

Business
Traveller MIDDLE EAST

INSIGHT REPORT 2024



Deloitte.



The travel capitals of the future

CHARTING NEW HORIZONS BY PIONEERING THE
MIDDLE EAST'S TOURISM REVOLUTION



Government Trends 2024

Explore the eight trends propelling
the government of the future





Hassan Malik
Lead Partner, Tourism
Sector, Deloitte ME

In recent years, the Middle East has emerged as a powerhouse in the global tourism arena. As the region experiences exponential growth, fuelled by a combination of strategic investments underlined by visionary leadership – and a rich cultural heritage that holds great appeal as one of the last major truly as-yet-undiscovered regions of the world for keen travellers from across the globe – it stands at the forefront of the travel industry, poised to redefine the future of tourism on a global scale.

At the heart of this transformation is Saudi Arabia, a nation on the cusp of becoming the world's leading tourism destination. With ambitious initiatives such as Vision 2030 driving sustainable development, diversification, and truly inspired innovation that is accelerating growth at a dazzling rate, the kingdom

“There has never been a more exciting time to be in the industry. Together, we can chart a course towards a future where travel transcends boundaries.”

FOREWORD

is laying the groundwork for a vibrant and inclusive tourism ecosystem that truly unlocks its immense potential while catering to the diverse interests of travellers from around the world.

In preparation for this new influx of interest in the region, the Middle East's aviation industry is playing a pivotal role as it witnesses unprecedented growth supported by major investments in fleet expansion, infrastructure development, and cutting-edge technologies. As the region's airlines and airports look to the future by embracing innovation, travellers can expect a more seamless and personalised experience that transcends borders and elevates their journey to new heights of comfort, convenience, and global connectivity.

Now, more than ever before, we are entering the era of personalised travel. Customisation is the key to unlocking unforgettable experiences that resonate deeply with travellers seeking something more profound. From bespoke itineraries tailored to individual preferences, to immersive cultural encounters that foster a sense of belonging and connection, the future of travel is all about creating meaningful moments that leave a lasting impression.

Enhancing our ability to make experiential travel more immersive than it ever has been before, innovative technologies are reshaping the industry landscape by offering travellers unprecedented access to new destinations and experiences. From artificial intelligence-enhanced virtual reality tours that transport passengers to distant shores, to blockchain-enabled booking platforms that ensure security and transparency, and augmented reality that can tease and tempt visitors from every corner of the globe, to data and insights that can help businesses be more strategic than ever before in targeted campaigns that maximise their ROI, technology is truly driving a paradigm shift in how we explore the world.

There has never been a more exciting time to be in the industry. With these in-depth insights on industry trends and best practices, to analyses of market dynamics and consumer behaviours with actionable strategies to take note of, we're here to help you stay ahead in this ever-changing dynamic landscape. Join us as we embark on this new journey of discovery, inspiration, and transformation. Together, we can chart a course towards a future where travel transcends boundaries, fosters connections, and enriches lives, with the Middle East's boundless possibilities at the heart of it all. ●



11.1
TRILLION US\$

Total contribution of travel and tourism to global economy projected for 2024



90
BILLION DHS

Amount that Abu Dhabi aims to contribute to the UAE GDP annually by 2030

430
MILLION

Number of travel and tourism jobs worldwide forecast for 2033

100
MILLION

Number of tourists Saudi Arabia welcomed in 2023, exceeding its target 7 years early

90
MILLION

Number of international arrivals welcomed by the Middle East and North Africa (MENA) region per year – this is 6% of the world's total arrivals

17.15
MILLION

Number of international visitors to Dubai in 2023 – a new record



10.3%

Percentage of global workforce employed in the travel and tourism industry



19.7%

Global surge in travel demand



1 in 10

Number of jobs generated by the travel and tourism industry worldwide



US\$ 800 billion



US\$ 60 billion



US\$ 31 billion



US\$ 17.5 billion



US\$ 15 billion



US\$ 10 billion



US\$ 10 billion

Saudi Arabia's investments in its tourism sector

The amount Kuwait has approved for tourism projects

The amount Oman is investing in its tourism industry

Qatar's investments in major projects to enhance its tourism sector

Egypt's tourism revenue in 2023 – a new record

Bahrain's investments in its tourism sector in 2023 alone

Abu Dhabi's investment in tourism infrastructure



Shaping the Future of TOURISM

Embracing cutting-edge technology and societal shifts
for a new wave of immersive travel

By Saudamini Dubey and Salimah Esmail

The tourism industry is an ever-evolving one, shaped by emerging trends and technology. With the pandemic having accelerated significant changes that are shifting the industry towards an uncharted new course, hyper-personalisation, collaboration with ecosystem partners, sustainability, and workforce upskilling are becoming key focuses. The demand for multi-sensory tourism experiences is also on the rise, and organisations are using digital, innovation, and emerging tech to augment these experiences.

Immersive reality – defined by Saudamini Dubey, Deloitte Middle East’s emerging tech and innovation lead partner as “a confluence of technologies that enable the creation of immersive and seamless experiences that integrate our physical and virtual worlds” – is the latest technological development revolutionising how people experience and interact with destinations. In the tourism sector, immersive

reality allows users to explore and experience destinations in new and exciting ways. These experiences include virtual tours of landmarks, augmented reality guides for city exploration, and the creation of digital twins to create personal and immersive experiences for customers.

The emergence and rising adoption of immersive reality in the Middle East and globally is a prime example of how the tourism industry is focusing on innovative ways to provide travellers with new, more personal and meaningful experiences.

