Germany: Tourism Market Insights 2017

This tourism report provides an outlook on key market insights on a global, national and provincial scale for Germany. In addition, it includes key behavioural trends and characteristics of travellers from Germany.

Obtaining a thorough understanding of when and where travel consumers search and source their information sheds light and insight on how to effectively influence travellers' decision as they plan their next trip.

Tourism Industry Trends

- According to *Euromonitor International*; airlines are forecasted to grow by 4% in Germany to reach EUR12.2 billion in value sales in 2017. An increasing demand was the main reason for growth in charter, low cost carriers and scheduled airlines.

- The positive development in car rental in Germany, which started in 2013, continued into 2017. In the last year the car rental sector reflected 2% growth in terms of current value, and total sales are expected to rise by EUR2.4 billion in 2017.

- This confident growth was all the more notable considering the very challenging environment for travel modes in Germany. Competitor segments include the rising trend in car sharing and long-distance buses, as well as a successful development of public transportation, especially rail. Demand for car rental was generated due to the growing inbound and domestic flows, as well as high consumer confidence among German residents.

- Value sales of intermediaries continued to increase in Germany. Growth is anticipated to reach 2% in 2017 to exceed EUR35 billion for the first time. The main reason for this very optimistic development, with growth even achieved by offline players, was the growth in domestic, inbound and outbound travel flows.

- Germans remained very interested in travel products and services, which was furthermore enhanced and sustained by the favourable economic conditions and high consumer confidence.

- Within the competitive environment, the top players with a double-digit share of total value sales in intermediaries remained Der Touristik GmbH and TUI Deutschland GmbH. Both offered solid brands and products and were well distinguished among Germans. The largest online-only player remained Unister GmbH, with a significantly lower value share of 6% of intermediaries overall.

- Online sales penetration continued to escalate, with online sales forecasted to rise by 4%, while offline sales only by 1% in 2017. Considering the drop in offline sales during the early years of the review period, the minimal to slight growth of 2016 and 2017 must be regarded as a success.

- All four categories of hotels as defined by *Euromonitor International* (luxury, mid-market, budget and unrated) are forecasted to increase in terms of value sales in 2017, with the fastest growth in mid-market and the slowest in unrated hotels.

- Demand remained high (because of growing domestic and inbound flows) despite ongoing competition from alternatives, especially short-term rentals. The higher demand helped many hotels to achieve better occupancy rates and to enforce higher average rates.

- Leading players in hotel sales in 2017 remained Accor Hotellerie Deutschland GmbH, Best Western Hotels Deutschland GmbH, Travco Group Holding, SAE and InterContinental Hotels Group Plc. All were present with a diverse hotel portfolio, and their brands enjoyed relatively high awareness and good reputations among both German and international guests.

- Leading players in short-term rentals were Airbnb Germany GmbH, HomeAway Deutschland GmbH and Wimdu GmbH, which profited from relatively high investments in promotional activities, which paid off in the form of strong awareness among the target groups.

- The biggest increase in leading players in 2017 was seen by Best Western with the largest increase in actual sales and value growth among the top companies. This was largely because it continued to open a significant number of new hotels in Germany towards the end of the review period.

Inbound Tourism Trends

- Inbound arrivals in Germany is projected to rise by 2% to reach 36.2 million trips in 2017. The positive growth was equally supported by both business and leisure travel, which saw very similar growth when compared to 2016.

- The growing demand for business travel was the result of excellent and constantly updated infrastructure. For leisure, the developing awareness of Germany as a travel destination with a wide range of attractions and excellent value for money contributed to the positive growth seen across the review period.

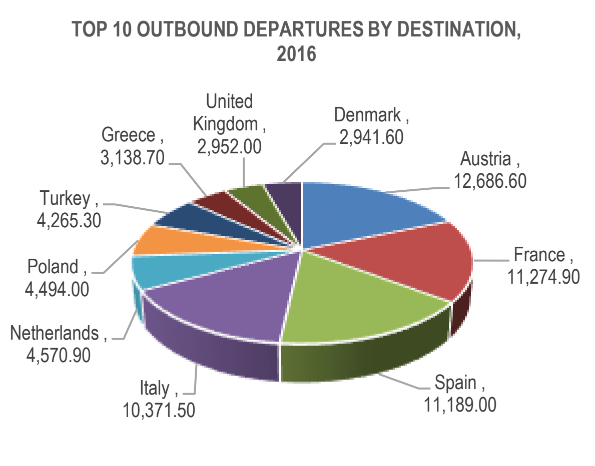
- The National Tourism Board together with its regional and local counterparts continued to support the growth of inbound flows with a number of activities. These activities were initiated both in Germany and in source countries. Given a large enough target group, a custom-tailored approached were implemented. For example, evaluating the image of Germany in a specific source market, or providing key information to a targeted audience with very specific interests or hobbies.

- The main source markets for Germany includes Western European countries, particularly those which are geographically convenient for leisure and business travel.

Outbound Tourism Trends

- Domestic tourism remains a very important market for Germany, underlined in the significant number of domestic flows taken across the review period.

