

Perspectives of Internet distribution in the 10 new EU countries - with particular emphasis on Poland

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Overview

1. Trends in Internet distribution in old EU15+3.

Looking into 10 new EU countries:

2. Basics: Population - and GDP per capita. Internet penetration, .. payment cards.

3. Which travel services will drive online sales in the 10 new EU countries?

4. Comparison of airticket prices, online

5. Briefly: Regional airports in Poland

1. Trends in Internet distribution in Western Europe, i.e. old EU15+3, 1998–2003-2006

See this website:
www.crt.dk/trends

Summary

Trends in Internet distribution in old EU15+3.

- The UK became the largest online travel market in Europe already in 1999, and extended its lead during 2000, 2001 and 2002.
- Germany had been losing share since 1998, when it was the largest market, but regained share in 2003.
- The advent of the no-frills (low cost) airlines, not least on the in the UK was an important driver behind the increase in the UK online travel market during 1999 to 2001.
- New locally based low cost airlines contributed to Germany's increase in share in '03.
- Growth was very high during 2003, 44%, and a further increase of about 27% may be expected during 2004.
- The W. European online travel market may reach EUR 20.5 bn. by 2006, which is about 8.6% of the total market.

2. Basics

Population - and GDP per capita

	Population 2002	Population 2003	GDP per cap. '98 \$	GDP per cap. 2002 \$
EU15+3	390,4	389,2	22.406	23.319
EFTA 3	12,1	12,2	33.909	38.527
EU 15	378,3	377,0	21.885	22.832
10 new	74,6	74,4	4.542	5.540
EU 25	452,8	451,4	19.030	19.985
EU 25+3	465,0	463,6	19.418	20.468
10 / EU15+3	19%	19%	20%	24%

Source: ITU, International Telecom Union

Population - and GDP per capita

Poland: 52% of people in 10 new EU countries

	Population 2003	Population 2003%	GDP per cap. 2002	GDP +% p.a. 98-'02
Poland	38,6	52%	4.903	4,4%
Hungary	10,3	14%	6.483	8,8%
Czech Rep.	10,1	14%	6.854	5,7%
Slovakia	5,4	7%	4.405	1,9%
Lithuania	3,3	4%	3.988	6,6%
Latvia	2,3	3%	3.605	8,3%
Slovenia	2,0	3%	11.000	2,4%
Estonia	1,3	2%	4.706	5,3%
Cyprus	0,7	1%	14.167	2,9%
Malta	0,4	1%	9.750	2,7%
10 new EU	74,4	100%	5.540	6,3%

Source: ITU, International Telecom Union

Internet penetration, PC, fixed line telephone and mobile phone density

	Internet% 2002	PC % 2002	Tel. lines % 2003	M-density 2003
EU15+3	36%	35%	56%	84%
EFTA 3	42%	63%	73%	87%
EU 15	36%	34%	56%	84%
10 new	22%	13%	33%	60%
EU 25	33%	31%	52%	80%
EU 25+3	34%	32%	53%	80%

Source: Based on ITU, International Telecom Union

Internet and PC usage in the 10 new EU countries

Poland: 50% of all Internet users in 10 new.

	Internet% 2002	Internet% 2003	Net users 2002	Net users 2003	PC % 2002	PCs mill. 2002
Poland	23%	23%	8,88	8,97	11%	4,08
Hungary	16%		1,60	1,60	11%	1,10
Czech Rep.	26%	27%	2,60	2,70	18%	1,80
Slovakia	16%	26%	0,86	1,38	18%	0,97
Lithuania	14%	21%	0,50	0,70	11%	0,38
Latvia	13%	41%	0,31	0,94	17%	0,40
Slovenia	38%		0,75	0,75	30%	0,60
Estonia	33%		0,44	0,44	21%	0,29
Cyprus	29%		0,21	0,21	27%	0,19
Malta	30%		0,12	0,12	26%	0,10
10 new EU	22%	24%	16,28	17,80	13%	9,9

Source: Based on ITU

The 10 new EU countries added the following to the old EU15+3:

- + 19% to the population
- + 12% to the Internet users of EU
- + 5% to the GDP of the old EU15+3

... but will add only a few percent in Internet sales of travel/tourism services this year, since the low cost airlines have just started in the new EU-countries. - But they are now taking off!

Payment cards – for online bookings
 – are no major problem in Poland (?):
Those who travel are likely to have one, already now.

Payment card type:	Million 2001	Million 2002	Million 2003	Million 2008
Debit cards	12,7	15,0	15,6	
Credit cards	0,6	0,8		
Charge cards	1,1	1,0		
Total, Poland	14,4	16,9	17,4	25,7
Sources:	danskebank.die-bank.de, / euromonitor, May '04			
Population	38,6	38,6	38,6	39
Pay card %	37%	44%	45%	66%

2002: "16.9 million cards, of which 89% debit cards (2/3 Mastercard, 1/3 Visa Electron), 5% credit cards (2/3 Visa, 1/3 Mastercard); 6% charge cards". Source: die-bank.de, April 2004.

Polcard.pl: "The Company offers merchants the opportunity to accept international cards - Visa, Visa Electron, MasterCard, Maestro, MasterCard Electronic, Diners Club, JCB, as well as domestic cards -- PolCard, PolCard Bis. -- ... AmEx cards. " Online travel marketers in Poland tend to offer Master and Visa only, not PolCard!?"



3. Which travel services will drive online sales - in the 10 new EU countries?

A pretty safe bet would be that it will be airtickets

.. most likely for low cost airlines ..
(high percentage of their sales online)

.. but also for traditional airlines

.. and hotels

Low cost airlines - based in the new EU countries

Skyeurope, based in Bratislava, Slovakia. 2 hubs in Poland:
Flies to 7 destinations from Warsaw, 5 from Krakow.
Fleet: 7 Boeing 737-500 and 6 Embraer 120ER, i.e. **13 aircraft**.
Skyeurope will transport more than 1 million passengers in 2004.
Skyeurope sells through the Internet, call centre and Amadeus (GDS).

WizzAir, operational bases in Katowice and Budapest.
Flies to 8 destinations from Katowice, 5 from Warsaw, 2 from Gdansk.
And flies to 8 destinations from Budapest.
Fleet: **6 Airbus A320** by summer '04.

Airpolonia, based in Warsaw. Air Polonia's passenger fleet consists of a total of **4 Boeing 737-400 aircraft** (Sept. '04).
Flies to 7 European destinations from Warsaw
+ to London from 5 other Polish airports, including Gdansk.
Airpolonia charges extra for call centre bookings, thus pushing online sales.

