

Luxury Travel – Capturing the New Luxury



March 2011

Introduction

- Definition of Luxury

- Socioeconomic Aspects of the Wealthy

- Luxury Demand

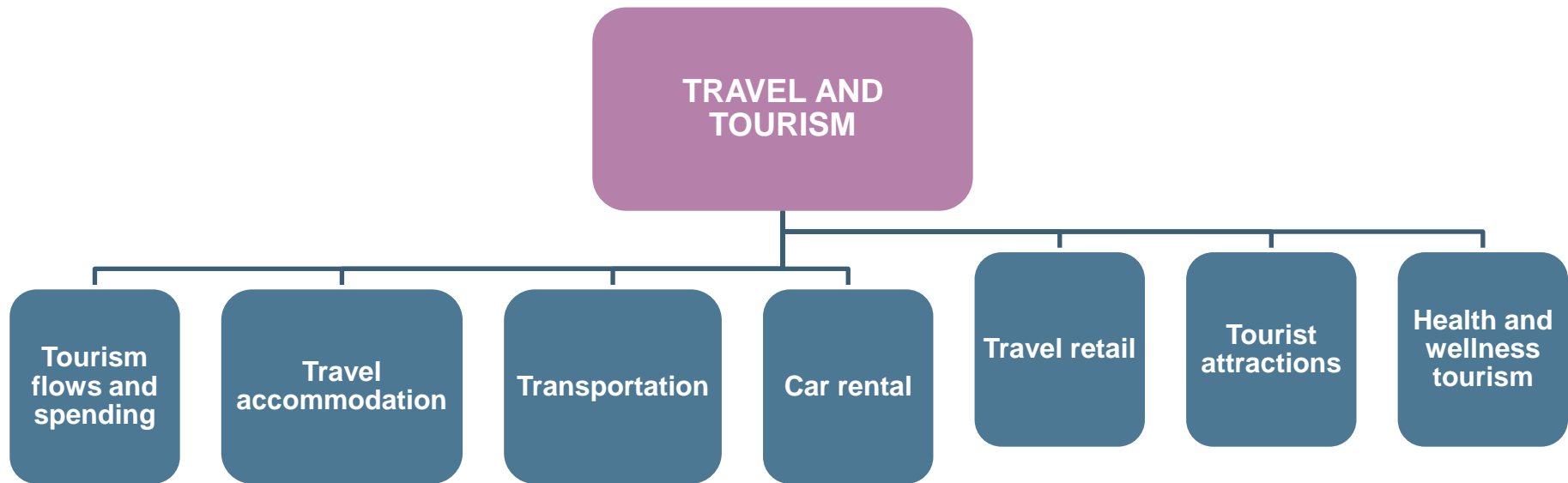
- Luxury Travel Accommodation

- Luxury Transportation

- Luxury Travel Retail

Scope

- This global briefing forms part of the wider travel and tourism research that covers the following categories:



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Key findings

Luxury demand is up

Following the recovery from the global economic crisis, demand for luxury travel has regained growth. Overall performance has been stronger in emerging markets, mainly due to their economic strength and growing demand for luxury.

Value shifts

Conspicuous consumption is out, in favour of luxury brands that represent quality and authenticity.

Regional patterns

Luxury consumption differs across regions, being very status-related in emerging markets and more casual in developed ones.

Prospecting the wealth

The numbers of socioeconomic class A consumers and High Net Worth Individuals (HNWIs) are registering strong growth in emerging markets, opening up a number of travel and tourism opportunities in the years to come.

Business travel

Business travel is back, after recording strong declines during the economic crisis.

7-star products and services

Luxury hotels worldwide are adapting to the new luxury demand without losing their reputation for state-of-the-art facilities and superior service.

Premium seats

Demand for premium seats is back up again, and growing particularly strongly in emerging markets, prompted by increased tourism flows.

Tailor-made package holidays

Luxury travel retailers are turning into personal travel advisors, as luxury consumers increasingly seek more individualised service to get the best there is that is authentic, iconic and, most recently, exotic.

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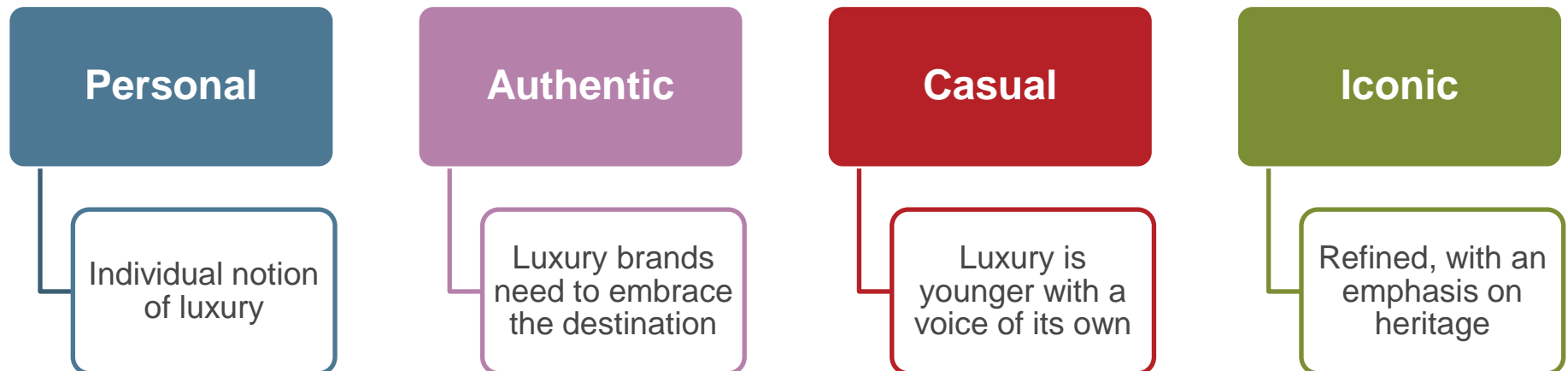
Luxury Travel Accommodation

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Luxury travel is personal, authentic, casual and iconic

- The dynamics of luxury travel are changing worldwide, as it encompasses a younger consumer base, who prefer brands with a voice and personality, and conspicuous consumption gives way to demand for quality at the best value, the rarest experiences and what the latest world destinations have to offer.
- Luxury travel is, therefore, being redefined based on "experiences" rather than brands. This means brand loyalty is not as important if high-end and state-of-the-art brands fail to incorporate all those elements and also offer a taste of their local surroundings. In other words, more power is being given to luxury travellers and less to luxury brands.
- This said, there is no doubt that it is increasingly difficult to define luxury. Hence, for the purpose of this global briefing, Euromonitor International identifies consumer luxury trends in three distinct segments – travel accommodation, air transportation and travel retail – and examines the top countries for travel spend.
- Luxury demand for travel accommodation covers 5-star hotels, such as boutique, fashion and a few selected lifestyle brands. Air transportation, on the other hand, looks into the recovering demand for premium seats.
- Finally, travel retail analyses top luxury players such as Cox & Kings and their strategies to capture this niche segment, as well as the latest demand trends in terms of luxury package holidays and destinations.



Luxury travel evolution after the bust

The 2008 and 2009 economic downturn severely impacted sales of luxury travel worldwide.

By the second half of 2009, the crisis started to abate, leading to a recovery in demand and revenues for luxury travel products and services levels.

A shift in value is seeing a shunning of "conspicuous consumption" in favour of luxury brands that represent quality and authenticity.

Green concerns and social responsibility have spread to the rich, with products now allowing these consumers to salve their conscience while still indulging.

Luxury travel differs by region

Casual luxury in mature markets

- Luxury consumption in mature markets such as the US, Japan and the UK is more practical now, almost casual, and more about experiences.
- A trend towards less conspicuous consumption following the economic crisis explains these attitudes.
- Overall, luxury in mature markets is no longer about merely spending lots of money on a specific brand or concept, but instead searching for the best value for money.



Flashy luxury in emerging markets

- Luxury consumption in emerging markets is closely related to a status, with lots of flashiness and "bling".
- This is explained by the fact that a number of consumers are enjoying the fruits of consumerism for the first time, and, so far, conspicuous consumption remains unsullied in emerging markets.
- According to research published by McKinsey, "China's New Class of Wealthy Consumers", the number of wealthy consumers, with annual household incomes in excess of RMB250,000, in China is growing by around 16% per year.
- Located in China's wealthiest cities, wealthy Chinese consumers are very brand conscious and aim for the best a product or service has to offer. Despite being hard workers, these consumers find time to socialise, travel and spend time with their families.
- India is also seeing increased luxury travel both in and out of the country. As of 2011, there were a total of 83,000 millionaires in the country, with around 16,000 new millionaires added each year in Mumbai, Delhi, Chennai, Kochi, Trivendrum and Hyderabad.
- Wealthy Indian travellers want the best value for their money and a highly personalised multi-destination family luxury travel experience.

