



INVESTING IN TRAVEL & TOURISM



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COUNCIL

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COVID-19 brought the world to a standstill. It devastated the Travel & Tourism sector, leading to a GDP loss of nearly US\$ 4.5 trillion and 62 million job losses in 2020. Capital investment in Travel & Tourism also fell significantly from US\$ 986 billion in 2019 which amounted to 4.4% of total global investment to US\$ 693 billion in 2020 and 3.2% of total investment, representing a 29.7% drop. As the sector looks to the recovery of international visitors and capital investment, it is essential to understand key trends, priorities, and related opportunities to unlock the full growth potential of the Travel & Tourism sector in years to come.

As we build back better, sustainability and inclusion must be at the heart of a more resilient and competitive Travel & Tourism sector. Achieving success will require the engagement of all stakeholders from the early stages of the planning process, ranging from developers, investors, legislators, and policymakers to community groups.



**AN ENABLING
BUSINESS
ENVIRONMENT**

As destinations and governments work towards attracting investment, they will need to create an **effective enabling environment**, and consider overarching incentives including, among others, smart taxation, travel facilitation policies, diversification, innovation and the use of digital technology, the integration of health and hygiene protocols, effective communication, and the importance of a skilled and trained workforce.

Smart Taxation

Travel & Tourism contributes to public welfare and supports government infrastructure that can enable the sector, destinations and local communities to prosper. However, the sector is particularly vulnerable to non-productive taxation that essentially discriminates against travellers and/or travel companies in relation to goods and services similarly offered in other sectors. To overcome these challenges and ensure increased revenues for the public purse as well as a thriving Travel & Tourism sector, the design of taxes and user charges needs to be based on the following key principles: **equity, fair revenue generation, efficiency, simplicity, and effective stimulus to growth.**¹

Palma de Mallorca in Spain

implemented a sustainable tax to ensure the sustainable growth of the sector. The tax is placed at the accommodation level, charging each individual a per night fee. Since its enactment, funds were used for environmental protection projects, research into climate change, and the development of sustainable tourism.



Travel Facilitation

Travel facilitation and specifically visa policies are among the most important governmental policies that influence the development of international Travel & Tourism. These policies continue to play a significant role at a time when world leaders look for solutions to drive job creation, economic growth, and investment promotion.² In the wake of COVID-19, travel facilitation will also require the removal of travel restrictions, the facilitation of international mobility, and the implementation of technological solutions to enable a seamless and safe traveller experience.

In the context of COVID-19, the **European Union** implemented strong COVID-19 verification policies to enable a safe and seamless experience for travellers. What is more, in 2015, the **Indonesian** government introduced a 30-day visa waiver for the majority of source markets, mostly replacing its visa on-arrival. The resulting growth in annual visitor arrivals increased from 9% in the three years prior to 2015 to 15.5% in 2016 and an estimated 22% in 2017.³



Diversification

As a result of COVID-19, the Travel & Tourism sector evolved, requiring destinations to employ creativity and agility as they adapt to the 'next normal' and try to bring in new domestic and foreign investment as well as travellers. While certain destinations will be able to undertake a few physical or procedural adjustments to their operations, others will pivot as they address travel restrictions and newfound travellers concerns of crowds. In this new context, destinations will need to diversify their product offer and identify alternative revenue-generating use cases, potentially considering how technology can offer opportunities for re-invention.

For years **Costa Rica** has worked to create a unique value proposition, focusing on sustainability as well as offering products and services with low environmental impact whilst prioritising the wellbeing of local communities. This showcases country's compelling vision for the future by tackling all facets of sustainability and having a long-term business model.⁴



Health & Hygiene Integration

Health & hygiene are paramount in this new era. Destinations now have to collaborate even more closely with their extended value chains, especially employees and suppliers, to ensure readiness and the implementation of standardised health & safety protocols. Moreover, health and hygiene will become a basic expectation from destinations rather than a competitive factor; with hygiene becoming as important a criterion in the traveller's decision-making process as price and location. In this context, trust, between travellers and employees, businesses and suppliers, and visitors and local communities, will be one of the leading engines in the future growth of the sector.

