



Horwath HTL™

Hotel, Tourism and Leisure

Special Market Reports

Issue 11 – AUSTRIA

Country / Facts & Figures 2012	
Population	8.421 million
GDP (Gross Domestic Product)	EUR 309.9 billion (USD 412.8 billion)
GDP Growth	0.8%
Tourism share of GDP	5.5%
Tourism share of employment	7.3%
Inflation Rate	2.4%
Population major cities	
Vienna	1.73 million
Graz	0.27 million
Hotel Figures 2012	
Total hotels Austria	12,529
Total rooms Austria	292,165
Occupancy hotels Austria	69.7%
ADR hotels Austria	EUR 96.4 (USD 129)
RevPAR hotels Austria	EUR 67.2 (USD 89.9)
Total hotels Vienna	420
Total rooms Vienna	29,048
Occupancy hotels Vienna	71.7%
ADR hotels Vienna	EUR 98.4 (USD 131.7)
RevPAR hotels Vienna	EUR 70.6 (USD 94.5)

Source: Statistik Austria, STR Global

Introduction

The Horwath HTL Special Market Report: Austria, briefly introduces the current economic situation in Austria with particular focus upon tourism. A general overview outlines the country's current performance and is followed by detailed supporting facts and figures. Tourism developments are presented in more detail to emphasize the importance of the tourism industry to the Austrian economy. Finally, this report presents details of important challenges for Austria's tourism industry and gives an outlook for the coming few years.

Austria has been moderately successful in dealing with the recession and further improvement is estimated by 2015.

Economic Situation Austria, 2012

Austria's economic situation has not improved since the beginning of 2012 and has been stagnating since March 2013. Due to an absence of impetus from regional and foreign demand, real GDP growth in 2013 is negative in comparison to the previous year. Private households have been conservative in their purchasing of consumer durables despite generally good liquidity. While Austria has

been affected by the wider European recession, it has been moderately successful in dealing with its own situation. Economic development in Austria is estimated to improve, but by the earliest in 2015.

Tourism Developments in Austria

Tourism contributes significantly to Austria's economic performance.

- Total direct and indirect added values totaled EUR 44.1 billion (14.6% of GDP) in 2011. This means that every sixth Euro earned is related to tourism and leisure activities.
- About one third of total tourist expenditure, amounting to EUR 29.48 billion per year, is spent on accommodation, whilst approximately 26% is spent on food and beverage.
- More than 300,000 employees work in a tourism-related job and despite seasonality, the level of employment remains relatively constant throughout the year.

Generally speaking, Austria is a popular tourism destination for both summer and winter tourism. While most regions are more popular in one season or the other, Vienna is a top destination for both. The city attracts visitors for cultural, business and congress/convention tourism. There were more than 12 million overnight stays recorded in 2012. Additional destinations for winter tourism that generated more than 1 million overnight stays in 2012 are in Soelden, Saalbach-Hinterglemm and Ischgl.

In the summer, the city of Salzburg holds the second highest position with more than 1 million overnight stays, followed by other destinations that account for 800,000 or less nights. For more than a century Austria has been a popular tourist destination with a longstanding tradition of attracting visitors to its world-class tourism offerings, especially places like Salzburg, Tyrol and Carinthia.

- A large majority of tourists are attracted by Austria's landscape and nature with its breathtaking mountains and lakes offering tranquility and a great sense of hospitality.
- Most guests seek fun and pleasure and want to spend time outdoors, being active and taking part in various sporting activities. Every second guest does these with friends and family.

Tourism is an important export product for Austria. Foreign tourists account for about 70% of overnight stays, of which Germans account for more than 50%, followed by guests from the Netherlands and Switzerland. Besides these traditional tourist-generating countries, Austria has focused on emerging tourist markets like the CEE countries of Poland, Hungary and Czech Republic, as well as more distant countries including Russia, China, the Middle East, India and Brazil.

