

## A Study of the Competitiveness of Travel and Tourism Industry and the Key Drivers of International Inbound Tourism in the Economy of the UAE

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### **Abstract:**

**T**reading on the path of diversification, the government of the UAE started prioritizing Travel Tourism, result of which is that today this sector is an important contributor in terms of its share to GDP and employment generation in the economy. In 2014, travel and tourism industry added \$15.38 billion (Dh56.44 billion) contributing four per cent to the UAE's gross domestic product and employed around 291,000 people – or 5.3 per cent of the total employment base (World Economic Forum's Travel and Tourism Competitiveness Index report, 2015). In the same year, visitor exports totaled \$23.5 billion. This was 60% of all service exports and 5.4% of all exports (including goods and services) (WTTC Benchmark Report – United Arab Emirates May 2015). This paper focuses on the Competitiveness of the T&T industry and the key factors responsible for the growth of the tourism in the economy of the UAE. Using Secondary data an attempt has been made to analyze the impact of these factors on the tourism sector of the UAE.

**Keywords:** Competitiveness, Travel & Tourism industry, Key Drivers, International Inbound Tourism, UAE Economy

### **I. INTRODUCTION**

International tourism industry has experienced exponential growth during the period from 1950 to 2014. The period has witnessed a significant rise in the number of international tourist arrivals from 25 million to 1133million (UNWTO Tourism Highlights, 2015). Travel & Tourism industry is becoming an important contributor to the global economy. Travel & Tourism's contribution to world GDP grew for the fifth consecutive year in 2014, rising to a total of 9.8% of world GDP (US\$7.6 trillion). The sector now supports nearly 277 million people in employment – that's 1 in 11 jobs on the planet. It is expected that by 2022 it will account for 328 million jobs implying that 1 in every 10 of the world's total jobs would be in this sector (World Travel and Tourism Council). Being aware of its miraculous contribution to the economy, UAE has consistently endeavoured in formulating competitive and conscious strategies focusing on the development of this industry. Today the UAE occupies a prominent position in the global tourism industry.

### **II. RESEARCH METHODOLOGY**

This study is descriptive in nature. Secondary data has been used to project the competitiveness of UAE's Travel and tourism industry; and to highlight the major drivers of international inbound tourism in the economy of the UAE. Data for this study has also been taken from the official websites of various authorities like National Council for Tourism and Antiquities, Sharjah Commerce and Tourism Development Authority and Dubai International Airport etc., various reports such as: World Economic Forum- Travel & Tourism Competitiveness Report, World Travel and Tourism Council report, UAE's leading newspapers and other sources on the internet.

### **III. RESEARCH OBJECTIVES**

The study has been conducted with the following objectives:

- 3.1. To understand the competitiveness of Travel and Tourism industry in the UAE.
- 3.2. To provide a panoramic view of the transformation in the UAE's tourism industry focusing on the vital developments and strategic initiatives taken by the UAE government to redefine the tourism industry.
- 3.3. To identify the critical success factors contributing to the achievement and growth of the tourism industry in the UAE.

### **IV. COMPETITIVENESS OF THE UAE IN TRAVEL & TOURISM**

It is not surprising that UAE occupies 24<sup>th</sup> place out of 141 countries (refer table 1) assessed by World Economic Forum in its Travel & Tourism Competitiveness Report 2015. Table 1 depicts 'The T&T Competitiveness Index 2015, 2013 and 2011' comparison. As is clearly evident from the table UAE has consecutively ascended ranks up from 30<sup>th</sup> position in 2011 T&T index to take 28<sup>th</sup> position in 2013 and further up to occupy 24<sup>th</sup> place in 2015 T&T index.

### **V. KEY DRIVERS OF INTERNATIONAL INBOUND TOURISM IN THE ECONOMY OF THE UAE**

In the year 2014 of the total direct contribution of travel and tourism in the GDP of the UAE; international tourism receipts generated 73.1% as against 26.1% generated by Domestic travel spending (WTTC Travel & Tourism Economic Impact 2015).

