzed in the next section. What should be understood first, are the other selection

#### Ranking of selection factors

Less important	Selection factors	More important
-- USA	1. Beauty and offer of the city	++ Russia
-- Russia	2. Total cost of the trip	++ Latin America
	3. Great accommodation choices	
	4. Good flight connections	
	5. That it is a new city for me	
-- Latin America	6. That it is a famous city	
	7. That I know people there	++ UK

Note: only countries mentioned with significant differences from average

factors directly related to the city trip or the overall situation and motivation of the people.

Coming with little surprise, the most important factor when choosing among European city destinations is the beauty and touristic offer. In comparison to other factors, like cost, accommodation, flight connections, etc., this factor is significantly less important in the US.



Compared to others, Russians do not particularly care about the cost, and flights and accommodation do not have to be perfect as long as the city appeals to them. The cost is most important to affluent Latin Americans, who on the other hand, care little for whether or not the city is famous.

### The dream cities

And the winner is - Rome. Out of the 12 most visited European city destinations, Rome received the highest overall marks for the attractiveness. This ranking includes votes from both people who have visited the city and those who have not.



#### *Rome is the European dream city for affluent travellers from the researched markets*

The top 3 are Rome, closely followed by Paris, and in a distant third place, London. These cities are among the Top 3 in all regions researched. For the affluent travellers the least attractive cities of the set were Berlin (10th), Budapest (11th), and Istanbul (12<sup>th</sup>).

#### Perceived city attractiveness ranking

Less attractive		City	More attractive
	1	Rome	
	2	Paris	
	3	London	
	4	Barcelona	
-- Russia	5	Vienna	
-- USA	6	Prague	
	7	Madrid	
	8	Amsterdam	++ UK, USA
-- Latin America	9	Milan	++ Russia, USA
	10	Berlin	
	11	Budapest	
	12	Istanbul	++ Latin America

Some cities enjoy a significantly better ranking in particular markets, while others suffer from a particularly poor image in others. Russians, for example, rank Vienna much lower than others, but have a superior image of Milan. US-Americans find Prague less appealing but have very positive views of Amsterdam and Milan. Latin Americans rank Istanbul much higher than the rest, but find Milan less attractive than people in the other markets do.

*Note: only cities mentioned with significant differences from average*

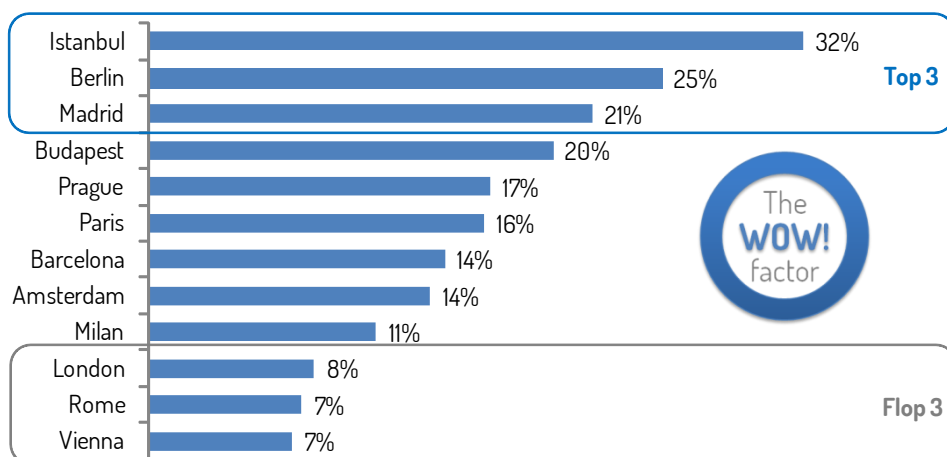
### Image vs. visit experience

A very interesting aspect is the comparison of the attractiveness perceived by those who have visited the city versus those who have not. In other words, analyzing the size of the "Wow factor". On average, the Wow factor was positive for all cities across all source markets researched. Latin Americans tend to have a lower Wow factor than the other markets. While their average expectations are not much higher than those of other affluent travellers, Latin Americans seem to be slightly less enthusiastic about the city visited than others are.



The average Wow factor is 16%, meaning travellers who have visited a city rate it 16% higher on a scale of 0-10 than those who have not visited it. But this factor varies heavily from city to city. The

### Attractiveness rating difference post vs. pre-visit



cities with the biggest Wow factor are Berlin and Istanbul with 31% and 25% respectively.

Comparing to the Saffron Brand Study mentioned earlier, this would mean that the Wow factor for affluent travellers visiting Berlin is much higher than for the "average" traveller.

Madrid also has a strongly positive Wow factor, while expectations of cities like London, Rome and Vienna are a little more in line with the actual experience.

## Selected city and market highlights

### Cities

**Istanbul** - Huge Wow factor, particularly for affluent US-American and Russian travellers. Below average Wow factor for Latin Americans

**Berlin** - Stable, high Wow factor for travellers from anywhere

**Madrid** - Highest Wow factor in the Latin America market; average Wow factor for others

**London, Rome and Vienna** - significantly behind the rest

### Markets

**UK** - By far highest Wow factors were for Istanbul and Berlin. Britons are also quite "wowed" by their own capital, London.

**USA** - Next to the two top cities, Rome and Paris, US-Americans were very positively surprised by two others, namely Budapest and Prague. Of all markets, they give Paris the lowest Wow factor score. As a city, Rome had the overall lowest Wow factor for US-Americans.

**Russia** - Top two cities were also Istanbul and Berlin. Unlike other markets, Russians also gave significantly higher scores to London and Milan after having visited these cities. The least positive experience for them, as for US-Americans and Britons, was Rome.

**Latin America** - This region differs quite a bit from the other markets regarding the Wow effect of cities visited. In addition to Madrid, Berlin and Paris also significantly exceeded their expectations. However Latin Americans report a negative Wow factor in three cities, meaning not only are their expectations not exceeded, but they not even met. These negative Wow factor cities were London, Milan, and Vienna.

## 3 - Spot on Spain - Madrid and Barcelona

This year's report features a special in-depth view on the two highlighted Spanish cities, Madrid and Barcelona. Both are among the Top 12 most visited cities in Europe. The perceived attractiveness of both cities is high, Madrid scoring 7th and Barcelona even 4th among the Top 12. Both have an



average "Wow factor" across all source market (degree of exceeded expectations during visit), with Madrid wow-ing Latin American visitors to a particularly high degree.

## Attractiveness in detail



*Comparing Madrid and Barcelona is always an interesting exercise*

This part of the report takes a deeper look into the different categories of touristic offers in Madrid and Barcelona and how attractive people, both for Non-visitors and visitors, perceive these offers to be.

The good news is that all aspects for both cities are rated above the average of the big European cities, some more others less. Overall, Barcelona received slightly higher marks for most of the categories across all markets researched.

The categories with the highest scores are identical for both cities: architecture and monuments, local food culture, and museums and galleries rank first, second, and third. Barcelona also received an above average score for its natural setting. The weakest score among the two was a 3.48 for "out-of-city excursions," given to Madrid.

### Perceived attractiveness of touristic aspects in Madrid & Barcelona

3 = Average (compared to other big European cities), 4 = A bit above Average, 5 = Above Average

	Architecture	Food	Museums	Sports events	Shopping	Entertainment & culture	Natural setting	Nightlife	Festivals & events	Out-of-city excursions
MAD	3,91	3,84	3,83	3,68	3,64	3,63	3,62	3,60	3,58	3,48
BCN	3,98	3,87	3,83	3,81	3,75	3,73	3,72	3,72	3,69	3,68
	Architecture	Food	Museums	Natural setting	Nightlife	Festivals & events	Sports events	Entertainment & culture	Out-of-city excursions	Shopping

There are some interesting differences between the two cities. Shopping ranks 10th (and last) for Barcelona, while it is ranked 5th for Madrid. In four categories Barcelona has a significant image advantage, namely and in this order "Out-of-city excursions", "Natural setting", "Nightlife" and "Festivals & events", other categories received nearly equal marks.

People having visited the cities, rated all categories slightly better, good news as this means no disappointments are generated in any of the categories. For Madrid, the Wow-Factor for all categories is quite similar. As previously mentioned, the Wow-Factor is higher for Barcelona across categories, standing out is the Wow-Factor regarding the Natural setting of the city.

## 4 - Inspiration, information & booking

Where do affluent travellers get the ideas about cities to visit, and therefore which channels should marketers prioritize in their communication strategies? How do travellers book holidays in a big city, or one which at least includes a big city visit? These are two major questions being answered in this part of the research. In addition to these key insights, two other major trends are being analyzed. First, travellers are just learning to pre-book activities and experiences before the trip. This market is



booming, supply getting better by the hour, and consumers becoming more and more interested in also pre-booking activities, which are the main content and satisfaction factor on holidays - what to do, to see, to experience. We will learn to what extent affluent travellers have already adopted this behaviour. Second, thanks to the increasing number of mobile tourism webs and apps, and more widely available and affordable web connection abroad, on-the-go information, inspiration, and booking via mobile web is increasingly important, especially in cities. We will see how many affluent travellers already make use of their smartphone when discovering a city and then compare it to more traditional ways of getting information and guidance.

## Inspiration & information pre-booking

Where do people see, read, or hear about potential city destinations? Where do they get inspiration for their trips and search for initial information? There are big differences among the countries researched. Understanding the most relevant sources is important, especially for designing communication strategies targeting the affluent traveller.

Review sites like Tripadvisor and local or product-specific review sites have become enormously important, are almost as trusted and relevant a source for travellers as family, friends and colleagues. In the UK and Latin America, these review sites are even more important than "Family & friends". TV still has an impact on travellers, especially in Russia where travel shows and documentaries are highly important, and the most trusted and important source.