- For most Germans, at least one trip abroad a year is an integral part of their lifestyle. With respect to preferred outbound destinations, the leading factor in 2016 and 2017 indicated a clear inclination for countries who had a lower risk of terrorist attacks. The perceived lower risk countries included Spain, Italy and Greece, while the higher risk countries were observed to be amongst the North African countries or Turkey.



Source: Euromonitor International, 2017

- Trends further revealed that all demographic groups continued to prosper. However, towards the end of the review period, older travellers became increasingly important to tourism abroad, largely attributed to their significant spending power.

- The importance of social media and other online campaigns to outbound tourism flows continued to grow, as more and more Germans were active in this regard, including older groups of the population.

- The outlook for outbound tourism remains positive. As indicated, the annual holiday is very important to Germans, even in times of crisis, only slight concessions are made.

- The choice for outbound destinations will likely be influenced by many factors which changes every year. The most dominant factors could include issues such as terror threats, local conflicts, epidemics, exchange rates or large scale events among others.

Understanding the German Traveller

- According to the June 2017 household trends released by *Euromonitor International*, Germany offers a large market of single-person households, creating great opportunities for providers of goods and services targeting singletons. Meanwhile, it has one of the lowest average number of children per home, undermining growth in children-related segments.

- Due to rapid population ageing, the share of household heads aged 60+ is anticipated to rise and make up nearly half of all households by 2030, creating great prospects for targeting the elderly with products such as holidays, healthcare and mobility goods.

- Germans in the age group 40-44 had the highest levels of average gross income in 2016. Nonetheless, as a share of the population in the top income band (i.e. individuals with an annual gross income over US$150,000), the age segment 65+ was the most predominant group. This trend is expected to rise even further in the coming years, driving demand for health goods, medical services, holiday, travel services, entertainment and events.

- Real growth in Germany's gross income and total consumer expenditure is projected to slow down in the short term, after seeing a healthy increase in 2016, on the back of employment and wage growth. However, with a considerable middle class, Germany continues to offer opportunities for consumer businesses.

- Rapid population ageing, shrinking household sizes, immigration and a gradual rise in income inequality will be factors affecting Germany's income growth and spending patterns in the long run.

- Education reflected the strongest growth amongst the top spending categories between 2011 and 2016. This reflects a rise in the number of youth pursuing higher education in Germany. In the long run, anticipated trends indicate health goods and medical services to show the fastest growth.

This is fuelled by elderly consumers' demand for outpatient services and pharmaceutical products in the country.

Understanding the Digital Consumer

- The digital consumer in Germany has gone through significant growth. At present, Germans utilizes PCs, tablets and smartphones for numerous purposes including purchasing.

- German consumers tend to be price-savvy, so will often research and match prices online. The internet has thus become a vital network for commerce, predominantly for retailing and travel, where it already accounts for a significant share of the overall industry sales.

- German households are highly digitalized, supported by the country's high income levels and good telecom infrastructure. Household ownership of tablets, smartphones and laptops is already higher than global averages, and is set to rise further through to 2030. This will provide companies with various opportunities for their marketing and sales strategies. Germany also has a dynamic pay-TV market, with households having either cable or satellite TVs.

- The possession rate of personal computers and laptops continues to rise, reaching 90% and 77% respectively in 2016, showing that home connectivity readiness in Germany is high.

- Smartphone and tablet interest continue to rise rapidly. In 2016, 70% of households owned a smartphone, and 40% a tablet. Furthermore, the government is taking steps to guarantee nationwide 4G LTE and future next-generation mobile broadband coverage, especially in rural areas. Mobile connectivity and the uptake of mobile devices is estimated to continue its robust growth.

- For activities related to shopping online, German users are well above the European average, and ranked second in Europe behind the UK in 2016. Generally, being rather guarded consumers with regard to new technologies, Germans are now fully adapting to the increased digitization of services and retail goods. Younger generations particularly utilize the internet on a daily basis, both at home and on the go, for information purposes, entertainment and increasingly to make purchases.

- Currently it's the 50+ generation that is increasingly jumping on the digitization bandwagon, and discovering the prospects presented by the internet. German consumers have in that regard become more demanding when it comes to multi-channel retailing. The new digital technologies have therefore changed consumer behaviors and transformed retail high streets.

- PCs are mostly the device of choice when at home and searching for retail goods or services such as travel, lodgings or ticketed attractions and entertainment. However, tablets are catching up as more and more consumers value the convenience of a tablet at home but also on the go, for example when travelling by train.

- The smartphone is becoming the all-in-one device, mainly used by younger consumers for multiple purposes, and regularly on hand. This has led to a rapid escalation in mobile commerce. However, as the German society is one of the oldest in the world, PCs will remain the device of choice for a large proportion of German consumers over the forecast period.

- Following retailing are transport and lodging digital remote purchases. In particular, air and rail tickets have been impacted by the emergence of digital technologies. Trends indicate that more and more consumers compare prices, routes or airlines online, and value the convenience of purchasing them via a digital device. Lodging digital remote purchases have likewise increased since the emergence of online travel agencies and the likes of Airbnb.

- In 2016, according to a study by trade association Bitkom, three-quarters of Germans have their smartphones with them constantly, particularly the younger generations. Moreover, they are progressively using such devices for commerce. Consequently, smartphones are becoming an online/offline link, which is expected to increase over the forecast period.