The rise of experiential and immersive tourism in the Middle East

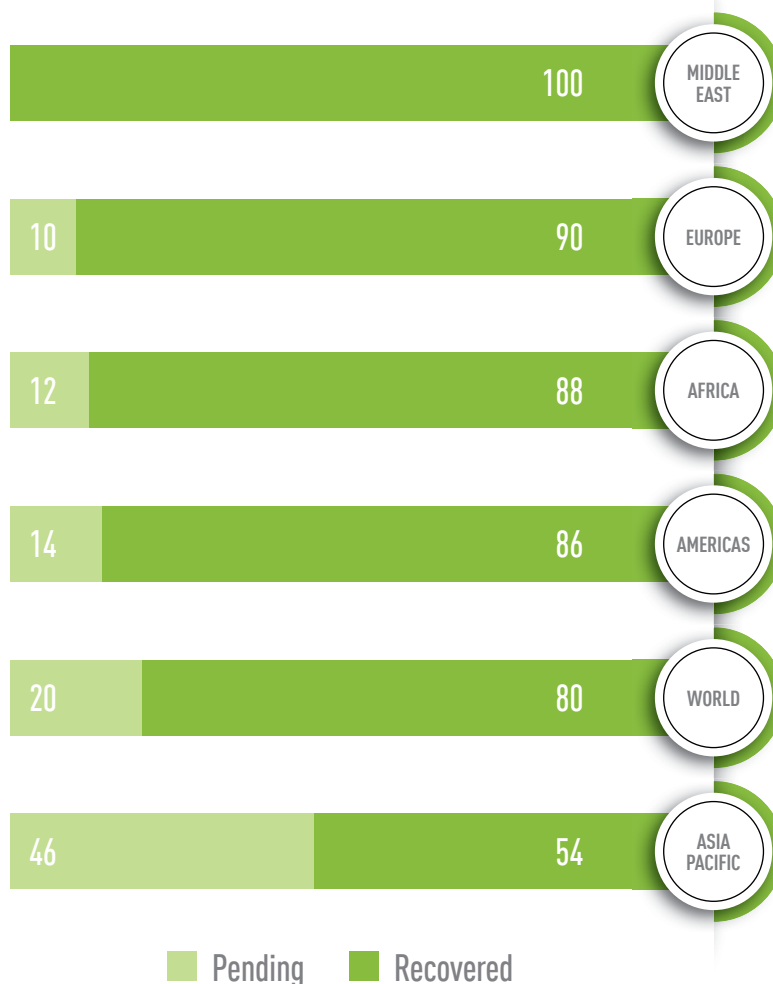
As the Middle East looks to diversify its economy, tourism is well-positioned to be a key driver. The UAE's tourism sector is expected to contribute 12.4 per cent to GDP in 2027, while Saudi Arabia aims to contribute 10 per cent of its overall GDP through its tourism sector, as outlined in its Vision 2030 plan. UNWTO stated that "Saudi Arabia's achievement of welcoming over 100 million tourists in 2023 is a beacon of what is possible through collaboration, innovation, and a clear vision for the future."



“Immersive reality that integrates our physical and virtual worlds is the latest technological development revolutionising how people experience and interact with destinations.”

SUTLAK/ADOBE STOCK

INTERNATIONAL TOURIST ARRIVALS: Percentage of 2019 levels recovered in Q1 2023 (%)



Saudamini Dubey is the emerging tech and innovation lead partner at Deloitte Middle East

As more companies and potential travellers turn to virtual solutions, the global virtual tourism market is expected to reach \$6.5 billion by 2030, according to a report by Allied Market Research. A Deloitte article titled "The Metaverse and its potential for MENA" stated that the metaverse [and immersive technologies] could contribute up to \$38 billion to the Saudi Economy and \$16.7 billion to the UAE Economy by 2035 – and with its potential to not only enhance the customer experience but also promote destinations to a global audience, immersive reality is set to play a significant role in shaping the future of the Middle East's tourism industry.

The Middle East is a region at the forefront of innovation, and immersive reality will be no exception. With its stunning landscapes and rich cultural heritage, the region is uniquely positioned to benefit from these technologies and emerge as a leading destination for experiential and immersive tourism.

INTEGRATING IMMERSIVE REALITY INTO A BUSINESS STRATEGY

As stakeholders embark on their immersive reality journeys, it is vital to prioritise the creation of experiences that are hyper-personalised, multi-sensory, and built on trust through responsible practices. The following guiding principles should also be taken into consideration for tourism organisations:

- Immersive reality is about enhancing user-centric experiences with technology as an enabler, while being mindful of health and well-being.
- Responsible immersive experiences are built on a foundation of trust, where cybersecurity and safety, digital identity, digital payments, governance, and regulation are fundamental pillars.
- Collaboration and orchestration are critical to implementing immersive and spatial technologies in tourism and bringing engaging experiences to life.
- A human-centered design approach should be taken into consideration when creating digitally inclusive, immersive experiences.
- Continuous learning and experimentation in an immersive lab environment are essential for staying ahead in the constantly evolving field of immersive technologies.
- Localising content and being culturally sensitive are crucial factors in driving adoption and fueling growth in the digital economy.
- Designing immersive experiences with sustainability and responsibility in mind is essential for a responsible immersive reality journey.