According to the Travel and Tourism Competitiveness Report 2013 by the World Economic Forum, **Austria ranks 3- out of all countries in the TCI**. Since 2011 it has improved by one position. Its strong performance is driven by factors such as excellent and well-established tourism infrastructure, a welcoming attitude towards visitors, a safe and secure environment and, most of all, its multitude of cultural resources. Austria hosts nine World Heritage cultural sites and has by far the highest density of museums per inhabitant. The country's tourism industry is also being developed in a sustainable way. Due to it having some of the most stringent and well-enforced environmental regulations in the world, its overall performance on environmental sustainability is ranked 6-

ANTO and Sustainability

The Austrian National Tourist Office (ANTO) is proactively engaged in promoting Austria as a sustainable and leading tourism destination among existing and emerging markets. Besides strengthening the brand awareness on a global level, the ANTO functions as a competence center concerning foreign guests and markets for the domestic tourism industry. Its strategy until 2015 aims at increasing Austria's market share of international tourism. The main theme for the upcoming year is "Austria. Europe's meeting place"

An ambitious initiative by ANTO is the organization of atb_experience and atb_sales with the overall theme of these two events being sustainability in tourism. The atb_experience took place for the first time in June 2013. For three days, 150 international CEOs, product developers and opinion leaders met with 150 top representatives of Austria's tourism industry to exchange ideas and experience pre-selected and theme related tourism products. Insights from this interactive dialogue are meant to benefit the atb_sales, which will take place in January 2014. It will focus primarily on the commercialization of tourism products.

A recent discussion paper by ANTO details the importance of sustainable development of ecological, social and economic processes. Numerous tourism projects have successfully implemented these values, for example:

- Austria's biggest national park, the Nationalpark Hohe Tauern, reduces adverse environmental impact through the development of 'walking programs' where national park rangers offer guided tours and trekking tours; shuttle buses are used for hikers and regional seasonal gastronomy is served.
- The "Ramsauer bioneers" is a group of businessmen, organic farmers, caterers and hoteliers that produce regionally non-GM products guided by the waste and energy criteria of the Austrian eco-label.

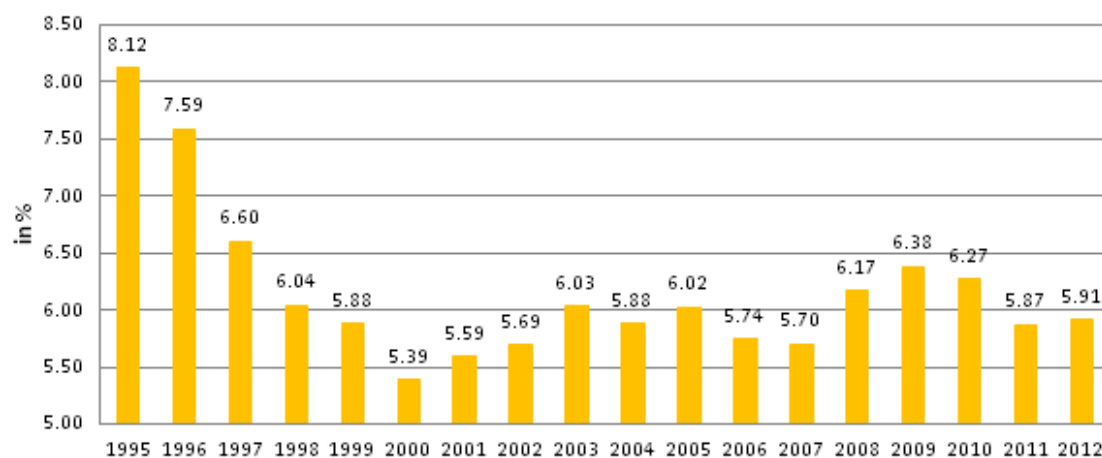
Challenges in Tourism

The following graph (see next page) illustrates the change in Austria's market share of international tourism since 1995. In 2012 Austria had a market share of 5.91% measured in reference to the nominal tourism exports of the EU-15 countries. This value is 0.5%-points above the historic low point in 2000 (5.39%).

Since the recession began in 2009, the real value of tourism revenues dropped for three years in a row. Then, in 2012, the real value of tourism revenues increased by 1.2% year on year. Despite this positive turnaround, it should be noticed that during the last ten years, tourism revenues have only grown by approximately 0.25% annually. So, compared to the real GDP growth (about 1.6% per year,) tourism revenues are almost stagnant.

This means that the economic performance of Austria's tourism sector is considerably lower than that of Austria's overall economic performance.

Austria's market share of international tourism In reference to nominal tourism exports of EU-15



Source: Bericht des Expertenbeirats "Tourismusstrategie" Vienna, April 2013

In the long term, a lag behind the overall economic development leads to pressure on costs and revenues and negatively influences the financial capacity of a sector. A lack of investment erodes the competitive capacity and causes market share to drop. (Bericht des Expertenbeirats, 2013)

The development of overnight stays shows a clear growth of 1.2% per year since 2000. In 2012 an increase of 3.9% of total stays marked the second best growth and the **130 million threshold** was clearly exceeded.

