NextGen travellers and destinations

Our vision on the tourism industry transformation

2024

Objectives and methodology

OBJECTIVES

This study is the result of a **collaboration between Deloitte and Google** in order to combine their experience and knowledge of the sector and **obtain relevant information on the past and future evolution of the main destinations and source markets.**

The objectives are to **analyse traveller profiles and tourism clusters and to deliver our 2040 vision** to help travel operators and distributors **anticipate and adapt to future trends.**

METHODOLOGY

A methodology has been followed to create predictive models that contribute to predicting future tourist flows:

- According to the nature, availability and relationship between the variables, as well as the complexity of the projections and the outcome of the models for departures and arrivals, we have employed **a country-level approach with multiple linear predictive models in the case of departures and an XGBoost with a common approach for all countries in the case of arrivals**
- The **identified variables were tested** to measure **their ability to predict future movements and capture the complex dynamics** of tourism demand and supply. According to the tests carried out, the reliability of the source, a minimum historical required, the relationship with the target variables and the ability to improve the quality and accuracy of the model, **c.20 variables** were finally used.

DATA SOURCES

Deloitte

Participation of various experts in the tourism sector and consultation of market studies and research carried out in the past

Google

Multi-billion Google searches based on tourists' travel planning behavior of 230 countries(1)

External Sources

+90k data points analysed from tourism indicators of prestigious institutions (e.g. UNWTO, GapMinder)

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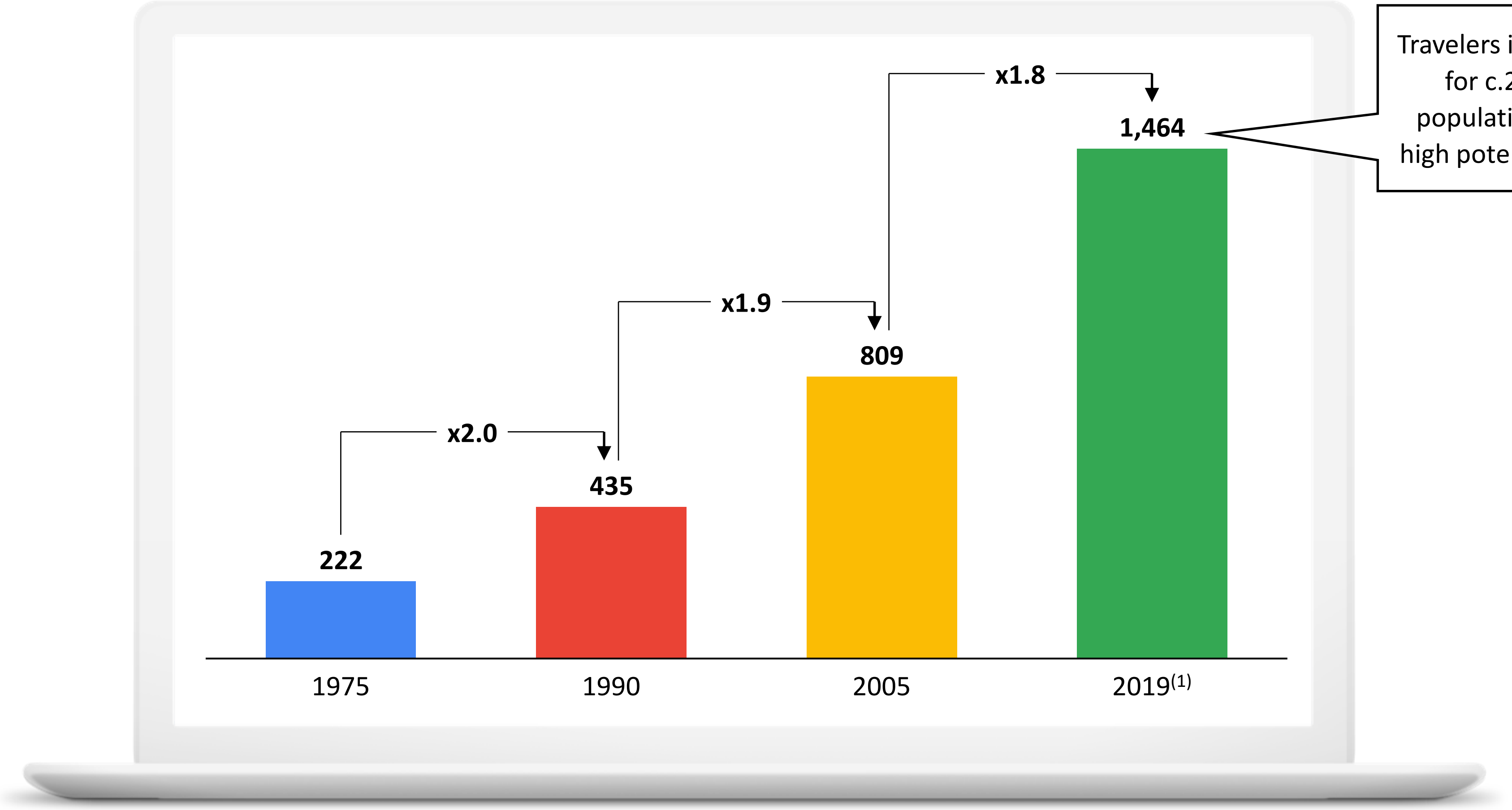
(1) Although no information is provided for China, an important market due to its current growth dynamics, external sources have been used for analysis purposes and to draw realistic conclusions; data between 2019 and 2023. Source: Deloitte and Google Analysis

Content

The tourism sector grew at a rapid pace up to 2019, where the number of global inbound arrivals doubled around every 15 years

Evolution of inbound arrivals worldwide (Mn; 1975-2019)



Travelers in 2019 account for c.20% of total population, showing a high potential for growth

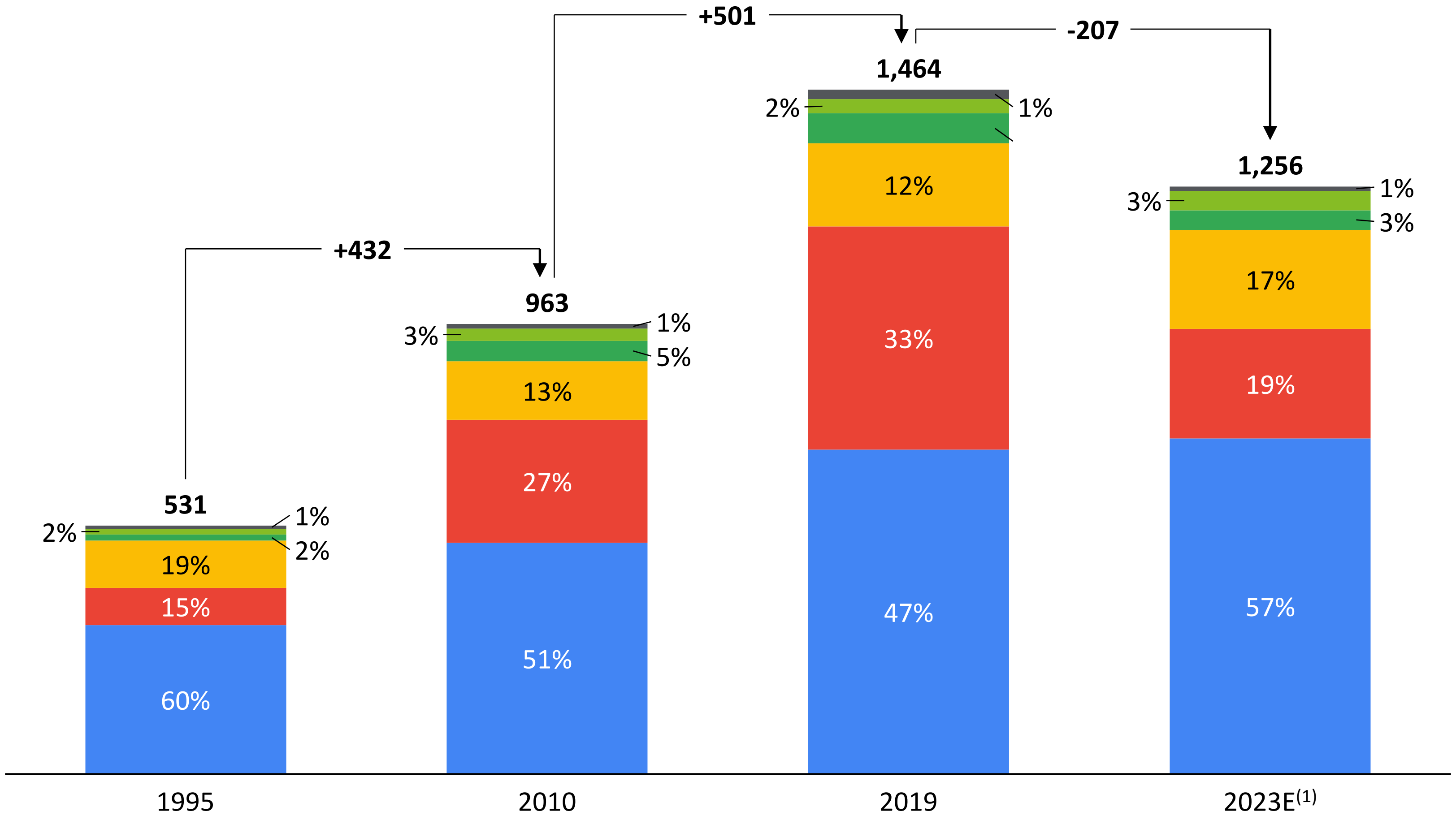
This growth was **slowed down by Covid-19** and, even though **global tourism was already at 86% in 2023 vs 2019 levels**, **recovery is happening unevenly across geographies**

APAC (c.30% of global travellers in 2019) was **only half recovered**, which **impacts** mainly **Europe and Middle East**, where c.20% of the travellers came from APAC

(1) 2019 figures considered instead of 2020 due to COVID-19 impact
Source: World Bank, Deloitte Analysis

European countries are the leading source markets, although in the past 10 years growth from Africa and APAC has exceeded the average growth, outpacing Europe

Evolution of outbounds departures per region (Mn; 1995-2023E)



	CAGR 1995-2010	CAGR 2010-2019	2010-2019 new travellers market share
Africa	2.6%	8.0%	+10 Mn (2%)
South America	5.2%	1.8%	+5 Mn (1%)
Middle East	8.6%	4.2%	+20 Mn (4%)
North America	1.4%	4.0%	+53 Mn (11%)
APAC	8.3%	6.8%	+214 Mn (43%)
Europe	3.0%	3.8%	+199 Mn (40%)
Average	**4.0%**	**4.8%**	-

⬚ Above average growth

(1) Real data up to August 2023 and forecasted data for the rest of the months
Source: UNWTO, World Bank, Euromonitor International Limited 2023 © All rights reserved, Deloitte Analysis

In the past years, China has outpaced growth from other source markets reaching #1 in 2019, joining the top countries to which Germany, USA, UK and Russia belong

Evolution of top-15 source markets by outbound departures (Mn; %; 1995-2023E)

