

Incredible India 2.0

India's \$20 Billion Tourism Opportunity

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Executive Summary

An unprecedented number of people are travelling around the world, and the figures are only expected to rise, with international arrivals growing from 25 million in the 1950s to 1.2 billion in 2016 and to 1.8 billion by 2030. Having outperformed the global economy for the sixth consecutive year, the industry has proven to be resilient to both geopolitical uncertainty and economic volatility. The aviation, travel and tourism industry accounts for 10% of global GDP and 10% of jobs on the planet. The industry should be a priority for countries around the world given its ability to make a real difference to the lives of people by driving growth, creating jobs, reducing poverty and fostering development and tolerance.

In recent years, India has tremendously improved its travel and tourism competitiveness, rising from 65th position in 2013 to 40th position in *The Travel & Tourism Competitiveness Report 2017*. India is now one of the fastest-growing aviation markets in the world, with its domestic demand reaching nearly 100 million passengers. Yet international arrivals have remained relatively low, at 9 million, providing India with a unique opportunity to consider how to build demand and create adequate supply for its travel and tourism industry.

For the purpose of this research, Bain & Company estimated that with a growth in international arrivals to 20 million in India, the upside opportunity would be \$19.9 billion in incremental tourism receipts from international travellers and the creation of approximately 1 million additional jobs.

Focusing on its opportunities and understanding its current limitations will allow India to realize its objective of welcoming over 15 million foreign tourists by 2025 and becoming the largest aviation market by 2030.

Already endowed with incredible natural beauty and a unique cultural heritage and diversity, India must enhance its value proposition and foster an enabling environment for the industry to prosper. Specifically, this White Paper puts forward the following recommendations, highlighting the importance of public-private cooperation in execution:

- Take advantage of 600,000 villages with their own cultures and heritage, ecotourism and cruise tourism to create unique experiences for travellers
- Integrate the Incredible India campaign into a holistic campaign that includes not only print but also other channels, such as digital, social, placement, review sites and global media – and that focuses on the positives of visitor-created content, while addressing the challenges these visitors report

- Enhance the perception and reality of India as a safe destination by designing and implementing enhanced security protocols
- Invest in both physical and digital infrastructure development to confront the issue of last mile connectivity, hazardous road travel and the lack of affordable hotels hampering international travellers' experiences, while elevated taxes hinder the industry's profitability
- Take advantage of the labour force available in India to provide a quality product to tourists, by training skilled and unskilled workers in the hospitality industry through both public and private programmes.

To move from vision to reality, a proposal to create a Tourism Board is put forward. Currently, India's travel and tourism industry is fragmented and lacks a unified public-private body to represent the industry, in turn hindering its ability to achieve its potential. This board could support enhancing industry coordination, joint messaging, building Indian talent, driving forward industry-wide policy recommendations and enacting change through policies, as well as public-private policy initiatives and small and medium-sized enterprise growth, while considering India's reality and best practices from other countries.

To complement the holistic approach at the national level, this White Paper also recommends a state-level approach, with a proposal to create a pilot in a state that has traditionally welcomed fewer international visitors, and to develop a few of its destinations via public-private cooperation.

India's Landscape

We live in an era of exponential change. To ensure our ability to tackle today's and tomorrow's challenges in the Fourth Industrial Revolution and remain competitive, shifts in the systems, frameworks and laws under which we have been operating are required.

India has recognized this exponential change as an opportunity, and seized it. Since its independence in 1947, India has transformed. It has doubled life expectancy, quadrupled literacy rates, and enabled a sizeable middle class to emerge while becoming an important political and economic player on the international stage. India is home to 1.3 billion citizens and world-renowned companies, in fields ranging from information technology to pharmaceuticals and steel. The country's sectoral composition has shifted drastically, with the share of agriculture to GDP decreasing from over 50% to 17% between 1950 and 2016, and that of services increasing from 33% to 54% over the same period.

India's transformation is fuelling its increasing global competitiveness. The World Economic Forum *Global Competitiveness Report 2016-2017* ranks India in 39th position, bringing it up 16 places in each of the last two years. India has shown improvement across the board and particularly in goods market efficiency, business sophistication and innovation. The country's improved fiscal and monetary policies, combined with lower oil prices, have stabilized the economy. In effect, India boasts one of the highest growth rates among G20 countries, a consequence of strong policy reforms brought about by the stable, majority-elected government. Led by Prime Minister Narendra Modi, the Government of India ranked 3rd in the OECD *Government at a Glance 2017* report, with 73% of citizens having confidence in the national government.¹

To continue on this growth path and reach the robust GDP and GNP targets set by the International Monetary Fund and World Bank, India must foster socially-inclusive growth. India's poverty remains a challenge, and the solution requires disadvantaged groups, including women, to be brought into the mainstream workforce to reap the benefits of economic growth. Moreover, investment in better physical and digital infrastructure is needed to connect rural areas and make sure they can equally benefit from and contribute to the country's development. This is even more important given that India's workforce is the largest and youngest the world has seen.

India stands at a juncture. It requires significant investments to generate jobs, improve education and build up infrastructure and housing to help achieve the Indian dream. At the same time, it must address shrinking exports, an infrastructure deficit and various barriers to doing business.

The New Travel Context

The global context

People crave unforgettable experiences. Indeed, as many as 81% of millennials and 79% of Generation X value experiences more than material goods.² And with an estimated 160 million people entering the middle class annually, of which 88% will come from Asia, more and more people will have access to travel.³

While people may travel for a variety of reasons, from family obligations and business travel to the discovery of a new place or culture; the endgame is the same. The industry today accounts for 10% of global GDP, 1 in 10 jobs and 6% of global exports.⁴ What's more, the travel and tourism industry's growth has outperformed that of the global economy for the sixth consecutive year.

The number of travellers keeps rising – international arrivals rose from 25 million in the 1950s to 1.2 billion in 2016 – and nearly 2 billion international trips are expected by 2030.⁵ The forecasts are expected to remain steady despite the surge in protectionism and nativism. The industry continues to build bridges, with only 58% of the world's population required to obtain a visa prior to departure in 2016 compared to 77% in 2008.⁶

While the European and North American markets will continue to grow, the big winners will be Africa, Asia-Pacific and the Middle East (Table 1).

