

## The social tourist

### How the low budget traveller challenges the established hotel industry

*Berlin (March 22, 2013).* Budget hotels are paving the way for the change from classical tourism to "social tourism". Unlike any other segment in the hotel industry, hostels and budget hotels have incredible growth rates, primarily driven by the demanders and not by the providers. The new "social tourist" is not looking for a bed but for a "furnished apartment with social connections in urban tourism destinations", and this accommodation type is currently growing faster than the (German) hotel market, according to a brand new study from Berlin. It reveals why the strong increase in beds at the low-budget end of the market is setting a strong tourism trend. And why the classical hotel industry, including its political representatives and analysts, is not ready to take this "grey market" seriously. This could be a grave mistake.

Robert Wissmath and Roland Schwecke, Managing Directors of DICON Marketing und Beratungsgesellschaft from Berlin, published their study "Budgetsegmente der Tourismusmetropolen in Deutschland 2013" (budget segments of the tourism metropolises in Germany 2013). The new publication follows up on the results of the hostel market analysis from 2011 (see link). However this time, the authors of the study and their analysts go one step further and have developed a dynamic market model in their study, which covers various and so far not clearly-defined budget or low budget segments as well. The model covers the respective access to the market under the key words "Markteintritt" (market entry), "Marktfortschritt" (market progress), "Upgrading" und "Downgrading". This way, the movements of already established and new providers can be observed more easily and independently from former criteria like stars or prices.

Of equal interest is the social trend and the tourism trend resulting from this, which is covered up by the current dynamics of the low budget market. "The low rate market, categorised from any perspective, is currently the market with the most interesting growth rates and highest profit margins," emphasise Roland Schwecke and Robert Wismath again: while the growth rate of the hotel industry increased by about 20.6 percent in major cities in Germany between 2006 and 2013, other segments achieved considerably higher growth rates. In the same time period, the offer of hostels increased by 228.1 percent in major cities in Germany.

## **Transfer of the demands from the virtual to the real world**

The study not only analysed the budget chains in detail, it also included providers of so-called tourism apartments (providers with more than 500 offers in metropolises as well as the portals Airbnb, Wimdu und 9flats). Especially the last ones should be watched closely, as they will lead to the new trend, according to Dicon. "Apparently,

the use of networking options offered by the new media gives rise to the desire to actually use this network as well. Insofar, an accommodation need develops, which in turn leads to the formation of new and collective lodging types that blast away the logics of the hotel room by means of their social dimensions," revealed the study.

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## **Online interaction decides on accommodation and host**

The success of social tourism is the new and distinctive social component of travelling, driven by the trend of collaborative consumption, sharing of goods and services (reported by us, see link). Whether Couchsurfer, Airbnb or 9flats – all of these share living space, privately or for free or commercially and paid. The trigger for the hype in this segment is the social interaction via internet: the traveller joins a community prior to travelling, looks for an accommodation and can evaluate the host in the end (and the host his or her guest). Couch surfers who are able to

stay for free "pay" their hosts by means of dinner invitations, drinks or similar things.

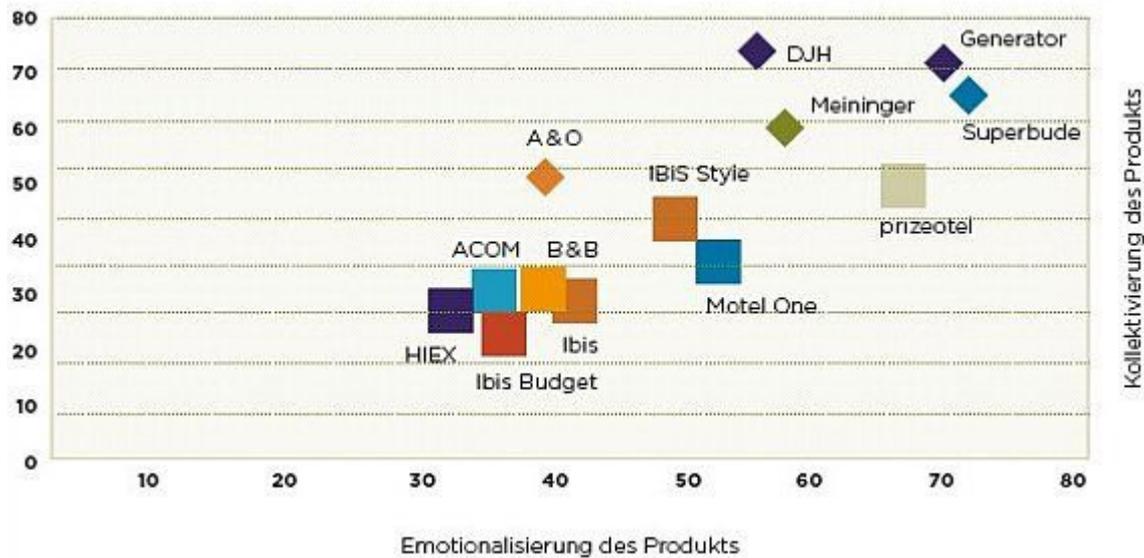
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It is no surprise that such communities and commercial broker portals for private rooms are a great annoyance to the classical and commercially strictly controlled hotel industry. But the Dicon publishers warn against the underestimation of this development and against clinging on to old processes. This way, the traveller will demand precisely this individualisation for the entire tourism service chain (sales and information, transfer, hotel, other events etc.). This means that the classic hotel with its rigid structures of selling only beds is "out" now.

## **Customer value with a social component**

"Consequently, the present demand for travelable and individual worlds of living and experiences passes by a large part of the hotel industry," say the Dicon

authors in conclusion. "In future, hotels will no longer be classical destinations for 'leisure travellers'," add Wissmath and Schwecke. The customer value will have a social component as well.



**DICON's graphic shows how emotinalised budget products of the established hotel industry move closer to hostel brands.**

This development will have an even stronger influence on the entire budget hotel industry: more than ever, budget hotels will have to be found digitally, individual services (breakfast, surfing, entertainment) will have to be on demand individually, and the reception will have to serve as neighbourhood concierge too. In short: the emotionalising factor increases, the price alone is no longer decisive for the choice of the hotel. Space and design attain new significance as well as the communication in the open space (lobby) and the communication between staff and guests. This way, the social tourist specifies the form and function of future (budget) hotels.

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