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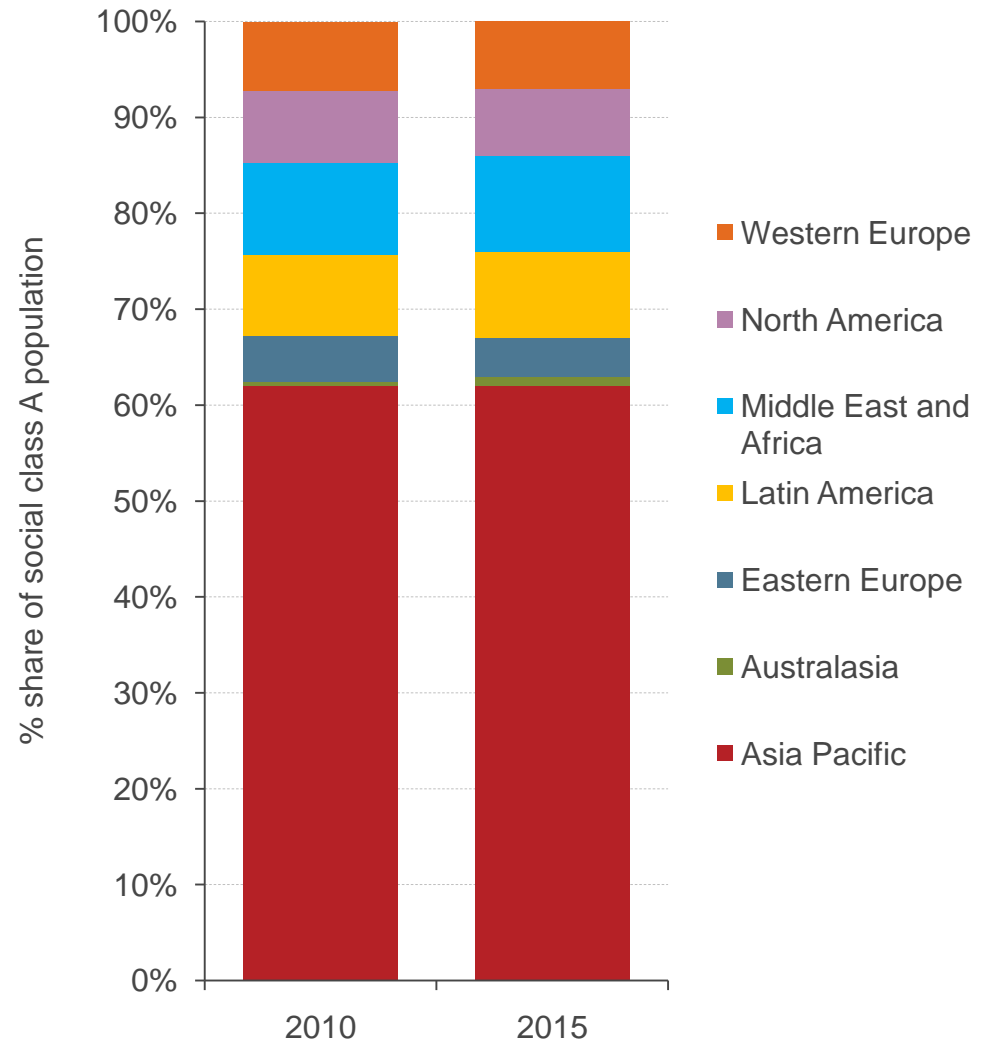
Luxury Transportation

Luxury Travel Retail

Social class A

- In 2010, a total of 432 million consumers worldwide belonged to social class A.
- The division of incomes across social class provides an insight into the overall spending power of a country, meaning higher social classes have greater discretionary spending potential.
- Asia-Pacific accounted for the largest number of social class A consumers in 2010. These are individuals whose incomes are over 200% higher than the average gross income of all individuals aged 15 and over.
- The number of social class A consumers in emerging markets is growing rapidly, owing to strong economic growth. There is a gradual shift in spending with more consumers having, for the first time, more scope for discretionary spending as opposed to just spending on essential items.

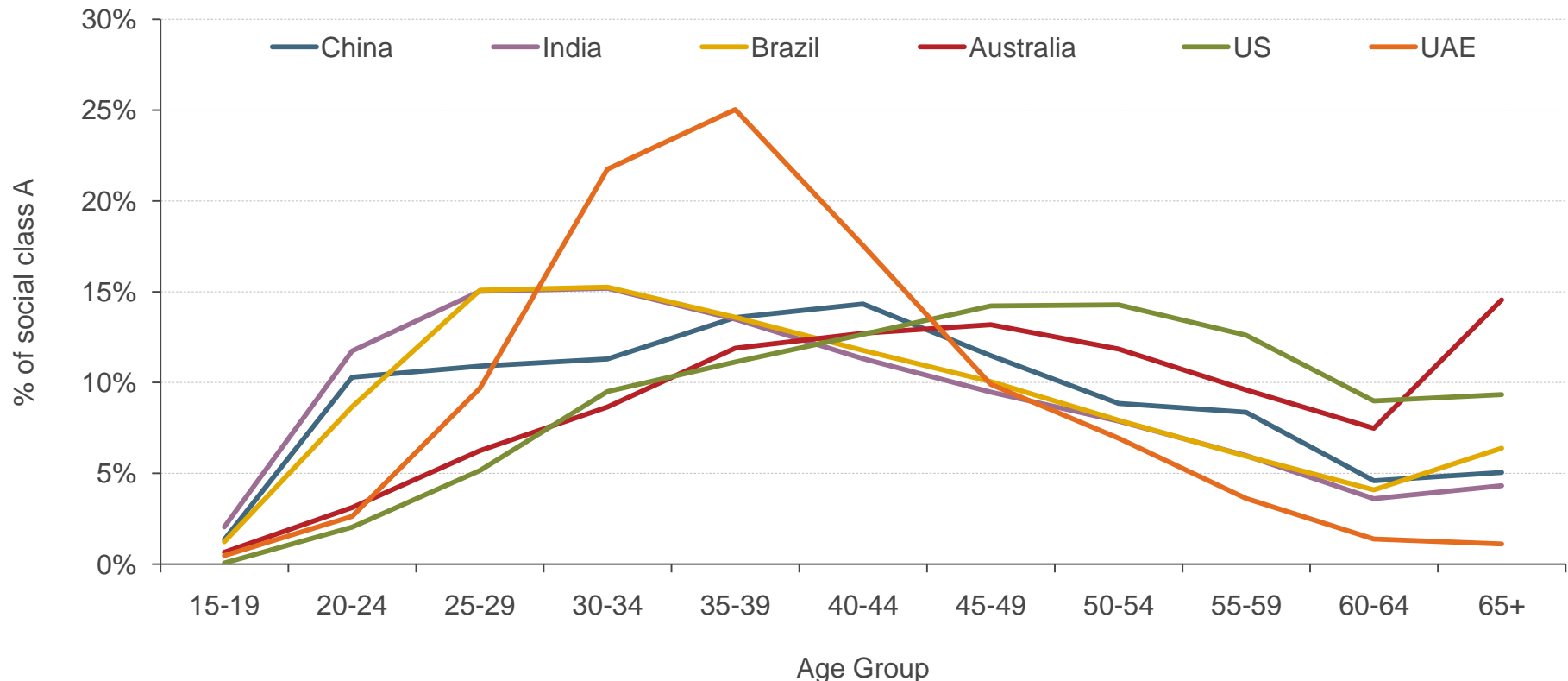
Distribution of Social Class A Consumers Worldwide 2010/2015



Luxury consumers are younger

- The 30-45 year-old age group accounts for a larger than average share of social class A consumers in major emerging economies. This means luxury travellers are younger, causing a general shift in luxury demand patterns.
- The age-make up of the highest earning consumers is important as it provides an insight into the likely consumer demand for spending on non-essentials, or luxury products and services.
- It is worth noting, however, that they are typically more casual and in search of unique and individualised travel experiences that add value to their lives in some way. In India, for example, affluent luxury travellers tend to look for education and personal enlightenment when travelling.

