AIR SERVICES IN THE INDIAN OCEAN REGION, AND A BRANDING CONCEPT FOR THE REGION

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Since we did the study

- Air Seychelles have stopped long haul flights and The Gulf carriers Qatar, Etihad and Emirates now have a firm foothold in the region through the Seychelles.
- The first of the Super Connectors, Emirates has arrived in Mauritius, there are other Gulf Airlines who may well show up soon in Mauritius. MK is making great inroads into China. The Gulf carriers open up not only China but also India and Japan.
- Two centre holidays remain expensive. Comparisons with other groups of Islands show that the availability of two centre holidays influences tourists choice of a destination and two centre tourists spend more.

Some words of caution….

- This has been a "desk top" study, based only on publicly available information,
- We have not conducted any polling or focus groups, but we have taken some informal soundings from our industry contacts,
- We have not discussed our findings with any airlines, tour operators or other travel industry representatives in the region,
- It may be necessary to address capacity and/or pricing issues before implementing any new branding concept.

Present Situation

- Five carriers are domiciled in the COI region.
- 16 foreign carriers operate into the region.
- All carriers operating within “old fashioned” restrictive ASA agreements - these restrictive ASA agreements (once common worldwide) create and maintain inflated air fare levels.
- Many foreign carriers are operating under non-competitive code share and revenue pooling agreements.

Regional Air Services

Country	Total Flights per Week	Aprox No. seats pw	Average seats per a/c
COMOROS ISLANDS	10	1,266	127
MADAGASCAR	47	6100	130
MAURITIUS	71	10,186	143
MAYOTTE	21	4344	207
REUNION	93	13830	149
SEYCHELLES	4	754	189
	246	36,480	148

Regional Air Services -1

- Some aircraft equipment (e.g. B767) not particularly suitable for creating high volume low fare service.
- Frequencies /routings are not conducive to the promotion of " two-centre" Caribbean type holidays
- Based on published fares as at 12/9/2011 average fares per sector were very high at Euro 353 (or Euro 706 return)

Regional Air Services - 2

- We compared six routings in the region with similar distances operated in Europe by LCC easyJet (e.g. Seychelles- Mauritius equivalent to London – Faro) and found that all COI regional fares were more than 425% higher than the equivalent in Europe (some were more than six times the European fare).

- We did the same exercise comparing equivalent Caribbean routes (e.g. Kingston – St Lucia) – here too your local fares were more than double (and in one case three times) the Caribbean fare.

- Average "C" Class fares were also very high at Euro 676 per sector (Euro 1,352 return)

Regional Air Services - 3

- We noted that Passenger Taxes amount to about 1/3rd of the cost of inter island air travel – some nearly a half of the cost.
- Some islands impose further additional charges (e.g. departure tax, visa fees, terminal expansion fee etc) all of which adds to the costs.
- There is a need to check that all these costs are not acting as a deterrent to international tourism and regional development.

International Air Capacity

IOC Country	Flights per Week	Seats per Wk	% of IOC traffic	Origin of Carriers: Foreign	Home	Assumed traffic origination from: Europe	M East	Africa	Far East
COMOROS ISLANDS	13	1,552	3.0%	1,299	253	0	603	949	0
MADAGASCAR	24	5,785	11.1%	4,049	1,736	4,452	0	841	492
MAURITIUS	75	21,662	41.5%	10,191	11,471	9,562	3,545	3,788	4,767
MAYOTTE	7	1,411	2.7%	1,411	0	969	0	442	0
REUNION	37	15,517	29.7%	7,378	8,139	13,699	0	324	1,494
SEYCHELLES	31	6,252	12.0%	4,168	2,084	1,775	3,608	676	193
TOTAL IOC	187	52179	100.0%	28496	23683	30457	7756	7020	6946
Percentage				54.6%	45.4%	58.4%	14.9%	13.5%	13.3%
Average seats per flight		279							

International Air Capacity

- Mauritius & Reunion have more than 70% of all international capacity of the region.
- Nearly 60% of all capacity is focussed on Europe and ….
- …if we assume that most of Middle East traffic is connecting European traffic (likely?), then this increases to 70%
- Although 55% of capacity is supplied by "foreign" carriers, most is under code-share /revenue pooling arrangements with home carriers .