- The German consumer of tomorrow, however, will not rely on just one device, but use multiple devices interchangeably, exchanging between laptop, tablet and smartphone depending on location and purpose. Consumers are anticipated to continue to make larger purchases rather via PC or tablet, while making smaller purchases, and things that need to be checked or ordered quickly, via smartphone.

Travel behaviour and Key Influencers

GERMAN TRAVELLER TRENDS, 2016/17	
Paid holiday	24.0
Public holidays	9.0
Annual leave	33.0
Age profile	50-64 years (15.8 million)
Seasonality by month (Number of people)	August (8.5 million)
	July (8.2 million)
	June (7.1 million)
Top travel group size	Couples (22.1 million)
Number of trips taken in the past year	Personal trips (2.4 trips)
	Business (1.2 trips)
	Relaxing (62%)

Types of vacation taken in the last year	Sightseeing (36%)
	Visiting family (33%)
	Family play (15%)
	Romantic getaway (23%)
Duration of last vacation	9.8 days
Mode of transport to last destination	Plane (57%)
	Car ride (31%)
	Train ride (8%)
Preferred accommodation	Hotels (66%)
Domestic vs. travelling abroad?	In my country (28%)
	Outside my country (72%)

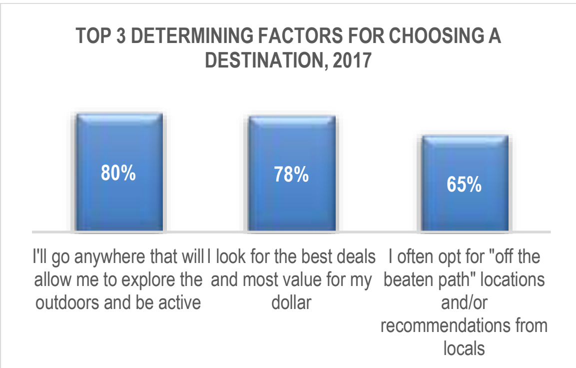
Sources: Euromonitor International, Expedia Media Solutions, 2017

1. **Which considerations were the most important when choosing a destination?**

- When asked which considerations were the most important when choosing a destination, activities ranked the highest. German travellers place a high importance on lifetime experiences, feeling pampered during their vacation and having the opportunity to embark on cultural experiences.

Source: Expedia Media Solutions, 2017

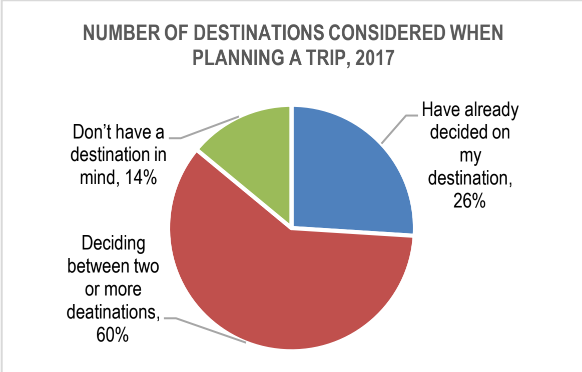
2. **What is the top determining factors for choosing a destination?**



Source: Expedia Media Solutions, 2017

3. **Number of destinations considered while planning?**

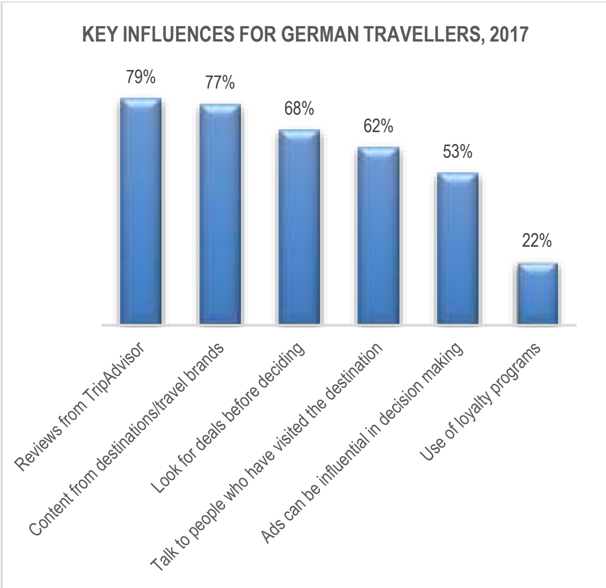
- **60%** of German travellers decide between two or more destinations whilst planning their trip.



Source: Expedia Media Solutions, 2017

4. **What was the key influencers which impacted on destination decisions?**

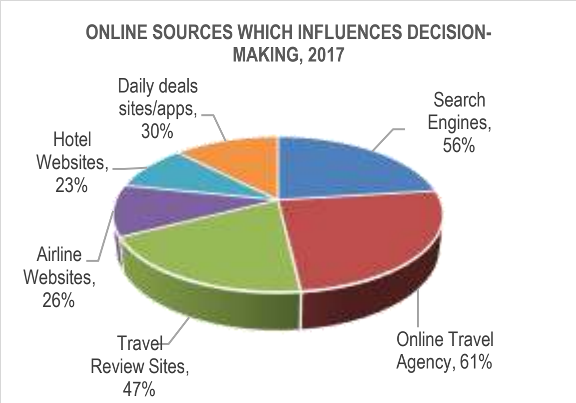
- For the Germans, reviews from sites such as TripAdvisor and informative content from destinations and travel brands can equally influence their decision making process.



