BCG

The future of tourism in Iceland

Part II: Aspiration for destination Iceland and Iceland's target visitors

September 2013

The Boston Consulting Group

Context and structure of document

From October 2012– July 2013, BCG conducted an independent report on the long-term tourism strategy of Destination Iceland. The project, which was carried out in Reykjavik, was commissioned by a consortium of private Icelandic companies, including Icelandair Group, Isavia, Blue Lagoon, and Holdur / Europcar.

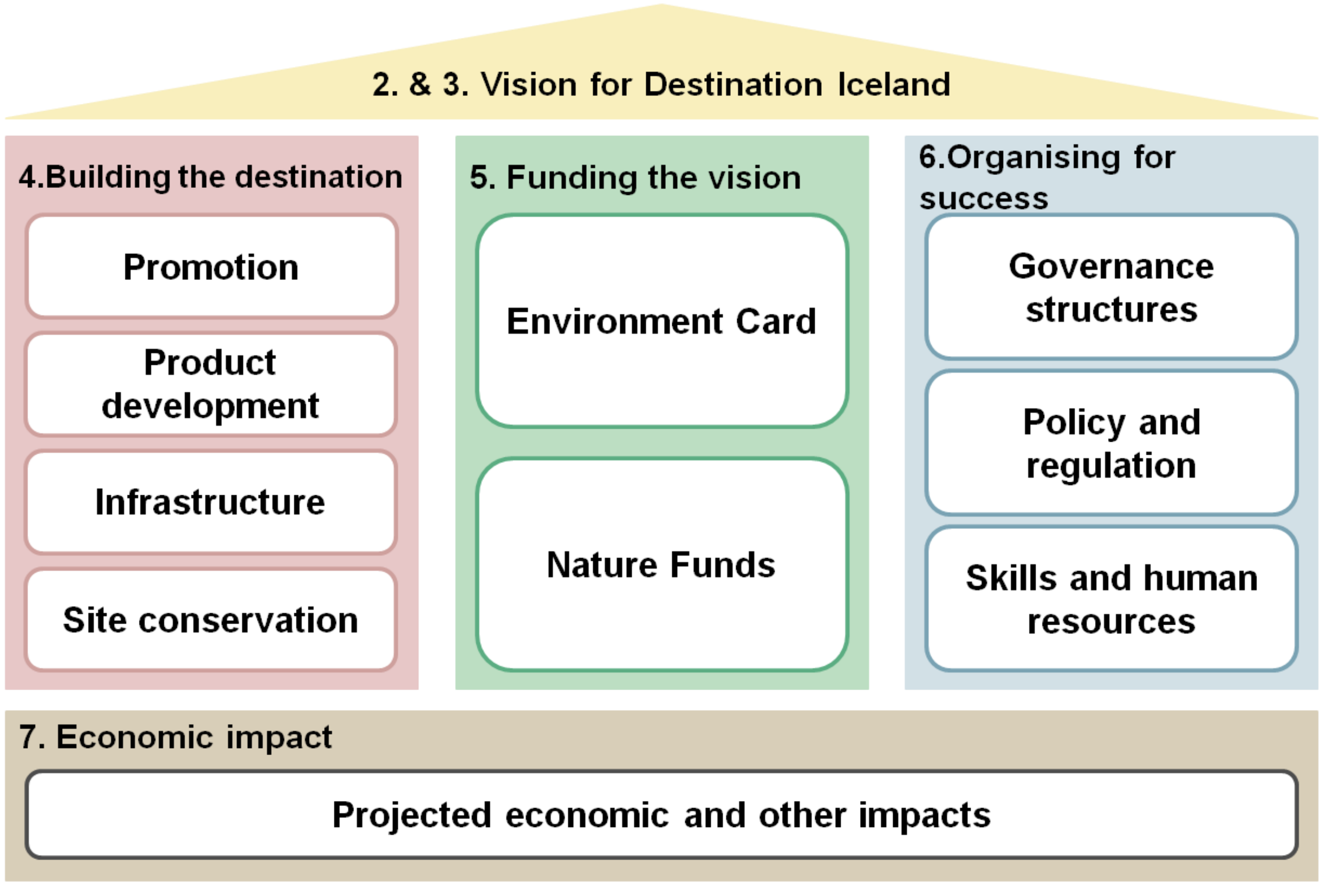
This set of documents contains the output from the project. It is structured in 6 parts:

This is the second of the six documents

Agenda

- Part I: Context - Icelandic tourism today
- **Part II: Aspiration for destination Iceland and Iceland's target visitors**
- Part III: Building the destination
- Part IV: Funding the vision
- Part V: Organising for success
- Part VI: Economic impact

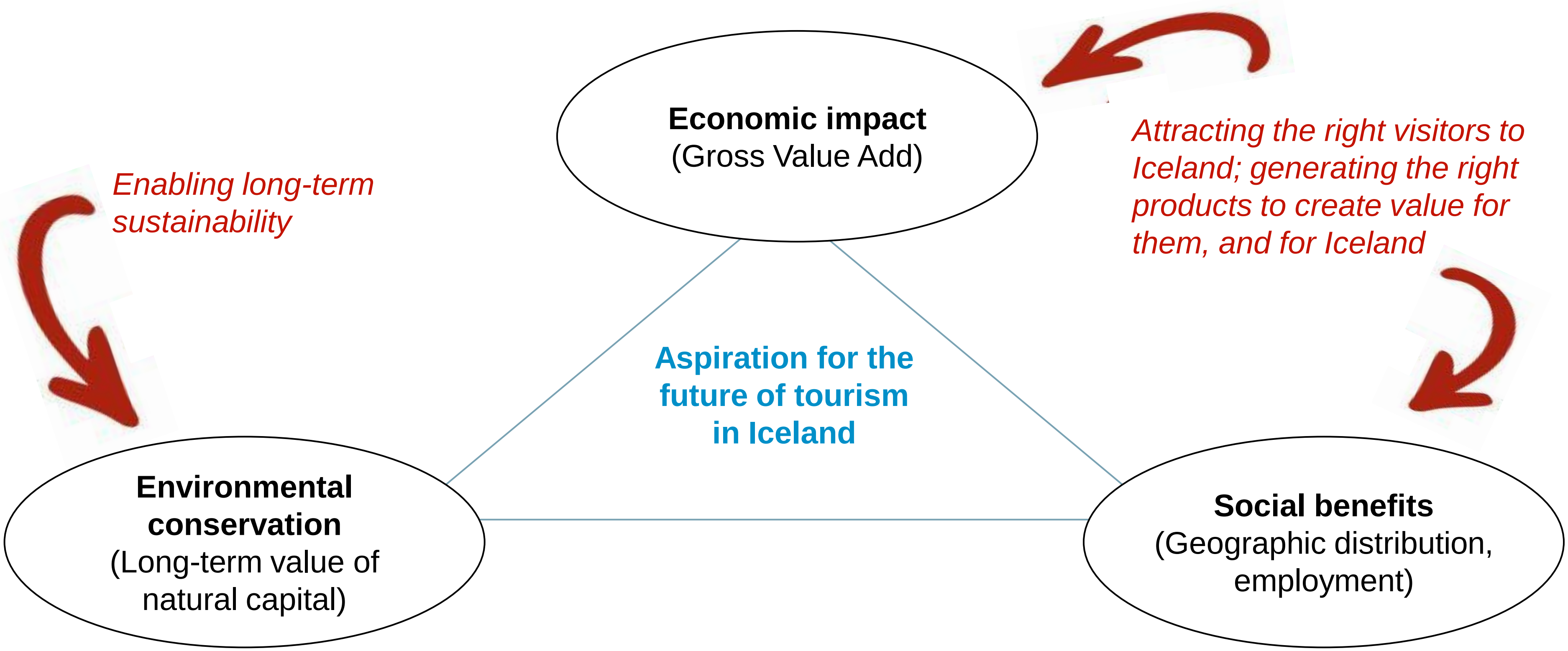
New vision for the future of tourism in Iceland requires a programme of transformation



This presentation focuses on building the destination

Building the destination

Iceland's aspiration for tourism should take into account three key goals



Underpinned by ability to raise revenues to invest in the environment, infrastructure, and product development

Proposed vision statement incorporates each of these goals

- GDP growth
- Increased employment in tourism and dependent sectors
- Regional distribution of benefits

- Clear governance structure
- Adequate tracking and monitoring by appointed body
- Shift from volume to value metrics

Maximise tourism's contribution to the whole of Iceland via managed, sustainable, year-round growth of visitors inspired by Iceland's distinctive nature, unique culture and warmhearted welcome

- Sustainable business model, enabling investment in existing sites and development of new ones
- Management of visitor numbers at key sites
- Management of seasonality to reduce pressure on infrastructure

- Use of "Inspired by Iceland" umbrella campaign
- Targeting visitors to whom the appeal of Iceland is strong and therefore most value can be gained

Statement developed with input from key tourism industry stakeholders in Iceland

Defining targets against each element of the vision statement makes goals tangible & measurable

	Objective	Key Performance Indicator (KPI)
"Maximise tourism's contribution to the whole of Iceland..."	Maximise benefits of tourism to Iceland's economy	• Gross Value Add (GVA) of tourism sector • Employment in tourism Sector • Tourism contribution to tax receipts
	Improve tourism's regional distribution	• % of Tourism GVA outside of Capital region and South West
"...with managed and sustainable growth of visitors..."	Reduce seasonality of tourist arrivals	• % arrivals in shoulder season (April-June and September-October) • % of arrivals in Winter season (November- March)
	Maintain or improve visitor experience at key tourist sites	• Perceived congestion at key sites (measured via surveys) • Visitor satisfaction at key sites (measured via surveys)
	Ensure environmental sustainability of natural attractions	• Results of regular reports on site sustainability
	Raise revenues to fund conservation and investment in new products	• Revenues raised through visitor charging
"…inspired by Iceland's distinctive nature, unique culture, and warm-hearted welcome"	Grow share of target segments in total visitor population	• % visitors from target segments
	Improve mix of visitors towards those that contribute most	• Average spend per visitor in target segments vs non-target segments • Average stay length per visitor in target segments vs non-target segments
	Develop Iceland's tourism product	• Average visitor satisfaction with trip to Iceland (comparison of target and non-target segments)

Achieving vision requires focus on a few key visitor groups

Segmentation should identify visitors that will allow Iceland to achieve its aspiration...

Attractiveness to Iceland

Most attractive visitors will be from segments which:
- Are large today and growing
- Spend more per day on Icelandic products
- Stay longer, in particular outside Reyk. & South-West
- Have lower seasonality

Appeal of Iceland

Iceland's appeal will be strongest to travellers motivated by:
- Discovering the distinctive nature
- Experiencing the unique culture
- Interacting with Icelanders who give a warm-hearted welcome

...To drive coordinated, focused action from across the tourism industry

Product development

Focused development of assets to appeal to core segments, driven by 'gaps' in offering
- Potential investments directed through segment filter

Complementary Infrastructure

Site infrastructure to ensure longevity of attraction

Roads to access key attractions & hotels suited to segments

Promotion

Coordinated, focused advertising
- E.g., targeting specific inbound markets, marketing channels, and messaging

Secondary segments captured via halo effect of marketing

- Size of segment
- Spend per day
- Stay length
- Seasonality
- Propensity to travel to regions
- Contribution to Icelandic society and low impact on nature

A **Attractiveness to Iceland**

Attractiveness to Iceland / Appeal of Iceland	Low	High
High	Capture via 'halo' effect	Target
Low	Groups not targeted	Capture via 'halo' effect

B **Appeal of Iceland**

- Appeal of core assets
- Appeal of location
- Targeted product development potential

We assessed 11 potential target segments for Iceland

Importance of niche segments for individual businesses also considered

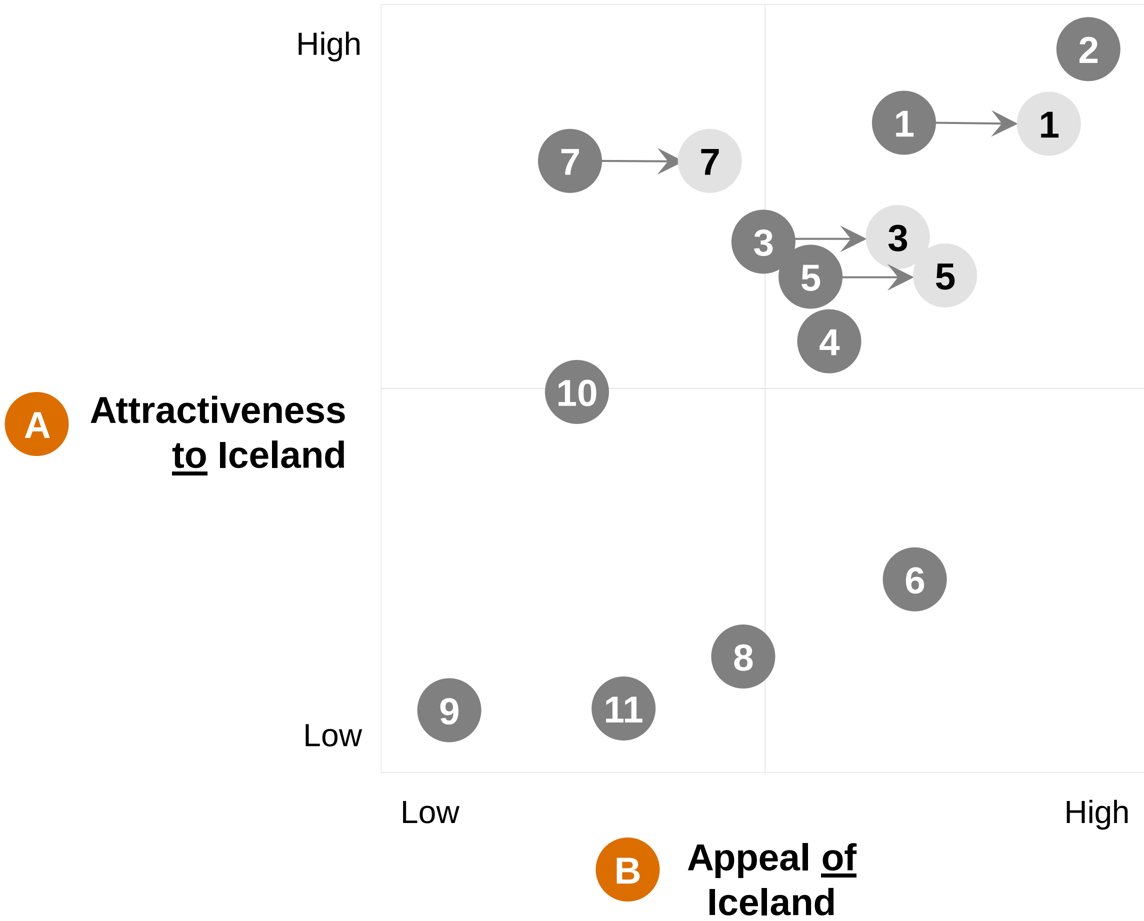
MICE = "Meetings, Incentives, Conferences and Events"

	Seeking	Age	Income	Inbound market
1 **Older Relaxers**	Culture/relaxation	50+	M+	Mature markets
2 **Affluent Adventurers**	Adventure	18-59	M+	Mature markets
3 **Emerging Market Explorers**	All types	All ages	All	Emerging markets
4 **MICE**	MICE	25+	M+	Mature markets
5 **City Breakers**	Culture/relaxing	25–49	M+	Mature markets
6 **Health Tourists**	Health/medical	35+	M+	Mature markets
7 **Super Premium**	All types	25+	H	All markets
8 **Backpackers**	Adventure	18–34	L	Mature markets
9 **Budget Travellers**	All types	All ages	L	All markets
10 **Families**	Mild adventure/culture	(lead adults) 25+	All	All markets
11 **Cruise**	Culture/relaxing	35+	M+	Mature markets
Niche segments	*Attributes specific to each group*			

Additionally, domestic tourists may help to grow traffic to less-visited regions

Five high potential segments emerged

Older Relaxers, Affluent Adventurers, Emerging Market Explorers, City Breakers & MICE



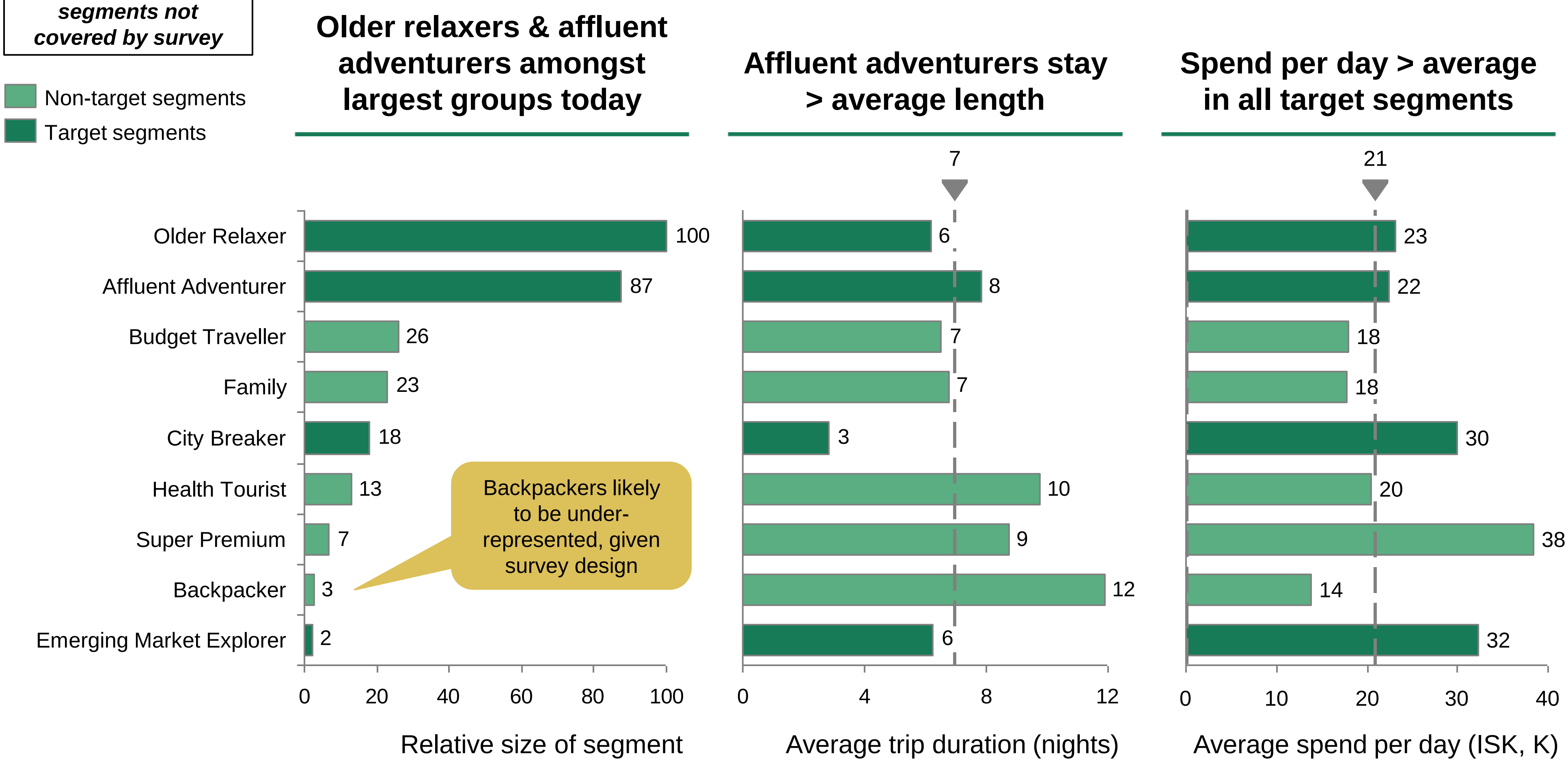
1 **Older relaxers**
2 **Affluent adventurers**
3 **Emerging market explorers**
4 **City breakers**
5 **MICE**
6 **Health tourists**
7 **Super premium**
8 **Backpackers**
9 **Budget travellers**
10 **Families**
11 **Cruise**

Niche segments

x ***Potential to improve product in short term***

In Iceland today, target segments spending more than average per day; some scope to increase stay length

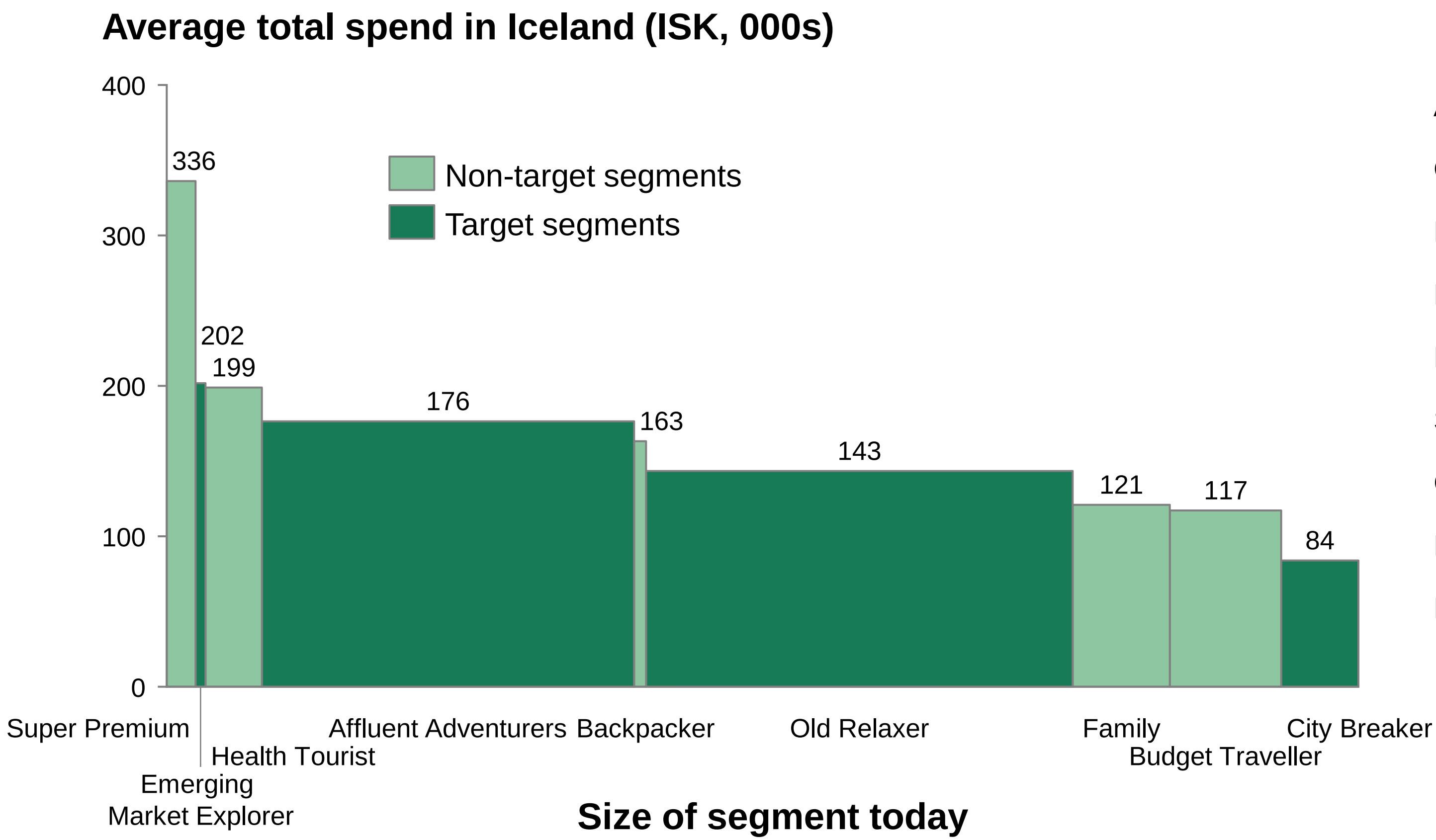
Note: Cruise & MICE segments not covered by survey



Note: Total respondents:4408. Calculations weighted to adjust for seasonal bias. 2011 / 2012 average exchange rate used to convert from Krona. Indexed (Older Relaxer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Affluent Adventurers and Older Relaxers highest value to Iceland today

Note: Cruise & MICE segments not covered by survey



Indexed total spend by segment

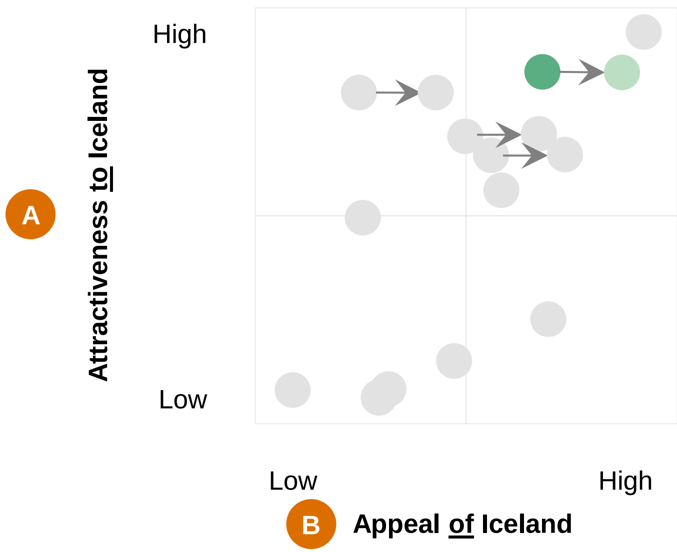
Affluent Adventurers	100
Older Relaxers	93
Budget Travellers	20
Families	18
Health Tourists	17
Super Premium	15
City Breaker	10
Backpacker	3
Emerging Market Explorer	3

The following slides provide details on global behaviour of each segment, driving position on the matrix

Note. Calculations weighted to adjust for seasonal bias. 2011 / 2012 average exchange rate used to convert from Krona. Groups not MEC. Index: Affluent Adventurer total spend = 100E
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

1

Older relaxers stay longer and are less seasonal; need to increase appeal of Iceland with targeted product development



A | **Attractiveness to Iceland**

- ~30% of Iceland's core inbound market are 55+ and this is the fastest growing age group
- Globally, Older relaxers spend more on average per trip
- In Iceland today, spend per day > average but stay length < average

B | **Appeal of Iceland**

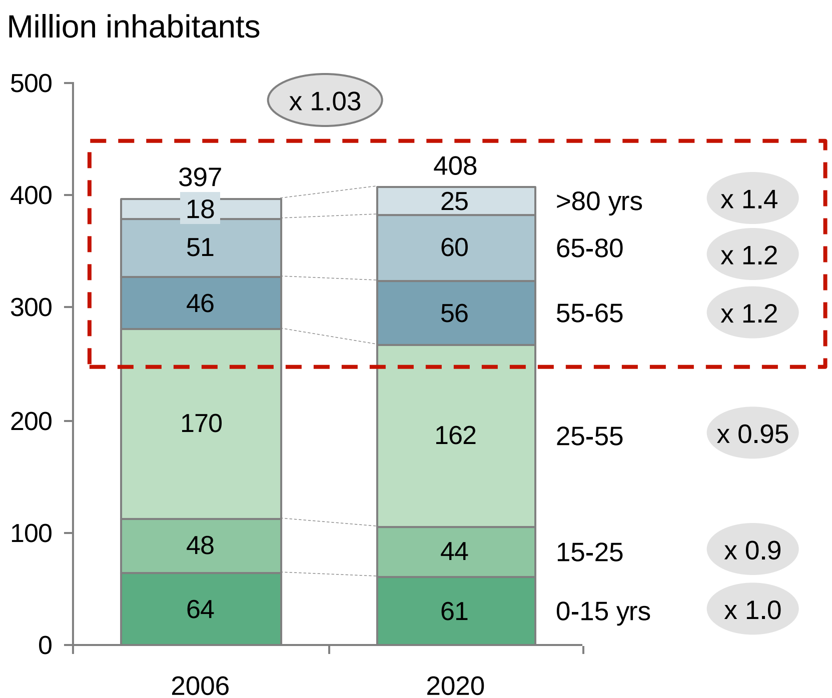
- Over 55s rate Iceland's appeal lower before travelling, but are extremely satisfied once in the country
- Older travellers are strongly biased towards less active excursions...
- ...suggesting an opportunity to develop this segment with targeted product