Table 1: Inbound Tourism by Region, 2015-2030

Region	2015 Outbound Tourists (millions)	2030 Expected Outbound Tourists (millions)	% Increase
Global	1,186	1,809	53
Africa	53	134	152
Americas	193	248	28
Asia-Pacific	279	535	88
Europe	608	744	22
Middle East	53	149	181

Source: World Tourism Organization (UNWTO), *Tourism Highlights, 2016 Edition*.

This trend is supported by the World Economic Forum *Travel & Tourism Competitiveness Report 2017*, which highlights an increase in the competitiveness of emerging and developing markets, and suggests that these economies are becoming better prepared to attract and welcome the millions of new tourists who will travel for the first time in the coming decade. Indeed, 12 of the top 15 most improved countries are developing and emerging markets, with at least one country from each of the five geographical macro-regions.

As developing and emerging markets improve their travel and tourism competitiveness and reap the benefits that range from GDP growth and increased cultural awareness to job creation and regional integration, it is essential that they embrace the technological upheaval the World Economic Forum has dubbed the "Fourth Industrial Revolution". These nations should address such issues as their national business environment, security, labour market, international openness, price competitiveness, infrastructure and the preservation and display of natural and cultural resources, among others.

India in focus

With 29 states, 4,000 cities, a rich history and incredible diversity of culture, India's travel and tourism industry has tremendous potential to serve as an engine for economic growth, job creation and development.

While India welcomed 9 million international travellers in 2016,⁷ its domestic demand nearly reached the 100 million mark.⁸ India is effectively one of the fastest-growing aviation markets in the world and, according to *The Travel & Tourism Competitiveness Report 2017*, is one of the most improved nations, reaching 40th position, compared to 65th in 2013. Yet, putting India's international arrival data in perspective reveals that it has much untapped potential. Comparatively, Barcelona welcomed 32 million tourists (8 million of whom booked a hotel stay) in 2016,⁹ while France benefited from over 84 million international arrivals in 2015.¹⁰

On its current growth trajectory, India's international arrivals are forecast to reach 15.3 million by 2025, according to the World Tourism Organization. Travel and tourism currently accounts for 9.6% of India's GDP (88% of which comes from domestic travel) and supports 9.3% of the country's total jobs (or 40.3 million jobs).¹¹ Today, 12% of India's tourism GDP is derived from international tourism; it accounts for only 5.4% of the country's exports, compared to a global average of 6.6%.¹²

India's vast cultural and natural resources as well as its price competitiveness remain key drivers of its overall competitiveness. Yet, the country's cultural resources are still underutilized, with over 600,000 villages with their own cultures and heritage that could be leveraged to create unique experiences for travellers. In 2015, the majority of foreign tourists focused their visits on the states of Delhi (10.2%), Maharashtra (18.9%), Tamil Nadu (20.1%), Uttar Pradesh (13.3%) and West Bengal (6.4%).¹³

To increase and facilitate travel to India, the government has placed significant emphasis on ground transportation and international openness. Stronger visa policies and an e-tourist visa have produced an increase in arrivals from 103,617 in 2015 to 162,250 in 2016, a 56.6% growth.¹⁴ While health conditions, human resources and technology readiness are improving, further progress is needed across these dimensions. Addressing tourist service infrastructure, security concerns and environmental sustainability are also key to achieving India's travel and tourism potential.

In the context of this initiative, Bain & Company undertook research to showcase the monetary opportunity for India to invest in and prioritize its aviation, travel and tourism industry. Having established that the international arrival data of similarly-sized economies across the world amounted to an average of 31.5 million international tourists, a conservative estimate of 20 million international arrivals for India was calculated in the near to medium term.¹⁵ The average tourist in India spends \$2,617, one of the highest figures in the world.¹⁶ Using this figure, the incremental receipts from these visitors would reach close to \$32 billion. Even taking a more conservative estimate of incremental receipts per tourist (Asian average of \$1,590), the upside opportunity would be \$19.9 billion. This increased monetary intake could boost direct employment by creating jobs for approximately an additional 1 million people in the travel and tourism industry.¹⁷

Tourism Opportunities and Gaps in India

To reach its goal of becoming the world's largest aviation market by 2030 and welcoming over 15 million international tourists by 2025, India must enhance its value proposition and foster a conducive environment. By doing so, it will be better able to build demand and attract tourists, while simultaneously creating adequate supply through the development of physical and digital infrastructure and progressive legislation.

Building demand for tourism

To enable India to increase its international arrivals and continue to generate employment opportunities to reach nearly 50 million new positions (or 9.6% of the country's jobs) by 2027, emphasis should be placed on boosting demand for India as a destination. To do so, it is essential to create stimulating value propositions, foster a tourist-friendly environment and brand the country as a "must-discover" destination.

Experiences are everything

Since 2008, experiences are what people seek most – the number one Christmas gift in the United States in 2016 was a plane ticket.¹⁸ In light of the diverse incentives for travel, India has the opportunity to develop a variety of niche tourism markets and create distinctive value propositions to ensure that tourists will choose India rather than other destinations.

As India develops its value proposition for each of its niche tourism markets, it should consider four key areas, namely, the location of the stay, the activities at the destination, the ability to arrive to and commute within the destination, as well as the ease of interaction with the service provider. The location of the stay could consist of traditional hotels, jungle resorts, houseboats, plantation estates, and even cave and tree houses. Activities spanning adventures, wellness, wildlife, culture and gastronomy should be developed to enable travellers to discover the real essence of the destination. Infrastructure and service providers should support that last mile transportation and uplift customer experience. Similarly, customer service, both on- and offline, should echo the *Atithi Devo Bhava* (The guest is equivalent to God) sentiment.

One niche area in which India already excels is medical tourism, thanks to the high-quality yet affordable healthcare it offers patients by world-class hospitals and tertiary care facilities. India's earnings from medical tourism could surpass \$8 billion by 2020.¹⁹ Additionally, India's leadership in yoga and Ayurveda has opened up the wellness tourism space.

