

Altagamma Day
"High-end Tourism. Strategic Leverage for Italy"

**HIGH-END TOURISM IS WORTH 25 BILLION EUROS,
rising to 60 BILLION EUROS (3% of GDP) when induced value is factored in**

- The **Altagamma Day** saw the presentation of the digital version of the book **"High-end Tourism. Strategic Leverage for Italy"**, produced by Altagamma in collaboration with Bain & Company, Boston Consulting Group, ENIT - the Italian National Tourism Agency, and Global Blue, with the involvement of a number of Altagamma's Vice Presidents.
- **Luxury tourism**, taking into account direct, indirect and induced value, has an overall economic value of 60 billion euros, 3% of GDP (25 billion euros from direct spending alone). It represents less than 1% of our hospitality businesses, but generates 25% of visitor spending in our country.

Milan, May 25, 2021 - Tourism is a key industry for Italy, representing 13% of the country's GDP, and creating 14% of its jobs (ISTAT data for 2019), as well as being an effective calling card for our country with international tourists who in turn become direct ambassadors of our excellence abroad. Tourism is also a great driver for Italian-made products: pre-Covid, for example, 60% of personal luxury spending in Italy was done by foreign visitors. Today, **luxury tourism** is worth **25 billion euros**, and this figure rises to 60 billion - 3% of GDP - if we take account of the induced effects, as well as direct and indirect spending. If strategically boosted it could produce up to **100 billion euros in direct value, added to the positive impact of the induced effects on local areas**. It is therefore an essential ingredient in the strategies to relaunch the country and our economy, with a powerful impact on local areas and many sectors of Italian industry.

This was the theme of this year's **Altagamma Day**, held online, devoted to the role that luxury travel can play as a driver of the Italian economy. For the occasion, the Foundation presented the book **"High-end Tourism. Strategic Leverage for Italy"**, produced by Altagamma in collaboration with **Bain & Company, Boston Consulting Group, ENIT - The Italian National Tourism Agency**, and **Global Blue**, with input from **Sabina Belli** (Vice President for jewelry), **Carlo Capasa** (Vice President for fashion), **Claudio Domenicali** (Vice President for automotive), **Giovanni Geddes da Filicaja** (Vice President for food), **Leonardo Ferragamo** (Honorary President), **Claudio Luti** (Vice President for design), **Aldo Melpignano** (Vice President for hospitality), and **Giovanna Vitelli** (Vice President for the yacht industry).

"High-end tourism has a natural vocation for internationalization: just think that foreign visitors account for 80% of spending in this area. Attention to detail, and the all-Italian ability to make tourists feel at home, are the hallmarks of luxury tourism in Italy, renowned world-wide. This is something that the Government wants to safeguard and promote, above all in view of the imminent reopening. With this in mind, in the National Recovery and Resilience Plan we have ringfenced significant national and international funds with the aim of modernizing and enhancing hospitality facilities, including in terms of sustainability", said the **Minister of Tourism Massimo Garavaglia** in the video message that opened the event.

*"High-end tourism in Italy represents less than 1% of hospitality businesses, and 3% of overnight stays, but generates 25% of tourist spending in our country. Moreover, visitors who stay in luxury accommodation spend nine times more than the average visitor, and a five star hotel employs twice as many people as an average level facility of the same size," said **Matteo Lunelli, President of Altagamma**, the Foundation that brings together 107 companies in the high-end cultural and creative industry. "Developing luxury tourism can therefore exponentially boost induced value and represents a strategic lever for the country's growth. At this stage, with the country engaged in recovery and re-establishing tourism, we believe it is crucial that the government's tourism strategies include specific plans to reposition the Italian tourist industry".*

The book **"High-end Tourism. Strategic Leverage for Italy"**, presents the current picture and explores the potential of high-end tourism for relaunching the country, and offers, for the first time, a precise outline of the structural dynamics, indicating the socio-economic benefits and the direct and indirect fallout for many sectors of the country's economy. High-end international tourists staying in Italy spend around 7 billion euros on accommodation, in addition to **25 billion euros of direct consumption (including 2 billion euros on eating out and 14 billion euros on visits/excursions/shopping), therefore generating a multiplier effect over 3x**. Tourists normally spend 58% of their outlay on shopping and eating out, while **high-end tourists spend a good 72%**, translating to an increase in value to local areas of 14%. What's more, those who stay in luxury accommodation **spend over 9 times more than the average visitor on their trip (including spending in the local area)**, and five star hotels employ twice as many people as the average facility. And while luxury tourism only accounts for less than 1% of hospitality businesses, and 3% of overnight stays, it actually generates **15% of total hospitality revenues and 25% of total tourism spending**. High-end tourism raises the bar for the industry domestically, and helps safeguard and promote Italy's cultural heritage and wealth of local assets.

