Positioning and potentials of Greenland, the Faroe Islands and Iceland on the German holiday travel market 2016

Management Summary

At one glance:

» **Preface**: This report on "Positioning and potentials of Greenland, the Faroe Islands and Iceland on the German holiday travel market 2016" is on the one hand an update of the 2012 Reiseanalyse report for NATA, on the other hand it goes much more into detail regarding the product expectations of the potential guests in Germany regarding each of the three NATA destinations.

» **Huge potential on the German market**: Compared to the actual visitor numbers, all three destinations have a huge volume of potential guest. This potential has been growing significantly since 2012. Generally, destinations in North-Western Europe have been performing well in the last years. Especially Iceland and Greenland are very present in relevant media.

» **Similar positioning of the three destinations**: The main reasons for the Germans to travel there are the same for the three destinations: Stunning scenery and natural phaenomena like Northern Lights and Midnight Sun. There are also quite a lot of potential guests who can imagine combining the three destinations in one trip.

» **Possibilities for differentiation**: For Greenland it's glaciers, wildlife and unexpectedness; for Faroe Islands it's traditional villages; for Iceland it's volcanoes and Reykjavik as a city hotspot. These also reflect on the activities that are preferred in each of the destinations.

» **Good idea to segment the potential guests**: With a growing number of potential guests and more diversified needs and tourism products it is advisable to use a customer segmentation to address the right persons in the right way. The Visit Greenland segmentation approach seems to work very well for all three destinations

» **Fierce competition and reasons against the NATA destinations**: The results show that the three destinations are in fierce competition with each other as well as with destinations around the world. At the same time there are good reasons even for the potential guests not to travel to the NATA destinations: E.g. Price and climate, but also whale hunting.

» **In a market that is not growing, the NATA destinations need to be better and more convincing than other destinations to be able to grow. Knowledge of the customers and their needs is the key to success. The results of this report should help Greenland, the Faroe Islands and Iceland to further develop their marketing strategy and actions on the German market.**

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Introduction

The North Atlantic Tourism Association (NATA) has commissioned the Institute for Tourism Research in Northern Europe (NIT) to conduct a market research study on the “Positioning and Potential of Greenland, Iceland and Faroe Islands on the German Holiday Market”.

The central aim is to get a thorough and complete picture on the volume, the structure, the attitudes and developments of the market potential in Germany, in order to provide a sound basis for the future strategic planning of the three destinations concerning their marketing efforts, product development and communication on this market.

The study builds on the knowledge of the NATA 2012 Reiseanalyse study and tracks developments since 2012 in volumes and structure. At the same time it goes beyond the rather general results of 2012 and focusses more on the individual character of each destination. It applies the tourists’ segmentation that is already used by Greenland and the Faroe Islands.

Basis for most of the analyses in this report is an online survey with 4,000 interviews, representative for the German-speaking population in Germany aged 16-70 years. The interviews were conducted by our partner IPSOS in the second half of January 2016, based on their online access panel.

Source for the general trends in tourism demand in Germany is the Reiseanalyse trend study "German Holiday Travel 2025". Based on data spanning more than 40 years of holiday travel surveys, we are able to show long-term trends in German tourist demand, relevant for the three NATA destinations.

(1) Nordic destinations on the German holiday market

35% of Germans have been to at least one of the 10 Nordic destinations in our questionnaire, at least once in their life. Sweden is the most popular destination followed by Norway and Ireland/Scotland/Wales. Iceland follows on rank 6 after Canada and Finland, Faroe Islands on rank 7 and Greenland on rank 9. In total, we find 2.4 million who have been to Greenland/Faroe Islands/Iceland at least once in their lives. Of course most of them have been to Iceland.

78% of Germans would like to travel to at least one of the 10 Nordic destinations in our questionnaire within the next 5 years. They are most interested in Ireland/Scotland/Wales, Norway and Sweden. Iceland follows on rank 5 after Canada and in front of Finland and Alaska; Greenland is on rank 8, followed by Svalbard Islands and Faroe Islands on rank 10. In total, we find more than 18 million persons who would like to travel to Greenland/Faroe Islands/Iceland in the next 5 years; 15.7 million would like to go to Iceland, 5.1 million to Greenland and 4.7 million to Faroe Islands.

Obviously there is some overlapping between the potential travellers to the three destinations, meaning there is competition among the three destinations about the same potential guests. Of course the three destinations are not only in competition about these guests with each other but also with other competitors in the North and throughout the world. The competition is fiercer the more ‘exotic’ a destination is. In our case this means that potential travellers to Greenland or Faroe Islands are interested in more destinations in total than potential travellers to Iceland.