Other untapped niches include rural tourism and ecotourism, both of which could be included under the umbrella of impact tourism. Given that the majority of the country's population still resides in rural areas, the

opportunities to create mutually enriching experiences benefiting local communities as well as tourists are significant. Each of the more than 600,000 villages has its own story, heritage and culture to share. The impact tourism model could contribute \$25 billion, catering to 15 million tourists, and in turn create 100,000 village-level entrepreneurs²⁰ (Box 1). Such a model has been used in Africa by the Masai tribes who have thrived by showcasing their heritage and culture as an income opportunity, enabling them to remain in rural areas rather than move to cities to make a living.

Rural Tourism in Sumda Chenmo

Sumda Chenmo is a remote village in the Ladakh region of India, which dates back 1,000 years based on the age of wooden Buddha statues found in the village. Tourists could make the trek to Sumda Chenmo and camp outside the village for the night, but were using only limited resources from the village. The village was unelectrified and had very basic amenities, nothing substantial for the tourists to use. In 2014, Global Himalayan Expedition took a group of tourists and change-makers to the village, who electrified it using solar microgrids and installed LED lights in every household, as well as street lights, DC LED TVs and mobile/camera charging points. Amenities were improved and homestays were arranged in the village. Once the tourists were made aware of these facilities, they started staying inside the villagers' houses, resulting in income generation. In 2016, the villagers earned more than \$2,000 by catering to more than 100 tourists.

Similarly, ecotourism can be a win-win situation for local Indian communities and tourists, given that the country is a hotspot of biodiversity with a rich natural heritage. During their visit to India, tourists could spend time in national parks, wildlife sanctuaries and biosphere reserves, while also helping to maintain the ecosystem.

Finally, cruise tourism could emerge as an advantageous opportunity in light of India's 7,500 km coastline. Cruising is one of the most dynamic and fastest-growing segments of leisure travel, with an estimated market size of 1.2 million cruise visitors by 2030 according to the Government of India.²¹

The place to be

While the top 10 destinations of 2016 consisted of the more traditional developed and emerging markets (Table 2), *The Travel & Tourism Competitiveness Report 2017* highlights that 12 of the 15 most improved countries in the rankings are emerging and developing markets (Table 3), drawing attention to an increase in the competitiveness and attractiveness of these countries as source and destination markets.

Table 2: Top 10 Destinations by International Tourist Arrivals, 2016

Rank	Country	International Arrivals (millions)
1	France	82.6
2	United States	75.6
3	Spain	75.6
4	China	59.3
5	Italy	52.4
6	United Kingdom	35.8
7	Germany	35.6
8	Mexico	35.0
9	Thailand	32.6
10	Turkey	... ²²

Source: World Tourism Organization (UNWTO), *Tourism Highlights, 2017 Edition*.

Table 3: Most Improved Countries in the Travel & Tourism Competitiveness Index 2017

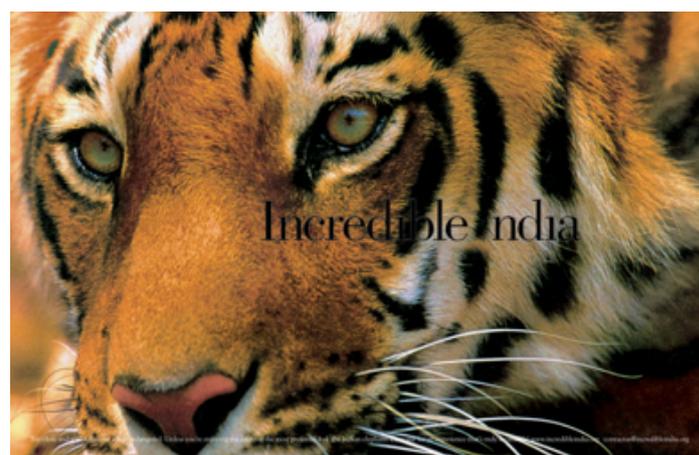
Rank	Country	Global Rank	Change in performance score (%) since 2015
1	Japan	4	6.18
2	Azerbaijan	71	5.98
3	Tajikistan	107	5.01
4	Vietnam	67	4.80
5	Israel	61	4.79
6	Algeria	118	4.68
7	Bhutan	78	4.52
8	Gabon	119	4.47
9	Korea, Rep. of	19	4.33
10	Egypt	74	4.32
11	Peru	51	3.93
12	India	40	3.86
13	Mexico	22	3.86
14	Chad	135	3.83
15	Albania	98	3.81

Source: World Economic Forum, *The Travel & Tourism Competitiveness Report 2017*.

With so many superb destinations to visit around the globe, every country wants to ensure it is foremost in tourists' minds as they consider where to take their next trip. Yet, in the era of the Fourth Industrial Revolution, countries not only need to be forward thinking and innovative, they must also be honest, as tourists are increasingly able to hold them accountable to their promotional campaign promises.

Today, the integration of augmented reality, the ability to crowdsource and the instantaneous uploading and sharing of images and videos are forcing destinations and the tourism industry to be truthful. Long gone are the days when a tourist arrived at a picture-perfect beach to find it lined with waste and trash.

Destinations must think about their branding carefully to ensure it is perceived as authentic by tourists. India was very successful at creating a distinctive identity when it conceptualized and launched its Incredible India campaign in 2002. The campaign helped establish the country as a high-end destination, leading to a 16% increase in tourist traffic in its first year.



While the campaign was very successful, the world has changed over the last 15 years. Publicity based on one image and 30 seconds of airtime is no longer enough to attract tourists. While TV and print remain, the digital arena has become the new playground for brands to promote their products, services and destinations.

Incredible India 2.0 must engage travellers on Instagram, Facebook, Snapchat, Twitter and LinkedIn, among other digital platforms. It should consider which influencers will inspire people to come and discover all that India has to

offer, whether it be an actress such as Priyanka Chopra (currently a brand ambassador), a businessman, a politician or simply a celebrity with a huge digital following, such as Beyoncé (105 million Instagram followers) or Katy Perry (102 million Twitter followers). While Bollywood has helped boost interest in India as a destination, Hollywood movies with a strong focus on India have the potential to target a whole new audience.

