

Travel and Tourism - Vietnam

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TRAVEL AND TOURISM IN VIETNAM

EXECUTIVE SUMMARY

Tougher Economic Situation Slows Growth in Tourism

In 2008, Vietnam faced high inflation resulting from a significant increase in the prices of fuel and other imports, as well as due to other economic fluctuations. Government policies to stabilise the economy made the economic situation tougher; citizens had lower disposable incomes, which led to the number of Vietnamese travellers increasing slowly. The 2008 growth rates of arrivals, departures, domestic travel and other markets, such as accommodation, transportation and travel retail in Vietnam were lower in 2008 than in previous years of the review period.

the Serious Shortage of Travel Accommodation Is Not Yet Resolved

The Vietnamese travel and tourism industry has recognised the serious shortage of supply of travel accommodation in recent years. However, capital investment usually takes time and money; it continues to require investors to spend a great deal of money and at least one or two years to see developments in resolving the issue. Therefore, the industry was still not able to meet certain demands, despite the number of travellers in 2008 not increasing as rapidly as in previous years. The Vietnamese government is still encouraging people to invest in the travel accommodation market.

Market Concentration Remains Low, Except Amongst Airlines

Competition across most tourism markets remains quite high, with numerous players fighting for market share. This makes market concentration low, with each player accounting for a small share of the market. However, there are only a few airlines in the country, due to the government's tight regulations; the State-owned carrier Vietnam Airlines has dominated airline transportation for years.

Online Booking Takes Off, Especially in Air Transportation

In 2008, the growth rate of internet sales in the travel and tourism industry grew at a very high rate, due to increased confidence in making bookings online. In addition to compulsory internet booking in air transportation since 2007, when airlines had to sell e-tickets rather than paper tickets, more travellers have become accustomed to booking tours or hotels online.

Vietnam Aims To Attract 6 Million Arrivals by 2010

The Vietnamese travel and tourism industry has set a target for inbound tourism up to 2010, and hopes to attract 6 million arrivals, and 25 million domestic trips. Thanks to this, Vietnam hopes to create direct jobs for 500,000 people, and indirect jobs for 1.3 million people.

KEY TRENDS AND DEVELOPMENTS

Economic Indicators

Vietnam enjoyed an economic growth rate of more than 29% in 2007, as its GDP reached VND1,477 trillion (approximately US\$90 billion) in 2008. However, there have been many economic fluctuations and shocks in the domestic economy, as well as in the world economy. As a result, the Vietnamese economy saw a slowing in its economic growth rate to around 6% in 2008, resulting from Vietnamese government policies to reduce the inflation rate.

Vietnam was successful in controlling inflation for more than 10 years. However, due to the higher prices of fuel and other inputs, as well as due to the inflow of capital from foreign direct investment and portfolio

investment, the inflation rate in Vietnam increased to nearly 13% in 2007, and is forecast to be around 25% in 2008.

The contribution of the travel and tourism industry is not fully recorded and published in Vietnamese statistics; only the value of hotels and restaurants is published. According to statistics from the General Statistics Office (GSO), hotels and restaurants alone achieved sales of VND17,071 billion in 2007 at 1994 prices, increasing by nearly 13% from 2006, and accounting for around 3.7% of GDP.

Current Impact

Thanks to remarkable economic growth over more than 10 years, Vietnamese consumers had higher disposable incomes, which improved their living standards. Vietnamese people now not only focus on necessities such as food, clothing or education, they but also pay more attention to leisure needs. Therefore, Vietnamese demand for travel increased significantly in recent years, both outbound and domestic.

However, due to the high rate of inflation in 2008, nominal salaries did not increase by the same rate and real incomes decreased, and they became less well off. Vietnamese living conditions in 2008 saw more people with increased hardship, due to job losses and a less buoyant economic climate. As such, the growth in travel was lower than in previous years.

Travel and tourism is considered one of the key industries contributing to Vietnamese economic growth. Issues related to this industry, such as how to attract more foreign visitors or how to make visitors return to the country, are always mentioned by the State and local governments.

Thanks to an increasing number of foreign arrivals, the industry created many jobs across different areas, helping to improve disposable incomes. High spending foreign arrivals such as visitors from Sweden or Japan to Vietnam increased over the review period, and as such, the government continues to target this group of visitors.

While demand for travel and tourism has increased significantly in recent years, the infrastructure in this industry has not yet met the demand. The travel accommodation market has been facing a serious shortage of supply which cannot hope to be fixed in the short term. Tourism products in Vietnam are said to be boring and routine, and cannot attract travellers for a second time.

Outlook

Vietnam's economy is predicted to grow steadily in the next five years. Although Vietnam is not integrated deeply into the world economy, it will also be influenced to some extent by economic fluctuations taking place in other countries. Therefore, despite the Vietnamese government's current efforts to control inflation, the country's inflation rate in the next five years is not forecast to be lower than 10%. Vietnam and the world economy in general are predicted to be in an uneasy position; very different from the past five years.

The remarkable development of the travel and tourism industry in recent years has given opportunities for Vietnam to have more money, to create more jobs and to let more people to know about Vietnam. However, it has also created more challenges for Vietnam. While the number of tourists, including inbound, outbound and domestic, has increased rapidly, the Vietnamese travel and tourism industry cannot provide enough tour guides to meet demand, and the industry also has to concern itself with the issue of sustainable growth.

Future Impact

Lower consumer confidence means that demand for travel and tourism will be lower in the next five years. The number of tourists, particularly inbound, outbound and domestic tourists, will increase, but at a slower growth rate compared to the review period.

The slower growth of the travel and tourism industry is a barrier, but also an opportunity for Vietnam. Vietnam always sets a target of attracting many tourists to earn more money. Whilst the number of tourists may not grow as expected, causing challenges for tour operators, travel accommodation owners and other players in the industry, it is also an opportunity in terms of having enough time to prepare the infrastructure to meet the demand. It will take a long time to build more travel accommodation, and it will take time for tour operators to

innovate and devise new products to attract more tourists. The industry will also need time to train up high quality tour guides, and tackle the sustainability issue.

Legislative Environment – Vietnam Offers VISA Exemptions for More Countries

Currently, Vietnam exempts tourists coming from Sweden, Norway, Denmark, Finland, Japan, Thailand, Singapore, the Philippines, Indonesia, Malaysia and South Korea from requiring visas. Simultaneously, according to the ASEAN Framework Agreement on Visa Exemption (FAVE) of 2006, all citizens in ASEAN member countries can travel for two weeks in the region without a visa. In addition, the Vietnamese government has given a visa exemption for Laos since October 2008.

Futhermore, thanks to the more open policies made by the Vietnamese government, an increasing number of Vietnamese overseas are coming back to visit their country, especially during the traditional "Tet" holiday. Therefore, to support and encourage their return, in August 2007 the Vietnamese Prime Minister signed the "Decree 135/2007/QD-TTg" to give a visa exemption for Vietnamese overseas. Under the Decree, any person overseas who uses the visa exemption is allowed to stay in Vietnam for 90 days.

Current Impact

The Vietnamese government has been providing every opportunity for the development of the travel and tourism industry. Visa exemptions for many countries helped the Vietnamese travel and tourism industry to attract more visitors, especially arrivals from Asian countries. China, Japan, ASEAN countries and Korea have been the main markets for the industry for years.