SmartWings, based in Prague. No routes to/from Poland.

easyJet

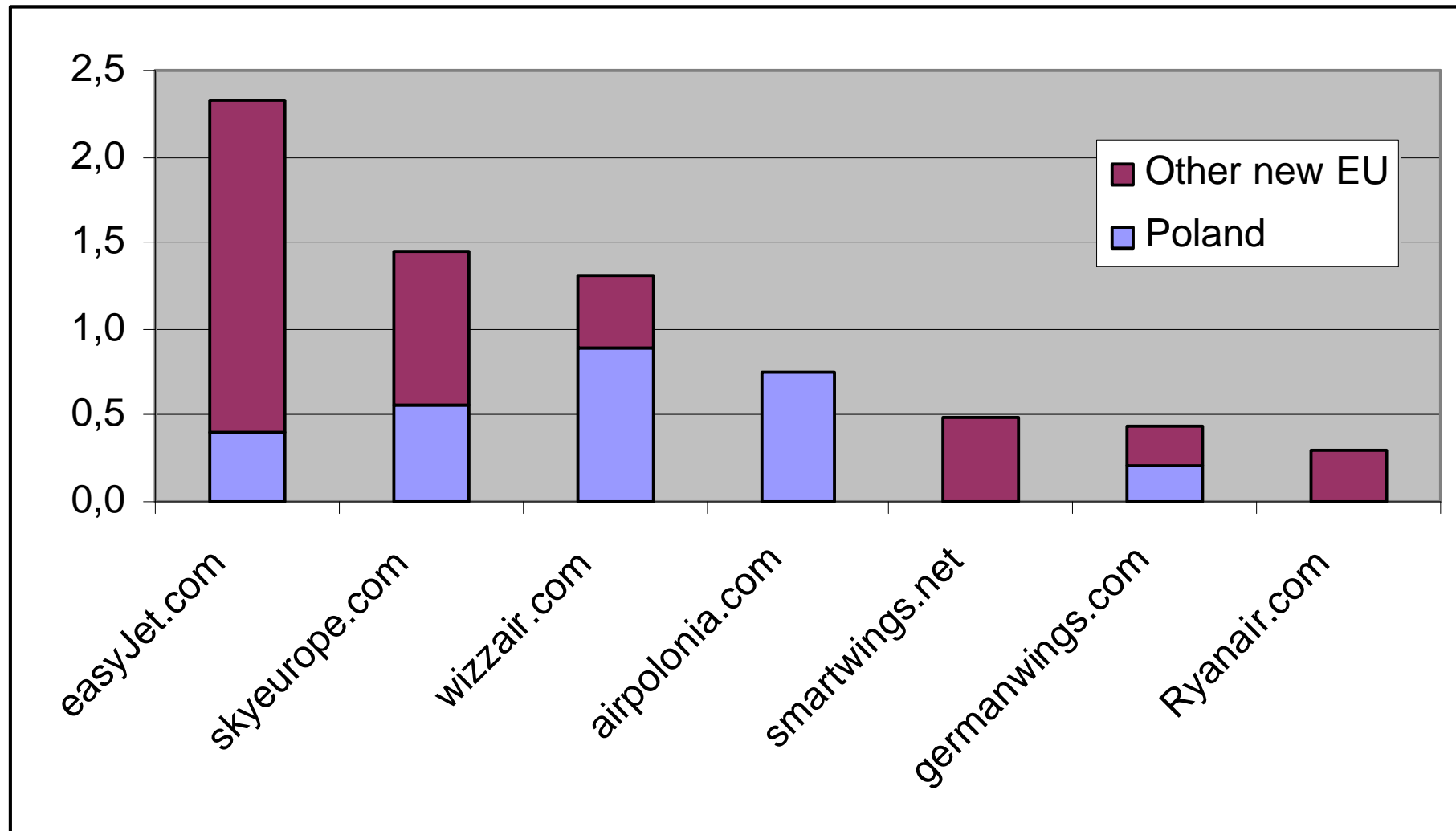
easyJet will have routes to/from 7 of 10 new EU countries before the end of 2004
(i.e. all except Lithuania, Malta, Cyprus)

easyJet currently flies to 3 cities from **Krakow**
(London Luton 7*/w, Dortmund 7*/w, Berlin 6*/w),
and to London Luton from **Warsaw** (14*/w).
[This could add up to ~400k passengers in 12 months.]

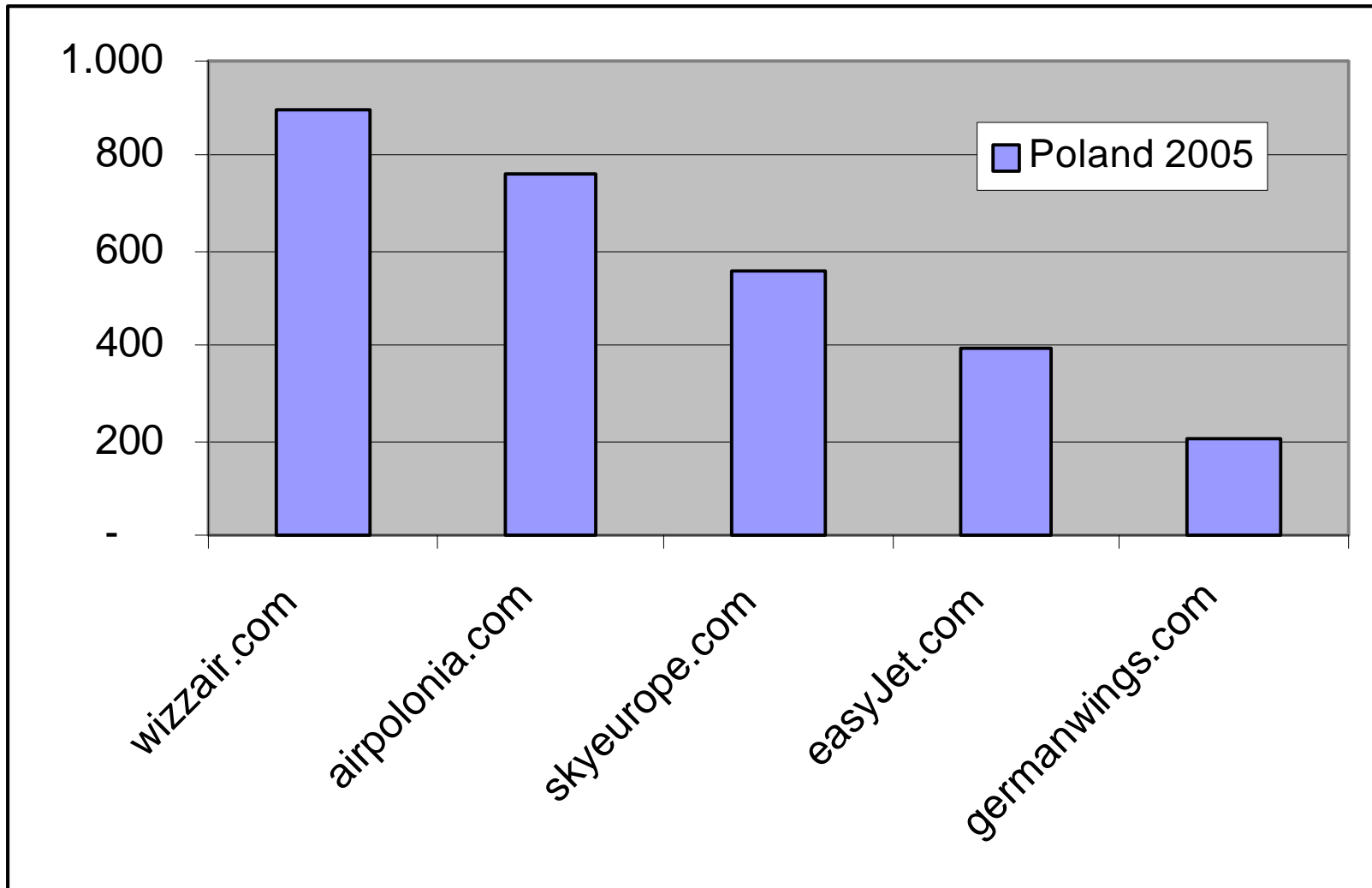
easyJet will carry "**over 2 million passengers**" on routes to/from and the new EU-countries in 2005, part of which will originate from the new member states (PR 13/7 2004).