Salimah Esmail is a digital transformation and innovation offering lead at Deloitte Middle East

The Business Impact

Immersive reality is a powerful tool for creating exceptional experiences that can differentiate one from the competition. In today's highly competitive tourism industry, organisations must constantly innovate and find new ways to attract and retain customers, train employees, and improve collaboration and decision-making. Embracing these technologies is certainly one way to do so in the tourism industry, with their significant potential to promote destinations to a global audience and provide travellers with more captivating multi-sensory and multi-use personalised experiences. Singapore, for example, has developed a virtual Changi Airport on Roblox to allow users to experience a virtual representation of popular airport features, such as the indoor waterfall. By offering virtual tours



Immersive reality is a powerful tool for creating exceptional experiences that can differentiate one from the competition

and new experiences, tourism organisations can differentiate themselves from competitors, generate interest in the destination, and ultimately increase revenue and profitability.

Integrating immersive reality into an organisation's overall business strategy can engage customers in more meaningful ways, by allowing them to explore destinations and attractions in ways that were previously impossible. One prime example is UNWTO and NEOM's "Tourism Experiences of the Future" challenge to source new ideas and disruptive business models, catering for the growing demand of these experiences.

Immersive reality can also help organisations optimise their operations and improve efficiency, leading to significant cost savings. By streamlining processes and reducing the need for physical infrastructure, businesses can lower their overheads, while still delivering exceptional experiences to customers. Egypt's launch of a 3D VR programme to promote medical tourism did this in exceptional fashion.

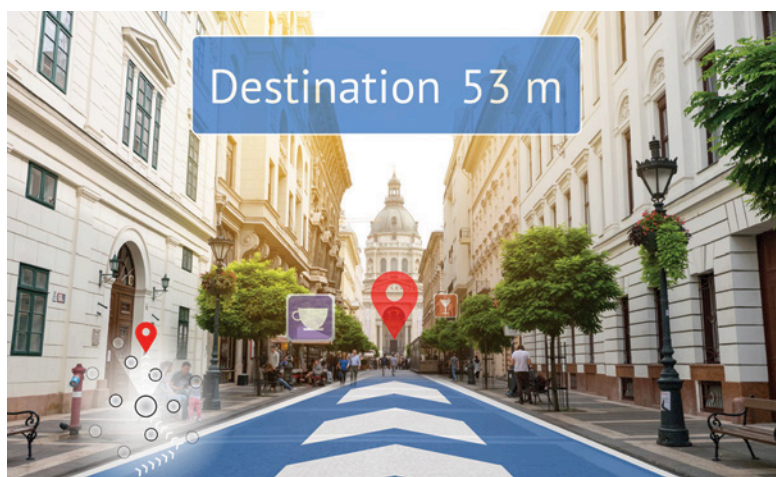
In sports tourism, meanwhile, the integration of immersive experiences can generate new revenue streams and enhance fan engagement, leading to increased exposure and awareness. The NBA, for instance, is using VR to allow fans to enjoy basketball games from the comfort of their own home, while using AR apps to increase fan experience and engagement. By adopting immersive reality strategies, sports organisations can create unique and memorable experiences that differentiate themselves from competitors and attract a wider audience. These experiences also provide valuable data insights into fan behaviour and preferences, which can inform marketing and promotional campaigns. They can also create opportunities for collaboration and partnerships between sports organisations and local businesses, generating new revenue streams for both parties.

Cultural tourism has become increasingly popular across the globe in recent years, and the adoption of immersive reality can further support its growth and development. Paris's Musée d'Orsay uses VR



technology to provide an experience for visitors to immerse themselves into the everyday life of the Impressionism era, while Saudi Arabia recently launched the world's first national "metaverse platform" to showcase its many cultural attractions to visitors both in the kingdom and globally. Cultural tourism can not only foster greater understanding and appreciation of different cultures, promote intercultural dialogue, and preserve cultural heritage for future generations, but by promoting a region's cultural heritage through immersive experiences, businesses can also attract more visitors and create new job opportunities. This can contribute to the socio-economic development of local communities, improve the quality of life for residents, and drive economic growth and prosperity in the region.

The Middle East's innovative adoption of immersive reality technologies has the potential to redefine the tourism industry. Tourism organisations in the region have the opportunity to define a new era of excellence in terms of sustainable growth, responsible practices, and unforgettable experiences. By doing so, the region will be poised to captivate and inspire modern travellers for years to come, cementing its position as a top-tier destination and a global trendsetter. ●



Personalisation in Tourism

Elevating Experiences and Maximising ROI



ENHANCING CUSTOMER EXPERIENCE

Personalisation serves as the bedrock for crafting exceptional travel experiences that deeply resonate with each visitor. By leveraging advanced data analytics and insights, tourism businesses can decode travellers' preferences and behaviours to tailor every facet of the journey. From individual recommendations to curated itineraries and bespoke activities, personalisation adds layers of depth and meaning that foster emotional connections between visitors and destinations.

Consider a scenario where a family of adventure enthusiasts plans a trip to a mountainous region. Through personalised recommendations driven by data analytics, they can receive tailored itineraries suggesting adrenaline-pumping activities like zip-lining, rock climbing, and white-water rafting. This personalised approach not only meets their interests but also creates anticipation and excitement, setting the stage for an unforgettable adventure.



In a world craving deeper connections, the future of travel is personal

By AbdulMouhsen Almadani

In today's dynamic tourism landscape, personalisation has emerged as a cornerstone strategy for enriching travel experiences and fostering lasting connections with visitors.

