



OXFORD
ECONOMICS

CAPTURING HIGH QUALITY TOURISM FOR SOUTHEAST ASIA

THE IMPACT OF PREMIUM F&B EXPERIENCES
ON DESTINATION CHOICE

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 APISWA
ASIA-PACIFIC INTERNATIONAL SPIRITS & WINES ALLIANCE



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EXECUTIVE SUMMARY

Southeast Asian policymakers are increasingly focused on attracting “quality tourists”, as a means of enhancing their tourism industry. This means focusing on boosting the levels of spend per visitor, rather than the overall number of visitors that arrive. The goal is to maximise the economic gains from tourism, whilst minimising some of the environmental and social challenges that it can present.

For travellers, “quality tourism” means unique, personalised, and immersive experiences that allow them to engage with local culture, enjoy the natural environment, and feel comfortable in their surroundings. However, the market for travellers who are willing to pay more for this quality of experience is highly competitive, with Southeast Asia’s leading destinations vying for position against the world’s tourism hotspots.

To capitalise on this opportunity, Southeast Asia’s tourism destinations need a deep understanding of who quality tourists are, what they value, and what influences their choice of destination. Oxford Economics, in collaboration with the Asia-Pacific International Spirits and Wines Association (APISWA) and a consortium of regional travel industry partners, has conducted a groundbreaking study.

We surveyed 1,800 potential Southeast Asian tourists from the region’s five major source markets: China, Korea, Australia, the United States, and the United Kingdom. These source markets accounted for 46% of all travel and tourism spending in Southeast Asia in 2019. Using a discrete-choice experiment to understand how prospective tourists value different aspects of their trips, we uncovered the factors that determine the destination choices travellers make, with a special focus on food and beverage (F&B) experiences, and assessed how much different traveller segments are willing to pay for premium offerings. For the purpose of this study, premium experiences were defined by high quality F&B products and dining options, a wide variety of choice, easy access to F&B venues, and exceptional service when you arrive.

In addition, we engaged with the key stakeholders from Southeast Asia’s tourism industry—including travel, retail, and hospitality leads—to explore the challenges and opportunities they face in delivering higher quality tourism experiences. This research provides valuable insights to guide policymakers in Southeast Asian tourism destinations as to how premium tourism experiences can be developed.

Capturing high quality
tourism for Southeast Asia



of potential Southeast Asian tourists regard F&B experiences as important to their destination choice.



Prospective tourists are

2.5 X

more likely to choose a destination when “premium F&B experiences” are available.

Capturing high quality
tourism for Southeast Asia



willingness to pay, per person per day for destinations that offer premium F&B experiences.

Our analysis led us to six key insights:

INSIGHT 1: THE F&B OFFERING IS ONE OF THE BIG DRIVERS OF DESTINATION CHOICE

Seven out of 10 potential Southeast Asia tourists regard F&B experiences as “important or very important” to their destination choice. For high income travellers, the share rises to 75%. In fact, the quality of the F&B offering in a destination is more important to the average tourist than the historical and cultural sites the destination offers.

INSIGHT 2: HIGH QUALITY TOURISTS ARE ATTRACTED TO “PREMIUM” EXPERIENCES AROUND F&B

Southeast Asia is globally renowned for its cuisine. But the quality food is not sufficient in its own right to attract quality tourism. We found that certain “premium” features of the F&B experience are instrumental in driving destination choice for potential Southeast Asia tourists.

Our analysis suggests a prospective tourist to Southeast Asia is 2.5 times more likely to choose a destination when “premium F&B experiences” are available, compared to another destination with more standard service offerings, all else being equal.

Premium F&B experiences include:

- **High quality F&B products:** Diverse, high-quality options from award-winning chefs and a full range of value, standard, and premium alcoholic drinks.
- **A wide variety of options, that are convenient to access:** Numerous venues serving a variety of beers, wines, premium spirits, and innovative cocktails; easy and convenient to access, with early opening and late closing.
- **Exceptional, personalised service and knowledgeable staff:** Skilled and trained restaurant and bar staff, qualified mixologists, and expert sommeliers.

INSIGHT 3: TOURISTS ARE WILLING TO PAY MORE WHEN PREMIUM F&B EXPERIENCES ARE ON OFFER

Visitors to Southeast Asia are willing to pay US\$250 more per person per day¹, on average, to visit destinations that offer premium F&B experiences. This preference is not held exclusively by the wealthy, niche, or luxury travellers. In fact, visitors from lower, middle, and higher income categories are all willing to pay more to upgrade the F&B experience in their travel destination.

Achieving a higher quality tourism industry does not mean focusing only on the luxury segment. Rather, it means incentivising a wide and diverse range of tourists from different travel segments to spend more during their trip. Diversity in the source market is one of the most important attributes to a resilient travel industry.

INSIGHT 4: VALUE FOR MONEY CUTS ACROSS EVERY TRAVELLER SEGMENT'S PRIORITIES

Although travellers are willing to spend more for premium experiences, value for money was amongst the most important universal influences on a traveller's choice of destination in Southeast Asia's major tourism markets. It is even more important for high-income travellers than those travelling on a tighter budget. Some 78% of potential high-income tourists to Southeast Asia regard value for money as important or very important when selecting a destination.

Ultimately, there is a limit to any traveller's budget. Our analysis suggests that a US\$20 increase in price (per person per day) for a premium F&B experience would cause 10% of travellers to trade down to a less-premium option.² There is a willingness to pay for premium, but not at any cost.

INSIGHT 5: DIFFERENT ASPECTS OF PREMIUM F&B MEAN MORE TO TRAVELLERS FROM DIFFERENT SOURCE MARKETS

A premium experience is multi-dimensional, with different aspects appealing to different travel segments. Visitors from China, for instance, are more than three times as likely to choose destinations where F&B options are conveniently accessible, and they prioritise F&B more heavily in their travel plans, compared to visitors from other markets. They also demonstrate a higher willingness to spend on premium F&B experiences over basic alternatives than visitors from other source markets in our study.

