Phocuswright

Tourism in Germany 2030 Executive Summary

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PROJECT M

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Phocuswright is the travel industry research authority on how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, Phocuswright fosters smart strategic planning, tactical decision-making and organizational effectiveness.

Phocuswright delivers qualitative and quantitative research on the evolving dynamics that influence travel, tourism and hospitality distribution. Our marketplace intelligence is the industry standard for segmentation, sizing, forecasting, trends, analysis and consumer travel planning behavior. Every day around the world, senior executives, marketers, strategists and research professionals from all segments of the industry value chain use Phocuswright research for competitive advantage.

To complement its primary research in North and Latin America, Europe and Asia, Phocuswright produces several high-profile conferences in the United States, Europe and India, and partners with conferences in China and Singapore. Industry leaders and company analysts bring this intelligence to life by debating issues, sharing ideas and defining the ever-evolving reality of travel commerce.

The company is headquartered in the United States with Asia Pacific operations based in India and local analysts on five continents.

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Introduction:

Germany is Europe's largest economy, and home to the region's largest travel market. Travel and tourism is integral to the country's commerce, representing roughly 7% of the workforce and 4% of gross value added (GVA). In 2017, a strong economy and record-low unemployment bolstered consumer confidence and helped to fuel 3% growth for the German travel market.

Within the global travel landscape, Europe is the world's most mature regional travel market. Led by the U.K. and Scandinavia, Europe was an early adopter of online travel, with online transactions accounting for 51% of total travel gross bookings in 2017, exceeding both the U.S. and Asia Pacific (APAC). Germany's online travel market, however, lags the European average, due in part to the strong position of the country's tour operators and traditional, offline travel agencies. Yet Germans are also among the most mobile-savvy travelers in the world. This mix of deeply ingrained offline booking practices and technological sophistication will shape the evolution of the German travel market over the next decade.

This paper provides a detailed picture of the current state of the German travel market and highlights the trends and technologies that will impact the country's tourism industry through 2030. The paper analyzes the German market within the context of the global travel landscape, highlighting the country's unique characteristics and identifying key opportunities and challenges for German travel companies in the years to come.

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KEY FINDINGS

- Germany's online travel market has grown more slowly than some other European countries due to the popularity of offline distribution and the leading role of tour operators. Digital booking growth, now fueled by mobile, will continue to outpace the overall market.
- Despite relatively low online travel penetration, German travelers have been quick to adopt mobile technology. High smartphone penetration and the growing availability of 5G devices will drive adoption of new types of customer interactions throughout the travel journey, including emerging features such as voice-based services and augmented reality.
- Technology will remain the key driver of changes in the German travel market and worldwide. Digital bookings will continue to rise as new travel segments including travel activities and private accommodation are increasingly booked online. Technology, including mobile devices, artificial intelligence (AI) and blockchain will enable new business models and power greater personalization. German travel companies have an opportunity to leverage these and other technologies to drive operational efficiencies, create new products and services, and improve the traveler experience.

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METHODOLOGY

This paper, commissioned by the German Federal Ministry of Economics, provides total and online travel gross bookings for key global travel markets based on Phocuswright's proprietary research methodology. All references to online travel refer to online leisure and unmanaged business travel and do not include online corporate bookings. Unmanaged business travel refers to all air, car and hotel expenses associated with business travel in firms that do not have a travel policy dictating the channel, type of travel supplier or fare/rate uses. Corporate travel bookings are included in the total travel market figures, but not the online figures. When possible, travel that is researched online but booked offline using other means is excluded from online gross bookings figures.

Online penetration is the percentage of the total market that is booked by online leisure/unmanaged business travel services. Total travel figures (online and offline) are used to determine online penetration for each market segment. All currencies are in euros (€), calculated, where applicable, based on exchange rates current as of 15 January, 2018.

Supplier gross bookings are assigned to the market in which the supplier is headquartered. OTA and tour operator bookings are assigned to their respective source markets. All data is actual for 2015-2016 and projected for 2017-2020. Note that figures may not always total to 100% due to rounding.

