

# Tourism Industry Intelligence

## Strategic Information for Decision-Makers

### Prospects for the German Market in 1999

January/February 1999

#### Slow but positive growth

Germany ended 1998 with slow but positive (2.7%) growth of its national income. The *Economist* predicts positive but even slower growth (1.6%) in 1999. The good news is that **unemployment is down from its peak of 11.6% but is still nearly 11%.**

#### New record in travel expenditure

The slow growth of the German economy has had little impact on travel. The travel expenditure of the German has reached a new record of 91.4 billion DM in 1998, an increase of 2.4 % over 1997. **In 1999, a further increase of about 4 % to 95 billion DM is expected.**

#### Germans will travel

Dr. Renate Finke of the *Dresdner Bank* underlined that **the crises in Asia and Russia have only caused a temporarily set back. In the second half of 1998, German travellust was restimulated by increased earnings and lowering prices of flights.**

#### 1.2 million more Germans travelled in 1998

In 1998, **48.5 million Germans** made at least one holiday trip lasting five days or more, accounting for **63.4 million trips** reported *F.U.R.* A total of 1.2 million more Germans travelled in 1998 compared to 1997. In addition 48 million short trips (2 to 4 days) were undertaken in 1998.

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### Key Trends in the German Market

#### Winter sun - biggest growth potential

The biggest potential for growth in the German travel market is **winter holidays in the sun and cruises.** The annual German *Reiseanalyse 1998* also found that **culture and farm holidays** have "big" potential for growth between 1999 and 2000.

#### Germans are upbeat in 1999

The *Reiseanalyse 1998* also found that **Germans are more upbeat about their travel plans in 1999 than in 1996 or 1997.** The proportion of Germans planning a holiday in 1999 is 71%, more than 1998 (69%) and 1997 (67%).

#### More than one trips taken

Germans generally take more than one trip. In 1998, **travellers took an estimated 1.3 trips** and spent nearly 14 days on holiday.

#### More fly and less use travel agents

**More Germans travelled by air in 1998 (32.5%)** than in 1997 and less used travel agencies to book their travel. A total of 55.4% of German travellers used a travel agency in 1998 compared with 58.7% in 1997.

## Performance of the German Market - Winners and Losers

	Country	No of Months	% 1998/1997	Total Arrivals 1998
<b>Cuba, Anguilla and Jamaica record high growth in 1998</b>	Cuba	6	51.3	63,755
	Anguilla	12	37.9	1,265
	Jamaica	11	26.9	38,945
	Dominican Republic	9	15.5	274,728
	Australia	6	13.9	69,500
	Japan	6	10.0	43,647
	China	11	4.8	181,826
	USA*	12	-0.1	1,994,296
	France	7	-0.3	2,277,978
	Canada	6	-3.0	138,034
	Aruba	8	-5.4	2,985
<b>Spain, Italy, Austria and France receive the most German arrivals</b>	South Africa	2	-6.4	38,434
	Cayman Islands	7	-6.8	911
	Singapore	10	-9.5	131,263
	Bermuda	11	-10.8	2,333
	Antigua	10	-11.0	4,750
	Austria	7	-14.3	5,734,219
	Hong Kong	8	-38.0	109,921
	Italy*	12	0.00	8,460,000
	Spain	10	N/A	10,308,581

\*1997 data

Source: World Tourism Organization, 1999

## Market & Consumer Trends

### East German travellers

East Germans also have a high travel intensity (72%) compared with 76.4% for Germany overall. East Germans who travel, do so more often – 41% made more than two trips in 1998 and 12% took more than 3 trips, according to an *FVW* report.

### Those who travel take more trips

East Germans also spent more on travel in 1998 (DM 1321/US\$735 per person) than in 1997 (DM 1272/US\$708 per person). The trend: who can afford to travel do not economise.

### Spent more in 1998

However, many East Germans plan to spend less in 1999 as they have become more realistic and careful.

### Plan to spend less in 1999

Until year 2000, 70% of East Germans will take at least one holiday per year.

Like the former West Germans, holidays have become very much the norm for East Germans – holidays are no longer special. It is expected and accepted that one goes on holiday.