Older relaxers

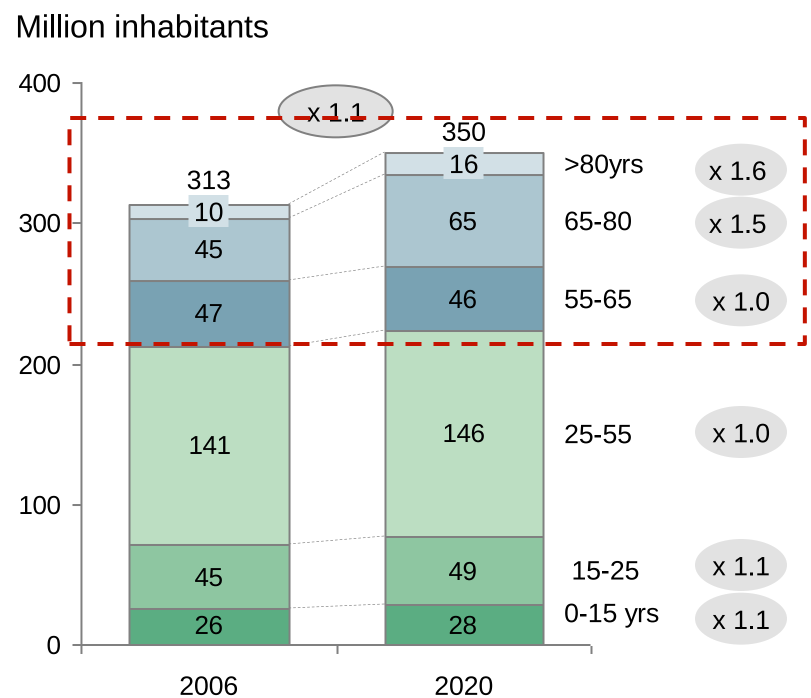
- 50+
- M+ income
- Mature markets
- Stronger appeal of culture/ relaxing activities

~30% of Iceland's core market are over 55 and this is the fastest growing age group

Western Europe[1]



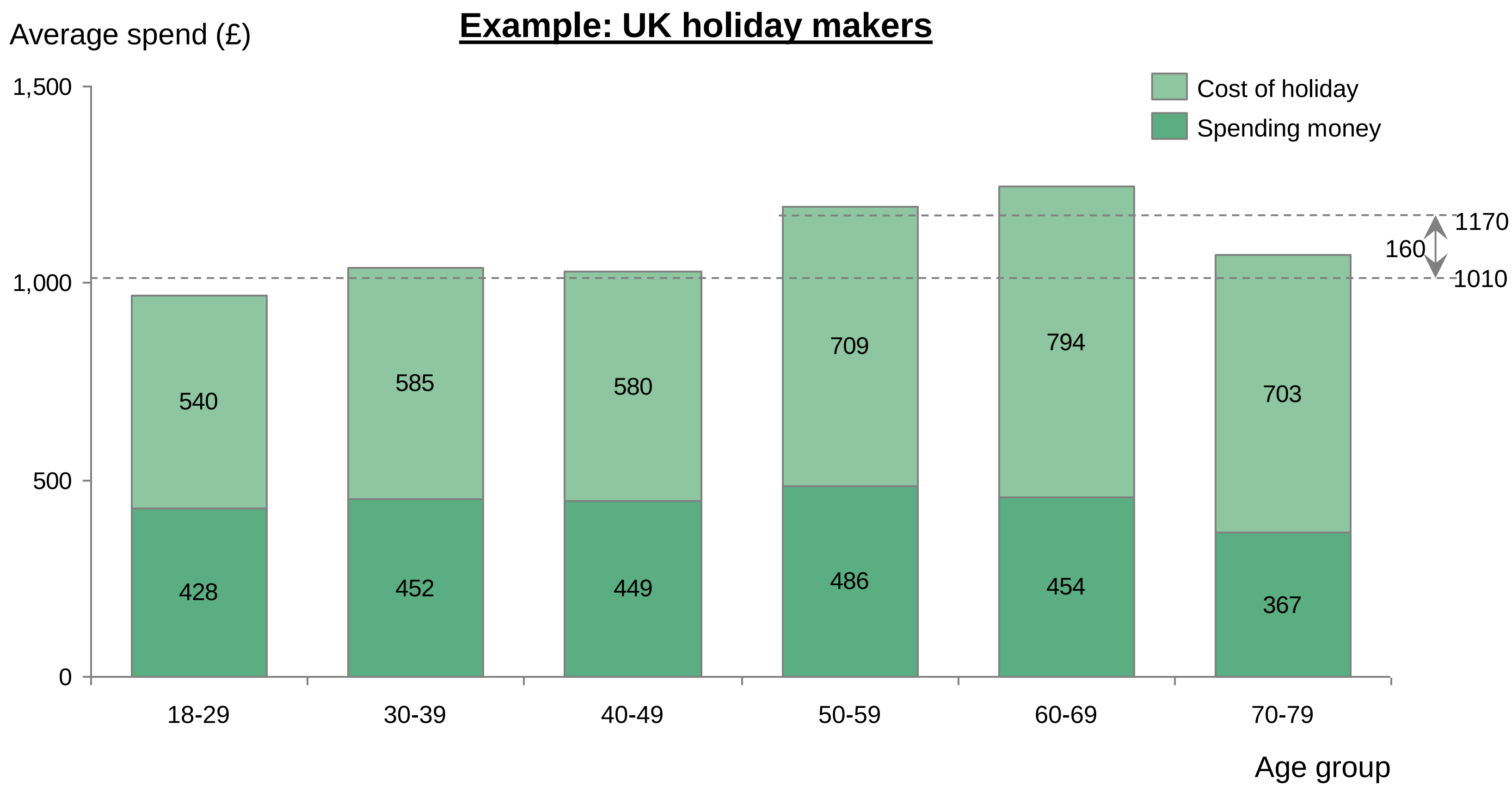
United States and Canada



x M Multiplier coefficient 2006-2020

1. EU15 and Switzerland
Source: Prognos

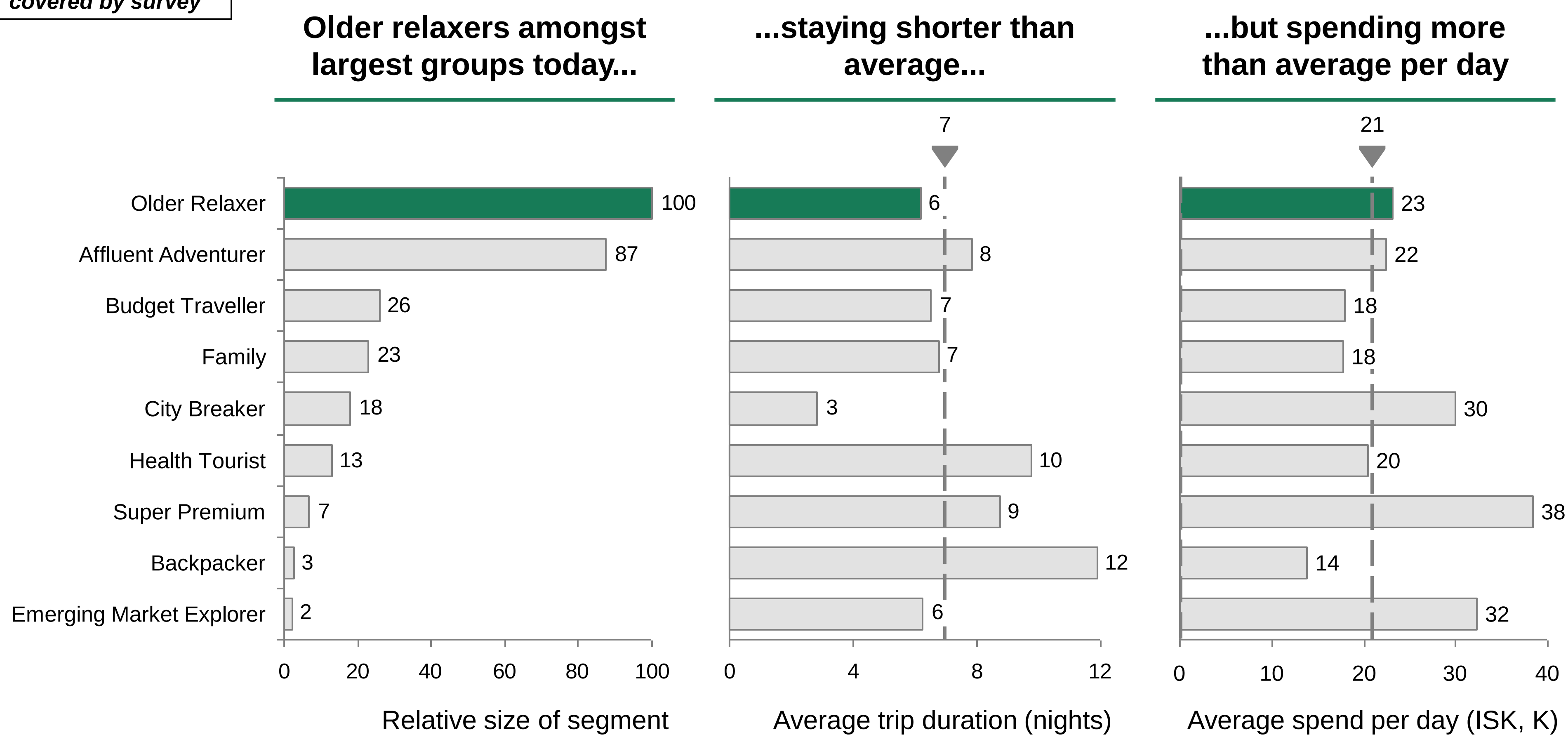
Globally, Older relaxers spend more on average per trip



Source: Travelsupermarket survey of 5,256 British Holiday markers 2013, reported by the Daily Mail

In Iceland today, spend per day > average but stay length < average

Note: Cruise & MICE segments not covered by survey



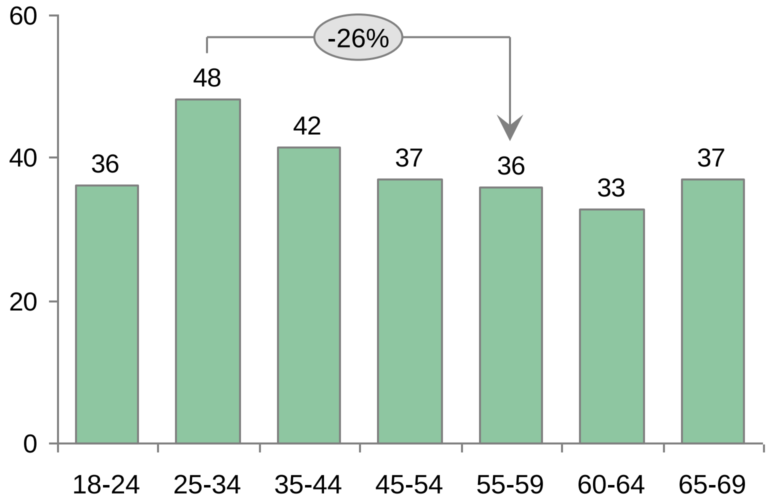
Note: Total respondents:4408. Calculations weighted to adjust for seasonal bias. 2011 / 2012 average exchange rate used to convert from Krona. Indexed (Older Relaxer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Over 55s rate Iceland's appeal lower before travelling, but are extremely satisfied once in the country

Over 55s rate Iceland's appeal lower before travelling …

Example : Iceland Naturally Survey of Canadians, April 2013

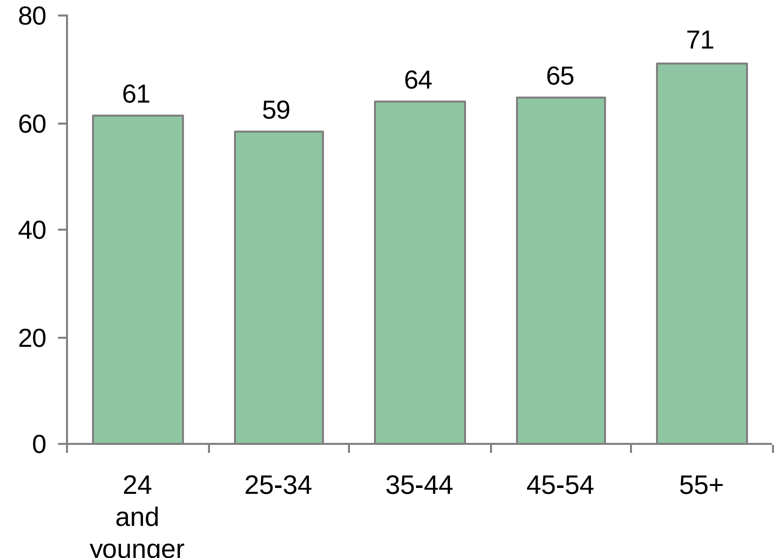
Rating Iceland's appeal as a destination as high(%)



… but once in the country are extremely satisfied

Question: On the whole, did your recent trip meet your expectations to a greater or a lesser extent?

Answering 'to a great extent' (%)



Opportunity to increase appeal through targeted marketing?

Age group

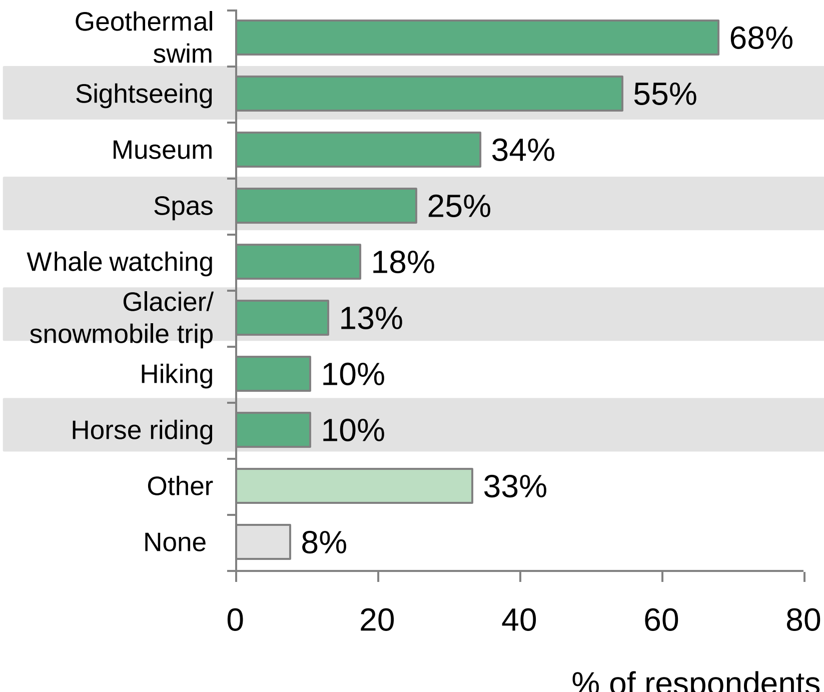
Note: n > 2.1K for each of summer, winter surveys. For Canadian survey, n=01; %s for in-country satisfaction are average of summer and winter, weighted by % of tourists visiting in each season. High score indicates 8-10/10

Source: Icelandic Tourist Board:" Visitor Survey Summer & Winter 2011/2012"; Iceland Naturally survey of Canadians, April 2013

Older travellers are strongly biased towards less active excursions

Over 90% of tourists pay for activities in Iceland

What activities did you pay for during your trip to Iceland?



Significant divergence in preferences for seniors vs. younger visitors

Age:

	<25	25-34	35-44	45-54	55+
Geothermal swim	70%	75%	67%	62%	62%
Sightseeing	55%	54%	47%	54%	62%
Museum	37%	36%	28%	30%	40%
Spas	37%	29%	30%	23%	12%
Whale watching	21%	18%	19%	16%	15%
Glacier/ snowmobile trip	18%	16%	15%	9%	7%
Hiking	18%	12%	9%	10%	6%
Horse riding	19%	11%	11%	9%	6%

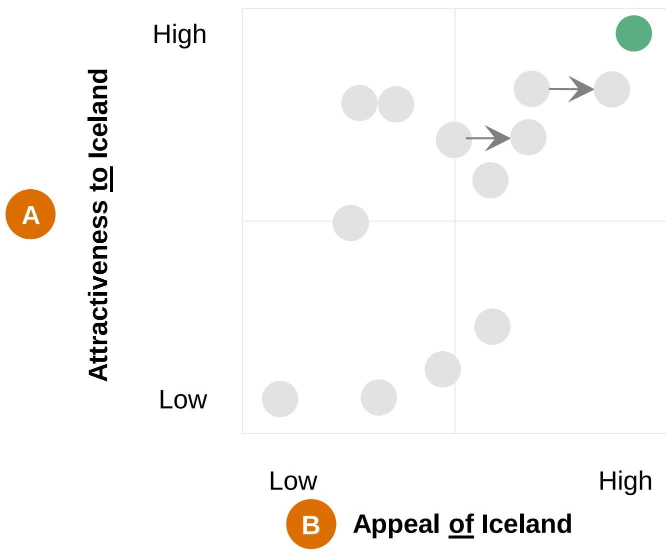
Over-index

Under-index

Suggests a focus for marketing and product development

Note: n > 2.1K
Source: Icelandic Tourist Board:" Visitor Survey Summer & Winter 2011/2012"

Affluent adventurers is a large, growing, high-spend segment for whom Iceland has strong appeal



Wealthy Adventurers

- 18-59
- M+ income
- Mature markets

A — Attractiveness to Iceland

- Adventure trips constitute 25% of travel from Iceland's core markets
- Growth in higher income households implies greater pool of *wealthy* adventurers
- Adventure tourists likely to stay longer at a destination
- Soft adventurers spend 40% more vs. mass travellers
- In Iceland today, spend per day almost double average and stay length above average

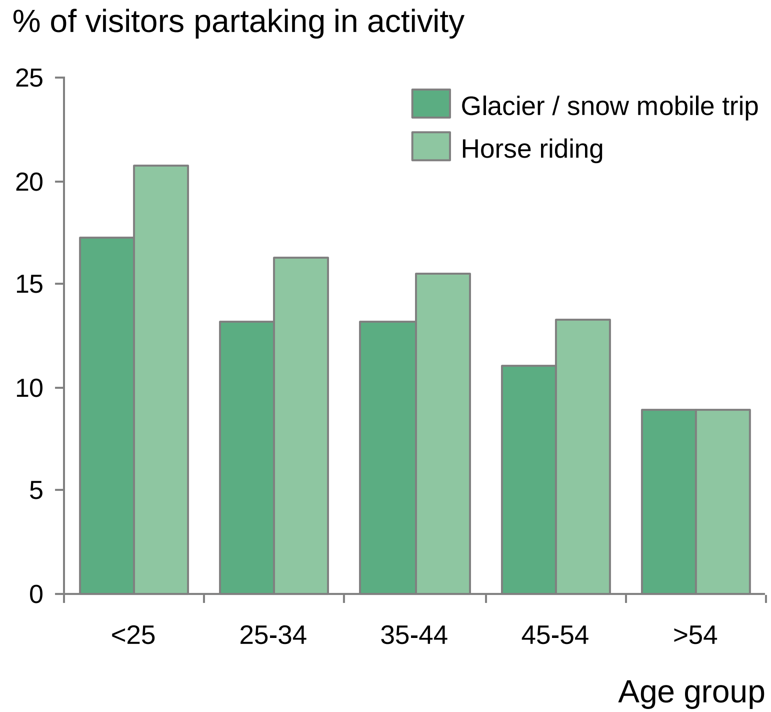
B — Appeal of Iceland

- Iceland consistently ranked in top 5 of Adventure destinations
  - Potential for further improvement via marketing

Adventure tourists likely to be younger

Younger visitors to Iceland more likely to pay for adventure activities...

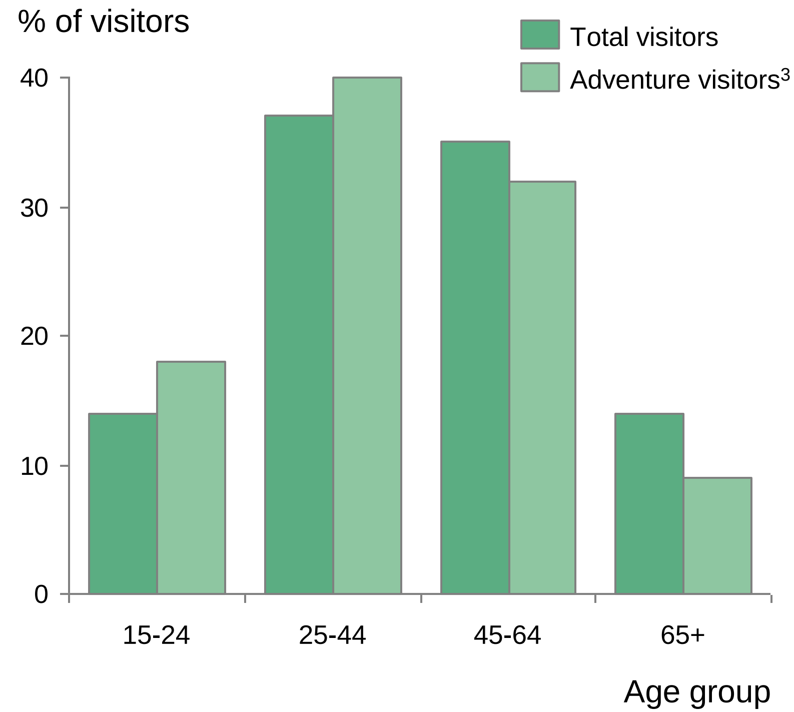
Example: Visitors to Iceland who pay for adventure activities[1]



... which is also the case in developed tourism markets

Example: Domestic overnight visitors to Australia[2]

Year ending June 2012



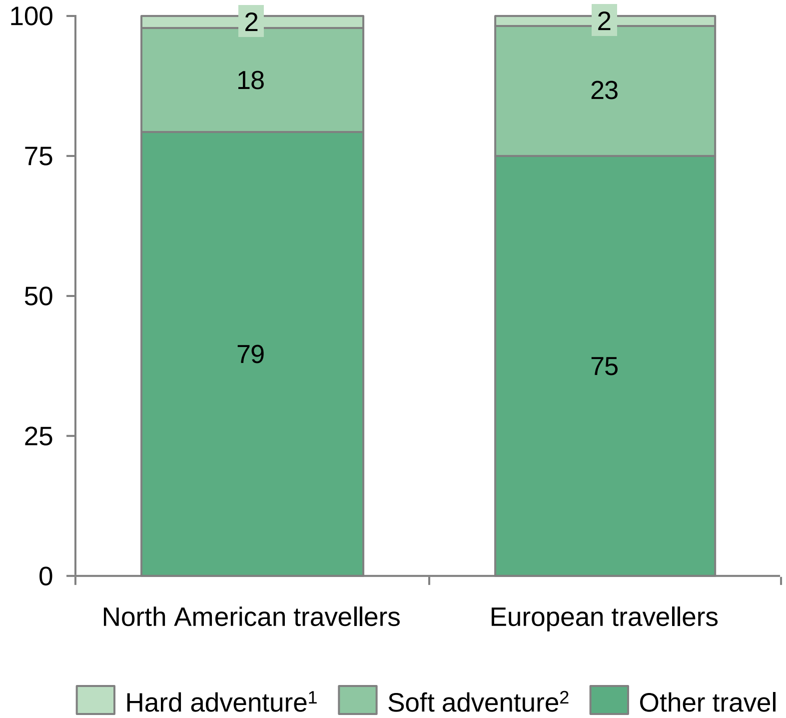
1. Average of summer & winter responses, weighted by number of visitors in each season 2. Domestic travellers taken as a benchmark due to similar flight times within Australia as for Europe-iceland/ NA – Iceland 3. Adventure tourism visitors are defined as those who experience one of the following activities in Australia; bushwalking, rainforest walks, fishing, scuba diving, snorkelling, surfing, sailing, windsurfing, kayaking or other outdoor activities

Source: Tourism Victoria, Market profile for year ending June 2012'; Icelandic Tourist Board:" Visitor Survey Summer & Winter 2011/2012"; BCG analysis

Adventure trips constitute 25% of travel from Iceland's core markets

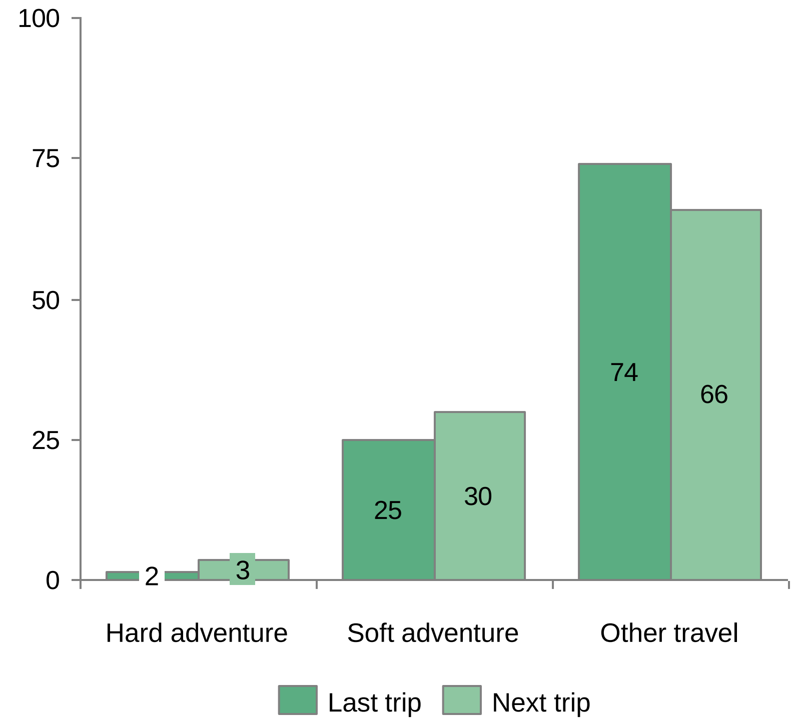
~25% of European and North American travellers taking Adventure trips

Travellers taking each trip (%)



And the market continues to grow

Proportion of the population[3] (%)

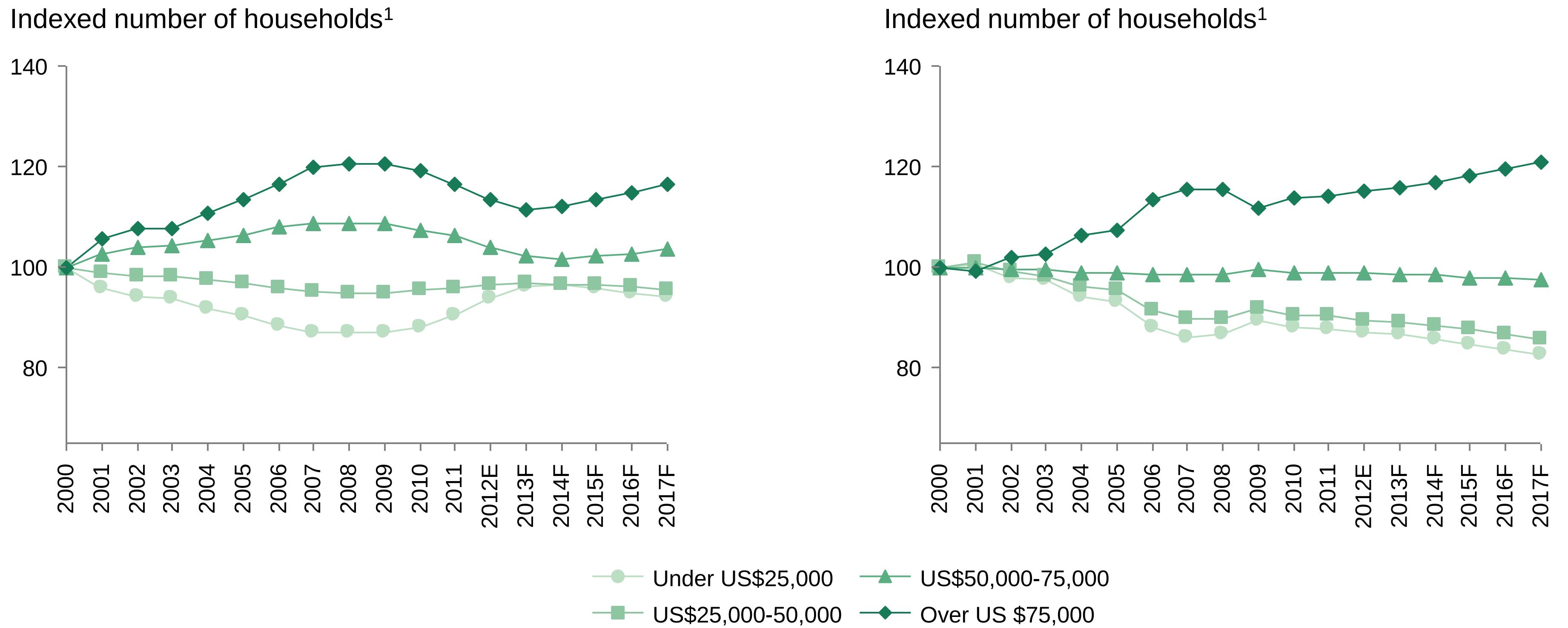


1. Includes e.g., trekking, climbing, caving 2. Includes e.g. backpacking, canoeing, kayaking, safari, sailing, rafting, surfing, skiing/snowboarding 3. Includes North American, European and Latin American travellers
Source: Tourism Victoria, Market profile for year ending June 2012; "Adventure Tourism Market Report" (Adventure Travel Trade Association, August 2010), "Adventure Tourism Development Index: 2011 Report"

Growth in higher income households in developed markets implies greater pool of *affluent* adventure travelers

Western European trend towards higher household income...