Israel has led the world in its vaccination rollout, enabling life to return to normal from 1 June 2021. The country's minister of health was one of the first to authorise the Pfizer vaccine and distributed one dosage to over 63% of the population by 2 June 2021.

To rebuild traveller confidence and give consumers peace of mind when travelling, **Andalucía, Spain**, provided a free COVID-19 insurance to travellers during their stay. This insurance is being given to all non-resident international visitors to the region throughout 2021 if they stay in regulated accommodation. It covers all COVID-19 related costs, including pharmaceuticals, medical treatment, hospitalisation, transport to or from the hospital and their accommodation in the case they need to isolate.

Communication

To attract travellers as well as additional investment, destinations and governments will need to ensure that travellers feel safe and secure throughout their journeys and as such the importance of timely and precise communication will be key. In addition, in light of growing health and safety concerns, travellers will increasingly turn to authorities they trust for timely and accurate information ahead of and during their travels.

The **government of Ireland** shares a roadmap on its website with detailed information on what measures would be in place during the various levels of restrictions.

Skills & Training

Training, reskilling, and upskilling schemes aimed at equipping individuals with new and improved skills to operate in the Travel & Tourism sector, such as enhanced digital literacy, will be essential to enhance the sector's workforce future readiness, whilst also attracting new investment. The sector must also focus on attracting new talent by improving the perception of Travel & Tourism as a career choice and highlighting career growth opportunities within the sector, particularly at the time when the sector is facing staff shortages. In this context, retention efforts will also be critical to ensure minimal leakage of quality assets.

Singapore's SGUnited Skills programme comprises a wide range of training courses that helps Singaporeans acquire in-demand and emerging skills across several sectors. The scheme aims to create around 100,000 jobs and various skill-building opportunities.

As the Travel & Tourism sector looks to accelerate the resumption of international travel, rebuilding trust is key. A significant challenge in the last year for travellers has been the ever-changing and patchwork approach to travel policies. This led to significant confusion for travellers who have at times felt lost in a sea of information and misinformation; in turn requiring clarity of government policy to attract travellers and investment going forward. In addition to clear and consistent government action, well established rule of law, political stability, favourable tax incentives, the free movement of currency, safety & security with regards to issues such as crime, threat of terror attacks and natural disasters, remain prerequisites to attract investments.

“Clear and consistent government policy is key in attracting investors’ interest. To accelerate the resumption of international travel and attract investment, governments need to work together on the organised and coordinated response.”

Mark Harms, Managing Partner of Bespoke Capital Partners



MARKET SEGMENTS

The key to understanding future investment opportunities in the Travel & Tourism sector and developing successful strategies is to better define and understand the growth potential of different travel segments. WTTC research suggests that governments and destinations invest in and/or encourage investment from the private sector in areas ranging from physical and digital infrastructure, medical and wellness tourism to sustainable and cultural tourism and business travel depending on the destination.

Physical Infrastructure & Connectivity

The pandemic accelerated travel beyond traditional urban centres to rural areas with the potential to enrich local communities and spread socio-economic benefits widely across countries. In fact, according to Airbnb, rural travel has grown every year for the past five years. While in 2015, it accounted for less than 10% of nights booked, in 2021 so far, it accounted for 22% of nights booked.⁵ To facilitate tourism flows from larger cities to secondary and tertiary destinations, investment into physical infrastructure and improved connectivity will be key. This may require an enhanced accommodation offer, including options for solo travellers and families, quality hotels, holiday rental apartments, improved transportation options including direct flights, quality roads and rail network, hospitality choices, recreation, such as golf courses, ski areas, routes for cycling and walking, as well as attractions. What is more, with access to health services becoming an important criterion in the traveller's decision-making process, it will be paramount for destinations and governments to direct investment towards the development of quality health infrastructure.

“Travelling to remote destinations is a growing trend from a consumer perspective, with small boutique hotels and accommodation in these destinations perceived as being attractive investment opportunities.”

