

European
Cultural
and Creative
Industries
Alliance

High-end *Tourism*

— A STRONG
DRIVER FOR EUROPE

First report quantifying high-end tourism *value*,
spill-overs and key countries *contribution*

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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 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 2-3 times, 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, in the appendix we present *a selection of case studies* from non-European countries, to learn from best practices and models that proved successful with high-end tourists.

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 elevate 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 hotels⁰⁴.

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.

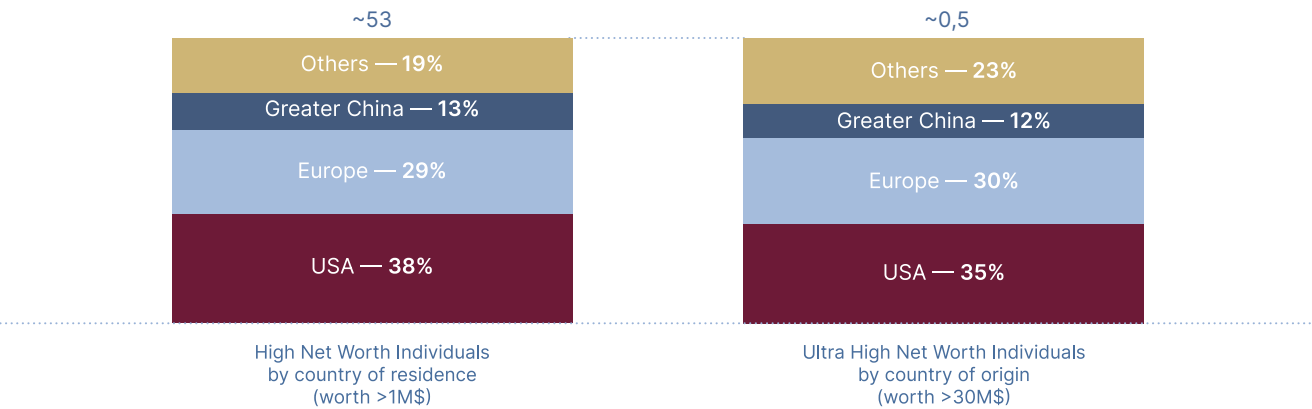
01. Knight Frank Wealth Report
02. Elaboration from: Global Data, Knight Frank Wealth Report, Euromonitor
03. Insights from: Virtuoso Expert Interview
04. Insights from: Turismo di Alta Gamma - Leva Strategica per l'Italia, Altagama, 2021
05. Insights from: Turismo di Alta Gamma - Leva Strategica per l'Italia, Altagama, 2021

When looking at travel destination preferences, on average high-end European and American 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 residence / origin (# individuals in M | 2019)



Source: Knight Frank Wealth Report

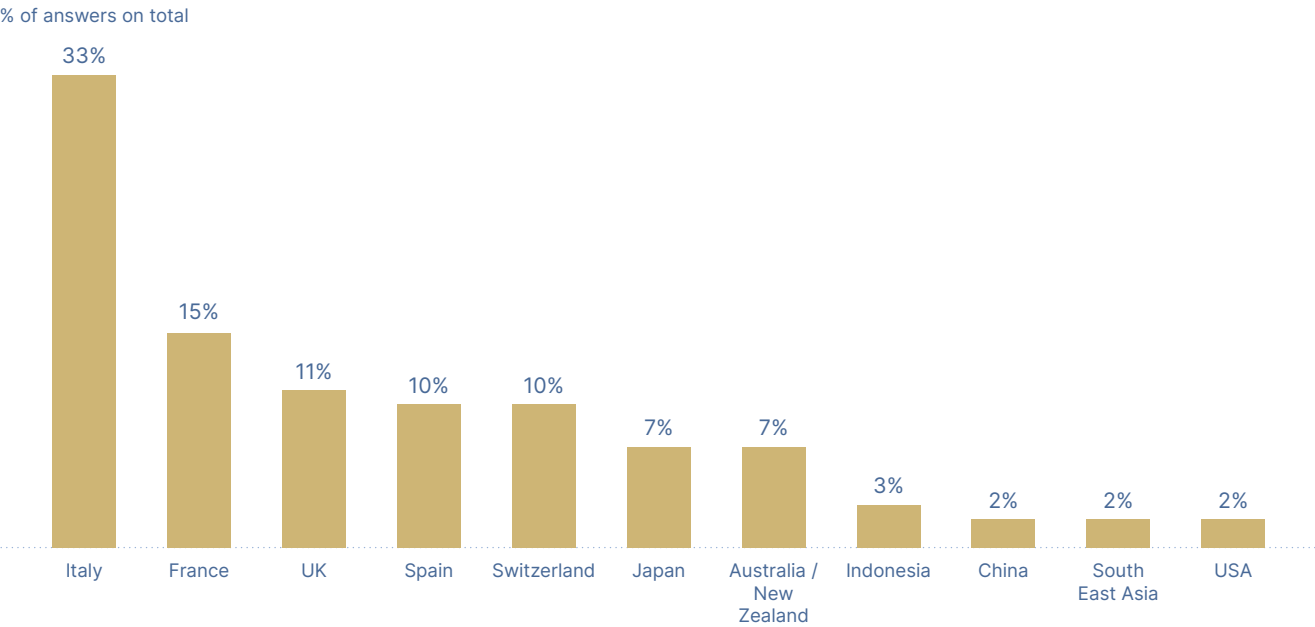
FAVORITE DESTINATIONS FOR HIGH-END TOURISTS

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 source⁰⁶ 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.

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

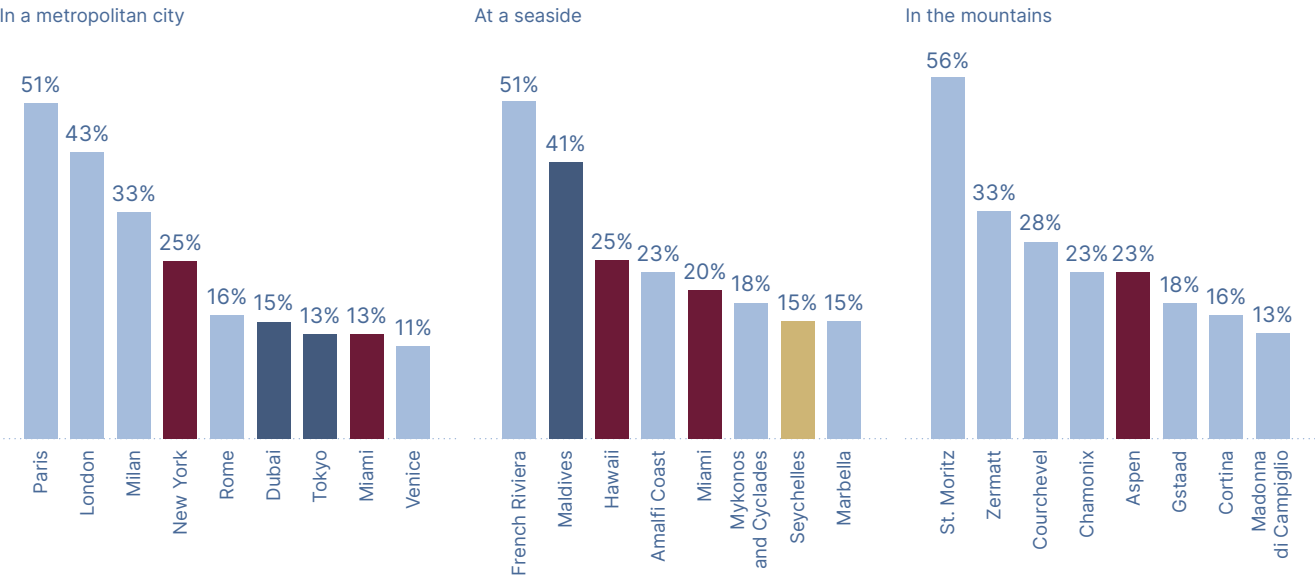
Figure 2 — Top country/destination considered the best to visit (% | 2021)



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 HNWI travelers’ destinations are within Europe.

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

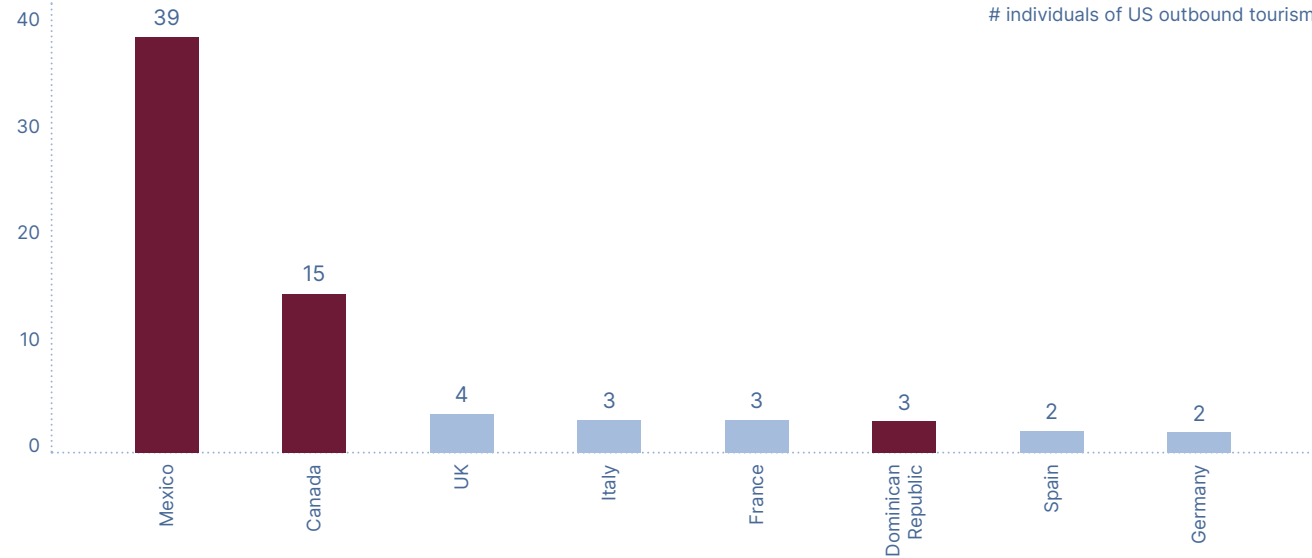


Note: survey conducted on English, Russian and Chinese international “Elite shoppers”, tourists with the following average activities: €55,000 average tax free spend, ~12 transactions per year and >3 trips made on average, ~15 days abroad in a year
Source: survey Global Blue March 2021

FOCUS ON US TRAVELERS

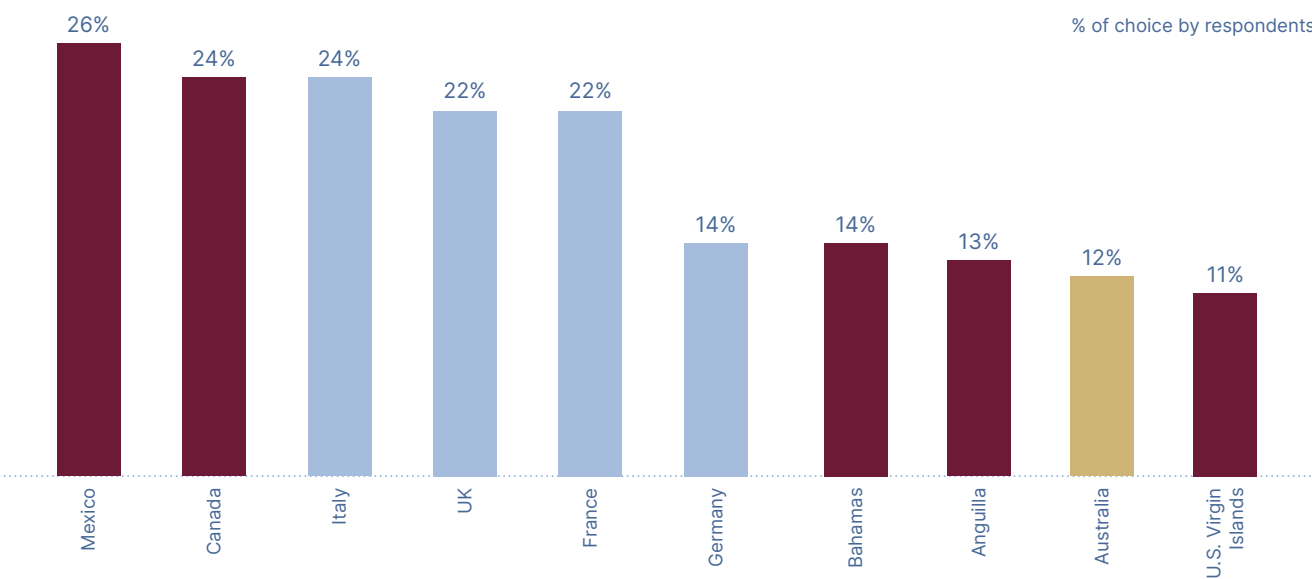
Considering US travelers, proximity plays a key role: Mexico and Canada are indeed their preferred destinations, representing 50% of total outbound tourism, which was ~100M in 2019. They are followed by European countries; such as France, Italy and UK. The top 6 destinations are also first choices for affluent travelers, who however also strongly appreciate Caribbean islands and Australia.

Figure 4 — US travelers by international destination (# individuals in M | 2019)



Source: 2016 Luxury Travel Report, Statista, National Travel and Tourism Office, Press release

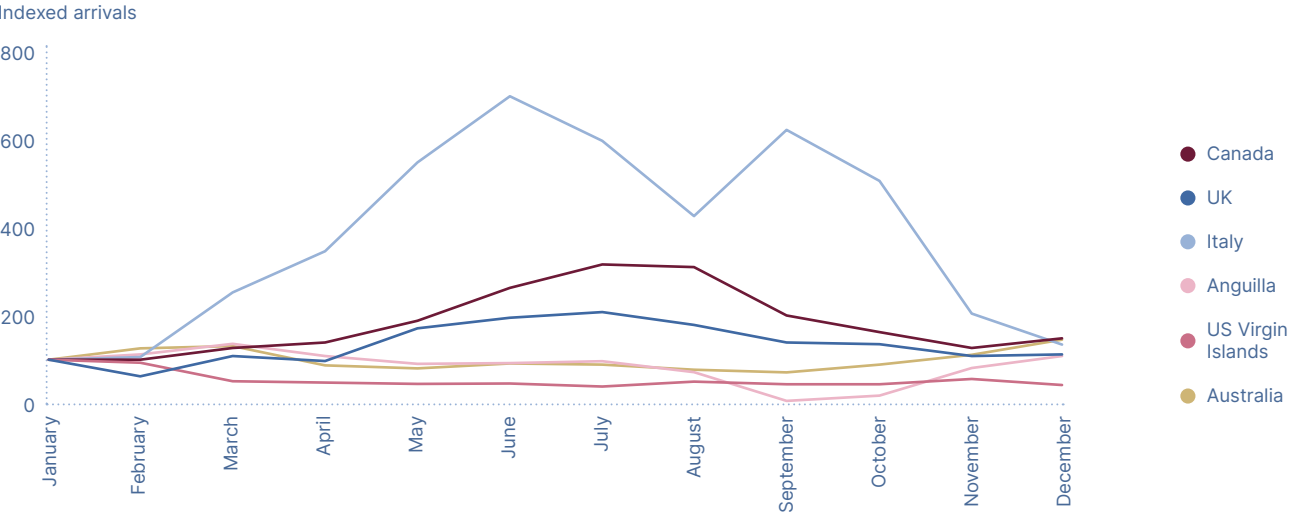
Figure 5 — Top international destinations chosen by US affluent travelers (% | 2016)



Note: analysis on survey of 1,667 US luxury travelers, the wealthiest 1% Americans that means household income of \$400K+ or net worth of \$8M+ Americans travel destinations
Source: 2016 Luxury Travel Report, Statista, National Travel and Tourism Office, Press release

Italy presents the highest seasonality with the peak in June and July; Canada also has a summer peak from June to August, while US Virgin Islands, Anguilla and Australia have relatively more uniform arrivals.

Figure 6 — American tourist arrivals in Canada, UK, Italy, Anguilla, US Virgin Islands (Index 100 | 2019)



Source: Destination Canada, Statista, ISTAT, Bureau of Economic Research United States Virgin Islands, Anguilla Statistics Department, Australian Bureau of Statistics

FOCUS ON CHINESE TRAVELERS

Proximity is important also in China: the average Chinese citizens favor to travel to the Asian region, in countries such as Thailand, Japan, and South Korea. Among European destinations, in 2019 Italy was the first country for arrivals of Chinese tourists.

Among affluent Chinese, long-haul travel is more common; the close Japan still was the first tourist destination in 2019, but France, Switzerland, and the United States were in the top 5.

Figure 7 — Chinese travelers by international destination (# individuals in M | 2019)

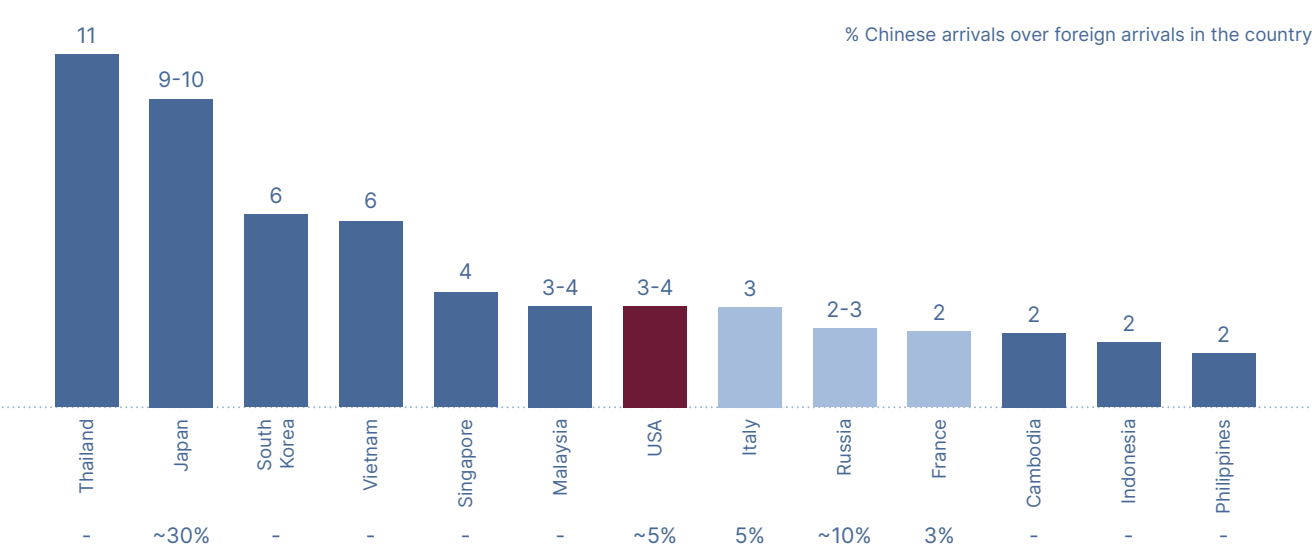
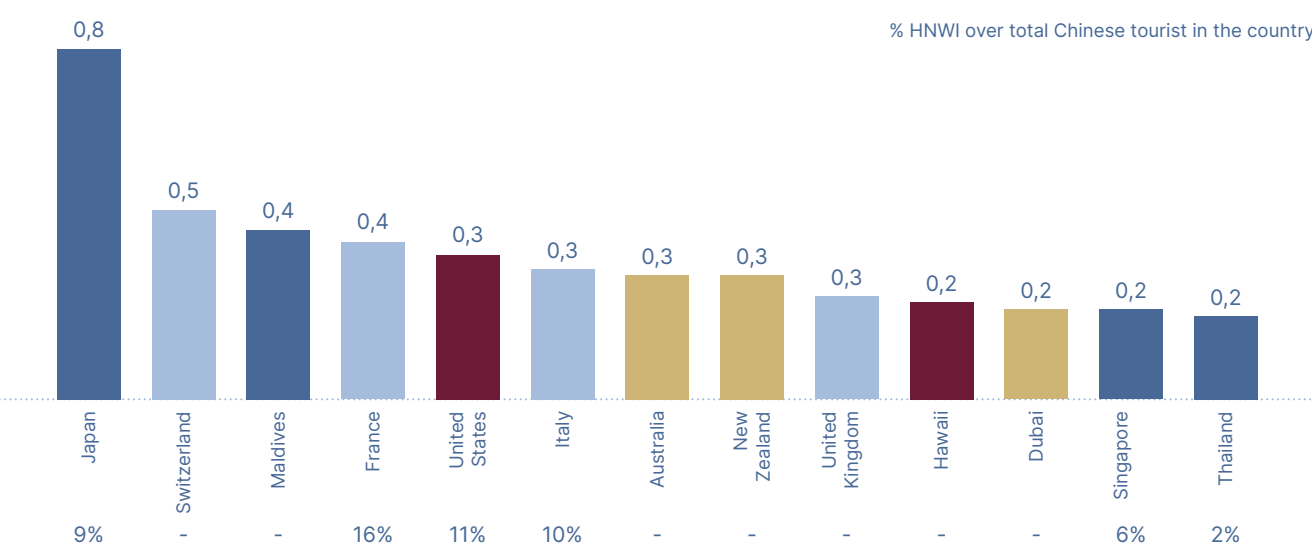


Figure 8 — Chinese HNWI** travelers by international destination* (# individuals in M | 2019)



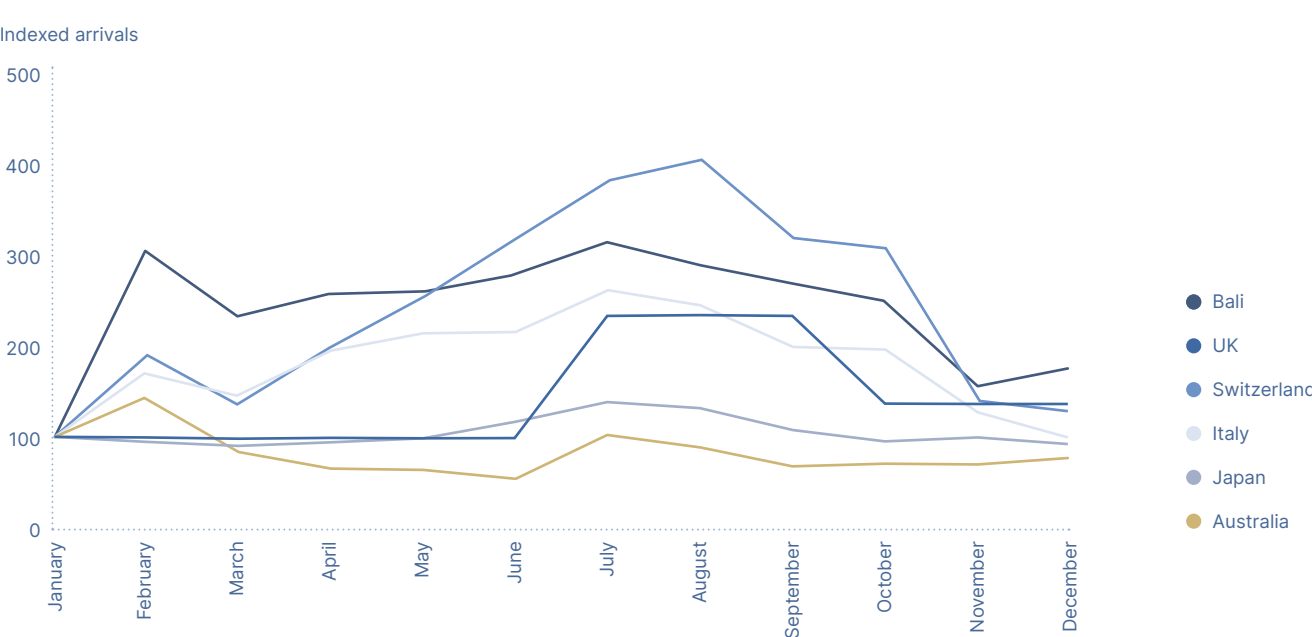
Note: (*) foreign destinations exclude Greater China (Macau, Taiwan, Hong Kong), the top 13 destinations are reported; (**) HNWI refers to citizens whose wealth exceeds One Million Dollars. The total number of travelers exceeds the number of HNWI citizens because they are counted more than once if they make multiple trips during a year. The average Chinese HNWI makes 3 trips per year

Source: Global Data; Hurun Research Institute data; Rapporto Annuale Italia Cina; Statistics from national associations and bodies of individual countries; Press release

Besides being great attraction for Chinese travelers, European countries have a higher share of HNWI tourists compared to other locations. As a matter of fact, 16% of Chinese travelers are HNWI in France, while only 2% and 6% in Thailand and Singapore respectively.

The arrival of Chinese tourists in the various countries follows peculiar trends for each nation; most destinations have a peak of different intensity during the summer, while Bali has a peak during the Chinese New Year.

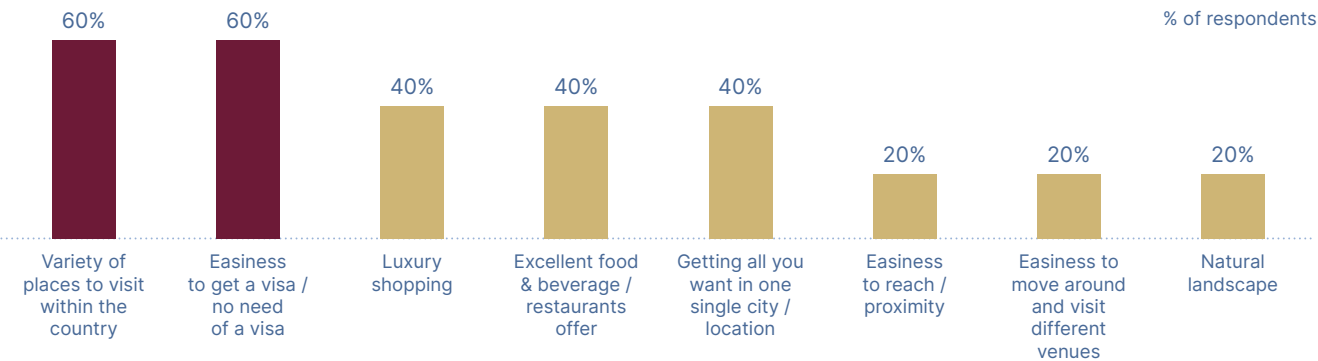
Figure 9 — Chinese tourist arrivals in Italy, UK, Switzerland, Japan, Bali (Index 100 | 2018)



Note: For UK* only quarterly and not monthly data are present
Source: ISTAT, Statista, VisitBritain, Federal Statistics Office Switzerland, Australian Bureau of Statistics

Given the importance of the easiness to get a visa for Chinese tourists (see next figure), simplifying the visa and entry process for Chinese citizens is the trend of the last 10 years. In 2010, only 42 countries were visa-free or has a simplified visa on arrival for Chinese tourists. At the end of 2020, this number has almost doubled: from 42 to 75.

Figure 10 — Top criteria to choose and appreciate a destination for Chinese travelers (% | 2021)



Note: graph survey conducted on American, 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: Hurun Chinese Luxury Consumer Survey, Survey Global Blue March 2021

The mobility index has doubled for China over the past decade. More and more countries undertook a simplification of entry procedures to capture the massive demand of Chinese consumers and tourists:

- Japan: not visa-free, but since January 2019 Chinese tourists’ entry simplification has been introduced, especially for students and graduates.
- Singapore: since January 2019 guaranteed 96-hour “visa-free” permit for Chinese nationals arriving in Singapore.
- Thailand: launched an e-visa system for foreign tourists from 20 countries, including China, India, Saudi Arabia, allowing them to obtain travel permits within 3 days.
- Russia: introduced visa-free travel to Russia for Chinese traveling in groups/tours. Hired Chinese-speaking staff at airports and train stations to respond to the increase in tourists. As a result, Chinese tourism continues to grow at double digit rates in Russia in recent years.
- UAE: since 2018, the UAE becomes “visa-free” to facilitate the flow of Chinese tourists in major cities.
- Saudi Arabia: introduced an e-visa system from 2019.
- Serbia: implemented a strong policy of attracting Chinese tourists by allowing visa-free access since 2017 (“visa-free”). As a result, in just one year, arrivals doubled and today China constitutes the second country of foreign tourists in Serbia after neighboring Bosnia and Herzegovina.

These policies have driven the increase in the number of tourists to new destinations, which were not considered before.

Another important factor to highlight from Figure 21, is that luxury shopping is one of the main criteria that Chinese travelers consider to choose and appreciate a destination suggesting the relevance of having brick and mortar shops, nice city centers etc.

The European high-end tourism — Industry

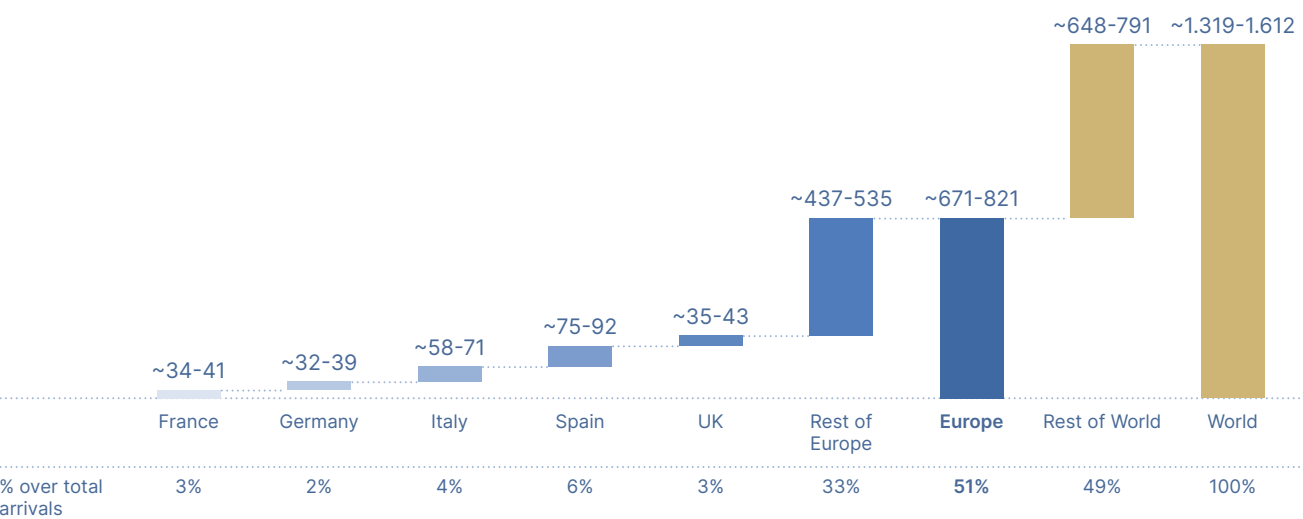
INTRODUCTION

Virtuous generator of economic value with multiple spillovers, high-end tourism is a strategic asset for European economies and ecosystems, with an untapped full potential of sustainable value creation.

In Europe, the tourism sector is a crucial one: Europe is the most visited region in the world with the Southern and Mediterranean regions driving the growth. Although tourism is well developed in Europe, there’s still unexploited potential.

Europe plays a central role in the global tourism landscape: European countries account for more than 50% of the global international arrivals worldwide, and the largest destinations – France, Germany, Italy, Spain and United Kingdom – are all in the global top 10, making up for 18% of global arrivals and 35% of the European one.

Figure 11 — Number of international arrivals per country of destination (M | 2019)



Source: Bain elaborations on national statistics data, UNWTO

To capture the full relevance of this industry, one must also include the “hard spillovers” (like indirect economic contribution, job creation and investment attraction) and the “soft spillovers” (such as the “flagship” role of contributing to the definition and diffusion of the image, reputation and values of Europe and its countries, the preservation of the European natural, architectural and artistic assets and heritage, the nurturing and innovation of distinctive know-how in the art of hospitality).

METHODOLOGY NOTE

In our study, high-end tourists are identified based on their accommodation choices: we have considered those travelers who lodge in hotel facilities classified as 5-stars or higher (or in equivalent non-hotel facilities and luxury villas). Both the direct contribution and the consumption (transport, dining, culture, entertainment and shopping) of the high-end segment have been calculated referring to this perimeter. The induced effect on other sectors is also linked to the supplies and services of 5-star hotel facilities, from construction to agri-food.

When speaking about Europe, we refer to the European Union countries + UK & Switzerland.

We provide an elaboration on the 5 largest tourism economies in Europe, namely France, Germany, Italy, Spain, UK, which combined contribute to ~67% of overall tourism expenditure, up to 75% if looking at the high-end segment only.

However, high-end tourism is relevant for Europe overall, and this is evident from smaller tourism economies where tourism is nevertheless very sizeable in relative terms. Also, some regions, despite a limited offer of 5-star accommodation, are increasingly appealing for the high-end traveler. Those regions (e.g. Northern Europe, Portugal) are registering an increasing presence of travelers with elevate spending power, highlighting changing consumer trends and preferences for the high-end travelers, today more prone to satisfy their curiosity and experiment new forms of tourism. Deep dives for relevant cases will be provided in the second part of this chapter (including Greece, Switzerland, Portugal, Northern Europe and Eastern Europe).

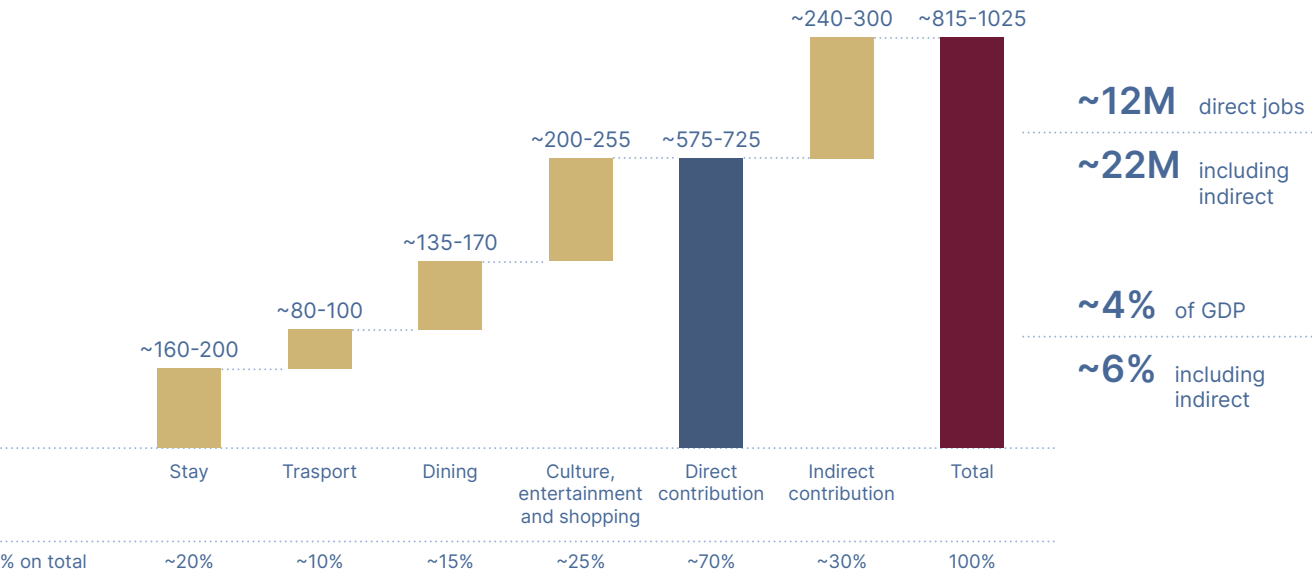
DIRECT AND INDIRECT ECONOMIC IMPACT

In this paragraph, we will analyze the direct economic impact of the high-end tourism, defined as the overall expenditure of a domestic or international tourist during their stay. Expenditure encompasses various categories, with culture, entertainment and shopping, and stay being the most relevant, followed by dining and transport.

Tourism direct economic contribution⁰⁷ in 2019 (before COVID disruption) was estimated at ~575-725€B, equivalent to ~4% of the European GDP. If we add up also the indirect contribution, tourism accounts for ~6% of the GDP.

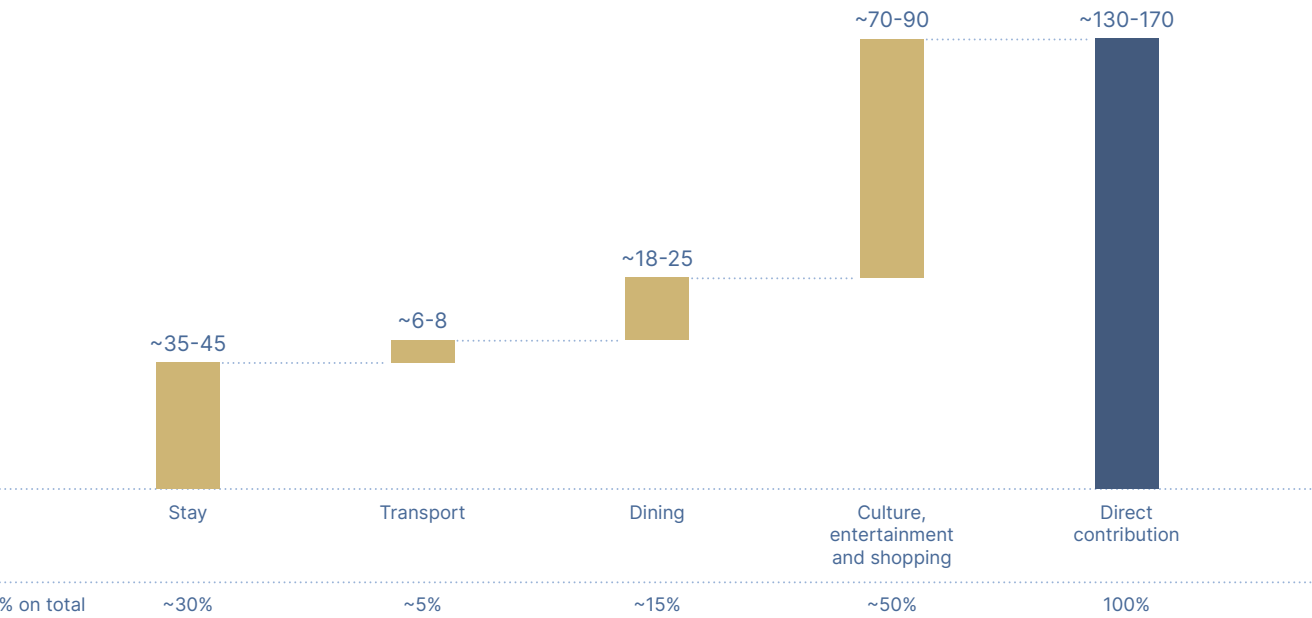
07. National and international tourists spending (incl. consumption taxes) for local transports, accommodation, food & beverage, shopping and other spending (such as, culture, entertainment, ...).