Inspiration & information source	Overall		Market			
	Rank	Ø	UK	US	RUS	LATAM
Family, friends, colleagues	1	96%	-			
Review sites (Tripadvisor, etc)	2	94%	+		-	+
TV travel shows / documentaries	3	71%	--		+++	-
Accommodation websites (airbnb, booking, etc.)	4	60%		-	---	+++
Online travel agency websites	5	55%		+	--	++
Travel magazines	6	47%	---	++		+
Other magazines / newspaper	7	36%	--		---	+++
Local travel agency	8	26%	-			

+/- = +/-5pp, ++/-- = +/-10pp, +++/---- = +/-20pp

Latin Americans seem to trust most in online sources. Review sites, accommodation websites (e.g. airbnb or booking.com) reviews and info, as well as online travel agency websites enjoy above global average relevance when deciding about future city destinations.

While print does not matter much in the British market, the US market still places importance on travel magazines. Similarly, general magazines and newspapers have a strong impact in Latin America, but are trusted much in Russia.

## Booking

The research went deep into different aspects of booking: online vs. offline channels, package vs. modular booking, online travel agencies vs. suppliers, and the direct distribution power of strong supplier brands.

### Package vs. modular booking

There are two clearly opposite positions: In the UK, US, and Latin America only about 30% of the affluent market prefer booking a travel package for a big city trip, while in Russia two-thirds of affluent travellers would still prefer to book a package.



### Booking through local brick & mortar travel agencies

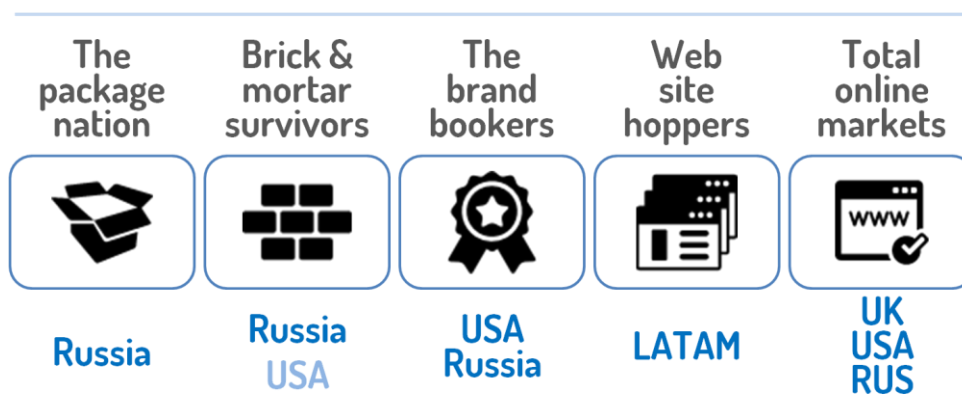
Online is still clearly on the rise as booking channel, but brick and mortar travel agencies will still be around for a long time and are a relevant part of the affluent market, even for city travel. That being said, the extent to which travel agents are used for booking already differs widely across markets. In Russia, for example, 50% of the market still reposts "often" or "always" using an agency to book such a trip, but in the US that number drops to around 30%, and down to 20% in the UK and Latin America.

### Use of online booking channels

There are three markets we could call "Total online markets", meaning at least 90% of affluent travellers at least "sometimes" use online booking, with most of them "often" or "always" doing so. Latin America is the only market that does not yet reach this high online booking penetration, but it too is on its way.

### Online agency vs. "website hopping"

In some markets, online travel agencies are having huge success and are able to attract the majority of affluent bookers. In UK and US, the American OTAs that started first have continued to develop and still dominate the market. In Russia, both foreign and local OTAs fight for market space. In Russia, as in the US and UK, OTAs are "often" or "always" used by 40% to 50%. The situation is very different in Latin America, where three times as many people book the components at different sites as through online agencies.



### Booking at favourite supplier brand platforms

In the past decade air transportation has become more and more commoditized. So it is interesting to understand how high the share of brand loyal users still is, especially for airlines but also for hotel brands, knowing that the share of frequent travellers among the affluent is higher than average. The results show three levels of brand loyalty, expressed in share of people booking directly with their favourite airline or hotel brand. In the US and Russia, both airline and hotel brands still matter a lot, in Russia nearly 50% "often" or "always" book at their favourite airline and/or hotel chain, in the US this number increases to 60%. The average level of loyalty to airline brands is slightly higher than for hotel brands in all countries. In the UK, the average loyalty is still around 35% among the high value travellers. Again, Latin America seems to be a more difficult market for brands; only 17% of Latin Americans said that they "often" or "always" book via their favourite airline or hotel brands.

### Pre-trip booking of destination activities and services

Following the huge trend of selling not only accommodation and transport before the trip, but also experiences, it was interesting to see how many affluent travellers actually pre-book different services and activities before their arrival.

It seems that, to a large extent, affluent travellers are already aware and making use of the ability to purchase destination services and activities before taking off. On average, 74% already "sometimes" book these services and activities

**38%**  
Share of current non-bookers willing to book destination services in advance if they were presented a good offer



beforehand.

Interestingly, of the remaining share who do not book services and activities in advance, nearly 40% state they would like to if they were presented good offers. Around 60%, or 15% of all affluent travellers, are simply not interested in booking activities and services prior to visiting a city because they want to be spontaneous.

The classic destination service used for upselling on travel platforms are rental cars. Surprisingly, though, rental cars only ranked 2nd in the services most frequently booked before visiting a city. The most sought after pre-booked service are excursions, with almost half of all affluent travellers “sometimes” booking them before visiting a city. Concert, theatre, and other event tickets also rank high, as do city tours – with over a third “sometimes” booking these activities in advance.

If looking at differences between the markets, affluent Latin American visitors are clearly the most spontaneous travellers - almost 40% never book any services beforehand. Furthermore, two-thirds of them would not want to book in advance even if they were presented with good

offers, as they define themselves as spontaneous travellers. On the other hand, almost 90% of those in the US “sometimes” book activities and services before heading off to the airport.

Regarding specific tendencies, Britons tend to pre-book fewer excursions, US-Americans more city tours, and Latin Americans more theatre, concert, or event tickets, than their global peers.

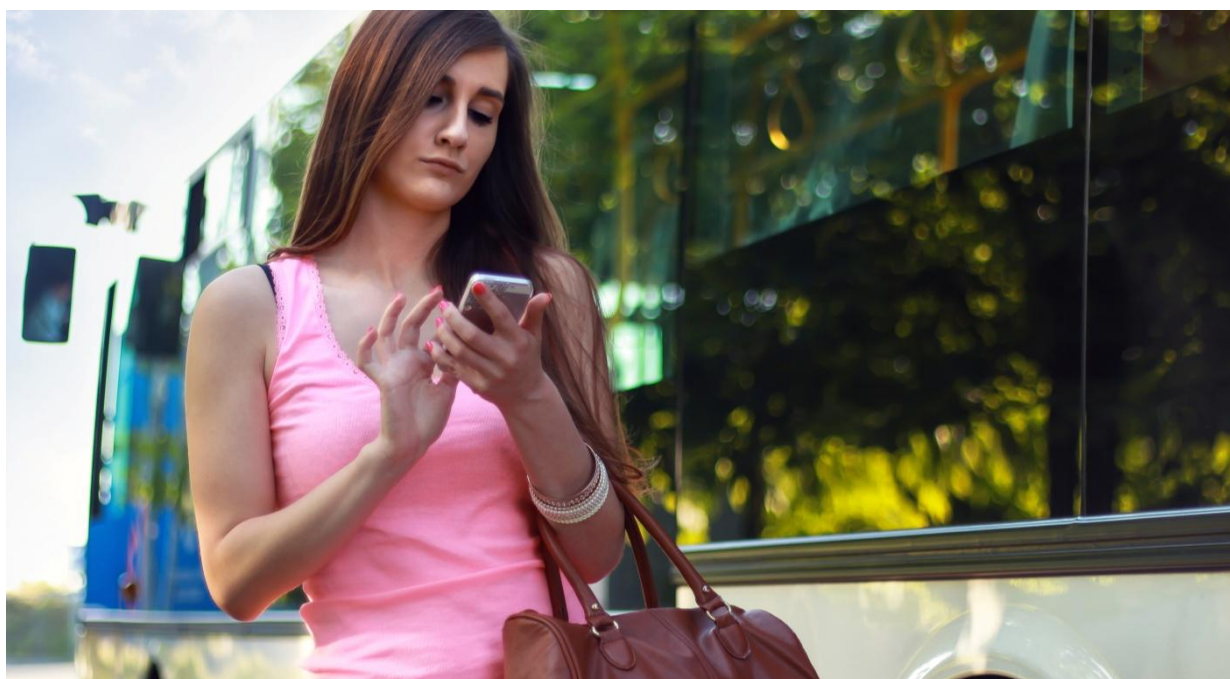
### Most popular destination services booked before city trip

	"I sometimes book in advance..."	+/- Average
1	Excursions	48% -- UK
2	Rental car	45% ++ US, RUS
3	Theater, concerts, other event tickets	38% ++ LATAM
4	City tour	34% ++ US
5	Restaurants	30%
6	Car with driver	14%

*Note: only countries mentioned with significant differences from average*

### Information and guidance in the destination city

Mobile internet costs keep falling when abroad, and smartphones have long taken the place of the traditional mobile phones. Mobile travel webs and apps are now well-spread and there are countless variations. Webs and apps are also getting better and better, becoming more interactive, more exact, and more fun. The research analyses how many of the affluent travellers are already utilizing mobile



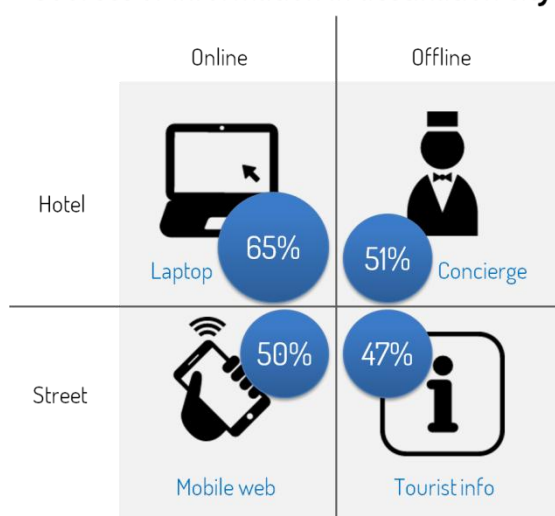
*All info at the fingertip - especially city travellers are using more and more smartphone travel apps*



web during their city travels, and how that experience compares to more traditional in-destination information and forms of guidance, like using the laptop in the hotel room, asking the hotel concierge, or going to the tourist information centre.