More and more Vietnamese overseas want to come back their motherland to visit their relatives since the war ended in 1975. They are normally the ones who make remittances to their families in Vietnam, and they are high spending visitors when coming back. Giving a visa exemption to Vietnamese overseas encouraged them to return to visit, to invest and to help make their homeland better.

Outlook

According to Decision 5979/VPCP-QHQT, issued on 11 September 2008, the Prime Minister agreed to give a visa exemption for Russian tourists coming for 15 days, regardless of their purpose of visit. This Decision will come into effect by 1 January 2009.

In addition, the Vietnamese government is considering giving a visa exemption to visitors from Europe. This will attract more arrivals from these regions. Although France is an established market, the number of French visitors coming to Vietnam has grown at a lower rate. Meanwhile, Denmark and Sweden have been emerging markets in recent years. Therefore, the Vietnamese government is hoping to push the growth rate of these markets in the near future by giving visa exemptions.

Future Impact

Russia was an emerging market for inbound tourism in Vietnam over the review period, having witnessed a remarkable growth rate. For two or three years, Russia has been in the top 20 markets for Vietnamese inbound tourists. In addition, Russian visitors are considered to be very high spending visitors. Therefore, Vietnam wants to attract more arrivals from this country. If the policy of visa exemptions comes into effect and the Vietnam Tourism Board can advertise the country well enough, the number of Russian visitors in the next five years is predicted to increase significantly.

In light of a tougher economic performance predicted for the next five years, visa exemption will be a key part of reducing the cost of travel for visitors. This may encourage them to travel to Vietnam when they have a smaller budget, supporting growth in arrivals in the mid-to long term future.

Legislative Environment – Opening the Skies To Private Domestic Airlines

The Vietnamese government created a monopolistic situation in the aviation market from 1975, when there was only one airline for the whole country. The State-owned carrier Vietnam Airlines dominated the market for

years. However, during the process of economic integration, the Vietnamese government had to reduce the monopolistic power of Vietnam Airlines, and open the skies to other airlines.

In 2007 and 2008, the government agreed to allow the opening of three private airlines. As a result, in addition to the three traditional airlines, which are Vietnam Airlines, Jetstar Pacific Airlines and VASCO, Vietnam has three more airlines, which are Vietjet, Indochina Airlines (formerly known as Air Speed Up) and Mekong Aviation. However, up to the time of writing, Vietjet, Indochina Airlines and Mekong Aviation had not yet operated.

Currently, although the Vietnamese government has allowed the establishment of more private domestic airlines, it is still protecting domestic airlines by not allowing foreign airlines to share the domestic market. Foreign airlines operating in Vietnam are able to sell international flights only.

Outlook

New private domestic airlines were planning to make their first flights by the end of 2008 and after. However, Vietjet, due to the increase in fuel prices, had to delay its first flight until April 2009. Indochina Airlines is going to make its first flight by 2009, with the route Hanoi to Ho Chi Minh City and Danang. Meanwhile, Mekong Aviation is expected to start operations by 2010.

There will be many more airlines starting operations in Vietnam over the coming years, since they are currently applying for documentation to get approval, and are waiting for the government's approval to open new airlines. Potential airlines may be those such as Phu Quoc Air, Vinasun Airlines and Taxi Air.

Future Impact

The more open the skies, the more airlines will join Vietnamese air transportation, and the greater the benefits for passengers. When there are more airlines in the market, competition amongst the players will be greater, passengers will have more choice, and the price of airline tickets will come down.

However, it should be considered that infrastructure such as airports and aircraft cannot meet the high growth of newly operating airlines. The existing Tan Son Nhat Airport in Ho Chi Minh City and Noi Bai Airport in Hanoi are the largest in the country, but they are much smaller than airports in other countries. If more airlines operate, there will be more aircraft; it is predicted that Vietnamese airports will not be able to cover all the aircraft by 2010.

Simultaneously, when more airlines operate, they need more people to work for them, including pilots and air cabin crew. However, training these people takes time, so it will not be able to meet the demand in the short term. Currently, the Vietnam aviation industry lacks pilots, and needs to hire foreign ones.

Government Tourism Policy

The Vietnamese national tourism board was not active in promoting the country's travel and tourism industry during 2008. Although the government organised festivals aiming to attract more arrivals, it is said that such festivals were mainly a formality. The activities at such festivals were not new and interesting.

Although Vietnam has been considered as an emerging country for tourism, tourism promotion has been the weakest point facing travel and tourism in Vietnam. Vietnam lacks an attractive slogan for tourism; the 2008 slogan, "Vietnam-the hidden charm", was said to be too general to describe Vietnam. It was said to not stand out like slogans from other markets in Asia, particularly "Malaysia-Truly Asia", "Uniquely Singapore" and "Incredible India". The slogan changed in the latter half of the year to "Impressive Vietnam", but marketing was still minimal, and as such, continued to affect Vietnam's competitiveness against its neighbours.

Current Impact

In 2008, the Vietnamese national tourism board tried to improve the promotion of the country's travel and tourism industry. The Vietnamese government spent VND16 billion to advertise Vietnam on international television channels. Although this was good news for tourism companies, it also raised questions about the effectiveness of such spending.

This was not the first time that the Vietnamese government had spent a great deal of money to advertise Vietnam in international channels. In 2007, the government signed a contract valued at US\$300,000 to advertise Vietnam on CNN - Asia region for three months, with a video clip of 30 seconds. However, the result of this was not as good as expected. Whilst there was advertising on Asia's CNN, the main bulk of potential arrivals of Vietnam's main markets in Asia such as Korea, Japan, China did not watch this channel. Furthermore, as the video clip was aired on Asia's CNN only, potential visitors from Europe did not see it, thus having a minimal affect on arrivals.

Outlook

The government is now planning to improve promotion for the Vietnamese travel and tourism industry. The Vietnam National Administration of Tourism (VNAT) has suggested some solutions to promote the industry more effectively by using funds from the government's trade promotion budget. VNAT is to advertise Vietnamese landscapes and tourism destinations on CNN, Chinese television, Korea's KBS, Japan's NHK, Discovery, and in newspapers in Singapore, Malaysia, Thailand and Cambodia.

In addition, VNAT is also planning to organise events to promote the Vietnamese travel and tourism industry in some foreign countries, and create specific solutions for specific markets, such as China, Korea, Japan, the US, ASEAN countries and Europe.

Future Impact

The number of arrivals to Vietnam seems not to have been impacted by tourism promotion policies from the government in recent years. Weakness in promoting the country has been recognised for many years, but it has not yet improved. Therefore, there has been no hope of relying on promotional policies to attract more arrivals. This is not because of a lack of money, the key is the appropriate way to promote the country.

Sustainable Tourism

Vietnam continues to be accused of having an unsustainable tourism industry. Critics claim that a tourism industry which has sustainable development is not only able to grow, but also to focus on the environment and to protect landscapes and historic buildings and sites, and this is not the case for the Vietnamese travel and tourism industry.

As the travel and tourism industry has developed, and the number of arrivals and domestic tourists has been increasing, Vietnamese tourism companies have been trying to explore tourist destinations as much as possible to meet increasing demand, regardless of the impact on the environment and protecting such places.

Current Impact

Vietnam has thousands of natural landscapes, such as hundred kilometre beaches from the north to the south, and it also has numerous historic buildings and sites due to the country's thousands of years of history. However, careless exploring of these tourist destinations has made them more polluted, and they are being gradually ruined. Some tourist destinations, such as Cam Ly waterfall in Dalat, or beaches in Vung Tau, Phan Thiet and Nha Trang, have become polluted, which has had a knock-on effect on the travel and tourism industry.

