European
Cultural
and Creative
Industries
Alliance

High-end *Tourism* — a strong driver for *Europe*

First of its kind report quantifying *value* and *spill-overs*

In collaboration with:

ForwardKeys Global Blue VIRTUOSO

BAIN & COMPANY

Tourism is a global excellence of European countries and a key generator of value, with virtuous effects in its high-end segment

Tourism is a global excellence expressed by all European countries

- Europe attracts **51% of the global international arrivals**
- Its direct **economic impact in 2019 was €600-700B**, and reached **€1T+ (including indirect)**
- Up to **12M of direct jobs, 22M including indirect**

Within it, high-end tourism is a critical source of value, economic and non-economic, with spillover on the other segments and industries

- High value: high-end tourism in Europe is worth **€130-170B**
- **Virtuous value generation** across the value chain:
    - **2% of the hospitality structures,** contributing to **22%** of the spending in **accommodations**, **33%** of the spending **culture, entertainment and shopping**, and **22% of overall tourism spending**
    - **8x spending per day** by high-end tourism vs. overall tourists' average
    - **Virtuous employment impact**: nearly **2x** employees at parity of company size (vs. non-high-end)
- In some of the largest countries **high-end tourism is worth €20-30B**; in **several smaller countries**, high-end tourism is a pillar of the economy, with a **GDP incidence almost 2x** that of overall of Europe

A value to support from severe challenges

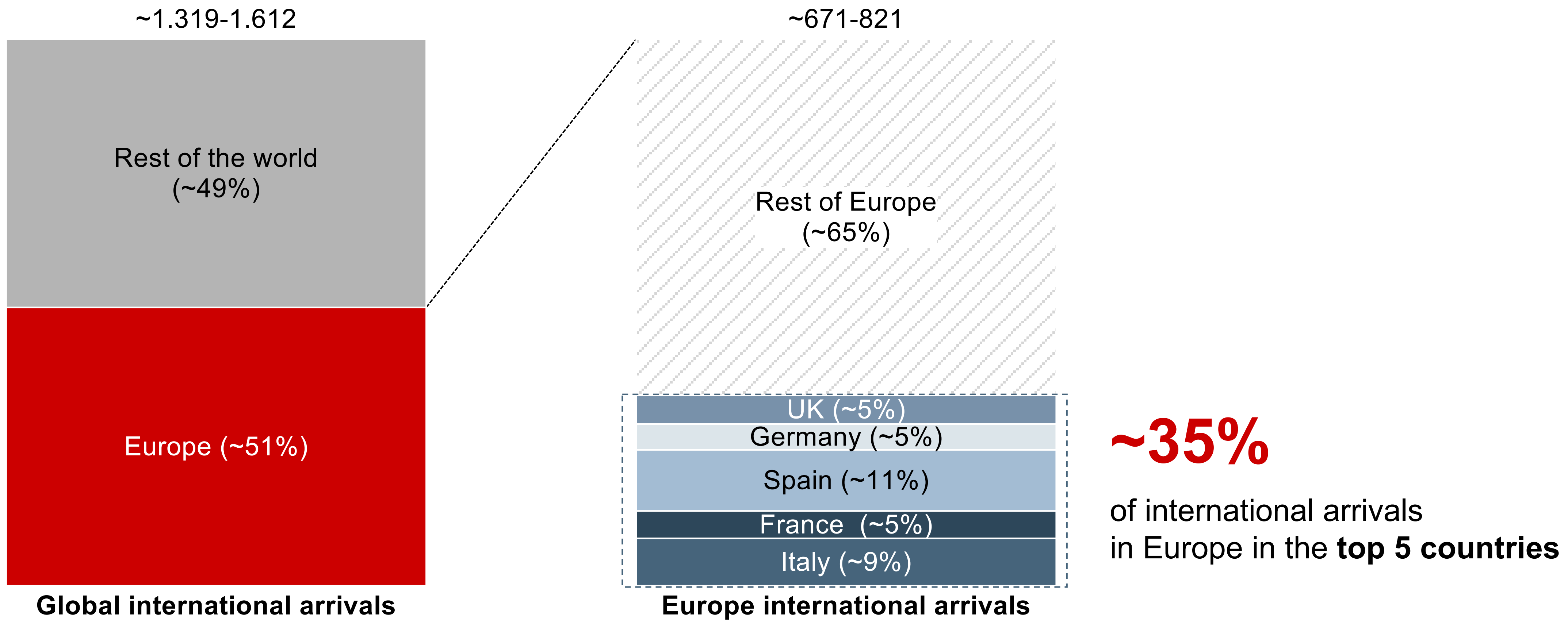
- **Major disruption by Covid19: >€70B** of loss linked just to high-end international travelers
- **Other destinations outside of Europe raising the game** to attract most valuable travelers

Strong fundamentals can sustain a long term bright potential

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

Europe is the most visited region in the world: **~51% of global international arrivals**