Two major categories of information sources were compared: online vs. offline and in-accommodation vs. on- the-street. Online sources have now overtaken offline sources in terms of the acquisition of city information for tourists who are on the go. The most popular way to get information in the destination city is via the individual’s personal laptop in their accommodation. Two-thirds of the affluent travellers reported “often” or “always” using their laptop while on city holidays. Even more remarkable, is the prevalence of the use of handheld devices with mobile web; 50% of all affluent travellers report using their mobile with internet either while in their accommodation or while walking in the streets. The numerous city guide apps competing with each other make on-the-go guidance possible and are obviously heavily demanded by affluent city travellers.

### Sources of information in destination city



Still, half of the respondents “often” or “always” ask the hotel staff and/or visit the tourist information centre in the city. While it will often be a mix of various sources, the big potential of mobile web guidance has already proven by the acceptance of the current offer by half of all affluent travellers.

The Russians are by far the most tech savvy affluent travel crowd in our research. Russia is the only country where the majority already uses mobile web during a city trip – two –thirds of the Russians asked confirm the frequent use. In addition, over 80% of them use a laptop. Perhaps unsurprisingly, Russians are the least likely to ask a hotel concierge for advice or visit the tourist information centre. For affluent Russians, technology is obviously replacing human information and guidance services.

The US, UK, and Latin America are quite similar to one another, with Latin Americans having a slightly stronger tendency towards online consultation than their Anglo-Saxon peers.

## 4 - Preferences and spending in the city

Three aspects are covered in this part of the study. Preferred activities will be analysed as they are at the core of many local businesses such as tour operators, shops, gastronomy, or cultural centres, to name a few. In addition, we'll compare the attractiveness of different accommodation concepts as the range of options has become broader and broader in the recent years. Also we'll understand the impact of seasons and climate on city tourism, and see tendencies of how the holiday budget is actually spent.

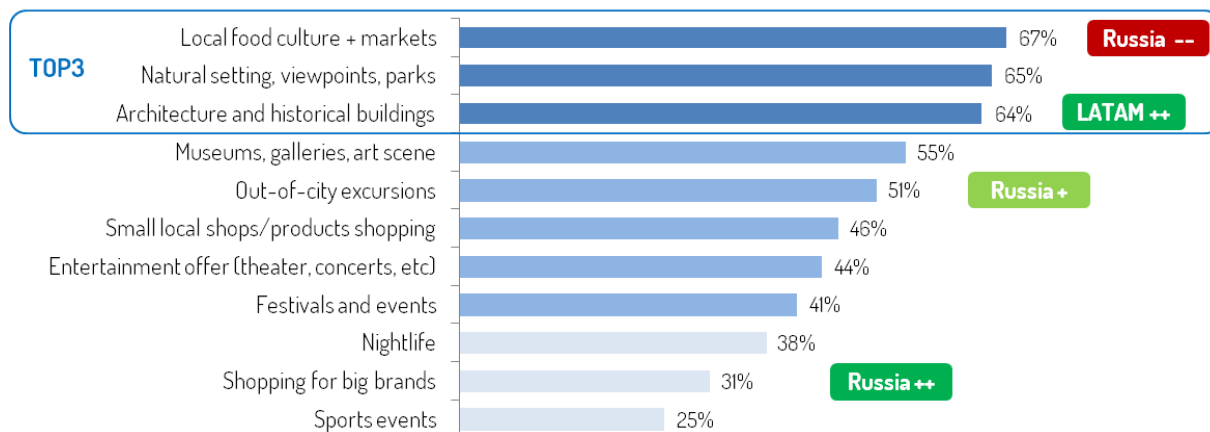
### Preferred activities

There are three activities or aspects characteristic of a big city visit, loved by around two-thirds of the people interviewed, that top the list of preferred activities on big city holidays. The most important area of interest among affluent city travellers was local food culture. The second most important element visitors enjoy is the natural setting and viewpoints a city has to offer, closely followed by the classic architecture, monuments, and historical buildings.



## Preferred activities on big city holidays

- % people rating interest 4 or 5 on a scale from 0 to 5 -



The bottom three of 11 attributes covered are nightlife, important for approximately 40% of respondents, shopping for big brands, important to approximately 30% of the sample, and finally sports events, of interest to 25% of affluent visitors.



*Russia's affluent city travellers love big brand shopping*

European city destinations compared to the other affluent travellers, especially those from Latin America who show the lowest level of interest in big brand shopping.

Comparing national preferences, it is striking that US and British affluent visitors show great similarity in their preferred activities. Latin Americans have a notably higher interest in architecture, monuments, and historical buildings. The Russian affluent traveller has a preferred activity profile that otherwise top ranked, local food culture only makes it to the 5th place on the Russian's list. Out-of-city excursions matter more to Russians, ranked 3rd rank compared to the global average of 5th. Remarkable is the strong interest in shopping for big brands when visiting

## Preferred accommodation

The emergence of a much broader offer and a hybrid booking behaviour had made analysing city accommodation preferences much more interesting than it was just 10 years ago. The rise of Airbnb and its peers is a strong factor influencing tourism in many European capital cities and it is interesting to see the impact this has on the more affluent visitors.

Rank	Accommodation type	Share	UK	USA	RUS
1	Big 4 star hotel	46%			
2	Simple city hotel	30%			-10%
3	Big 5 star hotel	28%			+20%
4	Small charming hotel / B&B (not luxury)	20%			
5	Small luxury hotel	17%	+7%		-7%
6	Simple holiday apartment	6%			
7	High end holiday apartment	4%			

Especially for this question, where results depend heavily on available budget, it must be remembered that the term "affluent" in this research relates to people with a higher than average income (starting on around USD 50k) and covers few people with very high



incomes. A good reason to later also look at differences among income levels. In total, big 4-star hotels are the preferred choice for the high value city travellers, with almost 50% state that this is one of their two most frequented accommodation options on city holidays. About 30% name “simple city hotels” or big-5 star hotels as their 2nd and 3rd most frequently selected type of accommodation. Apartments only account for 10% of the votes among the affluent traveller group, remarkably little compared the great number of privately let apartments and rooms via Airbnb etc..

For Russians, big 5-star hotels are the prioritized option, nearly 50% saying as much. They are less interested in staying in smaller, simpler hotels. Britons showed the highest interest in small luxury hotels, even prioritizing them over big 5 star hotels.

### Accommodation philosophies

Applying different groupings to accommodation types helps to better understand general preferences when it comes to choosing the place of stay.

**BIG vs. small** analyses the preference for large hotels vs. small hotels, including both luxury and more moderate price categories.

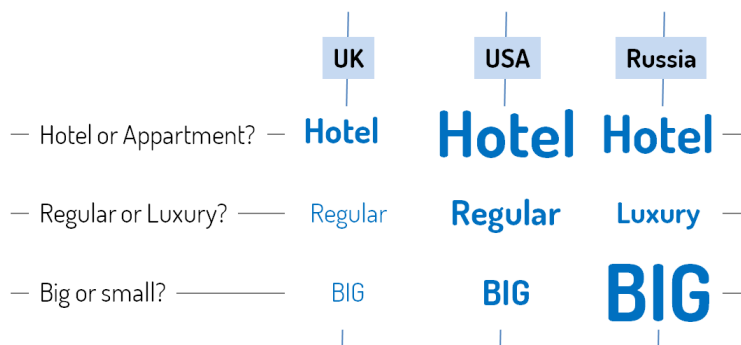
**Luxury vs. regular** analyses the preference for 5-star hotels and apartments over more moderately priced categories.

**Hotel vs. apartment** analyses hotels’ level of importance compared to apartments.

Hotels are the top choice in all markets. Apartments are most popular among Britons and least popular among US-Americans.

When it comes to regular or luxury accommodation products, both Britons and US-Americans prefer moderately priced places, while the majority of affluent Russians book luxury accommodation. Russian’s preference is for big 5-star

accommodation; they like big hotels the most and are only seen in small numbers in small hotels. Big hotels also account for more bookings in the Anglo-Saxon markets, but not to the same extent. Affluent travellers from the UK especially fancy small hotels, both in the luxury and moderate priced ones range.



### High income groups

When searching for significant differences among the people earning more than USD 140k per year (or equivalent in the other markets), some global truths stand out.

**Fact 1** - The preference for big hotels (both 4 and 5 star) is much higher than for the income groups between 50k and 140k

**Fact 2** - Naturally, the interest in luxury accommodation is significantly higher than for the others

**Fact 3** - Apartments do not lose attractiveness as income level increase, except among the British

Still, there are noticeable differences within the high income groups across the various markets. In the **UK**, for example, the high income group has a much higher interest in big hotels. While only 40% more British travellers will go for a big hotel rather than a small one, it's a rate over four times that of income group above GBP 100k, where the interest in apartments is almost zero.

In the **US**, small hotels are still relatively attractive for the high income group. In general, it is a hotel market, but unlike the UK, the high income group is a bit more interested in apartments, while still at a low level. Also interesting is that the USD +140k income group books just as many regular hotels as 5-star locations.



**Russia** is entirely different, where even the second highest income group (67k € and above) strongly prefer luxury hotels. Two-thirds of this group, and over 80% of the highest income group (120k €+) predominately book 5-star accommodations. Interestingly, the latter segment is also strongly interested in high-end apartments, more than any other segment in the research.