... also seen in North America



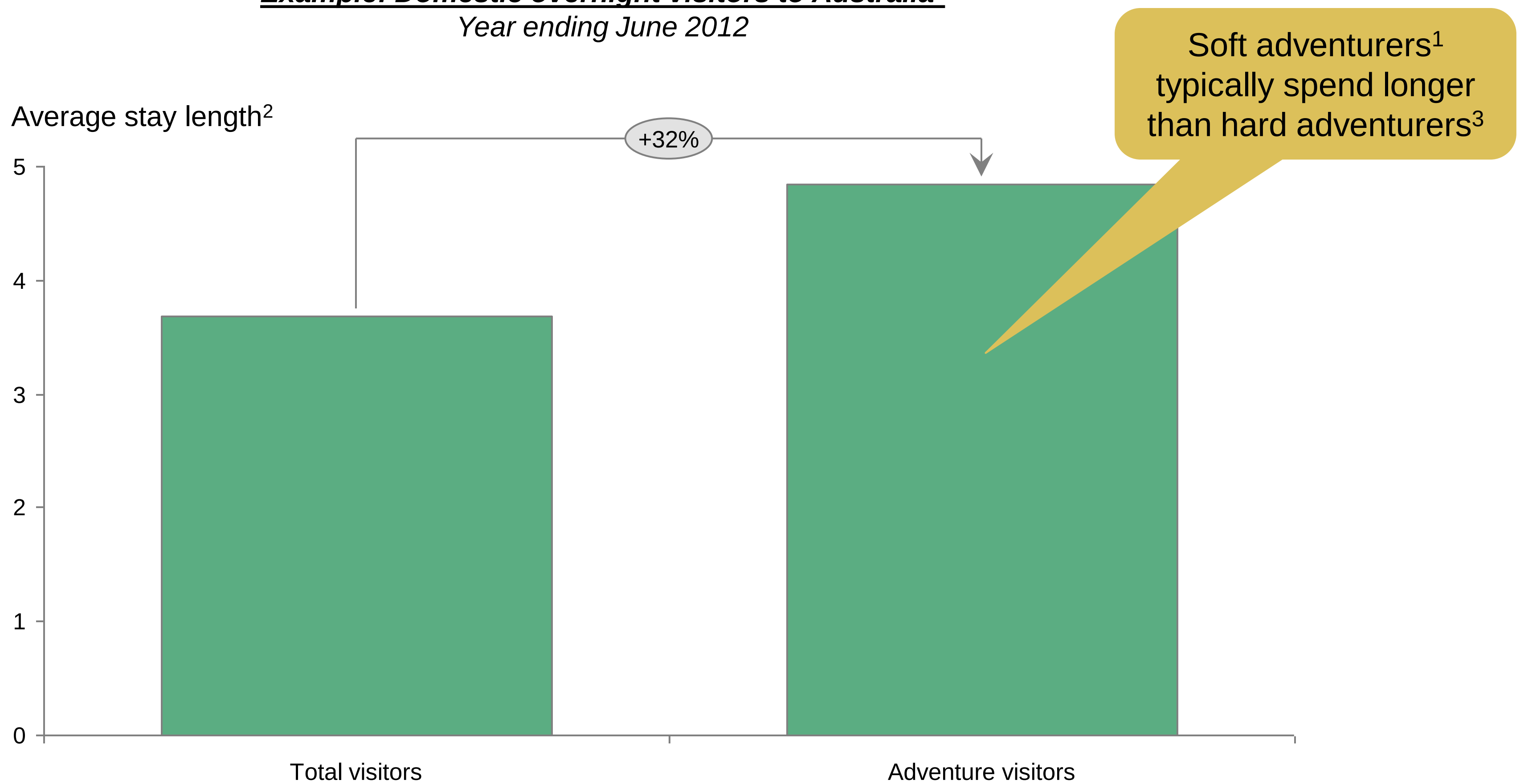
Within Iceland's core markets, pool of potential wealthy visitors is growing

1. Indexed to 100 in the year 2000 for each category
Note: Income growth is real, i.e. at constant 2005 prices
Source: EIU ; BCG analysis

Adventure tourists likely to stay longer at a destination

Example: Domestic overnight visitors to Australia[1]

Year ending June 2012



1. Domestic travellers taken as a benchmark due to similar flight times within Australia as for Europe- iceland/ NA – Iceland; 2. Average calculated using mid-points of categories of nights
Note: Adventure tourism visitors are defined as those who experience one of the following activities in Australia; bushwalking, rainforest walks, fishing, scuba diving, snorkelling, surfing, sailing, windsurfing, kayaking or other outdoor activities; 2. Includes e.g .trekking, climbing, caving 3. Includes e.g. backpacking, canoeing, kayaking, safari, sailing, rafting, surfing, skiing/snowboarding
Source: Tourism Victoria, Market profile for year ending June 2012; "Adventure Tourism Market Report" (Adventure Travel Trade Association, August 2010), "Adventure Tourism Development Index: 2011 Report; BCG analysis

Soft adventurers spend 40% more vs. mass travellers, additional potential halo effect on Icelandic brands from hard adventurers

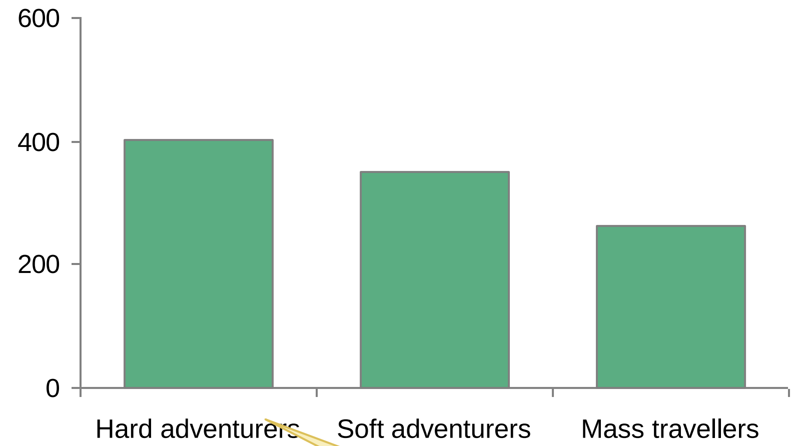
'Soft adventurers' in particular spend 40% more per trip than mass travellers

USD	Hard adventurers[1]	Soft adventurer[2]	Mass travellers
European travellers	$500	$525	$483
N. American travellers	$500	$914	$605

Almost 40% higher spend vs. mass travellers

Opportunity to capture 'hard adventurers'' spend on gear

Spend on trip gear[3] ($US)

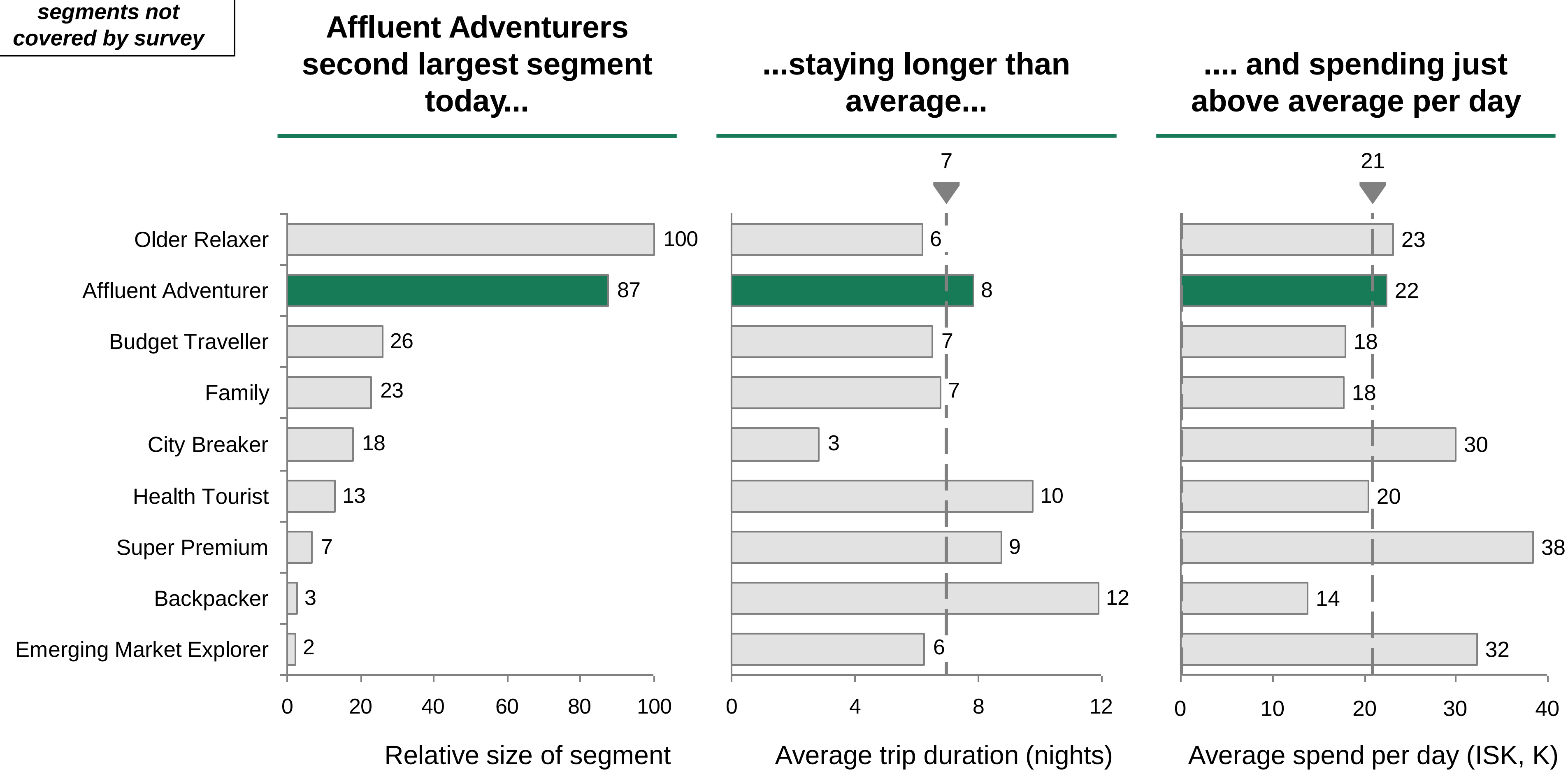


Opportunity for Icelandic brands to capture this spend?

1. Includes e.g .trekking, climbing, caving 2. Includes e.g. backpacking, canoeing, kayaking, safari, sailing, rafting, surfing, skiing/snowboardingSource: Tourism Victoria, Market profile for year ending; 3. Includes North American, European and Latin American adventure travellers
Source: June 2012; "Adventure Tourism Market Report" (Adventure Travel Trade Association, August 2010), "Adventure Tourism Development Index: 2011 Report; BCG analysis

In Iceland today, spend per day almost double average and stay length above average

Note: Cruise & MICE segments not covered by survey



Note: Total respondents:4408. Calculations weighted to adjust for seasonal bias. 2011 / 2012 average exchange rate used to convert from Krona. Indexed (Older Relaxer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Iceland consistently ranked in top 5 of Adventure destinations

Improvement possible particularly via marketing of image

Adventure Tourism Development index rank of developed countries

2009	2010	2011
Iceland	Switzerland	Switzerland
Switzerland	Iceland	New Zealand
New Zealand	New Zealand	Canada
United Kingdom	Canada	Germany
Australia	Germany	Iceland
Luxembourg	Sweden	Norway
Denmark	Ireland	Finland
Ireland	Norway	Austria
Germany	Finland	Sweden
Spain	Austria	Japan

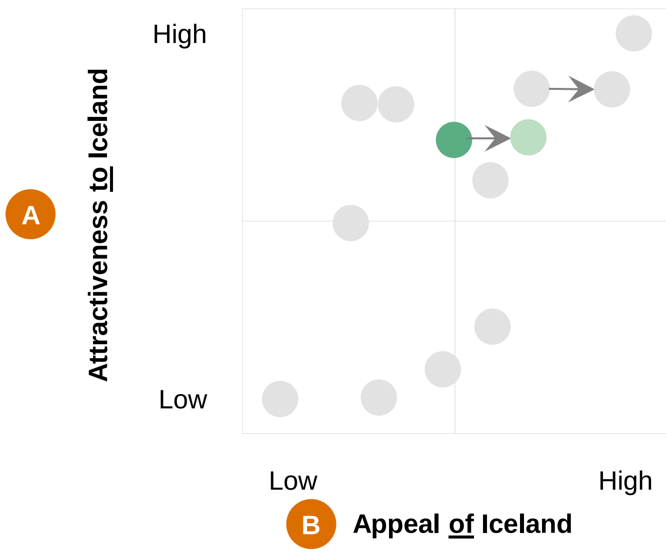
Overall rank on selected sub-pillars (2011)

Sustainable development	17
Safety	11
Natural Resources	8
Cultural activity resources	87
Adventure activity resources	1
Tourism Infrastructure	57
(Adventure) Image	125

Rank reduction primarily driven by lower sustainable development score

Note: Ranks are /191 countries
Source: ATDI 2011 and 2010 annual reports

Emerging market travellers represent significant growth opportunity if product can be better tailored



Emerging market travellers

- From key growth markets, such as China
- Increasingly more experienced & affluent

A — Attractiveness to Iceland

- China will become a major outbound travel pool by 2020...
- ... and will represent over half of European inbound tourism growth to 2020
- Consumer spend much higher % income on travel which translates to more per trip
- Chinese travellers take longer trips, with more people
- In Iceland today, group very small but spending about 50% more than average per day

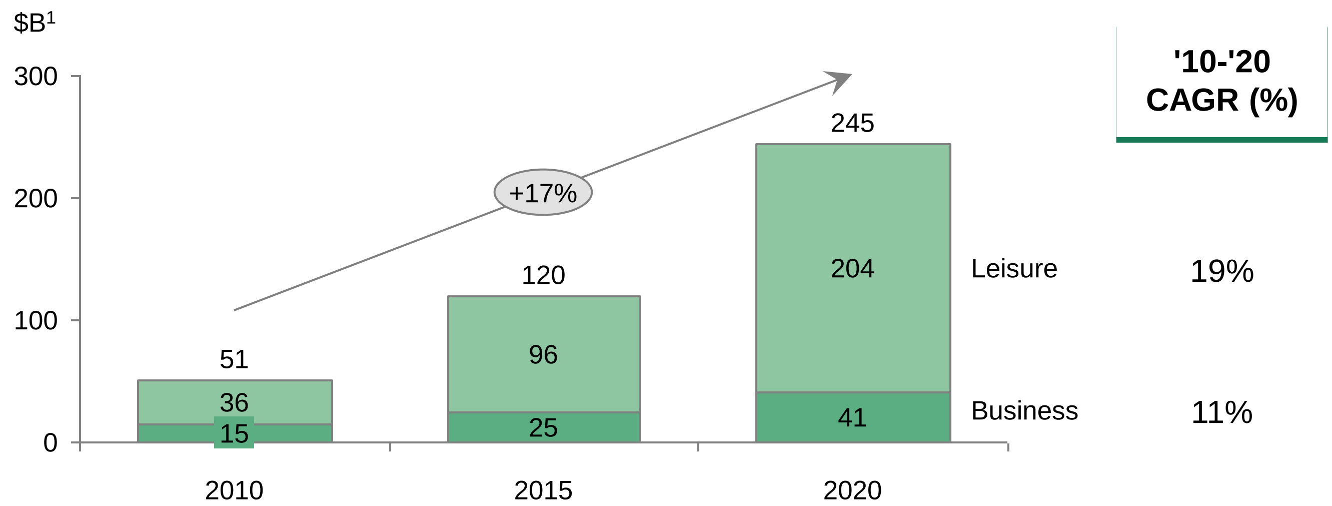
B — Appeal of Iceland

- Icelandic product most appealing to experienced mass market travellers
- Since Chinese travellers are less likely to travel with children, attractions available today have higher appeal
- Opportunity to combine Iceland with Scandinavian/polar destinations to appeal to Chinese tourists
  - To deliver positive experience, 5 levers to consider, including shopping

China will become major outbound travel pool by 2020

By 2020, China's international departures will be 70% of US size

China outbound travel market projection, 2010-2020

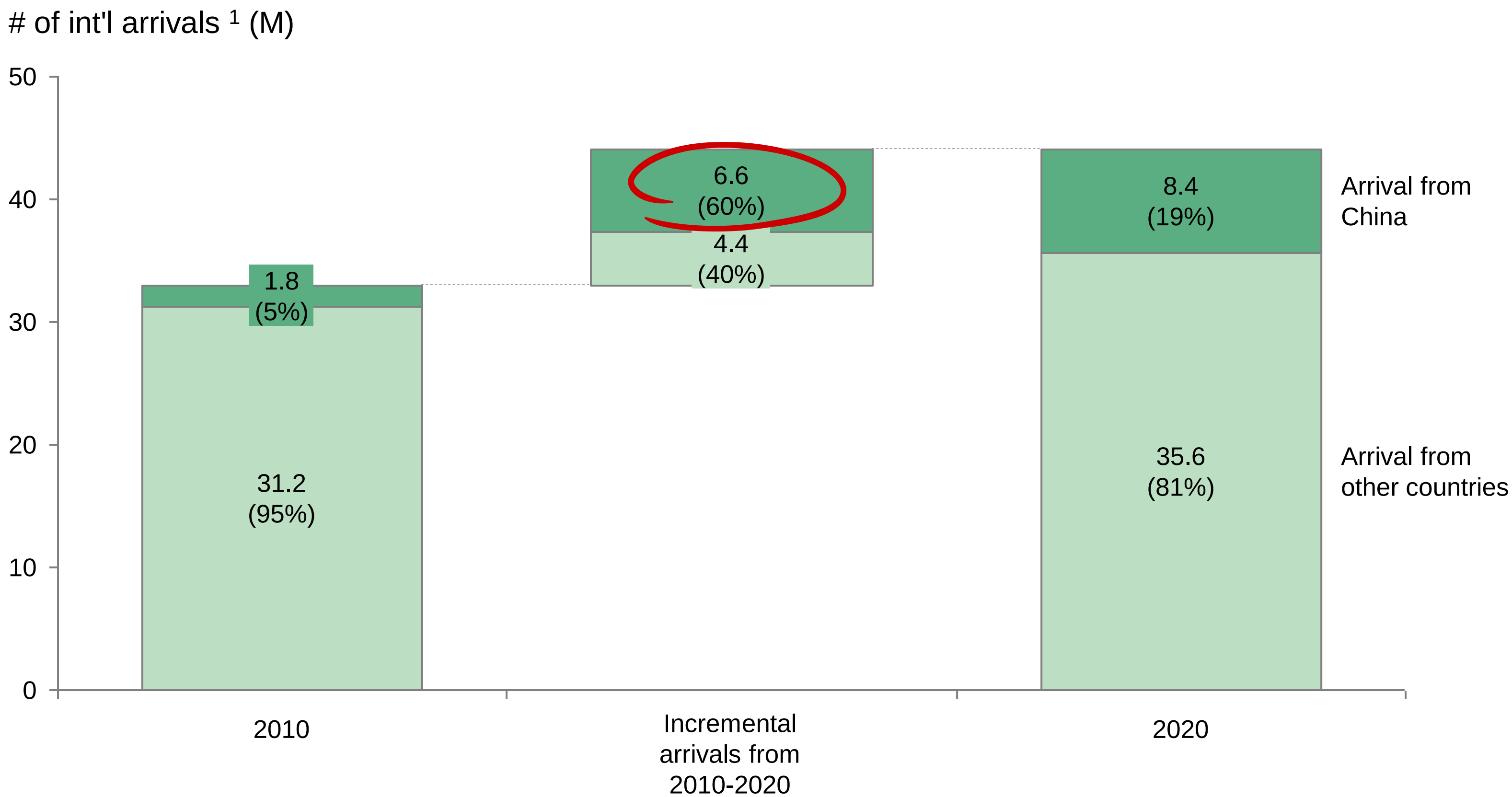


	2010	2015	2020	'10-'20 CAGR (%)
No of departures (Mn)				
- All destinations	37	64	101	11%
- Excluding HK/Macau	16	30	53	13%
	42%	47%	52%	
	1.1x / **0.3x**		**3.3x** / **0.7x**	
Global benchmark	14	15	16	1%
	61	68	75	2%

1. Converted to US$ from CNY at 2011 average exchange rate of 0.1587
Source: BCG Chinese Consumer travel incidence check in July 2010 (N=~3225); BCG Chinese Consumer Travel Survey in July 2010 (n=~1000); Euromonitor; BCG analysis

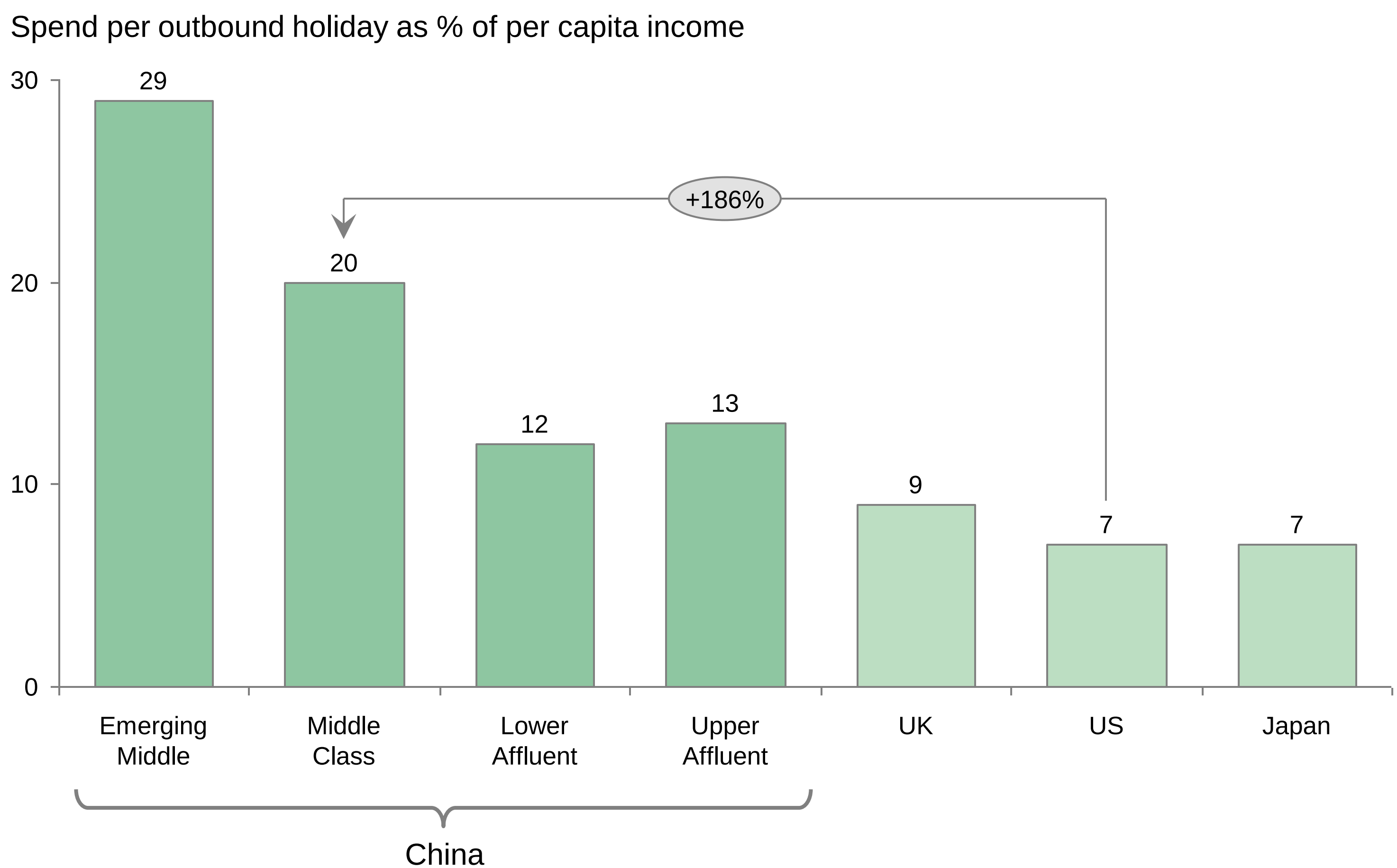
China will represent over half of European inbound tourism growth to 2020

<u>EU region Int'l arrivals by origin country</u>



1. Excluding intra-region trips
Source: WTO (World Tourism Organization); WTTC (World Travel and Tourism Council); BCG analysis

Chinese consumers spend much higher % of income on travel

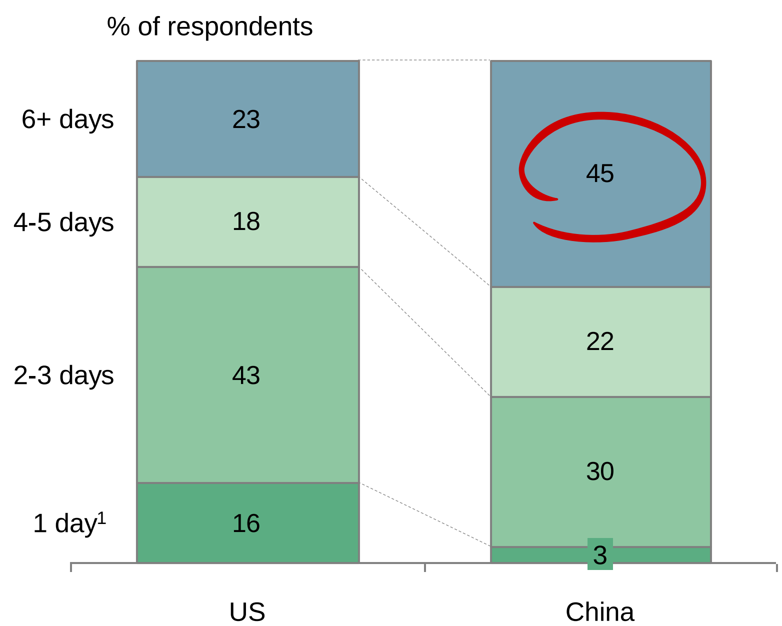


Source: BCG Chinese Consumer travel survey

Chinese travellers take longer trips, with more people

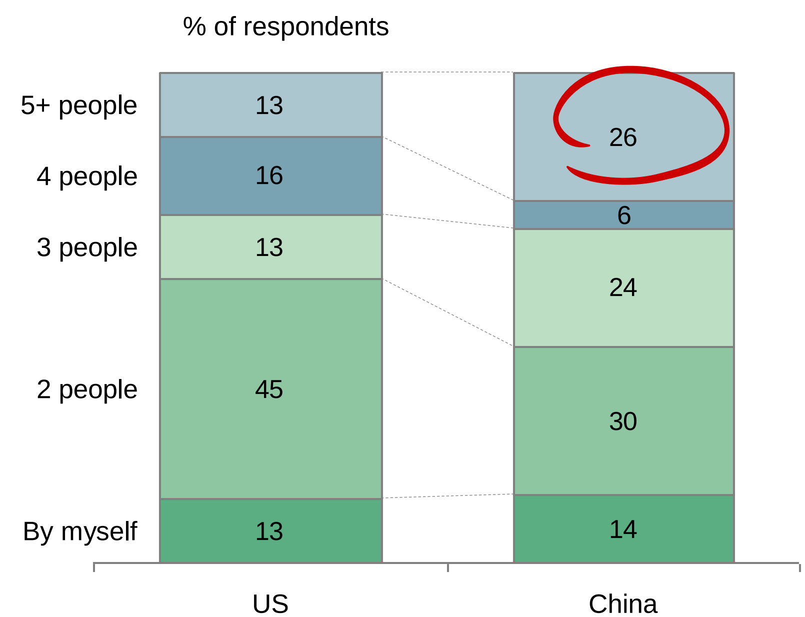
Chinese travellers take longer trips

Length of last domestic overnight leisure trip



With more people

Number of travel companions in last domestic overnight leisure trip

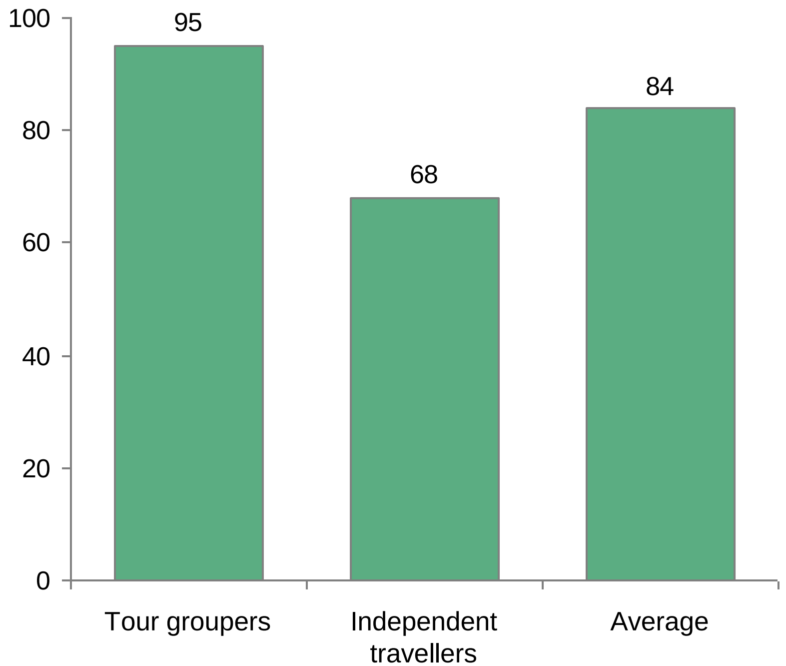


Note: 1 day here equals to 1 night; weighted response based on national traveller income distribution 2.Friends include colleagues and business partners
Source: BCG Chinese Consumer Survey in July 2010, 2009 BCG Consumer Travel Survey (for US data)

84% of Chinese travellers to Scandinavia visit several countries on one trip, typically within the region

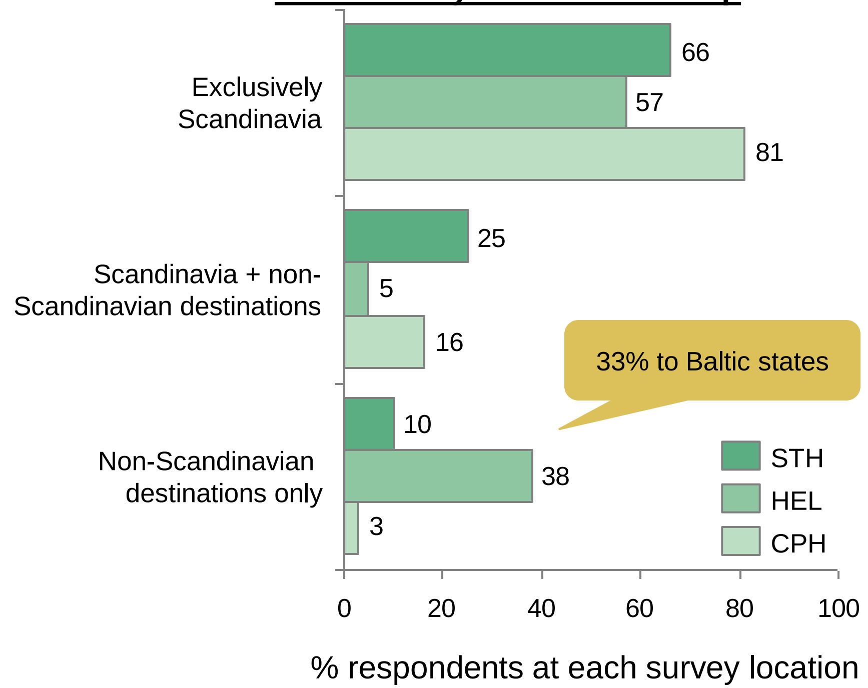
84% of Chinese tourists to Scandinavia visiting several countries...

