

Business Intelligence: Knowledge is Power

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Market Overview- UK Visitors Abroad

Volume/Number of Trips

- 2010-2014 trips made by UK residents to overseas destinations grew by 8.1%. 55.6m-60.1m.
- Number of trips < pre-recession high, 69.5m in 2007.

Value/Consumer Expenditure

- 2010-2014, value of expenditure grew by 11.7%. £31.82bn-£35.54bn.
- Pre-recession peak-£36.84bn.



Market Overview- UK Visitors Abroad

Where are Britons going?

- EU countries: Proximity. Currency. Strengthening Pound, falling Euro. (Pound has strengthened against most currencies worldwide)
- 2010-2014, 23.9% rise in visits from UK residents to EU. Briton's visits to North America have risen by a more modest 5%, while trips made to the rest of the world have declined.
- 2010, EU countries represented 63% of all trips taken abroad by Britons, increased to 70.1% in 2014.
- Spain remains by far the most popular destination for UK tourists: 12.2 million visits in 2014.
- This was followed by France, the US, the Republic of Ireland and Italy.
- Top ten most popular destinations for Britons to visit, nine were located within the EU (with the US being the sole exception).

Market Overview- UK Visitors Abroad

Purpose of Visit

- Number of holidays UK residents took abroad grew from 36.4 million in 2010 to 38.5 million in 2014, (5.8%) Spending increased by 11%. (£21.99bn to £24.41bn)
- The number of trips taken by UK residents visiting friends/relatives grew from 10.9 million in 2010 to 13.3 million in 2014 (22.3%)
- Over the same period, the value of such trips increased from £4.42bn to £5.52bn, indicating a rise of 24.9%
- The number of business trips UK residents took abroad grew from 6.6 million in 2010 to 6.8 million in 2014 (1.8%) Spending increased by 0.9% (£4.43bn to £4.47bn)
- Interesting to note that whilst 64% of UK visits abroad are for holidays, only 39.5% of visits to UK are. UK popular destination but not for Holidays.

Market Overview- UK Visitors Abroad

Mode of Transport

- Increasing usage of air transport at the expense of sea and Channel Tunnel transport.
- 2010-2014, trips by air travel grew from 43.2 million to 48.3 million (11.8%). Number of visits by sea and Channel Tunnel transport declined from 12.3 million to 11.7 million. (4.7%)
- In 2014, air travel was the mode of transport for 80.5% of all trips made abroad by UK citizens. Up from 77.8% in 2010.
- Competitive air fares, kept low by enhanced competition among airlines, advancement of budget airlines and a recent fall in the price of oil.
- Airlines offering more destinations than ever before, which is encouraging air travel.

Market Overview- Inbound Tourists

Volume/number of trips

- Between 2010 and 2014, the number of trips made to the UK by overseas residents increased from 29.8 million to 34.4 million, representing a rise of 15.3%.
- The 34.4 million visits to the UK from overseas residents in 2014 was the highest on record.
- Unlike outbound trips by UK residents, inbound trips from overseas residents to the UK have now recovered and even surpassed their pre-recession peak.

Value/consumer expenditure

- Between 2010 and 2014, the value of expenditure made by overseas residents on trips to the UK increased from £16.9bn to £21.85bn, representing a rise of 29.3%.
- Again, this figure in 2014 is the highest on record.

Market Overview- Inbound Tourists

Where are visitors coming from?

- Number of visitors from North America grew from 3.4 million in 2010 to 3.6 million in 2014, representing a rise of 6.7%. Spending on such visits grew from £2.65bn to £3.42bn — a rise of 29.1%.
- Number of visitors from Europe (not just EU) grew from 22 million in 2010 to 25.4 million in 2014, representing a rise of 15.4%. Spending on such visits grew from £9.21bn to £11.28bn, indicating a rise of 22.5%.
- Individually, the UK received 4.1 million visitors from France in 2014. This was followed by Germany (3.2 million visitors), the US (3 million visitors), and the Republic of Ireland (2.5 million visitors).

Market Overview- Inbound Tourists

Purpose of visit

- The number of holidays taken to the UK from overseas residents grew from 11.7 million in 2010 to 13.6 million in 2014, representing a rise of 16.4%. Spending on such trips increased by 31.7% over the same period, rising from £6.64bn to £8.74bn.
- The number of trips taken to the UK by overseas residents for the purpose of visiting friends and relatives grew from 6.8 million in 2010 to 8.3 million in 2014, indicating a rise of 21.8%. Over the same period, the value of such trips increased from £4.04bn to £5.03bn, indicating a rise of 24.5%.
- The number of business trips to the UK from overseas residents grew from 8.4 million in 2010 to 9.8 million in 2013, representing a rise of 16%. Spending on such trips increased by 30%, rising from £3.55bn to £4.62bn.