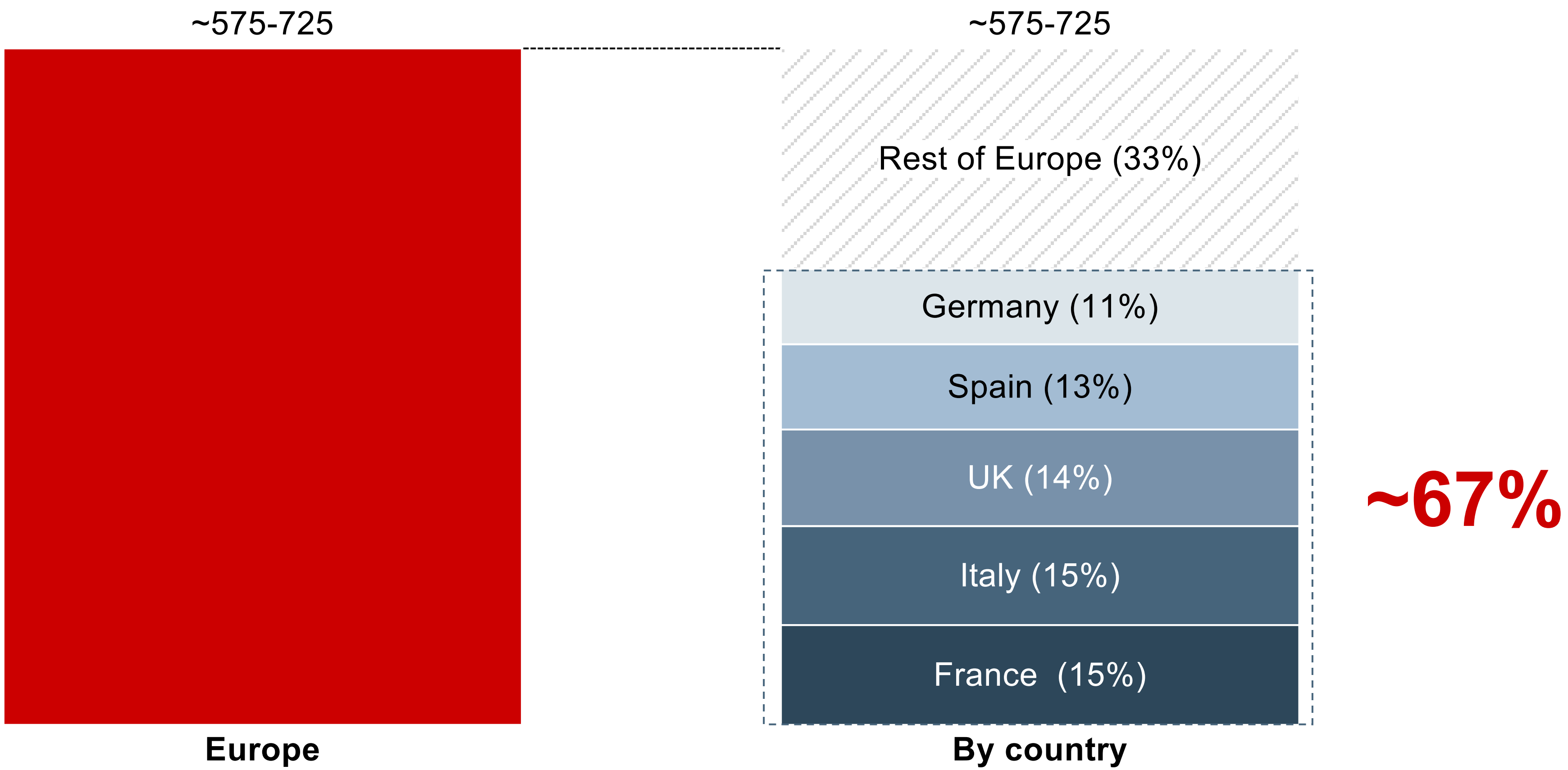
Global international arrivals by destination (M | 2019)



Note: (1) When speaking about Europe, we refer to the European Union countries + UK & Switzerland; (2) Direct economic impact: stay and consumption (i.e. transport, dining, culture, entertainment and shopping)
Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews

Overall European tourism generated **~€575-725B** in 2019, with the **5 largest countries** of focus contributing for **~67%**

Overall tourism economic impact[1] in Europe[2] (€B | 2019)



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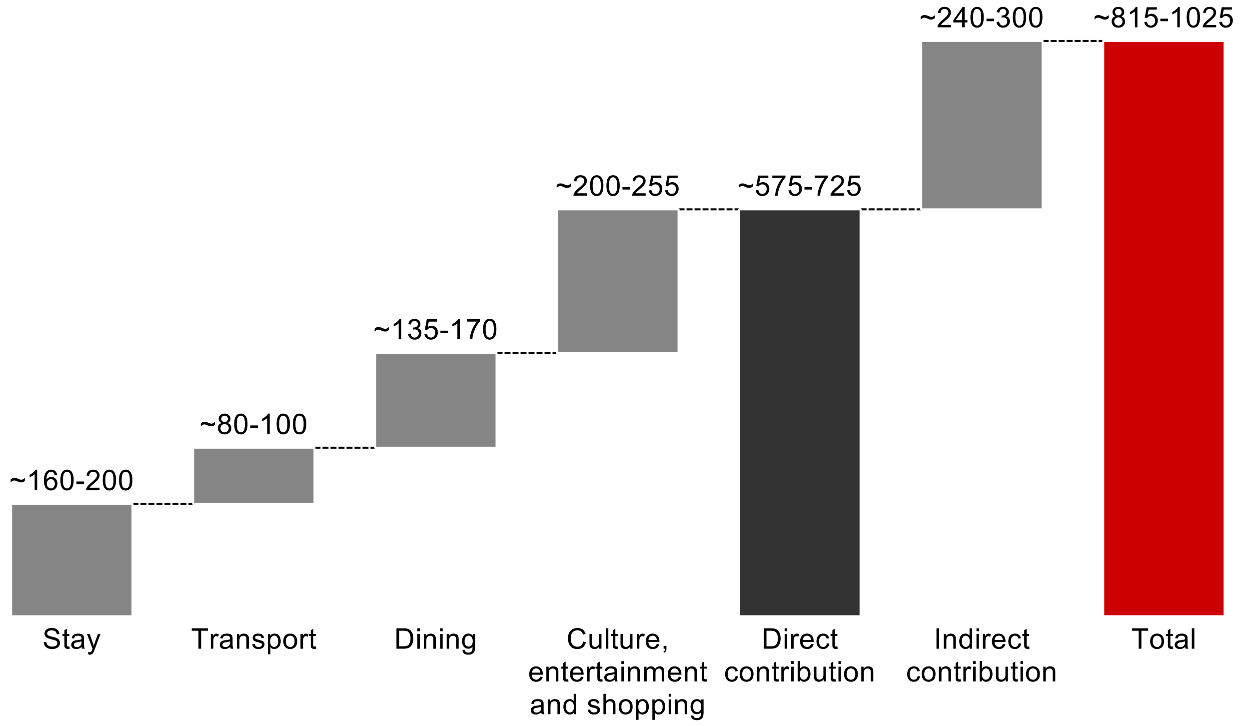
Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews

