

Indian Tourism Industry : Opportunities & Challenges for Swiss companies

The experiences of the market leader

By Reto Wilhelm, Executive Vice President and Member of the Kuoni Executive Board

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The Future of Travel. Since 1906.



India is changing



1992

5

**USD 500
(every 3 years)**

Rupee

**Highly
Regulated**

N/A

**Passenger Car
Models**

**Foreign Travel
allowance**

**Credit Cards in
India**

**International
Airlines**

**FDI in Hotels &
Airlines**

2007

60

USD 10,000

Rupee / US\$

Open skies

Upto 49%



Fast Forward India

- India's economy grew at an average of 8.1 percent annually in the past three years.
- The number of millionaires in the world's second-most populous country rose by 19 percent last year, more than double the pace worldwide, according to a report by Merrill Lynch & Co. and Cap Gemini.
- The growing wealth in India makes travel a priority in their lifestyles
- Affluent Indians have shown an increase in their leisure travel, with the number of those taking one or more leisure trips in a year increasing by 16%, and those taking three or more leisure trips increasing by a whopping 200%.
- Ownership of mobile phones with Internet access grew from 12.3% to 23.7%
- Ownership of luxury goods saw an increase from 15% to 19%



India is young

- 33 % is below 15 years
- 6 % is above 56 years



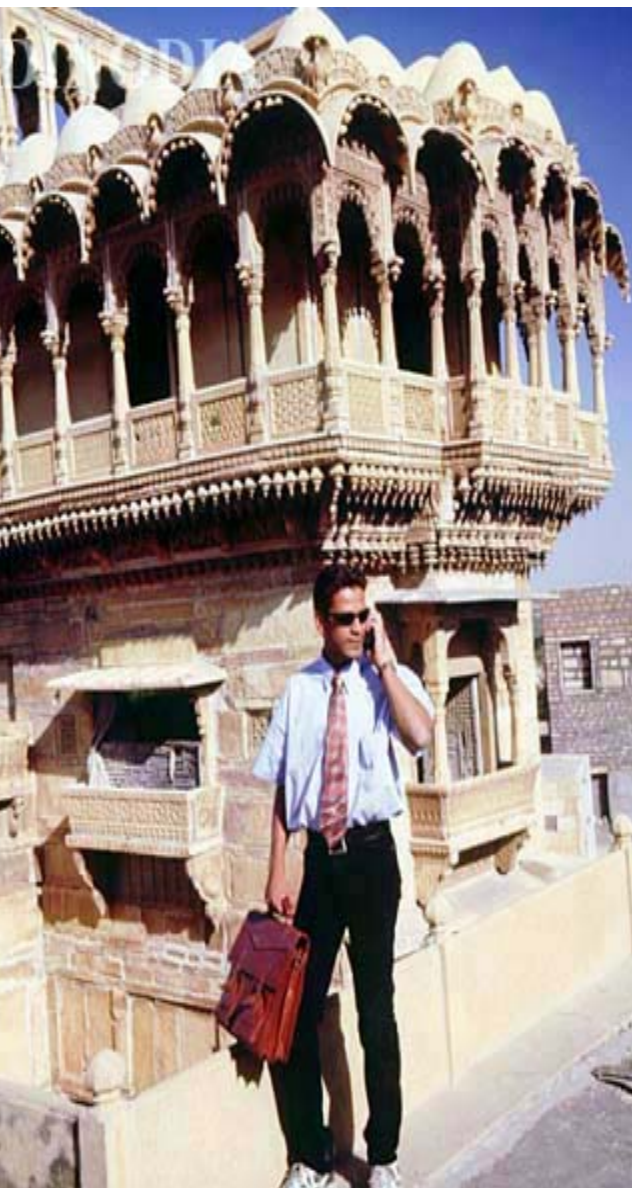
AND CROWDED !!