Chinese travellers were most willing to pay for F&B options that are easily accessible. Travellers from Korea, the US, and the UK were willing to spend higher amounts on exceptional service, compared to Chinese travellers. Meanwhile, Korean travellers were willing to pay a higher amount for a broader variety of F&B options than other traveller origins.

The availability of premium F&B experiences was valued by all categories of traveller in our study. But this insight highlights how traveller preferences across Southeast Asia's major tourism markets vary, and the importance of being able to tailor premium tourism experiences in a destination to meet the nuanced demands of different travel segments.

4 ² This is an average effect across all travel segments, based on the relative price elasticity of demand for a destination offering premium levels of F&B experience.



78%

of potential high-income tourists consider value for money as important or highly important.



US\$20

increase in price (per person, per day) for premium offerings would cause 10% of travellers to 'trade down'.



84%

see the safety and reliability of food and beverage as key to their destination choice.

INSIGHT 6: THE SAFETY AND RELIABILITY OF F&B ARE KEY

For 84% of the prospective tourists to Southeast Asia that we surveyed, the perception of the safety and reliability of food and beverage options was "important or very important" to informing their choice of travel destination. This prioritisation was evident across all traveller segments, underlining the universal need for destinations to deliver exemplary hygiene standards in their F&B offerings. The safety and provenance of a F&B products are part of what establishes a strong tourism reputation overseas.

Recommendations for policymakers

Our analysis has provided a unique window into the mindset of Southeast Asia's prospective tourists, and the challenges facing the industry. For the region's tourism policy stakeholders that are aiming at achieving a higher quality tourism sector, we recommend the following:

- **Embrace premium F&B experiences**, including the local and international supply chains they require, as a key component of improving the quality of the tourism experience. That means ensuring high quality products, restaurants, and bars are licensed and freely available.
- **Facilitate variety in the development of F&B experiences**, which are convenient for visitors to access with reasonable operating hours, and well-staffed with highly trained personnel providing excellent service.
- **Ensure that policy frameworks do not incentivise behaviour that will compromise safety and reliability.** The safety and reliability of F&B is fundamentally important to a destination's profile and reputation.
- **Do not lose sight of the importance of price competitiveness.** Southeast Asia is a highly fluid tourism market with many compelling travel options. Good value remains key to any destination's offering. It is important that policy and regulation nurture a business environment that can support competitively priced products and services to induce incremental spend from every category of visitor.
- **Work with industry to understand how product and service levels can be improved**, ensuring that public policy is supportive of businesses that are trying to upgrade the overall tourism experience.

HOW TO ATTRACT HIGH VALUE TOURISM TO SOUTHEAST ASIA

Southeast Asian policymakers are increasingly focused on attracting 'quality tourism' to enhance their tourism industries. That means boosting the level of spend per visitor, rather than the number of visitors that arrive.

THE DRIVERS OF DESTINATION CHOICE FOR HIGH SPENDING TOURISTS, & THE ROLE OF PREMIUM FOOD AND BEVERAGE [F&B] IN INCREASING VISITOR SPENDING

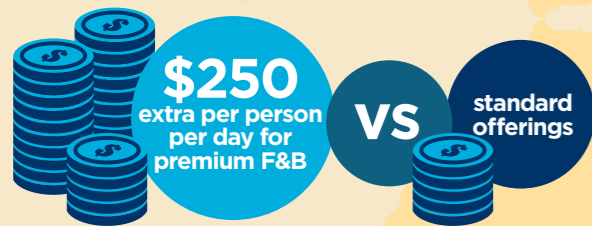
1 F&B is a major driver of destination choice:



2 Premium F&B experiences attract high-quality tourists



3 Tourists are willing to pay more for premium experiences



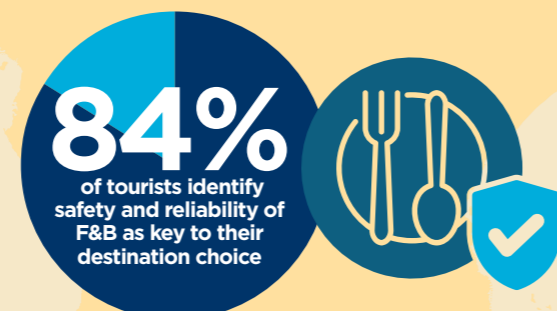
4 Value for Money matters to travellers of all income levels



5 Different premium F&B characteristics appeal to different tourism segments



6 The safety and reliability of F&B are crucial



WHAT IS PREMIUM F&B?



Novel insights into tourism decision making

Oxford Economics surveyed 1,800 potential Southeast Asia tourists from the region's five major source markets:

- China**
- South Korea**
- Australia**
- United States**
- United Kingdom**

Discrete-choice modelling techniques were used to explore what factors influence destination choice and how much money they are willing to pay for them.

Competing for higher spending tourism

Respondents were asked to consider a potential trip to Southeast Asia's largest destinations, as part of the study.

- Brunei**
- Cambodia**
- Indonesia**
- Laos**
- Malaysia**
- Philippines**
- Thailand**
- Singapore**
- Vietnam**



1. THE DRIVERS OF TOURISM DECISION MAKING

The Covid-19 pandemic dealt a severely damaging blow to Southeast Asia's tourism industry, with border closures bringing inbound travel to a near halt. As a vital economic engine for the region, tourism contributed an estimated 12% to the region's GDP in 2019. Recovery of this industry has thus been a priority for policymakers in the region since borders reopened in 2022.