Source: Expedia Media Solutions, 2017

5. **Which online sources influenced decision-making?**

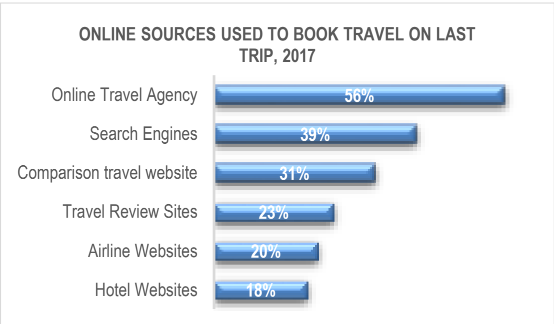
- Top online sources which influenced decision-making for Germans included Online Travel Agents (OTAs) and search engines.



Source: Expedia Media Solutions, 2017

6. Which online sources were used to book travel on the last trip?

- **56%** of Germans used OTAs to book travel on their last trip.



Source: Expedia Media Solutions, 2017

7. When was the last online travel booking made?

- Slightly over a third of Germans travelled in the past three months.

- 36% of respondents took 1-3 weeks to book their trip, followed by 33% who booked within a week.

BOOKING TRENDS AMONGST GERMAN TRAVELLERS, 2017	
Last online travel booking made?	**How long did it take to book the trip?**
Less than 3 months ago (33%)	Within a week (33%)
3-5 months ago (25%)	1-3 weeks (36%)
6 months ago (22%)	A month (19%)
A year ago (20%)	2-3 months (10%)

Source: Expedia Media Solutions, 2017

8. How influential is budget when booking travel?

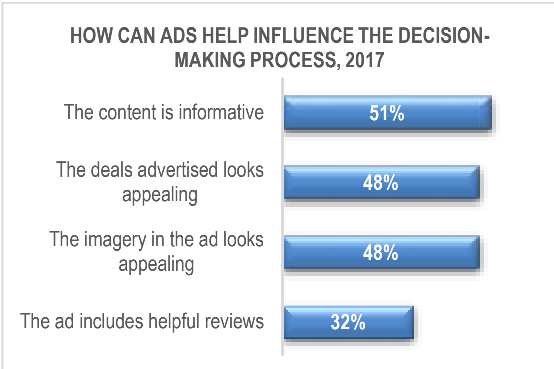
- **59%** of German travellers indicated that budget was a primary factor during their planning. A significant proportion of the Germans travel budget were spent on hotels (31%), followed by flights (17%), food (16%) and attractions (10%).

APPROXIMATE TRAVEL BUDGET, 2017	
Category	**Proportion spent**
Hotel	31%
Flight	17%
Food	16%
Attractions/tours	10%
Transportation	8%
Shopping	8%
Alternative accommodation	6%
Other	4%

Source: Expedia Media Solutions, 2017

9. How does ads help to influence the decision-making process?

- For Germans specifically, ads holds a much greater impact when the content of the ads is rich and informative.

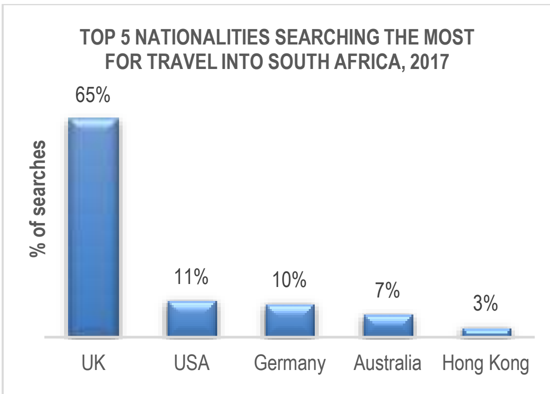


Source: Expedia Media Solutions, 2017

Profile of the German Traveller to South Africa

1. Which Nationalities are searching the most for travel into South Africa?

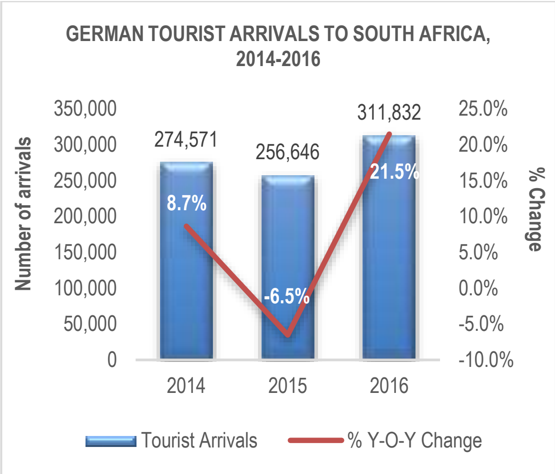
- The largest share of searches for flights into South Africa originated from the UK. Germany conducted the third largest share of searches. This indicates that travelling time to a destination is not as critical as travel costs, accommodation and activities amongst the German travellers.