17% of the world lives in just 2.5 % of the area



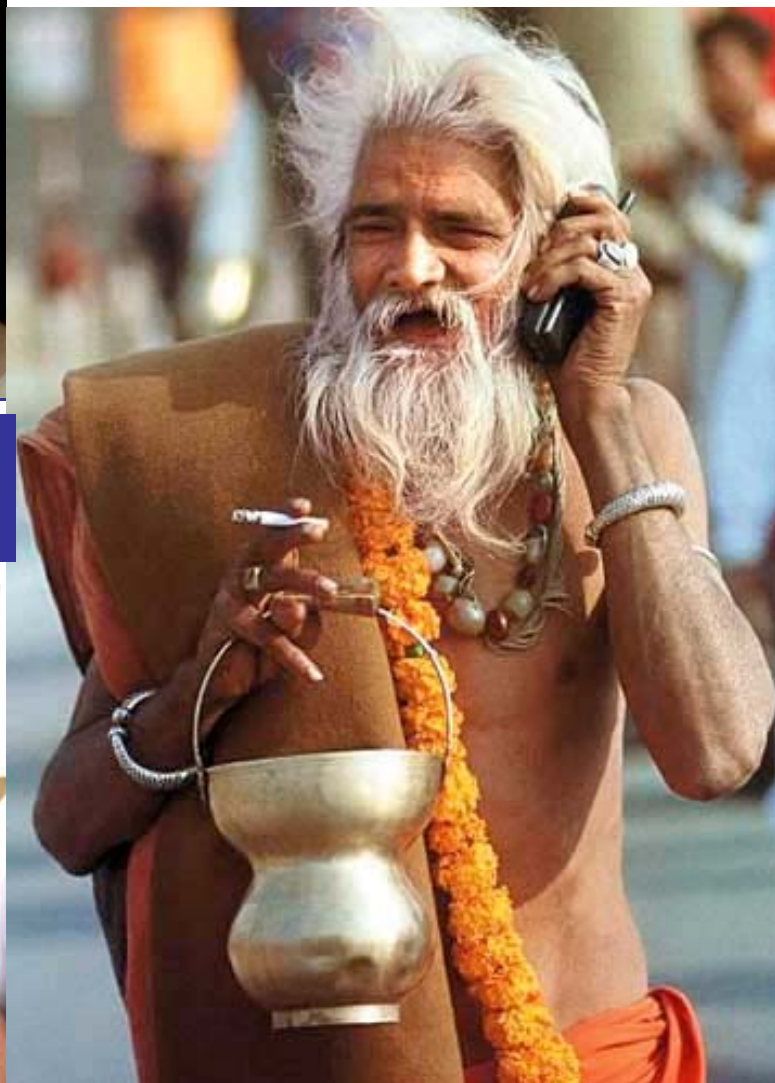
The Changing face of India



**Every one is using
Mobile Phones**



EVERY ONE !! EVEN TO TALK TO THE GODS !



Modern Mass Transport facilities



**SUPPLEMENT THE TRIED
AND TESTED !**



But Competition is Fierce



**EVEN IN THE
SKIES !!**

India in 2007 – Managing the New Growth Paradigm – The Challenges

Infrastructure

Increase in infra spend across sectors is needed. In 2007 we see the government facilitating investments via the Public Private Partnership model – this would accelerate infra build through accountability, transparency and inclusiveness

Inclusive Growth

Addressing the growing disparity will be vital since 60% of the incremental rise in population will occur in 3 of the poorest states.