As India prepares to launch Incredible India 2.0 with a budget of over \$46 million, it will need to determine its message to the world, define its audience, messenger and channels of communication, and forge partnerships to ensure its success.²³ It should also take a step back and consider how India is described by tourists who have travelled to India.

Indeed, the depiction of India in review sites is extremely polarized, from those who loved its mystique, bright colours, delicious food and unique sights, to those who described India as dirty, unsafe and corruption-ridden, and where they experienced what is traditionally called Delhi belly. To better understand how India is perceived, the World Economic Forum undertook a survey with its Global Shapers community, a network of young leaders between the ages of 20 and 30, asking them to share the one word that comes to mind when they think of India as a destination.

Of the 102 respondents, 25% described India's diversity, 13% chose the word "incredible" and 15% highlighted India's culture or specified elements of Indian culture, such as Bollywood and cricket. India's spirituality and mystique was mentioned (7%) as was its vibrancy (6%). Of all those surveyed, 5% described India as chaotic, and another 7% highlighted specific challenges, including the lack of safety, inequality, poverty, congestion and overpopulation (Table 4).

Ensuring that foreigners perceive India in a positive way, while addressing the challenges is key to securing the sustained growth of tourism in India.

Feeling safe comes first

An unprecedented number of people are on the move, with global international arrivals rising from 25 million in the 1950s to 1.2 billion in 2016. Yet, the geopolitical landscape is changing fast, along with rising nationalistic rhetoric and xenophobia. From a more complex international security landscape to the threat and fear of terrorism, along with concerns about the increase in global pandemics, safety and security are now priority concerns across the globe.

This is critical for the travel and tourism industry, whose success depends entirely on the ability and willingness of people to travel. Security shocks are clear deterrents for travellers, who have a tendency to cancel trips out of fear. The costs to the industry and national economies due to shocks as a whole are staggering. For instance, in 2009, cases of H1N1 flu led to the loss of \$5 billion for the Mexican tourism industry. The Arab Spring and related unrest saw tourist arrivals in Egypt drop from 14 million in 2010 to 9.5 million in 2013.²⁵

Table 4: Survey on the Perception of India as a Destination ²⁴

Response	%
Diversity	25
Culture	15
Incredible	13
Spirituality/Mystique	7
Challenges (unsafe, inequality, congested, poverty)	7
Vibrant	6
Chaotic	5
Gastronomy	5
Development/Growth	5
History	4
Cheap	3
Specific sites (Taj Mahal, Goa)	3
Belongingness/Pride	2

Source: World Economic Forum research, based on a survey undertaken by the Global Shapers community in September 2017.

Still, the travel and tourism industry has proven resilient to security shocks (Table 5) and has shown continued growth, which is possible as long as nations and destinations respond efficiently while designing and implementing sound security protocols. Although domestic and regional travellers appear to be less deterred by isolated incidents, international demand is sensitive to the threat level portrayed by the press and travel advisories.

Table 5: Recovery Time by Crisis Category (WTTC)

Crisis Category	Average Recovery Time (months)
Political Turmoil	26.7
Terrorism	13.0
Pandemic	21.3
Environmental Disaster	23.8

Source: CNBC, "Terror less scary to travellers than you think", 23 March 2016.

At the crossroads between East Asia, Central Asia and the Middle East, India is central to Asian security. Yet, historically, the country's geopolitical context, from Kashmir to Tibet, has not had a significant effect on international travel to India. Rather, in recent years, the perceived lack of personal safety has caused concern with regard to sanitation, transportation and violence. Travel advisories have specifically cautioned women against travelling alone.

Given the propensity of holidaymakers to cancel their travel plans, India must address both the perception and the reality of its safety context. To ensure that tourists feel comfortable, enhanced security protocols should be designed and implemented. Progress should then be highlighted in the media to reassure tourists.

Creating adequate supply for travel and tourism

While emphasis should be placed on increasing the demand for India as a tourist destination, it should be complemented with the development of adequate supply. To do so, investing in infrastructure is necessary, from airports to roads and hotels to tourist service infrastructure, as is focusing on implementing progressive legislation and ensuring digital infrastructure throughout the ecosystem.

Getting from A to B

India has one of the five fastest-growing aviation markets in the world. It plans to continue this growth to become the largest market by 2030, with passenger numbers reaching 278 million by 2026 and 442 million by 2035.²⁶ To support this growth, India plans to increase the number of airports in operation from 95 in 2016 to 250 by 2020, while simultaneously assessing the development of no-frills airports at more than 400 airstrips across the country.²⁷ Building airport capacity for 1.4 billion travellers annually will require over \$30 billion, making public-private partnerships imperative. To date, 40% of global airport traffic is managed or financed by the private sector.²⁸ The fast-tracked development of airport infrastructure will not only enable India to sustain its growth in passenger traffic, but will have a multiplier effect across the Indian economy, creating 25-30 million jobs.²⁹

While the aviation market is booming, last mile connectivity remains a challenge, and a clear gap exists between air transport and tourism service infrastructure. This gap is evident in *The Travel & Tourism Competitiveness Report*, which ranks India in 32nd place on air transport infrastructure, 29th in ground and port infrastructure, and 110th on tourism service infrastructure.

Even as progress is made in Indian aviation and in the makeover of major airports, landing in India and going through the airport is just the start of the tourist's journey. Historically, India's tourism has been hampered by inadequate road infrastructure and safety as well as a lack of hotel rooms.

Despite the improvement in roads, driving in India has been referred to as an extreme sport, as a result of dense traffic and a wide range of vehicles on the thoroughfares, including trucks, cars, rickshaws (and even cattle). In comparison, tourists find getting around in China easier, faster, safer and more modern than in India, whether by air, rail or road.

