

# ITB WORLD TRAVEL TRENDS REPORT 2010

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WORLD TRAVEL TRENDS REPORT March 2010

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## Foreword

This is the tenth *ITB World Travel Trends Report* commissioned from IPK International, founders of the World Travel Monitor, and the sixth covering information presented at the ITB Berlin Convention during the annual ITB Berlin travel trade fair. It also updates the *ITB World Travel Trends Report* published following the World Travel Monitor Forum, more commonly known as the Pisa Forum, organised by IPK last November in San Giuliano Terme, near Pisa, Italy – and which ITB Berlin has been supporting since 2005.

During this year's presentation at the ITB Berlin Future Day of the ITB Berlin Convention, Rolf Freitag, President and founder of IPK International and the World Travel Monitor, provided a full-year update of trends in world, European and German outbound travel, sharing preliminary results for 2009, as well as some highlights of the group's forecasts for 2010.

The results presented substantiate the forecasts made in Pisa and anecdotal evidence gathered at this year's Berlin show, confirming that the last 12 months have been very difficult for the travel and tourism industry. IPK International recorded a decline in global travel demand for the first time since the Monitor was first launched.

Nevertheless, as the *ITB World Travel Trends Report* shows, there were – and there continue to be – bright spots amid the doom and gloom, and we are already seeing a subdued recovery, with markets in some parts of the world rebounding very quickly. Consumer confidence levels are definitely rising, especially in Asia.

At ITB Berlin we expect 2010 to be a year of consolidation for the industry, although the mix of clients is changing, and we believe that suppliers and intermediaries will find little opportunity to increase prices this year.

As always, Messe Berlin is proud to be associated with this dynamic, exciting industry, and we plan to continue playing a key role in furthering the industry's interests – for the benefit of all stakeholders, in developed as well as in emerging markets. We will be closely monitoring trends and developments through 2010 and look forward to communicating these to you through the course of the next 12 months.

It remains for us to thank Rolf Freitag and his worldwide team of researchers and analysts. We hope that you will find this report interesting and useful as you prepare yourselves to confront the challenges ahead.

Dr Martin Buck  
Vice President, Travel & Logistics  
Messe Berlin GmbH

David Ruetz  
Head of ITB Berlin



# Contents

|   |    |
|---|----|
| <b>Introduction</b>                               | 1  |
| <b>Overview of World Tourism in 2009</b>          |    |
| Global outbound trends                            | 1  |
| Inbound overview                                  | 3  |
| <b>Europe</b>                                     |    |
| Overall travel demand                             | 5  |
| Purpose and length of trip                        | 6  |
| Major source markets                              | 9  |
| Major destinations                                | 10 |
| Booking patterns                                  | 11 |
| <b>Germany</b>                                    |    |
| Domestic and outbound travel trends               | 12 |
| <b>European Outbound Tourism by Price Segment</b> |    |
| Understanding the habits of the big spenders      | 15 |
| <b>Europe's 'Golden Generation'</b>               |    |
| Trends among Europe's more mature travellers      | 17 |
| <b>Looking Forward</b>                            |    |
| Economic recovery                                 | 20 |
| Prospects for travel and tourism demand           | 22 |



## Introduction

**Half a million interviews in 60 countries worldwide**

This 2010 *ITB World Travel Trends Report* is based primarily on the 2009 results of IPK International's World Travel Monitor – the continuous tourism monitoring system that was set up 22 years ago. IPK now conducts more than half a million representative interviews a year in 60 of the world's major outbound travel markets – 35 in Europe, 15 in Asia and 10 in the Americas – representing an estimated 90% of world outbound travel.

The interviews – more than 6 million of which have now been undertaken since 1988 – are designed to be comparable from one year and from one market to another, and to yield information on market volumes and sales turnover, destinations, travel behaviour, motivation and satisfaction, travellers and target groups, recent tourism trends, and short- to medium-term forecasts.

As usual, in line with the presentation made by IPK International at ITB Berlin, the report offers an overview of trends in world tourism, the European outbound market and the German market for domestic and outbound travel – the main interests of exhibitors and many trade visitors at ITB Berlin.

This year IPK has provided additional information on two sectors of high interest: a breakdown of the European market by price segment – high-spending, mid-range and low-spending travellers – and trends among Europe's so-called 'golden generation' (those aged 55 years and over). Finally, the report includes a summary of IPK International's view of the prospects for travel and tourism in 2010, based in large part on its Travel Intentions survey conducted at the start of the year.

## Overview of World Tourism in 2009

### Global outbound trends

**Not what the travel industry had come to expect ...**

The world travel and tourism industry has had an easy life in recent years. In a growing market, there is room for everybody, and scope for everybody to make profits, and the travel and tourism sector was growing faster than most.

But in 2009 the industry came down to earth with a bump. The global economy is always subject to downturns, yet in recent years a downturn in the general economy meant, for the travel and tourism industry, merely a pause in growth. This time it was different. Not since the World Travel Monitor was launched have we seen a worldwide decline on this scale.

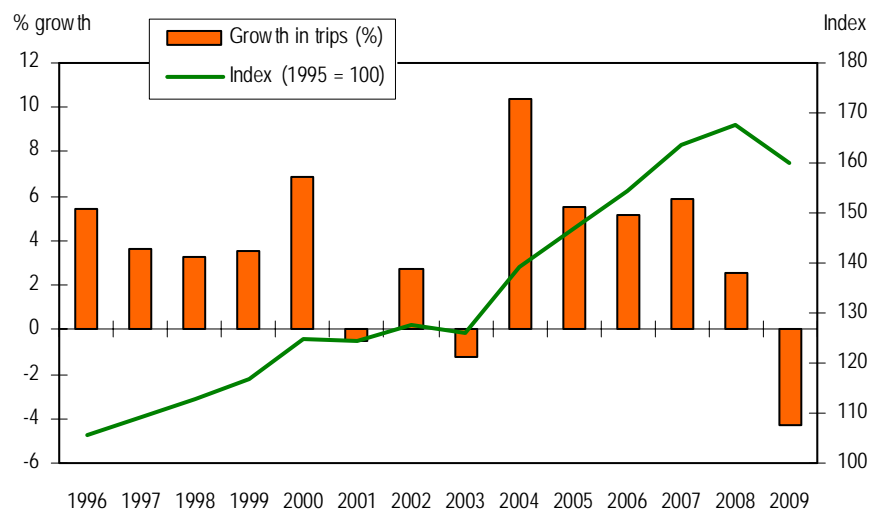
Nor has it been easy to make sense of what is happening and therefore to prepare for what might be coming next. The scale of the financial crisis, which came to a head with the collapse of Lehman Brothers in September 2008, and its aftermath changed the whole pattern of global economic development:

- It was evident that the world economy could not handle the harsh financial conditions and reacted with a decline in asset values, a severe credit crunch and a general loss of confidence – but for how long would these reactions persist?
- Governments reacted with huge stimulus packages like financial assistance for banks and lower income taxes. What effects would these have on the patterns of business and consumer behaviour? When would they re-impose more normal levels of interest rates? Indeed, what might be the appropriate 'normal' levels of interest rates?

**Inevitably, tourism became a victim of the crisis ...**

Worldwide, arrivals fell by 4% in 2009, overnights by 7% and spending by 9%, bringing a dramatic loss in profitability (and some bankruptcies and 'down-sizings') among airlines, hotels, tour operators and travel agencies.

World outbound tourism performance, 1995-2009



Source: World Travel Monitor, IPK International

The total figures for arrivals cannot be strictly compared with the World Tourism Organization's (UNWTO's) estimated 880 million arrivals in 2009 – since this figure includes same-day trips and arrivals by children under the age of 15, as well as cumulative arrivals in several countries visited on one trip. But the 4% decline, to some 664 million, should be seen against average increases of 7% in 2004-2007 and 4% in 1995-2008.