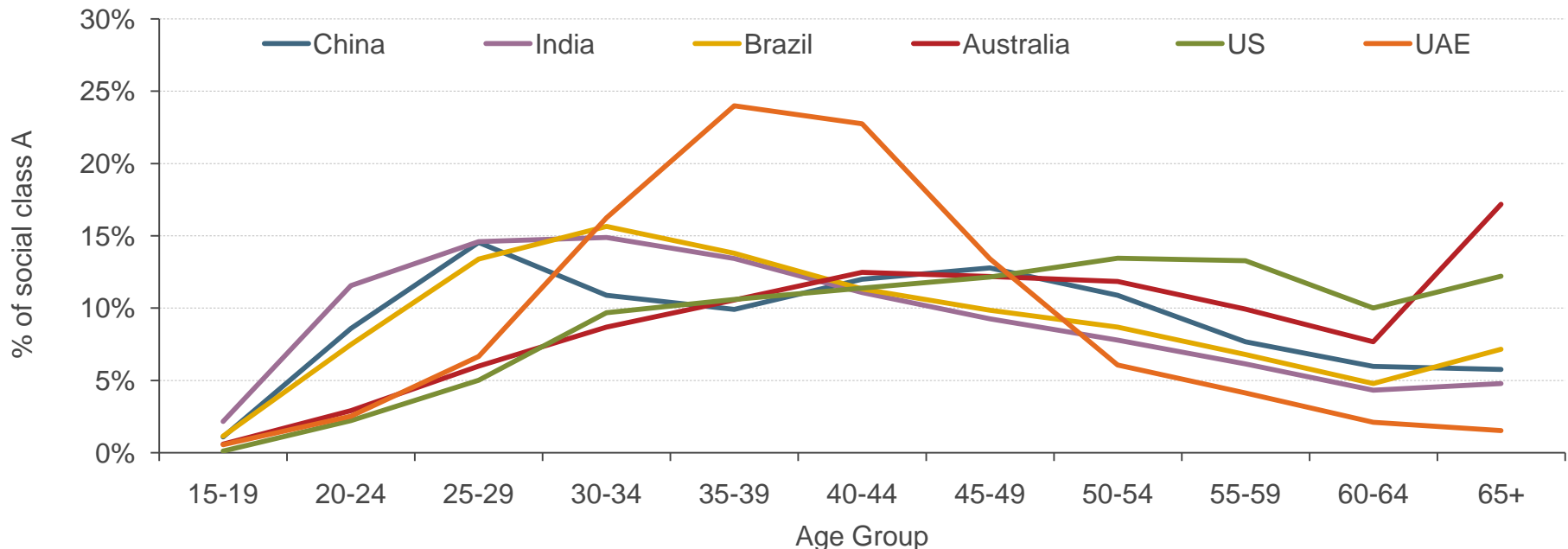
Social Class A Distribution by Age in Selected Countries 2010



Future shifts to have little impact on luxury consumption

- By 2015, social class A consumers are likely to show a general shift in age, from the early 30s to the early 40s. In the UAE, for example, social class A consumers will be concentrated between the ages of 35 and 45.
- In India, the under-40 year-old age group will continue to account for a significant proportion of social class A consumers. According to a report published by Merrill Lynch in September 2010, the majority of millionaires in India travel abroad more than twice a year for leisure or business activities.
- These rich Indians gain exposure to luxury services and products such as premium foods while travelling abroad. Indian consumers are becoming increasingly knowledgeable about premium brands, what they offer and what they stand for.
- Various lifestyle TV channels and niche programmes focus on premium services and products, increasing exposure and encouraging wealthier Indians to demand the best of what is available around the world. According to an AT Kearney report on luxury retail, India's latent demand is between US\$3.0-\$3.5 billion.

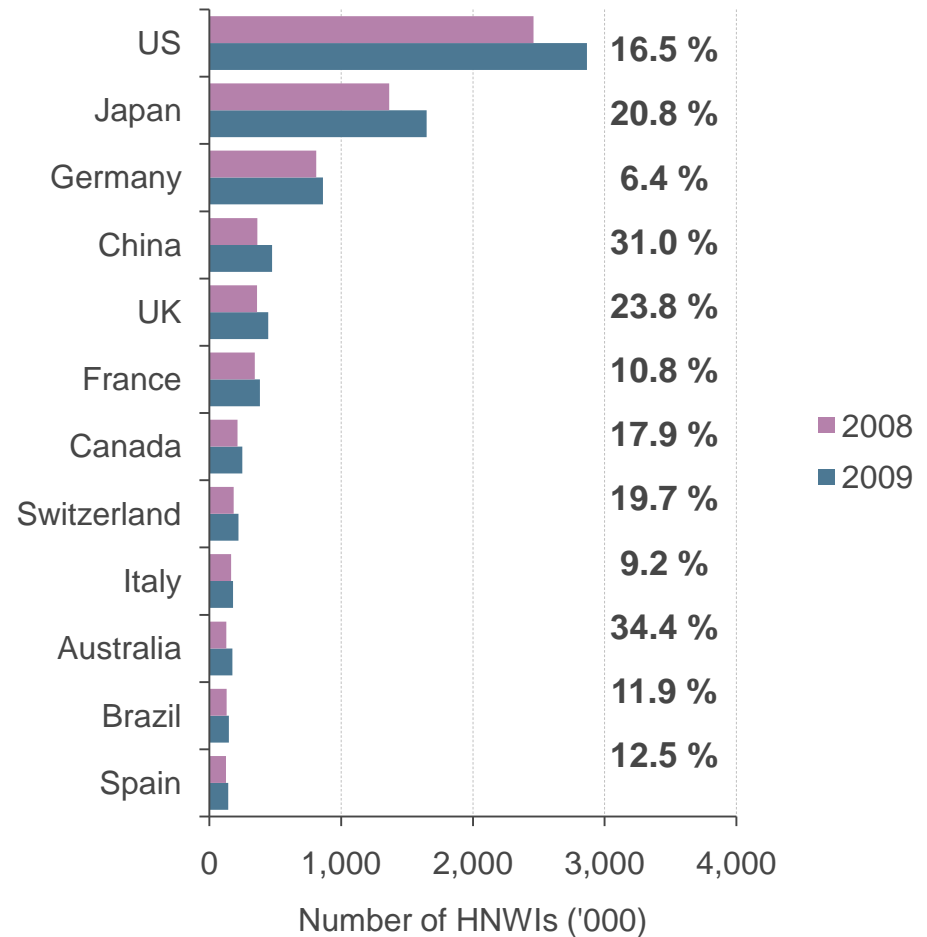
Social Class A Distribution by Age in Selected Countries 2015



High Net Worth Individuals (HNWIs) regain growth

- According to Capgemini, High Net Worth Individuals (HNWIs) are those who typically have in excess of US\$1 million in liquid assets.
- In 2009, the number of HNWIs returned to 2007 levels, standing at 10 million, up by 17% from 2008. Their wealth also recovered, increasing by almost 19% to US\$39 trillion, thanks to the strong growth seen in Asia-Pacific and Latin America.
- The US, Japan and Germany are home to 54% of HNWIs. The US has almost double the number of Japan, the number two on the list.
- The rise of the emerging markets like is evident, with the number of HNWIs in China increasing by 31% between 2008 and 2009. China continued to record robust growth despite the global economic downturn.
- Australia also showed strong growth, moving up the rankings in 2009 and overtaking Brazil, as its population regained its HNWI status as the crisis ceased.
- Oil-rich Gulf States are noticeable by their absence, largely due to their small local populations. Additionally, the crisis in Dubai and significant fall in real estate prices in the UAE led to a 19% fall in its HNWI population in 2009.
- Switzerland is home to many HNWIs due to its favourable tax laws and world-renowned banking system.

Number of High Net Worth Individuals in Selected Countries 2008-2009



Source: Capgemini Lorenz curve analysis, 2010

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Luxury travel demand snapshot

- Virtuoso, a network of 346 independent leisure travel agencies, offers some insight into luxury travel trends based on travel reservations made by its 6,000 member travel retailers in the US and Canada.
- The results are published in "The Virtuoso Luxe Report".
- With conspicuous consumption out, luxury travellers are spending money differently. They are increasingly searching for more authentic experiences and new destinations worldwide that fulfil specific interests.
- In other words, quality and unique attributes are more important than ever to justify the higher costs of luxury travel.
- Luxury travel is increasingly tied to the family as well, with luxury travellers planning to spend more time with, or reconnect with loved ones while travelling.
- In 2011, for example, the most frequent travel companions are expected to be spouses/partners or immediate family.