However, the pre-pandemic period had exposed certain challenges for the tourism sector, such as "overtourism" and a lack of focus on environmental sustainability. In response, many policymakers are now seizing the initiative to rebuild the industry with a greater emphasis on sustainability and high-value tourism. Recent measures to address such issues in the region are summarised in Box 1.

Southeast Asian policymakers have shifted their focus towards prioritising "quality tourism" over sheer visitor numbers. For destinations, this means attracting higher-spending tourists who contribute more economically per trip, rather than simply maximising arrivals. The goal is to enhance the economic impact of tourism without worsening the environmental or social impact on local communities.

From the traveller's perspective, "quality tourism" encompasses unique, personalised, immersive experiences that allow them to feel comfortable in their surroundings, whilst genuinely engaging with the local culture and natural environment.

As Southeast Asia remains a highly sought-after tourism destination, governments across the region recognise the fierce competition for high value travellers. To succeed it is essential to understand who these high-quality tourists are and what they value in a destination.

BOX 1: OVERTOURISM AND SUSTAINABLE TOURISM IN SOUTHEAST ASIA

There have been a growing number of examples and statements about the impacts of overtourism in Southeast Asia in recent years and a desire for a more sustainable tourism industry. Prominent examples include:

- **Indonesia.** The authorities have begun an audit of tourism in Bali, with the Tourism Minister warning in August 2024 that overtourism in South Bali must be taken seriously to "avoid a situation like Barcelona, where tourists have become public enemies".³
- **Thailand.** The tourism authorities closed the iconic Maya Bay in response to severe environmental damage caused by visitors, and the Federation of Thai Tourism Associations has warned that Pattaya and Phuket are becoming overcrowded hotspots.⁴
- **The Philippines.** The island of Boracay was shut down for visitors in 2018 after being labelled as a "cesspool" by the then-President. A boom in visitors led to unsustainable practices such as illegal structures being built near the beach and sewage pipes that damaged the local environment.⁵
- **Cambodia.** In an interview conducted as part of this study, Vichit Ith, head of the newly-establish Cambodia Tourism Board (CTB), pointed out that "today's travellers are increasingly concerned about climate change and environmental impact. Our growth must be sustainable."
- **Malaysia.** Following a battle by conservationists, the government cancelled a planned new airport on Tioman Island that threatened to destroy habitats of diverse marine species. According to the CEO of Reef Check Malaysia, the airport would intensify tourism on the island and "the damage would have seriously affected both land and water [quality], not to mention the impact on the people living on the island".⁶

³ Reuters. Indonesia to reform tourism on tropical island Bali, senior minister says. August 2024.

⁴ Thailand Business News. Is Thailand facing an overtourism crisis? June 2024.

⁵ Reuters. Strained by tourism, Philippines' once idyllic Boracay checks in for rehab. April 2018.

⁶ The Edge Malaysia. Biodiversity: Halting overtourism and protecting marine areas. December 2023.

1.1. ABOUT THIS REPORT

Oxford Economics was engaged by the Asia Pacific International Spirits and Wines Association (APISWA) and a consortium of tourism-industry partners around Southeast Asia to explore how “quality tourists” choose their destination, and what aspects of their trip they value the most.

We conducted a unique study of potential tourists to Southeast Asia, providing insights into how different aspects of their travel experiences affect where they choose to go and how much they are willing to spend in the local economy. Using a discrete-choice-based survey and advanced econometric modelling, we have gathered key data and insights on how differences in the quality of experience impacts a tourist’s choice of destination and how much they are willing to spend there.

The aim of this report is to provide actionable insights into how destinations in Southeast Asia can compete effectively to attract their share of the quality tourism prize.



2. A POST-PANDEMIC TOURISM STRATEGY: SHIFTING FROM QUANTITY TO QUALITY



The tourism industry accounted for an estimated 12% of the Southeast Asian economy in 2019, before travel restrictions during the Covid-19 pandemic brought international visitor arrivals to almost zero.⁷

Since then, the industry has fought hard to recover and international arrivals are forecast to finally surpass 2019 levels for the first time in 2024 (see Fig. 1). This is hugely important for the region as tourism supports hundreds of thousands of jobs in front-line tourism industries, as well as throughout their local supply chains. A thriving tourism industry is also associated with large export revenues and capital investment in the economy, which can help the economy grow.

However, total spending by tourists in the region is likely to remain below 2019 levels in real terms for some time yet. In 2024, we estimate that there will be a total of US\$141 billion in travel and tourism spend in Southeast Asia, compared to US\$165 billion in 2019 (2024 prices). This highlights the need to capture higher spending from tourists to the region.

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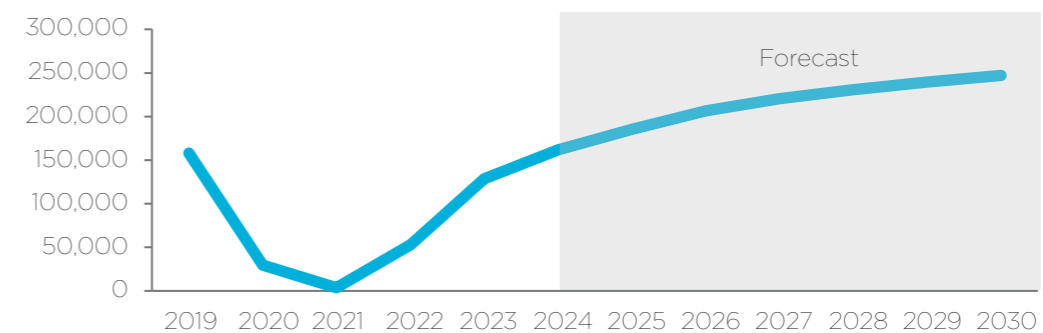
The influx of tourists is promising, but their spending habits have not yet returned to pre-pandemic levels. The shopping and purchasing behaviour, especially that of the Chinese, has changed in this new normal. We need to incentivise tourists to spend more within Thailand.