While the improvements in ground infrastructure have been significant and many travel portals have emerged, the hotel room shortage remains a challenge. The lack of hotel rooms combined with the upward trend in international arrivals can potentially increase the cost of staying in India,

making the country less price-competitive. For instance, rooms that cost \$400 a night in Delhi would cost close to \$100 in China. While such organizations as Oyo Rooms and Airbnb have stepped in to help fill a void, more needs to be done to bridge the infrastructure gap.

Improving the traveller's experience in India requires significant infrastructure investment. Despite India's considerable current investment, an estimated \$1.5 trillion in infrastructure investment will be required over the coming decade to bridge the current deficit.³⁰

Reform, perform, transform

For India to become the largest aviation market by 2030 and attract over 15 million international visitors, a progressive regulatory framework is indispensable. In effect, a country's laws have the power to attract or deter investments and alter the customer experience.

In the past few years, India has transformed its aviation regulatory framework, in turn incentivizing industry growth through investments and international arrivals. According to *The Travel & Tourism Competitiveness Report*, India has improved its international openness score from 69th in 2015 to 55th position in 2017, with the most significant increase in the visa requirement indicator, improving from 125th to 49th position globally. The launch of the electronic tourist authorization, known as the e-tourist visa that now includes 150 countries, led to a 56.6% growth just between 2015 and 2016.³¹

Policy reforms have also taken place with respect to the 5/20 rule, which historically required domestic commercial carriers to have five years of operational experience and a fleet of at least 20 aircraft to fly overseas. The policy was recently diluted to 0/20, only requiring a domestic airline to deploy a minimum of 20 aircraft on the domestic sector before flying internationally. The government also capped fares on regional routes at 2,500 rupees (\$37) per hour of travel to facilitate travel to and from underserved destinations, while leaving the most popular routes, such as Delhi to Mumbai, untouched.

Beyond the aviation legislative framework, the government is also reforming tax policies to support the plane care market. In effect, according to government estimates, Indian carriers currently spend close to 45 billion rupees (\$704 million) annually on maintenance work at facilities in Malaysia, Singapore and Sri Lanka.³² By easing the rules for doing business and removing import duties on equipment and machine parts, India could entice carriers to undergo maintenance on Indian soil.

While India has made significant progress in moving its historically archaic aviation system to a progressive and forward-looking regulatory framework, the hospitality sector, which has traditionally had liberal regulation, is currently being challenged with a newly instated tax and a liquor supply regulation that could have disastrous implications for the sector.

The new single Goods and Services Tax (GST), applied on the Indian hospitality market since 1 July 2017, is likely to be highly detrimental to the industry. The GST proposed in India is the highest across a broad range of markets in the region, amounting to 28% for hotels (Table 6) with room tariffs of \$115 and above. Given that over 70% of hotel accommodation is consumed by business travellers and the market still faces significant room shortages, hotel rooms are not a luxury.

Table 6: Comparative Tax Rates in Asia-Pacific

Country	Rooms (%)	Food & Beverage and Catering Outlet (%)
India	28/18/12	18
Australia	10	10
Singapore	7	7
Thailand	7	7
Indonesia/Bali	10	10
China	6	6
Malaysia	6	6
Vietnam	10	10

Source: World Economic Forum research based on various sources.

Likewise, an Indian Supreme Court order banned alcohol within 500 metres of state and national highways. While the order's intention was to limit drunk driving, which endangers people on the road, it has had unintended consequences. According to the order, any hotel within 500 metres of a state highway is no longer allowed to sell alcohol, leading to tensions with guests and causing damage to establishments' reputations. While the Supreme Court has now provided specific guidance to alleviate the burden on the hospitality industry, in the interim the implementation of the law has caused a strain on the sector.

Addressing policies with significant unintended consequences for the industry is critical to ensure their adherence and support. Indeed, with 100% of foreign direct investment allowed in the construction of tourism and hospitality projects, supporting the industry is an easy win.

Embracing the Fourth Industrial Revolution

With the rise of the Fourth Industrial Revolution, digital technology is increasingly becoming a basic requirement for travel and tourism competitiveness. Countries that do not integrate technology and enhance their connectivity will be left behind, as India is well aware. Indeed, under Prime Minister Modi's leadership, the Digital India campaign was launched to develop secure and stable digital infrastructure, deliver governmental services digitally and achieve digital literacy across the nation.

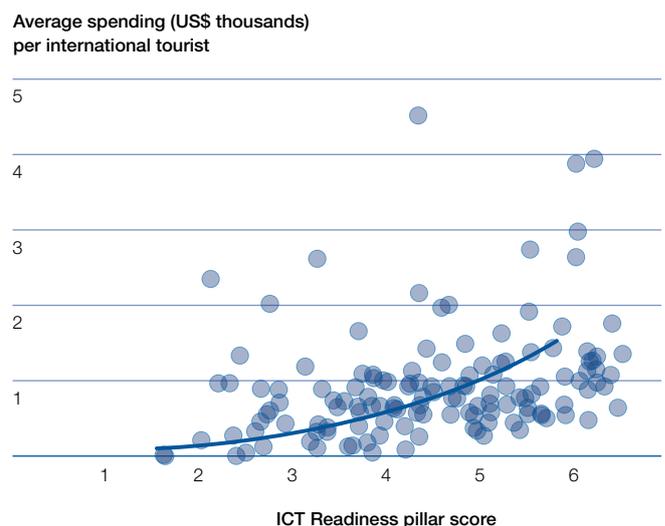
Today, the mobile phone signal is pervasive, and the use of cell phones and internet services is booming. In fact, the world's poorest households are less likely to have access to a toilet than to a mobile phone.³³ While this unfortunately holds true for India, it also highlights the country's digital transformation. Today, India has over 1 billion mobile subscriptions,³⁴ more than 400 million internet users³⁵ and a social media penetration of 14%.³⁶

While India's progress is significant, untapped potential remains. According to the World Economic Forum *Global Information Technology Report 2016*, India ranks 114th out of 139 countries in the network infrastructure subindex; the 2017 internet connectivity ranking by Akamai technology places India 89th in internet connection speed.³⁷

Inadequate broadband infrastructure and related service quality impact the effective and timely completion of electronic payment transactions, which are critical for the travel and tourism industry. In fact, there is a direct correlation between information communications technology (ICT) readiness and tourism receipts (Figure 1).

