THE DEVELOPMENT AND CHALLENGES OF TOURISM IN ICELAND

ROBYN PHAEDRA MITCHELL
HYBRID HOSPITALITY / BENCHMARKING ALLIANCE
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct. 2008</td>
<td>Financial Crisis hits Iceland. Bad news for Iceland; good news for</td>
<td>tourism as the devalued ISK now makes Iceland a more affordable destination</td>
</tr>
<tr>
<td></td>
<td>tourism as the devalued ISK now makes Iceland a more affordable</td>
<td>to visit.</td>
</tr>
<tr>
<td></td>
<td>destination to visit.</td>
<td></td>
</tr>
<tr>
<td>Mar.–Apr. 2010</td>
<td>Fimmvörðuhals volcano – Tourist Volcano – Excellent photos all</td>
<td>Excellent photos all over the internet!</td>
</tr>
<tr>
<td></td>
<td>over the internet!</td>
<td></td>
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<tr>
<td>Apr. 2010</td>
<td>Eyjafjallajökull – Iceland in the news again! This time for a volcano</td>
<td>Iceland in the news again! This time for a volcano that disrupts air traffic</td>
</tr>
<tr>
<td></td>
<td>that disrupts air traffic around the world. The volcano does not</td>
<td>around the world. The volcano does not last long – but publicity of Iceland</td>
</tr>
<tr>
<td></td>
<td>last long – but publicity of Iceland is here to stay!</td>
<td>is here to stay!</td>
</tr>
</tbody>
</table>
WHAT ELSE HAPPENED?

Social media developed and Iceland has one of the highest user rates in the world and LOVE promoting their country.

Iceland became a filming haven for some well known programs and movies. (ie: Game of Thrones, Walter Mitty, Prometheus, Oblivion, Star Wars)

Iceland positions itself as one of the most peaceful and most friendly countries in the world.
WE GOT TOGETHER

Promote Iceland is formed

Public-private partnership established to improve the competitiveness of Icelandic companies in foreign markets and to stimulate economic growth through increased export.
A NEW SLOGAN

Promote Iceland creates “Inspired by Iceland” which is the official destination brand for Iceland in marketing.
WINTER TOURISM WAS “CREATED”

01| Winter in Iceland is NOT THAT COLD
02| Low-budget friendly(ier)
03| Less crowded
04| Perfect light for your pictures
05| Magical landscape
06| Northern Lights
07| Blue ice caves - walk into the glaciers
08| Cute Icelandic horses are even cuter
09| Hot springs, hot pools, hot pots
10| Experience ethereal Icelandic music
PROMOTIONS AND CAMPAIGNS TO VISIT ICELAND FLOURISHED!

... YOU CAN STOPOVER IN ICELAND AND ADD ADVENTURE TO YOUR JOURNEY.
MORE AIRLINES HOPPED ONTO THE TREND
ACCESSIBILITY VIA AIR 2012 VS 2017

Summer carriers

2012  
2017  

17 airlines
26 airlines

Winter carriers

2012  
2017  

5 airlines
15 airlines

Scheduled flights

2012  
2017  

54 gateways with regularly scheduled flights
91 gateways with regularly scheduled flights
AIRPORT TRAFFIC

Up until 2009 – Keflavik Airport saw a decrease in passengers. (2009 was -16.4%). In 2010, the trend changed and steady increases have been reported every year since.

<table>
<thead>
<tr>
<th>Year</th>
<th>YOY increase</th>
<th>PAX per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>+12.7%</td>
<td>2.065.188 PAX</td>
</tr>
<tr>
<td>2011</td>
<td>+19.8%</td>
<td>2.474.806 PAX</td>
</tr>
<tr>
<td>2012</td>
<td>+11.7%</td>
<td>2.764.026 PAX</td>
</tr>
<tr>
<td>2013</td>
<td>+16.1%</td>
<td>3.209.848 PAX</td>
</tr>
<tr>
<td>2014</td>
<td>+20.5%</td>
<td>3.867.425 PAX</td>
</tr>
<tr>
<td>2015</td>
<td>+25.5%</td>
<td>4.855.505 PAX</td>
</tr>
<tr>
<td>2016</td>
<td>+40.4%</td>
<td>6.821.358 PAX</td>
</tr>
<tr>
<td>2017 YTD</td>
<td>+35.5%</td>
<td>5.954.761 PAX</td>
</tr>
</tbody>
</table>

