

European
Cultural
and Creative
Industries
Alliance

ECCIA High-end *Tourism*

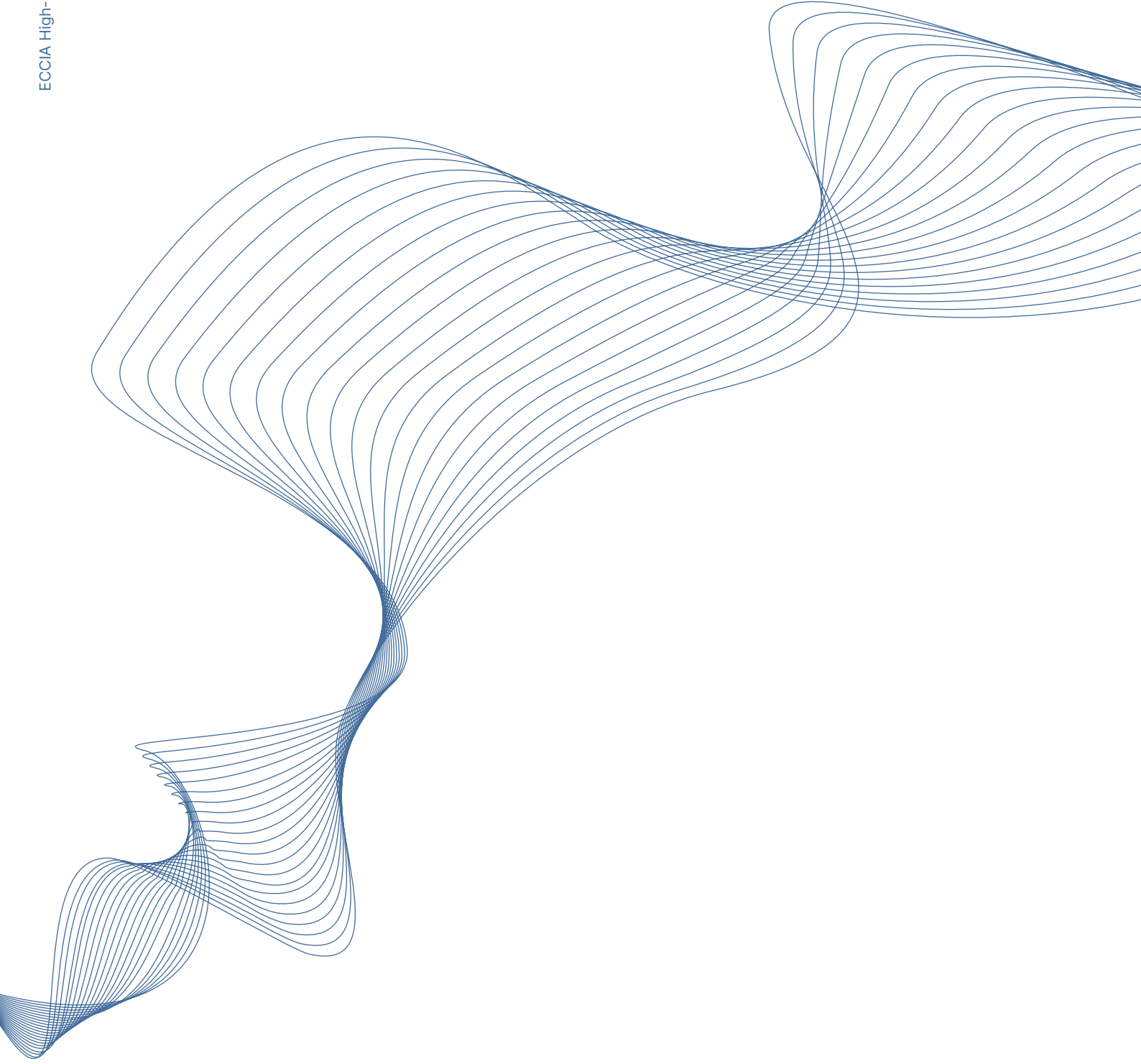
— A STRONG
DRIVER FOR EUROPE

First of its kind report quantifying *value*,
spill-overs and key countries *contribution*.