Figure 12 — European tourism key figures: overall tourism (€B | 2019)



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

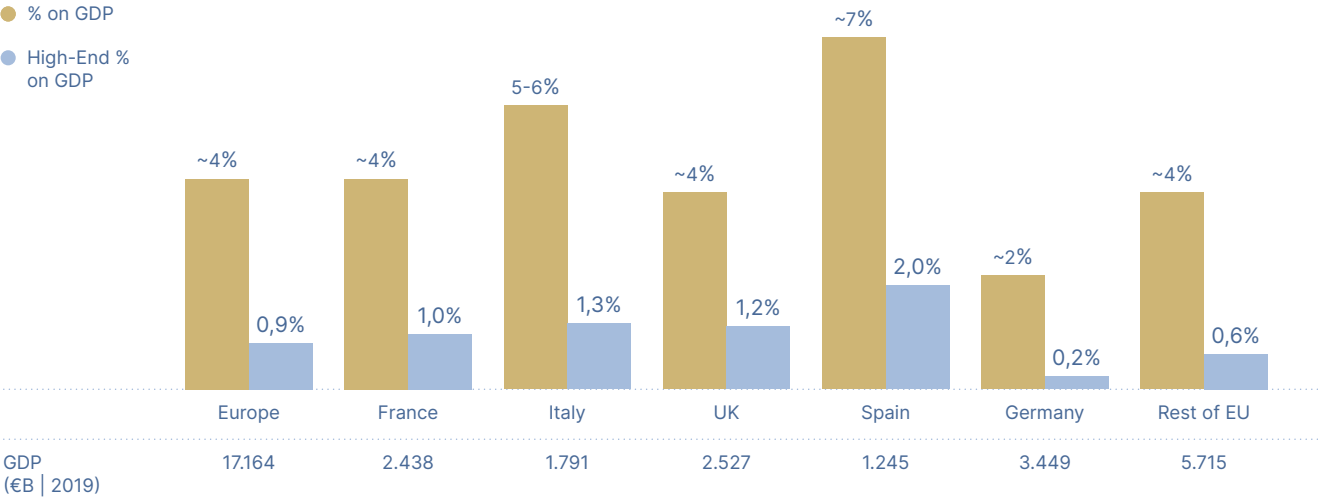
Figure 13 — European tourism key figures: direct contribution of high-end tourism (€B | 2019)



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

The importance of tourism is critical across Europe: in some countries the national direct economic impact reaches €80-100B, such as in France, Germany, Italy, Spain and UK, representing a significant share of the overall GDP. As said, in 2019, the business generated by tourism lied around 4% of the European GDP, with the high-end segment representing one fourth of the overall value, nearly 1%.

Figure 14 — Impact of tourism industry in Europe by country as a share of GDP (%) | 2019)

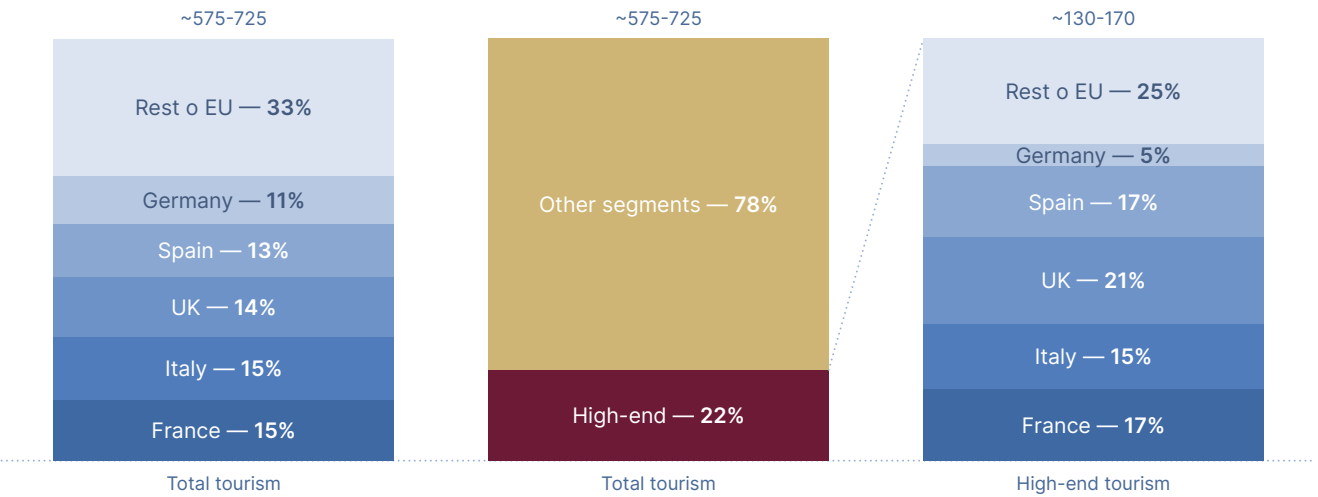


Note: Rest of EU includes remaining EU member states and Switzerland
Source: Bain elaborations on national statistics data, Altagama Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Within the 5 European countries of focus, tourism strongly contributes to the GDP, with variability by country up to a peak of ~7% in Spain of direct contribution on GDP; however, in the rest of Europe there are some realities in which tourism gives an even more substantial contribution to the growth potential, if not economic stability. In Greece and Portugal, for example, the overall tourism accounted for 15-20% of overall GDP in 2019 (direct + indirect contribution).

In 2019, given an overall tourism in Europe valued at ~575-725€B, as mentioned above, the five countries of focus represented ~67% of the overall industry. The high-end portion was considerably sizeable, reaching ~130-170€B, and compared with the tourism industry in general, this segment is even more concentrated towards the five countries of focus, which made up the ~75% of the value (see next figure).

Figure 15 — Tourism industry in Europe by country and by segment (€B | 2019)



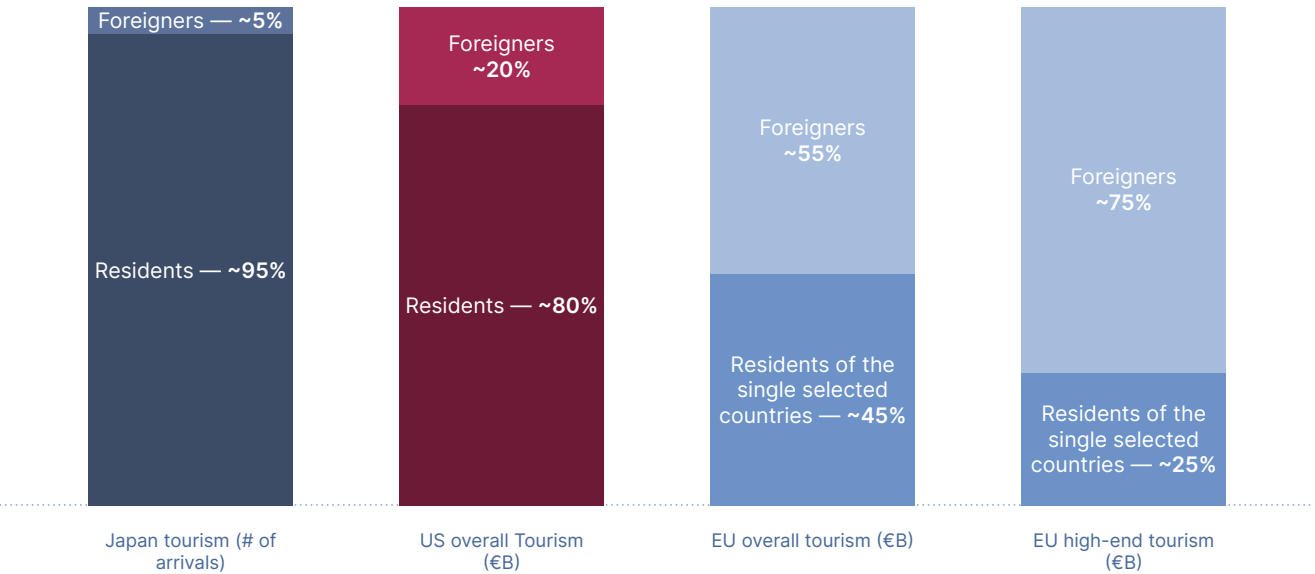
Note: Other Europe includes remaining EU member states
Source: Bain elaborations on national statistics data, Altagama Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

However, the value of rest of the Europe presents an untapped potential that could be catered. Indeed, some other countries' value proposition is completely in line with the needs and expectations of high-end tourists, thus providing a great opportunity for development. In Greece, for example, the percentage of five-stars hotels over the total was assessed around ~6% in 2019, a much higher figure than in other European countries (in Italy, France and Spain this value is ~2-4%). Moreover, this percentage increases even more if we consider some of the most luxury islands (e.g. 24% in Mykonos). Also, other European destinations are becoming part of the high-end travelers "wish list": Iceland, for example, became part of the list of the 15 most favorite destinations for billionaire travelers in 2019⁰⁸ and entered the top 10 of 2019 emerging destinations⁰⁹.

In Europe, most of the tourism expenditure is attracted from abroad (55%), especially if compared to other countries, such as the US, in which the percentage of value brought by national tourists is assessed around 80%. Also in Japan, the number of residents far exceeds the foreigners: 95% of arrivals are national (see global case studies below).

For the high-end portion only, the local component is even lower, representing less than one third of total tourists; there is therefore room for improvement, showing that Europe could better commit in incentivizing its residents to travel within their own countries.

Figure 16 — Tourism market by country of origin (2019)

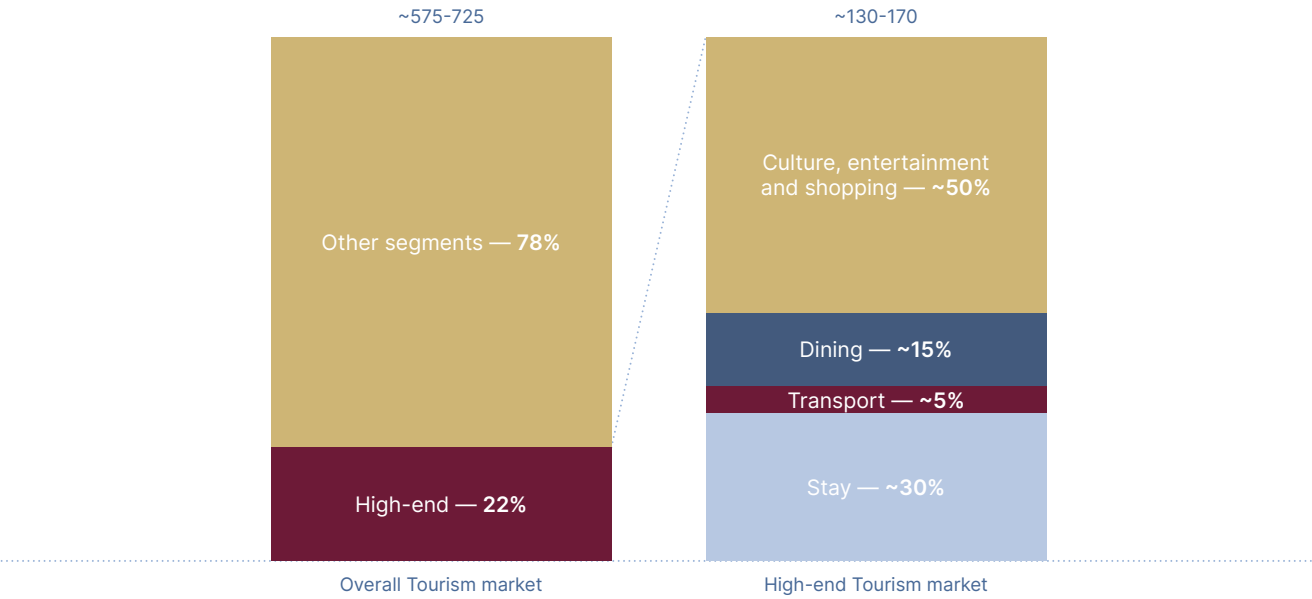


Note: Proxy considering only France, Germany, Italy, Spain and UK; residents calculated as sum of residents of these 5 countries traveling solely within their country. For instance, Italian tourists traveling to France are counted as "Foreigners".
Source: Bain elaborations on national statistics data, Altagama Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

From the economic standpoint, high-end tourism represents ~22% of the broader tourism expenditure in Europe and mainly includes four main categories: stay, transport, dining and culture, entertainment and shopping. Culture, entertainment and shopping are the categories in which tourists spend the most; in 2019, they made up ~50% of the overall spending, followed by stay (~30%).

08. Business Insider
09. Virtuoso 2019 Luxe Report

Figure 17 — Tourism industry in Europe by segment (€B | 2019)



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

Among these spending categories, culture plays a key role in fostering tourism, with an increasing interest of visitors in cultural experiences. Europe is a key cultural tourism destination thanks to an incomparable cultural heritage that includes museums, theatres, archaeological sites, historical cities, industrial sites, as well as music and gastronomy. The European Union estimates that cultural tourism accounts for 40% of all European tourism. The UNWTO expects that the interest for cultural tourism among Europeans will grow and that it will remain one of the key markets in Europe. Interestingly, cultural tourists spend 38% more per day and stay 22% longer than other tourists.

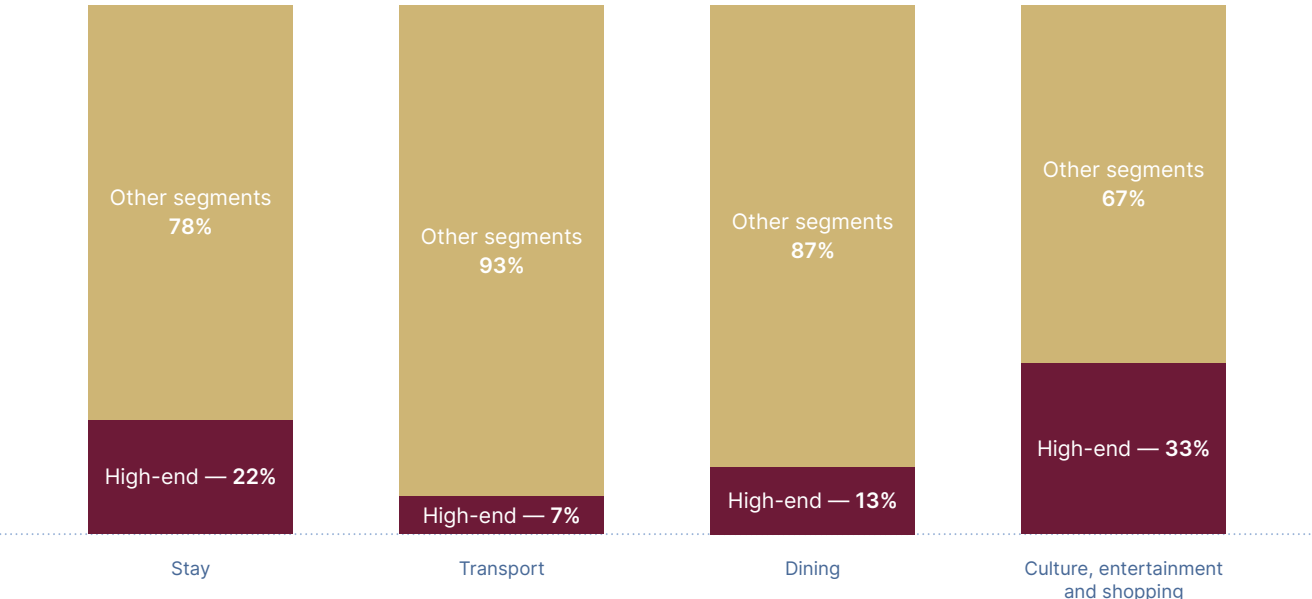
European museums, in particular, are extremely appreciated by tourists: in the UK, for example, out of ~166M of total arrivals per year, ~41M have visited one of the top 10 attractions¹⁰ (out of which 8 are museums), meaning that roughly 25% of tourists are interested in cultural activities. In France this percentage is a little bit lower, but still significant: out of ~175M of yearly arrivals, ~25M have been to one of the 10 most visited museums¹¹.

The role of culture is even stronger among the high-end segment: tourism is increasingly justified by cultural reasons, bringing to an increase in out-of-peak travels. Furthermore, high net worth individuals have also started doing charity to support the culture of countries they are passionate about, positively contributing to the development and maintenance of local economies and societies.

As can be noted from the next figure, the high-end segment contributes to one third of the overall spending in culture, entertainment, and shopping, and one fifth of the stay. The impact of the high-end segment is lower for transport and dining categories.

10. British Museum, Tate Modern, The National Gallery, Natural History Museum, V&A, Science Museum, Tower of London, Somerset House, Royal Botanic Gardens, Tate Britain
11. Louvre, Versailles, Centre Pompidou, Musée d'Orsay et de l'Orangerie, Musée de l'Armée, Branly, Petit Palais, Picasso, Ville de Paris

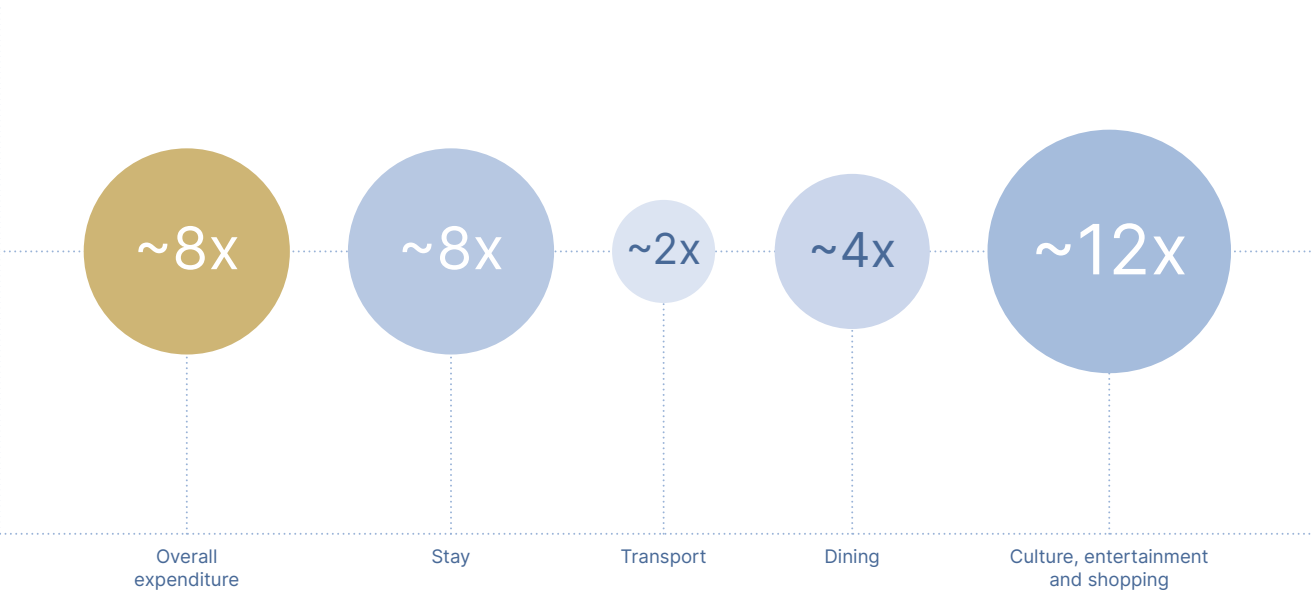
Figure 18 — Tourism industry in Europe by expenditure bucket and segment (€B | 2019)



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

In addition to the already mentioned “halo” effect benefit (the attractiveness generated by the high-end segment positively stimulates demand for all segments), the economic returns associated with high-end consumption are extremely high. In other words, a tourist who stays in a high-end facility injects into the economy a total spending per day which is 8 times greater than the average tourist. This benefit is reflected in the various expenditure segments:

Figure 19 — High-end tourists' expenditure as a multiplier with respect to other tourists' expenditure

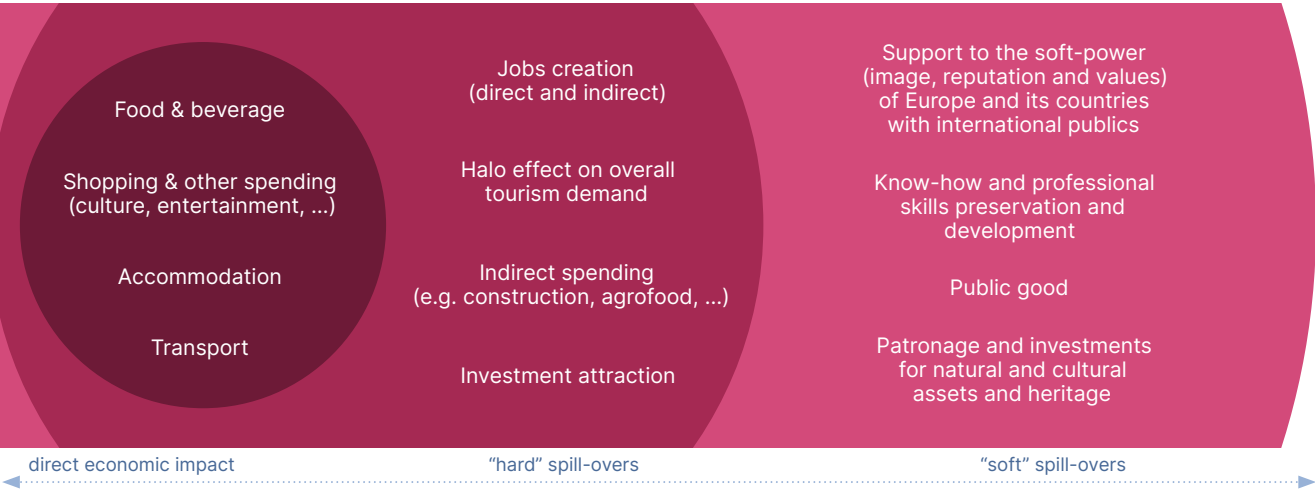


Note: Proxy considering the sum of tourism economies in France, Germany, Italy, Spain and UK
Source: Bain elaborations on national statistics data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

HARD AND SOFT SPILLOVERS

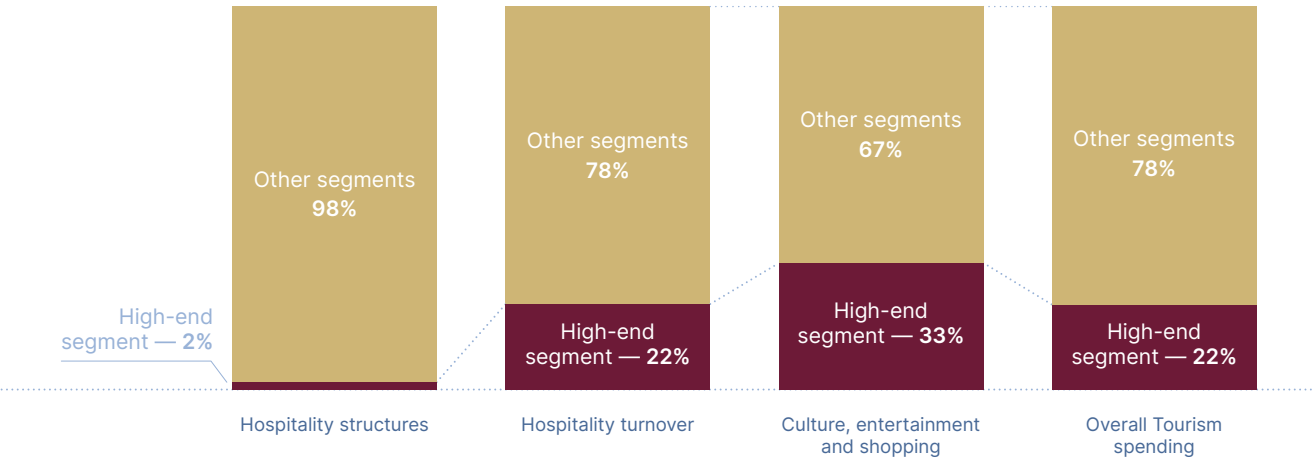
Tourism is a pillar for Europe. From an economic, social and cultural point of view; its contribution is expressed on a series of direct and indirect axes. In addition to spending for accommodation, in fact, there is an important component of consumption in other categories, as well as aspects related to the indirect effects on other sectors, to the attraction of capital and investments, and to the generation of direct and indirect employment.

Figure 20 — Tourism axes of value creation



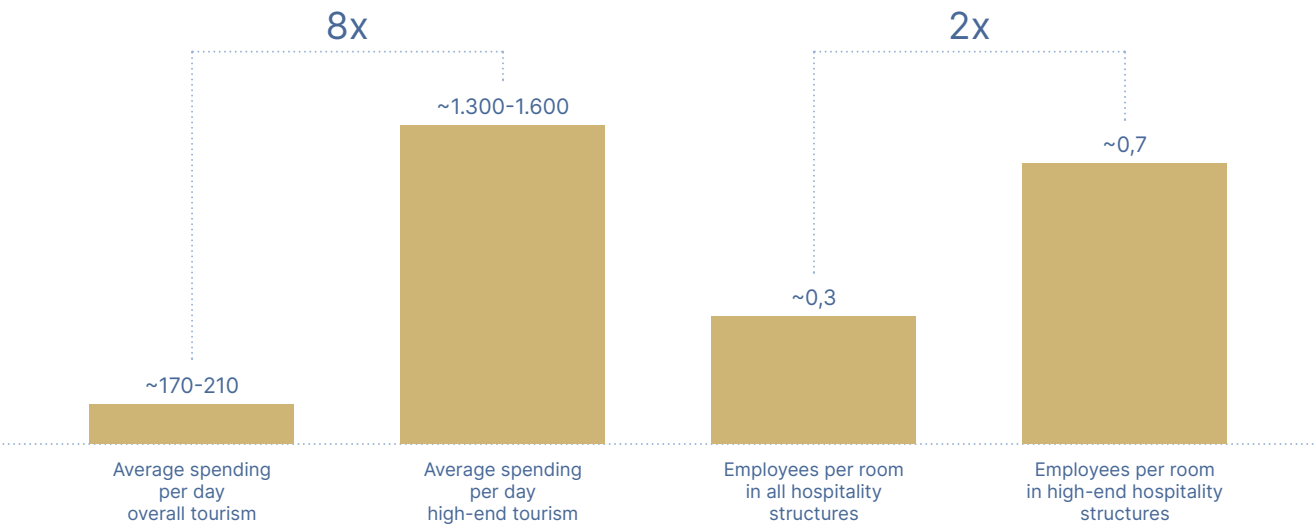
Within tourism, the high-end segment represents excellence and virtuous value creation. The high-end segment accounts for “only” 2% of the overall tourism hospitality structures but generates nearly ~32% of the European turnover. The spending of high-end tourists – those who chose as accommodation high-end facilities – generates 20-25% of the total tourists spending in Europe, with a spending per day ~8x higher than the average one.

Figure 21 — Virtuous value generation: the high-end tourism segments



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

Figure 22 — Average spending per day (€ | 2019) and employees per room (#, 2019)



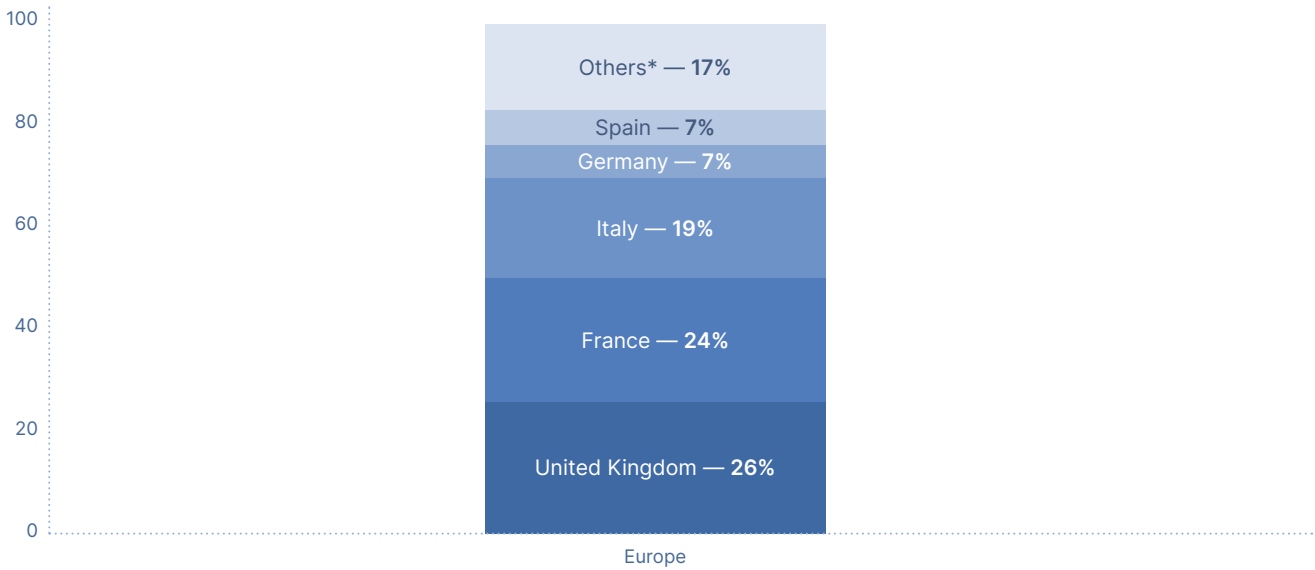
Source: Bain elaborations on national statistics data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

High-end tourism is a relevant catalyst of indirect spillovers: for example, the rate of employment given equal company size is higher and the employment generated by the high-end industries has grown by 4% CAGR 2014-18, in a context of a stagnant European labor market growing at a 1% CAGR; moreover, while the average number of employees per room in hospitality structures is equal to ~0,3, this number goes up to almost 0,7 when considering only high-end structures. Also, the investment in preservation of natural and cultural assets is higher. High-end tourism destinations and value propositions typically enjoy greater levels of search interest and visibility, resulting in a primary driver of the image of Europe and its countries. In addition, thanks to the halo effect generated by high-end destinations, demand for non-high-end tourism also increases. Finally, high-end tourism produces a strong cluster effect: where a high-end facility opens, other related activities and services benefit from the value generated by high-spending consumers drawn to the area.

Beside mentioning the impacts and outcome of high-end tourism, the analysis would not be complete without discussing its drivers. Looking at destinations, the factors that attract high-end tourism are multiple, among those: a variety of high-quality sites of interest (natural, historical, architectural), transportations, the presence of transport infrastructures and services (airports and private jets, stations and railways, marinas, etc.), the presence of high-end hospitality facilities and of strong hospitality brands, a network of attractive high-end stores for shopping, facilitation related to tax-free policies and visas, museums and galleries, an agenda of internationally relevant cultural and social events, restaurants, bars and clubs, etc. Moreover, in recent years, the high safety level of a location (political stability, low crime rates, a low probability of terrorist attacks) has become an increasingly important attraction factor when choosing a holiday destination.

Looking at the tax-free policies, it can be noted that the 5 selected countries contribute to more than 80% of the overall spending in the European elite tax-free industry; most of the spending is concentrated in UK and France, which sum up to 50% of the total value, followed by Italy, that contributes to ~20%.

Figure 23 — Distribution of elite tax-free spending in Europe (% , 2019)



Note: (*) others include all the other European countries
Source: Global Blue

In addition, champion global brands take a crucial role in attracting the interest of the global high-end consumers, considering for instance the number of museums and foundations hosted or owned by brands of personal luxury goods, which have become today relevant tourism landmarks.

Among other emerging attractions, local districts to deliver authentic experiences, such as high-end food and beverage delivered through visits at food establishments, wineries and whiskey distilleries (e.g. in France, Italy and Germany), or visits to manufacturing districts, such as the Motor Valleys in Germany and Italy, where the tourists can cultivate their passions and get informed on their interests.

Figure 24 — Examples of enablers and attractors of high-end tourism (not exhaustive)



Speaking more generally about tourism, Europe need to implement a low-bureaucratic and competition-neutral framework to remain innovative and competitive. This includes an efficient regulatory environment, reducing bureaucracy and investment obstacles in all areas (for instance lowering tax burden and ensuring greater flexibility of labor markets).

High-end companies invest significant amounts of their resources (managerial, economic, communication) in the preservation and promotion of the artistic and cultural heritage, architectural assets and natural assets.

For example, hospitality companies often have natural and cultural assets as an integral part of their proposition, which they maintain and promote (the structures themselves, works of art, the landscape contexts in which they are inserted), dedicating significant investments to them.

Moreover, our earlier study shows how European high-end and luxury brands spend on average 0.5 to 1%¹² of annual revenues on initiatives pertaining to artistic and cultural patronage.

These investments result in the maintenance and improvement of the “territory” that benefit not only tourists, but also the communities that live in these places, who can benefit (often for free) from the enjoyment of these public goods.

Moreover, the strength and attractiveness of high-end locations generate synergistic effects when the first high-end brands (of hospitality and related industries) settle in a destination: their presence, by attracting tourists with high spending potential, favors the development of related businesses and services, often managed and operated by local entrepreneurs and workers; furthermore, the success of a location, linked to its high-end aspects, generates a wider demand for that destination, from which the entire tourism sector benefits.

High-end tourism-related businesses require a significant level of talent and human capital, highly professionalized. In fact, to ensure certain standards of service, high-end companies have a higher number of employees than the average, regardless of size (e.g., 5-star hotels, and similar, compared to other structures, hire on average a number of employees per room 2 times as seen above) and directly invest in their training and professionalization, to safeguard and innovate the distinctive know-how. European high-end and luxury companies back a range of education and training programs geared towards nurturing creativity, incubating talent, protecting craftsmanship and boosting management and digital skills. These companies spend on average 0.5 to 1%¹³ of annual revenue on education initiatives and 1%¹⁴ on internal training programs. Additionally, they contribute to the enhancement of talent and expertise of partner suppliers and distributors, both informally, through day-to-day interactions and exchanges, and formally, through quality requirements and ad hoc training programs on, for instance, product characteristics and selling techniques. In so doing, the European high-end and luxury industries invest in protecting expertise and expanding talent and, by extension, in developing European competitive advantages.

High-end tourism is a context of digital acceleration, sustainability, and a culture of diversity and inclusion. The high-end consumer typically has a higher-than-average level of digital adoption, so high-end companies are investing to remain at the forefront of

12. Average of panel - survey conducted on members of ECCIA associations (2019)
13. Average of panel - survey conducted on members of ECCIA associations (2019)
14. Average of panel - survey conducted on members of ECCIA associations (2019)

digital, while also influencing the rest of the supply chain. Nonetheless, if from one hand there is the need to further push the digitalization processes, exploiting the untapped potential of the “Tourism 4.0”, some areas in which the human and personal contact is still a priority will remain digital-free (e.g. some travelers appreciate personal contact in hotels and restaurants). So, for the tourism industry, it is important to continue to position itself diversely, digitally as well as traditionally.

Sustainability is also a topic closely tied to high-end tourism. By definition, the concentration and accelerated growth of tourism ends up weakening the high-end value proposition of a destination. In this sense, there are axes of development in this industry that are leading to the rediscovery of secondary locations to allow for the continuity of growth in the segment, without overloading a limited number of destinations. In addition, virtuosity in the creation of value lends itself to sustainable tourism: by generating 8x average spending (vs. tourism in general), high-end can operate at a volume level / low traffic, generating profits and economic benefits for the system (taxes, jobs...). To conclude, since more than any other economic sector, tourism depends on the preservation of an intact environment and authentic culture, high-end companies have to implement sustainable tourism development activities to preserve livable natural and cultural habitats as well as protecting the environment and climate. At the same time, a resurgence in tourism is accompanied by increased traffic flows. To conclude, clever economic solutions are needed in this field to limit the associated impacts on climate, environment and health.

Finally, the high-end companies, closely linked to international customers’ specificities, promote inclusion as center of their culture. They know how to welcome and how to respect and celebrate a heterogeneous public.

European high-end brands, through the experience they provide, the communication they spread have a significant impact on the reputation of the countries in which they operate. This is especially true due to their privileged relationship with international travelers, who integrate this superlative travel experience into their own personal narration of Europe, therefore making them natural ambassadors of European qualities. Tourism hospitality is indeed crucial to transmit the idea of Europe as a vector image.