With the advent of digital technologies and an increasingly diverse range of traveller preferences, the tourism industry has recognised the need to move beyond one-size-fits-all approaches and embrace personalised offerings. Here, we explore the profound impact of personalisation in tourism, emphasising its role in enhancing customer experiences and maximising return on investment (ROI) for businesses.



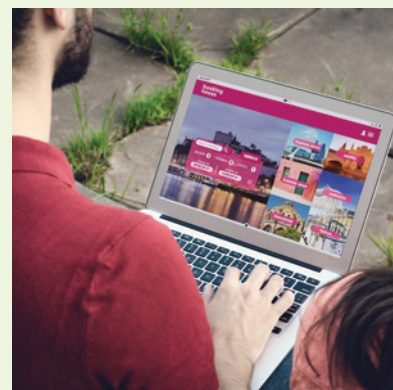
AbdulMouhsen Almadani is director of customer and marketing for Deloitte Digital

MAXIMISING THE ROI OF PERSONALISATION

Investments in personalisation yield significant returns for tourism businesses, both in terms of customer satisfaction and financial performance. By delivering tailored experiences, businesses enhance loyalty, increase customer lifetime value, and drive revenue growth. Personalisation allows businesses to anticipate and fulfill the individual needs and desires of travellers, thereby fostering stronger connections and encouraging repeat visits.

One key aspect of maximising ROI is through targeted marketing and upselling. Personalised campaigns, informed by data analytics, allow businesses to reach the right audience with the right message at the right time. For example, hotels can send tailored offers to previous guests based on their preferences, increasing the likelihood of conversion and maximising revenue potential. Similarly, tour operators can leverage customer insights to recommend add-on activities or upgrades, increasing the average transaction value and once again increasing ROI.

Personalisation also enhances cross-selling opportunities by recommending relevant products and services throughout the travel journey. For instance, a tour operator may suggest complementary experiences, dining options, or accommodations based on travellers' interests and preferences, thereby increasing the overall spend per customer.



TACKLING CHALLENGES IN PERSONALISATION

While its benefits are evident, implementing personalised experiences in tourism can pose several challenges that businesses must navigate effectively, such as:

1 Data Privacy and Security Concerns

Personalisation relies heavily on the collection and analysis of customer data. However, with increasing concerns about data privacy and security, tourism businesses must adhere to stringent regulations and ethical standards for collecting, storing, and using customer data. Failure to do so can erode trust and result in reputational damage.

2 Data Integration Complexity

Tourism businesses often operate with

fragmented data sources, including booking systems, customer relationship management (CRM) platforms, and third-party data sources. Consolidating and analysing data from disparate sources can be complex and time-consuming, requiring investment in robust data management systems and analytics tools to streamline operations.

3 Customer Insights Accuracy

Effective personalisation relies on accurate insights into customer preferences and behaviours. Obtaining and maintaining these insights requires ongoing investment in market research and data analytics capabilities. However, inaccuracies or outdated information can lead to misaligned recommendations and diminished customer experiences.

4 Resource Allocation

Implementing personalised experiences demands significant resources, including technology infrastructure, skilled personnel, and ongoing maintenance costs. Businesses must carefully allocate resources to maximise the ROI of personalisation initiatives. Moreover, the costs associated with acquiring and managing customer data can be substantial, requiring businesses to strike a balance between investment and returns.

5 Organisational Alignment:

Achieving seamless personalisation across various touchpoints requires alignment across departments and stakeholders within the organisation. This necessitates clear communication, collaboration, and alignment of goals and objectives. However, organisational silos, conflicting priorities, and resistance to change can hinder efforts to implement tailored experiences effectively.

Despite its potential challenges, the advantages and rewards that can be reaped from exploring greater personalisation in tourism are too great to be ignored. In a world where customers increasingly seek to spend with brands they connect with, customisation isn't only seriously competing with the generic, it's transcending it – and business that are not only seeking to stay on the forefront, but also hoping to secure a future in which they're not left behind would be wise to take note. ●



UPWARD BOUND

Soaring towards success – the seven architectural pillars of the Middle East aviation boom

By Aurelie Fondecave

In the wake of global transformations and economic diversification efforts, the Middle East is increasingly emerging as a vibrant hub for aviation innovation and expansion. Fuelled by targeted investments and forward-thinking initiatives, the region is exhibiting undeniable potential to become a global aviation powerhouse.

Here, we dissect the seven architectural pillars shaping the Middle East's aviation boom.

1 Diversification of Economies

Middle Eastern nations are pivoting away from oil dependency by investing strategically in tourism development, with aviation as a linchpin of their transformation agenda. In Saudi Arabia, for instance – where the government and its sovereign wealth fund, the PIF, are increasingly supporting the development of related infrastructure and assets – the kingdom's aviation strategy aims to reach 330 million people by 2030, as well as 4.5 million tonnes of cargo – a noticeable growth compared to 100 million PAX in 2019, and 88 million tonnes of cargo in 2022. Recognising the potential of aviation to drive

economic diversification, countries in the region have been ramping up infrastructure and fostering air connectivity to attract more global travellers and boost trade.

2 Regional Fleet Expansion and Industry Dynamism

The Middle East's aviation market has been experiencing a significant resurgence post-COVID, evident in the robust fleet expansion plans of national carriers. With projected fleet growth rates surpassing the global average at an annual rate of 4.2 per cent for the decade 2024-2034 – a significant measure compared to Africa at 2.3 per cent, Latin America at 1.9 per cent, North America at 1.8 per cent, and Western Europe at 1 per cent – regional airlines are cementing their positions as major global players, backed by strong financial performance and ambitious growth strategies. Emirates continues to excel on a global scale, while Qatar Airways and Etihad Airways are majorly expanding their networks in a major way: the former has extended its network to over 170 destinations, while the latter projects an increase to 18 million passengers by 2025, surpassing pre-pandemic levels.