In collaboration with:





Key — Highlights

THE TOURISM INDUSTRY IN EUROPE IS A RELEVANT CATALYZER OF VALUE ACROSS COUNTRIES

- Europe attracts *51% of the global international arrivals*
- Its direct *economic impact in 2019 was €575-725B*, reaching *~€1T* if *indirect contribution* is included
- The industry produces up to *12M of direct jobs, 22M including indirect*
- The 5 largest tourism economies in Europe (namely France, Germany, Italy, Spain, UK) generate *~67% of the value* of overall tourism
- The industry contributes for an average of *4% on European GDP*; however, there are several smaller countries (such as Greece and Portugal) where tourism is a real pillar for the economy, achieving *up to 20% share on the GDP* in 2019

WITHIN TOURISM, THE HIGH-END SEGMENT IS A CRITICAL SOURCE OF VALUE, VIRTUOUS GENERATOR OF ECONOMIC AND NON-ECONOMIC IMPACT, WITH MULTIPLE SPILLOVERS ON THE OTHER SEGMENTS AND INDUSTRIES

- The segment is *sizeable*, as high-end tourism in Europe is *worth €130-170B*
- It produces a *virtuous value generation* across the value chain:
 - “*only*” *2%* of the overall hospitality *structures*...
 - ...contributing to *~22% of the spending in accommodations*...
 - ...up to *~33% of the spending for culture, entertainment and shopping*...
 - ...generating *nearly ~22% of the overall European tourism turnover*.
 - *8x* spending per day by high-end tourist vs. average of overall tourist
- High end segment produces also a *multiplying effect for employment*, with nearly *2x employees* (vs. non-high-end) at parity of size of the accommodation structure
- The 5 largest tourism countries mentioned above generate *~75% of the value of high-end tourism*

THE VALUE OF THE EUROPEAN TOURISM NEEDS TO BE RESTORED AND PROTECTED FROM SEVERAL CHALLENGES

- Major disruption in 2020, with a *loss of the value of high-end tourism* attributable to missed international arrivals *of nearly €65-75B*. This figure would increase even more, considering that the restrictions have impacted negatively the tourism from residents as well
- Other destinations outside of Europe are raising, modifying or amplifying the rules of the game to attract the most valuable travelers

STRONG FUNDAMENTALS CAN SUSTAIN A LONG-TERM BRIGHT POTENTIAL FOR SUSTAINABLE VALUE CREATION

- The underlying dynamic of the global demand has the potential to grow the segment by 2-3times, up to a *direct value of €520B* of the high-end tourism

The following chapters will provide thorough insights leading to the full potential for high-end tourism in Europe and a recommendation on what levers to activate to get there.

The analysis will start from an *overview* on the global high-end tourists to understand who they are and how they choose their travel destinations. The next section is the *core of the report*, providing a structured overview of the key figures and facts that substantiate the importance of high-end tourism (next to tourism in general) for Europe and its countries, the impact from COVID in short and long term, to conclude with the expected full potential and recommendation for Europe.

Finally, we present in the appendix *a selection of case studies* from non-European countries, to learn on best practices and model that proved successfully in driving success with high-end tourists: a combination of private and public initiatives that can be of inspiration for rethinking the future of this industry in Europe.

Insights on high-end – Travelers

WHO IS THE HIGH-END TRAVELER TODAY

The “high-end traveler” is represented by a limited number of people worldwide with an elevated spending power. Their travels around the world and spending are beneficial for economies and multiple industry segments. In 2019, ~53M people worldwide owned a net worth >\$1M⁰¹, number that has grown 5% yearly over the last 5 years and is expected to grow ~6% yearly in the next 5-7 years⁰².

Attracting and retaining these wealthy visitors would produce relevant benefits and spillovers for the tourism industry (as well elaborated in the following chapters). Most interestingly, besides growing in number, these high-end travelers have been changing in most recent years: sustainability, mindfulness and improved consciousness for value play a larger role in their travel decisions, with natural destinations promoting well-being soliciting a growing appeal. As reported, an increased share of high-end tourists are “seeking greater purpose from their travel experiences and embracing what was once the backpacker mentality of ‘leave no trace’ by easing their footprint”⁰³.

Also, high-end travelers’ preferences are articulated differently by nationality and generation. For example, while Americans and Europeans place a higher value on the quality and uniqueness of the location/destination and the availability of luxurious accommodations, Chinese travelers are more attracted by the trendiness of the location (39%) and the possibility of personalized experiences (36%). For the latter, the need for a personalized experience is also reflected in their choice of accommodation, preferring to rent villas or boutique hotels for shorter stays. On the other hand, on average, high-end travelers of other nationalities prefer to stay in 5-star hotels.⁰⁴

These preferences are also linked to the generation to which the high-end traveler belongs. In fact, while most senior generations choose their destination mainly looking at the quality and uniqueness of the place, younger generations are more influenced by the choices of their peers or by what is advertised on social networks (26% of millennials and Gen Z choose their location based on the advice of influencers/celebrities).⁰⁵

