

Travel Insights Newsletter

Issue #4

February 2018



Visa explores growth challenges and opportunities for ski tourism

Emerging markets and countries/regions with younger populations for the next generation of skiers offer the greatest potential

The importance of foreign ski travel to the tourism industry overall varies widely by country/region, with foreign ski travelers accounting for more than 20 percent of inbound winter travel (Jan-March, 2015-2017) in Austria, Switzerland and Italy, compared to only 1 percent in the U.S, according to the Visa International Travel (VISIT) platform.* (Austria is ranked first in Visa's list of top 25 cross-border ski destinations, see P4.)

Domestic residents account for the majority of visits to the slopes, but foreign travelers also influence the local economies, according to Visa Business and Economic Insights analysis of VisaNet and Visa's proprietary travel datasets. Many countries appear to have significant room for growth in foreign travel to their ski destinations, with a potential upside of 2.2 million new ski travelers globally, representing an increase of up to 20 percent from today's levels.

Currently, more than half of all cross-border travelers to ski destinations come from countries where one in five residents is already over the age of 65 (chart P3). Europe—with some of the world's most rapidly aging populations—accounts for more than 80 percent of all global cross-border visitors to winter ski destinations, according to Visa. Increasingly, a new demographic of skiers in untapped or nascent markets—especially the Asian emerging markets—should provide new opportunities for ski destinations and tourism merchants to sustain and grow their business into the next decade.

In this issue:

Austria tops Visa's list of 25 global winter ski destinations (three year average based on cross-border arrivals)

Japan, Italy and Canada are trending now in the current ski season

Asian emerging markets provide strong growth opportunities for ski tourism

* See Methodology, P5

VISA

Ski destinations have room for further market development

Seasonal variations in international visits provide insights into the potential for attracting foreign tourists to ski destinations. Analyzing 11 of the leading countries that are home to some of the world's most famous ski slopes underscores that in most cases destinations near ski facilities tend to account for a greater share of tourists to the country as a whole during the first quarter of the year, relative to other seasons, according to Visa Business and Economic Insights analysis of the Visa VISIT Cities platform.

While not all countries are likely to attain the same degree of concentration of travel to ski destinations as Austria has, there is almost certainly room for growth in many other countries, especially those outside of Europe.

The data suggests that Japan has already begun to capitalize on this. In 2015, only 14 percent of foreign visitors to Japan visited areas near its ski slopes, but by 2017 the share had risen to 17 percent. In other words, one out of five net new visitors to Japan over the last three winters were coming for the ski slopes. The arrival of these foreign visitors has helped to partially offset the decline in domestic visitors linked to a rapidly aging population.

Where is the next generation of ski tourists? Look to younger emerging markets

Age is not necessarily a constraint on most travel, but for skiing (which requires more mobility) it can be. Ski destinations are more exposed to aging trends in part due to the preponderance of European travelers in the cross-border ski market. According to United Nations population statistics, a higher percentage of the population (at or close to 20 percent) in most Western European countries is over the age of 65, compared to just 10 percent or less in many emerging markets (see chart on P3).

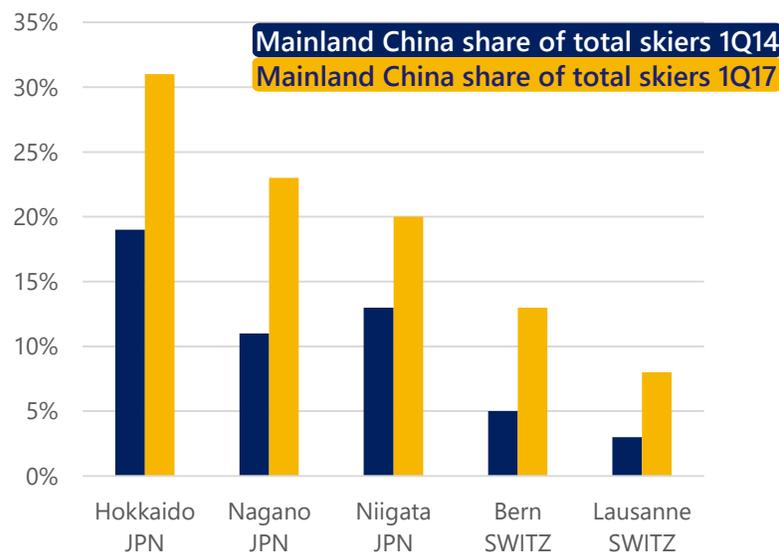
While the already established markets in Europe may be maturing, opportunities for further growth could come from the expanding global middle class. As their incomes rise, cross-border travel should also increase. Mainland China's share of tourist arrivals, for example, doubled in key ski cities over a three-year period. The data shows the share of Chinese tourists also doubling in relatively more 'luxurious' ski resorts and glamorous ski destinations such as Switzerland (Bern and Lausanne), which suggests that luxury travel is no longer as price sensitive for the Chinese ski tourist.