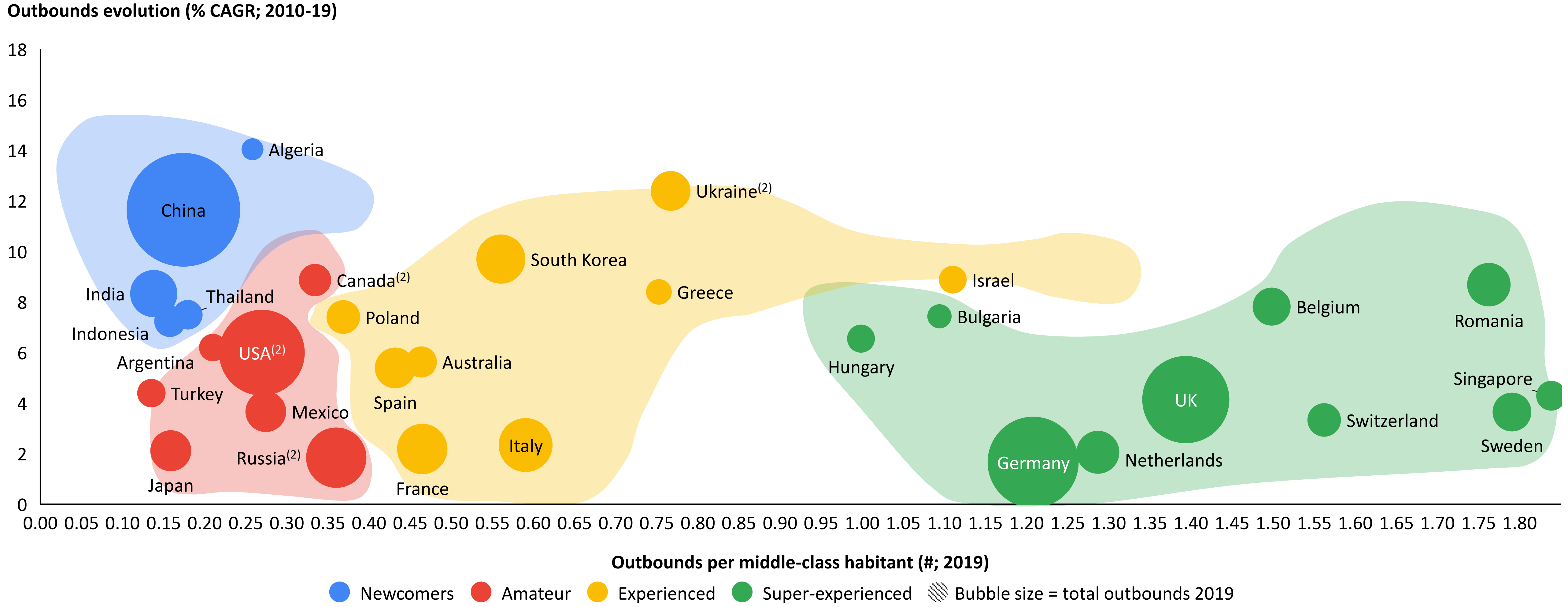
1995			2010			2019			2023E[1]		
Germany	52.0		Germany	85.9		China	154.6		USA	118.6	
USA	51.3		UK	63.2		USA	99.7		Germany	103.0	
UK	40.4	38%	USA	61.1	32%	Germany	99.5	34%	UK	94.2	34%
Russia	21.3		China	57.4		UK	91.0		China	75.8	
France	18.7		Russia	39.3		Russia	45.3		Italy	35.9	
Canada	18.2		Canada	28.7		Italy	34.7		Canada	31.7	
Italy	18.2		Italy	28.2		France	30.4		France	31.5	
Japan	15.3		France	25.0		Ukraine	28.9		Russia	27.8	
Netherlands	12.3		Netherlands	18.4		South Korea	28.7		Mexico	23.6	
Switzerland	11.1		Saudi Arabia	17.8		India	26.7		Netherlands	22.8	
Sweden	10.1		Ukraine	17.2		Canada	26.6		Spain	20.5	
Mexico	8.5		Japan	16.6		Romania	22.7		Sweden	18.6	
Ukraine	6.6		Mexico	14.3		Netherlands	22.0		Belgium	17.9	
Romania	5.7		Sweden	13.0		Japan	20.1		Poland	14.0	
Finland	5.1		India	13.0		Spain	19.8		Austria	12.3	
Below top-15	236.2	44%	Below top-15	463.5	48%	Below top-15	712.8	49%	Below top-15	631.5	48%
Total outbounds	**531.0**		**Total outbounds**	**962.6**		**Total outbounds**	**1,463.7**		**Total outbounds**	**1,256.3**	

🟨 New countries in the top-15 ranking 🟩 Top-5 countries in 2019 ● % share over total outbounds

(1) 2023 region recovery vs 2019 applied to 2019 figures. Source: UNWTO, World Bank, Euromonitor International Limited 2023 © All rights reserved, Deloitte Analysis

4 different patterns are observed when analysing the outbounds evolution of the source markets who travel the most and who have experienced the greatest growth

Source markets' willingness to travel internationally(1)



(1) The analysis is focused on those markets positioned within the top-15 source countries worldwide in 2019 and the top-30 who have experienced the highest growth in terms of outbounds in the past 10 years, accounting for c.60% of total outbounds. See appendix for more detail; (2) Outbounds to bordering countries with close relations have been considered domestic trips and therefore not included in the outbounds analysis

Source: GapMinder, UNWTO, Deloitte Analysis

The sociodemographic characteristics and behavioural components contribute to the definition of the way each of the 4 patterns identified travel

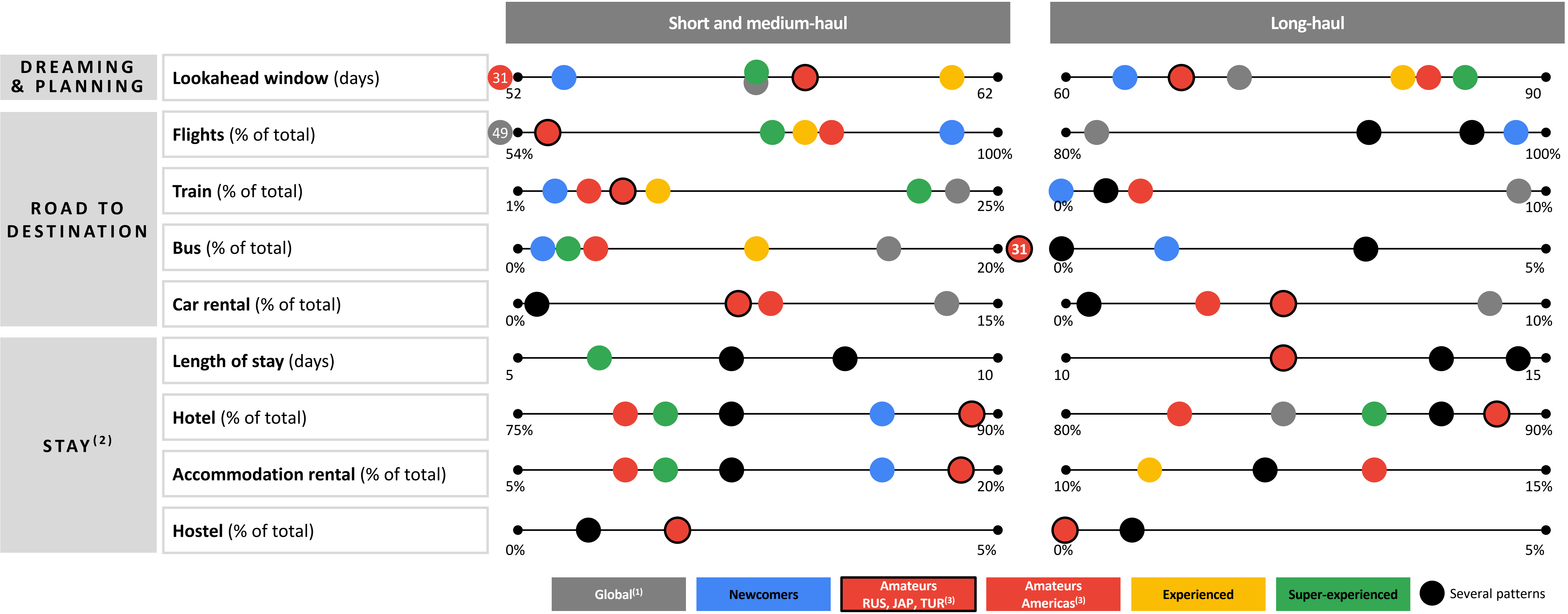
Pattern's characterization(1) (2019; variation corresponds to CAGR 2010-19)

			NEWCOMERS	AMATEURS		EXPERIENCED	SUPER-EXPERIENCED
				Russia, Japan, Turkey	Americas		
Socio-demographic	Age		**Young travellers** c.60-70% travellers aged 0-44			**Adult and senior travellers** c.60% travellers aged 20-64 and >65 years amount to c.20%	
	Middle-class^{+} population		**Key to global share with exponential growth** c.50% share and 9% growth	**Stabilized middle-class^{+}** c.1% annual variation			
	Income per capita		**Exponential growth** c.4% growth, although the lowest income ($3.8k)	**Stabilized income per capita** c.1% annual variation			
Behavioural	Domestic market		**Exponential growth** c.12% growth, with 2.5 trips per habitant	**Stabilized market** c.2% annual variation, with 2.3 trips per habitant			
	International market	Tourism flows	**Emerging market** +11% growth up to c.0.2 trips per middle-class+ habitant			**Potential for growth** c.0.6 trips per middle-class+ hab.	**High penetration** >1 trips per middle-class+ habitant
		Intermediation & online share	**Balanced intermediation and online** c.50%, 60% respectively	**High intermediation and moderate online** c.65%, 40% respectively	**Balanced intermediation and high online** c.50%, 75% respectively	**Balanced intermediation and online** c.50%, 60% respectively	
		Distance	**Short-haul destinations** c.85%	**Long-haul destinations** c.50%		**Short-haul destinations** c.80%	**Short-haul destinations** c.90%
		Budget	**Prudent spender** c.$800 per trip	**Generous spender** c.$2,000 per trip	**Moderate spender** c.$1,000 per trip	**Moderate spender** c.$1,200 per trip	**Prudent spender** c.$900 per trip

(1) Figures are the countries average in each of the patterns observed. Source: Deloitte Analysis

Regarding long-haul destinations, the higher lookahead windows are due to its complexity because of the higher length of stay