For comparison: Ryanair has routes to/from only 1 of 10 new EU countries (Latvia)

Likely passengers by 4 local and 3 other low cost airlines – on routes to/from new EU members 2005



5 low cost airlines may carry
2.8 million passengers on
routes to/from Poland in 2005.



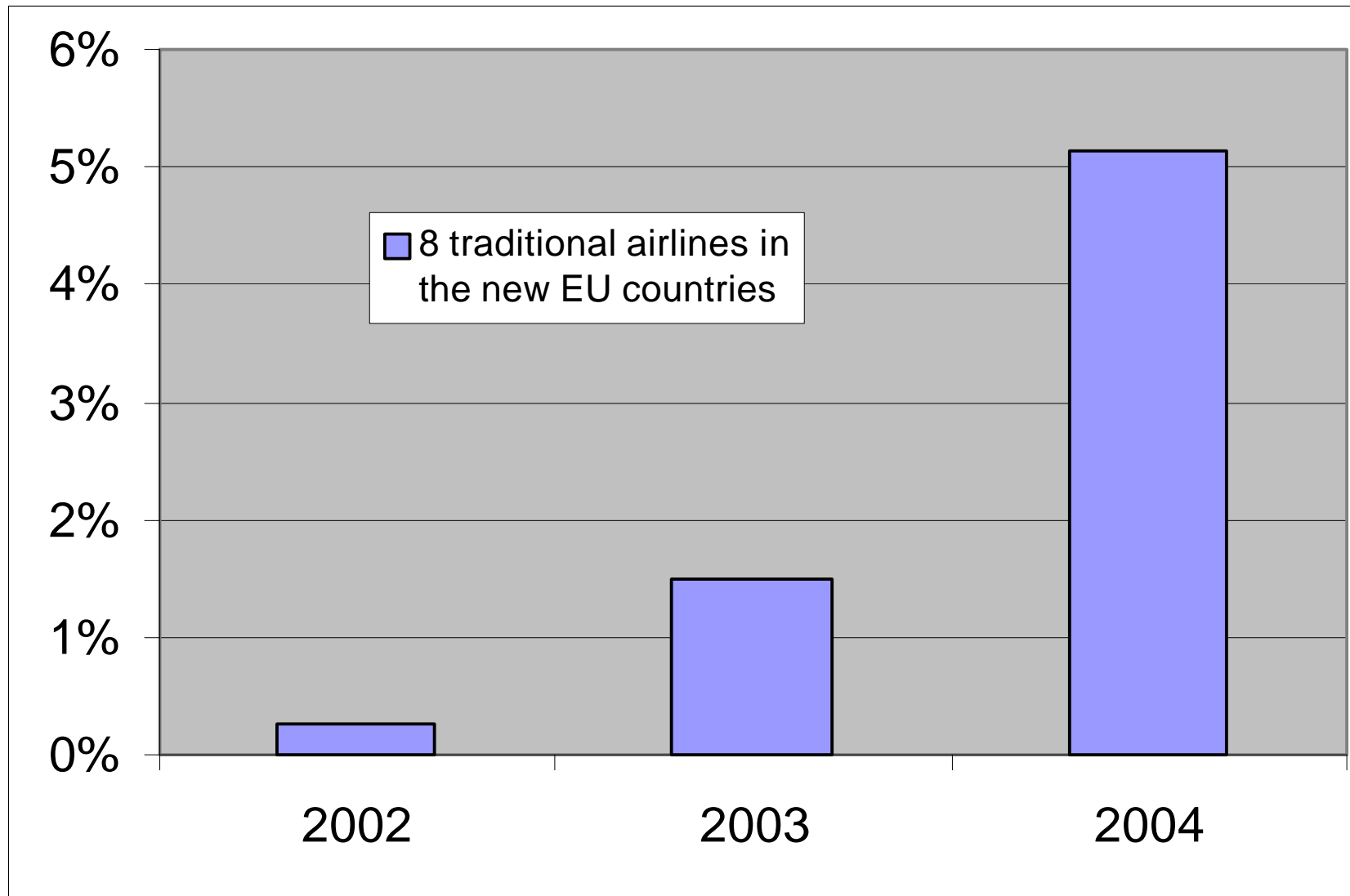
5 low cost airlines – serving routes
to/from Poland – got a high
percentage of online sales in 2004

wizzair.com airpolonia.com skyeurope.com
easyJet.com germanwings.com

55-75%
→ 62%
online

~ 85%
online

The online sales of 8 'traditional' airlines – including LOT - in the 10 new EU countries increasing quickly.



NB: airBaltic.com and estonian-air.ee: ~20% of ticket sales online in 2004!

Hotels in Poland, in 2003: Orbis Hotel Group had

- 6% of the hotels (65 of 1155)
- 10% of the rooms (11341 of 177100)
- 12% of sold room nights
(44% occupancy rate vs. 36% average)
- Up to 16% of the room revenue
(more stars than the Polish average)
- Probably 30% of Internet sales

Direct online sales by hotels in Poland, 2003, i.e. not including online agents

Orbis Hotel Group 4.1% of room revenue online *

Others ~ 2.6% online, i.e. below leader; Total: ~ 2.8% online, average

Orbis Hotel Group EUR 3 million, online, 2003

Other hotels' own websites in Poland: ~ EUR 7 million.

All hotels' own websites in Poland: ~ EUR **10** million. Poland ~half of new EU.

*) The online percentage for 2002 for Orbis Hotel Group has not been published, but the corresponding percentage for 2002 was definitely much lower. --
In Q3.2004 further "**systematic growth**" in Orbis' online sales was reported.

For comparison, the Accor Group, with 3900 hotels worldwide, including many Orbis hotels, got 5.6% of its lodging revenue online via its hotel website accorhotels.com etc. corresponding to EUR 300 million, up from 3.6% in 2002.

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[INFOLINE +48 502 805 805](#)

If customers can make a saving by booking online, this furthers online bookings.

Modify search criteria

Date from: 16 November 2004
days: 1
to: 17 November 2004
Room type: Single
Hotel name: -- No preference --
Hotel brand: -- No preference --
Location: Sopot
Rooms: 1

NEW SEARCH

Search criteria

Destination: Sopot Hotel: all

Arrival date: 2004-11-16, Nights: 1, Room type: single room, Quantity: 1

Search results

[Info](#) - Sales conditions
[R](#) - Reservation
[K](#) - Calculation / currency
[Hotel info](#)

SOPOT, HOTEL GRAND SOPOT

Room type	Price type	Availability	Total amount due	Please select:
Single standard	Special web rate	on line	210 PLN	info R K
Single standard	Standard rate	on line	270 PLN	info R K

Found 2 offers in 1 hotels with search criterias.

Orbis offers 20% discount for online bookings.
22% off Monday-Thursday,
16% Friday, Saturday,
Sunday nights.
www.orbisonline.pl

But even the web rate cannot beat the special conference rate, which is 190 PLN per night, single incl. Braeakfast. (The 190 PLN is the weekend rate offered as conference rate, also offered for Wednesday and Thursday night).

