Market Research and Consultancy Study for the Development of the

German Tourism Market to Cyprus

On behalf of the Cyprus Tourism Organisation Nicosia

Final Report

Marketing Plan

Munich, 4 May 2004

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Tourism Research – Tourism Marketing – European Travel Monitor

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Preface

On behalf of the Cyprus Tourism Organisation (Nicosia), IPK International (Munich) conducted a study on the development of the German tourism market to Cyprus.

The Phase 1 results from the study – Situation Analysis/Market Research – are presented in the “First Report,” as already delivered to the CTO.

The following “Final Report” now encompasses:

- a summary and an evaluation of the most important research findings from Phase 1, and the appropriate conclusions
- as well as a marketing plan for the next five years.

Munich, May 2004

A. Research Findings and Conclusions

The most important research findings from Phase 1 (Situation Analysis/Market Research) are summarized and evaluated in the following chapter, which also includes appropriate conclusions.

1. Market Demand

Significance and Characteristics of the German Market

- Germany is by far and away Europe's most important source market for outbound holidays. In comparison: Europe's second largest market, Great Britain, records an outbound holiday volume of approximately 40% less.

- Germany is thus a key market for each holiday destination in Europe.

- In addition to the impact attributed to the various international crises of recent years (Afghanistan, Middle East, 9-11, Iraq, etc.), Germany has also been going through a difficult economic phase over the last two years (low economic growth, high unemployment rate, cutbacks in social security programs, etc.); the consequence of all this has been a general consumer restraint.

- An impact on tourism has also been and still is being affected as well. The demand for outbound holidays has fallen over the last two years. Yet past economic crises have also shown that the Germans have meanwhile accorded holidays, and above all outbound holidays, the status of an indispensable consumer commodity. Thus, it is generally assumed that there will be a tangible resurgence in holiday demand in the German market in 2004 and 2005 (also for outbound destinations).

- Additional moderate growth in the German market's tourism demand is also anticipated over the long-term (despite the market's already very high level of demand).

- Yet when evaluating the German market, the following must also be kept in mind:

  – A high percentage of Sun&Beach holidays is typical for the German outbound market. This can be linked particularly to the country's own climate which tends to incite a yearning for sun/warmth, even "guaranteed" sunshine, in many Germans. Thus, 60% of the German flight holiday trips are Sun&Beach holidays, compared to e.g. only 15% Touring/Sightseeing holidays (as the second most important type of German holiday).

  – Stronger growth is also forecast in the future for the Sun&Beach holiday than for the Culture/Touring holiday, for example. Meaning that the Sun&Beach holiday will even continue to advance its dominating position of the German market in the future.

  – A second important aspect is that Germany is a very price-conscious market (even if not seen so abroad). Also, the mean expenditure a German will make for an outbound holiday is only just average compared to other Western European countries. While it's true that the Germans will focus on quality products, the price tag does play a crucial role in the purchase decision.

To summarize briefly:

- Germany is the by far most important touristic source market in all of Europe and thus a key market for every single holiday destination within Europe.

- Despite the economic problems of recent years, the future will not see any change to the German market's dominating position.

- The outbound holiday demand will rally again within the next 1-2 years, even exhibit moderate growth over the medium and long-term, and that to an above-average extent in the Sun&Beach segment, the market's leading type of holiday among all outbound holidays.

- Price plays a crucial role in German market success today, as it will continue to do so in the future.

The Significance of Cyprus as a Holiday Destination for the Germans

- Recording approximately 130,000 trips in 2003, Cyprus has only relatively minor significance for Europe's most important outbound holiday source market (less than 0.5% market share).

- The demand has been diminishing in recent years, especially also in 2003.

- Yet based on the surveys and analyses conducted in Phase 1, there are a number of valid baselines from which a halt can be put to this trend, triggering instead renewed positive development within the German market.

Future Interest Potential for Cyprus on the German Market

- The German market shows a surprisingly large interest potential for Cyprus. The number of Germans interested in a Cyprus holiday greatly exceeds the present number of visitors.

- Based just on the more concrete "Yes-Potential" as ascertained, Cyprus basically enjoys very good prospects for growth in the German market over the next few years.

- Furthermore, the "Maybe-Potential," even given that it is more vague, offers additional and especially long-term growth opportunities for Cyprus in the German market.

- On the whole, nearly every third German can conceive (more or less concretely) of going to Cyprus for a holiday.

- In this regard, however, one must consider the following:
  - Not all of those who express interest in a particular holiday destination will actually ever travel there.
  - Those interested in a destination (interest potential) first need to be truly convinced of and won over to that destination.
  - This is coupled with essential, intensive marketing measures (especially communication measures).
  - Should such measures not be embraced, interest potential will remain just that – a potential – and will never be converted into actual visitors or tangible business.

- Despite these constraints, the interest potential does indicate the growth possibilities/perspectives a destination basically has within a specific market.

- In this sense, the growth possibilities awaiting Cyprus in the German market are very good.

Potentials for the Various Types of Holidays

- As far as the interest shown for the various types of holidays on Cyprus, the findings are relatively unambiguous. The main focus of the Germans interested in a Cyprus holiday is clearly on:

  – classic Sun&Beach holidays,

  and

  – Sun&Beach combined/supplemented by a Touring/Culture/ Sightseeing component.

  The future interest shown for purely a Touring/Culture holiday is substantially less in comparison, and interest is even less for the so-called "Special Interest" holidays (e.g., Hiking, Cycling, Surfing, Golfing or Countryside holidays, etc.). Such offers apply only to small target groups.

- The Sun&Beach holiday is also still the dominating holiday type among the present visitors to Cyprus.

- Furthermore, it has to be taken into consideration that on the overall German outbound travel market:
  - the Sun&Beach holiday is the unmitigated dominant holiday segment, and also the segment with the best growth prospects,
  - compared to which the actual demand for Touring/ Sightseeing/Culture is ultimately not particularly large and exhibits only below average growth prospects in the future (according to the prognoses),
  - while the same can be said for most of the so-called “Special Interest” holidays.
- Thus, in consideration of the whole, the future market opportunities for Cyprus are above all in the Sun&Beach segment.

Main Motives for Cyprus

- In line with the preferred types of holidays, the main motives for a Cyprus holiday are thus also:
  - “sun/warm climate”
  - plus “sea/beaches.”
- In addition, further motives for Cyprus are the “scenery,” “culture/sights,” plus the “Mediterranean life and atmosphere.” These motives come into play especially for those who would be interested to supplement a Sun&Beach holiday with sightseeing.
- Another motive could take on a certain weight for Cyprus in the next years as well: Most German outbound holidaymakers have not yet been to Cyprus. Those who are looking for a change, for something new (a desire which is increasing) can discover a “new” holiday destination.

Socio-demographic Segments for Cyprus

- For the German market at present, Cyprus is primarily a destination for “older” target groups (also in the trade’s opinion).

- At a mean age of 51 years old, the Cyprus holidaymaker is in fact clearly older than the average German outbound holidaymaker, (also the German holidaymaker to the Mediterranean).

- Above-average shares of the upper-middle/upper income levels has also been typical of the German Cyprus holidaymakers to date.

- Whereas, the future interest potential for Cyprus is comprised of not only a substantially broader spectrum of different age groups, but also more diverse levels of income and education. The Germans expressing an interest in spending a holiday on Cyprus can be concisely portrayed as follows:
  - all age groups
  - primarily middle and higher social classes
  - primarily couples/households without children
(under 15 years)
(one-third with children (under 15 years old) in the household)

Geographical Regions for Cyprus

- North Rhine-Westphalia is currently the most important regional source market of all for Cyprus.
- The regional source markets Bavaria, Hesse, Baden-Wuerttemberg and Saxony in Eastern Germany rank second at present.
- Visitors to Cyprus very often come from large cities.
- Meanwhile, the future interest potential for Cyprus is found to a greater extent throughout all of Germany (nationwide).
- Regional markets exhibiting more exceptional future interest potential are:
  - North Rhine-Westphalia
  - Baden-Wuerttemberg
  - Bavaria
  - Lower Saxony

Length of Stay

- The average length of stay for Germans on Cyprus currently amounts to 12 nights.
- Cyprus thus records a longer length of stay than the average on all German outbound holidays as a whole (also regarding Mediterranean destinations).
- In other words, Cyprus already commands an very good length of stay from the Germans.

Repeat Rate

- A total of 6% of the Germans* state that they have previously been to Cyprus, although only a very small percentage (approximately 10%) visited Cyprus multiple times.
- In other words, the present repeat rate for Cyprus is very low.
- Hereto, the following must be addressed:
  - Generally speaking, Touring/Sightseeing holidays occasion only very few repeaters, in particular with respect to islands. The desire for "something new" is in the forefront instead regarding this holiday type.
  - But it's a different situation as far as Sun&Beach holidays. Here, having enjoyed one's last stay as well as having knowledge and familiarity with the holiday destination does in fact lead to repeat visits.
  - Therefore, while the repeat rate can be raised in Sun&Beach holidays, there's not much leeway in Touring/Sightseeing.