3 Investment in Infrastructure

Heavy investments in airport infrastructure underscore the region's commitment to accommodate burgeoning passenger traffic and sustain growth. Mega-projects like Saudi Arabia's King Salman



Aurelie Fondecave is a strategy and aviation expert at Deloitte Middle East

HIN255/ADOBE STOCK



International airport and the expansion of Dubai's Al-Maktoum International airport highlight the scale of investment (at around US\$30 billion each), with the Middle East set to handle over a billion passengers annually by 2040 – a significant increase from 2019's 405 million. The region, with over 110 airports that will soon also include the world's first LEED Gold-accredited passenger terminal building, at Kuwait International airport, is among the fastest-growing aviation markets in the world.

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The region is exhibiting undeniable potential to become a powerhouse in global aviation.

4 Growth of Low-Cost Carriers (LCCs)

The Middle East is witnessing a proliferation of low-cost carriers, capitalising on the region's strategic location and growing demand for affordable air travel. Dubai and Abu Dhabi saw their LCCs' market share jump to over 25 per cent from 2019 to 2022, with established players like flydubai joined by newcomers such as Wizz Air, signaling a paradigm shift in regional aviation dynamics and fostering increased connectivity within the Middle East and beyond.

5 Air Cargo Hub

Leveraging strategic locations and multimodal capabilities, Middle Eastern airports are emerging as vital hubs for air freight operations. Dubai International and Hamad International, among others, serve as pivotal logistics centres, facilitating seamless trade connections between markets across continents. Ambitions in the aviation sector are complemented by strategic investments in maritime capabilities and in logistic zones to solidify the Middle East's position as a future logistics leader.

6 Aftermarket Services

The region is eyeing the lucrative MRO (Maintenance, Repair, and Overhaul) market, with ambitious projects aimed at enhancing regional capabilities. Initiatives like the MRO Village by Saudia Aerospace Engineering Industries exemplify the region's aspiration to compete on a global scale, establishing a robust MRO footprint alongside aviation powerhouses like Dubai and Qatar. Emirates and Etihad are not lagging behind: Emirates has recently announced investing \$950 million to build a new engineering facility at Dubai World Central (DWC), while Etihad Airways Engineering is set to expand its Abu Dhabi hangar's capacity.

7 Focus on Sustainability

With growing environmental concerns, sustainability has taken centre stage in Middle Eastern aviation. From the design of green airport infrastructure to the adoption of renewable energy sources, the region is making strides towards greener aviation practices. Ambitious projects like King Salman International Airport's pursuit of LEED Platinum certification underscore the commitment to environmentally conscious development.

The Middle East's aviation sector is experiencing a profound transformation driven by strategic investments and technological innovation, with a steadfast commitment to sustainability. As the region continues to soar to new heights, these seven architectural pillars will serve as guiding beacons, shaping the trajectory of Middle Eastern aviation for years to come. ●

SAUDI ARABIA

A LEADING TOURISM DESTINATION

Breaking the 100 million visitors' mark, making history, and charting a successful course towards 2030 and beyond

By Cedric Dallemagne



Cedric Dallemagne is strategy director at Deloitte Middle East

In February 2024, His Excellency the Minister of Tourism Ahmed bin Aqeel Al-Khateeb officially confirmed that the Kingdom of Saudi Arabia had broken the 100 million visitors mark in 2023, thereby also achieving the kingdom's national target seven years ahead of its ambitious national strategy. As such, Saudi Arabia is increasing its target for 2030 to 150 million visitors, investing US\$800 billion to support the sector, enabling new destinations, offerings, and experiences.

The cornerstone of the strategy hinges on the growth in international travels largely coming from mid-haul ranges. In 2023, inbound visits reached 27.4 million, a 65 per cent year over year growth according to the Ministry of Tourism's February announcement.

Healthy domestic travel

Saudi Arabia is on an historical trajectory, setting itself solidly among the present and future leaders in the global tourism race. This new history has actually been in the making for several years, and focusing only on inbound visitors does not provide the full picture. Saudi Arabia has increased its domestic tourism since 2015, in terms of visitors, at a compounded annual

growth rate of 7 per cent, and its inbound tourism by 5.4 per cent. Both figures are staggering. Domestic travel during the COVID-19 pandemic from 2019 to 2020 only saw a 11 per cent year-over-year decline, and has increased at a 23.5 per cent annual growth rate since. While the domestic travel increase this year was only 2 per cent compared to 2022, signaling a potential maturing of the domestic tourism segment, this spectacular rise is still an important part of the tourism growth story in the country.

With a population of 32 million inhabitants, the domestic overnight visitors represent a 2.42 ratio to the total population – a ratio similar to leading global tourism countries like Spain at 3.08 and France at 2.96, indicating the strength of the local tourism consumption. With more destinations to be activated in the foreseeable future, the domestic demand should continue to show a lot of strength. Up until 2022 (2023 spending statistics are not yet published at this time), we can also see that the amount spent by domestic visitors has increased faster (with 12 per cent CAGR) than inbound spend (at 2.5 per cent), though inbound contribution per visit remains over four times that of domestic visitors.



Attention on inbound visitors

Inbound visits are still of critical importance to the kingdom, especially considering that the country aims to welcome 70 million foreign visitors by 2030 – which is four times the number of visitors it hosted in 2023.