### Spending money in the city

Here the intention was to cover the perception of actual spending during a city trip, comparing categories apart from accommodation. The main focus is on categories where the interviewees stated they usually spend “quite a lot” or “a lot” of money.

The study shows great differences in spending categories across countries. But before digging into that, it was interesting to see to what extent people *feel* they are spending in the destination.

People spending “quite some” or “a lot of money”



*Note: average of Top 3 spending categories*

Russians see themselves as the highest spenders by far. On average 75% state they spend "quite some" or "a lot of money" in the Top 3 spending categories. Only a little less than half of Brits and US-Americans state the same. The perception of the "big Russian spender" is in line with the perception held by business people selling goods and services in tourist destinations.

But which of these Top categories do travellers spend the most in? The research reveals that there are great differences here among nations. While both British and US-American travellers spend the most on restaurants, Russians spend most on excursions. Also, Britain's affluent spend a lot on bars and other nightlife, a category ranking among the last in the other two markets. Instead US-Americans' 3rd highest spending category is food and wine shopping, while for Russian's it is tickets for cultural events like concerts, theatre, and exhibits.

### Top 3 spending categories per country

	UK	USA	RUS
1	Restaurants	Restaurants	Excursions
2	Excursions	Excursions	Restaurants
3	Bars and other nightlife	Food and wine shopping	Theater, concerts, exhibits...



## Shopping

Shopping is an essential part of a big city's tourism business. In order to better understand what is being purchased, it was split in four categories:

- Food & wine shopping
- Fashion shopping
- Local handicraft and art shopping
- Other shopping

For shopping, twice as many Russians stated they spend "quite some" or "a lot of money" across all categories, compared to Americans or Britons, 60% vs. 33% and 27% respectively. Food and wine makes the highest share of the shopping basket in all three countries studied. Russians, however, put almost exactly as much weight on "other shopping", which ranked second in that region (but last in the other markets). Comparing with other studies and comments this will include such items as jewellery and cosmetics, above all.



## Extra - "Bleisure"



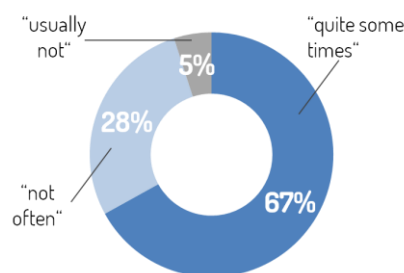
More and more frequently people are mixing business and leisure. Remote working, virtual teams, home offices, mobile availability on holidays, all of this has become a normal part of many working people's lives, especially for those with higher job and income levels. To a large extent, much of the affluent travel activity is actually business travel, usually going to bigger cities, visiting a corporate branch, clients, and partners, or attending fairs, conferences, meetings, or other events. As flight and hotel are already paid for on business trips, and in most cases by the employer, tourism-related businesses should target business travellers. So far, little is known about how many of the business travellers actually have taken time for leisure activities, and for which ones.

### Leisure time on business trips

The results were astonishing - 67%, two-thirds of business travellers say they do take leisure time when on a business trip to a city "quite often". Only 5% usually report having no time for leisure activities. There are no significant differences among markets, the share of Russian business travellers taking free time is slightly higher at 74%, with only 1% stating they usually have no time. Spending becomes much more interesting for both hotels and other businesses personal, when business travellers prolong their stay and take an extra free day or combine the business trip with a free weekend, or even longer. Fifty-eight percent of affluent business travellers across the globe state they do so "quite often."

**58%**  
Business travellers quite sometimes adding a free day or weekend

Taking leisure time on business trips

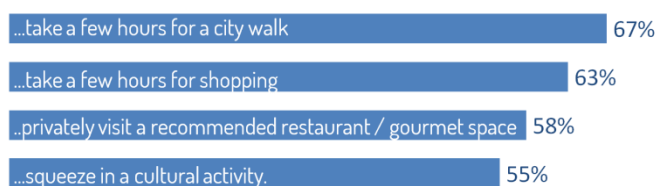


Again, Russians top the list with two-thirds often adding a free day or weekend. The UK is ranked lowest, with just over 50% doing the same. Interestingly, this market is not well developed. It is not common for business travel agencies to proactively offer prolonged stays and services – it is a market with very interesting potential.

### Leisure activities on business trips

The ranking of leisure activities during free time on a business trip is equal across all markets. Taking a few hours for a city walk is the most popular activity. An extended shopping stroll ranks 2nd, privately visiting a recommended restaurant or other gourmet space ranks 3rd, and even in 4<sup>th</sup> place 55% are able to squeeze in a cultural activity like visiting a museum or event "quite often". The first activity, taking a city walk, is an opportunity to be better designed and communicated by the local tourism authority, all of the other activities can be more proactively marketed by the private sector, especially in collaboration with hotels.

Leisure activities during business trips





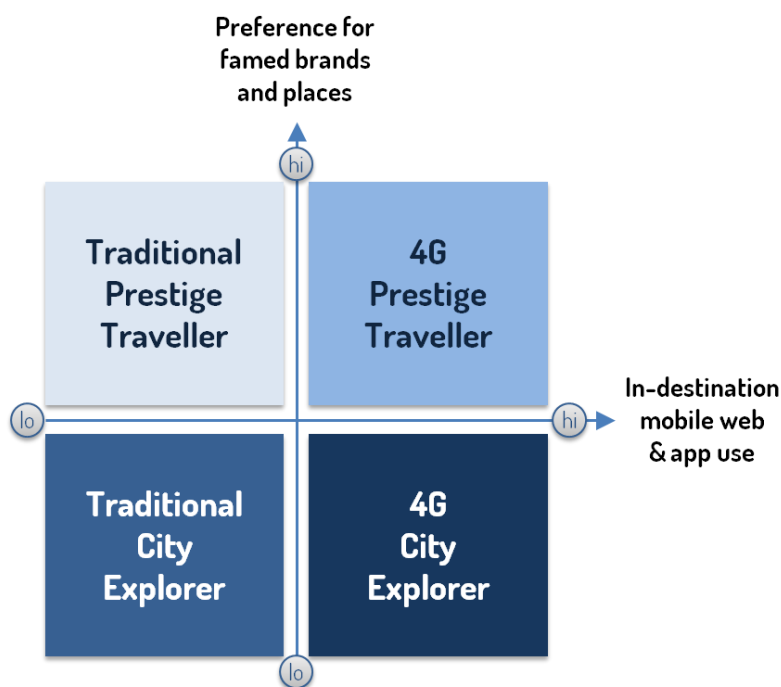
Finally, a word on duty free shopping at the airport, which ranks last among leisure activities across the markets researched. Compared to the 63% that do shopping in the city, duty free shopping at the airport is done by an average of 47% of business travellers. Here, the spread among the markets is high - only a third of US-American business travellers frequently shop duty-free at the airport, but nearly 60% of Russians do.



# City traveller tribes

Earlier in this study, the strong and growing impact of mobile web use in the city destination was mentioned. Mobile web is a very different and relatively new approach to guide and communicate with tourists. As such, business and destination managers should focus on understanding not only how it is used in their city, but also the preferences of these users, should they be different from travellers using more traditional methods of information gathering.

Another big issue causing destination managers frequent headaches is the decision between having a truly local, authentic, small scale tourist offer and having the attraction of prestigious global brands and big names. Both approaches have their fans, and often both have no interest in finding themselves in the "other world". The study sheds light on the different preferences of both groups' and their habits when it comes to city travel.



Both essential dimensions, the use of mobile web on the go versus traditional ways of obtaining information, and the love for status brands versus the search for the authentic elements in a city, were used to define four distinct city traveller tribes. The following criteria were used in the research:

**4G Travellers** - for them mobile web and apps are the most important sources of information in the destination, they use this mobile technology "often" or "always" while travelling.

vs.

**Traditional Travellers** - they don't use mobile web when travelling, but instead they look things up on a laptop in the hotel room, use guide books, or a hotel concierge or visit the tourist office.

**Prestige Travellers** - for this group it is most important that the city is famous and they fancy big brand shopping more than small, authentic shops in the destination cities

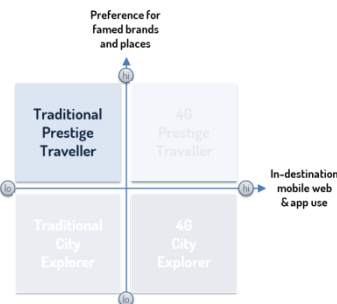
vs.

**Explorers** - they don't care whether or not a city is famous, they are more interested in finding small, local gems than in buying the brands they can find in any big city.

In the following section the differences between the traveller tribes will be discussed. Instead of describing each tribe from A to Z and repeating general information, the focus will be on deviations from the average traveller profile, that is, what they like more, and what they do less than their peers across all topics researched.



# 1. The Traditional Prestige Traveller (TP)



## General profile

**Income** slightly higher

**Sex** predominantly male

**Age** slightly younger

**Household** fewer couples, slightly more families

**Home turf** mostly in mid-sized cities, less in small towns or metropolitan cities (1mn+)

## Usual Travel Behaviour

The Traditional Prestige Traveller travels more than the Traditional Explorer but less than the 4G Traveller tribes. He favours **beach** holidays, but **snow** holidays are also popular. Short city trips rank second and are slightly less popular than among other travellers, as are combinations of nature/beach and longer big city holidays. When travelling to cities, it disproportionately often is **alone or alone with kids** in comparison to other tribes.

## City attractiveness

### Selection factors

- *Great accommodation choice* - most important selection factor, more than for other tribes
- *That the city is famous* - is important or very important (tribe segmentation criteria)
- *Total cost of the trip* - of somewhat less importance

### Dream Cities

The Traditional Prestige Travellers' dream city is London, which among all other traveller tribes ranks only 4th or 5th. Madrid also ranks higher, Barcelona lower.