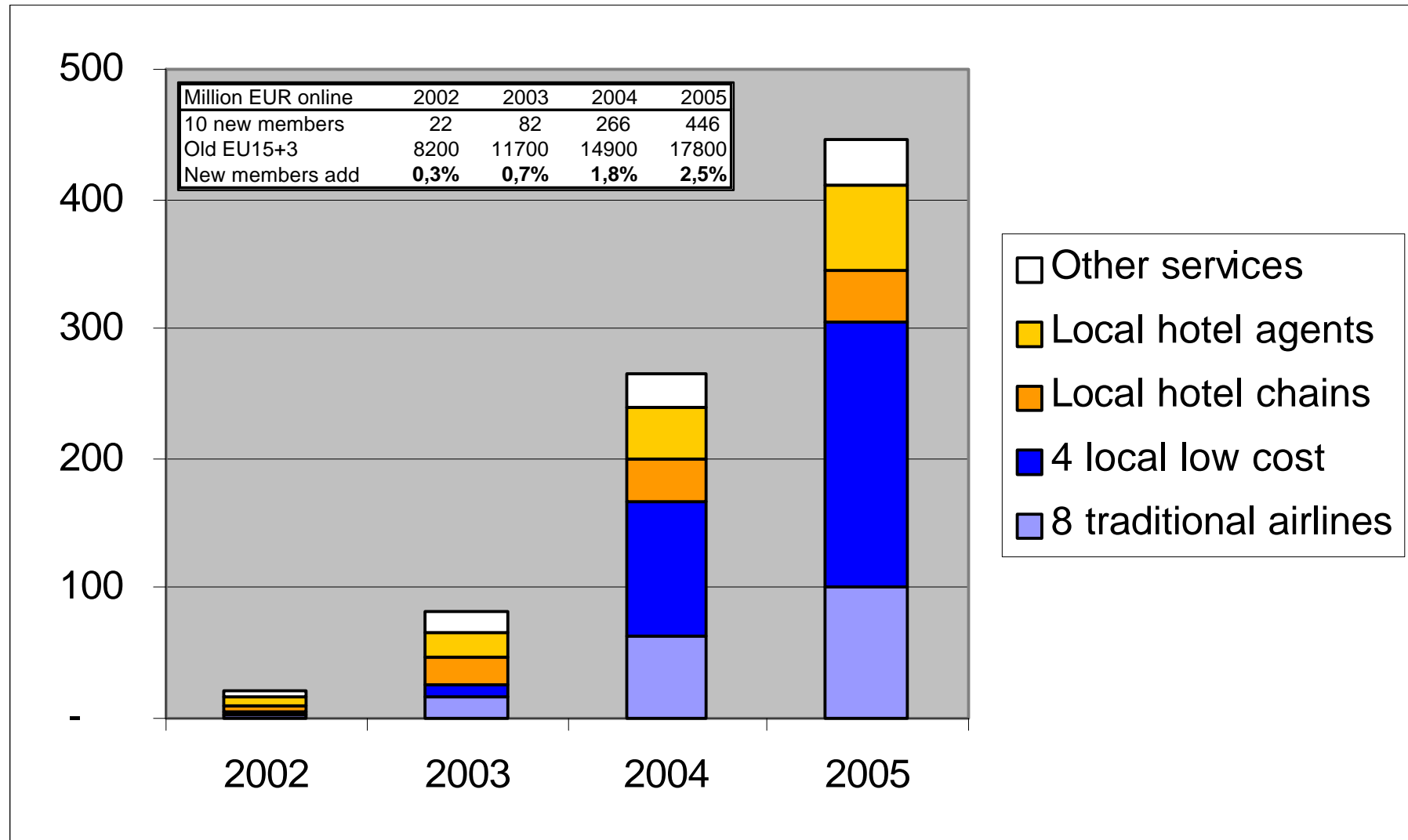
Normal rates: Single std., weekdays: 270 PLN; Single std., weekends: 190 PLN.
Special web rate: Single std., weekdays: 210 PLN (22% off); Single std., weekends: 160 PLN (16% off).

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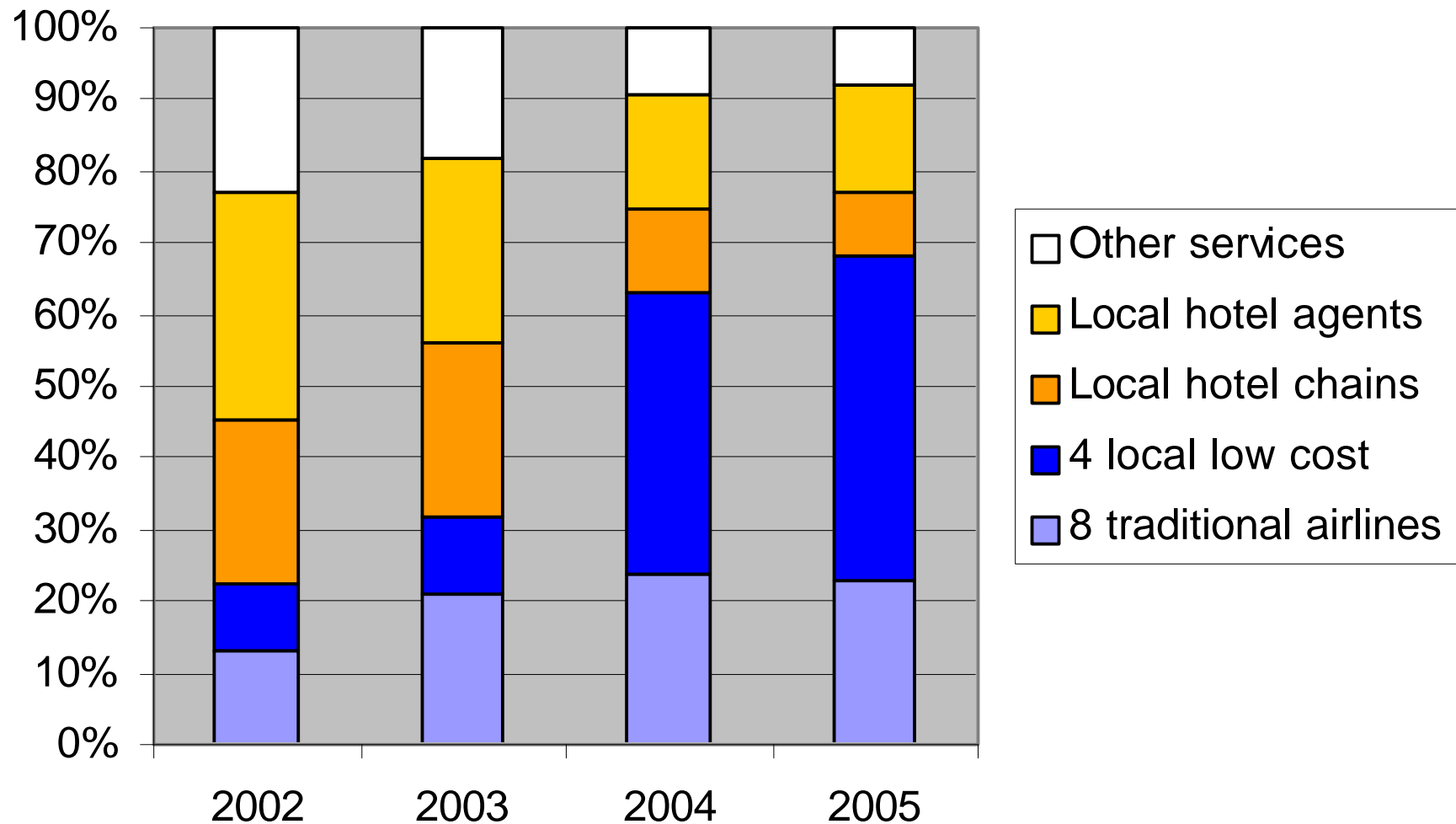
Internet

Online sales from local websites in the 10 new EU member states



Note: The estimates for the 8 traditional airlines and 4 local low cost airlines, are rather certain, others not.