According to its own specific measure – which includes total spending related to a trip – the World Travel Monitor suggests that expenditure last year fell by 9% to €730 billion – €112 per night and €1,100 per outbound trip.

To quote IPK, the reason for the tourism crisis was not lack of interest, nor lack of demand, but simply a lack of buying power coupled with low travel confidence.

## Inbound overview

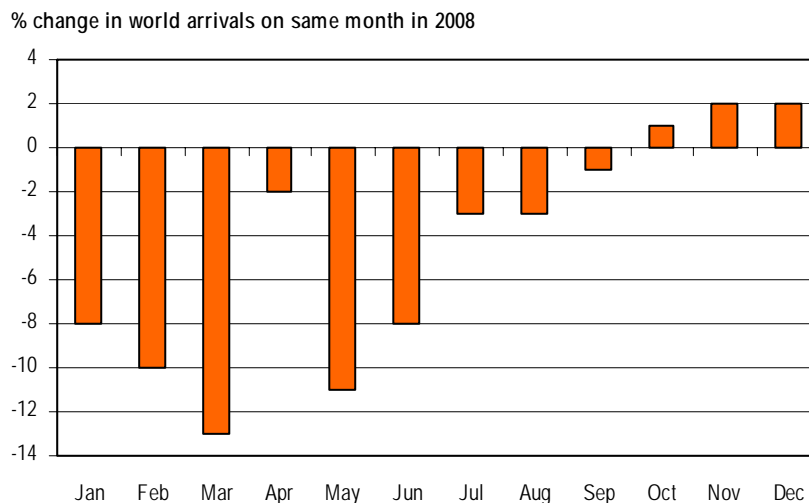
### ... but the worst does seem to be over

The situation was very much worse in the first half of 2009, when arrivals worldwide were typically down by 8-10% on the same months of 2008. By the latter months of 2009, in contrast, they were typically up slightly on the same periods in 2008.

This apparent improvement is of course very largely illusory: the figures for the first months of the year are calculated on extremely good figures in the corresponding months in 2008, and those for the last months of the year are calculated on figures for 2008 which were already falling very quickly.

However, the numbers do show at the very least a stabilisation around a lower level of travel activity, and may well show a transition into a recovery phase. The next few months will tell.

### World tourism performance by month, 2009



Note: the figures for March and April were affected by the timing of Easter in 2008 and 2009

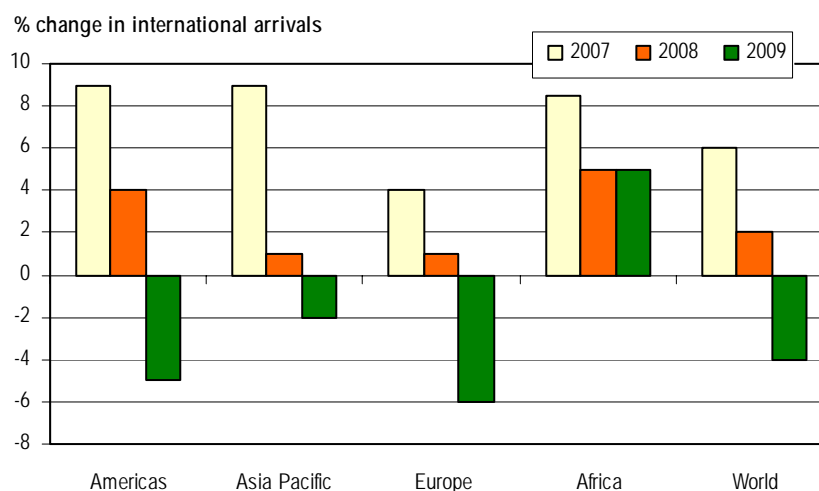
Sources: World Travel Monitor; World Tourism Organization (UNWTO)

**All regions except Africa share in the pain**

Africa was the only region to escape largely unscathed from the downturn in travel demand (although the numbers involved are still relatively small). Europe showed the weakest performance in both 2008 and 2009.

These figures show the averages for each year as a whole, which is not always the best way of illustrating the trends. For instance, the relatively mild decline for Asia Pacific (including West Asia/Middle East and Central Asia) disguises very big declines in the first half of 2009 and extraordinarily strong recoveries in the second half of the year, just as in 2008 the weak average disguised a very strong performance in the first half of the year and an early reversal.

Growth in international inbound tourism by region, 2007-09



Note: Asia Pacific includes West Asia/Middle East and Central Asia

Sources: UNWTO; World Travel Monitor, IPK International

**Southeast Asia and the Caribbean do relatively well**

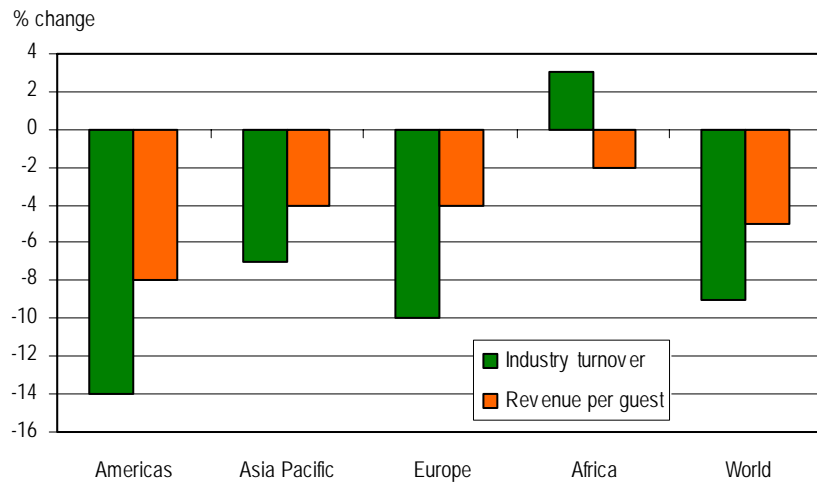
Few sub-regions departed far from the averages for their regions as a whole. Southeast Asia did relatively well, partly because of the strength of some economies in the region (notably Indonesia), and partly because some countries (especially Thailand) were recovering from poor performances in earlier years.

The Caribbean also turned in a relatively good performance, perhaps because it is devoted more to leisure than to business tourism (which has been worst affected by the economic climate). And some countries in South America have also been doing well.

**Industry turnover fell even more heavily**

The decline in arrivals tells only part of the story. Spending per traveller was also down, compounding the damage to the industry. Smith Travel Research reports that revenues per hotel room fell by 26% in Asia Pacific, 19% in North America and Europe and 15% in the Middle East. The following graph shows IPK's estimates of total industry revenues in the destination regions: down 14% in the Americas, 10% in Europe, 7% in Asia-Pacific – and up 3% in Africa.

Industry turnover by destination region, 2009



Source: World Travel Monitor, IPK International

## Europe

### Overall travel demand

**Outbound trips in Europe fell particularly heavily ...**

In 2009 European adults aged 15 years and over made 395 million trips abroad of a minimum one night's stay, according to IPK International's European Travel Monitor – 6% fewer than in 2008. Nights spent abroad fell by 12% to 3.5 billion, and spending fell by 13% to €331 billion.