Source: Cheapflights, 2017

2. How many German tourists visit South Africa per year?

- Germany accounted for 20.4% of tourists from the European region to South Africa, reaching a total of 311,832 in 2016. Over the last three years South Africa saw the highest volume as well as growth in German tourist arrivals during 2016, reflecting a double digit 21.5% increase year-on-year.

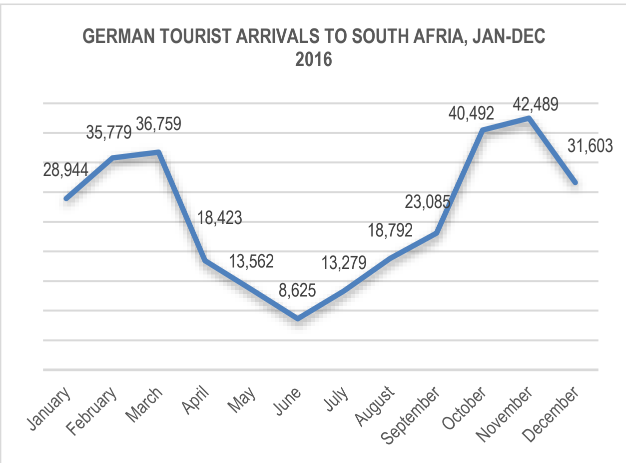


Source: SATourism, 2017

3. Which months do they prefer travelling to South Africa?

- During 2016, peak months for travel to South Africa were generally between October and December, with over 40 000 Germans travelling to South Africa respectively. February and March were also popular amongst the Germans.

- The summer months is particularly popular for this market, which is unsurprising given that their top influential factor when choosing a destination is to go where they allowed to explore the outdoors and be active.



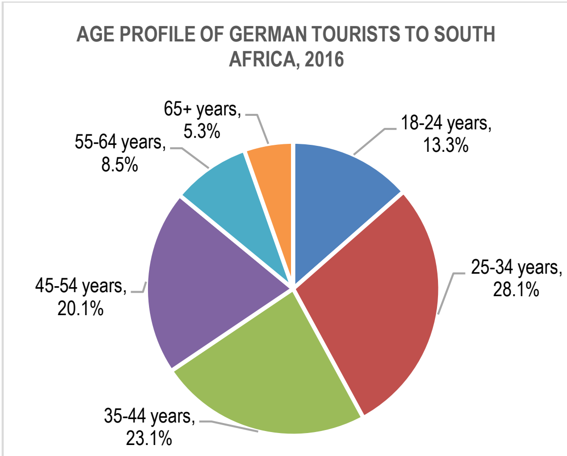
Source: SATourism, 2017

4. What is the age profile of the German tourists to South Africa?

- The age profile of German tourists to South Africa highlights a strong youth market aged between 25-34 years (28.1%), closely followed by the age group 35-44 years (23.1%).

- According to *Euromonitor International*, September 2017 global trends for Germany, travellers aged 50-64 years ranked as the largest demographic segment with 15.8 million travellers.

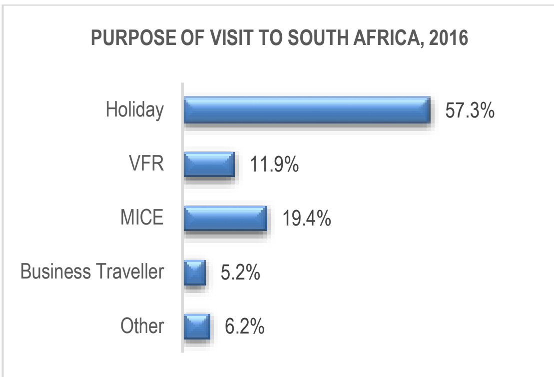
- While South Africa captures a fairly younger market as opposed to the global trend, it provides solid opportunities for the country to draw an even greater share of the retiree traveller segment.



Source: SATourism, 2017

5. What is their main reason for travelling to South Africa?

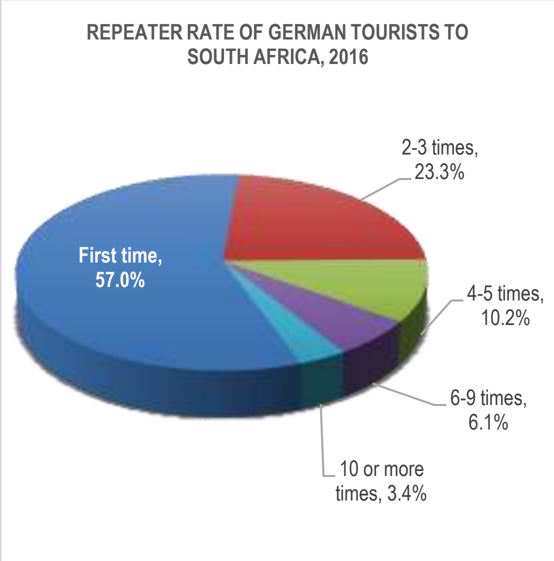
- German tourists to South Africa are predominantly holiday visitors (57.3%). However, South Africa also holds a noteworthy MICE (Meetings, Incentives, Conferences and Exhibitions) market (19.4%), with an additional 5.2% who predominantly travelled to South Africa for business. Visiting friends & family (11.9%) ranked as the 3rd most popular reason for travelling to the country.