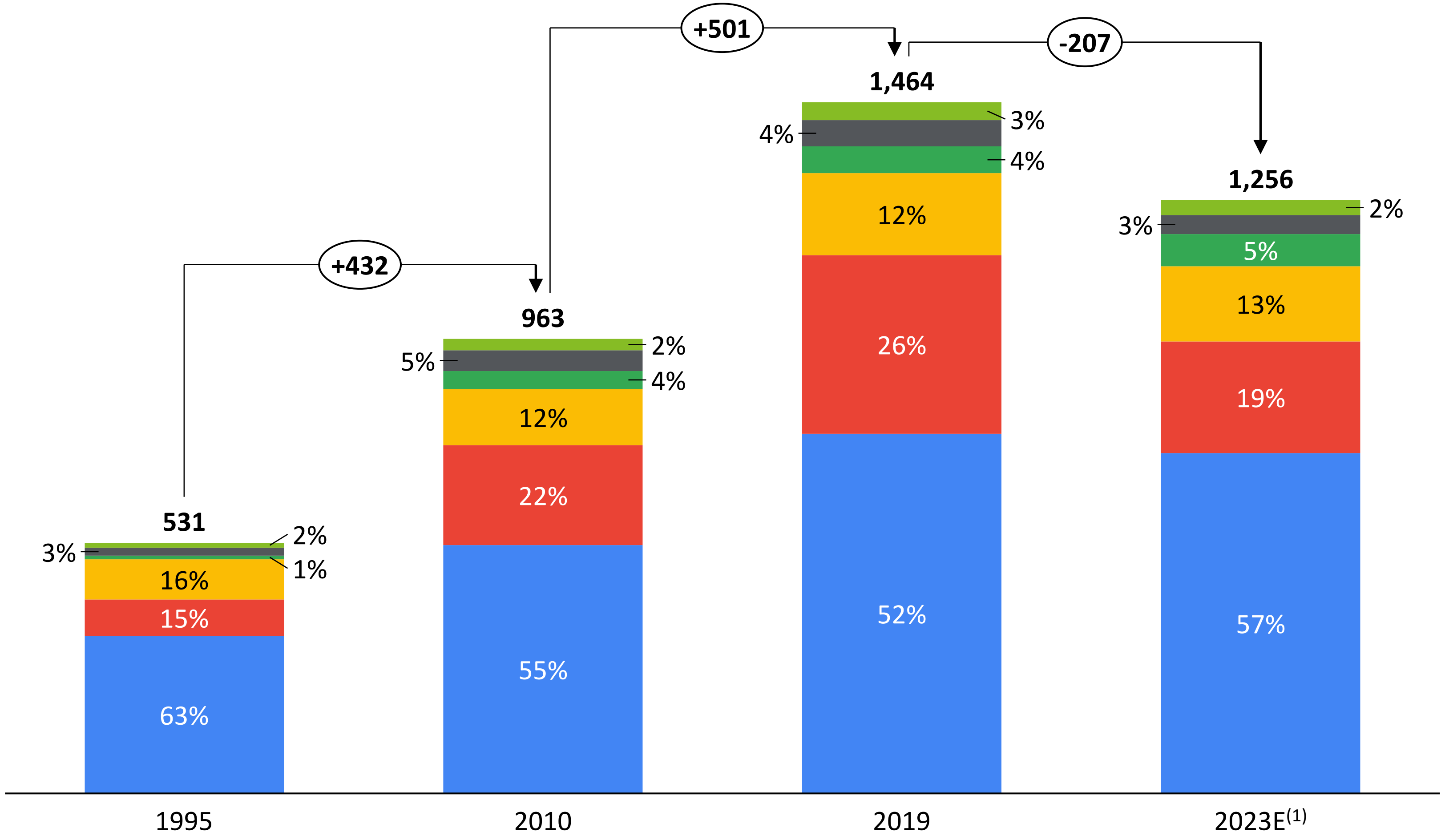
Behaviours when travelling internationally (2023)



(1) Refers to countries worldwide; (2) Accommodation modes do not sum up 100% as the block "others" is excluded; (3) Amateurs cluster is split based on their behavioural differences. Source: Google queries, Deloitte Analysis

From the point of view of destinations, European countries lead, although in the past 10 years, growth from APAC and South America has exceeded the average growth

Evolution of inbound arrivals per region (Mn; 1995-2023E)



	CAGR 1995-2010	CAGR 2010-2019	2010-2019 new travellers market share
South America	5.6%	5.2%	+14 Mn (3%)
Africa	6.7%	2.6%	+12 Mn (2%)
Middle East	11.1%	4.6%	+19 Mn (4%)
North America	2.3%	4.3%	+54 Mn (11%)
APAC	7.0%	6.7%	+166 Mn (33%)
Europe	3.1%	4.2%	+236 Mn (47%)
Average	**4.0%**	**4.8%**	-

☐ Above average growth

(1) Real data up to August 2023 and forecasted data for the rest of the months
Source: UNWTO, Euromonitor International Limited 2023 © All rights reserved, World Bank, Deloitte Analysis

The evolution of travel: from 1990s to 2023

Since 2010, top-5 destinations maintain their position; however, there is a fragmentation as APAC countries climb the ranks and below top-15 gain a larger share

Evolution of top-15 destinations by inbound arrivals (Mn; %; 1995-2023E)

1995			2010			2019			2023E(1)		
🟩 France	60.0		🟩 France	76.6		🟩 France	90.9		🟩 France	89.0	
🟩 USA	43.3		🟩 USA	60.0		🟩 Spain	83.5		🟩 Spain	83.2	
🟩 Spain	33.0	36%	🟩 China	55.7	30%	🟩 USA	79.4	30%	🟩 USA	63.7	28%
🟩 Italy	31.1		🟩 Spain	52.7		🟩 China	65.7		🟩 Italy	58.5	
UK	21.7		🟩 Italy	43.6		🟩 Italy	64.5		Turkey	54.8	
Mexico	20.2		🟨 Turkey	31.4		Turkey	51.2		Mexico	45.0	
🟩 China	20.0		UK	28.9		Mexico	45.0		🟩 China	41.2	
Poland	19.2		Germany	26.9		Thailand	39.9		UK	37.0	
Austria	17.2		Malaysia	24.6		Germany	39.6		Germany	35.8	
Canada	16.9		Mexico	23.3		UK	39.4		Greece	33.1	
Germany	14.8		Russia	22.3		Austria	31.9		Austria	31.1	
Russia	10.3		Austria	22.0		🟨 Japan	31.9		Thailand	30.1	
Greece	10.1		🟨 Ukraine	21.2		Greece	31.3		🟨 UAE	23.1	
Portugal	9.5		Canada	16.2		Malaysia	26.1		🟨 Saudi Arabia	22.6	
Malaysia	7.5		🟨 Thailand	16.0		Russia	24.4		Japan	22.3	
Below top-15	196.2	37%	Below top-15	441.2	46%	Below top-15	718.8	49%	Below top-15	585.8	47%
Total inbounds	**531.0**		**Total inbounds**	**962.6**		**Total inbounds**	**1,463.7**		**Total inbounds**	**1,256.3**	

🟨 New countries in the top-15 ranking 🟩 Top-5 countries in 2019 ● % share over total outbounds

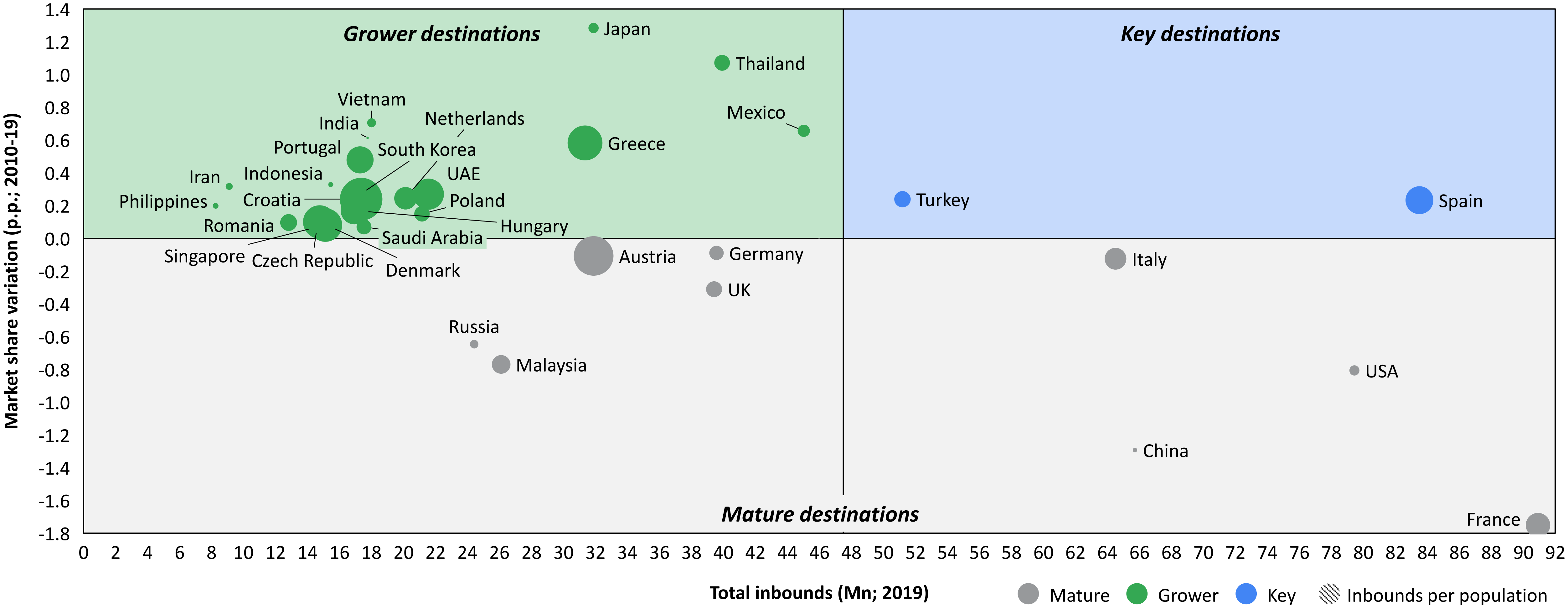
(1) Real data up to August 2023 and forecasted data for the rest of the months

Source: UNWTO, Euromonitor International Limited 2023 © All rights reserved, World Bank, Deloitte Analysis

The evolution of travel: from 1990s to 2023

The competitiveness analysis of the most relevant destinations regarding total inbounds and market share evolution shows 3 clusters

Destination competitiveness matrix(1)



(1) The analysis is focused on those markets positioned within the top-15 destinations worldwide in 2019 and the top-30 who have experienced the highest growth in terms of inbounds in the past 10 years, accounting for c.70% of total inbounds. See appendix for more detail; Source: UNWTO, World Bank, Deloitte Analysis

European cities lead the ranking by SoS with 7 positions among the top-10 cities, which are located at short and medium-haul from source markets

Top-10 cities by SoS (2019)

Top-10 SoS: **18.8%**

Rank	Continent	City	SoS (%)	Top-5 searchers (nationality)	Lookahead window (days)	Length of stay (days)	Transportation (% of total)			Rank 2023 (Var. vs 2019)	Sos 2023 (%)
							Flight	Train	Other[1]		
#1	Europe	🇬🇧 London	**3.4%**	🇫🇷 🇺🇸 🇮🇹 🇪🇸 🇩🇪	● 49.8	● 8.8	**85%**	13%	2%	#1 =	3.2%
#2	Europe	🇫🇷 Paris	**3.0%**	🇬🇧 🇮🇹 🇪🇸 🇺🇸 🇩🇪	● 51.6	● 8.4	**70%**	**27%**	3%	#2 =	3.1%
#3	North America	🇺🇸 New York	**2.2%**	🇬🇧 🇨🇦 🇫🇷 🇮🇹 🇩🇪	● 65.8	● 12.6	**95%**	3%	3%	#5 ↓	1.8%
#4	Asia	🇯🇵 Tokyo	**1.6%**	🇺🇸 🇰🇷 🇫🇷 🇹🇼 🇸🇬	● 75.6	● 9.7	**98%**	1%	1%	#3 ↑	1.9%
#5	Europe	🇪🇸 Madrid	**1.6%**	🇫🇷 🇮🇹 🇬🇧 🇺🇸 🇩🇪	● 54.5	● 8.8	**91%**	6%	3%	#6 ↓	1.6%
#6	Middle East	🇦🇪 Dubai	**1.5%**	🇮🇳 🇬🇧 🇺🇸 🇫🇷 🇵🇰	● 52.6	● 9.1	**100%**	0%	0%	#4 ↑	1.9%
#7	Europe	🇪🇸 Barcelona	**1.5%**	🇫🇷 🇮🇹 🇬🇧 🇩🇪 🇺🇸	● 54.1	● 7.2	**86%**	10%	4%	#7 =	1.5%
#8	Europe	🇳🇱 Amsterdam	**1.5%**	🇬🇧 🇫🇷 🇮🇹 🇩🇪 🇪🇸	● 53.1	● 7.5	**73%**	**23%**	4%	#9 ↓	1.3%
#9	Europe	🇮🇹 Rome	**1.3%**	🇫🇷 🇪🇸 🇺🇸 🇬🇧 🇩🇪	● 58.4	● 6.8	**89%**	8%	3%	#8 ↑	1.4%
#10	Europe	🇩🇪 Berlin	**1.2%**	🇫🇷 🇬🇧 🇮🇹 🇪🇸 🇵🇱	● 46.1	● 6.2	**75%**	**21%**	5%	#13 ↓	1.0%