The increase in passengers through Keflavik Airport from 2010 until 2016 is 330% (!)
## Visitor Numbers

The number of visitors has nearly quadrupled since 2010. Visitor numbers have increased by 366% between 2010 and 2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>488,600 PAX</td>
</tr>
<tr>
<td>2011</td>
<td>565,600 PAX</td>
</tr>
<tr>
<td>2012</td>
<td>672,800 PAX</td>
</tr>
<tr>
<td>2013</td>
<td>807,300 PAX</td>
</tr>
<tr>
<td>2014</td>
<td>997,300 PAX</td>
</tr>
<tr>
<td>2015</td>
<td>1,289,100 PAX</td>
</tr>
<tr>
<td>2016</td>
<td>1,792,200 PAX</td>
</tr>
</tbody>
</table>

In 2016 the year ended with **1,792,200 PAX**.

Comparing Jan – July 2016 to Jan – July 2017; Iceland has already seen a YOY increase of 22.15%.
HOTEL SUPPLY GROWS

Available Hotel Rooms in Reykjavik

2010 338,982 (928 rooms per night)
2016 1,276,769 (3,488 rooms per night)

Supply of hotel rooms increased and still the key performance indicators showed a strong growth.

<table>
<thead>
<tr>
<th></th>
<th>Occupancy%</th>
<th>ADR</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>54.9%</td>
<td>77 EUR</td>
<td>42 EUR</td>
</tr>
<tr>
<td>2016</td>
<td>84.0%</td>
<td>140 EUR</td>
<td>118 EUR</td>
</tr>
<tr>
<td>6 year increase</td>
<td>63 EUR</td>
<td>76 EUR</td>
<td></td>
</tr>
<tr>
<td>In %</td>
<td>+29.1%</td>
<td>+45%</td>
<td>+64.4%</td>
</tr>
</tbody>
</table>
MARKETING EFFORTS WORKED! (MAYBE TOO WELL....)

With the rapid increase of tourism and visitors to Iceland and just stopping over - Iceland realized they had invited everybody to the party – but were not quite ready to host all that showed up.
THE SHARING MARKET EXPLODED
CHALLENGES – PUBLIC SAFETY
LACK OF PUBLIC FACILITIES
ROADS AND TRANSPORTATION
THOSE ANNOYING TOURISTS!
**CHALLENGES - PRICE INCREASES**

<table>
<thead>
<tr>
<th>Item</th>
<th>Price in 2010</th>
<th>Price in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheeseburger</td>
<td>1500 ISK (10€)</td>
<td>2600 ISK (20€)</td>
</tr>
<tr>
<td>Caesar Salad</td>
<td>1690 ISK (11.50€)</td>
<td>2690 ISK (21€)</td>
</tr>
<tr>
<td>Fish Gratin</td>
<td>1500 ISK (10€)</td>
<td>3500 ISK (27€)</td>
</tr>
<tr>
<td>Lobster Soup</td>
<td>1200 ISK (8.50€)</td>
<td>2500 ISK (19€)</td>
</tr>
</tbody>
</table>

| Hotel Room 2010     | 3* ADR - 69€        | 3* ADR - 112€       |
| Hotel Room 2016     | 4* ADR - 113€       | 4* ADR - 218€       |
WHAT IS THE SOLUTION?
The most recent campaign from Inspired by Iceland; the Iceland Academy is an educational campaign aiming at enabling tourists to get the most out of their trip to Iceland in a safe and responsible way. The online program has been specially designed to teach the essentials of Iceland so by the end of “term”, guests will be educated on how to travel, eat, stay safe and even shower like a local.
Iceland is leading the way on responsible tourism with a unique online pledge for tourists. ‘The Icelandic Pledge’ is an online agreement that invites travelers to sign up to be a responsible tourist when visiting the country.
QUALITY ACCREDITATION
SAFETY

- SafeTravel is the official source for safe adventure in Iceland. The aim of Safetravel is to reduce the risk of accidents in travelling and tourism in Iceland.
Toolbox for travel professionals

The toolbox is a one stop shop for the busy travel professionals to find the tools needed to sell Iceland as a destination. Promote Iceland urges partners to use their consolidated material and research. The toolbox includes images, videos, marketing material, itineraries, events, contacts and more.