Steven Siegel, Chief Operating Officer of KSL Capital Partners

A well-connected hub airport can facilitate wider regional development as networks are built to support the linkages a region has with the rest of the world and destinations become more accessible. Examples include **Dubai, Singapore and Hong Kong airports** which have helped to position the wider regions as attractive global tourist and shopping destinations. Significant government investment and integration has also enabled the transformation. In **Dubai**, for instance, the owners of Emirates airline also own Dubai Airport and govern its regional aviation policy.⁶



Digital Infrastructure

COVID-19 accelerated the digital agenda. Technology will continue to play an important role as a key enabler for a safe and seamless traveller experience. It will be important for governments to invest in the digital infrastructure of emerging destinations and remote areas, as well as to enhance digital skills within local communities. Investment should be directed towards the following key areas as travellers explore new destinations and demand touchless experiences:

1. Crowd management and the dispersion of tourists

New apps and digital platforms will need to be developed not only to manage crowds but also to tailor travel itineraries and help disperse tourists from larger cities to less visited areas including suburban and rural destinations, in turn creating a more authentic traveller experience.

The Netherlands implemented the ‘HollandCity’ Strategy, which aims to spread visitors over time and space throughout the country instead of limiting them to the hotspots.

2. Contactless experiences

Travellers are increasingly looking for experiences that minimise risk by reducing physical interactions and provide contactless or touchless options across the entire travel journey. This includes mobile check-in at hotels, mobile boarding passes, biometric solutions, digital ticketing, and contactless payment options, amongst others.

Australia's Department of Immigration and Border Protection aims to be the first to introduce an entirely automated seamless customer journey for incoming passengers based solely on their biometric data. Australia has already implemented technology such as SmartGates to facilitate a contactless border control experience with rapid success, resulting in 10 million passenger users between 2015 and 2016.⁷



3. Urban and rural internet connectivity

Over the past two decades, internet connectivity has become a basic requirement for the great majority of travellers. In this context, investment in urban and rural internet connectivity, including wireless and fibre broadband connections, will be critical to support tourism businesses and to enrich the traveller experience.

Medical Tourism

International spending on medical tourism services witnessed an average annual growth of around 9% in nominal terms and a total growth of 358% between 2000 and 2017. This strong growth is expected to continue as consumers increasingly look to travel abroad for access to quality care, safety, privacy, lower cost procedures, as well as procedures that are not available in their home countries. In effect, a growing number of countries are gradually recognising the opportunities of medical tourism as a catalyst for social and economic development. Bringing together the medical and tourism sectors synergistically not only supports quality education, highly skilled workers, favourable visa policies and accessible and well-developed infrastructure within a country, but also allows for the promotion of a country's attractiveness. Therefore, governments are increasingly lending their support to this sub-sector.

As destinations work towards developing their medical tourism sub-sector, the following elements should be considered as governments develop their strategies and policies:⁸ establishing smart regulation and recognised accreditation/certification of medical practitioners and facilities; defining the skills gap and developing training courses to enhance the talent; designing and implementing targeted marketing strategies; and creating the financial incentives to attract investment into the sub-sector, such as supporting the investment in infrastructure including hospitals.

Wellness Tourism

The COVID-19 pandemic increased the risk factors generally associated with poor mental health, notably, financial insecurity, unemployment, fear; while protective factors were negatively affected during this period including social connection, employment and educational engagement, access to physical exercise, daily routine, access to health services.⁹ The crisis effectively heightened the need for enhanced mental and physical wellbeing.

While travelling for wellness purposes has already been on the rise in recent years, it is expected to grow significantly in the medium to long term, supported by travellers actively seeking ways to enhance their well-being. In 2017, wellness tourism was valued at US\$ 639 billion and is projected to reach US\$ 919 billion by 2022. It grew by 6.5% annually from 2015–2017, faster than Travel & Tourism overall which grew by 4.3% annually during the same time period. What is more, international wellness tourists on average spent US\$ 1,528 per trip, 53% more than the typical international tourist.¹⁰

Destinations can attract additional investment and travellers by positioning themselves as 'wellness destinations', for instance by designing and implementing targeted marketing strategies. Creating, and investing in, authentic experiences and products that are unique to a particular destination, either geographically, culturally, or in other aspects, will be key in attracting wellness travellers. Examples include Balinese healing in Indonesia, traditional Chinese medicine, herbal medicine, qigong, meditation, and martial arts. In addition, there are opportunities to invest in fitness/wellness clubs and high-end wellness resorts and experiences.

