INDIA
A KEY INBOUND MARKET FOR AUSTRALIA

SUMMARY

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INDIA’S ASCENT

The pace of India’s economic development in recent decades has been remarkable – a result of a range of reform efforts including lower tariffs, exchange rate reforms and opening up to foreign investment. This economic change has coincided with huge social and demographic shifts. Between 1991 and 2015, India’s population has increased over 50% to almost 1.3 billion, with over 700 million aged under 30. Over a similar period, national literacy has grown from just over half the population to almost three-quarters, and per-capita incomes have increased five-fold in real terms. As a point of reference, India’s per-capita GDP is now at about the same level as China’s in 2005.

FIGURE 1: INDIA’S ECONOMIC GROWTH

Source: World Bank data, 2017

With the increase in wealth and substantial decline in poverty rates, prosperity is becoming more widespread. Almost 130 million people comprise the ‘Urban Masses’ – a middle to high income group expected to drive consumption growth in coming years. Indian consumer spending is forecast to reach $3.6 trillion in 2020 – almost four times 2010 levels. Two-fifths of this will be discretionary spend on non-essential goods and services.

Signs of India’s increased prosperity are already evident in the growth of outbound tourism. Between 2000 and 2015, outbound tourism grew more than four-fold to 21.8 million departures. Australia attracted a disproportionate share of these travellers, with six-fold growth in Indian visitor arrivals over the same period. Future prospects are strong. The United Nations World Tourism Organization predicts that by 2020, there will be around 35 million outbound departures from India – that is an average annual growth rate of 12% between 2015–20.

Along with increased prosperity, positive economic prospects and a stronger trade relationship with Australia is India’s very large and fast growing population. These factors are powerful enablers that contribute to India’s growing importance as an economic partner for Australia in general, and as an inbound visitor market in particular.

This growing importance, however, comes with a need for deeper insights. The research addresses this need by examining Indian inbound visitors, the activities they undertake, their perceptions of Australia and the way they disperse across tourism markets. It also covers Australia’s performance relative to our competitors and discusses how visitor growth can be kept at sustainable levels.
KEY FINDINGS

INDIA IS ONE OF OUR FASTEST GROWING MARKETS

Between 2005 and 2016, visitor arrivals from India grew by 299% to reach 262,300 – almost six times faster than the 51% growth in total inbound arrivals to Australia over the same period. Spend growth was even more impressive, increasing 350% to reach $1.2 billion in 2016.

FIGURE 2: VISITOR ARRIVALS IN AUSTRALIA (’000)

Source: Overseas Arrivals and Departures, ABS Cat. No. 3401.0

Image courtesy of Destination NSW
Using visitor numbers as a measure, Indian visitation to Australia is in about the same position as Chinese visitation was in 2004. As seen in Figure 3, there is also a strong correlation between growth in GDP and growth in visitation. Indian GDP (per capita) increased 6.4% per year on average between 2005 and 2016 to a level comparable with China’s in 2004, while visitation grew by 13.4% per year on average. For China, the increases in visitation and GDP over the same period were 14.1% and 7.2%, respectively.

Visitation from both these markets are expected to form the bulk of future arrivals from Asia. TRA’s latest forecasts (TRA 2017) predict that arrivals from India will grow at an average annual rate of 8.7% between 2016–17 and 2026–27 to reach 642,000 visitors.

**Figure 3: Tracking Arrivals against GDP per Capita for India and China**

Source: Overseas Arrivals and Departures, ABS Cat. No. 3401.0 and World Bank data
A feature of the Indian market is the growing gulf in spend between holiday visitors and those visiting friends and relatives (VFR) (Fig 4). Over the period 2006–07 to 2016–17, growth in the average spend of international holiday and VFR visitors has changed little. For the Indian market, however, average spend for VFR has decreased by about 3% per year on average, while holiday spend has increased by 4% each year.