London (favourite city) Madrid Barcelona Vienna

## Spotlight on Spain - Madrid & Barcelona

Each Traveller Tribe has somewhat different images of Madrid and Barcelona. The TP, for example, rates the Spanish cities' entertainment offer much higher than the other tribes. Comparing the two cities, he has a much better image of the local food culture in Barcelona than in Madrid.

### Madrid

Entertainment Shopping Food

### Barcelona

Entertainment Food Architecture Museums Nightlife

## Information, Inspiration & Booking

### Information & inspiration sources

Unlike the Traditional Explorer, the Traditional Prestige Traveller trusts online review sites more than any other source and tips from family and friends less than any other group. Also ranking significantly higher than for the other tribes are reviews from accommodation sites like booking.com or Airbnb.

**++Review sites** (e.g. Tripadvisor) **++Accommodation sites** (e.g. booking, Airbnb) **--Family & Friends**



## Booking Channels

The Traditional Prestige (TP) is the "package" tribe. Where as all other groups mainly book separate modules when organizing their city trip, the Traditional Prestige Traveller books just as many packages as modular trips. And when booking modular trips online, he prefers to visit different websites rather than use OTAs (as other tribes tend to do).

**++Packages** -OTAs (Online Travel Agencies)

## Service & activity pre-booking

TPs **pre-book more** of their activities and services than the explorer tribes, especially excursions, which rank highest, and restaurants. On the other hand, they book fewer rental cars in advance.

**+Excursions** **+Restaurants** **-Rent-a-car** **-Cultural event tickets** (e.g. theatre, concerts, etc.)

## In-destination information

One of the segmentation criteria for the "Traditional" segments was the minimal use of mobile web. What is special about the TP is that they are the tourist information centre fans. Almost half of the tribe "often" or "always" visit the information centre, they use it almost as much as their laptop and consult it more often than they do the hotel concierge. But in general the Traditional traveller tribes are not as active in getting information from across different sources as the 4G Travellers.

**++Tourist office** **--Mobile web**

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## In-destination preferences


### Preferred activities

One of the selection criteria for the Prestige Travellers was their love for big brand shopping rather than searching for small local gems. Local food culture and museums are of less importance to the TP compared to the other tribes.

Big brand shopping  Festivals  Excursions  Local food culture  Museums 


### Seasonality

The TP has a stronger preference for travelling in summer time than the other non-prestige tribes, and more or less in line with the 4G Prestige Traveller.

Summer 

### Accommodation

Preference for high-end accommodation is well above those of the Explorer Tribes, but not as high as for the 4G Prestige Traveller.

Luxury accommodation 



## 2. The Traditional City Explorer (TE)

### General profile

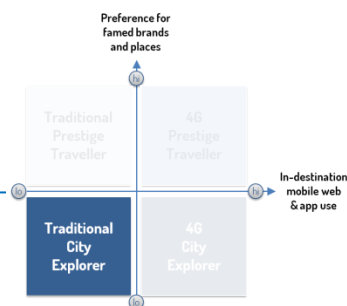
**Income** slightly lower

**Sex** equal proportion of men and women

**Age** significantly older

**Household** by far biggest group couples without kids in the household

**Home turf** highest share of small town residents



### Usual Travel Behaviour

Of all four tribes, the Traditional City Explorer (TE) has the **lowest amount of travel activity**. If travelling, then **short city** trips are the clear preference, beaches rank second and are significantly less popular among TEs than among other tribes. Also rated significantly lower are combinations of beach/nature with big city holidays. More than any other tribe, TEs prefer to **travel with their partner**. In fact it is their most popular travel group composition, followed by **travelling with friends**, which is also much more popular with TEs than it is among the TP tribe.

### City attractiveness

#### Selection factors

- *Total cost of the trip* - 2nd most important after beauty of city, most cost sensitive tribe
- *That it is a new city* - no other tribe has as little interest in selecting unknown cities
- *That the city is famous* - does not matter for the Explorer tribes (segmentation criteria)

#### Dream Cities

The Traditional Explorer is the biggest fan of Rome; it is their dream city. In contrast to the Traditional Prestige Traveller the TE is no London enthusiast, the British capital ranks 5<sup>th</sup> on their list. Madrid also performs poorly with this tribe, as the TE rate and rank Madrid lowest.

Rome (favourite city) London Madrid

#### Spotlight on Spain - Madrid & Barcelona

The TE's Top 3 rankings of Madrid's and Barcelona's tourism categories is in line with the average of all tribes, but no other groups rates Architecture & monuments, Local food culture, and Museums & galleries, as high for these cities as the TEs do.

##### Madrid

Architecture Food Museums Shopping Natural setting

##### Barcelona

Architecture Food Museums



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## Information, Inspiration & Booking

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### Information & inspiration sources

Regarding the most important source of information and inspiration, the TE really is traditional – it is the only tribe where family and friends are still the No. 1 source. Non-travel magazines and newspapers still have a stronger impact on the choice of a city destination in this group.

**++Family & friends** **+Non-travel magazines & newspapers** -OTAs --Accommodation websites

### Booking Channels

The TE is strongly "anti-package" minded and prefers modular booking. Bad news for hotel and airline brands: this tribe is the least loyal to brands and rarely uses brands' direct channels for booking. When booking online, TE's mostly use OTA websites rather than website hopping.

**+OTAs** -Direct supplier channels (both hotel chains + airlines) --Packages

### Service & activity pre-booking

Spontaneity is important for the TE, one-quarter of the tribe reporting absolutely no interest in pre-booking anything. An group with "relatively high" interest in pre-booking exists in this tribe--11% saying they would like to book more if they had good offers. Currently only rental cars have a relatively good pre-booking rate.

**+Rental cars** **+Interested in better offers pre-travel** --Prebooking in general

### In-destination information

One of the segmentation criteria was the minimal use of mobile web for the "Traditional" segments. What is special about the TE, is their preference to consult a hotel concierge, rather than going to the tourist office, a strong contrast to the Traditional Prestige Traveller. In general, the Traditional traveller is not as engaged in finding information across different sources as the 4G travellers.

**++Hotel reception/concierge**






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## In-destination preferences

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### Preferred activities

One of the selection criteria for the Explorers was their love for small, local shops rather than partaking in a big brand shopping sprees. For the Traditional Explorer, the natural setting & viewpoints, local food culture, and museums & galleries matter more than for other tribes.

Local food culture  Natural setting  Museums  Local shops  Big brand shopping 

### Seasonality

The TE is a shoulder season traveller, travelling less in summer and winter than the others.

Shoulder seasons 

### Accommodation

The TE tribe is the tribe most attracted to rather small accommodation concepts and whom does not necessarily require luxury features. The popularity of apartments is average with TEs.

Small accommodation concepts  Simple accommodation 



### 3. The 4G Prestige Traveller (4GP)

#### General profile

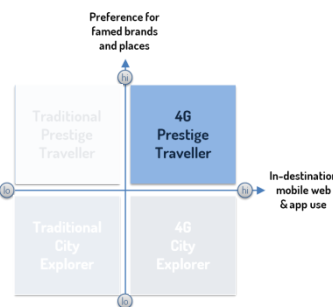
**Income** slightly lower

**Sex** slightly more male

**Age** younger than average

**Household** many more families, slightly more singles, much fewer couples

**Home turf** lowest share of small town residents



#### Usual Travel Behaviour

Of all four tribes, the 4G Prestige Traveller has the **highest overall travel activity** by far. The broad range of travel activities is also remarkable; **all travel types** enjoyed with a relatively high level of attractiveness. Travelling with kids, both travelling with the **whole family**, and also travelling **alone with kids**, occurs at an above average frequency.

Another point of interest is the rate of business travel among this tribe.

#### City attractiveness

##### Selection factors

- *That the city is famous* - important or very important for the 4GP tribe (segmentation criteria)
- *Great accommodation choices* - most important selection factors, just as for the TP tribe
- *Trip cost* - despite not having a superior income this tribe is the least cost sensitive

##### Dream Cities

Paris is the 4GPs favourite city in Europe, they are the only tribe which ranks Paris 1st. The 4G Prestige Traveller also ranks Barcelona significantly higher, ranking 3rd, than the Traditional Prestige Traveller, its Prestige counterpart.

Paris (favourite city) Barcelona Prague Milan Vienna

##### Spotlight on Spain - Madrid & Barcelona

The 4GP tribe is the only one that, overall, rates Madrid just as high as Barcelona. In both cities, 4GPs ranked sports events significantly better than other tribes did. The natural setting and shopping both rank higher in Madrid among the 4GPs, and above all, this tribe is the only one which views Museums & Galleries as the strongest asset. In Barcelona, entertainment is rated very well, but Museums & galleries scores significantly lower, only ranked the 8th best category.

##### Madrid

Museums & galleries Natural setting Sports events Shopping

Local food culture Entertainment Nightlife

##### Barcelona

Sports events Entertainment Museums & galleries



## Information, Inspiration & Booking

### Information & inspiration sources

In general, the importance of sources of information and inspiration do not differ too much among the tribes. The 4GPs have a slightly stronger trust in agencies, both online and offline, than other tribes. The same is true for travel shows on TV.

+ OTAs +Local travel agency +TV travel shows -Travel magazines

### Booking Channels

The 4G Premium Traveller is much less interested in travel packages and OTA bookings than the Traditional Premium Traveller, but still has a higher affinity to this type of organized travel and booking than either of the two Explorer tribes. The 4GP is the most loyal traveller you can imagine and books directly through their favourite brands more than any other group—good news for airlines and hotel chains.

++Booking through favourite hotel and airline brands +Packages +OTAs

### Service & activity pre-booking

This tribe is the most active in terms of pre-booking services and activities. Ninety-one percent of them “sometimes” book activities before travelling, Restaurant pre-booking is particularly prominent among the 4GPs.

++Prebooking in general +Restaurants

### In-destination information





This group is the most active and engaged group in terms of searching for information while in the destination. All tribes use mobile web, but in general the 4GP gets their information on the street. This tribe is also the one visiting the tourist information centre most often, surprisingly significantly more than the other 4G Traveller, as well as both Explorer tribes.