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* obtained from the population survey

2. The Image of Cyprus in the German Market

Image Held by Consumers

- Most Germans either know of explicitly or at least have a general idea of Cyprus as a holiday destination.
- The image of Cyprus held by the Germans is also overwhelmingly very positive on the whole, as well as holiday-oriented.
- The main spontaneous image aspects involve “sun/sea/beach” and “holiday island in the Mediterranean” (but not, for example, culture or scenery).
- Yet the Germans sometimes also associate Cyprus with political aspects such as “divided island/conflict between Greeks and Turks.” This denotes a weak point in the Cyprus image.

Image Held by the Trade

- Tour operators/travel agencies spontaneously associate Cyprus primarily with “warmth/good climate – and that throughout the entire year.”
- In contrast to the consumers, the trade also spontaneously associates the Cyprus holiday destination with aspects such as “attractive landscape, good hotels, and culture.”
- When asked to identify Cyprus’s weak points, the great majority of the trade spontaneously cited “high prices”.

- Among the trade, Cyprus has, on the whole:
  - a predominantly positive image, especially as concerns the offer, whereby the climate is cited most frequently as its special strength,
  - but Cyprus also has the image of being a high-priced destination (especially among tour operators).

To summarize briefly:

- Yet all in all, Cyprus has a positive image basis in the German market (both with consumers as well as the trade), signifying a solid base for future developmental measures.
- The main weak points to the image are:
  - for consumers: political associations/divided island
  - for the trade: high prices

The Uniqueness of Cyprus

What makes Cyprus unique?

With the possible exception of the smallest offer niches, the claim of being touristically unique is no longer (realistically) viable for most tourist destinations today.

What makes Spain, Greece or Turkey unique? They all offer sun/sea/ beaches, landscape, culture, good hotels, different activities, etc. In reality, from the standpoint of touristic offers (which meanwhile have to come to extend all conceivable variations of holidays), the objective of basing success on “uniqueness” is no longer a workable approach.

To put it another way, success must be achieved with other marketing tools/measures, such as above all

- an optimum advertising/media presence (where also certain topics/aspects are occupied),
- an optimum distribution presence,
- competitive prices,
- and a correct offer to correspond to and address the desires of the consumers.

3. Impact of the Political Situation/ The Middle East Crisis

- The trade estimates the impact of the Cyprus political situation (divided island) as being rather small. Nevertheless the trade does feel that there is a very probable impacting of the demand for Cyprus from acutely occurring crises in the Middle East.

- Taking into consideration the statements from the consumers on this topic (focus groups/population survey) reveals:
  - From the population survey, roughly every second German is of the opinion that the political situation in and near Cyprus does have an influence as to whether one will decide to go to Cyprus on holiday or not.
  - External causes (Middle East crisis) as well as internal causes (divided island) are thus suggested to roughly the same extent.
  - From the focus groups, it additionally became utterly clear that the Germans had very negative experiences with the island's division during their stay – also in an emotional sense. No doubt Germans react far more sensitively in this regard than do other nationalities, based on the history within their own country (separation of East and West Germany, the Berlin wall, etc.). The Germans also feel that the attendant circumstances coupled with the island's division (warning signs, barbed wire, soldier, rifles, etc.) frequently lead to detracting from the holiday atmosphere. The typical desire for the perfect holiday world, one in which all problems of every-day life simply fade away, is only partly fulfilled by Cyprus.

- One can assume that the concrete experiences made with respect to the “divided island” aspect also entailed negative word-of-mouth from the German Cyprus holidaymakers in the past, which also probably caused a reduction of the repeat rate.

- All in all, it can be stated:
  - Events occurring in relation to the political situation in the vicinity of Cyprus (Middle East) will unquestionably have consequences on the Cyprus tourism demand in the future as well.
  - The political situation on Cyprus (divided island) has definitely acted as a barrier to the German market. Yet signs now look quite promising that this barrier may soon be a thing of the past. Resolving the political situation on Cyprus would also be of great importance for the future touristic development of Cyprus.

4. The Offer

While this study did not incorporate a detailed evaluation of the Cyprus holiday offer (e.g. based on a visitor survey), the focus groups, the trade survey, and even the population survey furnished a good deal of information as regards the offer.

Accommodation

- Tour operators and travel agencies give the hotel offer on Cyprus a very positive rating (frequently better than that of the other Mediterranean destinations).

- Yet there was also criticism coming from the consumer side (focus groups): hotel quality and amenities did not always meet expectations. ("The hotels are not always up-to-date.")

- A high percentage of the present German visitors to Cyprus stay in hotels of the more upscale category (more frequently than is the case with other Mediterranean destinations).

- Those Germans expressing interest in Cyprus for the future are also interested in upscale hotels, although there is just as much interest shown for the 3-star category.
  Altogether, approximately 80% of the interest potential for a Cyprus holiday shows a preference for either:
  - a mid-grade hotel (3-star category),
  - or a first class hotel (4/5 star category).

  The interest in other types of accommodation is meanwhile limited to small target groups.

Cuisine

- In the opinion of the trade as well as the consumers (focus groups), Cyprus restaurants offer very good cuisine (native dishes).

  Although consumers cite the restaurants as being very expensive.

- On the other hand, hotel catering comes off much worse compared to the restaurants (both from the view of the consumers as well as the trade): nothing special – too international, too British, too little local emphasis.

Hospitality/Service

- Very positive evaluation from both the consumers and the trade.
- The Cypriots rated more open/open-minded than the Greeks.
- No harassment as in Turkey, which is a highly important aspect for the future (e.g. for enticing repeaters).

Landscape

- The trade attests to Cyprus's attractive scenery.
- The focus groups also stressed the scenic beauty, particularly the coastal regions.

“It’s an island”

- Islands have (from the consumer viewpoint) a completely different character than the mainland.
- For many, islands are simply something special, without being able to specify exactly what that might be.
- The fact that Cyprus is an island is a touristic advantage which should be exploited.

Culture/Sights

- The different cultures, the mixture of Greek and Turkish culture, of eastern and western culture, raises and enhances the cultural attractiveness of Cyprus in the minds of holidaymakers.
- Making it simple and uncomplicated to visit the Turkish side of the island would thus be of great importance.
- “Monasteries” are particularly typical of the Cyprus culture.
- Even as Cyprus does not have spectacular, world-famous tourist attractions (sites that everyone knows/that one simply must see).

Sea/Beaches

- The focus groups rated the beaches of Cyprus as being very good. The water quality was also specifically praised (advantages of being an island).
- Cited as a shortcoming: not much beach life.

Leisure Offers

- The focus groups rated the sporting offers, the entertainment and shopping opportunities as only being average – other destinations tend to offer more.
- Particular mention was made of the lack of water sport options (also by the trade).

Hiking

- Both the trade and the consumers referred to very good hiking possibilities.
- Yet the interest in solely a hiking holiday to the exclusion of all else is limited.

Excursions

- Cyprus is rated as having good/interesting side-trip opportunities.
- The Germans do tend to show somewhat greater interest in the landscape than in the culture.
- Again brought up when discussing excursions was the fact that it should be easier to visit the Turkish side of the island.

Towns/Villages

- Attractive and often still very much in original, unspoiled state within the country's interior, more negative along the coast (focus groups).

The Public

- The at times heavy emphasis on English (especially the English language) is often felt unpleasant by the Germans.
- Although the visitors from Eastern Europe (Russia) are the most exasperating.
- Also tour operators mention the problem of different nationalities in one hotel (particularly with regard to the Russians).

5. Travel Season

- Cyprus exhibits a considerably more balanced seasonal distribution of German holidaymakers than the average recorded for the Mediterranean countries as a whole: the summer peaks are less pronounced, the pre-season and off-season percentages higher.
- Tour operators and travel agencies cite the Cyprus climate as being the island's main strength.
- The focus groups attested to ideal climatic conditions for Cyprus for the months of May to October.
- This statement was corroborated by the population survey: the Germans interested in a Cyprus holiday would prefer the travel months of:
  - primarily May/June and September/October
  - and (to a somewhat lesser extent) March/April and July/August.
- In contrast, specific interest in a Cyprus holiday during the typical winter months of November-February is only marginal. During these months, the Germans will primarily prefer snow destinations in the Alps, classic CityBreak destinations, clear-cut winter sun destinations (in Europe itself, the Canary Islands above all) as well as long-haul/overseas destinations.

- In other words:
  - Cyprus already enjoys a long travel season on the German market, above all when compared to other Mediterranean destinations.
  - Cyprus also has very good market prospects for a longer travel season in the future.
  - But the prospects for the traditional winter months (November-February) are low. Germans simply prefer other holiday destinations during these travel months.