To this end, the kingdom is sparing no expenses, investing US\$800 billion to activate new destinations by building a variety of mega-projects, airports, marinas, ski resorts, and more, as well as launching programmes throughout Saudi Arabia to avoid the existing concentration in the capital, the holy sites, Jeddah, and a few other large cities.

The Saudi government is working tirelessly to accelerate the kingdom's development and readiness both in terms of assets and legislations. With over 1,800km of pristine coast along the Red Sea, in 2022, Saudi Arabia launched a new authority to help regulate maritime and coastal tourism activities to sustainably enable the practice of activities for visitors and residents along the Red Sea. The Saudi Red Sea authority has been actively working on sustainability since its inception, collaborating with leading experts in environmental conservation and circular economy. And the Authority's efforts are paying off, having already been recognised on 4 March this year by receiving the Game-Changer in Sustainable Tourism Award 2024.

Saudi Arabia understands that aside from the novelty, having only normalised visitors visas in 2019 – and continuing to ease the access to the kingdom ever since – it needs to provide reasons for the world to choose it as a tourism destination. To this end, beyond infrastructure investments to create state-of-the-art facilities, Saudi Arabia's strategy also largely hinges on hosting more and more global sports, cultural events, and professional shows.

From major sporting events – such as football (including the 2034 FIFA World Cup) and motor sports to boxing, winter sports, and video games – to cultural events such as the Expo 2030, LEAP, and more, Saudi Arabia has prepared itself to be able to handle a large capacity of guests – and has been putting in the work to draw in the calibre of talent and entertainment that will attract visitors to them from across the globe.

One historical driver for inbound visits to the kingdom has been religious pilgrimages. These accounted for 60.6 per cent of the inbound visits and nearly 72.5 per cent of the inbound spend in 2018, but have been decreasing ever so slightly since, to represent only 36.1 per cent of visits and 40.9 per cent of spend in 2022, based on the Ministry's tourism dashboard.

For Saudi Arabia, as the custodian of the two holy mosques, pilgrimages to the holy sites remain of critical importance, far beyond tourism considerations. Despite the recent decline, new hotels continue to emerge in the two holy cities, as illustrated by the opening in Madinah of the Dubai-based luxury hotel chain Jumeirah Group's first property in Saudi Arabia in February 2024, or the Public Investment Fund (PIF) creating a dedicated development company, Rua Al Madinah, aiming at enhancing the hospitality offering in the holy city.

MAJOR EVENTS THAT HAVE TAKEN PLACE, OR WILL TAKE PLACE, IN SAUDI ARABIA

Sports Events

FOOTBALL

- FIFA World Cup, in Winter 2034

MOTOR SPORTS

- Jeddah Grand Prix, since 2021
- Dakar Rally, since 2020
- Formula-E championship with the Diriyah E-Prix, since 2018
- E1 Series speed boat racing, since February 2024
- America's Cup Preliminary Regatta, in Winter 2023

BOXING

- Pro Fighters League (PFL) MENA, in April 2024
- One-off fights, including Francis Ngannou vs. Tyson Fury, Anthony Joshua vs. Oleksandr Usyk, and Jake Paul vs. Tommy Fury

WINTER SPORTS

- Winter Asia Games in Trojena, in 2029

VIDEO GAMES

- Gamers8 (to become Esports World Cup in 2024)
- New World Gaming Summit, in May 2024

Cultural Events

- World Expo, from Winter 2030
- Saudi Seasons, since 2023
- LEAP, since 2022

Importance of Visiting Friends and Relatives (VFR)

The second largest inbound visitor contribution to growth in 2022 came from the VFR segment, representing 30.8 per cent of all inbound visits. The importance of the VFR segment may help explain another staggering tourism figure from Saudi Arabia, which is that the average length of stay of visitors which is now close to 16.3 days – which is almost twice longer than the average stay in Spain in 2022, at 8.5 days.

The importance of VFR may also explain the growing importance of private accommodations and apartments, representing 51.9 per cent of the accommodation chosen by inbound tourists in 2022.

In share of inbound spend, apartments reached 31 per cent in 2022, translating in a 11.9 per cent compounded annual growth spend since 2015. The share of private accommodations for domestic visits has also been growing representing 36 per cent of total accommodations. Apartments still represent 33 per cent of total accommodations for domestic travel, but have seen their share of accommodation go down by close to 20 per cent since 2015.

Promising yet challenging situations for hotels

With 40 per cent of total spend, hotels remain the largest share of inbound accommodation, but the amount spent on hotels by inbound visitors in 2022 was only half of the amount spent in 2019. Still, hotels have benefited from the growth in domestic travel and represented 29 per cent of domestic visits for total accommodations in 2022. The hotel spend for domestic travel grew the fastest amongst all accommodation

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Saudi Arabia is expecting to increase its room capacity by 250,000 rooms by 2030.



categories at a 17.9 per cent compounded annual growth rate since 2015. Despite the growth in domestic travel, hotels in 2022 had not yet fully recovered their recent pick performance of 2019.

In fiscal year 2023, the hotel industry continued its progression improving its average occupancy by 8 per cent, its average daily rate (ADR) by 16 per cent and revenue per available room (RevPAR) by 26 per cent according to STR Global. According to His Excellency the Minister of Tourism, Ahmed Al-Khateeb, Saudi Arabia counted roughly 280,000 hotel rooms in 2023, and is expecting to increase its room capacity by an incremental 250,000 rooms by 2030. It is therefore not surprising to see so many new hotel announcements and partnerships with major hotel brands set to launch in the kingdom.