++Mobile web (selection criteria) ++Tourist information centre

## In-destination preferences

### Preferred activities

Here comes the big brand shopper! While overall big brand shopping ranks 10th among the 11 suggested activities, but for the 4GP this is the most important factor when visiting a city. Entertainment is also much more important, while museums & galleries and small local shop visits score well below average.

Big brand shopping  Entertainment  Museums & galleries  Small local shops 




### Seasonality

Compared to the other tribes, the 4GP traveller loves the summer and hates travelling in Winter.

Summer  Winter 

### Accommodation

When it comes to accommodation, the 4G Premium travellers are very different from the other tribes and have a clear profile: they like it big, luxurious, and are total hotel people.

Big hotels  High end accommodation  Hotels vs. apartments 



## 4. The 4G City Explorer (4GE)

### General profile

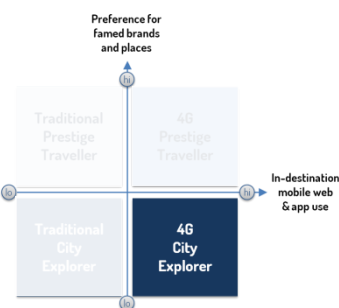
**Income** slightly higher

**Sex** more females

**Age** slightly younger

**Household** slightly more couples and families

**Home turf** highest share of people from metropolitan cities (1mn+ inhabitants)



### Usual Travel Behaviour

The 4G Explorer participates in an average amount of **overall travel activity**. The only remarkable deviation from the average profile of preferred travel types is her love for short city breaks—77% state they take a short city break at least once every year. At 77%, short city breaks not only ranks first among all travel types for the 4GE, it reaches the highest overall percentage of travel activity among all tribes.

Like the other tribes, the 4GE mostly travels **with the partner**, but unlike other tribes, **travelling with friends** is highly popular. Travelling with friends is the 4GEs 2nd most popular travel group composition, having scored significantly higher than travelling with the family (partner + kid(s)).

### City attractiveness

#### Selection factors

- *Beauty and offer of the city* - most important criteria, as with the Traditional Explorer
- *That the city is famous* - "important" or "very important" to the 4P tribe (segmentation criteria)

#### Dream Cities

Similar to the Traditional Explorer, the 4GEs favourite city list places Rome in first place as the dream city. London ranks much lower, and the remainder of the list is pretty much in line with the average ranking.

Rome (favourite city) London

#### Spotlight on Spain - Madrid & Barcelona

Barcelona is more popular than Madrid among this tribe; the Condal city is ranked above average (3rd), while Madrid is below average (8th). In both cities architecture & monuments, museums & galleries, and the local food culture take the top 3 spots. 4GEs perceive shopping to be a weak spot in Madrid shopping, most other categories' rankings are in line with the perceptions of the total population.

#### Madrid

Sports events Shopping



## Information, Inspiration & Booking

### Information & inspiration sources

The 4GE tribe is not a fan of agencies, both online and offline travel agencies rank lower. Instead, travel review sites are highly popular and the most trusted source of information and inspiration—no other tribe is a bigger fan of Tripadvisor. Besides, 4GEs still read traditional travel magazines to a greater extent.

**++ Review sites** **+Travel magazines** - Local travel agency -OTAs

### Booking Channels

It is interesting that while the Explorer tribes do not widely use OTAs for getting information, they do use them a lot for bookings (preferably components and not so much packages). Among all the groups the 4GE, tends to be the most avid online booker.

**++Booking online** **++OTAs** --Packages

### Service & activity pre-booking

The pre-booking profile is very similar to that of the total population—80% “sometimes” pre-book activities, and an additional 10% would love to if there were more and better offers available. 4GEs pre-book more rental cars than any other tribe, it is their No. 1 category for pre-trip bookings.

**+Rental cars**

### In-destination information


This tribe is also an online tribe when in the destination. All tribe members use mobile web, and in addition, nearly 90% use a laptop in the hotel or other places in the city in order to access information and get offers. In general, the 4GEs are self-sufficient at inform themselves once they arrive. Around 50% also often ask for information at the hotel desk and at the cities tourist information centre.

**+Overall information gathering in destination** **++Mobile web** (selection criteria) **+Laptop**

## In-destination preferences

### Preferred activities

Enjoying the natural setting of the city, viewpoints and parks is their most preferred activity when visiting cities. Coming in at 3<sup>rd</sup> place, seeing architecture and monuments also ranks above average. While shopping for big brands is considered the least interesting activity, strolling through small local shops ranks high in 4<sup>th</sup> place.

Local shops  Natural setting  Architecture & monuments  Big brand shopping 

### Seasonality

The 4GEs are the least weather sensitive tribe and have a slight preference for travelling in the shoulder seasons rather than in midsummer.

Shoulder season  Weather sensitivity 

### Accommodation

When choosing accommodation, the 4G Explorers have a slight tendency towards selecting smaller establishments. Furthermore, they are the tribe most attracted to apartments.

Small hotels  Apartments 



## Outlook on tribe structures

The segmentation in this study is based on two big dimensions: the use of mobile web abroad and the affinity towards big global brands vs. authentic, local experiences.

Following the research and the analysis of numerous data, reports, and articles the development of the segmentation factors is clear for one aspect, but not for the other.

### **Mobile web use**

It is obvious that more and more high value city travellers will use mobile web on the go. Smartphones with good internet connectivity have become a standard companion for high value travellers. Technology is further improving, surfing cost abroad decreasing, and meaningful and well-designed mobile travel webs and apps spreading and covering more and more cities. From now, around 50% of high value city travellers use mobile web on the go, but the share of users could easily increase to 70% or 80% in the next 5-10 years. We predict a consolidation of the generic travel app market and a growth of special use and special interest apps with relevance for the high value city travellers. One of the major challenges is to balance commercial content with non-commercial content and an integration of the private sector in a value-generating way.

### **Global brand power vs. authentic local experiences**

For this dimension, the case is not so clear. First of all, the differences among the source markets are enormous, heavily dependent on cultural traits, personal history, and the development stage of tourism activity in a country. We often read about the mature western markets' search for the authentic, the soul of a destination. Certainly, there is an important share of Western travellers that search exactly that, often as a counterpart to the globalized world which dominates their everyday life. But when studying US-American Millennials, one will realize that status objects and services, global brands, and prestige still do play an important role for a large proportion of this segment's affluent.

Rather than a global trend towards more authentic experiences, one can expect a more polarized world. Personal positioning has become crucial for many in the times of social media, especially for the young. One part of the population will define itself strongly via branded status travels and objects that will be understood by their peers around the world. The other part of the market will try to escape the big global status brands and seek fulfilment in finding what they believe to be unique, authentic, local gems in travel. This relates to all products and services along the value chain, including accommodation, activities, shopping, etc.



## Expert shoutbox Madrid

In July 2015, preliminary results of the research were shared with a selected audience of high value city tourism experts in Madrid. Besides presenting and discussing the mentioned first results of the study to the audience, the experts from different businesses, organisations and backgrounds enriched the research work with inspiring comments and ideas that should be shared.

A big Gracias! for your creative and enriching contributions,

- Evelio Acevedo -Director Gerente Museo Thyssen-Bornemisza
- José Carlos Capel - Crítico Gastronómico y Presidente Madrid Fusión
- Carlos Delso - Director General, Joyería Suarez
- Irene Fernández Rodríguez - Director Marketing, Communication & Ecommerce, NH Hotel Group
- Bernardo Fuentes - Assistant Director, Condé Nast Traveller Spain
- Gabriel García Alonso - Presidente, Hotel Orfilia
- Veronica García Castelo - Directora, Hotel Orfilia
- Antonio López de Ávila - President, Segittur
- Juanma del Rey - CEO, Corral de la Morería
- Eva Ruiz - Marketing Director Spain & Portugal, MasterCard
- Antonio Santos Valle - Director Relaciones Institucionales y Turismo, Innova Tax Free
- Marisa Vásquez Shelly - Directora de Relaciones Institucionales y Patrocinios, Teatro Real

*"Spain already is a world leading travel and city app lab. We should continue to build on that competitive advantage."*

*Antonio López de Ávila - Segittur*

*"Spain's marketing should even more focus on cultural aspects when entering new markets."*

*Veronica García Castelo - Hotel Orfilia*

*"We sell emotions, sometimes guests leave our venue with tears in their eyes."*

*Juanma del Rey - Corral de la Morería*

*"The development of true experiences has enabled us to enter the tour operator packages for the first time."*

*Marisa Vásquez Shelly - Teatro Real*

*"We need to enrich the city offer by integrating smaller towns in the surroundings much better."*

*Gabriel García Alonso - Hotel Orfilia*

*"We are now including an experience section on our own website."*

*Irene Fernández Rodríguez - NH Hotel Group*

*"We need less country and more city marketing, both relating to source markets and to destinations."*

*Carlos Delso - Joyería Suarez*

*"There is great potential in turning to attract the Millennials, but we need to adapt the offer."*

*Eva Ruiz - Mastercard*

*"The world language of high end and innovative gastronomy is Spanish now. This is a great asset for high quality tourism."*

*José Carlos Capel - Madrid Fusión*

*"There is no Asian tourist, the Chinese market is totally different from the Japanese or Korean market."*

*Antonio Santos Valle - Innova Tax Free*



*"The key to transmitting exclusivity is the personalization of services"*

*Bernardo Fuentes - Condé Nast*

*"Training of people still too often is neglected when designing high-end services and collaborations. but it is absolutely kev."*

*Veronica García Castelo - Hotel Orfila*

*"To attract high value visitors from outside Europe, we would need a better collaboration with airlines in order to have more direct flights."*

*Carlos Delso - Jovería Suarez*

*"To become a true app champion we need to consolidate the city app offer."*

*Eva Ruiz - Mastercard*

*"It's very important for us hoteliers to design more experiences with the tourist attractions. One great example is our collaboration with Chef Paco Roncero and the Thyssen creating a gastronomic museum route."*