6. Accessibility of Cyprus/ Flight Connections

- From the standpoint of the trade (tour operators/travel agencies), flight connections to Cyprus is a definite weak point for the island.

- The main criticism:
  - poor connections; i.e., too many plane changes/stopovers both in Germany as well as on Cyprus,
  - too few flight contingents (particularly also for the smaller tour operators).

- In the opinion of the trade, a significant improvement in flight allocations and especially flight connections is an absolute imperative in order to activate on the demand for Cyprus.

- Also to be weighed carefully when optimizing flight connections: coordinating the regional distribution of departure airports (and their respective seat contingents) with the distribution to the Cyprus potential. Namely:
  - Departure airports must be offered in all regions of Germany since those interested in Cyprus are spread throughout the entire country.
  - Moreover, the various regional source markets of above-average importance for Cyprus should be further optimized:
    - North Rhine-Westphalia
    - Baden-Wuerttemberg
    - Bavaria
    - Lower Saxony.

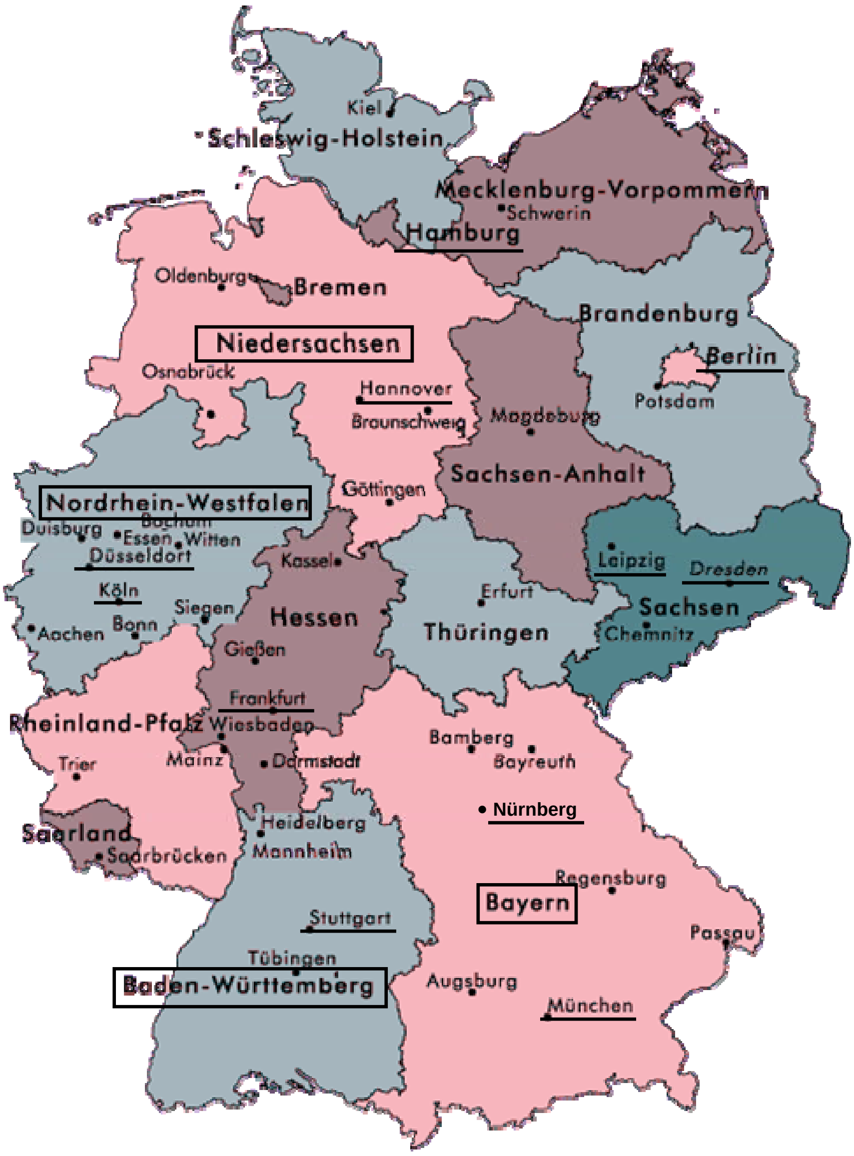
  Approximately 60% of the entire Cyprus potential can be found right within these four regional markets.

The following map shows departure airports for Cyprus from the TUI and Neckermann summer 2004 catalogue, indicating:

- while departures are now possible from all parts of Germany,
- only a few flights are direct flights.
- Compared to the rest of Germany, Saxony enjoys above-average coverage (Leipzig and Dresden).

(The map also shows the four regional source markets having special significance for Cyprus).

Departure Airports for Cyprus and Main Regional Markets of Origin



Legend:

Hamburg = Departure airport (from the TUI/Neckermann summer 2004 catalogue example)

Niedersachsen = (Lower Saxony) regional source market with above-average potential volume for Cyprus

7. Expenditures/Prices

- In travel expenditures*), Cyprus definitely ranks within the upper segment **). Travel expenditures for Cyprus are thus clearly higher than the average expenditure a German will make for an outbound holiday, significantly higher than the expenditures for Turkey, and even higher than those for e.g. Greece or Majorca. With its present 60% share of so-called “Very High Spenders,” Cyprus already now has a far greater than average percentage of visitors falling into this upper spending segment.

- During the focus groups, all participants (all with Cyprus experience) expressed the opinion:
  - Cyprus is an expensive destination.
  - More expensive than Greece and especially Turkey.

- It is also the opinion of tour operators and travel agencies that prices (in addition to flight connections) represent another distinct weak point for the island. Cyprus is classified as expensive, and clearly far more expensive than Turkey, Greece, Tunisia or Egypt by the trade.

- Since today’s competitive environment is one based heavily on price, meaning prices have considerable influence when making travel decisions for or against a specific destination, the future Cyprus price strategy will play a crucial role in developing the demand from the German market.

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*) based on data from the German Travel Monitor

**) Due to how the questions were formulated and the method of calculation, the expenditures surveyed within the scope of the CTO visitor survey are too low.

- In view of the price-consciousness shown by the Germans as already discussed, present price levels surely act as a barrier to a better development of the demand.

- Important in this regard, however, is the fact that Cyprus is not seen to be an expensive holiday destination *a priori*, i.e. Cyprus does not yet actually have any problems with its “price image”. But if one delves into further researching of Cyprus then the price does become a problem (for a broader target group).

8. Distribution

Preferred Type of Booking for Cyprus

- Cyprus holidays are usually booked as package trips in a travel agency; this corresponds to the general German booking behavior for all holiday flight trips to the Mediterranean.
- Also those expressing interest in a Cyprus holiday over the next few years would book a package trip to Cyprus (almost 90%).
- In other words, consumers definitely show a clear preference for package trips to Cyprus (i.e. flight + accommodation at a package price).

The Trade's Positioning of Cyprus

- Cyprus is offered by all of the large tour operators on the German market, but also by various medium-sized and smaller tour operators as well.
- Just being included in all the larger tour operator catalogues automatically assures a nationwide presence at all the important travel agencies.
- Meaning that Cyprus enjoys a good presence throughout the whole German market.
- This is enhanced by the fact that the trade holds an overall positive image of Cyprus, its offers primarily ranked as positive.

- Yet the trade does deem there to be two serious weak points:
  - the high price level,
  - and the poor flight connections.
- Therefore, from the standpoint of the trade, imperative in order to win more customers for Cyprus:
  - lower prices,
  - better flight connections.
- Despite the decreases of recent years, the trade is still interested in Cyprus. Most of the tour operators would also be amenable to expanding their contingents.
- In this context the trade is also asked to do
  - more advertising for Cyprus.

9. Communication

Evaluation of Individual Slogans/Statements on Cyprus

Within the focus group setting, a number of slogans/statements with reference to Cyprus were surveyed as to their acceptance:

“Cyprus, a mosaic of nature and culture”

Only accepted to a limited degree. The concept of “mosaic” implies greater diversity than Cyprus actually offers; there are also associations running toward the political division of the island.

“Cyprus, the island of the gods”

Used earlier as a slogan for Cyprus and nevertheless still commands a certain recognition in the German market. Sympathy to the slogan, however, is limited (exaggerated, unrealistic).

“Cyprus, at the crossroads of three continents between East and West”

This statement was overwhelmingly deemed invalid (where is the third continent?); it also gave rise to negative political associations such as: “Cyprus, at the crossroads of crises.”

“Cyprus is neither Greece nor Turkey”

This statement was deemed incorrect because: “Cyprus is Greek and Turkish.”

- It is a mixture of both.
- Two cultures/countries on one island.

From the tourist viewpoint, this mixture of Greek and Turkish has a positive as well as also a negative side (at least at the present time):

- on the one hand, the cultural diversity increases the island’s touristic attractiveness,
- on the other hand, the coupling of “Greek and Turkish” symbolizes the very cause of the political conflict/the division of the island.

