DACH Market Report

GERMANY, AUSTRIA, SWITZERLAND

May 2019

Visit Finland Country Representative

Jyrki Oksanen

Semiannual Report – DACH GERMANY, AUSTRIA, SWITZERLAND

Winter season 2018-19 and outlook for summer 2019

CONTENTS

Visit Finland

Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in overall outbound travelling from your market?

- Generally the winter 2018-19 was a good season on the DACH market for Finland. Economic situation positive with growth and uncertainties growing in 2019 around strong digital disruption in the the travel industry, crisis at holiday air services and growing consumer doubts about the economy in Europe. In Germany the diesel crisis and international trade wars and Brexit have pulled the growth expectation down to BIP to 0,5 in 2019.

- Security situation eased up 2018 moving massive travel flows from western Mediterranean to eastern Mediterranean. Security remains most important criteria when choosing destination. Germany launched an official travel warning to Turkey and numerous regional security issues arise as the terrorist wishing to harm western European tourists for maximum publicity is growing.

- Eventually the negative issues overtourism, safety and disruption of holiday travel in sales channels lead to a uncertainty at consumers.

- The driver in the travel industry disruption is the low rentability in airline business leading to numerous changes in Germany, most well known are the "chapter 11" cases of Air Berlin and Germania.

- At the same time the "Greta-effect" comes trendy. The DACH area is also a leading travel destination in the world and you can access numerous destinations easy & responsibly so why not discover own regions instead of having the trouble of overcrowded destinations and overprized services?

- Still international travel will grow ex Germany in 2019. The Nordic momentum seems to remain also due to above challenges which can be seen as geopolitical opportunities for us in the north.

Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in travelling to Finland?

- Demand is higher than offer with Lapland and Helsinki leading the development. A milestone was that Germany was the largest international market in February and we can see the demand for our winter product spreading south.

- Finland’s image as a travel destination we have managed to turn the cold, far and expensive to cold enough, far enough and exclusive enough. Top social media influencers like Lena Gercke post for millions of followers bringing our winter closer to mainstream.

- Changes in distribution positive with ca 25 % more products on sale as the year before and the trend remains with challenges in how to get the clients to the destination.

- Changes in accessibility: due to loss of Germania we had more challenges than expected. We maybe have to see also availability in accommodations and activities is close to 100% maximum load there would be too much stress on destinations to manage sustainable growth. The operation around Vianova and Prima Reisen is spreading and this gives a good visibility in Germany. The Geneva-Kittilä flight was also installed successfully by Kontiki Reisen. The new route Stuttgart-Helsinki by Finnair and their additions to capacity is the main positive development to enable growth in the winter 2018-19.

Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in travelling to Finland?

- **Products that have been attractive**
  Winter Wonderland: winter fun in a resort. Glass igloos and special accommodation combined with northern lights
  Business travel seems to be declining, so the pressure to develop all year leisure travel increases.

- **Regions that have been attractive**
  Lapland: especially Ylläs, Saariselkä and Kuusamo.
  Kainuu has been active and now Vuokatti is becoming a winter resort for the German visitors

- **Campaigns, joint promotions results**
  Der Touristik Campus live event was a gamechanger for Lapland on the German market. Similar agent training events haven been done with other tour operators as well as tailored campaigns with regions and sales channels.
  Generally the amount of products in sales channels is increasing to Finland and especially Lapland is leading this development with two main seasons in the DACH markets.

Outlook for the summer season 2019

The overall outlook of travelling to Finland for the coming summer?

- We expect the DACH market to grow in 2019. A positive trend has been there since 2015 and within the volumes there has been a positive development to more organized travel an higher leisure travel volume.

  The air capacity is strongly developing with Finnair adding Hanover-Helsinki as its 7th route Germany-Finland.
  We have the first full season of Easyjet and first of Ryanair to Lappeenranta both from Berlin. Totally the air capacity is +25 % to summer of 2018.

  Third item is increased campaigning: Visit Finland image- and tactical campaigns have been successfully implemented and 30 joint promotions and X-over campaigns give us an unseen amount of brand and tactical visibility which drive bookings. Also media work has given us great visibility in top media with a fantastic reach.

- **New summer products**
  Mainly new products all within the German product themes: roundtrips, villas and resorts and short holidays. What is trending is roundtrips without own car, so multimobility give us new challenges and opportunities: challenge in giving services at odd hours for FITs and opportunities to develop new sustainable holiday experiences.

- **New sales channels**
  New online and sustainable travel providers are in our focus

Outlook for the summer season 2019

The overall outlook of travelling to Finland for the coming summer?

- What are the trends for the summer 2019?

  The market players are confident that sales is positive. Combined with the additional new flight capacity (25% additional seats) and the entrance of low cost airlines support this position.

- Which are the traveller segments?

  Promotional focus is on millennials and short trips-round trips-resorts & villas with nature-culture relaxing/ experiencing focus.

  However the 45 plus for a large group of travelers on cruises and coach tours both significant in volume, ca 150.000 arrivals each. Defining in this segment is the low amount of overnights and low travel income.

- Business travel decline affects the total figures negative.

- Especially Coast & Archipelago and Helsinki seem to have a positive drive on the market.

Visit Finland

Outlook for the winter season 2019-20

Ad hoc marketing opportunities

- TO cooperation, joint promotions, crossover, events, PR, social media
- Positive is the expansion of Vianova south of Lapland with the first charter series to Arctic Lakeland, Kajaani.
- Demand remains good in the winter and within next weeks new players coming to the market with winter travel products.

- Absolut Slow Down campaign continues for autumn and winter seasons with possibility to join in anytime. The campaign site will shift to winter mode around 20th September and the 3rd campaign advertising burst is 23.9.-20.10.2019. Eventually 4th burst would be in December depending on the partners.

- Visit Finland has a large cooperation with the Embassy of Finland arounds numerous events around the Finnish EU presidency 1.7.- Aim maximize positive media visibility around the main themes of the presidency safety and sustainability.

- The launch of Sustainable Finland label in September can be utilized in this context

Prospects for the autumn/winter season 2019-20

The overall outlook of travelling to Finland?

- **What trends should be considered in product development to increase the demand in the autumn/winter time?**

  Slide 10 features a bunch of ideas. On top travel overland and winter in south of Finland could be promoted more.

- **Which present target groups should be considered to increase the demand?**

  All winter business is growing, so we try to upgrade the business in value more than increasing demand.
  Increasing demand is an option if you have availability during main season. Next to value we try to extend the season and spread the business wider.

  The outlook of business travel remains chanllenging

Visit Finland

Theme check: Sustainability, digitalization and year-round tourism

Visit Finland strategic cross-cutting themes are sustainability, digitalization and year-round tourism.

#sustainability: only 4 % of German consumers are willing to pay more for a sustainable holiday. However consumers expect sustainable solutions as given in a developed country like Finland. Flugscham = flight shame, lentohäpeä is a big item in the trade.

#digitalization: new solutions are coming quickly to the market. Today ca 25 % of bookings are online via OTA or retail another 25 % are online at suppliers of service and the rest is via travel agencies servicing clients. Online has been growing fast and as new improving solutions come including funding and a better UX.
Ctrips European brand Fliggy is closely monitored in the business and serves as an example how lifestyle platforms swallow travel OTAs as single service providers.

#all-year travel: focus should be put on target groups that have time and resources to travel all year: whoppers or wealthy, healthy older people, who form a massive consumer group in countries like DACH.
Promoting low season often bring challenge to motivate consumers to experience low season. Finding USPs is critical, like autumn in Lapland shows: best time for auroras, ruska and more link many highlights with additional attraction can be used as well as attractive pricing to stimulate travel.

Very few pictures, videos or other material can be used as main focus summer—winter dominate picture pools.