*Irene Fernández Rodríguez - NH Hotel Group*

*"We do not take care well enough of the Latin American tourists despite them being many, loyal, and high spending visitors with only few cultural challenges."*

*Antonio Santos Valle - Innova Tax Free*

*"The local food scene is the second most reason to visit Madrid, creating exclusive experiences requires intensive preparation and collaboration between hotels and restaurants."*

*Gabriel García Alonso - Hotel Orfila*

*"It's very important to integrate niche topics and unexpected aspects into the cultural offer."*

*Marisa Vásquez Shelly - Teatro Real*

*"In order to attract the new premium segments, we need more collaboration with young high end brands, both global and Spanish brands"*

*Antonio López de Ávila - Segittur*

*"Experience means emotion. Making people "fall in love" with something is part of the success."*

*Juanma del Rey - Corral de la Morería*

*"We have some great Spanish premium brands, but innovative collaboration is still lacking."*

*Veronica García Castelo - Hotel Orfila*

*"More collaboration with tour operators would be good, we need to bring marketers here, doing more fam trips, press trips, etc."*

*Irene Fernández Rodríguez - NH Hotel Group*

*"Spain has world leader potential in the fusion of gastronomy, leisure, and culture, it's a recognized part of our cultural identity."*

*José Carlos Capel - Madrid Fusión*

*"We have a historical cultural connection with the Arab world and need to prepare our cities and businesses in order to target these markets successfullv."*

*Antonio Santos Valle - Innova Tax Free*

*"Private sector collaboration with unexpected partners wins: for example the "Recorrido de las joyas" (walk of jewellery), a hotel-museum-shopping collaboration in Madrid."*

*Carlos Delso - Jovería Suarez*



## Top 10 Marketing recommendations

Both secondary and primary research have provided relevant insights into high value city travel. This last section connects the major research dots and gives meaningful and practical conclusions for both public and private entities dealing with high value city tourists. The selection and tailoring of the recommendations has been done with the Spanish cities Madrid and Barcelona in mind in order to raise the relevance for marketers especially in these two cities. The list is limited to the 10 most important aspects of city vacations, for more details visit the appropriate sections of the study.

### 1. The tie is off - Making the most of Bleisure



Two-thirds of business travellers often try to squeeze in some free time for leisure activities. Nearly 60% “quite often” add on a free day, or several leisure days, when on a business trip. Usually, business travellers have a high disposable income, but limited time for cultural, entertaining, active, and/or gastronomic treats. Based on the insights from the research there are several keys to generating the most value for and from the Bleisure traveller.

- Motivate and persuade business travellers to add leisure time to their business trip by partnering with large companies in your city to create incentives, and by collaborating with the big business travel agencies in this world, like BCD Travel, or American Express.
- DMO (Destination Management Organisation) and private sector collaboration with airlines to identify and target the most important business travel routes.
- Development of special Bleisure city packages for different time blocks, e.g. for 1, 2, or 3-hour, half-day, full-day, evening, morning, and afternoon packages, and provide recommended activities or itineraries by DMOs and partners.
- Bleisure travellers have no time to lose with investigating what a city has to offer. Packages help. So does targeted information for the mobile phone and on paper specifically designed to inspire, inform, and guide in a highly efficient manner.
- Collaboration with hotels and local operators. As most business travellers stay in large 4 and 5-star hotels, the resources are available to develop hotel specific offers, e.g. defining short term packages and itineraries, specific to the area of the hotel.
- Special prices for adding extra nights onto a hotel stay, special offers and treatment for business visitors at restaurants etc. when wanting to return as private guest.
- Integration of paid services and offers to complement city walks, the most preferred leisure activity for travellers on a business trip.



- Business travellers, especially from Asia and the Middle East, need to bring presents home. The facilitation of a quick and enjoyable shopping spree to satisfy this need will increase shopping sales. Different local and global products at different price levels should be made quickly accessible, either in, through, or outside the hotel. Private sector collaboration is key here.

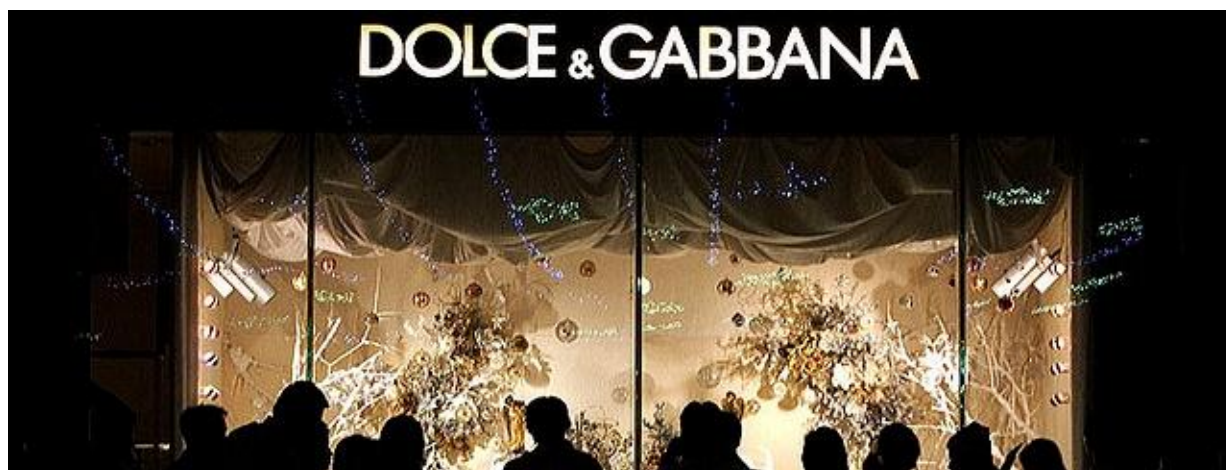
## 2. Smart guidance – Mobile companionship

Over 50% of travellers already use the mobile web in foreign city destinations, for information, maps, offers, or active guidance, etc.. Much has been said about this topic, but some aspects deserve special care in the next years.

- Since most bookings are generated via the net, an in-destination follow-up service via mobile web or apps makes life easier for travellers. Seamless cross-device guidance and companionship must be the goal, starting from the time of booking, especially in city travel where the need for information and guidance need is high and the offer of services and products broad. Companies like Amadeus (CheckMyTrip), and other much smaller ventures are building such services. The research shows that the 4G traveller types do not rely solely on the mobile web, but also use the laptop in the room or other sources of information. Thus, the importance of cross-device and cross-information channel harmonisation cannot be stressed enough.
- It's a mobile city travel web and app jungle out there. Consolidation is not yet taking place at a high level due to the still early market stage. Cities have to drive that consolidation on a local level and must not leave visitors alone with their choice of the right mobile web companions. Agreements with selected online guides and travel apps will help to clean up the space and facilitate the travellers choice and quality of guidance and offers.
- Consolidation of the mobile guidance offer in each city also makes the integration of private sector content more powerful and attractive to businesses.
- Cost does matter to affluent travellers when using the mobile web. Free data packages in combination with specific city travel webs/apps or web/app packages can stimulate the use and enhance the quality of spending time and money.

## 3. Sometimes it is black or white – Prestige vs. personal experiences

We hear a lot about the "new" luxury, luxury 2.0, authenticity, the power of experiences and stories, personal meaning, transformation, etc.. This new type of luxury has gained more and more importance, and has become a defining trend of our times. However, the research shows that while this trend holds true for some segments, it is only partially true for others, and not true for a lot of people (not only) in the new source markets.



- The two worlds should be separated at times, both physically and for marketing purposes. The Prestige traveller types are not often interested in small local offers that have not been





diverse options, and therefore missing the chance to establish a clear positioning. The different thematic initiatives can be driven by DMOs, private sector networks, or, ideally, by both.

- Working in Private Public Partnerships, the networks should also work on product development and innovation in and around the mentioned categories. Signature experiences should be developed and stimulated, filtered and selected, and finally promoted and sold.

### 5. CRM paying back - Supplier brands with power

The research shows that, despite the apparent commoditization of supplier brand, both airline and hotel brands still have the power to attract a lot of visitors to their websites and convince them to book directly with them.

- In most cases, the complementary offer at these websites can be improved, both the chains' specific city hotel website and the sites of the destination's airlines. These complementary offers basically relate to the destination's offer regarding excursions, transportation rental, event tickets, city tours, restaurants, shopping discounts, or limo services, etc..
- The research results suggest that in collaboration with strong supplier brands, city marketing investments can generate very positive results.
- The selection of the complementary offer should also be used for positioning and strengthening the supplier brands.
- The focus must be on chains or branded networks. The big European cities could think about creating or stimulating new branded hotel concepts to be made available in Europe's major cities, allowing for targeted direct marketing, reducing distribution cost and enabling the upselling of selected destination content.

### 6. Culture on the plate - Food matters

What is the most preferred activity on a city trip among high value travellers? Sightseeing? Museums & Galleries? Excursions? It's visiting a city's gastronomic scene, restaurants, local markets, specialty food stores, etc. How can cities make most of this insight?



- DMOs have a chance to enhance value creation for and from tourists by stimulating the local food scene. Labels, awards, events, publications, and themed marketing activities are all stimulators motivating the local food scene to improve the quality of the experience and marketing, to raise the level of innovation, and to show their craft and food to a broader public.
- Using the local gastronomy in city marketing can be very powerful. Cities like Singapore have shown that it works. Instead of sending a classic mobile tourist stand to cities around the world to promote tourism to Singapore, they sent a Singapore Food Container showcasing and promoting the distinct flavours of the city state.



