

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the German Market in 2001

February 2001

Good growth projected

Germany will see economic (GDP) growth rates of 2.1% in 2001 predicts the *Economist*. Periods of rapid growth of travel abroad tend to coincide with periods of good economic growth. The unemployment rate is still relatively high at 9.2% 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 spending. Germany's potential travelling population is conservatively estimated at 63 million — larger than the absolute population of any single country in Europe. In 1999, **Germans spent DM87.5 billion on travel abroad**, setting a new record. Expenditure on travel abroad is estimated to increase by a further 4% to DM94.8 billion in 2001. In 2000, more than three-quarters of all Germans would have taken at least one holiday per year. **German travel demand has been fuelled by a strong economy; high incomes; six weeks of paid holidays; the availability of new destinations** (South Africa, Eastern Europe, China); increased travel experience and the sheer desire to travel abroad.

Growth in outbound travel

The German outbound travel market is set for steady growth with significant structural changes in demand over the next decade. **The market for long holidays (5 nights or more) is set for 3% annual growth to some 80 million trips while the number of short holidays will also grow to some 80 million**, *FUR* forecasted.

Trends 2010

German consumers will take more frequent but shorter holidays, will travel more outside the traditional season and will seek new forms of holidays. Significant changes in the type of holiday-maker and his or her motivation to travel will emerge. "Everything will be more differentiated, more fragmented and segmented: target groups, products, motives, travel patterns," *FUR* predicts.

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The major trends over the next decade will be:

- More holidays, shorter stays, less seasonality;
- New target groups will emerge;
- Travel motivation will diversify more strongly;
- Long-haul destinations will grow faster than short-haul;
- More tour operator-organised holidays, more air-based packages; and
- More modular holiday products.

Of the various kinds of travel, **the future outlook for health holidays and city trips look excellent.** Both of these types of holidays hold about 9%-10% of the German outbound travel market with growth potential in the vicinity of 7.5 million trips. Germans are also expected to holiday abroad in sunny destinations during the winter. **The potential for all-inclusives look very good** as TUI, Germany's largest tour operator has launched for summer 2001 its catalogue dedicated to all-inclusives – a first for Germany.

Sources: *How Germans will Travel 2005*, *FUR Trendstudie 2000-2010*.

Destination Watch

Peace park to be developed in Africa

Imagine a transfrontier park bigger than Portugal. Imagine the beauty of 10,000 elephants now free to roam 20,000 km, moving across the international borders between Mozambique, South Africa and Zimbabwe where fences have been removed. An agreement was signed by Mozambique, South Africa and Zimbabwe for the development of a 100,000 acre-peace park. The aim of this transfrontier park is to promote biodiversity conservation on a regional basis across international boundaries as well as socio-economic upliftment of rural communities living in and around the park.

Mexico booms

During the first 7 months of 2000, Mexico welcomed a record 12 million visitors, a 4.3% rise from 1999. Visitors to the country spent approximately US\$5 billion during this period at hotels, restaurants, stores, attractions, cultural institutions and countless other locations. Arrivals by air rose 10% to 4.7 million and cruise passenger arrivals rose 11% to 200,000. This performance can be partly attributed to the US\$10 million promotional campaign.

Technology Update

In-flight technology

The first in-flight e-mail facility will take off this year and travellers will be able to use their mobiles in-flight to surf the Internet on their laptops. Members of the 15 carrier Star Alliance claim that they will be able to offer passengers this service following a technological development last year that will provide a line between members' different computer systems.

France leads in online travel bookers

Almost half (44%) of Internet users in France bought leisure travel over the Internet during 2000, according to e-commerce news site *eMarketer.com*. This compares with 7% of UK Internet users and 2% of Germans. In the US, 9% of Internet users bought travel online. During 1999, online travel, transport and tourism accounted for 17% of all online sales in Europe. Only computer hardware was a more popular online buy, accounting for 24% of all sales.

EasyJet plans to end telephone bookings

EasyJet plans to end its telephone booking service within the next month in an effort to cut costs and is hoping to force all its bookings on the Internet. Tickets booked via the Internet are cheaper for the customer and the transaction is much cheaper for the airline. This move follows EasyJet's announcement that passenger numbers have increased by more than one-third over the past year.

Hotel & Resort Trends

Big Apple Hotels had a record in 2000

Big Apple Hotels had a banner year in 2000, recording their highest 12-month occupancy in more than half a century and their highest ever-average daily room rate, according to a study by PKF Consulting. Occupancy at the approximately 100 hotels sampled was 84.6% last year, up from 81.2% in 1999. The room rate contributed to an increase in revenue per available room of 12% in 2000, compared with 1999.

Biggest-ever budget hotel for UK

Whitbread is planning to develop the biggest budget hotel in the UK: The 614-bedroom, US\$58.5 million Travel Inn at London's Heathrow airport will also be the third largest in Europe. The hotel is expected to open in 2002.