When advertising to the tourist sector, therefore, it is not recommendable to focus on this association (Greek + Turkish) at least not in the near future.

“Cyprus, the island for all seasons”

This statement mainly met with agreement.

And yet it does not really correspond to consumer interest.

Both the focus groups as well as the population survey clearly indicate:

- While a long travel season is conceivable for Cyprus,
- the interest shown for the typical winter months (November – February) is very small.

In other words, the message of being a “year-round destination,” stressed above all in the case of Cyprus, meaning also a winter destination, is actually not a motive for Cyprus and practically has no relevance.

Future advertising on the German market should thus eschew this particular slogan/positioning.

Advertising

- In contrast to some other destinations, and seen as very positive, Cyprus has always advertised directly to consumers in the German market (posters, print ads, etc.).
- The focus groups additionally made it clear that the advertising was also noticed to a certain degree. For example, the “God” campaign was remembered. Yet there was no awareness of the new all-season campaign, even though placards were up at the same time the focus groups were held in Munich (November 2003).
- Both in the focus groups as well as the trade survey (tour operators/travel agencies), the question: “What should Cyprus do to secure more German visitors?” was most frequently answered with: Advertise more.

Positioning of Cyprus in Advertising

- Considering the acquired survey findings it appears that Cyprus has not been optimally positioned on the German market in the past (i.e., speaking to the desires and interests of the demand).

- The media advertising positioning (print ads, posters, etc.) was:
  - based too much on winter
  - based too much on culture

  As the surveys now show, in so doing, Cyprus only spoke to a small target group motive segment and not to the main segment.

- In addition there is another fact: The media advertising was too heavily skewed toward "Cyprus truly offers everything" (Sun&Beach, culture, attractive landscape, golf, fine cuisine, etc.). Experience has shown, however, that such "multi-option" positioning can only rarely be mediated to consumers, at least not all at the same time. Too many concurrent messages generally results in no one at all feeling truly or personally addressed. A positioning strategy should therefore be essentially limited to as few core aspects as possible (and, of course, here again, to those which are most likely to bring success). In other words, "less is quite often more" – paring down actually yields increased efficiency.

Information

- For German outbound holidaymakers (including Mediterranean holidaymakers), the by far most important source of information is the tour operator catalogue, then followed by the travel agency, friends/relatives and the Internet.

- In comparison, national tourist boards or tourism fairs are almost of no significance whatsoever as sources of information. Only a very small minority makes use of such sources.

- The focus groups also expressed very low interest in calling upon the CTO in Frankfurt. There are simply other, easier and better sources of information available to consumers out there today (for example the Internet or travel guides/magazines).

- Moreover, national tourist boards and also tourism fairs are for the most part only utilized by people who have already decided on a specific travel destination. Meaning that winning new customers with these instruments is all but ruled out right from the start.

Internet

- The Internet has meanwhile taken on an important role in tourism, particularly as a source of information, as it gradually and steadily replaces tourism brochures and other material – and rightfully so: the Internet can offer more current and more comprehensive information and even enhance it with images and videos.
- More than 70% of the Germans interested in Cyprus have an Internet connection (usually at home) and also use the medium regularly.
- Which means that high numbers of the Cyprus potential can already be reached today via the Internet.

10. Competitive Situation

- Because of the offer itself, Cyprus experiences direct competition primarily from the other Mediterranean destinations, particularly Greece/the Greek islands, Turkey and even Malta. Meanwhile, the Canary Islands are also a direct competitor during the off-season (due to the climate).

- In addition, the following trend must be considered to an ever increasing extent when assessing the competitive environment: all destinations are nowadays in a certain competitive relationship because travel decisions are now also frequently being made between utterly different types of destinations or holidays (for example, deciding between a Sun&Beach holiday in Portugal, a mountain holiday in Austria, or finally taking that dream tour holiday to Canada a reality).

- The Germans expressing interest in Cyprus indicate they would also be at least similarly interested in several other holiday destinations apart from Cyprus in the next few years. Hence, in this sense, Cyprus faces strong competition. Whether someone interested in Cyprus ultimately decides in favor of Cyprus or in favor of another destination is therefore still an open question. Thus, the Cyprus interest potential must first be addressed, then convinced, and finally won over to Cyprus. An optimum market presence (via distribution/advertising) is hereby indispensable.

- Additionally, the competition between holiday destinations is coming down more and more to a question of price; it is often less a question of an offer competition than a price competition.

In summarizing:

- Insofar as the offer is concerned, Cyprus can certainly hold its own against its direct competitors, for example Greece or Turkey.
- Yet in terms of price, Cyprus simply cannot keep up (as described previously).

11. Summary

The Strengths and Weaknesses of Cyprus

In light of the analytical findings, the following brief summary can be made of the primary strengths and weaknesses as regards Cyprus in the German market:

The main strengths attributed to Cyprus are:

⇒ a large, still unexhausted interest potential

⇒ a relatively long travel season (good climate) – also when compared to other Mediterranean destinations

⇒ a good/positive image basis

⇒ a good offer

⇒ a good distribution presence (among tour operators/travel agencies).

The main weaknesses attributed to Cyprus are:

⇒ a high price level

⇒ poor flight connections/allocations

⇒ the island's political situation/proximity to the Middle East hotbeds

⇒ not an ideal positioning of Cyprus in advertising

⇒ a low repeat rate

These weak points have definitely acted as barriers in the past in preventing a better development of the German market demand.

Opportunities for Cyprus in the German Market

Where exactly are the primary options/opportunities for the development of Cyprus in the German market of the future?

They hardly lie in:

- increasing spending levels per visitor,
- increasing lengths of stay,
- or prolonging the season to the classic winter months (i.e., to a full year-round season).

Even based solely on the Germans' general outbound holiday behavior, such objectives would be virtually impossible to realize. Cyprus already records good numbers in this respect (also when compared to other Mediterranean countries). This is thus not the starting point for bettering the German market development.

The key starting point for Cyprus in the German market lies elsewhere – specifically,

⇒ in the travel volume (number of arrivals).

The travel volume is definitively too low, also in comparison to:

- other destinations,
- as well as in relation to the interest potential as ascertained.

The travel volume/number of visitors can and should be increased in the future.

Above and beyond that, the opportunities for Cyprus are best in

⇒ the Sun&Beach segment

as:

- the German outbound holiday market (especially flight holidays) is above all a Sun&Beach market and, as such, a growth market
- the Cyprus interest potential is also, to a large extent, a Sun&Beach potential
- the motives for and the images of Cyprus are likewise primarily oriented toward Sun&Beach.

In contrast thereto, there is substantially less actual German demand for Culture/Touring (or other special interest offers).

Moreover, the Sun&Beach segment also

⇒ allows for the cultivating of a repeat market.

This is virtually unattainable with the Culture/Touring segment, as an example, especially in the case of an island having limited sightseeing opportunities.

In summarizing, the main opportunities for Cyprus in the German market involve:

⇒ increasing the number of visitors,

and above all else:

⇒ doing so in the Sun&Beach segment.

B. Marketing Plan

The following chapter contains recommendations for future marketing strategies and measures with respect to the German market. The associated time frame amounts to five years.

Starting point and basis for this marketing plan is:

- the results and conclusions from Phase 1 (market research)
- as well as IPK expertise and experience in the field of international tourism marketing.

1. Market Prospects for Cyprus in Germany

Both the consumer as well as the trade research allows for drawing the following conclusion:

⇒ **Cyprus has very good market prospects in Germany.**

The market opportunities for Cyprus lie in:

⇒ **increasing the number of visitors**

and doing so primarily

⇒ **in the Sun&Beach segment.**

2. Future Significance of the German Market for Cyprus

Germany is the largest/most important tourism source market in all of Europe. Cyprus enjoys a large and unexhausted interest potential in this market.

Therefore, for Cyprus, Germany (as well as Great Britain) should be:

⇒ **a market given absolute top priority.**

This “top priority” status should particularly be reflected in the allocation of marketing budgets.

3. Objectives for the German Market

With respect to the German market, Cyprus should, over the next five years:

⇒ **increase the number of visitors to approximately 400,000.**

Coupled with the above, also:

⇒ **increase the number of repeat visitors.**

By increasing the number of visitors the revenues will increase as well but not proportionally to the number of visitors (because the average spending per visitor will be lower in the future).

Based on 2003 (130,000 visitors) the number of visitors should increase by about 200% within the next 5 years, the revenues should increase by about 160% within this period.

In order to achieve this objective, certain marketing strategy/ measures are necessary.

