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

Management Summary

At one glance:

- **Preface**: This report on "Positioning and potentials for Greenland, Iceland and Faroe Islands on the German market" displays a lot of information and conclusions about the joint and individual positions and potentials of the three destinations on the German market. At least to our knowledge, this information has never before been available in this detail for the German market.
- **Overall market**: In a generally very stable holiday market with a quite positive outlook for the future, the development of the demand for North-Western European destinations has also been very stable in the past. On the other hand, the interest for many of these destinations, among them Iceland/Greenland, has increased significantly in recent years.
- **Actual demand and potential**: By actual demand, Greenland, Iceland and Faroe Islands are all very small destinations in the German holiday market. Within the three destinations, Iceland has a quite dominating position. On the other hand, the interest in each of the destinations is huge compared to the actual demand. The overlapping of interests for the three destinations is substantial, as is the overlapping with other Nordic and Non-Nordic destinations.
- **Potential guests - structure**: The potential guests for the three destinations do not differ very much. Comparing the potential guests with the population, you find a high significance of younger (up to 39 years) and mature persons (40-59 years) without kids, with a comparatively high social status. These results are further refined by the analysis of the potential guests according to the Sinus-Milieus. These help to characterise the potential guests as "explorative" and "curious".
- **Potential guests – interests and image**: The analysis of the attitudes, motivations and interests of the potential guests give important hints what topics are well-suited to address these persons successfully. They also already show the huge importance of nature and nature-related aspects in a holiday trip. These findings are confirmed and refined by the results of the image analysis of the three holiday destinations in the German minds and the potential guests' product requirements concerning a nature holiday.
- **Competition**: The competition analysis shows a very fierce competition of the three destinations within the Nordic destinations as well as within worldwide holiday destinations.

- **Altogether these findings show a positive outlook for all three destinations on the German holiday travel market. All information provided in this report can help Greenland, Iceland and the Faroe Islands to compete successfully for the German holiday traveller!**

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Introduction

NATA commissioned this report to find out about the position and potentials of the three North Atlantic holiday destinations Faroe Islands, Greenland and Iceland on the German holiday travel 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.

Basis for the analyses in this report is the German Reiseanalyse 2012, the most established syndicated study on holiday travel demand in Germany. The results displayed in this report rely on two different surveys within the Reiseanalyse 2012:

RA 2012 *face-to-face*

field time: January 2012; 7,703 personal interviews; representative for the German-speaking population 14+ years in Germany

» General market overview and trends
» Holiday trips to North-Western Europe: developments and travel behaviour
» Development of volume and structure of the potential guests to Iceland/Greenland
» Attitudes and interests of potential guests to Iceland/Greenland
» Competition of Iceland/Greenland with other destinations in the mind of the potential guest
» Focus: nature holidays

RA *online* 5/2012

field time: May 2012; 2,515 online interviews; representative for the German-speaking population 14-70 years in Germany

» Awareness, interest and experience with Faroe Islands, Greenland and Iceland in Germany
» Structure and Internet use of prospective travellers to the Faroe Islands, Greenland and Iceland
» Image of the Faroe Islands, Greenland and Iceland
» Competition of the Faroe Islands, Greenland and Iceland with other Nordic destinations
» Reasons against travelling to Iceland in the low seasons

(1) 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 there exists a stable interest for "Nordic" landscapes. 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: 75%; use for holiday information: 55%; use for holiday-booking: 33%.

→ 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.

(2) Nordic destinations on the German holiday market

Destinations in North-West Europe (Finland, Sweden, Denmark, Norway, UK, Ireland, Iceland, Greenland) attracted about 5% of all holiday trips 2011 (5+ days) of the German population. This market share has remained rather stable over the past decade. The holiday travel behaviour to North-Western Europe is characterised by a rather high seasonality and a quite big importance of nature and adventure/expereience holidays.

In the rankings of the actual demand and the market potentials for the North-West European destinations, Iceland, the Faroe Islands and Greenland are on the last positions. The ranking of North-West European destinations is led by Denmark, UK and Norway. Since 2006, only Norway and Iceland/Greenland improved their market shares, the other five North-West European destinations lost. The look at the market potentials of the North-West European destinations shows much higher figures than for the actual demand. This indicates space for marketing for each of the destinations.

The ratio of market share to market potential varies very much with the "size" of the destination on the German market: Denmark's potential is 2.5 times bigger than its actual market share. The potential for Iceland/Greenland is 13 times higher than the actual market share. Since 2006, Iceland/Greenland experienced the biggest increase of interest of all North-West European destinations.

(3) Market potentials of Greenland/Iceland/Faroe Islands in detail

(3.1) Volume

Awareness
88% of the German population are aware of Iceland as a holiday destination. Almost as many persons know Greenland (86%). The figure for the Faroe Islands (61%) is somewhat lower.

Market Potential
2.7 million Germans (or 3.9% of the population 14+ years) are "almost definitely planning" or "generally considering" to visit Iceland/Greenland as a holiday destination in the next 3 years. This figure increased from 2.4% in 2000 with some setbacks in the years 2002-2004 and 2008-2009. 12.6 million persons (or 20.9% of the German population 14-70 years) "would like to go" to Greenland, Iceland or the Faroe Islands within the next 5 years: 10.0 million to Iceland, 3.8 million to Greenland and 3.4 million to the Faroe Islands.

