(The following text is the summary and background analysis of the plan for growth. The full version of the plan is available in Danish at www.evm.dk)

DENMARK AT WORK
PLAN FOR GROWTH IN DANISH TOURISM

The Danish Government
January 2014

SUMMARY

The tourism experience economy constitutes a growth industry for Denmark. Tourism in Denmark generates approx. DKK 82bn in revenue and 120,000 full-time-equivalent jobs annually.

The tourism experience economy has a cohesive effect on Danish society. Almost all jobs created as a result of tourism are in the service sector, and are distributed across all parts of the country. One of the characteristics of tourism-generated employment is that it also creates jobs for people with short-cycle education and for a great many non-ethnic Danes. As such, tourism is a broad-based driver for growth and welfare at every level of Danish society.

In relation to its neighbouring countries, Denmark has a relatively large tourism industry. However, growth in Danish tourism has stagnated in recent years. In the period 2007-2012, Denmark experienced a recession in international tourism, while Europe as a whole enjoyed growth. This means that Denmark has lost market share to competitors in Europe.

However, this negative trend spans a dual reality. While Denmark has achieved growth in city and business tourism, it has suffered a significant decline in coastal and nature tourism. Tourism in Copenhagen, for example, achieved growth in 2008-2012 of approx. 35 per cent, while the average growth in tourism in comparable European cities was approx. 29 per cent.

If Denmark is to gain a larger share of the growth in city and business tourism and reverse the trend in coastal and nature tourism, there is a need to step up its tourism promotion efforts. The price of tourism services is a key competitive parameter globally, but since Denmark is neither willing nor able to compete on wages or conditions of employment with countries such as Bulgaria and Thailand, its competitiveness in the tourism industry must necessarily be based on other parameters such as positive experiences, superior quality and excellent service.

Denmark's strengths must be given greater visibility in order to unlock the potentials of international tourism where tourists from the new growth markets such as Russia and China are increasingly prominent.

On the one hand, the immediate potentials and strengths within city tourism and business tourism must be maximised; on the other hand, Denmark needs to address the positions of strength and intrinsic, product-related

challenges prevailing within coastal tourism and in relation to its neighbouring markets, including, not least, the sizeable German market.

One key challenge and focus area that cuts across city tourism, business tourism and coastal and nature tourism is to raise the Danish level of service and the Danish service culture generally. The Danish Government's position is that efforts need to be made across a broad front in the Danish tourism industry to raise the level of service and standards of quality so that tourists feel they are receiving "value for money".

The Growth Team for Tourism Experience Economy has recommended the creation of a strong organisation and concerted nationwide strategy. The tourism promotion efforts are to be organised so as to achieve greater effect from the investments made. The efforts are to be greater in scale, and the many ongoing initiatives are to be better coordinated. Central government allied with regional and local governments will facilitate enhanced organisation of Danish tourism promotion efforts.

Given that tourism is an internationally competitive industry, the Government is aware of the need for efforts to boost the international competitiveness and framework conditions of tourism in Denmark. Under the Danish Government's reform programme, Plan for Growth DK, the corporate tax rate has been reduced to make it more attractive to invest and conduct business in Denmark. In addition, as of 1 January 2014, the VAT offset for business hotel stays in Denmark was increased from 50 to 75 per cent. This new VAT allowance rule will boost Danish tourism revenue by a total of DKK 220m per annum from 2014 onwards.

The Government has also extended Bolig Job Ordning, a tax-break scheme that incentivises home owners and tenants to purchase skilled labour and services, so that it now also applies to the owners of various forms of second homes (e.g. holiday homes, weekend cottages, homes exempt from the year-round residency requirement), and has extended the scheme period so that it applies to the 2013-2014 period inclusive. The owners and tenants of second homes are now also eligible for the tax break on purchase of services (e.g. cleaning) and home improvements.