4. Marketing Strategies for the German Market

4.1. Positioning/Image Strategy

Positioning Strategy

Over the next five years, Cyprus should distinctly position itself on the German market as:

⇒ **a Sun&Beach destination**

⇒ **for May – October**

⇒ **for the 30 + year-old target group**

Such positioning obviously does not exclude continuing to offer April, November or other winter months or to offer touring/culture/other special interest holidays in tour operator catalogues but the positioning in the advertising should be focused on Sun&Beach for May–October. The months May–October are the months really accepted by the Germans as Sun&Beach months in the Mediterranean. A Cyprus air temperature of 22º (in April and November) and a water temperature of 20º/21º (in April and November) are for example not high enough for the typical German Sun&Beach holiday.

Image Strategy

With a Sun&Beach positioning, Cyprus builds upon the primary image German consumers already have of the island (the primary spontaneous association with Cyprus is of sun/sea/ beach as well as holiday island in the Mediterranean).

In other words, an already existing positive image base can be fully used and then be developed further.

The task and objective of the image strategy for the next five years (to be applied to the advertising) should, therefore, be:

⇒ **Reinforcement of the Cyprus Sun&Beach competence.**

⇒ **Advancing Cyprus as one of the most attractive/charming Sun&Beach destinations in the Mediterranean.**

Additionally, the following aspects should be more strongly positioned within the Cyprus image/should be occupied by Cyprus:

⇒ **The “island” aspect (as something special, with its very own character).**

⇒ **The aspect of being the best Sun&Beach destination in the Mediterranean offering the “longest Sun&Beach season” from May until October.**

⇒ **The aspect of being the best Sun&Beach destination for the “target group over the age of 30”; i.e., a somewhat more mature public.**

In terms of the emotional image component, the Cyprus image should in the future:

⇒ **be more “light-hearted”**

⇒ **exude more “joie de vivre”**

Doing so would even act to play down and diminish the “heavy” political component to the Cyprus image.

(Although this does not mean that Cyprus should build up an image of “fun.”)

The future Cyprus image strategy is thus not based on changing the present image, but instead on:

⇒ **reinforcing the positive Sun&Beach image which already exists,**

⇒ **developing it further, supplementing it,**

⇒ **and increasing the degrees of attractiveness.**

Cyprus should pursue the image strategy represented above for at least the next five years. To what extent the image can then be expanded to encompass culture, for example, is a decision which would need to be made after that time.

4.2. Target Group Strategy

Cyprus should expand its target group. Its current relatively “old” target group should become a younger one (despite the growth perspectives for the 50+ segment), with particular emphasis on the middle-aged group. Any targeting of the youth; i.e. under 30 years old (for example in advertisements), should be consciously avoided. Cyprus should position itself distinctly and explicitly for a somewhat more mature (but not old) public and thereby also distinguish itself from other Mediterranean destinations.

Limiting the target group to just high income earners is thereby not recommended (alone due to the structure of the Cyprus potential).

Based on the structure to the interest potential and validated by other survey results, the following is therefore recommended with respect to the German market:

a) Main Target Group “Sun&Beach”

The main target group in the German market should be the Sun&Beach holidaymakers. Their demographic and motivational characteristics are:

Demographic characteristics

<u>Total target group:</u>

- men and women
- middle and older age groups (30 – 65 years old)
- middle and higher income and education levels

- couples/households without children (under 15): 1st priority
  families with children (under 15): 2nd priority

Core target group:

⇒ upper middle class

⇒ middle-aged

Families with children (under 15 years old) as 2nd priority:

- life cycle: second age travelers 30 – 45 years old
- upper middle class

Motivational characteristics:

The main target group “Sun&Beach holidaymaker” will essentially respond to the following motives:

Main motives:

- sun
- sea and beach

Further motives:

- the island aspect
- Mediterranean/southern atmosphere/flair
- beautiful scenery/coastal scenery

b) Target Groups for Other Types of Holidays

As far as other types of holidays are concerned (see chapter 5.1, “Holiday Products”), the following core target groups should be addressed:

Sun&Beach holiday combined with Touring/Sightseeing:

Demographic characteristics:	35 – 55 years old upper middle class couples
Main motivational characteristics:	sun/sea/beach plus landscape/culture/sights Mediterranean life/atmosphere island

Touring/cultural trip:

Demographic characteristics:	45 – 65 years old middle and higher income/education couples
Main motivational characteristics:	sun/warm climate culture and landscape Mediterranean life “Cypriot way of life”

Holiday in the hinterland with a focus on hiking:

Demographic characteristics: 50 – 65 years old
middle and higher income/education
singles/couples

Main motivational characteristics: warm climate
landscape/hiking
Mediterranean life/atmosphere
hospitality
culture

Monastery holiday:

Demographic characteristics: 45 – 55 years old
middle upper income/education level
singles/couples

Main motivational characteristics: warm climate
culture/Cypriot way of life
landscape
interested in “educational” components (seminars, creative work, etc.)

Additional target group: companies
(seminar/incentive offers)

4.3. Geographical Strategy

The Cyprus potential as a whole as well as the main target group "Sun&Beach" is spread throughout all regions of Germany. Thus, as concerns distribution (travel agencies), as well as flight connections and advertising:

⇒ **a national/Germany-wide presence is necessary.**

Regional Focus Markets

That said, there are still suggested markets of regional focus (e.g. in terms of flight connections or advertising measures):

⇒ **the West Germany states**

and among the West Germany states, in particular:

⇒ **first priority:**	**North Rhine-Westphalia**
⇒ **second priority:**	**Baden-Wuerttemberg** **Bavaria** **Lower Saxony**

Approximately 60% of the entire Cyprus potential (including the Sun&Beach potential) live within these four regional source markets.

A further emphasis can be placed on:

⇒ **large cities (more than 100,000 residents).**

Approximately 40% of the Cyprus potential lives in large cities.

5. Marketing Measures for the German Market

5.1. Holiday Products

a) Main Product

The main product for the German market should be:

⇒ **the Sun&Beach holiday**

rendered as a package trip (flight + accommodation).

Travel period: May – October

Additional (optional) bookable components for the Sun&Beach holiday:

- rental car offers
- excursions with German-speaking guides
  - full-day and half-day offers
  - minibus/small groups (up to 10 people)
  - themes: nature/culture/the country and its people
- full-day excursions to the Turkish side of the island (with a guide)
- full-day excursions to Cairo
- hiking offers (with a German-speaking guide)
- sports offers: diving, surfing

A good part of the interest potential for the so-called Mix holiday of Sun&Beach + Touring/Sightseeing would be covered (as experience has indicated) by Sun&Beach offers which include supplementary components able to be booked separately (side trips/rental car, etc.). Because on a Mix Holiday, while Sun&Beach may be the main emphasis, culture/sights/excursions often rank a close second.

b) Other Products/Special Interest Products

Also in consideration of the general competitive environment, the following offers are recommended as additional holiday products for the German market (even as they, realistically, only reflect minor sales prospects):

Sun&Beach holiday combined with Touring/Sightseeing

- package trip
- 2-week offer: 1 week Sun&Beach + 1 week Touring/Sightseeing
- Touring/Sightseeing component:
  German-speaking guide
  small groups (up to 10 people)
  Themes: culture + nature + the “country and its people”
  to include the Turkish side of the island

Travel period: May – October

Touring/Culture/Study trip

- group package tours
- 1-week offers

  German-speaking guide

  small groups (up to 10 people)
- Theme: “Two Cultures on One Island”

Travel period: September – May (core months)

Holiday in the hinterland with a focus on hiking

- 1-week offer
- rural accommodation/accommodation in traditional homes with locals
- guided group hiking tours
- or the individual approach “Hiking on your Own”. Providing a printed guide on interesting hiking trails including maps/ informational material, etc. (in German)

Travel period: year-round

Monastery holiday

- 1-2 week offers
- accommodation in a monastery (with monks)
- accommodation in a former monastery since converted into a hotel

- Activities/Programs: cultural excursions
  hiking tours
  offers for special courses/seminars/ training courses
- special offers for companies: meetings/seminars/conferences
- special incentive offers

Travel period: year-round

Visiting Cyprus as part of a cruise

Cyprus should work on gaining acceptance as a destination port for the Eastern Mediterranean cruise ships.

While "Wellness" or diverse options like diving, surfing, sailing or cycling should be offered, they should not be promoted as specific types of holidays. The actual total demand for such special offers is relatively low in the German market while, at the same time, there are numerous destinations already offering these segments in a partly top-notch manner.

Cyprus should also refrain from specific "Fun Holiday" offers (not compatible with the image).

Conferences/Incentive trips

Based on the total German outbound market, the demand for incentive trips is minimal (less than 0.5% market share) as well as the demand for outbound congresses/conferences (market share of 1%).

This relatively small demand volume is meanwhile being solicited by a substantially larger (and at times also first-class) volume of offers, both in the own home country as well as worldwide.

Therefore:

- To invest to any greater degree in the “congress/conference” segment does not appear recommendable for Cyprus at present.
- And regarding incentive trips it can likewise be seen that at best this segment constitutes a niche product for Cyprus.