ALTAGAMMA'S RECOMMENDATIONS

The book concludes with a number of points that highlight the priorities when it comes to boosting high-end tourism in Italy from the current 25 billion up to 100 billion, estimated according to the country's ability to attract more high-end tourists (currently Italy only intercepts 3 out of 10) and a higher number of Chinese millionaires (around 80% have never visited Italy), and engage with the elite Italian travellers who now opt for foreign holidays (1-3 million trips).

It will be necessary to create the systemic conditions to accomplish this, by means of a **strategic plan to develop high-end tourism**, leveraging a number of key elements:

- 1) Quality and widespread distribution of hotels of excellence and iconic residences
- 2) Diversified tourism products and customised experiences
- 3) Innovative, exclusive transport
- 4) A new digital communication plan for the high-end sector
- 5) A network of training schools for the tourist industry
- 6) Deseasonalization thanks to events/new destinations
- 7) Tax breaks for international smart living in Italy
- 8) Repositioning of key destinations
- 9) Acceleration plan for Asian/Chinese tourists

OVERVIEW OF THE DATA

THE HIGH-END TOURISM MARKET (*Bain & Company*)

- Represents less than 1% of hospitality businesses in Italy but generates **25% of total tourism expenditure**.
- The spending of **high-end international tourists** in Italy amounts to **€ 25 billion in direct consumption** (approximately €7bn on accommodation, €2bn on eating out, and more than €15bn on visits, excursions, shopping and other local area spending).
 - Considering the ratio between **spending on accommodation and other spending**, high-end tourism in Italy therefore represents a **multiplier effect of x3**, compared to x2 for non-high-end. What's more, while normal tourists spend 58% of their budget on shopping and eating, their high-end counterpart reaches as much as 72%, with a 14% increase in value for local areas.
- Tourists staying in luxury accommodation spend **over nine times more than the average visitor** (around € 5,000 per person).
- Five star hotels **employ twice as many people as average hospitality facilities (of the same size)**.
 - **Between direct and indirect value, high-end tourism contributes around €60 billion to the Italian economy.**
- **80% of spending on high-end tourism is linked to foreign visitors.**
 - **Milan and Rome (in third and fifth place respectively)** are among the top five favourite cities of elite travellers worldwide (high-end, non-European); as for seaside destinations, **the Amalfi coast is in fourth place**, after the Côte d'Azur, the Maldives and Hawaii, and in ski resorts **Cortina d'Ampezzo and Madonna di Campiglio** are ranked seventh and eighth on a chart dominated by French and Swiss destinations.
- Italy is indeed the most desirable destination for luxury travellers, but not the most visited: France is first, followed by Great Britain, with **Italy in third place**. Critical factors include: a lower **perception** of "quality standards" in facilities and services, the lack of **entertainment** and a **program of events** devoted to an **affluent, global audience**, the **logistical complexities** involved in visiting a country featuring a host of beauty spots located in different areas, and the lack of **targeted messages to the critical mass**.

→ **THE POTENTIAL CONTRIBUTION OF HIGH-END TOURISM** could be **two to four times greater** than current figures, going from € 25 billion **up to € 60-100 billion**, in terms of direct consumption alone.

This would be made possible by:

- **Increasing the market penetration of high-end travellers** - around **60% of elite shoppers and 80% of Chinese billionaires have not visited Italy (2019)** - and the frequency and duration of visits,
- **Increasing the number of Italian high-end travellers** (between one and three million trips are usually taken abroad)
- And **involving a higher number of destinations in Italy, thus increasing induced effects**, by creating a longer season and establishing a program of year-round events, thus combining pull factors and sustainability.

HIGH END TOURISTS (Boston Consulting Group)

- **True Luxury Travellers¹** represent only 1% of total international travellers, but generate about **10% of the total number of trips and above all about 12% (around € 360 billion) of total global spending on travel (excluding transport). Average spending amounts to more than €20,000 per person per year on luxury travel, excluding transport, and more than €15,000 per person on shopping for luxury goods while travelling.**
- In terms of **sources of information** that inspire and influence True Luxury Travellers, external sources of information are decisive in 70-80% of cases. **Influencers and celebrities are definitely the prime channel of inspiration** for True Luxury Travellers (23%), beating word of mouth (18%), travel blogs (18%), specialized magazines (17%) and online advertising (13%). Influencers count even more for Millennials and Generation Z (26%), and Chinese consumers (28%).
- The **most important criteria** taken into account by True Luxury Travellers when making their choices are the appeal of the destination, a luxury brand and the quality of the accommodation, and ease of travel to reach the destination.
- **The main channels used for booking and purchasing** are **travel concierge services** and high-end agencies, but for Millennials and Generation Z, the **direct channel with hotels and OTA** is also significant, above all for short and point-to-point trips.
- Among the preferred types of accommodation for long trips (+5 days): **5-star hotels (34%), private rental villas and residences (25%), boutique hotels (15%), and luxury yachts (4%).** The favorite accommodation for Millennials and Gen Z is **private rental villas and residences (31%).**
- **Sharing:** 85% of Millennial or Gen Z True Luxury Travellers share their travel experiences on social media. The figure for Generation X is 67%. This percentage is lower among Baby Boomers and Silvers, but remains significant, at 40%.