Another factor in the competitiveness of the Danish tourism industry is the ease and seamlessness of the procedure for tourist and business traveller visa applications. The Danish Government has decided to introduce a "Red Carpet" scheme, to eliminate red tape and facilitate visa applications for business travellers. In addition, an adjustment will be made to Danish travel agency and tourism schemes that will entail that travel agencies in countries such as China and Russia can gain accreditation regardless of whether they are associated with an accredited travel agent or accredited hotel chain/holiday home letting agency in Denmark. This means that a larger group of tourists will gain easier access to a visa for visiting Denmark.

The vision for the plan for growth is:

- In the period up to 2020, the Danish tourism experience economy is to achieve growth rates of at least the same level as predicted for the other European countries.

The plan for growth was drawn up on the basis of recommendations from the Government's Growth Team for Tourism Experience Economy, and with contributions from a wide circle of stakeholders representing the Danish tourism experience economy.

The plan for growth is to pave the way for achieving the above-stated vision of growth and employment in the tourism industry.

1. Danish tourism must be quality tourism
2. City and business tourism must be stimulated in order to attract more tourists from countries such as China and Russia.
3. Coastal and nature tourism must be promoted and attract new tourists from Denmark's neighbouring countries.
4. Denmark's tourism promotion efforts must be better organised and coordinated under a concerted national strategy in order to achieve greater scale and stronger impact from financial investments.

If the Danish tourism experience economy is to achieve growth rates to match those anticipated in the other European countries in the years up to 2020, according to VisitDenmark's forecasts, this will entail an increase of approx. DKK 4bn in tourism revenue in 2020 relative to 2012. To that end, over the coming years, the plan for growth will support the realisation of an increase in the employment rate within the Danish tourism experience economy of the order of several thousand new jobs.

Focus areas and initiatives in the plan for growth

Danish tourism must be quality tourism
1. A standard will be developed for Danish quality tourism 2. Partnering on operating and developing the digital tourism infrastructure 3. Development of a "Denmark Direct" online booking platform 4. Evaluation of opportunities for extending municipal hotspots to more municipalities 5. Education and expertise within the tourism industry to be boosted 6. Promote knowledge exchange between the tourism industry and higher education 7. Tourism industry to be implemented as a priority area in the national system for technology-based promotion of trade and industry and enterprise promotion 8. Attract more foreign tourism investment to Denmark
Growth in city and business tourism
9. Orientate the Danish cultural tourism product towards an international public 10. Step up efforts to attract more Chinese and Russian tourists 11. Promote international publicity for Denmark 12. International events to place Denmark on the world map
Developing coastal and nature tourism
13. Develop Danish coastal tourism along the Jutland west coast and around the Baltic Sea 14. Danish countryside and natural features to be utilised more actively as a tourism product, including the new national parks 15. Development of world-class bicycle tourism 16. Increase tourist satisfaction with culinary offerings 17. Boost small scale tourism on islands and in rural districts 18. Boost the general digital infrastructure, including better broadband and mobile coverage in holiday-home zones 19. Simplification of rules
Better organisation of tourism promotion efforts
20. Creation of a national tourism forum 21. Boost innovation and development initiatives for Danish Coastal and Nature Tourism, Danish Business and Conferencing Tourism and Danish City Tourism. 22. A joint national tourism strategy 23. Better opportunities for long-term strategic marketing

THE DANISH TOURISM EXPERIENCE ECONOMY TODAY

In 2011 the Danish tourism industry generated revenue of DKK 82.4bn. Of this, foreign tourists accounted for DKK 34.1bn, corresponding to 3.6 per cent of Denmark's export revenue.

Including derived effects, tourism consumption accounts for almost 120,000 full-time-equivalent jobs in Denmark, corresponding to 4.3 per cent of total employment. These are localised jobs that cannot be relocated to other countries.

Denmark has a strong starting point, with almost as many foreign tourists as Sweden and Norway put together.

Tourism provides employment for a large number of unskilled workers, people with short-cycle education and non-ethnic Danes, as compared with Danish trade and industry as a whole. Tourism employment is made up of 57 per cent unskilled workers, while the equivalent figure for Danish trade and industry overall is approx. 35 per cent.