Top Reasons for Travelling 2011

Seeking authentic experiences in new destinations	75%
Rest and relaxation	68%
Spending time with or reconnecting with loved ones	48%
Personal enrichment	43%
Discovering new experiences in previously visited destinations/seeking adventure	24%

Source: The 2011 Virtuoso Luxe Report

Factors Considered When Choosing a Vacation 2011

The destination	93%
Value for money paid	79%
Once in a lifetime experiences	57%
The activities available	33%
Price	23%

Source: The 2011 Virtuoso Luxe Report

Travel consultants are a reliable travel information source

- According to "The 2011 Virtuoso Luxe Report", the most influential sources of information are travel consultants followed by word-of-mouth from friends or family.
- This reflects the fact that luxury travellers are increasingly searching for more individualised service and authentic travel experiences.
- Personalised product offers are increasingly preferred to standardised luxury travel package holidays.
- Not surprisingly, requests for unconventional luxury travel are becoming more commonplace, such as family trips on African safaris, trips to Antarctica or Madagascar, hiking in unusual destinations, such as Nepal, Bhutan, North Korea, Libya, Lebanon, Syria and Cyprus, and round-the-world trips.
- The influence of travel consultants, and friends or family does not mean, however, that travel publications and websites are not important. On the contrary, luxury travellers still refer to them to gather information and learn more about travel destinations.
- Although direct mail travel offers are not very influential sources of information, they are still important in boosting customer relationships and brand loyalty.

10 Most Influential Sources of Information 2011

Travel consultant's advice	84.5%
Word-of-mouth from friends or family	74.4%
Travel publications	34.3%
Travel websites	28.0%
Travel programmes on television	15.0%
Direct mail travel offers	12.1%
E-mail travel offers	10.6%
Lifestyle publications	9.7%
Social networking sites	7.7%
Print advertisements	3.4%

Source: *The 2011 Virtuoso Luxe Report*

Travel and tourism spending

Highest Travel and Tourism Spending per Leisure Traveller 2010

Leisure					
Inbound	US\$ per trip	Outbound	US\$ per trip	Domestic	US\$ per trip
Australia	4,057	Australia	3,891	Austria	1,584
India	2,609	UAE	3,381	Netherlands	1,298
US	2,012	Brazil	2,773	Denmark	1,199
New Zealand	1,826	Oman	2,212	Oman	1,168
Japan	1,699	Philippines	1,981	Belgium	1,076

Highest Travel and Tourism Spending per Business Traveller 2010

Business					
Inbound	US\$ per trip	Outbound	US\$ per trip	Domestic	US\$ per trip
Ecuador	5,356	Ecuador	6,815	UAE	4,696
US	3,732	Brazil	4,353	Colombia	1,990
Colombia	3,466	Australia	3,532	Sweden	1,407
Australia	2,920	US	2,988	Canada	1,245
Brazil	2,198	Oman	2,621	Oman	1,228

Spending not tied to luxury travel

- High leisure and business spending is not always an indication that a destination is popular amongst luxury travellers. This is explained by the fact that spend per arrival is often inflated by certain factors, such as transportation costs.
- If the destination involves a long journey, such as Australia and New Zealand, in the case of European consumers, travellers are often likely to stay longer and, thus, inflate average spend.
- Nevertheless, there are destinations like the UAE that are very much luxury destinations and seek to attract mainly high-end business tourists with their 5- or 7-star luxury hotels and state-of-the-art attractions. The Desert Islands Resort and Spa is a haven of luxury and relaxation, mixed with adventure, with a unique setting in the UAE.



Luxury travel potential

- Although the global economy regained strength in 2010, for most consumers, it is not quite business as usual just yet. Sustainability, value and quality are the new luxury watchwords. For travel and tourism, this means an emphasis on sustainable holidays and tracking down deals online, or simply forgoing holidays altogether.
- According to Euromonitor International, the luxury travel goods market is forecast to grow in real terms by 15% over the five years to 2015. The US is expected to show the highest value growth in absolute terms between 2010 and 2015, of US\$8,054 million, followed by China.
- The good news for luxury products was echoed in a report published by Reuters in August 2010, noting that demand for fine merchandise was picking up in the US. At the same time, China's wealthy were travelling to Tokyo and Hong Kong to purchase top brands.
- In May 2010, US jewellery retailer Tiffany & Co reported that sales at its Asian stores open at least a year, excluding those in Japan, had risen by 21% during the first quarter of 2010. The company currently has 11 stores in China, and sees the Chinese market as a top priority. Leather goods maker Coach Inc also cited the Chinese market as a top priority, particularly given the fast rising number of professional females in China.

Fastest Growing Countries for Luxury Goods 2010-2015

Country	US\$ million 2010	US\$ million absolute growth 2010-2015
US	68,556	8,054
China	12,007	6,771
Italy	15,463	2,932
India	1,647	2,616
France	12,049	1,956
Russia	4,559	1,923
UK	13,367	1,437
Brazil	7,022	1,420
South Korea	2,909	1,416

Emerging markets are biggest spenders

- Enhanced air transportation networks in Asia-Pacific, Latin America and the Middle East have been key in fostering outbound flows and, consequently, spending from emerging markets like China, Brazil and India.
- An ever growing and more economically active consumer base in those countries is enjoying, for the first time, the fruits of conspicuous consumption.
- This has led to strong spending in destinations like the US, which presents enormous opportunities for the consumption of luxury travel.
- According to the US Department of Commerce, nearly 50% of Chinese inbound flows to the US are for business purposes. This results in much higher spending, particularly as business travellers often opt for high-end options.
- Wealthy Chinese consumers tend to be very brand conscious and aim for the best a product or service has to offer, leading to strong spending on shopping and food.
- When looking at the highest inbound spending for emerging markets, however, the trend seems to be the opposite, with travellers from maturing destinations from Europe, for example, spending the most. Not only are these travellers going to the emerging markets for business purposes, but as luxury travellers seek more exotic experiences, they are heading to emerging markets.

Top Inbound Spenders in Selected Luxury Markets 2010

Destination	Source country	US\$ per arrival
Australia	UAE	7,492.1
	China	7,367.5
US	China	6,806.0
	India	6,415.9
	Brazil	5,239.0
India	Netherlands	5,326.6
	Japan	3,891.2
	Italy	3,890.9
Brazil	Germany	2,689.3
China	Japan	2,258.3

Vietnam is an emerging luxury hotspot

- Emerging markets in Asia-Pacific and the Middle East and Africa are becoming a magnet for luxury travellers worldwide, due to their ability to offer authentic/unique travel experiences.
- According to Virtuoso's survey, Vietnam is set to surpass India as the most popular emerging destination in 2011. Next come China, the Galapagos Islands and Morocco.
- In recent years, government authorities in Vietnam implemented several initiatives to attract more tourists to the country, including the construction of luxury hotels, the establishment of higher quality service standards in hotels, car rentals and airports, and a larger offer of local festivities.
- The breathtaking coastline of Vietnam makes it a popular gateway for exotic beach holidays. International and domestic tourists flock to luxury resorts in Nha Trang, Da Nang and Vung Tau.
- Tourists coming from Russia spend the most in Vietnam – an average of US\$1,326 per arrival. They like to stay at luxury hotels, buy branded products and enjoy high-quality spa services. Tourists from Japan and the US are next highest spenders, with average amounts of US\$966 and US\$904 per trip, respectively.

Top 10 Most Popular Emerging International Destinations 2011

Vietnam	41.8%
India	26.1%
China	25.7%
Galapagos Islands	23.2%
Morocco	20.7%
Chile	19.0%
Abu Dhabi	18.1%
Botswana	17.3%
Czech Republic	16.9%
Jordan	16.9%

Source: The 2011 Virtuoso Luxe Report

Business travel is the mainstay of luxury demand

Business travel is back

- After recording significant declines during the global recession of 2008 and 2009, business travel is recovering.
- Between 2010 and 2015, business travel is expected to grow by an annual average of 5%, with domestic business trips seeing considerable dynamism in Asia-Pacific.

Business travel in emerging markets

- Emerging markets in Asia-Pacific and the Middle East and Africa are expected to see great dynamism in domestic business flows in the next five years, as a result of rapid economic development.
- This is expected to positively impact sales of first class seats and luxury hotels.
- This trend will be particularly strong in city destinations like Mumbai, where 5-star and 5-star deluxe hotels account for nearly 50% of the city room supply, and business travellers account for 65% of all guests.

Luxury business travel regains growth in the UAE

- The UAE recorded a strong return in business travel in 2010, led by wealthy domestic and international travellers from Russia, China and India.
- According to industry sources, business activity in the UAE private sector hit an 18-month high in January 2011, as a result of stronger domestic demand for non-oil goods and services.
- However, the current political turmoil in the Middle East is expected to lower future business prospects for the UAE, as instability rises in the region.

Luxury travel overhaul

HNWIs rising

- The total number of HNWIs continues to rise year-on-year, with this growth in the number of wealthy consumers worldwide boosting luxury travel sales.

Business travel

- Business travellers have long propped up luxury travel, often accounting for the bulk of demand for luxury products and services worldwide. Hence, the business travel recovery seen in 2010 is very positive for the luxury industry.