## Focus: Germany: Profile of a Leading Travel Market

### Importance of the German market

Germany an attractive outbound travel market. Consider:

- the sheer size and volume of German travel flows;
- the spending capacity of Germans;
- their long average length of stay;
- Germans have among the highest paid holidays in the world (6 weeks per year).
- the sheer appetite of Germans for travel; and
- a strong economy with good medium and long term economic prospects

### Population

The population of Germany now stands at 81.4 million, larger than Britain (58.1 mn), France (57.9mn) and Italy (57.2 mn). **Germany's potential travelling population is conservatively estimated at 63 million - larger than the absolute population of all countries in Europe.**

### Travel intensity

Germany has one of the highest travel intensities in the world. In 1997, **48.5 million Germans** made at least one holiday trip lasting five days or more, accounting for **63.4 million trips** reported *F.U.R's Ergebnisse der Reiseanalysen* 1999 report. The number of German holiday trips in 1998 was higher than 1996 and 1997.

### Most lucrative states

Germany today is made up of 16 Federal states, 11 of which belong to the former West Germany and five states make up the former East Germany. **The top four federal states that can be of interest to travel suppliers based on market potential, earnings level and unemployment rate are:**

1. North Rhine Westphalia
2. Bavaria
3. Baden Württemberg and
4. Lower Saxony (including Hamburg)

### Where Germans travel to?

**Of the Germans travelling abroad some 90% opted for a European destination.** Although Europe (France, Italy, Spain, Austria) is the favourite destination for Germans, in recent years there has been an increasing interest in long haul destinations.

### What Germans look for on holiday:

The Reiseanalyse 1998 found the following activities of choice among Germans between 1996 and 1998:

	Activity	% rating this important
rest	Relax, have no stress	59
relaxation	Be free and have time	54
sun	Get new energy, recuperate	53
sand	Escape from everyday life	52
sea	Sun and warm temperature	51
nature	Experience nature	43
	A healthy climate	40

Source Reiseanalyse 1998.

### Future prospects

Spectacular growth in a number of special interest activities such as **river rafting** (833%), **cruising** (566%) **naturalist holidays** (283%) is expected between 1997 and 2000.

Much will depend on the continued growth of the German economy and the ability of the new coalition government to tackle the problems of unemployment. **In the medium to long term, all other things being equal, the German market will continue to be the leading holiday pace-makers of the world.**

## Technology Update

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### Hotels lagging in technology

The hotel industry is trailing behind other businesses in the adoption of new technology, according to a **British Telecom** poll. **Just one-third of those included in the study were equipped with a phone, fax and personal computer, compared with 70 per cent of respondents from other industries.** The report also showed **hoteliers are among the least likely to use the internet, with only three per cent using it daily.**

### 36 million use internet for travel

Almost all Internet users are travellers, and 45% of them take five or more trips a year, according to a new travel and technology study by the *Travel Industry Association*. **Nearly 36 million people used the Internet to make travel plans in the past year, up from 13.8 million in 1997,** and 6.7 million used it to make reservations, up from 5.4 million. *TIA* also noted that **92% of people who used the Internet for travel planning or reservations said they were satisfied or extremely satisfied with the experience.**

### Strong potential for other technologies

Other travel technologies also have tremendous potential, the *TIA* study found. **Given a list of 10 innovations, nearly three-fourths of travellers said they'd consider trying one.** Leading the list: satellite navigation systems in cars, with 49% or 78 million people interested in using them, although only 8% have done so far. About 15% already use electronic airline tickets and about 15% are using travel-related computer kiosks. **Interest in the new technologies come mainly from the 18-44 year olds.**

### On-line bookings march on

**Microsoft** reported that **Expedia**, the online travel service it launched in October 1996, handled more than \$250 million in travel sales in 1998, a 150% increase over 1997. In general, air sales account for 70%-80% of total sales, the company said. The 1998 total includes about \$8 million in bookings through the **Expedia Travel Network**, where more than 30 vendors now sell packages, cruises and resort stays.

