

Mapping the Future of Global Travel and Tourism



More than fifty years ago, the burgeoning Jet Age introduced bigger, faster airplanes—which made travel more affordable than ever before and transformed international travel and tourism from a luxury requiring significant time and money to a leisure activity enjoyed by a much broader spectrum of society.

Today, the promise of Jet Age travel is soaring to new heights. According to data from the UN World Tourism Organization, more than 1.2 billion people made an international trip in 2015—this is expected to increase 50 percent to more than 1.8 billion world travelers over the next 10 years.¹ International travel spending is also expected to surge.

By 2025, estimated cross-border travel around the globe will rise dramatically, with spending reaching nearly \$1.5 trillion in 2015 dollars annually, according to a new Visa study. However, it is not just that more international travel and tourism is taking place than ever before, but also *how* it is unfolding. Three mega-trends are reshaping and accelerating the growth of travel and tourism:

Rising global traveling class

Visa estimates that more than 280 million households will be traveling internationally by 2025. Growing income levels around the world are creating a new “traveling class.” Households making \$20,000 USD or more per year account for 90 percent of spending on international travel and about four out of every five international travel arrivals today. By this calculation, nearly half of all households globally will belong to the traveling class by 2025.

Visa estimates travelers from nearly one in three of these traveling class households will take at least one international trip per year. Households in emerging markets will fuel the growth in global travel, representing nearly half of all traveling households by 2025.

Global aging

By 2025, travelers aged 65+ will more than double their international travel to 180 million trips, accounting for one in eight international trips globally. Older travelers can afford bigger trips and are more focused on comfort and health than saving money. Long-term, the aging traveler will transform travel and one area that is already growing in response is the so-called “medical tourism” industry as more travelers opt to combine medical treatments with vacation.

Increasing connectivity

The forces of globalization and technology are shrinking distances. Construction of more than 340 new airports is expected over the next decade, creating new routes and destinations that will make international travel easier and more convenient. At the same time, awareness of alternative modes of transportation, accommodations, destinations, cost and other travel options is spreading with the rapid uptake in Internet access and the number of mobile devices around the world. Digital connectivity is not only fostering greater spontaneity in travel, but also a broader array of personalized travel and tourism options as well.

¹UN World Tourism Organization, UNWTO Tourism Barometer, January 2016, Vol. 14.



Drawing on the power of the world's most advanced processing network, Visa can help you better understand these and other global travel and tourism trends. With billions of transactions flowing through VisaNet every day, Visa sees roughly 25 cents of every U.S. retail dollar spent around the globe. Using these actual transactions as a starting point, Visa can employ sophisticated data analysis methods to monitor spending patterns across

major purchase categories; provide a near real-time view into spending across regions, countries and major cities; and even insight into the number of cross-border visitors and key differences in their spending habits. Visa's data is more comprehensive and timely than virtually any other source—capturing transactions that occur online and in physical stores, often well ahead of other industry stats.

This executive summary leverages VisaNet information to dig deeper into the three travel mega-trends highlighted in the study, which was conducted with Oxford Economics. The summary also provides a handful of concrete examples that show how Visa's unique data and insights can help you stay ahead of the trends by providing a greater understanding of the growing travel and tourism industry.

Rising global traveling class

Two major forces are giving rise to a new global traveling class. First, the significant expansion of the middle class – especially in the developing world – means more people are aware of the opportunities of global travel and have the resources to take a trip. Second, international travel has become more affordable thanks to new, more efficient technology and heightened competition. By 2025, nearly half of all households globally should be able to afford travel as part of the new traveling class, although we estimate one in eight households will actually travel.

This democratization of travel will lead to a profound increase in global tourism spending. As a result, Visa estimates that households traveling abroad will spend more than \$5,300 a year in today's dollars by 2025. (The estimate includes spending while traveling, such as food and hotel, but not prior to the trip, such as airline tickets.)

Additionally, we expect that traveling class households in emerging markets will rapidly converge with their counterparts in the developed markets in aggregate travel spending within the next 10 years—accounting for 45 percent of the \$1.5 trillion in annual spending globally on cross-border tourism projected by 2025. China will be the top spender—with Chinese travelers projected to nearly double their spending to \$255 billion, representing nearly one-sixth of global travel spending in 2025.

Top 10 Countries in Travel Spend				
Rank	Country	2015 (USD billion)	2025 (USD billion)	Percent Increase
1	China	\$137.0	\$255.4	86%
2	United States of America	\$101.0	\$134.1	33%
3	Germany	\$74.4	\$97.6	31%
4	United Kingdom	\$61.3	\$96.9	58%
5	Russian Federation	\$22.6	\$49.1	118%
6	Hong Kong, China	\$26.7	\$47.4	78%
7	Singapore	\$22.5	\$44.9	99%
8	France	\$37.4	\$43.9	17%
9	Brazil	\$18.3	\$37.8	106%
10	South Korea	\$21.1	\$34.3	63%

This chart depicts travel spend by households earning more than \$20,000 per year in the top 10 countries with the highest projected spend in 2025. Figures are in USD billions (constant 2015 prices).

