FICCI



Domestic Tourism

Evolution, Trends & Growth

YES BANK

Knowledge Partner

Table of Contents

Executive Summary 1

1. Introduction 11
   - 1.1. Tourism – An Overview 12
   - 1.2. Tourism in India - A Historical Perspective 16

2. Current Trends & Preferences 19
   - 2.1 Product positioning for domestic market 20
   - 2.2 Tourist preferences 22
   - 2.3 Spatial Distribution and Numbers 23

3. Emerging Trends 27
   - 3.1 Emerging sectors and niches 28
   - 3.2 Changes in the visitor profile 29
   - 3.3 Socio-educational dimensions to Domestic Tourism 29
   - 3.4 Tourism as a tool for development 31

4. Domestic Tourism and the States 33
   - 4.1 Policy outlook & Analysis of the leading states in promoting Domestic Tourism 34
     - Andhra Pradesh 35
     - Rajasthan 36
     - Gujarat 37
     - Madhya Pradesh 39
     - Uttarakhand 40
     - Karnataka 41
     - Jammu & Kashmir 41
     - Uttar Pradesh 42
     - Tamil Nadu 42
     - West Bengal 43

5. YES BANK-FICCI 10 point roadmap for sustainable growth of Domestic Tourism 45

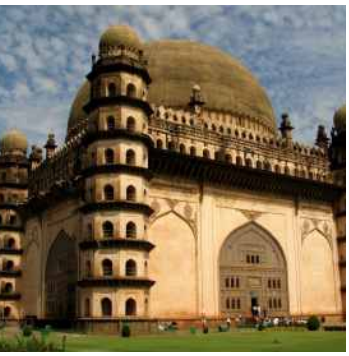
6. Bibliography 49

7. Annexures 53



Executive Summary

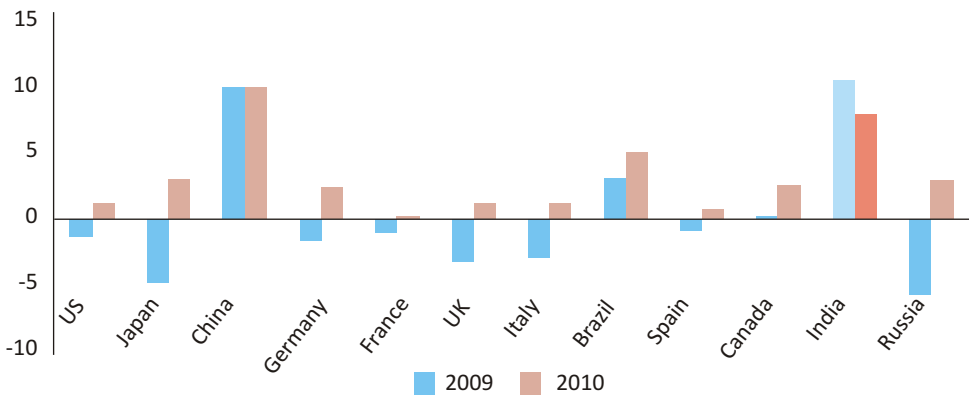
Executive Summary



Tourism emanates from societal structures; hence people are an integral part of any tourism product. Socially sustainable development through tourism is envisaged in a manner such that the socio-economic benefits can span out to all the strata of society.

The approach paper of 12th Five Year Plan of Planning Commission highlights the need of Pro-Poor Tourism to ensure increasing net benefits to the poor and poverty alleviation. With the services sector taking precedence over its manufacturing counterpart in India, policy makers are increasingly looking out for positive spillovers from services growth to manufacturing, through income, demand, technology, and organizational evolution. With IT taking the lead and tourism following in at a close second, the government is especially keen on exploring and tapping the employment potential of the sector.