% of travellers visiting several countries



...which tend to be within Scandinavia

<u>**Question: Please indicate which other cities you will or have already visited on this tip**</u>

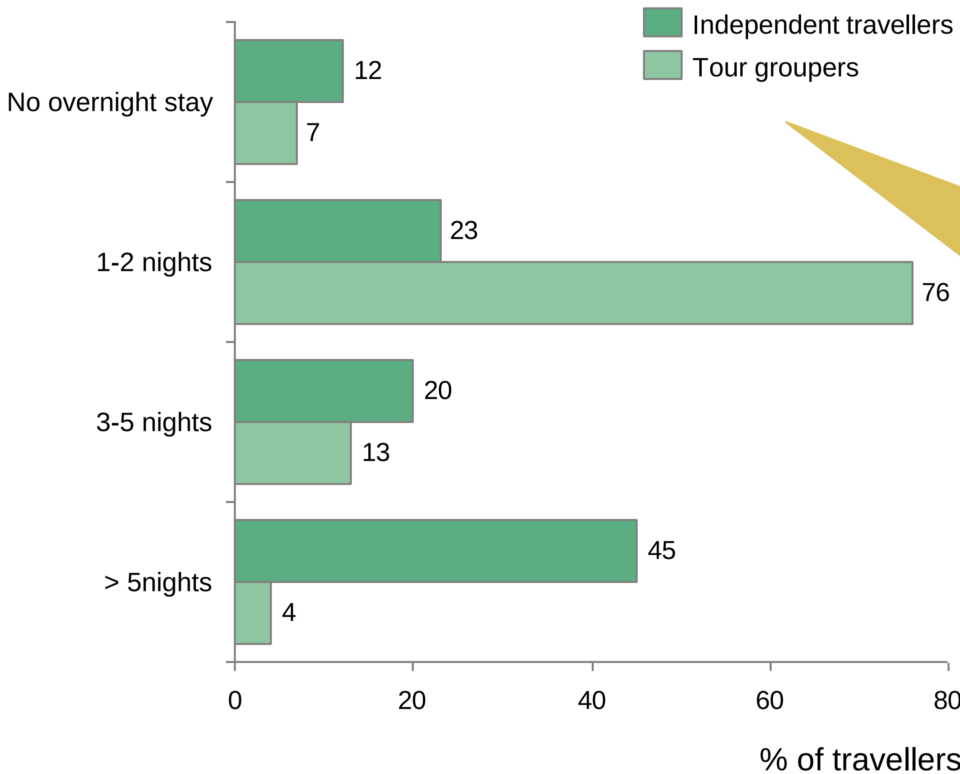


Opportunity to attract more Chinese tourists via combined tours with Scandinavia/ Greenland?

1. According to ETC marketing insights

Source: Survey of Chinese visitors to Scandinavia, Jan 2013, Chinavia. N=673

At one destination, Chinese tourists tend to stay for 1-2 nights in a group or > 5 nights independently



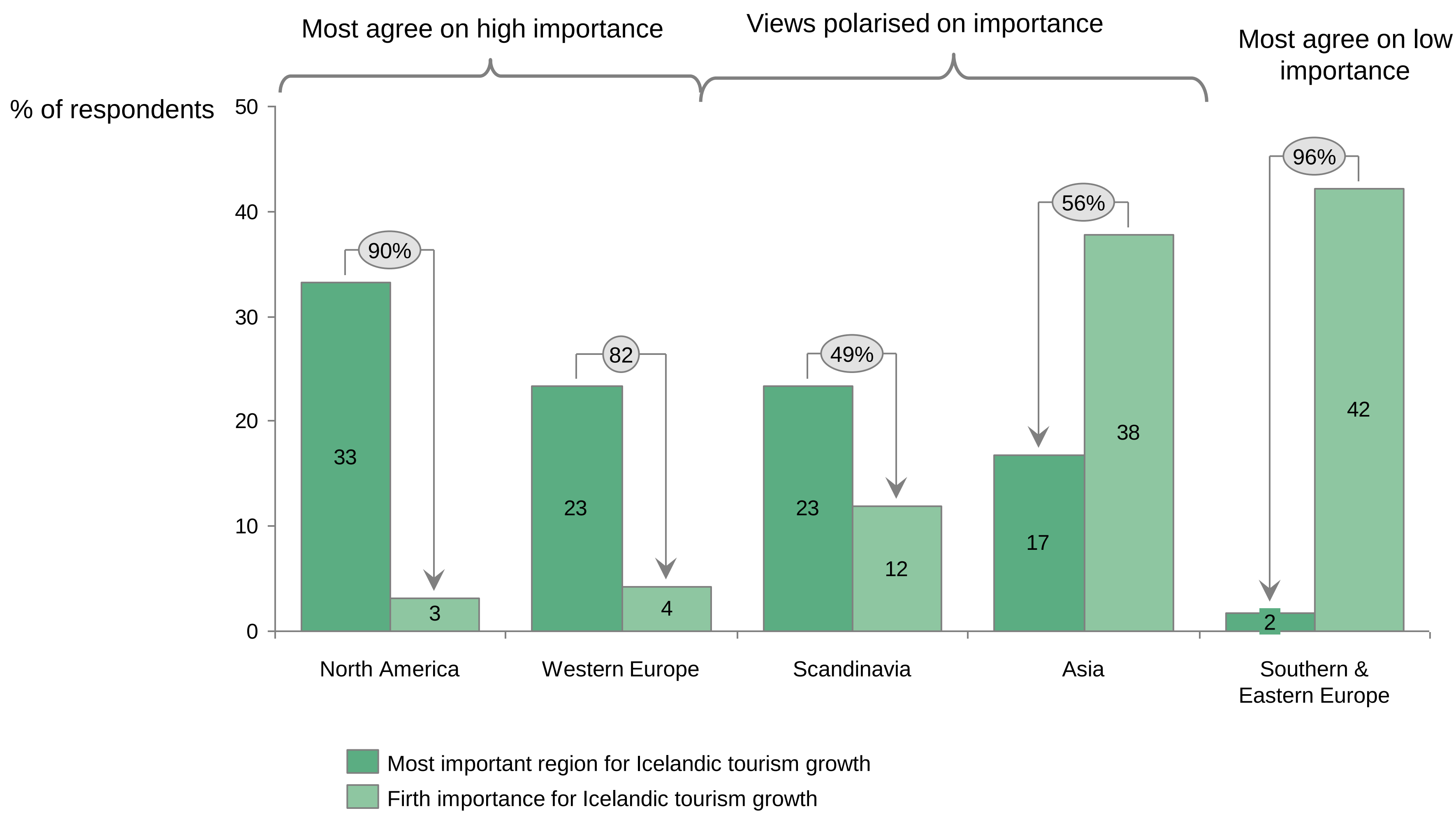
Also the case for European destinations, with average stay[1]:

- Germany – 2.1 nights
- France – 2 nights
- Czech Republic -1.8 nights
- Italy -1.6 nights
- Benelux – 1.6 nights
- Switzerland- 1.5 nights

1. According to ETC marketing insights

Source: Survey of Chinese visitors to Scandinavia, Jan 2013, Chinavia. N=673, N=673

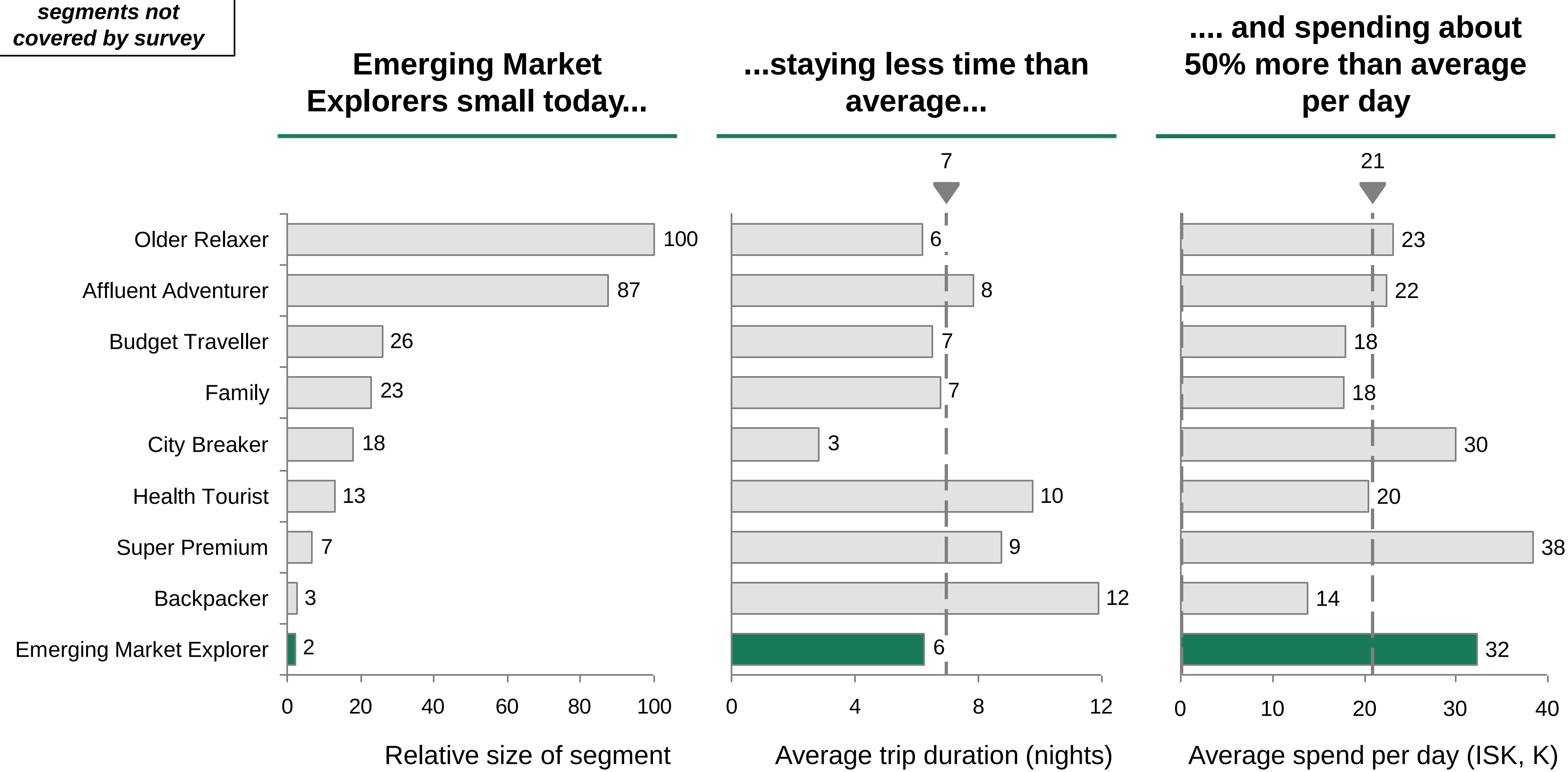
Icelandic tourism industry stakeholders polarised on importance of Asia as a growth location



Source: Capacent survey of industry stakeholders, may 2013. N = 144. Note: 'Other' category not shown

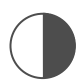
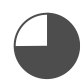
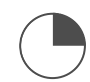
In Iceland today, group very small but spending about 50% more than average per day

Note: Cruise & MICE segments not covered by survey



Note: Total respondents:4408. Calculations weighted to adjust for seasonal bias. 2011 / 2012 average exchange rate used to convert from Krona. Indexed (Older Relaxer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Icelandic product has most appeal to experienced Chinese travellers

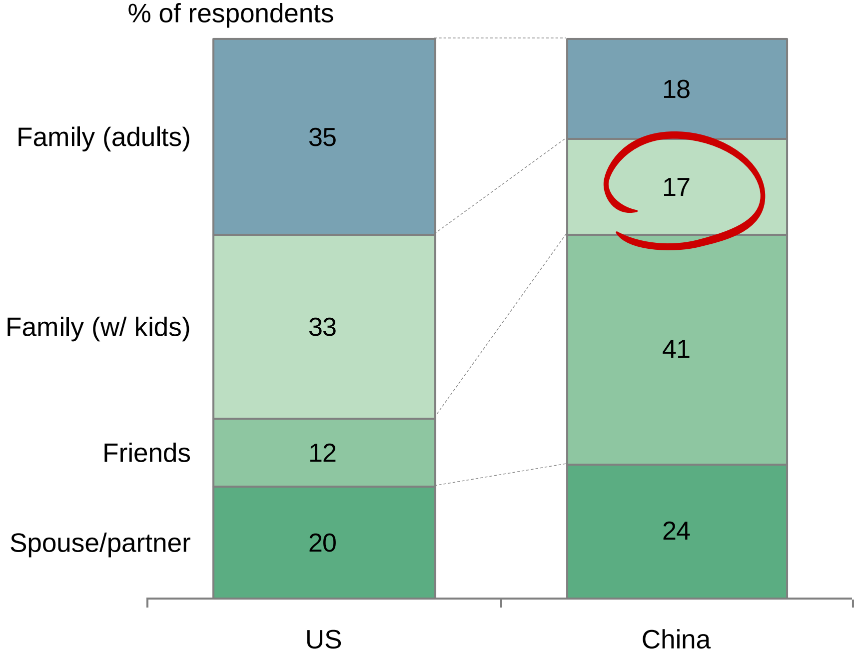
	Inexperienced travellers	Experienced travellers	Experienced, affluent travellers
Attitudes and aspirations	• Travel is for **sightseeing**—the more the better • Travelling around the world is a lifetime dream	• Travel is to explore cities outside of nearby regions • Outbound travel is an indication of status and special occasions	• Travel is good for relaxation and stress relief • Prefer to return to places that offer **relaxing activities and a slower pace of life**
Trip activities	• Packed schedules of **must-see sites** • **Historical sites and museums**	• Sightseeing and relaxing entertainment	• **Entertainment, shopping, and luxury accommodations** rather than overscheduled sightseeing
Fit with Iceland today			
Share of market[1] - 2010 - 2020	• 56% • 33%	• 23% • 26%	• 21% • 41%

Sources: BCG Chinese Consumer Travel Survey, July 2010; BCG consumer interviews.
Note: We define inexperienced travellers as those with fewer than three years of travel experience who have taken fewer than three trips in the past 12 months. Experienced and experienced affluent travellers have made more than three trips in the past 12 months.
1. Share of the total value of the domestic and outbound overnight leisure markets.

Chinese travellers less likely to travel with children, a good fit with types of visitors industry believes should be attracted

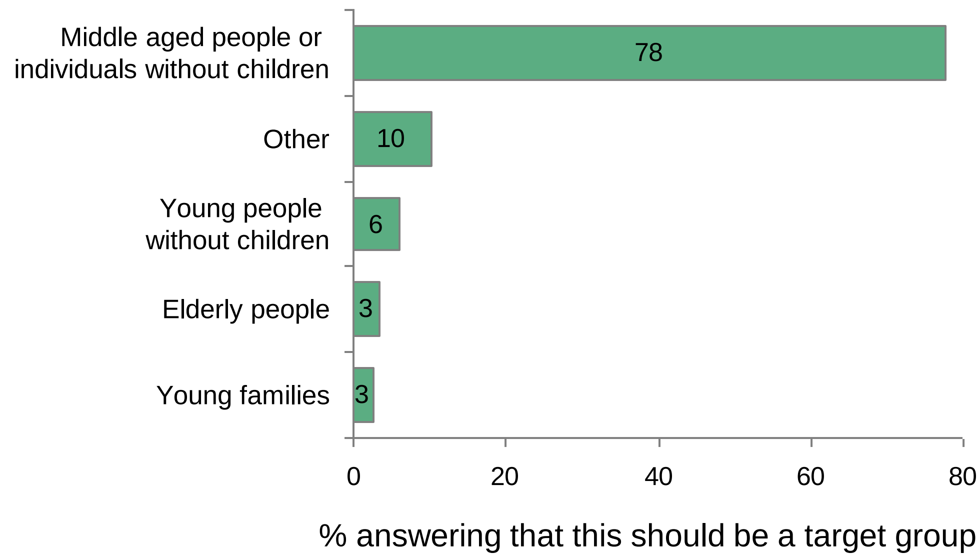
Chinese travellers less likely to travel with children...

Relationship of travel companions in last domestic overnight leisure trip



...and industry players believe Iceland should focus on attracting adults travelling alone

Question: where should Iceland focus its efforts in attracting new tourists?

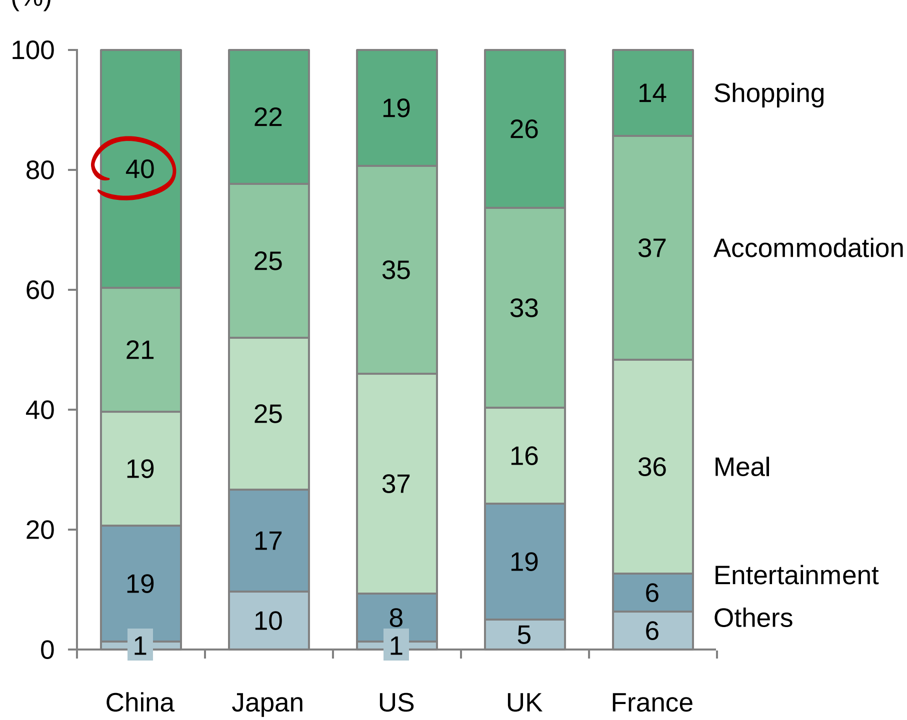


Note: 1 day here equals to 1 night; weighted response based on national traveller income distribution 2.Friends include colleagues and business partners
Source: BCG Chinese Consumer Survey in July 2010, 2009 BCG Consumer Travel Survey (for US data); Capacent survey of Icelandic tourism industry players, May 2013

To gain full value from Chinese tourists, product development needed

Unlike others, Chinese allocate most of their budgets to shopping...

International travel spend allocation by category (exc. transportation)



... in a unique spending pattern

Why do they buy

Chinese shop not only for themselves
- Strong gift-buying culture: 68% outbound leisure travellers buy gift for friends and family
- 53% outbound leisure travellers carried lists of products to buy for friends

What do they buy

Chinese look for offerings not available at home, as well as for familiar brands with competitive pricing

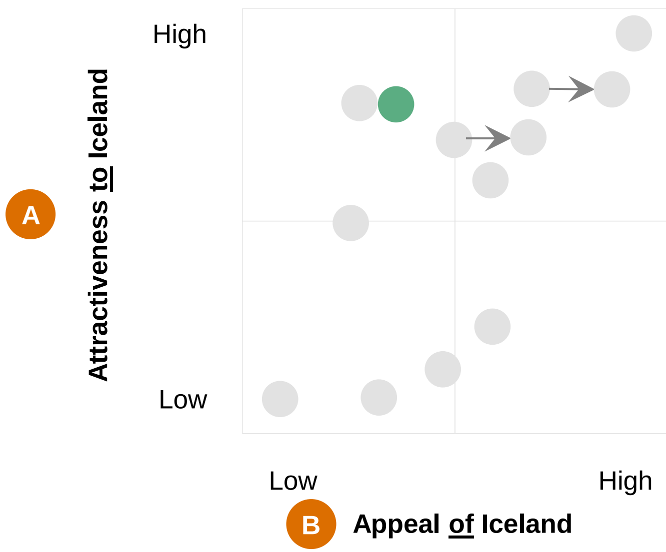
Luxury categories the top shopping item, esp. among the affluent travellers
- E.g., Burberry claims 1/3 of its London stores sales are made by Chinese

Where do they buy

DFS is one of the major shopping destinations for Chinese
- ~40% visit DFS in overseas destinations and typically spend most there
- But rarely do they buy in Chinese airports as the offerings lag far behind int'l practice

Note: Use data of BCG Chinese Consumer Travel Survey for China and Euromonitor data for benchmark countries 2. Duty free store
Source: BCG Chinese Consumer Travel Survey in July 2010; Euromonitor; BCG analysis

MICE industry is growing but relatively small, and needs investment to increase Reykjavik's appeal



A — Attractiveness to Iceland

- European MICE spend forecasted to grow at 2% CAGR to 2022...
- ...however volume potential is lower than general tourism
- Spend per day on MICE visitors is ~ 2 x higher than tourists

B — Appeal of Iceland

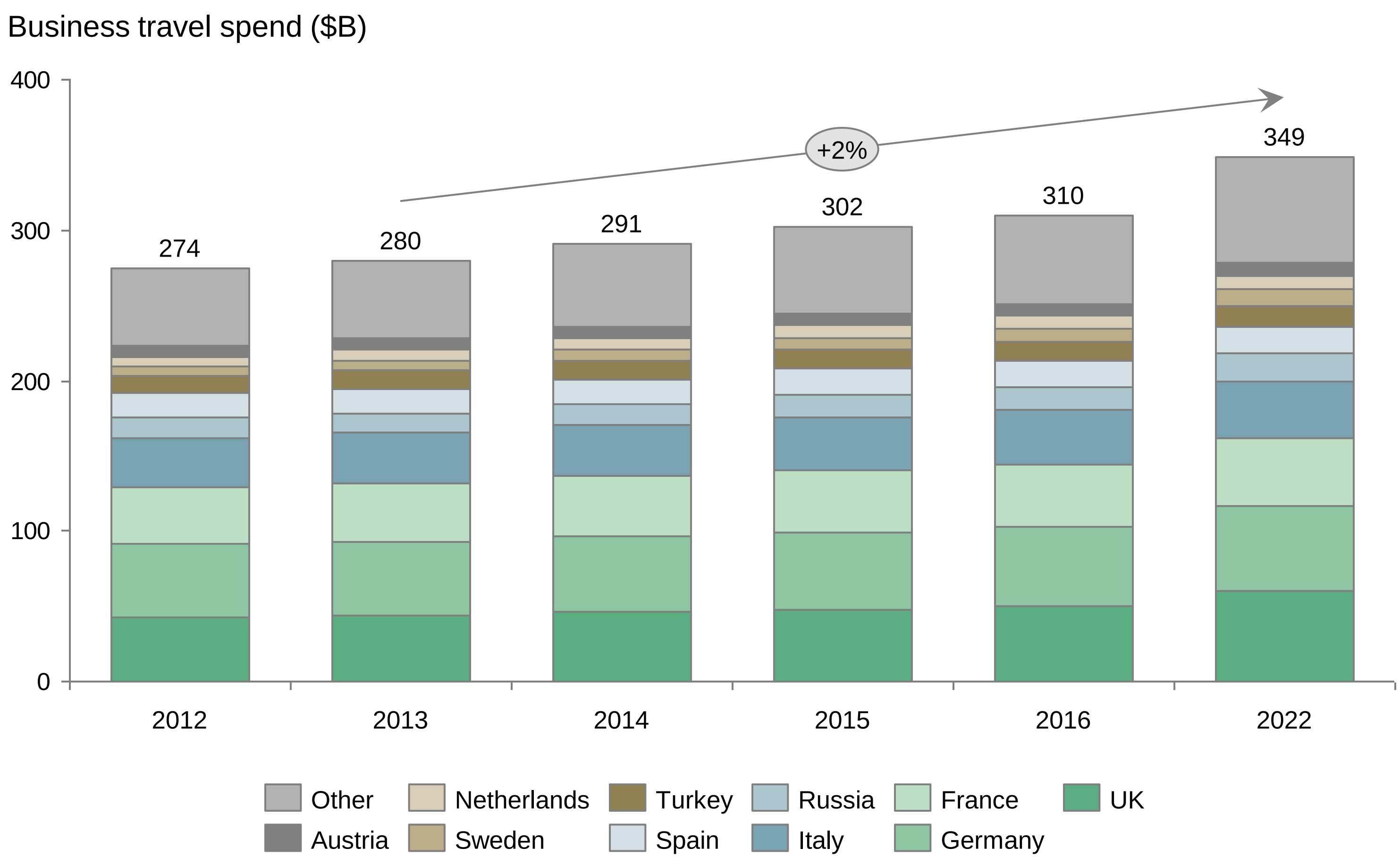
- Reykjavik's MICE segment is in its infancy...
- ...currently with average performance on 5 key MICE location criteria but ongoing developments in place

MICE

- Business travellers
- 25+
- M+ incomes
- Most likely from mature markets

MICE segment forecasted to grow at 2% CAGR 2012–2022

Example: European Business travel spend



Source: Mintel, the European MICE industry, October 2012

Spend per day on MICE visitors is ~ 2-3 x higher than tourists

"MICE visitors are staying on average 4 days and spend per day is 2-3 x that of a tourist"

MD Meet in Reykjavik, June 2013

"Conference and convention visitors are particularly valuable as they spend $318 compared to $208 for the average tourist."