Still, the industry will continue watching the evolution of the demand for hotels relative to other forms of accommodations. In 2023, Riyadh and Jeddah hotels showed healthy ADR and occupancy rates relative to other regional capitals and even international cities, likely comforting investors and hotel brands in the soundness of the kingdom's hotel market.

Hotels in the kingdom will continue to be key for the success of the Saudi tourism industry. Saudi Arabia's ambition is to attract 70 million international visitors by 2030. To this end, the kingdom can capitalise on the novelty factor and major events, but it will also need to provide global standard services – and the assurance of such services through the reputation of global hotel brands – to last. It is, therefore, not surprising that most global hotel chains plan to enter or further expand their footprint in Saudi Arabia.

Labour challenges

Although global hotel brands with loyalty programmes, rigorous brand standards, and often beautiful and unique assets will surely continue to grow the number of visitors to the kingdom, the path to success will not be without hurdles. In a very competitive global tourism sector, guests will expect the same level of service in Saudi Arabia as they would in any other city around the world, especially as ADR mirrors longer-established premium and leading tourism destinations. Yet the race for talent in the hospitality industry on the heels of the COVID-19 crisis continues, with many key geographies reporting millions of job shortages.

In Europe for instance, Effat and Hotrec Hospitality Europe announced in their joint declaration from March 2024 that “on average the sector is currently missing between 10 per cent to 20 per cent of the workforce in the EU compared to 2019”, when the sector currently employs around 10 million hospitality professionals in the EU.

Over in Asia, The Hotel Association of India reported in March 2023 that despite recent efforts to reduce its manpower shortages, the industry still experienced a 60 per cent shortage partially driven by high attrition rates, poor skills and a negative perception from young professionals about the industry.

Meanwhile, in America, according to a press release from the American Hotel and Lodging Association in February 2024, 82 per cent of hotels surveyed in the US reported having increased wages, yet 72 per cent were still unable to fill in opened positions.

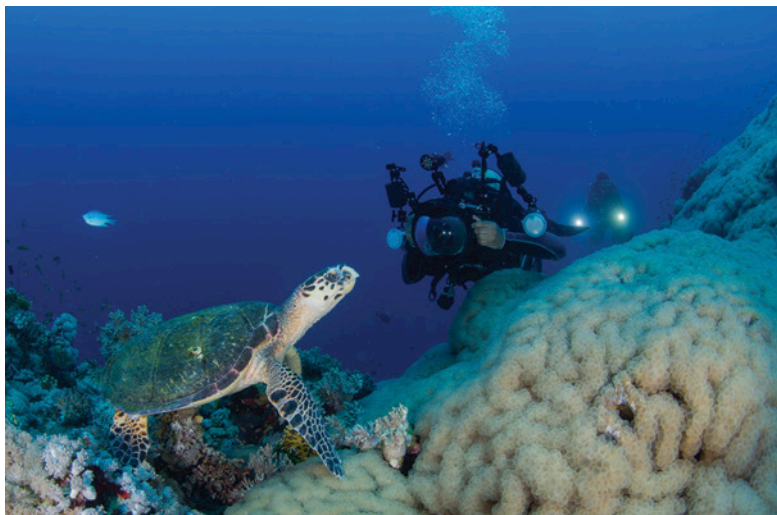
Through its Vision 2030 strategy, Saudi Arabia has set an ambition to create 1.6 million jobs in tourism. Many of the jobs in the sector have traditionally been low-skill jobs, yet the kingdom is keen to see the job creations benefit its citizens. Young Saudis are attracted by the growth in the sector, but are not eager to fill entry positions, despite often lacking the necessary skills expected by hotel chains. Roles in the sector are still stigmatised by a perception of low



social status. As a result, Saudi Arabia is suffering from a shortage in technically qualified labour, particularly in critical functions such as culinary, kitchen, F&B, or sales.

The country has long offset labour shortages in entry positions with expatriate workers coming from countries like Pakistan, India, the Philippines, Egypt, Bangladesh, and Nepal. The trend is unlikely to go away short term. Yet Saudization targets are putting pressure on hoteliers to actively pursue the employment of Saudi nationals, proving difficult at times while forcing hotel brands, hospitality asset owners, and operators to carefully design their human resource strategies. Given the global shortages in manpower and skills, the kingdom will likely need to not only focus on attracting visitors but also global talent able to deliver the expected standards of quality from a tourist population with nearly endless destinations to choose from.

To achieve the 150 million visits by 2030, Saudi Arabia now counts, in part, on the rising middle classes of China and India. To capitalise on these nations' fast-growing middle class, the country will need to adapt its offering to their preferences. Saudi Arabia has, for example, added standard Chinese as a third language in its schools following the visit of the Crown Prince Mohammed bin Salman to Beijing



in 2019. The decision has been intended to bring the two trading nations closer. Her Royal Highness, the Vice-Minister of Tourism Princess Haifa Al Saud, also mentioned that the ministry was working to bring tour guides speaking Mandarin to the kingdom, to welcome Chinese tourists.

Catering to Chinese visitors may further complicate staffing considerations for hoteliers in Saudi Arabia, as

their staff currently primarily communicate in Arabic and English, and cater to more Western standards of hospitality. Saudi Arabia will not be the only nation trying to court Chinese visitors, which will also likely result in an intense competition to attract talent that is able to cater to Chinese customers.