Performance in Services: International Comparison (Services Growth Rate)



Source: UN International Accounting Statistics, February '12

In recent years, with the world economic stability in the doldrums, the services sector has also mirrored this instability. The sub-sectors of Trade, Hotels, Transport and Communication have also registered a slower growth rate



In this economic scenario, if tourism is expected to emerge as a tool for inclusive development, it is imperative that domestic tourism be given special policy attention by the states and the central government. Domestic tourism traffic will only increase as Indians are travel oriented not only for leisure but as a socio-cultural or religious norm.

Tourism in India: A Historical Perspective

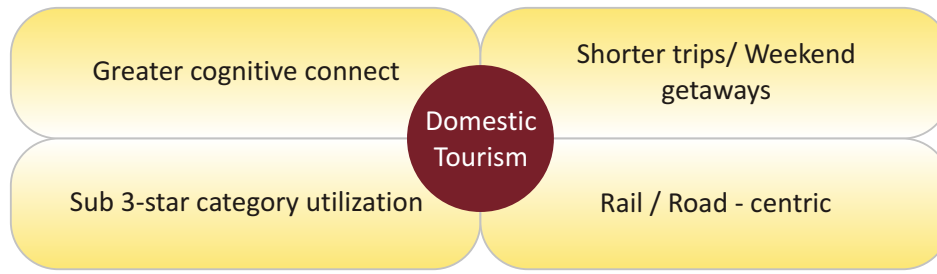
Indians, since historic times, have been avid travelers, with the firm beliefs of Panch-Tirtha before death and the social structure remaining close with the family members, even the farthest of kin. Without digital innovations, travel on public means (even on foot in certain cases) was the only option. The trend continues today also with lower income households going out for bus trips for days together pooling in their resources and visiting new places.

Current Trends & Preferences

Product positioning for domestic market

The domestic market, albeit similar in the innate characteristics of the tourism product components, differs from the inbound offerings in the following aspects:

Domestic Tourism: Salient Characteristics



Source: Primary Research, SIGA, YES BANK

We see that the product positioning, especially with respect to tourism, is more about targeting the consumer's perception of the product rather than doing anything to the product itself.



Psychographic Positioning: India as a country is a conglomerate of myriad geographies, races, ethnicities, cultures and traditions. For the tourist with leisure/ recreation motive, the positioning happens from two aspects: one, from the centre's perspective, the promotional ethos focuses upon the individual or collective conscience, 'self-enlightenment', 'discovering one's own heritage', or 'connecting with the spirit of national integrity'.

Experiential Positioning: Audio-visual stimulation is a key aspect in this regard, as it not only forms the quickest cognitive connect, but also plays a key role in defining the state's tourist image.

Tourist Preferences

Recent figures have also shown that while global tourism dipped in light of the economic recession worldwide, domestic tourism actually held up, and even registered growth. This can be attributed to two major factors:

1. The domestic tourist is less averse to altering his/ her travel plans in cases of general exigencies like epidemic or security warnings (like swine flu, for instance).

2. The traditional ethos of the societal structure still makes visiting relatives, attending functions etc. an important part of an individual's social commitments.

While this on one hand implies that visiting friends and relatives (VFR) remains a perennial segment in the domestic tourism space with very strong immunity towards external exigencies, the spin-off has been the growth in the leisure and recreation segment, as the traveler often clubs the VFR motive with some sort of recreational activity.

Emerging Trends

Emerging Sectors & Niches

With increasing disposable incomes, modernized lifestyles and better life quality, the leisure and recreation sector in tourism has emerged as the biggest attraction for the domestic tourist in recent years.



Tourism for the middle class city dwellers has become an important getaway from the busy schedule of urban lifestyles. With more studies showing that children are better off with quality time spent in parent's company, the strata is becoming more prone to short but multiple holidays. The requirement is evolving around varied destinations along with affordability and connectivity.

Changes in the visitor profile

With the destinations, interests and economic scenarios constantly evolving, the profile of visitors within domestic tourism's ambit is also changing. While the religious and social visits will always remain the biggest reason for domestic travel undertaken, now cross cultural exchange between destinations are more common with Indians realizing the options that the sheer geographic size of India offers.