Online sales from local websites in the 10 new EU member states



Online sales from local websites in the 10 new EU member states

Comments to the previous two slides:

- There will be a **10-dubling** of online sales from local low cost airlines from 2003 to 2004, and a **further dubling from 2004 to 2005**.
- 4 local low cost airlines will sell **more online** in 2004 than 8 more or less traditional local airlines.
- Beyond airlines, there is a **lack of knowledge** about online sales from the 10 new EU member countries, so online sales by 10 new EU members could be higher.
- There is no doubt that the **airlines dominate the scene**. They may account for over 60% of online sales from local websites in 2004, and up to 2/3 in 2005.

4. Comparison of online prices of airtickets on 6 different airline websites:

Route: London-Warsaw

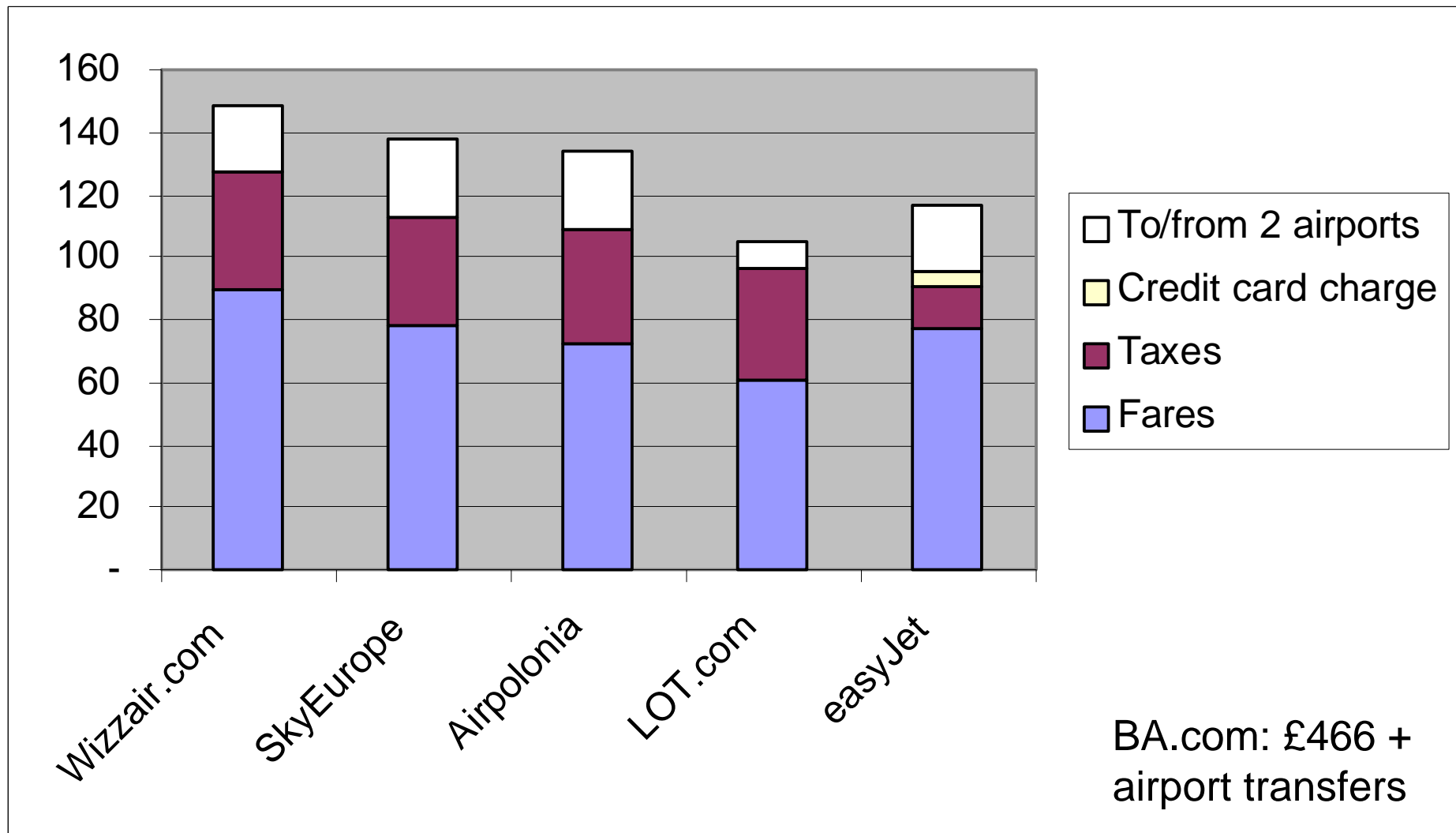
1. Go in 3 day's time
(seen 2 Nov., go 5-9 Nov.)
2. Go in about 10 days time
(seen 2 Nov., go ~12-16)

Online price comparison –
London-Warsaw, 5-9 Nov. '04
seen 3 days before departure

1. easyJet.com	£95
2. LOT.com	£96
3. Airpolonia.com	£109
4. Skyeurope.com	£113
5. Wizzair.com	£127
6. BA.com	£466

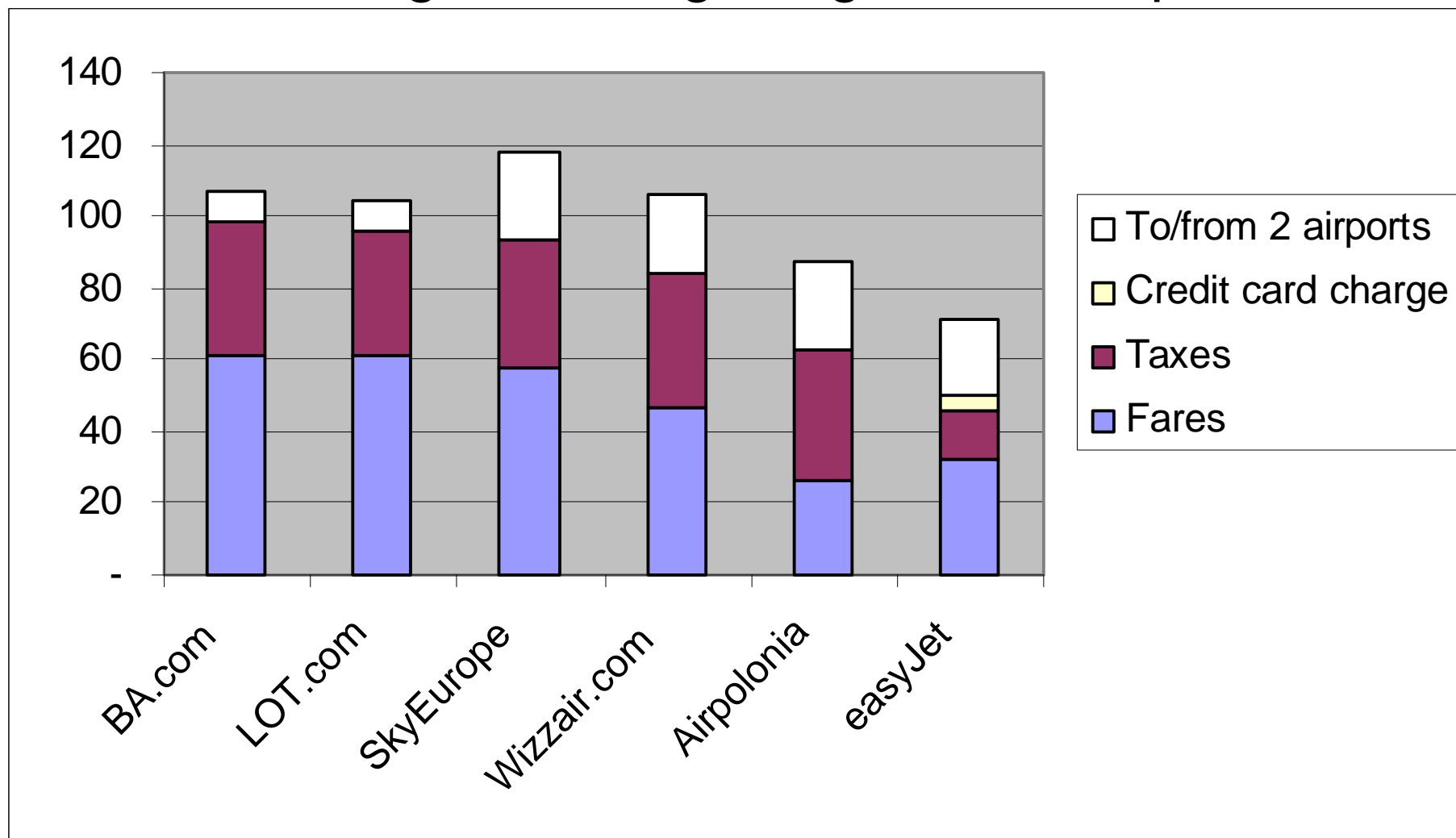
Online price comparison (£) – London-Warsaw rtn.,
5-9 Nov. '04 - seen **3 days before departure.**