- ➔ **Compared with the actual demand, there is a huge interest in the three NATA destinations. This is the room for destination marketing. The following part of the report should help with strategic marketing decisions.**
- ➔ **Within the three destinations a certain domination by Iceland is immanent.**
- ➔ **All three destinations are in fierce competition with each other, with other Nordic destinations and destinations around the globe.**

(2) Profiles of potential travellers to Greenland/Faroe Islands/Iceland

The potential travellers to the three North Atlantic destinations are quite evenly distributed on both sexes. The majority of potential travellers are 20-49 years old. Generally, their age structure is very similar to that of the German population. Regarding their formal education, we find that potential travellers have a higher education than the average German. Concerning their marital status, we find a higher share of singles within the potential travellers than in the population. Nevertheless, the majority of potential travellers are living together with a partner. Around half of the potential travellers live in households of one or two persons, and half in households with three and more persons. There are slightly more households with children (Faroe Islands: A lot more) than in the population. The majority of potential travellers to the 3 destinations have a monthly household net income between 1,000 and 4,000 €. The income structure is similar to the German population. The biggest group of potential travellers to all three destinations is made up of employees (56%-60%), compared to 58% in the population. Most potential travellers to all three destinations live in the four most populated federal states [NRW, Bayern, Baden-W., Niedersachsen]. The regional structure is similar to the German population.

- ➔ **In most regards, the demographic profiles of potential travellers to the three NATA destinations do not differ much from each other or the German population. This means you do not have to take peculiarities into account when addressing them.**
- ➔ **On the other hand, the small but noticeable differences may show opportunities for specific targeting (e.g. high education level, lots of singles, families for the Faroe Islands)**

(3) Product preferences of potential travellers to Greenland/Faroe Islands/Iceland

Experiences: The ranking of what potential travellers would like to see/experience in the three destinations is somewhat similar, nevertheless with a characteristic touch for each destination: For all three destinations the stunning scenery and the natural phaenomena (e.g. northern lights, midnight sun) are very important. The biggest chances to differentiate are for Greenland its glaciers, wildlife and unexpectedness, for the Faroe Islands its traditional villages and for Iceland its volcanoes and Reykjavik as a modern capital city.

Activities: There are similar activities that potential guests would like to do in the three destinations, but yet the ranking is somewhat different and shows further possibilities for differentiation: Greenland: most important are wildlife watching and photography, both with a significantly higher interest than in Faroe Islands and Iceland. Other outstanding activities are dog-sledding and glacier hiking. For the Faroe Islands most important are local specialities together with photography. Slightly outstanding is the learning about local handicraft. Most important for Iceland are guided nature tours and its quietness, both somewhat outstanding.

Getting there/around: Most potential travellers prefer direct flights into the region, followed by the cruise segment. Details vary between the three destinations.

Information sources and online content: The first three preferred information sources are the same in the three destinations: Internet search in front of guide books and travel magazines. When asked for their preferred kind of online content, most potential guests of all three destinations favour destination images in front of product images and factual texts on the travel product.

- ➔ **This chapter is basically the CORE of the study and was the focus of the questionnaire.**
- ➔ **The results help to understand in detail how the potential travellers would like to spend their holidays in each of the three NATA destinations (and in comparison with the Nordic competitors).**
- ➔ **This knowledge should give you substantial help with regard to product development, marketing strategy and communication.**
- ➔ **The following segmentation of tourists can help you to draw more specific conclusions for effective targeting approaches.**

(4) Segmentation of potential travellers to Nordic destinations

Segmentation approach: The Visit Greenland segmentation approach is based on the two dimensions "interest focus regarding nature and culture when travelling" and the "preferred engagement level". This enables you to identify 9 different segments of tourists (http://corporate.greenland.com/en/tools/segmentation-and-mapping/). The results of the two segmentation questions show: Concerning the interest focus, the mix of culture and nature is dominating in the German population, as is the "experience" in terms of engagement level.

Segments: In all three destinations, the Globetrotters are by far the dominating segment, with a share of 41%-42% compared to 33% in the population. The next important segments in all destinations are the Nature Lovers (14%-15%), the Sightseers (10%-14%) and the Ethnophiles (6%-10%). Even though the main findings of the segmentation are similar in the three destinations, there are some differences: Greenland has the highest share of Ethnophiles, Special Interest and Wilderness Seekers. Iceland has the highest share of Sightseers, Nature Appreciators and Culture Lovers. Product preferences and profiles of segments: To be able to target the different segments specifically, it is important to know the product preferences and demographic profiles of each segment: In this study we look at the 9 segments within all Germans interested to travel to at least one of the Nordic destinations. The results give important clues for a prioritisation of the segments and a segment specific marketing.