European outbound travel, 2009

|                                 | 2009  | % change on 2008 |
|---------------------------------|-------|------------------|
| Trips (mn)                      | 395   | -6               |
| Overnights (mn)                 | 3,500 | -12              |
| Average length of trip (nights) | 9     | -5               |
| Spending (€ bn)                 | 331   | -13              |
| Spending per trip (€)           | 837   | -5               |
| Spending per night (€)          | 97    | 1                |

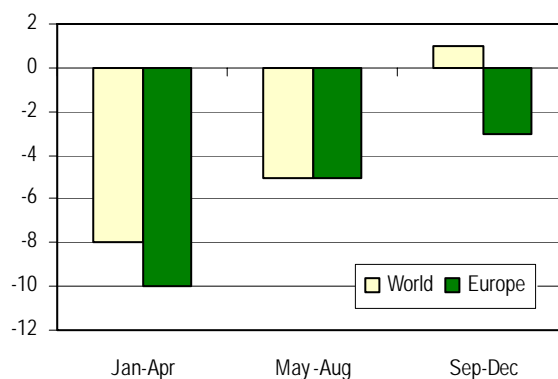
Source: European Travel Monitor, IPK International

**... and are recovering more slowly**

There was an improvement in the figures as the year progressed, but this improvement was less marked than in the rest of the world. In the first four months of the year, outbound trips among Europeans fell by 10%, compared with 8% in world markets overall. In May to August trips were down 5% in both Europe and the world. But in the last four months of

the year, while trips were slightly up in the world as a whole, they were still down 3% in Europe. And one needs to remember that Europe accounts for a significant share of all outbound trips taken worldwide: a comparison between Europe and the rest of the world would show even larger differences.

European outbound travel trend by season, 2009  
(% annual change in no. of trips)



Source: European Travel Monitor, IPK International

## Purpose and length of trip

### Holiday travel continues to sustain European travel demand ...

Holidays (including short breaks), which generated 71% of all European outbound trip volume in 2009, have been the main drivers of growth in recent years. Although the overall number declined last year, in line with the trend for outbound travel overall, holiday trip volume fell less significantly than trips related to other segments.

Purpose of travel by Europeans, 2009

|                     | Trips (mn) | % market share | % change 2009/08 |
|---------------------|------------|----------------|------------------|
| Holiday             | 280        | 71             | -5               |
| VFR & other leisure | 56         | 14             | -10              |
| Business            | 59         | 15             | -8               |
| <b>Total trips</b>  | <b>395</b> | <b>100</b>     | <b>-6</b>        |

Source: European Travel Monitor, IPK International

### ... while VFR continues to decline faster than other trips ...

In spite of the much-publicised increase in social and employment mobility in the enlarged European Union, visits to friends and relations (VFR travel) have not been growing. Indeed, after declining by 4% in 2008, VFR trips were down a further 10% last year.

### ... and business travel also takes a massive hit

Corporate travel has been particularly badly affected by the financial crisis, as is illustrated by the widely publicised collapse in premium-class air travel. Companies in Europe – as in other mature travel markets – reacted quickly to the financial and economic crisis by curtailing business travel and business trips declined by 8% in 2009. There is a feeling that this will prove an enduring trend, as firms take advantage of new video-conferencing and other communications technologies to reduce the costs, in cash, time and stress, of physical travel.

### Sun & beach holidays hold up relatively well

The reluctance of European families to sacrifice their summer holidays is shown by the relatively good results for sun & beach holidays in 2009. The number of trips was down only 3%. More surprising, given the notion that people were willing to sacrifice their secondary holidays, city trips and events also held up relatively well, in spite of a shortage of (sporting) mega-events in 2009.

Touring holidays, which had been doing exceptionally well in recent years, fell by 14% last year, and countryside holidays, which had turned down earlier, continued to slide.

#### European outbound holiday travel trends for selected segments, 2007-09

| Type of trip         | % annual change |      |      |
|----------------------|-----------------|------|------|
|                      | 2007            | 2008 | 2009 |
| Sun & beach          | 6               | 5    | -3   |
| City breaks & events | 5               | 5    | -3   |
| Touring              | 15              | 14   | -14  |
| Countryside          | 9               | 2    | -6   |

Source: European Travel Monitor, IPK International

### Demand for short breaks bucks the market trend

The number of trips of one to three nights – the most dynamic part of the European market in recent years – had risen by 9% in 2008 after faltering in 2007. They rose by a further 1% in 2009, resulting in a slight increase in market share, to 28%. Meanwhile, the number of longer trips of four nights and more fell by 10% to 285 million, or a share of 72%.

#### Short breaks/trips versus long trips, 2009

|                           | Total (mn) | % of trips | % change 2009/08 |
|---------------------------|------------|------------|------------------|
| Short breaks (1-3 nights) | 110        | 28         | 1                |
| Long trips (4+ nights)    | 285        | 72         | -10              |
| Total trips               | 395        | 100        | -6               |

Source: European Travel Monitor, IPK International

The growth in short breaks was in many ways surprising. But these results would suggest that some Europeans continued to increase their short-break trips at the expense of their annual holidays.

### Sharp fall in demand for air travel

Given the long-running growth in airline travel (sustained in recent years by low-cost airlines), the lack of growth in 2008 and the sharp decline (-8%) in 2009 came as a shock to the system. The low-cost airlines (LCCs) did manage to increase their share of the overall market, but travel by traditional/legacy carriers suffered badly – reflected in the 4% decline overall for trips costing less than €150 return and the 9% drop for trips costing more.

In the last few years travel by rail, ferry and cruise had also done very well, but these also suffered heavy declines in 2009. The most affected was travel by coach, which declined by 19%. Since coach travel had not generally shared in the prosperity of recent years, this decline is calculated on figures which were already relatively weak.

The only mode of transport not to suffer in 2009 was travel by car. Overall, travel by land increased by 2% in 2007 and 3% in 2008, before declining by 4% in 2009.

Mode of transport for European outbound travel, 2007-09

|            | % annual growth |      |      |
|------------|-----------------|------|------|
|            | 2007            | 2008 | 2009 |
| Air        | 8               | 1    | -8   |
| - Low fare | 13              | 4    | -4   |
| - Other    | 6               | -3   | -9   |
| Car        | 1               | 3    | 1    |
| Coach      | 2               | 1    | -19  |
| Train      | 10              | 6    | -6   |
| Ship       | 3               | 7    | -15  |

Source: European Travel Monitor, IPK International

### Growth in long-haul travel goes into reverse ...

In general demand for long-haul (ie interregional) destinations faltered in 2008, but this was temporarily disguised by a double-digit increase in trips to the USA due to the cheap dollar for most of that year. With the revival in the value of the US dollar, this factor was taken out of the equation in 2009. Long-haul trips were down by 10%, while short-haul trips fell by 'just' 5%.

It is important to note that popular destinations in the southern Mediterranean – such as Egypt, Morocco and Tunisia – are counted as short-haul/intra-regional destinations out of Europe by World Travel Monitor, while in UNWTO's statistics they would count as long-haul destinations. By IPK's definition, short-haul trips account for as much as 88% of total outbound European trips.

Short- versus long-haul travel out of Europe, 2009

|                    | Trips (mn) | % market share | % annual change |          |           |
|--------------------|------------|----------------|-----------------|----------|-----------|
|                    |            |                | 2007            | 2008     | 2009      |
| Short-haul         | 348        | 88             | 4               | 2        | -5        |
| Long-haul          | 47         | 12             | 8               | 3        | -10       |
| <b>Total trips</b> | <b>395</b> | <b>100</b>     | <b>5</b>        | <b>2</b> | <b>-6</b> |

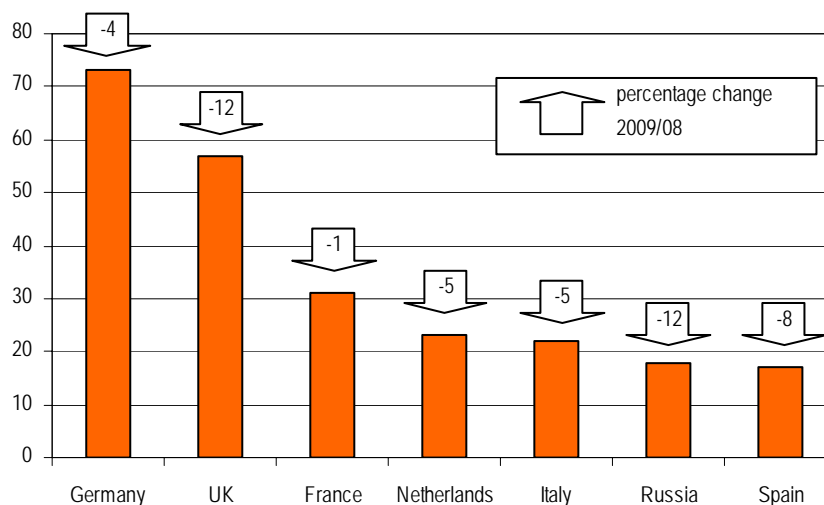
Source: European Travel Monitor, IPK International

**Major source markets**

**Heavy declines in trips out of the UK and Russia**

Germany and the UK continue to be Europe's leading outbound travel markets, but after a 12% decline in trips out of the UK in 2009, Germany's lead is now bigger. This is in contrast to the trend over the past decade. Among the top seven markets, Russia and Spain also suffered relatively heavy declines last year, while Germany, the Netherlands and Italy suffered more modest falls. Only the French market did not shrink significantly.