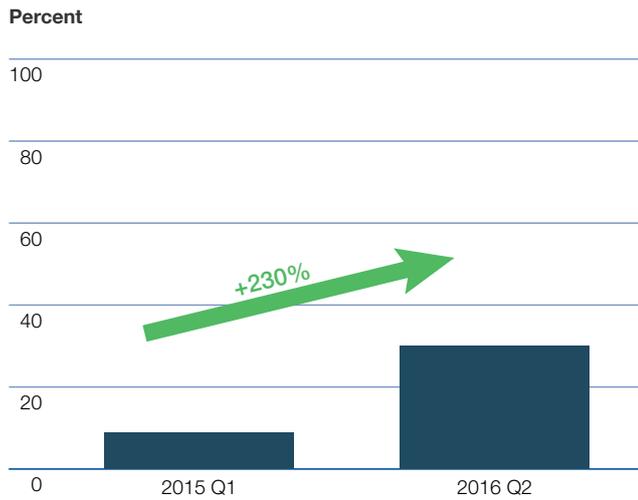
The travel and tourism industry, like the majority of service industries, is witnessing a rise in services provided through mobile devices, with an increase from 9% in 2015 to 33% in 2016 (Figure 2). The increase in mobile device penetration has enabled geotagging and the customization of services as a result of an improved understanding of individual preferences and behaviours. Through digitalization, India will be better able to deliver experiences to travellers and promote its destination.

Figure 1: Correlation between ICT Readiness and Tourism Receipts



Source: Travel & Tourism Competitiveness Index 2017, based on World Economic Forum and World Tourism Organization statistics, 2015; reproduced in World Economic Forum, *The Travel & Tourism Competitiveness Report 2017*.

Figure 2: Mobile Travel Service Bookings as a Share of Total Online Bookings Worldwide



Source: Criteo, *Travel Flash Report 2016*; reproduced in World Economic Forum, *The Travel & Tourism Competitiveness Report 2017*.

The entire Indian travel and tourism ecosystem has evolved as a result of mobile technologies. Digital players, such as MakeMyTrip, Ola and OYO Rooms, have helped connect the market digitally, and even enabled the country to leverage alternative accommodation. India is also starting to experience a move towards digital and cashless payments through such mobile wallets as Paytm and PayU.

Recommendations

In 2016, India's travel and tourism industry generated \$208.9 billion.³⁸ Yet, international visitors only contributed 12% of this figure. With one-tenth of France's international arrivals, India needs to make travel and tourism a priority to increase its current 9 million international arrivals to a figure³⁹ beyond the forecasted 15 million by 2025.

To unlock India's travel and tourism potential, focus should simultaneously be placed on building demand for tourism in India and creating adequate supply. Three specific recommendations can enable the Indian travel and tourism industry to further support the national economy by driving growth, job creation and poverty reduction.

Ensuring a holistic approach, not just a campaign

The Incredible India campaign, launched 15 years ago, was extremely successful in raising awareness about India as a destination. The campaign was beautiful and its slogan was memorable. Yet, as the government considers how to promote India for the coming years, an externally facing campaign should only be part of the solution.

Incredible India 2.0 should not just be a marketing campaign, but part of a holistic approach to Indian tourism. In effect, as India markets its destination, it needs to make sure that it delivers on its promises to international visitors – namely, providing a safe, seamless, connected and unique experience. Yet, to do so, it is essential to prioritize travel and tourism through progressive policies and set clear targets for the country to achieve.

Bringing together business and government to define smart targets will be critical to ensure that the entire industry can coalesce and be held accountable to ambitious targets and their achievement. Targets could range from increasing international arrivals to 20 million by 2030 and domestic demand to 200 million by the same date, to creating 30 million new jobs by 2030 and adding 30 Indian destinations as hotspots. Without prioritizing the industry and committing to bold and measurable targets, India will have little incentive to make the necessary adjustments to unlock its potential and deliver high-quality experiences to its travellers.

Today, empty promises from brands and destinations alike puts countries and companies at risk of bad publicity, which they may have difficulty recovering from. Indeed, creating a mismatch between traveller expectations and experiences will result in negative word of mouth, which in turn will be amplified by travel review sites and social media.

Effectively, Incredible India 2.0 needs to showcase a changed and modern India; to do so, India must fix its value chain to enable not only attracting tourists but also guaranteeing the experience. It must also bridge today's fragmented travel and tourism industry and the ministries engaged in shaping sector-related policies in the country.

Leapfrogging from the experience of others

India has everything – from over 7,000 km of coastline, and rain forests, deserts and snow-capped mountains, to temples, mosques, wildlife, tribal habitation and a multicultural population. Yet it has neglected its travel and tourism industry's potential. With so many attributes, India's challenge is not to build sites but rather experiences around what it already has.

Unlike many more mature tourist destinations, India has the opportunity to skip the trial-and-error phase many countries have had to undergo, and leapfrog to implement best practices and policies that have worked in other nations to ensure the growth of the travel and tourism industries.

A number of nations in Asia-Pacific have been very successful at developing their travel and tourism industry, including China, Singapore and Thailand. Whereas China welcomed over 59 million international travellers in 2016, Singapore received 13 million foreign visitors in 2016 or 2.3 times its population. Moreover, Thailand's travel and tourism industry accounted for over 20% of its GDP in 2016.⁴⁰

China, Singapore and Thailand are distinctive in their size and history, as well as in their culture and heritage. Nevertheless, all three have a robust travel and tourism industry after having taken different approaches to its development, as outlined in Table 7 with a comparison of the pillars of *The Travel & Tourism Competitiveness Report 2017*.

While it is essential to have a strong value proposition for travellers, which is often tied to a nation's natural and cultural resources, that proposition is not enough without an enabling business environment, strong travel and tourism policies and sound infrastructure.