Various changes in tourist behavior are occurring.

- Recent figures indicate a growth over the previous year of 1.9% overnight stays for the winter season 2012/13 and an increase of 2% in turnover. Real revenue per night however has decreased by 2.3%.
- This is because more tourists are visiting Austria but they are spending less on average, which decreases the value of the average overnight stay.
- Moreover, demand is shifting towards a shorter stays. This shift towards urban destinations is a challenge to traditional hotels that are located in rural areas and that offer a typical tourism product such as lakes or winter sports.

- Meanwhile, tourism in Austria's cities has hardly been influenced by the economic downturn. Urban tourism has been increasing on average by 3.5% per year for the past 12 years and has grown by 7.0% in terms of overnight stays in 2012 over the previous year.
- Vienna has seen a yearly growth of 3.9% during the same period.

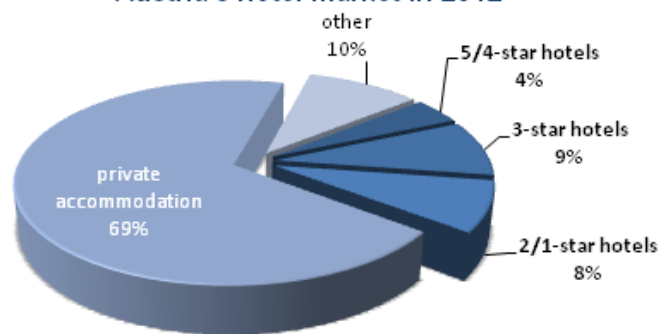
From 2007 to 2012 the number of beds in the 5-star and 4-star category has each increased by 27%.

Structure of Austria's Hotel Market

- A total of 59,133 businesses (including 12,528 hotels) offer tourist accommodations.
- Of these, 4% are 5/4-stars, 9% are 3-stars and 8% are 2/1-star hotels.
- The most common accommodations (69% of the total) are private rooms and serviced apartments. Austria's hotels are predominately family-run and have about 54 rooms on average.
- From 2007 to 2012 the number of beds in the 5-star and 4-star category has each increased by 27%.

This development reflects the ambition to develop the upper class hotel segment.

Austria's hotel market in 2012



Source: Statistik Austria

In comparison, the number of hotels in the 3-star category has remained relatively stable and the number of 2/1-star hotels has strongly decreased. This decline primarily affected family-run hotels and was compensated to certain extent by the opening of new branded hotels such as Motel One, Ibis and Star Inn.

Outlook

In the future, different opportunities and threats are likely to determine the degree of success for Austria's hotel and tourism industry. The industry has reached a high level of maturity, which is partly responsible for the current stagnation. The challenge is to diversify the traditional tourism product, especially in rural areas. A proactive approach is needed to make these areas an attractive destination for the modern tourist.

One such approach is the initiative towards mutually beneficial marketing campaigns that merge the potential of individual destinations. Pre-defined market segments can then be approached with effective and intelligent PR about well-designed products.

One opportunity is to focus upon innovative summer activities in winter sport intensive regions, to help these areas become year-round destinations with distinct products and brands. Another opportunity is to build upon the current trend in Medical Wellness that brings forward a combination of a sanatorium and a hotel. The idea behind this hybrid concept is to offer specialized medical care in a pleasant and serviced environment characterized by high quality hotel standards.

The Explorer Hotel concept is another approach to capture recent trends for differentiated product. This design-budget hotel is Europe's first passive hotel to realize environmental sustainability. It is designed for a particular market segment, taking into account changing travel and booking behavior. One of the three existing Explorer Hotels is located in Gaschurn (Montafon), in the Vorarlberg province.

In 2012 several unique hotels opened in Vienna. Renowned brands such as Ritz-Carlton Vienna, Hotel Topazz & Hotel Lamée by Lenikus, as well as 25hours Hotels have established themselves in the capital. One important characteristic that they all have in common is **uniqueness**. Each of them represents a distinct product that enriches the capital's hotel experience for its visitors.

Finally, it can be said that Austria has growth potential in reserve for tourism investments. Its image as a tourism destination is becoming stronger as marketing coordination increases. Private and public initiatives are on the right track to stimulate innovative tourism developments and to improve the quality of life and of travel for locals and tourists alike.

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