Source : Citigroup Economic & Market Analysis report, Jan '07

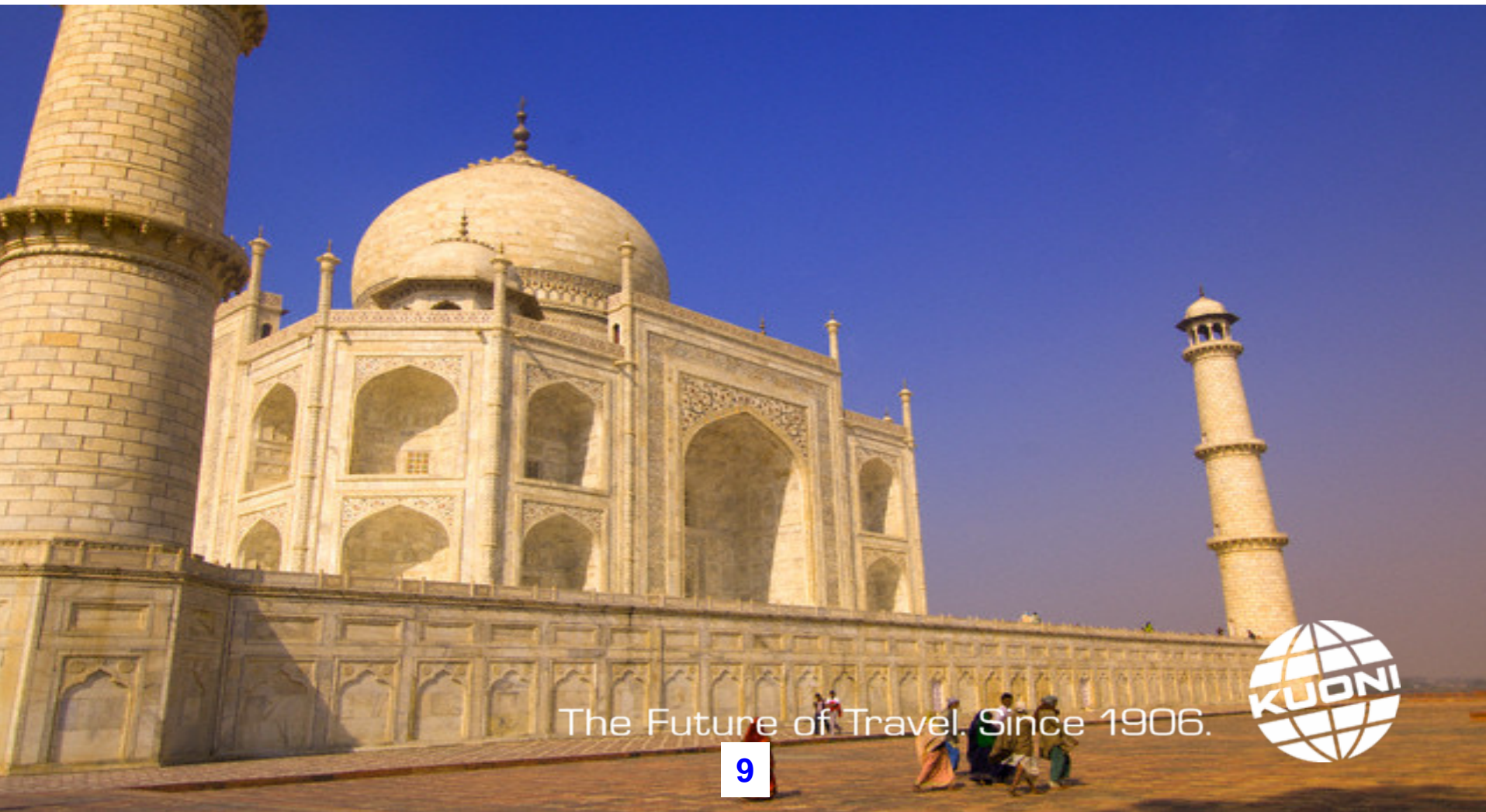
Human Resource Paradox

Favourable demographics are a key growth factor, but job creation is a priority. Economic boom has not been preceded by a scaling-up of talent supply. Major paradox : need to create more jobs on one hand, and a talent shortage on the other

Politics

Politics remains a concern, given the nature of India's coalition government.

India – Tourism sector



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India is Rich in Tourism Opportunity



- Over 4000 km of beach front.
- Every conceivable biome, from perennial glaciers, to deserts, tropical havens, temperate grasslands, and mangroves.
- Over 15000 sites and structures that are over 500 years old, with the oldest structures being well over 2500 years old.
- A gastronomical delight with over 15 different cuisines that are well entrenched within their respective geographies
- Historical sites that cover all the major world religions.
- A melting pot of cultural diversity within a generic commonality



India Tourism – International Recognition



- Condé Nast Traveller, the world's leading travel and tourism journal has ranked India amongst top 4 preferred holiday destinations in world.
- ABTA (Association of British Travel Agency) has ranked India as No.1 amongst top 50 places for 2006.
- The Incredible India campaign has been ranked as the Highest Recall Advertisement worldwide by 'Travel and Leisure'.
- World Travel Awards were received for (a) Asia's leading destination, (b) World's Leading Travel Destination Television Commercial, (c) World's Leading Responsible Tourism Project for Endogenous Tourism Project and (d) Asia's Leading Tourism & Convention Bureau.
- Euro Effies Award received for the Incredible India campaign.



India – Tourism sector



- Earnings From Tourism [2006] US \$ 6.6 bio
- Share of Tourism in GDP [2005] 5.9 %
- World ranking in terms of year-on-year growth in Tourism [2005] 18.8% growth Rank 6
- Employs 1 in every 12 Indians 41.8 mio individuals

Source: RBI



Inbound, Outbound and Domestic Travel – *The Potential is Immense*



- 380 mio domestic trips are undertaken every year
- Outbound to cross 7 mio in 2007
- Outbound likely to reach 10-15 mio by 2015
- Inbound grew from 2.6 mio in 2000 to an estimated 5.1 mio in 2006
- Inbound likely to reach 12.4 mio by 2015 (infrastructure permitting)

Source : WTO and Ministry of Tourism, Govt of India



Inbound Tourism



1. Inbound travel is estimated to double in this decade, and by all accounts, seems to be in a position to do so in less time.
2. With Inbound likely to double in this decade, room capacities do not seem to be growing in tandem.
3. The need for the hour is a rational hospitality development blue print
4. The challenge is to manage this huge opportunity and to sustain it over the next decade as well.