When including *costs of getting to/from airports* LOT.com was cheapest



Online price comparison (£) – (£) London-Warsaw, prices seen in the
beginning of November 2004, **ABOUT 10 days before departure:**

**easyJet.com was cheapest, even
including costs of getting to/from airports**

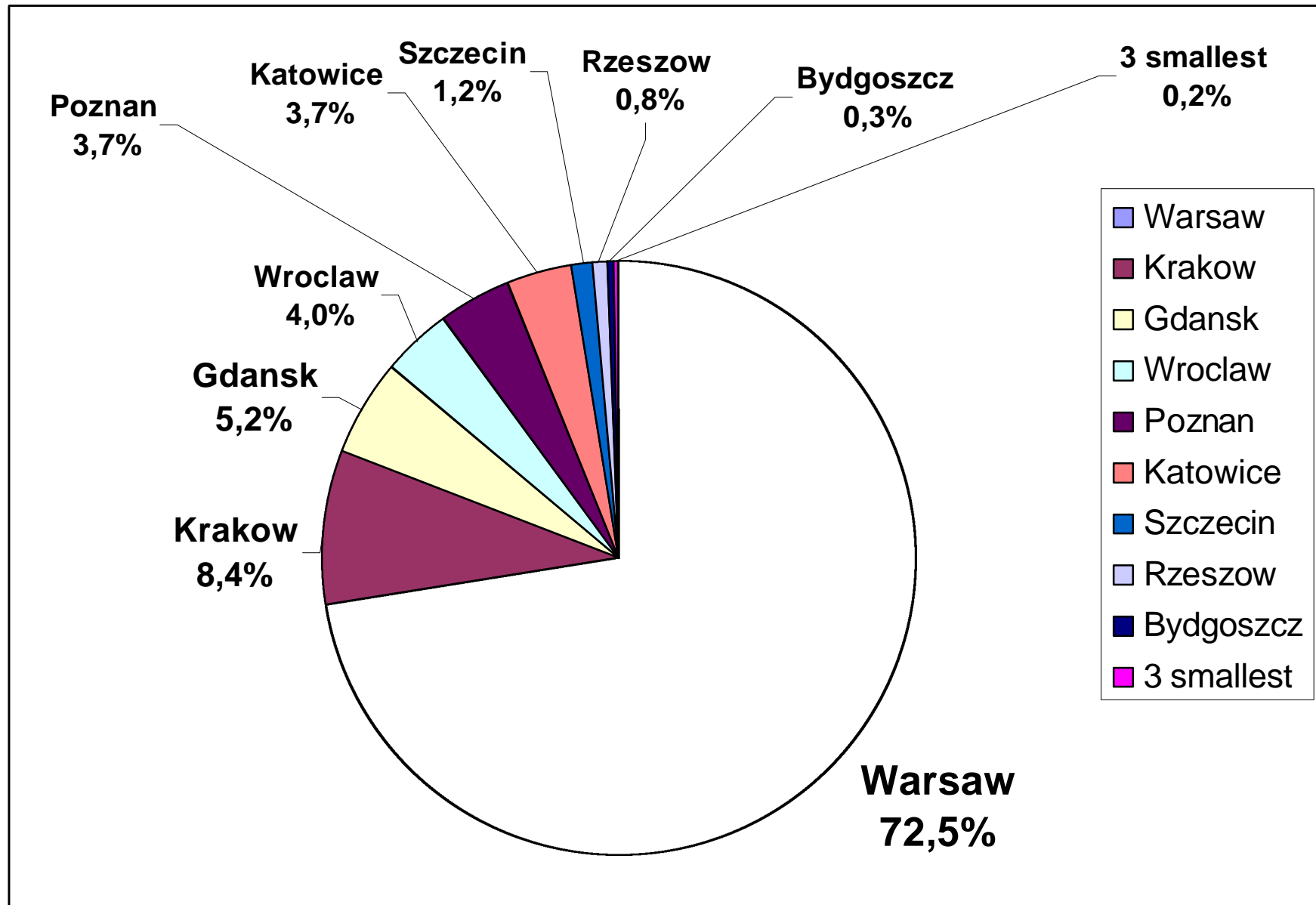


5. The regional airports increase their passenger numbers fast

Airports	2002	2003	Increase
Warsaw	4,937	5,117	3,6%
11 regional	1,655	1,939	17,2%
Total, million	6,592	7,056	7,0%

Share	2002	2003
Warsaw %	74,9%	72,5%
Regional %	25,1%	27,5%

Warsaw's share of the 7 million passengers of Polish airports was still over 72% in 2003



The low cost airlines will add 40% to the passengers of the Polish airports

Airport	2003	LCA '05	Total 2005	Increase
Warsaw	5.117	1.594	6.711	31%
Krakow	593	466	1.059	79%
Gdansk	365	152	517	42%
Wroclaw	283	-	283	0%
Poznan	264	39	303	15%
Katowice	258	530	788	205%
Szczecin	87	26	114	30%
Rzeszow	54	-	54	0%
Bydgoszcz	22	13	35	60%
3 smallest	13	-	13	0%
Total, million	7.056	2.820	9.876	40%

Katowice looks set to jump from 6th to 3rd place among Polish airports in 2005, thanks to Wizz Air

Airport	2003%	LCA '05 %	Total '05%
Warsaw	72,5%	56,5%	68,0%
Krakow	8,4%	16,5%	10,7%
Gdansk	5,2%	5,4%	5,2%
Wroclaw	4,0%	0,0%	2,9%
Poznan	3,7%	1,4%	3,1%
Katowice	3,7%	18,8%	8,0%
Szczecin	1,2%	0,9%	1,2%
Rzeszow	0,8%	0,0%	0,5%
Bydgoszcz	0,3%	0,5%	0,4%
3 smallest	0,2%	0,0%	0,1%
Total	100%	100%	100%

Thank you for your
attention!