Leading European outbound travel markets, 2009 (mn trips and annual percentage change)



Source: European Travel Monitor, IPK International

## Major destinations

### Leading destinations suffer the biggest declines

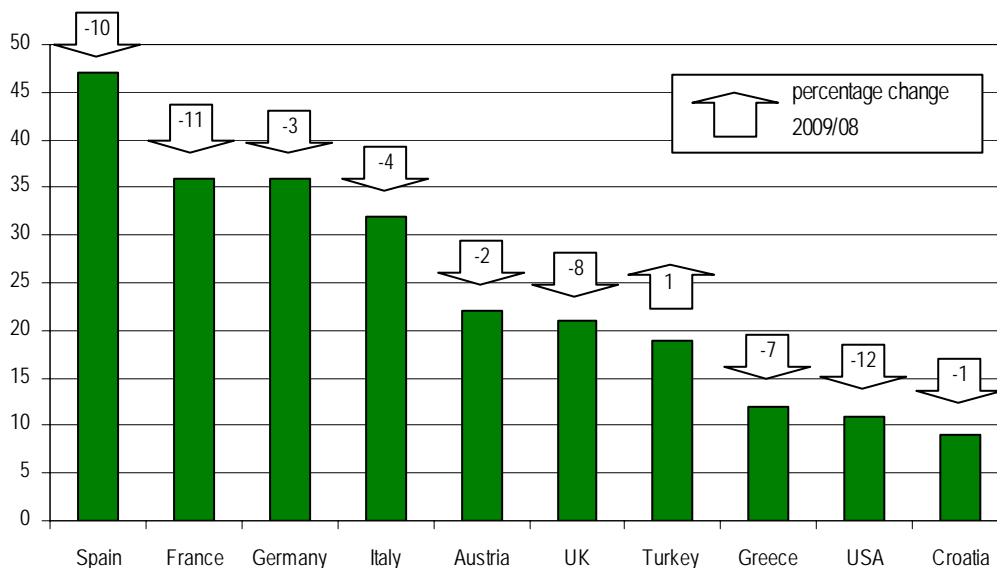
The top ten destinations for European travellers are all within Europe, with the exception of the USA, in ninth place. They fared very differently from one another in 2009: Spain, France and the USA recorded double-digit declines, and the UK, with an 8% drop, lost one place in the ranking.

The 12% decline in trips to the USA is perhaps not surprising, given the extraordinary increase in trips to that destination last year and the recovery in value of the US dollar. The poor performance of the UK came in spite of the weakness of sterling, and can be attributed largely to the weakness of business and of long-haul travel in 2009 – both are unusually important to UK inbound tourism.

In contrast to the trend in the western Mediterranean – the tried and tested favourite European holiday destinations – countries on its eastern shores and on the Adriatic performed rather better. Croatia suffered only a 1% decline and Turkey actually showed positive growth, albeit of a modest 1%.

Spain, and to a lesser extent Italy, are suffering from a continuing loss of price-competitiveness against emerging competitors in the Eastern Mediterranean and North Africa.

Leading destinations of European outbound travellers, 2009



Source: European Travel Monitor, IPK International

More generally, European travel to northern, western, central/eastern and southwestern Europe declined in 2009, but that to southeastern Europe (ie to the countries of the former Yugoslavia and Turkey) did relatively well.

## Booking patterns

### Organised travel continues to lose its appeal ...

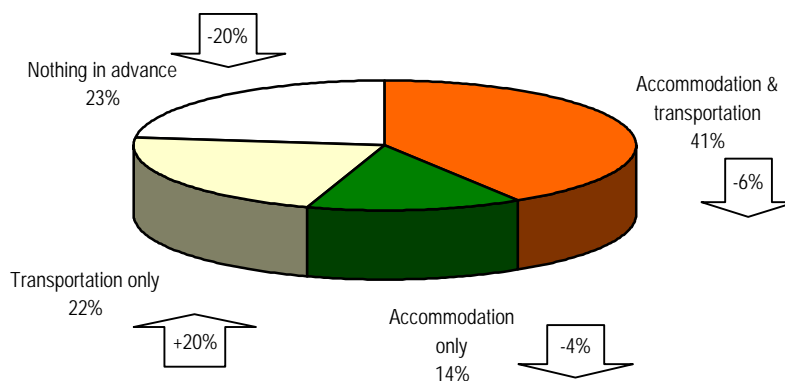
Package holidays, including dynamic packages – tailor-made trips sold online as complete or partial package holidays – became victims of the crisis in 2009

### ... and unbooked travel drops sharply

There was also a 20% drop in 'turn up and go' travel, with nothing booked in advance. 'Transportation only' pre-bookings rose by 20% (reflecting the search for bargain prices and an unwillingness to be surprised by prices at the airport), raising their market share from 16% in 2008 to 22% in 2009. There was a 4% decline in accommodation-only pre-bookings and a 6% decline in accommodation and transport bookings, but their market shares remained approximately unchanged.

#### Europeans' advance bookings for outbound trips, 2009

Breakdown of trips and annual % growth in 2009



Source: European Travel Monitor, IPK International

### Online travel continues to gain share

The proportion of holiday trips booked with the help of the internet exceeded those booked without for the first time in 2008, and the trend continued apace in 2009. The focus of growth is now firmly on trips actually booked (if not paid for) online, which rose by 11% in 2009, in spite of the decline in travel.

The use of the internet in arranging holiday travel continues to rise: the numbers of holidaymakers using the internet rose by 1% in 2009, while those not using the internet fell by 12%. Moreover, the numbers of people actually making a booking over the internet rose by 11%, while those gathering information about their holiday trips, but not actually making a booking, on the internet fell by 15%.

## European online travel for holiday trips, 2007-09

|                      | % of holidaymakers |      |      | % increase<br>2009/08 |
|----------------------|--------------------|------|------|-----------------------|
|                      | 2007               | 2008 | 2009 |                       |
| Use of the internet  | 50                 | 56   | 60   | 1                     |
| Bookers              | 36                 | 41   | 48   | 11                    |
| Lookers <sup>a</sup> | 14                 | 15   | 12   | -15                   |
| No use of internet   | 50                 | 44   | 40   | -12                   |

<sup>a</sup> Use of the internet to research travel options, but not for booking

Source: European Travel Monitor, IPK International

## Germany

### Domestic and outbound travel trends

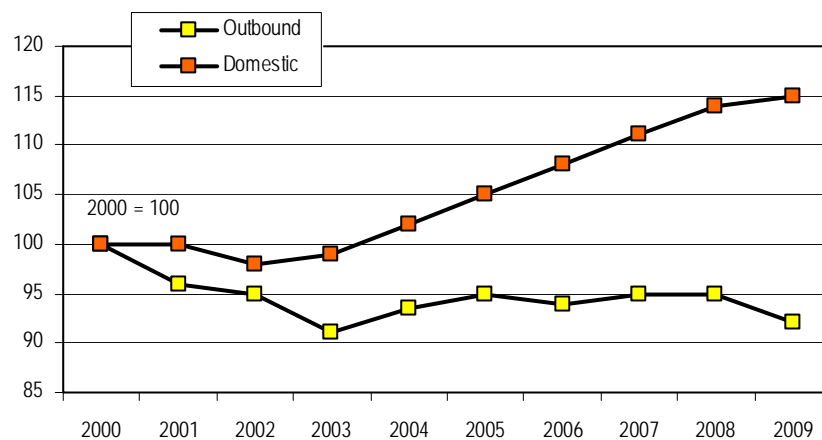
#### 301 million trips, with domestic ...