Visit Finland

Trends and other relevant travel related topics

Trends

- Millenials are internet savvy but pretty frustrated with the ”tsunami of content” online according to the Infas qua study the content should be clear, straight forward with transparent offers as life is pretty complicated.
- Luxury segment in DACH are primarely millennials and searching for strong nature experiences and five star accommodation. Glamping, glass igloos, special accommodations around Northern Lights, huskies and the Winter Wonderland remain our number one.

New distribution channels

- For the DACH market Visit Finland continues to develop the chosen product themes more focused. Car touring, short holidays and Villas & resorts remain main target groups with slow themes as USP and the overlapping themes nature and culture, sustainability, all-year travel and digital opportunities defining our content when developing and defining Finland as destination in the DACH.

Online channels

- NDC technology is coming strong at IATA airlines making more targeted campaign and dedicated booking classes available in a format that chosen partners have availability for dedicated destinations, time periods and similar. This enables special actions to create campaigns and actions more tailored to campaign partners and destinations.

- The Finnair OTA Nowhere is online! We recommend to study a partnership for companies.

Trends and other relevant travel related topics

Competitors' actions

Which countries have been active, where have you seen their promotion, what was the main message/content of the communication, competitors' new products or activities with tour operators/sales channels

- Visit Britain and other UK NTOs have received remarkable budgets for branding within other bigger EU markets due to brexit
- Visit Sweden has come up with a nice campaign about forest cooking
- Visit Norway is taking an active role in sustainable travel and shifting from promotion only to a more government organization that informs and steers travel with advice and information. This has come from challenges with overtourism and the need to give better information for visitors. It turns out that this works also a a communication concept
- Visit Scotland has come out with a beautiful theme year for its coast & islands 2020.

Trends and other relevant travel related topics

Free word

- As north of Finland is becoming more popular also negative issues arise. It is important for us to find common speaking terms and counter emotional statements with fact based information.

- Block chain tech is not storming the travel industry as predicted. Some interesting start ups to follow:

  - Beenest the Airbnb for business travellers. However some doubts if the value creation via ”bee tokens” can be successful for suppliers. Here more
  - Winding tree has won AirFrance-KLM and some hotels. It is nonprofit, so maybe to study closer

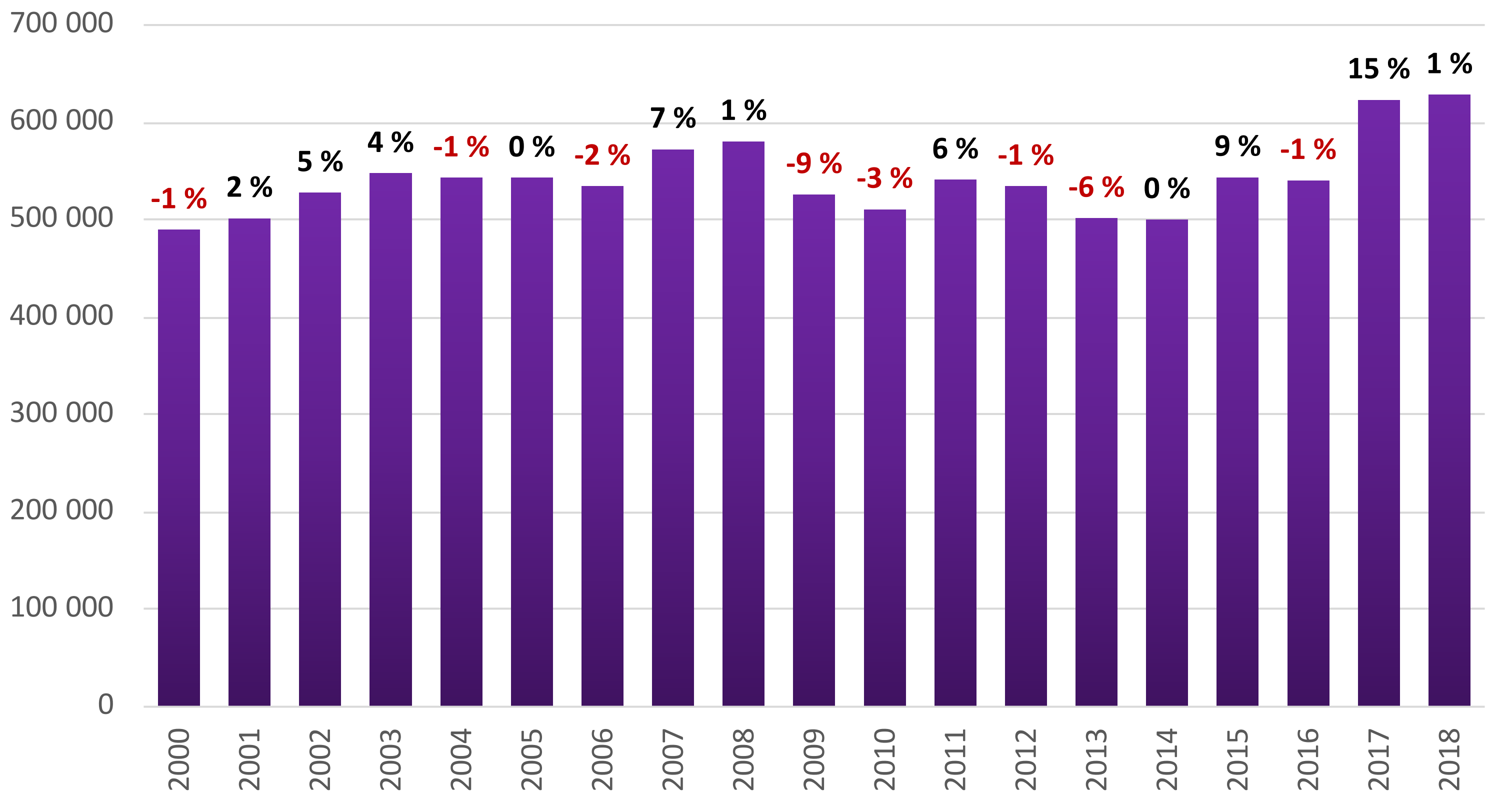
- Influencers start selling trips. More and more influencers discover the sales potential of their content when linked to affiliate services and utilizing APIs and destination marketing budgets to wide visibility and income.
  Check #germanroamers which has one of the best examples up and running in Germany.

- Messenger payments are entering the market. At the moment only We Chat is on the market in Germany, but Apple pay, Facebook, Whats App and Google Pay are around the corner.