While the travel and tourism industry is developing rapidly, tourism products provided by local companies have not improved significantly, and as a result there is concern that Vietnamese tourism products are perceived to be old and boring. Souvenir items do not reflect Vietnamese tradition, but are impacted by foreign trends. Tourism destinations do not have many entertainment venues compared with neighbouring markets such as Thailand. As a result, around 85% of arrivals say that they enjoyed their trip, but will not return to Vietnam for a second time.

Outlook

The Vietnamese government and tourism companies all know the reality of the unsustainable development of the industry. However, due to the stagnation of administrative procedures and the habit of not being proactive, the question of sustainable development in the industry remained, and had not been solved up to the time of writing.

Although there will be efforts made by all the players in the industry, from the authorities to organisations and tourists, sustainable development of the travel and tourism industry in Vietnam has little hope of improving in the near future.

Future Impact

Sustainable development in the travel and tourism industry will remain the major problem with which Vietnam has to cope. In addition, the industry will also face the question of addressing the return rate for tourists in terms of repeat visits. Moreover, the country has to spend much more money on restoring polluted tourist destinations.

Vietnam is not likely to go far in terms of green tourism, since this is still a new concept in Vietnam. If reducing pollution and protecting the environment is to be achieved in the near future, then great efforts must be made in Vietnam.

Consumer Lifestyles

Vietnamese consumers' attraction to travelling has been growing strongly. This is thanks to the country's remarkable economic development, which led to Vietnamese consumers' incomes and living standards increasing, alongside their desire for more luxury. In particular, the Vietnamese stock market became very strong in 2007, which made real estate sought after as a result. There was a fast-emerging new class of rich people who formed a new lifestyle of spending a great deal on luxury goods and services, including travel and tourism.

However, the situation changed in 2008, when the stock market declined, the real estate market froze, the interest rates in the money markets increased sharply, and financial crisis emerged around the world. Many securities companies closed, many real estate companies went bankrupt, many small private banks faced difficulties, and most Vietnamese people reduced their demand for many things to save money in the situation of economic recession, high inflation and unemployment.

Current Impact

In 2008, when Vietnamese people had to cope with a tougher economic situation, they tended to spend less money on luxury goods, whilst paying more attention to necessities. As a result, demand for tourism reduced significantly in 2008, especially at the end of the year. Normally, tours are fully booked throughout Christmas, New Year and during Lunar New Year. However, in 2008 tour operators found it hard to attract customers.

The tendency of the travel and tourism industry in 2008 was that people usually took short journeys if they went on holiday. Travellers in 2008 were not willing to take longer trips, despite having more time, because they wanted to save money.

Outlook

The economic situation in 2009 is not forecast to recover fully. Although the Vietnamese government is implementing expansion policies, including fiscal and monetary policies to increase demand to pull the economy up, the economic growth rate in the coming years is forecast to be low, while the inflation rate has little hope of dipping lower than 10%.

In these circumstances, it is very hard to imagine that demand for travel and tourism will be higher in the coming years. People will take fewer holidays, and if they can travel, it is not looking likely that they will choose long holidays.

Future Impact

Vietnam and other countries around the world have been facing economic difficulties, and the situation is not expected to recover in the next two or three years; the travel and tourism industry is likely to be impacted heavily in this period.

This issue has not been good news for those who work in the travel and tourism industry. Demand for tourism is expected to slow down continuously in the near future. People tend to save more when their living standards decrease. Therefore, it is expected that the proportion of travel for business will increase in the future.

Low Cost Carriers

In previous years, the growth rate of the low cost carriers in Vietnam was surprisingly strong due to high demand for travel and tourism. However, it was development of the low cost carriers which pushed Vietnamese demand for travel and tourism. There have been more and more offices of low cost carriers opened in Vietnam, such as Tiger Airways, ThaiAir Asia, Air Asia, Garuda, Cebu Pacific and Indochina. Most of these are foreign-owned carriers.

In 2007, Vietnamese Pacific Airlines became the first domestic low cost carrier. As more than 30% of Pacific Airlines' capital was sold to Jetstar Airways, Pacific Airlines officially changed its name to Jetstar Pacific Airlines in 2008.

2008 was a year of difficulty for all airlines, including the low cost carriers. Airlines observed in recent years that the oil and gasoline prices tended to be on an increasing trend; therefore Most Vietnamese airlines decided to buy oil and gasoline in the futures market, trying to avoid price increases in the future. Unfortunately for these airlines, from the middle of 2008, the oil price decreased significantly due to the world financial crisis, which decreased demand for oil. This meant that airlines had to buy oil and gasoline with the prices much higher than current prices. In addition, demand for travel and tourism in 2008 decreased significantly. As a result, airlines, especially low cost carriers in Vietnam, recorded serious losses.

Current Impact

The role of the low cost carriers in terms of pushing demand for travel and tourism in recent years cannot be denied. Thanks to their low prices, holiday prices were lower, which encouraged people to travel more. With the launch of these carriers, people recognised that it was easy to fly and save money.

In 2008, despite buying oil and gasoline at high prices, the low cost carriers had to sell their air tickets at low prices. Therefore, the low cost carriers were a good choice for those who wanted to travel and save money. As a result, the growth rate of seats sold by low cost carriers in 2008 was 67% compared with 2007 while that of scheduled airlines was only 2%.

Outlook

The global financial crisis is forecast to worsen continuously in the coming years, and it is unlikely that the situation will recover in the near future. In these circumstances, spending less and saving more must be a good choice for most people. This situation is in fact an opportunity, but also a challenge for the low cost carriers.

As the economic situation becomes harder, more companies will close their doors, the unemployment rate will become higher, and therefore fewer people will travel. Demand for travel will decrease, and demand for travel by low cost carriers will be lower as a result. In addition, OPEC at the end of 2008 was trying to cut its supply to stop the decline in oil prices caused by the economic recession. Therefore the oil price may return to being higher in the coming years. These can be considered as challenges for the LCCs in terms of balancing costs and turnover.

However, for those who do travel, the reasonable air fares offered by the low cost carriers will become more appealing to them. This can be considered as an opportunity for the LCCs, as they could increase their market share compared with the scheduled airlines in air transportation.

Future Impact

2009 and the coming years are likely to be difficult for all markets and organisations, including the low cost carriers. With the economy facing a slowdown, aggregate demand will decrease significantly. Therefore, the whole Vietnamese air transportation and tourism industry are unlikely to expand or see a good performance in the coming years.

Nevertheless, low cost carriers will continue to be one of the most dynamic sectors in the airline industry, due to their price competitiveness and importance in attracting international tourists. Jetstar Pacific will remain a key player propping up an otherwise slow inbound tourism industry, due to expected growth in popularity over the next few years.

Emerging Niche Sectors

In 2007, the stock market, real estate market, and also the travel and tourism industry all showed dynamic growth. However, by 2008, growth for almost all markets came to a halt. In the first half of 2008, Vietnamese consumers were faced with high inflation, which made their real incomes decrease significantly. In the second half of 2008, the Vietnamese government implemented strictly contractionary fiscal and monetary policies to lower the inflation rate, which made many firms, including real estate, stock and securities companies and banks go into bankruptcy. All of this reduced domestic demand for travel and tourism.