Conspicuous travel

- The global economic crisis caused a shift in luxury demand patterns away from conspicuous consumption, negatively impacting luxury travel sales worldwide in recent years.

Best value for money

- The search for quality at the best value has affected the way luxury travel products are marketed and consumed worldwide.

Strengths

Weaknesses

Opportunities

Threats

Emerging markets

- Emerging markets are likely to turn into major luxury hotspots due to continued economic growth and the ability to offer authentic travel experiences to domestic and international luxury travellers.

Social networking

- Social networking will be key to understanding the ever changing needs and wants of luxury travellers worldwide.

Brand power shift

- Because luxury brands are being increasingly validated by individuals and not the other way around, long-established luxury brands risk losing share if they do not follow emerging luxury travel trends.

Customisation

- Increased demand for customised luxury products and services is a concern for travel companies as it is time consuming and involves higher operational costs.

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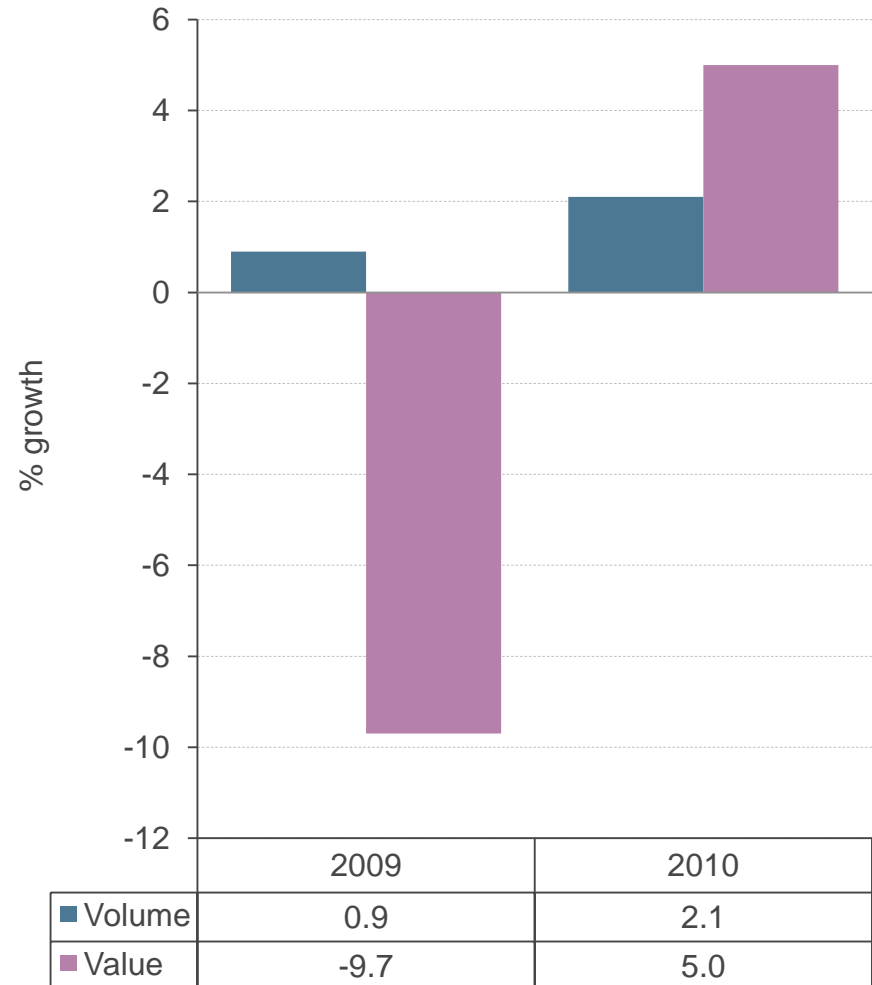
Luxury Transportation

Luxury Travel Retail

Luxury value sales bounce back in 2010

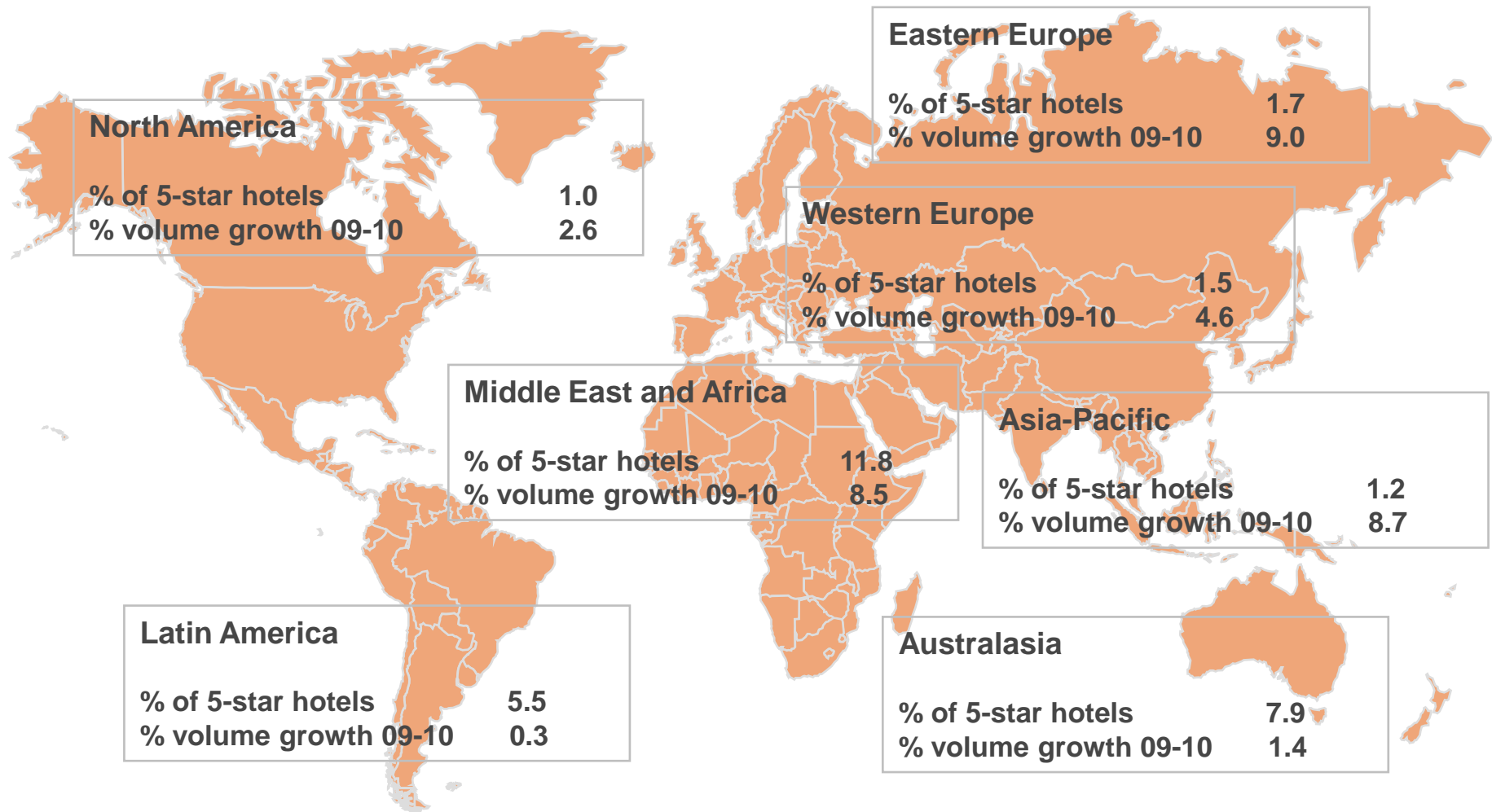
- Luxury hotel value sales increased by 5% in 2010. The positive performance has, however, not taken luxury hotel value sales back to 2008 results.
- Following a year of weak demand, luxury hotel sales started to recover as demand picked up, especially amongst business travellers, in 2010.
- An increase in occupancy in the first half of the year led to price increases in the second half of the year.
- These market conditions led to higher revenues in 2010 for most luxury hotels worldwide.
- Aside from higher occupancy overall, the growth seen in 2010 was driven by strong performances in emerging markets.
- Luxury hotels in Asia-Pacific recorded the highest value growth in 2010, of 10%, due to the return of long haul travel and the increased dynamism seen in intra-regional travel.
- The resurgence of business travel, both transient and group, was also key to boosting global luxury hotel value sales.
- The hotel chains Starwood and IHG stated that 75% and 65%, respectively, of demand for their luxury hotel brands comes from business travellers in 2010.