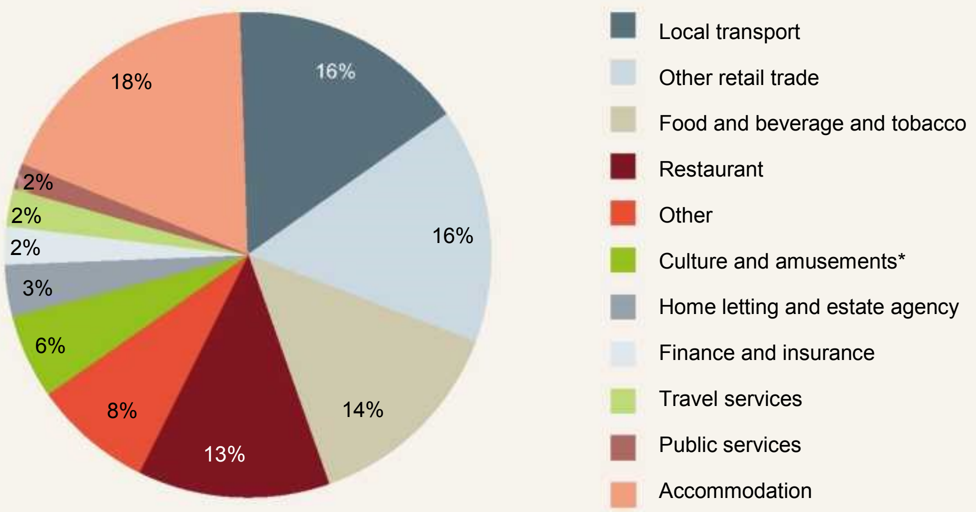
Danish tourism represents a wide range of businesses, including traditional tourism undertakings such as hotels, conference centres, camp sites, holiday home letting, travel agencies and restaurants, but also generates custom for a number of other segments such as transport and retail trade, where primary operations are not necessarily tourism-related.

The experience economy encompasses a wide range of experiential attractions such as cultural experiences, gastronomic experiences, amusements and sporting events in which tourism accounts for a large share of revenue in these undertakings, but where other shares of revenue are not directly tourism-related.

Business segments comprised by Danish tourism and experience economy

- Accommodation businesses including hotels, conference centres, holiday home letting, camp sites etc.
- Transport businesses including rail services, scheduled bus services, metro services, taxicab services, chartered coach services, sea transport, scheduled air services, car rental agencies etc.
- Travel services including travel agencies, tour operators and booking services etc.
- Restaurants and other drinking establishments etc.
- Culture and amusements including museums, zoos, sporting events, amusement parks, marinas and other recreational and leisure activities.
- In addition, tourist-based consumption also extends to sectors including the food industry, petrol and other fuel products, the manufacturing industry as well as retailing and wholesaling.

Figure 1:Tourism revenue by sector



Source: "Financial impact of tourism 2011", VisitDenmark.

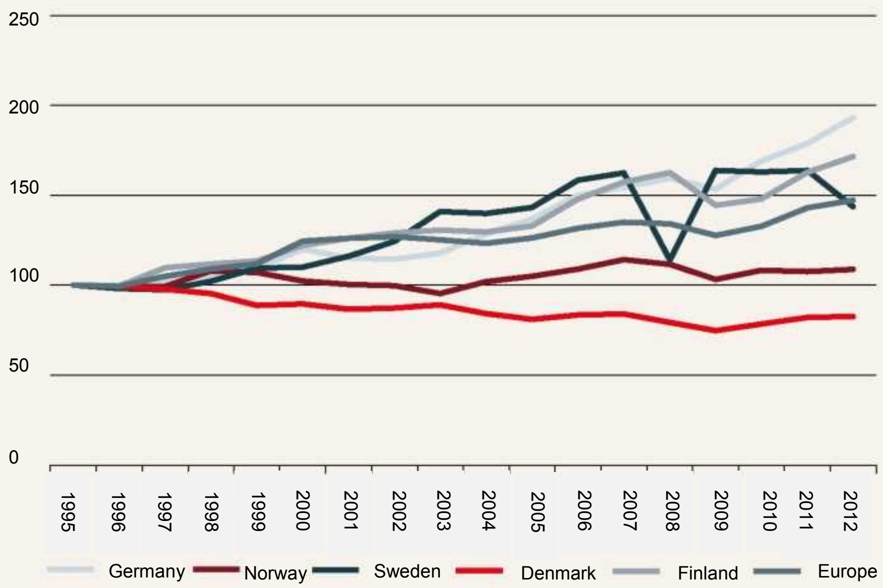
Challenges facing Danish tourism and experience economy