”

Vice President of the Thai Retailers Association.

Fig. 1: International visitor arrivals to Southeast Asia

000s of visitor arrivals



Source: Oxford Economics.

2.1. THE STRATEGIC GOAL FOR TOURISM IN SOUTHEAST ASIA

Southeast Asian governments are keen to develop their tourism industries in a way that maximises the economic gains whilst mitigating the problems it can cause local communities, including environmental degradation and over-crowding.

To achieve these aims, there is an increasing focus amongst policymakers on attracting quality tourism, as illustrated in Box 2.



The mass tourism boom just before the pandemic served as a wake-up call for the government and the hospitality industry to make tourism more sustainable and premium.



Hathai Techakitteranun, Thai Hotels Association.

There is general support for these initiatives within the tourism industry. Pierre-Andre Romano, Vice President of the European Chamber of Commerce’s Tourism Committee, stated in an interview for this report that “attracting high value tourism should be the main priority [for Cambodia]”.

This goal aligns clearly with changes being experienced in tourism spending patterns since the Covid-19 pandemic. Increasingly, travellers are seeking more immersive trips with recreational and cultural experiences. Data compiled by UOB, a bank, from credit and debit card billings show consumers in Southeast Asia are spending less on material items and more on experiences such as holidays, entertainment, and gastronomic events.⁸ A study by Mastercard in 2023 found that spending on experiences was up 65% since 2019, compared to a 12% increase for “things”.⁹

There is an imperative amongst tourism stakeholders in Southeast Asia to develop a more sustainable, higher quality tourism industry—one that increasingly tailors its offerings to achieve higher levels of spending per trip. Tourism spending patterns suggest that the demand for premium experiences exists, making this a timely objective. However, for destinations to compete for this prize, they must first develop a deeper understanding of who high quality tourists are, what they value, and what factors influence their destination choice.

BOX 2: REGIONAL STRATEGIES AND PLANS RELATED TO QUALITY TOURISM

COUNTRY / ORGANISATION

‘QUALITY TOURISM’ AGENDA



The ASEAN Economic Community Blueprint 2025 sets out a vision for ASEAN to be a “quality tourism destination offering a unique, diverse ASEAN experience... so as to contribute significantly to the socio-economic well-being of ASEAN peoples”.



The ASEAN Framework on Sustainable Tourism Development in the Post Covid-19 Era states that ASEAN countries should aim to “provide a high-quality experience to responsible and sustainable-minded visitors/tourists”.



Since 2013, the Singapore government has focused on quality tourism, attempting to attract target audiences with quality offerings “to prioritise growth in tourism spending over growth in tourism arrivals,” according to the Singapore Tourism Board (STB).



As part of the Indonesia Ministry of Tourism and Creative Economy’s strategic targets it aims to increase the quality of tourists and increase the competitiveness of destinations.



The Tourism Malaysia Marketing Plan for 2022-26 includes a focus on developing niche segment strategies, in order to create unique, premium experiences that generate high returns to help achieve Malaysia’s tourism objectives.



The newly established Cambodia Tourism Board is seeking to shift from a volume-focused approach to one that focuses on encouraging higher spending and longer stays.



The Vietnam Tourism Marketing Strategy to 2030 aims to promote Vietnam as a destination that meets the demands of high-spending and long-stay vacationers.



3. HOW TO COMPETE FOR HIGH QUALITY TOURISM IN SOUTHEAST ASIA

Capturing high quality tourism for Southeast Asia

In this study, we set out to identify new insights into the decision making of Southeast Asia tourists, that will offer a fresh perspective on what the region's destinations can do to capture more of the high-quality tourism market.

We designed a survey-based experiment to test what factors determine the travel choices of an international panel of 1,800 prospective tourists from five of Southeast Asia's most important source markets—China, Korea, Australia, the United States and United Kingdom. Collectively, these source markets accounted for 46% of total travel and tourism spending in Southeast Asia in 2019. Our survey explored the importance of a broad sweep of travel-related factors, with a focus on the F&B experience.

To complement this original research, we interviewed a range of the region's prominent tourism-focused organisations, from both the public and private sectors. This gave us a rounded perspective on the challenges and opportunities the industry faces in attracting higher quality tourism to the region.

Our analysis has led us to six key insights into Southeast Asia tourist decision making, which we step through in turn, below.

BOX 3: OUR METHODOLOGY: A NOVEL SURVEY-BASED EXPERIMENT IN WHAT DRIVES THE DECISIONS OF SOUTHEAST ASIA TOURISTS

Our research insights are based on an original survey-based experiment of tourism decision in Southeast Asia's major tourism source markets. We used a large consumer survey and discrete-choice modelling technique, known as conjoint analysis, leveraging a technique that is often employed in research to get a richer understanding of consumer preferences. This technique enabled us to understand the multi-faceted decision-making processes of potential visitors to Southeast Asia when they make choices about the destinations they will visit. Our approach was designed to simulate real-world decision-making scenarios more accurately than traditional survey methods.

Conjoint analysis involves presenting respondents with a series of hypothetical vacation packages, each defined by a unique combination of attributes such as accommodation type, range, and quality of food and beverage available at the destination and the quality of service at venues. Rather than evaluating each attribute in isolation, participants are asked to choose their preferred package from a range of options.

We quantified the trade-offs that visitors are willing to make between the defining features of each option. As an example, the technique enables us to explore whether certain visitors prioritise cost savings over proximity to restaurants, or vice versa. Consumers reveal their preferences and trade-offs through their choices in the simulation. This approach produces more accurate and insightful findings than a traditional consumer survey, which would be less reliable in placing a value on various attributes to different tourism segments, in determining a consumption choice, and which would be more likely to overstate or understate their willingness to pay for any given attribute without considering the wider context of their choices.