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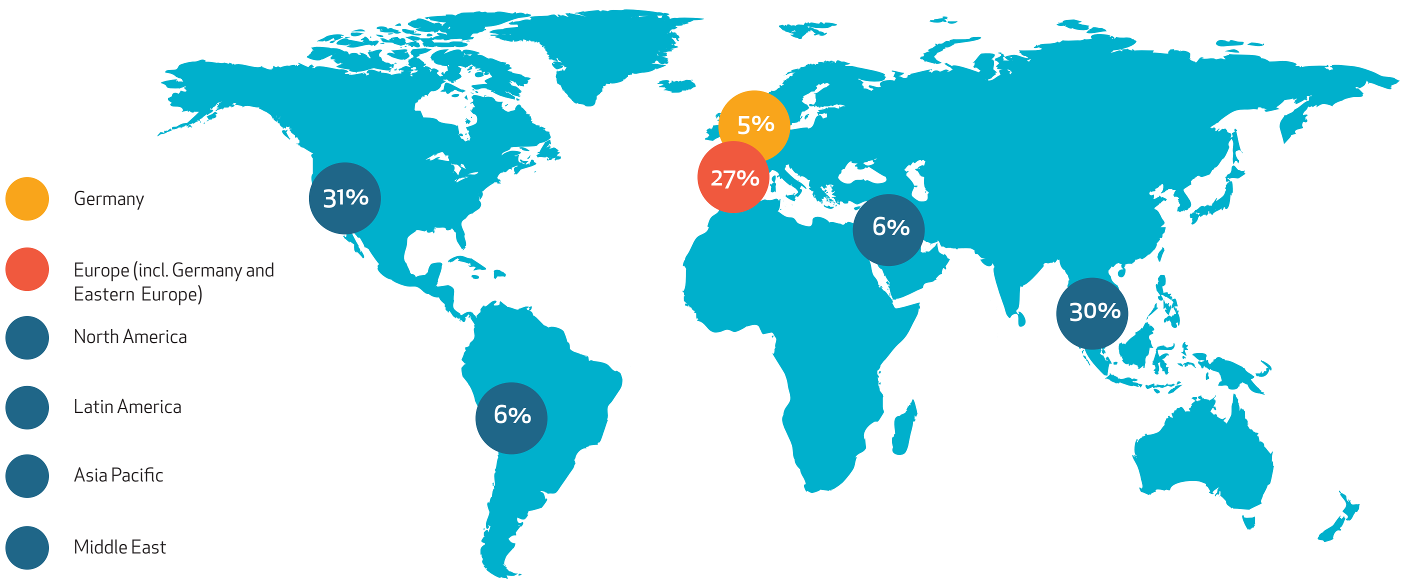
WHERE WE ARE (2017)

Over the past 50 years, the world's destinations and economies have become increasingly interconnected. Development in emerging economies is enabling an expanding population of travelers around the globe to explore the world through travel. The rise of the Internet and mobile devices has had profound effects on traveler behavior throughout all stages of the travel process. In both mature and developing markets, a growing share of travelers is turning to digital channels to shop for and book travel. While Germany is a relatively mature online travel market on the global stage, it is far behind Europe's leading online markets (U.K. and Scandinavia) in online travel penetration. To better understand the unique characteristics of Germany's travel market, it is useful to view it within the context of the broader global landscape.

In 2017, the global travel industry transacted €1.3 trillion in gross bookings. North America and Asia Pacific are roughly tied as the world's largest travel regions by gross bookings, accounting for 31% and 30% of the total global travel market, respectively (see Figure 1). Europe is now the third-largest regional market, with 27% global market share. Germany contributes 5% of global travel bookings, a share nearly equal to Latin America (6%) and the Middle East (6%). However, growth rates in these emerging regions exceed those in more mature markets like Germany.