Source : WTO



Outbound Tourism



1. WTO estimates Outbound to grow at 15 to 20 % per annum be one of the largest outbound markets within the next 2 decades.
2. Welcome mats are being laid out for Indians



Domestic Tourism



- Over 380 mio domestic tourists each year.
- With increasing affluence, domestic tourism is growing at over 15% per annum.
- Unofficial estimates seem to suggest that Urban India is powering a major share of this growth.
- On January 26th 2007, (a long weekend) the Dukes Resort (a 3-star leisure resort 100km from Mumbai) was selling at USD 350 per night – and was full up weeks in advance!
- Cheaper airfares (LCCs and discounting), higher population of passenger cars and increased Stage Carriage busses, has fuelled this growth.



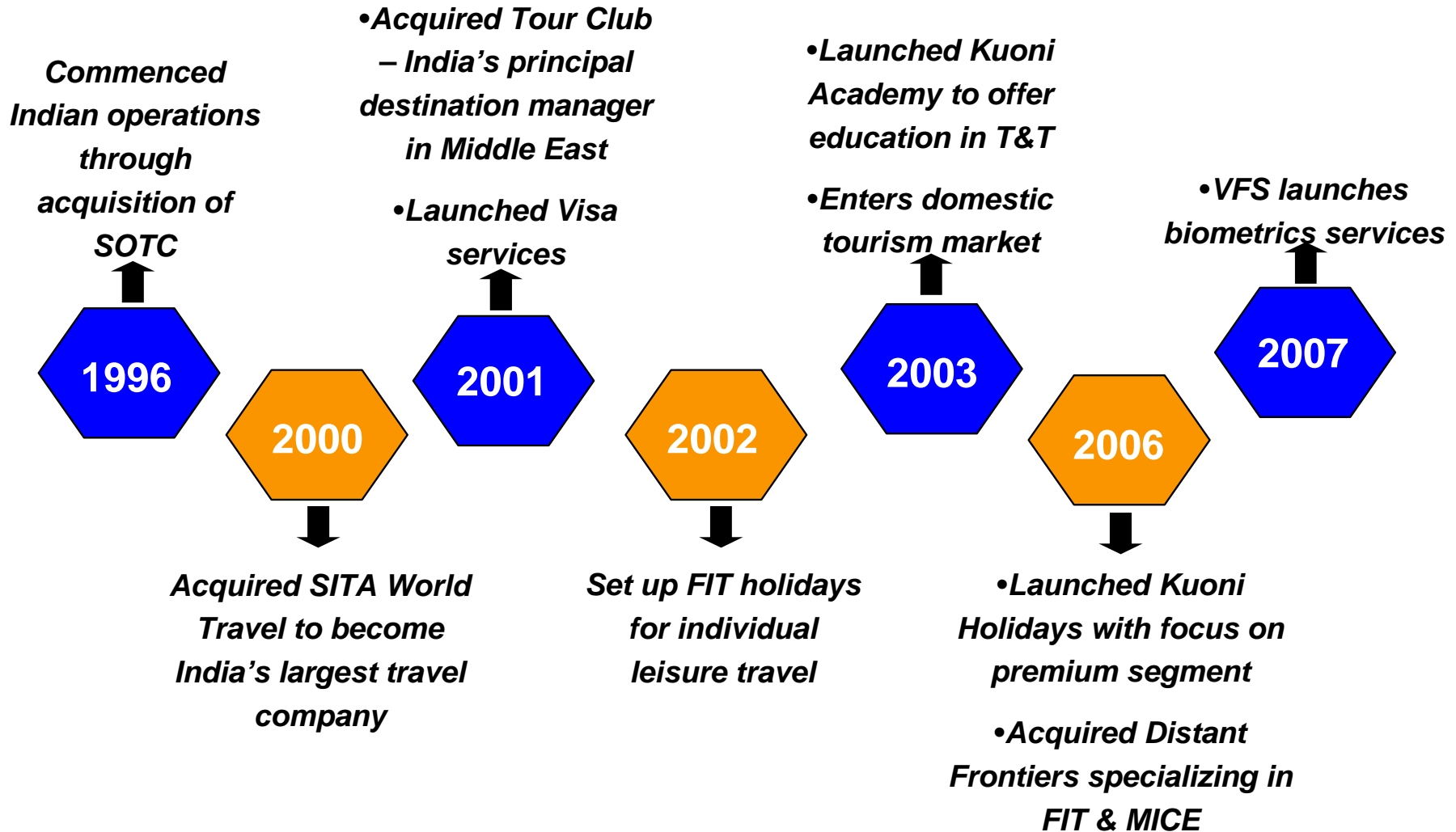
Kuoni India Overview



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Key milestones



Kuoni India – today

**Outbound
Division**

No.1 in India

**Destination
Mgmt Division**

No.1 in India

**Business
Travel Division**

No.2 in India

Visa Services

Global No.1



HRG Sita India



India's largest travel company

- Sales : CHF 514 million p.a.
- Customers : 4 million p.a.
 - Offices : 347
 - People : 2,900