Source: SATourism, 2017

6. **How often do German tourists travel to South Africa?**

- The largest share of the German market travelled to South Africa for the first time (57.0%) in 2016. The country also holds a strong share of return visitors, ranging from 2-3 prior visits to 10 and more. The largest share of the return visitors travelled 2-3 times before (23.3%).



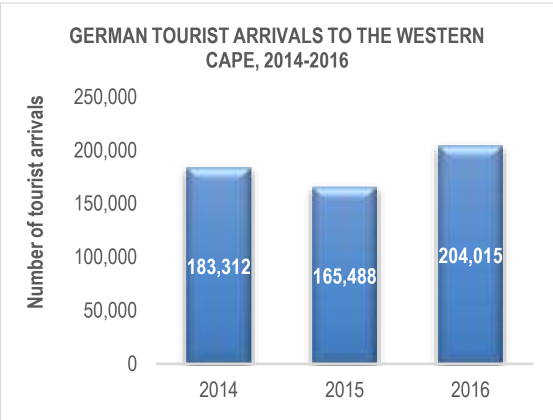
Source: SATourism, 2017

Profile of the German Traveller to the Western Cape

1. **How many German tourists visit the Western Cape per year?**

- Over the last three years the Western Cape have seen the strongest volume in German tourists in 2016 (204,015). Despite the drop in tourists during 2015, the province saw a 23.3% year-on-year increase in travellers from this market.

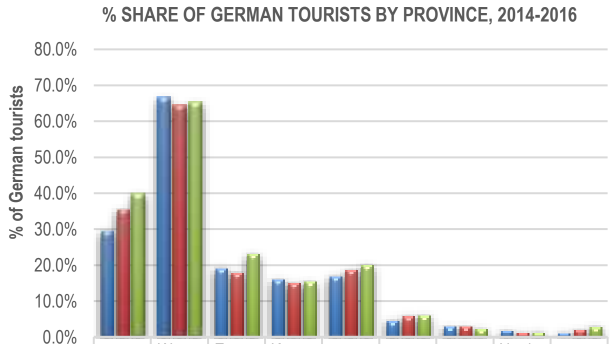
- Germany ranked as the Western Cape second largest source market, and maintained its position for three successive years between 2014 and 2016.



Source: SATourism, 2017

2. **How attractive is the Western Cape to the German market?**

- In 2016, the Western Cape held a share of 65.4% of South Africa's German tourists. Amongst the provinces, the Western Cape welcomed the largest share of German tourists for three consecutive years (2014-2016).

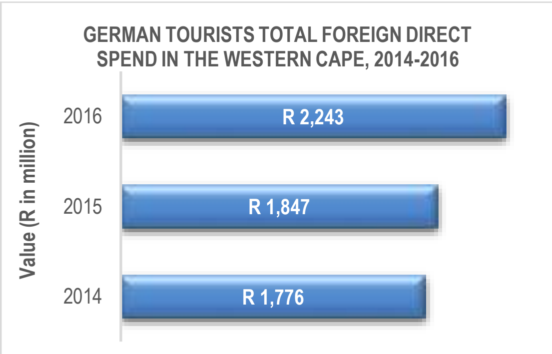


	Gauteng	Western Cape	Eastern Cape	Kwazulu Natal	Mpumalanga	Limpopo	North West	Northern Cape	Free State
2014	29.7%	66.8%	19.4%	16.3%	17.1%	4.8%	3.3%	2.0%	1.4%
2015	35.7%	64.5%	18.1%	15.3%	18.9%	6.1%	3.3%	1.5%	2.3%
2016	40.0%	65.4%	23.4%	15.7%	20.3%	6.2%	2.6%	1.6%	3.1%

Source: SATourism, 2017

3. **How much do the German tourists spend in the Western Cape?**

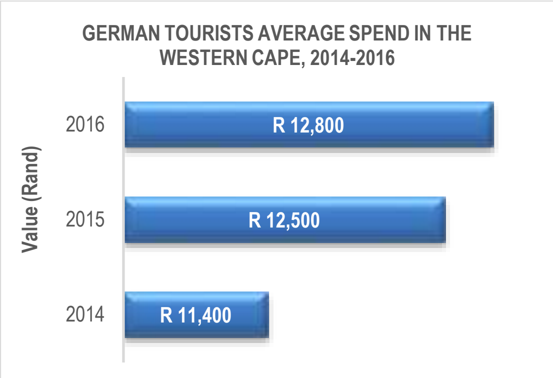
- In 2016, the German market contributed R2.2 billion to the Western Cape's economy, ranking as the third largest tourism spender for the province, following the United Kingdom and the United States.



Source: SATourism, 2017

- On average, US tourists spent around R12, 800 in the Western Cape in 2016. The average spending from this market reflected a steady annual increase between 2014 and 2016. German tourists spent R1, 400 more in 2016, compared to the average expenditure in 2014 (R11, 400).

- Globally, trends indicate that a significant proportion of the Germans' travel budget are spent on hotels (31%), followed by flights (17%), food (16%) and attractions (10%).