The overall distribution of the states from where domestic tourists travel is misleading since most of the tourists in a destination came from the neighbouring states. For instance, in the case of Kullu Manali, one third of the tourists came from Delhi, about 9 to 10% from each Uttar Pradesh and Punjab and 11% from West Bengal. Hence, we can safely conclude that domestic tourists are becoming more and more adventurous and ready to go off the beaten track.

Socio-educational dimensions to Domestic Tourism

Visiting the other states, understanding the cultures and values of the other casts, creed and population, not only makes people more tolerable, but also promotes ownership and nationalism.

Even though the educational aspect of tourism is well known, we need to take cognizance of the fact that while children actually learn from experiential holidays, every human being is affected by the cross-cultural interaction. The social impact works both ways - while the residents of the place get to meet people from various ethnicities, the visitors understand the different terrains of India.



Due to this strong socio-economic impact of tourism, development and management of a destination has to be in line with the aspirations of local communities, which would not only provide for a more authentic tourist experience, but also attract a stronger community support for tourism. As a consequence, a growing number of destinations want to ensure that local residents have a say in how tourism evolves. Efforts are therefore being put into inculcating local community views on tourism planning and destination management.

Tourism as a tool for development

Tourism as tool for development needs to address all these issues while making the place comfortable and inviting to the visitors. The onus beyond the state government needs to be addressed by the local governments and the local community. Only if the ownership is transferred to the grass-root level, can this be used as a developmental tool.

Domestic Tourism and the States

While inbound tourism dictates that marketing and promotion lines have to simultaneously project the country as a destination while highlighting the different USPs of each state, domestic tourism is where the states come out a bit more aggressively, competing for a piece of the lucrative leisure and recreation segment, since religion, VFR and business are segments where marketing and promotion has little scope to influence the propensity to travel.

In this light, we take few of the major tourism states in the country and analyze the policy measures as well as the action steps taken towards boosting domestic tourism within their respective product offerings.

Andhra Pradesh

- Concessional Allotment of Land & Capital Investment Subsidy
- Reimbursement of Stamp Duty, Transfer Fee, VAT and Entertainment Tax
- Municipal Concessions and Energy Incentives
- Home stays to be treated as non-commercial entities



Rajasthan

- Exemption from Luxury Tax, Entertainment Tax, Registration & Stamp Duties
- Special inter-state packages
- Market segmentation and identification in the domestic space

Gujarat

- Gujarat Tourism Service Providers Promoter
- 24x7 call centre
- Religious Tourism circuit

Madhya Pradesh

- Exemption from Luxury, Sales and Entertainment Tax
- Chauffer driven caravans
- Religious Tourism circuits

Uttarakhand

- Helicopter services for the Char Dham
- Religious Tourism circuits
- Adventure Tourism packages

Karnataka

- Target Marketing
- Special discounts to domestic tourists on select products like luxury trains

Jammu & Kashmir

- Infrastructural upgrades to handle heavy pilgrimage traffic
- Policy preparation under way to address the diversity of Jammu and Kashmir regions



Uttar Pradesh

- New Hotel Policy announced in 2008 to facilitate quality infrastructure development
- Simultaneous development of ecotourism with tribal tourism
- Development of mega projects on both sides of the Taj Express highway such as a film city, a mughal theme park or entertainment hubs

Tamil Nadu

- Earmarked budgets for dedicated promotional campaigns
- Exemptions in taxes and other sops for budget class accommodation

West Bengal – Key Initiatives

- Fairs/ Festivals/ Events
- Community based tourism in coastal and other sensitive regions.