Become a certified travel specialist in Iceland

- Becoming a Certified Inspired by Iceland Specialist gives you an advantage in selling Iceland and providing better service to your clients. Specialists get to use the Inspired by Iceland Specialist badge on marketing material and are listed on Visit Iceland website as a Certified Inspired by Iceland Specialists.

- This online course guides you through Iceland's breathtaking landscapes, colorful history and vibrant culture. The course is divided into three sections, and for every section you will need to answer 20 questions.
"When faced with a challenge, look for a way, not a way out."

David Weatherford
THE MOST IMPORTANT TOOL

- Plan
- Gather Data
- Analyze
- Review Results
- Refine and Reiterate
- Take Action

Benchmarking
WHY BENCHMARK?

| ✓ Strategy       | ✓ Cost          | ✓ Staffing      | ✓ Services      |
| ✓ Structure      | ✓ Investment    | ✓ Skills        | ✓ Activities    |
| ✓ Leadership     | ✓ Business      | ✓ Talent        | ✓ Impact        |
|                  | Economics       |                | Analysis        |

| ✓ Technology     | ✓ Quality       | ✓ Best Practice | ✓ Analogs       |
| ✓ Innovation     | ✓ Cycle Times   | Insights        | Launch          |
| ✓ Future Trends  | ✓ Yields        | Process         | Planning        |
|                  | ✓ Productivity  | Excellence      | Lifecycle       |
|                  |                | Insights        | Insights        |
When you need to know your market environment.

Benchmarking | Alliance provides accurate competitor benchmarks for the hospitality industry.

Benchmarking of your most important KPIs

We provide you with accurate daily competitor benchmarks on the most important industry key performance indicators, such as RevPAR, ADR, Occupancy and CRevPAS.

Powerful analytics and reporting

Our web-based analytics platform lets you slice and dice your data, giving you a full overview of the trends and events affecting you. All data is available through our analytics platform, or through Excel-based reports.

Your own data is never exposed

We deliver average benchmarks in chosen sets of companies. This means that you can get relevant benchmarks based on your direct competitors, and that no one will ever see your particular data.
A LOOK AT HELSINKI HOTEL MARKET

**RevPAR**
- 2017-08-01 - 2017-08-31
  - Compset: **113**
  - vs LY: **17.8%**

**Average Daily Rate**
- 2017-08-01 - 2017-08-31
  - Compset: **134**
  - vs LY: **13.6%**

**Occupancy**
- 2017-08-01 - 2017-08-31
  - Compset: **84.1%**
  - vs LY: **3.7%**

**RevPAR per month**
- 2017-08-01: **113.52**

**Average Daily Rate per month**
- 2017-08-01: **135.79**

**Occupancy per month**
- 2017-08-01: **84.1%**
A LOOK AT HELSINKI HOTEL MARKET
BENCHMARKING SURVEYS

- **Hotel Trends** – Core product with 3 KPIs
- **Hotel Trends Plus** (+) – adding guests and TOTAL Revenue – (Resorts)
- **“On the books” Trends** – future reservations on the books benchmarking
- **Conference Trends** – benchmarking your meeting and event space
- **Restaurant Trends** – benchmarking your restaurant space
- **Camping Trends** – benchmarking cabins, camping spots etc.
- **Productivity Trends** – benchmarking on cost per hour of staff
“Without data you’re just another person with an opinion”

W. Edwards Deming
Professor, Statistician
WORK TOGETHER

DEVELOP SUSTAINABLY

FACE CHALLENGES HEAD ON

BENCHMARK
Kiitos and Onnea!