Tourists visiting ski destinations as percent of overall tourists to country (by quarter, 2015-2017*)

Host country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Austria	54%	26%	31%	30%
Switzerland	34%	30%	34%	29%
Italy	24%	11%	14%	12%
France	16%	6%	6%	5%
Canada	15%	9%	11%	9%
Japan	15%	6%	9%	9%
Finland	8%	2%	1%	6%
Sweden	7%	2%	1%	3%
Norway	5%	1%	1%	2%
Russia	4%	2%	3%	2%
United States	1%	1%	2%	1%

Source: VISIT Cities. *Three-year average used due to variations in snow conditions from year to year that could impact the relative popularity of a ski destination in a given year.

Mainland China's share of total skiers at the top five ski destinations visited by Chinese tourists has almost doubled in just three years (1Q2014 vs 1Q2017)

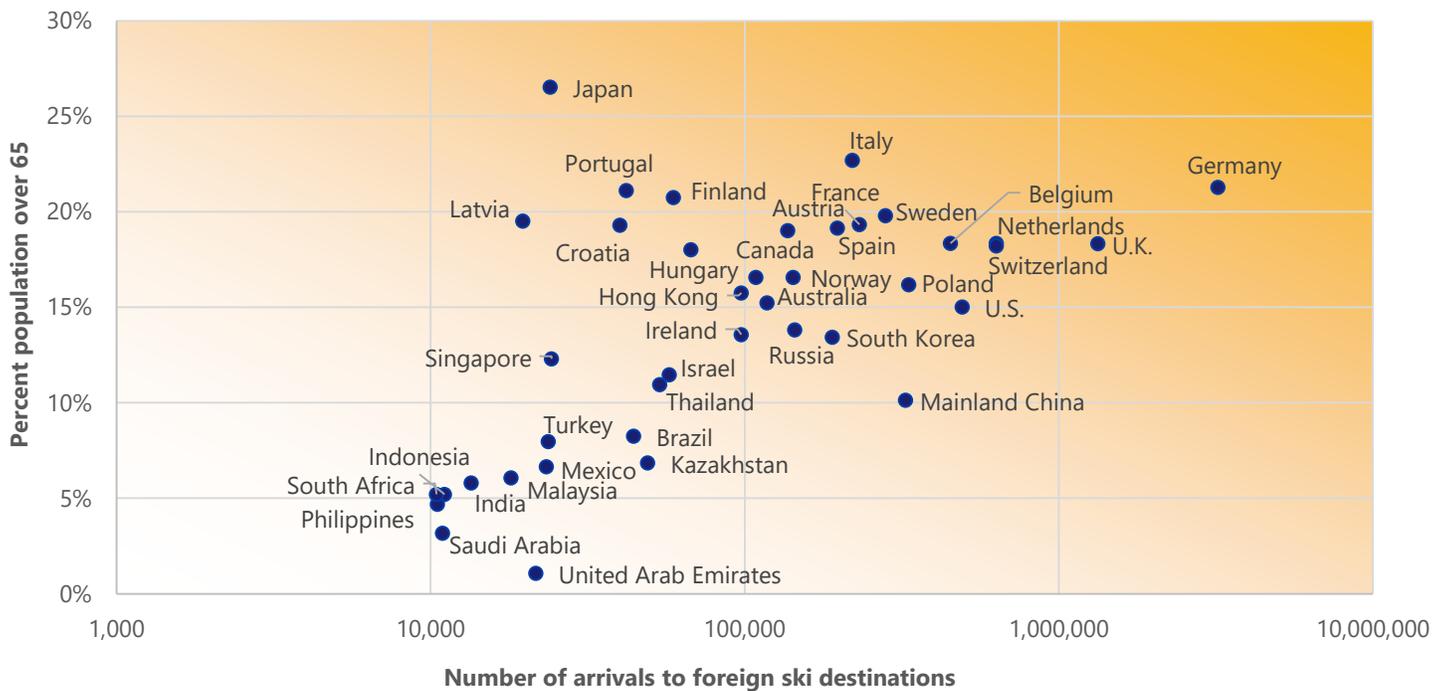


Source: Visa VISIT



The slippery slope of population aging in ski tourism

Cross-border tourists visiting destinations near ski facilities (first quarter average, 2015-2017)



Sources: Visa Business and Economic Insights analysis of data from VISIT, United Nations, Haver Analytics

Will demand for ski travel increase in emerging markets?