Overall tourism **contributed directly to ~4% of GDP and 12M jobs** in 2019, up to ~6% and 22M if considering indirect impact

European[1] tourism key figures: overall tourism (€B | 2019)



% on total	~25%	~15%	~25%	~35%	100%

~12M direct jobs

~22M including indirect

~4% of GDP

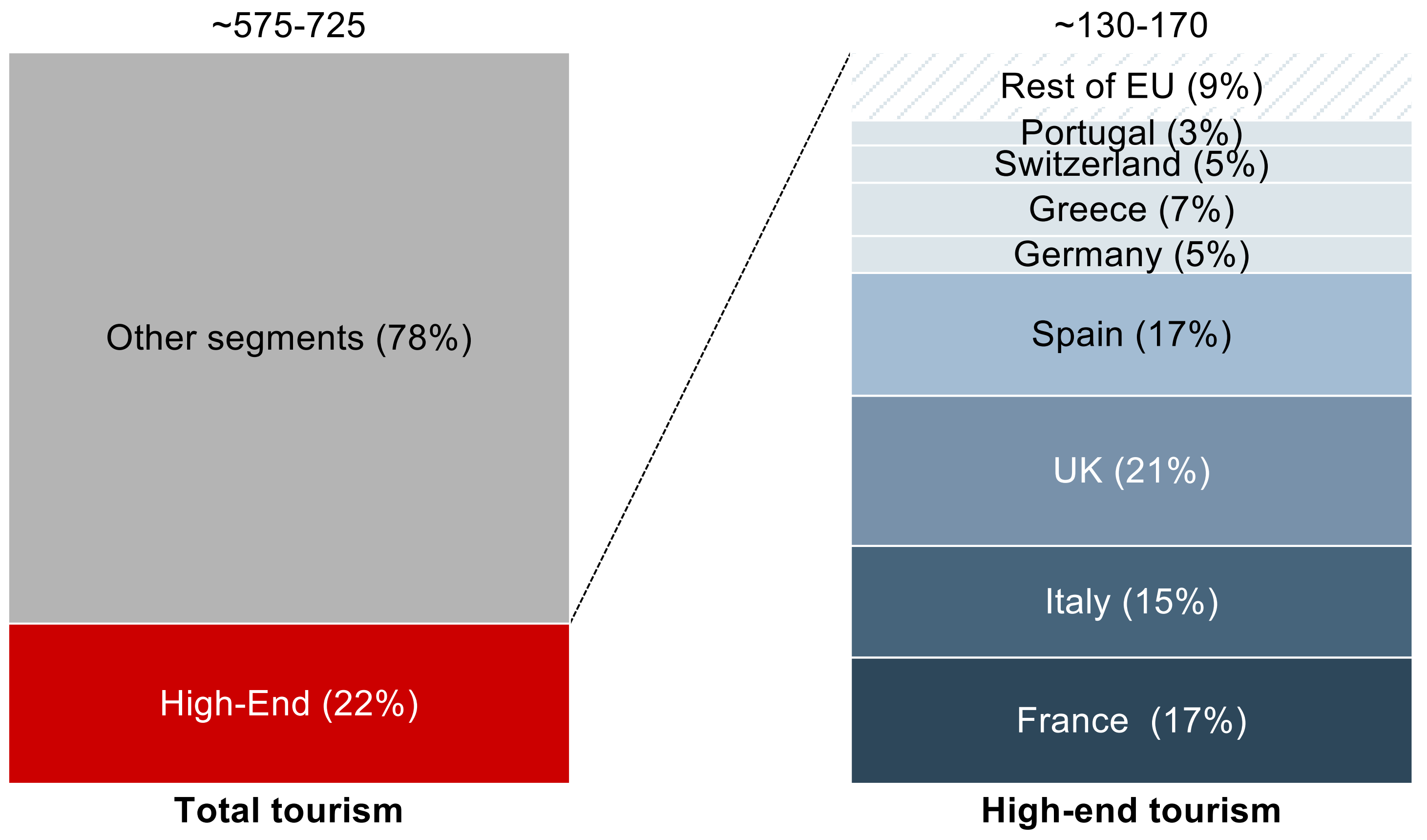
~6% including indirect

In several **smaller countries** (e.g., Greece, Portugal) tourism contributes almost **~20% of GDP** in 2019

Note: (1) When speaking about Europe, we refer to the European Union countries + UK & Switzerland; | Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews

High-end tourism is a **sizeable** segment in Europe, representing 22% of overall tourism and **worth €130-170B**

Tourism industry[1] in Europe[2] by segment and by country (€B | 2019)



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Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews

High-end tourism is an asset for all European destinations

Sizeable in absolute terms, in the largest countries

~€20-30B

of direct economic contribution in each of the **largest countries**[1]

Substantial pillar of the economy in some smaller countries

~7% of GDP

in **smaller economies** with a **vocation** for high-end tourism[2]