Global Luxury Hotels Value and Volume Performance 2009-2010



Note: Luxury hotels data includes 4-star and 5-star hotels

5-star hotels worldwide 2010



Notes: Brazil hotels and US 5-star hotels are excluded due to a non-standardised rating system
Regional data include only core countries

Leading luxury brands worldwide

- The InterContinental, Shangri-la, Ritz-Carlton, Fairmont Hotels & Resorts and Grand Hyatt brands offered amongst the most luxurious hotels worldwide in 2010.
- In general, strategic locations, a long history and a solid core of luxury segment customers explain their high-end positioning.
- RevPAR performance still felt the impact of the crisis in 2010, as stronger occupancy rates only led to average daily rate increases in the second half of the year.
- With 10 exclusive outlets worldwide, Shangri-La Resorts offers luxury travellers a relaxing environment in exotic destinations, authentic cultural experiences, recreational activities and exclusive dining options.
- The streamlining of the Ritz-Carlton operations throughout 2010 have helped to improve overall efficiency in decision-making processes and marketing relationships.
- It also led to a more dynamic pipeline development worldwide and the introduction of a rewards programme, called The Ritz-Carlton Rewards.
- According to Marriott, the Ritz-Carlton brand is on track to operate eight hotels in China and is planning another in the interior city of Chengdu by 2012. Marriott is also looking at Tianjin and Hangzhou as the top two cities to continue its China expansion.

Select Luxury Brands Global Value Share 2010

Brand	% value share 2009	% value share 2010	% value growth 2009/2010
InterContinental	0.5	0.6	5.5
Shangri-La	0.3	0.3	11.6
Ritz-Carlton	0.2	0.3	16.4
Fairmont Hotels & Resorts	0.2	0.2	10.2
Grand Hyatt	0.2	0.2	9.5

Select Luxury Brands Performance Indicators 2010

Brand	Location	RevPAR US\$	RevPAR % growth
InterContinental	UAE	499.1	-2.3
Shangri-La	China	133.6	0.0
Ritz-Carlton	Singapore	328.3	22.4
Fairmont Hotels & Resorts	Canada	283.9	-1.4
Grand Hyatt	UAE	392.1	-9.5

7-star hotels on the rise

- There are currently three self-assigned 7-star hotels in the world: the iconic Burj al Arab in Dubai, owned by the Jumeirah Group, the Town House Galleria in Milan and the Emirates Palace in Abu Dhabi.
- Although the star rating system at several destinations worldwide, including the US, is limited to a 5-star ranking, a number of destinations worldwide have realised that a 7-star hotel brand is a magnet for luxury travellers.
- Hence, the number of 7-star hotels is expected to increase in the next few years, as luxury travel demand picks up and pipeline developments regain their full force.

Italy

- Italy is expected to capitalise on the growing appeal of 7-star hotels and build one in the popular ski resort of Val Gardena.
- According to industry sources, luxury guests will be able to stay in magnificent 360 sq m suites right next to the ski slopes.
- Even the most modest room will have an area of more than 70 sq m.

Beijing

- In January 2011, Beijing announced plans to build the first 7-star hotel in China, in the Western Mentougou district
- The project is set to become a landmark in the city, and is expected to cost US\$1 billion.
- City officials said the hotel follows a similar design to the world-famous Burj al Arab 7-star hotel in Dubai.

Abu Dhabi

- The UAE is expected to get its second 7-star hotel, after investment of US\$3.5 billion.
- The Tameer Towers is a skyscraper comprising four residential towers, stepped villas and townhouses, a commercial tower, a 7-star luxury business hotel, a private marina and a canal promenade.

Boutique hotels capitalise on demand for authenticity

- The growing preference for authentic and experiential travel has led hotels to create more unusual outlets to cater to this shift in consumer preference. As a result, there continues to be growth in these types of hotels and the launch of new boutique/lifestyle brands.
- In addition to attracting high paying travellers, these types of hotels can be more profitable, with their positioning and pricing more like a luxury hotel without the associated operating costs.
- According to Lodging Econometrics, 137,000 rooms in the US are boutique hotels: less than 3% of total room supply. The company also says that the number of such rooms grew by 15% in 2009 and 10% in 2010, and expects growth of 4% in 2011.
- The company reports that boutique hotels charge up to 12% more than hotels of similar quality, based on its survey of the top 15 US markets.
- The potential of the boutique/lifestyle niche is great, as travellers will continue to prefer unique vacations, of which hotels are an integral part. Growing global affluence and a more demanding Generation Y will contribute to a permanent shift to hotels that are lifestyle driven.
- However, there will be challenges. In some cases, cutting edge design may alienate consumers or need to be updated more frequently as fashion tastes change.

Select Boutique/Lifestyle Brands Performance Indicators 2010

Brand	Region	ADR US\$	ADR % growth	Occupancy %	Percentage points increase	RevPAR US\$	RevPAR % growth
Hotel Indigo	EMEA	204.65	2.2	93.4	7.4	191.16	11.1
W	International	295.52	8.3	76.4	14.6	225.67	33.8
Starwood	North America	153.63	2.0	64.3	4.8	153.63	2.0

The fashion world invests in hotels

- Popular fashion designers like Karl Lagerfeld, Donatella Versace and Christian Lacroix are capitalising on the growing trend for style and authenticity by adding luxury hotels to their portfolios.
- This branching out into hotel design is an opportunity to catch the new wave of luxury and to showcase world-famous fashion brands by allowing luxury travellers to live the lifestyle of their preferred brands.
- According to industry sources, this gives luxury brands a more lasting appeal, which is different from the relatively short shelf-life of product collections.

Fashion Hotels Worldwide 2011

Hotel	Location	Amenities
Palazzo Versace	Gold Coast, Australia	The hotel features vibrant colour schemes, Versace's designs, a modern spa centre, a private marina with an open gateway to the Pacific Ocean, and an in-house Versace boutique.
Armani Hotels & Resorts	Dubai, UAE	All rooms and public spaces are decorated with custom-designed Armani/Casa Furnishings. The hotel also features an Armani nightclub, chocolatier, spa and fashion boutiques.
Hotel Missoni	Edinburgh, Scotland	Its mostly black and white interiors feature the Missoni home collection throughout, along with the distinguished Rosita Missoni stamp.
Bulgari Resort	Bali, Indonesia	The apartment complex is located on a cliff with views over the Indian Ocean. It has a relaxed environment that blends traditional Balinese designs with elements of European culture. Apartments can cost up to US\$5,000.
Ferragamo Hotels	Florence and Rome, Italy	Boutique hotels featuring elegant, sophisticated and comfortable interiors decorated with the shoes and accessories the family is known for.
Ralph Lauren	Jamaica	The colonial architecture is complemented by furnishings from the Ralph Lauren Home Design Studio.

Health for the wealthy

- Sales for hotel/resort spas are largely concentrated in long-established luxury destinations, such as Japan and the US.
- Nevertheless, it is notable that destinations in emerging markets such as China have also seen increased sales for hotel/resort spas. The economic downturn led Chinese consumers to realise the importance of health and the old mantra – "Health is Wealth".
- According to industry sources, Chinese consumers are willing to invest in their personal wellbeing to keep their body and mind in good condition. There is a growing trend for hotel/resort spas to revert to the traditional Tang dynasty imperial spring bath decor, in a bid to differentiate themselves. Some spa outlets even offer traditional Chinese medication services, and have in-house Chinese physicians.
- The main selling point for luxury travellers is to offer a total wellness package that starts from within the body, and not just external wellbeing, particularly as they increasingly seek more fulfilling experiences.

Highest Value Sales for Hotel/Resort Spas 2010

Country	US\$ million
Japan	4,928.2
US	3,027.9
Austria	1,647.5
New Zealand	1,181.5
UK	919.4
China	917.5
Switzerland	718.7
Morocco	690.9
Mexico	663.5
Israel	555.3
Ireland	513.8
France	494.9
Italy	437.4

Luxury hotel sales regain growth in emerging markets

- With luxury demand on the rise again, luxury hotels worldwide are expected to see stronger sales growth in the next five years. However, only those that manage to incorporate local attributes into lounges, restaurants and guest rooms are likely to attract the more casual new luxury traveller.
- The growing popularity of private villas represents a threat, particularly as they are sumptuous, less costly and convenient for luxury travellers travelling in large groups.
- Because luxury brands are being increasingly validated by individuals and not the other way around, long-established luxury hotel brands risk losing share if they fail to deliver state-of-the-art facilities and superior service. Personalisation and customisation are also key to retaining guest loyalty.
- Emerging markets are expected to see strong pipeline development in the upcoming years, as luxury hotels make up for the losses recorded in maturing luxury destinations by investing in emerging markets with a large number of HNWIs, such as Asia-Pacific.
- The reduced availability of financing in developed markets is also expected to make it more expensive to build in long-established luxury destinations.