This may be an indication of the differences in income between the two, with prosperous holiday visitors in a position to spend more in Australia, while VFR travellers depend more on friends and family in Australia for accommodation and day-to-day expenses. It is also common for the friends and relatives of Indian VFR travellers to pay for most of the activities undertaken in Australia. As the host, they do this to thank their friends and family for taking the time and making the effort to visit them. In contrast, the more prosperous China market shows strong growth in average VFR spend, and more modest growth in average holiday spend (due to the effect of package travel). TRA data for 2016–17 showed that around one-third (32.4%) of total inbound visitors from China arrived on a package tour.

**FIGURE 4: AVERAGE ANNUAL GROWTH IN AVERAGE SPEND BY VISITORS FROM INDIA AND CHINA**

![Graph showing growth in average spend per visitor by visitors from India and China](Image courtesy of Tourism and Events Queensland)

Source: TRA data

**INDIAN VISITORS COME DISPROPORTIONATELY FROM THE WEALTHIER STATES**

Eighty-five per cent of all Indian visitors to Australia originated from the ten wealthiest states – Maharashtra, Delhi, Karnataka, Tamil Nadu, Andhra Pradesh, Punjab, Kerala, Gujarat, Telangana and West Bengal. Collectively, these states accounted for just 46% of India’s population in 2013–14, but 69% of India’s GDP.

Consistent with this geographic concentration, most visitors flew out of five international airports in India. Ranked in terms of departures to Australia, these airports were based in Delhi, Mumbai, Bengaluru, Chennai and Hyderabad.
FIGURE 5: POPULATION AND VISITOR SHARE BY STATES AND UNION TERRITORIES

Source: TRA data and India Ministry of Statistics and Programme Implementation’s publication
INDIAN VISITORS ARE A DIVERSIFY GROUP

The largest group of Indian visitors by age were those 55 years and over (38%), followed by 30 to 44 year olds (24%), and those under 30 years of age (23%). As a cohort, Indian visitors to Australia tended to be older than other travellers. Among all visitors to Australia in 2016–17, 30% were aged under 30 and 27% were 55 and over. India’s large VFR cohort is an important reason for these differences in age profile.

India’s active working age population – the number of people aged 15-54 years – is the largest cohort and formed around half of the total Indian population in 2011. This cohort is expected to be a strong driver of future growth in outbound tourism, and is forecast to reach 904 million by 2031 (or up 213 million people on 2011).

Within this cohort, there are two distinct age groups with different consumption patterns and needs. According to the 2011 census:

- the 15 to 29 years age group in this cohort accounted for 48% of the total population between 15 and 54
- the 30 to 54 years age group accounted for the remaining 52%.

Forecasts for the next 20 years show that the share of the 30 to 54 years age group will rise to 59% (or 535 million people), while the share of the 15 to 29 years age group will drop to 41% (or 370 million people).

FIGURE 6: INDIA’S DEMOGRAPHIC SHIFT, 2011 TO 2031

Source: Youth in India, 2017. Central Statistical Office, Government of India
INDIA HAS IMPROVED ITS SPEND RANKING OVER THE YEARS

Over the last five years, India has significantly improved its ranking in terms of visitor spend – from 11th in 2012, to 7th in 2017. Over the five-year period, total spend has increased by 90%, leisure spend by 110% and holiday spend by 96%. However, on present data, India is low yielding relative to other markets. In 2016–17, Indian visitors stayed around twice as long on average as the typical international visitor to Australia (56 days versus 34 days, respectively), but only spent 6% more during their visit. This equates to an average daily spend of $97 for Indian visitors, compared with $153 for all international visitors.

This low level of spend is largely due to the fact that more than 40% of Indian visitors in 2016–17 were here for VFR purposes. By its nature, VFR tends to record lower spend than that of other travel purposes, as visitors rely on their hosts for accommodation, food and travel costs; a cultural aspect related to the Indian VFR segment that has been highlighted previously. In 2016–17, average daily spend among Indian VFR travellers was only $32 – 79% less than that of other Indian visitors. Consequently, Indians coming to Australia for VFR only accounted for 15% of total spend during this period. By comparison, the smaller Indian cohorts coming to Australia for education or holiday accounted for 37% and 20% of spend, respectively.