Germany – Market Review

Visit Finland

German overnights in Finland



Year 2018

2nd in country rankings
with a **9% share** of foreign overnights

Average change 2000-2018: **+1%**

Change 2018 compared to 2000: **+28%**

Share of overnights by regions 2018

36% 19% 18% 27%

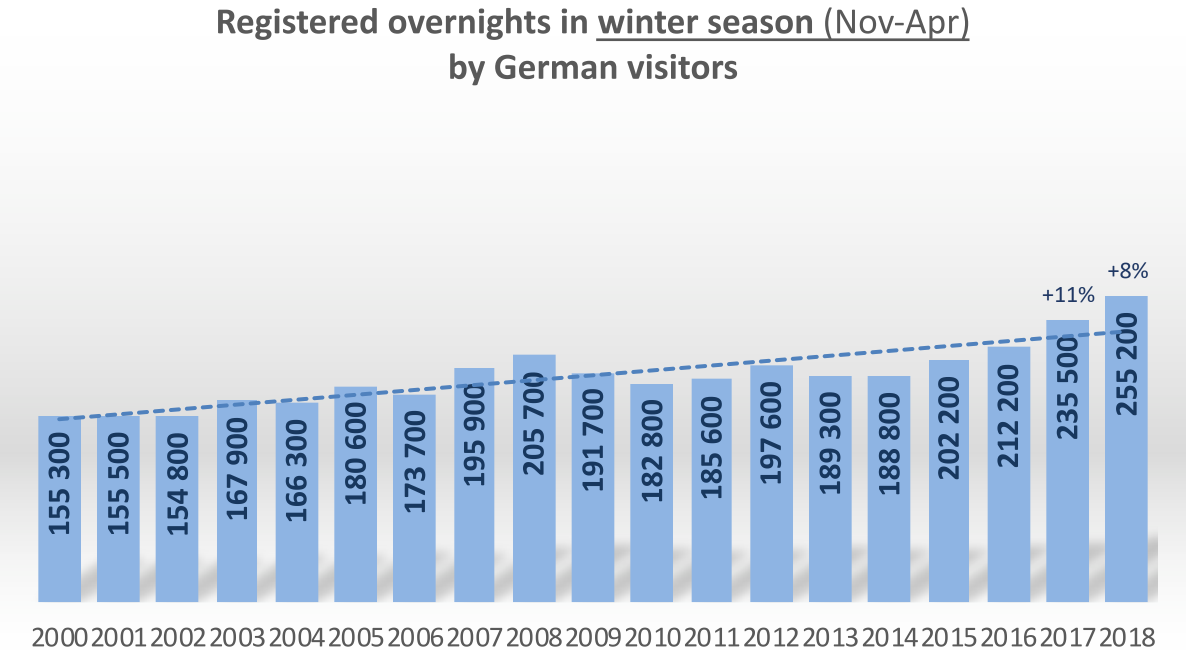
Visit Finland

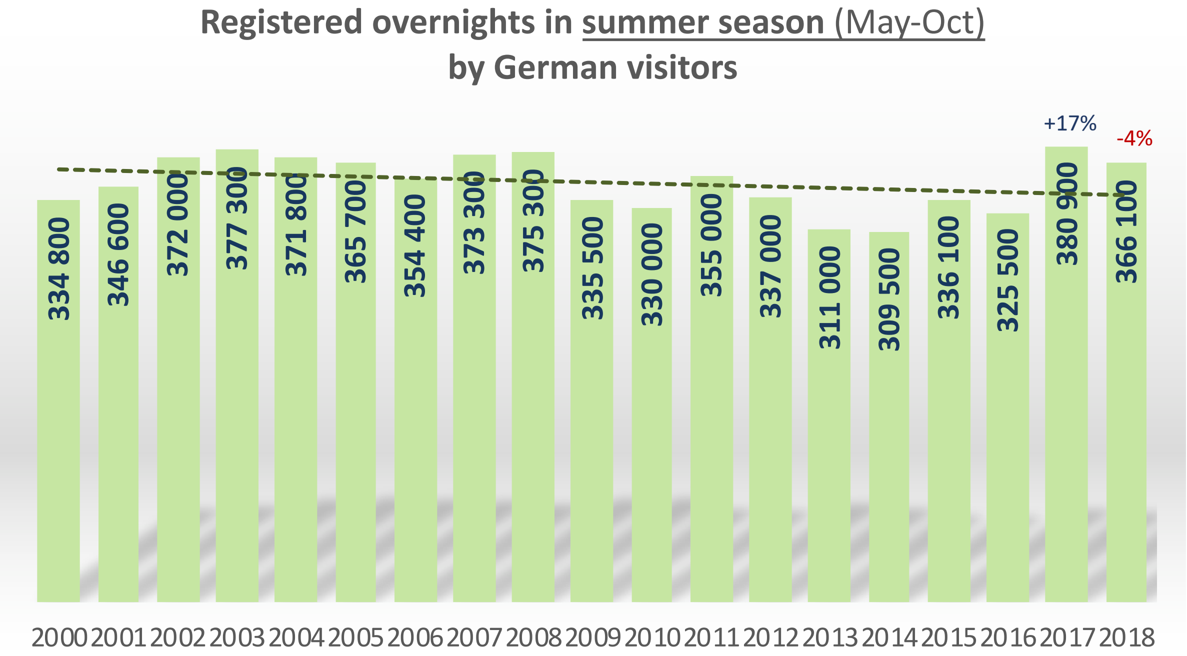
Sources: Visit Finland Statistics Service Rudolf, Statistics Finland

German overnights in Finland

Winter and Summer 2018

Germany





Winter 2018: **3rd** in country rankings with a **8%** share of foreign overnights

Average change 2000-2018: **+3%**

Change 2018 compared to 2000: **+64%**

Summer 2018: **2nd** in country rankings with a **11%** share of foreign overnights

Average change 2000-2018: **+1%**

Change 2018 compared to 2000: **+9%**

Visit Finland

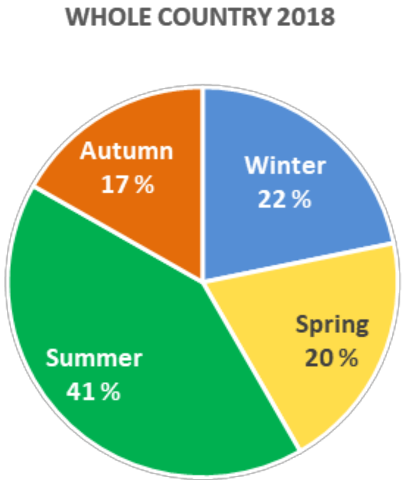
Source: Visit Finland Statistics Service Rudolf, Statistics Finland