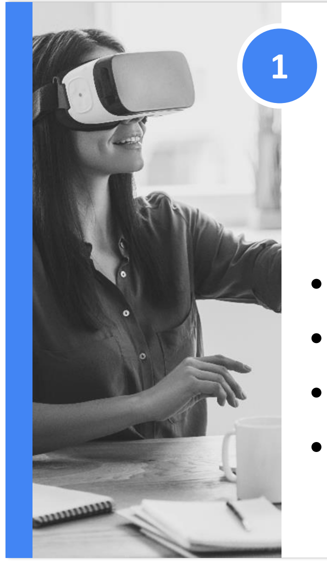
[1] Includes the share corresponding to bus and car rental searches

Source: Google Queries, Deloitte Analysis

Content

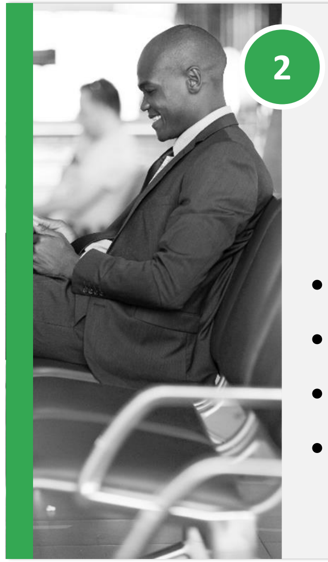
We are navigating an Economic, Social and Technological transition that will create a new canvas where transformation will be critical for future success

NON-EXHAUSTIVE



1 EXPONENTIAL TECHNOLOGIES

- Virtual experiences and Web 3
- AI & Analytics
- Real Time Translation
- Bio&Tech Integration



2 THE CHANGING TRAVELLER

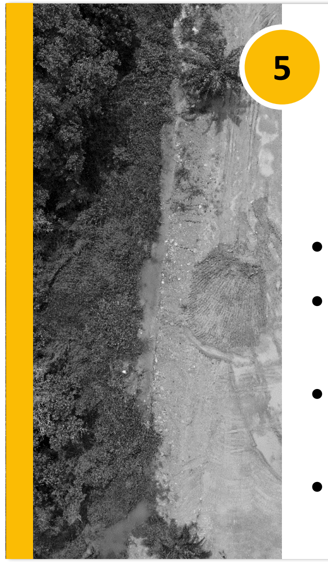
- Aging and longevity
- Racial, ethnic and sexual diversity
- Inequality
- Emerging markets

3 CULTURAL AND SOCIAL MOVEMENTS

- Experience vs product
- Mental Health and Purpose
- Work transformation
- Reinvented cities

4 BUSINESS TRANSFORMATION

- *All as a Service*
- Decline in financial health
- Talent gap
- Lowering barriers to entry



5 CLIMATE CHANGE

- Industry reputation
- Global warming and natural disasters
- Regulatory Role; Capital and Travellers
- Renewable energies

6 ECONOMICS, POLITICS AND POWER

- Tensions between global powers
- Rise of nationalism
- Political extremism
- Cybercrimes

Our 2040 vision is based on predictive models that incorporate a set of variables with the highest capacity to explain tourist flows

Variables

OUTBOUNDS 2040

Socio-demographic

Middle-class^{+}
Population with sufficient purchasing power to embark on international trips at least once every 2 years

Income per capita
Average income per capita adjusted for estimates of the purchasing powers of currencies over time

Consumer Price Index
Average change in the prices of a basket of consumer goods and services over time

INBOUNDS 2040

Capacity

Accommodation capacity
Total number and growth of rooms
Occupancy rate

Penetration
Total population and number of inbound arrivals per habitant

Infrastructure
Airport passenger capacity, number of airports and high-speed trains, highways density, micro-mobility availability

Destination attractiveness

Natural conditions
Average temperature
Km of coastline
Rainfall amount

Safety and Security
Number of homicides per 100k habitants

Price Competitiveness
Average room rates

Tourism attractions
Amount of World Heritage cultural sites
Theme parks visitors

Visa requirements and easiness
Number of visa-free countries

Destination Strategic Plans
Relevant tourism investments planned

ESG agenda
Level of ESG awareness of the travellers

Technology developments
Innovations such as real time translation, chatbots

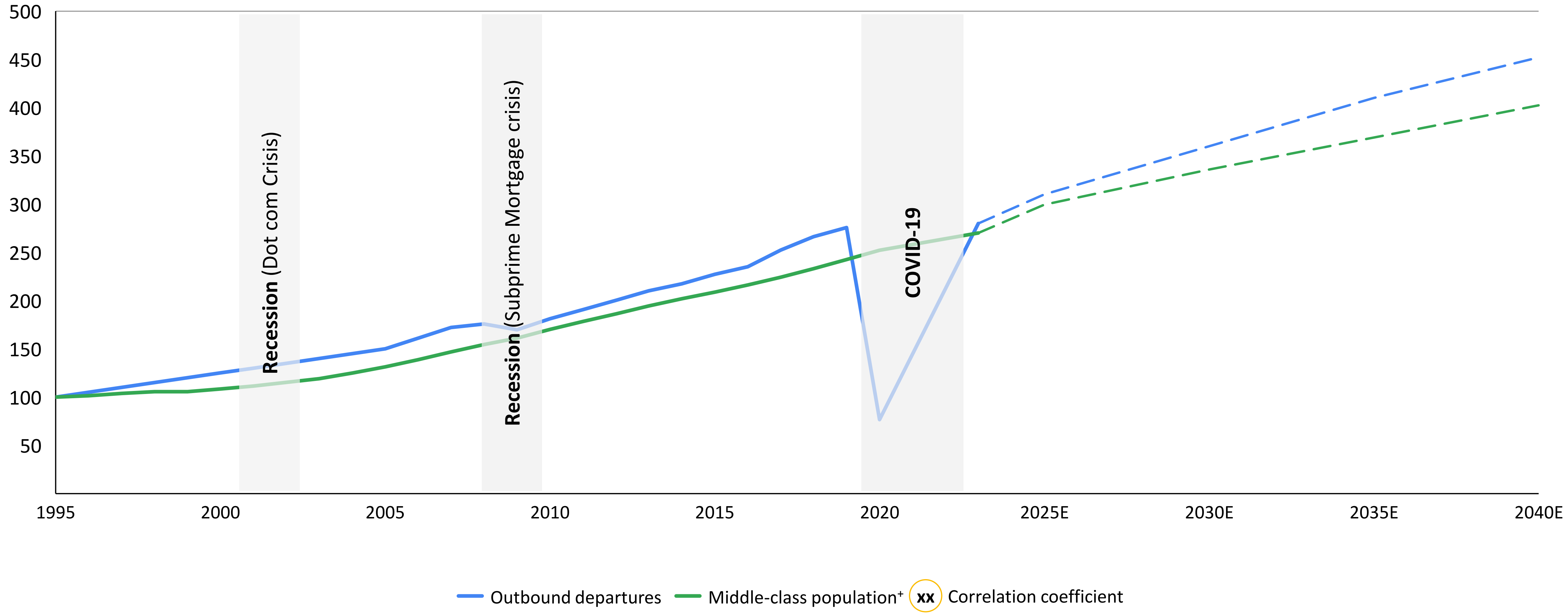
Total Addressable Market

Outbounds from short and medium-haul
Outbound departures within short and medium-haul countries (<6 hours flight)

Note: Political stability and natural events are not being considered due to the intrinsic high uncertainty around them. Source: Deloitte Analysis

The future evolution of outbound departures globally will continue to be highly dependent on the middle-class+ population evolution

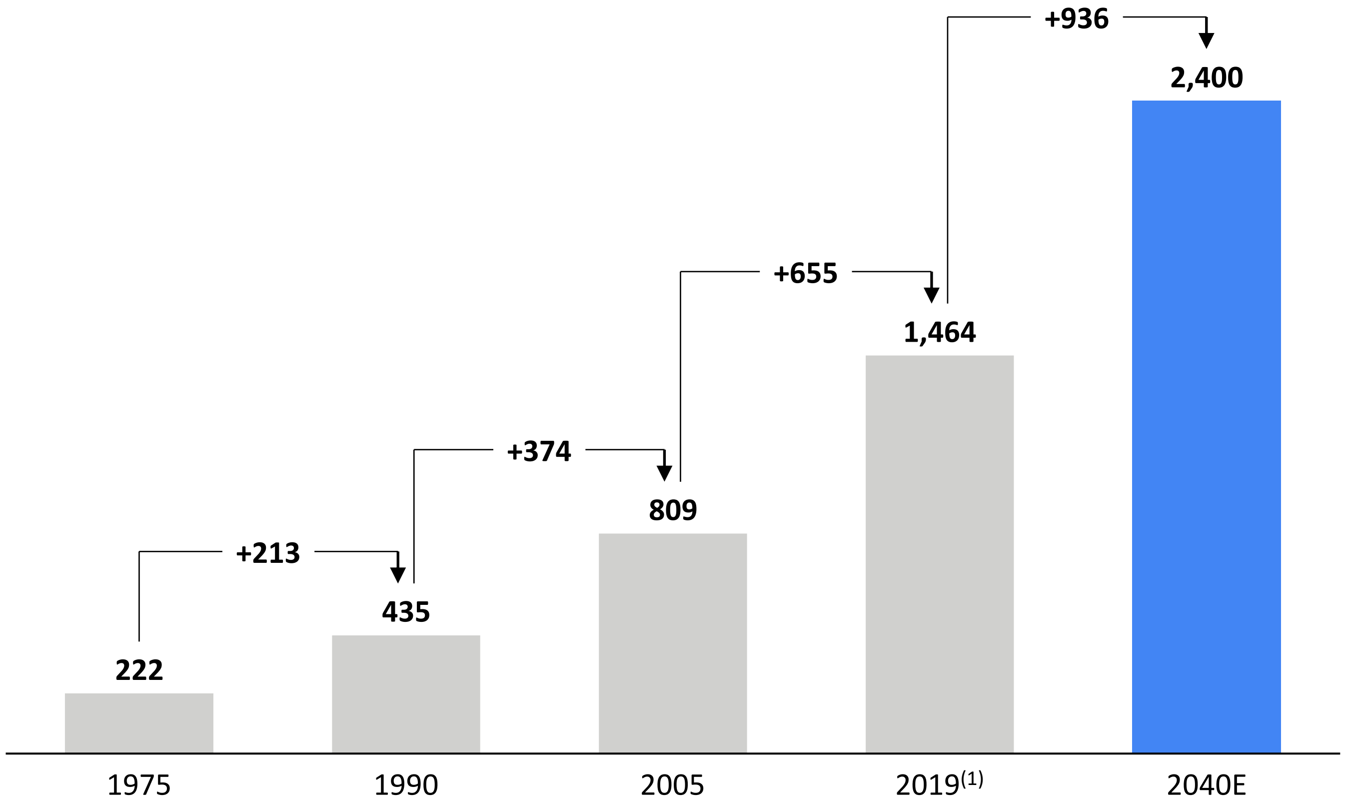
Evolution of size of the world middle-class and outbound departures (1995-2040E)