As the volume of travel from India has increased, the VFR component has assumed increased importance, commanding a 41% visitor share in 2016–17, well up from 22% in 2005–06. Australia’s fast growing Indian population and the hundreds of thousands of Indian international students in Australia have a strong influence on the growth in this type of travel.

As well as spending less than other Indian travellers, Indian VFR visitors1 are also low yield relative to VFR travellers from other countries. In 2016–17, the average Indian VFR visitor stayed 50% longer than other VFR visitors, but only spent around one-third of an average VFR traveller during their trip. Some of this can be put down to their choice of accommodation. Only 4% of Indian VFR visitors stayed in commercial accommodation, compared with 41% of holiday visitors and 93% of business visitors. Indian VFR visitors also have a high rate of repeat visitation with 62% of visitors in 2016–17 having visited Australia before. These repeat visitors spend around 18% less on their trip than VFR travellers visiting for the first time.

Based on market and industry insights, it is believed that while Indians are largely value-conscious, they are also high spenders due to the numerous activities they undertake while on holiday. Indian tourists also spend significantly on shopping, as it is the cultural norm to buy gifts for families, friends and colleagues back in India. It is also possible that the sample interviewed were low spenders, as market insights suggest that very high value holiday visitors are less likely to participate in the visitor survey.

TRAVEL BEHAVIOUR ALSO AFFECTS SPEND

Around 30% of spend by Indian visitors in 2016–17 occurred before arrival in Australia. While the overall rate of prepayment is comparable to the all visitor average of 31%, it limits the benefits to Australia’s economy. Among the Indian VFR cohort prepayments were even higher, with 53% of spend happening before travel.

1 This segment of visitors rely largely on their host for their travel, food and accommodation expenses, but this spend is not captured in TRA’s International Visitor Survey.
Increasing dispersal is one way of supporting a sustainable tourism industry – helping ensure that the economic benefits of tourism are spread across Australia’s economy and easing pressure on tourism hotspots in the major cities. Visitors from Germany (42%), United Kingdom (UK) (36%) and Canada (35%) are notable for having a high level of dispersal and travelling beyond capital cities and the Gold Coast during 2016–17.

By comparison, only 22% of Indian visitors in 2016–17 travelled outside of the capital cities and Gold Coast – a rate of dispersal similar to other Asian economies such as China (24%), Indonesia (12%) and Korea (18%). A significant inhibitor to more regional dispersal is the high proportion of VFR travellers – only 28% of Indian VFR travellers aged 15-29 years visited regional Australia, while the proportion for those aged 30-54 years was 20%. In both these VFR categories, repeat visitors were slightly less likely to disperse. Indian holiday visitors were far more likely to disperse than Indian VFR travellers. The disparity in dispersal rates between VFR and holiday visitors is fairly typical of Asian markets, but in sharp contrast to the United States of America (US) and European markets (Fig 7).

**FIGURE 7: AVERAGE ANNUAL GROWTH IN AVERAGE SPEND BY VISITORS FROM INDIA, EUROPE AND THE US**

Visitation is often a precursor to permanent residence, and an established migrant community or having family members living in Australia can be an additional pull factor for VFR and holiday visitors.

In recent years, India has been a major provider of temporary and permanent migrants to Australia. There was a trebling of Australia’s India-born population between 2005 and 2016 (from 154,000 to 433,000), while almost 350,000 student visas were granted to temporary applicants.

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India is currently the second largest source of international students to Australia, and the cohort is growing rapidly – up 54% between 2013–14 and 2016–17. As a study destination for Indian students, Australia outperforms much larger economies, and is second only to the US.

The impact of international students on Australia’s trading relationship with India has been significant. Between 2013 and 2016, there was a 107% increase in the value of exports attributed to Indian students from $1.2 billion to $2.6 billion. In 2016, export earnings per Indian international student were around $63,000 – substantially higher than that from Chinese students ($57,000).