Recent years have witnessed a boom in international tourism and experience economy. This is due partly to the growing middle class in the growth markets, e.g. China, Russia and Brazil, which can now increasingly afford to travel.

According to UNWTO, global tourism is growing significantly more than anticipated. From 2011 to 2012 there were 40 million more bednights worldwide, corresponding to growth of 4 per cent in global tourism. This was thus a world first, with more than 1 billion international bednights within international tourism. According to Statistics Denmark, in the same period, Denmark suffered a fall of 1.4 per cent in the number of international bednights in Denmark.

One reason for this fall in international bednights in Denmark stems from new travel patterns and new destinations which attract many tourists from Denmark's traditional neighbouring markets. Tourists do not turn up in Denmark 'out the blue', and increasing numbers have rejected Denmark as a travel destination. Compared with neighbouring European countries, Denmark is losing market share; see Figure 2.

Figure 2: International bednights in selected countries (1995=100)



Source: National statistics agencies and Eurostat for the individual countries and Tourism Economics for Europe as a whole.
Note: The fall in international bednights in Sweden in 2008 was due to a change in the way of counting overnight stays at camp sites.

Another factor underlying the decline in international bednights is the trend in travel consumption whereby tourists are tending to travel more frequently but for a shorter period as compared with in the past. This trend is believed to be a contributory factor in the fall in the number of German bednights in recent years, for example.

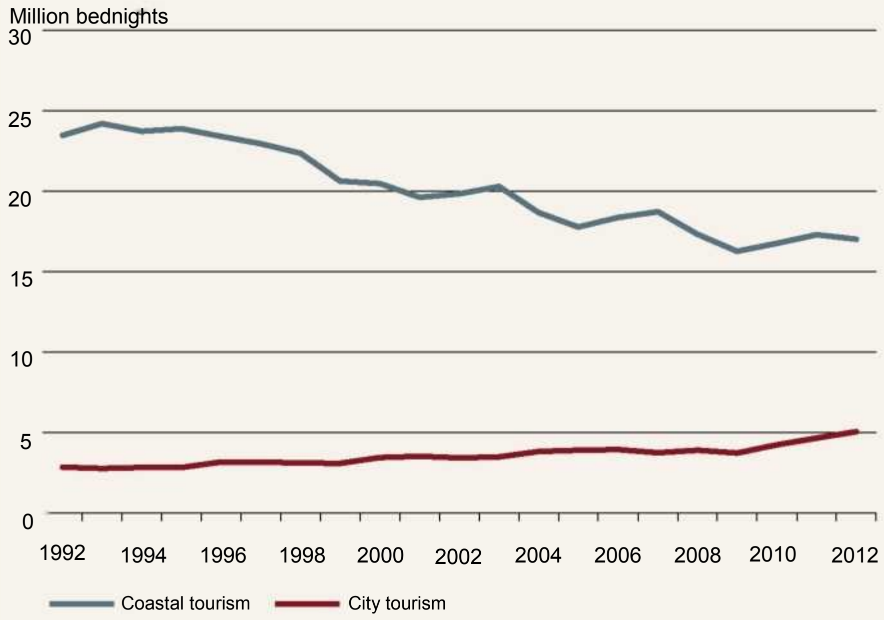
A third factor behind the decline in Danish tourism is the relationship between price and quality in Denmark. Denmark is challenged by a relatively high wage and cost level as compared with neighbouring countries. This is reflected in the fact that Denmark is one of the most expensive countries in Europe for tourists to stay in.