Source: World Bank, GapMinder, Deloitte Analysis

As a result, our vision is that by 2040 the number of trips worldwide will continue to increase up to c.2,400 Mn (c.+936 Mn vs 2019)

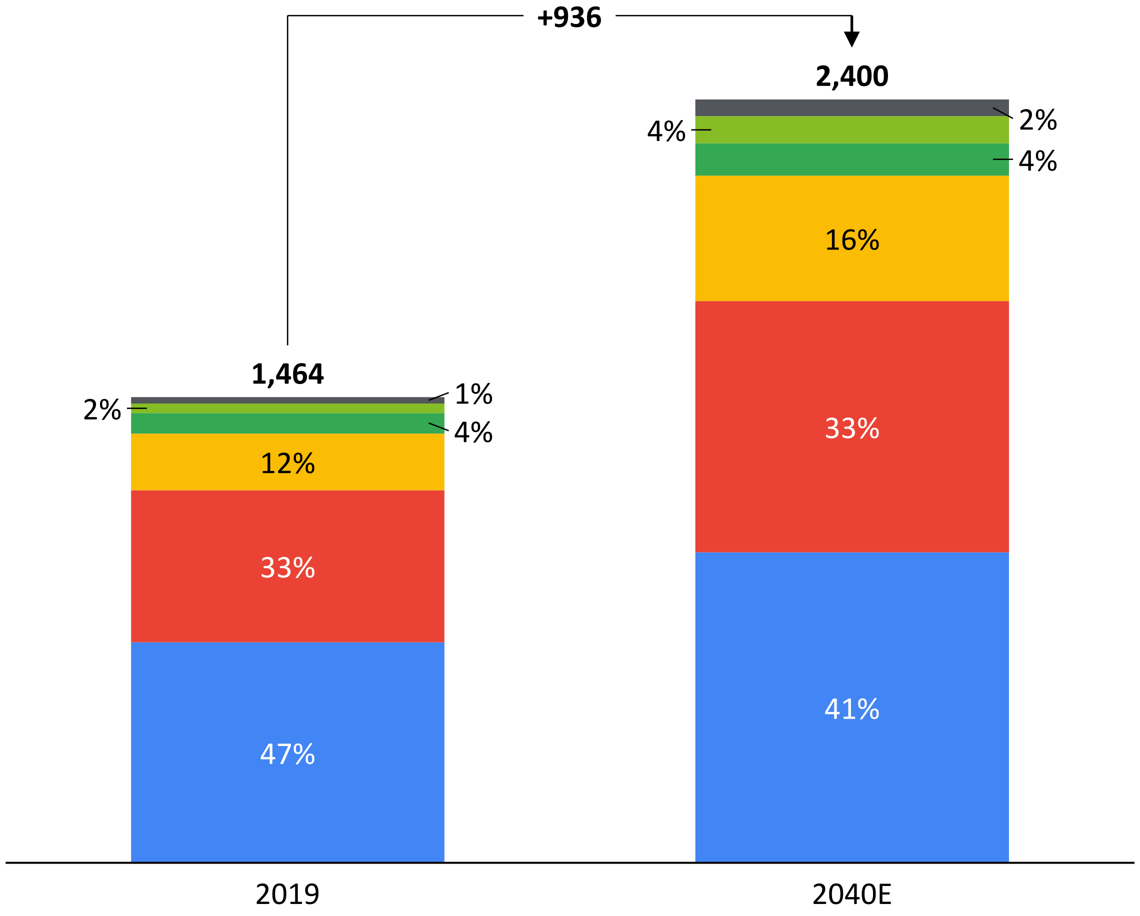
Evolution of number of trips worldwide (Mn; 1975-2040E)



(1) 2019 figures considered instead of 2020 due to COVID-19 impact
Source: World Bank, Deloitte Analysis

Africa and Americas have the highest expected annual growth rate of outbound departures from 2019 to 2040, although Europe and APAC still account for c.75%

Evolution of outbounds departures per region (Mn; 2019-2040E)



	Approximate CAGR 2019-2040E	New travellers market share 2019-2040E
Africa	5.0%	+33 Mn (4%)
South America	5.0%	+55 Mn (6%)
Middle East	2.0%	+37 Mn (4%)
North America	4.0%	+217 Mn (23%)
APAC	2.5%	+312 Mn (33%)
Europe	1.5%	+282 Mn (30%)
Average	**2.5%**	-

🟩 Above average growth

Source: UNWTO, World Bank, Euromonitor International Limited 2023 © All rights reserved, Deloitte Analysis

The top-5 source markets are expected to expand their market share, reaching 42%, and Pakistan, Brazil, Saudi Arabia, Indonesia and Mexico enter the top-15

Evolution of top-15 source markets by outbound departures (2019-2040E)

2019

		Outbounds (Mn)	Outbounds per middle class (#)
34%	🟩 China	154.6	0.17
	🟩 USA	99.7	0.31
	🟩 Germany	99.5	1.21
	🟩 UK	91.0	1.36
	🟩 Russia	45.3	0.37
	Italy	34.7	0.59
	France	30.4	0.46
	Ukraine	28.9	1.17
	South Korea	28.7	0.56
	India	26.7	0.14
	▧ Canada	26.6	0.71
	▧ Romania	22.7	1.74
	▧ Netherlands	22.0	1.29
	▧ Japan	20.1	0.16
	▧ Spain	19.8	0.43
49%	Below top-15	712.8	
	Total outbounds	1,463.7	

2040E

		Outbounds (Mn)		Outbounds per middle class (#)	
42%	🟩 China	310	=	0.24	
	🟩 USA	260	=	0.71	↑
	🟩 UK	145	+1	1.98	↑
	India	145	+6	0.17	
	🟩 Germany	140	-2	1.76	↑
	🟩 Russia	60	-1	0.47	
	South Korea	60	+2	1.11	↑
	France	45	-1	0.62	
	Italy	40	-3	0.70	
	🟨 Pakistan	35	+28	0.25	
	🟨 Brazil	35	+16	0.30	↑
	🟨 Saudi Arabia	35	+6	0.82	↑
	🟨 Indonesia	35	+13	0.18	
	🟨 Mexico	35	+3	0.29	↑
	Ukraine	35	-7	0.91	↓
41%	Below top-15	985			
	Total outbounds	2,400			

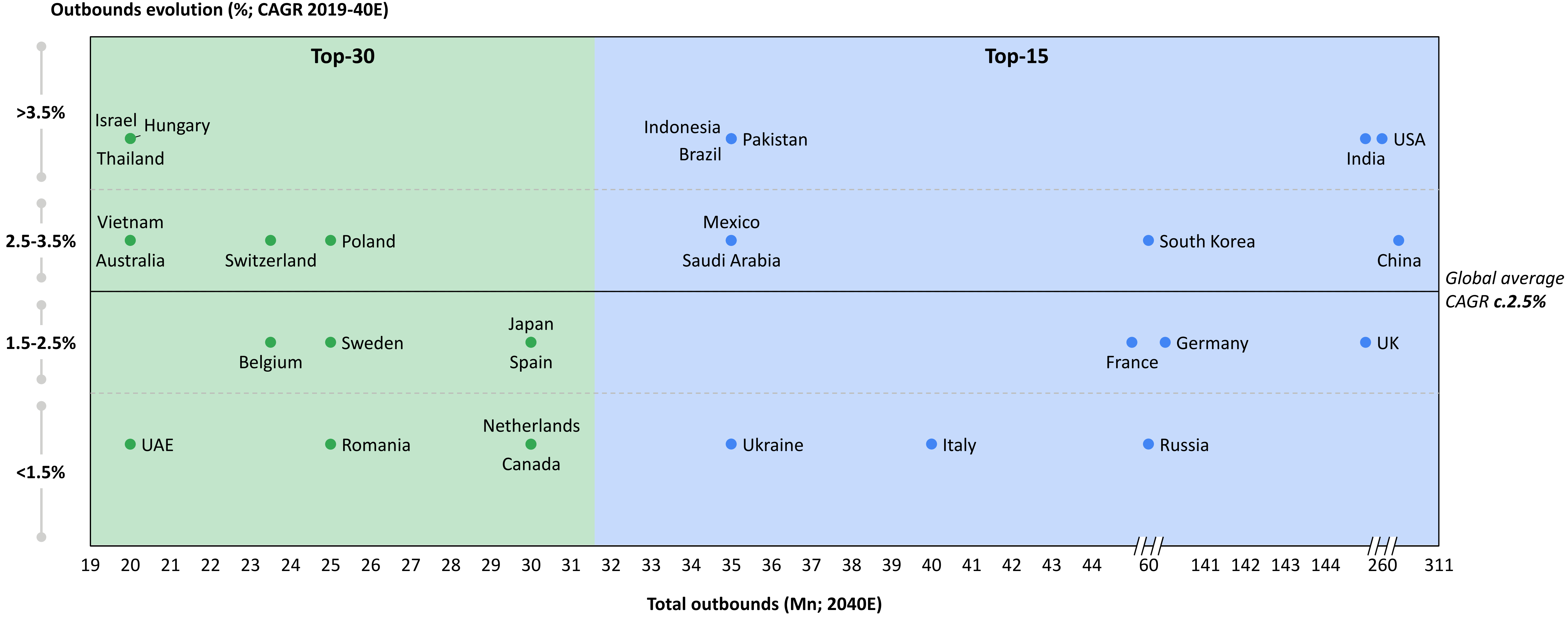
🟩 Top-5 countries in 2019 ▧ Countries that exit top-15 in 2040E 🟨 New countries in the top-15 vs 2019 ● % share over total inbounds +x -x Ranking variation vs 2019 ↑ ↓ <>2pp vs CAGR 2000-19

Source: UNWTO, Deloitte Analysis

The future of source markets and destinations: 2040 vision

Below the top-15 source markets, Europe as well as APAC and UAE stand out as relevant origins to watch out, with expected outbounds greater than 20 Mn by 2040E