In order to protect the (limited) options in the “conference/incentive” segment, however,

- special “monastery offers” for companies and/or incentive trips could be developed and marketed (see: Marketing Plan, p. 56).

In principle, however, Cyprus should concentrate its efforts over the coming years on the segment/target groups having the distinctly larger interest potential (Sun&Beach) and not dissipate its efforts on numerous niche products.

5.2. Accommodation

Above all others, Cyprus should offer the following types of accommodation to the German market:

⇒ **mid-grade hotels – 3 star category**

⇒ **first class hotels – 4/5 star category**

The contingent for mid-grade hotels (3 star) should be roughly as large as that for the first class hotels. The first class hotels should focus on the 4 star category.

Other accommodation offers for the German market (although only for smaller target groups) would be:

- rural accommodation/accommodation in traditional homes with locals (as part of a holiday spent in the country's interior)

- holiday clubs (with sports, animation, etc.)
  for younger couples and also families
  An additional holiday club would be recommendable for the German market (preferred brand: "Robinson Club" – TUI)

Monastery accommodation

Cyprus should look into the feasibility of opening monasteries to tourism. Similar to the very successful concept of the "Paradores" in Spain, Cyprus could promote actual working monasteries as well as convert old ones into hotels (3/4 star category). Thus, a new type of accommodation could be created for Cyprus.

The monasteries of Cyprus should not only be sightseeing objects for the island's holidaymakers but also tangible "experiences" by way of:

- dining at a monastery (catering facilities),
- as well as staying at one (converting monasteries into hotels).

Staying amid such authentic ambiance would be ideally combined with a holiday in the hinterland or a cultural holiday, and also very well-suited to:

- incentive offers
- company offers (seminars, conferences, etc.)

All inclusive offers

Most holidaymakers desire "all inclusive" – if the price does not rise.

Yet if "all inclusive" results in higher prices (for example because cost-intensive offers such as Sports or Wellness options are included), the concept will then be less successful because not every visitor will avail themselves of these offers. (Germans in particular only like to pay for what they actually also make use of.)

Taking the Caribbean's lead, however, increasingly more hotels are offering very attractive "all inclusive" offers, which has resulted in consumers meanwhile entertaining certain expectations such as "continually more services at the same or even lower price."

Despite this at times extreme consumer mindset, the following still holds true:

- certain basic needs for the majority and certain lesser services should, in fact, be free today.

For a Sun&Beach holiday the following should be inclusive, for example:

- sunloungers + cushions, sun umbrellas, pool/beach showers
- children’s facilities
- glass of water served with meals

Guests naturally welcome additional services and they should also be offered provided they do not lead to price increases.

In consideration of today’s price level on Cyprus already being deemed too high, any “all inclusive“ measures which would lead to further price increases are to be avoided.

5.3. Measures Improving the Offer

Accommodations

Surveys have shown time and time again that German holiday-makers generally prefer:

⇒ **hotels in a country specific style/architecture.**

Large, anonymous hotels in the international style are being disliked to an ever increasing degree.

While tour operators/travel agencies rate the Cyprus hotel offer as being very positive on the whole, consumers (focus groups) did have some criticisms.

It would therefore be highly recommendable for Cyprus to conduct (e.g. in the context of its annual visitor survey):

⇒ **a quality control of its hotel offer.**

Such a poll would readily identify the strengths and weaknesses of the accommodation offer (and other touristic infrastructure as well).

In relation hereto, we would also like to bring up the following:

- consumers do not only wish to stay in the (more expensive) 4 star hotels, but also in the (more moderately priced) 3 star and, to some extent, even 2 star hotels.
- Yet new investments over the last 10-15 years (especially in the Mediterranean area) have focused almost exclusively on the 4 star category (as there was, in fact, a backlog).

– Meanwhile, however, there is a overcapacity in the 4 star category – again, especially in the Mediterranean area – and too little capacity as far as new/high quality 3 and even 2 star hotels.

Cyprus should therefore turn a critical eye to the quality of its 3 star offer (considering the great interest shown for 3 star accommodations), for example: the year in which a hotel was built or the most recent major renovation can provide a first information on the hotel quality. Also the conduction of a visitor survey (as mentioned afore) could provide the necessary information.

Considering today's overall 4 star category overcapacity (these rooms now often having to be sold at a 3 star price), Cyprus should further verify:

⇒ **if future investments should focus stronger on the 3 star category instead of the 4 star category.**

Cuisine

Restaurant catering

The Germans rate the Wining & Dining at Cyprus restaurants as being very good – although also very expensive.

It is thus very important to the future Cyprus tourism to also offer:

⇒ **Good, varied and country-specific catering options (restaurants, taverns, bars, cafés).**

⇒ **Restaurant price levels should, however, be scrutinized.**

Hotel catering

The Germans refer to the hotel catering as being “nothing special” – too much international kitchen.

Cyprus should thus offer (in line with the general consumer trend):

⇒ **more “local cuisine” in the hotels.**

Excursion

A good offering of side trips is very important for Cyprus (also as a Sun&Beach destination). This would include:

- inexpensive rental cars/scooters (also available on-site/at hotels)
- good public transportation options (bus)
- good informational material on excursion possibilities (distributed free at the hotels)
- organized side trips including guide

Improved accessibility to the Turkish side of the island:

Perhaps the present political developments will lead automatically to opening the border to the Turkish side of the island.

If not, it should in any case be tried to:

⇒ **make the visit to the Turkish side of the island a much easier/ simplified process.**

Every tourist should have the opportunity to visit the Turkish side of the island (also in a rented car, for example) without being subjected to time limits or complicated formalities.

Sport and Leisure Offers/Beaches

In today's market, successful Sun&Beach destinations must also have a suitable sports and leisure offer, basically acting to complement or round out the Sun&Beach offer. Cyprus lacks in this regard (in the opinion of both the holidaymakers as well as the trade).

With respect to the German market, the following measures would be of particular importance:

⇒ **a more attractive shopping offer**

⇒ **more and better entertainment offers (in the hotels)**

⇒ **more and better water sport options**

⇒ **improved facilities and more service on the beaches, more beach life**

⇒ **promenades (in town/along the sea).**

Of utmost importance in the future is:

⇒ **a high quality of the beaches.**

No overcrowded beaches, cleanliness, good facilities/services – all this plays an important role for an ideal Sun&Beach offer.

The activities associated with the

⇒ **"Blue Flag Campaign"**

likewise constitute a vital component in connection with an attractive Sun&Beach offer.

Offers for Children

Should one focus for the future be on attracting more families with children, offers must be made to appeal to children (up to 14 years old):

⇒ **more facilities just for kids (in the hotel, at the beach),**

⇒ **more childcare/Kid's Clubs in the hotels.**

Nationality Mix in the Hotels

Not only on Cyprus, but also at other destinations, problems with the mix to the various nationalities staying at one hotel are given. The most pressing potential conflict at present is related to guests from Eastern Europe / Russia.

Also on Cyprus there are certain problems with Russian guests, furthermore the Germans feel that the level of British dominance can often be unpleasant/objectionable.

Should one objective be a more international guest structure, the following should be considered:

⇒ **toning down the prevailing orientation toward British guests (e.g. in the cuisine, the language, etc.)**

⇒ **and replacing it with a new diversity in languages as well as more authenticity (local cuisine).**

Preserving of Own Character/Intact Environment

Even as holidaymakers may demand the most perfect and ideal touristic infrastructure, they still express the desire and the need for a destination to maintain its originality and authenticity.

From the tourism-political view, therefore, all factors serving to foster Cyprus's originality and identity should be of fundamental concern. These would include, e.g.:

- preserving and maintaining cultural sites of interest
- preserving typical villages
- native cuisine, country-typical dishes
- handicrafts and agriculture
- arts and crafts
- festivals/customs

Other measures of similar importance:

- preserving and safeguarding the environment (particularly important to the German market).

Projects such as, for example, the "Blue Flag Campaign" are very important in this regard and send out the right signals.

5.4. Accessibility/Flight Connections

From the standpoint of the tour operators/travel agencies, flight connections to Cyprus constitute the island's principal weak point (in addition to the prices).

Activating the Cyprus demand presupposes, as per the trade, that the flight connections between Germany and Cyprus will undergo considerable improvement.

Above all, the main (concrete) demands are:

⇒ **more direct flights**

(meaning flights with no plane changes or layovers in either Germany or in Cyprus itself)

⇒ **increasing flight contingents/seats**

(especially the smaller tour operators report problems in securing seat allocations)

Of further importance for the German market:

⇒ **continuing departure availabilities from all parts of Germany,**

⇒ **plus optimum development of the regional focus markets such as North Rhine-Westphalia (first priority), Baden-Wuerttemberg, Bavaria and Lower Saxony.**

At least from these regional focus markets

⇒ **direct flights should be offered.**

With respect to these regional focus markets, Cyprus should thoroughly investigate its options as far as low cost airlines/low cost airports. Most likely, more low cost airlines will be flying to ever more holiday destinations in the Mediterranean over the coming years, thereby giving those destinations competitive advantages in terms of price.