## Eco-Monitor

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### LTU flies passenger garbage back to Germany

Committed to the environment of the Maldives where **LTU** accounts for 20% of all tourists, the German airline introduced in 1993, the eco-bag - bags that **LTU distributes to passengers to collect the inorganic waste.** **LTU** collects and flies them back to Germany. By 1996, more than 100,000 eco-bags were collected from more than 80% of its passengers.

### China protects its environment

**China announced its firm opposition to tourist safaris aimed at capturing Bigfoot,** the mysterious creature said to roam its central mountain regions. China claims that **such conduct is wrong and is incompatible with the country's present need to protect the environment.**

### Birds delay building

**Butlins Millennium Dome** at a cost of £758 million,(US \$1,269) due to be completed by the spring has come under threat in the shape of **three pairs of black redstarts.** Apparently, **these rare nesting birds have swooped on the Millennium Dome as a potential egg-laying site.** Under British wildlife laws, they cannot be disturbed. This could delay building work.

## Hotel & Resort Trends

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### Club Med strikes back

Club Med is launching a budget brand – Club Med Basic - to enable it to take on mainstream all-inclusive operators. Focusing on price competitiveness, Club Med claims that the new brand would be simple not only in design, but the way in which it is marketed. The first **Basic village** is likely to open within 18 months. **Club Med posted profits of 18 million pounds (US\$11.25mn) in 1998, following a 137 million pounds ((US\$85.6) loss in 1997.**

### Club Med eyes expansion

Following the closure of some Clubs in a major restructuring plan that has seen the turnaround of **Club Med**, the company is eyeing the **development of new Clubs in Meribel and Serre Chevalier in France, Taba in Egypt, Kabira in Japan, Holguin in Cuba and Punta Cana in the Dominican Republic.** Club Med also plans to renovate all of its 120 villages by 2000 and also plans to take advantage of the booming health and fitness market.

### Eurodisney set for second theme park

Buoyed by strong profits from **Disneyland Paris**, **Euro Disney announced that it plans to open a second theme park east of Paris in 2002.** The planned amusement park, with a “cinema theme” will cost an estimated 4.5 billion francs (US\$0.8bn) and would employ some 2,000 people.

### Timeshare booms

**The number of Europeans taking timeshare holidays could double within the next five years**, as the industry gains acceptance within the wider travel and tourism sector, believes **RCI**, the world’s biggest time share exchange company. The bedrock of pan-European consumer legislation and the entry of big travel and hospitality brandnames (including **Hilton, Hyatt and Marriott**) will act as a dual catalysts for unprecedented growth, taking the number of exchanges to over **5 million a year by 2003.** Time share will continue to be an important growth market. Consider the following facts:

#### good growth

- One million Britons take timeshare holidays;
- 330,000 British families own timeshare;
- Sales of timeshare have grown by **an average of 11.5 per cent annually over the last 10 years;**
- There are **more than 4,700 timeshare resorts worldwide;**

#### flexibility is key

- The primary motivation for buying timeshare is the flexibility to exchange for weeks in other locations;

#### technology lends a helping hand

- Rapid advances in technology (which make the exchange of time share easier than ever) and availability of cheap air flights have also contributed to growth in the sector;
- RCI organised 79% of time share exchanges worldwide in 1997 – about 1.8 million swaps, moving about 6 million people around the globe; and
- A survey by *Interval International* showed that the average timeshare customer earned about 40,000 pounds (US\$66,773) a year. Their average age tends to be late 40s; they are usually married and take two significant holidays per year plus two short breaks.

### Hilton on target in Asia

**Hilton International Asia-Pacific is on track to achieving its planned annual increase of 20% in the number of hotels despite the economic crunch.** The hotel management group which received the business headquarters award from the *Economic Development Board* recently, will open three Hilton hotels in Vietnam’s Hanoi, Japan’s Otaru and Seremban in Malaysia, with a total 720 rooms this year.

## Cruise News

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### At home cruise sales

**Carnival** is endorsing efforts by a new company in San Diego California to recruit a cadre of **at-home workers to sell Carnival Cruise Lines vacations to friends and neighbours**. The new company, *Cruise Vacation Professionals*, is broadcasting infomercials soliciting viewers to sign up as at-home associates.