Focus: The Gay & Lesbian Travel Market

A lucrative market

The gay and lesbian market represents 10% of the general travelling population and a US\$47.3 billion market. Gays and lesbians spend US\$17 billion on travel every year, according to the *International Gay & Lesbian Travel Association* (IGLTA). Consider that this market has:

- High disposable income;
- High propensity for foreign travel;
- Sophisticated taste, strong interest in arts, culture and food;
- A tendency to travel in same-sex couples or small groups;
- Potential for a large group movements to key events example Euro pride; and
- A great degree of brand loyalty and responsiveness to advertising and direct mail that acknowledges their preferences.

Propensity for travel

The gay and lesbian market ranks as the second-largest group of minority travellers after African Americans and behind Latinos and Asians. They have more discretionary income for travel since most do not have children. **Eighty-five percent of gay and lesbians travelled in 2000 compared to 64% in 1999.** In addition, 36% took three or more trips in the last 12 months and 15% took a cruise.

Preferred vacations

Gays and lesbians tend to vacation in groups. They travel in couples or in large groups to attend gay conferences and events. They are also big on adventure travel and eco tourism (19%) and also enjoy FIT arrangements (81%).

Strong Internet users

About two-thirds (65%) of gay and lesbian travellers use the Internet as their primary resource for travel information, much higher than any other group. Word of mouth however, is the strongest conduit for information among gay travellers.

Implications for travel agents

Travel agents are likely to benefit significantly from the growth of this niche market. **Approximately nine-tenths (89%) of gay clients purchase travel through retailers.** Agents who service this market must have a long-term approach and sell gay-specific products and services, or mainstream products that are customized for the gay and lesbian travel market. Gay and lesbian travellers confirmed that the most successful suppliers and agencies are those that give back to the gay and lesbian community through charity and volunteer service, according to a recent poll by *Travel Association Group*. **Gay and lesbian travellers used a travel agent in the past year because they like to support gay-friendly companies** and services, as well as reaffirm what they find online, compared with 42 percent of straight travellers.

What gays and lesbians look for?

Gay and lesbian travellers look for a “**gay-friendly environment**”. They want to be comfortable and not have to be bothered by negative attitudes while vacationing.

Favourite vacation spots

Some of the most popular vacation spots are: Quebec City, Montreal, San Francisco, Los Angeles, Miami, Puerto Vallarta, Mexico, Australia, Hawaii, Germany, Thailand and France.

Future prospects

As society become more accepting of gays and lesbians, there is no doubt that this niche market will grow. Already, many destinations are beginning to push this market segment. For example, the British Tourist Authority (BTA) is in the forefront of aggressively marketing to gays with an enhanced gay-specific website and participation at gay consumer shows and pride events. The French, Germans, Netherlands and Swiss are on the heels of the British.

Sources: *Travel Weekly, Advocate (The National Gay & Lesbian News Magazine), Travel Agent Magazine.*

Editorial

The dot.coms no longer appear to be the darlings of City investors. Travel Trade Gazette questions whether the dot.com bubble has burst reporting on the latest casualty, dreamticket.com, that failed to raise US\$12 million from some 90 potential investors. And City analysts do not believe that dreamticket will be the last of the casualties. Does this mean the end of internet bookings or that traditional travel suppliers need not worry about internet startups? The truth of the matter is that the client of the internet tend to be rather differently profiled than the client of the traditional tour operators. Tour operators that have placed their offerings on the net report low sales and sales of package components rather than full packages. This is not surprising. On the other hand, the new internet companies seems to be reaching the 'new' clientele with modular offerings, but do not have the credibility and reputation to break into the 'old' market. This is perhaps why the alliance between lastminute.com and Thomas Cook are definitely steps in the right direction.

Trends to Watch

Summer 2001 Holiday sales off to a slow start

January sales of Summer 2001 holidays have gotten off to a sluggish start, despite discounts of 50% on selected holidays in the UK. This slow start has been partly attributable to poor weather and the public's distrust of high discounts.

Healthcare in the air

American Airlines launched SKYCARE that will provide registered nurses for travellers who need limited medical attention or care during their flight. The traveller will have to buy adjacent seats for himself and the nurse at 30% off the full fare and will also pay an hourly fee for the nurse.

Hotel luxury is key to favourite vacation spots

It is increasingly the hotel, not the destination which determines where one goes on vacation according to *Kuoni Travel*. Luxury accommodation is driving consumer choice. The hotel is very important in choice of destination either for its architecture, cuisine, service or sheer beauty and facilities.

Thomascook.com and lastminute.com in dotcom partnership

Thomascook.com and lastminute.com have announced a partnership deal, which will operate on a trial basis until May. The deal will see thomascook.com become one of lastminute.com's 'first minute' travel partners. This means that customers who visit lastminute.com looking for a holiday more than six weeks in advance will be directed to a joint site showing millions of holidays available on thomascook.com. In return, **lastminute.com will offer products such as 'theatre tickets, restaurant bookings, gifts and experiences' to thomascook.com's customers.** Thomascook.com will also be one of lastminute.com's preferred flight partners.

Caribbean Hotel Association plans auction on the Internet

Caribbean Hotel Association unveiled plans to auction room nights on the Internet to provide funding for a regional marketing plan. The pilot phase of the program involves the voluntary participation of 12 - CHA member hotel groups and companies. Each will contribute US\$25,000 or 550 room nights to fund the program.