

## UK Remains Largest Online Travel Market In Europe But Its Share Expected To Reduce

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The UK remains the single strongest performing market in terms of online travel expenditure achieving nearly double the online sales of its closest contender Germany, according to the new European Online Travel Report 2008 recently published by EyeforTravel.

The size of the UK online travel market is reported to have grown 18% on the previous year, trailed by Germany and France and all together these three markets make up about 62% of all online expenditure in Europe. The online travel market has grown in Germany by 24% but still only accounts for 15% of overall travel sales and EyeforTravel suggest the figures here indicate enormous room for expansion. The French online travel market is third largest in Europe and has been growing at a faster pace than Germany and the UK, though values are lower.

Variations in online penetration are reported between the individual European markets. The Nordic region (Denmark, Finland, Iceland, Norway and Sweden) is arguable the most digitalised in Europe. The region boasts the highest proportion of online bookings, at 31% online penetration according to EyeforTravel data. Middle Europe (Netherlands, Belgium, Luxemburg, Switzerland, Austria and Republic of Ireland) hides some variety when it comes to travel buying behaviour. But all in all they are responsible for 10% of the total European online travel market, reflecting a 24% growth over 2006 and a substantial CAGR of 40% over the last 5 years. Southern Europe (Spain, Italy, Portugal and Greece) accounts for 13% of the European online travel market and Spain has the major share of that. Eastern Europe accounts for just 3% of the total European online market, generating EUR 1.5 billion in 2007. Internet and broadband penetration are very low in the Eastern European region, posing a structural barrier for immediate growth, however the online travel market is set to grow tremendously over the next few years in these markets. An interesting pattern has surfaced in EyeforTravel's analysis of spend per online travel buyer, with Eastern European e-travellers spending one of the highest per capita values. It is suggested that luxury or higher end products may currently dominate the online market here through broadband connections being limited to more affluent households. The report suggests that as connectivity expands in the region more mainstream products are expected to take off. It is believed that the internet is definitely gaining more importance across Europe, as is travel, and hand in hand the online travel markets will continue to grow.

'There's been so much more of a focus around the online channels recently and we're seeing more and more suppliers across the entire European region really starting to adapt their businesses and take advantage of online sales platforms' states Amy Scarth, head of research at EyeforTravel. According to the EyeforTravel report, the online travel market is forecast to grow at a CAGR of 14% until 2011, as growth rates slow in more mature travel markets. Growth will be ruled by innovation and diversification and accelerated by the expanding travel markets both online and offline in Southern and Eastern nations. Growing exposure to online buying and subsequent trust is expected to develop steadily, as well as the amount of travel buyers in each market. Conditions for online travel buying are at their best in Nordic countries and the UK, where practical settings through the adoption of broadband and credits cards are complemented by cultural and supply side factors - notably trust in e-payment systems and an ever increasing number of online suppliers. However, EyeforTravel notes that the UK is expected to lose some market share in the overall European online travel market as other regions start to gain prominence.

'It is important to be aware that markets within Europe continue to perform so differently' emphasises Amy Scarth and 'not only are online channels stronger in some markets but realising the variations of online performance between the different travel verticals in the various European markets is fundamental'. A regional analysis of the European travel markets has continued to reveal diverse patterns in terms of overall travel product expenditure as well as distribution. Air tickets account for the majority of sales in most markets apart from Germany, the UK and Middle European markets are the biggest spenders on airline tickets, whereas other countries spend more on other transport or accommodation for example. In terms of direct vs. indirect distribution, little change is expected by EyeforTravel over the review period. In the more mature markets, the major players have become known and are even starting to consolidate. In markets with strong intermediaries more sales will continue to go through the brand names. Whereas in Nordic countries with less established OTAs there is a stronger direct distribution pattern and suppliers will continue to sell most of their travel product direct. Eastern Europe is a case apart, as the market is still relatively open, and whether direct or indirect, the travel industry is called upon to build strong brands for the future and EyeforTravel highlight that OTAs are certainly starting to target this region as third wave target.

In Europe the top sectors for online revenue, airline and accommodation, have nearly diametrically opposed distribution patterns. The vast majority (72%) of air tickets are sold directly to the consumer and in the accommodation sector, the vast majority (70%) of online revenue is channelled through intermediaries. Regionally there are noted differences in penetration of intermediaries. Direct sales are responsible for the majority of online sales in all markets, however their relative share varies significantly.

Further information about the European online travel market can be found in EyeforTravel's European Online Travel Report 2008 (<https://secure.firstconf.com/travel/reports/europe2008-purchase-fm.asp>) or visit [www.eyefortravelresearch.com](http://www.eyefortravelresearch.com).

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