INSIGHT 1: THE F&B EXPERIENCE IS ONE OF THE BIGGEST DRIVERS OF DESTINATION CHOICE

Our survey revealed the most influential factors behind the choices tourists make over their travel destination. Chief among them were the natural attractions and scenery on offer, the quality of accommodation, how easy the destination is to access, and the value for money the trip represents.

These findings align with a large body of consumer insights research. For example, Euromonitor International's Voice of the Consumer: Lifestyles Survey 2024, polled over 40,000 consumers to find that "nature/outdoor activities" and "value for money" were among the top five destination features for APAC tourists.¹⁰

Our study found that the "range and quality of food and drink options" also featured prominently in the top drivers of destination choice. Over 70% of our survey sample indicated that the F&B offerings were important or very important to where they chose to travel. For higher-income travellers, the share was even higher, at 75% of respondents. The range and quality of the F&B offering are more important than the historical and cultural sites on offer for the average tourist to Southeast Asia.

Southeast Asia is globally renowned for the quality of its cuisine. In a recent study of 17,000 global consumers by media company, U.S. News, Southeast Asia ranked highly for the quality of food. Thailand was perceived to have the fourth best food (out of 89 countries) while Vietnam, Malaysia, Indonesia, and Singapore were all ranked within the top 20.¹¹

F&B's importance to Southeast Asia tourism was recognised by some of the region's key industry stakeholders, whom we interviewed for this study. The President of the Singapore Nightlife Business Association (SNBA), Nasen Thiagarajan, stated that "food and beverage are what tourists will look out for, regardless of which nationality they are, or which country they go to". Ith Vichit, the head of the Cambodia Tourism Board, told us: "Food is a vital part of the travel experience; it connects visitors with the local culture."

Fig. 2: Importance of travel factors in choosing a destination



Source: YouGov, Oxford Economics

¹⁰ Euromonitor International. Voice of the Consumer: Key Insights 2024. April 2024.

¹¹ U.S. News. These Countries Have the Best Food. 2024

INSIGHT 2: HIGH QUALITY TOURISTS ARE ATTRACTED TO THE "PREMIUM" EXPERIENCES

Our analysis reveals how certain aspects of the F&B experience in Southeast Asia are particularly influential in determining where tourists choose to go on a trip.

The prospective tourists we surveyed were 2.5 times more likely to choose a destination when premium F&B experiences were available, compared to a destination with more standard service offerings, all else being equal.

We define "premium F&B experiences" as a collection of features. Premium F&B experiences include:

- **High quality F&B products:** Diverse, high-quality options from award-winning chefs and a full range of value, standard, and premium alcoholic drinks.
- **A wide variety of options, that are convenient to access:** Numerous venues serving a variety of beers, wines, premium spirits, and innovative cocktails; easy and convenient to access, with early opening and late closing.
- **Exceptional, personalised service and knowledgeable staff:** Skilled and trained restaurant and bar staff, qualified mixologists, and expert sommeliers.

Our analysis suggests that prospective tourists considering a trip to Southeast Asia are 30% more likely to pick a destination when F&B offerings are conveniently "accessible", meaning that they are open when the client wants them and are easy to get to.

When "high-quality" F&B products are available, this creates a multiplier effect, increasing the likelihood of a tourist choosing that destination by an additional 30 percentage points. Furthermore, our analysis revealed that the quality of service and the level of training and knowledge amongst the staff also matter. Our sample of prospective tourists was 29% more likely to pick a destination if staff were well trained and knowledgeable. If the quality of service they could expect rose to "exceptional", this increased the likelihood of them selecting that destination by a further 10 percentage points.



The quality of service staff is crucial. We have to understand the premium traveller—he's willing to grab a burger off a robot at casual eateries, but he would not want his 25-year-old Scotch to be served by a robot in a Michelin star restaurant.



Nasen Thiagarajan,
President of the Singapore Nightlife Business Association,

INSIGHT 3 : TOURISTS ARE ALSO WILLING TO PAY MORE WHEN PREMIUM F&B EXPERIENCES ARE ON OFFER

As well as making a destination more attractive to tourists, premium F&B experiences could also unlock higher spending from visitors. This is vital in the context of an industry in the region looking to increase spend per visitor.

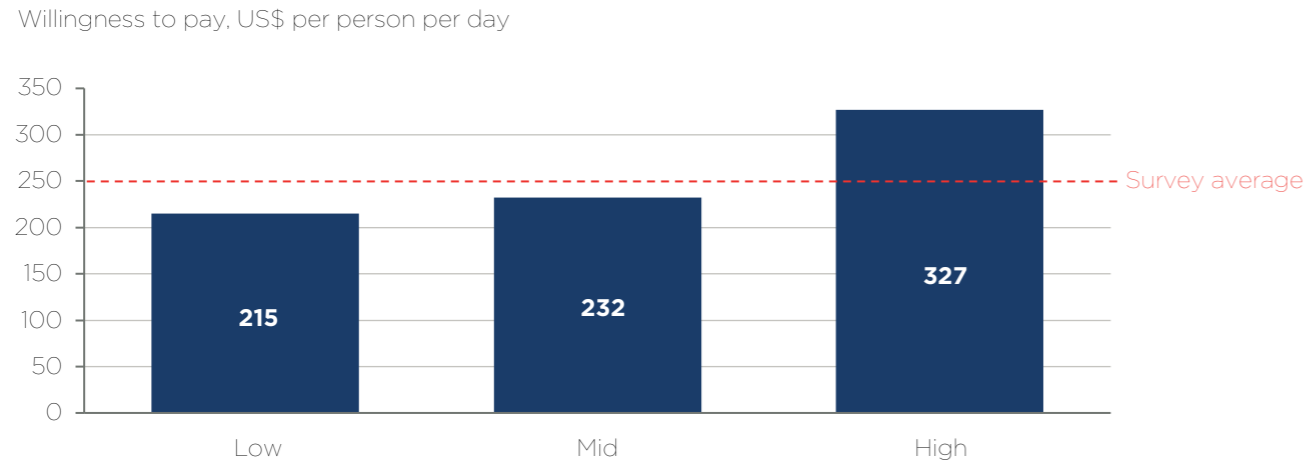
Our analysis suggests that visitors to Southeast Asia are willing to pay US\$250 per person per day more, on average, to visit destinations that offer premium F&B experiences.