Emerging opportunities across new destinations in Europe

New travellers

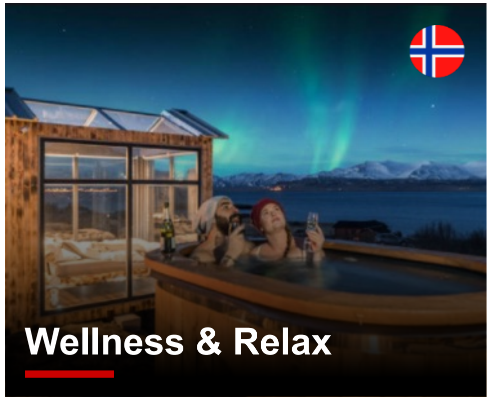
Curios and responsible, interested in **new destinations in Europe**

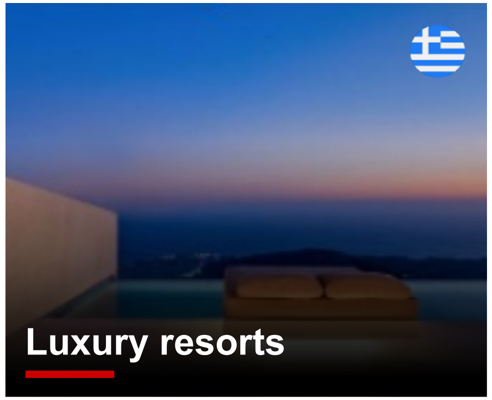
Notes: (1) Specifically Italy, Spain, France, UK; (2) for example Greece
Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews

More and more European destinations in tune with the preferences of high-end travellers

In “Rest of Europe” emerging countries entering the “wish list” with value proposition aligned for high-end

EXAMPLES OF VALUE PROPOSITION





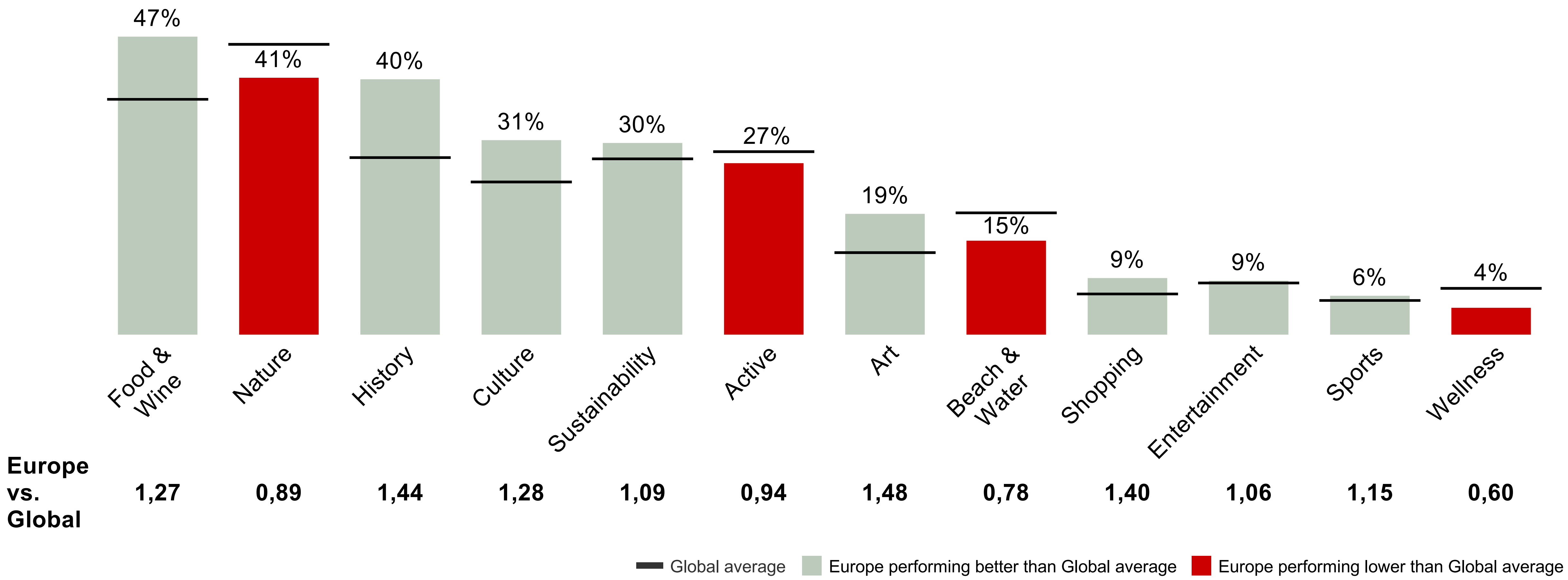
~ % hotel 5 stars on total for selected countries

1,7% Italy	3,0% France	4,0% Spain
6% Greece	6-7% Portugal	

Luxury accommodation is more relevant in Greece and Portugal (relatively to their overall tourism economies), compared to the largest tourism countries in Europe

High-end travellers prefer and visit Europe for a variety of reasons and activities