NZ Prime Minister John Key, April 2013

" Malaysia wants to attract more high yield international business travellers to the country as they spent three times more than leisure tourists"

CEO Malaysia Covention & Exhibition Bureau

Source: Stuff.NZ; Interview with Meet in Reykjavik

Reykjavik's MICE segment is in its infancy

Top 40 European cities ranked by number of international association meetings, 2011

City	Meetings	City	Meetings	City	Meetings
Vienna	181	Rome	92	Ljubljana	40
Paris	174	Dublin	76	Valencia	39
Barcelona	150	Helsinki	71	Porto	38
Berlin	147	Warsaw	65	Glasgow	36
Madrid	130	Geneva	63	Reykjavik	33
London	115	Zurich	63	Milan	32
Amsterdam	114	Oslo	61	Vilnius	31
Istanbul	113	Athens	55	Rotterdam	29
Budapest	108	Munich	55	The Hague	29
Lisbon	107	Edinburgh	52	Bergen	28
Copenhagen	98	Tallinn	49	Gothenburg	28
Prague	98	Belgrade	42	Moscow	27
Brussels	93	Kracow	40		
Stockholm	93	Hamburg	40		

Scandinavian city

Likely due to a combination of facilities, marketing & location: further research needed on potential

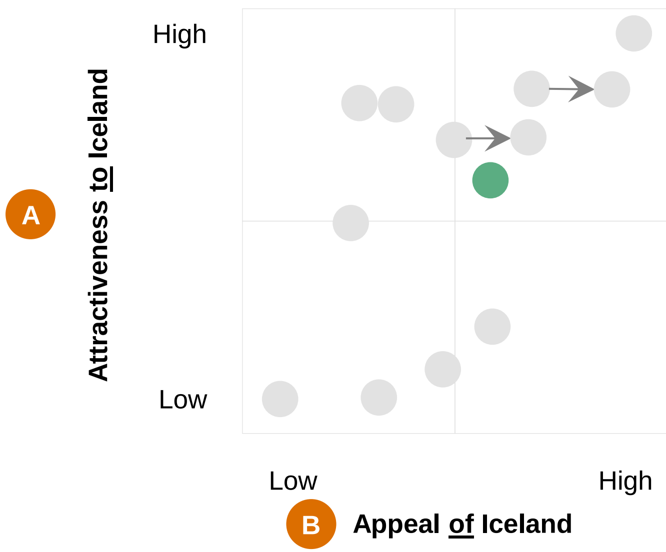
Source: ICCA

Reykjavik currently has average performance on 6 key MICE location criteria

	Criteria	Reykjavik performance	Rationale
1	# direct flights to the city		• 35 Icelandair destinations • Lower than major cities
2	Relatively low cost of flights & hotels vs other destinations		• Estimated as average cost for transatlantic companies
3	Max 1-3 hotels of similar 4/5* standard to host all attendees, close to venue		• No large city centre hotels • No 5* hotels
4	Ability to cater for 20+ meetings in the year of variable size		• Harpa with different size rooms • Low availability of accommodation in peak season
5	Conference centre in city centre		• Harpa in city centre
6	Office located in the city		• Few international company large offices in Reykjavik

Source: Interviews with BCG Global planning department, Meet in Reykjavik

City breakers' trips are ~7% of overseas traveller market. Reykjavik a fairly expensive choice but uniqueness is appealing



City breakers

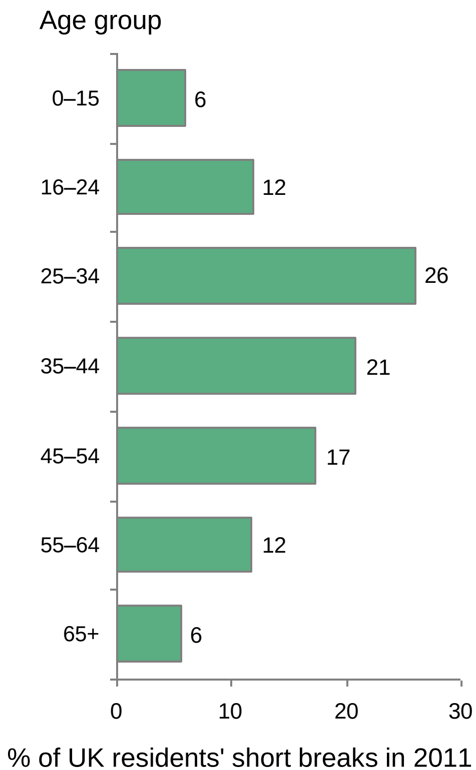
- 25-34
- M+ incomes
- Less likely to travel with children
- Seek culture and new experiences

A **Attractiveness to Iceland**	• Overseas short breaks ~14% of all overseas holidays, half of which are to cities • Average spend per day is larger than on longer holidays • In Iceland today, City Breakers a medium sized group spending 1/3 more than average per day • Short breaks are less seasonal than the overall holiday market
B **Appeal of Iceland**	• Within Europe, Reykjavik & surrounds is a fairly expensive short break destination • Strong appeal to the unique aspects of Iceland

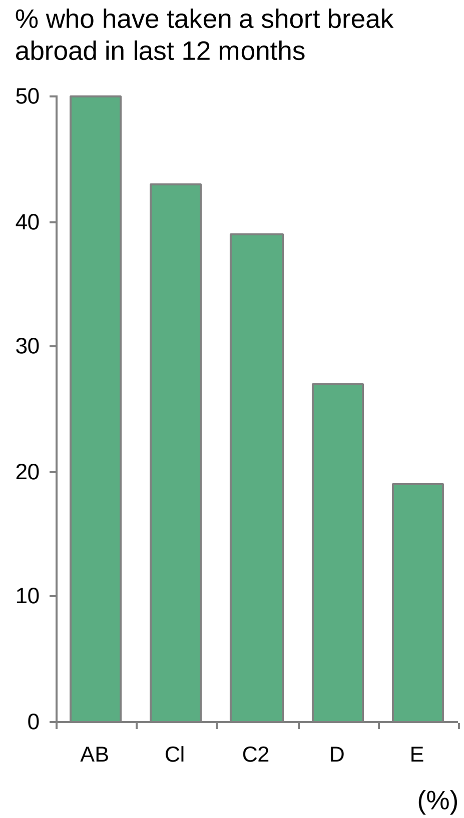
Short breakers tend to be younger adults from higher income groups who travel without children

Example: UK outbound travellers

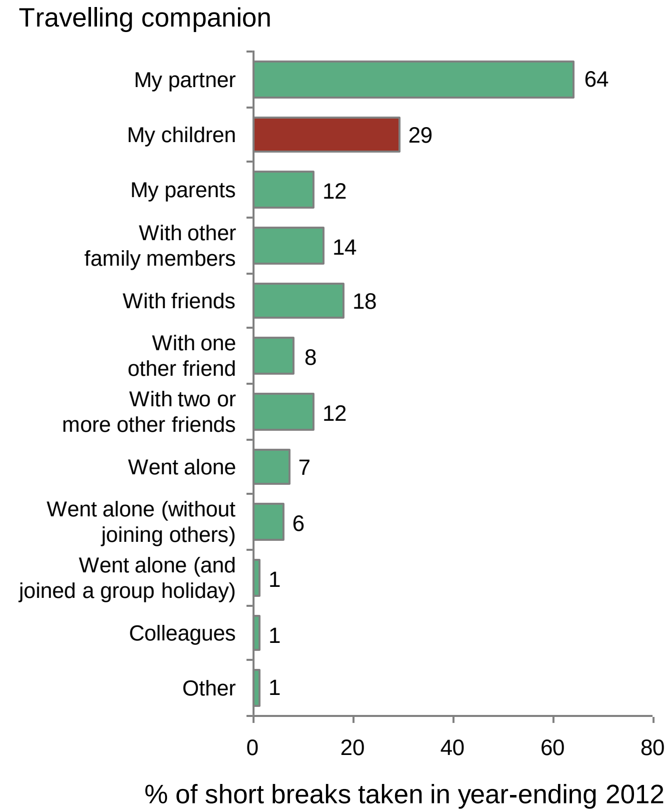
26% of short breaks taken by those in the 25-34 age group



Higher income groups more likely to take short breaks



Only 29% of short breaks taken with children



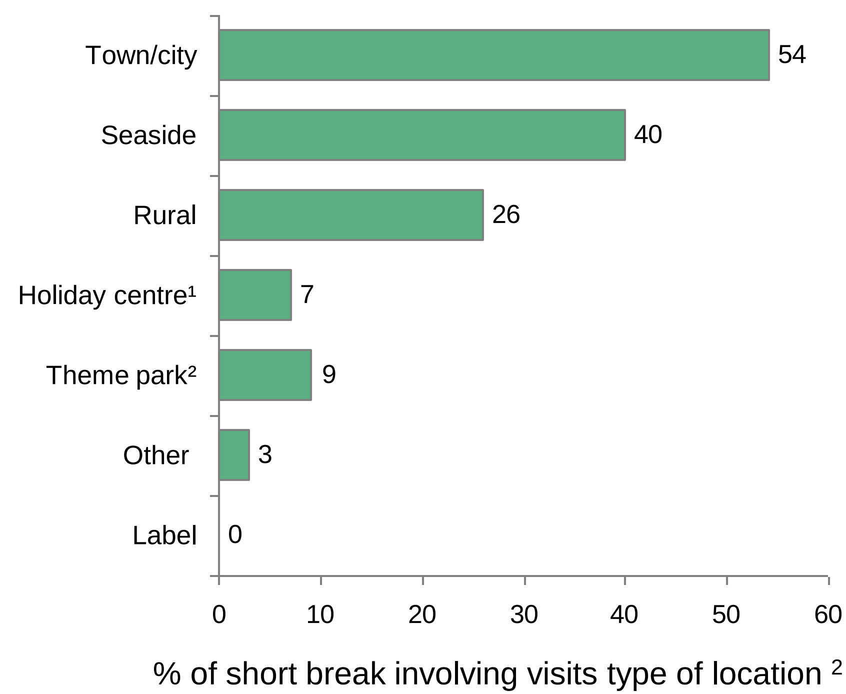
Note: For all graphs, overseas short breaks only are considered short break is defined as 1-3 nights away from home
Source: Mintel short/city breaks 2012, UK

Overseas short breaks ~14% of all overseas holidays, half of which are to cities

UK outbound traveller example

UK residents' overseas short breaks are 14% of all overseas holidays & predicted to grow at 3% from 2013-17

Towns/ cities are visited during half of short breaks



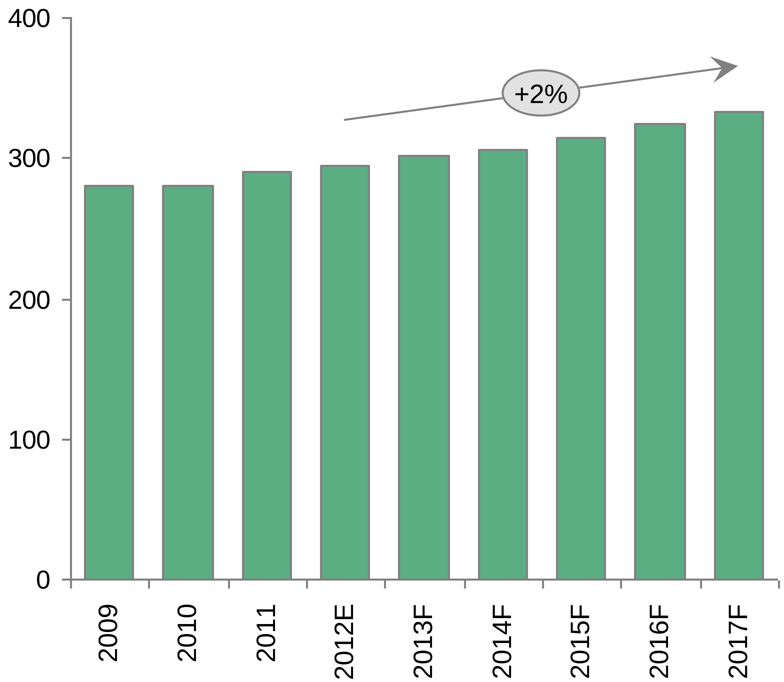
1. e.g., Butlins, Center Parcs 2. e.g., Alton Towers, Legoland, Windsor, Disneyland Paris; 2. Any short break in past 12 months
Note: short break is defined as 1-3 nights away from home
Source: Mintel short/city breaks 2012, UK

Average spend on short breaks is £300 and timing during year is less seasonal than for longer holidays

Example: UK outbound travellers

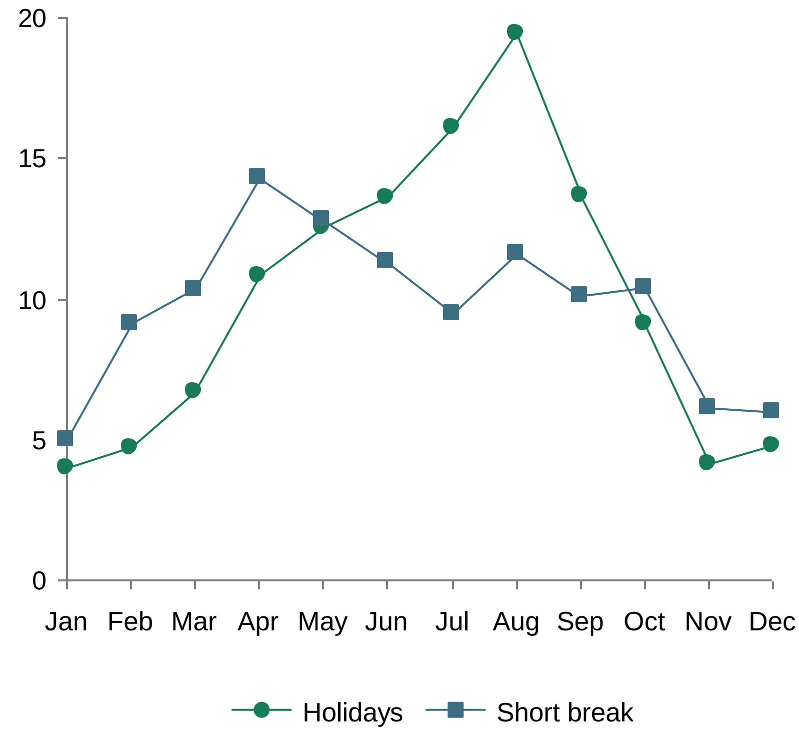
Average spend on overseas short breaks is ~£300

Average spend per overseas short break (£)



Short breaks are less seasonal than overall holiday market

% of annual short breaks taken during month[1]



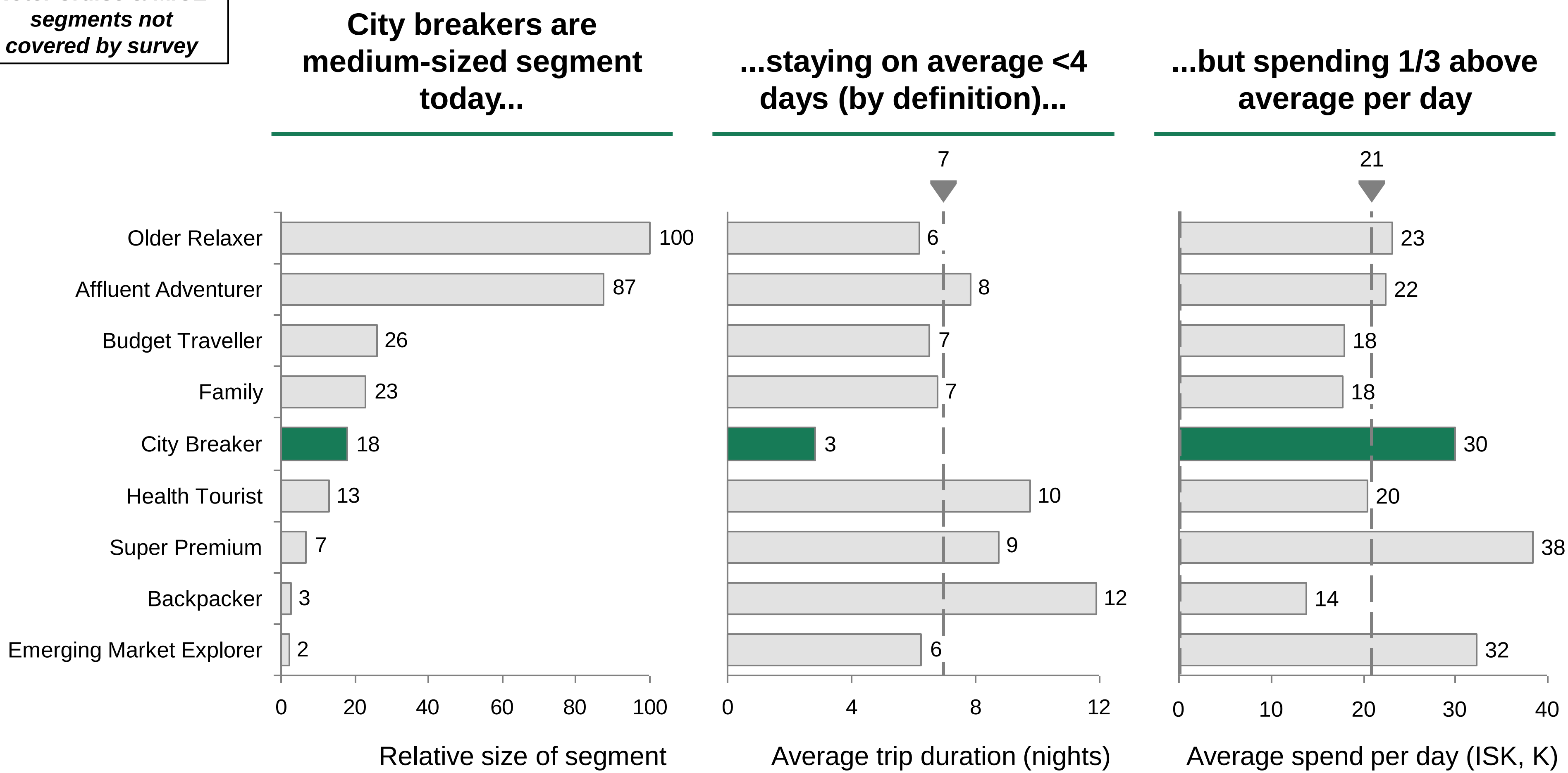
1. Domestic and overseas

Note: Base: Adults aged 15+ who have taken a holiday/short break in the last 12 months. Short break is defined as 1-3 nights away from home

Source: Mintel short/city breaks 2012, UK

In Iceland today, City Breakers a medium sized group spending 1/3 more than average per day

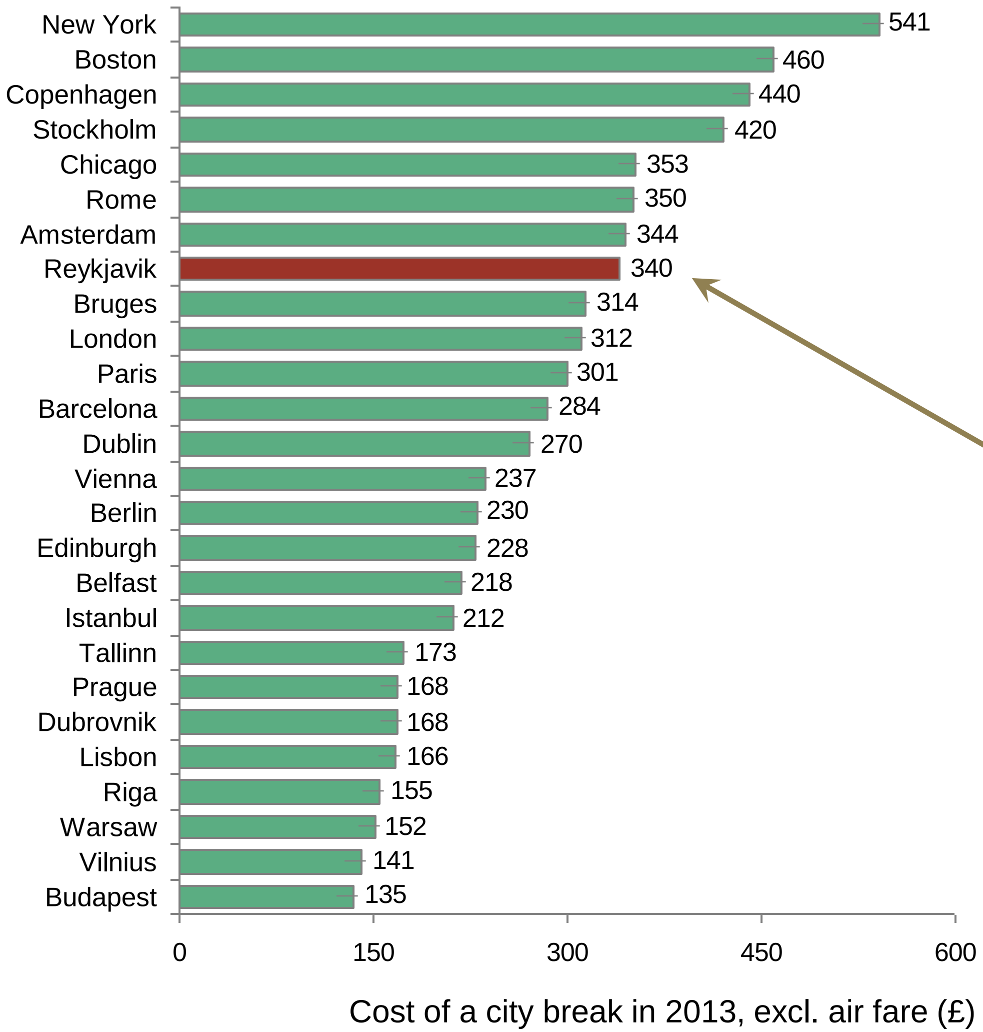
Note: Cruise & MICE segments not covered by survey



Survey likely to under-estimate backpacker size, largely due to overlap with budget travellers

Note: Total respondents:4408. Calculations weighted to adjust for seasonal bias. 2011 / 2012 average exchange rate used to convert from Krona. Indexed (Older Relaxer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Within Europe, Reykjavik & surrounds is a fairly expensive short break destination



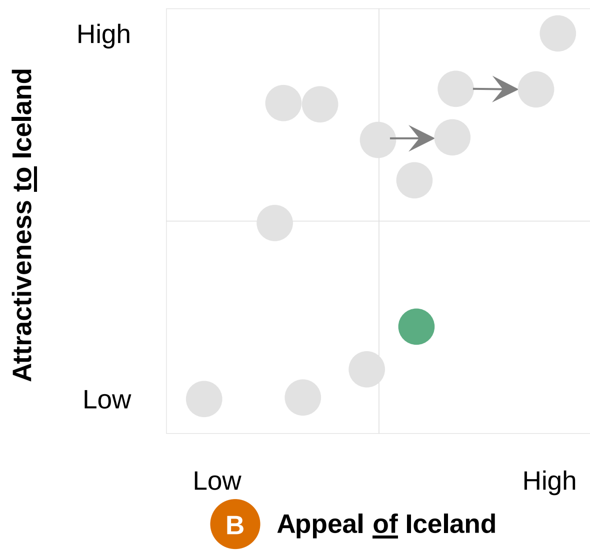
Menu

Iceland short break 'menu'

- Cup of coffee – ISK450
- Bottle of lager – ISK800
- Can of Coke – ISK240
- Glass of wine – ISK800
- Dinner for 2 – ISK9,800
- Airport transfers - ISK4,000[1]
- Sight-seeing tour of Golden circle – ISK9,100
- Entry to Blue Lagoon – ISK5,500[2]
- Entry to Leifur Eriksson – free
- Entry to Reykjavik art museum – ISK1,200
- 1 night in 3* hotel for 2 adults - ISK33,000

1. Mid-range of Flybus and Flybus+; 2. Mid-point of summer + winter
Source: Post office 2013 City costs barometer for benchmarks. For Iceland – field research, hotels.com
Note: Consisting of 12 holiday purchases: A cup of coffee in a bar/café; bottle of lager in a bar/café; bottle/can of Coca-Cola in a bar/café; glass for wine; 3-course evening meal for two adults including bottle of wine; return bus or train transfers from airport to city centre; 48-hour travel card; sightseeing city bus tour; top heritage attraction; top museum; top art gallery; 1-night 3-star hotel accommodation for two adults (hotels.com)

Health tourists: Small segment in which Iceland is emerging as strong



Health Tourists

- 35+
- M+ income
- Mature markets
- Interest in spas/ wellbeing

A — Attractiveness to Iceland

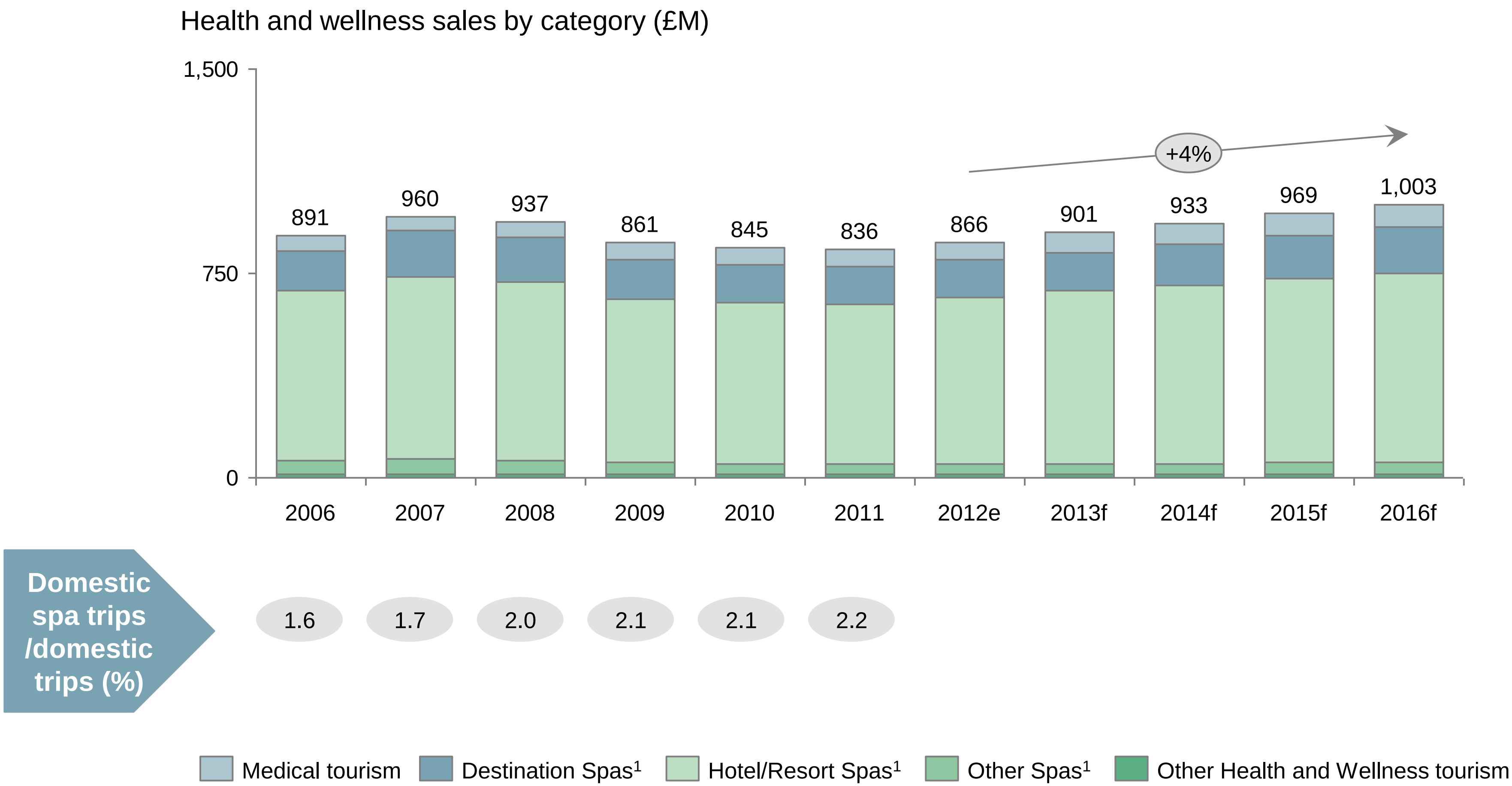
- Segment is small, estimated at 2% of trips made
- Modest growth, estimated at ~4% CAGR
- In Iceland today, stay length about 50% higher than average and spend per day about average

B — Appeal of Iceland

- Today just 17% of Icelandic visitors cite spa & wellness as reason to visit
- Spa & wellness sector in its infancy in Iceland but emerging brands establishing potential