5.5. Travel Season

As previously indicated, Cyprus should position itself on the German market as a holiday destination for:

⇒ **the travel months of May to October.**

This, of course, does not prohibit Cyprus from making attractive offers in tour operator winter catalogues (see chapter 5.1 “Holiday Products”) and thereby enticing holidaymakers year-round. But the positioning in the advertising should be focused on the Sun&Beach for May–October.

5.6. Lessening the Political Barrier

In the case of the German market, not only do political events in the vicinity of Cyprus have an impact on the demand but, in all likelihood, so does the political situation right on Cyprus itself (even as the trade may not acknowledge or recognize this).

Germans certainly feel this effect more strongly than other nationalities (due to Germany's own political past).

What can Cyprus do to lessen the political situation, to keep it from being a barrier to the demand?

Crises in the vicinity of Cyprus (Middle East)

Obviously, Cyprus has no influence over these crises.

Yet, in general long-term observations of crisis events (war/terror/plane catastrophes, etc.) have in fact shown that while demand does drop in the travel season during which such events occur, a certain normalization will have already come to pass by the very next season.

When decreased demand persists any longer than that, there is usually a different underlying cause at work.

One should refrain from advertising as a crisis situation is unfolding. Yet one's advertising should be intensified in the season which follows, although without focusing too heavily on the aspects to the crisis (e.g. by stressing safety).

Political situation on Cyprus itself

There now appears to be a chance that the political situation on Cyprus (divided island) will be resolved within the next few months. This would be very important to the future touristic development of Cyprus on the German market.

Yet should the present signs not pan out, all efforts should strive to (from a tourism point of view):

⇒ **play down the border situation.**

In other words:

- attempts should be made to reduce menacing border images (warning signs, barbed wire, military presence, etc.),
- and make visiting the Turkish side of the island easier.

In the case of the German market, the border situation on Cyprus has certainly acted unfavorably on the demand in the past (above all regarding the repeat market).

5.7. Price Positioning/Price Strategy

Being competitive today means not only a good and sound offer but also a competitive price.

The present price positioning of Cyprus is too high. This represents a distinct barrier to a better exhausting of the interest potential and thus for a better development of the German market demand. At its current price level, Cyprus only reaches a small target group segment.

In order to gain more German guests in the future, Cyprus has to:

⇒ **reposition its price for the German market.**

In this context, the present offer should be supplemented (in some cases even replaced) by:

⇒ **more attractive "mid-priced offers."**

More mid-priced offers will also be in line with the relatively large degree of interest shown by the Germans for a Cyprus holiday in a 3 star hotel.

By providing a:

⇒ **greater offer of good-quality "mid-priced 3 star hotels,"**

Cyprus could thus rectify its current high-priced positioning on the German market.

Moreover, Cyprus needs to perform a critical review of all costs/ price circumstances. Apart from flight and hotel costs, this would also include <u>local</u> incidental expenses (e.g. food+drink).

An ongoing cost controlling as well as the implementing of (as also promoted by the government):

⇒ **cost-reduction programs**

should be a fixed component of tourism management today.

As experience has shown from other EU countries, the introduction of the Euro on Cyprus should likewise be accompanied by strict price controls (especially with respect to touristic services).

Price increases should in any case be avoided in the German market for the next 1-2 years.

In principle, on the German market, Cyprus should reflect:

⇒ **a price level no higher than Greece (using Greece as a price benchmark).**

<u>Discounts for children</u>

If Cyprus aims to attract more families with children (under the age of 14) in the coming years, extending major price reductions to children is essential.

Consumers show high acceptance for so-called:

⇒ **fixed price offers for children.**

The Cyprus hotel trade could offer tour operators:

⇒ **free stays (and food) for children under 10 (in parents' room).**

5.8. Distribution

Cyprus enjoys a good distribution throughout all of Germany.

As far as booking for Cyprus, consumers show a definite preference for the package trip (flight + accommodation at a package price).

This means that the preferred booking approach is already supported by a good distribution.

Furthermore, Cyprus can draw upon a good cooperative relationship with the German tour operators and travel agencies. Most tour operators are also willing to increase their Cyprus contingents.

Yet the trade does see there being preconditions to securing more Cyprus visitors in the future:

- lower prices
- improved flight connections

Apart from the above, tour operators also express the desire for more financial support of their advertising measures.

A synopsis of all of the above results in the following recommendations:

In the German market, Cyprus should continue (at least for the next five years) to:

⇒ **rely on sales through tour operators/travel agencies.**

Its own (CTO) sales team should:

⇒ **foster and cultivate close relationships with the trade (especially the larger tour operators).**

Supporting the Tour Operators

Cyprus should focus on cooperation with and support of the tour operators, particularly in the following areas:

- Measures for increasing the number of beds, especially in the case of qualitatively good 3 star hotels.
- The placing/positioning of interesting price offers in catalogues (sending out price signals).
- Expanding family offers with attractive prices for children.
- Clear positioning of Cyprus in the summer catalogues as a May-October Sun&Beach destination for the 30+ year-old target group.
- Supplementing the Sun&Beach offers with components which can be booked as extras as well as the placement of further offers, especially in the winter catalogues (see chapter 5.1 “Holiday Products”).
- Support for resolving the flight problems/contingents.
- Furnishing general information on the destination and the holiday offers.

- Financial support for the tour operators:
  - sharing catalogue costs (in partnership with the hotels),
  - budgets for co-op advertising.

  Advertising co-ops (e.g. for ads) should be long-term measures (over several seasons) with a few selected tour operators. Such cooperation should, however, be allotted appropriate budgets.

Supporting the Travel Agencies

Travel agencies are flooded with a glut of information and décor/display material both from the tour operators as well as from destinations. Even in the survey conducted on behalf of Cyprus, the travel agencies complained that they are drowning in a “deluge of paper and information” which they actually never end up using.

Setting up familiarization trips for travel agencies is still the best support one could ever offer (despite the initially higher costs).

Especially for the larger travel agencies/travel agency chains, Cyprus should therefore devise, as a measure to span several years, a:

⇒ **program of familiarization trips.**

The Internet as a Sales Channel

At least for the next few years, Cyprus should refrain from its own direct online sales, because:

- the viable sales prospects through this channel are still relatively low at present (apart from booking only a flight),
- and Cyprus needs to concentrate heavily over the next few years on ensuring a good and close relationship with the tour operators/ travel agencies. The systematic configuring of a direct online sales operation would thus be counterproductive.

In any case, the tour operators will be advancing their own online sales efforts over the next few years.

5.9. Communication/Advertising

The aim of increasing the number of Cyprus visitors decisively within the next five years can only be achieved if the appropriate advertising efforts are made in the German market.

Because as already pointed out: the Germans interested in Cyprus must still be definitely persuaded and won over to the island. This requires:

⇒ **very intensive consumer-oriented advertising.**

a) Consumer Media Advertising

Consumer media advertising must be at the heart of all future advertising measures (e.g., print ads, posters/billboards, TV spots, etc.).

We recommend:

⇒ **image advertising**

having the objective of more strongly positioning Cyprus as a Sun&Beach destination

and running concurrently:

⇒ **sales-oriented advertising**

(jointly with the trade) having the objective of promoting holiday offers at interesting prices.

The general image advertising should thus be supplemented by sales/offer-oriented advertising.

The consumer media advertising, following the lead of the positioning/image strategy, should (over the next five years) concentrate primarily on:

- the Sun&Beach holiday
- for the core months May–October.

This would mean:

- no target group mix in the advertising campaign (of Culture, Sun&Beach, Sports, etc.) as in the past because experience has shown that individuals ultimately do not feel personally addressed with this approach
- no “all season” or specific “winter” approach
- no cultural emphasis, for example on Greek pillars, monasteries, monks, etc.

Advice for the image advertising (agency briefing):

- Develop an image campaign for the German market (a concept for at least three years). Creation and conduction of the campaign by an advertising agency in Germany (source market perspective).

- Particularly applicable as advertising tools/media would be, among others, print ads in magazines, posters/billboards, TV spots. The best media mix is to be determined (advertising agency) within the scope of a media optimization.

- Image campaign to be conducted throughout Germany/on a nationwide basis (first priority).

  Beyond that, regional focus markets would be:

  – North Rhine-Westphalia (Duesseldorf, Cologne)

  – Baden-Wuerttemberg (Stuttgart)

  – Bavaria (Munich)

  – Lower Saxony (Hanover)

- Objective of the image campaign:

  1. achieving high awareness for the brand name “Cyprus”,

  2. positioning Cyprus on the German market as:

     – one of the Mediterranean’s most <u>attractive/charming</u> destinations for <u>Sun&Beach</u>

     – from May – October

     – for the 30 + target group

- Content aspects of the image advertising:

  Core aspects:

  – sun

  – sea and beach

  – coast scenery

  Further aspects:

  – it’s an island

  – enjoyment of the Mediterranean world/atmosphere/lifestyle

  (Deliberate avoidance of using typical Cyprus elements in the advertising as has been done in the past; e.g., Greek pillars, monasteries, monks.)