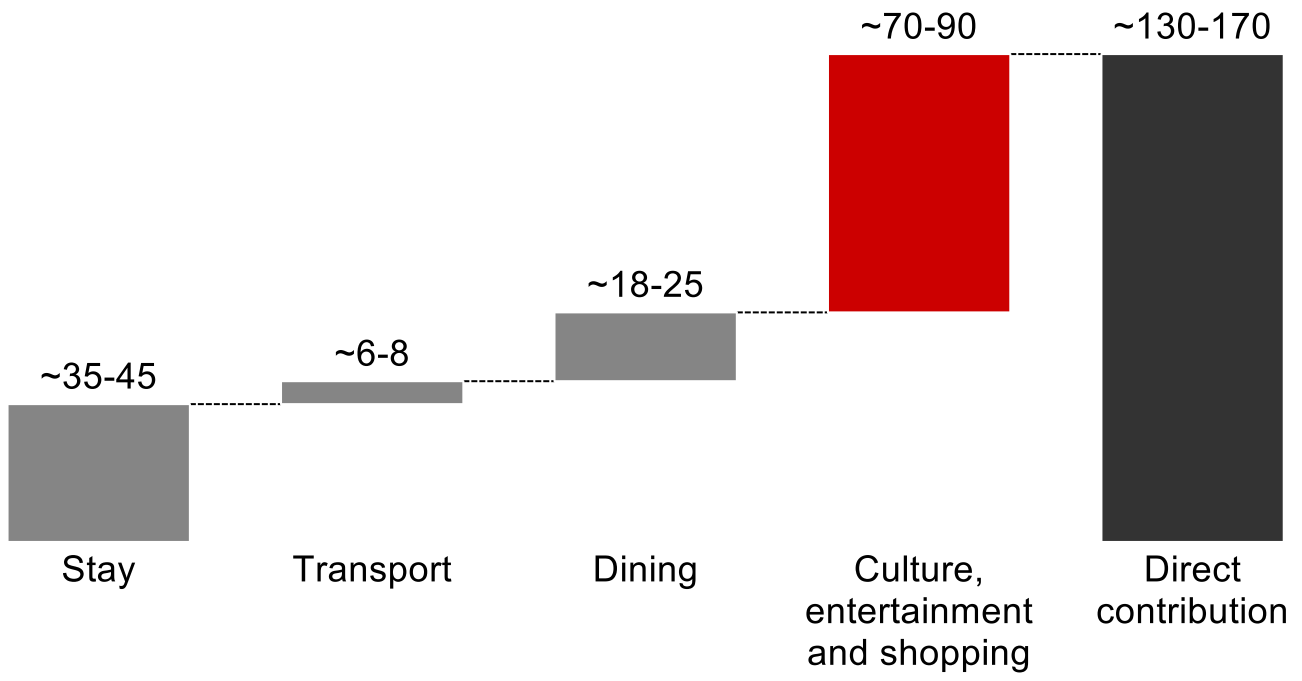
Most desired experience types in Europe by high-end travellers (% | 2021)



Note: Experiences are defined as the different types of activities the tourist might practice within a destination, such as food & restaurants, a day in the nature, museums, shopping, wellness and many others. The sum does not add up to 100% since every experience could be counted in more than one category | Source: Bain elaborations on Virtuoso Wanderlist Data

Culture, entertainment and shopping making **the most of the expenditure for high-end tourism** (~50%), followed by "**stay**" (~30%)

European[1] tourism key figures: high-end tourism (€B | 2019)



% on total	**~30%**	**~5%**	**~15%**	**~50%**	**100%**

vs **35%** for overall tourism

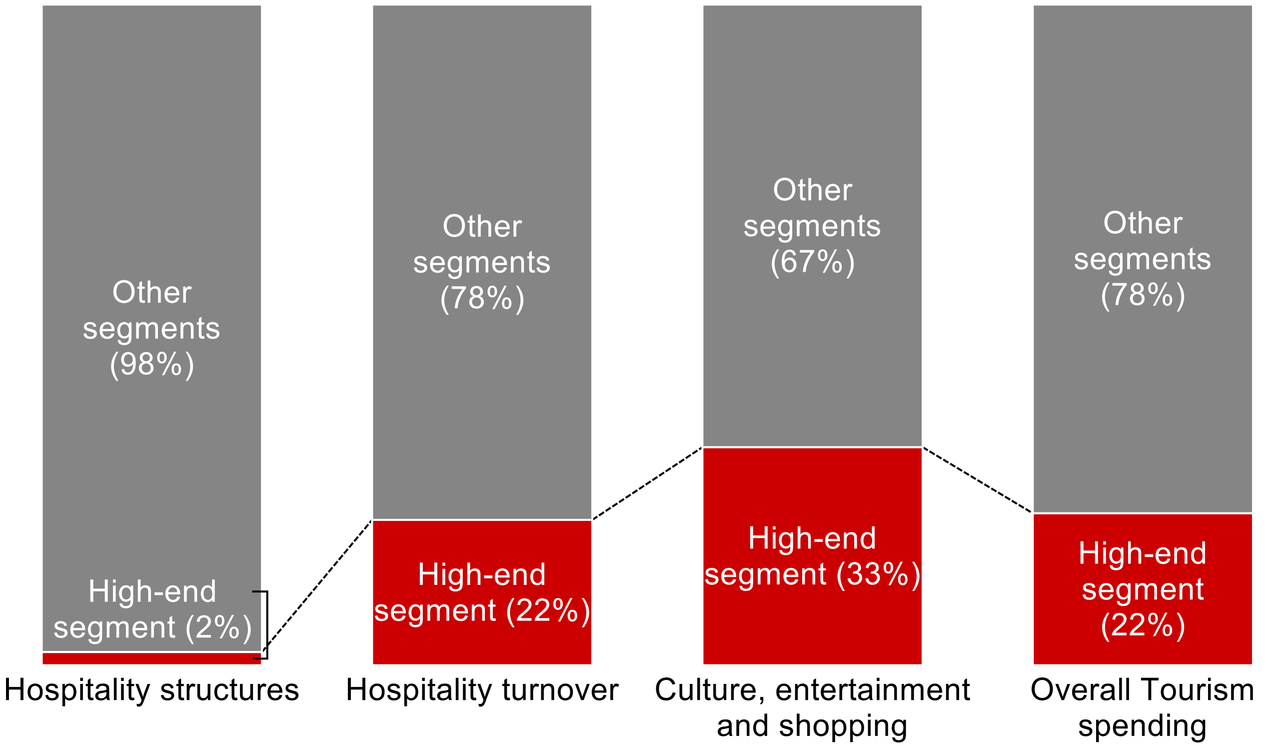
~1%

of direct GDP contribution, corresponding to one fourth of overall tourism contribution to GDP