Example: Spa trips just 2% of domestic trips made in the UK

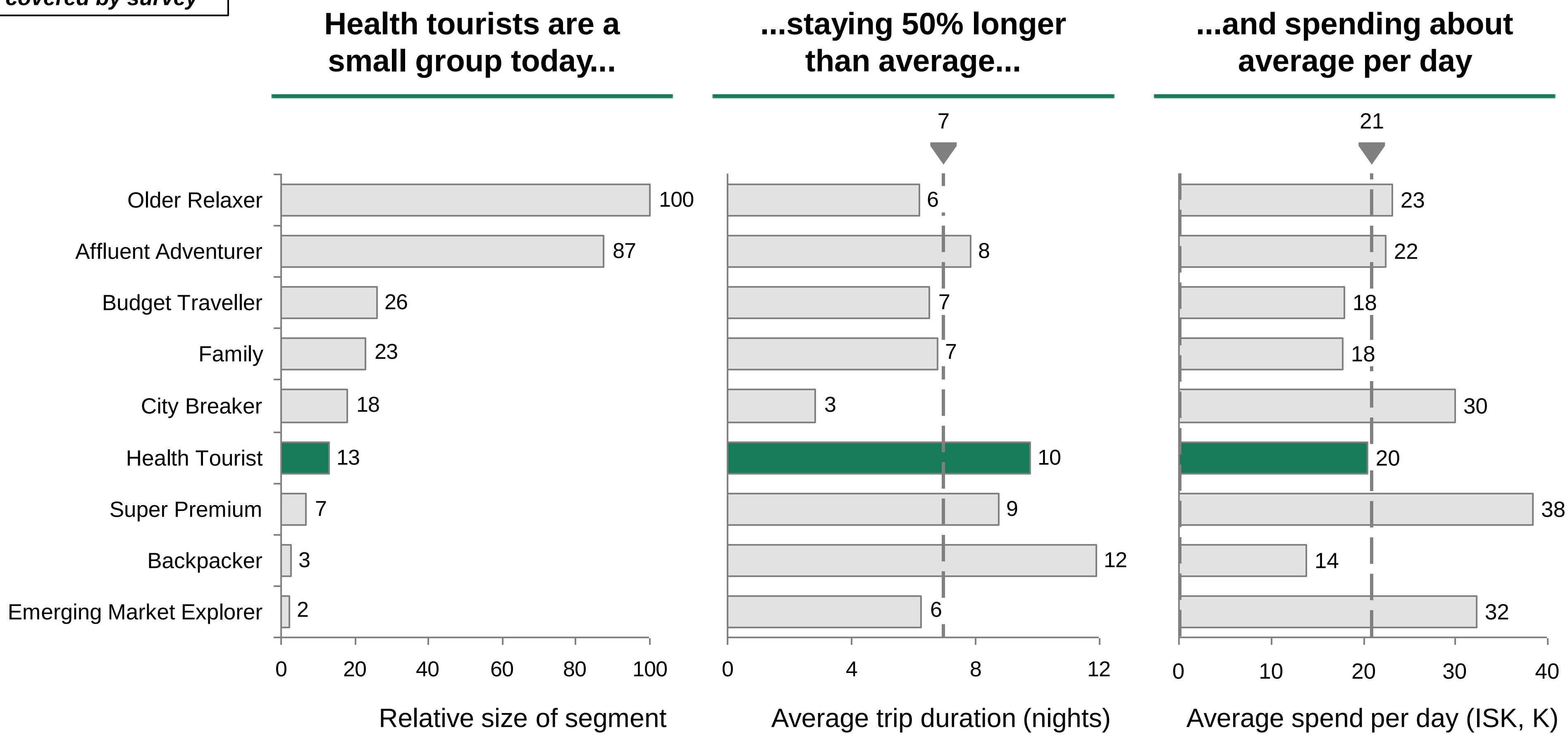
Industry forecast to grow at 4% CAGR to £1Bn value in 2016



Note: "e" indicates expected value; "f" indicate forecast value
1. Destination Spas, Hotel/Resort Spas and Other Spas comes under "Spas"
Source: Euromonitor Passport, Health and Wellness tourism in the UK, Aug 2012

In Iceland today, stay length about 50% higher than average and spend per day about average

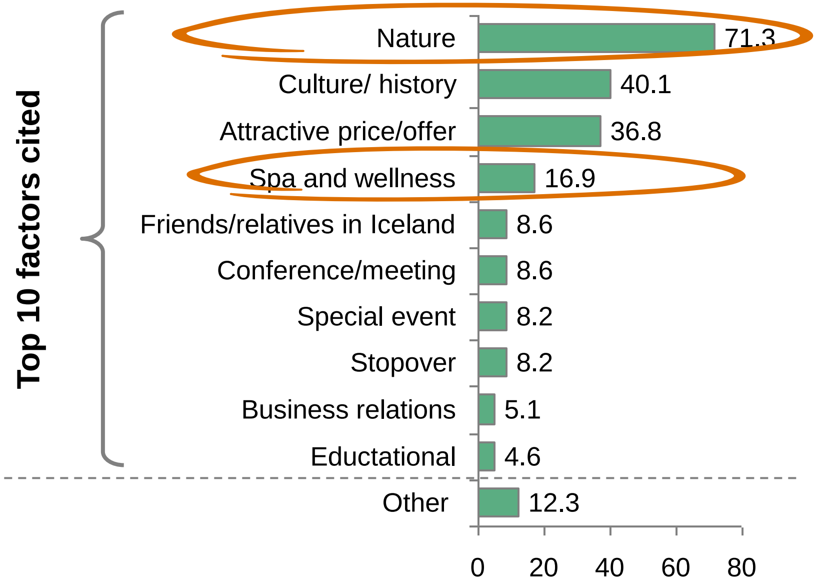
Note: Cruise & MICE segments not covered by survey



Note: Total respondents:4408. Calculations weighted to adjust for seasonal bias. 2011 / 2012 average exchange rate used to convert from Krona. Indexed (Older Relaxer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Spa & wellness sector in its infancy in Iceland but emerging brands establishing potential

Today 17% visitors citing spa & wellness as reason to visit vs 71% for nature



Tourists citing factor as having impact on decision to visit

Icelandic wellness & beauty products are having an impact on the world stage

Forbes **Winner, World's healthiest countries 2008**

"Icelanders enjoy one of the world's highest healthy life expectancies (72 for men and 74 for women), giving them plenty of time with the country's mountains, glaciers, volcanoes, waterfalls and coastal lands. The country is also one of the world's least polluted"

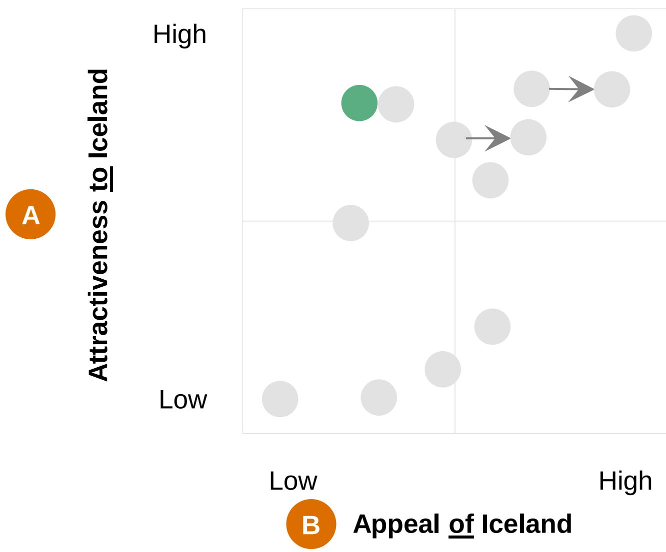
BIOEFFECT

"2,000 year old volcanic ash is used to grow the special crops crucial to the **BioEffect EGF serum**...they don't advertise, they're still surprisingly under the radar, and yet, this small Icelandic concern has become the stealth skincare brand *de nos jours*"

BA magazine, Jan 2013

Note: 10.3% in summer survey versus 79.7% for Nature
Source: Icelandic Tourist Board, " Visitor Survey Winter 2011/2012", BCG experience

Super premium segment is small in Iceland's core markets and to date infrastructure mix not targeted to group



Super Premium

- 35+
- H income
- All markets
- Seeking high-end, unique experiences

A **Attractiveness to Iceland**

- In Western Europe, super-premium is a small segment at ~5% of outbound travel
- In new Icelandic markets, such as Russia, this segment is more significant
- In Iceland today, spend per day almost double average and stay length above average

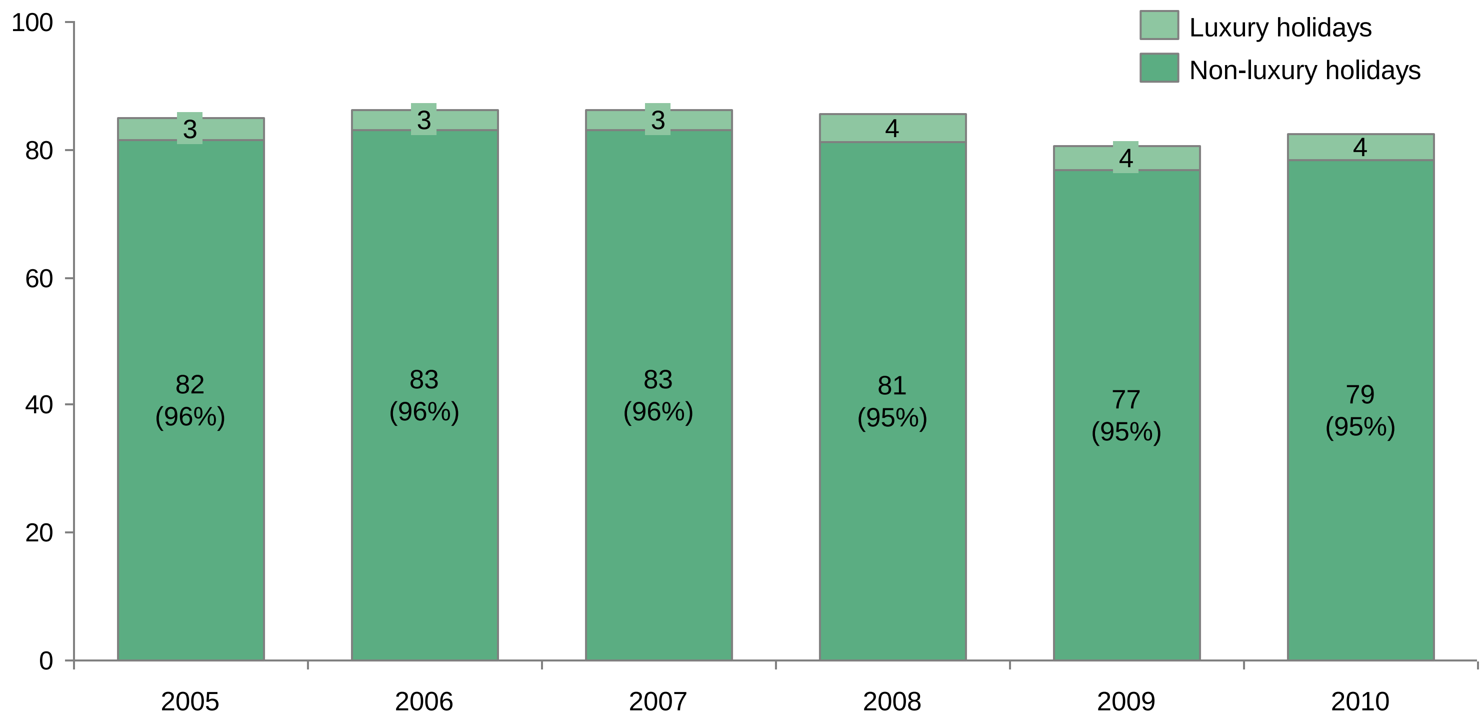
B **Appeal of Iceland**

- Iceland currently lacks necessary infrastructure to attract segment
  - Reykjavik has only ~5% upscale/luxury hotels vs. 50% in Europe
- There is some opportunity to develop segment with increased attractions

In Western Europe, luxury holidays ~5% of outbound travel

UK example

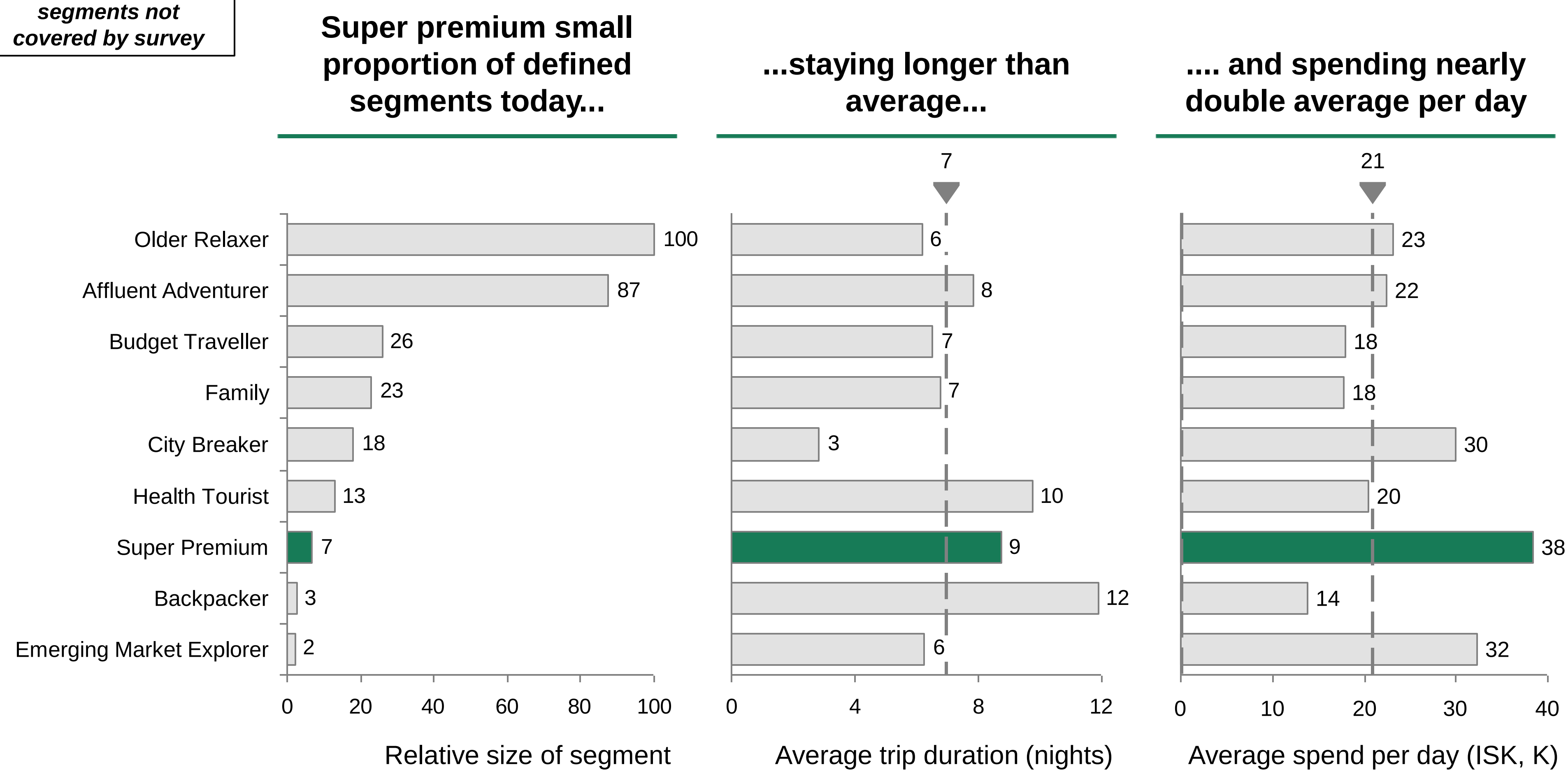
Total holidays taken (M)



Source: Mintel, Luxury holidays report June 2012

In Iceland today, spend per day almost double average and stay length above average

Note: Cruise & MICE segments not covered by survey



Note: Total respondents:4408. Calculations weighted to adjust for seasonal bias. 2011 / 2012 average exchange rate used to convert from Krona. Indexed (Older Relaxer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Iceland currently lacks infrastructure to attract segment

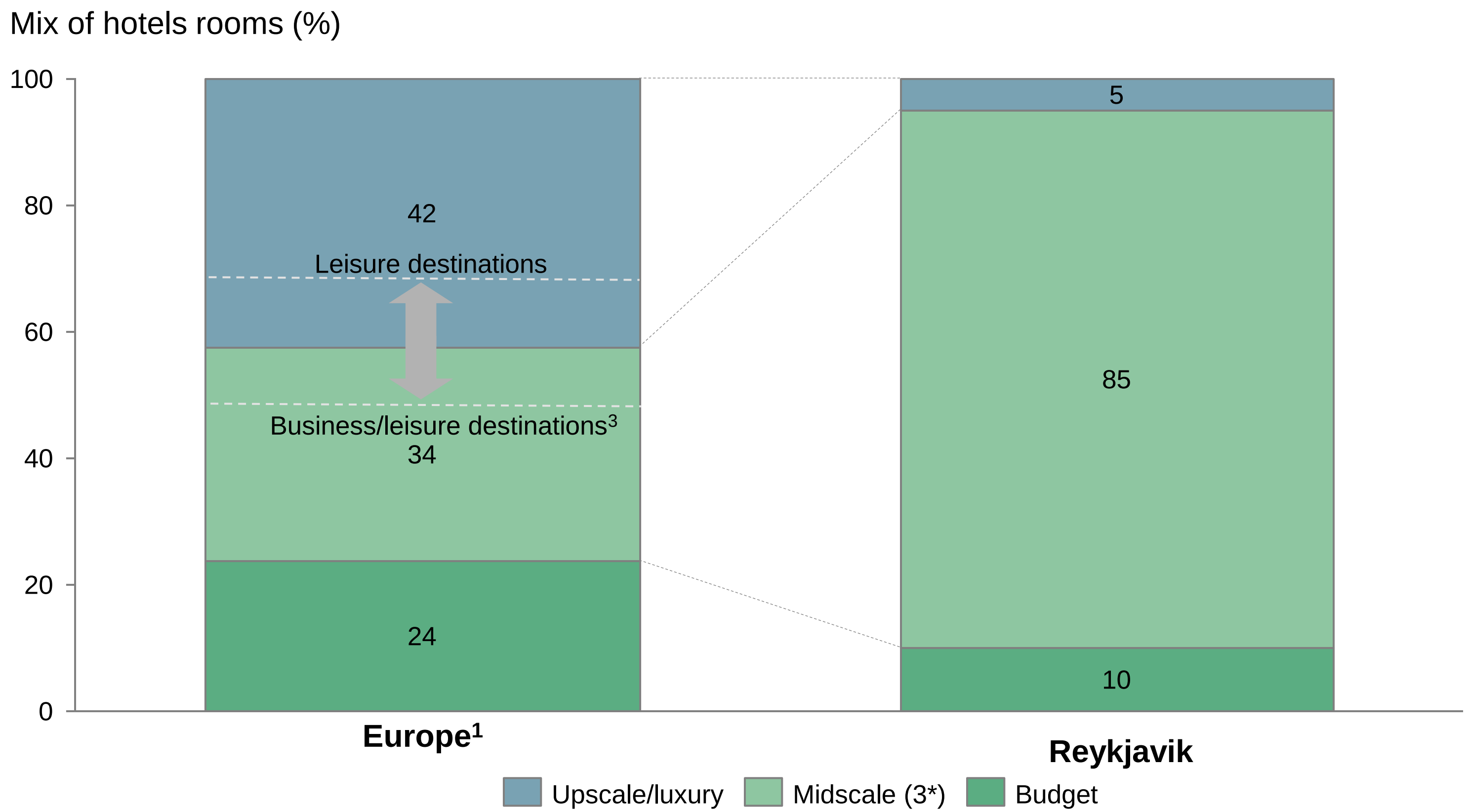
Example: No luxury hotel options today

Segment	Description	Industry examples	Iceland examples
Upscale & luxury	Top 30% of average room rate; includes expensive hotels/resorts	Four Seasons Hotels and Resorts; Le Meridien; aloft	None
Midscale	Middle 30% of average room rate; middle class hotel with basic amenities and services	Holiday Inn Hotels · Resorts; Comfort Inn	Hilton Hotels & Resorts; Radisson Blu; Icelandair Hotels
Budget	Bottom 40% of average room rate; low budget basic accommodation for value minded travellers	Travelodge	hotel edda

"It's extremely complicated [to attract super-premium segment] unless we have something unique to offer them...must start building up 4/5* hotels"[1]

1. Quote from Capacent survey of Iceland tourism industry players, May 2013
Source: Smith Travel Research

Within Europe, share of upscale/luxury hotels averages ~40% (lower in leisure destinations), whilst in Reykjavik only ~5%

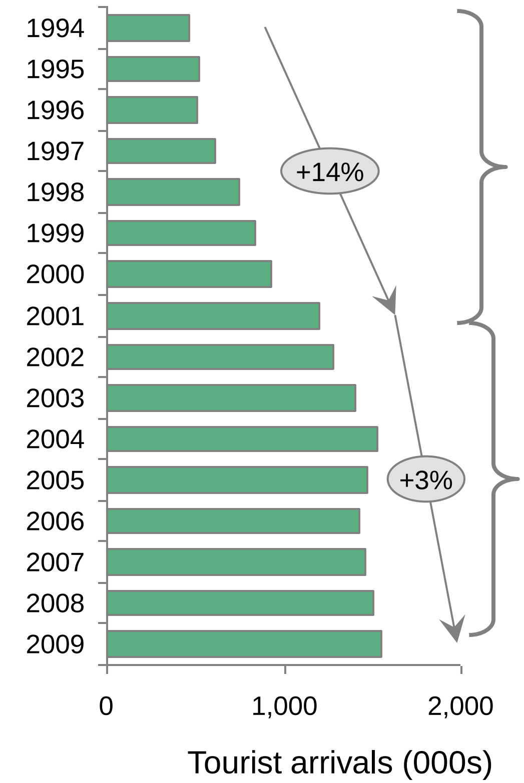


Whilst a lower % could be expected for nature destinations, suggests some room for upscale/luxury hotel development in Reykjavik

1. Chain hotels only considered from STR global; 2. Reykjavik % from discussions with Icelandair hotels; e.g. London and Paris at 46%
Source: Mintel International Hotel Industry, Travel & Tourism Intelligence, December 2009; STR Global; BCG analysis

Example: Botswana's 'low volume/high yield' strategy adopted to protect the environment

Context: Botswana tourist arrivals were growing at 14% CAGR & environmental issues were of concern at key sites



- Rapid growth putting pressure on key attractions
- Other attractions under-developed

- Lower, managed growth

'Low volume/high yield' visitors targeted in particular at most popular sites, Okavango Delta & Chobe region

Botswana offers absolute indulgence and style in the middle of the bush

Source: Government of Botswana tourism statistics 2006-9,

Example: Bentley Power on Ice event in Finland drawing super-premium visitors

FINLAND

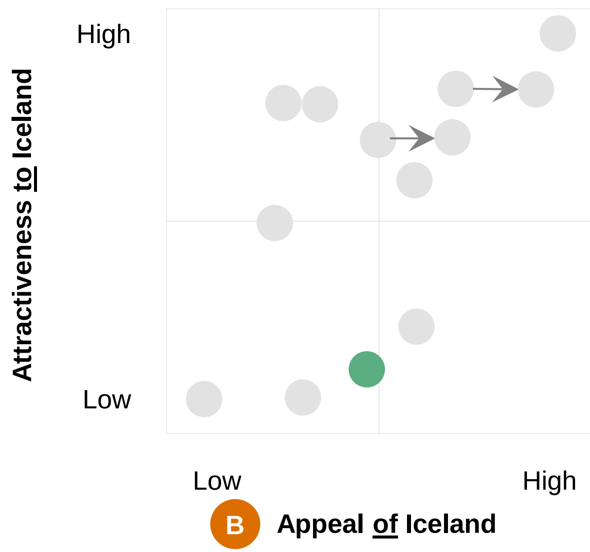
INCLUDED:

- Two days ice driving in Bentleys
- Return privately chartered flight from Helsinki to northern Finland
- Three nights luxury accommodation
- All onsite transfers
- Food and drink as detailed in the itinerary

OPTION 1 €9,990 PER PERSON.
Ruka Peak Hotel – Perched high up the mountain, the comfortable Ruka Peak Hotel has its own luxurious spa and features a magnificent valley view from every room.

OPTION 2 €10,990 PER PERSON.
Ruka Peak Apartment – As an alternative to hotel room accommodation, you can book an apartment in a deluxe 4-apartment penthouse, with sauna, balcony, kitchen area and sitting room offering magnificent views.

Backpackers are a small segment with moderate attractiveness and strong appeal to Iceland



A **Attractiveness to Iceland**

- Backpacker segment is small, ~70% lower than adventure tourists
- In Iceland today, group is small but staying significantly longer than average
- In Iceland today, group is small, staying significantly longer than average, spending 2/3 of average per day

B **Appeal of Iceland**

- Reykjavik (and surrounds) ranked as a fairly expensive location for backpackers

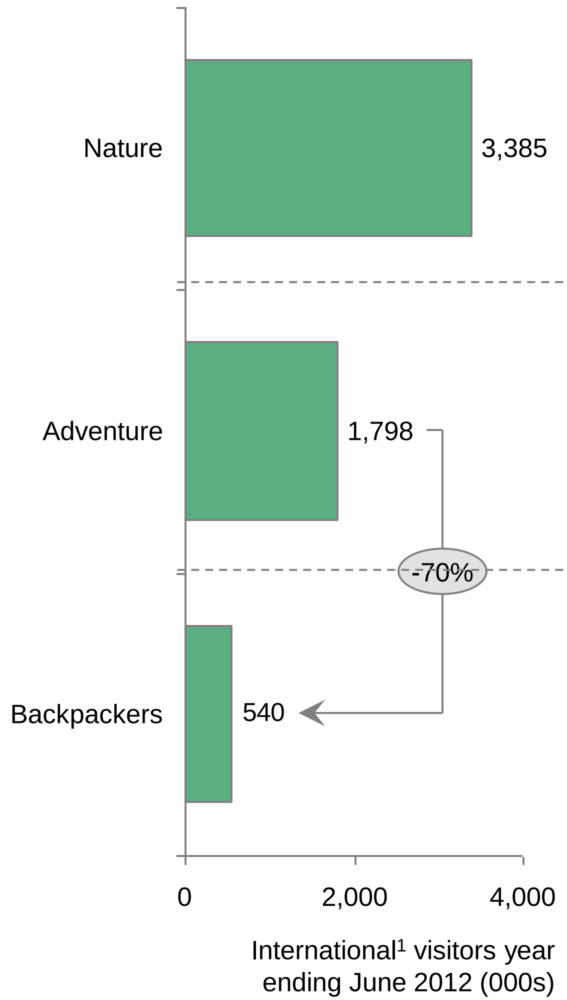
Backpackers

- 18-34
- L income
- Attracted to adventure activities
- Likely to travel around Iceland

Global size of backpacker segment ~70% less than adventurers

Example: Australian international visitors

Australian international visitor segment



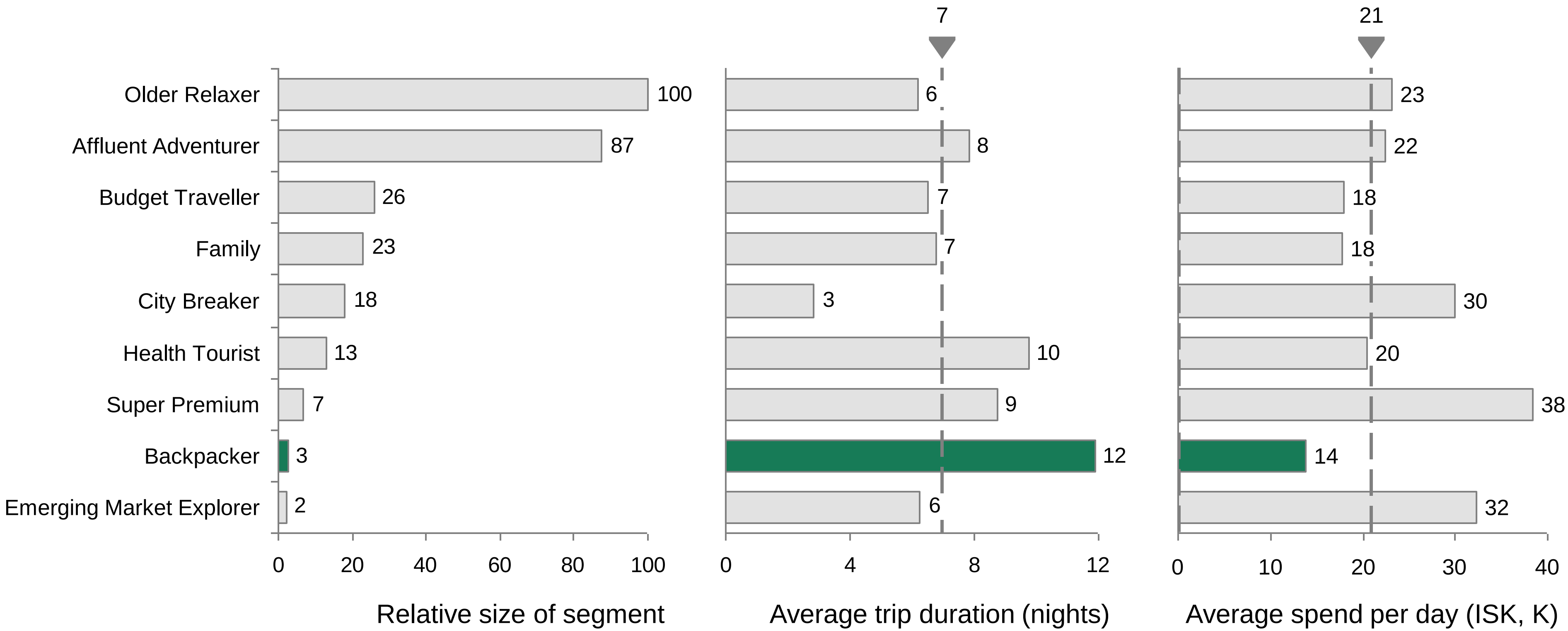
Icelandic segment	Example activities undertaken by segment
All visitors	• Visited national state park • Went whale watching
Adventure tourists	• Went kayaking • Went scuba-diving
Backpackers	• Stayed at least one night at a backpackers hostel