High quality F&B services and experiences are not the exclusive domain of the high-budget, luxury traveller. In fact, our analysis suggests that travellers from all income brackets are attracted by premium tourism offerings and are willing to pay between US\$215 and US\$327 per person per day more for the privilege (see Fig. 3).

This finding is important for tourism policymakers in Southeast Asia because diversity is key to resilience. The strategy to increase quality tourism should not be focused exclusively on the luxury travel market. Rather it must integrate the option of premium experiences into every travel segment to facilitate additional spending from each travel category.

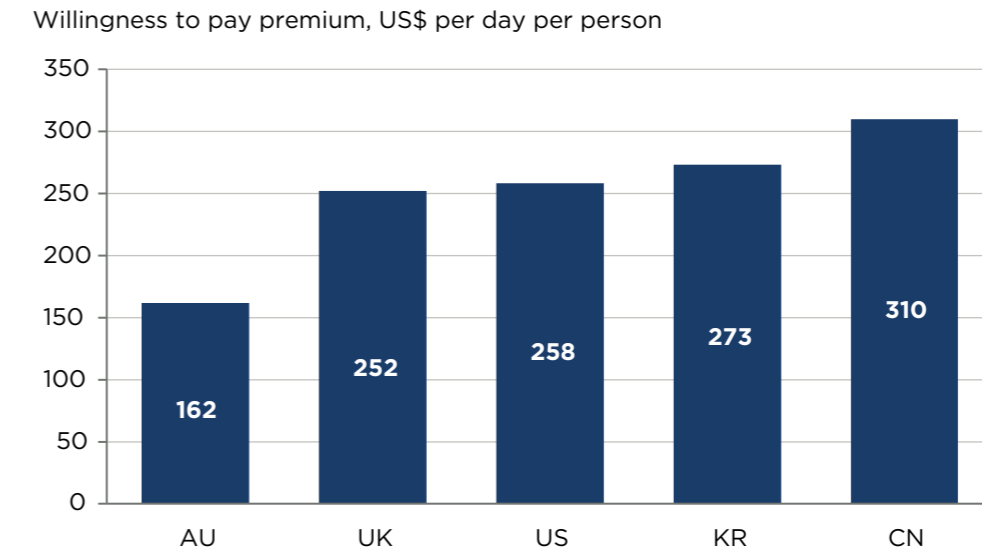
We also found that Chinese travellers were willing to pay the most to visit destinations with premium F&B experiences, relative to travellers from other origins. Koreans had the second highest willingness to pay for premium F&B experiences (see Fig. 4).

Fig. 3: Willingness to pay for premium F&B, relative to basic offering, by household income level



Source: YouGov, Oxford Economics

Fig. 4: Willingness to pay for premium F&B, relative to basic offering, by country of origin



Source: YouGov, Oxford Economics

This willingness to pay analysis demonstrates how presenting a more premium offering to tourists can unlock higher spending. However, it is important to note that the precise monetary figures expressed above are averages across a diverse marketplace, that is characterised by variable price levels. Actual spending by tourists may therefore diverge from these monetary values in real life, but the relative willingness to pay for one option over another is evidence of what tourists value the most.

INSIGHT 4 : VALUE-FOR-MONEY CUTS ACROSS EVERY TRAVELLER'S PRIORITIES

The unique nature of our analysis has demonstrated that travellers to Southeast Asia are generally willing to spend more on their trip if it comes with premium F&B experiences. However, the value for money of those trips appears to be one of the major drivers of their choice.

We found value for money to be amongst the most important factors determining the choice of destination amongst Southeast Asia's largest tourism source markets. In fact, it is even more important for high-income travellers than those travelling on a tighter budget (see Fig. 5).

This suggests an important balance between the proposition of quality to this valuable tourism segment, and the sense that despite paying a higher price, consumers demand more bang for their buck.

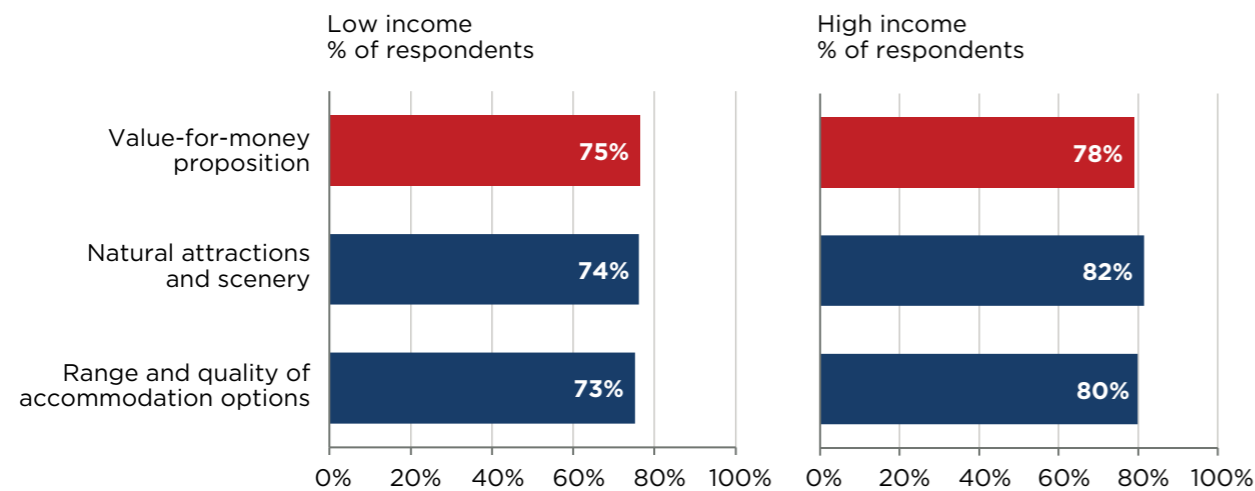
“

“The key then is to be more competitive, not just by offering seasonal discounts, but also by providing quality and value-for-money premium offerings.”