- Hotels are an excellent vehicle for this development. The vast majority of tourists get at least some of their holiday food served there, so this is an ideal place to introduce visitors to the local food treasures, perhaps in collaboration with local food heroes and brands.
- Specific branded city meals could help to better establish the gastronomic identity of a place, e.g. a Barcelona Breakfast or a Madrid Snack Bag with a pre-defined list of possible ingredients and level of quality. The same can be applied to winery, for example, by selling in restaurants and shops e.g. the "Madrid wine selection 2015", which could be the Top 10 wines from regions around Madrid as selected by leading sommeliers of the city. This also helps to better connect the rural areas around a big city to the city's tourism offer.
- Stimulate the creation and marketing of gastronomy related products and services for other tourism products. Combining excursions with food and/or wine themes means combining two of the most powerful resources big European cities have at their disposal.
- Gastronomic products are also perfect as CRM tools. Delivering favourite holiday foods to the homes of visitors is powerful, sensual marketing. Nowadays, many Spanish products like wines, cheeses, hams, and other delicacies are available all over the world. In collaboration with suppliers and global distributors, the products enjoyed during the trips should be noted and offered for one-time or frequent home delivery. This way, Barcelona visitors could always re-order their personal Barcelona Treat package and relive a bit of their Spanish holidays at home.

## 7. From Euro League to Champions League - Shopping matters

After city walking, shopping is the second most important activity of Bleisure travellers and a very important travel ingredient for many city holiday travellers. Nearly 50% find shopping in small local shops "important" or "very important", the same is true for over 30% when it comes to big brand shopping.

- Shopping in Europe is especially attractive to Non-European visitors, like those from Russia and the Far and Middle East. As they connect their favourite luxury brands to their European origins, and often only find counterfeits in their home countries, shopping in Europe is a big deal for them. The big branded shops have already reacted and employ multi-lingual sales personnel to improve the customer experience and facilitate sales.
- Food and wine has also made it to the top in the shopping categories, however the offer is not as well organized as in the fashion or jewellery segments. Further branding and network approaches will help to improve trust in local products and to guide tourists in the right direction according to different themes and budgets. Foods tasted and loved by tourists in the city should be made available for purchasing on the spot, as well as once they return home.
- Personalized shopping services have great potential, yet a long way to go. Currently most are only available at high prices and cater to the very rich. Looking at the amounts spent in shopping, the model should be rolled out to include the mass affluent high spenders, especially those from Russia and the Far and Middle East in order to guide them to the right shops, and to help them with logistics and translation.
- Another fantastic experience that would have to be designed is "shopping with the locals". Particularly with fashion and food, there is potential to match passionate local shoppers with those only visiting to benefit from the local know-how regarding hidden gems, special interests, and best deals. The local shoppers could be incentivized with coupons or discounts (however not shop specific as to avoid commission hunting).
- Develop a "buy & send home" service in stores, restaurants, and other places. e.g. spas or hotels, where furniture, art, and decoration can be bought and sent home. The service would be centralized through a leading local logistics supplier who would be responsible for joining the different purchases and organizing the transport.



## 8. Walk-in or log-in - Offline presence matters



The research suggests that mobile devices like smartphones, tablets, and laptops are only replacing personal in-destination consulting to a certain degree. Every second high-value traveller will “often” or “always” consult the concierge or hotel reception for travel tips, nearly 50% also visit the tourist information centre “often” or “always”.

- Providing concierges (who are usually already well informed) and hotel reception desks with useful information and web tools remains important, even for serving the 4G Traveller types. Since the high value traveller is demanding, and sometimes already knows the most popular attractions, a quick web tool designed especially for this purpose could make life much easier for hotel staff and raise the quality of the personal advice provided.
- It seems Tourist information centres still create value. Even though many centres report decreasing visitor numbers for years, half of the high value city travellers value the information available there. Taking into consideration the other research results, it could be interesting to combine the tourist information centre with selected local commerce, e.g. with a local food or design market, in order to enhance customer contact time and consequently, provide opportunity to upsell local products and related services (e.g. wine tastings, excursions, etc.). Collaboration with the surrounding regions and operators in the city would make sense in this case.
- In any case, electronic and personal consulting must go hand-in-hand. Tourist information centres could house screens to allow travellers to quickly do a quiz and find out the best sites and offers matching their personal interests and tastes. Personal advice and booking of tours, events, or tables would complement this offer.
- Istanbul tested another way of combining personal with digital advice some years ago. The research results suggest the model has a future: travellers having questions could send out a quick tweet, which then would be seen and answered by passionate locals registered in an organized group and who are happy to help advise from time to time. These locals are a kind of voluntary ambassador of the city, proud to help in their specific part of town or in fields of interest.

## 9. \$\$\$, \$\$\$\$ or \$n - Distinguishing between income levels

The mass affluent, the affluent, the wealthy, the rich, the HNWIs, the UHNWIs, many terms and income categories have been mentioned. The primary research did not reach the UHNWIs and only few of the HNWIs, the richest group of people. Secondary research shows, that the needs and wants can differ significantly among the different income levels. With some creativity, formerly exclusive super-high end services can be modified and offered to lower high-income classes, and services originally designed for the affluent masses can be modified to also serve the highest income levels.



- Example of formerly exclusive services for the super-rich unlocked for the mass affluent: Using registered and briefly trained locals to mimic the mentioned escorted shopping service is one idea. As long as these new services generate more income than cost, they are creating value - this should be the only limitation to the creation of new ideas.
- Example for mass approaches modified for the highest income classes: Don't stop with the sharing economy when targeting the high end of the market. Helicopters, beach villas or other high investment goods and services cause their owners high costs and they are often not being used. While owners may not be willing to rent them out to anyone, they may be willing to create a sharing network with other HNWI's from other countries. The cities or selected operators could be the organizers of such a sharing luxury market in the city.
- A DMO led initiative of high-end product and service brands related to tourism could create various innovative experiences for different high-end segments according to the customer structure of the involved brands. Even semi-flexible packages or package modules can be created, offered as personal experiences, rather than under the concept of packages. Sold by 5-star hotels, they would be a personalized, yet relatively easy to organize offer of experiences for the highest income classes.
- It could make sense for there to be collaboration among cities of one country in order to promote different national brands. Some brands may have a strong connection to one city, however other brands, especially for Non-European tourists, are simply Spanish and should be available in both Madrid and Barcelona.

## 10. Let me tailor that for you - Powerful personalisation



One well-known fact has been reconfirmed by the study—the higher the income, the higher the expectation of personalized service. Having learnt that even two-thirds of US-American UHNWIs book their trips online, it is interesting to think about how personalized approaches can combine the power of both human touch and technology.

- Local DMOs should collaborate closely with the international concierge and lifestyle services (e.g. London based Quintessentially or Moscow based Travellermade) in order to guarantee the high representation of the best local services and products within their offer.
- A space could be created on the city website inviting high end travellers to share their personal interests and desires along with their preferred travel time frame as a way to generate and receive personalized offers. The requests would be passed on to a limited group of registered local operators, agencies, or even 5-star hotels that would come back with personalized travel ideas/itineraries. The high end customer could then can pick the most attractive offer.
- The DMO could generate and manage a portfolio of highly personalized services offered by local artists, designers, chefs, personal trainers, life consultants, scientists, activists, spiritual leaders, or other extraordinary profiles. Two kinds of personalized services could be sold this way: (i) tailor-made products from local specialists like a dress, a painting, a health plan, or similar, to be



developed during the stay or sent home later, or (ii) personalized and mutually enriching experiences and encounters between interested and interesting locals and high end travellers, far away from standardized group excursions. The model could be close to the concept of a website like [blendwiz.me](http://blendwiz.me), even though their current offer is not specifically designed for wealthy travellers. The portfolio could be accessed via the city's "personalized experiences" web space (see above) and offered by participating high-end hotels, for example.

- The DMO should create, brief, fill, and run a register of locally available personal guides/assistants for all kind of different neighbourhoods, interests, and activities, so that hotels or high end house/apartment owners who do not have direct access to trusted concierge services, can actively or reactively offer personal travel assistants.



# Research methodology

## General approach

Mix of secondary and primary research plus an expert panel

## Secondary research

This part of the process had two major objectives:

- ▶ Feeding the study with relevant and interesting insights
- ▶ Defining information gaps to be closed by the primary research

Studies, reports, data and articles were searched from the internet or made available through partners of the research like Mastercard and Innova Tax Free. See the bibliography for all sources

## Primary research

The focus of this year's research was on getting a better insight into selected Non-Euro markets that are relevant for big European city tourism, and especially for the Spanish cities of Madrid and Barcelona. In the end it was agreed to focus on three core markets, one in the Americas, one in Europe, and one to the East, to be complemented with targeted primary research insights from Latin America. The final list of countries was: United States, United Kingdom, Russia plus Latin America (mix of countries with a focus on Brazil).

The research method was CAWI. In the case of US, UK, and Russia, the research was conducted through Millward Brown Spain, using online panels with people frequently (at least once per year) travelling abroad for holiday reasons and with a minimum household income of approximately 50.000 USD. The Latin America and Brazil research was done through online questionnaires distributed in a panel owned by the IE and in Brazil through our research partner Mercado & Eventos.

Income groups researched were 50-80 Thsd. USD, 80-140 Thsd. USD, and 140 Thsd USD and more, with their respective amounts in local currencies in the UK, Russia, and Brazil. The research, thus, provides for a good insight into the mid-high income groups on three levels, but does not allow for distinction of results according to commonly used concepts as mass-affluent, affluent, HNWIs, or UHNWIs, for example.

All in all, 1.469 questionnaires were filled, thereof 501 in the US, 516 in the UK, 326 in Russia, 126 in Latin America, thereof 72 in Brazil. Due to the comparably small sample in Latin America the questionnaires have been simplified and did not allow for the crossing of data as in the other markets.

## Expert panel Madrid

On the 15th of July a panel of industry experts gathered in Madrid to discuss preliminary results of the study and share views and ideas in the course of an open discussion. Leaders from the hospitality, jewellery, shopping, tourism intelligence, gastronomy, culture and entertainment, and media sectors were participating.



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