CONSIDERATIONS ON COVID SHORT AND LONG TERM IMPACT

— The travel market

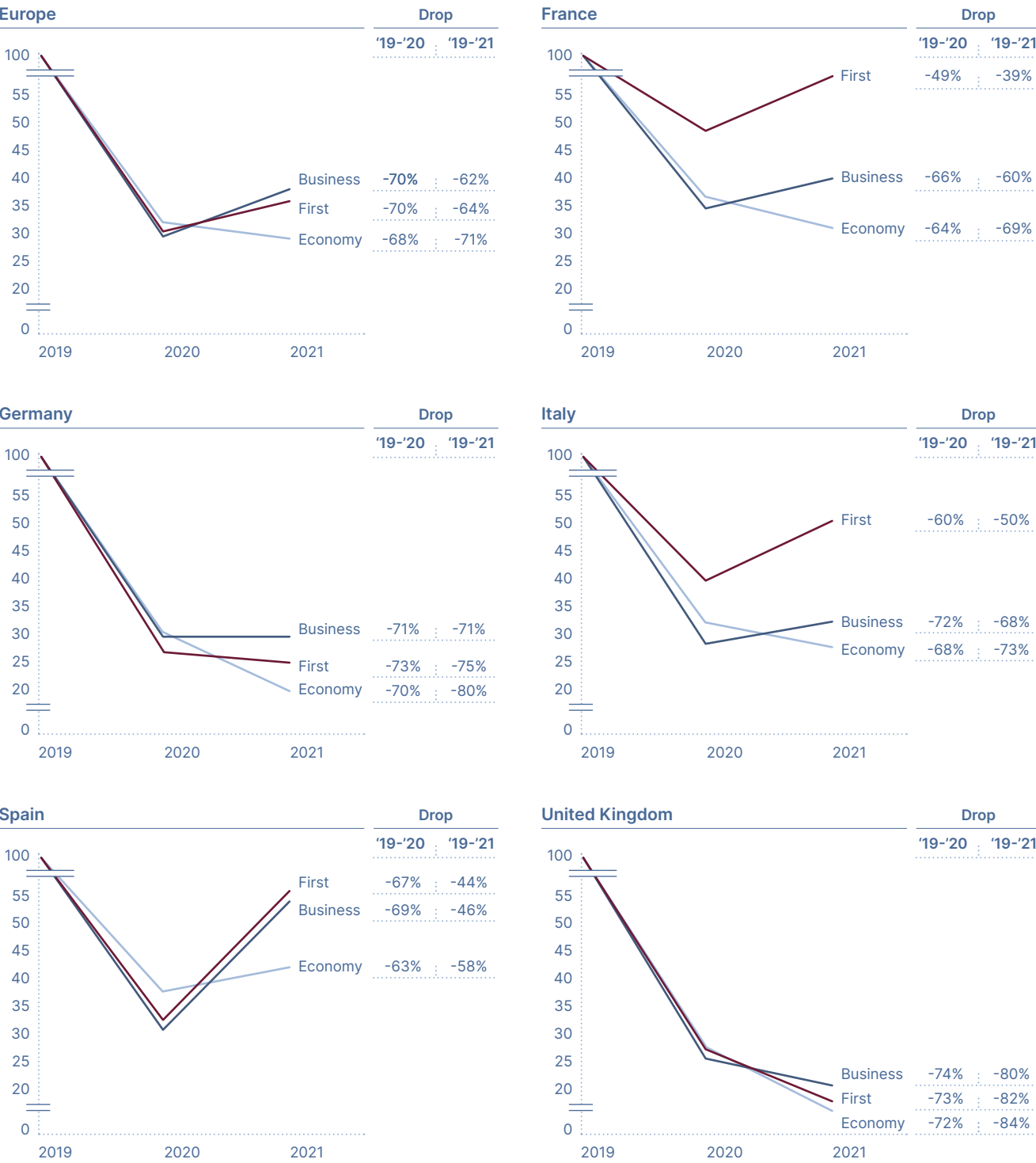
One of the sectors most affected by the COVID-19 crisis is the tourism sector.

At European level tourism flows had a drastic drop. For example, high-end airline passengers decreased by 70% in 2020 vs. 2019. In 2021, recovery for high-end passengers was faster than economy passengers, across key European countries (excluding UK and Germany), still posting a -64% overall vs. 2019.

France, Spain and Italy posted a recovery of high-end tourism better than average, with first class travelers respectively at -39%, -44% and -50% vs. 2019. Much slower recovery observed in Germany and UK, with first class travelers still at more than 70% less than 2019 (worst in UK with -82%).

In economic terms, it’s safe to assume that 60-70% of high-end tourism value generated by international travelers was lost, which correspond to nearly €65-75B. This figure would increase even more, considering that the restrictions have impacted negatively the tourism from residents as well.

Figure 25 – Flights recovery by cabin class by country, # of passengers, indexed to 2019 level, %



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

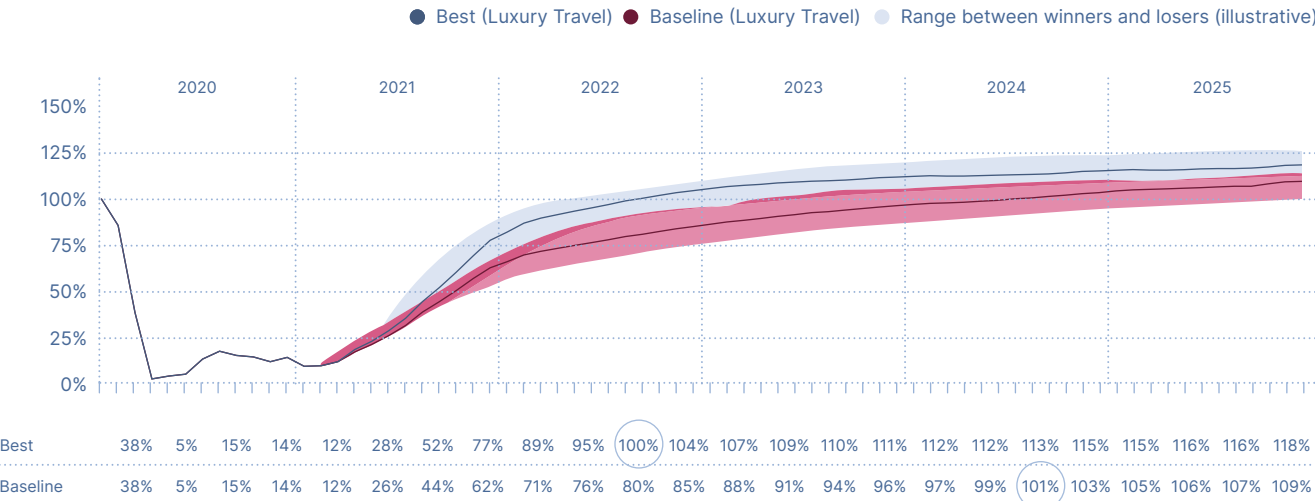
The travel data observed and various structural differences lead to believe that the high-end segment will recover faster vs. the total market.

Figure 26 – High-end Air Travel vs. Total Air Travel

HIGH-END TRAVEL VS. AIR TRAVEL	WHY FASTER RECOVERY	WHY SLOWER RECOVERY
BETTER HISTORICAL GROWTH PERFORMANCE	⬆️ High-end travel has historically outgrown the rest of the travel market (by ~3-5pp*)	❓ COVID-19 may have introduced structural shifts in market segments performance
SELLING TO HIGHER SPENDING CUSTOMERS	⬆️ Good financial situation of core customer segment, represented by wealthy individuals	❓ Financial investments may have been impacted by COVID-19 and current market uncertainty
FREQUENT AND LOYAL TRAVELERS	⬆️ Recovery driven firstly by frequent travelers , who report robust intent to return	❓ COVID-19 may have introduced structural shifts in consumer behaviors
OLDER CORE CUSTOMER SEGMENT (50+ years old)	⬆️ Older segment likely to be vaccinated in the early stages of the rollout plan	⬇️ Older segment most affected by the pandemic and more likely to be scared
TAILOR-MADE, MORE INTIMATE EXPERIENCES IN REMOTE PLACES	⬆️ Travelling in small groups to remote locations can prove more attractive and safer	❓ Hygiene standards and vaccination rate can vary by country
LESS IMPACTED BY AIR CAPACITY CONSTRAINTS	⬆️ More business class seat capacity made available by fewer traveling business executives	❓ Potential constraints coming from airlines

In a base scenario, the high-end travel is expected to return to 2019 level by 2024, but in the best-case scenario, winners will benefit from an accelerated recovery (>100% already in 2022 vs. 2019), gaining market share vs. competitors.

Figure 27 – International high-end leisure air travel market, Pax, indexed to 2019 level, %

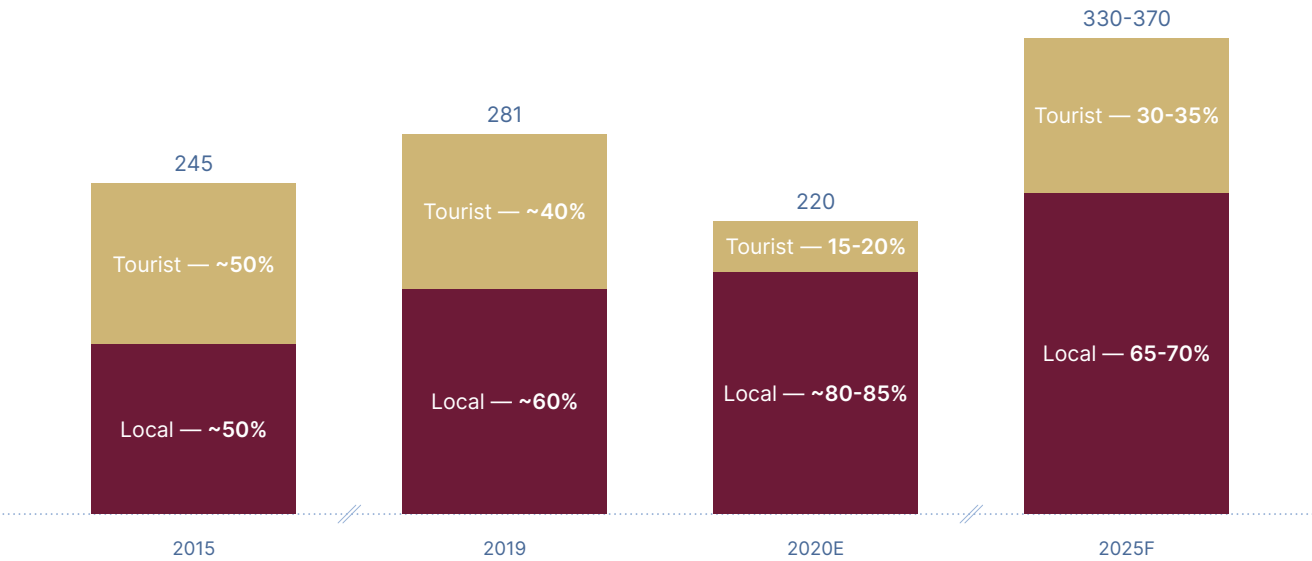


Note: The curves include all O/D passengers from region A to region B and vice versa, indexed to 2019 levels
Source: IATA; Oxford University; John Hopkins University; OECD; IMF; EIU; UNWTO; World Bank; IndexMundi; Numbeo; Bain analysis

However, it is not granted that his global scale recovery will benefit Europe in the same proportion as before. Indeed, several factors may reduce the relative attractiveness of European destination vs. other intra-regional and local ones in some of the most strategic sourcing markets like the Asian ones, and China in particular: from the recent and current development of relevant destinations in the region to governments' policies to sustain local consumption and tourism.

That is why, despite the progressive recovery of tourism shopping for personal luxury goods, most of the market growth will be local. Given the historical exposure of the European markets to tourism shopping this is a missed opportunity, which could be mitigated by a stronger tourism value proposition.

Figure 28 — Personal luxury goods market: local vs. tourist (€B | 2019-2025F)



— Consumer trends and favorite travel experiences

Due to the pandemic, consumers have increased their demand for certain aspects such as: “anxiety reduction”, “risk reduction” and “affiliation and belonging”¹⁵. These changes will affect tourism for the longer term, due to the higher perceived risks associated to travelling (especially long-distance one).

More broadly there is a set of consumption trends that COVID-19 has consolidated and accelerated, most of which represent great opportunity for the tourism value proposition. For example, “Health! Health! Health!” increases opportunity not only in the areas as tourism as 360° wellbeing and opportunity to relax, but also innovation in the field of medical tourism. The increased demand for personalization insists on one of the critical success factors of high-end hospitality and tourism, inviting to define the next level of personalization in experiences and services (from concierge services to the value proposition itself). The increasing awareness of the value of time and space is encouraging travelers to prefer destinations where spiritual and meditative experiences are offered.

15. Bain Elements of Value®

Figure 29 — Transversal consumer trends and implications for tourism

TREND	DEFINITION	EXAMPLE OF IMPLICATIONS FOR TOURISM
SELF-EXPRESSION	Feverish desire to affirm one's own uniqueness, overcoming the tension between belonging (to a community) and being (an individual)	<i>Travel experiences as part of one's identity definition and communication</i>
HYBRIDIZATION EVERYWHERE	Overcoming the frontier of casualization, embracing alternative perspectives vs. the established norms (formal vs. causal, female vs. male, home vs. office, winter vs. summer)	<i>A new attitude in high-end tourism, which opens to more casual experience and the research of a more "adventurer" component</i>
NATURAL, ORGANIC, FUNCTIONAL	Restoring the umbilical cord between mankind and Earth ("Friday for the future", "there is not planet B", organic, multi-use, low-impact, recycl-ed/able, ...)	<i>Demand of tourism value proposition which respond to new standards of excellence which include good for me, good for the society, good for the planet</i>
CULTURAL HUMANISM & SELF-IMPROVEMENT	Redefinition of what it means to be human individually and collectively (Sustainability, Diversity, Equity and Inclusion, ...); Culture from intellectual status to engine of human progress	<i>Critical importance and value of cultural experience when travelling, including "education" tourism (i.e. living in a city for some weeks to take classes to progress one's education)</i>
HEALTH! HEALTH! HEALTH!	As spaces and time are filled by luxury products and experience, a willingness to invest on the most basic need: survival. Not just "therapeutic luxury consumption" but consumption of "luxury therapies"	<i>Development of services and value proposition which integrate tourism with wellbeing (i.e. medical tourism, medical retreats, ...)</i>
MEANINGFUL TIME & SPACE	A new awareness in the value of time (short in absolute term, eternal in confinement) and space (the liberation of virtual in the era of physical confinement) reshaping the understanding of reality	<i>Demand for experience with the potential of (small or big) transformation</i>
PERSONAL (SAME, SAME BUT PERSONAL)	Rising request of personal (and personalized) services to achieve excellence across all aspects of being (personal-styling, personal-trainer, personal-coach, personal-chef)	<i>Demand for the ultimate level of personalization across all aspects of tourism experience (travelling, staying, tasting, discovering), not just personalization but also anticipation.</i>

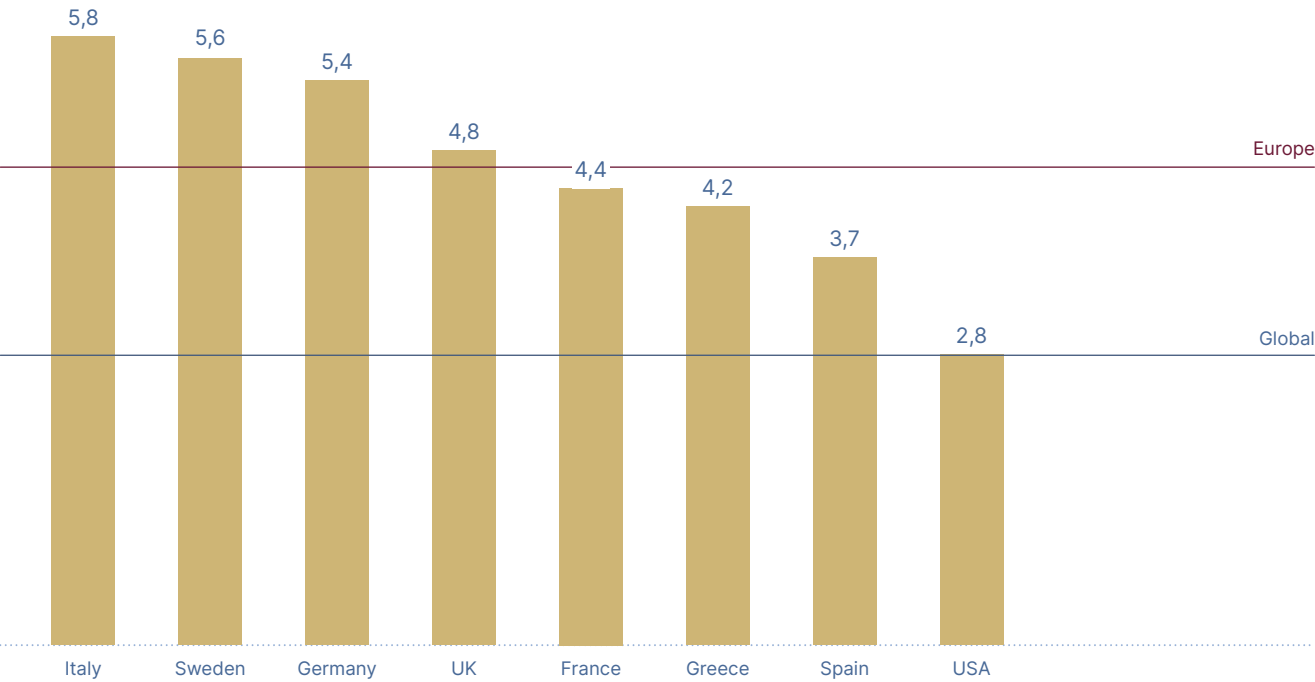
In order to respond to the new trends and needs of the consumers and travelers, Europe must secure that its range of activities and experiences provided satisfy the increasingly demanding needs.

It is certain that travel in Europe can unfold in an amazing variety of experiences¹⁶, among which the top ones recognized by the high-end traveler are: the widespread high quality offer of food and wine, the natural assets, the historical, cultural and artistic heritage, the shopping experiences, the centers of manufacturing excellence, the countless fairs, exhibitions, business events that attract thousands of visitors each year, the cultural and musical festivals. Among leading factors, a growing interest for a sustainable tourism proposition.

These combined elements create a unique offer in the world, which also constitutes a strategic lever for the development of the entire high-end sector.

A first interesting data point to consider is the average number of experience types a high-end traveler chooses to make during a trip within a certain destination. The richness of the European offer is evident by a wider number of experience types vs. global average (4.5 experience types on average vs. a global figure of 2.8 per trip). Among the countries analyzed, Italy is at the top of the list, as the country is chosen for a multiple number of experiences (almost 6 per trip), followed by Sweden and Germany. France, Greece and Spain rank next but record a lower number of activities per trip compared to the European average. Nonetheless, all European destinations perform well above the global and US average values of 2.8 experiences per trip.

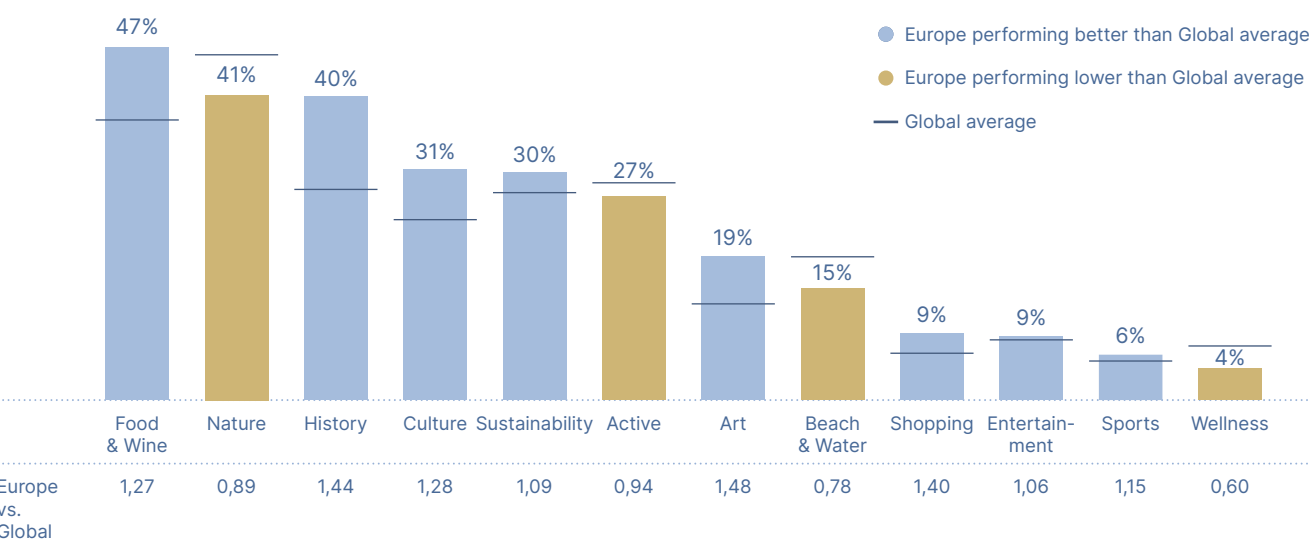
Figure 30 — Average number of experience types per trip per country (# | 2021)



Source: Bain elaborations on Virtuoso Wanderlist Data

16. 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

Figure 31 — Most desired experience types in Europe by high-end travelers (%) | 2021)



Looking at which types of activities are preferred, Europe performs above worldwide average for most experience types (see previous figure), with clear strengths in Food & Wine, History, Culture & Art and Sustainability. Nevertheless, there are some experiences that could be improved both in terms of offer and (mostly) in terms of communication, to better capture and retain a larger share of the wealthier traveler. The first one is the “Nature tourism”, today ranking second among the favorite experiences in Europe, but showing a share of preference below global average, thus evidencing a clear opportunity to better leverage the widespread natural assets across the European territory (including natural sites and parks within secondary destinations). Tourism for sport (“active”), beach and wellness are other of the experiences currently scoring below global average, presenting room for improvement in the value proposition.

A FULL POTENTIAL FOR EUROPEAN HIGH-END TOURISM AND RECOMMENDATIONS TO UNLOCK IT

Considering the insights and elaborations of the previous paragraphs, it is evident that there is room for Europe to unlock a wider and beneficial potential from the high-end tourism, producing a positive amplification effect on both hard and soft spillovers.

On a base case view, considering the expected growth of high-end travelers, the European high-end tourism could reach a full potential of ~€280B, just by defending its share of positioning on the growing segment of high-end travelers (expected at 6% growth¹⁷). However, Europe could adopt a number of initiatives to act on three different levers:

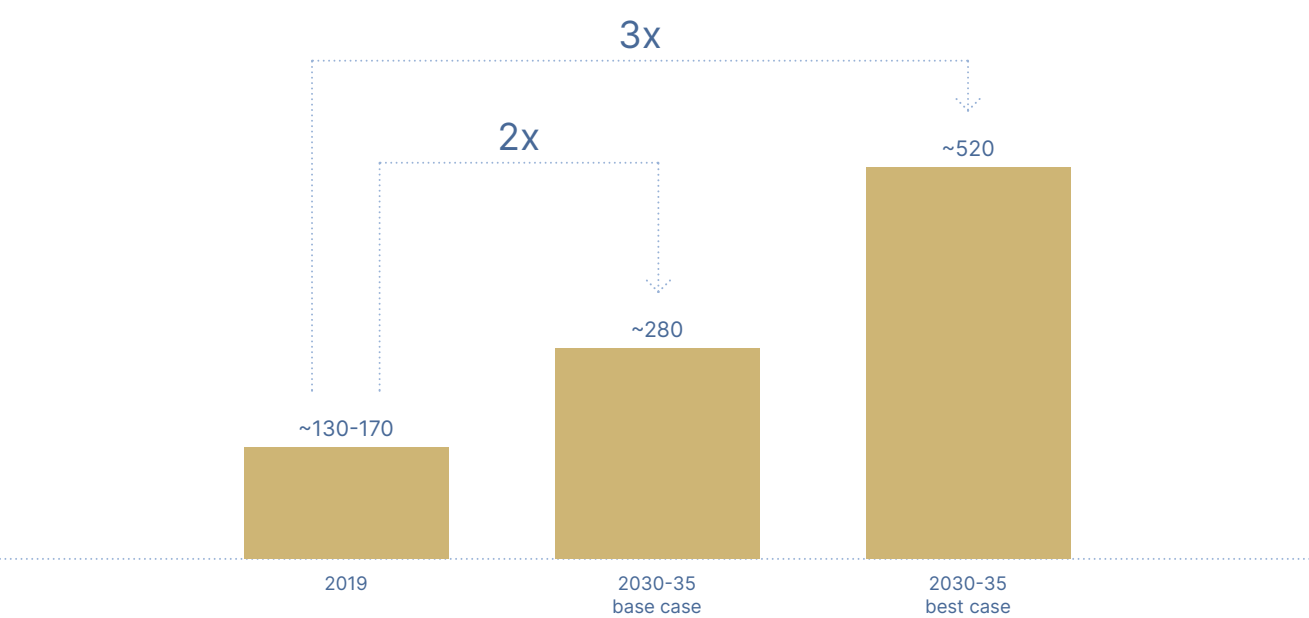
- the share of high-end tourist captured (that could increase through initiatives such as visa facilitation policies, expansion of the number of appealing destinations in countries considered “non core”, and so on)

17. Source Global Data

- the average spending (by the enhancement of the level of services and the overall value proposition, that could drive a premiumization of the offer)
- the number of days (again, by multiplying the number of visits through new destination becoming appealing to high-end, or by introducing new occasions of visits in the current core destinations by amplifying the event calendar)

The combined effect of the levers could bring the full potential for European high-end tourism to a value as high as ~€520B (best case scenario).

Figure 32 — Value of high-end tourism at 2019 and full potential scenarios (€B | 2019 – 2030-35F)



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

The 2 scenarios presented rely on two main groups of conditions that we “need to believe” will happen:

- In both cases, that Europe will be able to maintain at least its current penetration in the number of high-end tourists and same number of days spent
- For the most ambitious scenario, that a number of elements of the European value proposition will get an integrated push for improvement

In order to make it happen, a key proposal would be to establish a working table, either ad hoc or as extension of possible tables already in place, to focus on the high-end segment of tourism, for the following reasons:

- It is more resilient to crises / outbreaks (as experienced with Covid-19) and in faster growth
- It produces relevant and virtuous spillover effects, more than proportional than overall tourism (as evident from the multipliers on the overall expenditure – 8X, and in particular on the expenditure in culture, entertainment and shopping – 12X, as exposed above)
- It creates a halo / driving effect on the broader tourism demand, across segments
- It is 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)

Among the objectives that the high-end tourism working table would design and activate, **five proposals** appear truly relevant, to be placed on top of the working agenda, as result of analyses presented in this paper and the insights gathered:

1. Investments and incentives to develop a value proposition for **sustainable tourism**. This purpose would include (a) addressing and preventing the phenomena of over-tourism and (b) fostering all the initiatives related to a touristic proposition aligned with the concept of green economy and the Sustainable Development Goals
2. Development focus and communication doubling down around **"Nature tourism"**, to fill the gap vs. the rest of the world on the research in Europe of the nature experiences, very attractive for the worldwide travelers. In particular, this would help activating opportunities on a list of European destinations considered secondary, both in terms of entire countries and secondary locations within the established ones
3. Investments in **infrastructures to favor the mobility** of the high-end tourist across European countries (EU plus UK and Switzerland)
4. Harmonization and **facilitation of visa policies** and other initiatives to attract key segments on global scale (e.g. China)
5. Enhancement and promotion of a hospitality & tourism learning **education system** (with focus on high-end), with the ambition to become a recognized center of excellence and reference point at global level, building on the current good starting point in selected countries to bring Europe overall to high quality. In addition, a relevant, complementary initiative would be the improvement and facilitation of mobility to foster employment and employability

Deep dive

— By country

The case studies confirm how high-end tourism is a strategic resource for many countries in European and non-European countries.

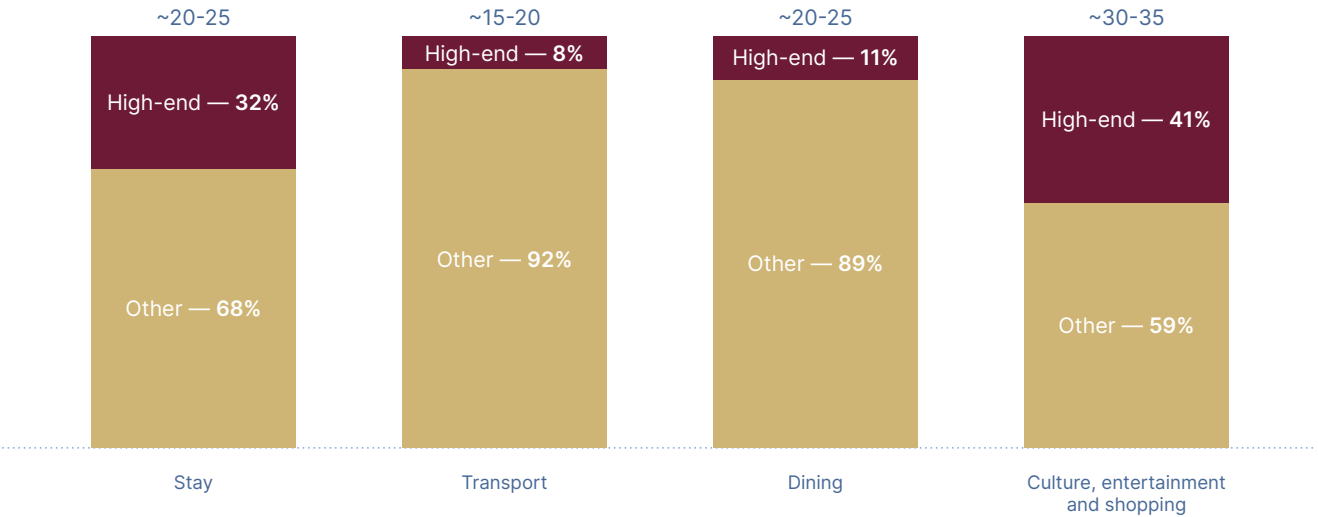
They also offer insights on some key success factors for attracting high-end tourism.

FIVE EUROPEAN COUNTRIES OF FOCUS

— France

The tourism in France accounts for a total turnover of ~€85-100B, almost equally split between foreign and resident tourists. The high-end segment only is worth around ~€22-27B and it is mainly driven by foreign tourists.

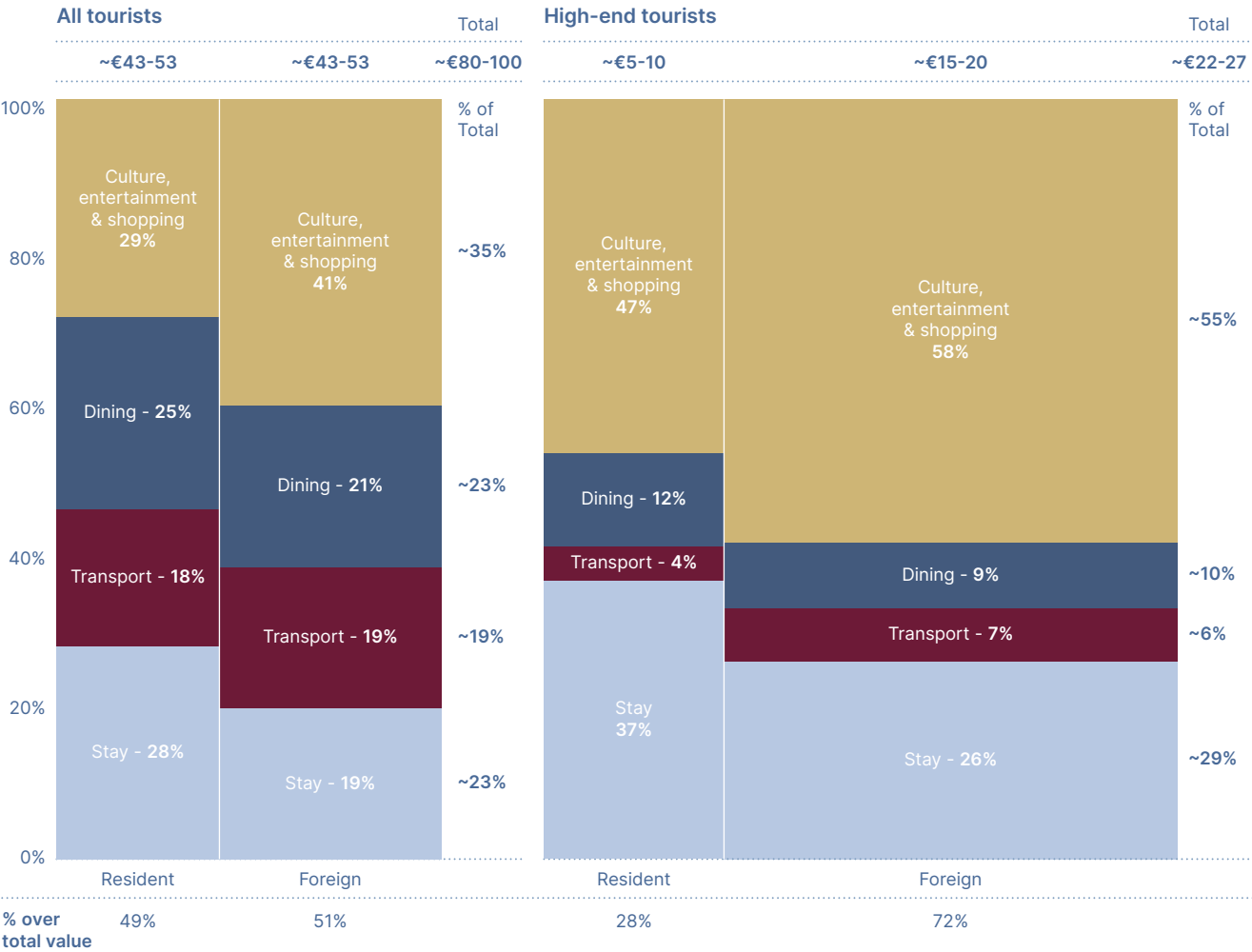
Figure 33 — Total turnover by expenditure segment (€B | 2019)



Source: Bain elaborations on national statistics data, Altgamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

As mentioned, overall tourist expenditure is fairly divided among resident and foreign tourists, which each contribute to ~50% to the total turnover; on the other hand, high-end expenditure is led by foreign tourists, who give high importance to culture, entertainment and shopping (~55%).

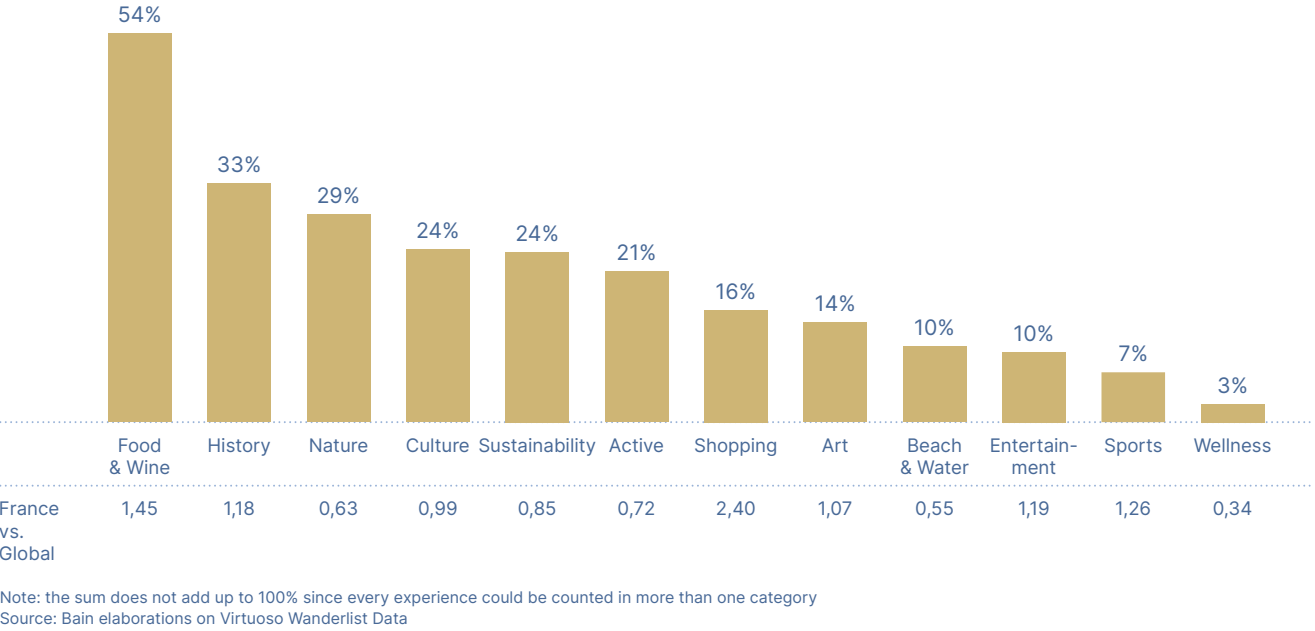
Figure 34 — Tourism in France: total expenditure of tourists by category (€B | 2019)



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

Taking a closer look at tourists’ favorite activities when visiting France for high-end tourists, interest falls predominantly on Food&Wine and History, confirming France’s great heritage in these areas. Moreover, France performs better than the global average not only in the above-mentioned categories but also in the offers of shopping experiences. Indeed, despite shopping ranks 7th among the favorite experiences in France, it performs 2.4 times better than global average in terms of attraction. On the other hand, even if natural experiences are the third source of attractiveness for France, the country has the opportunity to improve further the frequency of visits for nature compared to global average, better leveraging the communication of its landscapes and natural proposition. Likewise, France could push more for the provision and communication of sustainability-related experiences, a field that is becoming increasingly attractive to tourists and consumers in general.

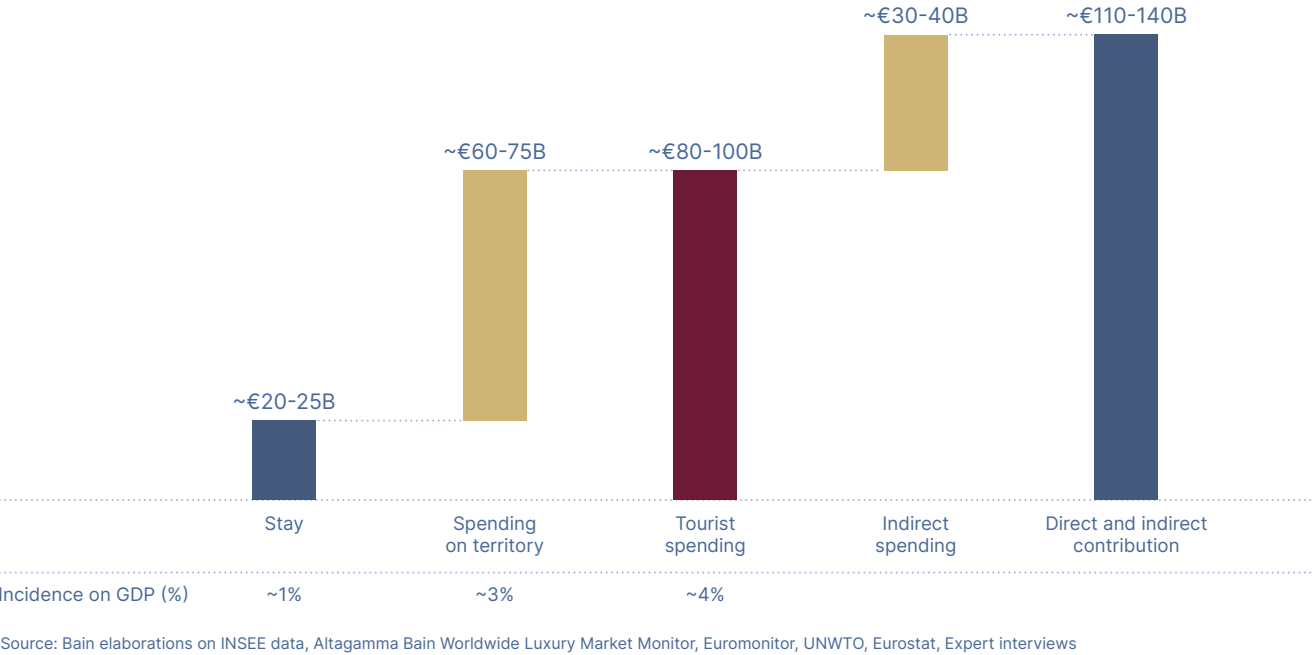
Figure 35 — Preferred experience by high-end travelers in France (%) | 2021



France's total tourist spending accounts for ~4% of GDP (2019) with accommodation services accounting for ~1% of total GDP (2019). On top of the tourist spending, an indirect effect also contributes to enrich the country's economy by influencing changes in sales, income or employment for backward-related industries that provide goods and services to tourism businesses in a region.