“Wellness tourism will continue to grow strongly
- as travellers seek ways to improve physical
and mental wellbeing - and will thus offer
great investment opportunities.”

Mark Harms, Managing Partner of Bespoke Capital Partners

Business Travel

Business Travel is a catalyst for growth as it is integral to the relationships, investments, supply chains and logistics that support international trade flows. In countries with developing economies, business travel often plays the leading role in growth of the wider Travel & Tourism sector, creating the infrastructure and jobs needed for transportation, accommodation, and other services that leisure travellers and the wider economy can capitalise on in due course. In 2019, US\$ 1.3 trillion was spent on business travel around the world; 21.5% of total Travel & Tourism spending.

While business travel was disproportionately affected during the pandemic, with spending declining by 61% in 2020, it will remain an important part of the travel ecosystem as the sector recovers. Indeed, the value of face-to-face meetings cannot be underestimated; and they will never be completely replaced by online meetings. What is more, MICE tourism has a potential to bring large quantities of high spending visitors to a destination, thereby significantly increasing the tourism revenues. It can also extend the tourism season whilst helping to synergise ideas and increase business sales.

The surge in 'workation holidays' enabled by remote and flexible working will also require investment in multi-purpose accommodations, not only in large cities but also secondary destinations. Accommodation providers, particularly hotels and resorts, will need to reconsider their facilities to better serve this segment; for instance, by creating and improving working spaces and providing reliable fast-speed broadband.

Sustainable Tourism

The outbreak heightened awareness around climate, environmental and social issues, from sustainable destination development to waste management, climate neutrality, inclusivity, and mental wellbeing across the world. As travellers seek to make a positive difference when travelling, sustainable tourism will become more prevalent.

With an increasing number of tourists looking for sustainable options for transportation and accommodation, tourism businesses will need to invest in sustainable products and practices. Examples include transport providers investing in sustainable fuels and accommodation providers investing in eco-friendly design, small and large-scale renewable and low carbon technologies. Governments can also provide incentives such as eco-certification for properties which adhere to environmental standards. What is more, governments and destinations need to invest in connectivity and multi-modal transportation to facilitate the ease of access to eco-friendly destinations.

Nature & Wildlife

The pandemic inspired people to reconnect with nature. Destinations that offer authentic nature-based experiences while protecting the environment, or offer an insider view into wildlife, will continue to outperform. What is more, this type of tourism has a unique role to play by providing economic opportunities for communities and an economic rationale for the protection of endangered species and protecting wildlife habitats. The economic impact of the wildlife tourism is significant. Prior to the pandemic, in 2018, this segment sustained 21.8 million jobs, equal to 6.8% of total jobs supported by global Travel & Tourism. Across Africa, wildlife tourism represented over one-third of Travel & Tourism revenue.¹¹

To facilitate growth in nature tourism, the investment in the following areas will be key: multi-modal transportation and connectivity to eco-friendly destinations and nature parks; eco-friendly tourism accommodation including boutique hotels, campsites, and short-term rentals; authentic experiences and attractions; and promotion and targeted marketing strategies.

Adventure Tourism

During the pandemic, adventure travel stood out as the leading recovering segment in terms of online search activity¹², as travellers turned to nature-based activities to avoid crowded places and improve mental and physical wellbeing. This trend is expected to continue in the medium and long term.

According to the Adventure Travel Trade Association, technology is the primary area where this segment needs improvement and investment.¹³ Indeed, travellers are increasingly seeking streamlined and automated booking solutions, which are currently not being met by many accommodation providers. As such, new technological solutions that are user-friendly and effective need to be developed in an affordable and accessible way.