Source markets below top-15

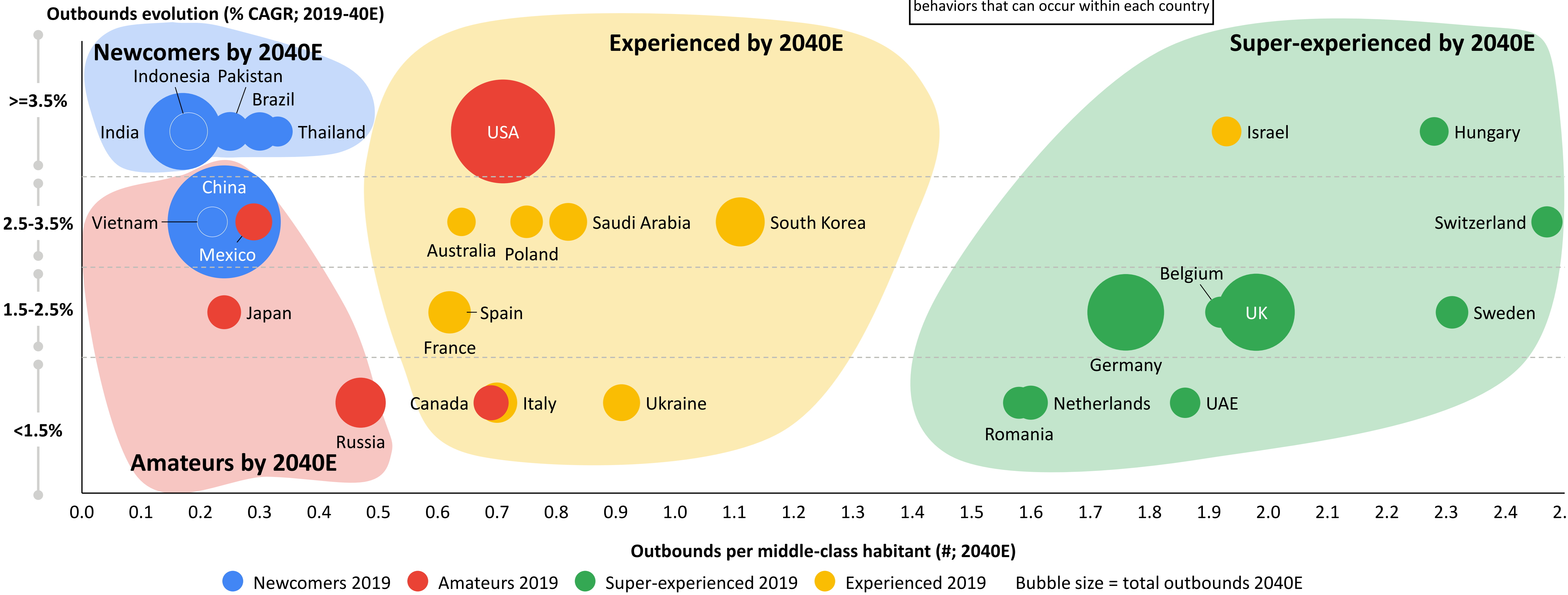


Source: UNWTO, Deloitte Analysis

Compared to 2019, countries belonging to newcomers and amateurs evolve, while the experienced and super-experienced countries remain relatively stable

Source markets' willingness to travel internationally by 2040E[(1)]

Each country is analysed at a global level, without differentiating the different behaviors that can occur within each country



(1) The analysis is focused on those source markets positioned within the top-30 worldwide in 2040E, accounting for c.75% of total outbounds. Pakistan, Brazil, Vietnam, Saudi Arabia and UAE were not in the 2019 analysis as they were not positioned within the top-15 source countries worldwide in 2019 and the top-30 who had experienced the highest growth in terms of outbounds from 2010 to 2019. Source: GapMinder, UNWTO, Deloitte Analysis

Key source markets are expected to gain share in the travel market worldwide and to increase their travel frequency by 20-45%

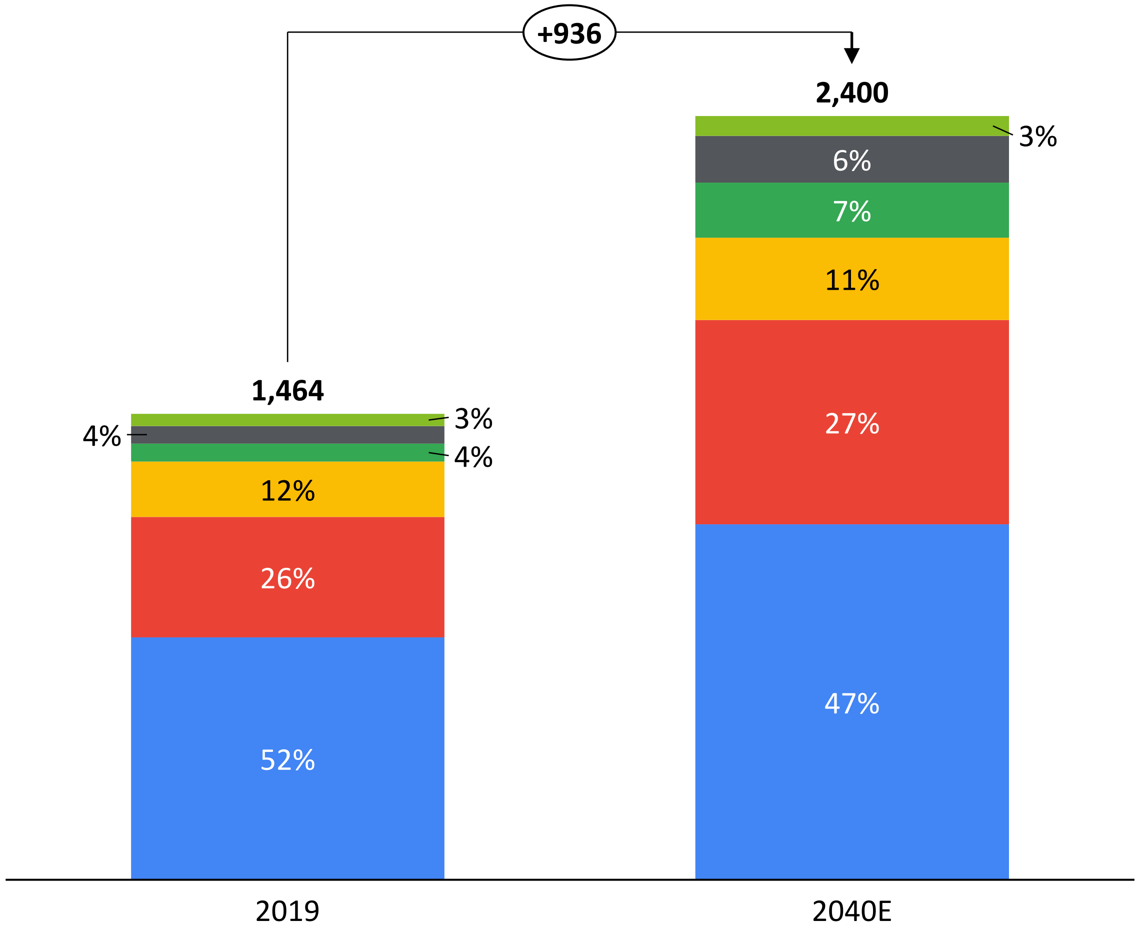
Key source markets based on patterns identified(1)

	NEWCOMERS BY 2040E	AMATEURS BY 2040E	EXPERIENCED BY 2040E	SUPER-EXPERIENCED BY 2040E
2019	**68 Mn** outbounds **(5%)**	**240 Mn** outbounds **(16%)**	**313 Mn** outbounds **(21%)**	**321 Mn** outbounds **(22%)**
	0.17 outbounds/middle-class^{+}	**0.24** outbounds/middle-class^{+}	**0.56** outbounds/middle-class^{+}	**1.45** outbounds/middle-class^{+}
2040E	**272 Mn** outbounds **(11%)**	**454 Mn** outbounds **(19%)**	**575 Mn** outbounds **(24%)**	**476 Mn** outbounds **(20%)**
	0.25 outbounds/middle-class^{+}	**0.29** outbounds/middle-class^{+}	**0.76** outbounds/middle-class^{+}	**1.97** outbounds/middle-class^{+}

(1) The classification corresponds to the level of outbound growth and the penetration of international trips in the middle-class^{+} population of the countries globally in 2019 and 2040, without differentiating the specific behaviors that can occur within each country due to different behaviours depending on the travellers' segment. Source: Deloitte Analysis

Middle East and Africa have the highest expected annual growth rate of inbound arrivals from 2019 to 2040, although Europe and APAC still account for c.75% of total

Evolution of inbound arrivals per region (Mn; 2019-2040E)



	Approximate CAGR 2019-2040E	New travellers market share 2019-2040E
South America	2.5%	+27 Mn (3%)
Africa	3.5%	+75 Mn (8%)
Middle East	5.0%	+108 Mn (12%)
North America	2.0%	+86 Mn (9%)
APAC	2.5%	+278 Mn (30%)
Europe	2.0%	+362 Mn (38%)
Average	**2.5%**	-

🟩 Above average growth

Source: UNWTO, World Bank, Euromonitor International Limited 2023 © All rights reserved, Deloitte Analysis

The top-5 destinations are expected to decrease their market share, reaching 20%, and Saudi Arabia, Indonesia and UAE stand out as they enter the top-15

Evolution of top-15 destinations by inbound arrivals (2019-2040E)

2019

30%

	Inbounds (Mn)	**CAGR 2000-19** (%)
France	90.9	0.9%
Spain	83.5	3.1%
USA	79.4	2.3%
China	65.7	4.0%
Italy	64.5	2.4%
Turkey	51.2	9.2%
Mexico	45.0	4.2%
Thailand	39.9	7.8%
Germany	39.6	3.9%
UK	39.4	2.8%
Austria	31.9	3.1%
Japan	31.9	10.5%
Greece	31.3	4.7%
Malaysia	26.1	5.1%
Russia	24.4	0.8%
Below top-15	718.8	4.8%
Total inbounds	**1,463.7**	**4.1%**

49%

2040E

20%

	Inbounds (Mn)		**Approximate CAGR 2019-40E** (%)	
Spain	110	+1	<1.5%	
France	105	-1	<1.5%	
USA	100	=	<1.5%	
China	90	=	1.5-2.5%	↓
Mexico	90	+2	2.5-3.5%	
Italy	90	-1	1.5-2.5%	
Turkey	85	-1	2.5-3.5%	↓
Saudi Arabia	80	+16	>=3.5%	↑
Thailand	75	-1	2.5-3.5%	↓
Germany	65	-1	2.5-3.5%	
UK	60	-1	1.5-2.5%	
Japan	50	=	1.5-2.5%	↓
Malaysia	50	+1	2.5-3.5%	↓
Indonesia	40	+15	>=3.5%	↑
UAE	40	+3	2.5-3.5%	
Below top-15	1,300		2.5-3.5%	
Total inbounds	**2,400**		**c.2.5%**	