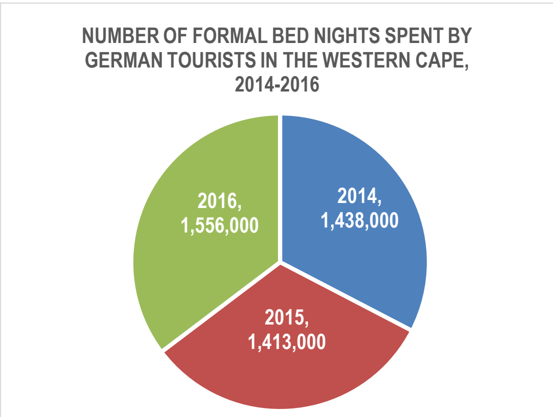


Source: SATourism, 2017

4. How attractive is the Western Cape's accommodation sector to German tourists?

- Germany accounted for 15.6% of the Western Cape's formal bed nights in 2016 and reflected over 1 million formal bed nights per annum over the last three years.

- 72% of the total bed nights spent by Germans in the Western Cape were in formal accommodation. Globally, trends further revealed that the largest proportion of the German travelers' budget were spent on hotels (31%) on their last trip. This indicates the sustained demand for formal/traditional accommodation from this market.



Source: SATourism, 2017

5. How long do German tourists stay in the Western Cape?

- On average, German tourists to the Western Cape stayed for 12.1 nights in 2016. Despite the length of stay being shorter when compared to the subsequent years; the volume from this market increased by 23.3% and the total foreign spend by 21.4% in 2016.

- This indicates that Germans are still travelling to the Western Cape and contributing even more to the economy.

Source: SATourism, 2017

LOOKING AHEAD: Do we foresee continued growth from the German market?

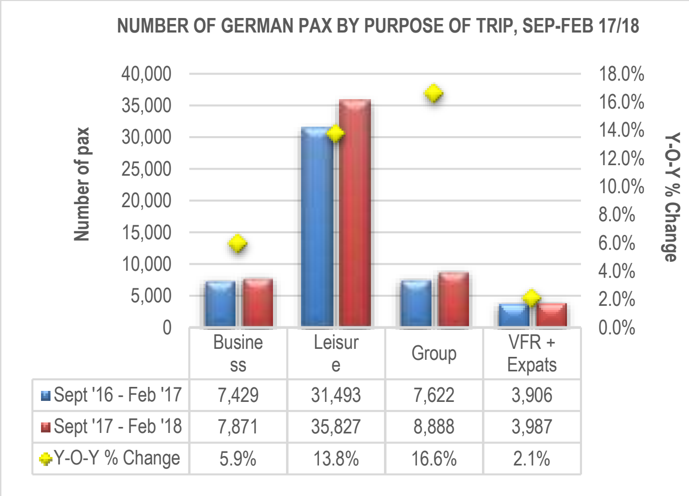
- When observing the advance booking trends indicated by *Forwardkeys*, the six months period September 2017-February 2018 reflects a total of 56,573 German arrivals through the Cape Town International Airport.

- When compared to the same period of the previous year, pax arrivals portrayed an increase of 12.1% year-on-year, confirming that travel will continue at a steady pace into 2018.

Source: Forwardkeys, 2017

- Leisure ranked as the key purpose of visit amongst the anticipated German arrivals between September 2017 and February 2018. An expected 35,827 German pax will be passing through the Cape Town International Airport during this period. Looking forward, the projected purpose of travel confirms a solid demand for leisure travel from this market, and are estimated to grow by 13.8% year-on-year.

- Group travel ranked as the second largest category for purpose of trip. This segment is forecasted to reach the highest year-on-year growth for the period, rising by 16.6% and surpassing the expected growth for leisure and business travel.

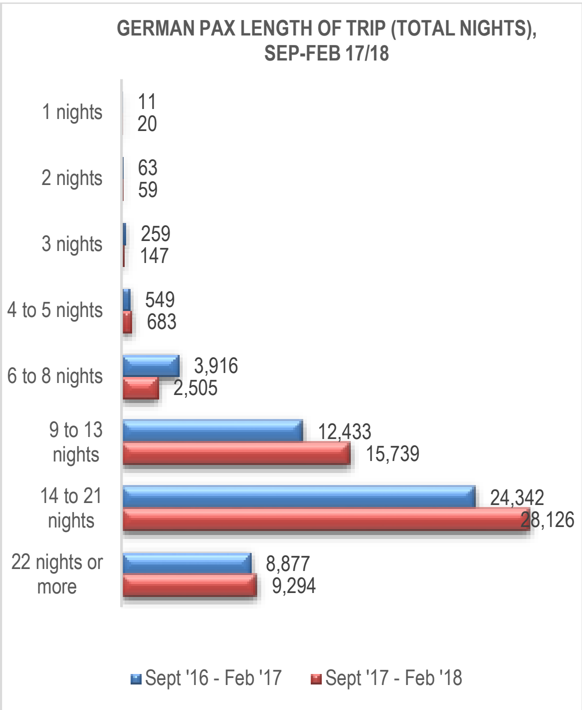


	Business	Leisure	Group	VFR + Expats
Sept '16 - Feb '17	7,429	31,493	7,622	3,906
Sept '17 - Feb '18	7,871	35,827	8,888	3,987
Y-O-Y % Change	5.9%	13.8%	16.6%	2.1%

Source: Forwardkeys, 2017

- When taking a closer look at the length of stay of the forecasted German arrivals between September 2017 and February 2018, extended stays ranging between 14 and 21 nights ranked as the most prevalent duration of stay.