YES BANK-FICCI Ten Point Roadmap for Sustainable Growth of Domestic Tourism

1. Develop Hygienic Budget Accommodation: While many budget accommodation options are available in the country in the form of youth hostels, dharamshalas, hotels etc., the cleanliness and hygiene standards are mostly below par. This is not only detrimental to the destination image, but also means that the tourist at the 'middle' of the value chain has to opt for higher categories of accommodation, implying that the expenditure on other principles of the product (sightseeing, shopping etc.) goes down, leading to skewed earnings.

2. Improving Connectivity: This refers to both improving the infrastructure in terms of roads, rail networks etc., and providing a greater number of options in terms of services like buses, trains, flights etc. Many destinations in the country fail to realize their worth owing to poor connectivity options. Pahalgam, for instance, despite being a popular tourist destination, only has one bus service to and from Srinagar, even during the peak season with heavy spin-offs from Amarnath, forcing tourists to choose the much costlier rented vehicles.



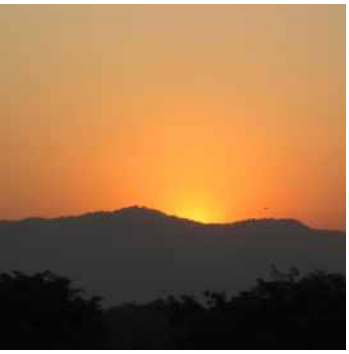
3. Repackaging products: Many tourism products/ destinations can be revived by introducing new elements. One that can be sighted as a successful initiative is the case of Madhya Pradesh, which revived the Bhopal-Bhimbetka-Delawadi-Bhojpur-Sanchi through the use of campervans.

4. Inter-state partnerships: For many states in the country, owing to geographical or demographical congruencies, it makes sense to collectively market as a destination, especially if one is targeting longer stays. The group of Northeast states, even though very diverse demographically, constitute a single unified geographical entity of the Himalayan ecosystem, and have common entry/ exit points.

5. Niche based Capacity Building: Certain niches can be made affordable for the domestic market by simply up-scaling the capacity building measures. Take the instance of adventure sports, bungee jumping in particular. The few private set ups in the country have sourced technical manpower from countries like New Zealand, which then reflects on the higher pricing of the product. Although certification measures are in place, there are no training facilities to complement such adventure activities. Capacity building measures in these areas could go a long way in expanding the affordability of experiential products.

6. Accessibility to remote areas: Elaborating further on adventure tourism, many places in the Himalayan (and other sensitive) regions of the country require permits and other permissions to be issued for exploration, procurement of which often becomes an arduous process owing to the multiple agencies involved (tourism department, forest department, police/ army etc.), and some of the best destinations of the country are left unexplored. There is a need to have a single window clearance system in place.

7. Educational Trips: Introducing inter or intra state trips for educational institutions, particularly schools, has a twofold advantage. While it brings numbers into the state, students are the most probable clientele to become repeat tourists, desirable for any market in the long run.



8. Support Backpacking: Although hitchhikers/ backpackers have traditionally been associated with the Hippie movement of the 70s, the present movement is entirely different, with people from all walks of life, including those from the upper economic strata, choosing this option owing to the freedom of travel and the 'authenticity' of travel that it offers. While this segment cannot be the target market owing to the low economic benefits that it has to offer, backpackers are the best 'ambassadors' and 'word of mouth' marketers, and can really enhance the destination profile.

9. Student Discounts for Events/ Festivals: Although a majority of the states have successfully adopted the analogy of promoting destinations through events and festivals, there is a need to offer affordable facilities for travel segments like students. Take for instance the Rann Utsav package offered by Gujarat Tourism at INR 3000 per day per tent. While this is competitive pricing foe the average tourist, it often becomes a notch high for students, for whom these events are a platform for academic research as well.

10. ICT based tools: While certain states like Kerala have adopted IT based tools and services to leverage their product offerings and promotional efforts, other states also need to tap these tools to fully harness their tourism potential. Mobile-based technologies can be tapped as an enabler for mountainous and other remote regions of the country, where electricity is an issue.