Investment should also be directed towards the creation of new authentic experiences, unique attractions, and improved connectivity and transportation to facilitate the ease of access to adventure travel destinations. What is more, destinations can attract additional investment and travellers by positioning themselves as 'adventure hotspots' through promotion activities and implementation of targeted marketing strategies.

Cultural Tourism

The benefits of cultural tourism not only include the economic benefits in terms of growth and job creation but intangible impacts. Importantly, travelling to experience the culture of a destination means gaining an appreciation of cultural diversity, enhancing tolerance, and helping to keep cultural heritage alive. This tourism segment intersects with heritage and religious sites, crafts, performing arts, gastronomy, festivals, special events, and community-based tourism, among others.¹⁴

Prior to COVID-19, cultural tourism was one of the largest and fastest-developing tourism segments globally, with an estimated four out of ten tourists choosing their destination based on its cultural offering.¹⁵ It has a potential to continue growing strongly post-COVID-19, with religious and spiritual trips, as well as carnivals and festivals, which came to a complete halt during the pandemic, set to attract visitors and investment once again. With sustainable travel and positive socio-economic impact at their core, community-based tourism and voluntourism are also set to come back strongly. This type of tourism has a potential to regenerate cultural heritage, communities, and degraded ecosystems, and support their recovery.

Looking forward, destinations should consider investing in authentic cultural experiences, making effective use of new technologies, and creating more targeted cultural tourism marketing campaigns to outperform other destinations and attract more tourists.

Targeted Tourism

Diversity in the travel ecosystem, as it relates to race, ethnicity, gender, sexual orientation, culture, religion, as well as physical and mental ability, is fundamental to the success of businesses, the meaningful impact on communities, and the improved experience of travellers. As such, there are investment opportunities for destinations and businesses alike, for products and services that would appeal to different groups of society including women, LGBTQI community, travellers with disability, among many others.

Women, for instance, not only account for near 50% the tourism workforce globally but represent the majority of solo travellers¹⁶ and are responsible for 80% of all travel decisions. To appeal and attract more female travellers, destinations need to invest into safety, accommodation options for solo travellers including women-friendly rooms, authentic travel experiences and attractions.

Similarly, **LGBTQI tourism** not only enhances the visibility and role of LGBTQI people but it also benefits destinations by associating their brand image with acceptance, diversity, and inclusivity. LGBTQI travellers have become recognised as a segment that travels more frequently and demonstrates higher-than-average patterns of spending.¹⁷ This presents a range of opportunities for destinations and investors such as investing into events infrastructure, safety, and authentic experiences, such as LGBTQI-friendly hiking tours, surf classes, yoga workshops, etc. Understanding and adapting the tourism offer to the preferences and needs of the diverse LGBTQI travellers is key to success. What is more, destinations can attract additional investment and travellers through promotion activities and implementation of targeted marketing campaigns.

Another important segment is linked to **accessibility**. In the United States, 26%, or one in four adults have some type of disability¹⁸, which includes mobility, cognition, hearing or vision loss, among others. To attract a higher share of this segment, destinations and governments need to invest in products and services targeted to travellers with disability along the entire end-to-end travel journey. What is more, with 46% of older persons (those aged 60 years and over) having a disability¹⁹ and tendency to travel in a less busy off season, destinations can work towards overcoming seasonality by attracting this travel segment.



LOOKING AHEAD

Travel & Tourism has been one of the sector's most negatively affected globally due to COVID-19, suffering devastating losses in terms of both GDP and jobs. To achieve recovery and continue spreading socio-economic benefits, the sector will require investment which needs to be supported by an effective enabling environment. As the sector looks forward, public-private-community partnerships (PPCP) will be essential to ensure that sustainability and inclusion are at the heart of investment decisions and future growth.

This paper identified a number of travel segments that have a potential to attract investment in the medium to long-term; however, these investment opportunities will differ across destinations depending on the destination's DNA and priorities. Moreover, destinations should not limit themselves to past prioritisation; rather they should think outside the box and be innovative to leverage the full potential of the sector going forward. In this context, diversification in terms of product and service offer will further increase resilience, whilst also supporting the destination in enhancing its attractiveness and outperforming other destinations.

Endnotes

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