### 5.1 Infrastructural facilities

Today the UAE is known for its world class infrastructural facilities and it does not come as a surprise that it occupies 8th rank in the infrastructural sub index of the world Economic Forum Travel & Tourism Competitiveness Report 2015. To reinforce the importance that UAE lays on infrastructural facilities; in the UAE Vision 2021 National Agenda high importance has been allocated to infrastructure and it aims at making the UAE among the best in the world in the quality of airports, ports, road infrastructure, and electricity. Its leading telecommunications infrastructure will allow the UAE to become a forerunner in the provision of Smart services.

Table1 The Travel & Tourism Competitiveness Index 2015, 2013 and 2011\*

Country	Overall index rank 2015	Overall index rank 2013	Overall index rank 2011
Switzerland	6	1	1
Germany	3	2	2
Austria	12	3	4
Spain	1	4	8
United Kingdom	5	5	7
United States	4	6	6
France	2	7	3
Canada	10	8	9
Sweden	23	9	5
Singapore	11	10	10
Australia	7	11	13
New Zealand	16	12	19
Netherlands	14	13	14
Japan	9	14	22
Hong Kong SAR	13	15	12
Iceland	18	16	11
Finland	22	17	17
Belgium	21	18	23
Ireland	19	19	21
Portugal	15	20	18
Denmark	27	21	16
Norway	20	22	20
Luxembourg	26	23	15
Malta	40	24	26
Korea. Rep	29	25	32
Italy	8	26	27
Barbados	46	27	28
UAE	24	28	30
Cyprus	36	29	24
Estonia	38	30	25

\*Comparison of top 30 ranked countries in 2013

Source: World Economic Forum- Travel & Tourism Competitiveness Report various issues

Table 2 highlights the ranking of the UAE in various pillars of the T&T Competitiveness Index 2015.

Table 2 Ranking of the UAE IN various PILLAR OF THE TTCI report 2015

S.NO.	PILLAR OF TTCI	Ranking 2015
<b>I</b>	<b>Enabling Environment sub index</b>	<b>16</b>
1	Business Environment	4
2	Safety and Security	3
3	Health and Hygiene	69
4	Human Resources and Labour Market	22
5	ICT Readiness Policy rules and regulations	16
<b>II</b>	<b>T&amp;T Policy and Enabling Conditions sub index</b>	<b>52</b>
6	Prioritization of Travel and Tourism	39
7	International Openness	85
8	Price Competitiveness	45
9	Environmental Sustainability	41
<b>III</b>	<b>Infrastructure sub index</b>	<b>8</b>

10	Air Transport Infrastructure	3
11	Ground and Port Infrastructure	20
12	Tourist Service Infrastructure	26
IV	<b>Natural and Cultural Resources sub index</b>	75
13	Natural Resources	95
14	Cultural Resources and Business Travel	53

Source: World Economic Forum Global Travel & Tourism Competitiveness Report 2015

### 5.1.1 Air transport infrastructure

UAE's air transport infrastructure is characterized by the existence of number of international airports and operating airlines and delivery of high quality services. UAE boasts of seven International airports; out of which currently six (Fujairah does not have international passenger flights) airports have international passenger flights. Today Abu Dhabi and Dubai are among the most connected cities of the world. Dubai International Airport has overtaken London's Heathrow as the world's busiest airport for international traffic. In 2014 it welcomed 70.4 million passengers witnessing an increase of 6.1 per cent over the previous year. Today Dubai boasts of not one but two International airports; Al Maktoum International at Dubai World Central (DWC) is the new entry. DWC once fully developed would eventually become the world's largest airport and would be able to accommodate more than 200 million passengers per year ([www.dubaiairports.com](http://www.dubaiairports.com)). Two of the UAE airlines Etihad Airways and Emirates airlines have evolved into globally powerful airlines known in the world for their assurance to the highest standards of quality. It also has Fly Dubai and Air Arabia as the low cost carriers.

### 5.1.2 Ground and Port Infrastructure and Transportation facilities

According to the WEF's T&T Competitiveness Report 2015, the UAE has been ranked one in terms of the quality of roads. It has been ranked 3<sup>rd</sup> and 6<sup>th</sup> in the quality of port infrastructure and ground transport network respectively.