Online reference:
www.crt.dk/trends

Appendix:

Supplementary slides

Online price comparison (£) – 3 days before departure

London-Warsaw	Fr.5-Tu.9 BA.com	Fr.5-Tu.9 Wizzair.com	Fr.5-Tu.9 SkyEurope	Fr.5-Tu.9 Airpolonia	Fr.5-Tu.9 LOT.com	Fr.5-Tu.9 easyJet
Outbound fare	290,00	44,99	49,00	45,87	58,00	47,99
Taxes	<u>26,90</u>	<u>19,83</u>	<u>19,12</u>	<u>20,55</u>	<u>21,00</u>	<u>5,00</u>
	316,90	64,82	68,12	66,42	79,00	52,99
Inbound fare	139,00	44,99	29,00	26,14	n.a.	28,99
Taxes	<u>10,30</u>	<u>17,49</u>	<u>15,94</u>	<u>16,28</u>	<u>14,30</u>	<u>9,00</u>
	149,30	62,48	44,94	42,42	n.a.	37,99
Fares	429,00	89,98	78,00	72,01	61,00	76,98
Taxes	<u>37,20</u>	<u>37,32</u>	<u>35,06</u>	<u>36,83</u>	<u>35,30</u>	<u>14,00</u>
Paying by debit card	466,20	127,30	113,06	108,84	96,30	90,98
Credit card charge	-	-	-	-	-	4,00
Paying by credit card	<u>466,20</u>	<u>127,30</u>	<u>113,06</u>	<u>108,84</u>	<u>96,30</u>	<u>94,98</u>
	6	5	4	3	2	1

Online price comparison (£) – 3 days before departure –
including costs of getting to/from airport:
Then LOT.com was cheapest

London-Warsaw	Fr.5-Tu.9 BA.com	Fr.5-Tu.9 Wizzair.com	Fr.5-Tu.9 SkyEurope	Fr.5-Tu.9 Airpolonia	Fr.5-Tu.9 LOT.com	Fr.5-Tu.9 easyJet
Outbound fare	290,00	44,99	49,00	45,87	58,00	47,99
Taxes	<u>26,90</u>	<u>19,83</u>	<u>19,12</u>	<u>20,55</u>	<u>21,00</u>	<u>5,00</u>
	316,90	64,82	68,12	66,42	79,00	52,99
Inbound fare	139,00	44,99	29,00	26,14	n.a.	28,99
Taxes	<u>10,30</u>	<u>17,49</u>	<u>15,94</u>	<u>16,28</u>	<u>14,30</u>	<u>9,00</u>
	149,30	62,48	44,94	42,42	n.a.	37,99
Fares	429,00	89,98	78,00	72,01	61,00	76,98
Taxes	<u>37,20</u>	<u>37,32</u>	<u>35,06</u>	<u>36,83</u>	<u>35,30</u>	<u>14,00</u>
Paying by debit card	466,20	127,30	113,06	108,84	96,30	90,98
Credit card charge	-	-	-	-	-	4,00
Paying by credit card	<u>466,20</u>	<u>127,30</u>	<u>113,06</u>	<u>108,84</u>	<u>96,30</u>	<u>94,98</u>
London airport	Heathrow	Luton	Stansted	Stansted	Heathrow	Luton
London to/from airport	7,60	20,80	24,00	24,00	7,60	20,80
Warsaw airport bus	0,77	0,77	0,77	0,77	0,77	0,77
Total costs, return	474,57	148,87	137,83	133,61	104,67	116,55

Online price comparison (£) – ABOUT 10 days before departure

**easyJet.com was cheapest, even
including costs of getting to/from airport**

London-Warsaw	Th.18-Mo.22 BA.com	Fr.5-Tu.9 LOT.com	Fr.12-Tu.16 SkyEurope	Fr.12-Tu.16 Wizzair.com	Th.11-Th.18 Airpolonia	Th.11-We.17 easyJet
Outbound fare	31,00	58,00	29,00	21,99	12,99	27,99
Taxes	<u>26,90</u>	<u>21,00</u>	<u>19,12</u>	<u>19,83</u>	<u>20,55</u>	<u>5,00</u>
	57,90	79,00	48,12	41,82	33,54	32,99
Inbound fare	30,00	n.a.	29,00	24,99	12,99	3,99
Taxes	<u>10,30</u>	<u>14,30</u>	<u>15,94</u>	<u>17,49</u>	<u>16,28</u>	<u>9,00</u>
	40,30	n.a.	44,94	42,48	29,27	12,99
Fares	61,00	61,00	58,00	46,98	25,98	31,98
Taxes	<u>37,20</u>	<u>35,30</u>	<u>35,06</u>	<u>37,32</u>	<u>36,83</u>	<u>14,00</u>
Paying by debit card	98,20	96,30	93,06	84,30	62,81	45,98
Credit card charge	-	-	-	-	-	4,00
Paying by credit card	<u>98,20</u>	<u>96,30</u>	<u>93,06</u>	<u>84,30</u>	<u>62,81</u>	<u>49,98</u>
London airport	Heathrow	Heathrow	Stansted	Luton	Stansted	Luton
London to/from airport	7,60	7,60	24,00	20,80	24,00	20,80
Warsaw airport bus	0,77	0,77	0,77	0,77	0,77	0,77
Total costs, return	106,57	104,67	117,83	105,87	87,58	71,55

Exchange rates

(4 November 2004):

- EUR €1 = 4.30 z³oty
- GBP £1 = 6.20 z³oty
- USD \$1 = 3.35 z³oty

Estonian Air - online

Estonian Air served 62% of all passengers travelling through Tallinn Airport in August '04.

In August 2004, 18% of all Estonian Air tickets were sold via Internet site www.estonian-air.com [vs. 14% for SAS]. Internet sales are most popular in Estonia, the United Kingdom and Sweden.

The route where the highest share of tickets booked via Internet, is Tallinn-London.