”

Hathai Techakitteranun,
Thai Hotels Association

Fig. 5: Importance of value-for-money to destination choice, by income group



Source: YouGov, Oxford Economics

Even in high end establishments the need to deliver value for money is crucial. When describing their own offerings Andrew Nisbet, General Manager of the Hilton Saigon, said: “Our rooftop Chinese restaurant provides a high-end experience at affordable prices. A great restaurant doesn’t need to come with a huge price tag.”

Competition to attract high quality tourists is fierce, and it’s clear that destinations must ensure tourists feel they are getting the most value for their money. “Singapore is overpriced,” laments Nasen Thiagarajan, pointing out that restaurants in neighbouring cities such as Kuala Lumpur offer comparable quality at lower costs.

We found through our survey-based experiment that there were limits to travellers’ willingness to spend, even when exceptional service and high levels of quality were on offer. A budget constraint exists for all travellers, above which demand falls away.

Our analysis suggests that a US\$20 increase in price per person per day would see 10% of premium travellers trade down to a less-premium option. This further emphasises that destinations need to ensure their premium offerings are delivered at the right price if they wish to attract quality tourists. There is a willingness to pay for premium but not at any cost.



INSIGHT 5: DIFFERENT ASPECTS OF PREMIUM F&B MEAN MORE TO TRAVELLERS FROM DIFFERENT SOURCE MARKETS

Premium F&B offerings enable a destination to attract additional spending from a diverse range of visitors. But since a premium experience is multi-faceted, it is important to understand what aspects of premium appeal to different traveller types.

Our analysis enables us to explore how much different traveller types are willing to pay for different aspects of the premium F&B experience.

Travellers from China were more than three times as likely to choose destinations where F&B options were more accessible, compared to the average across other nationalities in our survey. Chinese tourists were also willing to pay three times more for the privilege.

Chinese travellers were most willing to pay for F&B options that are easily accessible. Travellers from Korea, the US, and the UK were willing to spend higher amounts on exceptional service, compared to Chinese travellers. Korean travellers

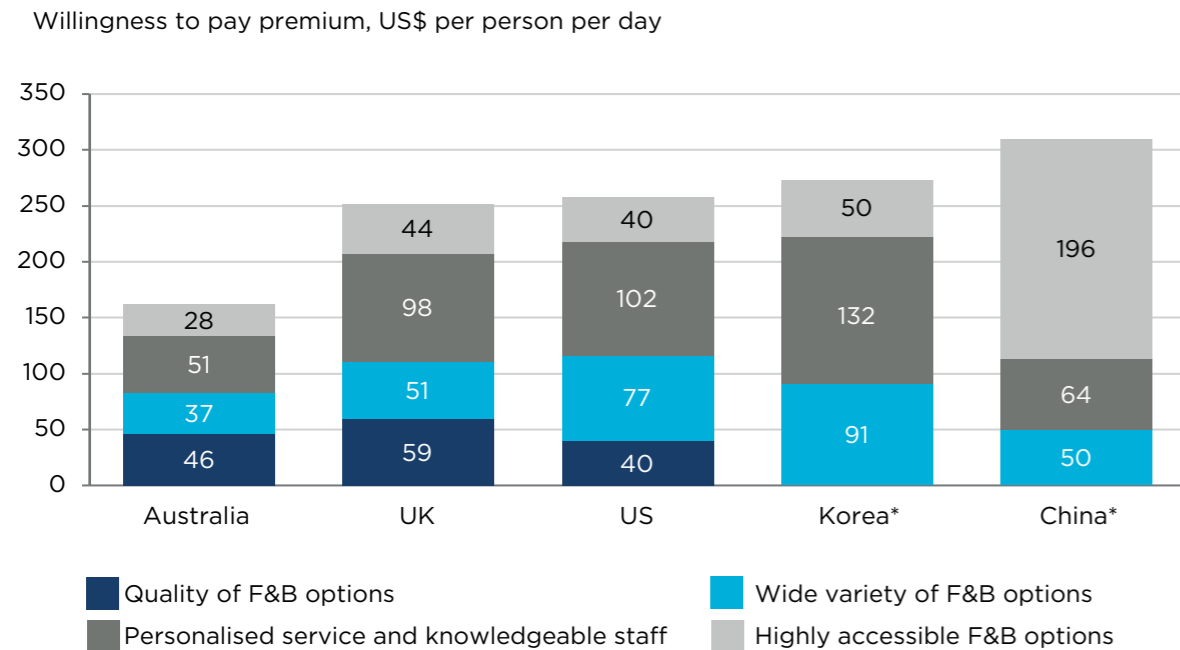
were willing to pay a higher amount for a broader variety of F&B options than other traveller origins.

Our survey also found that 77% of the potential Chinese travellers to Southeast Asia we surveyed considered F&B as “important or very important” to their destination choice, compared to an average of 70% for other countries.

The additional value of having high quality F&B products on a trip was recognised by all traveller categories in our study. In fact, the value attached to premium F&B experiences is largely borne out of a tourist’s willingness to pay for the service experiences around food.

Our analysis suggests travellers are willing to pay five times more for a trip when high quality F&B products are accompanied by great service, compared to the same products being available in a more basic service environment.