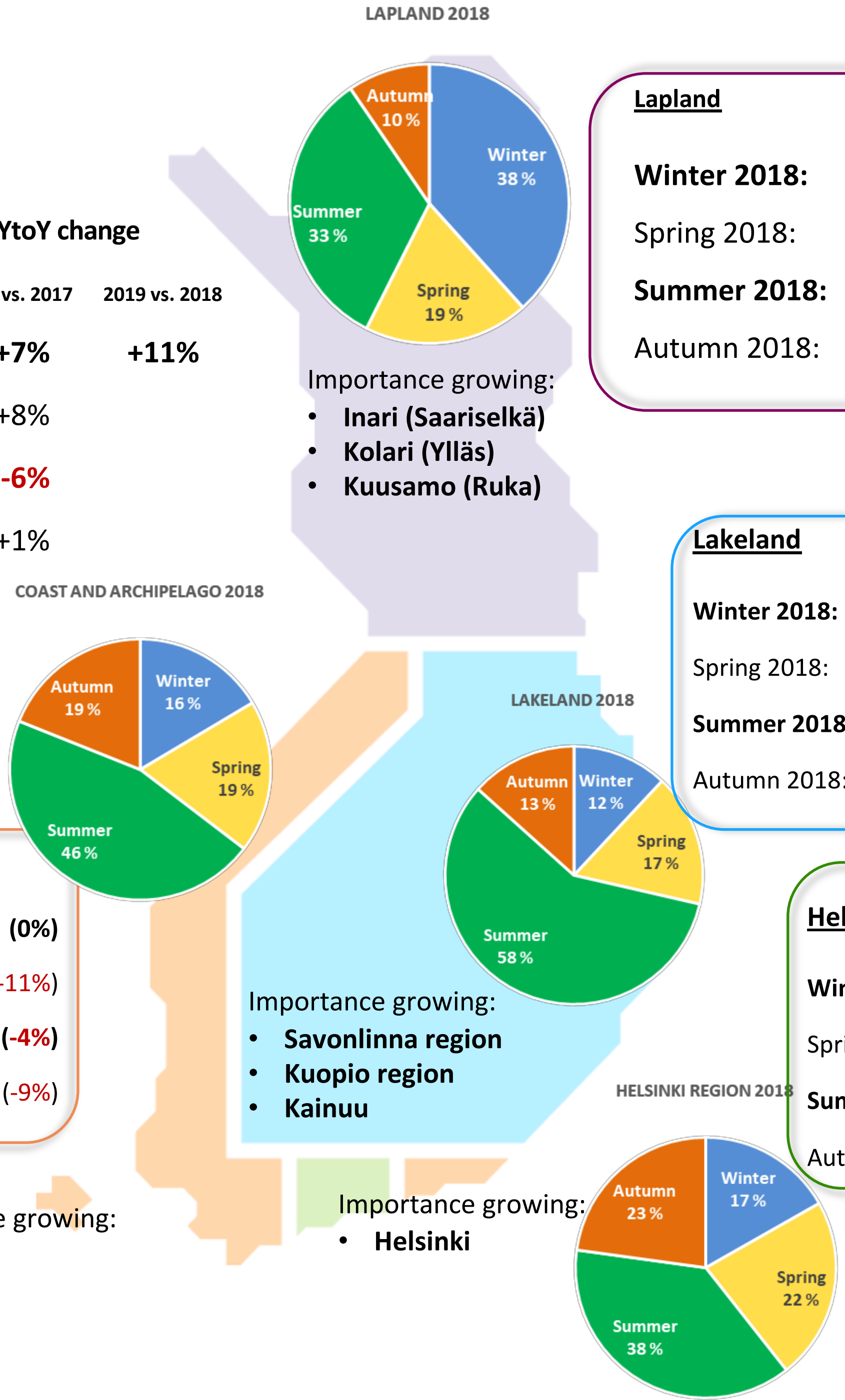
German overnights in Finland

Seasonal overnights in 2018

Whole Finland	No. of German overnights				Seasonal YtoY change		
	2016	2017	**2018**	**2019**	2017 vs. 2016	**2018 vs. 2017**	**2019 vs. 2018**
Winter (Dec-Feb)	113 500	126 900	**135 600**	**151 000**	+12%	**+7%**	**+11%**
Spring (Mar-May)	108 400	115 000	123 800		+6%	+8%	
Summer (Jun-Aug)	231 600	274 000	**258 800**		+18%	**-6%**	
Autumn (Sep-Nov)	86 400	104 000	104 600		+20%	+1%	

German overnights in Finland by season in 2018





Importance growing:
- **Inari (Saariselkä)**
- **Kolari (Ylläs)**
- **Kuusamo (Ruka)**

Importance growing:
- **Savonlinna region**
- **Kuopio region**
- **Kainuu**

Importance growing:
- **Åland**

Importance growing:
- **Helsinki**

Lapland		
Winter 2018:	**65 500**	**(+12%)**
Spring 2018:	32 600	(+20%)
Summer 2018:	**56 400**	**(-16%)**
Autumn 2018:	16 300	(+5%)

Lakeland		
Winter 2018:	**13 200**	**(-7%)**
Spring 2018:	18 300	(+11%)
Summer 2018:	**64 000**	**(-4%)**
Autumn 2018:	14 700	(-15%)

Coast & Archipelago		
Winter 2018:	**19 500**	**(0%)**
Spring 2018:	22 400	(-11%)
Summer 2018:	**54 000**	**(-4%)**
Autumn 2018:	22 400	(-9%)

Helsinki area		
Winter 2018:	**37 500**	**(+9%)**
Spring 2018:	50 500	(+9%)
Summer 2018:	**84 400**	**(0%)**
Autumn 2018:	51 000	(+10%)