FOCUS ON ITALY

- **Around 45% of True Luxury Travellers have been to Italy at least once in the last five years** and about 13% have visited the country at least four times in the last five years (mainly European or Russian). 14% chose our country with the aim of visiting cities of art and culture, 10% for metropolitan cities, 9% for seaside resorts, 9% went to the mountains, 9% went to the countryside.
- Among the favorite destinations of True Luxury Travellers, **Italy is in first place globally for cities of art and culture and countryside destinations, second for mountain resorts and big cities** but only **fourth** for seaside destinations, which is, moreover, this target's preferred type of destination (29% of total number of days). **Chinese True Luxury Travellers** (fundamental in terms of luxury shopping), take a much more critical view: Italy is number one **only for cities of art and culture**, and it is not in the top four/five countries in any of the other categories.

¹ The *True Luxury Travellers* segment, which represents the biggest spenders in the travel industry, is defined by minimum spending thresholds. It takes into account visitors who spend over € 1,000 per night per couple in luxury hotels, more than € 8,000 per couple per week on exclusive cruises, over € 150 per person to eat out, over € 100 per person in luxury bars and over € 400 per person per day on spa/wellness experiences. In terms of overall average frequency, every year True Luxury Travellers spend at least 10 weekends away and make at least two trips lasting more than a week in third-party facilities (i.e. not including weekends in homes they own).

- In terms of travel experiences, Italy is the **world's number one destination** for True Luxury Travellers when it comes to experiences related to **food and wine** and **art and culture**. But it is **not among the top destinations** for those looking for **spa/wellness** experiences, **sport and nature**, or **golf**, lagging well behind competing countries in the luxury segment.
- Italy's main weaknesses emerging from the study: old accommodation facilities, logistic complexity, training of personnel, program of events to strengthen for True Luxury Travellers

Below is the summary of the book "High-end Tourism. Strategic Leverage for Italy":

Opening speeches - Matteo Lunelli, President of Altagamma and Massimo Garavaglia, Minister of Tourism

The high-end tourism market - Claudia D'Arpizio, Fabio Colacchio, Bain & Company

High-end tourists - Nicola Pianon, Gabriele Ferri, Boston Consulting Group

The sectors of Altagamma and tourism

Introduction - Stefania Lazzaroni, General Manager

1. Aldo Melpignano, Vice President of Hospitality and Hospitality Members
2. Sabina Belli, Vice President of Jewelry
3. Carlo Capasa, Vice President of Fashion
4. Claudio Domenicali, Vice President of Automotive
5. Leonardo Ferragamo, Honorary President
6. Giovanni Geddes da Filicaja, Vice President of Food
7. Claudio Luti, Vice President of Design
8. Giovanna Vitelli, Vice President of Yachts

The external point of view

1. Andrea Cancellato, President of Federculture
2. Manfredi Lefebvre d'Ovidio, President of Abercrombie & Kent
3. Matthew Upchurch, President and CEO of Virtuoso
4. Pier Francesco Nevini, COO Global Accounts Global Blue
5. Giorgio Palmucci, President of ENIT
6. Francesco Formica, Head of Tourism at CDP Equity

Final remarks and recommendations

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High-End Tourism

Strategic leverage for Italy



Online Conference
/ Tuesday 25 May
2.00 – 4.00 PM CET



PROGRAMME

- 2:00 PM **Opening Speeches**
Matteo Lunelli, *Chairman Altagamma*
Massimo Garavaglia, *Italian Minister of Tourism*
- 2:15 PM **Book presentation *High-End Tourism. Strategic leverage for Italy***
Introduction
Stefania Lazzaroni, *General Manager Altagamma*
- **High-End tourism market**
Claudia D'Arpizio, *Senior Partner & Global Head Fashion&Luxury Vertical Bain & Company*
 - **Luxury Travellers**
Nicola Pianon, *Managing Director & Senior Partner Boston Consulting Group*
- 2:45 PM **Altagamma recommendations for High-End tourism**
Matteo Lunelli, *Chairman Altagamma*
- 3:00 PM **Key stakeholders: points of view**
Desirée Bollier, *Chair & Chief Merchant Value Retail*
Andrea Guerra, *CEO LVMH Hospitality Excellence*
Manfredi Lefebvre d'Ovidio, *Chairman Abercrombie & Kent*
Aldo Melpignano, *Vice Chairman Altagamma Hospitality*
Giorgio Palmucci, *President ENIT - National Tourist Board*
Matthew Upchurch, *Chairman & CEO Virtuoso*
Giovanna Vitelli, *Vice Chairman Altagamma Yachting*
- 3:50 PM Final remarks