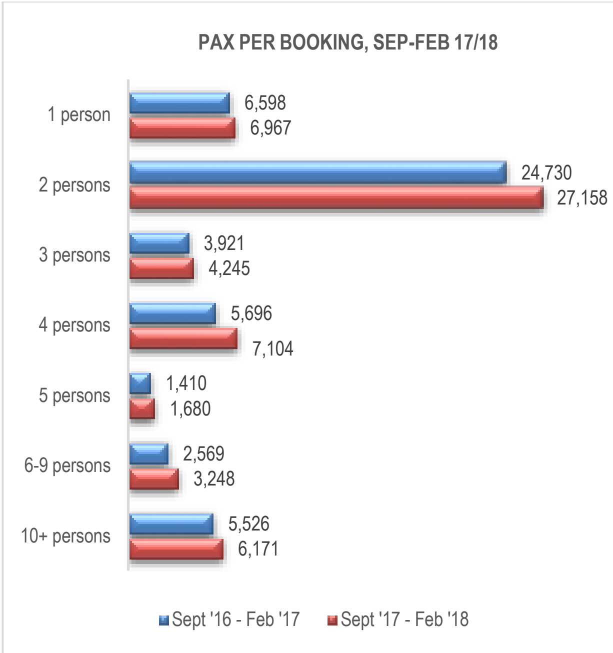
- Over 9,000 German travellers are expected to stay for 22 nights and more in the province. Extended holidays of this length provides solid opportunities for marketers to promote regional spread.



Source: Forwardkeys, 2017

- Travelling in pairs or/as couples are expected to remain the top travel group size over the 6 months ahead. Travelling in groups of four followed as the 2nd largest share of travellers.

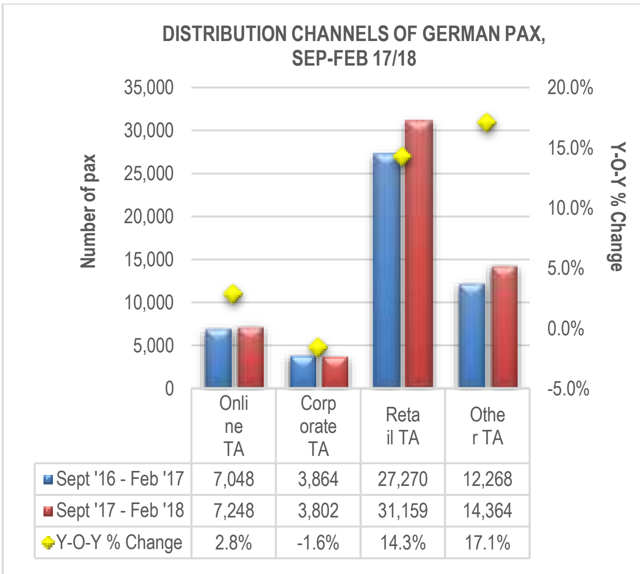
- The prevalence of solo-travellers could likely be attributed to the large share of business travellers forecasted for the period, or likely those who have indicated travel for the purpose of visiting friends and family.



Source: Forwardkeys, 2017

- As indicated by the 2017 global insights released by *Expedia Media Solutions,* 56% of respondents used Online Travel Agencies (OTAs) to book their last trip.

- As seen below, travel agencies are generally a popular booking channel amongst the Germans, particularly the retail travel agents, which held the highest frequency of bookings (31,159) for the forecasted period.



	Online TA	Corporate TA	Retail TA	Other TA
Sept '16 - Feb '17	7,048	3,864	27,270	12,268
Sept '17 - Feb '18	7,248	3,802	31,159	14,364
Y-O-Y % Change	2.8%	-1.6%	14.3%	17.1%

Source: Forwardkeys, 2017

Key findings for Destination Marketers:

- The typical German traveller decides between two or more destinations. This holds a solid window of opportunity for marketers to influence travellers during their planning and decision-making phase.

- Online Travel Agencies ranked as the top booking channel, indicating the strong role this segment plays in the booking process.

- Germans has a high regard for deals in their planning, they largely travel by plane, stay in hotels and 72% of German respondents indicated that they would travel outside of their country. This serves as an important indicator for marketers who wish to target the long-haul destinations such as Germany.

- Activities and experiences are the most influential factors for Germans in determining their holiday destinations. It is important to note that while Germans largely seek relaxation, they also search for locations which allows them to explore the outdoors and be active.

- They also opt for "off the beaten path" activities. These trends will enable marketers to tailor their ads and offerings to specifically target this market.

- Destination reviews and informative content in ads are important factors considered by Germans. For this market specifically, ads hold a much greater impact when the content of the ads is rich and informative. The visual appeal of the ads also play a huge role amongst Germans, coupled with imagery appeal.

- Marketing channels therefore needs to speak to both the sightseeing opportunities as well as the experiences and activities of the destination. A focused marketing message will effectively attract this market.

- Marketers can also provide numerous deals and information on value for money and ease of transportation to make the travel decision even easier.

- In addition, marketers should consider creating a multi-screen strategy with rich content to target the specific period when these travellers are using their respective devices.

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