The global financial crisis impeded growth in inbound travel to Vietnam, and as such, it was a relatively slow year for emerging niche sectors. However, the MICE industry was one area which saw fast growth from a small base, and as such, stood out as an emerging niche which is expected to expand further over the next few years. Vietnam was increasingly perceived as an exotic and attractive location to hold conferences and exhibitions, and this helped maintain growth in demand for large conferences for 2008. That year, there were 200 exhibitions held in Vietnam, of which 112 were organised in Ho Chi Minh City, according to the Vietnam ExpoCenter. Ho Chi Minh City is expected to develop its reputation as a business hub, particularly once the global economy picks up. As such, the MIC industry will be one of the areas of dynamic expansion in the mid-to-long term.

Internet Developments

According to the Ministry of Information and Communication, the internet network in the country has developed significantly. Up to December 2008, the total number of internet subscribers in Vietnam was 6.4 million, and the number of people who could access the internet was more than 20.7 million people, accounting for 25% of the total population. The number of internet users in 2008 increased by 15% compared with 2007.

Currently, the internet is being used in different fields, such as education, health and business; 100% of universities and colleges, 92% of businesses and 50% of high schools have connected to the internet. The internet has coverage in 56 out of 64 cities and provinces nationwide, including in remote areas.

Accessing the internet in Vietnam is not only by the traditional way of using PCs at home or in the office, but also in places such as coffee shops, schoolyards or parks. With the boom in laptops, pocket PCs, PDAs and smartphones, the number of wi-fi access points in the country has increased significantly. FPT, an internet provider, has around 5,000 wi-fi access points in Hanoi and Ho Chi Minh City alone. Thanks to wi-fi networks, accessing the internet has become much easier, and the number of people accessing the internet has increased rapidly.

Current Impact

Although only 25% of the Vietnamese population use the internet, online business has been one of the most developing fields in Vietnam recently. The travel and tourism industry is included in this trend. Although the industry did not see a strong overall performance in 2008 due to the world financial crisis, online sales in the travel and tourism industry saw strong growth in this year.

In particular, 2008 was the first year that Vietnam saw internet transactions in the car rental market. At the end of August 2008, www.xeonline.com.vn was launched to provide cars for rental as an intermediary. However, www.xeonline.com.vn is currently only in Hanoi, and is going to expand to Ho Chi Minh City next year. Meanwhile, www.xeonline.com.vn provides a wide range of cars, comprising of both luxury and standard cars at different prices, from VND400,000 per half day to VND2 million per half day. With such activity, value of internet transactions in 2008 was estimated to be around VND40.4 million.

Outlook

Internet coverage in Vietnam has been said to be wide and fast. The number of internet users and subscribers in Vietnam will increase rapidly in the coming years thanks to promotions offered by internet providers. This will in fact be an opportunity for online businesses in the coming years.

However, internet providers have been focusing a great deal on expanding the number of subscribers, but have not accounted for expanding the internet infrastructure. The number of users has increased too rapidly, and the band width has not been developed at the same rate. This is a challenge for Vietnamese e-commerce, as companies look to expand online, but lack the facilities which Western markets have. This will impede internet penetration and widespread internet usage until further investments are made in the development of the infrastructure.

Future Impact

Growth in Vietnamese travel and tourism in the coming years is not predicted to be strong. However, online sales in this industry have emerged in recent years, and using the internet to book hotels, tours or buy air tickets is much more convenient for those who are busy. Therefore, online sales in the travel and tourism industry are predicted to increase gradually in the coming years.

Travel accommodation will continue to see high growth rates in online sales, due to the drivers being from Western markets, where many consumers rely on the internet to make their hotel bookings. However, the car rental sector will also be a prominent market to watch out for in terms of online bookings. At the beginning of September 2008, www.budget.com.vn, a website of Budget Rent a Car, was launched to directly supply cars for rent. With an international player now offering online sales within the car rental sector and several local companies featuring online booking as a core part of their car rental service, internet penetration within the car rental sector is set to become significant in the future.

TERRORISM AND SECURITY

Vietnam is considered to be free of terrorism, and is one of the safest places for tourism in the world. In addition, Vietnam has no political problems, as well as no damaging natural disasters, although it has some storms each year.

However, in addition to the problem of hawkers, beggars and pickpockets, which has not yet been solved, in 2008 Vietnam was facing another problem, which was the increasing number of unemployed travellers from Africa. These people are not tourists; they come to Vietnam with no money and no job, and are homeless. They usually live in the parks, and they join the teams of beggars. Currently, Vietnam does not have any laws to control such foreigners. Therefore, they are in fact a major problem for the Vietnamese government, since they are not good for either locals or tourists.

LEAVE ENTITLEMENT

According to the Vietnamese Labour Code, each employee has a right to have 12 days paid holiday as his/her annual leave.

In addition to this, Vietnam has six occasions in a year when public holidays are taken. They are New Year, Tet holiday, King Hung's Anniversary (the 10th of the third month of the lunar year), Independence Day (30 April), International Day (1 May) and National Day (2 September).

In 2008, the Ministry of Education and Training started to implement a policy of letting school students have shorter summer holidays and a longer time for Tet holiday. To welcome the year of the buffalo, students were off for two weeks instead of six days as usual. This was in fact a big problem for parents, because they are allowed to be off work for around one week for Tet.

CONSUMER DEMOGRAPHICS

2008 was the year that Vietnam and other countries faced a remarkable economic crisis. Simultaneously, Vietnam in 2008 also received the impact of high inflation from 2007. Therefore, Vietnamese purchasing power in 2008 was very low. As a result, only 24% of the population took holidays in 2008, decreasing by less than one percentage point from 2007. Males accounted for 67% of holiday takers in 2008.

Those who take holidays usually take trips in January and February for Tet holiday, and June and July for the summer holidays, when most school students are off.

The majority of holiday takers are between 25 and 49. It is estimated that around 78% of holiday takers are in this age group. People who are between these ages are usually working; they can earn money and live independently. Most people between these ages get married and have children. Therefore they may take trips with their families in the holidays.

As holidays in 2008 were short, and people tended to save more, those who took domestic trips usually chose short trips of around three days. It is estimated that 85% of domestic trips were up to three days long. Meanwhile, taking outbound tours requires more days. Therefore, almost 80% of outbound tours were between four and seven days.

BALANCE OF PAYMENTS

In 2008, Vietnam received VND57.0 trillion from arrivals, increasing by 5% compared with 2007, and VND38.5 trillion from domestic trips, increasing by 7% from 2007, while VND11.4 trillion was spent on outbound expenditure, increasing by 3% from 2007. As a result, Vietnam had a surplus of VND45.6 trillion of the balance of payments for travel and tourism in 2008, increasing by 5% from 2007.