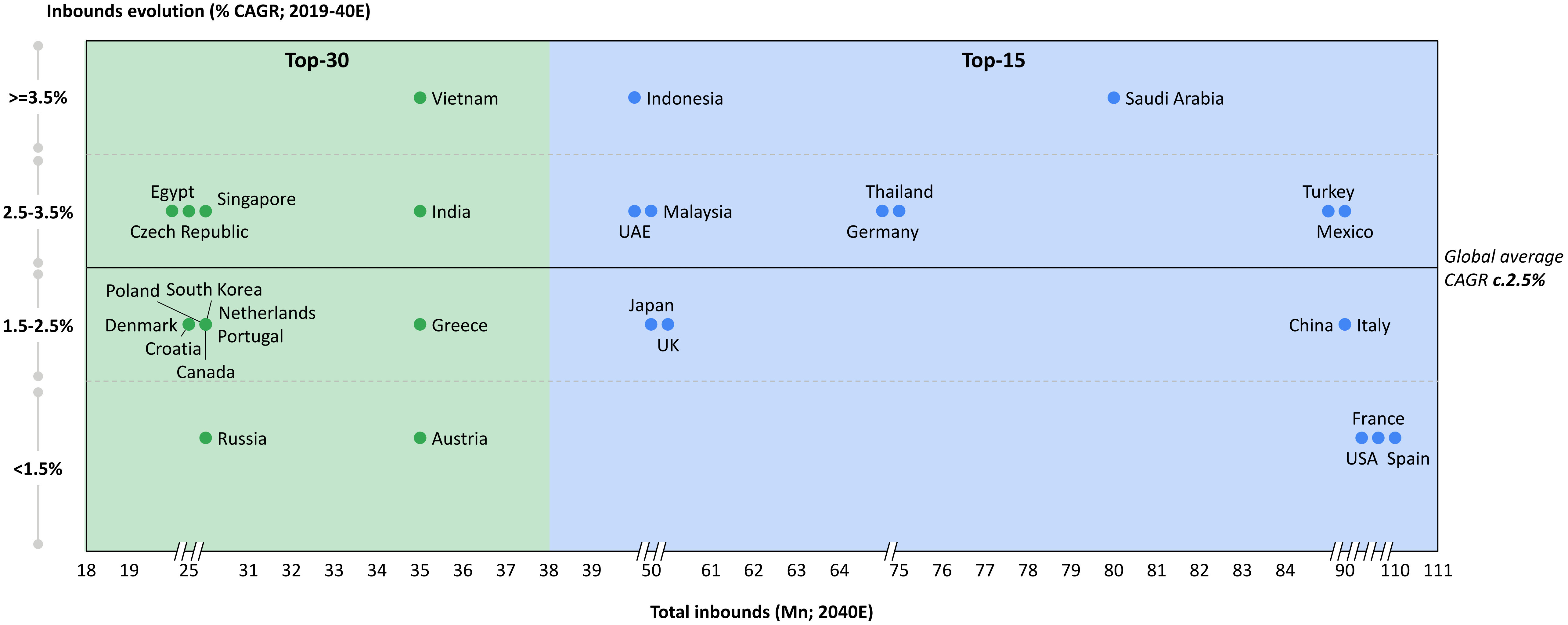
54%

🟩 Top-5 countries in 2019 🟩 Countries that exit top-15 in 2040E 🟨 New countries in the top-15 vs 2019 ● % share over total inbounds +x -x Ranking variation vs 2019 ↑ ↓ <>2pp vs CAGR 2000-19

Source: UNWTO, Deloitte Analysis

Below the top-15 destinations, European and APAC countries stand out as relevant destinations that will continue to grow in the coming years

Destinations below top-15 (2019-2040E)



Source: UNWTO, Deloitte Analysis

Therefore, in the future c.45% of global travellers will concentrate in 4 key destination clusters: Mediterranean, Southeast Asia, Novel Middle East and Caribbean

Key destination clusters by 2040E(1)

MEDITERRANEAN

Unique combination of **mild climate**, **natural resources**, **cultural heritage** and **location**

SOUTHEAST ASIA

Diversity and **breathtaking landscapes** accompanied by **world heritages sites**

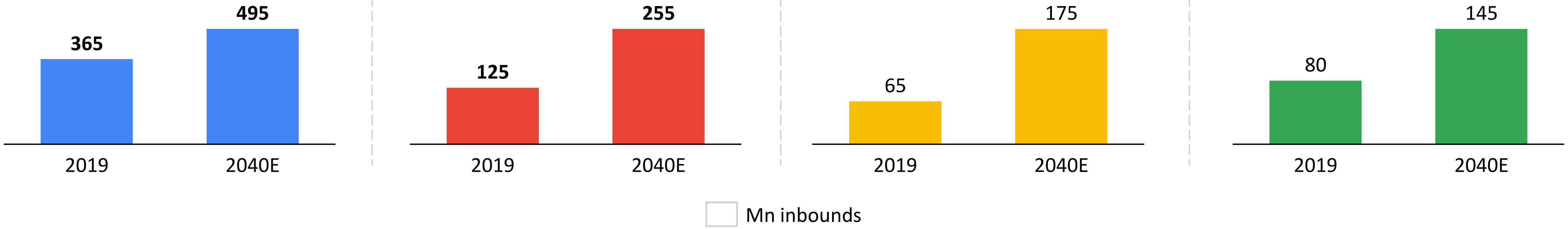
NOVEL MIDDLE EAST

Land of **contrasts** with **ancient civilizations, stunning deserts** and **modern marvels** led by innovation

CARIBBEAN

Impressive **beaches**, **vibrant cities** and **lush rainforests**

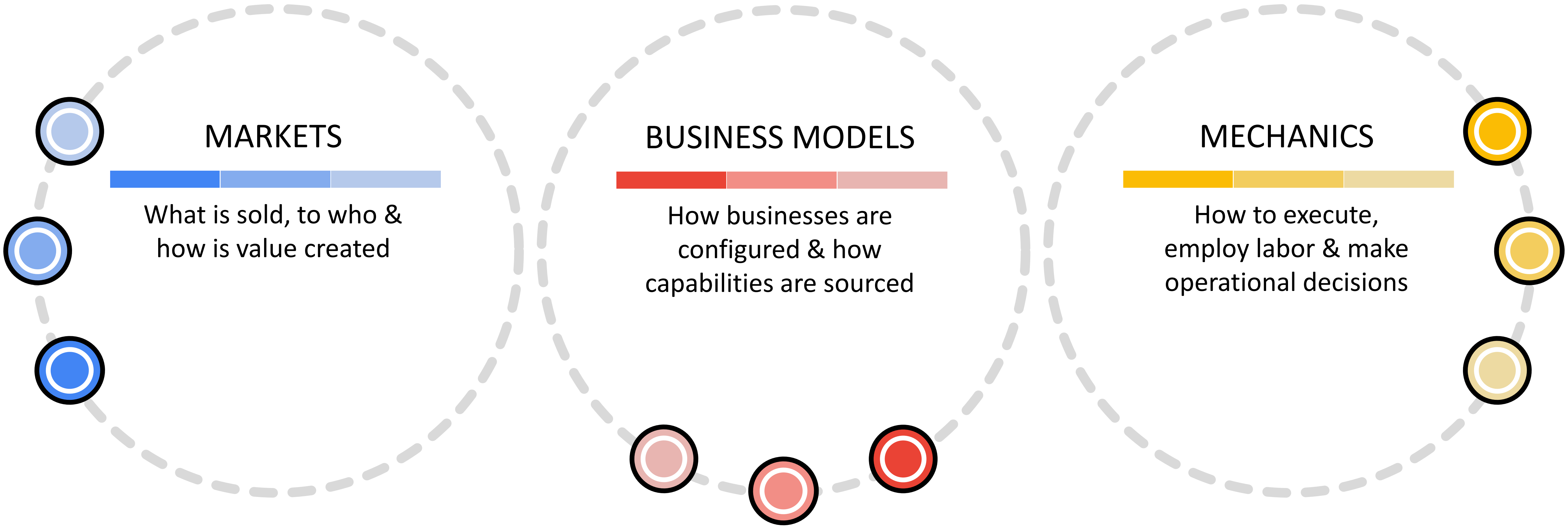
	MEDITERRANEAN		SOUTHEAST ASIA		NOVEL MIDDLE EAST		CARIBBEAN	
Share of cluster vs total inbounds	25%	21%	9%	11%	4%	7%	5%	6%



(1) Clusters have been identified considering some of the top-30 countries by inbounds in 2040E and their surrounding regions. Mediterranean includes Spain, France, Italy, Turkey, Greece, Croatia, Morocco and Israel. Southeast Asia includes Thailand, Malaysia, Indonesia, Vietnam, Singapore and Philippines. Novel Middle East includes Saudi Arabia, UAE, Egypt, Jordan, Qatar, Cyprus and Oman. Caribbean includes Mexico, Dominican Republic, Cuba, Guatemala, Jamaica, Costa Rica, among others. Source: Deloitte Analysis

Content

The 2040 canvas outlines strategic implications across three key levers: Markets, Business Models and Mechanics



MARKETS

What is sold, to who & how is value created

BUSINESS MODELS

How businesses are configured & how capabilities are sourced

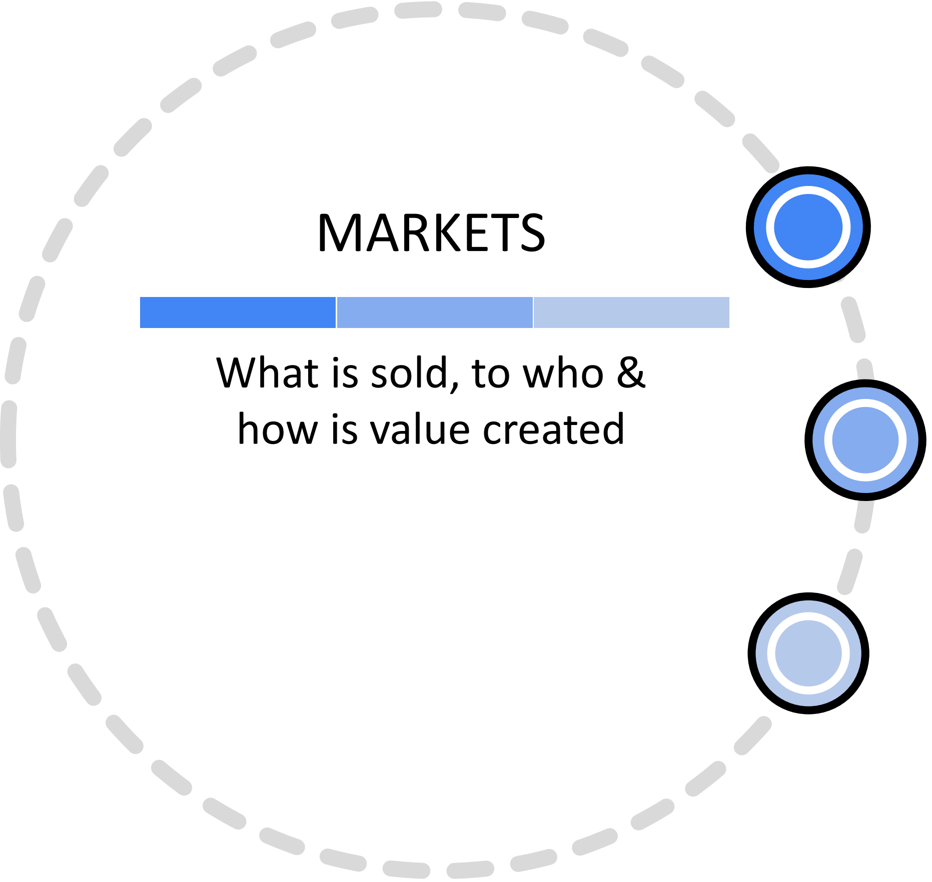
MECHANICS

How to execute, employ labor & make operational decisions

Source: Deloitte Analysis

Travel operators should adapt to three key market trends: emerging new source markets, tech disruption, and increased ESG requisites

