



Changing Face of the Asian Tourism Marketplace

By Bill Barnett, Managing Director, C9 Hotelworks



In a master storyline that has shifted from trading places to trading faces, Asia's booming travel market has undergone a massive shift since the global financial crisis. This game changing about face can best be demonstrated in the region's leisure destinations.

But let's take a timeout for a moment and recall how the evolutionary travel trend started in idyllic island brand names in the 1970's and 80's.

In what would no doubt define a new set of travelers to emerging locations across the

attraction to European snowbirds who would come in the winter months and bake on tropical beaches for weeks on end.

Through the rising tide of development and cycle moved those first adventurous economical travelers through to more mainstream types and eventually a spread that saw charter flights, luxury products, and a vast array of tourism segmentation.

While the average visitor length of stay soared and the lion's share of the pie centered on long haul markets, trading in the leisure markets continued to be seasonal. For travel

properties. Certainly, nothing moves in straight lines as Wall Street has learned and the 1997 Asian contagion set back the process a few steps.

But by this time the bulls were too big to keep them contained in the stable and came with a veritable stampede. All manner of travel skyrocketed from near, there and everywhere in the 2000s until the dark saga of Lehman's and Subprime changed the course of worldwide economic history.

In the dark days of 2008, long haul travel nosedived and all manner of chaos erupted

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globe were the Lonely Planet Guidebooks. Their second publication in 1975 titled "South-East Asia on a Shoestring" can arguably be considered one of the key demand inducements of the era.

Legions of backpackers – both young and old - hit the trail to Asia armed with dog eared copies of the infamous travel tome. Suddenly, locations like Indonesia's Bali and Thailand's Phuket came onto a broader radar. These small fishing and agricultural backwater locations saw their accommodation grow from guest houses and bungalows, up to smaller beach resorts and eventually came the international hotel brands.

Thailand, being a strategic aviation hub to not only Asia but a stop off point for flights to Australia and the Pacific, bore a strong

businesses this meant their economic model followed the volatile "earn your profit in high season and try not to burn in all in the low lean season."

Gradually starting in the 1990's, a strong wind of industry propelled Asia into what could be termed a tiger-like economic development frenzy. Rising higher in the cycle came a second generation of travelers, this time from within the neighboring countries, domestically and on the heels of a business boom came the spillover effect into MICE (meetings, incentives, conferences and exhibitions).

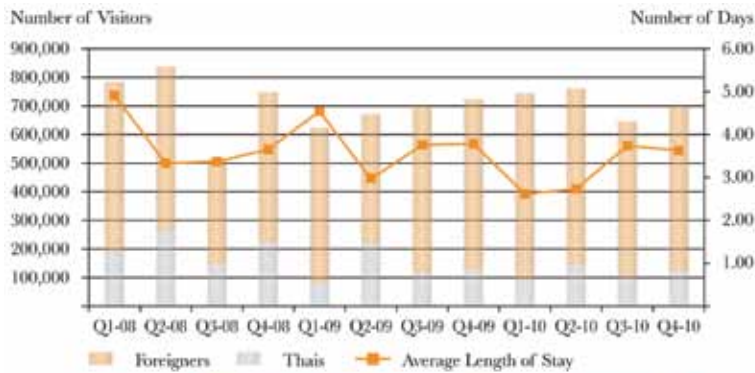
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with high gas prices, and the onset of the Euro crisis has visited Ireland, UK, Spain, Greece and now menacing the entire subcontinent.

Somehow Asia dodged a bullet this time around in a region which contains over half the world's population; i.e., today the world stands at roughly 7 billion people and the region accounts for more than 4 billion. A rising tide of economic development ushered in what is ultimately the most prolific dynamic shift for decades – this is the rise of the middle class.