MARKET INDICATORS

Table 1 Leave Entitlement: Volume 2005-2008

number of days	2005	2006	2007	2008
Paid holiday	12.0	12.0	12.0	12.0
Public holidays on working days	5.0	8.0	9.0	9.0
Public holidays not on working days	3.0	5.0	3.0	1.0
Total	20.0	25.0	24.0	22.0

Source: Euromonitor International

Table 2 Holiday Demographic Trends 2003-2008

% number of people	2003	2004	2005	2006	2007	2008
Holiday takers	19.7	20.2	20.5	22.5	25.0	24.3
Non-holiday takers	80.3	79.8	79.5	77.5	75.0	75.7

Source: Euromonitor International

Note: Holiday takers as % of total population

Table 3 Holiday Takers by Sex 2003-2008

% number of people	2003	2004	2005	2006	2007	2008
Male	67.4	67.4	67.4	67.4	67.1	67.0

Female	32.6	32.6	32.6	32.6	32.9	33.0
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Source: Euromonitor International

Note: Sex of national tourists (domestic and outbound)

Table 4 Holiday Takers by Age 2003-2008

% number of people	2003	2004	2005	2006	2007	2008
0-14	1.2	1.2	1.3	1.2	1.0	1.1
15-24	7.2	7.2	7.2	7.3	7.3	7.4
25-34	30.7	30.7	30.7	30.7	30.8	30.9
35-49	47.4	47.4	47.4	47.5	47.5	47.5
50-64	12.4	12.4	12.3	12.3	12.3	12.0
Over 65	1.1	1.1	1.1	1.1	1.1	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International

Notes: Age of national tourists (domestic and outbound)

Table 5 Length of Domestic Trips: 2003-2008

'000 trips	2003	2004	2005	2006	2007	2008
Over 7 days	273.7	274.9	288.2	298.9	311.0	319.3
4-7 days	1,978.0	2,016.7	2,272.4	2,570.1	2,736.0	2,838.8
0-3 days	10,659.3	10,736.3	11,939.4	14,630.9	16,153.0	17,577.9
Total	12,910.9	13,027.9	14,500.0	17,500.0	19,200.0	20,736.0

Source: Euromonitor International

Table 6 Length of Outbound Departure: 2003-2008

'000 people	2003	2004	2005	2006	2007	2008
Over 7 days	16.4	21.6	23.8	26.0	31.1	40.5
4-7 days	524.1	707.9	760.7	807.2	977.2	1,017.1
0-3 days	146.6	170.6	175.5	178.6	205.9	234.2
Total	687.1	900.0	960.0	1,011.8	1,214.2	1,291.8

Source: Euromonitor International

Table 7 Seasonality of Trips 2005-2008

% number of people	2005	2006	2007	2008
January	10.4	11.5	10.2	10.1
February	12.4	13.2	15.3	17.2
March	4.0	2.4	2.5	2.3
April	3.8	3.2	2.7	3.1
May	8.3	9.7	8.5	8.4
June	16.6	20.4	21.1	21.5
July	9.3	10.4	11.6	10.4
August	8.6	7.5	8.7	7.8
September	4.1	5.7	5.5	5.3
October	4.2	4.0	3.7	3.6
November	8.1	6.8	5.3	5.1
December	10.2	5.2	4.9	5.1

Total		100.0	100.0	100.0	100.0
Source:	Euromonitor International				
Note:	For national tourists (domestic and outbound)				

MARKET DATA

Table 8 Balance of Tourism Payments: Value 2003-2008

VND million	Receipts	Expenditure	Balance
2003	28,810,424.9	3,977,007.2	24,833,417.7
2004	35,655,083.0	5,536,144.1	30,118,938.9
2005	43,439,601.8	7,392,927.2	36,046,674.6
2006	45,786,292.3	8,327,019.2	37,459,273.1
2007	54,215,303.6	11,033,649.9	43,181,653.7
2008	56,957,918.5	11,404,979.0	45,552,939.5

Source: Euromonitor International

DEFINITIONS

This report analyses the market for Travel and Tourism in Vietnam. For the purposes of the study, the market has been defined as follows:

Travel and Tourism is an industry encompassing markets as diverse as transportation (airlines, rail and ferry companies), travel retail, travel accommodation, tourist attractions, health and wellness, car rental as well as standard tourism parameters.

Tourism Parameters

Arrivals

Refers to international tourists, ie any person visiting another country for at least 24 hours, for a period not exceeding 12 months, and staying in collective or private accommodation. Each arrival is counted separately and thus includes people travelling more than once a year and people visiting several countries during one holiday. Euromonitor International's arrival figures exclude same-day visitors and transit and cruise passengers as this can distort arrival figures in important border crossings and cruise destinations respectively. It also excludes those in paid employment abroad. Students that stay in the country for a period of more than 12 months are excluded from arrivals data and are considered as residents of the country of temporary residence. The country of origin of the inbound arrival is referred to as the source country.

International arrivals (given in terms of number of people) is not the same as international trips because during the course of one trip abroad, there may be numerous visits to different countries which would then be recorded separately in the international arrivals figures of each country visited. Therefore, one international trip does not equal to one international arrival.

Data is constructed from different sources in order to provide the overall number of arrivals. Key sources include border statistics collated, border surveys and registered guests at accommodation outlets primarily sourced from national tourist offices and national statistics offices.

Departures

Refers to the number of residents that travel abroad from their country of residence to another destination country for leisure or business purposes. Residents includes students residing abroad for a period of over 12 months. Departures by country of destination reflect departures recorded at each leg of the journey during an international trip.

Euromonitor International's departures figures exclude same-day visitors, transit passengers and cruise passengers (apart from at the initial point of departure from the country of residence) as this can distort departure figures in important border crossings and cruise destinations respectively.

Leisure

Tourism for leisure purposes includes leisure, visiting friends and relatives and other (such as sports, education, medical reasons etc).

Leisure arrivals by type is broken out into backpackers, organised tour groups (including school trips and organised sport trips), singles, families, friends, couples (including gay couples) and others. Others includes travelling for a wedding etc. Where singles, families or couples go on organised tours or are backpacking then they are considered to fall under the latter. If singles, families or couples are not back-packing or part of an organised tour group, then they are counted in their respective category.

Business

Tourism for business purposes includes all business trips which are taken primarily for business purposes. If business travellers choose to add on a leisure extension to their trip, the arrival or departure would still be considered as business as that's the primary motive for the trip.

MICE

Refers to meetings, incentives, conventions and exhibitions where these are organised events run by third parties on behalf of companies, either onsite or in hotels or conference centres.

Incoming tourist receipts

These are classified as payments by international inbound tourists, including fares paid to national carriers for international transport and any other prepayments made for goods or services received in the country of destination. This should also include receipts from day visitors from abroad, although there are exceptional cases that are recorded separately. Excludes spending by students that stay in a country for a period of over 12 months. Air fare paid to foreign carriers is excluded.

Outgoing tourism expenditure

This is expenditure by outbound tourists abroad, including their payments to foreign carriers for international transport. This should also include expenditure on day visits abroad, except in certain cases when these are recorded separately. Data excludes international transport fares purchased within the country of origin.

Leisure departures by type is broken out into backpackers, organised tour groups (including school trips and organised sport trips), singles, families, friends, couples (including gay couples) and others. Others includes travelling for a wedding etc. Where singles, families or couples go on organised tours or are backpacking then they are considered to fall under the latter. If singles, families or couples are not back-packing or part of an organised tour group, then they are counted in their respective category.

Domestic tourists

This refers to the number of stays by residents within their normal country or residence and is measured in terms of the number of trips which differs from the number of actual resident tourists (measured in terms of people) spending one night or more away from home within their normal country of residence. Most national statistics on domestic tourism expenditure exclude that on travel to and from the destination.

Domestic trips

The number of trips taken by residents of the country within the country. The definition of the length of a trip varies from country to country. Within a trip, multiple destinations may be included, however, the overall destination is the final point of arrival.