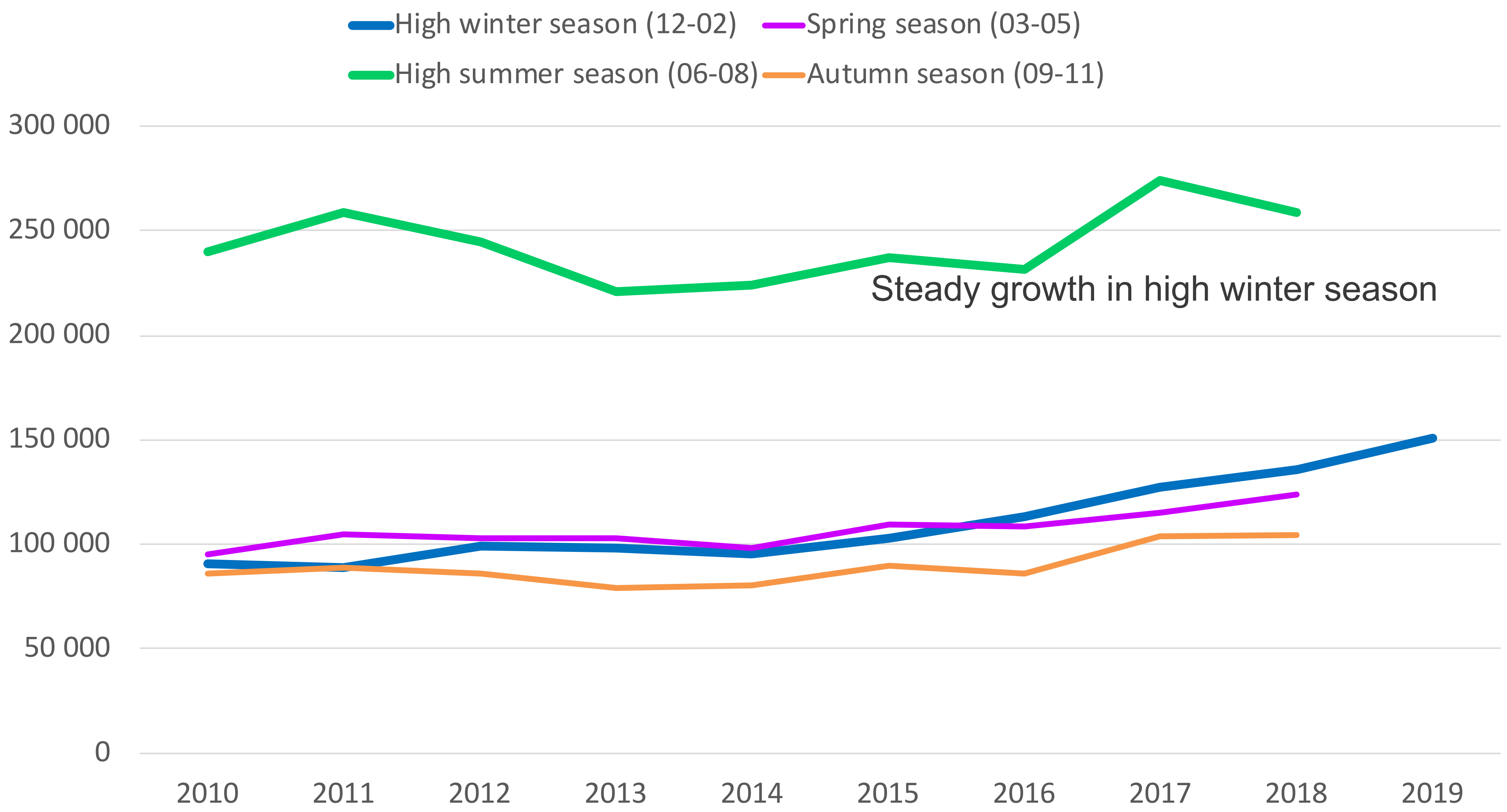
Germany

Visit Finland

Source: Visit Finland Statistics Service Rudolf, Statistics Finland

Trends for seasonal overnights in Finland – German visitors

Germany



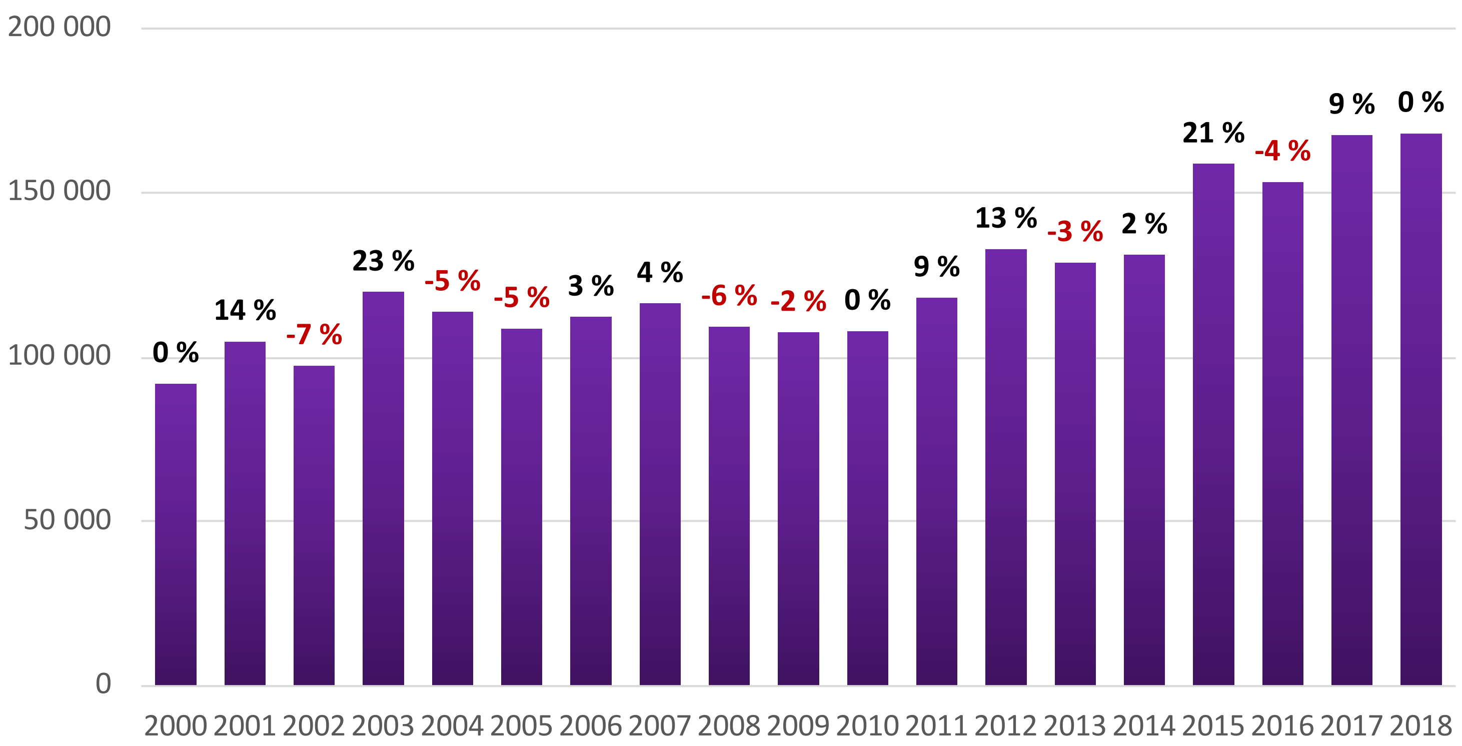
Visit Finland

Source: Visit Finland Statistics Service Rudolf, Statistics Finland

Switzerland – Market Review

Visit Finland

Swiss overnights in Finland



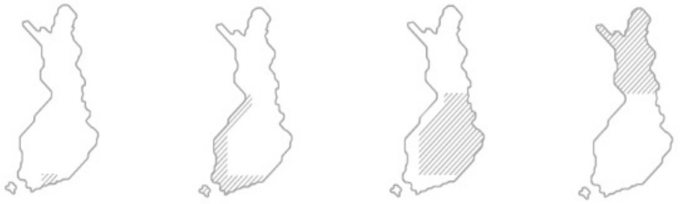
<u>Year 2018</u>

13th in country rankings
with a **2% share** of foreign overnights

Average change 2000-2018: **+4%**

Change 2018 compared to 2000: **+83%**

Share of overnights by regions 2018



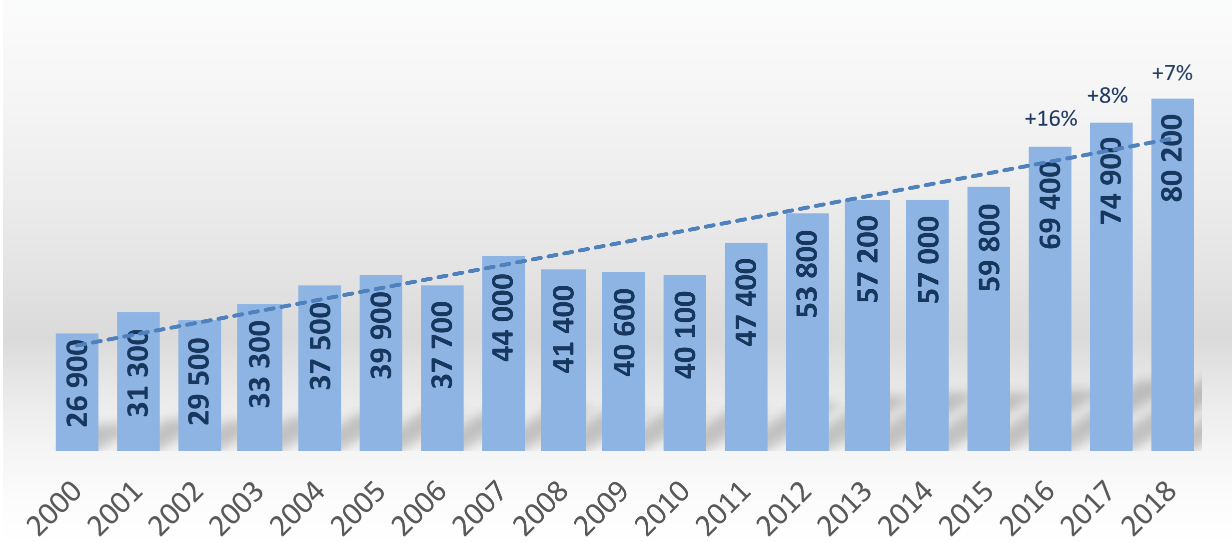
33% 11% 14% **42%**

Sources: Visit Finland Statistics Service Rudolf, Statistics Finland

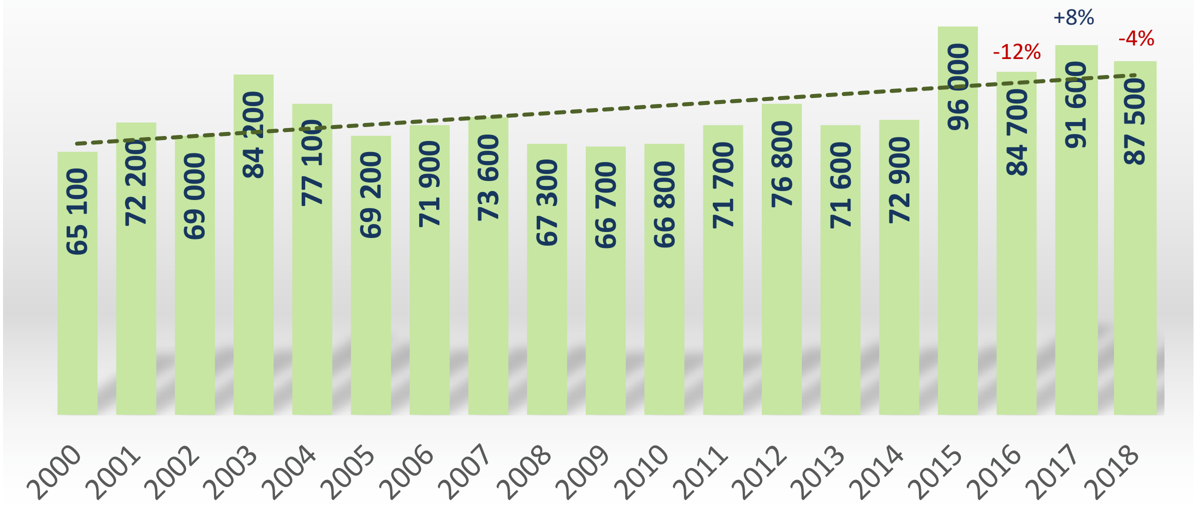
Swiss overnights in Finland

Winter and Summer 2018

Registered overnights in <u>winter season</u> (Nov-Apr) by Swiss visitors



Registered overnights in <u>summer season</u> (May-Oct) by Swiss visitors



<u>Winter 2018</u>: **12th** in country rankings with a **2%** share of foreign overnights