Currently, a global average of 6 percent of winter travel is to ski destinations, according to Visa’s analysis of VISIT data. The propensity to travel to a ski destination is very low in emerging markets when compared to Europe and especially countries such as Germany, the Czech Republic and Switzerland, where as many as one in six trips taken during the winter months is to a ski destination. The convenience of their close proximity to popular ski destinations benefits many European countries, but is necessarily the case for most emerging markets. Asian ski tourists are skiing predominantly in Asia—with two-thirds choosing Japan in the 1Q2017 ski season. The economies of Southeast Asia bear watching. Though the developing Southeast Asian economies have lower per-capita income and currently represent less than 1 percent of tourist arrivals worldwide, they have much younger populations and are experiencing rapid income growth, according to Visa Business and Economic Insights analysis of data from VISIT and Oxford Economics.

What would happen if countries/regions that are currently below average in their winter travel to ski destinations were to increase their visits to match half the global average? Based on Visa Business and Economic analysis, this convergence could lead to foreign visits to ski destinations rising by up to 20 percent. Some of these new visitors will come from advanced economies such as the United States, and as many as 1.2 million new ski travelers could come from the emerging markets. Potential further upside exists, as these projections represent a shift in existing travel patterns. Ideally the increase in ski visits would also be the result of greater demand for winter travel.

One potential hurdle to attracting more emerging market visitors to ski destinations is the perception that ski vacations cost more than others. To investigate this, Visa calculated the current weighted average cost for more than 750 winter travel destinations. Total costs include lodging, local transportation, dining, entertainment and shopping, but exclude the cost of getting to the destination. While ski destinations are more expensive, the arrivals-weighted average amount spent on Visa-branded cards by visitors to ski destinations is around \$1,200, compared to \$1,100 for other sites. The differences are not too far apart. Additionally, emerging market travelers are already taking over 16 million winter trips to destinations that are on par to this average cost, according to Visa’s analysis of VISIT data.



Top global ski destinations

Austria's Pinzgau-Pongau region of the Alps is ranked #1 in Visa's list of the top 25 global winter ski destinations,* based on a three-year average of cross-border arrivals according to the Visa International Travel (VISIT) platform. Four of the top 10 are in Austria—home to the popular Kitzbühel resort area—and most of the top 25 ski destinations are in Europe, with notable exceptions including the Hokkaido region of Japan (#7), Sochi in Russia (#14) and a strong showing from Canada, including Mont-Tremblant (#18), Banff (#19) and Whistler (#22). Japan, Italy and especially Russia are noteworthy for their relatively high reliance on emerging market skiers, unlike most of the other regions featured. So far, Italy, Japan and Canada are the top-trending destinations of the current season (highlighted in table below), based on year-over-year (YoY) growth rates in cross-border arrivals in the fourth quarter of 2017. Overall, international arrivals to ski destinations posted a solid start to the winter travel season this year, growing at 14 percent YoY in 4Q2017.

Cross-border arrivals (2015-2017 first quarter average, thousands)

Rank	Country	Locality	Nearby skiing areas	Developed	Emerging	Arrivals
1	Austria	Pinzgau-Pongau	Saalbach-Hinterglemm, Leogang, Obertauern, Radsadt	93%	7%	1,068
2	France	Annecy	Chamonix-Mont-Blanc, La Clusaz, Grand Massif, Megève, Portes du Soleil	96%	4%	1,050
3	Italy	Bolzano	Sellaronda, Ortisei	91%	9%	1,046
4	Austria	Tiroler Oberland	Ötztal Alps	94%	6%	1,044
5	France	Chambery	Espace Killy, La Plagne, Paradiski, Champagny-en-Vanoise, Les Trois Vallées	94%	6%	1,008
6	Austria	Tiroler Unterland	Kitzbühel Alps, Westendorf	96%	4%	956
7	Japan	Hokkaido	Niseko, Sapporo Kokusai, Kiroro	58%	42%	622
8	Italy	Trento	Val di Fiemme, Pinzolo, Mezzana, Dimaro Folgarida	67%	33%	484
9	Austria	Bludenz	Montafon	98%	2%	460
10	Italy	Sondrio	Livigno, Bormio	80%	20%	261
11	France	Grenoble	Le Deux Alpes	91%	9%	251
12	Switzerland	Bern	Saanen	74%	26%	235
13	Italy	Valle d'Aosta	Mont Blanc, Monte Rosa, Pila, Breuil-Cervinia	92%	8%	195
14	Russia	Sochi	Krasnaya Polyana, Rosa Khutor	12%	88%	165
15	Austria	Liezen	Haus im Ennstal, Schladming	91%	9%	147
16	Austria	Oberkarnten	Katschberg Pass	82%	18%	139
17	Switzerland	Lausanne	Ollon, Leysin	78%	22%	131
18	Canada	Mont-Tremblant	Mont-Tremblant	93%	7%	126
19	Canada	Banff	Banff	94%	6%	123
20	Italy	Belluno	Cortina d'Ampezzo, Falcade	78%	22%	121
21	France	Gap	Montgenèvre, Saint-Chaffrey	94%	6%	116
22	Canada	Whistler	Whistler	91%	9%	111
23	Switzerland	Saas-Fee	Saas-Fee	81%	19%	110
24	Italy	Brescia	Ponte di Legno	86%	14%	109
25	Switzerland	St. Moritz	St. Moritz	85%	15%	100