In France, this indirect effect equals the ~40% of direct spending, boosting tourism total contribution to ~€110-140B.

Figure 36 — Total tourism contribution (2019)



The stay industry is a niche of excellence: ~2% of structures generate ~32% of revenue and ~26% of tourist spending. More than 250K people are employed in this sector.

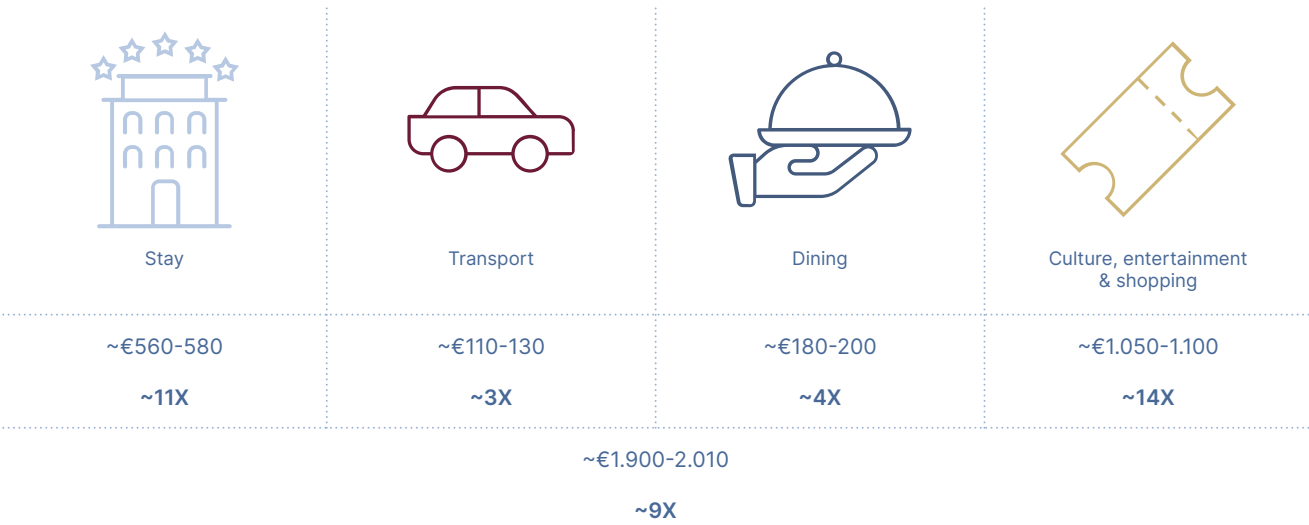
Figure 37 – Stay KPIs



Source: Bain elaborations on INSEE data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

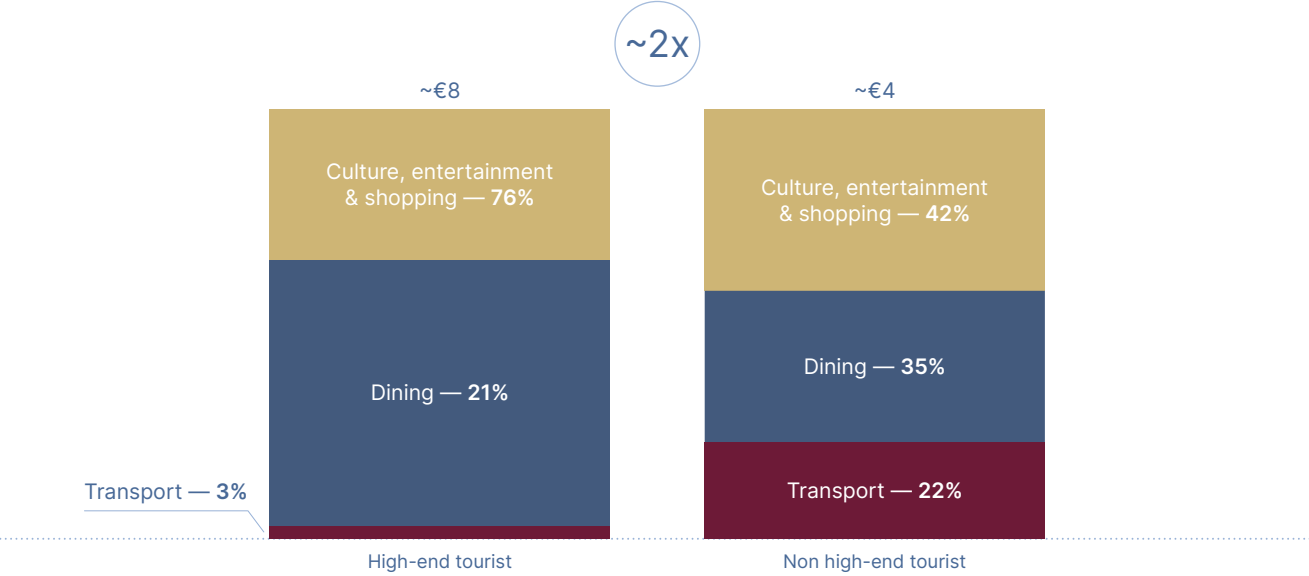
As already mentioned, high-end tourism has a virtuous and multiplier effect on expenditure; the high-end tourist, indeed, spends ~9x the average tourist; in hospitality, in particular, it generates ~€8 of consumption for every euro spent, as compared to the ~€4 generated by an average tourist.

Figure 38 — Average spending per day of tourists staying in high-end facilities and ratio vs. other tourists, by expenditure segment (€ | 2019)



Source: Bain elaborations on INSEE data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Figure 39 – Split by category of the value generated by 1€ of spending in stay (2019)



Source: Bain elaborations on INSEE data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

The high-end tourism proposition in France is highly concentrated at a geographic level and communicated very clearly and consistently at the same time. ~55% of luxury hotel rooms are in Paris, and, out of 638 French Michelin starred restaurants, 115 are located in the capital. Similarly, visits to top cultural sites focus on Paris (~87% of total top 25 museum visits).

France also demonstrates a greater efficacy in communicating the high-end proposition vs. other peers (such as Italy) suffering for fragmentation. For instance, although Italian wines are more popular in volumes than French wines abroad, the average premiumness is lower: the average price of French wines is double and the number of bottles of wine sold for “premium” appellations (defined by experts considering average price point and prestige) is much higher. In particular, the Champagne brand has an unparalleled evocative power, with the #champagne appearing in more than 15M Instagram posts in 2019.

The French capital is able to attract millions of tourists each year also thanks to the variety of events it offers at different times of the year. Besides the well-known signature events (such as the Fashion weeks, the Premiere Vision and the Nuit des Musées, during which public is allowed to visit Parisian museums for free), the city also brims with other cultural and sporting events: The Grand Prix d’Amérique (world’s greatest harness racing event), Roland Garros (one of the world’s four grand slam tennis tournaments), Paris Jazz Festival and Paris Quartier d’Eté (free performances of circus, theatre, dance and concerts in Parisian squares, parks and monuments), just to name a few.

Moreover, France offers a wider spectrum of attractions, such as ski stations (e.g. Courchevel), other summer destinations (e.g. Côte d’Azur and south western France for surfing), culture specific destinations (e.g. Loire Valley), and wine sites (e.g. Champagne, Bordeaux and Bourgogne).

France is historically the tourism destination per excellence, able to continuously enrich and reinvent its high-end tourism proposition through the “experiential travel”, a proposal

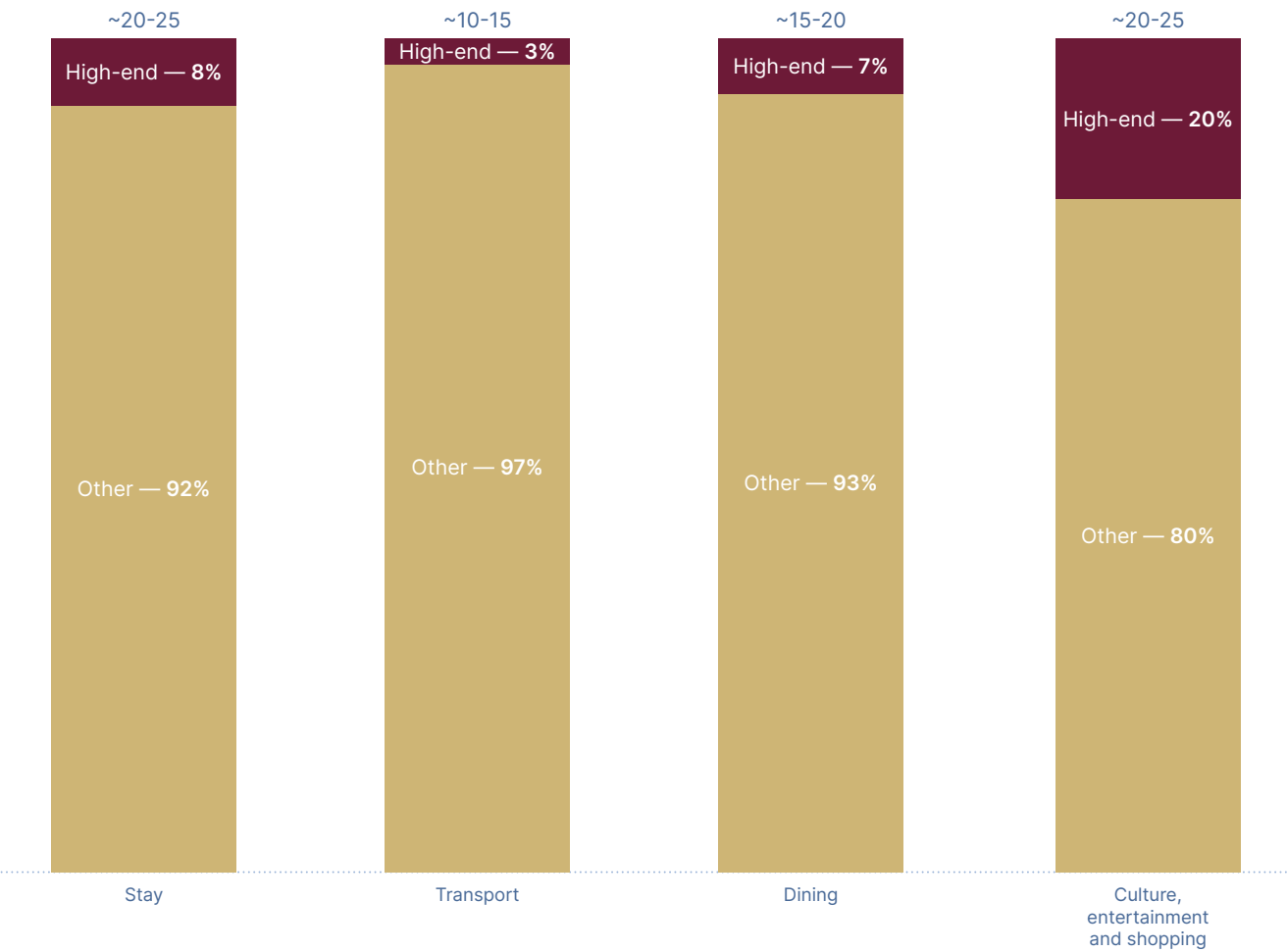
that besides touching the French culture and traditions, also makes the tourist the real protagonist. Among the proposals, you can produce your own champagne in private wine cellars, experience private life in the Louvre, relax in a luxurious spa in the snow, or shop with personal stylists.

In 2020-21 tourism in France was heavily affected by COVID outbreak. In economic terms, in 2020 it is estimated that France has lost ~€10-15B in terms of high-end tourism expenditure deriving from the drop of foreign tourists. This figure would increase even more, considering that the restrictions have impacted negatively the tourism from residents as well.

— Germany

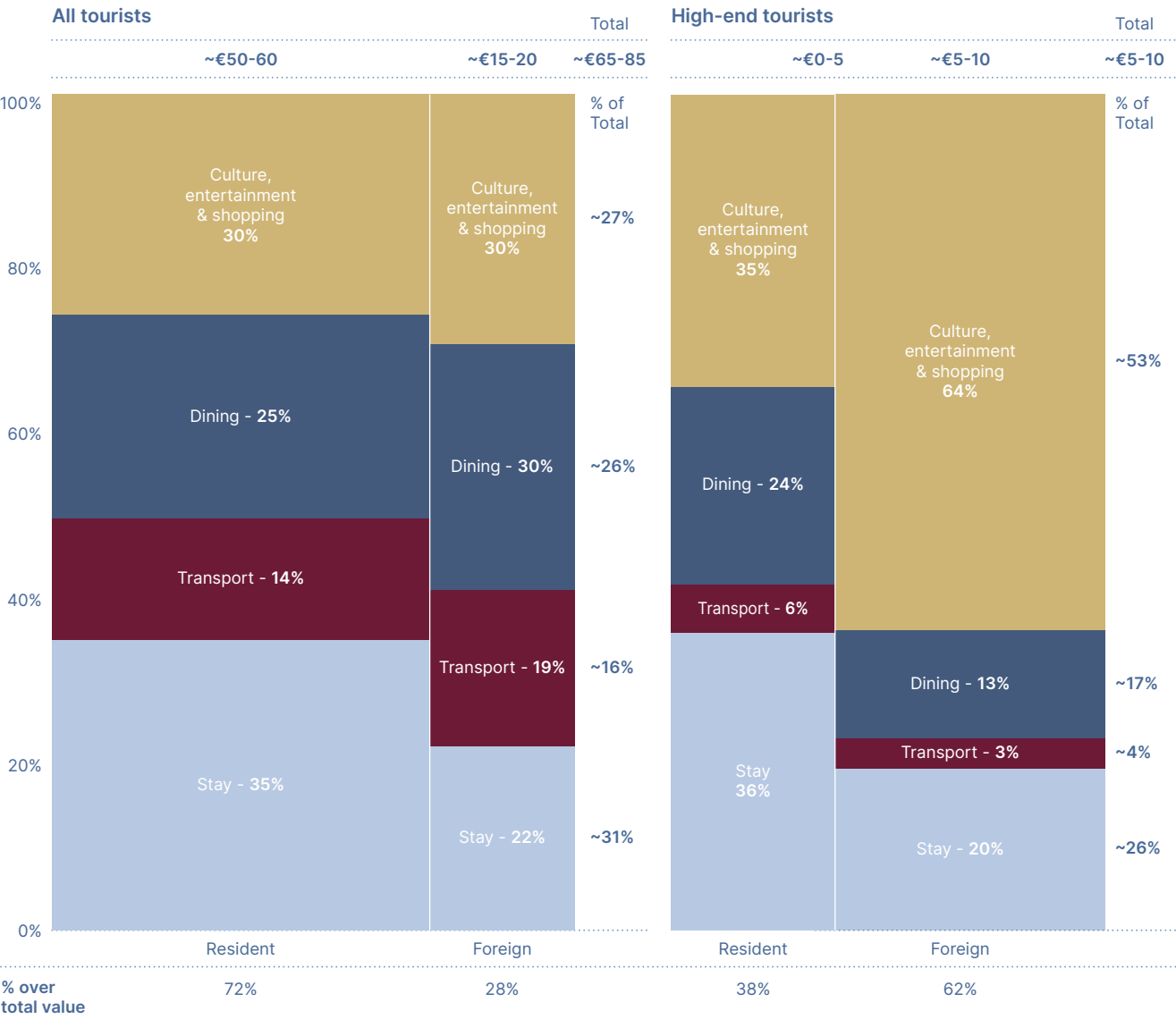
The German tourist market generates ~€65-85B, and it is a very local market, with residents accounting for ~75% of the total turnover and focusing their spending in the stay category. The high-end segment has an intake of ~€5-10B and, as opposed to total tourism, is led by foreigners, who concentrate their spending in culture, entertainment and shopping.

Figure 40 – Total turnover by expenditure segment (€B | 2019)



Source: Bain elaborations on Statistis data, Alttagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Figure 41 – Tourism in Germany: total expenditure of tourists by category (€B | 2019)

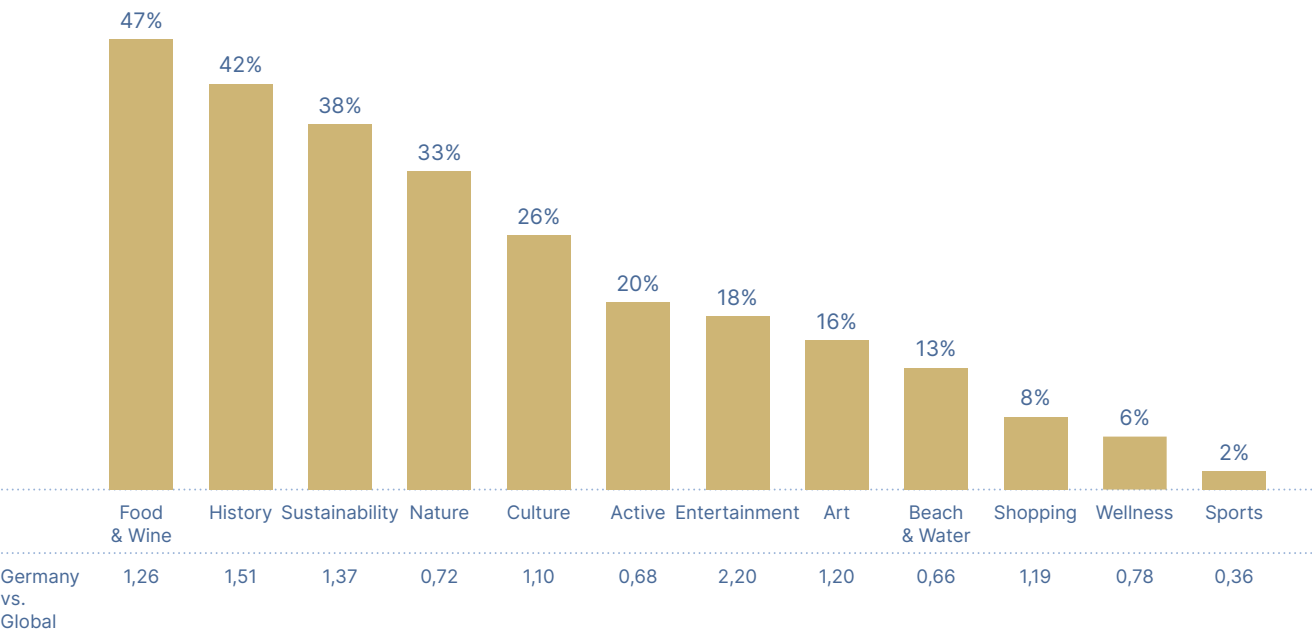


Source: Bain elaborations on Statistis data, Alttagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Germany's total tourist spend exhibits ~2% incidence on its GDP (2019) with accommodation services accounting for ~1% of total GDP. The indirect effect multiplier is equal to ~1.4, meaning that tourism contributes to the total economy for ~€90-120B.

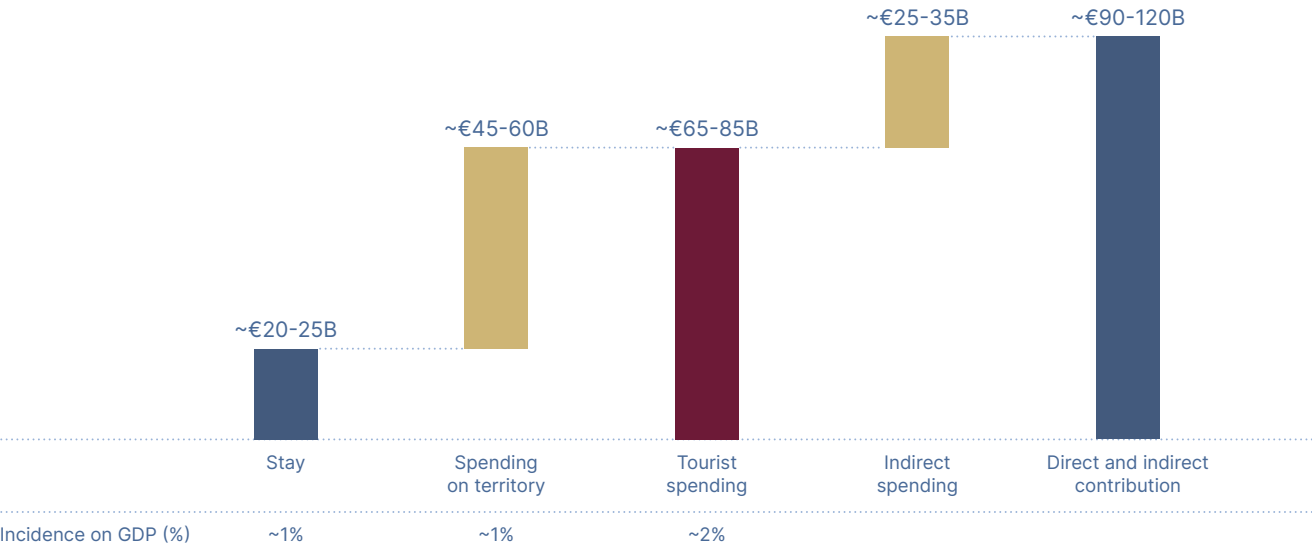
Taking a closer look at tourists' favorite activities when visiting Germany for high-end tourists, the three leading areas of interest are Food & Wine, History and Sustainability (with the latter presenting a significantly higher score than the one registered in other destinations in Europe and globally, with Germany's attraction for sustainability of ~1.4 times better than the global average). Entertainment offer is another interesting experience group for Germany: despite being the 7th attraction criterium for the country, it performs 2.2 times better than the global average, underlining Germany's excellence and interesting offer in this field. At the same time, Germany has the opportunity to improve and better communicate its offer for wellness and sports.

Figure 42 – Preferred experience by high-end travelers in Germany (%) | 2021)



Note: 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

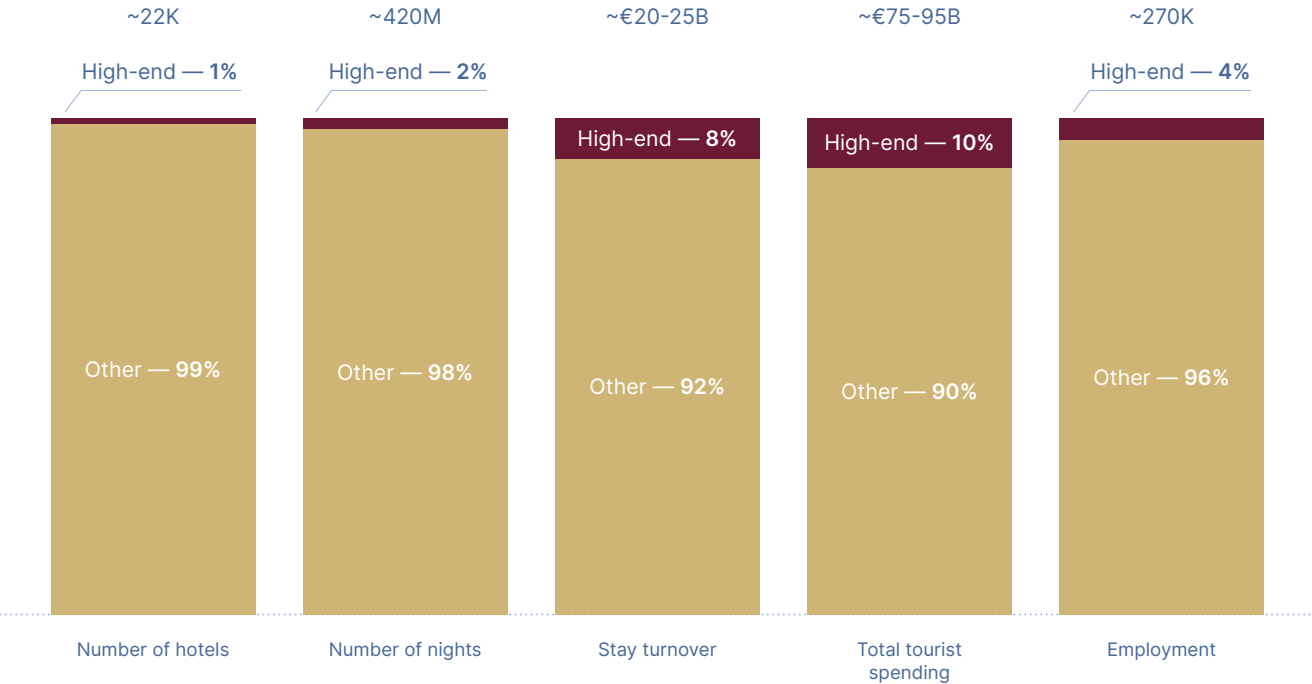
Figure 43 – Total tourism contribution (2019)



Source: Bain elaborations on Statis data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Hospitality is once again a great example of the virtuosity generated by high-end tourism: even though high-end tourists spend only ~2% of the ~420M nights spent in the country, and high-end structures represent only ~1% of the total stay structures, they generate ~8% of stay turnover and ~10% of total tourism spend.

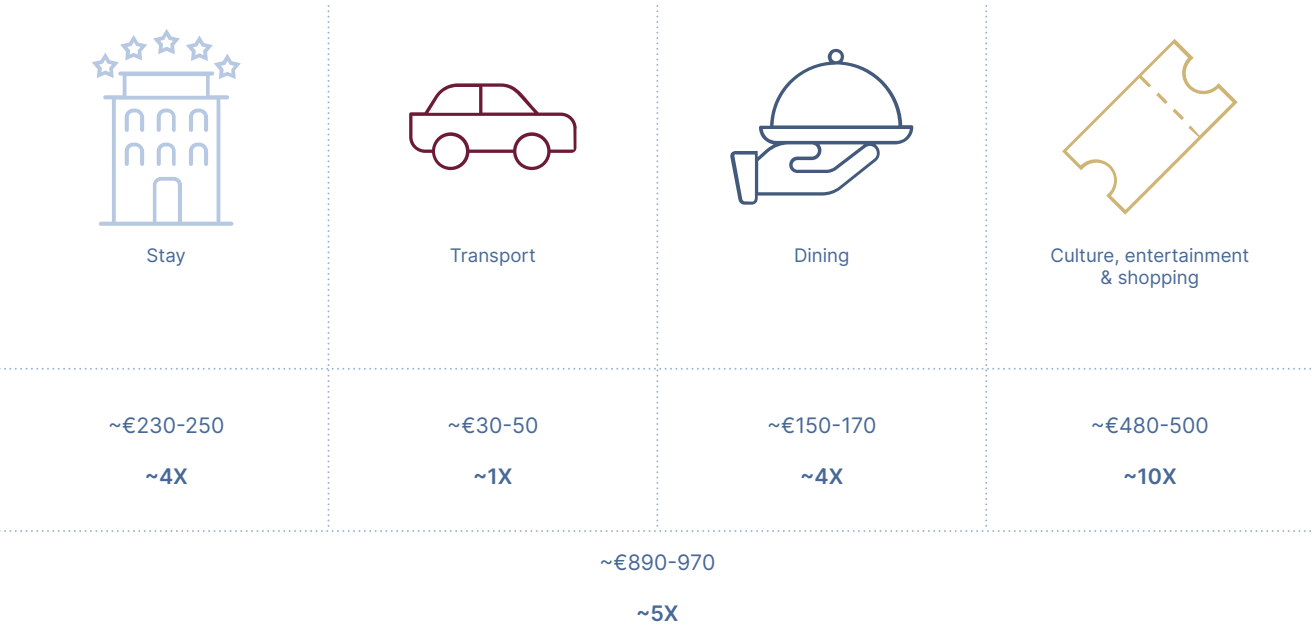
Figure 44 – Stay KPIs



Source: Bain elaborations on Statis data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

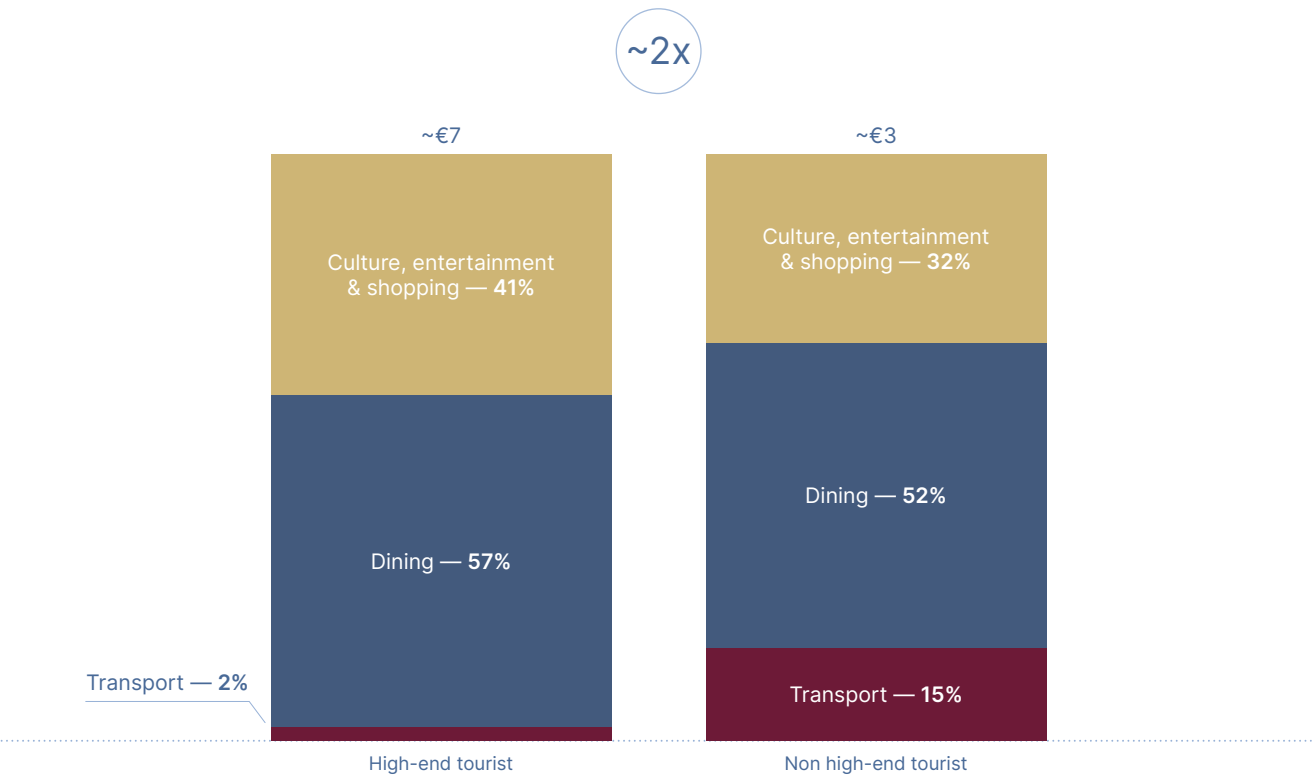
Moreover, the average stay spending per day of high-end tourists is 4 times vs. other tourists and €1 spent in stay generates ~€7 in other expenditures, ~2x greater than the same amount spent by non-high-end tourists.

Figure 45 – Average spending per day of tourists staying in high-end facilities and ratio vs. other tourists, by expenditure segment (€ | 2019)



Source: Bain elaborations on Statis data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Figure 46 – Split by category of the value generated by 1€ of spending in stay (2019)



Source: Bain elaborations on Statistis data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

As in the case of France, also in Germany the tourist concentration is mainly centred around Berlin, which offers most tourist attractions: Berlin condenses ~50% of visits of the top 25 German attractions.

Germany, if compared to other countries, is less regarded as a destination for high-end tourism, thus with opportunity to more strongly leverage this lever of value creation.

Among the other assets, Germany is globally renown for its diverse musical scene appealing to all generations, such as the underground techno scene in Berlin hosting the most requested DJs in its “hard to get into” clubs like Berghain and Club der Visionäre, attracting a younger mass clientele, or the yearly Bayreuth festival that celebrates Richard Wagner, with highly limited tickets.

Moreover, Germany has some global champions in high-end cars and Motor Valley districts, that attract “passionate” national and international visitors. Indeed, not only visits to the BMW, Mercedes and Porsche museums are a huge attraction, but ultra-high-end individuals are interested in visit carmakers’ factories, as they like to look at their vehicles in person when they come off the production line and before they are shipped out. For example, the Porsche Classic division alone makes over a billion revenues, just from restorations and the share of international customers is over 90%.

In addition, Stallion auctions in Westphalia are very popular and more and more international tourists are interested in discovering German history in its entirety by visiting top-class German manufactories.

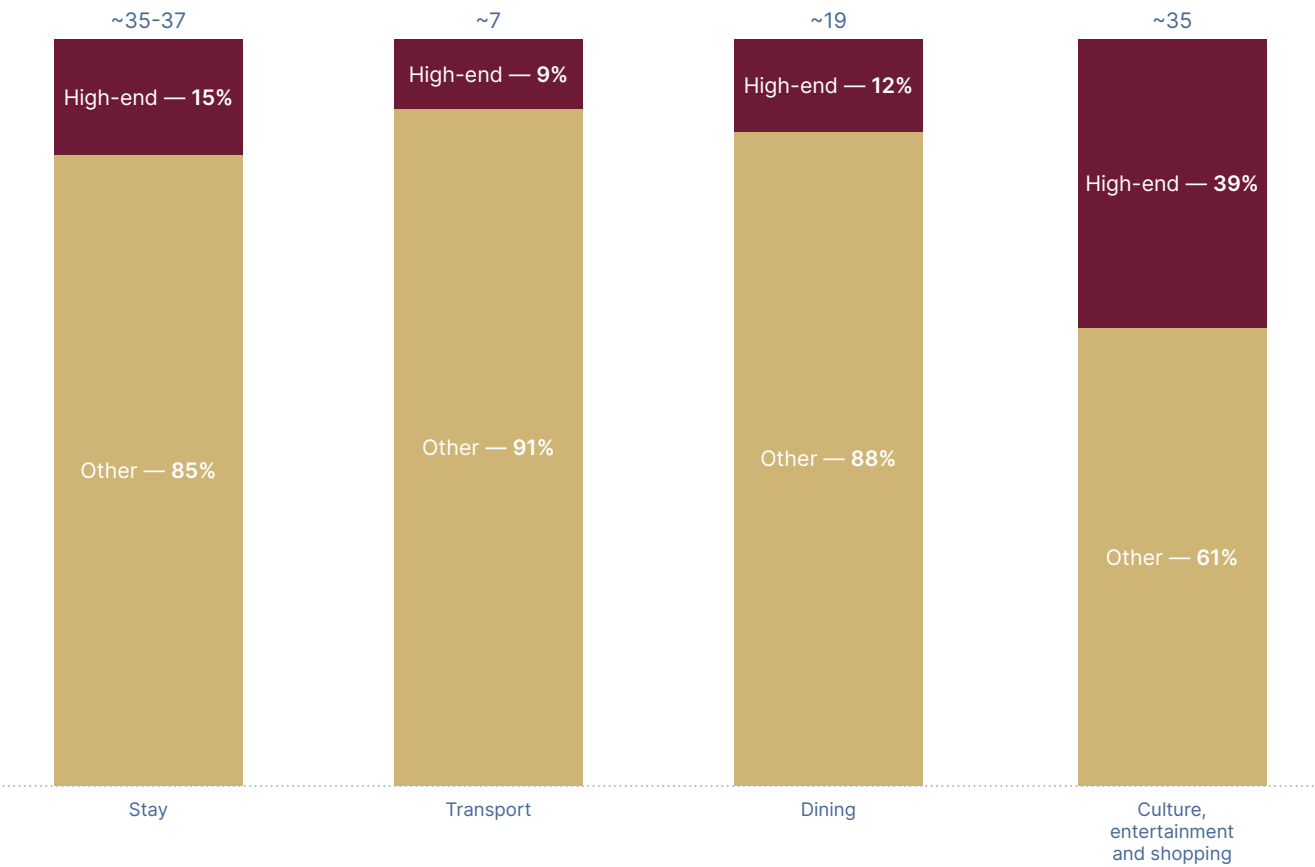
Moreover, high-end individuals usually come to Germany for cures, medical procedures and special treatment methods given the high scientific expertise of German care. This is in line with the new trend of health&wellness-driven tourism.

Finally, drinks enthusiasts could be further engaged by the distillery experience, with Germany hosting around 250 whiskey producers, spread across the country. In 2020-21 tourism in Germany was heavily affected by COVID outbreak. In economic terms, in 2020 it is estimated that Germany has lost ~€3B in terms of high-end tourism expenditure deriving from the drop of foreign tourists. This figure would increase even more, considering that the restrictions have impacted negatively the tourism from residents as well.