### More private islands

**Radisson Seven Seas** arranged for the exclusive use of a private islet in **French Polynesia** for passengers of its **Paul Gauguin**. The islet is located about 15 miles southeast of **Bora Bora**.

### Carnival breaks booking record

In February 1999, **Carnival** broke its previous booking record of January 1998 by 6%. This meant taking in 21,190 individual bookings. According to Carnival's president, Bob Dickinson, **bookings on the whole were up 16% year to date over 1998**.

### Sport Illustrated cafes

In a move to diversify its entertainment offering, **Norwegian Cruise Lines (NCL)** has entered into a marketing agreement with **Sports Illustrated**. Under the terms of the agreement NCL will **feature branded Sports Illustrated Clubs on its ships**.

## Destination Watch

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### Spain out-performs the US

**Spain's arrivals jumped 10%, more than four times the world average**, thanks to the **strong British pound** and the country's proximity to the World Cup in France and the world's fair in Portugal, the *WTO* said. Spain ousted the US from second place in international tourism arrivals. **Spain knocked the U.S. out of the No. 2 spot, with 47.7 million visitors; the U.S. hosted 47.1 million**. U.S. arrivals fell 1.3% because of fewer tourists from Asia, Mexico and Canada. But the *WTO* and the *Travel Industry Association* also place the blame partly on the lack of a *U.S. National Tourism Organization* - a central coordinating promotion body could be more flexible in adapting to changes in world conditions, **as Australia did, in shifting its marketing efforts from Asia to Europe and the U.S.**

### Australia analyses the Olympic effect

**Between 1997 and 2004 an extra 1.6 million international tourists are expected to visit Australia as a result of the Olympic Games, generating an additional A\$6.1 billion in tourism earnings and creating 150,000 new jobs**, according to a study conducted by *KPMG Management Consulting* and *Griffith University*. Using the experience of **Seoul in 1988** and **Barcelona in 1992** as a basis for much of its analyses and forecasts, the study found that, of the total additional arrivals, 132,000 will be as a direct impact of the Games - athletes, officials, judges, journalists and spectators. However, **close to 1.5 million will be attracted to Australia as a result of the global spotlight on the country in the years leading up to, during and following the staging of the Games**.

### World tourist arrivals up

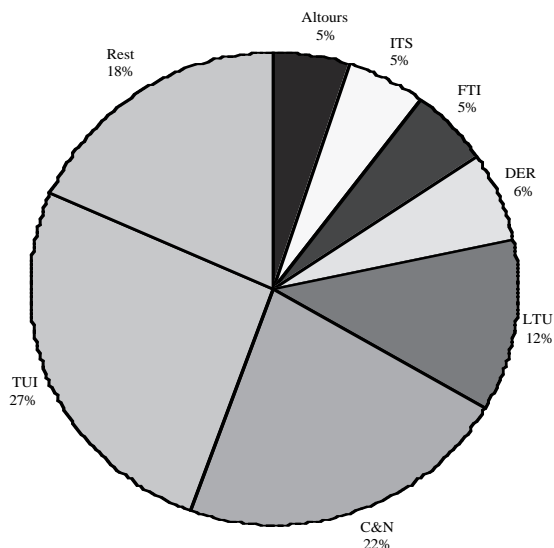
**WTO figures show that international tourism overcame the economic trouble in Asia to post a 2.4% gain to 625 million arrivals in 1998**. Tourism receipts, excluding air fares, grew 2% to nearly \$445 billion. In East Asia and the Pacific, arrivals fell 1.2% and revenue fell nearly 4%. But Africa's arrivals jumped 7.5%, Middle East revenue climbed 6.4%, and Europe grew 3% in arrivals and 3.6% in receipts.

## Focus: TUI – A Major Green Player in Germany

**TUI is the largest tour operator in Germany.** In this issue we profile TUI and look specially at its efforts on the environment front. Some of its key facts follow:

Turnover: DM8.5 billion (US\$5 billion) 1998  
Market share: 26.4%  
Clients: 5 million

### Market share of German tour operators



### The TUI Group:

- 9 tour operators in the Netherlands, Germany, Switzerland, Belgium and Austria;
- incoming agencies in key travel destinations;
- 5 hotel companies with 130 hotels and 66,000 beds; and
- more than 700 travel agencies in Europe.