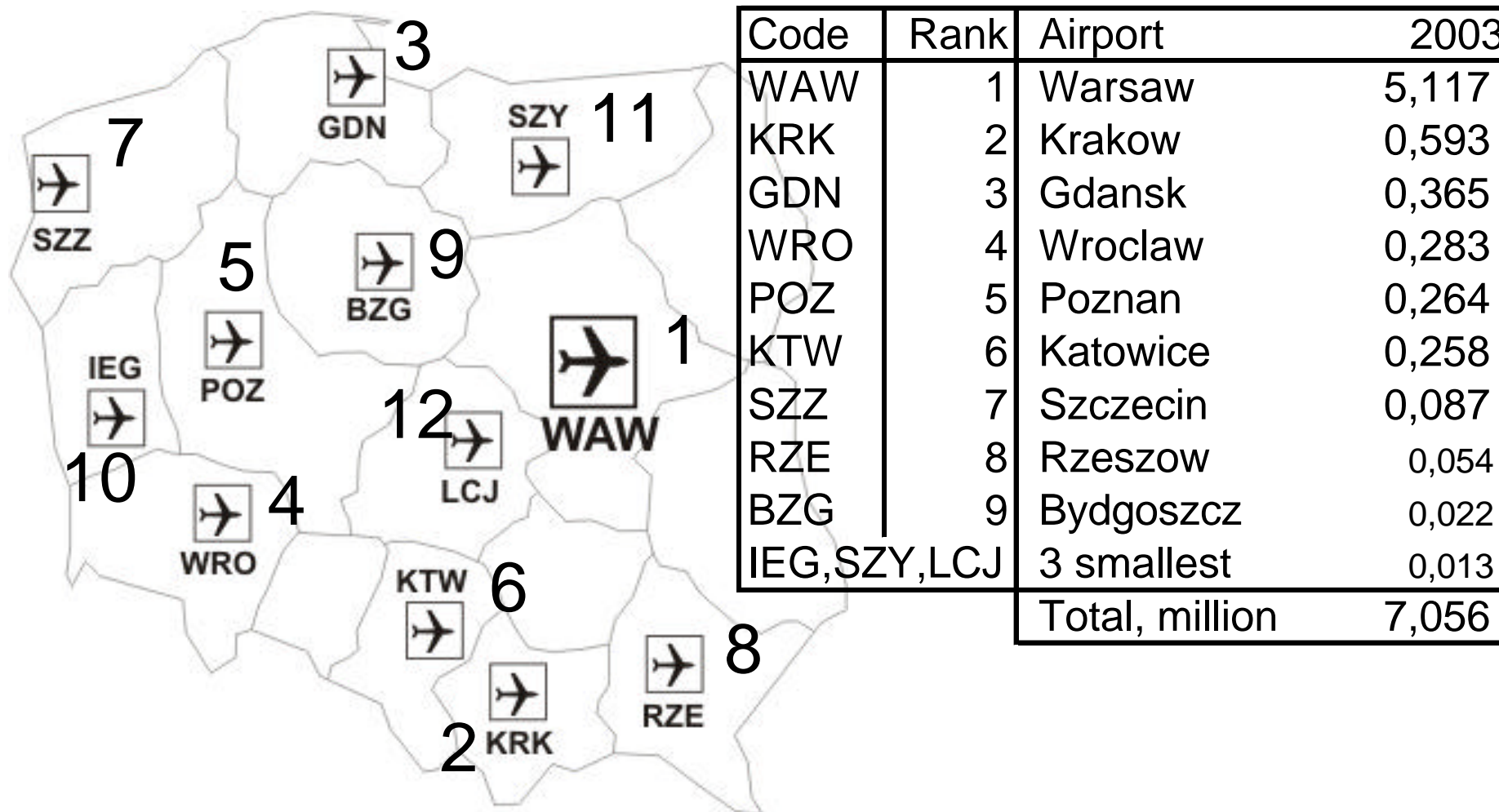
Estonian Air expects to see further growth in Internet sales, as this is the cheapest channel for the customer.

Estonian Air sold a whopping **28%** of its seat via its website www.estonian-air.com in October 2004!

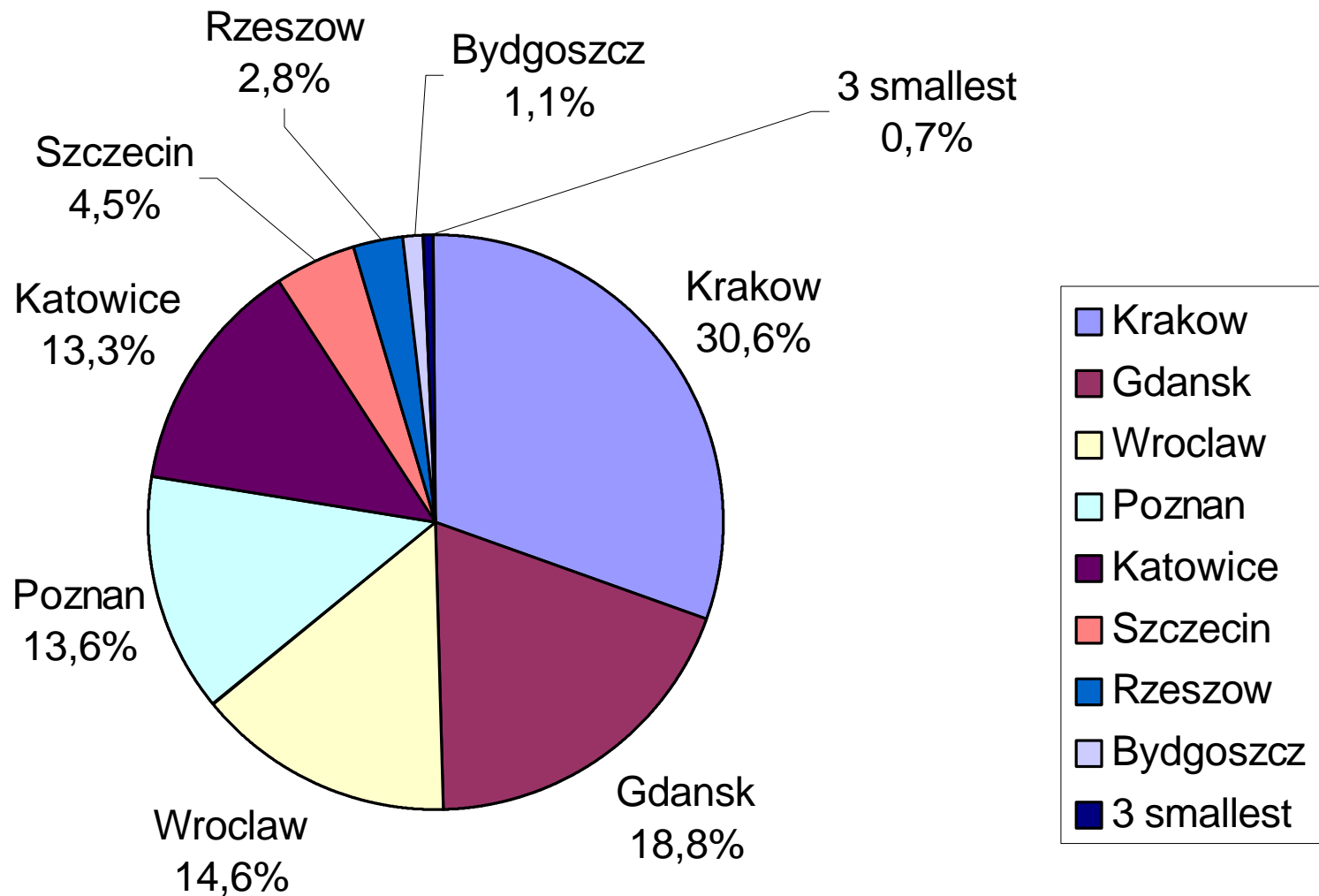
The regional airports increase their passenger numbers fast – Gdansk, up 15% from 2002-2003

Code	Rank	Airport	2002	2003	2003%	Increase
WAW	1	Warsaw	4,937	5,117	73%	3,6%
KRK	2	Krakow	0,501	0,593	8%	18,4%
GDN	3	Gdansk	0,318	0,365	5%	14,8%
WRO	4	Wroclaw	0,243	0,283	4%	16,5%
POZ	5	Poznan	0,227	0,264	4%	15,8%
KTW	6	Katowice	0,202	0,258	4%	27,4%
SZZ	7	Szczecin	0,077	0,087	1%	13,9%
RZE	8	Rzeszow	0,054	0,054	1%	0%
BZG	9	Bydgoszcz	0,019	0,022	0%	13%
IEG,SZY,LCJ		3 smallest	0,013	0,013	0%	0%
Total, million			6,592	7,056	100%	7,0%

Passengers of 12 Polish airports



Passenger shares of *11 regional* Polish airports, 2003 (Total: 1.939.000)



The low cost airlines ..

.. will bring increasing numbers of passengers to the regional airports ..

.. and so may the traditional airlines:

Thus LOT increased its no. of passengers on domestic flights by almost 15% from 2002 to 2003!

.. and the low cost airlines will also bring more passengers to Warsaw ..

.. but the low cost airlines will have only 56% of their passengers to/from Poland in Warsaw in 2005, vs. over 72% in 2003, which means that Warsaw will lose share. Katowice and Krakow will gain share.