Average change 2000-2018: **+6%**

Change 2018 compared to 2000: **+198%**

<u>Summer 2018</u>: **12th** in country rankings with a **3%** share of foreign overnights

Average change 2000-2018: **+2%**

Change 2018 compared to 2000: **+34%**

Visit Finland

Source: Visit Finland Statistics Service Rudolf, Statistics Finland

Swiss overnights in Finland

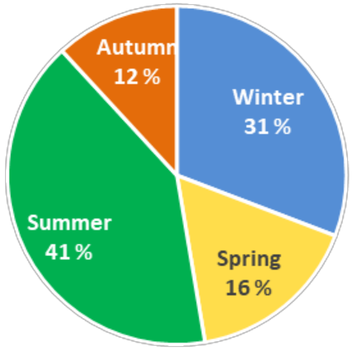
Seasonal overnights in 2018

Whole Finland	No. of Swiss overnights				Seasonal YtoY change		
	2016	2017	**2018**	**2019**	2017 vs. 2016	**2018 vs. 2017**	**2019 vs. 2018**
Winter (Dec-Feb)	44 400	39 200	**43 300**	**42 900**	+10%	**+10%**	**-1%**
Spring (Mar-May)	25 600	26 800	27 600		+17%	+3%	
Summer (Jun-Aug)	65 500	60 500	**60 000**		+7%	**-1%**	
Autumn (Sep-Nov)	18 800	26 300	29 800		+18%	+13%	

51 400	**(+8%)**
27 600	(-1%)
68 100	**(-4%)**
19 800	(-6%)

Swiss overnights in Finland by season in 2018

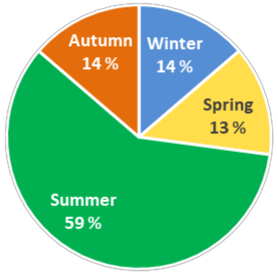
WHOLE COUNTRY 2018



Coast & Archipelago

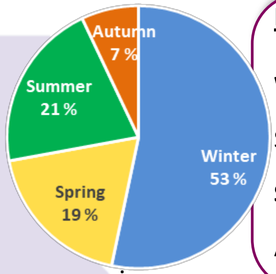
Winter 2018:	**2 400**	**(+4%)**
Spring 2018:	2 400	(-11%)
Summer 2018:	**10 500**	**(-7%)**
Autumn 2018:	2 400	(-14%)

COAST AND ARCHIPELAGO 2018



Importance growing:
- **Oulu**
- **Åland**

LAPLAND 2018

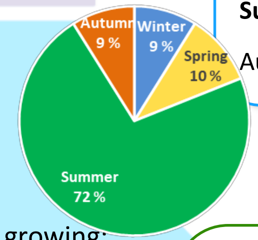


Lapland

Winter 2018:	**36 500**	**(+10%)**
Spring 2018:	12 900	(+22%)
Summer 2018:	**14 300**	**(-11%)**
Autumn 2018:	4 800	(-7%)

Importance growing:
- **Kolari (Ylläs)**
- **Inari (Saariselkä)**
- **Kittilä (Levi)**
- **Sodankylä**
- **Kuusamo**
- **Muonio**
- **Enontekiö**

LAKELAND 2018

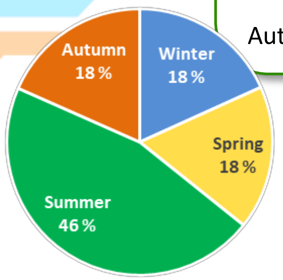


Lakeland

Winter 2018:	**2 100**	**(-19%)**
Spring 2018:	2 400	(-9%)
Summer 2018:	**17 400**	**(+3%)**
Autumn 2018:	2 100	(-17%)

Importance growing:
- **Savonlinna**
- **Tampere**
- **Lahti region**

HELSINKI REGION 2018



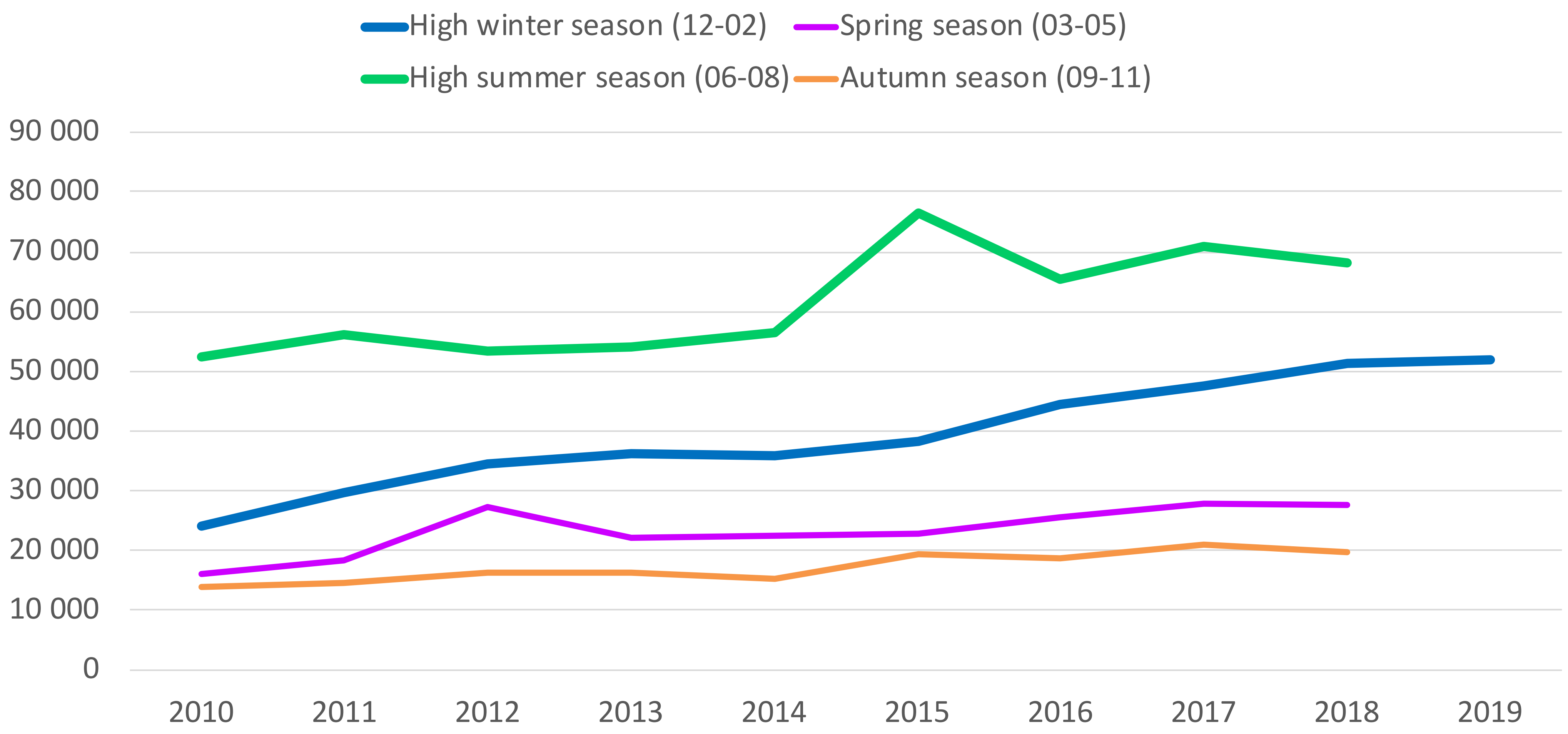
Helsinki area

Winter 2018:	**10 300**	**(+9%)**
Spring 2018:	9 900	(-18%)
Summer 2018:	**25 900**	**(-3%)**
Autumn 2018:	10 400	(-1%)