– Italy

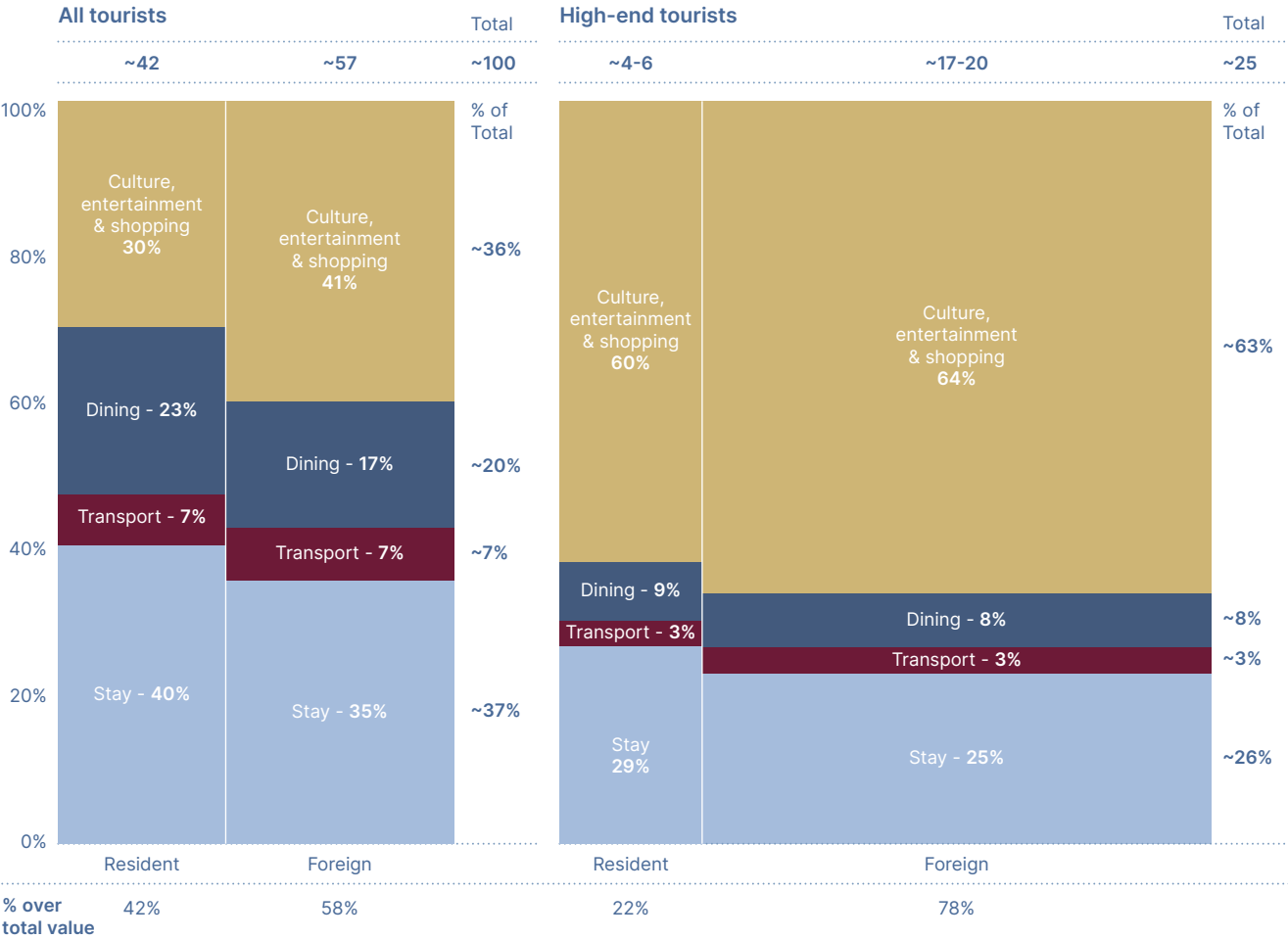
The tourism in Italy has a turnover of ~€80-100B and involves approximately 200K companies. The high-end segment generates tourist spending in the area of €25B, with externalities worth ~75%. “Culture, entertainment and shopping”, especially for foreigners, is a much more relevant category for tourists staying in high-end facilities than for the rest of tourists. Indeed, high-end tourist spending on “Culture, entertainment & shopping” represents ~40% of the total expenditure in the category.

Figure 47 – Total turnover by expenditure segment (€B | 2019)



Source: Bain analysis on ISTAT data; Altagamma Bain Worldwide Luxury Market Monitor; report Banca d’Italia “Indagine sul Turismo Internazionale” ; report “Osservatorio 2019” EBNT ; report Datatour “Trend e statistiche sull’economia del Turismo”; ENIT

Figure 48 – Tourism in Italy: total expenditure of tourists by category (€B | 2019)



Note: Shopping category includes spending on Personal Luxury Goods; facilities include both hotel and non-hotel establishments
Source: Bain analysis on ISTAT data; Altagamma Bain Worldwide Luxury Market Monitor; report Banca d'Italia "Indagine sul Turismo Internazionale" ; report "Osservatorio 2019" EBNT ; report Datatour "Trend e statistiche sull'economia del Turismo"; ENIT

The indirect multiplier effect is higher for Italy, assessed around ~1,45. Direct and indirect contribution to the total economy reach ~€115-145B. The hospitality industry comprehends approximately 230,000 businesses and 30,000 to 270,000 employees. More in general, over 170,000 businesses and 1 million jobs are impacted by tourist spending on the territory.

Taking a closer look at the activities preferred by high-end tourists when visiting Italy, there are at least six group of experiences presenting a very high and similar score (while other countries tend to be more polarized towards two or three favorite experiences for the high-end visitors). Indeed, the country attracts for its Food & Wine, Nature, Culture, breadth of experiences open air (so called “active”), its history, and also offer of experiences considered “sustainable”. Moreover, thanks to its vast artistic heritage, Italy is almost twice as attractive as the global average for art. Shopping and cultural activities also perform significantly better than the global average, marking the extent to which Italy can provide a truly diversified value proposition. On the other hand, the country could work more on improving and communicating the value proposition of its seaside, wellness and entertainment services and activities, currently performing below potential.

Figure 49 – Preferred experience by high-end travelers in Italy (%) | 2021

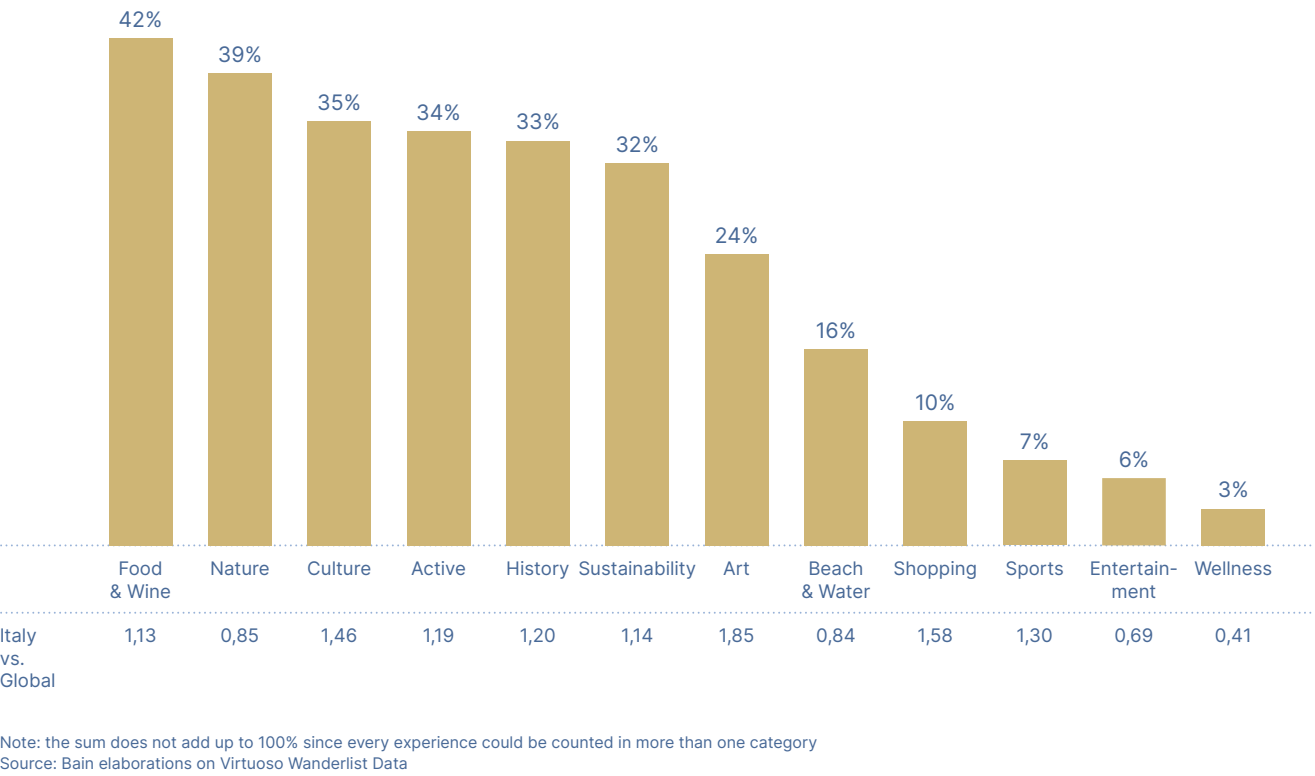
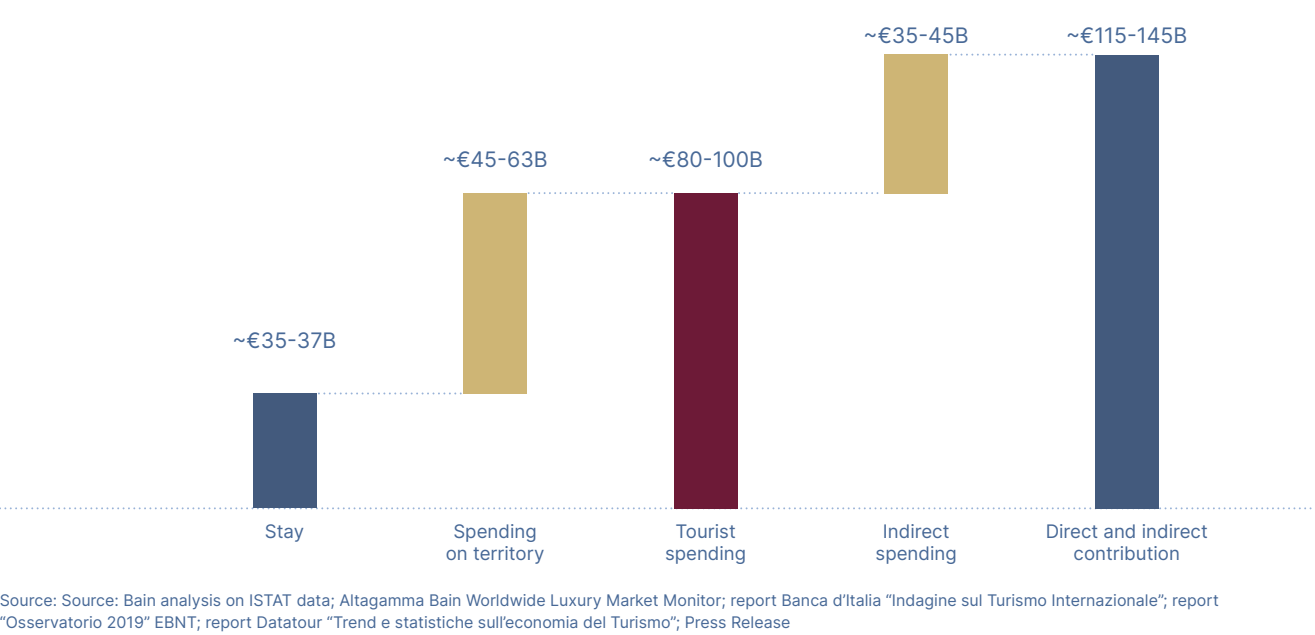


Figure 50 – Total tourism contribution (2019)



The hospitality industry once again confirms itself as a niche of excellence: less than 1% of structures generate 15% of revenue and 25% of tourist spending; also, there is a high employment generation, with 10 employees per 100 beds in the high-end versus <5 in the rest (2x job generation).

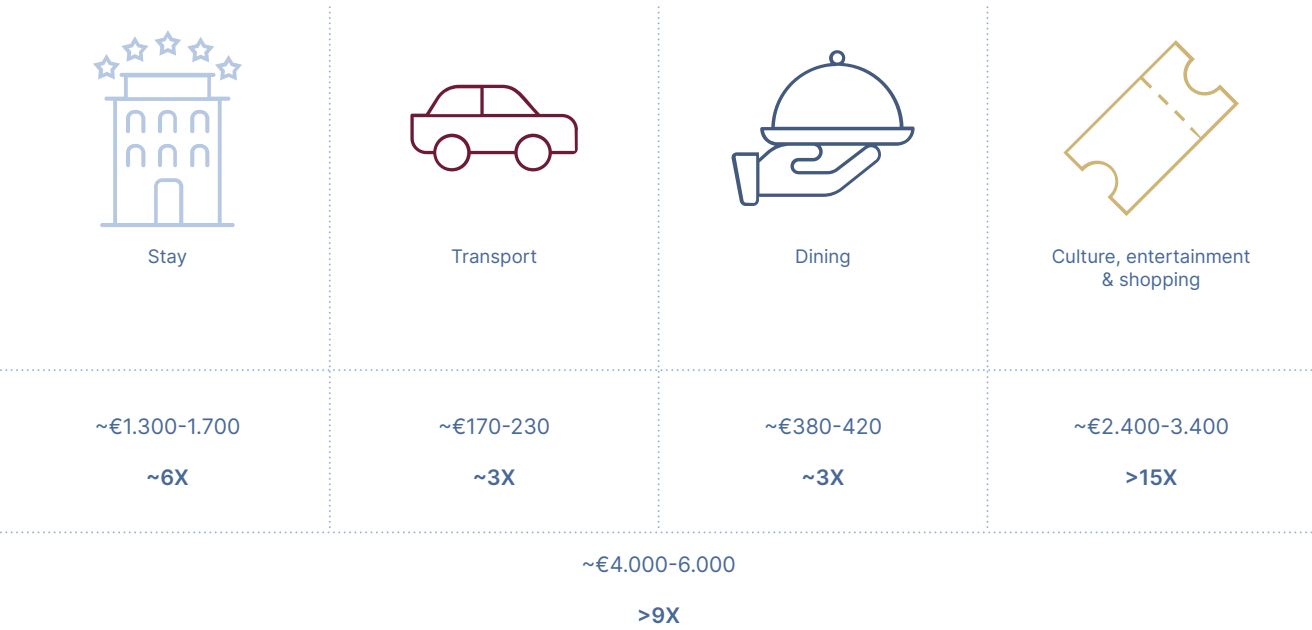
Figure 51 – Stay KPIs (2019)



Note: businesses include both hotel and non-hotel establishments
Source: Bain analysis on ISTAT data; Altagama Bain Worldwide Luxury Market Monitor; report Banca d'Italia "Indagine sul Turismo Internazionale" ; report "Osservatorio 2019" EBNT ; report Datatour "Trend e statistiche sull'economia del Turismo"; ENIT

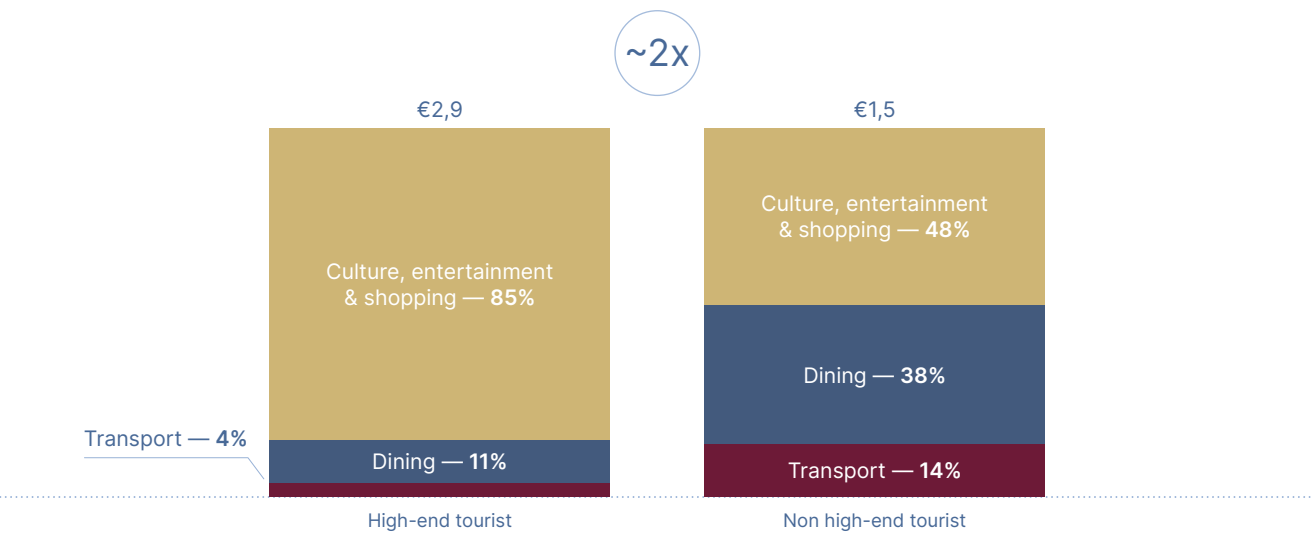
The virtuous and multiplier effect of high-end expenditure is easily recognizable in Italy: high-end tourist spends ~10x the average tourist and generate ~€3 of consumption for every euro spent on hospitality (~2x the average).

Figure 52 – Average spending per day of tourists staying in high-end facilities and ratio vs. other tourists, by expenditure segment (€ | 2019)



Source: Bain analysis on ISTAT data; Altagama Bain Worldwide Luxury Market Monitor; report Banca d'Italia "Indagine sul Turismo Internazionale" ; report "Osservatorio 2019" EBNT ; report Datatour "Trend e statistiche sull'economia del Turismo"; ENIT

Figure 53 – Split by category of the value generated by 1€ of spending in stay (2019)



Source: Bain analysis on ISTAT data; Altagama Bain Worldwide Luxury Market Monitor; report Banca d'Italia "Indagine sul Turismo Internazionale" ; report "Osservatorio 2019" EBNT ; report Datatour "Trend e statistiche sull'economia del Turismo"; ENIT

Italy is the top country vs. peers (such as France or UK) in terms of cultural value proposition. The country, together with China, holds the highest number of sites included in the UNESCO list (58, of which 53 are cultural sites, vs. 49 in France and Spain and 34 in UK). Italy ranks first in the world for cultural influence and heritage according to the "Best countries 2020" ranking and it is also estimated that Italy accounts for 60% to 75%* of the total artistic heritage¹⁸ of each continent.

If compared to other countries, Italy shows more fragmentation in the offering, with many beautiful cities and destinations all over the country, and most visited museums not only concentrated in the capital city. If, on the one hand, this could represent an opportunity to diversify and attract more visitors, on the other hand, it can become a limit to a luxury perception, as it makes hard the delivery of an integrated value proposition.

Similarly, the high-end tourism proposition in Italy is fragmented across multiple key cities, with 5-star hotel rooms and Michelin-starred restaurants spread out all over the country.

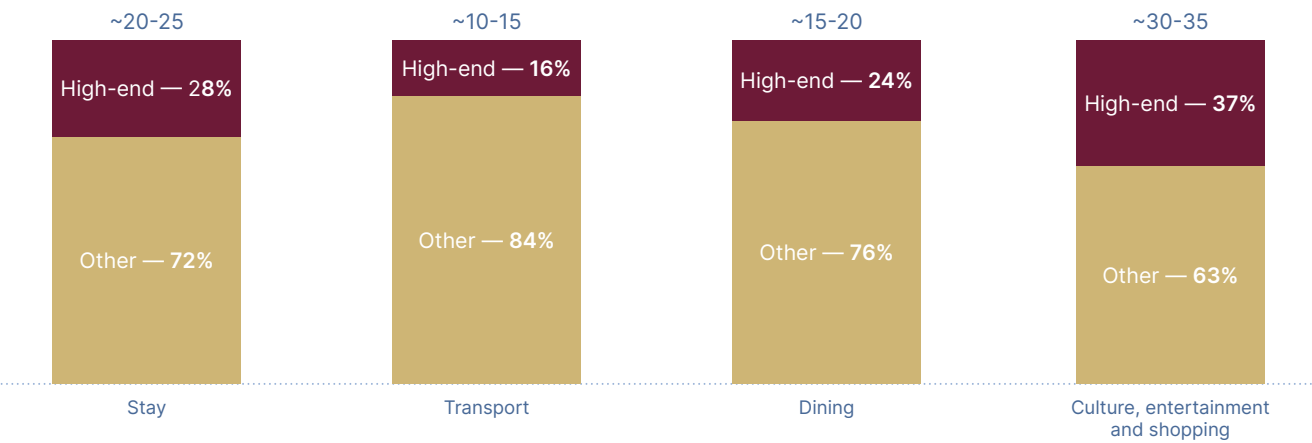
In 2020-21 tourism in Italy was heavily affected by COVID outbreak. In economic terms, in 2020 it is estimated that Italy has lost ~€10-12B in terms of high-end tourism expenditure deriving from the drop of foreign tourists. This figure would increase even more, considering that the restrictions have impacted negatively the tourism from residents as well.

— Spain

In Spain, tourism generated a total turnover around ~€75-95B, which is mainly led by foreign tourists. The high-end portion is particularly significant, generating ~€20-25B, and, in this segment, the foreign share is even more impactful, with non-resident tourists bringing up to ~€15-20B of value. ~50% of high-end expenditure is attributed to culture, entertainment and shopping, and ~30% is related to accommodation.

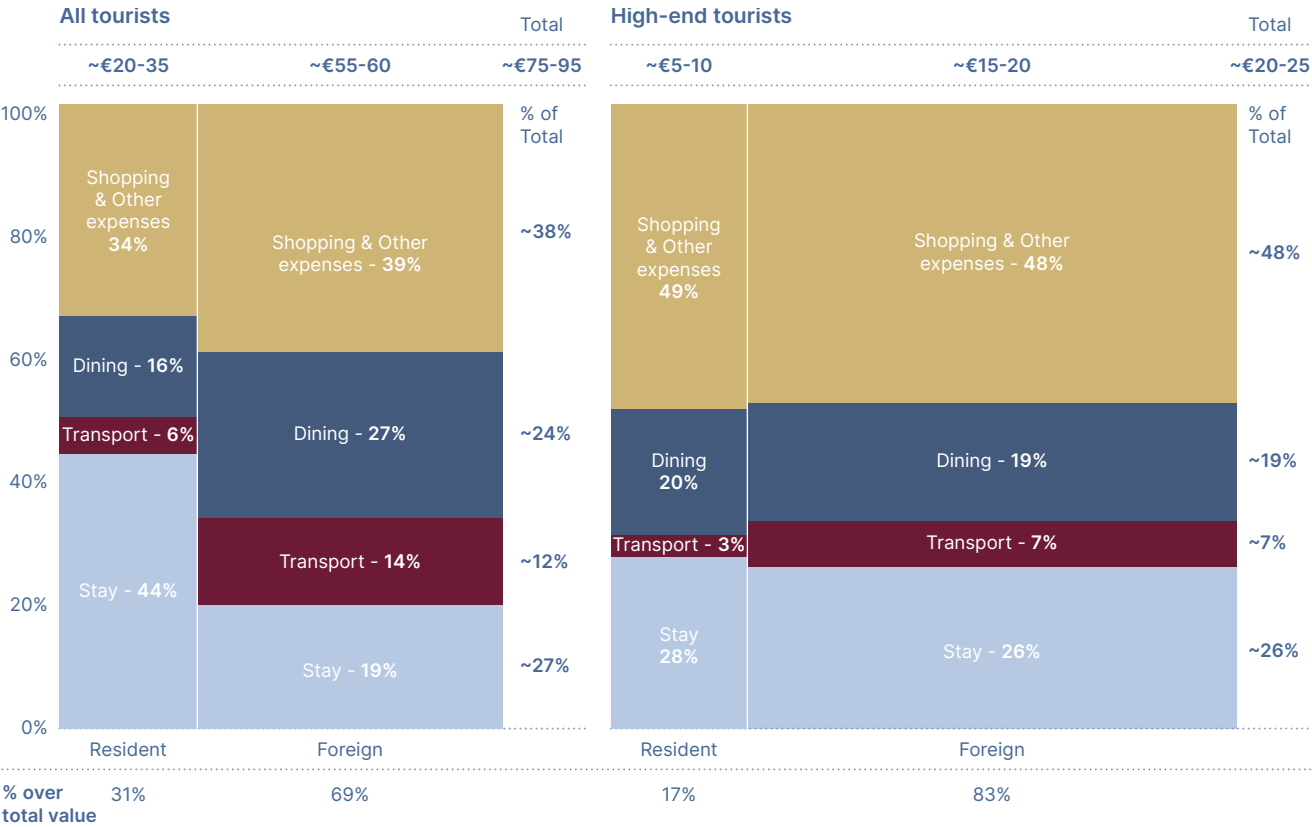
18. Depending on the definition of cultural heritage.
Source: Lit. search; Unesco, Best Countries Overall Rankings 2020

Figure 54 – Total turnover by expenditure segment (€B | 2019)



Source: Bain elaborations on INE data, Altagamma Bain Worldwide Luxury Market Monitor, UNWTO, Eurostat, Expert interviews

Figure 55 – Tourism in Spain: total expenditure of tourists by category (€B | 2019)

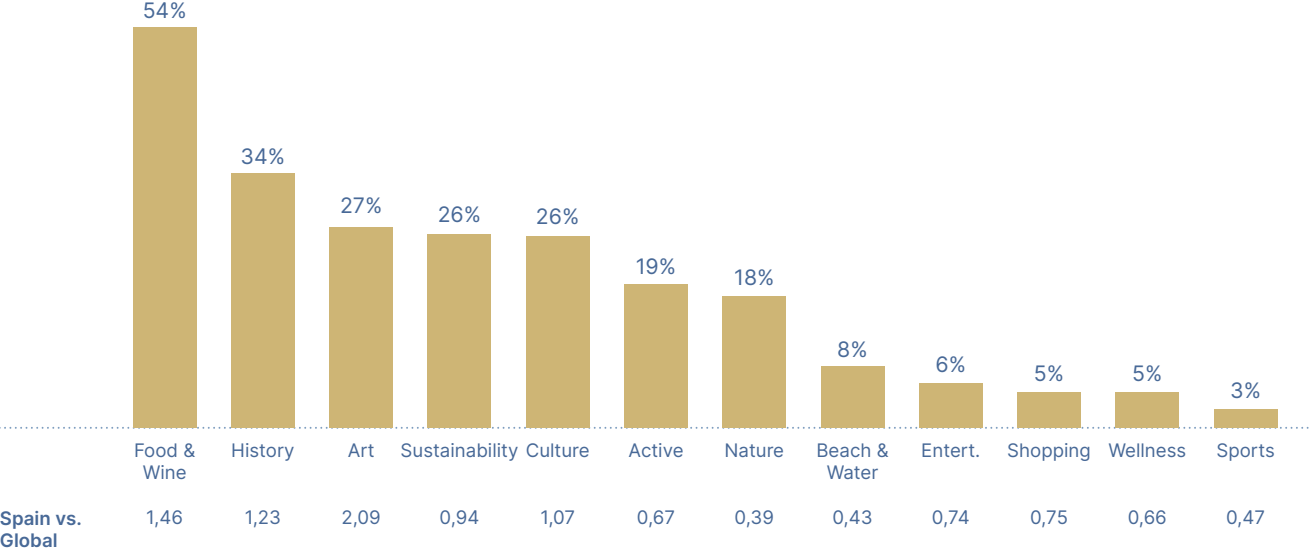


Source: Bain elaborations on INE data, Altagamma Bain Worldwide Luxury Market Monitor, UNWTO, Eurostat, Expert interviews

Spain's total tourist spend exhibits ~7% incidence on its GDP with stay alone accounting for ~2% of GDP. Indirect spending contributes to ~40% of the total value creation.

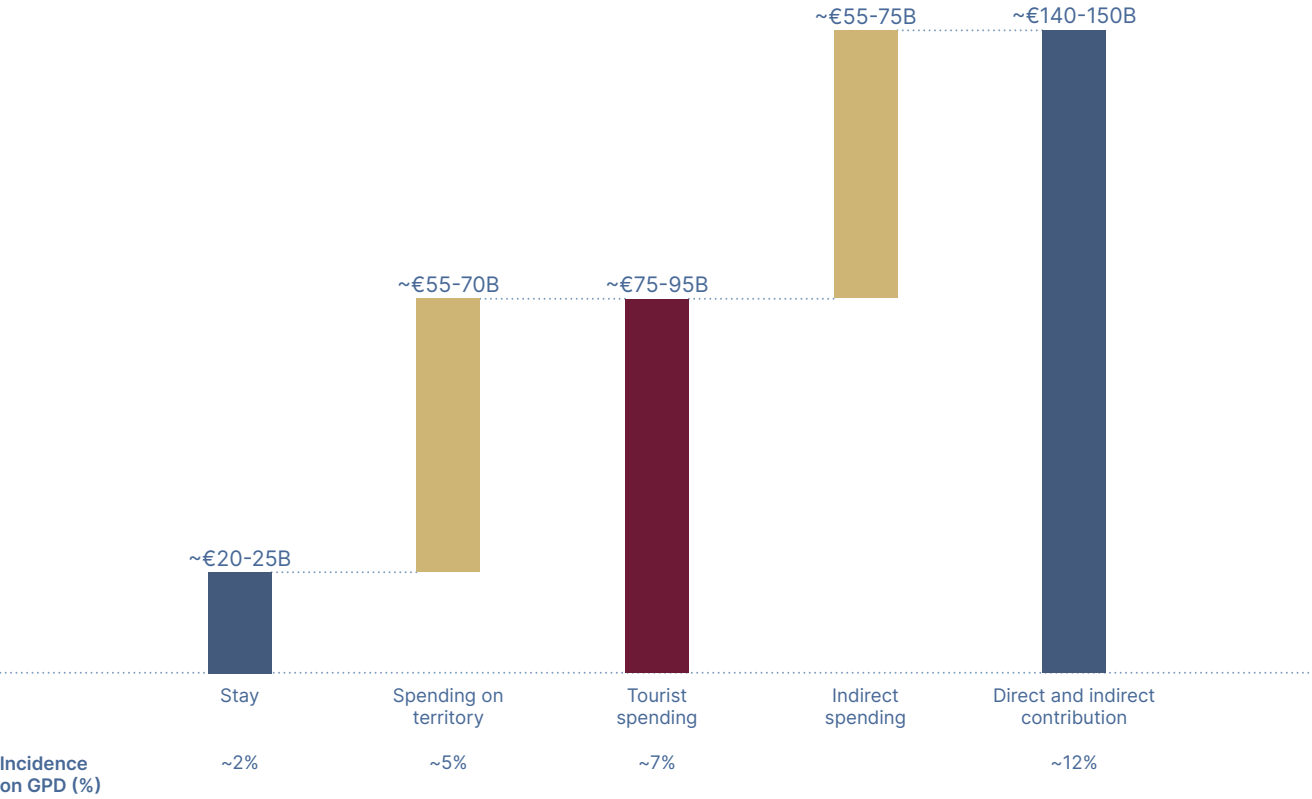
Spain's total direct impact from tourism spend is ~7% on its GDP. The impact is up to ~12% when including the overall economic activities unlocked by tourism (direct + indirect spend).

Figure 56 – Preferred experience by high-end travelers in Spain (%) | 2021)



Note: 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

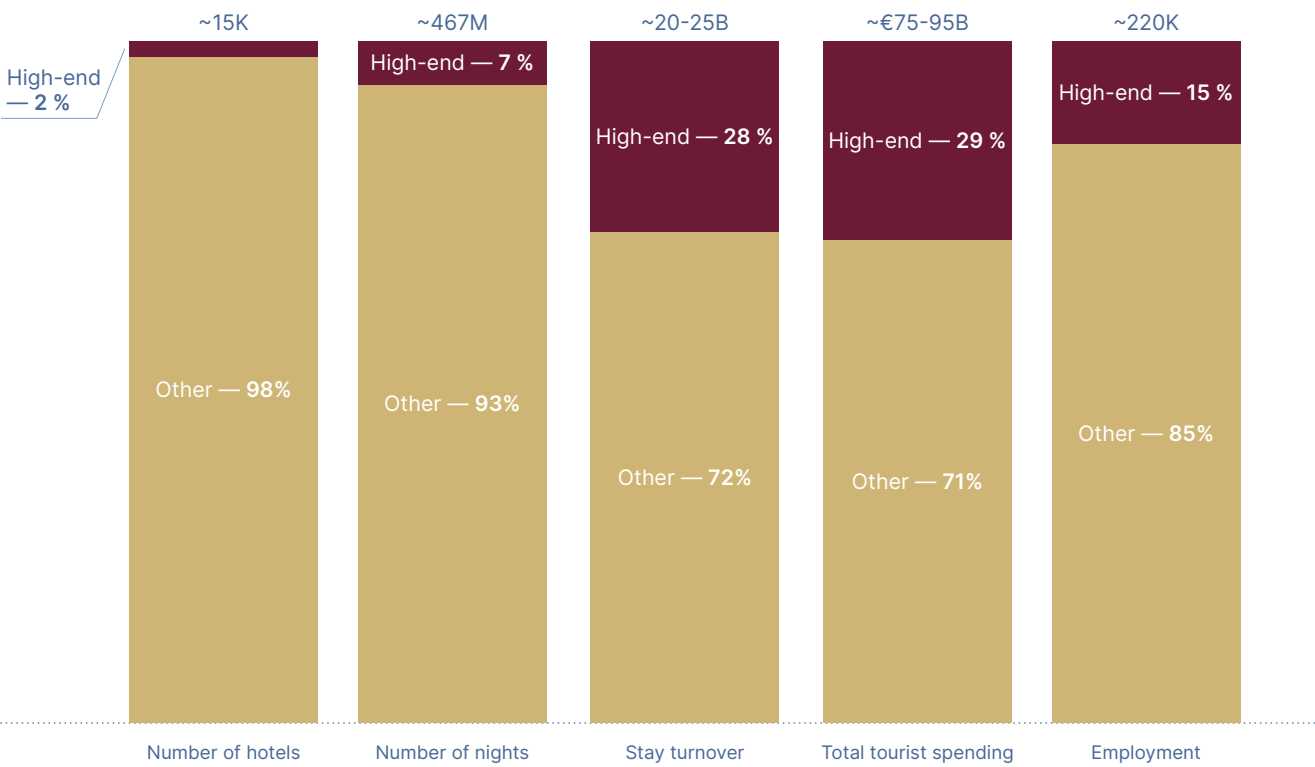
Figure 57 – Total tourism contribution (2019)



Source: Bain elaborations on INE data, Altagamma Bain Worldwide Luxury Market Monitor, UNWTO, Eurostat, Expert interviews

In the stay industry, ~2% of high-end structures generate ~30% of total turnover and tourist spend, contributing to the creation of 15% of the hospitality employees.

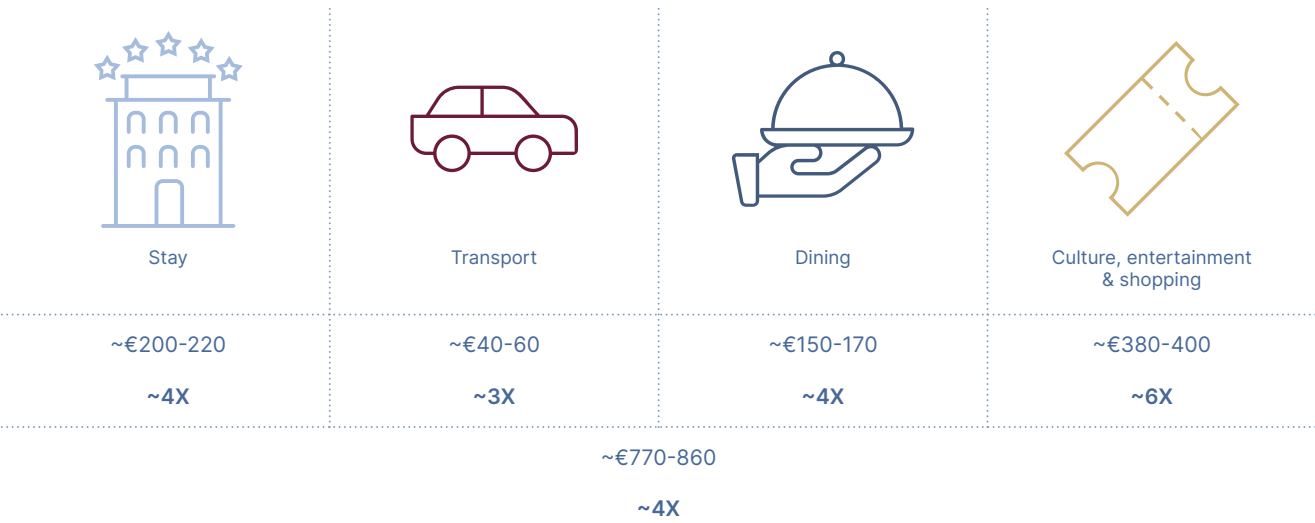
Figure 58 – Stay KPIs (2019)



Source: Bain elaborations on INE data, Altagamma Bain Worldwide Luxury Market Monitor, UNWTO, Eurostat, Expert interviews

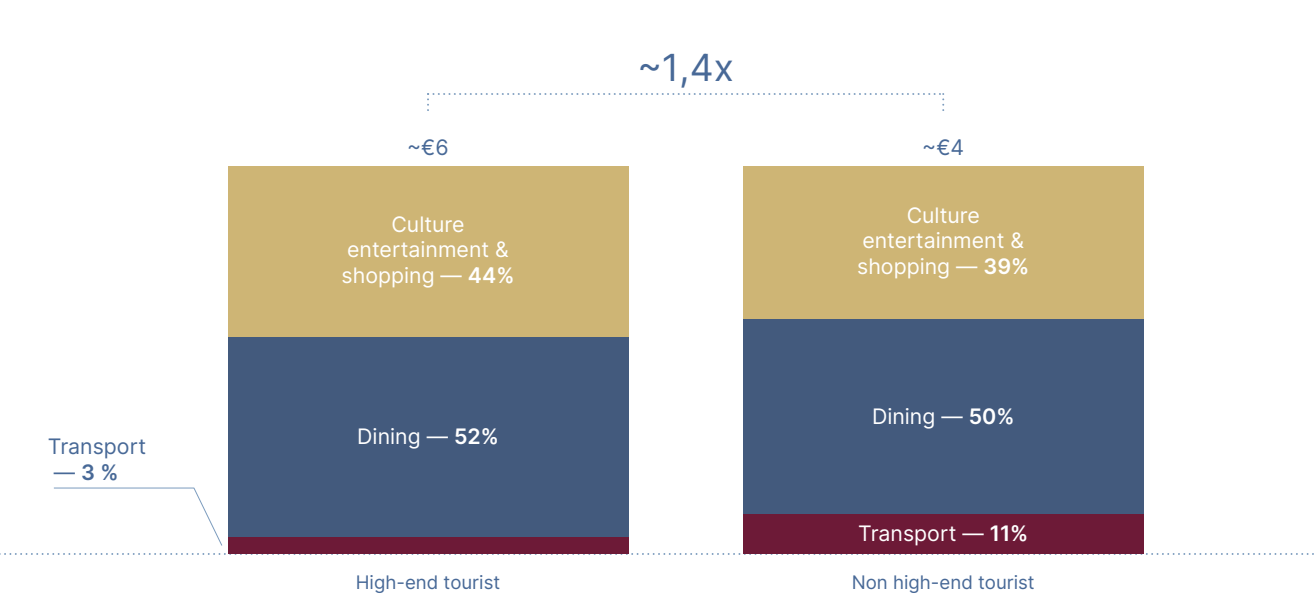
Spain exhibits lower spend multiplier (~4x) for high-end tourists, who spend ~€770-860 per night; €1 spent in stay by high-end tourists generates ~€6 in other expenditures; this value decreases to ~€4 for the non-high-end segment.