Note: (1) When speaking about Europe, we refer to the European Union countries + UK & Switzerland; (2) Direct economic impact: stay and consumption (i.e. transport, dining, culture, entertainment and shopping)
Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews

High-end tourism produces a **virtuous value generation** across the value chain and has a **multiplying effect on employment and spending**

High-end tourism[1] in Europe[2] (% | 2019)



Multiplying effect on jobs & spending (x | 2019)

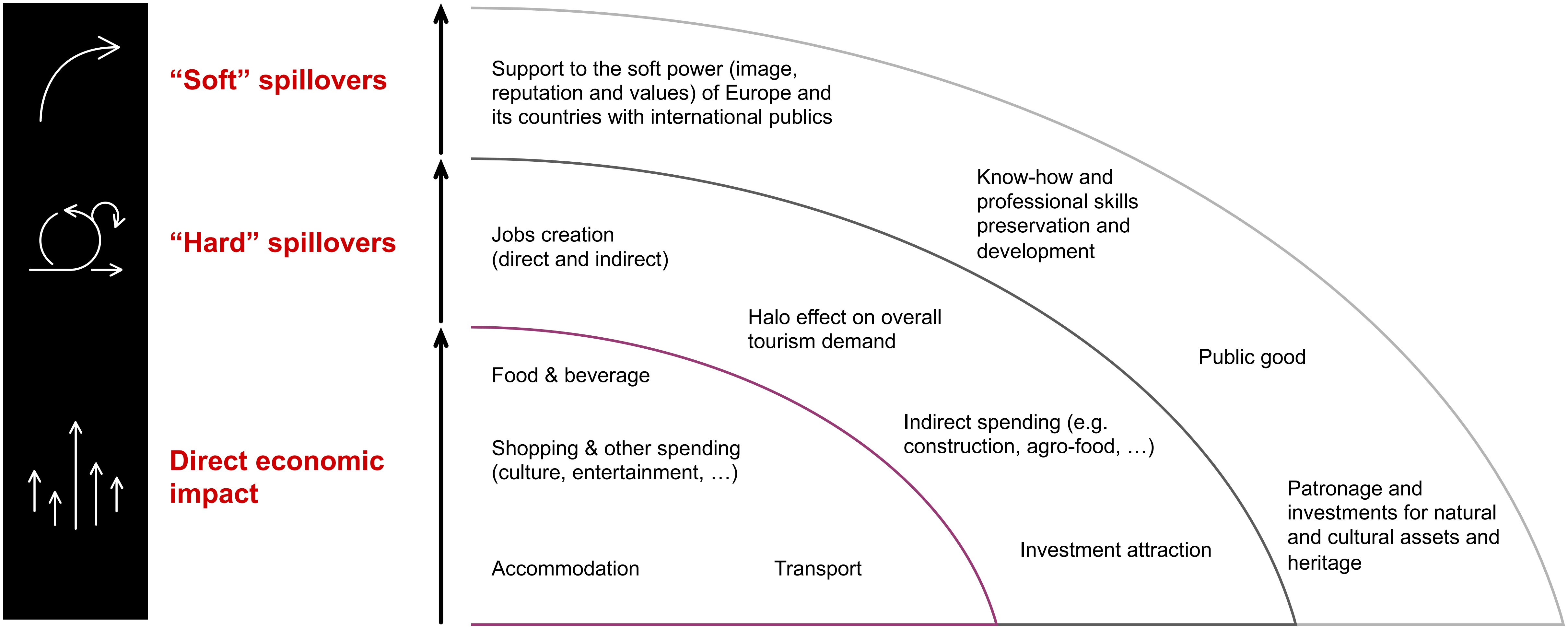
created by high-end hospitality companies vs. average of all hospitality companies

generated by high-end tourists vs. all tourists average

Note: (1) High-end tourism is identified based on travelers' accommodation choices: 5-stars or higher hotels or equivalent accomodations (e.g., non-hotel facilities and luxury villas); (2) When speaking about Europe, we refer to the European Union countries + UK & Switzerland | Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Expert interviews

To capture the full relevance of (high-end) tourism, on top of economic impact one must consider **"hard" and "soft" spillovers**

Tourism axes of value creation



Source: Bain analysis

A series of **enablers and attractors** are needed to reap the benefits of “hard” and “soft” spillovers

/ NOT EXHAUSTIVE

Sites of interest (natural, cultural, ...)

Transports services and infrastructures (in general, high-end)

Museum and galleries

High-end restaurants, bar and clubs

Footprint of high-end hospitality structures (hotels, villas, …)

Presence of anchor high-end brands (across sectors)