Consequently, Denmark achieves a low ranking among other destinations when international tourists rate the quality of the Danish tourism product. VisitDenmark's tourist survey from 2011 and the Centre for Coastal Tourism survey from November 2013 indicate that international tourists name value-for-money as the main downside of Denmark. German tourists especially do not rate Danish quality as matching the price.

Finally, there is the crucial challenge that Denmark in the global arena is a minor destination and that awareness of Denmark abroad remains limited.

The trend in Danish tourism is a dual reality. While city tourism achieved growth of 78 per cent from 1992 to 2012, coastal tourism was set back 27.5 per cent in the same period; see the figure below

Figure 3:International bednights within coastal tourism and city tourism in Denmark



Source: Statistics Denmark

Note: The figures include both leisure and business bednights.

Defection from Denmark comes mainly from the traditional core target groups; primarily German and Swedish families, who previously holidayed on the Danish coasts.

Potentials for Danish tourism and experience economy

Given the buoyancy of international tourism and the general European boom, Danish tourism and experience economy have growth potential. Denmark needs to make the most of its strengths and comparative advantages in order to attract tourists and gain a share of international growth.

Danish tourism must be quality tourism

Denmark cannot and should not compete on price in the global competition for international tourists. Danish tourism must be quality tourism. High levels of service and quality have the potential to revitalise and boost Danish tourism.

Danish tourism should be known for its world-class service and superior standards. This applies to personal attention and service to tourists, accommodation facilities, culinary experiences, tourist information, road signs, language barriers etc.

Growth in city and business tourism

City and business tourism, notably in Copenhagen, has achieved growth in recent years. Tourism in Copenhagen, for example, achieved growth in

2008-2012 of approx. 35 per cent, while the average growth in tourism in comparable European cities was approx. 29 per cent1.

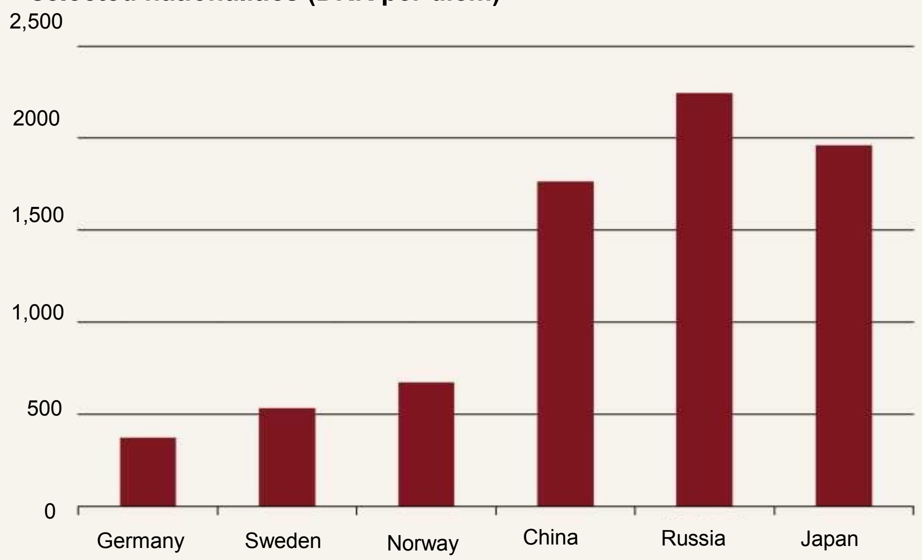
This growth is to be sustained through development of Denmark's strengths, retention of existing tourists and attraction of high-consumption tourists. More tourists are to be attracted to city and business tourism from both our neighbouring markets and the new growth markets which appreciate Danish high-end products and Danish culture, architecture, design, gastronomy etc.