Figure 59 – Average spending per day of tourists staying in high-end facilities and ratio vs. other tourists, by expenditure segment (€ | 2019)



Source: Bain elaborations on INE data, Altagamma Bain Worldwide Luxury Market Monitor, UNWTO, Eurostat, Expert interviews

Figure 60 – Split by category of the value generated by 1€ of spending in stay (2019)



Source: Bain elaborations on INE data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Taking a closer look at the preferred activities for high-end tourists when visiting Spain, experiences related to the culinary and historical spheres are the most attractive. Moreover, Spain is chosen for its artistic value proposition, with art being twice as attractive as the global average, underlining the strength of Spain in leveraging its cultural heritage.

Balearic Islands are the key luxury destination in Spain, followed by Andalusia; in these two areas, almost 30% of the Spanish 5-star hotel rooms are concentrated and 40% of the tourists’ nights are spent. However, Andalusia loses significantly in terms of pricing, with Barcelona and Madrid showing higher pricing for 5-star hotels.

The Balearic Islands, where tourism represented more than 40% of GDP before the pandemic, has been a world-renowned destination for leisure since the 1970s, especially through the attraction effect exerted by Ibiza. Tourism is a strategic sector for Ibiza, contributing to 35% of GDP, with an induced income of almost 800 million euros per year. Institutions and associations collaborate to safeguard exclusivity and limit “mass” tourism (i.e., a ban on booking accommodations through online portals is imposed). Also, the Balearic Islands combine a glamorous nightlife with spectacular Mediterranean landscapes and display a luxury hotel and nautical offer (Port Adriano) that stood at 90% occupancy during the summer of 2021 according to Essentially Mallorca, an association dedicated to high-end tourism spectrum.

Andalusia, meanwhile, is another popular destination in Spain whose potential to attract high-end visitors is booming: Spain’s most populous region is currently hosting the largest wave of luxury hotel openings in its history, as evidenced by the landing of Four Seasons or Hilton. The new and exclusive offer concentrates in Marbella, Sotogrande, Seville, Estepona and Malaga. Marbella, thanks to exclusive areas such as Puerto Banús, has once again confirmed its leadership as a luxury tourist destination in 2022, according to the European Best Destination portal.

However, excellence in Spain points far beyond sun and sand. And, precisely, the challenge that Spain faces is to complement the sun and beach model with the high-added value model, since in 2019 the country was the second in the world as a recipient of foreign visitors, but the seventh as a pole of attraction for this long-range tourist.

In this sense, the weight of wine tourism and gastronomy in the sector is growing. The appellations of origin and the wine routes around them are becoming case studies. The most emblematic are Ribera del Duero and Rioja. The first includes accommodations, such as Abadía Retuerta LeDomaine, named best experiential hotel in 2021 by Leading Hotels of The World. Rioja, for its part, is home to centuries-old brands, such as Marqués de Murrieta, whose Castillo de Ygay Gran Reserva Especial 2010 was chosen as the Best Wine in the World at the 40th edition of the Wine Spectator’s New York Wine Experience in 2020, and whose technical director has been named best winemaker in the world also in 2021.

Haute cuisine is the other magnet for high-end tourism. Gastronomy as a whole moves 388,000 million euros a year, a third of GDP, and supports 18% of national employment, according to a 2019 KPMG report. 15% of tourists who visit Spain do so for its excellent cuisine and spend 20% more than the average visitor. Spain has a total of 228 Michelin Star restaurants: 11 with three, 33 with two and 184 with one.

Culture and art are also part of the high-end tourist experience in Spain. The Reina Sofía Museum in Madrid is among the 10 most visited in the world, while the Prado Museum manages to enter the top-20. Both are located in the so-called ‘Art Triangle’, together with the Thyssen-Bornemisza Museum. In addition, the Paseo del Prado and Buen Retiro were declared a UNESCO World Heritage Site in 2021 as the first Urban Cultural Landscape in Europe. Also, 15 cities in Spain host historic quarters recognized as World Heritage.

Lastly, Spain is also becoming more attractive for high-end tourists who opt to practice sports or enjoy wellness, which ranges from meditation, health, well-being or spas. Before the pandemic, health tourism alone had a turnover of 1,000 million euros per year and wellness trips as a whole moved more than 9,000 million. In fact, Spain has established itself as the fifth country in number of wellness trips, only surpassed by China, India, the United States and Germany, according to data from Euromonitor International.

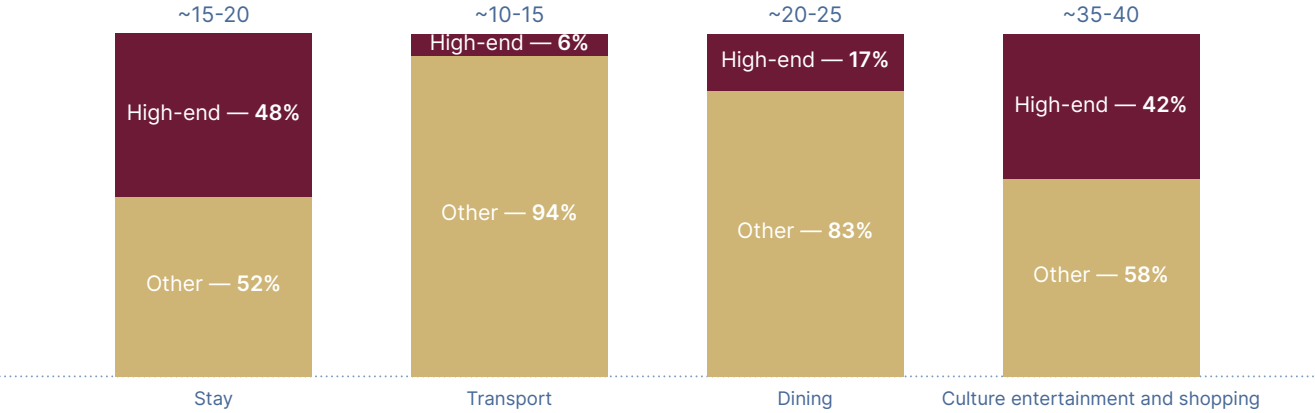
Finally, Spain is the first destination in the world in international golf tourism, attracting around 1.2 million foreign tourists who spend 4,640 million euros, according to a study by IE University in 2020. In addition, high-income tourists and medium-high represents 63% of golf tourism.

In 2020-21 tourism in Spain was heavily affected by COVID outbreak. In economic terms, in 2020 it is estimated that Spain has lost ~€15B in terms of high-end tourism expenditure deriving from the drop of foreign tourists. This figure would increase even more, considering that the restrictions have impacted negatively on the tourism from residents as well.

— UNITED KINGDOM

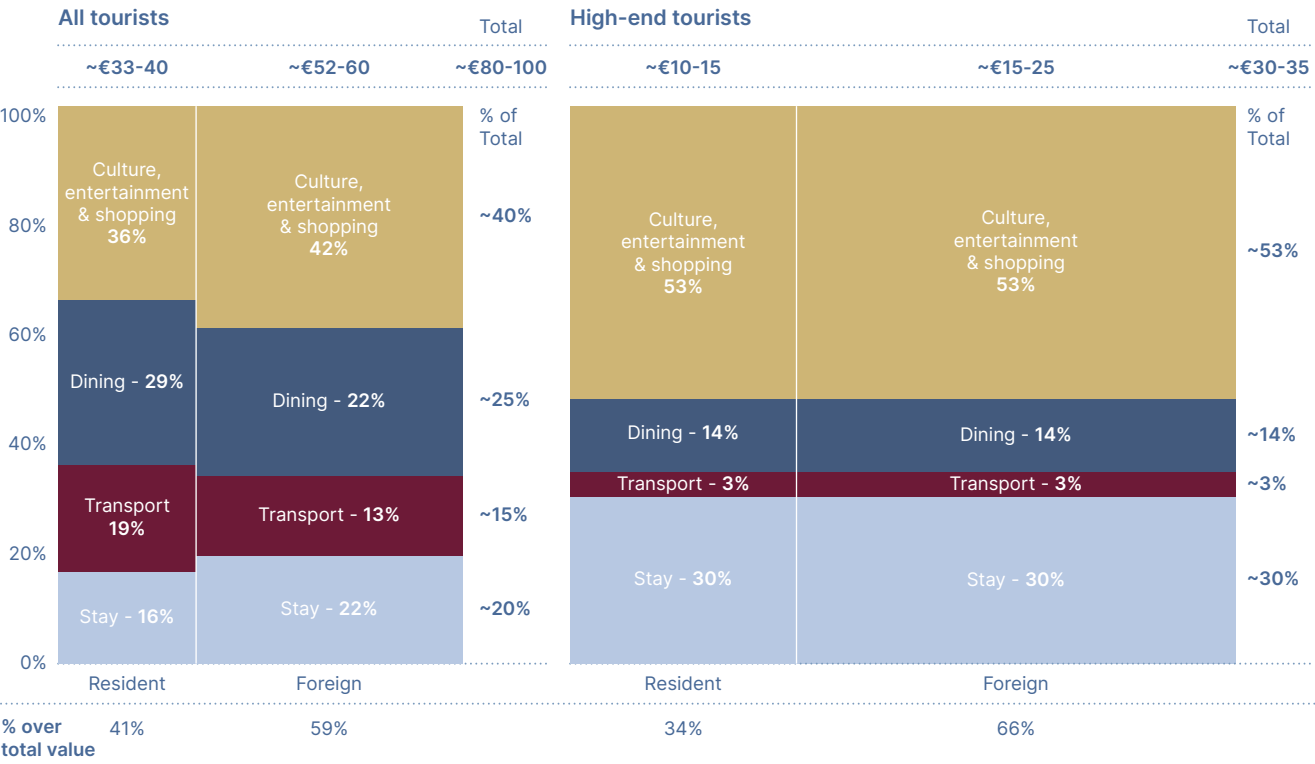
The tourism in the United Kingdom generates ~670M nights spent by tourists with a total spend that amounts to ~€80-100B; the high-end segment values itself at ~€30-35B. Total and high-end expenditure are mainly incurred by foreign tourists; ~53% of high-end expenditure is attributed to culture, entertainment and shopping, and ~30% is related to accommodation.

Figure 61 – Total turnover by expenditure segment (€B | 2019)



Source: Bain elaborations on Visit Britain data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

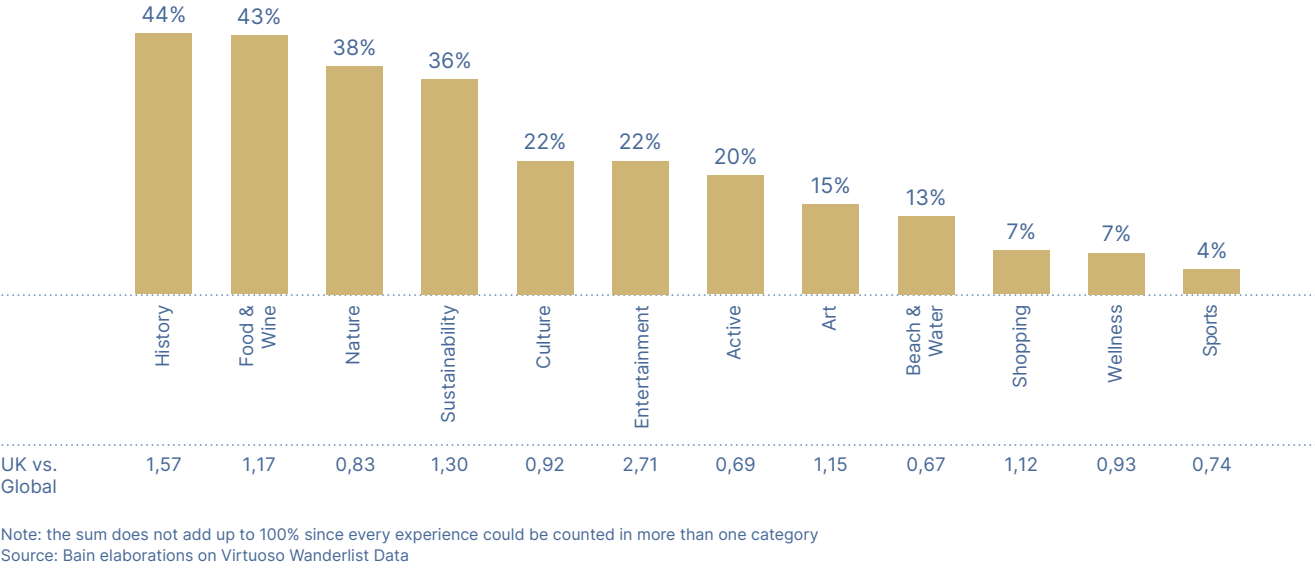
Figure 62 – Tourism in UK: total expenditure of tourists by category (€B | 2019)



Source: Bain elaborations on Visit Britain data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

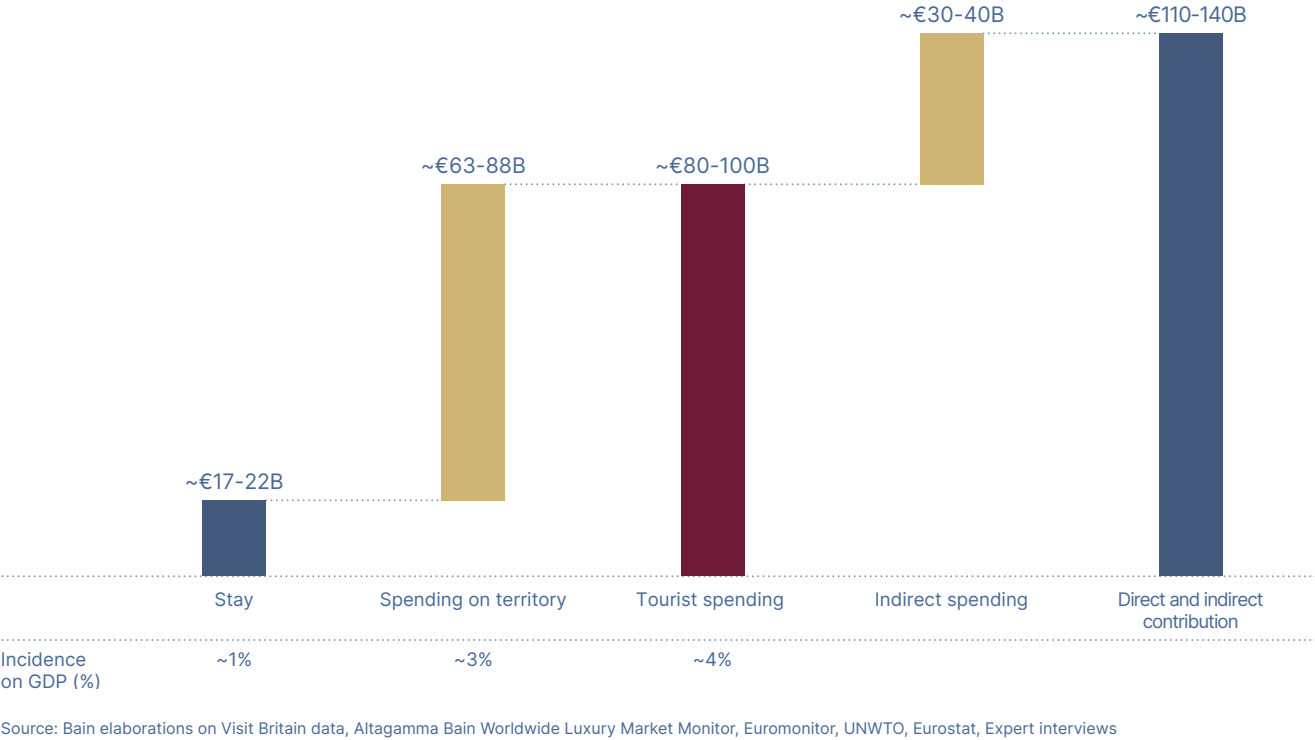
Taking a closer look at the preferred activities for high-end tourists when visiting UK, experiences related to the historical and culinary spheres are the most favorite. Also, entertainment experiences, despite being the 6th reason to visit the country, perform almost three times than the global average in this area, highlighting a clear distinguishing value proposition of the country. At the same time, UK has the opportunity to improve and better communicate the offer for “active” (i.e. open air activities), sports and wellness, to expand the attraction towards a wider (and younger) share of high-end customer segments.

Figure 63 – Preferred experience by high-end travelers in UK (%) | 2021



UK total tourist spending accounts for ~4% of GDP (2019) with accommodation services accounting for ~1% of total GDP (2019). The indirect multiplier effect relies around ~1,4.

Figure 64 – Total Tourism contribution (2019)



~670M of nights are spent in the country; high-end structures are around ~4% of the ~12K hospitality structures, but they have a huge impact on the economy, generating ~50% of total stay turnover and ~30% of tourist spending.

Figure 65 – Stay KPIs (2019)



High-end daily tourism spend in the United Kingdom is ~14x times greater than expenditures made by non-high-end tourists, with a multiplier that peaks at ~20x for the stay industry: €1 spent in this industry by a high-end tourist generates €8 of value in the other industries (2 times more the value generated by €1 spent by a non-high-end tourist).

Figure 66 – Average spending per day of tourists staying in high-end facilities and ratio vs. other tourists, by expenditure segment (€ | 2019)

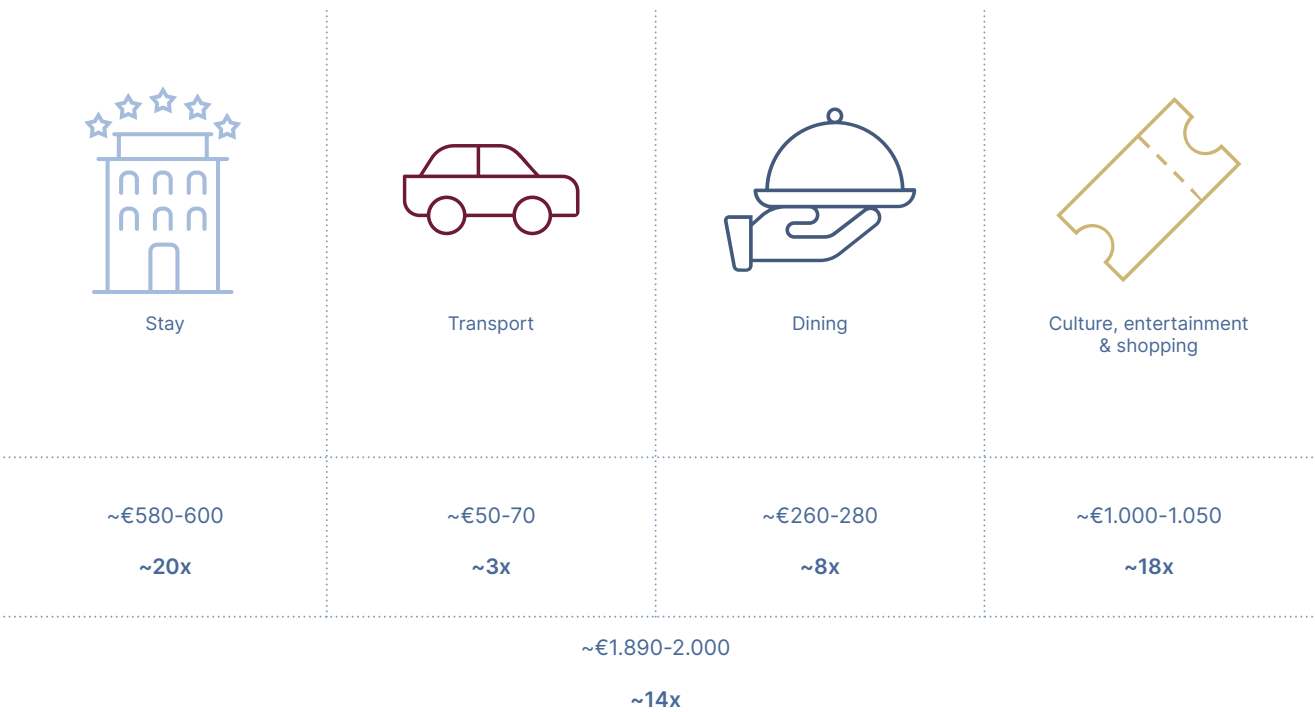
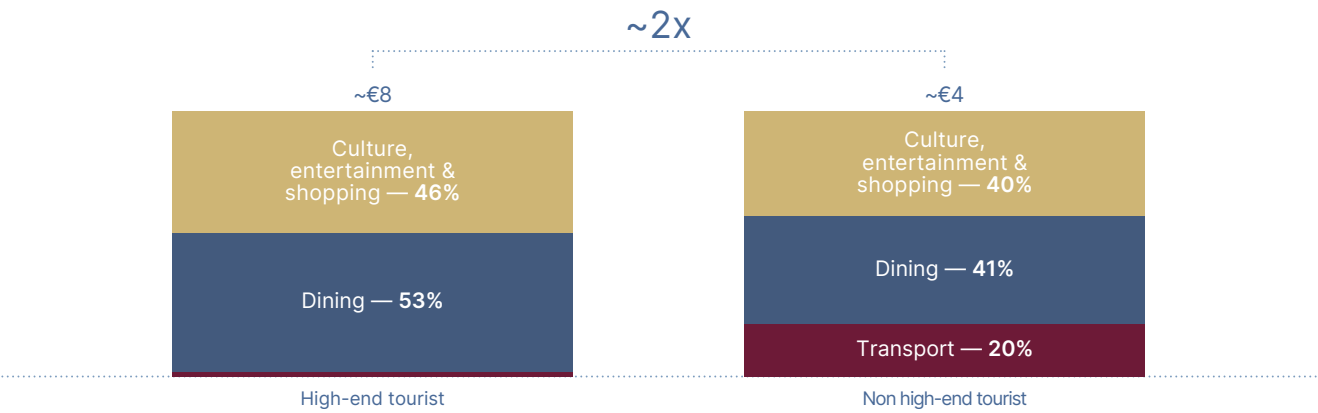


Figure 67 – Split by category of the value generated by 1€ of spending in stay (2019)



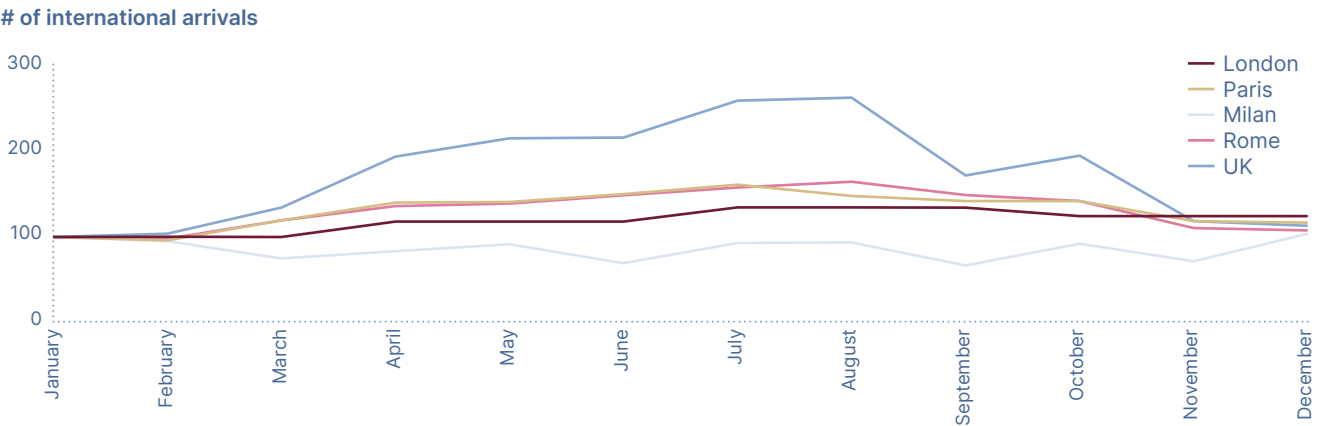
Source: Bain elaborations on Visit Britain data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Once again, tourism is extremely concentrated in the capital city, with more than 50% of UK international visitors choosing London as destination. The city hosts 17 out of 25 most visited attractions in UK and receives ~78% of these visits, having the highest tourist concentration. Also, London is central for high-end tourism, since ~42% of luxury hotel rooms are located there.

Besides signature events, such as New Year's Eve or London Fashion week, the capital also hosts different types of can't miss events throughout the years to keep tourism alive. London Marathon, the Boat Race, Wimbledon and Formula E attract sportspeople from all over the world. The city is extremely alive also from a cultural standpoint, hosting modern and contemporary art auctions in different periods of the year, and various other events, such as the Proms (eight weeks with daily concerts and events), the London Film Festival, and the Frieze Art Fair, held in October and being one of the most famous art fairs worldwide.

Given the variety of offering, London is having one of the most uniform international tourist arrivals within UK and among selected European big cities, being one of the best performing cities in terms of seasonality.

Figure 68 – International tourist arrivals in London*, Paris, Milan, Rome** and UK (# of arrivals | 2019)



Note: (*) for London only quarterly data, (**) for Rome arrivals in Ciampino and Fiumicino airport
Source: Office for National Statistics London, INSEE, Comune di Milano, Aeroporti di Roma, Statista

The number of historical and cultural attractions & events have also made London a must-to-visit destination, driving high prices. London is the sixth most expensive location in the world, largely attributed to high rental accommodation costs. People from around the globe have London on their must-see list due to its concentrated but diverse history, culture and attractions; the high number of tourists keep prices high, making it an expensive place to visit. Being the financial capital of the world and the home to many companies' headquarters, London attracts wealthy investors and businessmen and offers well-paying jobs, which increases demand for housing which in turn increases the price of land.

UK has a high incidence of high-end travellers from the Gulf countries, representing ~30% of the total "Elite shoppers", followed by China (27%). Saudi Arabia, Qatar and Kuwait present the highest average spend per visit, assessed at around ~\$3500-4500¹⁹ between 2017 and 2019.

In 2020-21 tourism in UK was heavily affected by COVID outbreak. In economic terms, in 2020 it is estimated that UK has lost ~€15B in terms of high-end tourism expenditure deriving from the drop of foreign tourists. This figure would increase even more when considering the negative impact on resident tourism as well. The loss in tourism expenditure was severe also in 2021 for UK. Indeed, considering for instance airline travels, in 2021 it is registered a drop vs. 2019 in the first class and business travels as low as 80-82%, while other European countries, such as France, in the same year managed to contain the loss of first class tourists to less than 40% vs. 2019.

INSIGHTS FOR THE REST OF EUROPE

Tourism is a crucial European sector: Europe is the most visited region in the world with the Southern and Mediterranean regions driving the growth. Although tourism is well developed in Europe, there's still unexploited potential with some destinations registering high demand and a mature market, and others that are still little known and lacking in terms of high-end offerings.

Within Europe, we selected the tourism markets of Greece, Switzerland, Portugal, Nordic countries (Norway, Finland, Sweden, Iceland and Denmark) and Eastern Europe countries (Montenegro, Slovenia and Croatia).

- These cases allow the identification of some practices which could be put in place by countries to further develop their tourism proposition. These practices are:
- A valid high-end offer: it is important to enrich the country's offer in terms of cultural and natural attractions with a strong value proposition in terms of resorts and other luxury related activities (wellness centers, restaurants...);
 - A shared vision among institutions: countries should cooperate in order to encourage tourists to visit more than one country promoting Europe itself (e.g. in addition to the single national websites, Nordics offer a unique tourism website that share information to sponsor the whole region);
 - A policy to attract investments: government should encourage investments in resort/ luxury structures (e.g. Montenegro's Government incentives foreign investors while Slovenia's one does not);
 - A diversified offering and value proposition to attract tourists with different tastes (e.g. Greece and Croatia attract different kind of tourists while the other countries in the panel offer a less-diversified offer);

19. Source: Survey Global Blue March 2021, Visit Britain

- A good marketing and communication strategy: investing in marketing to increase the awareness about the country. As an example, Greece has done a good work in promoting itself among Chinese people, while Eastern Europe Countries’ offerings are still “a secret”.

— Greece

Greece, a well-established site with tourism accounting for approximately 20% of GDP, has in recent years boosted its formula for high-end vacations by exploiting its dual soul of “wellness and retreat” but also “trendy and fun” destination.

- Among the success factors of Greece, there are intrinsic features of the territory such as:
- Beaches, sea and unique villages: with 13.676 km of coastline, approximately 6000 islands and more than 500 blue flag beaches Greece, is known worldwide for its iconic blue and white towns and amazing landscapes;
 - Cultural proposition: unlike other popular beach destinations in Europe, Greece also offers eighteen UNESCO sites. This constitutes a point of strength that should be exploited since cultural activities represent one of the main sources of spending for HNWI travelers who want to immerse themselves in the local culture.

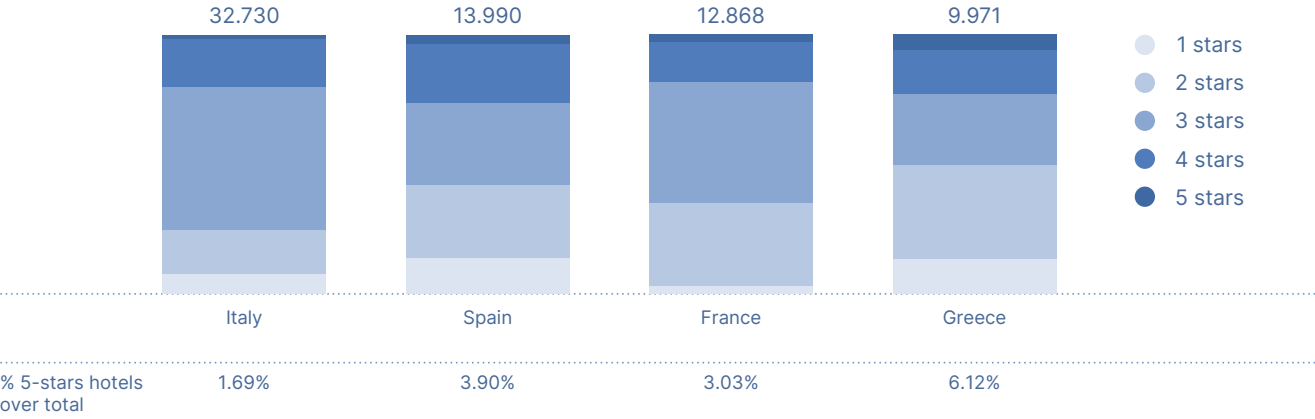
- In addition to intrinsic features, other success factors have been introduced, managed and reinforced by Greece, such as:
- Nautical tourism: renting a yacht or sailing boat with a crew provides a more complete experience due to the greater mobility and number of islands that can be visited; several agencies in Greece offer rental services today;
 - Wellness and retreat: among the preferred destinations, Santorini and Crete should be mentioned for tourists that are looking for a retreat holiday; many wellness centers and luxury spas have sprung up in Greece to cater for wellness tourism, which is increasingly of interest to HNWI that can enjoy yoga courses and treatments with local products;
 - Night Life: to satisfy tourists looking for a fun-filled holiday, Mykonos represents the perfect location, with its huge offer in terms of trendy bars, clubs and discos. In 2019 Mykonos ranked tenth in the list of most visited locations by HNWI²⁰.

The numerous luxury resorts in Greece (~6% of the total hotel offer) highlight the importance of high-end tourism in the country. In addition to resorts, a trend in recent years has been the rental of villas: some visitors prefer to stay in more privacy by renting a private villa which allows them to accommodate a larger number of visitors without neglecting the comfort and luxury that a resort could offer.

Between 2011 and 2017, a +27% growth was registered in 5-star properties and 150 luxury hotels opened in 2018, attracting HNWI from all over the world. Santorini, Crete and Mykonos represent the main destinations for the HNWI and the concentration of four- and five-star hotels in these locations is higher if compared to the whole Greece.

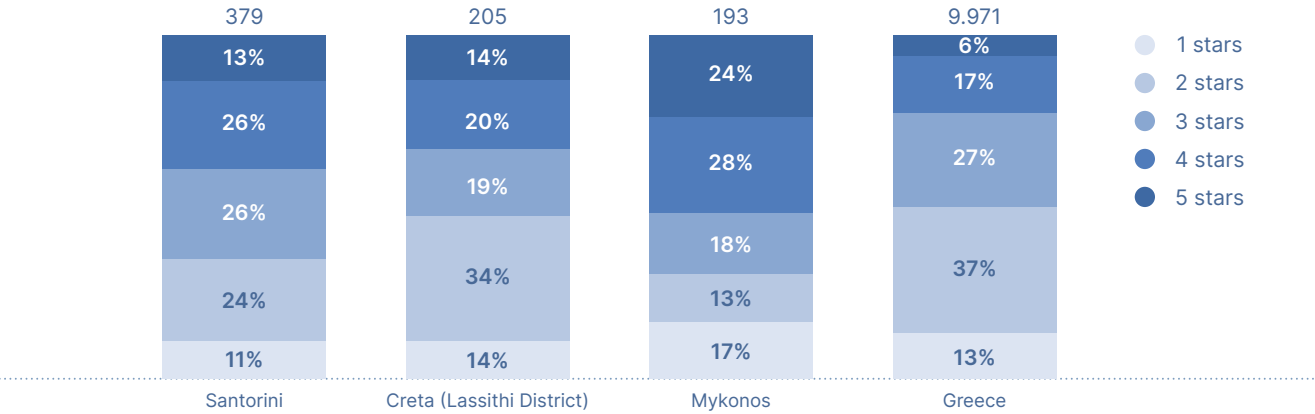
20. Source: Ceoworld

Figure 69 – Hotel by number of stars (Italy, Spain, France, Greece | 2019)



Source: Bain elaboration; FederAlberghi; Hellenic Chamber of Hotel, Insee; Bold Data

Figure 70 – Hotel by number of stars (Selected districts | 2019)



Source: Bain Elaboration; Hellenic Chamber of Hotel

Pre-pandemic the number of Chinese visitors to Greece has increased year on year thanks to the considerable efforts implemented by the Government to make the destination attractive. Santorini is the preferred spot for Chinese travelling in Greece. As of 2019, Greece was not figuring among the most-visited destinations by Chinese HNWI. However, initiatives as plans to include a direct flight from China to Greece and the possibility of obtaining a Visa with a €250K investment in Greece are examples of the efforts put in place to exploit the existing potential.

— Portugal

Portugal, in recent years, has managed to attract a large number of tourists (domestic and non) and of new inhabitants, thanks in part to the redevelopment of tourist destinations and to a lower taxation: retired people who move to Portugal are taxed at a rate of 10% for the first 10 years of residence in the country. To give an idea of the impact of such a policy, almost 7000 Italians in the 60-65 age range have already moved their residence in Portugal.

Rich in villages, towns, hilly and sea landscapes, the country offers the potential to take

advantage of a rural tourism based on wellbeing, sport and immersion in nature, enhanced by the traditional Mediterranean diet. All these factors have contributed to attracting a large pool of tourists; tourism contribution to the Portugal's GDP has indeed reached 15-20% in 2019 (direct + indirect contribution).

Besides the traditional, well-known destinations, Algarve, Lisbon or Porto to name a few, new destinations are emerging, such as Comporta, located an hour's drive from Lisbon and being one of the favorite destinations of the Portuguese high society and not only. In fact, many celebrities have bought a house in this resort, which, with its 30 km of beaches and facilities equipped for yoga classes and horseback riding excursions, transmits a hippie chic mood. The high-end structures are immersed in the nature, representing one of the “place to be” for the more mindful tourists.

— Northern Europe

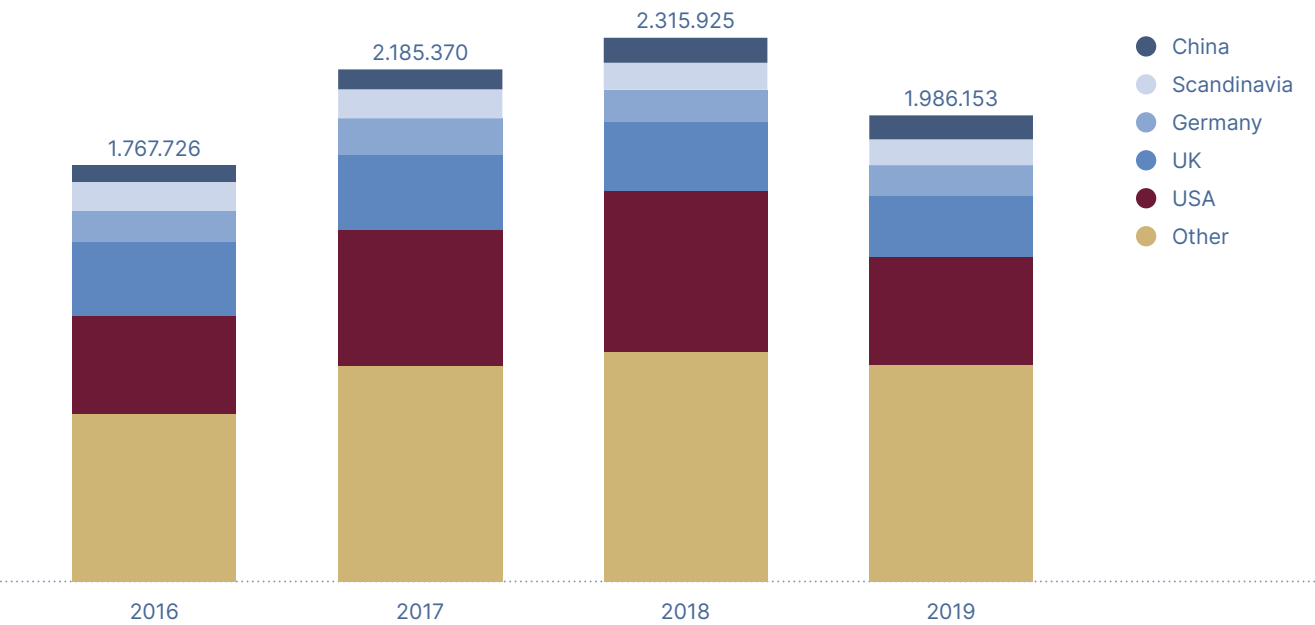
Although each country has its own peculiarities, Iceland, Sweden, Norway, Finland and Denmark share some characteristics and have developed a specific value proposition able to attract high-end consumers being coordinated between different countries can indeed improve the management of the value proposition and helps in attracting visitors.