Agenda of cultural and social events

Network of high -end stores

Tax-free policies

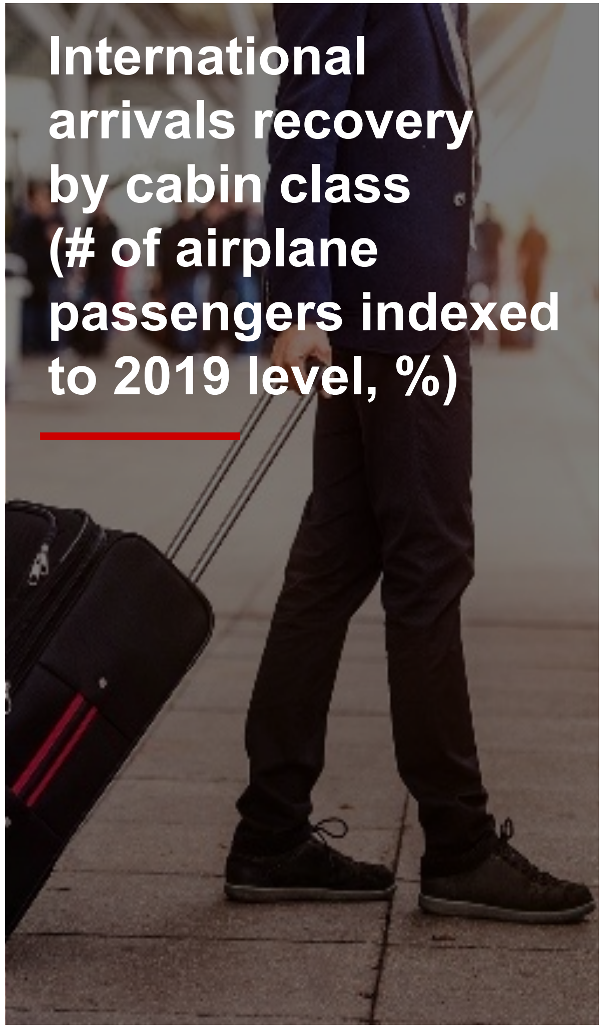
Specialized institutions and organizations

Visa policies

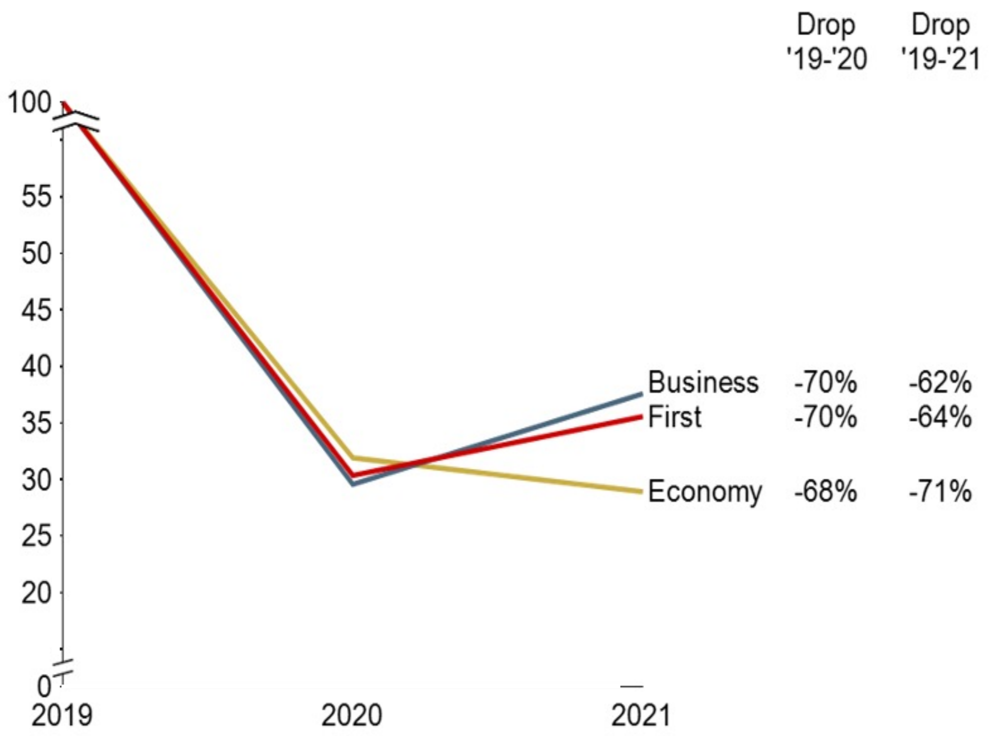
High safety level (political stability, low crime rates…)

Source: Bain analysis

However, **European high-end tourism is facing serious challenges: COVID-19** has brought major disruptions…



International arrivals recovery by cabin class (# of airplane passengers indexed to 2019 level, %)



When considering only missed international flights, **loss in high-end tourism surpasses ~>€70B…**

…but the segment is promptly recovering with high-end airline passengers recovering faster across key European countries

Note: (1) Considering visitors staying at least one night at destination and excluding transfers and one-way trips | Source: Forward Keys, Bain Analysis

…while other destinations outside of Europe are raising, modifying or amplifying the rules of the game to attract the most valuable travellers

The **US** offer a wide range of activities and attractions, allowing to satisfy different expectations and needs of visitors. The domestic share of travelers is extremely relevant, while the international share increases when dealing with luxury tourism

Hainan is meant to become a globally relevant free trade port, comparable to Dubai and Singapore, and a luxury duty-free shopping destination. There a specific plan supported by the government to ease the access by international visitors and foster a high-level luxury offering

Japan has a natural and cultural landscape distributed throughout the territory and invests in new holiday models to promote the use of the territory (e.g. cruise trains)

Bali combines the beauty of the territory, wellness and entertainment, by investing in innovation of hotel and service concepts, raising the bar for the standard of excellence and offering a variety of activities that favor returns and seasonal adjustments

Australia offers a set of luxury experiences based on its geographical specificities, such as wildlife and natural landscapes. National institutions are launching the Signature Experience of Australia to attract more high value tourists

New Zealand’ luxury tourism is characterized by exploration and adventure

It is not only a matter of offer, but also of enablers, such as the role played by high-end hospitality schools, the management of visa policies and tourism incentives (through the facilitation of transportation, dedicated services and long-term incentives)

Insights from case studies: What leads tourism industries to success

Private impulse and investments to develop an ecosystem of high-end facilities at the highest standards of structure, luxury service and innovation (e.g. Bali, Hainan)

Shared vision and coordination between institutions (governmental & private) and companies for the management of the value proposition to develop quality tourism and to further attract affluent visitors, by respecting the characteristics of the area (eg USA, Hawaii, Hainan, Australia)

Maximization of the domestic tourism potential by restraining local travelers through a diversified offering and promotion of attractions (e.g. USA, Japan)