According to the German Travel Monitor, Germans made a total of 301 million trips (domestic and international, of one night or longer) in 2009, representing a decline of a fraction of 1% over 2008. Overnight volume fell by 3% to 1.5 billion, and spending by 5% to €125 billion.

#### ... still increasing at the expense of outbound travel

In 2009, in most European countries, in view of the economic situation, more people than usual took their holidays at home rather than abroad. In Germany, this reinforced a long-standing trend. Since 2000 there has been only one year (2002) in which outbound trips have outperformed – or even kept pace with – domestic trips. In fact, in 2009 outbound trip volume was 8% down on 2000's level, while domestic trips were 15% more numerous.

## Trends in German domestic and outbound travel, 2000-09



Source: German Travel Monitor, IPK International

**Length of domestic trips increases ...**

With more people taking their main holidays at home, the number of domestic nights also increased. The total number of domestic trips increased by just 1% to 228 million in 2009, but nights were up 3% to 859 million. This gives an average length of trip of 3.8 nights, up from 3.5 nights last year. Spending on domestic trips, however, fell by 5% to €63 billion (an average of €276 per trip).

## German domestic and outbound travel, 2009

|                        | Total | % change on 2008 |
|------------------------|-------|------------------|
| <b>Trips (mn)</b>      |       |                  |
| Domestic               | 228   | 1                |
| Outbound               | 73    | -4               |
| Total                  | 301   | -1               |
| <b>Nights (mn)</b>     |       |                  |
| Domestic               | 859   | 3                |
| Outbound               | 641   | -10              |
| Total                  | 1,500 | -3               |
| <b>Spending (€ bn)</b> |       |                  |
| Domestic               | 63    | -4               |
| Abroad                 | 62    | -6               |
| Total                  | 125   | -5               |

Source: German Travel Monitor, IPK International

Within the 1% increase in domestic trip volume in 2009, holidays rose by 2% to 87 million, VFR and other private trips were flat at 105 million, and business trips were down 4% to 35 million. Domestic holidays increased by 4% during the summer months, but were almost flat during the rest of the year. The best-performing domestic holiday segments in 2009 were winter sports (+40%), other sporting holidays (+70%), events (+20%) and health and wellness (+15%).

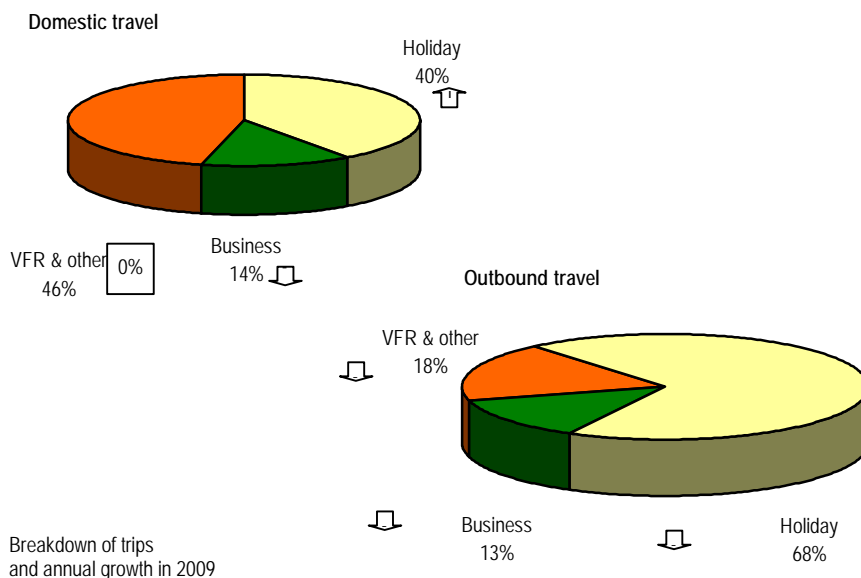
**... while the length of outbound trips fell**

German outbound travel struggled to remain stable even during the prosperous years of 2004-08, and it slipped back again in 2009, falling by 4% to 73 million trips. Nights fell even more heavily, by 10%, bringing the average length of trips down to 8.8 nights (from 9.6 in 2008). This outbound travel generated spending of €62 billion (6% less than in 2008), with an average spend of around €853 per trip and €98 per night.

The demand for foreign holidays among Germans has been weak for several years, with marginal increases or declines in 2006, 2007 and 2008. It fell by 4% in 2009 to 50 million. The trend in VFR and other private trips has been erratic, rising and falling from year to year, but in 2009 it fell for the second year running, by 4% to 13 million.

Outbound business travel, in contrast, had been rising strongly, increasing by 12% in 2007 and 6% in 2008. It fell by 5% in 2009, but by comparison with some of the declines out of other major European markets, this was a moderately good performance. The 10 million outbound business trips still represent only 13% of total outbound trip volume.

### German travel by purpose of trip, 2009



Source: European Travel Monitor, IPK International

### Turkey continues to gain ground, at the expense of Spain and France

The top seven holiday destinations for German outbound travellers – which account for slightly over two thirds of total trips – are all within Europe. Demand for what used to be the top four – Spain, Austria, Italy and France – has tended to slip in recent years, and Spain and France lost ground again in 2009. The Netherlands, which had fared poorly in 2008, staged a partial recovery in 2009, while Turkey yet again did well.

### Leading destinations of German outbound holiday travellers, 2009

| Rank | Destination | % market share | % change on 2008 |
|------|-------------|----------------|------------------|
| 1    | Spain       | 16             | -11              |
| 2    | Austria     | 16             | -1               |
| 3    | Italy       | 14             | -4               |
| 4    | Turkey      | 8              | 2                |
| 5    | France      | 5              | -9               |
| 6    | Netherlands | 5              | 4                |
| 7    | Greece      | 4              | -4               |

Source: European Travel Monitor, IPK International

# European Outbound Tourism by Price Segment

## Understanding the habits of the big spenders

An analysis of European outbound travel by price/spending segment, while not necessarily revealing anything about different socio-economic groups, provides interesting insight into the different spending groups that make up European outbound travel. According to the European Travel Monitor, the 'super high-spending travellers', to quote IPK International, can spend up to 500 times more than average travellers for one night in a hotel.

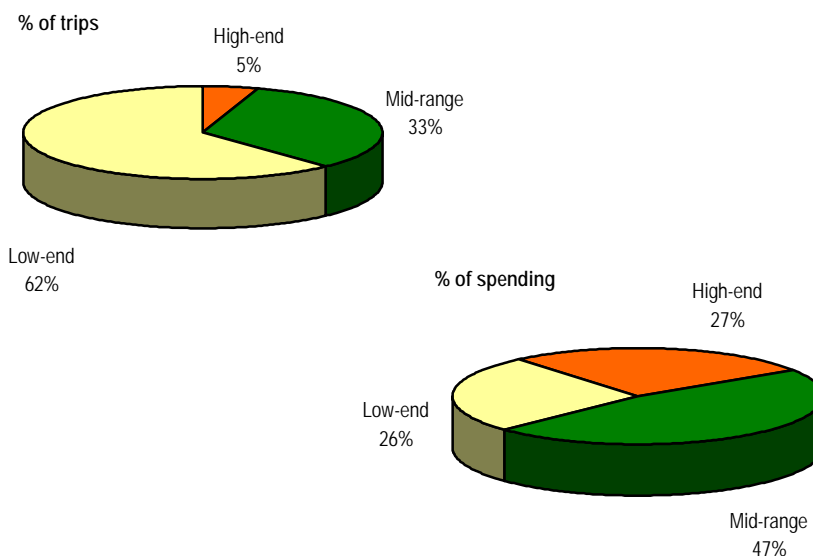
For the purposes of this analysis, IPK groups the different segments as follows:

- Low spenders: less than €750 per person per trip
- Medium spenders: from €750 to €2,500 pp per trip
- High spenders: more than €2,500 pp per trip

**High spenders generate 5% of trips, but 27% of spending**

IPK reckons that in 2009 low spenders accounted for 62% of European outbound trips, mid-range spenders for 33% and high spenders for just 5%. But the high-end travellers generated 27% of spending, with mid-range travellers accounting for 47% and low-end travellers for 26%.