Visit Finland

Source: Visit Finland Statistics Service Rudolf, Statistics Finland

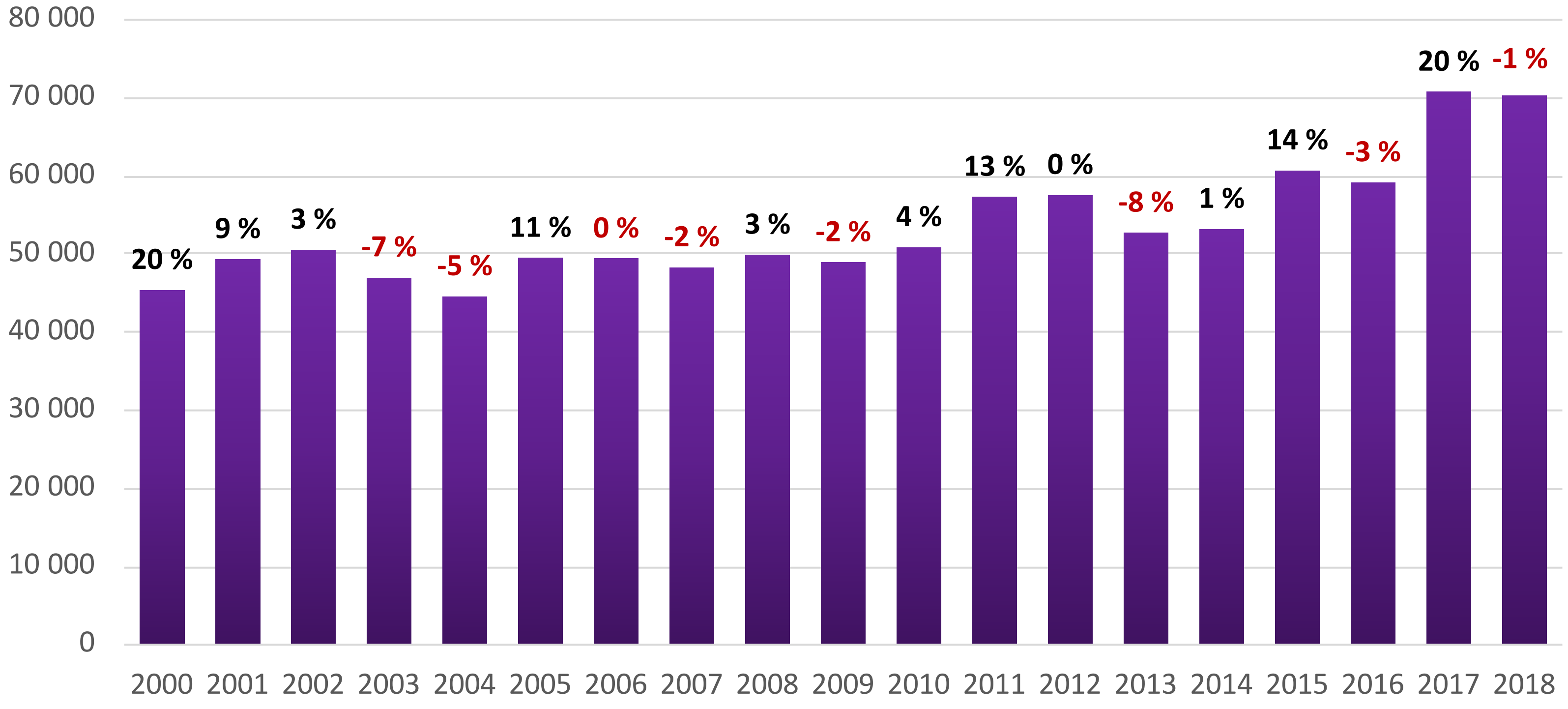
Trends for seasonal overnights in Finland – Swiss visitors