1. International tourism taken as most representative of global profiles
Source: Tourism Victoria, Market profiles for year ending June 2012; BCG analysis

In Iceland today, group is small, staying significantly longer than average, spending 2/3 of average per day

Note: Cruise & MICE segments not covered by survey

Backpackers second largest segment today... | **...staying longer than average...** | **.... but spending only about 2/3 of average per day**



Survey likely to under-estimate backpacker size, largely due to overlap with budget travellers

Note: Total respondents:4408. Ca ... axer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

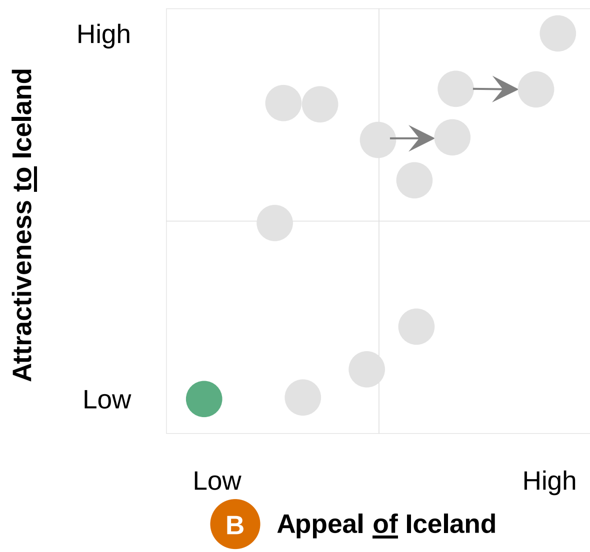
Reykjavik (and surrounds) ranked as a fairly expensive location for backpackers

"Backpacker Index is an easy snapshot to help travelers find bargain destinations"

City	Price per day (US$)	City	Price per day (US$)	City	Price per day (US$)
Pokhara, Nepal	14.75	Budapest, Hungary	33.69	Caracas, Venezuela	65.27
Hanoi, Vietnam	16.50	Macau, China	33.14	San Francisco, US	65.40
Kathmandu, Nepal	17.91	Montevideo, Uruguay	33.65	Naples, Italy	66.00
Ho Chi Minh City, Vietnam	18.34	Kuala Lumpur, Malaysia	33.82	Florence, Italy	66.53
Phnom Penh, Cambodia	19.45	Shanghai, China	34.41	Dubai, UAE	68.01
Chiang Mai, Thailand	19.55	Beirut, Lebanon	34.74	Barcelona, Spain	68.67
Delhi, India	19.60	Antalya, Turkey	35.11	Hamburg, Germany	68.93
Goa, India	19.68	Warsaw, Poland	35.78	Dublin, Ireland	69.07
Quito, Ecuador	20.30	Seoul, South Korea	36.70	Los Angeles, US	69.99
Hoi An, Vietnam	20.50	Santiago, Chile	38.26	Honolulu, US	70.10
La Paz, Bolivia	21.47	Cartagena, Colombia	38.85	Dubrovnik, Croatia	70.76
Vientiane, Laos	21.72	Zagreb, Croatia	39.43	Galway, Ireland	72.53
Luang Prabang, Laos	22.66	Cape Town, South Africa	40.36	Luxembourg City, Luxembourg	72.67
Bangkok, Thailand	24.12	Istanbul, Turkey	41.03	Nice, France	73.60
Bucharest, Romania	24.33	Prague, Czech Republic	41.15	Munich, Germany	73.87
Sofia, Bulgaria	24.76	Bratislava, Slovakia	41.33	Miami Beach, US	76.20
Krakow, Poland	25.06	Hong Kong, China	42.74	Tokyo, Japan	77.25
Cairo, Egypt	25.48	Singapore, Singapore	42.76	Rome, Italy	78.13
Kiev, Ukraine	25.85	St. Petersburg, Russia	44.53	Queenstown, New Zealand	78.50
Marrakech, Morocco	25.90	Cancun, Mexico	44.91	Toronto, Canada	78.59
Sarajevo, Bosnia and Herzegovina	26.08	Buenos Aires, Argentina	47.72	Chicago, US	79.60
Kuta, Bali, Indonesia	26.17	San Pedro, Belize	48.51	Milan, Italy	79.73
Siem Reap, Cambodia	27.21	Moscow, Russia	49.22	Edinburgh, Scotland	80.94
Amman, Jordan	27.41	Tenerife, Spain	50.53	Paris, France	81.53
Belgrade, Serbia	27.96	Rio de Janeiro, Brazil	51.16	Vancouver, Canada	82.02
Riga, Latvia	28.08	Tallinn, Estonia	53.52	Vienna, Austria	83.33
Cusco, Peru	28.10	Tel Aviv, Israel	56.29	New York City, US	84.25
Beijing, China	28.20	Las Vegas, US	57.90	Copenhagen, Denmark	85.48
Phuket, Thailand	28.22	Ibiza, Spain	58.04	London, England	86.67
Panama City, Panama	28.90	Lisbon, Portugal	58.27	Melbourne, Australia	87.16
Mexico City, Mexico	29.17	New Orleans, US	58.90	Brussels, Belgium	89.07
Lima, Peru	29.45	Berlin, Germany	62.67	Sydney, Australia	90.53
Antigua, Guatemala	30.00	Auckland, New Zealand	63.33	Amsterdam, Netherlands	90.53
Manila, Philippines	30.10	Athens, Greece	63.33	Helsinki, Finland	92.80
Mumbai, India	30.35	Montreal, Canada	63.59	Stockholm, Sweden	97.54
Fez, Morocco	30.58	Reykjavik, Iceland	63.79	Venice, Italy	99.19
Dakar, Senegal	30.69	Washington DC, US	63.80	Oslo, Norway	111.31
San Jose, Costa Rica	30.70	Bruges, Belgium	64.00	Zurich, Switzerland	115.96
Taipei, Taiwan	30.86	Madrid, Spain	64.27		

Note: Based on: one night in least expensive hostel, 2 public transport rides, one paid/famous attraction per day, 3 budget meals, 3 local beers/wine
Source: Backpacker index 2013

Budget travellers is a large segment but with lower spend and where Iceland has weaker appeal



A — Attractiveness to Iceland

- Budget holidays ~1/3 of overseas holidays
- Most holidays 1-2 weeks in length
- In Iceland today, Budget travellers staying around average lengths of time but spend less than average per day

B — Appeal of Iceland

- Budget travellers not typically looking for the attributes Iceland has to offer
  - Strongest appeal of beaches/resorts

Budget travellers

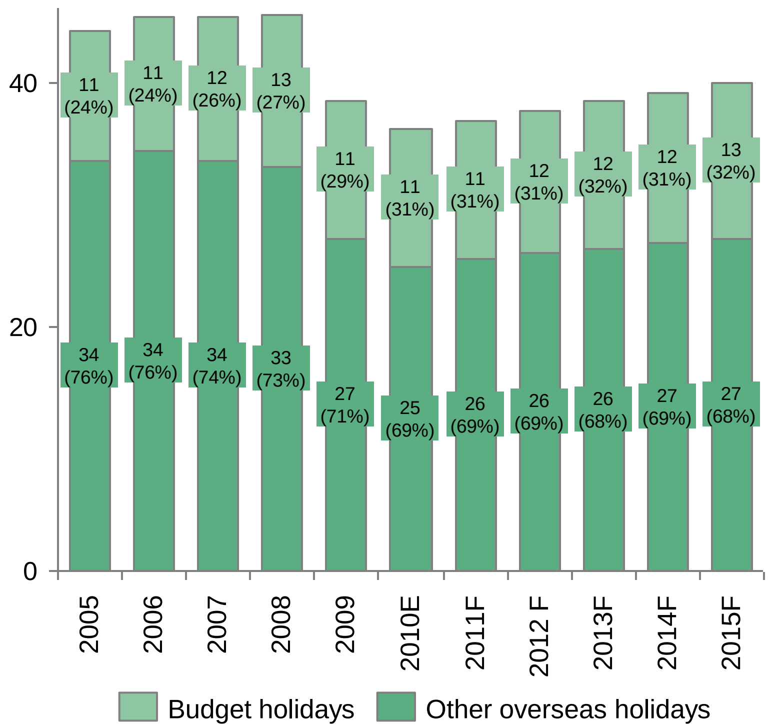
- All ages
- Lower incomes
- Mature markets

Budget holidays ~1/3 of overseas holidays, most 1-2 weeks in length

Example: UK outbound travellers

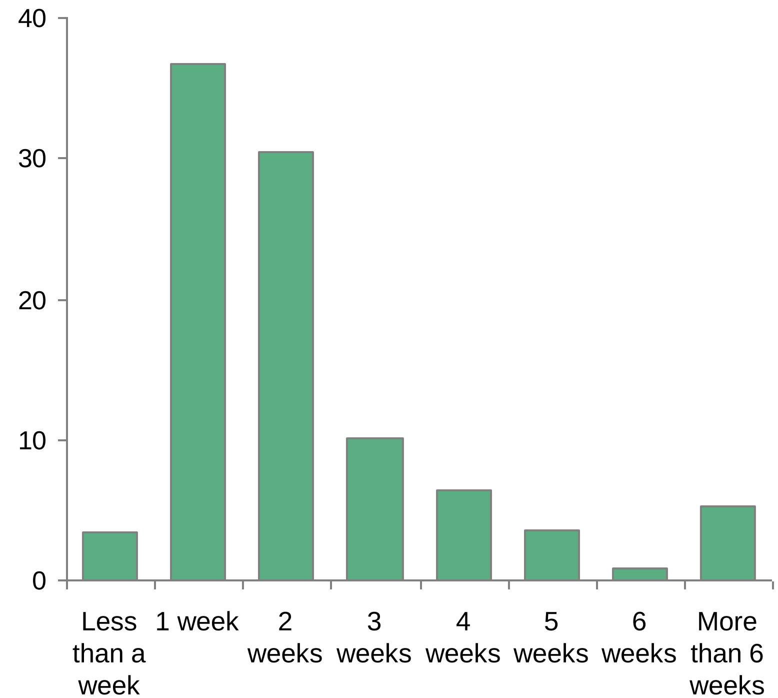
Budget holidays ~1/3 of total overseas holidays

Annual overseas holidays (M)



Most budget holidays 1-2 weeks in length[1]

% of budget holidays



1. Filtered by fieldwork period (January 2010–June 2010), Base: adults aged15+ who have taken a holiday abroad and who spent a 'budget' amount in the last 12 months
Note: This report defines „budget holidays" as overseas trips of longer than three nights" duration where the costs (not including spending money) do not exceed £250 for one person, or £500 for two or more people. They must be taken outside the UK, and do not include staying with friends or relatives or at consumers" own property overseas;
Source: Mintel/ UK budget Holidays, March 2011

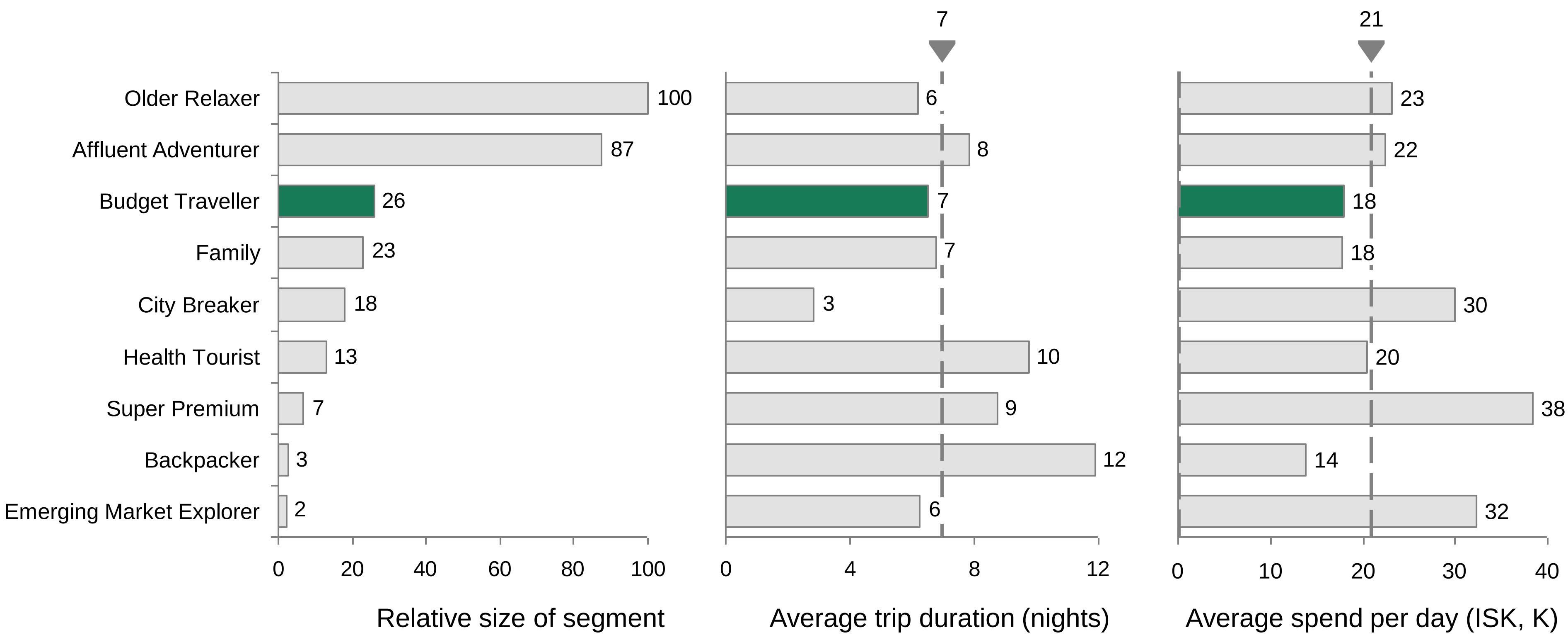
In Iceland today, Budget travellers staying around average lengths of time but spend less than average per day

Note: Cruise & MICE segments not covered by survey

Budget travellers are a medium-sized group...

...staying around average length of time...

...but spending less than average per day

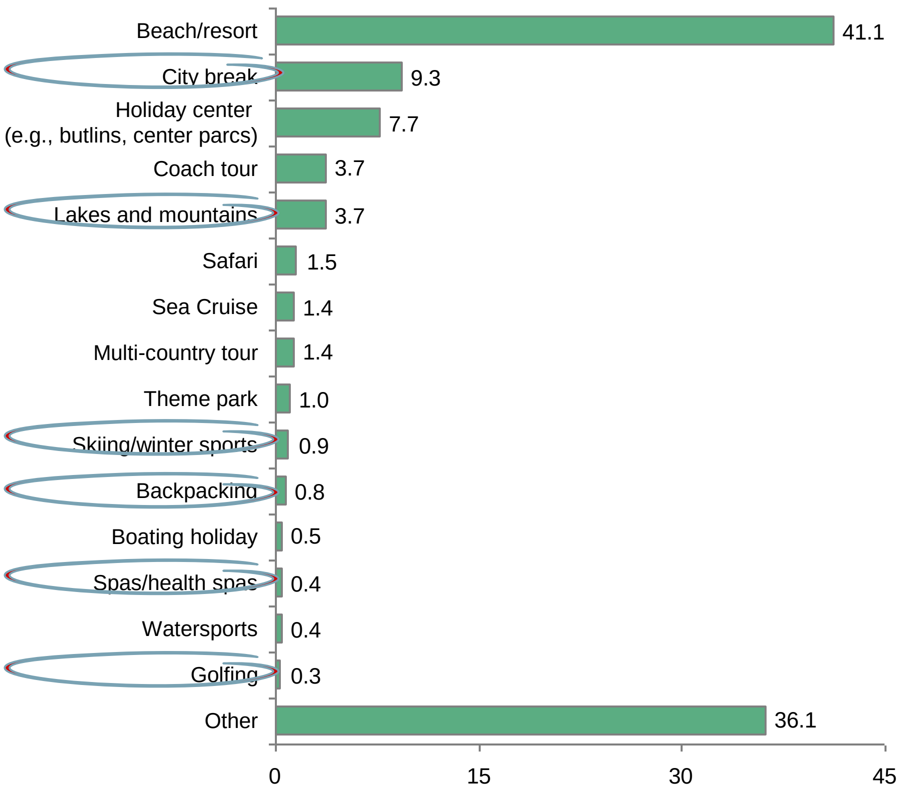


Survey likely to under-estimate backpacker size, largely due to overlap with budget travellers

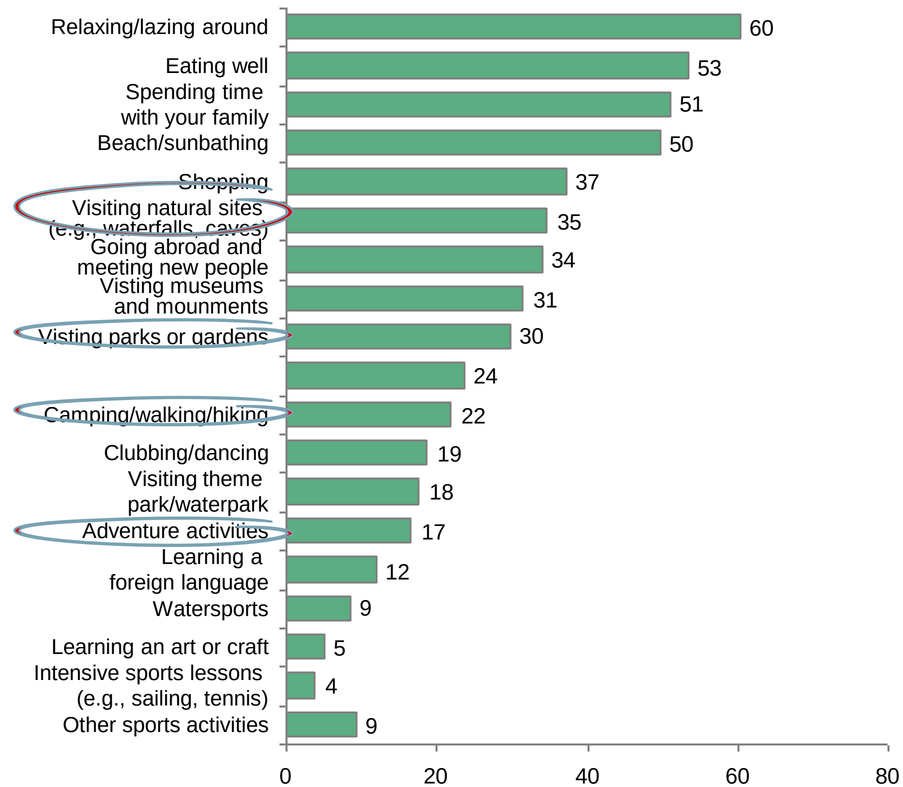
Note: Total respondents:4408. Ca ... axer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Budget holiday makers typically not looking for the attributes Iceland has to offer

Most budget travellers looking for beaches and not type of holiday Iceland has to offer …



… nor activities core to the Icelandic offer[1]

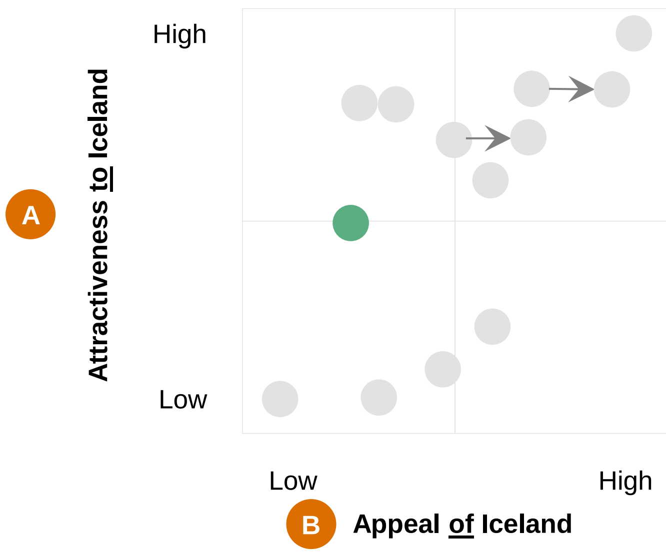


1. % saying they enjoy the activities

Note: This report defines „budget holidays" as overseas trips of longer than three nights" duration where the costs (not including spending money) do not exceed £250 for one person, or £500 for two or more people. They must be taken outside the UK, and do not include staying with friends or relatives or at consumers" own property overseas; Base: adults aged15+ who have taken a holiday abroad and who spent a 'budget' amount in the last 12 months

Source: Mintel UK Budget holidays March 2011

Families not a core segment for Iceland – would need significant product development



Families

- Young families with children <16
- All incomes
- All markets

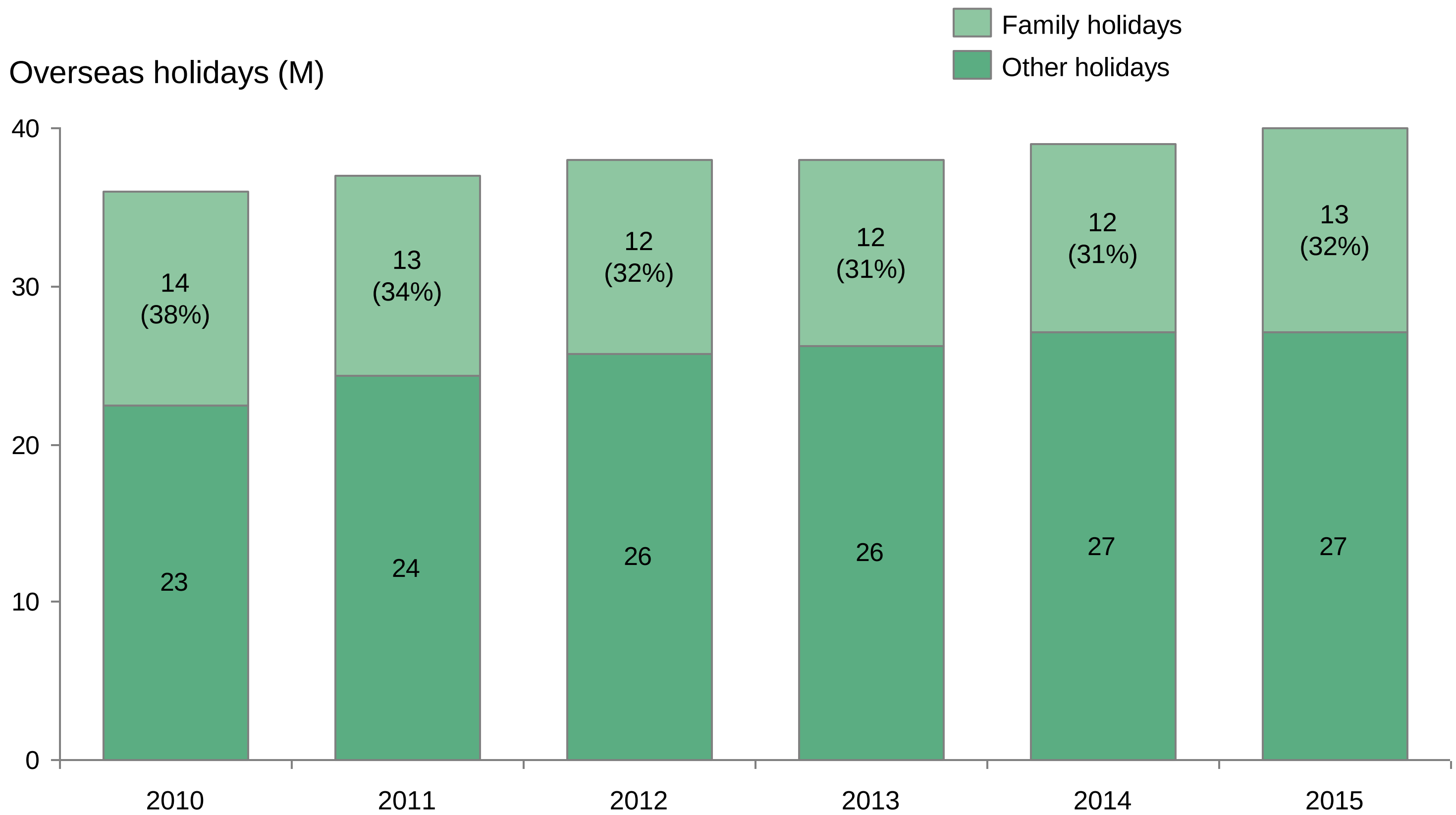
A — Attractiveness to Iceland

- Attractiveness expected to vary according to alignment with other segments discussed
- Family holidays ~1/3 of holidays taken abroad
- In Iceland today, families spend average length of time but spend less than average per day

B — Appeal of Iceland

- Low % of visitors today (7%)
- Only 3% of Icelandic tourism industry players believe this should be the focus group
- Would require significant product development to appeal more

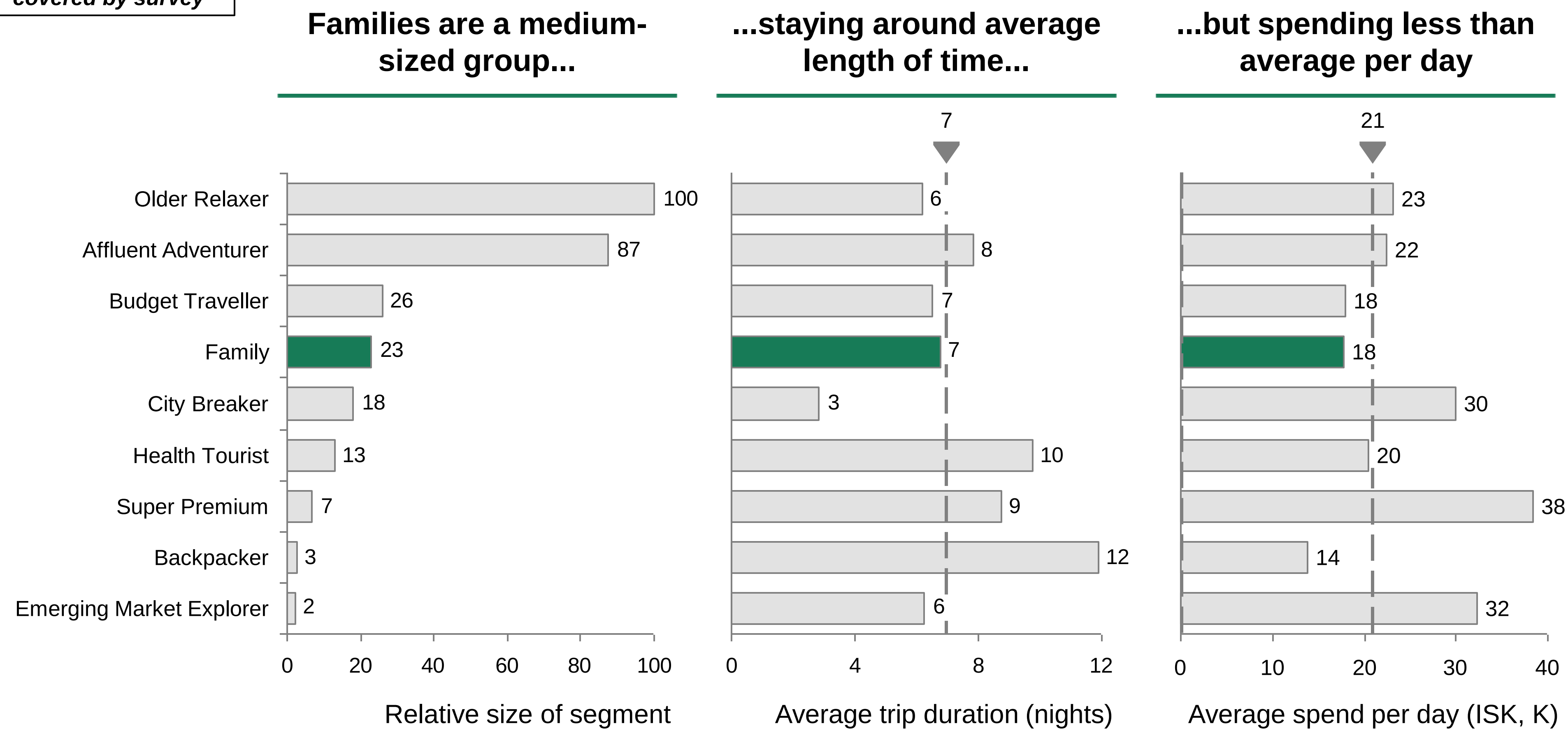
Example: Family holidays account for ~1/3 of UK outbound travel