Domestic tourist expenditure

The spending on travel and tourism services by domestic visitors on their trips.

Spa Target Market

The number of inbound or outbound visitors who visit and use spas during their stay.

Holiday takers

The number of people within the population who take holidays. For holiday takers, it shows how many people actually take holidays, either abroad or within the country. For example, even if some people have time off, they may not take holidays.

Tourism spending

This analyses tourism spending by foreign and domestic tourists on the following sectors:

- Accommodation: includes all forms of travel accommodation namely campsites, hotels, motels, self-catering, chalets, guesthouses, hostels, private accommodation and other. Includes spending on accommodation by students visiting for a period of less than 12 months.
- Entertainment: includes evening entertainment and tourist attractions such as casinos.
- Travel within the country: includes spending on all local transport such as rail, bus/coach, ferry, air, chauffeur driven car, cruise etc.
- Excursions: within the country; may be for one day or over.
- Food: spending on retail food as well as foodservice; includes full-service restaurants and other foodservice formats such as cafés/bars, fast food, 100% home delivery/takeaway, street stalls/kiosks and self-service cafeterias.
- Shopping: includes food and non-food purchases. May also include duty-free purchases.
- Outbound tourism spending by sector is reviewed separately.

Method of Payment

- Cash: money in note or coin form which is used to pay for goods and services at the time of purchase.
- Credit card: a plastic payment card that allows the cardholder to make purchases and to draw cash up to a pre-arranged ceiling. The credit granted may either be settled in full by the end of a specified period without incurring any interest, or may be settled in instalments with the balance taken as extended credit (ie it offers revolving credit)
- Debit card: this is an instant payment card attached to a current or savings account, which can be used for paying for goods and services. Depending on the merchant's system, payment could be taken instantaneously from the customer's account, or take a few days. No interest is charged on payments. Debit cards usually combine other functions such as cash withdrawals from ATMs and cheque guarantee.
- Charge card: also called Deferred Debit or a Travel and Entertainment card. A charge card is similar to a credit card but is a short-term loan that normally has to be paid off within 30 days of billing and does not attract any interest charges, therefore there is no revolving credit option. There is usually no upper spending limit and customers normally have to pay a high annual fee. Diners Club and most American Express cards have a charge card function.
- Prepaid debit card: a card offered by a service provider that uses a prepaid e-cash card as a payment vehicle.
- Traveller's cheques: these are cheques issued by banks, credit card and charge card companies that allow the holder to buy goods and services in a foreign country.

Travel Accommodation

The travel accommodation market covers the main types of accommodation used by incoming tourists and domestic tourists. The market is broken down into nine principal sectors.

Travel accommodation value is measured in terms of the price paid for accommodation by the consumer. It should not include foodservice (food and drinks) or any other form of revenue that is not directly related to accommodation such as events and conferences.

Travel accommodation volume is measured in terms of number of outlets and specifically for hotels, in number of rooms bed nights, and for other travel accommodation in terms of bed nights.

Campsites

Covers areas set aside for camping and caravans.

Chalets

Rented accommodation in mountain or country areas; may include meals; includes lodges and inns.

Guesthouses

Rooms within officially-recognised private accommodation, for the purpose of tourism; rented to tourists on a nightly or weekly basis; often with breakfast included.

Hostels

Outlets providing low cost/budget accommodation, often in dormitories; includes youth hostels.

Hotels

Hotel outlets providing lodging and optional meals, includes independent and chained operators as well as all company owned, leased, managed and franchised outlets. Aparthotels are included. Residences are the same as aparthotels with the rental of apartments offering the service of a hotel. The word “residence” is not used with this meaning in English speaking countries. Hotels include French pensions, Spanish hostals and Italian pensione.

Motels

Roadside hotel accommodation for motorists.

Private accommodation

Privately-owned houses or individual rooms rented to tourists on an unofficial basis and not always authorised by tourist authorities.

Self-catering apartments

Providing lodging in allocated tourist apartments, not providing meals.

Other

Smaller types of accommodation, such as holiday camps, not listed above but included in country statistics.

Specific data indicators for the travel accommodation market are as follows:

Hotel chains

Hotel operators that run a number of outlets, usually with a degree of specialisation in service or product positioning. The number of branches required to be termed a chain varies from country to country but is usually 10 or more. The chain usually trades with the same fascia, format and identity. Includes companies such as Best Western.

If a hotel forms part of a regional or international chain network and has less than ten outlets in a particular country, it is still counted as a chain.

Hotel independents

Hotel operators that own and operate one or more (but fewer than 10) outlets, but not affiliated to any other business. Mainly relates to family businesses or partnerships.

Number of bed nights

Refers to the total number of beds in travel accommodation occupied over the year.

Occupancy rates

This expresses the relationship between available capacity and the extent to which it is used. It may refer to either the use of rooms or of beds. Occupancy rates are based on the number of nights of both domestic and international tourists.

Average Daily Room Rate (ADR)

ADR refers to the average daily room rate that a hotel charges a consumer for staying in a hotel room per day. ADR is part of the calculation along with % occupancy to generate revPAR (revenue per available room).

RevPAR

This signifies revenue per available room on a daily basis, not annual, in the travel accommodation market. It is calculated by occupancy multiplied by the average daily room rate per company. RevPAR is based on rooms available for use by domestic and international visitors. Euromonitor measures system-wide revPAR ie for company-owned, company operated, licensed and franchised outlets.

Number of rooms

The number of rooms per hotel are counted as what is available for use by consumers, both business and leisure guests.

Tourist locations

Refers to the number of mid to premium hotels in tourist locations. Excludes all non-tourist locations such as hotels at service stations and non city/art or tourist resort locations.

- Beach: hotels located by the beach or at seaside or coastal locations.
- Culture: hotels located in cultural destinations such as cities and towns and where the main trip purpose is cultural or artistic.
- Countryside/mountain: hotels based in country, mountain or lakeside locations.
- Airport: hotels located at airports either within the terminal or in close proximity to the terminal.
- Others: includes 3-5 star hotels located at non-tourist locations eg service stations, motorways etc.

Transportation

The transportation market covers the mode of transport used by tourists going to their holiday destination and within the country. It covers sales for outgoing travel by country residents and internal travel by foreign and domestic tourists. The transportation market assesses six main modes of transport: Car rental market is analysed separately.

Transportation value is measured in terms of the price paid (fare) for the mode of transport by the consumer. Ancillary revenues on food and drinks etc are excluded.

Air is also measured in terms of the number of passengers carried.

Air

Includes schedule, charter and budget airlines; national flag carriers as well as low cost carriers.

Bus/coach

Encompasses overland travel by bus or coach.

Chauffeur-driven car

Passengers driven to their destination by a hired third party. Excludes taxis.

Cruise

Travel by cruise ship. This also may include river cruises. Cruise data includes the amount spent on the cruise package ie additional transport such as air fares, accommodation, food and entertainment.

Ferry

Travel by ferry.

Rail

Travel by passenger train, excluding freight and car transport.

Specific data indicators for the air sector are as follows:

Airline capacity

Capacity is based on the number of seats available for sale based on the number of potential enplanements. Transit passengers are excluded.

Airline utilisation

Euromonitor considers airline capacity and utilisation in terms of enplanement over origin-destination, whereby the number of enplanements are based on scheduled flights, as defined by the airlines and assigned flight numbers. For example, a passenger whose flight stops mid-route to pick up more passengers but continues with the same aircraft/flight number would be counted as one enplanement. A passenger who switches flights to another airline or aircraft with a new flight number mid-journey would be considered as two enplanements.