Austria – Market Review

Visit Finland

Austrian overnights in Finland



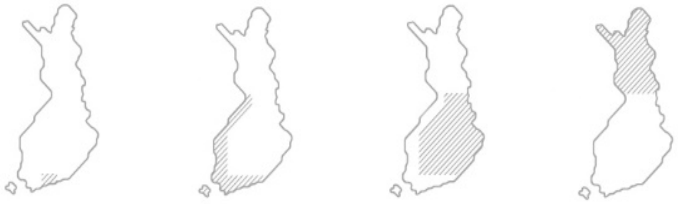
Year 2018

17th in country rankings
with a **1% share** of foreign overnights

Average change 2000-2018: **+4%**

Change 2018 compared to 2000: **+55%**

Share of overnights by regions 2018



40% 14% 18% **28%**

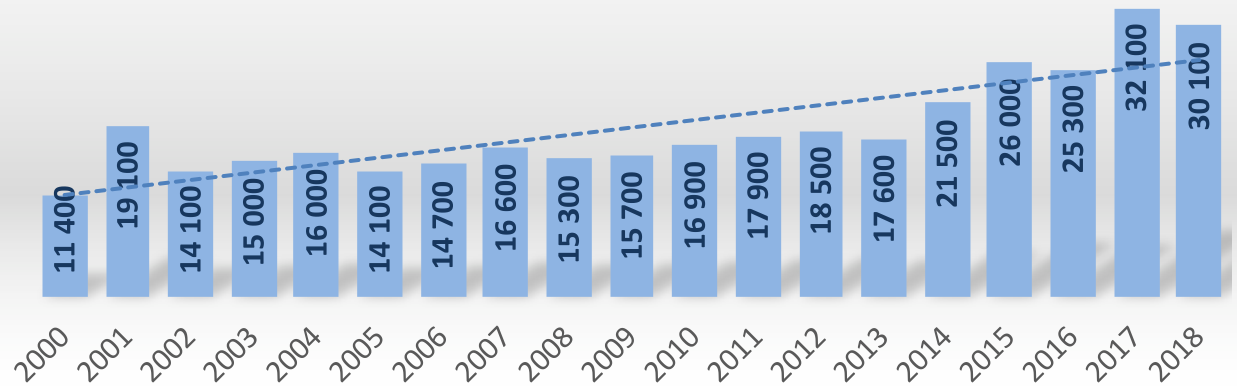
Visit Finland

Sources: Visit Finland Statistics Service Rudolf, Statistics Finland

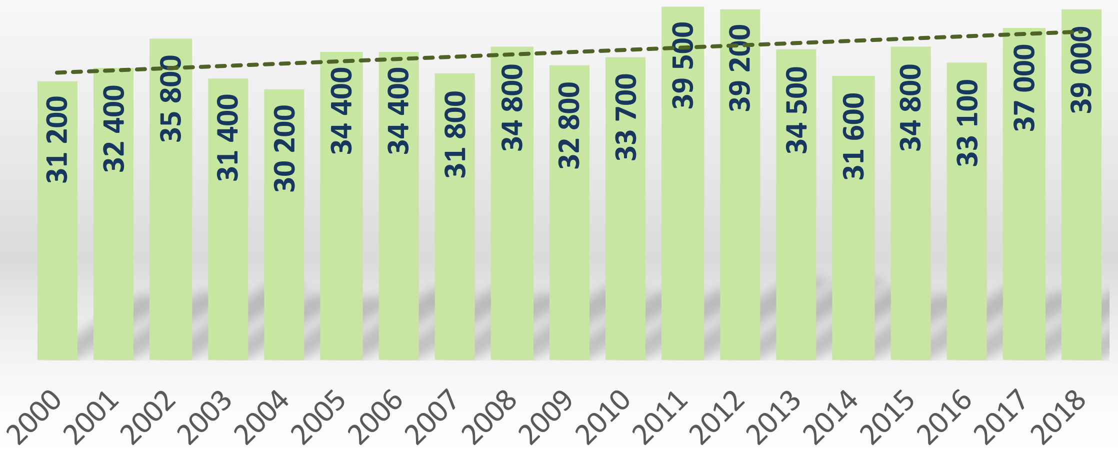
Austrian overnights in Finland

Winter and Summer 2018

Registered overnights in winter season (Nov-Apr) by Austrian visitors



Registered overnights in summer season (May-Oct) by Austrian visitors



Winter 2018: **22nd** in country rankings with a **1%** share of foreign overnights

Average change 2000-2018: **+7%**

Change 2018 compared to 2000: **+165%**

Summer 2018: **20th** in country rankings with a **1%** share of foreign overnights

Average change 2000-2018: **2%**

Change 2018 compared to 2000: **+25%**

Visit Finland

Source: Visit Finland Statistics Service Rudolf, Statistics Finland

Austrian overnights in Finland

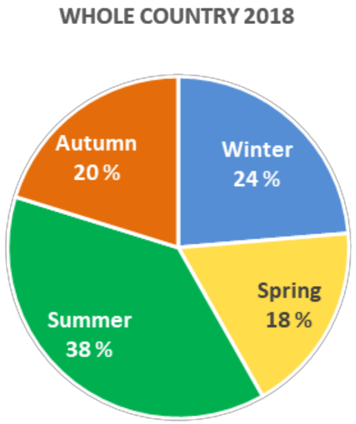
Seasonal overnights in 2018

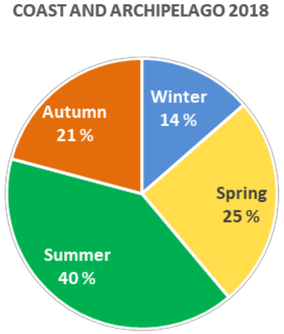
Whole Finland	No. of Austrian overnights				Seasonal YtoY change		
	2016	2017	**2018**	**2019**	2017 vs. 2016	**2018 vs. 2017**	**2019 vs. 2018**
Winter (Dec-Feb)	**14 700**	**18 400**	**16 400**	**19 300**	+25%	**-11%**	**+18%**
Spring (Mar-May)	11 600	13 700	12 600		+18%	-8%	
Summer (Jun-Aug)	**22 200**	**24 700**	**26 400**		+11%	**+7%**	
Autumn (Sep-Nov)	10 700	13 400	14 100		+25%	+5%	

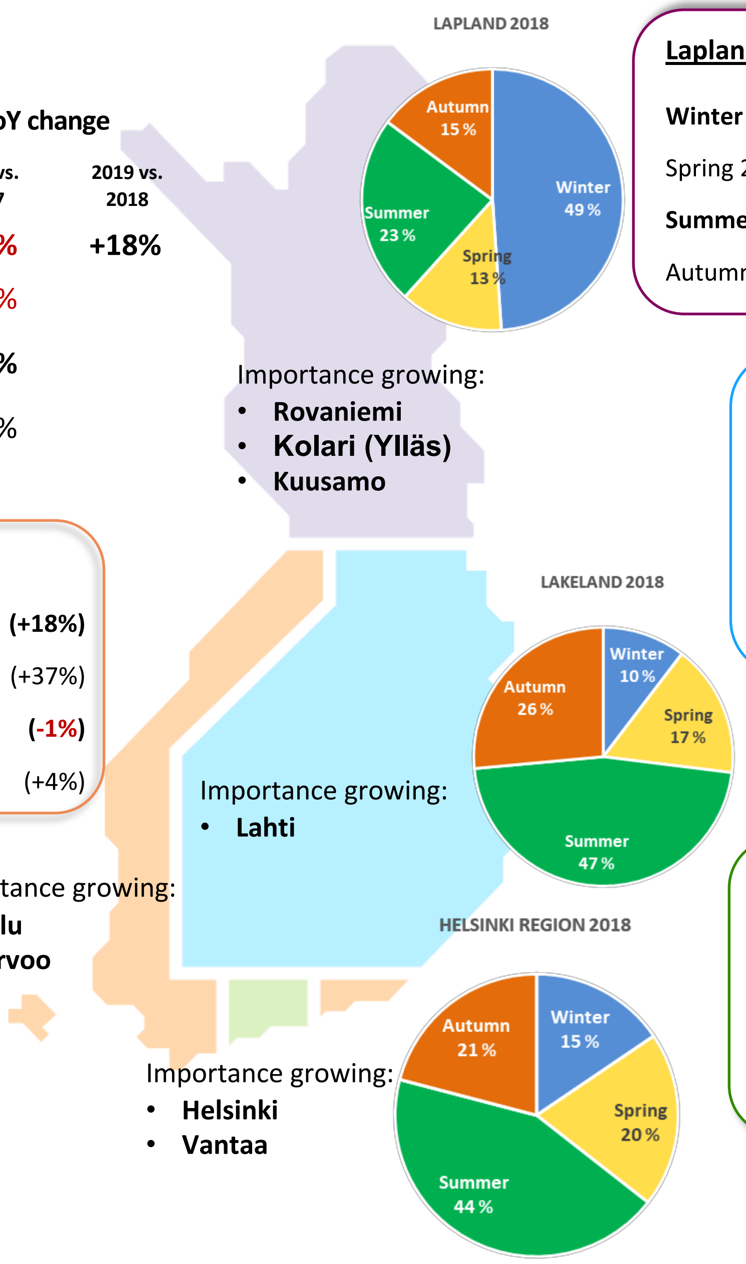
Coast & Archipelago

Winter 2018:	**1 300**	**(+18%)**
Spring 2018:	2 400	(+37%)
Summer 2018:	**3 700**	**(-1%)**
Autumn 2018:	2 000	(+4%)

Austrian overnights in Finland by season in 2018







Importance growing:
- **Rovaniemi**
- **Kolari (Ylläs)**
- **Kuusamo**

Importance growing:
- **Lahti**

Importance growing:
- **Oulu**
- **Porvoo**

Importance growing:
- **Helsinki**
- **Vantaa**

Lapland

Winter 2018:	**9 500**	**(-8%)**
Spring 2018:	2 500	(-14%)
Summer 2018:	**4 600**	**(+20%)**
Autumn 2018:	2 900	(+18%)

Lakeland

Winter 2018:	**1 300**	**(-63%)**
Spring 2018:	2 100	(-37%)
Summer 2018:	**5 800**	**(-13%)**
Autumn 2018:	3 300	(+10%)

Helsinki area

Winter 2018:	**4 400**	**(+24%)**
Spring 2018:	5 600	(-2%)
Summer 2018:	**12 200**	**(17%)**
Autumn 2018:	5 900	(-4%)

Visit Finland

Source: Visit Finland Statistics Service Rudolf, Statistics Finland

Trends for seasonal overnights in Finland – Austrian visitors