Overall, you can see heavy overlapping of the prospective travellers of the three destinations and domination by Iceland: 80% of the total potential are interested in Iceland!

Travel Experience
0.3 million persons (or 0.4% of the German population 14+ years) have visited Iceland/ Greenland as a holiday destination in the last 3 years. 1.3 million Germans (or 2.2% of the population 14-70 years) have been to Greenland, Iceland or the Faroe Islands at least once in their life: 0.9 million have been to Iceland, 0.5 million to the Faroe Islands and less than 0.1 million to Greenland.

→ **You have no problem concerning the awareness of your destinations! There are plenty of potential guests and even a growing interest for your destinations.**

→ **There is heavy overlapping of the potential guests of Iceland, Greenland and Faroe, which means cooperation/coordination makes sense.**

→ **As other "exotic" and comparatively small destinations you have quite poor transfer rates from awareness to potential to actual travellers.**

→ **There is room for your marketing on the German market!**

(3.2) Developments and Sinus-Milieus

Structure developments
Looking at the life cycles of your potential guests, younger (14-39 years) and mature (40-59 years) persons without kids are most important. Within these groups the young singles and the mature couples are the major groups. From 2005 to 2012, the structure of the potential guests has remained quite stable – only the senior and the mature segments grew a little on cost of the young.

16% of the potential guests are living in the North-West of Germany, 35% in the West, 28% in the South and 21% in the East. From 2005 until 2012 this structure of the potential guests did not change much: Most noticeably is the growth of the South from 24% to 28% on cost of the West.

Concerning the social class of the prospective visitors the highest classes are most important: "grades 1 and 2" representing 39% of the prospective visitors and "grades 3 and 4" representing 40%. From 2005 to 2012 "grades 3 and 4" grew from 35% to 40%, mainly on cost of "grades 5 to 7".

Sinus Milieus

The Sinus-Milieus group people with similar attitudes and ways of life. Basic values as well as attitudes to work, family, leisure, money and consumption all play a part in the analysis. The milieu data can be a valuable addition to a socio-demographic or product-related customer segmentation.

For the three North-Atlantic destinations, the “high achievers” and “movers and shakers” are important milieus with 15% resp. 14% share of the potential guests – both are highly over-represented. The “escapists” (18%), the “established conservative” (13%) and the “socio-ecological” (12%) have substantial sizes and are slightly over-represented.

→ **Most important segments within your potential guests: “Young Singles“ and “Mature Couples“; the Top2 or 3 “Social Classes“; the Sinus-Milieus “High Achievers“, “Movers and Shakers“ and “Social-Ecological“.**

→ **These are the people you should try to address in the first place.**

(3.3) Holiday related attitudes, motivations and interests

Holiday preferences

Concerning the organisation of holidays the potential guests are split almost exactly half in preferring package holiday resp. individual planning. 32% prefer modular holidays. Concerning the comfort of the accommodation the vast majority of potential guests prefer basic or comfortable lodging. 22% prefer luxury, highly over-represented compared to the population. 35% of the potential guests have a positive attitude towards a sustainable holiday, 41% are undecided and 23% have a negative attitude. Compared to the population, the positive statements are slightly over-represented, the negative ones slightly under-represented.

Holiday motivation

The most important holiday motivations of the potential guests are “relaxation”, “freedom”, “recuperate” and “leaving the daily routine”. In this they do not differ much from the rest of the German population. These are basic needs every holiday destination has to fulfil. Motivations that could work for the distinction of the three North-Atlantic destinations are “adventure/experience”, “sports”, culture” and “curiosity” – these topics might be helpful for the profiling of tourism products and their communication.

Holiday activities

The most important holiday activities of the potential guests are “excursions”, “swimming”, “local specialities” and “shopping”. In this they do not differ much from the rest of the German population. These again are basic activities that every kind of holiday should be able to offer. Most distinguishing are niche activities such as “golf” and “fishing” and “visiting natural resp. cultural attractions and spa facilities” – these topics also might give hints for the development of tourism products and their communication.

Types of holiday

The potential guests are most interested in “sun&beach”, “adventure/experience”, “city trips” and “round trips”. The biggest differences compared to the German population can be found with “study trips”, “cultural holidays”, “camping” and “farm holidays”.

ATTENTION: These are general holiday preferences, attitudes and interests of the potential guests and not directly connected with the destinations Iceland/Greenland/Faroe Islands. Hence, these results give hints, which can be used for product development and communication, but also what competition Iceland/Greenland/Faroe Islands might face in the minds of the potential guests.