The UAE has a number of Cruise Terminals. Abu Dhabi Cruise Terminal is located at Zayed Port and welcomes high profile cruise ships from Asia, Europe and America, with 100,000s of tourists visiting Abu Dhabi each season ([adports.ae](http://adports.ae)). Dubai Cruise Terminal is located at Port Rashid and is considered as one of the top 5 luxurious ports to dock at. Over 500,000 people yearly dock at Dubai Cruise Terminal ([dubaicruiseterminal.com](http://dubaicruiseterminal.com)). Sharjah is home to three of the finest deep water harbours in the United Arab Emirates. The new UAE rule that gives multiple-entry visas to cruise passengers took effect last year. It allows cruise tourists to get a multiple-entry visa for all the UAE ports in their itinerary for Dh200. Tourists can enter the UAE through any of its airports, continue on a cruise out of its ports, and come back to the UAE on the same visa. As quoted by Maj Gen Mohammad Al Merri, Director-General of the General Department of Residency and Foreigners Affairs (GDRFA-Dubai) Dubai, cruise tourism is on increase with the region receiving more than 500,000 cruise tourists in 2014 and expected the number to cross 600,000 in 2015 with more vessels sailing into UAE waters (Gulf News).

Tourists in the UAE can opt for taxis, rented cars, buses, metro and tram services.

### 5.1.3 Tourist Service Infrastructure

The UAE has been ranked 26<sup>th</sup> in terms of Tourist Service Infrastructure (refer table 2). The UAE provides luxurious accommodation of a very high standard. Currently a high percentage of the hotels in the UAE offer luxury and five star rooms but now some of the emirates have started focussing on mid-scale and economy hotels as well.

Table3 Number, Occupancy and chief International source markets of Hotel Establishments for Selected Emirates of the UAE in the year 2014

	Abu Dhabi	Dubai	Ajman	Sharjah
Number of Hotels	102	445	13	50
Number of Hotel Apartments	58	212	18	56
Total (Hotel Establishment)	160	657	31	106
Hotel Establishment Occupancy rate (%)	75	78.5	65	75 to 80
Chief international source markets	India, UK, Germany, China, USA, Philippines, Egypt, Italy, Jordan and Pakistan	Saudi Arabia, India, UK, USA, Iran, Oman, China, Kuwait, Russia and Germany	Europe Russia CIS and GCC	Europe and GCC

Sources: UAEinteract, DTCM, Abu Dhabi Tourism And Culture Authority, Ajman Tourism Development Department (ATDD), Sharjah Commerce and Tourism Development Authority (SCTDA)

UAE is also famous for being a shopper's paradise and caters for all tastes and budgets through its shopping centres. The UAE is a delight for food lovers as every likely cuisine has its presence in the numerous restaurants operating in the

country. The country has done fairly well by scoring 6.4 in value and getting second rank in terms of Extension of business trips recommended. UAE is ranked number one and has scored 7 in the index of presence of major car rental companies in the country.

## **5.2 Tourism Authorities and their Initiatives**

Treading on the path of diversification, the governments of various Emirates have started prioritizing tourism and have dedicated authorities to govern it. Abu Dhabi the capital city of the UAE has Abu Dhabi Tourism & Culture Authority (TCA), Dubai has established Department of Tourism and Commerce Marketing (DTCM), Sharjah has Sharjah Commerce and Tourism Development Authority (SCTDA), Ras al-Khaimah Tourism Development Authority (rak tda) promotes tourism in Ras al-Khaimah and Fujairah Tourism and Antiquities Authority is responsible for establishing Fujairah as a premier affordable destination for leisure and adventure travel and Ajman has established Ajman Tourism Development Department (ATDD). As part of their marketing and branding role, these authorities plan and implement programs for international promotions and publicity like participation in exhibitions, presentations and road shows, advertising brochure production and distribution, media relations and enquiry information services. For example Dubai Corporation for Tourism and Commerce Marketing (DCTCM) has been established as an affiliate of the Department of Tourism and Commerce Marketing (DTCM) to take direct responsibility for the marketing and promotion of the Emirate of Dubai. "See you In Dubai" a US\$20 million promotional campaign has been launched in November 2014 by Emirates and DTCM to highlight the different aspects of Dubai and thus enhancing Dubai's appeal to even more visitors from around the world. Abu Dhabi Tourism & Culture Authority (TCA) promotion campaign of 2015 is the largest overseas promotion campaign to date. In order to penetrate into new source markets like Serbia, South Africa, Holland, and Azerbaijan; the campaign will see TCA participating in 24 trade exhibitions, and 13 road shows across 34 cities in 25 countries.