Potential New Markets 1

- **Scandinavia and the Nordic Countries**
  - Very high propensity to travel owing to harsh winters
  - Long distances not a problem as currently many go to Caribbean and Far East
  - Tourist spend is among the highest at Euro 3,325 per head
  - Recent Nordic travel survey results rated 1) culture & people 2) cleanliness, 3) active holidays, 4) shopping and 5) restaurants.
  - All easily accommodated in Indian Ocean region

Potential New Markets 2

- **North America**
  - USA outbound market is the largest in the World
  - High per capita spend
  - Access to Indian Ocean is very difficult due distance and lack of viable connections/stopovers
  - American perceptions of the region is an issue
  - Direct competition with better developed Caribbean
  - Unlikely to be cost effective to focus marketing efforts here in short term.

Potential New Markets 3

- Japan
  - Awareness of Indian Ocean Islands as a tourist resort in Japan is low
  - Distance is not a problem for Japanese, but no direct flights is a strong disincentive.
  - Japanese have a broad affinity for the francophone culture
  - Japanese tourists focus on natural beauty which is abundant in the Indian Ocean.
  - Emerging trend of single female travellers looking for luxury holiday resorts
  - Perception of safety & security is vital

Potential New Markets 4

- **China and India**
  - Both have huge potential in terms of market volume
  - Must be cautious due to potential for lower per capita spend and hence low yield.
  - There are however some “very rich” segments
  - Geographical proximity, existing Indian links with Mauritius, and high level of travel to Maldives shows latent demand
  - Connections for Reunion, Madagascar and Comoros are poor

Conclusions 1

- Public air fares offered within the region are high compared with other areas.
- Government taxes/charges contribute to high fares.
- Old style ASA agreements and non-competitive code-share agreements are restricting capacity in the region.
- There are opportunities to develop services to Scandinavia and Nordic countries.

Conclusion 2

- There are opportunities if we can improve assess to markets in India, China & Japan
- The North American markets will not be cost effective markets in the short term – and perceptions will need to change.
- The region would benefit significantly from creating a "Cabotage" area within the region.
- Establishing a radical "Low Cost Carrier" designed to meet inter-island needs would be worth examining in more detail.

How can we tap into these New Markets Effectively?

- We recognise that each island currently markets its self to its existing customer base.
- The COI asked us to look into a Concept for Branding and Promoting the Indian Ocean Islands focusing on these potential new markets
- Hence the idea of a COI Tourism Alliance….

The COI Tourism Alliance

The Concept –

To develop an over-arching brand –

"The Vanilla Islands"

- that would encompass both supra national boundaries and embrace the marketing activities of the individual COI nation states, in a co-ordinated manner, specifically focussed on new potential markets.

The COI Tourism Alliance

- In other words….. all the Indian Ocean Islands would co-ordinate their marketing activity in countries like Norway, Sweden, India, China and Russia under a single brand such as "The Vanilla Islands" with a view to:
  - Increasing visitor numbers and revenues
  - Gaining greater visibility and broadening appeal to attract new and emerging markets
  - Through a collaborative approach allow the islands to compete with other resorts in a cost effective and efficient way
  - Raise the political profile of Tourism in the region.

Final Conclusion

- A local "free fly" zone would make a huge difference to the local economies of the Islands. As would the creation of a LCC were the political will available
- The creation of more two centre holidays will bring not only economic benefits but also greater tourist numbers
- We believe that the Vanilla Islands branding concept is innovative and exciting. It is in addition to, not instead, of existing national marketing efforts.
- The marketing has to be coupled with a reduction in inter island air fares to create high value two centre traffic.
- The COI Tourism Alliance could be a model of cooperation and mutual development for the whole region.