If an airline operates charter or non-scheduled flights, in addition to scheduled flights, then technically passengers carried could be in excess of enplanements. Transit passengers are excluded.

Seats sold by distance

Long haul includes flights over 3 hours long.

Short haul refers to flights under 3 hours and includes mid haul flights ie over 1-3 hours.

Air passengers carried by type

Air passengers carried should not include transit passengers, but all those carried on domestic and international flights from that country.

Air transportation is defined as sales for outgoing air travel by country residents and internal air travel by foreign and domestic tourists.

- **Schedule:** an airline that provides scheduled flights based on the airline's schedule; tends to refer to traditional (national flag) carriers which operate a hub and spoke operation.
- **Charter:** An airline that provides charter flights whereby charter flights take place outside normal scheduling hours.
- **Low cost carriers:** The low cost carriers (LCCs) model is very much based on the Southwest example in the US which appeared around 30 years ago. They differentiate themselves from national carriers by offering a pared down customer service with no pre-assigned seat allocation, no in-flight catering unless paid for, short turnaround times, flying to non-hub or regional airports, limited baggage allowance, predominantly online booking etc ie "no frills".
- As the LCC model has developed there are now differences across the low cost tagline, with some companies differentiating by providing some level of allocated seating or paid-for in-flight entertainment etc. Low cost carriers tend to operate point to point ie between city pairs, rather than via hubs. Predominantly, LCCs fly short haul, however, a new form of long haul low cost carrier is emerging.
- **Passengers carried (also known as PAX):** number of passengers carried onboard.
- **Fleet size:** number of aircraft in operation by the company in the country specified.
- **Passengers carried (also known as PAX):** number of passengers carried onboard. Includes domestic and departure passengers, excluding transit.
- **Revenue Passenger Kilometre (RPK):** the number of paying passengers carried multiplied by the distance they flew in kilometres.
- **Average load factor:** refers to utilisation of aircraft in terms of passengers that buy seats, presented in percentage terms.

Car Rental

The car rental market covers the hire of passenger vehicles including small vans by both business and leisure users, and whether from the airport or downtown locations, in the context of the total short-term rental fleet. This excludes businesses that hire cars for long term leasing. Car rental covers sales to incoming tourists and domestic users including domestic tourists and general nationals. Sales are recorded in the country of destination. Car rental also excludes commercial vehicles, trucks and motorbikes.

Car rental value covers the price of car hire to the consumer. Volume of car rental is provided by the number of car hire transactions, fleet size and number of car rental operators.

Sectors

- **Business:** for the purpose of a business trip either arranged on behalf of the customer by work or arranged personally.
- **Leisure:** for personal trip or holiday, visiting friends/family, or any other non-work related activity such as moving house.
- **Insurance replacement:** where domestic residents use a rental car paid for by an insurance company as a replacement vehicle, while their own car is repaired following an accident.

Location

- **Airport:** is defined by car rental POS/counters/offices based at an airport either within the terminal or next to the airport. This includes POS located in close proximity to the airport, ie everything that is not counted as downtown.
- **Non-airport:** is what the car rental companies refer to as downtown locations so these include high street/retail parks ie everything except POS located in or by airports.

Transactions

Car rental transactions ie rental volume measures the exchange between a rental firm and consumer/business of a rental vehicle for 1-3 days, 4-7 days, 7+ days for the sectors reviewed: business, leisure, insurance replacement, excluding all trucks and commercial vehicles.

Transactions can be booked in advance or on the day of usage; booked direct with the car rental firm or through an intermediary on- or off-line.

Transactions exclude the sale of old cars to consumers.

Fleet size

Fleet size refers to the number of cars at the car rental company's disposal including all operational cars at the annual year end for rentals in the business, leisure and replacement market for passenger vehicles. This does not reflect any fluctuations in size through down/upsizing the fleet throughout the course of the year.

Travel Retail

The travel retail market covers companies that put package holidays together for the general public, companies that sell them to the public and those that supply foreign currency. The market for travel retail covers sales to outgoing and domestic tourists and internal use by incoming tourists.

Travel retail value is measured by the price paid by the consumer (leisure and business) for travel retail services online and offline. Seeing as the price is what the consumer pays for a holiday, this includes fare or flight supplements, airport tax, booking fees and commissions paid by the consumer direct to the travel retailer as part of the purchase.

Travel retail volume is given in the number of travel retail outlets including the sectors of travel agents, tour operators and exchange services.

Travel agents

Retail outlets that sell holidays and holiday services. Travel agents sales are based on sales ie gross revenue and equal the total transaction value sold to the consumer (ie including the price of the product and commission), not on pure agent income which includes only commissions (ie gross margins on gross revenue).

Tour operators

Companies that organise holiday packages and sell them either directly to the public, or through travel agencies. Tour operators' sales include direct sales to the consumer. Sales of tour operators' products which are sold through travel agents direct to the consumer are instead included under travel agents.

Exchange services

This term refers to dedicated currency exchange outlets only. It therefore excludes banks and travel agencies.

Due to the difficulty of establishing sales by sector as a result of the overlap of business between the sectors above, value by sector will not be given and will be provided at total market level only.

As mentioned, travel retail total is not the sum of the sectors of travel agents, tour operators and exchange services, rather it reflects the overall sales to the consumer ie direct sales to the consumer via travel agents, direct sales to the consumer by tour operators whether online or offline, exchange services excluding tour operator to travel agent dealings.

Travel retail product breakdowns

- Accommodation only: sales of accommodation services through tour operators and travel agents including hotels, motels, self-catering, guesthouses and all other forms.
- Adventure/trekking holiday: sales of adventure/trekking holidays via tour operators and travel agents.

- City break: sales of city breaks through tour operators and travel agents. City breaks differ from a traditional package holidays if the package involves a city/town destination, combining travel and hotel components, where the main purpose for going is to visit cultural attractions, art, shopping etc for a short period of time (tends to be 2-3 days although can be longer). Purchases from travel retailers to a city destination where the components are separate and not part of a deal would constitute "free & easy" and would be counted under accommodation only and flight only as they are purchased as individual items, even though it is to a city destination. Therefore, city break is determined by how it is marketed to the consumer and must form part of a fixed deal.
- Cruise: sales of cruises through tour operators and travel agents. Includes flights and other pre-paid products/services such as spas, food, drinks, entertainment etc
- Spa packages: sales of health and wellness spa packages such as treatments, day packages, overnight stays. May include accommodation and food.
- Flight only: sales of airline tickets only (on their own rather than as part of a package deal or city break) via tour operators and travel agents.
- Other transport: other forms of transport excluding airline tickets sold via tour operators and travel agents such as rail, ferry, bus/coach. Car rental is included under "others".
- Fly-drive: includes the sales of holiday packages which include the return flights and car rental once arriving in the destination country through tour operators and travel agents.
- Package holiday: includes traditional package holidays which are fixed by tour operators and travel agents and include transportation, accommodation along with a choice of food options ranging from B&B, mid to full board. Also includes dynamic package holidays which are sold online by companies such as Expedia which allow the consumer to combine travel components such as transportation and accommodation. Package holidays have traditionally been to sun/sea/sand destinations for a duration of 7, 10 or 14 days involving a combination of travel/accommodation components.
- Traveller's cheques: traveller's cheques sold via exchange services which may be located within travel agents.
- Others: others include tourist attraction entrance fees, car rental hire and such products/services. Includes travel insurance and foreign currency purchases sold via exchange services which may be located within travel agents.