Given the strength of the domestic travel, and otherwise diverse visitors to the Saudi Arabia, and a growing expectation for personalised treatment by guests, hospitality companies will have to not only rethink their staffing priorities but also carefully design visitors journeys, and diligently execute on them.

Air connectivity

Beyond hotels, airports will play another critical role in the country's tourism success. Saudi Arabia needs to minimise frictions for potential travellers, and its eVisa was developed to that end.

The second hurdle is now its direct connectivity. It is therefore not surprising that Saudi Arabia is heavily investing in building new airports to enable its prioritised new destinations (such as Neom and ALUla), and increasing the capacity and modernising airports in cities like Riyadh. King Salman International Airport in Riyadh's transformation will quadruple its capacity to reach 120 million passengers by 2030. The airport currently serves 94 destinations, compared to 258 destinations for Dubai International airport. The capacity increase should address the gap.

Such a transformation of its air connectivity also implies that Saudi Arabia will likely want to compete as a major hub, similarly to the UAE or Qatar. It will be interesting to follow how each nation's strategy pans out, as their neighbours also invest in increasing their capacity. Dubai is investing to transform its second airport to be able to welcome 260 million annual passengers, which is twice the current capacity of the two existing main airports serving Dubai – Dubai international airport's annual capacity is 92.5 million passengers, while Abu Dhabi's Zayed International airport's annual capacity is 45 million passengers.

The journey for Saudi Arabia to become a key tourism player globally is well underway, and the country is moving quickly to continue to break records. The kingdom can count on the strength of its domestic tourism, historical religious pull, and high VFR segment; yet the most exciting story for Saudi Arabia is currently around its overall transformation and efforts to attract international visitors.

As a relatively new destination with unique and pristine landscapes, brand new hotels, airports, and exciting worldly events, the country will capture the world's imagination and drive the desire to visit. The country is confidently investing to make this journey a rapid reality. The journey will present some challenges to overcome, yet after already having achieved its target seven years ahead of plan, the kingdom's determination is as high as ever, and the world is now carefully paying attention to Saudi Arabia. ●

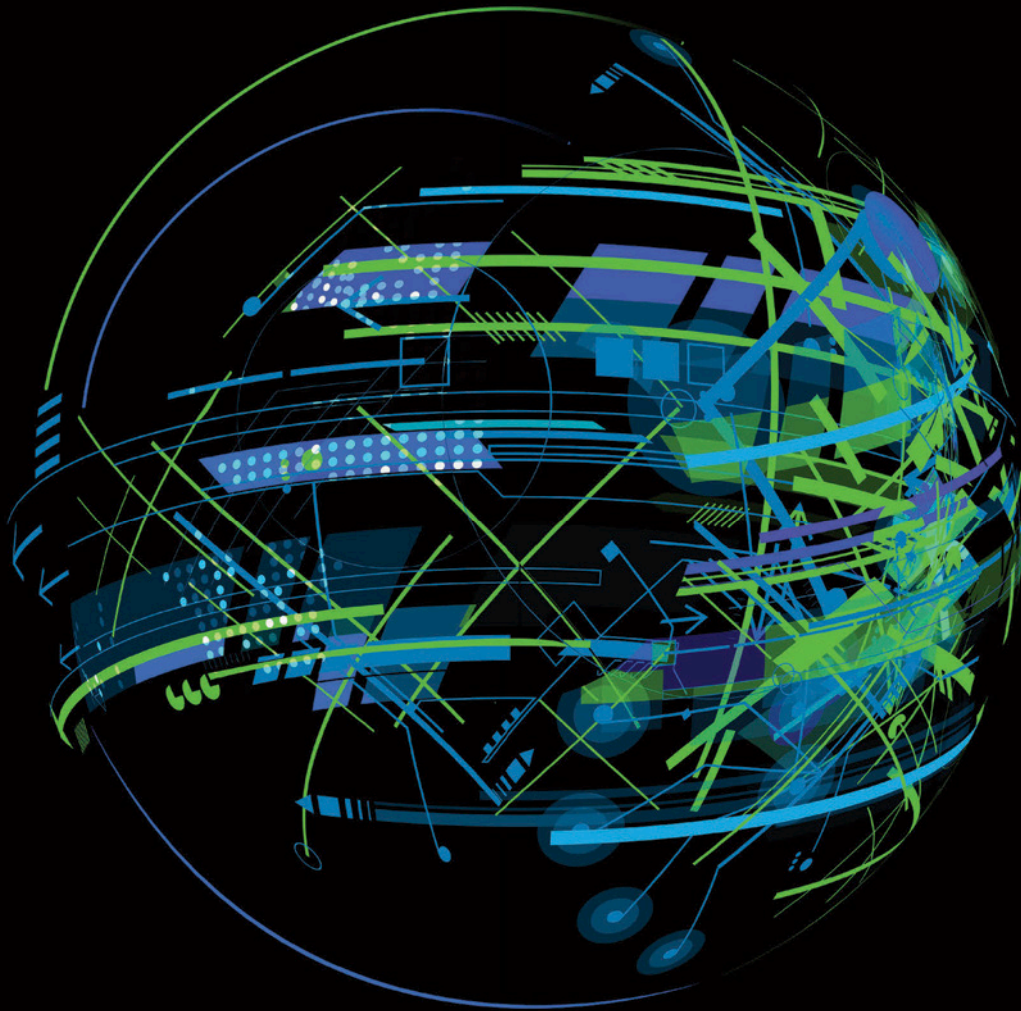
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