Source: VISIT Cities. * With no clear global standards on how to track travel at the sub-national level, VISIT reports cross-border arrivals at a metropolitan area level for major cities (equivalent to metropolitan statistical areas in the United States or functional urban areas in Europe) and at a county, province, or prefecture level for destinations in non-metro areas (corresponding generally to the European Union's NUTS-3 levels). For ski destinations, we combined areas which shared similar slopes to ensure comparability across countries.



Methodology

The Visa International Travel (VISIT) platform is a proprietary model that combines Visa's cardholder data with publicly-available cross-border arrival statistics. The platform provides a comprehensive view into high-frequency cross-border travel flows, currently encompassing the top 82 origin and destination countries/regions, which collectively account for more than 80 percent of global travel. VISIT combines unique counts of Visa cardholders that register a face-to-face transaction at a merchant outside their home country/region in a given calendar month with other transaction data such as average spend per cardholder, card usage patterns at lodging merchants and others. Visa uses this data to econometrically model official arrival statistics compiled by various government sources and to generate estimates that fill in the large gaps existing in the cross-border travel data.

VISIT Cities, an extension of the VISIT platform, estimates cross-border travel at the city level within select countries: Anguilla, Antigua & Barbuda, Argentina, Australia, Austria, Bahamas, Brazil, Canada, Chile, China, Colombia, Cuba, Cyprus, Dominica, Dominican Republic, Egypt, Finland, France, Germany, Greece, India, Indonesia, Italy, Jamaica, Japan, Mexico, Netherlands, Norway, Peru, Poland, Portugal, Puerto Rico, Russia, Saudi Arabia, South Africa, Spain, St. Kitts & Nevis, St. Lucia, St. Vincent & Grenadines, Sweden, Switzerland, Thailand, Trinidad & Tobago, Turkey, United Arab Emirates, United Kingdom, Uruguay, British Virgin Islands, U.S. Virgin Islands. Visits by city are derived by scaling national numbers using city-level details from VisaNet, such as lodging transaction counts by city and unique cardholder counts at lodging merchants by country/region.

Disclaimer

Case studies, statistics, research and recommendations are provided "AS IS" and intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. You should consult with your legal counsel to determine what laws and regulations may apply to your circumstances. The actual costs, savings and benefits of any recommendations or programs may vary based upon your specific business needs and program requirements. By their nature, recommendations are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Visa is not responsible for your use of the information contained herein (including errors, omissions, inaccuracy or non-timeliness of any kind) or any assumptions or conclusions you might draw from its use. Visa makes no warranty, express or implied, and explicitly disclaims the warranties of merchantability and fitness for a particular purpose, any warranty of non-infringement of any third party's intellectual property rights. To the extent permitted by applicable law, Visa shall not be liable to a client or any third party for any damages under any theory of law, including, without limitation, any special, consequential, incidental or punitive damages, nor any damages for loss of business profits, business interruption, loss of business information, or other monetary loss, even if advised of the possibility of such damages.

Notice of Confidentiality

The information contained in this document (the "Information") is provided to you as a client of Visa and/or a participant in the Visa payments system. The Information is confidential and subject to the confidentiality restrictions contained in Visa Core Rules and Visa Product and Service Rules and/or confidentiality agreements, which limit your use of the Information. You agree to keep the Information confidential and to use it only in your capacity as a client of Visa and/or a participant in the Visa payments system. The Information may only be disseminated within your organization on a need-to-know basis. Please be advised that the Information may constitute material non-public information under U.S. federal securities laws and that purchasing or selling securities of Visa Inc. while being aware of material non-public information would constitute a violation of applicable U.S. federal securities laws.