Attractive properties

- Business travel regains growth
- Opportunities in emerging markets
- Luxury hotels embrace attributes of local destinations
- Personalisation and customisation
- Greener hotels
- Going local and giving back
- Health and wellness demand on the rise
- Value for money rates



Volatile sales

- Lack of brand loyalty
- Lack of financing in developed markets
- Competition from private villas

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Definition of Luxury

Socioeconomic Aspects of the Wealthy

Luxury Demand

Luxury Travel Accommodation

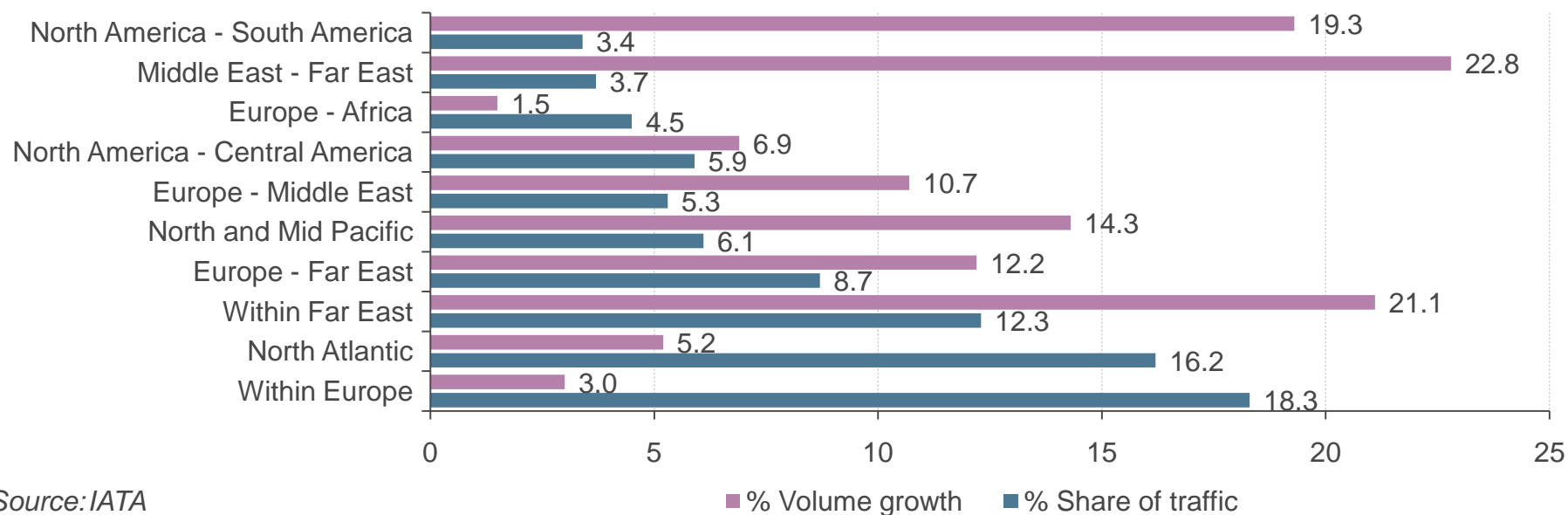
Luxury Transportation

Luxury Travel Retail

Premium traffic performance in 2010

- International premium traffic volume increased 9% in 2010, compared to 2009. Despite the positive growth, premium traffic is not back to 2008 levels, largely because of the structural shifts seen in Europe.
- The weak economic performance of European countries has caused a structural shift away from premium seats, resulting in traffic growth of only 3% for the regions in 2010. According to IATA, the European traffic figures in October 2010 were 10% lower than in October 2008, and 22% below the level in October 2007. Nevertheless, Europe remained the largest market for international premium seats, accounting for 18% of traffic in 2010.
- The Far East is driving growth in premium traffic, expanding by 21% in 2010. A booming economy and a strong preference for luxury travel, has resulted in business and leisure travellers opting for premium seats in Asia-Pacific.
- South America is also seeing growth in premium traffic, due to a strong economic performance and increased business travel to Europe, Asia and North America.

International Premium Traffic Performance 2010



Source: IATA






Note: Year to date December 2010

First class seats in or out?

- As travel demand weakened in 2009, airlines decided to revamp their seat configurations to remain competitive. Strategies differed globally, as demand patterns differed significantly from region to region.
- While some airlines cut first class seats, others invested in premium seating to compete more strongly for the most lucrative travellers.
- In Europe, labour disputes and volcanic ash disrupted air travel and hurt sales early in 2010. This further hindered sales and led to the reduction of first class seats, in particular on short haul flights.
- Other regions, like Asia-Pacific and the Middle East, saw sales recording strong growth as a result of a strong economic performance and booming travel demand. Hence, most airlines upgraded planes to capture the emerging premium demand.
- For long haul destinations, Lufthansa launched a new first class product in 2011, along with the introduction of the Airbus A380. The new product will be gradually introduced on all of its long haul aircraft.
- Lufthansa's A380 first class seats feature storage spaces that can be converted into a 2m long bed, electric sockets, a personal monitor and first-class entertainment via the Lufthansa Media World, with the latest feature films, TV series and radio programmes.
- Delta is expected to invest US\$1 billion, or around US\$300 million a year, in the period to 2013 to improve the passenger experience in the air and on the ground, including adding first class seats on all domestic flights longer than 750 miles.
- In December 2010, Korea Air announced that its new A380 will have an all-business class upper deck, with 94 flat-bed seats in business class. The aeroplane will be used on routes connecting East Asia and Japan in 2011, and then be extended to US and European flights.

The best first class seats have to offer

First-class Amenities by Airline 2010

Airline	Aircraft	Amenities	SkyTrax ranking
Cathay Pacific	Boeing 777-300ER Boeing 747-400 Airbus A330-300 Airbus A340-300	All-suite first class cabin with no overhead bins. Each cabin offers a personal TV, mood lighting, ergonomic chairs with massage functions, and a freestanding personal closet with a duvet, pillow and in-flight amenities.	5-star 
Qatar Airways	Airbus A340	First class seats become a fully flat bed, enveloped by a feather duvet. Additionally, first class passengers have access to a top restaurant, a full-featured Cineplex in the sky and an office space.	5-star 
Singapore Airlines	Airbus A380	First class seats with a unique 1-2-1 configuration that allows couples to transform middle seats into a double bed, fully closable doors, an armchair, and a separate chaise longue/visitor seat. Beds are made up using a separate mattress with a Givenchy duvet and pillow.	5-star 
Malaysia Airlines	Boeing 747-400	First class passengers get 100% cotton pyjamas and a La Prairie amenities bag. In-flight lavatories offer linen towels, cologne, aftershave, body lotion and hand wash from the house of Aigner.	5-star 
Thai Airways	Airbus 340-500	First class seats become a fully flat bed that is nearly 7ft (2.1m) long. All passengers get Guy Laroche sleepwear, slippers and eye masks, and also Bulgari amenity kits.	4-star 

Source: Company website and SkyTrax

5-star airports in the world

- The world airport star ranking is updated every year by SkyTrax, after undertaking a detailed analysis of quality standards.
- The ranking is not based on trip reports or traveller assessments. Instead, it evaluates the standards of what it calls "service delivery", including immigration, restaurants and retail assistants.
- In 2010, only three airports gained a 5-star ranking: Hong Kong International Airport, Seoul Incheon Airport and Singapore Changi International Airport.
- Being a main gateway in China, Hong Kong International Airport stands out because its passenger terminals offer great comfort in terms of ambiance and décor, cleanliness, number of washrooms, customer service counters, flight information screens, and view of aircraft and runways. Additionally, it has a wide selection of restaurants and other food outlets.
- With over 40 different stores, shopping is a highlight of Seoul Incheon Airport. Popular outlets include Duty Free Korea, the Aekung Department Store, Family Mart, the Shinsege Department Store and the Korea Landscape Market.
- State-of-the-art service and unrivalled capabilities are the main characteristics that gained a 5-star ranking for Changi Airport. Its wide selection of international and local food choices, coupled with the clear directional signage throughout the airport, are examples of its high standards.