Iceland

Iceland is a tourism destination that has been booming in recent years; in 2019, the country welcomed more than two million foreign tourists, marking a +312% increase since 2010.

Of the tourists visiting the country, the most numerous in 2019 were from the US, followed by tourists from UK, Germany, Scandinavia and China.

Figure 71 – Country origin of Visitors to Iceland through Keflavik airport (2016-2020)



Source: Bain Elaboration; Ferdamalastofa

The driver of tourism is Iceland's various value proposition:

- Natural beauty: geysers, uncontaminated landscapes and natural spas characterize this country. A survey conducted on Chinese, American, Scandinavian, Dane and German tourists show that the first reason for visitors to travel to Iceland is the natural beauty that is considered unique in the world;
- Luxury resorts: Iceland is one of the top 10 destinations that “billionaires couldn't get enough of in 2019”²¹ : among the main reasons for HNWI's to visit the country is the hope of experiencing the amazing Northern Lights;
- Wellness and retreats: natural baths and spas are the most popular recreational activities among visitors. The range of wellness-related activities is interesting and the opportunity to enjoy them in a unique natural environment is certainly one of Iceland's strengths.

Aware of the potential growth offered by the high-end tourism and keen to capitalize it, luxury resorts have been opened recently. Those are built with the aim of combining the maximization of the chances of seeing the Northern Lights with the surrounding landscapes and the comfort typical of a high-end hotel.

The first 5-star hotel in Iceland has been inaugurated in 2019 and the percentage of 5-star hotels on the total is still low (0.5% of total establishments), especially if compared to other countries that attract HNWI.

A study showed that among the tourists more than 50% has a household income above the average suggesting a room for growth in the high-end tourism sector. Furthermore, as there are few luxury facilities compared to the number of tourists with above-average incomes visiting the country, high-end tourism in Iceland may be underestimated.

Scandinavian Peninsula

Scandinavia comprises Norway, Finland and Sweden, countries that share lots of similarities in terms of natural landscape and tourism offering.

- Experiences in contact with nature: these countries are world-famous for their uncontaminated nature and for the unique experiences that offer. Amongst all, the possibilities of dog or rein deer sledding, and the sight of the Northern Lights are worth mentioning;
- Luxury resorts surrounded by amazing landscapes: Scandinavia has been able to design distinctive and unique luxury facilities that attract HNWI's. For example, an emerging trend in luxury accommodation is “glamping”, luxury campsites that combine immersion in nature with all the comforts of a resort. Other kinds of hotels offered are ice hotels or tree houses, which allow the tourist to immerse in the surrounding landscape without forgoing private saunas, swimming pools, restaurants and sophisticated furnishings.

HNWI travelers attribute increasing importance to sustainability in organizing their travels and they appreciate establishments designed to combine luxury with respect for the environment.

In this regard, Sweden boasts first place in the countries with the highest number of sustainable hotels and in the city of Stockholm 8 out of 10 hotels are certified as sustainable.

The other Scandinavian countries register good performances as well, with Finland ranks second and Norway fifth in sustainable tourism²².

21. Source: Business Insider
22. Source: Euromonitor

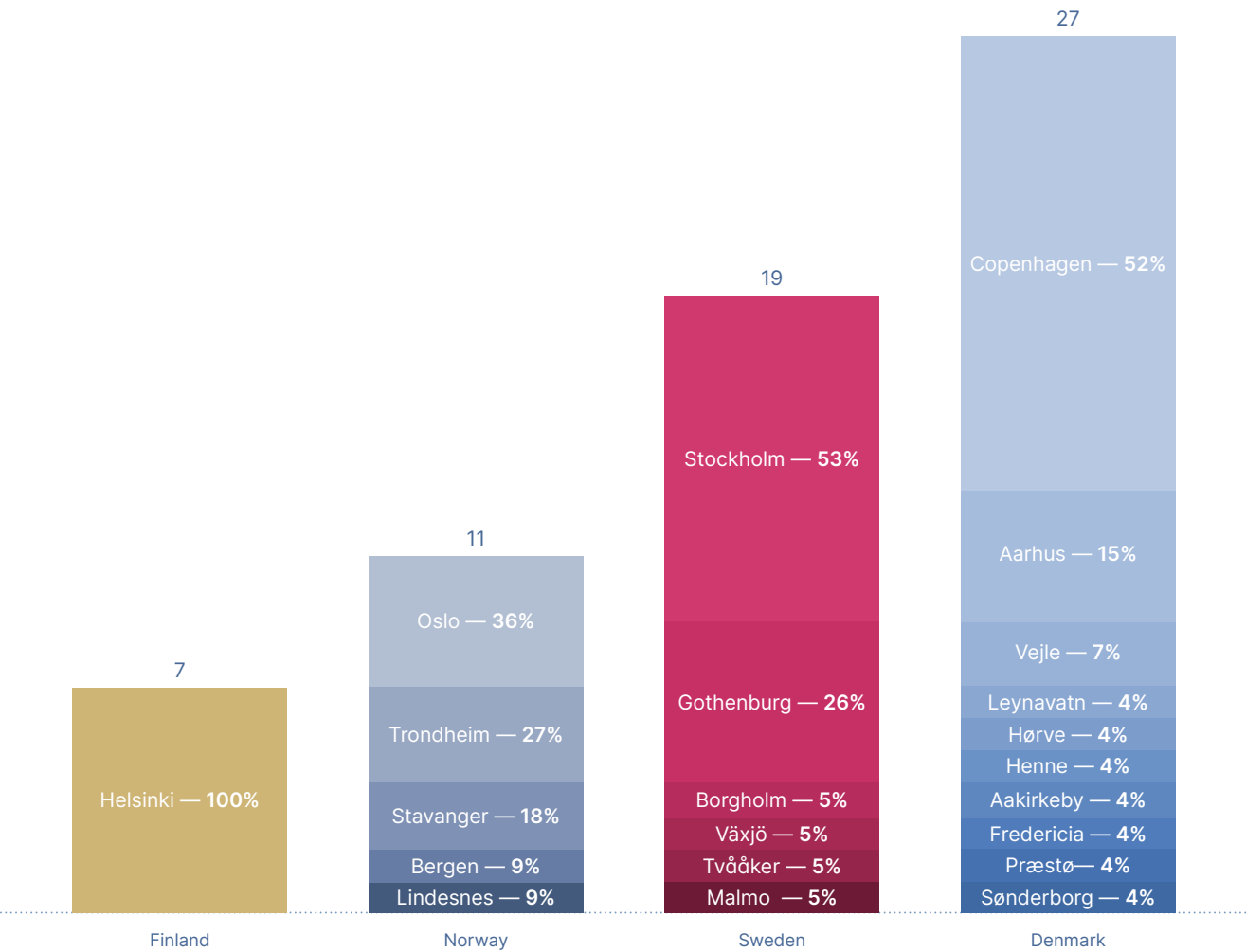
Denmark

Denmark is famous for its elegant cities, outstanding design, museums and for its efforts on sustainability.

The country provides a variety of offerings able to attract tourists:

- Stylish cities: Copenhagen boasts a rich cultural offer, shopping opportunities and trendy locations. In addition, Danish design is appreciated worldwide for its quality, creativity and simplicity, which is also reflected in buildings and furnishings;
- Sustainable options: both in hotels and restaurants, the country offers several options for conscious tourists. For example, Green Key is an eco-label, founded in Denmark, that offers a search engine that makes it easy to find hotels (sorted by stars) that meet certain environmental criteria helping HNWI's to find luxurious but conscious resorts;
- Cuisine: Denmark boasts 27 starred restaurants, a much higher number than in other Northern European countries, suggesting its culinary excellence. Fifteen of these starred restaurants gained also the "Michelin green star", signaling that they meet gastronomic and environmental standards in terms of sustainability.

Figure 72 – Starred Restaurants (2021)



Source: Michelin Guide

– East of Europe

Among the Eastern European countries, Slovenia, Croatia and Montenegro are considered. These countries have recently experienced a significant growth in tourism and show potential for growth in the high-end one. Recently tourism has gained an increasing importance for countries' GDP, especially for Montenegro, where it accounts for ~30% of GDP and Croatia (~24%) while Slovenia has still room for growth (~11%).

Slovenia

This small Eastern European country is experiencing a growth in tourism thanks to its strategic location which makes it attractive to travelers visiting Italy or Croatia. The growth in tourist arrivals between 2014 and 2019 has resulted in a +12% CAGR, placing Slovenia as one of the future leaders of the region for tourism.

It attracts more and more tourists every year thanks to its wide offering:

- Lakes and Alps: Slovenia offers beautiful landscapes and luxury chalets located in the mountains proposing itself as a good alternative to the European mountain-destinations;
- Wellness and spa: a developed wellness and retreat offering is present in the country with several centers offering high-quality treatments;
- Nature and landscapes: vineyards and caves are just some of the options for a weekend in this tiny country defined as "Europe Best Kept Secret"²³.

The high-end tourism in this country has still room for growth: the total offering of 5-star hotels in the country is limited (~15 establishment). Approximately 40% of hotels are state-owned and investments to keep global competitiveness are needed. The performance of the hotel sector is low if compared to other regions (e.g. Greece) and the growth is below the market potential: conscious of that, the new Tourism strategy approved by the Government aims at the developing of high-quality hotel projects to fulfill the existing gap.

Croatia

Croatia has experienced an extraordinary growth in tourism in the last twenty years. It offers a typical "sea and sun" model with stays concentrated in the coastal areas and in the summer months; in addition, it benefits from a favorable geographical position, representing the closest access to the Mediterranean Sea for many Central and Eastern Europe countries.

Only recently Croatia has gained popularity in the high-end tourism segment placing itself as 17th among the most popular destinations for Ultra-High Net Worth Individuals²⁴.

It has become an attractive destination thanks to:

- Seaside life: with more than one hundred beaches with the 'Blue Flag' award and 5835 km of coastline, Croatia is chosen for its beautiful landscapes;
- Elegant and timeless cities: several precious villages are located in Croatia with Dubrovnik deserving a special mention;

23. Source: Luxury Travel Advisor
24. Ceoworld's 2019 ranking

- Trendy islands: Croatia offers clubs and trendy discos positioning itself as one of the best night-life locations in the Mediterranean. Hvar is the preferred island for HNWIs looking for a fun-filled holiday.

The hotel sector is still dominated by domestic chain with almost 60% of the hotel accommodation capacity in the mid-range of two to three stars showing that high-end tourism has still room for growth, especially if compared with other Mediterranean destination such as Greece.

Montenegro

This country located on the Adriatic Sea has expectation in high-end tourism growing for the next years.

Montenegro attracts tourists for two key reasons:

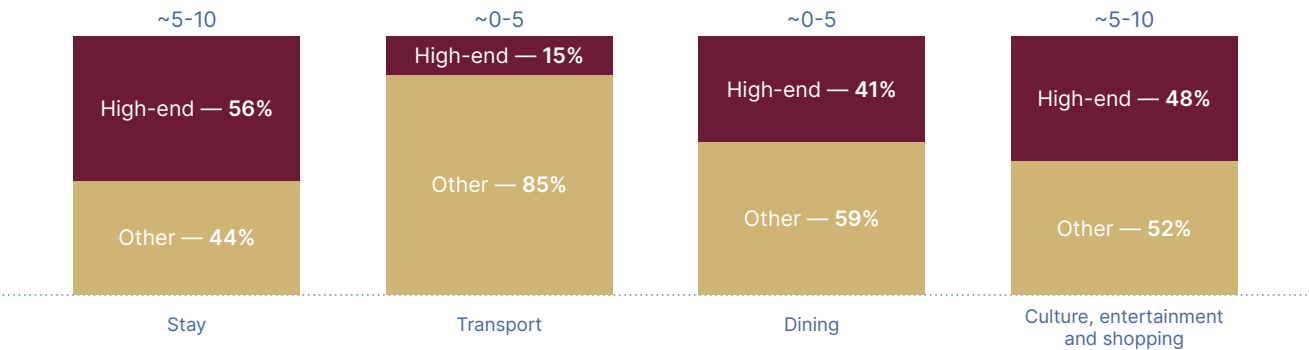
- Coasts and seaside: Montenegro is visited and appreciated for its coasts and luxury resorts that are the main driver for high-end tourism;
- Nautical tourism: Porto Montenegro is the leading yacht marina and resort in the Mediterranean, winner in 2017 of the Superyacht Marina of Distinction award and of 5 Golden Anchors from the Yacht Harbor Association (TYHA) for the high quality facilities and services provided. As high-end tourism continues to grow in the Upper Adriatic, an institutional-operational workshop was held between a delegation from Friuli Venezia Giulia (Italy) and representatives of some Montenegrin ports to ensure that yachts over 30 m can rely on the coordinated offer of interventions.

Foreign investors are attracted by the favorable investment conditions that are promoted by the government; in 2019 fourteen brands in the upper upscale/luxury segment were present in the country underlining the high-end tourism direction that Montenegro is undertaking.

— Switzerland

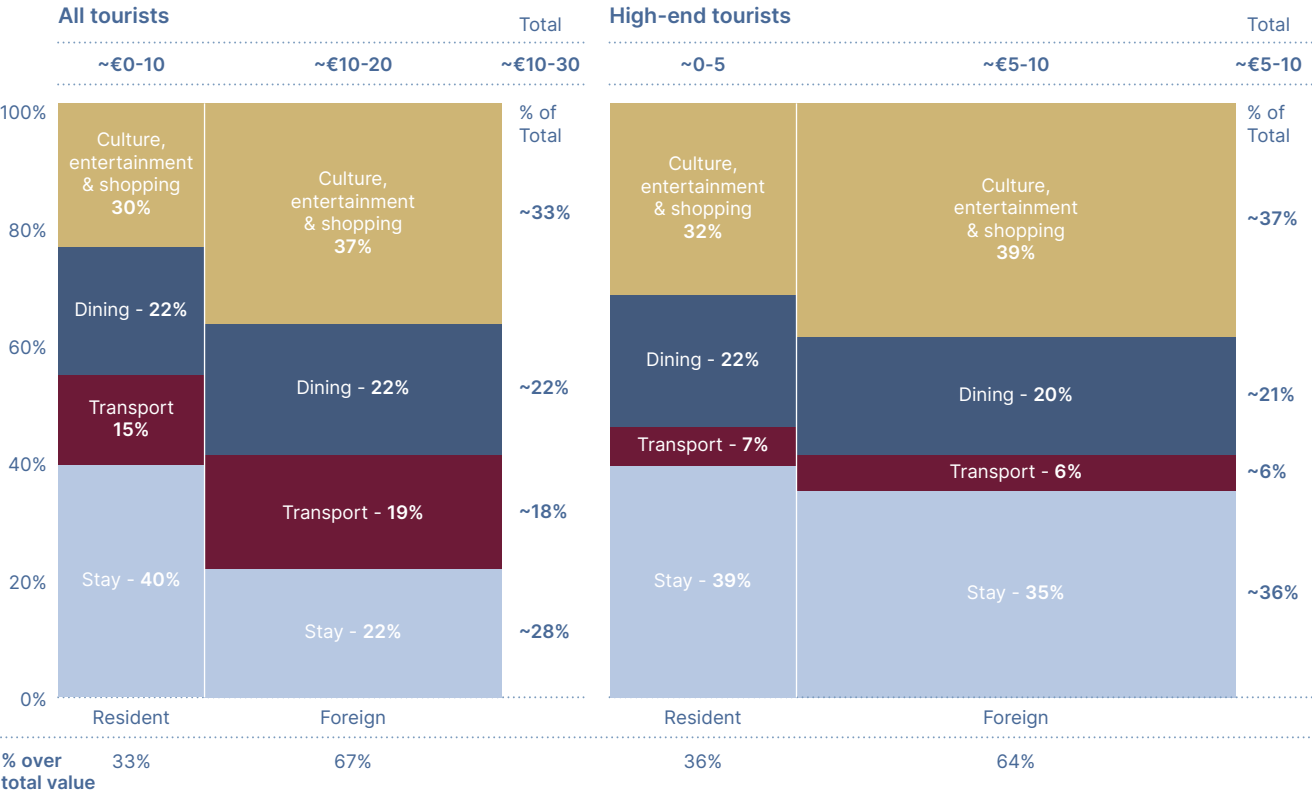
Despite the country's small dimension, Switzerland's tourism intake totals ~€10-30B, weighting ~3% on total GDP. Most of tourism's value is created by foreign tourists, especially in the high-end segment. High-end tourism totals ~€5-10B, mostly stemming from stay and culture, entertainment and shopping expenditures.

Figure 73 – Total turnover by expenditure segment (€B | 2019)



Source: Bain elaborations on FSO data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

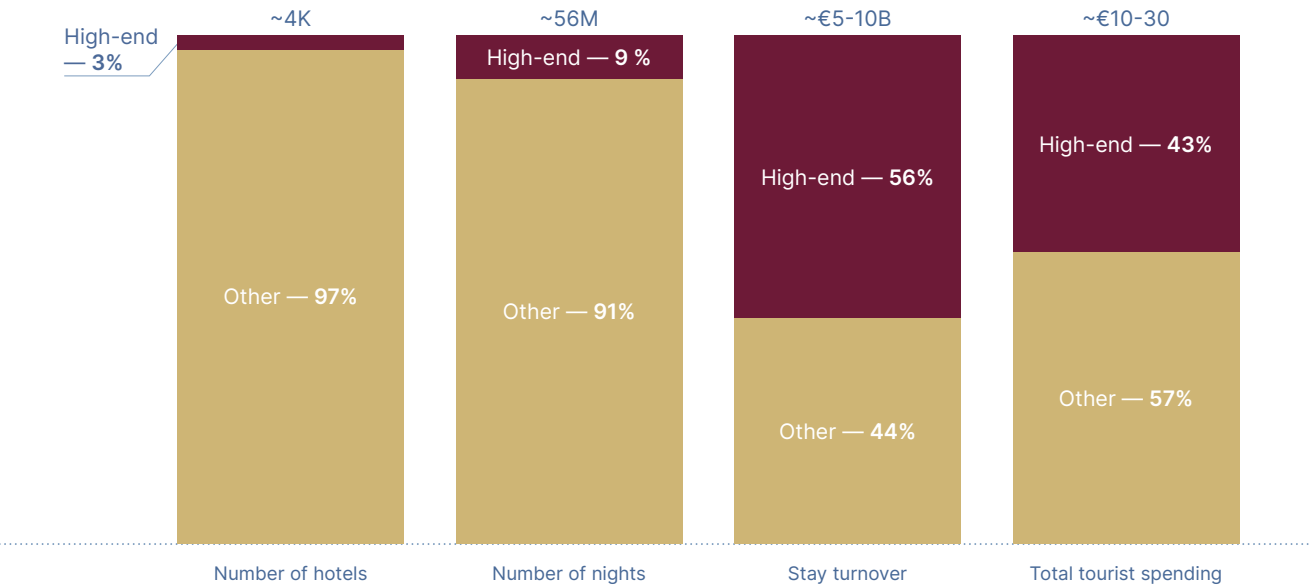
Figure 74 – Tourism in Switzerland: total expenditure of tourists by category (€B | 2019)



Source: Bain elaborations on FSO data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Out of the approximately 4000 Swiss hospitality structures, only ~3% are high-end, but they generate over ~55% of total stay turnover and ~40% of tourist spending.

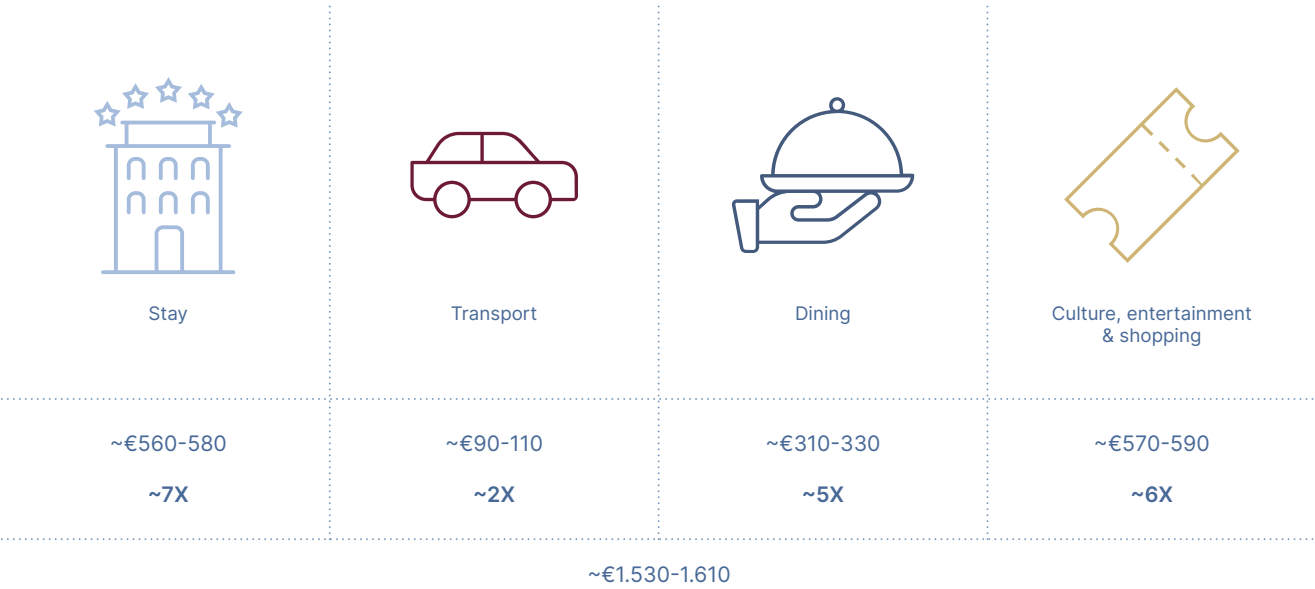
Figure 75 – Stay KPIs



Source: Bain elaborations on FSO data, Altagamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

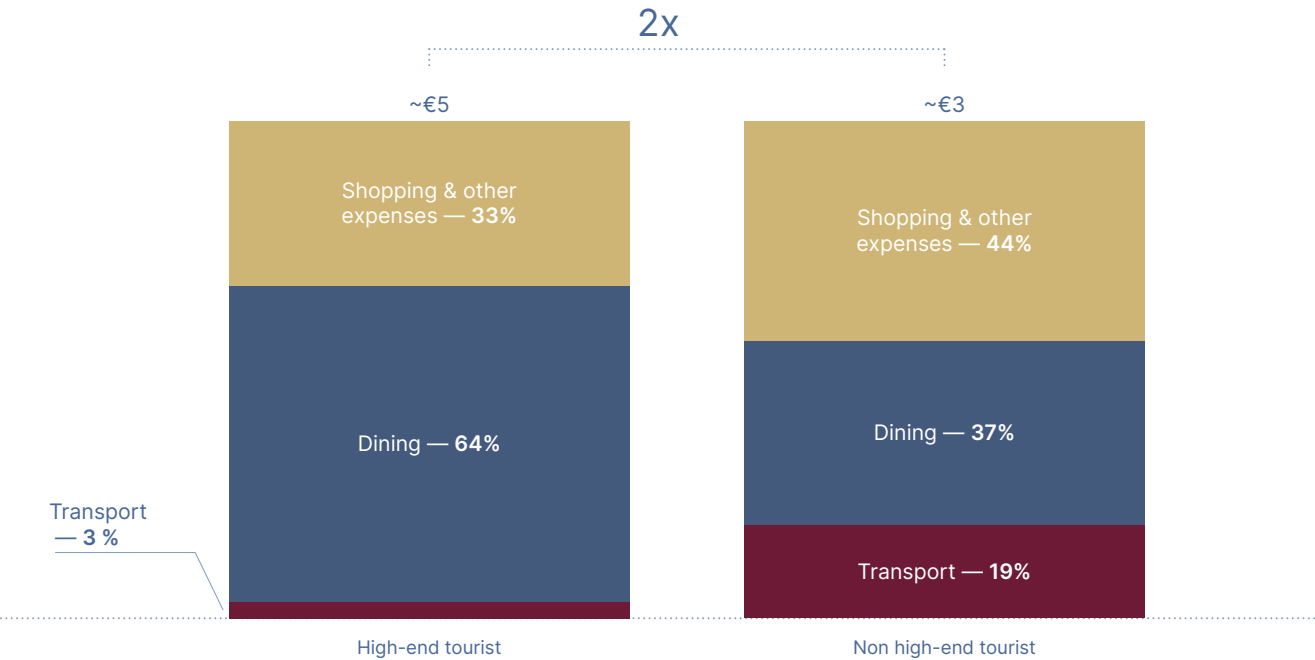
Switzerland exhibits high-end daily spend multiplier of ~5x reaching an average spend of ~€1530-1610 per day; €1 spent in stay by high-end tourists generates ~€5 in other expenditures, 2 times more than the value generated by the non-high-end tourist.

Figure 76 – Average spending per day of tourists staying in high-end facilities and ratio vs. other tourists, by expenditure segment (€ | 2019)



Source: Bain elaborations on FSO data, Altgamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

Figure 77 – Split by category of the value generated by 1€ of spending in stay (2019)



Source: Bain elaborations on FSO data, Altgamma Bain Worldwide Luxury Market Monitor, Euromonitor, UNWTO, Eurostat, Expert interviews

The high-end tourism proposition in Switzerland is spread across large cities, which embody quality of life, urban fair, diversified museums and cultural gems, such as Zurich and Geneva, which together concentrate almost 50% of the 5-star hotel rooms and ~20% of the Michelin-starred restaurants. In addition, the small distance between the cities and the efficient transport network (e.g. trains) facilitate and encourage travel between one city and another.

Besides its characteristic cities, the Swiss tourism proposition also revolves around its stunning natural landscapes; the country is well known for majestic mountain sceneries, idyllic valleys and villages, crystal-clear lakes and ice-blue glaciers. Indeed, most visitors are attracted by top ski resorts: Zermatt and St Moritz are one of the most searched ski resorts, especially by wealthy countries, with Chamonix also competitive, thanks to superior communication capabilities. The top ski resorts in Switzerland, France and Italy have essentially equal offerings of services and attractions, but St Moritz has a higher number of 5-star hotels and restaurants.

Natural landscapes also comprehend lakes and rivers, whose promotion can however be improved, especially if compared to Italian lakes. Lake Garda and Lake Como indeed remain the most searched lakes among the selected top 10²⁵, but Lake Geneva is relatively more popular in Russia. To facilitate the appreciation of scenic views, Switzerland has developed a system of train, boat and bus panoramic travels. Some routes are designed to lead visitors to discover lesser-known regions, to promote new tourism areas.

Finally, Switzerland also has a strong hospitality heritage. The main Swiss hospitality schools, in addition to having various programs with an international scope to attract students through a global experience, also have partnerships with the main players in the sector. Leading industry players indeed hire talents from Les Roches, Glion and EHL, offering students international career opportunities.

25. Google Trends

Global

— Case Studies

The overview of non-European case studies includes insights related to a variety of factors such as

- US: internal demand, iconic attractions established in the collective imaginary, world-class entertainment, cultural and social agendas, comprehensive offering of entertainment, sightseeing and shopping, strategic planning of high-end tourism development
- Hainan: strategic planning, presence of flagship high-end brands, tax-free policies, Chinese consumer
- Japan: domestic demand, Chinese consumer, variety of attractions, efficient and quality transports
- Australia and New Zealand: emerge of demand for “exploration” content

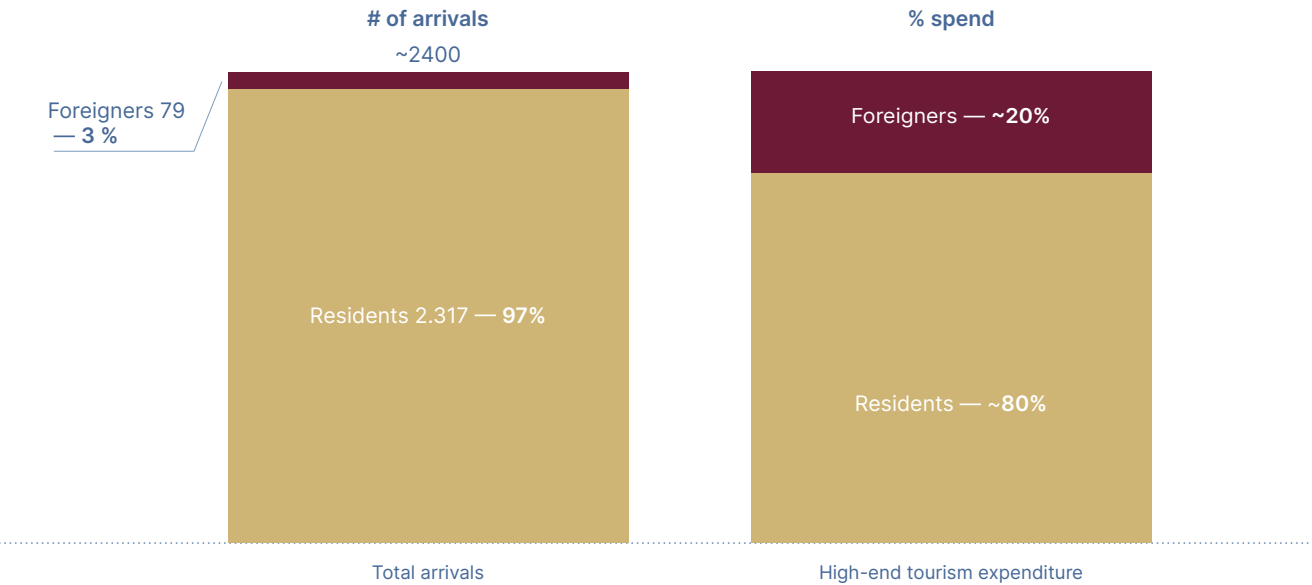
To summarize the key takeaways from the global case studies, there are few elements that integrated lead tourism industry to success:

- 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 (e.g. 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)

USA

The US market is highly sustained by domestic demand, which represents 80% of the high-end spending.

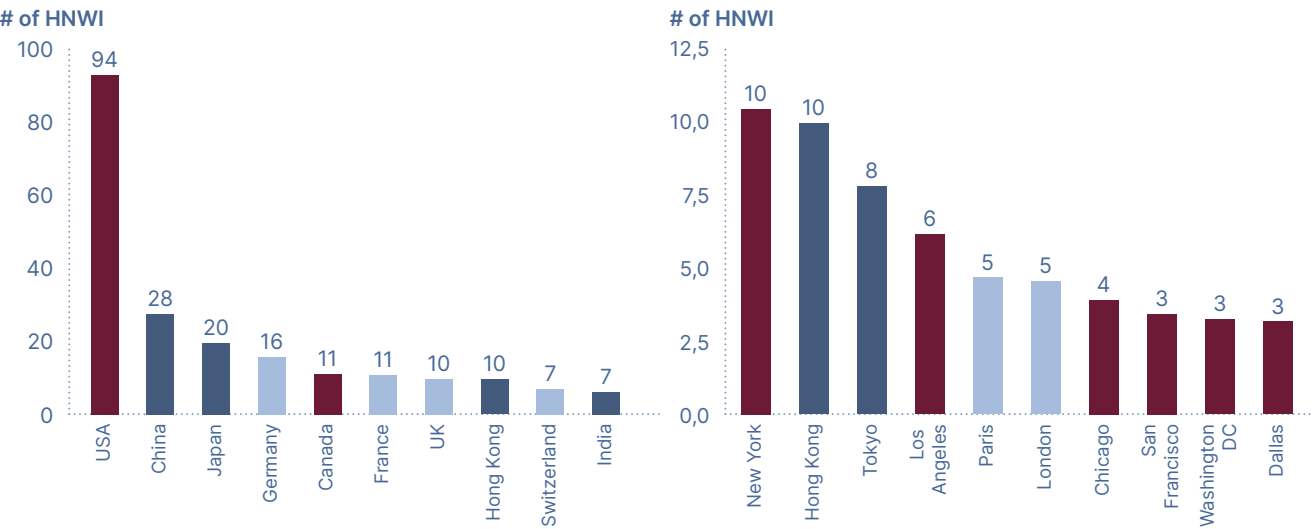
Figure 78 – Tourist arrivals in US and high-end tourism spend (# in M | 2019)



Source: US Travel Association, National Travel and Tourism Office, Statista, Press release

Indeed, US can count on the largest population individual with high spending power. For example, ~30% of the global ultra-wealthy population is resident in the US. Moreover, six American cities were in the top 10 for hosting the wealthiest population, led by New York.

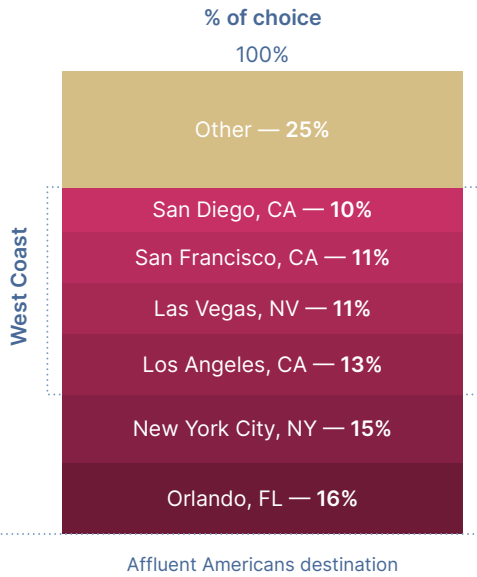
Figure 79 – Top 10 UHNW countries and cities (# individuals in K | 2019)



Note: UHNWI refers to individuals with \$30M or more net worth
Source: US World Ultra Wealth Report 2020

The US offers a variety of attractions and experience for high-end tourists, well represented by its top destination: New York City, Orlando, the West Coast (LA, Las Vegas and San Francisco) and the Hawaii.

Figure 80 – Favorite destinations for affluent Americans* in the US (% | 2018)



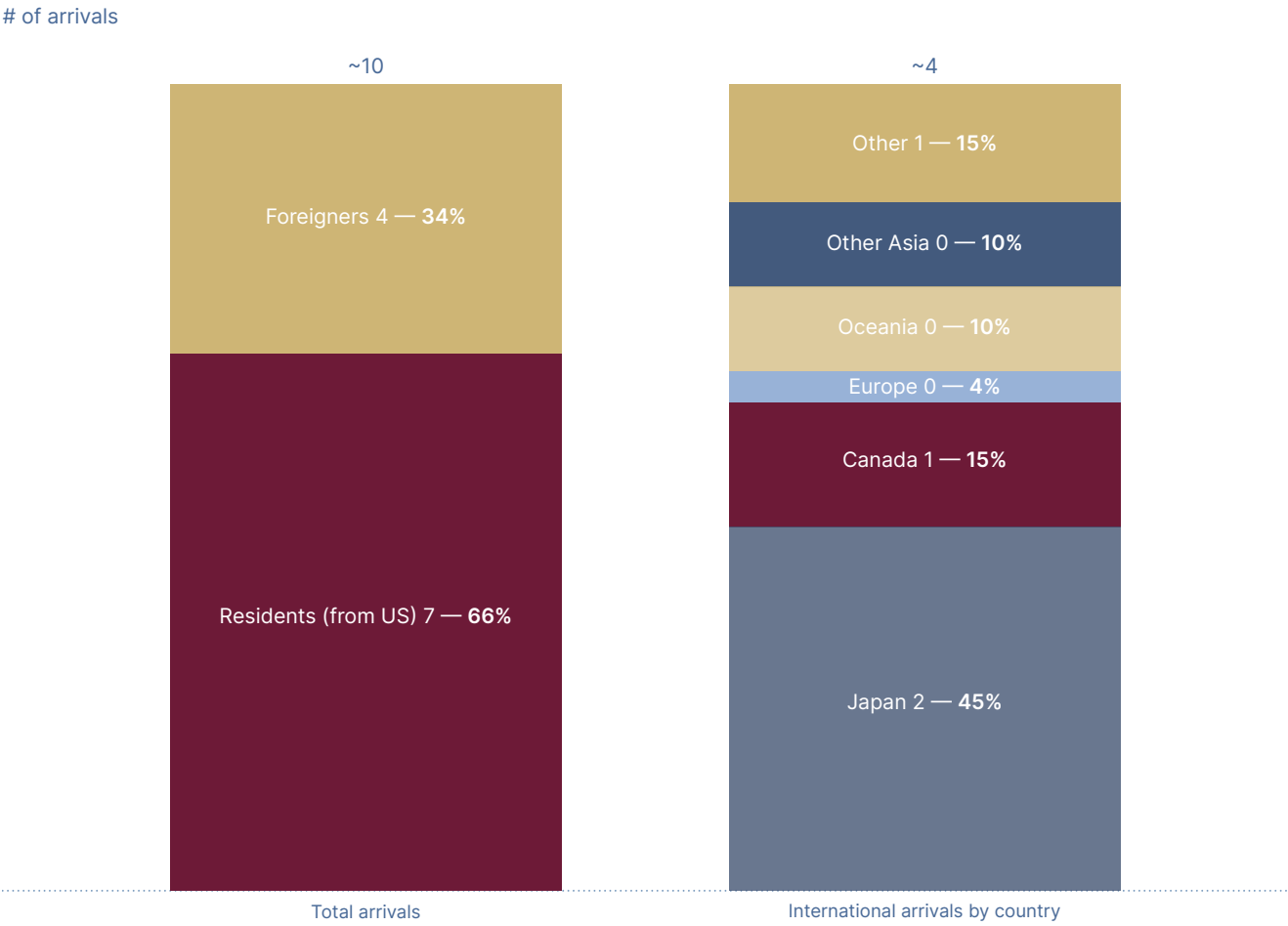
Note: (*) Wealthy: income > \$200,000
Source: US Travel Association, Statista, Press release based on Ipsos Affluent Survey USA engaging >290 media brands and >1,200 consumer brands and services

New York City is a no-miss destination for travelers, but also a city to visit again every year and even multiple times a year. It combines the attractiveness of a big cosmopolitan city with state-of-the-art high-end experiences. From entertainment, to relax onto culture, NYC hosts some of the world most attractive facilities and events. NYC also benefits from its positioning in the collective imaginary as central hub of the world, rich of no-miss landmarks and attractions. It also offers a wide range of services for the high-end travelers; from dinners in more than 75 Michelin-starred restaurants, to its iconic shopping destinations, clubs and bars, onto enjoyable breaks in the exclusive area of the Hamptons and a wide choice of world-class retreats and SPAs.