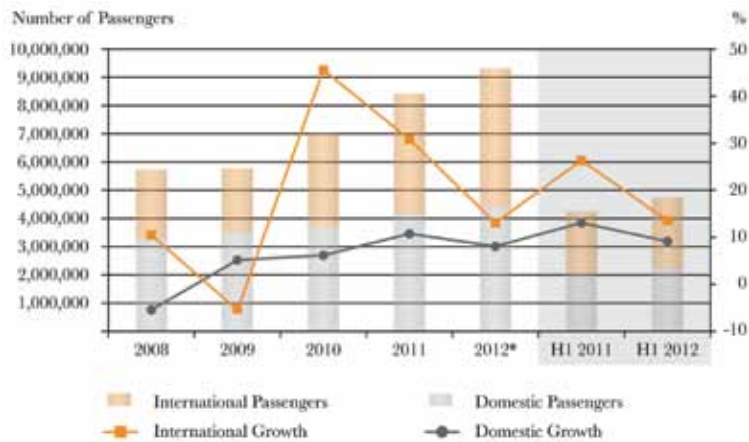
While North America and Europe experienced this phenomenon in the 1950's and 60's, where lifestyle and consumer logic came into vogue, a new tourism market on the other side of the globe has grown from infancy to an adult. By the numbers, the sheer size and potential catchment are mind boggling.

Average length of stay - Phuket 2012



Source: The Ministry of Tourism and Sports, Thailand and C9 Hotelworks Market Research

Total passengers at PIA - Phuket 2012



*Forecast

Source: Phuket International Airport and C9 Hotelworks Market Research

For the region's travel and tourism sector, both the private and public sectors are struggling to keep pace with the shifting sands of time. Unlike the U.S., where much travel is done overland by automobile, bus, or trains, in Asia, due to the geography, air travel is the fast track to progress.

Asia's low-cost airline boom is well documented and perhaps the best defining statistic I know of is that over half of the

passengers. Certainly for hotels, historical guest profiles can be thrown out the window.

Today's travelers don't take one week vacations and search out the nearest coconut tree. They take shorter and more frequent holidays. They travel with multigenerational families or groups. Price of course is a consideration but disposable income and access to credit continues to flourish. For Asia's vaunted beach destinations of Bali

and what's evident is mass markets, many with large charter airlift into the region, are prospering.

Over the past 5 years, airport arrivals have consistently ranked with double digit growth, with mid-year 2012 hitting an 11% rise year on year. For resort destinations, one of the most critical issues is airlift under the all too often adage "you can't stay there if you can't get there." What's important to the island's tourism success story is direct international flights both on regularly scheduled airlines and charter service.

Though tourism is the leading economic indicator in Phuket, for more than a decade a vibrant resort grade property market has drawn both overseas investors and those purchasing holiday homes and apartments. The market size of the broad resort real estate sector sits in the region of 10,000 units compared to nearly 43,000 registered hotel rooms. A trickle on effect of tourism into destination brand loyal property buyers has been a key market motivator.

As for the shared ownership market, the island attracted the Marriott Vacation Club International (MVCI) a number of years ago to create their initial Asian foray. Other market leaders include the Laguna Holiday Club and Absolute World. With mass tourism now on the front pages, leading Thai hospitality group Minor ventured into the sector with the Anantara Vacation Club last year. Since that time an aggressive development path has taken them to other key locations including Bali and Koh Samui.

Looking into the crystal ball, the decade ahead looks to have turned golden for Asia. Spurred by a fast moving middle consumer class, the leisure tourism success story of the region looks to be a solid bet for the future.

Bill Barnett, Managing Director, C9 Hotelworks, has worked in virtually every Asian hotel market and has a wide range of experience from key corporate



roles with a number of international hotel management chains and asset management roles for significant hotels located globally.

Working with leading institutional and private investment firms, international hotel operators and private developers, C9 Hotelworks has developed a solid reputation for assisting owners in hotel branding negotiations, market research and feasibility studies and has extensive experience in resort destination and mixed use hotel and residential projects.

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world's Boeing and Airbus aircraft orders are now originating from here. Brands such as AirAsia, Jetstar, Lion, Cebu Pacific, and IndiGo have not only leveled the playing field against national carriers but are pushing theme straight to the financial poorhouse.

While long haul airlift has been hit hard on high fuel prices and shrinking demand, regional and domestic seats have not only been a substitute but have created a rising tide of new

and Phuket, holidays are no longer just about the beach. Visitors now want to have an array of retail offerings, food choices and even themed amusement parks.

Taking Phuket as a lead indicator in this new altered reality is viewing where visitor growth is coming from. Over 34% of international arrivals now come from China and Russia. This compares to 25% in the first half of the year in 2011. Europe has slipped off the main stage