- ➔ **The Visit Greenland segmentation approach is on the one hand very helpful to further understand the potential travellers to the three NATA destinations; on the other hand it enables us to target the different segments according to their size and needs.**
- ➔ **The segmentation approach helps to learn about what the three destinations have in common and which segments are most suited for a differentiation.**
- ➔ **As the product preferences and demographic profiles differ significantly between the segments, it is possible to address the segments according to their different needs and characteristics.**

(5) Reasons against travelling to Greenland/Faroe Islands/Iceland

Population: The good news first: 21% of the Germans have no general objections to travel to Greenland/Faroe Islands/ Iceland. Most important reasons against travelling to the three destinations are the expected high costs, followed by the coldness and bad weather. There are also important factors in play that are not directly linked to the tourism offer in the three destinations.

Segments: The share of persons without obstacles is between 14% (Wilderness Seeker) and 25% (Globetrotter). In detail, the differences between the segments are quite interesting, e.g. the share of persons fearing cold climate and bad weather are highest with the Culture Lovers and Culture Appreciators.

Potential guests: The share of persons without obstacles is higher with potential travellers to the three destinations than in the population (22%-27%). Product related obstacles (expensive, accessibility, tourism product) and whale hunting are more relevant with the potential guests! Cold climate, bad weather, the attractiveness of other destinations and doubts what to do in the NATA region are less important obstacles with the potential guests.

Age groups: Demographically you find the most striking differences regarding reasons against travelling to Greenland/Faroe Islands/Iceland in the different age groups. The younger age groups (16-39) have more obstacles, the older age groups (50-70) less.

- ➔ **The results of Chapter 1 show that the three NATA destinations are in fierce competition with other destinations in the North and around the world.**
- ➔ **To transform potential guests into actual ones, it is not only important to know who they are (Chapter 2) and what they want (Chapter 3) but also the possible reasons against travelling to Greenland/Faroe Islands/Iceland.**
- ➔ **The results of this Chapter give hints what do address in your communication and product (price, climate, access) etc.**
- ➔ **The results also show the differences, e.g. in the segments and the age groups, which might help you for a more precise targeting.**

(6) Development of interest/experience to travel to Nordic destinations 2012 to 2016

Volume: The comparison of 2012 and 2016 shows a general upward trend in the interest to travel there for all Nordic destinations that were covered in both questionnaires in the same way. The only exception is Canada which has remained on the same level.

The highest absolute increase by 11 percentage points can be accounted for Iceland. Iceland is also scoring the highest relative increase (+65%). Greenland (+50%) and Faroe Islands (+33%) are also performing very well. The total of potential travellers to three NATA destinations is now 18.2 million, up from 12.6 million in 2012. 15.7 million (2012: 10.0 million) would like to travel to Iceland; 5.1 million (2012: 3.8 million) would like to travel to Greenland; 4.5 million (2012: 3.4 million) would like to travel to the Faroe Islands.

Structure: Regarding their structure and the dynamics since 2012, there are no revolutions to report. The structure of the potential guests to the three NATA destinations is very similar to the German population. Their formal education is strikingly higher than in 2012. Regarding their age, potential travellers to Greenland are now a little older and to the Faroe Islands somewhat younger than in 2012.

- ➔ **The results of this Chapter show very positive prospects of the three NATA destinations on the German market.**
- ➔ **They can profit from a positive trend for almost all Nordic destinations and are even leading in terms of absolute and relative growth of interest.**
- ➔ **Despite this dramatically positive development in the volume of potential guests, their structure remains pretty stable. This means that generally no adjustments in the general targeting of potential guests are necessary.**
- ➔ **Of course not all of the potential guests will eventually travel to the NATA region.**
  But the results of this study can help you with a successful marketing to address them.

(7) General market situation and trends

In Germany, you have a very stable demand for holiday travel. The Germans like to travel abroad. The biggest holiday destinations are Germany (1/3) and the Mediterranean (1/3). The market share of North-West Europe is about 5% and a stable interest for “Nordic” landscapes exists. Concerning the travel organisation package holidays and travel agency bookings are dominant – BUT the market shows the tendency to structural change towards more individual and internet bookings. Current figures regarding the Internet: Internet access: 79%; use for holiday information: 61%; use for holiday-booking: 43%.

- ➔ **GOOD: You can count on the German traveller.**
- ➔ **BAD: You cannot count on more Germans from a growing market. If you want more German guests, you have to “take” them from other destinations.**