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The Luxury Market in Tourism, Hospitality and Events

Introduction

This is a fascinating chapter to try to write because we are about to discuss the size and characteristics of a market for which there is no agreed definition! Let us spend a few moments considering what this statement actually means in reality.

In general, there are no common specifications for what constitutes a luxury hotel except outdated systems of stars that vary between countries in terms of the criteria. Most stop at five stars but we have seen hotels claiming to be six or even seven star! This concept is now meaningless.

On an airline many see business class as a clearly defined luxury market but if the aircraft also has a first class cabin, is business class really still luxury?

Michelin star dining is often taken as a touchstone for luxury eating, but many one star restaurants now offer more modestly priced menus. Furthermore, while Michelin starred restaurants may serve say 60 twice a day, perhaps 300 days a year making 36,000 diners a year, a pop up restaurant in someone's apartment may have service for only five days, a capacity of ten per service, and thus only 50 people will ever enjoy the experience.

Some would say luxury simply means a higher price. However, this concept of price is not a simple one in these industries. There may be no direct price charged for the use of some products such as a beautiful beach. Price paid usually involves a journey and time spent at a destination, so is a budget airline flight to Nice to stay in a five star hotel a luxury trip? In a city centre full of luxury hotels, a night in a five star hotel may cost less than a homestay in the same city or an ecolodge with no air-conditioning in a nearby national park. And of course, because of differences in levels of economic development and labour costs, a five star hotel in Cambodia may cost less than a two star hotel in France.

And this is a market most people aspire to be seen as part of, because it carries positive connotations, so it is in the interests of industry to use the term loosely and broadly. People want to be seen as luxury travellers and will pay more for the privilege. Instead of particular activities being seen as luxury activities, the industry has tried to suggest that a luxury level product is available in every area of tourism, hospitality and events. Hence the concept of 'glamping' or glamorous camping with its 'luxurious tents' which despite their 'luxury' are still tents!

I do not want to overplay this point about how can we measure a market that is based on such subjective definitions and interpretations, but I think it is worth bearing in mind when reading the data in this chapter.

The market for luxury in general

In 2015, EuroMonitor International produced a report for ILTM which contained some fascinating insights on the development of the global market for luxury goods. According to this report the luxury goods market worldwide grew from just over \$250 billion dollars in 2010 to some \$317 billion in 2015 (EuroMonitor International, 2015) despite global challenges, including political instability, terrorist threats, and ongoing economic issues. Furthermore they went on to predict that spending would continue to rise steadily to some \$370 billion by 2020.

However, as if to reinforce the point made earlier about the lack of clear definitions of luxury, a report by Bain and Company in 2014 suggested that the global luxury market in 2014 was worth some \$850 billion, which they said represented a 7% rise compared to 2013. It went on to suggest that this growth had been particularly driven by an increase in spending on luxury cars and hospitality. However, they suggested that accessories and apparel remained the major parts of the luxury good market (Bains and Company, 2014).

According to EuroMonitor International, in 2015 Western Europe remained the major market, but they predicted that by 2020 Asia-Pacific would be neck and neck with Western Europe, given its faster growth rate. Interestingly, they believed that Latin America would see the greatest growth of any region in the luxury goods market between 2015 and 2020. Between 2014 and 2015 rapid growth was seen in the luxury goods markets in India, Malaysia Indonesia and Thailand, while reductions in market size were seen in Ukraine, Russia and Hong Kong, and even China achieved only a 1% rise (EuroMonitor International, 2015)

Luxury travel demand

Measuring and commenting on the volume and characteristics of the luxury travel market is no easier than analysing the luxury good market. If anything, it is even more complicated by the fact that there are fewer mega-brands in travel, and sales do not tend to be through physical high street retail units.

The conventional wisdom is that luxury markets are affected by economic recession, although there is a counter view that the rich are less affected by recession than the poor or even the middle classes. As far as travel is concerned there appears little clear empirical evidence that the luxury travel market was seriously affected by the recession which began in 2008.

However, a paper delivered to the 2010 International Luxury Travel Market (ILTM) Leaders Forum in Cannes had some interesting observations on the relationship between luxury travel and recession. It stated, "During the recession in 2008-09, the idea of luxury was seen as taboo. High-end consumers began developing a 'deals' mentality, and they didn't want to be perceived as flaunting their wealth and extravagance. The word 'luxury' became a diluted, meaningless, commodity that needed to be re-defined. In the course of recovery in 2010, travel companies have been faced with more savvy consumers – many of whom have questioned if the rate they had been paying for high-end travel was really worth it". (ILTM, 2010)

Some other commentators have also suggested that the recession had a significant impact on the luxury travel market. A report by Jeri Clausing on *Travel Weekly* online stated of luxury travel that: "It fell the hardest but also bounced back the fastest, and as the world's most affluent consumers continue to gain confidence in the global economy, industry observers see nothing but increasingly good times ahead for the luxury travel market." (www.travelweekly.com, 2013)

Today, while the world continues to experience economic uncertainty, most industry commentators remain optimistic about the prospects for market growth, despite concerns about reduced demand from Russia and the possibility of dark clouds gathering in the market in China.

A 2015 report by Mimi Knet in www.travelmarketreport.com stated that, "In a new report from Zicasso, nearly 90% of specialist travel agents ... said the number of luxury travellers has grown over the past two years" (www.travelmarketreport.com, 2015). The source went on to say it had conducted its own survey and found the same results.

Clearly the luxury travel market is made up of two types of consumer: namely the rich who are regular consumers in this market, and the less affluent who make 'once-in-a-lifetime' luxury purchases to celebrate special occasions in their