01. Knight Frank Wealth Report

02. Elaboration from Global Data, Knight Frank Wealth Report, Euromonitor

03. Insights from Virtuoso Expert Interview

04. Insights from Altgamma Libro Bianco Turismo

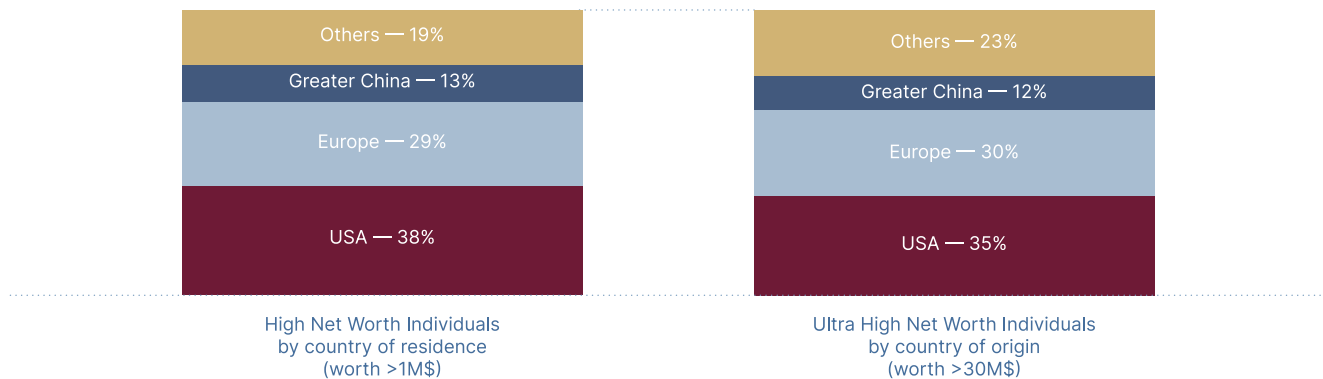
05. Insights from Altgamma Libro Bianco Turismo

When looking at travel destination preferences, on average high-end European and Americans travelers are most likely to opt for seaside destinations, while Chinese and other nationalities show preferences for art cities. This gap is also reflected across generations, with Gen Z preferring mega-cities and art cities while more senior generations favor seaside destinations.

Finally, an activity that is greatly increasing the interest of high-end travelers is the possibility to have gastronomic experiences in the visited location. Indeed, by tasting local food, it is possible to discover the true local culture and better understand the history of the area that high-end travelers are visiting. The Chinese, in particular, put gastronomic activities in first place.

United States and China are the main residences of affluent citizens in the world; in 2019, 50% of affluent people came from the USA and 13% from China. Considering the ultra-high net worth individuals only, the percentage is a little more balanced, with the US representing 32% of the overall population, while the Chinese the 10%.

Figure 1 — HNWI and UHNWI by country of residency (# individuals in M | 2019)



Source: Knight Frank Wealth Report

FAVORITE DESTINATIONS FOR HIGH-END TOURISTS

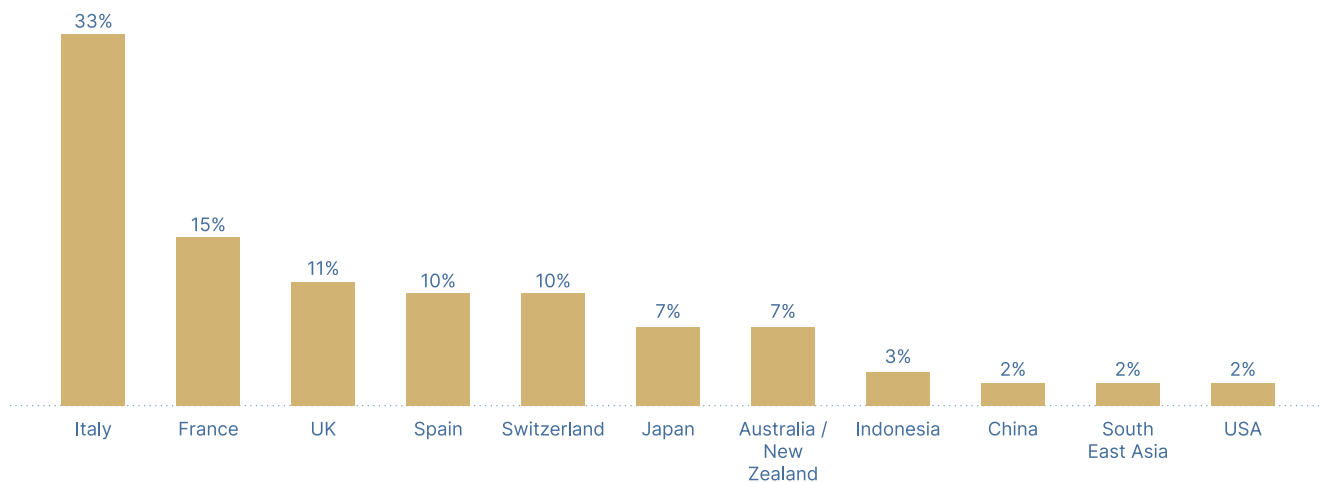
When asked to identify the best destinations to visit, high-end tourists undoubtedly choose European countries. Then, a mismatch it is observed between destination preference and actual frequency of travels, where country proximity and retention from a local tourism proposition for the residents outside Europe still matter.