Figure 1:
Total Travel Market Share, 2017 (%)

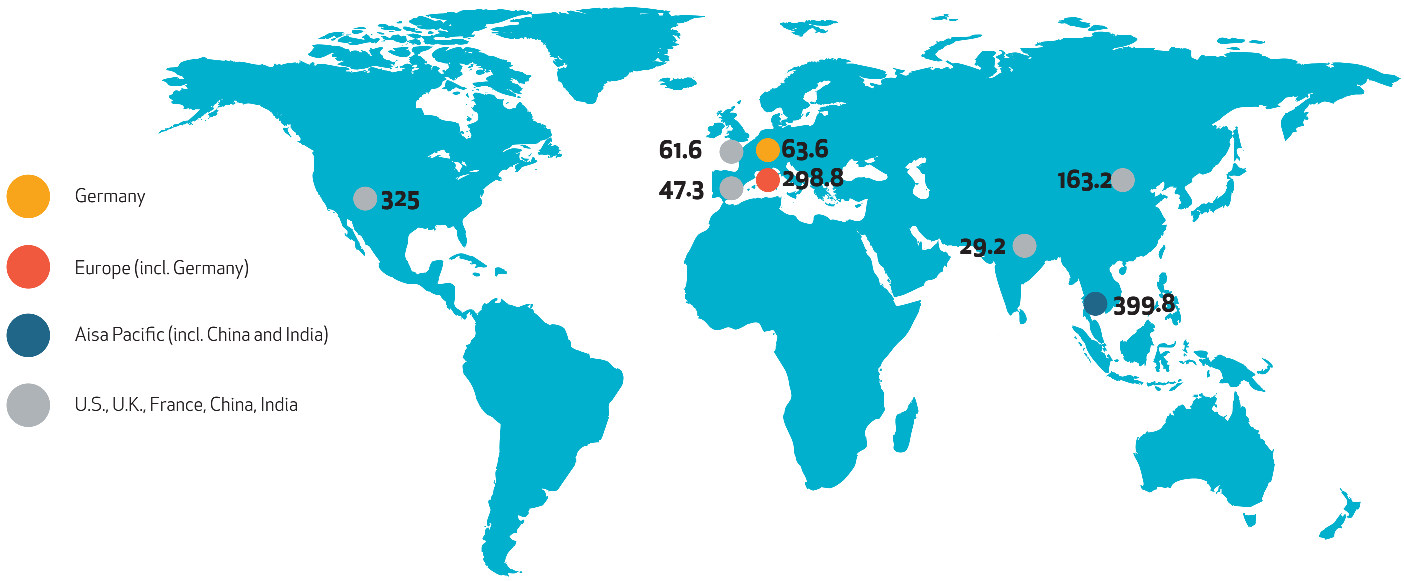


Note: *2017 projected*
Source: *Phocuswright's Phocal Point*

WHERE WE ARE HEADING (2020)

By 2020, the European travel market will grow to €299 billion, as Germany's travel gross bookings rise to €64 billion (see Figure 6). Europe will remain the third-largest regional travel market, as rapid growth catapults APAC to the number one position with nearly €400 billion in gross bookings. China's travel market, APAC's largest by a wide margin, will continue to drive gains as it expands to €163 billion. The U.S. will remain the largest individual travel market, with a projected €325 billion in gross bookings.

Figure 6:
Total Travel Market Revenue, 2020 (€B)



Sources: *European Online Travel Overview Thirteenth Edition; U.S. Online Travel Overview Seventeenth Edition; Asia Pacific Online Travel Overview Tenth Edition*

BIG PICTURE: TRENDS AND PREDICTIONS, 2017-2030

In the coming years, digital travel will continue to emerge worldwide. Online travel will grow the fastest in emerging markets, but even in more mature markets, including Germany, consumers will continue to shift to digital channels for trip research, shopping and booking, and during the trip itself. Traditionally offline travel segments, including travel activities and private accommodations, will increasingly be booked online, enabled by new distribution platforms and technologies.

Mobile will play a key role in driving online booking growth, particularly in markets like China, where online travel is developing alongside a thriving mobile ecosystem. In the longer term, emerging technologies including artificial intelligence and voice will both support and transform the traveler experience, creating new opportunities and business models for global travel companies.

The complete report highlights the following trends:

- Mobile-First is Yet to Come
- With the rise of travel activities, packaged travel is now more than just tour operating
- Private accommodation has always been significant in Europe, and is now growing faster than ever
- Asia is taking over, with China leading the way
- Artificial Intelligence will penetrate many aspects of the travel experience