Market shares of high-, medium- and low-spending European travellers, 2009



Source: European Travel Monitor, IPK International

This means that, given the average €837 spend per person per trip in 2009, low spenders (245 million of them) had an outlay of just €337 per outbound traveller, while the mid-range spenders (making up 130 million) accounted for €1,154 each and the 20 million or so European high spenders for €4,068 a head.

However, the financial crisis has had a particularly severe effect on the high-spending segment, which fell by 18% in number of trips in 2009, while trips made by the mid-range spenders were down 9% and low-end spending trips only declined by 4%.

**Profile of high spenders:  
older, more usually  
male ...**

As might well be expected, high-spending travellers tend to be older than average – 47 years old as compared with 45 years for mid-range spenders and 41 for low spenders. And they are more likely to be male, accounting for 59% of total trips as against 41% for females.

Nature of high-, medium- and low-spending European travellers, 2009  
(% of outbound trips)

|                  | Low | Medium | High |
|------------------|-----|--------|------|
| Male             | 50  | 54     | 59   |
| Female           | 50  | 46     | 41   |
| Mean age (years) | 41  | 45     | 47   |

Source: European Travel Monitor, IPK International

**... preferring long-haul  
destinations ...**

High-spending travellers are naturally more often to be found on long-haul routes. While only 3% of low spenders choose long-haul destinations, and are also not often seen in northern European countries, trips involving long-haul travel account for 59% of the total taken by high spenders, with the Americas and Asia Pacific dominating in terms of destination regions.

Destinations of high-, medium- and low-spending travellers, 2009  
(% of outbound trips)

|                         | Low | Medium | High |
|-------------------------|-----|--------|------|
| Short-haul travel       | 97  | 82     | 42   |
| Northern Europe         | 5   | 3      | 2    |
| Western Europe          | 25  | 17     | 9    |
| Central Europe          | 19  | 11     | 5    |
| Southwest Mediterranean | 21  | 30     | 14   |
| Southeast Mediterranean | 13  | 19     | 14   |
| Eastern Europe          | 15  | 5      | 2    |
| Long-haul travel        | 4   | 18     | 59   |
| Sub-Saharan Africa      | 0   | 2      | 7    |
| Americas                | 1   | 10     | 29   |
| Asia Pacific            | 2   | 7      | 23   |
| Total                   | 100 | 100    | 100  |

Source: European Travel Monitor, IPK International

**... more likely to choose touring holidays ...**

Although there is very little difference overall in the type of holidays preferred by the different spending groups, high spenders are twice as likely as the average European (32% compared with 16%) to opt for touring holidays. But they are, somewhat surprisingly, less inclined to take city breaks – which account for 10% of all high spenders' trips as against 13% of trips by mid-range spenders and 18% by low spenders.

**... and more often planning their travel in advance**

High-spending travellers are more likely to make advance bookings, especially through travel agents – undoubtedly due to the fact that they travel farther afield and their trips involve more complicated itineraries.

Booking practices by spending level, 2009  
(% of outbound trips)

|                              | Low-end | Mid-range | High-end |
|------------------------------|---------|-----------|----------|
| Advance bookings             | 67      | 80        | 82       |
| at a travel agency           | 19      | 35        | 38       |
| direct to accommodation      | 11      | 10        | 11       |
| direct to transport provider | 8       | 7         | 10       |
| on the internet              | 38      | 43        | 44       |
| No advance bookings          | 33      | 20        | 18       |
| Total                        | 100     | 100       | 100      |

Source: European Travel Monitor, IPK International

## Europe's 'Golden Generation'

### Trends among Europe's more mature travellers

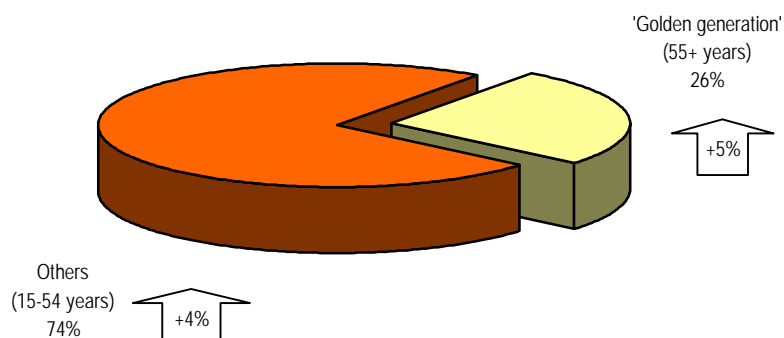
**The over-55s account for a quarter of all outbound trips**

The so-called 'golden generation' (travellers aged 55 and over) accounted for 26% of European outbound trips (involving a stay of at least one night abroad) in 2008 – 111 million trips that year and, inevitably, a few percentage points fewer in 2009.

In 2004-08, outbound trips by the 'golden generation' increased by 21% – an average of 5% a year, compared with 4% a year for younger travellers (overall, European outbound trips increased by 17% in that period, and trips by 15-54 year olds by 18%).

### European 'golden generation' travel, 2008

Share of trips 2008 and average annual % growth 2004-08

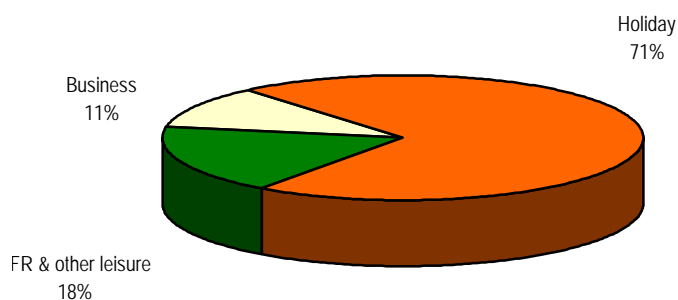


Source: European Travel Monitor, IPK International

#### Nearly 90% of these trips are for leisure and VFR

Surprisingly, perhaps, since a significant share of the 'golden generation' are probably retired, holiday travel accounts for only very slightly higher share of total trips than among European travellers as a whole – 71%, compared with 70% of all trips in 2008. However, 18% of trips made by the 'golden generation' (as against 15% of total trips) involved visiting friends and relatives (VFR) and other leisure trips (eg for health, education and religious purposes), and 11% (compared with 15% of all trips) were business trips.

### European 'golden generation' travel by type of trip, 2008



Source: European Travel Monitor, IPK International

#### Germany and UK are by far the most important markets

The most important source markets for 'golden generation' travel are Germany and the UK, which together account for two fifths of outbound trips by European over-55s. The six top source markets generate over 60% of all 'golden generation' trips.