More than 80m Chinese holidayed abroad in 2012, and the prediction is that 25m Chinese will be taking their first holiday abroad every single year of the coming decade. In 2012, there were 114,103 Chinese bednights in Denmark, which is more than a doubling since 2009[2]. Similarly, a large number of Russians have started to travel abroad. From 2007 to 2012, the number of registered Russian bednights in Denmark increased by almost 90 per cent[3].

If the growth in tourism from China and Russia increases by 12 per cent per annum, corresponding approximately to recent years' growth rates, by 2020 Denmark will have approx. 240,000 Chinese and 285,000 Russian bednights. As such, both China and Russia might potentially be among the 5-10 most important markets for Danish tourism and experience economy by 2020.

Add to this that Chinese and Russian tourists and business travellers account for high per diem travel consumption. As shown in Figure 4, the average Chinese and Russian tourist spends approx. DKK 1,800 and DKK 2,400, respectively, per day.

Figure 4: Estimated per diem consumption in Denmark for selected nationalities (DKK per diem)



Source: VisitDenmark

Note: The figure includes all types of bednights including family visits and one-day tourism. The average per diem consumption includes both coastal and nature holidaymakers and city holidaymakers. Per diem consumption for tourists on city holidays is higher on average than for tourists on traditional coastal and nature holidays.

1 Source: European Cities Marketing Benchmarking report 2012.
Note: In addition to Copenhagen, the figures include Oslo, Stockholm, Helsinki, Berlin, Hamburg, Amsterdam, Vienna, London and Barcelona.

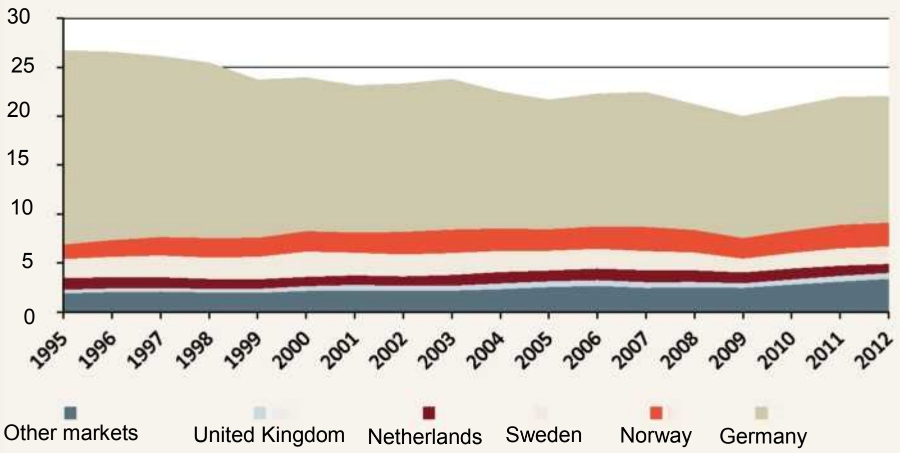
2 VisitDenmark

3 VisitDenmark

Developing coastal and nature tourism

Coastal and nature tourism accounts for the largest share of revenue and employment in Danish tourism today, primarily attracting tourists from neighbouring Germany, Sweden and Norway; see figure 5.

Figure 5: International bednights in Denmark from the core markets, 1995-2012 (millions)



Source: Statistics Denmark

Although the trend in coastal and nature tourism has been declining in recent years, it is still the main market for Danish tourism. Denmark's neighbouring markets exhibit high travel intensity and constant demand for high-quality travel and holiday products[4].

Reversing the trend within coastal and nature tourism will mean attracting tourists from neighbouring markets by targeting the Danish tourism product at new tourist segments and customer categories from mainly Germany, Sweden and Norway.

VisitDenmark's tourist survey from 2011 indicates the high potential that exists in the target group referred to as "the good life". This target group consists of young adults and adult couples without children who go on holiday to enjoy life, experience natural scenery, cultural amenities, cycle rides, gastronomy etc. This target group mainly comes from Germany, Norway and Sweden, and secondarily from the Netherlands and the UK, and is characterised by its high-level consumption.

4 VisitDenmark