### Environment - a key focus

TUI is the first tour operator that has environmental management integrated into its business procedures.

### Why focus on the environment?

According to Dr. Ralph Corsten, TUI Chairman, “for TUI, an **intact environment is the solid, indispensable basis for successful long-term existence of the company.** An intact environment is a major component in the quality of a holiday trip. TUI defines itself as a quality operator, so this has to be a key element in our corporate strategy”. Moreover, “**investments in protection and conservation of the environment help to safeguard our economic basis;** they give the TUI Group competitive benefits which are appreciated by our customers”.

### TUI actions on the environmental front

Key components of its environmental programme are the quality of the environment in its holiday areas, **responsible hotel management** and **transportation means that are environmentally compatible.**

- TUI provides environmental information to its customers in its holiday catalogues;
- Prepares annual environmental reports relevant to TUI's 101 holiday destinations; and
- Prepares an environmental checklist which partner hotels are required to complete (more than 2000 have been completed).

## Editorial

In this issue, we take a look at the German outbound travel market. Like the USA and the UK, slow but **positive** growth is creating the necessary impetus to drive travel demand. More than one million more Germans travelled in 1998 (48.5 mn), however, these figures are still 500,000 short of the 1995 figure where 49 million Germans travelled abroad. 1999 looks set to result in a further increase, buoyed by increased incomes and lower air fares. It is also interesting that East Germans have the same appetite for travel as their Western counterparts. **The trend: have money, will travel.**

In this issue we also focus on TUI, the largest travel company in Germany. We commend the actions that TUI has taken on the environmental front – a direct response to the needs of the new, green German tourists. We saw in an earlier issue of *TUI* that German tourists were willing to pay 2 marks (US\$1.00) extra per day in the destination they take holidays if the money was spent to conserve the environment. We have also seen that, the German airline, LTU, flies its passengers to the Maldives and fly back their garbage to Germany, with more than 80% of its passengers agreeing to participate.

TUI has taken a giant step. The company's actions are certainly "on trend". But have they gone far enough? We believe that saving the environment is not just about saving frogs, birds and bees. In Caribbean islands such as Dominica and in countries such as South Africa, the health and well-being of the local people, their involvement in the tourism industry and their capacity to benefit from tourism must also be a real concern – not only for the governments of these countries, but also for powerful tour operators such as TUI. After all, park animals represent protein and valuable trees, firewood, unless there are real alternatives. Tourism can provide such alternatives if sustainably developed. Smart partnerships between local communities, governments and big business are necessary to achieve sustainable development. Saving the environment is an important necessary step. But it is not sufficient. In the next issues of **Tourism Industry Intelligence**, we will look at the prospects for the French and Italian markets in 2000 and take a special look at the impact of the Euro dollar.

## Trends to Watch

### Millennium bug on the ground

Nearly all western airlines have updated their computers so that malfunctioning aircraft do not crash when internal calendars switch to 2000. The big aircraft manufacturers have worked hard to debug the batteries of computers and chips that control modern aircraft. **But it will be far harder to debug air traffic control systems on the ground.** Air traffic control systems are more complex and numerous. There is no guarantee that some of the world's more far-flung airports will have mastered the bug. **This is why KLM has said it might not fly from New Year's eve to an unpublished blacklist of airports where it mistrusts traffic control systems.**

### Pedal and play

The **Sunset Station:Hotel & Casino in Las Vegas** bills itself as the first casino in the U.S. to offer stationary bicycles equipped for slot machine play. The **Pedal 'n' Play bike** is wired with buttons on the handlebars to control the bet and activate the reel. There is a catch, though: **Riders can't play the slot unless they are pedaling, and they can't pedal unless they're playing.**

### Wait-listed for millennium

**Disney Cruise Line** reported that about 25,000 people have been put on a waiting list for Millennium cruises.