The role of high-quality "entertainment" and international appeal within the value proposition (e.g. USA, Bali)

The ability to **diversify offerings and value proposition** to maximize season extension and attract tourists from different nationalities in different seasons (e.g., USA, Bali)

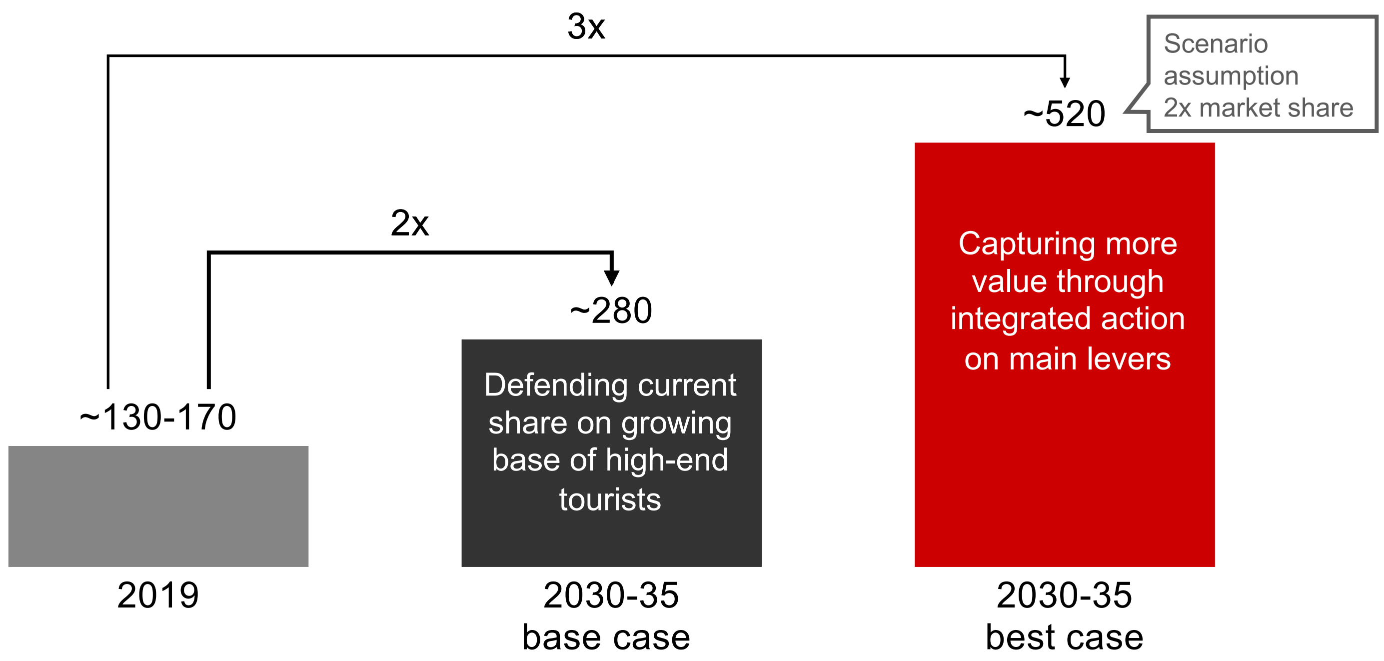
The **logistic simplification through structures** (marinas, airports, train-cruises, ...) (e.g. Hainan, Japan)

Bureaucratic simplification (several countries have simplified visa policies for Chinese travelers resulting in an acceleration of flows) (e.g. Hainan, Australia)

Governmental policies to incentivize the shopping on site, such as exclusive discounts and tax-free quotas (e.g. Hainan)

Strong fundamentals can sustain a long-term bright potential for sustainable value creation: **high-end tourism could reach up to ~€280-520B**

Value[1] of high-end tourism in 2019 and full potential scenarios (€B | 2019 – 2030-35F)



High-end tourism strong fundamentals explain why Europe should push it further

- **More resilient to crises / outbreaks** (as shown during Covid-19) and showing **faster growth**
- Generating **relevant and virtuous spillover effects**, more than proportional than overall tourism (as evident from the multipliers)
- Creating a **halo / driving effect on broader tourism demand** across segments
- Driven by **wealthy individuals**, a robust, high-spend segment of people that is **expected to continue growing** in the future (+~6% in the next 5-7 years)

A working table could be established to focus on developing high-end tourism to its full potential

Note: (1) Direct economic impact: stay and consumption (i.e. transport, dining, culture, entertainment and shopping)
Source: Bain elaborations on national statistics data, Bain Altagamma Luxury Study, Euromonitor, UNWTO, Eurostat, Global Data, Expert interviews

5 key priorities to focus on in order to develop high-end tourism to its full potential

/ FOR DISCUSSION / NOT EXHAUSTIVE

01 Sustainable tourism

- **Investments and incentives** to develop a value proposition for **sustainable tourism**, incl.
  - Addressing and preventing over-tourism
  - Fostering touristic initiatives and propositions aligned with green economy and Sustainable Development Goals

02 Nature tourism

- **Development and communication** around "**Nature tourism**", in order to
  - Fill Europe's gap on nature experiences vs the rest of the world
  - Help activate opportunities on a list of European destinations considered secondary

03 Mobility infrastructure

- **Investments in infrastructures** to favor the **mobility of the high-end tourist** across European countries (EU, UK and Switzerland)

04 Facilitation of visa policies

- **Harmonization and facilitation of visa policies** and other initiatives to attract key segments on a global scale (e.g., China)

05 Education system

- Enhancement and promotion of a **hospitality & tourism learning education system** (with focus on high-end) that can act as recognized center of excellence and point of reference globally
- **Improvement and facilitation of mobility** to foster employment and employability

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