According to a survey conducted on US, Russian and Chinese international “elite shoppers”, Italy, in particular, is recognized as the “most beautiful” country, but perceived less strong on “fun” and “luxury”.

Another source⁰¹ states that France is the country that best embodies the concept of luxury. Indeed, more than half of Chinese (51%) as well as Americans (48%) state that France would be their first destination of choice for a luxury vacation.

01. Survey run conducted by IFOP (Institut français d'opinion publique) in October 2021

Figure 2 — Top country/destination considered the best to visit (% | 2021)

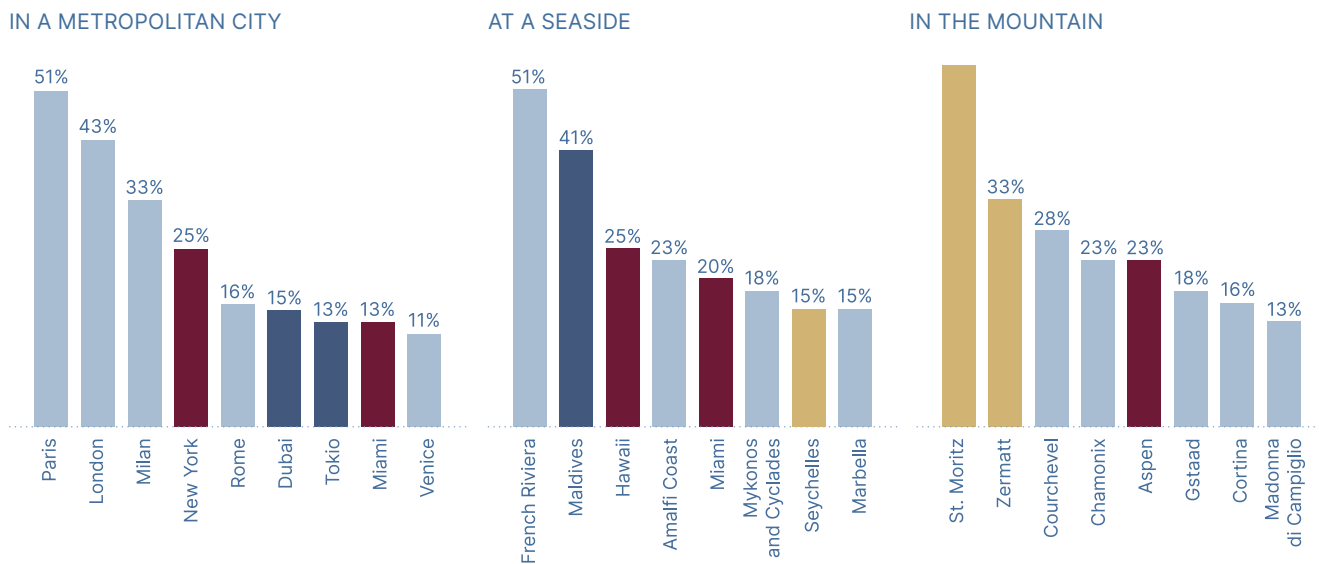


Note: survey conducted on US, Russian and Chinese international “Elite shoppers”, defined as tourists with €55,000 average tax free spend, ~12 transactions per year and >3 trips made on average, ~15 days abroad in a year
 Source: survey Global Blue March 2021

European cities are the top choice for high-end holidays; there is a greater variety for the seaside destinations, while Switzerland leads the vacations in the mountains.

More in general, six out of top 15 HNW travelers’ destination are within Europe.

Figure 3 — Top luxury holiday destinations (% | 2021)



Note: survey conducted on English, Russian and Chinese international Elite shoppers, tourists with the following average activities: €55,000 average tax free spend, ~12 transactions per year and >3 trips made on average, ~15 days abroad in a year
 Source: survey Global Blue March 2021