**AUSTRALIA HAS ADVANTAGES OVER ITS COMPETITORS**

Much of this growth can be attributed to our natural advantages. Australia has the edge over other long-haul destinations such as Canada, the US and UK, due to its geographic proximity and its offerings of pristine environment, exotic natural experiences and close economic and cultural ties with India.

Nevertheless, competition remains strong. Between 2006 and 2014, Australia’s share of India’s ‘beyond-Asia’ market increased 1.3 percentage points, compared with a 6.6 percentage point increase for the US, a 9.3 percentage point decline for the UK and the Canadian share remaining unchanged.

From a marketing perspective, other factors which make Australia an attractive destination for Indian visitors include the:

- large Indian resident population and cohort of international students
- exchanges and cooperation across education, tourism, science and technology and culture
- secular, multicultural society
- shared language
- fact that it is a safe and secure travel destination.

Source: TRA data
Supporting Sustainable Growth – Balancing Visa Facilitation with Border Security

Achieving strong and sustained growth in international tourism is dependent upon public confidence in Australia as a safe and secure tourism destination, including our well-managed and orderly visa programs.

It is important that we have the right systems in place to manage the security, health, and immigration risks that could prevent us from reaching the full potential of tourism growth.

The tourism industry and government have an important partnership role in promoting sustainable, well-managed tourism growth, over the long term.

In this context, the Department of Home Affairs gives effect to tourism growth through its mission ‘to protect Australia’s border and manage the movement of people and goods across it’ and global operations – ‘to deliver efficient, innovative and competitive visa services to maximise tourism’s economic contribution to Australia while minimising risk’.

In an environment of increased competition, the Department of Home Affairs is investing in new technologies to modernise Australia’s visa system to make it more responsive to our economic, social and security interests and to enhance the client experience, including:

- A shift towards a global processing platform which will contribute to faster and more consistent visa outcomes
- Simplification of existing, highly complex visa arrangements
- More efficient detection of individuals posing a security, law enforcement or immigration risk while simultaneously speeding up the flow of legitimate travellers.

Consultations with the officials representing Australia’s national and state tourism organisations, travel agents and the Indian Government provided the following suggestions to support continued growth in Indian travel:

- Regular engagement between industry stakeholders (including airlines and tourism bodies) and government agencies to discuss areas of shared interest.
- Additional direct flights between Australia and India (e.g. Mumbai to Sydney).
- Increasing awareness of Australia through marketing, including an increased digital marketing presence, and following the practice of other countries through celebrity endorsements and competitive filming packages.
- Increasing awareness of Australia through incentives and positive partnerships. For example, utilising Australian alumni to bolster the current efforts of DFAT to enhance people-to-people relations between the two countries.
- Increasing awareness of the importance of word-of-mouth and social media in inspiring travel for young Indians.
- Increasing awareness among potential visitors who may initially have low perceptions of Australia as a dream destination by using visitors’ actual experiences.

There is also a growing expectation among all consumers that information should be able to be shared quickly, if not immediately. TRA data also shows that more than 80% of Indian VFR and holiday visitors would be highly likely to recommend Australia as a holiday destination. Widespread information sharing, a strong desire to communicate and high satisfaction among Indian (and other) travellers, present a compelling case for increased Wi-Fi access at tourist destinations across Australia.

With a large and increasingly prosperous population, plus a growing capacity for international travel for holiday, family, education and employment, India is becoming a major travel market.

Given our warm and longstanding relationship with India, our strong people-to-people links and our reputation as a world-class provider of international education services, Australia is in a strong position to benefit from India’s ascent.

Nevertheless, international competition for tourists is on the rise. To maximise the benefit from the potential surge in Indian travel, we will need to continuously review our understanding of the needs of the Indian market, reduce barriers to increased travel, and maintain a strong marketing presence to showcase Australia’s diverse offerings.