Keeping ahead of the crowds at the 2014 World Cup

The World Cup soccer tournament is one of the biggest international sporting events, attracting spectators from every corner of the globe. Analyzing the streams of travelers who visited the host country over the course of the six-week tournament has been a challenge historically, especially to understand the overall impact of who and how many attended, both in the stadiums and other special events. That's where Visa transaction data can help.

Based on Visa spending data, we estimate that more than 1 million overseas travelers visited Brazil during the 2014 World Cup. Nearly half of the visitors (46 percent) came from an emerging economy—perhaps one of the strongest signs of the increasing prominence of the rising traveling class.

Not surprisingly, neighboring Argentina brought the biggest crowds. About 294,000 Argentinean travelers came to Brazil during the World Cup—159,000 more than the average number of monthly visitors during the year. The United States had the second-biggest showing—about 183,000 visitors.

Understanding these travel patterns is crucial for government and business leaders seeking to maximize tourist spending. This can inform the planning and strategies for future events, such as the 2016 Olympic Games in Rio de Janeiro, notwithstanding unforeseen developments like political instability or environmental matters that could compromise any plans. It can also provide key benchmarks and other metrics to help measure progress toward broader, long-term tourism goals, as well.

Global aging

The world’s population is aging. Over the last 50 years, the travel industry has benefited from these changing demographics as the ranks of the so-called “prime traveling population”—those between the ages of 25 and 65—have grown each year. This, however, will soon change.

Over the next decade, the share of prime travelers of the total global population is expected to remain flat, and will start to decline in 2025—meaning that travelers over the age of 65 will be the only segment of the traveling population that is expected to gain share.

Of course, older travelers take only about half as many international trips as the average traveler. Yet, so many more of them will be traveling that they are expected to account for 13 percent of all international travel by 2025.

In addition, older travelers’ needs and preferences are not all the same. Some will seek to explore the world, especially if they are in relatively good health during their retirement years. With more time and accumulated savings, survey data suggests that these individuals are likely to take longer trips and spend more. Others, however, will travel for their health.

We believe that medical tourism is primed for accelerated growth as more of these older travelers seek new treatments, as well as lower-cost or higher-quality care not available in their home country.



Monitoring medical tourism trends

Only a few years ago, medical tourism was a blip in overall global tourism spending. Today, it is a multi-billion dollar industry that is expected to increase by up to 25 percent per year over the next 10 years.²

Using Visa transaction data we can see how much medical tourism has grown and project future growth from there. As the world’s population ages, hundreds of thousands of travelers are expected to seek medical services outside their home country—and spend billions of dollars on treatments. Visa can provide a near real-time view into the size and scope of the world’s leading medical tourism centers.

By examining cross-border spending for medical services in more than 176 countries, we found the United States to be the single largest hub for medical tourism. Thailand, Singapore, Germany, Korea, and Spain are quickly catching up, increasingly attracting visitors from around the world, according to an analysis of transaction data.

Business and government leaders can use this information to identify unique opportunities. Understanding the travel patterns can inform investment decisions, like where to build new hospitals. Meanwhile, travel service providers can also benefit from these insights—whether planning investments in ancillary businesses, like hotels, or determining where to add new flight routes.

Medical tourism facts	Medical tourism influences	
+25 percent growth per year	Higher quality care and services	Reduced cost of cross-border medical treatment
\$439 billion current market		
11 million medical tourists annually	Medical treatment combined with attractive destinations	Treatments and medications not approved or available in home country
3-4 percent of world's population travel internationally for treatment		

²Patients Beyond Borders
(www.patientsbeyondborders.com)

Increasing connectivity

The forces of technology and globalization are making our world smaller and more connected every day. New infrastructure is increasing so-called physical connectivity. Consider the impact of new airplanes, built with greater fuel-efficiency for long-haul travel. Where it once took over a day to travel from San Francisco to Singapore and involved multiple layovers, the nearly 13,600 mile trip takes a little more than 16 hours on

a non-stop flight. Consider also the many new airports sprouting up around the globe, especially in Asia and other parts of the developing world.

More than 2,500 new direct flights have been added in the last five years, largely in emerging markets – and that number is likely to increase as more than 340 new airports are built over the next 10 years. The upshot is that more people can reach more places – in less time and at a lower cost – than ever before.

Digital connectivity is also increasing. It, too, is transforming how we are exploring the world. The expansion of Internet access as well as the proliferation of smartphones and other mobile devices is facilitating “real-time” travel – whether it is canvassing online bulletin boards for restaurant or beach recommendations, getting directions to a museum or stadium from a GPS-enabled app, or booking a last-minute hotel room or flight while you are on the road. It is also influencing where we decide to go. While travel agencies,

guidebooks, and friends are all important sources for trip advice, they are increasingly supplemented by online resources.