In the year 2009 The National Council for Tourism and Antiquities (NCTA) was set up as an official national representative for tourism and Antiquities affairs in the UAE. Since then NCTA has been instrument in enhancing consciousness of the unique cultural attractions, traditions, historical artifacts and various entertainment and leisure option each emirate within the country offers.

According to WEF Global T&T Competitiveness Report 2015 the UAE has been ranked number one in terms of Government prioritization of T&T industry and in Effectiveness of marketing and branding to attract tourists and has scored 6.7 and 6.6 respectively in these indices. It is also worth mentioning that the UAE is ranked first in terms of Sustainability of travel and tourism industry development sub index. This indicates that the issues related to environmental protection and sustainable development are at the core of the government's strategy and government's efforts to ensure that the Travel & Tourism sector is being developed in a sustainable way are very effective.

## **5.3 Diversity of forms of Tourism**

The UAE has great potential in terms of its offerings to both Leisure and Business tourists. In 2014 of the total direct contribution of travel and tourism in the GDP Leisure travel spending (inbound and domestic) generated 79.1% (AED93.4bn) compared with 20.9% for business travel spending (AED24.7bn) (WTTC). Most of the forms of Tourism i.e. Leisure, Business and Medical are available in the UAE.

### **5.3.1 Sports Tourism**

UAE has lot to offer to sports lovers. UAE is host to some of the biggest sporting events in the world. The Dubai World Cup the famous horse racing event, Formula 1 Grand Prix, Dubai Duty Free Tennis Championships, golf's Omega Dubai Desert Classic etc. are a few among the numerous such sporting events organized in the UAE. The country is a delight for thrill and adventure lovers as infrastructural facilities for sports like skydiving, car racing, Rock Climbing, Desert safari, Scuba Diving, Water Surfing, Sailing, Snorkeling etc. are well in place.

### **5.3.2 Business Tourism**

UAE has become a hub in the region for Meetings, Incentives, Conferences and Exhibitions (MICE). It has drawn the attention of the global business due to presence of world-class business facilities. Dubai and Abu Dhabi in particular, now have excellent convention and exhibition centers capable of hosting internationally renowned events such as Cityscape – an international real estate exhibition and Gulfood – one of the world's biggest food and hospitality exhibitions.

### **5.3.3 Medical Tourism**

The U.A.E. has developed an infrastructure of healthcare services increasingly recognized as on par with international standards. People from different parts of the Globe such as GCC, Asia and Europe come to the UAE for medical procedures such as plastic surgery, orthopedics and infertility treatments. The UAE has introduced specific visas and has established various healthcare specialty areas to attract the tourists for medical purposes. The UAE now has one of the highest concentrations of plastic surgeons (1 per 18,000 residents), compared to the US (1 per 50,000) and Brazil (1 per 44,000) (arabianbusiness.com). Stringent safety regulations are in place in the UAE and increased numbers of measures are being taken to ensure clinics, hospitals and medical professionals are carrying out the highest levels of care.

## **VI. CONCLUSION**

Despite not being blessed with rich natural resources, UAE has commendably capitalized on its cultural resources that magnetize both the leisure and business travelers. One area of concern is the country's elevated hotel prices, as mapped against the international standards, may serve as a turn-off point among the tourists. However, this is being taken care of

by numerous marketers coming up with the offer to cater to this segment. Splendid international fairs and exhibitions have collectively embellished the cultural image of the country. Besides the rich cultural heritage, what further builds the competitive edge and adds value to the UAE's travel and tourism industry is its world's class air travel service. Moreover the myriads of effective marketing and branding campaigns are carried out in the country that has strengthened its image.

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