Markets’ lever deep-dive



MARKETS

What is sold, to who & how is value created

TOURISM FLOWS TRANSFORMATION

- **Ways of engaging with and attracting the traveller to be evolved and adapted** to the new and growing source markets, being online a key lever because of its high relevance (c.60 of travel searches expected to be online in emerging countries)
- **Need for creation of memorable experiences for new source markets** relevant worldwide (India a key one with c.145Mn departures expected in 2040)**, with different cultures and preferences** when travelling

DIGITAL & HYBRID TSUNAMI

- **Barriers of the emerging traveller to new destinations disappear** with the emergence of **new technologies** such as real-time translation, virtual experiences, and Web 3, which allow to **always be connected**
- **New destinations and locations are discovered** through social media and virtual experiences

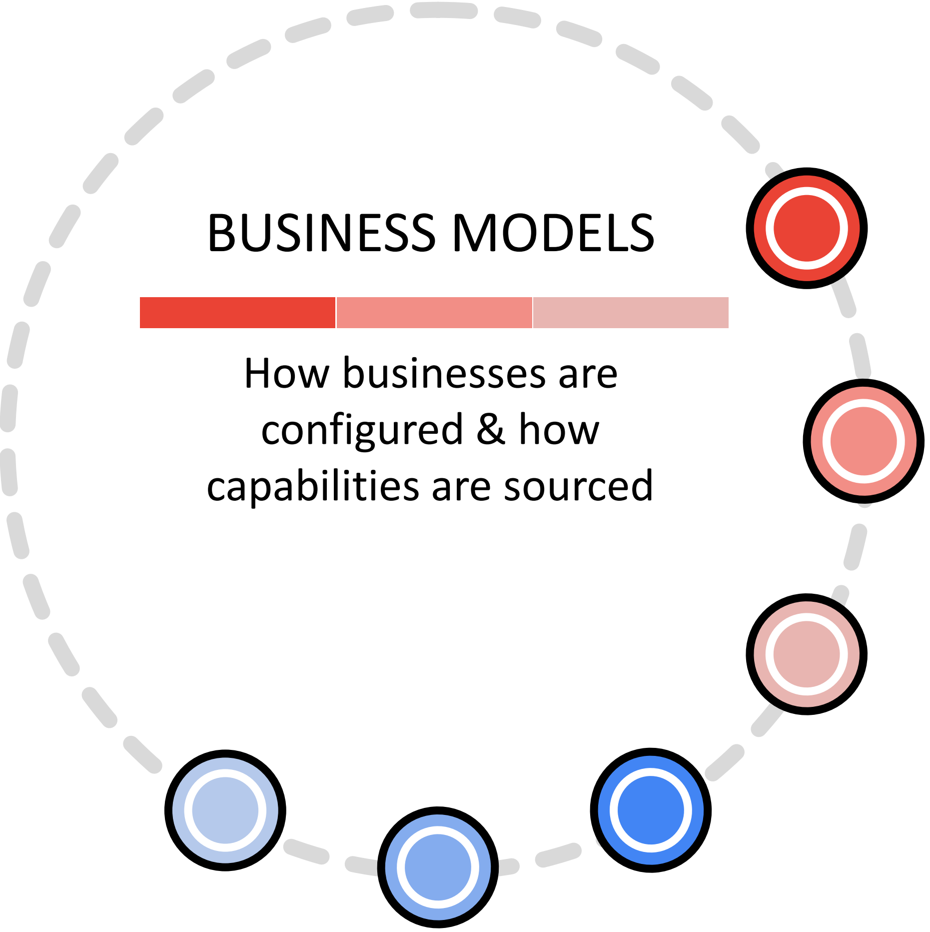
CORPORATE RESPONSIBILITY AS AN IMPERATIVE

- Development of **sustainable tourism models** that drive economic and social benefits in the destinations
- **Environmental and social awareness to be shared** among the c.2,400 travellers that will be travelling internationally

Source: Deloitte Analysis

Regarding business models, flexibility, hyper-personalization, along with industry shakeup are crucial factors to consider

Business models' lever deep-dive



BUSINESS MODELS

How businesses are configured & how capabilities are sourced

FLEXIBILITY IN THE CORE

- As **unforeseen situations** (i.e., health crisis) are increasingly occurring, the sector should **bear flexible business models** that enable **redirection and adaptation**
- **Destinations** will continue to **diversify** (emergence of Southeast Asia, Novel ME and Caribbean); therefore, **the potential risk of destination concentration as well**, while being important to address a balanced strategy on origin markets focus to avoid over-dependency

HYPER-PERSONALIZATION

- Leverage and integrate **AI and other new technologies** to gain **deeper customer insights** and use them to **craft memorable and relevant travel experiences**

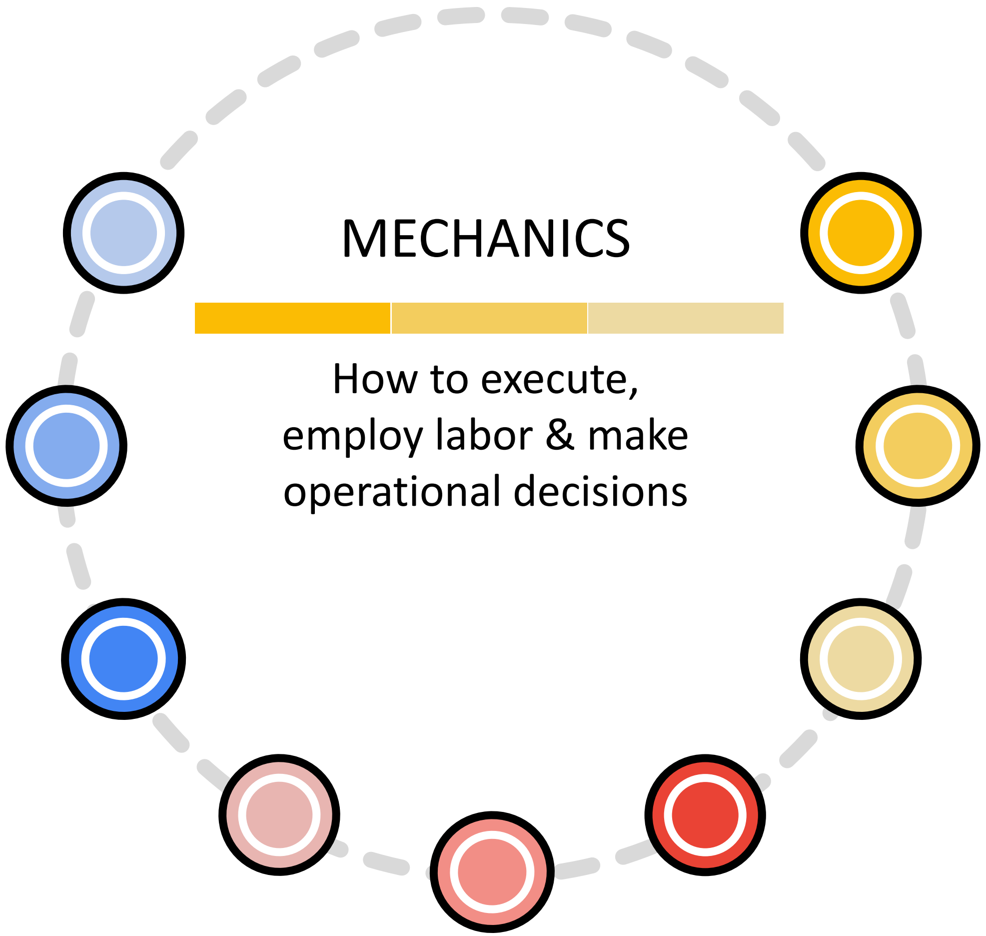
INDUSTRY RECONFIGURATION

- As **experiences** take **center stage** and **travel becomes more prevalent**, forging **strategic alliances** is crucial to **differentiate** the offerings and deliver exceptional value to travellers

Source: Deloitte Analysis

In the age of evolving workforce, algorithms, and new centers of financial gravity, understanding these mechanics is crucial for navigating the sector

Mechanics' lever deep-dive



MECHANICS

How to execute, employ labor & make operational decisions

EVOLVING WORKFORCE

- **Globalization** increases the **complexities** of **managing employees** across diverse regions as well as **catering to travellers from varied backgrounds**, therefore the implementation of **tailored mechanisms**, such as incentives, becomes crucial to ensure **seamless customer service**

THE AGE OF ALGORITHMS & AI

- The sector's growing complexity due to diversification and **proliferation of travel flows** makes **automation a requisite**
- New technologies enable **value optimization for making effective demand and supply decisions** (i.e., including dynamic pricing depending on origin country)

NEW CENTER OF FINANCIAL GRAVITY

- **Adoption of novel business models** (i.e., subscription-based travel, experiential focus) as the **proliferation and commoditization** of travel experiences **compress profit margins**

Source: Deloitte Analysis

Are you ready to face these trends and challenges?

2040 vision

Be prepared for the future

Start today!

Content

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Content

Glossary

Key concepts

ORIGIN OF THE TRAVELLER	**Source market**	Place (region, subregion, country or city) from which tourists originate a trip to other destinations
	Middle-class$^+$ population	Population with an average income of more than 8$ per day, which corresponds to levels 3, 4, 5 and above from GapMinder classification, understood as those who can save money, access credit lines and buy products and services beyond basic needs
	Outbound departures	Number of trips of overnight residents to another destination country, travelling for business and leisure purposes, excluding same day visitors. If a person visits the same country several times in a year, each trip is recorded as a separate departure.
DESTINATION OF THE TRAVELLER	**Destination**	Place (region, subregion, country or city) where tourists arrive to visit
	Inbound arrivals	Number of trips of non-resident overnight visitors to the country of reference, travelling for business and leisure purposes, excluding same day visitors. If a person visits the same country several times in a year, each trip is recorded as a separate arrival. Similarly, if a person visits several countries during a single trip, their arrival in each country is recorded separately.
	Short and medium-haul	People flows to an international destination with an average flight time of less than 6 hours (<4,670 km of distance)
	Long-haul	People flows to an international destination with an average flight time of 6 hours or more (=>4,670 km of distance)
	Share of Search (SoS)	Number of organic searches a destination receives as a proportion of the total number of searches made for every destination

Glossary

Key concepts

REGIONS	**Africa**	Algeria, Angola, Burundi, Central African Republic, Chad, Congo, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Libya, Madagascar, Malawi, Mauritius, Morocco, Nigeria, Sao Tome and Principe, Seychelles, Sierra Leone, Sudan, Tanzania, Togo, Tunisia, Uganda, Zimbabwe
	APAC	Australia, Bangladesh, Bhutan, Cambodia, China, Cook Islands, Fiji, French Polynesia, India, Indonesia, Japan, South Korea, Kyrgyzstan, Lao, Malaysia, Maldives, Nepal, New Caledonia, New Zealand, Niue, Pakistan, Papua New Guinea, Philippines, Samoa, Singapore, Sri Lanka, Tajikistan, Thailand, Turkmenistan, Tuvalu, Uzbekistan, Vanuatu
	Europe	Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kazakhstan, Latvia, Lithuania, Luxembourg, Malta, Moldova, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, UK
	Middle East	Bahrain, Cyprus, Egypt, Iran, Israel, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Syria, UAE
	North America	Bermuda, British Virgin Islands, Canada, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Puerto Rico, USA
	South America	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela

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