By destination

Travel retail sales by destination includes all product sectors of travel retail, excluding the sectors that apply to financial services conducted by exchange providers ie excludes travel insurance, foreign currency and traveller's cheques.

- Beach: holidays to beach and coastal areas/resorts.
- Countryside: holidays to all countryside locations, except mountainous terrain.
- Mountain: holidays to mountain areas, particularly mountain ranges.
- Culture: includes city breaks and art trips.
- Others: such as jungle, rainforest and other locations not covered in the above.

Tourist Attractions

The tourist attractions market covers the sites visited by tourists, covering sales to incoming and domestic tourists.

Value sales includes all entrance fees, but excludes business to business activities such as hospitality and conferences. Expenditure on food and drinks is excluded. Tourist attractions volumes are measured by the number of visitors.

The market consists of the following sectors:

Art galleries

Includes all forms of art galleries including modern, traditional, national, private and avant-garde as well as contemporary: indoor and outdoor.

Casinos

Includes consumer spending at casinos, not casino revenues.

Circuses

Includes all forms of travelling and permanent circuses.

Historic buildings/sites

Includes palaces, monuments, castles, historic birthplaces, landmarks, temples, religious sites etc

Museums

Includes all national and privately-owned museums.

National parks/areas of natural beauty

National parks as defined by the government; areas of interest include gardens and areas of natural beauty that have not been allocated the title of national parks.

Theatres

Theatres excludes cinemas.

Theme/amusement parks

All permanent theme and amusement parks generally found in out-of-town locations. Excludes travelling fairs.

Zoos/aquariums

Includes all national and privately-owned zoos and aquariums. Waterparks are included under theme/amusement parks.

Others

Others includes other types such as themed tourist attractions such as wax work museums, Ferris wheels such as the London Eye which do not fit in the above sectors. Also includes industrial tourism which refers to visits to past and present factories and company sites, as well as visits to company headquarters, such as power stations, mines, forestry, factories, businesses etc.

Health and Wellness

Health and wellness includes sales of spa packages, products and services open to international and domestic tourists.

- Spas: include destination spas, hotel/resort spas, and others.
- Destination spas are business establishments which offer all-inclusive programmes and educational courses to improve health and well-being, where guests usually reside for at least two to seven nights and attend two to seven day programmes, including fitness activities, educational classes and seminars on health and well-being, and special interest programmes such as relaxation or yoga. Spa services such as beauty treatments and massages are also often included in destination spa services, and meals incorporating healthy cuisine are also served.

- Hotel/resort spas are spa services offered as part of a hotel or resort setting. Spa treatments are purchased à la carte, separately from the accommodation and meal price. As such, they may not offer all-inclusive packages like destination spas. Spending at hotel/report spas includes only spending at the spa and does not include the overall total spend at the hotel or resort therefore excludes accommodation only and additional services such as room service etc.
- Others: includes cruise ships, mineral springs, traditional spas (including mineral springs and thermal spas such as Bath (UK) and Bad-liebenzell in Germany), medical health and wellness including doctors' surgeries, airports, shopping malls etc. Products and services include therapies, treatments, cooking classes, dieting, lifestyle classes, meditation etc. Includes medical tourism for healthcare provision. Excludes revenues from cosmetic surgery and other medical surgery.

Internet Sales

Value internet transactions include the sales and payment of products and services over the Internet from both direct suppliers' web platforms and online intermediaries. If the internet is used only for research purposes only with the booking made via a call centre and paid over the phone or at arrival at the hotel or car rental place, then this is not considered to be an online transaction.

Direct suppliers

Direct suppliers refer to companies providing a service or product direct to the consumer without the aid of an online travel agent or intermediary.

Intermediaries

There is be double-counting of intermediaries' sales of travel accommodation, hotels, transportation, air and car rental as these are reviewed in their respective market but also included in the travel retail market.

- Travel accommodation direct suppliers: include all accommodation companies such as hotel operators which offer an online payment system for the reservation and booking of hotel rooms over the Internet. Includes domestic travel accommodation sales only.
- Travel accommodation intermediaries: include all third parties such as travel agents, tour operators and online travel agencies or specialist accommodation brokers selling travel accommodation products/services over the web. Where direct transportation suppliers sell hotel rooms via its website this would be included as intermediary travel accommodation sales. Includes domestic travel accommodation sales only.
- Transportation direct suppliers: encompasses companies such as low cost carriers, schedule airlines, rail operators, bus operators along with other transport operators that provide a payment system for consumers to purchase online via their website.
- Transportation intermediaries: include all third parties such as travel agents, tour operators, brokers, consolidators and online travel agencies selling transportation or flight-only products/services over the web.
- Car rental direct suppliers are the car rental companies themselves that provide an online booking (involving payment) website. Includes car rental sales for domestic use only.
- Car rental intermediaries: include all third parties such as travel agents, tour operators, specialist car rental brokers and online travel agencies selling car rental services over the web. Where direct transportation or accommodation suppliers offer car rental these sales are included here. Includes car rental sales for domestic use only.
- Travel retail online players: for the purpose of this research includes traditional travel retailers including travel agents and tour operators, along with exchange service providers that have a web platform for sales. Traditional travel retailers are those that originally started out as bricks and mortar and still predominantly have outlets, however, also now provide an internet platform alongside their standard operations. Also includes online travel agents, brokers and intermediaries, for example Expedia and Lastminute, which began as internet start-ups but may now also have offices in certain locations, however, the main body of their sales comes from their online operations. Includes sales of domestic and international travel and tourism products through online travel retailers.
- Tourist attractions: direct suppliers are attractions that offer a web platform for the purchase of tickets.

- Tourist attractions intermediaries: are third parties such as travel retailers that offer a web platform for the purchase of tickets.

Travel retail online sales

Travel retail online refers to the sales of travel retail services over the Internet. It includes the sales of all travel products/services of travel accommodation, hotels, transportation, airlines, car rental, tourist attractions, package holidays and tours, etc via online booking sites as well as travel retailer websites. There will therefore be double-counting with the intermediaries' sales of travel accommodation, hotels, transportation, air and car rental as these are reviewed in their respective sections.

Online booking sites are included under the market value sales for travel retail, however, are not included in the number of outlets as these do not apply.

Accommodation only and car rental only sold via travel retailers includes domestic and international sales. Flight only and other transport only refer to both domestic and international sales as well.

Internet Sales: Dynamic Packaging

This concept was pioneered by Expedia and was originally the domain of online travel agents but now traditional travel retailers (direct suppliers) have launched their own versions of dynamic packaging. Essentially dynamic packaging allows consumers to build their own trips by offering a combination of different travel components such as flight/hotel/car rental etc at different price levels. Therefore it is dynamic and customised, rather than fixed or pre-arranged traditional holiday package.

Internet Sales: Traditional Package Holiday

Traditional package holidays are a fixed package, usually all-inclusive, combining transportation and accommodation components in a resort or location either pre-selected by the consumer or allocated upon arrival. Traditionally offered by tour operators and travel agents, these are also offered on the Internet by travel retail direct suppliers, although package holidays differ from dynamic packages in that the consumer has no flexibility or customisation in the choice of travel (flight, accommodation) components.

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