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Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the German Market in 2003

February 2003

Moderate growth projected

After 0.2% growth in GDP in 2002, Germany will see economic (GDP) growth rates of 1.0% in 2003, predicts the *Economist*. Disposable income decreased as a result of the drop in wealth caused by the stock crash of 2002, the higher social security contributions and higher taxes. The unemployment rate is still relatively high at 9.7% and nearly double in the former Eastern States.

World's largest travel market

Germany is world champion in terms of trips and nights spent abroad. It is second only to the US in terms of spending. Germany's potential travelling population is conservatively estimated at 63 million — larger than the absolute population of any single country in Europe. Expenditure on travel abroad was some 50 billion Euros in 2001. In 2003, more than 75% of all Germans would have taken at least one holiday per year a figure that is expected to growth to 80% in the next decade.

Factors influencing travel

German travel behaviour is influenced by individuals who are demanding experiences and are differentiated based on personal values and attitudes. The ageing of the population is another factor influencing German travel behaviour as more elder travellers desire peace and quiet. The desire to break away for a stress-free relaxed holiday remain the most important motivating factor to travel.

Growth in outbound travel for 2003

While there has been stagnation in the German outbound travel market in 2002, **recovery is predicted in 2003,** according to *BAT German Analysis*. Domestic and overland European destinations will be the main winners in 2003. Spain, Italy, Greece and Turkey will continue to be top destinations for Germans. Germans also want more comfort, service and security from their holidays and less adventure or risk at present, according to the same survey. The same proportion of Germans - **47% definitely planned a holiday in 2003**, as in 2002, while the percentage definitely ruling out a holiday rose in 2003 from 24% in 2002 to 26%.

German travellers are knowledgeable

German travellers are known to research destinations and operators thoroughly before making travel arrangements. In general, **German long-haul travellers are very discerning and knowledgeable**. They can be described as independent and adventurous yet very safety conscious. **They are becoming increasingly environmentally aware, and prefer unpolluted natural destinations**.

Shorter holidays in demand

German consumers **will take more frequent but shorter holidays** with the 5 – 13 day segment growing from 10% in 2001 to 15% in 2002. Holidays will also be more divided equally during the year. **Germans will seek new forms of holidays – health holidays and holidays that provide an experience will be in demand**.

Source: FVW, BAT and How Germans will Travel 2005, Tourism Intelligence.

What's Inside:-

Market & Consumer Trends

Decline for business travel in 2002

The business travel volume of 2002 was down 4.3 percent from 2001, according to the *Travel Industry Association of America (TIA)*. This will mark the fourth straight year of decline in business volume. Leisure travel fares much better, with travel volume for this segment increasing 2% in 2002 over 2001.

Willingness to travel despite security issues

An overwhelming majority of consumers are planning to travel in 2003 for business and leisure, despite continuing economic uncertainty, a pending war in the Middle East and ongoing national security issues, according to a new independent *Travelocity* phone poll. Of those who have made some decision about their travel plans in 2003, **85% plan to travel and nearly half would still travel regardless of heightened homeland security levels**. Spending time with family was cited as the number one type of vacation planned for 2003. Beach vacations and camping were then next popular types of vacations.

Destination Watch

Recovery eminent if no war

Caribbean tourism will reach 2000 levels in 2003 and resume real growth in 2004, according to the *Caribbean Tourism Organization*, but only if there is no war. There is still concern on the recovery of long haul markets as Europeans are staying closer to home and travel within Europe is up. At the end of 2001, the Caribbean region registered a decline of 16% in arrivals. **By 2002, the decline was between 3% and 4%, with the last quarter of 2002 showing positive growth**.

Irish faces bleak outlook

The Irish tourist industry is facing its bleakest year for the decade. With **holiday bookings from the US slowing to a trickle** over the past three weeks because of heightened concerns over a war in Iraq and fears of possible terrorist attacks, a grim picture has emerged. **A collapse in the number of American visitors – similar to that caused by the last Gulf War – would cost shops, hotels and tour operators an estimated US$1.4 billion**.

Turkish arrivals continue upward

Foreign arrivals in Turkey increased by 14% in 2002, reaching a record 13.2 million. The Germans were the largest number of arrivals with 3.5 million, followed by the CIS countries with 1.6 million arrivals and the British with 1.04 million arrivals. In December 2002, the rate of growth of arrivals to Turkey was 40% more than the same month in 2001.

Eco-Monitor

Making locals benefit from the St Lucia Jazz Festival

The St Lucia Jazz festival is known to be an international success. The director of tourism, **Hilary Modeste, has made the festival into an island-wide event that St Lucians now take ownership of**. The month of May is now a month when the whole island comes alive with the spirit of Jazz. There are concerts throughout the island from north to south. **The St Lucia Jazz festival has become a rich and diverse event supported by the entire community**. The festival is not seen as a “high class” event only meant for tourists but as a festival which belongs to the people of St Lucia. The “side” activities of the Jazz festival is called the Fringe. The development of the Fringe now include: Jazz on the Square, Jazz in the South, Jazz at Fond D’or, Tea Time Jazz at Place Carenage Duty Free Shopping Centre, the opening and a number of other club venues and activities at restaurants and boutiques around St Lucia. Involving local communities is key to the development of successful sustainable touism.