While many countries have produced strong marketing campaigns to promote their destinations, they must develop unified brands, which not only represent them as destinations but also as nations. Singapore's brand, *Passion Made Possible*, was launched jointly by the Singapore Economic Board and the Singapore Tourism Board to provide an authentic representation of the nation as both a tourism and a global business hub. The brand is said to highlight Singapore's attitude and mindset: "a passion-driven, never settling spirit of determination and enterprise that constantly pursues possibilities and reinvention".⁴¹

Table 7: Travel and Tourism Competitiveness Rankings: Countries Compared

Pillar	India	China	Singapore	Thailand
Global Ranking	40	15	13	34
1. Business Environment	89	92	2	45
2. Safety and Security	114	95	6	118
3. Health and Hygiene	104	67	62	90
4. Human Resources and Labour Market	87	25	5	40
5. ICT Readiness	112	64	14	58
6. Prioritization of Travel and Tourism	104	50	2	34
7. International Openness	55	72	1	52
8. Price Competitiveness	10	38	91	18
9. Environmental Sustainability	134	132	51	122
10. Air Transport Infrastructure	32	24	6	20
11. Ground and Port Infrastructure	29	44	2	72
12. Tourist Service Infrastructure	110	92	24	16
13. Natural Resources	24	5	103	7
14. Cultural Resources and Business Travel	9	1	28	37

Source: World Economic Forum *Travel & Tourism Competitiveness Report 2017*.

Likewise, to ensure their authenticity to the outside world, it is critical for nations to take an inside-out approach, making certain that the value proposition is aligned with what they are offering. For instance, Thailand is looking beyond traditional tourism value propositions and is starting to focus on developing village tourism and gastronomy tourism to further enhance its offer. The country's approach is to create a special Thai experience for every traveller.

Investing in an enabling environment

To make India a tourism hotspot, creating a powerful narrative and developing a distinctive experience is not enough. India must establish an enabling environment for business development and for both domestic and foreign investment. As shown in Table 7 and highlighted specifically by India's ranking on the first five indicators, emphasis should be put on ensuring that India's environment supports the development of the industry.

Indeed, investing in India's image without taking a holistic approach and focusing on implementing progressive policies will not yield the desired results. Focus needs to be placed on facilitating infrastructure development, as well as investment, licensing and homestay policies; guaranteeing security for travellers; and creating a balanced taxation system that will support the government

while enabling business to thrive. Such an approach should be considered in the context of the Fourth Industrial Revolution, with technology supporting the exchange of information and delivery of policies.

As India crafts and implements such policies, public-private partnership will be central to the industry's development. The public-private partnership model has already been successful in the modernization of airports across India, including those of Delhi, Mumbai, Bengaluru and Hyderabad. As a result of this model, the Airport Authority's revenue has increased significantly, from \$74 million in 2006 to \$430 million in 2015, while simultaneously improving the comfort and experience of passengers.⁴²

A public-private partnership approach should be considered in the management of monuments and travel routes to develop experiences for travellers that are high quality and cost-efficient. Creating an incubator for small and medium-sized enterprises as a public-private endeavour could also further drive job creation and growth in the country, while supporting the development of experiences and ancillary services.

Training the talent

Over the last decade, the term “demographic dividend” has been used repeatedly to describe India’s burgeoning youth population, which will be instrumental to the next wave of economic growth. By 2020, India will be the world’s youngest country with an average age of 29 years.⁴³ This youth bulge will only be a demographic dividend if the country invests in the education and skills of its citizens and ensures they gain meaningful employment.

India’s travel and tourism industry is a key employment creator that supported 40.3 million jobs in 2016 and accounted for 9.3% of the country’s total jobs.⁴⁴ The industry provides employment to skilled, semi-skilled and unskilled labour directly and indirectly. Providing the industry with skilled manpower is imperative for India’s growth.

The travel and tourism industry is people focused, and the quality of its people defines the value of the product. The soft skills of the existing and future labour force must be built. These skills include language and communication expertise, but also mindset and attitude qualities. Tourists come into direct contact with people working in the industry, and their experience during these interactions shapes their perception of India as a destination. *Atithi Devo Bhava* was a successful government campaign that should continue with increased vigour. It is critical to ensure that India is a safe and secure destination.

Under the Prime Minister’s Skill Development Mission, the Ministry of Tourism’s target is to train 5 million people by 2022. While the Ministry has initiated several short- and medium-term skill programmes, the scale of these initiatives is not sufficient to make a real dent in the labour problem. The Ministry launched a six-month training programme in hospitality to promote vertical skills mobility, but only 801 people were trained during the 2015-2016 fiscal year and 239 between April and November 2016. Other programmes, such as Hunar Se Rozgar Tak (From Skill to Employment), have had better results and by the 2016 fiscal year had trained over 250,000 people.⁴⁵

For India to successfully meet its skill development targets, it needs to increase these programmes. With stronger public-private collaboration that creates robust on-the-job training and apprenticeship models, the education-to-employment gap will be bridged.

The need to train both existing staff and new hires is acute, as is putting in place the educational and skill infrastructure to meet the needs of the tourism industry. The industry has the power to create jobs across the economy – at various skill levels – and for the marginalized sectors of society, such as young people and women, and in areas where other opportunities are scarce. The workforce of the future needs to be educated about the opportunities afforded by the industry, and equipped with the appropriate skills and knowledge to support future growth.

Looking Ahead

As India shapes the growth strategy of its travel and tourism industry and pushes forward a progressive reform agenda, it should consider specific solutions to support its success. This White Paper proposes two: creating an Indian Tourism Board, and selecting one of India's 29 states to focus collaborative efforts around the development of destinations with unique and memorable experiences.

A tourism board

India has more than 50 active foreign tourism boards, yet the country does not have its own tourism board.⁴⁶ While it has a number of industry associations and state-level bodies, no public-private organization represents the industry, and these bodies work independently to drive forward their own agenda.

The industry is fragmented and hindered by poor coordination between the state and central government as well as within the central government itself. No single ministry is responsible for all the policies affecting the

aviation, travel and tourism industry. The Ministries of Civil Aviation, Tourism, Home Affairs, Culture, and Road Transport and Highways, among others, have all been actively involved in the industry's policies.