Fig. 6: Willingness to pay premium relative to basic offerings, by category, by origin



Source: YouGov, Oxford Economics * Quality of F&B options not statistically significant

INSIGHT 6: WHEN IT COMES TO FOOD AND BEVERAGE, RELIABILITY AND SAFETY ARE KEY

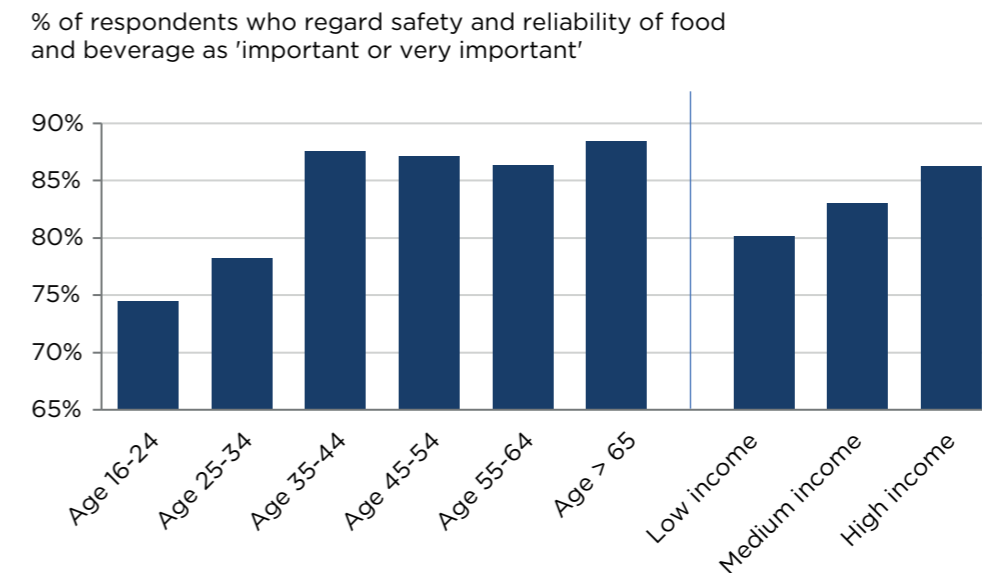
Our survey suggests that perceptions of the safety and reliability of F&B products are paramount. Around 84% of our sample said safety and reliability were important or very important to their choice of destination, underlining the universal need for destinations to deliver exemplary hygiene standards in their F&B offerings. (See Fig. 7).

Our findings highlight a prominent reputational risk in Southeast Asia over food hygiene and safety. For example, according to the World Health Organization (WHO), the Southeast Asia region has the second highest burden of food-borne diseases after Africa.¹² News stories of alcohol poisoning may also contribute to this fear. In Vietnam, 382 people suffered poisoning from unsafe alcohol in the 10 years to 2022, 98 of whom died, according to the Vietnam Food Administration.¹³ Tragically, in August 2024, six people lost their lives and 37 more were hospitalised after drinking illicit liquor in northern Bangkok.¹⁴

“Tourists want to explore local flavours, but may feel less confident to venture into street side restaurants or cafes.”

”
Andrew Nisbet,
General Manager of the Hilton Saigon

Fig. 7: Importance of F&B safety and reliability in choosing a destination, by traveller age and household income group



Source: YouGov, Oxford Economics

¹² WHO. Burden of foodborne diseases in WHO South East Asia Region.

¹³ National Institute for Food Control. Methanol poisoning up in VietNam. April 2022.

¹⁴ The Nation Thailand. Death toll rises to 6 in Bangkok methanol-laced liquor poisoning. August 2024.

A 2022 paper by the OECD suggested that toxic substances such as methanol are routinely used in the production of illicit alcohol, contributing to morbidity and mortality.¹⁵ According to data from the WHO, unrecorded alcohol—which refers to untaxed alcohol sales outside the usual system of government control—accounted for 57% of all alcohol consumed in Vietnam in 2019, 43% in Cambodia, 39% in Malaysia and 56% in Indonesia.¹⁶ Given the importance of reliability and safety of F&B in travel decisions, the prevalence of such a market in Southeast Asia poses a risk to a destination’s attractiveness to the quality tourism market.

26 ¹⁵ OECD. *Illicit Trade in High-Risk Sectors*. 2022.

¹⁶ Transnational Alliance to Combat Illicit Trade. *Tackling Illicit Alcohol in Southeast Asia*. 2023.



4. RECOMMENDATIONS

This report explores the factors that drive tourism decisions and lead to higher spending in Southeast Asian tourism destinations. Through this unique survey-based experiment, we found that F&B and the experience surrounding it can play a highly significant role in appealing to foreign tourists. Our findings can therefore be useful to the region's tourism policy stakeholders in developing strategies to develop higher quality tourism industries, characterised by higher spending per trip and greater sustainability and resilience.

We recommend that Southeast Asian policymakers:

- Embrace premium F&B experiences, including the local and international supply chains they require, as a key component of improving the quality of the tourism experience. That means ensuring high quality products, restaurants, and bars are licensed and freely available.
- Facilitate variety in the development of F&B experiences, which are convenient for visitors to access with reasonable operating hours, and well-staffed with highly trained personnel providing excellent service.
- Ensure that policy frameworks do not incentivise behaviour that will compromise safety and reliability. The safety and reliability of F&B is fundamentally important to a destination's profile and reputation.
- Do not lose sight of the importance of price competitiveness. Southeast Asia is a highly fluid tourism market with many compelling travel options. Good value remains key to any destination's offerings. It is important that policy and regulation nurture a business environment that can support competitively priced products and services so as to induce incremental spend from every category of visitors.
- Work with industry to understand how product and service levels can be improved, ensuring that public policy is supportive of businesses trying to upgrade the overall tourism experience.



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