Key Future Trends - Part 2

Trend 5: – Internet is IT!

The **Internet is increasingly becoming popular as both a research and booking tool**. Over 50% of leisure travellers use the Internet to research and book accommodation. **Online sales of travel (air, car, cruise and hotel) will grow to $64 billion by 2007** — more than two and a half times the $24 billion transacted in 2001, forecasts *Jupiter* analysts. Managed online travel — with airline tickets accounting for the bulk of all online bookings — will grow **more than 400 percent to $27 billion by 2007**, up from only five billion dollars in 2001, the *Jupiter* analysts predict.

"While the travel industry took a strong hit in the wake of Sept. 11, the Internet as a channel for booking travel is not only growing stronger, but **becoming the method of choice for many consumers and businesses for both bookings and information**," says Jared Blank, a Jupiter analyst.

Trend 6: Maturing Travellers

One of the trends that will not escape the travel and tourism industry is the demographic trend that points to an ageing population in most industrial societies. This means that **our travellers will be older and, although healthier and fitter, will require special attention by travel suppliers to woo, win and keep mature travellers happy and healthy**.

Trend 7: Body, Mind and Soul

Another trend among travellers is the search for other forms of well being apart from the tried and tested physical (sun tan, strenuous exercises and adventure sports) and mental (learning and discovering) forms. **Other soulful forms such as yoga, tai chi, etc. are entering more and more into the tried and tested tourist diet** of sun, sand, sea and sweat. While there is no doubt that the demand for beach holidays will continue to grow, there is a growing trend toward active holidays. Germans want sun, sand and sea, but they increasingly want to be active – to hike, bike, play golf, sail, dive, surf, canoe, raft, fish, etc. But travellers also want to move beyond these physical activities and do something for their well-being. **As such, experiences such as Yoga, Tai Chi and other forms of mind relaxation and development are entering the holiday offer**.

Trend 8: Value for Money is King

While September 11th has caused a temporary fall-off in demand and companies have responded by slashing prices drastically to maintain sales and the internet has prompted a great deal of price hunting, **the long term trend will be more one of value seeking rather than one of bargain hunting**. And some companies have stood their ground. Four Season's approach after September 11th was: "Let's protect our position because eventually the economy will come back and we won't want to start from 30% lower than where we were" (Forbes, October 28, 2002). At the same time, **with the extremely excellent value for money that all-inclusive resorts and cruise lines continue to offer, there will be growing demand for such consistent value for money offers**. The key is not in low prices, per se, but to deliver value for money.

Source: Key Future Trends in World Travel and Tourism, Tourism Intelligence International, (forthcoming, 2003)

Editorial

In planning for the future the following consumer, supplier and destination trends should be considered. Consumers will move from bargain-hunting to value-seeking; from long and expensive to cheaper, faster, shorter; from long haul to short haul; from hippies & yuppies to bourgeois bohemian; from baby boomer to ageing travellers; from physical to Spiritual; from early booking to late booking and from group Tours to Independent travel. On the supplier side the following trends should be considered. The big are getting bigger; the small are now Niche Players; the middle sized companies are disappearing; and suppliers are moving from mass tourism to mass customisation. For destinations the trend is to move away from mass destruction to enough is enough – the emergence of eco-taxes and instead of providing products only destinations are providing experiences.

Trends to Watch

Implications of war

It is widely predicted that once war breaks out, an economic upheaval will follow. Oil prices will destablise, adding millions of dollars to aviation fuel bills leading to the demise of a few more airlines. Currencies and stock markets will crash and "there is a distinct possibility that more terrorism will occur", according to the *Canadian Tourism Commission.* This will mean more travel advisories and visa restrictions. Inevitably, tourism will plunge, companies will close down and millions of people could lose their jobs. These are just a few of the implications, but the list goes on – environmental disasters which could occur when oil wells blaze, fewer aircraft flying and fewer visitors to name a few more. War does not augur well for the tourism industry.

Technology Update

British Airways goes online, on-board

British Airways will offer internet access to business and first-class travellers to New York from the third week in February 2003. The carrier will allow travellers to send emails and surf the web while at 35,000 feet and aims to extend service to all flights if the trial is a success.

Travellers seek personalised online service

Three quarters of American travellers want more personal service from travel web sites, according to a recent research survey by *NFO Plog's On-TRAK Poll* which sampled 500 leading edge travellers done for *OctopusTravel.com*. When faced with travel web sites currently available, most travellers identified at least one disadvantage to booking travel online, among which include "non personal, professional assistance when I need it", "no expert advice", and " no one available to deal with tourism problems". Over 90% would prefer to book hotel reservations and travel services from worldwide travel experts who can assist them any time of day. The younger travellers (77% of18 – 34 years) prefer to book online versus the older travellers (50% of 45 years and older).

Useful Linkages to Sources of Information

eTurboNews.com	eyefortravel.com	hotelresource.com	hotel-online.com
Mintel International	Travel Impact Newsire	TravelWireNews	travelmole.com
Travel Weekly's Caribbean E-Letter		twcrossroads.com	tia.org
word-tourism.org	onecaribbean.org	visitearth.com	hotelmarketing.com

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