## European 'golden generation' outbound travel by source market, 2008

|                | Trips<br>(mn) | Market share<br>(%) |
|----------------|---------------|---------------------|
| Germany        | 22.5          | 20                  |
| UK             | 21.5          | 19                  |
| France         | 9.0           | 8                   |
| Netherlands    | 7.3           | 7                   |
| Italy          | 6.0           | 5                   |
| Belgium        | 4.5           | 4                   |
| Switzerland    | 3.8           | 3                   |
| Sweden         | 3.7           | 3                   |
| Russia         | 3.1           | 3                   |
| Denmark        | 3.1           | 3                   |
| Poland         | 3.0           | 3                   |
| Austria        | 2.9           | 3                   |
| Spain          | 2.5           | 2                   |
| Norway         | 2.2           | 2                   |
| Ireland        | 2.1           | 2                   |
| Finland        | 2.1           | 2                   |
| Czech Republic | 1.6           | 1                   |
| Ukraine        | 1.4           | 1                   |
| Baltic states  | 1.0           | 1                   |
| Hungary        | 0.9           | 1                   |
| Other          | 6.7           | 7                   |
| <b>Total</b>   | <b>110.9</b>  | <b>100</b>          |

Source: European Travel Monitor; IPK International

**A varied mix of destinations**

The most popular destinations are Spain, France, Germany and Italy. The top six destinations account for a little over half of total trips.

## European 'golden generation' outbound travel by destination, 2008

|              | Trips<br>(mn) | Market share<br>(%) |
|--------------|---------------|---------------------|
| Spain        | 14.3          | 13                  |
| France       | 11.4          | 10                  |
| Germany      | 10.9          | 10                  |
| Italy        | 9.7           | 9                   |
| Austria      | 6.3           | 6                   |
| UK           | 5.7           | 5                   |
| Turkey       | 4.1           | 4                   |
| USA          | 3.5           | 3                   |
| Greece       | 2.9           | 3                   |
| Netherlands  | 2.5           | 2                   |
| Portugal     | 2.4           | 2                   |
| Switzerland  | 2.4           | 2                   |
| Belgium      | 2.3           | 2                   |
| Russia       | 2.2           | 2                   |
| Poland       | 2.1           | 2                   |
| Other        | 28.2          | 25                  |
| <b>Total</b> | <b>110.9</b>  | <b>100</b>          |

Source: European Travel Monitor; IPK International

**Sightseeing and culture generate a third of 'golden generation' trips**

Sun & beach holidays account for 26% of all outbound holiday trips by the European 'golden generation' – a share very close to that for European holiday makers of all ages. The second most important outbound holiday type is touring, accounting for a 21% share. City breaks (14%) come in as a distant third, and all other holiday types have market shares of 8% or less.

Clearly, one can deduce from the figures that sightseeing and culture (represented by touring and city trips) together are the prime motives for travel among more mature Europeans, accounting for more than one third of the golden generation's outbound holiday trips.

Types of holiday preferred by Europe's 'golden generation', 2008

|                                      | Market share (%) |
|--------------------------------------|------------------|
| Sun & beach                          | 26               |
| Touring                              | 21               |
| City break                           | 14               |
| Countryside                          | 8                |
| Cruise / boat / yacht                | 5                |
| Summer mountain holidays             | 5                |
| Summer sport                         | 2                |
| Snow / winter sport                  | 2                |
| Visiting an event                    | 2                |
| Health / spa                         | 2                |
| Trips for a special private occasion | 4                |
| Other                                | 8                |
| Total                                | 100              |

Source: European Travel Monitor, IPK International

**'Golden oldies' account for slightly higher spending than average**

On average, the 'golden generation' – nicknamed the 'golden oldies' by many in the industry – spent an average of €1,080 per trip and €101 per night on their holiday trips in 2008. (This included transport, accommodation, meals and other incidental costs as well as all related shopping prior to as well as during their trips).

## Looking Forward

### Economic recovery

**The optimists versus the pessimists**

2009 was arguably the worst year in the recorded history of the travel and tourism industry, not to mention one of the worst for the world economy overall. But optimists believe the public stimulus measures taken in 2009 were successful and that they have created the groundwork for a long-lasting recovery. Initial GDP growth rates from late 2009 would seem to substantiate this argument.

However, as pointed out by Rolf Freitag at ITB Berlin, Harvard Professor Kenneth S Rogoff – Chief Economist at the International Monetary Fund (IMF) in 2000-03 – has said: “Quite often, bank crises are followed two, three years later by national bankruptcy.”

World markets have their eyes on countries with very high public-sector deficits, including Ireland (15%), the UK (13%), Greece (12%), Spain (11%) and Portugal (6%). These figures compare with 5% in France and Germany and 3% as the supposed maximum allowed under the Maastricht Treaty rules for eurozone members. Moreover, the New York economist Nouriel Roubini feels that “the US government is sitting on a ticking time bomb”. These concerns about the pace of economic recovery in certain key travel source markets are seen by pessimists as a bad sign for travel and tourism's prospects in 2010 and even 2011.

As some experts believe, it is only when the tide goes out that you can see who's been swimming naked – and some 60 countries around the world currently seem to be doing just that, according to IPK. So it is hardly surprising that quite a few pessimists think the bank debt crisis will be followed by a long-lasting public debt crisis.

### Who is right?

Will 2010 thus be a year of unpleasant truths? Looking at the trends in consumer and business confidence, comparisons with past recessions suggest that we have moved through the late phase of an economic downturn, when current economic indicators are still deteriorating and expectations are weak, into one where the indicators are improving and expectations are rising rapidly. But there is no guarantee this time that we are following the 'usual pattern', or even that such a concept can ever be trusted.



There has been plenty of talk about U-shaped, V-shaped, W-shaped and every-other-shaped outcomes for the recovery. Some believe that the UK, for example, will show an L-shaped one (ie no recovery at all in the foreseeable future). But for Europe overall, the Ifo Institute in Munich expects two more years of flagging global growth – perhaps even a square-root shaped recovery.

### Unpleasant after-effects are inevitable, whatever the outcome

Even a positive outcome implies that we will see more inflation for some years to come, eventually resulting in rising travel prices. Alternatively, with an unfavourable outcome, we might be in for a long period of deflation and economic stagnation.

World GDP fell by 1% in 2009, according to the IMF, and is currently forecast to increase by just over 3.1% in 2010. The recovery will be driven by the emerging markets, especially China. Europe and North America are limping along behind and are not yet back to sustainable growth.

Given all the different factors contributing to the current situation, IPK International's assumption based on forecasts by the economic experts is that there is a 40% chance the stimulus packages will yield a solid recovery, a 30% chance that the banking debt crisis will be followed by public debt crises, and a 30% chance of something in between – ie a

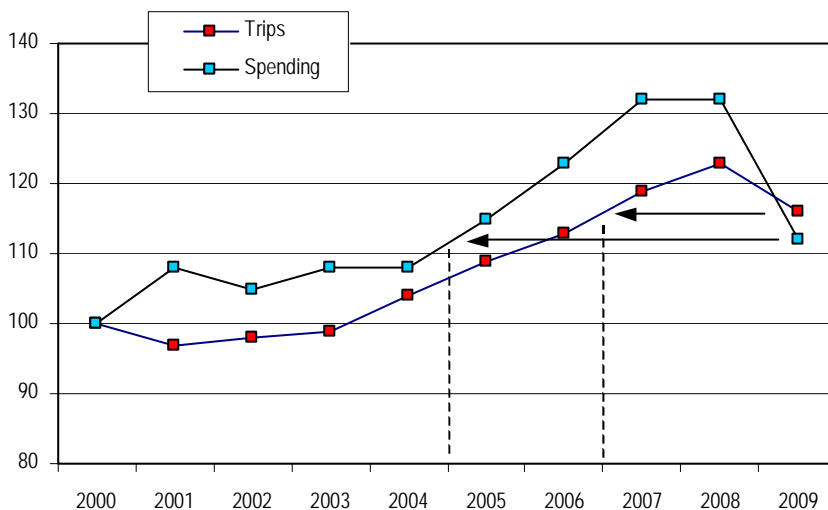
modest recovery in most developed markets, accompanied by debt crises in a few countries, undermining their economies. But what would this mean for European and world travel and tourism?