5-Star Airports 2010

Airport	Annual passenger traffic million	Destinations served	Number of airlines
Hong Kong International Airport	51	160	95
Seoul Incheon Airport	15	150	70
Singapore Changi International Airport	42	200	100

Source: Euromonitor International, SkyTrax

Long haul premium travel on the rise

- Premium traffic has returned to growth as the global economy has recovered. Nevertheless, luxury demand patterns across regions have seen contrasts, with emerging markets suffering less from the downturn and seeing rising demand for luxury travel products and services.
- This trend is expected to persist in the coming years, boosting demand for premium seats on long haul flights. Meanwhile, Europe will continue to see a structural shift away from premium international seats, while growth in premium traffic occurs in Asia. It remains to be seen if the changes in seat structures have been an astute investment by carriers.
- Strong economic growth in Asia-Pacific will spur sales growth in domestic and international traffic within and to the region, providing significant opportunities for airlines to capitalise on long haul premium seats.
- Airports that invest in delivering superior service for passengers are likely to gain greater exposure worldwide and become main gateways to the world, as luxury travellers venture into new destinations.
- Rail travel already attracts luxury customers for many services in Europe, where it can compete directly with airlines for journey times. With its strong green credentials and improved services and connections, rail travel is set to become the luxury transport of choice for an increasing number of consumers.



State-of-the-art service

- First class demand in emerging markets
- First class on long haul flights
- First class suites
- VIP terminal areas
- Chauffeur services
- 5-star airports



Volatile in economic crisis

- Structural shifts in Europe
- Competition from rail

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Key players in a niche market

- Luxury travel retailers worldwide comprise a network of state-of-the-art travel agencies with knowledgeable advisors focused on providing tailor-made package holidays to luxury travellers.
- As of 2011, the global travel retail industry remained highly fragmented worldwide, comprising both very small and exceptionally large players. Some of the largest travel retailers include Cox & Kings, Abercrombie & Kent and Virtuoso.
- The economic slowdown resulted in the emergence of a more "conscious" luxury traveller in 2010, forcing travel retailers increasingly to diversify package holidays to offer high quality at the best value, the rarest experience and exotic or inspiring destinations.
- In order to capitalise on this emerging trend, Abercrombie & Kent established a philanthropic division (AKP), which is a non-profit organisation dedicated to preserving natural habitats and wildlife around the world, as well as promoting the welfare of indigenous communities. Consumers have the option of donating funds or taking part in activities.
- Popular luxury trips include cruises, safaris, skiing, spa visits and adventure holidays across the globe.

Cox & Kings

- Cox & Kings is a British luxury travel retailer that specialises in cultural and wildlife adventure package holidays worldwide.
- It has offices in India, the UK, the US, Japan, Russia, Singapore and Dubai, and associate offices in Germany, Italy, Spain, South Africa, Sweden and Australia.

Abercrombie & Kent

- A&K has 62 offices worldwide, with more than 2,300 elite travel advisors.
- It claims its expertise goes beyond luxury to include culture, wildlife and history, and to deliver exclusive travel retail packages.
- Aside from maintaining a fleet of customised safari vehicles, A&K operates its own safari camps and Nile cruise ships.

Virtuoso

- Virtuoso is a luxury travel network of over 6,000 elite travel advisors, working in 346 agencies in 22 countries in North and South America, Australasia and the Caribbean.
- Membership of the network is by invitation only. The company also has links with over 1,000 top travel providers worldwide.

2011 luxury travel trends sustained by family travel

- Virtuoso, a network of 346 independent leisure travel agencies, surveys its travel agencies annually. The results are presented in "The Virtuoso Luxe Report".
- In the 2011 edition, family and multi-generational travel was cited as the main travel trend amongst luxury travellers by the travel agencies.
- Overall, the search for unique and meaningful experiences is strongly encouraging family travel amongst wealthy consumers. Indeed, it has come as a surprise to some travel retailers that a number of luxury travellers are booking trips with infants and toddlers, and are renting private jets, villas, apartments and even adventure activities for large family groups.
- According to Virtuoso, Italy and the UK are expected to be the top two destinations for families travelling in 2011. Other popular destinations include Hawaii, Costa Rica and Alaska.
- Luxury cruises are also likely to be a notable trend in 2011. In addition to offering good value for money with all-inclusive and multi-destination offerings, luxury cruises are an excellent option for families.
- Increased demand for authentic experiences in new destinations is also leading to stronger demand for active or adventure trips amongst luxury travellers, in destinations like Costa Rica and South Africa.

Top Five Travel Trends 2011

Family and multi-generational travel	63.0%
Luxury cruises	41.3%
Active or adventure trips	33.2%
Guided or private touring	22.1%
Beach resort stays	19.2%

Source: The 2011 Virtuoso Luxe Report

Top luxury travel trends unveiled

Top 10 Family Destinations 2011

Italy	55.7%
UK	28.5%
Hawaii	28.1%
Costa Rica	25.1%
Alaska	24.7%
South Africa	23.8%
Mexico	23.0%
Galapagos Islands	19.6%
Turks and Caicos Islands	19.6%
Australia and Bahamas	18.7%

Source: The 2011 Virtuoso Luxe Report

Top 10 Adventure Travel Destinations 2011

Costa Rica	40.5%
South Africa	32.2%
Galapagos Islands	30.8%
New Zealand	26.4%
Australia	23.4%
Alaska	21.6%
Kenya	21.6%
Botswana	20.3%
Peru	17.2%
Colorado Mountains	15.9%

Source: The 2011 Virtuoso Luxe Report

Top Five Cruise Itineraries 2011

Mediterranean	74.4%
Alaska	55.8%
Caribbean	44.7%
European River	29.3%
Greek Islands	27.4%

Source: The 2011 Virtuoso Luxe Report

Luxury travel in South Africa

Growing luxury niche

- Luxury travel is a growing niche segment in South Africa.
- While social conflicts remain a threat for domestic and international luxury travellers, it is important not to forget that luxury demand is generally inelastic and less exposed to negative growth.
- As such, travel agencies will increasingly have to tailor travel retail packages to respond to the emerging needs of luxury travellers worldwide, consolidate their value positioning and offer good service.

International source markets

- The most important source markets for South Africa outside of the region remain the UK, Germany and the US.
- South Africa is quite active in these countries in terms of promotions and marketing exposure.
- In order to attract a larger number of European tourists, for example, the country developed a brand new website: www.southafrica.net.
- The website covers the five major pillars of its tourism industry – adventure and sports tourism, wildlife and safaris, culture and heritage, nature, and entertainment and leisure.
- Available in six different languages (English, German, French, Italian, Dutch and Chinese), the website was initially developed as part of the country's strategy for the 2010 World Cup, and includes useful tools for the media, tourists and other stakeholders.

Opportunities in luxury travel

- Although luxury safari packages remain popular amongst luxury travellers, South Africa is gaining the spotlight with the offer of luxurious train travel.
- Both Rovos Rail and the Blue Train in South Africa offer luxurious trips that are considered by some people superior in terms of quality to world-famous luxury trains such as the Trans-Siberian and the Orient Express.
- The 5-star services on wheels in South Africa offer upscale lounges and elegant suites with bathrooms and, in some cases, bath tubs.
- The restaurants offer black tie dinners and exotic menus, including ostrich fillets and knysna oysters.
- Train trips last over 24 hours and explore exotic destinations such as Dar es Salaam in Tanzania, the game reserves of Mpumalanga, the Victoria Falls and the desert landscapes in Namibia.

International trips rank high in leisure luxury travel

- According to the Virtuoso Luxe Report, international trips are likely to be the preferred option for luxury travellers in 2011.
- Nearly 57% of luxury travellers mentioned they are setting aside eight days or more for international trips in 2011.
- Although long-established luxury destinations like Italy and France will continue ranking high in terms of preference, it is worth noting the emergence of Vietnam as a potential luxury hotspot in 2011.

Top Five Leisure Trips 2011

International trips, 8-days or longer	57%
International trips, 6-7 days	18%
Domestic trips, 6-7 days	11%
Domestic trips, 3-5 days	5%
Weekend gateways to fly to destinations	4%

Source: *The 2011 Virtuoso Luxe Report*

Note: *Proportion of respondents intending to make trips*



New package holidays to new luxury travellers

- Attitudes towards luxury have changed. While luxury travellers will always have money to spend on travel and a high expectation of service, value for money has become more important.
- Additionally, travel retailers need to offer products and services that are increasingly associated with sustainability and social responsibility, in order to capitalise on growing demand for more responsible luxury consumption.
- All these factors combined will continue to shape the way travel retailers market package holidays, particularly as luxury travellers demand "experience" instead of brands, along with more adventure and stronger cultural connections with luxury destinations.
- In the upcoming years, the travel retailers that are most likely to succeed are those capable of delivering package holiday offers that are personal, authentic, casual and iconic.
- Because luxury demand differs on a regional basis, travel retailers must also pay attention to what type of luxury travellers they are dealing with: more casual or more inclined to flaunt their wealth.



Authentic holidays

- Family trips
- Rising luxury demand in emerging markets
- Value-for-money package offers
- Responsible luxury holidays
- Long haul international leisure trips
- Exotic trips
- High levels of service and personalisation



Standard travel products

- Conspicuous consumption
- Long-established destination packages

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