This gap must be filled by bringing the public and private sectors together under an empowered and proactive body. This tourism board would enhance industry coordination and joint messaging, build Indian talent, drive forward industry-wide policy recommendations and enact change through policies, public-private policy initiatives and small and medium-sized enterprise growth.

To fuel its success, the board would consider the structure, objectives and best practices implemented in other countries, keeping in mind India's strengths and limitations. Bain & Company undertook a seven-economy analysis, investigating the governance and organization of tourism boards, their roles and activities, as well as outcomes. Their research found that most tourism boards include a mix of public- and private-sector representatives, though they are predominantly funded by government (Table 8).

Table 8: Tourism Board Composition and Funding

Economy	Composition	Number of Members	Funding
Australia	Government (2), industry leaders (4), business leaders (3)	Board: 9 Staff: 220	\$117 million including other income
Hong Kong SAR	Government (2), industry bodies (2), industry leaders (8), business leaders	Board: 20 Staff: 377	\$110 million 90% from government
Malta	Government, industry leaders, business leaders	Board: 12	Government funded
New Zealand	Government (1), industry bodies (1), industry leaders, business leaders	Board: 9 Staff: 150	\$88 million 94% from government
Singapore	Government (3), academia (1), industry leaders (2), business leaders (6)	Board: 12	\$153 million
Spain	Government, industry bodies, industry leaders, business leaders	Board: 6	\$110 million 83% from government
United States	Government (4), industry leaders (5), business leaders (1), academia (1)	Board: 11	\$133 million 57% government, 39% private sector

Source: Bain & Company analysis, 2017: tourism board websites, annual reports (2015-2016).

Table 9: Tourism Board Roles and Scope

Role/Scope	Australia	Hong Kong SAR	Malta	New Zealand	Singapore	Spain	United States
Tourism Promotion	✓	✓	✓	✓	✓	✓	
Supporting Development of Tourism Infrastructure		✓	✓			✓	
Quality Accreditation			✓	✓			
Licensing and Compliance			✓		✓		
Capability Development				✓	✓	✓	
Policy Development		✓	✓		✓	✓	✓
Industry Collaboration	✓		✓	✓	✓	✓	
Market Research	✓					✓	✓

Source: Bain & Company analysis, 2017: tourism board websites, annual reports (2015-2016).

Bain & Company’s analysis also examined the scope of tourism board activities. Table 9 reveals that tourism promotion, infrastructure development, capacity building and policy support are common mandates.

These economies’ tourism boards have also undertaken successful initiatives. In the field of technology, for instance, Singapore launched Technology Transformation Groups, which aimed to enhance the visitor experience and support the industry as it embraced new technologies. Hong Kong’s tourism board also focused on technology, with specific attention given to increasing traffic on digital media. It achieved over eightfold growth in social media and 42% growth in website traffic.⁴⁷ Australia was also successful in its social media work through the creation of its award-winning Giga Selfie campaign.

Singapore has driven public-private partnership through a \$35 million alliance with Changi Airport to promote it as a stopover destination. New Zealand has also collaborated closely with the private sector, specifically with airports and airlines, to move towards sustainable air connectivity and to support filling planes to capacity.

Fundamentally, the tourism board will need to help set clear targets for the Indian travel and tourism industry. India must ensure that both its promotion and policies support these goals, in order to enable the continued sustainable growth of the sector and to tap into its potential for job creation. To ensure its credibility, the board should include representatives from all industry segments, with incumbents and disruptors, and relevant ministerial and governmental bodies.⁴⁸ Liaising with the industry and government, in addition to village and city councils, will be key to its success.

It is time for the industry to come together in India, whether through the creation of a new board or the revitalization of an existing one. This initiative is especially important in light of the industry’s continued growth and potential to create jobs at a time when job creation is slowing in other

sectors. A common narrative for the industry, along with its prioritization, is essential.

A pilot in one state

India’s 29 states are essentially 29 small countries, each with its own set of customs, languages, culture, traditions and way of life. Over 300 destinations could be developed and elevated to the level of Goa in terms of tourist inflow. This figure is just a subset of the over 4,000 towns and roughly 600,000 villages in India.

While a holistic approach is needed at the national level and India should enhance existing destinations in the vicinity of Delhi and Mumbai, the strategy could be supplemented by a public-private pilot to develop travel and tourism in one of the 29 states that has traditionally welcomed fewer international visitors. Making such a pilot a reality requires support from the central government, the state government and the private sector. Together, the public and private sectors would need to select three or four complementary destinations to develop and then create a tourism route and value proposition for international travellers. The selected destination would need to offer diverse experiences, such as touring historical and cultural sites, supporting ecotourism, discovering parks and wildlife reserves, and relaxing at wellness and beach destinations.

One prospective state for the pilot is Karnataka, which is well known for its capital city, Bangalore, often referred to as the Silicon Valley of India. Karnataka is known for its technology but is relatively unknown internationally for its tourism opportunities, despite its incredible potential. Located on the Arabian Sea, the state of Karnataka has a rich history and culture and is endowed with beautiful scenery and wildlife. It is also easily accessible by air through Bangalore’s airport. While an assessment would be needed for the pilot, numerous destinations in Karnataka have strong potential.

Within Karnataka, Hampi is a UNESCO World Heritage Site. The last capital of the great Hindu Kingdom of Vijayanagar, it is located in a spectacular setting and features over 1,600 remains of forts, royal and sacred complexes, temples, shrines, gateways and water structures. From Hampi, tourists can travel to the seaside temple town of Gokarna, one of the seven most important Hindu pilgrimage centres, which has beautiful and unspoiled beaches. Travellers can then venture south to Coorg, which has been dubbed the “Scotland of India” thanks to its breathtaking scenery of forest-covered hills and spice plantations. Finally, tourists can spend time in the wildlife sanctuary of Kabini, where they will easily be able to spot elephants and tigers, among other animals.

Once a state and destinations have been chosen, the team responsible should design a sustainable strategy that best develops these destinations, and ensure the necessary infrastructure is in place to connect them and welcome international visitors.

India’s future is bright. The Indian travel and tourism industry can reach its potential if India’s public and private sectors join forces to prioritize and enact these recommendations and solutions.

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