## Prospects for travel and tourism demand

### European travel is far short of previous levels

For the moment, European outbound travel is far short of its peak levels: trip volumes in 2009 were back to their levels in 2006-07 and spending fell back to its 2004-05 level. And, overall, there are no clear signs of a self-sustaining, long-term recovery in European outbound travel demand.

European outbound travel and spending, 2000-09  
(2000 = 100)



Source: European Travel Monitor, IPK International

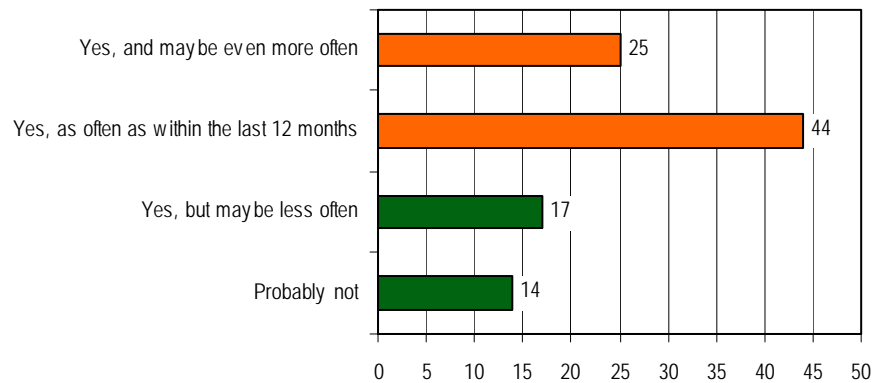
As was the case through 2009, the World Travel Monitor's latest survey wave (carried out in January 2010) included a section on travel intentions over the coming 12 months. The sample base represented all those in 23 major countries of origin who had travelled abroad in 2009. The results suggest the situation is improving, but with widely differing prospects for the outbound markets of Europe, the Americas and Asia Pacific.

### Most Europeans still intend to travel abroad this year

Asked whether the financial crisis is continuing to affect their travel behaviour, 66% of Europeans replied "No" and 34% said "Yes". By comparison, in September 2009, 52% replied "Yes". Of those who replied in the affirmative, 14% said they planned to take a less expensive trip; 10% said they would spend less money at the destination, and only 7% admitted that they might not take a trip in 2010, planning instead to travel in 2011.

Overall, IPK's European Travel Confidence Indicator for 2010 (where 100 would be neutral) stood at 98, although this average masks wide variations from one market to another. In the most positive travel source country (undisclosed by IPK), the index was 120 while it was a mere 88 in the country with the lowest confidence level.

European outbound travel intentions in 2010  
(% of respondents)



Source: European Travel Monitor survey, January 2010

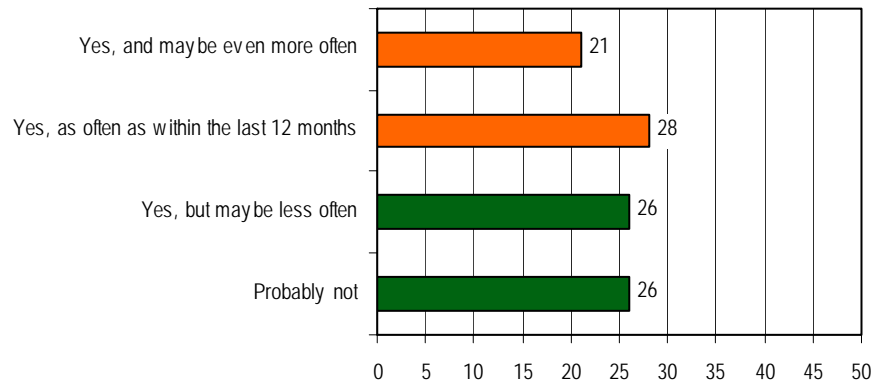
Taking all these latest figures into account, IPK's forecast for European outbound travel in 2010 is for something between a 1% increase and a 1% decline in trips, with little expectation of price rises in the current climate.

**Americans remain more cautious**

Among North Americans, who were asked the same question about the effect of the financial crisis on their behaviour, 42% replied "No" and 58% "Yes" – only slightly better than the 65% who replied "Yes" in September 2009. Of these, 38% said they planned to take a less expensive trip and 24% that they would spend less money at the destination – much higher proportions than in Europe. Moreover, 23% said they would travel at home rather than abroad, and 26% that they would probably not travel in 2010.

Overall, IPK's Travel Confidence Indicator for North America is 88 – ten points weaker than Europe's, but on a par with the European source country showing the lowest confidence level. IPK expects North American outbound travel to decline by 5% in 2010.

North American outbound travel intentions in 2010  
(% of respondents)



Source: World Travel Monitor survey, January 2010

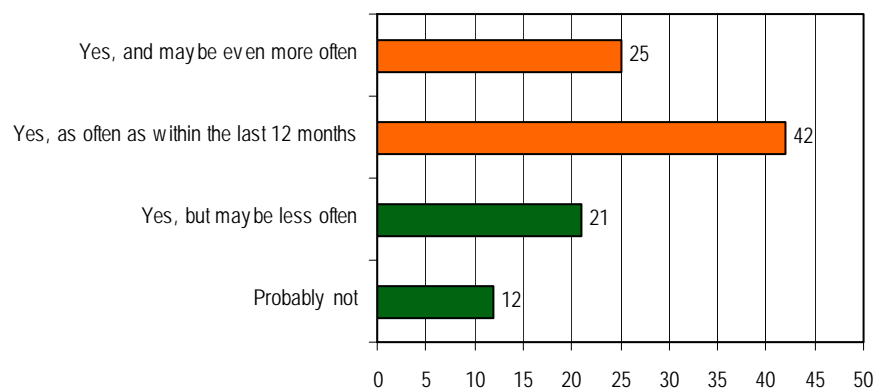
**And Asians – especially Chinese – expect to travel more**

The major factor in Asia Pacific influencing travel and tourism forecasts for 2010 is the extraordinary progress of the Chinese economy, and the question is to what extent the whole region (not to speak of Europe) can ride on the coat tails of this progress. It seems that in Southeast Asia (in spite of the prosperity of large parts of this sub-region) the impact of the crisis remains as high as it is in North America, while in China the travel mood is better than ever before.

In January 67% of Asians, when asked whether the financial crisis would affect their behaviour, replied “No”. The remaining 33% replied “Yes” – but the equivalent response was only 14% in China.

Some 20% of Asians said they planned to take a less expensive trip this year and 24% that they would spend less on food, shopping, etc. A further 12% said they would probably take a shorter trip, and 12% that they would not travel at all. IPK therefore puts its Travel Confidence Indicator for Asia at 103 – and somewhat higher in China – expecting Asian outbound travel to increase by 4% this year.

Asian outbound travel intentions in 2010  
(% of respondents)



Source: World Travel Monitor survey, January 2010

**Innovation is key** As the global travel and tourism industry approaches the season of peak demand (at least for northern hemisphere source markets), advance bookings appear to be picking up and some segments are doing better than the January 2010 projections anticipated. But it is early days yet.

Capacity is still well down, airlines remain in difficulty, new threats like strikes are entering the equation, and there continue to be uncertainties – such as the impacts of tougher visa restrictions and airport security measures.

As for oil, and therefore fuel prices, the oil producers may find it difficult to raise output rapidly in response to emerging market demand, since investments were cut back in 2008-09.

Simmering civil unrest and political tensions in some parts of the world are a continuing cause of concern, and natural disasters such as storms, earthquakes and floods are always possible, if not probable.

But if this crisis has taught us anything, says IPK International's Rolf Freitag, it has shown that crisis is the best time for innovation. So at the dawn of this new decade, the industry can look forward to exciting times as all travel and tourism stakeholders look to gain competitive edge by adapting their tourism products and services to meet the fast-changing, if constantly elusive, marketplace.