International travel is becoming more spontaneous and customized – and travelers will become increasingly responsive to all kinds of online information, social media buzz, and major news events. Together, these trends suggest that the era of the mass produced travel experience is over.

Assessing the impact of major economic shocks

Today's travelers are increasingly aware of events unfolding all over the globe, causing them to respond and change their travel plans based upon the latest news. As travelers make more decisions in real-time, so will the destinations and service providers that cater to their needs.

Take, for example, the financial market turmoil in several emerging economies over the last year. In China, the stock market lost more than one-third of its value. The Brazilian economy is now mired in a deep recession and its currency has fallen sharply in value. In Russia, the plunge in oil prices has caused a dramatic slowdown. Weakening economies in all of these countries have a direct impact on the tourism industry. For starters, significant declines in the value of their currencies typically make it more expensive for their citizens to travel abroad. Likewise, the fall-out from a loss in confidence about the economy can make travelers more reticent about taking a vacation and less likely to go.

So, what was the impact of the financial market turmoil on travelers from each of these three countries? By analyzing Visa transactions, one thing is clear: it was not the same around the globe. Russia saw the biggest fall-off in 2015, with a 26 percent drop in the total number of international trips from the previous year. Brazil experienced an overall decline of about 14 percent year-over-year. Meanwhile, international travel in China held relatively steady, posting a modest 13 percent increase in 2015 from the previous year.

The global trends mask very distinct patterns in the data. For example, while international travel from Russia continued to decline, the contraction rate in Russian travel to Southeast Asia had slowed by late 2015. More recent data shows that this trend has continued, with Russian trips to Thailand, Indonesia, Malaysia, the Philippines and Singapore actually accelerating strongly in the first quarter of 2016.

Understanding these travel patterns is critical for business and government entities, which must increasingly adapt to a world where travelers are making real-time adjustments to their plans. Additionally, even though we often think about global travel trends, it is critical to understand differences at the local level as well. By analyzing the transactions that flow through our payment network every day, Visa provides a near real-time view into spending activity within regions, countries or even individual cities around the world.

Volatile 2015 in the emerging markets		Outbound trips (thousands)	
		Average 2009-2014	Estimated 2015
China	Stock markets lost over a third of value since their peak in May	46,627	 49,666
Russian Federation	Oil exports down 42%	30,971	 13,585
Brazil	Brazilian real depreciated 34% against USD since start of 2015	8,122	 6,233



Conclusion

Ever since the beginning of the Jet Age more than a half-century ago, the combination of rising prosperity, shifting demographics and new technologies has fueled the rapid expansion of global travel and tourism. Those same forces are the underpinnings of the industry's growth today—and are the focus of Visa's extensive travel and tourism report. Detailed global forecasts to 2025 are included in the report, as well as segmentation of the data for 50 of the largest economies in the world—helping you to understand the important trends in the dynamic travel and tourism industry, and plan your growth strategies accordingly.

For more information, go to www.visa.com/travelinsights.



Methodology

Visa estimated the number of households that traveled across borders by comparing Visa-branded cardholders in a given country who have made at least one face-to-face transaction in another country versus the population of all active Visa-branded cardholders in a country. The figures were adjusted to be representative of the entire country's population regardless of payment methods used by households. The propensities were then used as an input in the forecasts developed by Oxford Economics for the study.

Oxford Economics compiled survey data on the age and income of international travelers from a sample of 10 countries in 2004 and 2014, and calculated international travel frequencies and share of travel by age bracket and

income class for each country. Changes in travel share by age bracket and income class were then interpolated over the ten year historical period for the sample countries and projected to a broader set of countries based on their classification as developed or emerging markets and key variables such as GDP per capita and total international arrivals per capita. The estimated travel shares were compared with each country's household income distribution and age distribution to develop a historical relationship from which to forecast. Oxford Economics forecasts of each country's distribution of household income and age were leveraged against outbound arrivals forecasts to project international travel shares and volumes by income class and age bracket from 2005 to 2025. Finally, the estimated country results were summed to the world region level in order to determine regional travel volumes by income class and age bracket.

For more information, please contact your Visa Account Executive or email Visa Performance Solutions at vps@visa.com. You can visit us at [Visa.com/VPS](https://www.visa.com/vps) or on [YouTube](https://www.youtube.com/user/VisaPerformanceSolutions).

Visa Performance Solutions is a global team of industry experts in strategy, marketing, operations, risk and economics consulting, with decades of experience in the payments industry. Using analytics from the payment network with the most purchase transactions worldwide, our team of subject matter experts can provide you with proven strategies and data-driven insights that support your business objectives.

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