→ **50% of potential guests prefer package, 50% individual holidays. Most potential guests want reasonable comfort (concerning accommodation) – 22% like luxury. The eco-friendliness of holidays is quite important.**

→ **Holiday motivations + activities: You have to meet the basic requirements – but convince the potential guests with fulfilment of the distinguishing motivations. Adventure/experience, sports, nature, culture are potentially distinguishing topics.**

→ **From the interest in different types of holidays opportunities and threats arise at the same time: Opportunities can be found in types of holidays that fit with the distinguishing holiday motivations and activities.**

(4) Image of Greenland/Iceland/Faroe Islands

Image Greenland

In the mind of the people who are aware of Greenland as a holiday destination, it is known for its uniqueness, its unspoiled nature, natural phenomena, the stunning scenery and wildlife. It is not widely known for its culture/history, its hospitable people or for being a round trip destination. Persons with interest to travel there much more often associate Greenland with stunning scenery, uniqueness, natural phenomena and hospitable people than persons with NO interest to travel there.

Image Iceland

In the mind of the people who are aware of Iceland, it is a holiday destination to experience natural phenomena, a stunning scenery and quietness. It is not widely known as a stop-over to North-America, as a city destination or to be cumbersome to reach. Persons with interest to travel there much more often associate Iceland with uniqueness, unspoiled nature, stunning scenery and natural phenomena than persons with NO interest to travel there.

Image Faroe Islands

In the mind of the people who are aware of them, the Faroe Islands are a holiday destination off the beaten track where you can experience quietness in a great scenery and nature. It is striking that even many persons aware of the Faroe Islands are not too sure what to expect there. Persons with interest to travel there much more often associate the Faroe Islands with a stunning scenery, uniqueness, outdoor activities and wildlife than persons with NO interest to travel there.

Image comparison of the three destinations

The images of the three destinations are quite similar. Key image factors of all three destinations are nature and scenery. Greenland is seen as most unique and with good wildlife watching. Iceland gets the highest nominations for outdoor activities and a variety of secondary characteristics, e.g. wellness, city destination, round trip. The Faroe Islands' figures are always below at least one of the other destinations; within its image "quietness" and "not touristic" are striking.

→ **This fits quite well with the distinguishing holiday motivations and activities of your potential guests.**

→ **It tells you what the potential guests expect at your destinations and gives hints about common topics as well as differences between the three destinations.**

(5) Focus: Nature Holiday – Product Requirements

Nature is an important aspect for the German population when it comes to holidays. The actual demand for nature holiday (in the last 3 years) has been oscillating the past decade around 30% of the population. The interest for nature holiday oscillated around 35% of the population. The small difference between demand and interest shows that there is a huge likelihood that someone interested in a nature holiday will actually go on this kind of trip. On the other hand there is not much room for growth in this segment.

Looking at the product requirements for a nature holiday, for 71% of the potential guests to "enjoy pristine nature" has to be absolutely fulfilled. A further 15% find this characteristic desirable. The following must-criteria continue in the ranking: exercise in nature, tranquillity, relaxing and resting, healthy climate. Compared to the German population the potential guests far more often require unusual activities and "natural" nature attractions and want to be assured that their expenditure stays in the region to make their nature holiday a success.

ATTENTION: Again, these are general product requirements for nature holidays of the potential guests and not directly connected with the destinations Iceland/Greenland/Faroe Islands. Hence, these results give hints, which can be used for product development and communication, but also what competition Iceland/Greenland/Faroe Islands might face in the minds of the potential guests.

→ **As nature has such a big significance in the holiday interest of your potential guests and in the image profiles of the three destinations, it is worth to take a closer look at the "nature holiday".**

→ Nature holiday is a quite stable and big holiday segment (about 1/3 in Germany is interested): Defined by distinct environment, scenery and activities.

→ „Nature"-figures of potential guests are way above the German average.

→ Product requirements: As with the holiday motivations and activities – meet the basics (pristine nature, exercise, tranquillity) and convince with the "specials" (attractions, activities, food).

(6) Competitive situation

The potential guests have been to 3.8 different destinations in the last 3 years and are interested to travel to 28.3 (!) destinations in the next 3 years. Compared to a German average of 2.3 destinations in the past and 6.2 destinations interested in in the future, this clearly shows the very fierce competition, that Iceland, Greenland and the Faroe Islands are facing on the German market.

The three destinations have made it into the consideration set of its potential guests, but have to compete there against 27 other destinations! 79% of the potential guests would like to visit Norway in the same time, 73% Sweden, 72% Spain. The high ranks of Spain, Germany, Italy, France, Austria, USA etc. also show that the competitors are by far not only destinations with a similar product.

→ Iceland, Greenland and the Faroe Islands are facing a very fierce competition on the German market.

→ Potential guests to the three destinations also would like to go basically everywhere else in the world.

→ This makes it very hard to reach and convince these potential guests and is probably the main reason for the big gap between potential and actual visitors from Germany.

(7) Reasons against Iceland in the low season

When asked for potential barriers to travel to Iceland in the low season, 23% of the persons who are aware of Iceland as a holiday destination have no objections of travelling to Iceland in the low season (not June/July/August). 20% have not (yet) thought of going there in the low season. "Only" 57% have concrete reasons for not travelling to Iceland in the low season. Climatic reasons are the strongest barriers to travel to Iceland in the low season, much more significant than direct limitations of the tourism product during these times, compared to the summer months.