The West Coast includes a set of very diverse attractions, catering with excellence to a variety of holidays preference, with California being the most popular US state to travel to. In addition to stunning coastlines and natural parks, the West Coast is known for cities with strong identifying and complementary characteristics. San Francisco and Los Angeles can both count on a large population of wealthy individuals, who sustain the development of high-end offering of restaurants and other facilities. Moreover, San Francisco being a business hub and Los Angeles the capital of the movie-industry, they attract significant flows of high-end travelers which sustain a flourishing business for high-end hospitality and related services. Las Vegas, in Nevada, is synonym of fun and opulence, being not only the home of gambling, but also the hub for concerts, acrobatic shows and tournaments. The offer is upgraded, close to Las Vegas Strip, by around 70 golf courses with stunning deserts or mountain backgrounds.

Hawaii is a great example of strategic planning in (high-end) tourism. Hawaiian Tourism Authority develops strategic plans since 1998 to attract visitors by providing unique experiences, incentivizing partnerships with luxury players. In particular, Honolulu in Oahu island is the most expensive destination in the US, offering one of the most exclusive holidays experience thanks to beautiful landscape, combined with state-of-art services: from private cruise or helicopter services, clubhouses with full-service shops, golf schools and banquet facilities. The destination is successful with both domestic and international travelers (accounting for 34% of the arrivals). Among them, the Japanese are the first nationality and spend more than 3 times per day on shopping than domestic travelers, Canadian and European visitors.

Figure 81 – Tourist arrivals in Hawaii (# individuals in M | 2019)

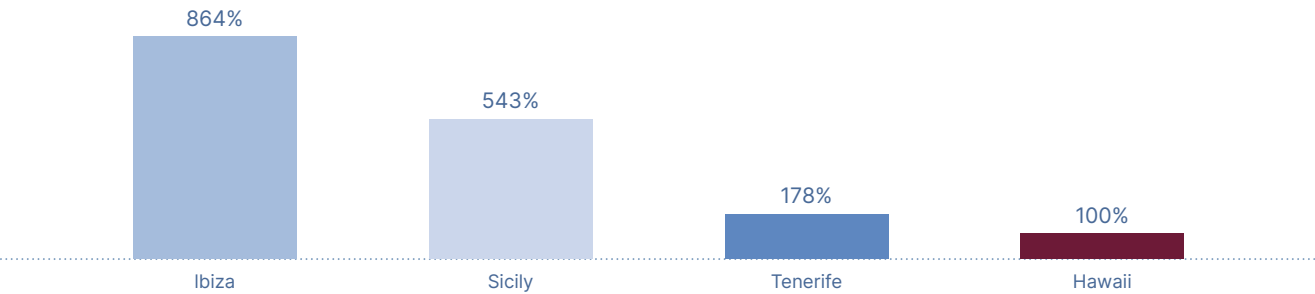


Note: Other include all arrivals by cruise
Source: Hawaii Tourism Authority

Another winning factor for Hawaii, is that it presents lower seasonality issues if compared to other island destinations, such as Ibiza, Sicily and Tenerife. Indeed, if we consider the standard deviation of arrivals, which represents the dispersion of arrivals throughout the year with respect to the yearly mean, we can see that the most visited month in Ibiza registers a number of arrivals which is almost 9 times higher (864% of standard deviation) than the average. For Hawaii, on the other hand, standard deviation is close to 1, meaning that there is almost no variability of arrivals throughout the year.

Figure 82 – Monthly arrivals variability (index 100 | 2019)

Standard deviation of arrivals on monthly data

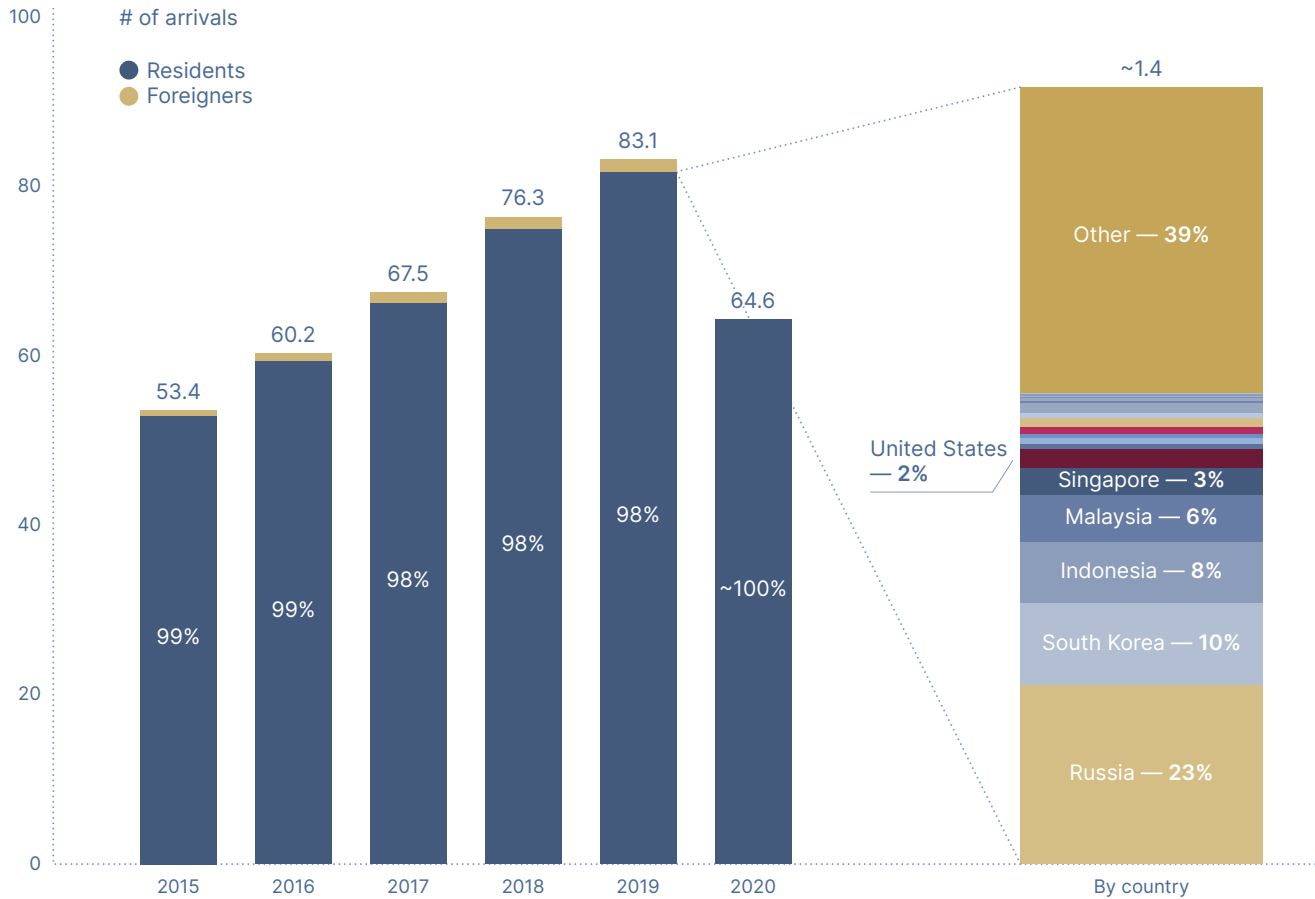


Source: Hawaii Tourism Authority, Sicilia Region web portal, Instituto Nacional de Estadística, Press release

CHINA (FOCUS ON HAINAN)

Hainan was always a famous domestic hotspot that attracted local tourists with its warm weather and modern resorts. In the past years, the share of international travelers is also increasing, with proximity playing a key role; indeed, foreigners mainly come from close countries, such as Russia, South Korea and Indonesia.

Figure 83 – Tourist arrivals in Hainan (# individuals in M | 2015-2020)



Source: Census Center of Hainan Bureau of Statistics, China National Development and Reform commission, Press release, expert interviews

In 2020, the inability of individuals to travel overseas allowed the Chinese economy to retain large amounts of retail spending; also, China's post-Covid-19 changes in duty-free shopping quotas only added to Hainan's appeal. The country added new products to its duty-free list and the tax-free shopping quota raised from CNY30,000 to CNY100,000 per person per year.

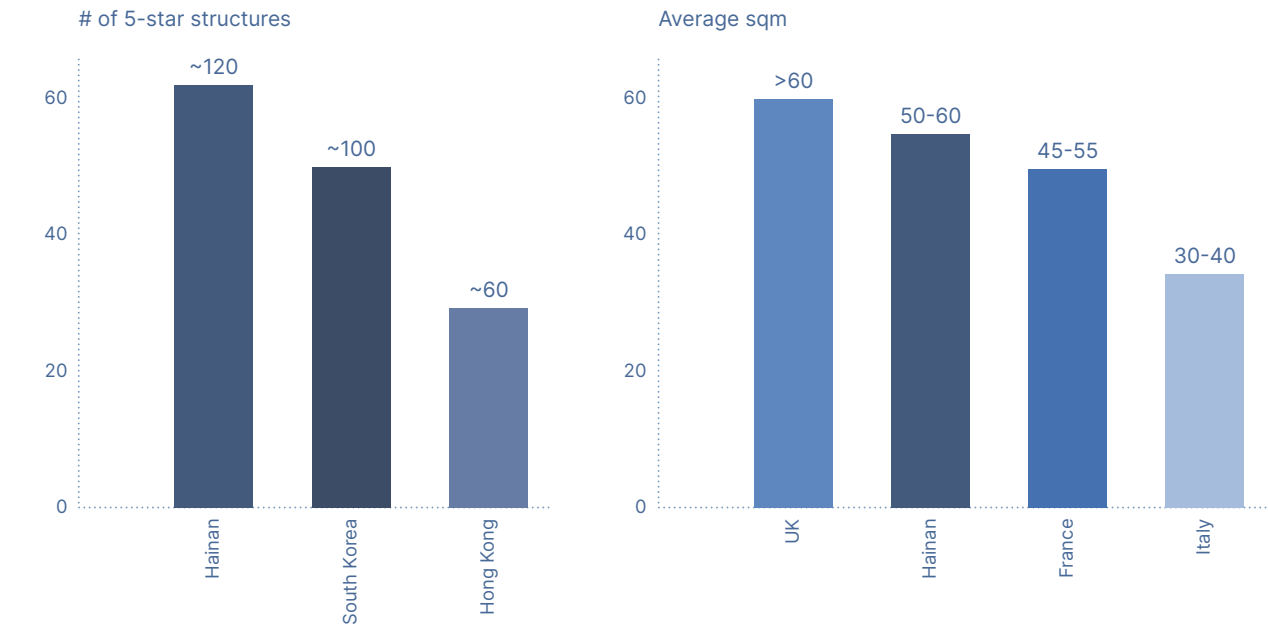
These significant changes have boosted luxury sales and accelerated the transformation of Hainan from an island province to a luxury mecca. Indeed, notwithstanding the Covid outbreak, the total arrivals only decreased by 22%, while duty-free sales increased by 127% YoY to around CNY32,74 billion.

Despite this competition, the Chinese government aims at transforming Hainan into a high-end destination (and free trade port), as Dubai, catering for the tastes of wealthy visitors and offering family entertainment, relaxation and shopping.

A specific plan is launched to build Hainan into a globally influential free trade port by 2050; it will be “basically established” by 2025 and “more mature” by 2035. To achieve the goal, Hainan will boost its local industries, mainly tourism and consumption, easing the access for foreign companies. Such plan is driven by supportive policies, such as the already mentioned duty-free policy and the tax burden reduction. This model is however not likely to be replicated. Hainan Free Trade Port indeed comprehends preferential policy, system innovation and rule of law. It is an exclusive concept, that will not be replicated elsewhere in China.

Besides being a gravity center of shopping, Hainan luxury offer, such as high-end hotels, also meets the expectations of Chinese consumers, accustomed to higher standards. Indeed, there is a higher number of 5-star hotels vs. other duty-free destination, with luxury chains playing a strong role.

Figure 84 – 5-star hotels and average deluxe room size of a 5-star hotel (# of structures, sqm | 2021)

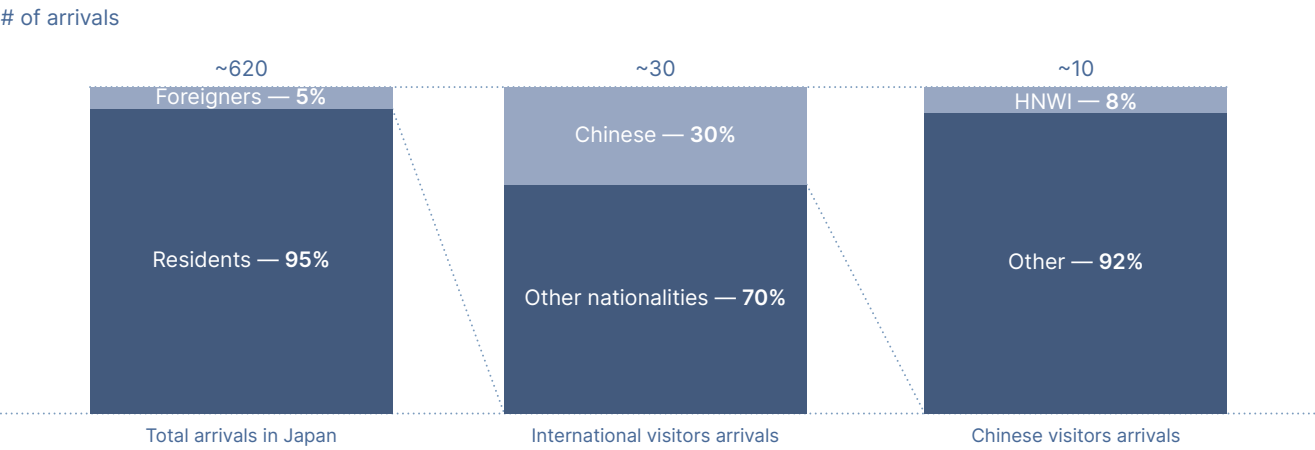


Note: Hainan analysis based on a selected sample of 5-star hotels
Source: Expert interviews, booking.com

JAPAN

Japan is a heavily domestic tourism market, with nationals representing ~95% of arrivals in 2019. Yet foreign arrivals constituted a considerable number, ~30M; in particular, the market was highly attractive to the Chinese tourist, and first destination for the High Net Worth Chinese (~840k tourists, equal to three times more the number of affluent Chinese visiting Italy).

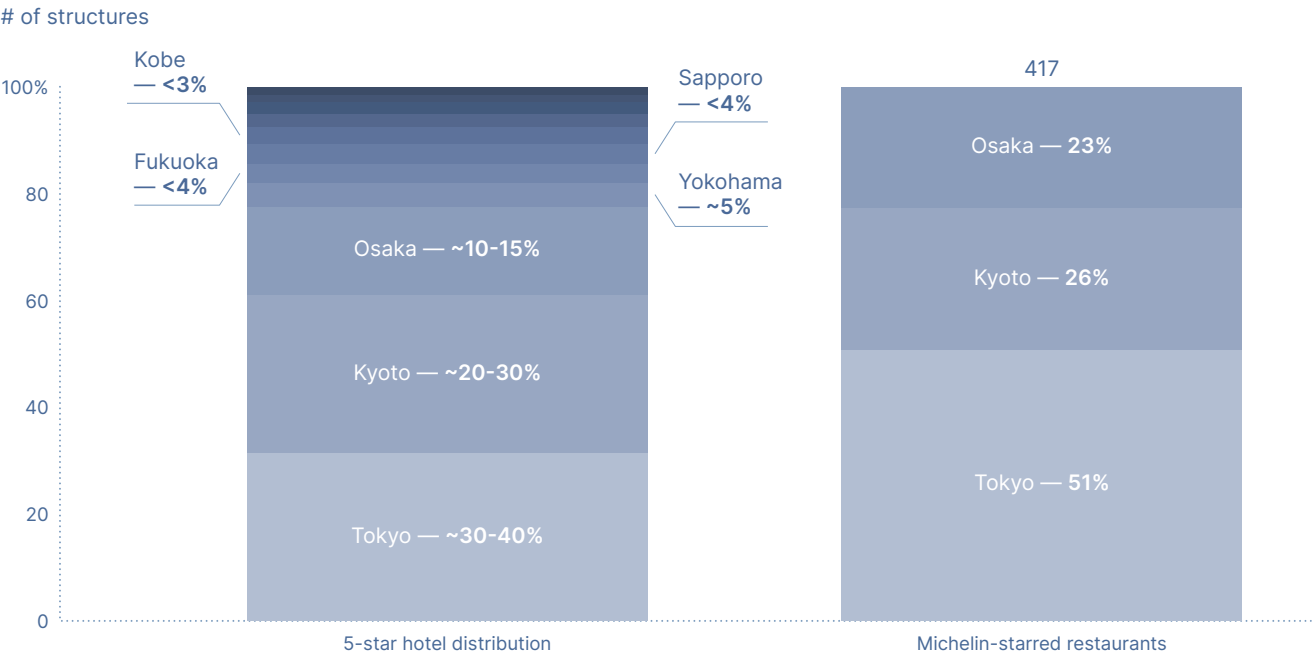
Figure 85 – Tourist arrivals in Japan (# individuals in M | 2019)



Source: Global Data; Hurun Research Institute data; Fondazione Italia Cina annual report

Tokyo is the central hub for high-end tourism, hosting ~30-40% of the total Japanese 5-star hotels and more than 50% of the Michelin-starred restaurants, followed by Kyoto and Osaka.

Figure 86 – Luxury hotels and starred restaurants distribution in Japan



Source: Booking.com; Michelin Guide 2021; Press release

Besides proximity, Chinese travelers are attracted by the innovative high-end proposals the country has to offer: from exclusive dining experiences to private ski slopes in Nagano, onto the refinement and design of hotel structures and boutiques, the attention for wellness and the food culture - including Tokyo being first city in the world for starred restaurants (211).

New luxury trends are also driven by cutting-edge technological development, such as “cruise trains”, which allow to discover the country from inside a suite or to immerse yourself in the nature from inside an all-glass walls train, with the comfort of not having to change frequently hotel.

BALI

Bali has created a successful formula for high-end vacations, mainly centered on the wellness retreat, an increasingly relevant trend.

A popular tourist destination since the 1980s, Bali has developed a reputation for health and wellness vacations, and is now Asia’s leading luxury spa tourism destination. Seizing on the lucrative potential of wellness tourism, international hotel groups have invested extensively in properties on the island according to a holistic approach to wellness: from materials/ environments with the purpose of encouraging meditation, to the employment and training of highly specialized local therapists. The typical vacation includes a comprehensive, customized package of programs and treatments (from yoga and detox to therapies and psychology classes).

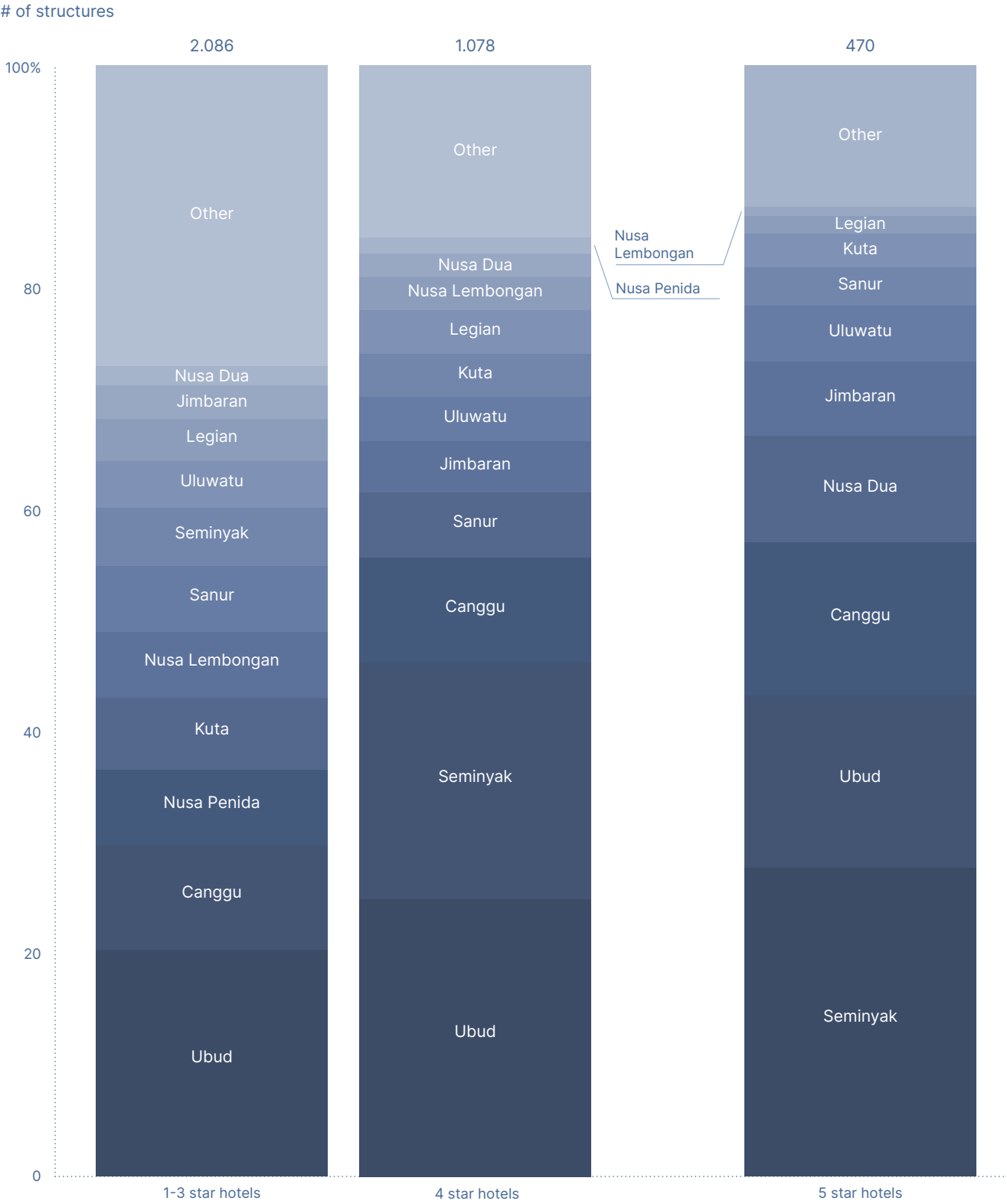
Wellness and luxury are getting increasingly closer in the minds of high-end travelers; Bali represents the right combination of a clear unique selling proposition and a perfect execution. The offering is authentic and centered on three key success factors:

- Wild nature: from the rice fields surrounding Ubud to the mangrove forests near Sanur, ending with the jungle near the northern mountains.
- Meditation and spirituality: Bali is also called “The Island of Gods” with an historical importance given to devotion and meditation
- Resorts’ authenticity: the luxury Balinese resorts are completely immersed in nature, designed to blend with the surrounding landscape and local traditions. Everything is studied in the smallest detail to offer the customer not just a simple stay, but a 360 degree experience

Bali provides a variety of offerings that allow tourists to enjoy the island in different ways:

- High-end tourism: sites such as Seminyak propose a more touristic and “fun” offer, but with the opportunity to live it always from a high-end perspective
- Mindful luxury: luxury resorts immersed in the rice fields of Bali, far from the most festive centers of the island offer yoga and meditation retreats, attracting a large number of high-spending tourists
- Activities for sportier tourists: Bali, world-famous as a surfing destination, has a wide range of surf schools and camps that offer this type of experience with dedicated classes and activities

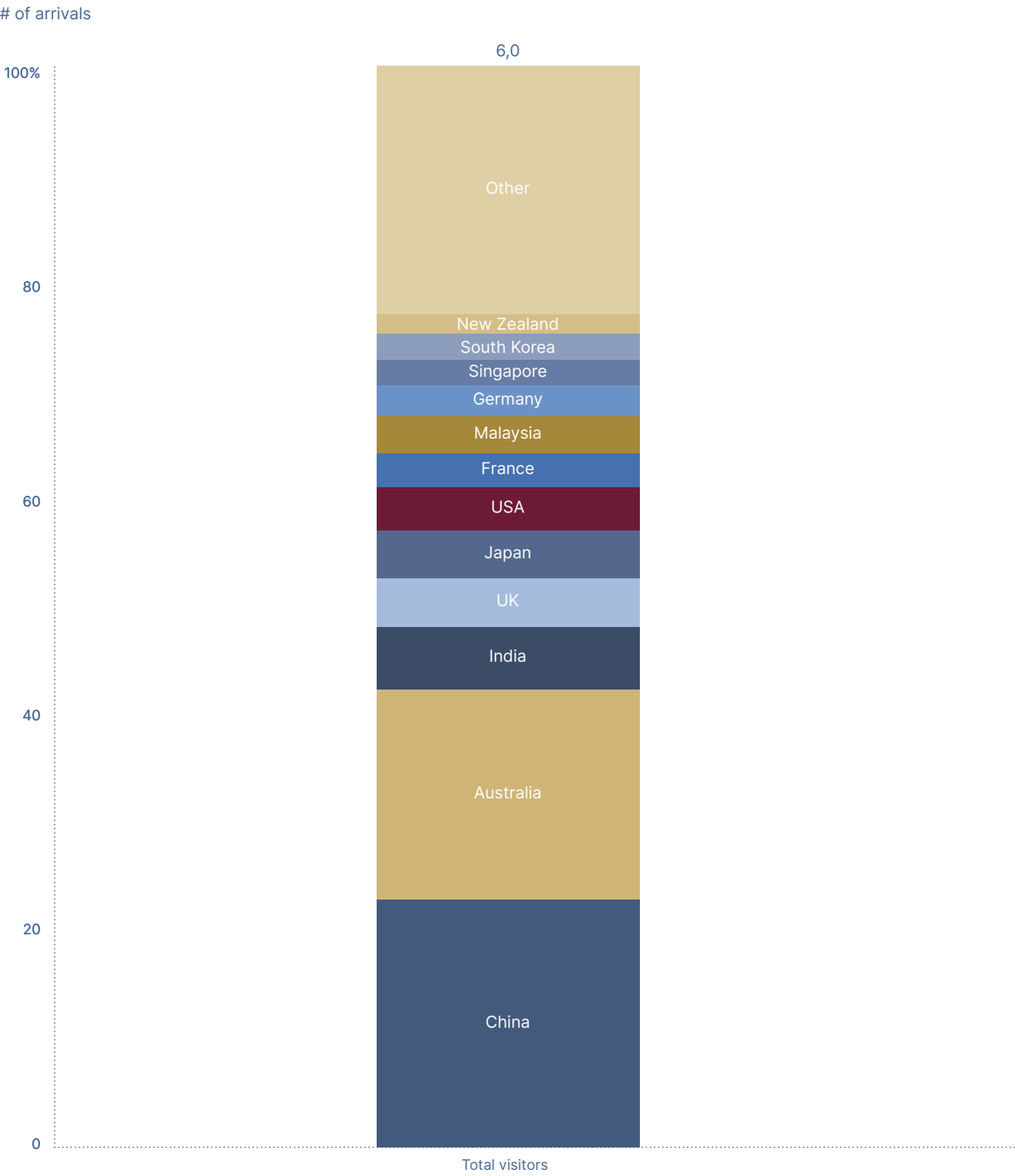
Figure 87 – Number of hotels by district (# of hotels | Jan 2019)



Note: The selected hotels do not include those structures whose stars are not made explicit by booking.com
Source: Bain analysis on booking.com

As regards tourists’ nationality, proximity once again plays a key role: Chinese and Australians were the main tourists in Bali in 2018.

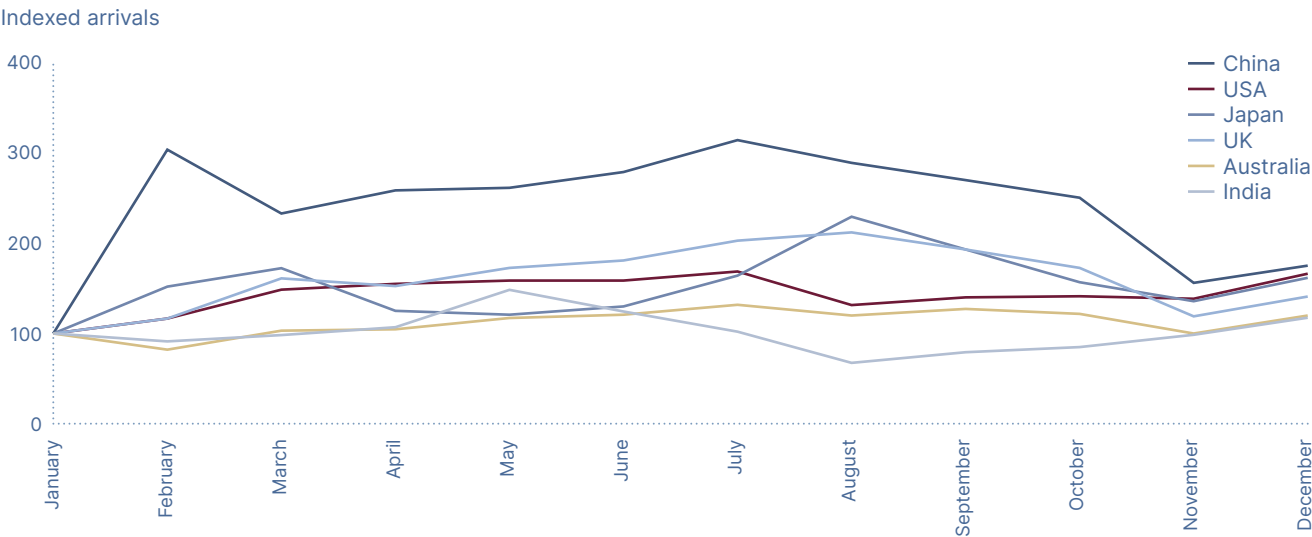
Figure 88 – Tourist arrivals (M | 2018)



Source: Bain analysis on baliorg.com; Press release

The seasonality of international arrivals does not follow a unique trend, but it is peculiar to each nationality. For example, a peak in Chinese visitors can be noticed during the Chinese New Year; Japanese, on the other hand, tend to visit more during the summer.

Figure 89 – International tourist arrivals in Bali by month and top 6 nationalities (Index 100 | 2018)



Source: Bain analysis on baliorg.com; Press release

Bali’s luxury spots draw interest from many nationalities. Among long-haul travelers, a high interest in luxury places comes from tourists from “oil countries”, such as United Arab Emirates and Saudi Arabia. Within Europe, relevant interest in Bali luxury hotels and resorts from Switzerland, UK and, on a lower extent, from Netherlands.

Figure 90 – Interest by nationality for 10 selected Bali luxury hotels and resorts (foreign nationalities ranking): Google Trends search of the last 5 years, interest by main countries ranking

Four Seasons Resort Bali At Sayan		AYANA Resort and Spa, BALI		RIMBA Jimbaran BALI by AYANA		The Edge		Six Senses Uluwatu	
1. UAE	●	1. Singapore		1. Singapore		1. Singapore		1. Singapore	
2. Singapore		2. Australia		2. Australia		2. Australia		2. Hong Kong	
3. Australia		3. Japan		3. Hong Kong		3. Philippines		3. Australia	
4. Saudi Arabia	●	4. Hong Kong		4. Malaysia		4. Hong Kong		4. Malaysia	
5. Hong Kong		5. China		5. Japan		5. UAE	●	5. Taiwan	
6. Switzerland		6. New Zealand		6. South Korea		6. Malaysia		6. UK	●
7. Malaysia		7. Malaysia		7. Taiwan		7. New Zealand		7. Pakistan	●
8. UK	●	8. Taiwan		8. Iran		8. Saudi Arabia	●	8. Netherlands	●

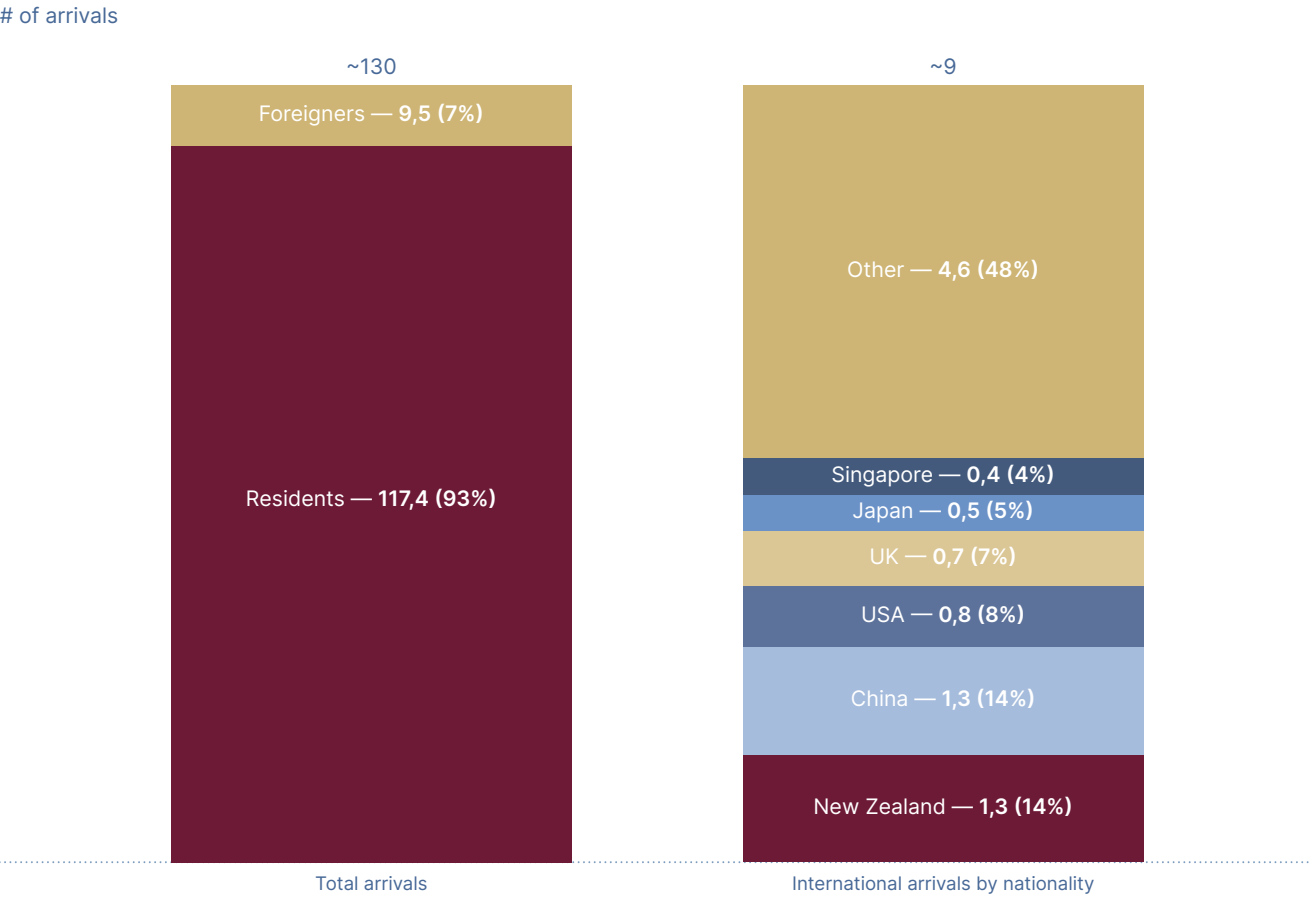
The St. Regis Bali Resort		Four Seasons Resort Bali At Jimbaran Bav		Alila Villas Uluwatu		Anantara Seminyak Bali Resort		The Ritz-Carlton, Bali	
1. Singapore		1. Singapore		1. Singapore		1. Singapore		1. UAE	●
2. Australia		2. China		2. Hong Kong		2. Australia		2. Singapore	
3. Hong Kong		3. Australia		3. Australia		3. Hong Kong		3. Australia	
4. UAE	●	4. UAE	●	4. Taiwan		4. UAE	●	4. Saudi Arabia	●
5. Switzerland	●	5. Switzerland	●	5. Malaysia		5. New Zealand		5. Hong Kong	
6. Malaysia		6. Hong Kong		6. Philippines		6. Malaysia		6. Switzerland	
7. Taiwan		7. Taiwan		7. New Zealand		7. China		7. Malaysia	
8. South Korea		8. Saudi Arabia	●	8. UAE	●	8. UK	●	8. UK	●

Note: The first 10 hotels selected according to articles from press (Forbes Travel Guide), Lists only include searches by foreign nationals
Source: Google trends, Lit. Search

AUSTRALIA AND NEW ZEALAND

Australia attracts especially domestic visitors, which, in 2019, represented 93% of total arrivals. Among the foreigners, Chinese are first; they are driven by a particular luxury experience surrounded by nature and wildlife.

Figure 91 – Tourist arrivals in Australia (# individuals in M | 2019)



Source: Statista, Budget Direct, Tourism Australia

Besides being home to an extreme various wildlife and natural landscape, Australia is also full of unique gastronomic experiences and hotels; moreover, Sydney offers various high-end activities, such as the walk-on role at Sydney Opera House of the yachting in Sydney Harbour.

Tourism Australia has launched the Signature Experiences of Australia to target high value tourists. It aims at promoting Australia’s outstanding tourism experiences and it is designated to grow visitation and attract high value tourists. This program lies at the heart of Tourism Australia’s strategic focus on higher yielding travelers and it is one of the key pillars that strengthen its competitive position. The experiences include wineries, luxury lodges, golf courses, fishing adventures, wildlife encounters, cultural attractions, etc. In each case, the country has promoted specific partnership with selected industry collectives that have a compelling marketing proposition.

On top of this, specific partnership with selected luxury players in China have also been promoted to incentivize affluent Chinese travelers. Australia is trying to target high-value Chinese travelers, since they are the most important share of the tourism industry; they indeed represent the largest share of international tourists together with New Zealand, generating \$12,4 billion revenues in 2019 (20%). Examples of these partnerships include the following:

- Tourism Australia hosted key luxury travel agencies in China showcasing premium product across Australia
- Tourism Australia signed a memorandum of understanding with Industrial Bank of China, to target private banking clients, offering exclusive travel solutions

New Zealand represents one of the ultimate discovery experiences, catering to high-end travelers.

The tourism industry in New Zealand involves, directly and indirectly, 400k people and generated revenue for \$17M in 2019. In that year, 407.000 Chinese tourists traveled in the country, representing the second nationality (before Americans) for arrivals in New Zealand, after Australians.