Source: Mintel, UK Family holidays July 2012

In Iceland today, families spend average length of time but spend less than average per day

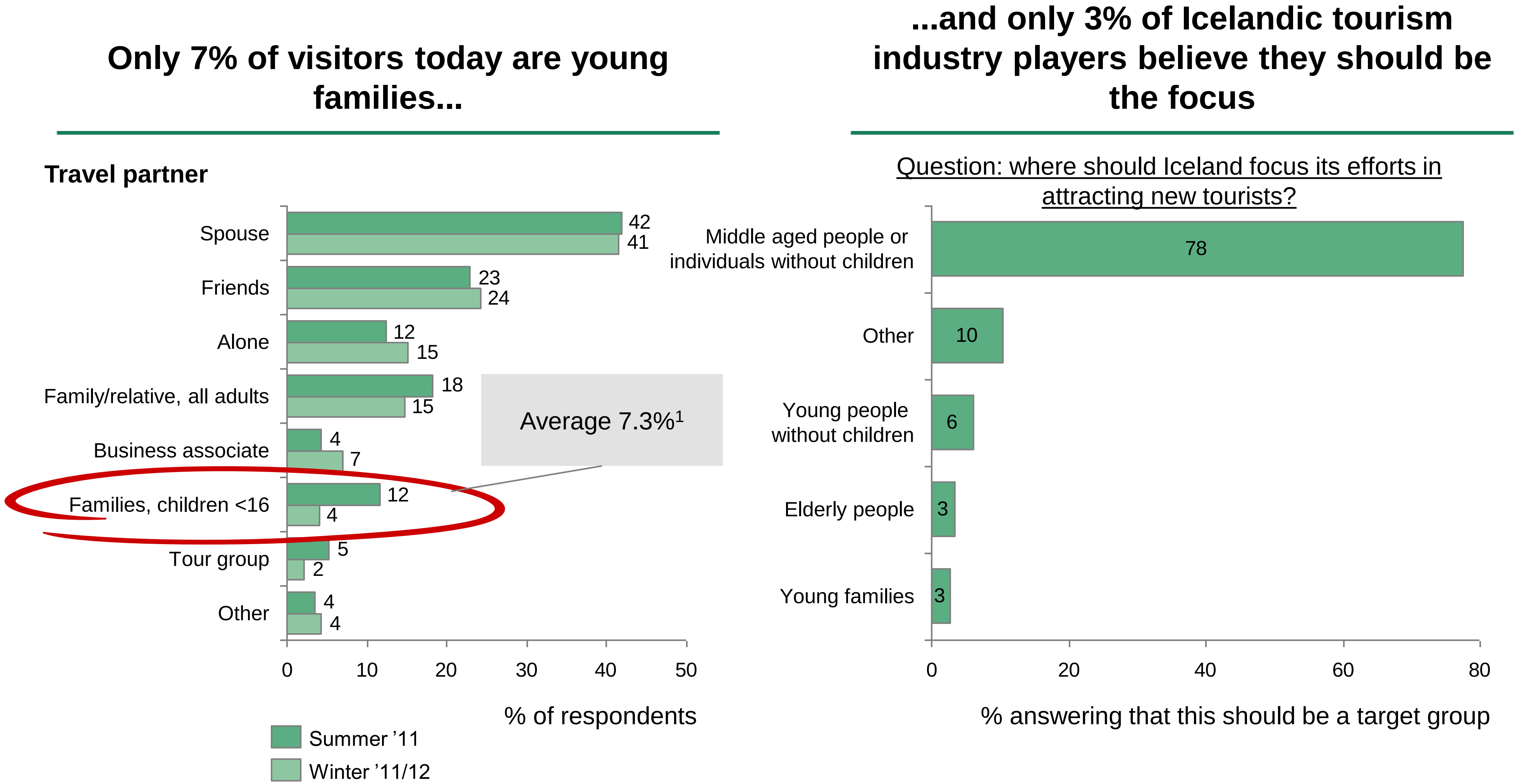
Note: Cruise & MICE segments not covered by survey



Survey likely to under-estimate backpacker size, largely due to overlap with budget travellers

Note: Total respondents:4408. Ca ... axer = 100), Estimated nights apply % of respondents in survey to total visitor numbers for 2011-122. Respondents answered according to range, e.g., 1–2 nights. Mid-point of range used for calculations. Spend per day calculated as total spend per person/length of stay; Survey based on online responses and in-person survey at KEF. Also some overlap with budget travellers
Source: MMR—International Visitors in Iceland, 2011 / 2012. BCG analysis

Only 7% of visitors today are young families & only 3% of Icelandic tourism industry believes they should be the focus

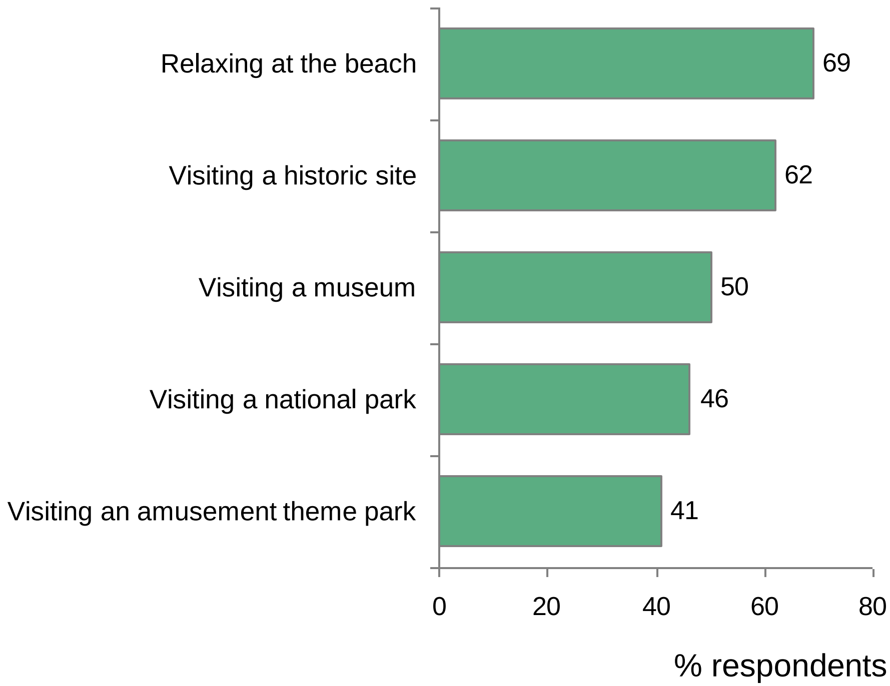


1. Weighted by # visitors in each period

Source: Iceland Tourist Board Summer & Winter surveys 2011-12 ; Capacent survey of Icelandic industry players, May 2013

Icelandic core attractions not focused on families today

Only 50% of families report visiting museums/ national parks as a popular family activity they have planned...



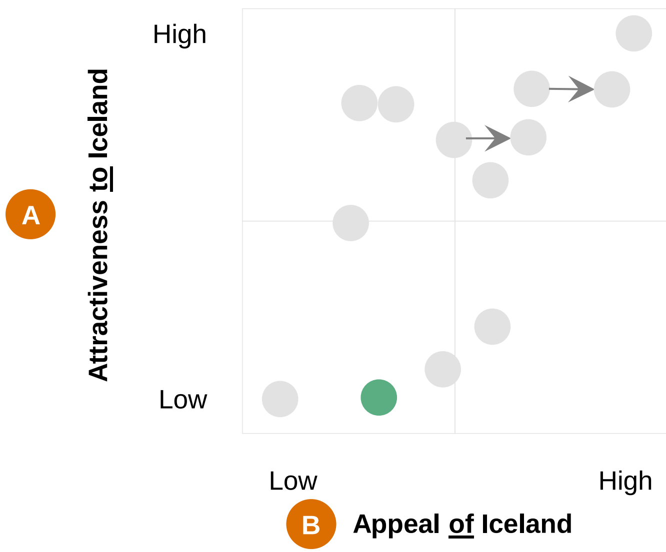
...and Iceland's offer today not tailored to families

"We are lacking in family and children products. Families don't come here much."
Capacent survey of industry stakeholders, May 2013

"I'm not sure what I'd do with kids after going to the zoo"
Interview with Icelandic tourism industry stakeholder, June 2013

Source: TripAdvisor survey of family travel, March 2010

Cruise passengers spend less per day at the destination than other tourists and stay in port for < 1 day on average



Cruise

- Passengers arriving on cruises
- Likely to be M+ income
- Likely to be older (35+)

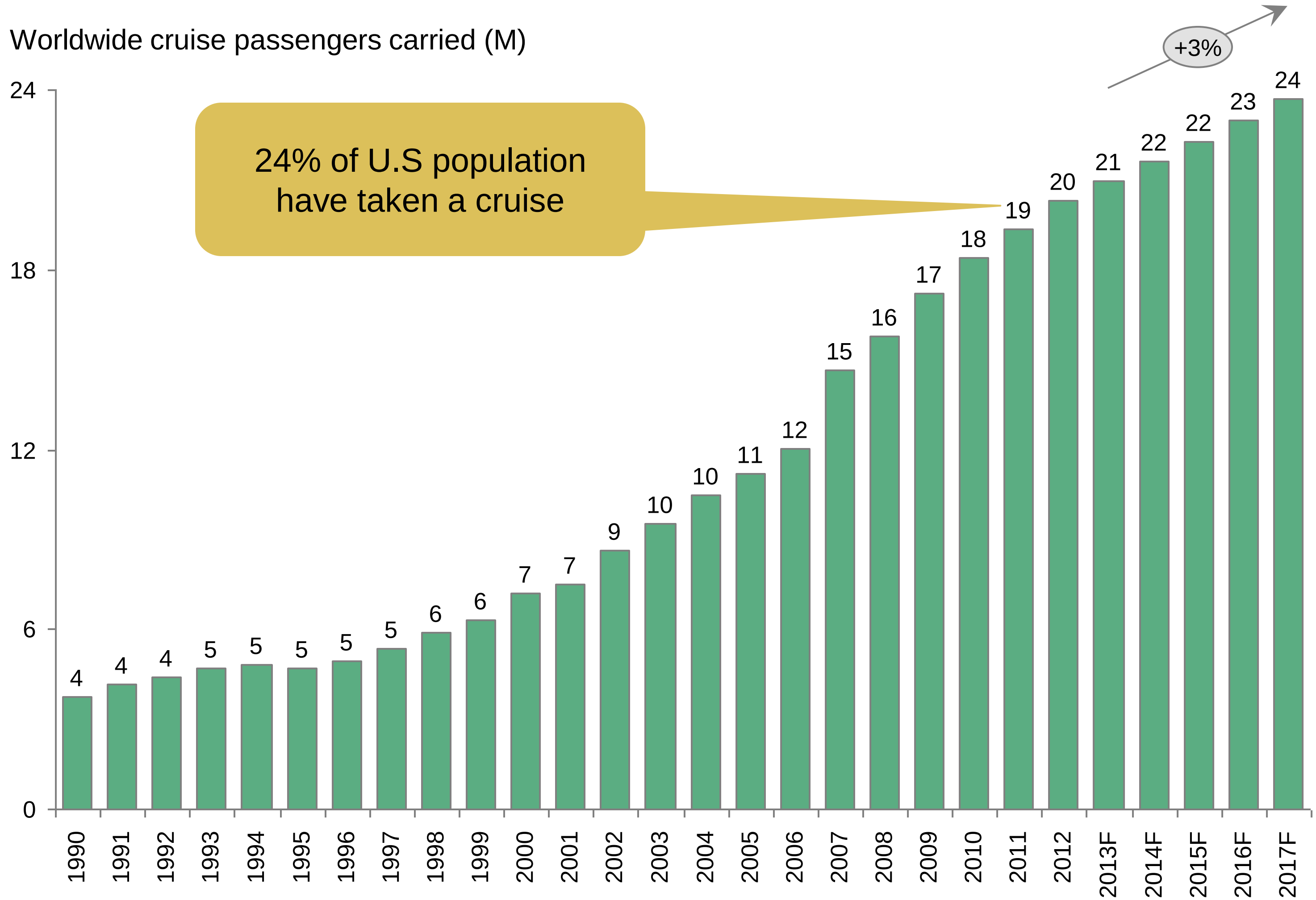
A — Attractiveness to Iceland

- Cruise market is growing at 7% CAGR
- Spend per day significantly lower than other groups of tourists
- Arrivals are seasonal
- Spend an average of 15 hours in Reykjavik port, 9 hours in Akureyri port

B — Appeal of Iceland

- Appeal as part of Scandinavian / transatlantic cruises

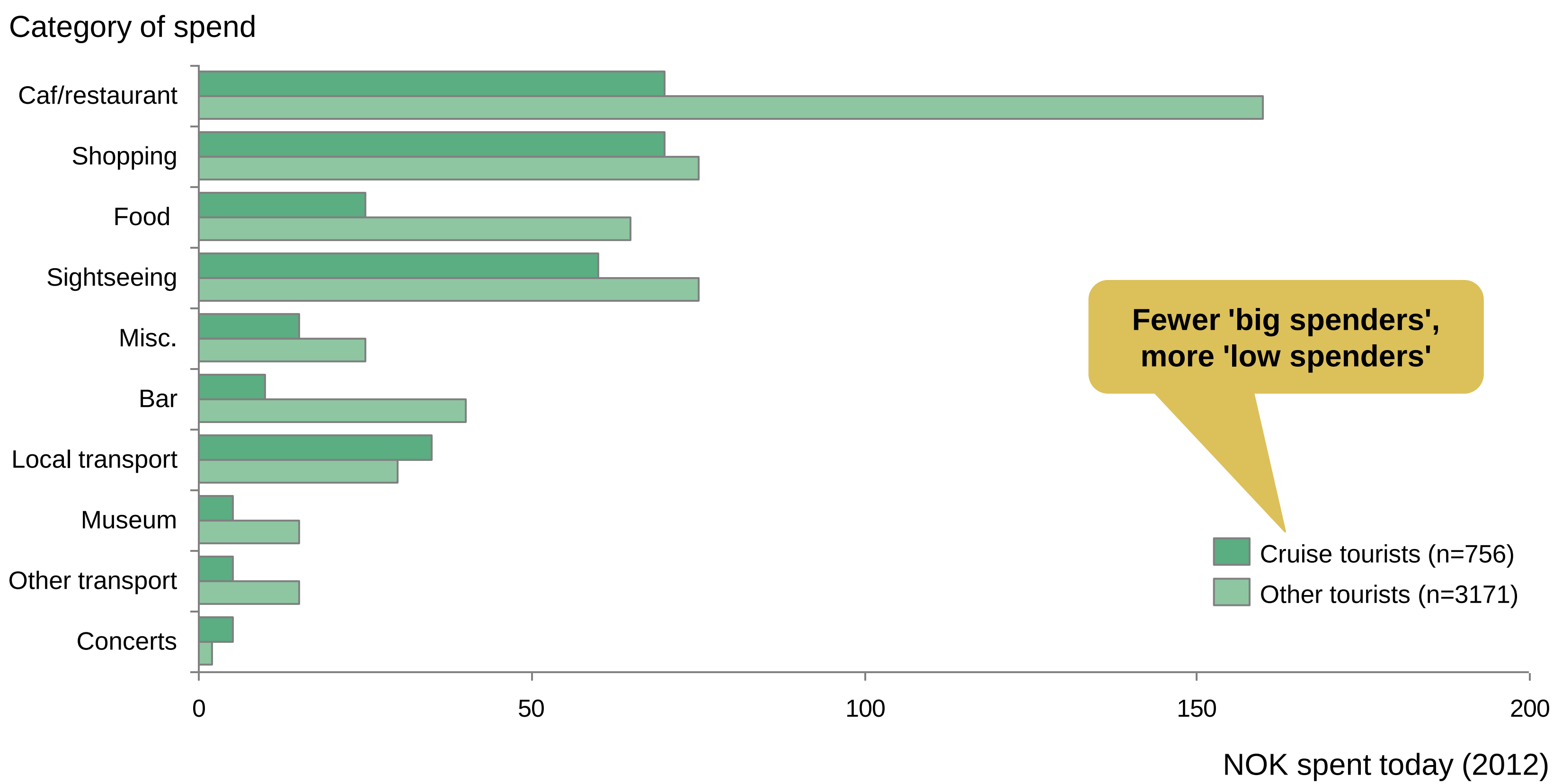
Cruise passengers expected to grow at 3% CAGR to 2017



Source: Cruise Market Watch

Cruise passengers spend less per day at a destination than other tourists

Example: Cruise passengers in Western Norway, Summer 2010



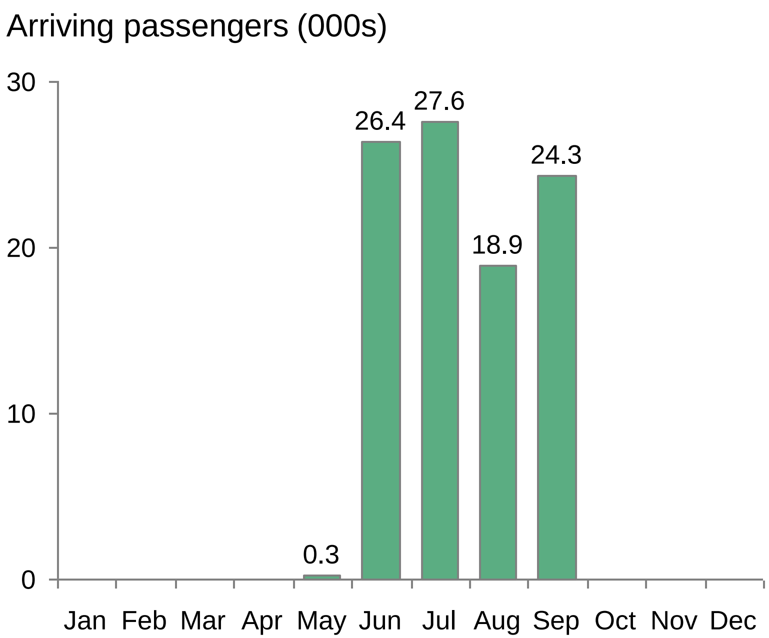
Spend per hour similar for all groups, but cruise passengers spend significantly less time at the destination

Note: spend amounts estimated from charts published in paper
Source: "Belly full, purse closed: Cruise line passengers", tourism Management Perspectives, Feb 2013

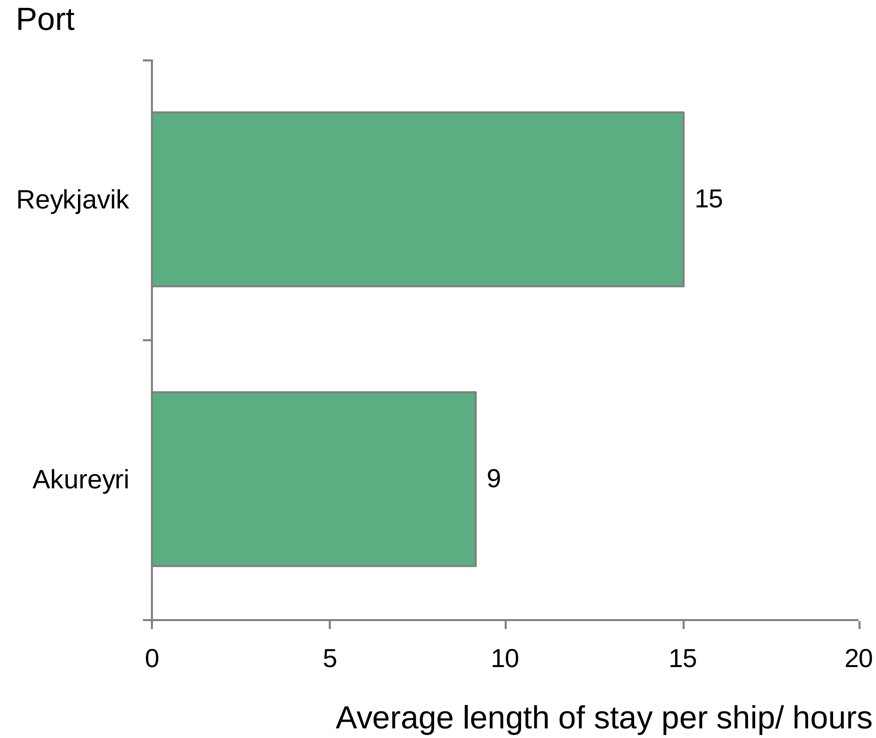
Cruise arrivals seasonal, with v. short average length of stay

Cruise passenger arrivals are highly seasonal

Example: Cruise passengers arriving in Reykjavik 2013



Average length of stay is 15 hours in Reykjavik, 9 in Akureyri



Source: Cruise Iceland, Jun 2013

Niche segments can be attracted via specific events/catering

Examples of attracting niche segments in Iceland today

Example niche	Example attractions
Music	• Iceland airwaves • Bræðslan music festival
Golf	• Midnight golf • The Arctic Open Golf Championship
Food & drink	• Mid-winter festivals in Thorri
Gay & Lesbian	• Gay Pride in August • Bears on ice • Pink party
Marathons	• Reykjavik marathon • Laugavegur marathon
Arts	• LUNGA festival

In the next slides we explore an example: LGBT

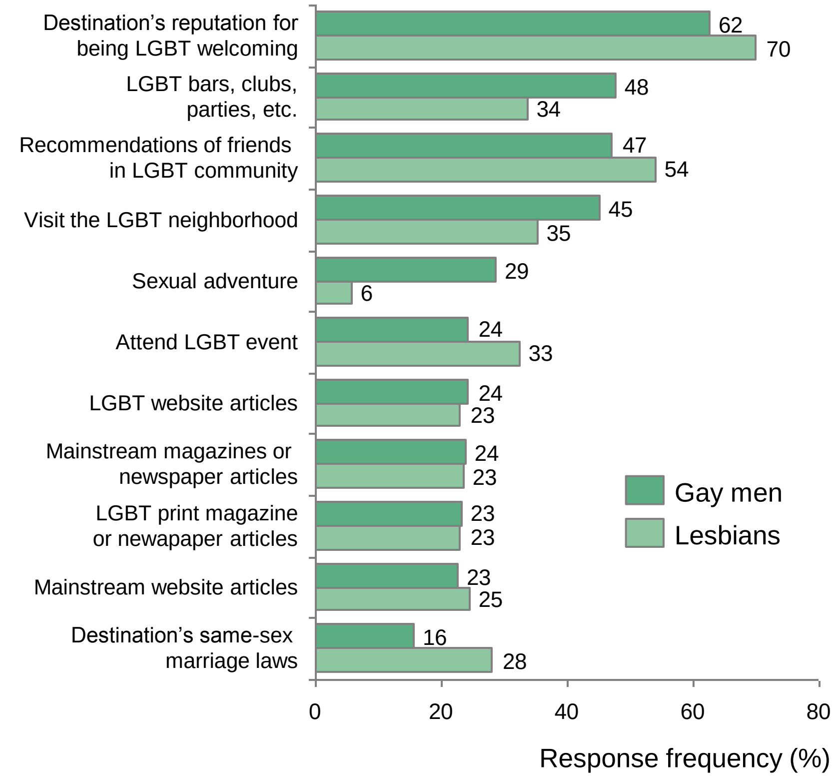
LGBT worldwide market estimated at $165bn in 2012, at least 2/3 of which is influenced by specific LGBT catering

LGBT leisure tourism market estimated at $165B in 2012

Country	Annual LGBT travel spend (US$B)
US	51.2
Brazil	20.4
Japan	*18.4*
Mexico	*7.8*
Germany	11.4
France	11.5
UK	9.3
Italy	8.5
Spain	6.4
Argentina	*3.8*
Poland	*3.7*
Canada	5.6
Australia	*4.2*
The Netherlands	2.5
Total spend	**164.6**

Iceland core market
Other countries

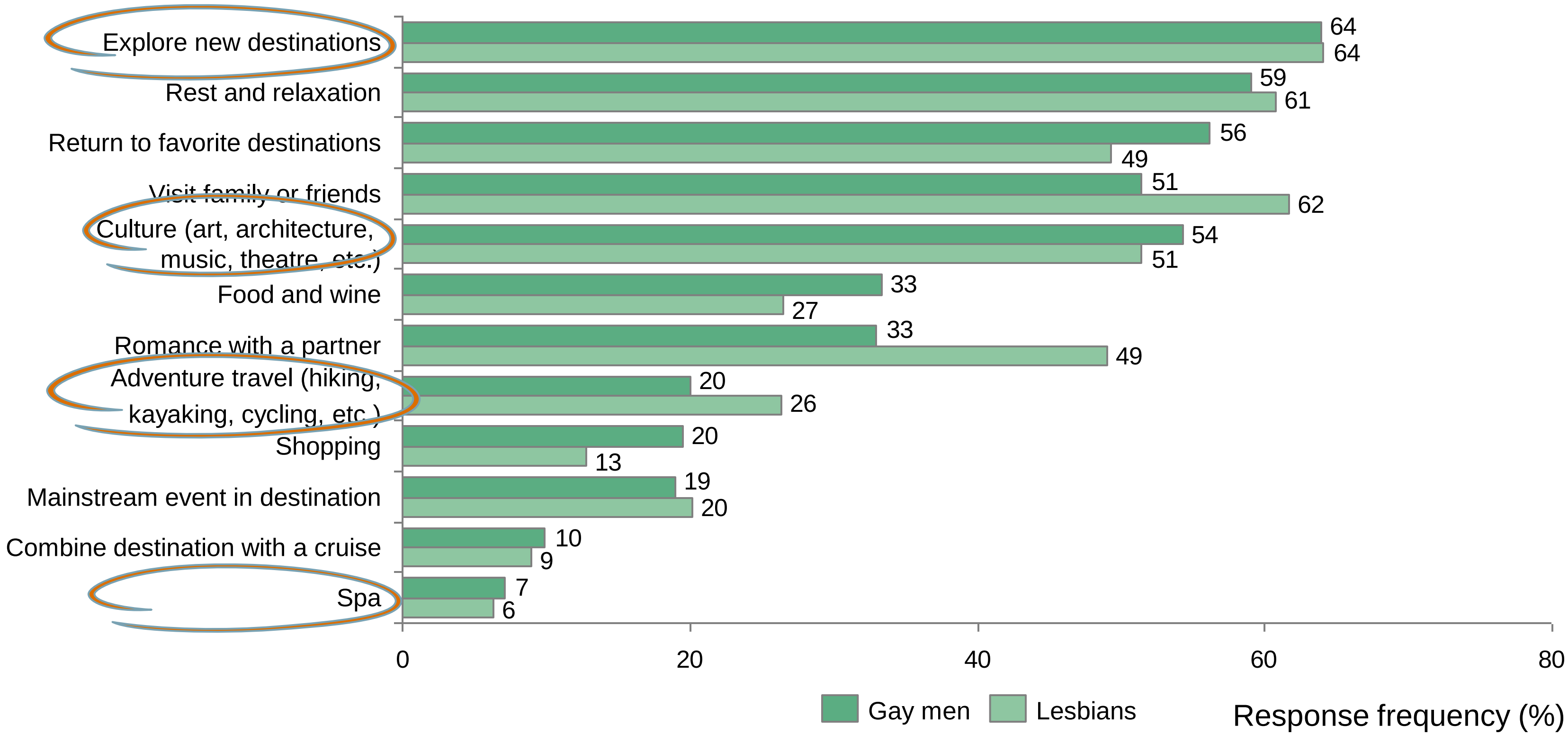
Around 2/3 cite the destination's reputation as LGBT welcoming as a motivation for booking travel[1]



1. Think back to your travels over the past 12 months. From the "Media and LGBT" list below, what are your top motivators for choosing one destination over another? (You can only choose up to five) Respondents were allowed to choose to multiple responses); US Gay and bisexual men N = 5180, US lesbians and bisexual women N = 882
Source: OutNow global LGBT2020; Community Marketing 16th Annual Gay & Lesbian tourism report

Key features of Iceland appeal to LGBT population

Opportunity to increase appeal by developing cultural attractions



Note: Think back to your travels over the past 12 months. From the "everyday" list below, what are your top motivators for choosing one destination over another? (You can only choose upto five) Respondents were allowed to choose multiple response)
Source: Community Marketing 16th Annual Gay & Lesbian tourism report