Rated as one of India's top 10 unlisted companies by Outlook Business



Core businesses

Tour Operating

India's No.1 Outbound travel company

- Group Series
- Free Individual Traveler (FIT)
- Incentives
- Trade-Fairs
- Sports
- Markets to Indians in India – also catering to special language markets
- Markets to Non-Resident Indians (NRIs) in USA, UK, Middle-East & Africa)

Destination Management (DM)

India's No.1 DM company

- Handles all segments of the Incoming market – Series Groups, ad-hoc groups, FIT, Incentives, charters, exhibitions, cruises, etc.
- Turnover share from Kuoni Group companies – 26% in 2006 (balance from non Kuoni Tour Operators).



Core businesses

Business Travel (BT)

India's No.2 BT company

- Handles travel and travel-related arrangements for Corporate customers
- Partnered by HRG, the global leader in BT



Visa Services

World's No.1 visa services company

- Handles visa applications and other related administrative functions for and on behalf of diplomatic missions in India and around the world
- Is present in 31 countries around the world, serving 16 diplomatic missions (as on Aug 1, 2007)
- Also handles specialised services such as biometrics
- Highly technology-driven business
- Highly sensitive nature of business



Core related business



Travel Education

India's No.1 Travel Education company

- Partly Corporate Responsibility & partly business objective
- Offers a variety of courses from basic frontline courses to managerial courses
- Has cultivated an “industry” presence – e.g. runs courses for main industry bodies
- Launched overseas in Feb 2007 – in Guangzhou, China
- Tied-up with International School of Tourism Management, Switzerland in May 2007 to offer 2 courses in collaboration.



Key Awards (recent)

- Rated as one of India's "Top 10 unlisted companies" by Outlook Business magazine (national mainstream business magazine) in 2007
- Express Travel & Tourism (ETT) - Galileo Award for "Best Outbound Tour Operator" for last 3 consecutive years
- ETT-Galileo Award for "Best Inbound Tour Operator" for last 4 consecutive years
- Ministry of Tourism's "National Tourism Award" for last 5 consecutive years (& for 17 years overall)
- Consumer Superbrand "SOTC" for 2006-2007
- CNBC Awaaz Award for "Best Outbound Tour Operator" in 2007
- SATTE Award for "Best Outbound Tour Operator" in 2007
- Gullivers "Trophy of Achievement" (Outbound) in 2007



Corporate Responsibility : Tourism Police

- Launched in 2000 in partnership with Mumbai Police (as a separate arm of Mumbai Police)
- Objective : to provide a safer environment for tourists and thereby boost tourism to India
- 6 jeeps & 5 kiosks (located at Mumbai's main tourist sites) provided and maintained by Kuoni
- Kuoni also provides training for the force in the art of handling tourists.



Corporate Responsibility : Environment protection initiatives

- Launched in 2006 in partnership with Mumbai's Municipal Corporation (BMC) & India Tourism
- Objective : to promote cleanliness drive in Mumbai and across India, and other messages of public interest
- Kuoni has produced a high-impact short film on garbage awareness – separately for BMC for Mumbai and for India Tourism for India
- Kuoni has sponsored public interest message sign-boards across Mumbai
- Kuoni co-sponsored BMC's Award ceremony to felicitate key staff



Synergy Project – building synergies across the Group



- Launched in India in 2005 to enable Kuoni Group companies to increase their productivity & profitability, giving them a competitive edge (through cost saving and 24x7 operations)
- Handles back-office work in the field of operations support, accounting and data management. Operations support also includes work done in Italian language
- Started in July 2005 with 1 customer
- Today serves 5 customers (incl. 1 external customer) with a staff of 41



Key success factors for Kuoni India



- Perfectly timed entry into India – anticipation of growth potential
- Dominate the market by establishing a leading presence in every major market segment.
- Innovation : prime example being VFS (using a core competence to start a new business and become a global leader)
- Strong distribution network and aggressive mass marketing campaigns to capture the No.1 position in the Outbound market
- Understanding & anticipating customer needs, perceptions & beliefs
- Focus on each individual market segment / business segment
- Focus on IT / Focus on HR / people development





Thank you