Emotional aspects/components:

Image advertisements should exude/convey "lightheartedness" and "joie de vivre" (but <u>not</u> "fun" à la Ibiza/Majorca).

Additional message during the first 1-2 years:
"Discover a <u>new</u> Sun&Beach island"

- Target group:

Total target group:	men and women
	aged 30 – 65 years old
	middle/higher education levels (at least some post-secondary)
	middle/higher income levels (Euro 2000+ net household income/mo.)
	households without children (under 15 years old): 1st priority
Core target group:	upper middle class
	35 – 55 years old

Families with children under 15 years old: 2nd priority

	life cycle: second age travelers 30 – 45 years old
	middle upper class
Target group types:	a somewhat more mature public (30 years old and up)
	seeking a more cultivated destination
	(<u>not</u> a "fun-seeking" target group/ not solely a youth target group)

Advice for the <u>sales advertising</u>:

- To supplement the image campaign, a sales-oriented consumer advertising campaign should run concurrently.
- The sales-oriented advertising should (if possible) be conducted in joint cooperation with selected tour operators (those which have a larger Cyprus offer) or travel agency chains.
- Content of the sales advertising: concrete Sun&Beach holiday offers at attractive prices (at least by citing categories and "starting at" prices). Special offers also for families would be advisable.
- Sending out new and interesting price signals for Cyprus would be the most important task of the sales oriented advertising.
- Target group analogous to image advertising.
- For the sales-oriented advertising, the following options would be possible:

  Option A:

  Print ads in daily newspapers (in co-operation with tour operators/travel agencies), especially in the focal markets of:

  - North Rhine-Westphalia (1st priority)

  as well as

  - Baden-Wuerttemberg
  - Bavaria
  - Lower Saxony

  Option B:

  Inclusion of price signals into the image advertising campaign (e.g., citing categories and "starting at" prices/but without co-operating with the tour operators).

Timing the consumer media advertising

The positioning of Cyprus as a Sun&Beach destination not only for the peak summer season, but also particularly for May/June and September/October, should essentially be guided by the timing of the consumer advertising.

Based on the Germans' current pre-booking timeline patterns for Mediterranean destinations*), the following schedules are suggested for advertising to consumers:

1st priority:

- Advertising in February/March/April → to activate May/June trips
- Advertising in early September → to activate September/October trips

2nd priority:

- Advertising in May → to activate summer (July/August) trips

The above media plan shows that the media advertising should stretch across several months (at least from February until April plus early September). This has to be considered when choosing the media/media mix (ads, T.V. spots, placards, etc.).

Consumer media advertising budget

The annual budget allotted consumer media advertising (image advertising and sales-oriented advertising) should amount to approximately Euro 2.2 – 2.5 million.

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*) as identified by the German Travel Monitor 2003

b) Public Relations

The consumer media advertising should be supported by PR. This means that the content/theme of the media advertising (Sun&Beach) should also be the central topic of all future PR.

The PR should only promote other themes/types of holidays as a second priority. Because it is so closely tied to politics, even Cyprus joining the European Union should also not be a central theme of the tourism PR.

A fundamental consideration for all PR measures is ensuring that only those projects/themes which correspond to the Cyprus objectives garner support and not those which may only reflect the aspirations or ideas of journalists eager to report on anything at all.

PR tools:

The typical travel reports published in a newspaper's travel section are of only relatively minor usefulness in securing new customers. Such reports are mainly read only by persons who have already decided on a specific destination and either need additional information or validation that they made the right purchase decision.

In its future PR activities, therefore, Cyprus should primarily concentrate on:

⇒ **PR on television.**

This would essentially encompass travel magazines but also include various types of game shows in which the prize is often a holiday trip portrayed using e.g. film clips.

Television PR has substantially greater effectiveness than print PR because television (similar to media advertising) allows for actively reaching those people who have not yet made a specific destination decision, those who can still be influenced.

A main focus of the future PR work should thus be given to television station editors/reporters.

Further PR activity may encompass:

⇒ **PR reports in magazines (women's/lifestyle magazines).**

Such magazines provide opportunities to actively attract the attention of interested people with ample and good pictorial material connected with the opportunity to win new customers.

In order to ensure all PR efforts are professional, Cyprus should work with a PR agency which has particularly good contacts to TV stations and magazines.

c) Internet

The Internet has already taken on great importance as a source of tourism information today.

70% of the Germans interested in Cyprus have an Internet connection; i.e., a major percentage of the Cyprus potential can already be reached right now through the Internet.

Hence, in the future, Cyprus should regard the Internet as:

⇒ **the central source of information for consumers.**

What this will mean in the future for the CTO in Frankfurt:

⇒ **ceasing the consumer services and the supply with brochures/ informational material.**

The consumer advertising should refer to the Internet as essentially being a further/detailed source of information.

What needs to be analyzed is whether the current Cyprus Internet presence (German version) meets the informational needs of the addressed target group; i.e.:

- information emphasis on the Sun&Beach holiday (showing especially the coast/beaches/accommodations)
- information on family offers (prices)
- details on booking options

- as well as presenting the island as a whole, particularly with respect to:
  - sea/coast/beaches
  - landscape
  - culture/sights
  - the country and its people/cuisine/hospitality
  - side-trip/excursion options
  - hiking opportunities
  - water sport options
  - good accommodations
  - information on additional holiday products

In principle, the information available online should:

- be conveyed primarily through pictures and videos/films,
- and far less through text.

For the trade as well (tour operators/travel agencies), print information should be replaced by online information.

d) Travel Guides/Magazines

A second important source of information (after the Internet) is travel guides/magazines.

⇒ **Cyprus should be represented with a current edition at all important travel guide publishers.**

Also important for Cyprus:

⇒ **inclusion in special travel magazines (e.g., GEO, Merian),**

which, by the way, is not the case at the present time.

Cyprus should support travel guide/magazine publishers as well as take the initiative in those cases where current editions on Cyprus are lacking (for example, the GEO/Merian publications).

e) On-site Informational Material for Cyprus Visitors

As mentioned previously, the CTO can dispense with distributing brochures/informational material in Germany in the future.

Yet it remains important that once on Cyprus, the guests are offered:

⇒ **Cyprus guest information.**

This should be updated on a seasonal basis and should contain basic, practical and specific information such as, e.g.:

- important sites of interest (including directions/hours of operation)
- excursions (specific offers incl. routes/departure times/prices, etc.)
- dining & wining
- available sports options
- public transportation/other transportation options
- festivals/customs
- map of the island

Thus, the "Cyprus guest information" should:

- provide very concrete/practical information on the diverse attractions and activities Cyprus has to offer its holiday guests,
- be in the respective native language (German),
- and be found in every hotel room (free).

5.10. The CTO in Germany

Based on the market objectives for Germany, the CTO in Frankfurt should concentrate on the following main task in the future:

⇒ **intensifying cooperation with the trade, particularly the tour operators.**

A sales team should be appointed in charge of the following elements (among others): to win over the tour operators for additional bed contingents, especially regarding the qualitatively good 3 star hotels (restructuring the offer more towards mid-priced offers), putting across the Sun&Beach positioning, supporting the solution of the flight problems, implementing a trip program for travel agency staff, arranging co-op sales advertising, etc.

A second key task would be:

⇒ **monitoring/supporting/coordinating all advertising/PR/other promotional measures.**

This includes collaborating with the advertising agency but also own contacts with the media/publishers, etc.

At the same time,

- consumer services (to include no longer furnishing brochures or other informational material)

- organizing or participating in fairs in general (including the major ones as e.g. ITB*)

should be waived on the German market, in the future.

The budget funds which would thereby be freed up should instead be invested in the considerably more efficient (and also better at winning new customers) consumer media advertising.

In the future, interested consumers will receive a wealth of information on Cyprus through the Internet, a better as well as a more efficient tool.

* Tourism fairs hardly offer the possibility to win over new clients because most visitors of a fair are already focused on a certain destination before attending the fair (according to different survey results). Also, regarding b2b contacts (e.g. tour operators) company visits are more efficient.

6. Summary

Summarizing the most important results the following can be stated:

⇒ Cyprus has very good market prospects in the German market.

⇒ The number of visitors can be significantly increased. The target should be about 400,000 visitors over the next five years.

The most important measures to achieve this target are, above all:

⇒ High priority/high budget for the German market

⇒ A new orientation in the advertising,
i.e. focus on Sun&Beach holiday

⇒ Better flight connections/more direct flights

⇒ A re-positioning of the present high-price level
by means of more mid-priced offers (good quality 3 star hotels)