Market Overview- Inbound Tourists

Mode of transport

- Number of visits to the UK from overseas residents via air increased from 21.4 million in 2010 to 25 million in 2014, representing a rise of 16.4%.
- Number of visits to the UK from overseas residents via sea and Channel Tunnel increased from 8.4 million to 9.4 million between 2010 and 2014, representing a rise of 12.5%.
- This second trend represents a reversal from UK visits abroad, which saw a decline in the usage of sea and Channel Tunnel transport services.

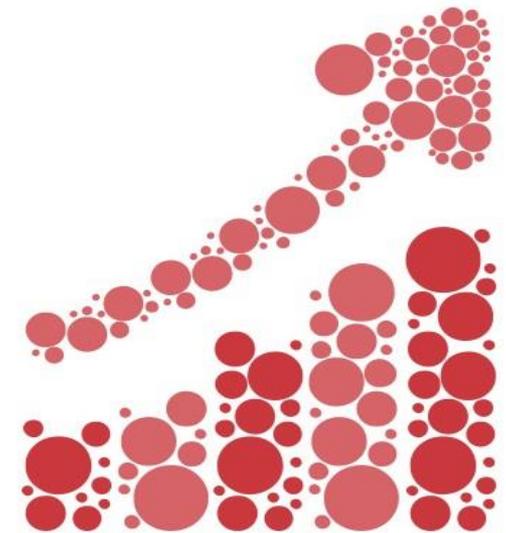


What is Driving the Market?

- Preliminary 2015 figures show that domestic holidays are experiencing a strong resurgence — the bounce-back of the ‘staycation’.
- Inbound/outbound visits & visitor spending have risen robustly between 2010-2014.
- Recent reductions and alterations to the Air Passenger Duty tax have the potential to encourage greater travel via air for passengers both to, from and within the UK.
- Whilst this will be the case for all air travel, it will disproportionately benefit long-haul travel.
- Budget airlines, expanding upon the destinations they offer, means more consumers now have the means to travel to a greater variety of destinations than ever before.

What is Driving the Market?

- Enterprises engaged in travel/tourism are increasingly utilising technology in order to market towards new customers.
- Relaxation in visa entry requirements to the UK is assisting visitor numbers, including for Chinese visitors who typically are 'big-spenders'
- Globally, many countries are moving to liberalise their visa entry requirements making travel easier than ever before.
- Generally improving economic conditions in the UK.



Key Consumer/Customer Trends - Overall Market

Survey results

- In terms of holiday spending, when asked whether they intended to spend more on holidays during the coming year than in the previous year (2015 vs 2014), a total of 26.7% of respondents indicated they would.
- Men (28.9%) were slightly more likely than women (24.6%) to be spending more. The age groups most likely to spend more in the coming year on were between 16-19 (40.2%), and 25-34 (36.6%), while older groups were less likely, with just 14.3% of those aged 65 or over saying they intended to spend more on holidays.
- Those in higher social grades were more likely to spend more, with 40.3% of those in grade A planning on spending more, in comparison with just 14.3% of those in social grade E.
- Those on higher and higher-middle incomes will be the source of much growth going forward.

Key Consumer/Customer Trends - Overall Market

Survey Results

- 32% of consumers plan on visiting an entirely new country in the coming year (2015). This contrasts somewhat with Key Note research which has shown that 9.7% of respondents returned to the exact same resort for an all-inclusive holiday 2 years in a row. (13.1% of men and 6.7% of women)
- Internet has made it easier to book holidays.
- 77.7% agree that the Internet has made it easier to book a holiday, including 82.9% of men and 73% of women, 100% of 16 to 19 year-olds, 95.4% of 35 to 44 year-olds and 91.9% of 20 to 24 year-olds. Conversely, just 46.6% of those aged 65 and older felt the same way.
- Higher social grades such as A (90.4%) were far more likely than those in lower social grades such as E (49.2%) to agree that the Internet had made it easier to book holidays.

Case Study- Activity Holidays

Market Size

- Number of activity holidays taken grew by 0.7% between 2010-2014, (13.6 million to 13.7 million)
- Domestic activity holidays grew from 9 million to 9.1 million, while activity holidays abroad remained static at 4.6 million.
- Domestic activity holidays account for 66.4% (volume) of the overall activity holiday market.
- Value of activity holidays grew by 10.5% between 2010-2014, (£6.87bn to £7.59bn)
- Domestic activity holiday value grew from £1.77bn to £2bn (13% rise), while value of activity holidays abroad grew from £5.1bn to £5.59bn (9.6% rise).
- Activity holidays abroad account for 73.6% (volume) of the overall activity holiday market.

Activity Holidays: Key Note Research

Types of Activity Holidays Taken in Past 5 Years (Survey from 2014)

Type of Activity Holiday	Domestic (% Respondents)	Abroad (% Respondents)
Skiing	1.5%	25.6%
Boating	6.8%	9.1%
Golfing	9.4%	3.8%
Walking or Trekking	48.4%	20.8%
Cycling	9.0%	9.0%
Fishing	2.9%	3.8%
Multi-Activity	27.9%	14.6%
Other Activity	35.6%	26.2%

Source: Key Note Weighted sample: 1,002 Base: all adults aged 16+

Activity Holidays: Key Current Issue

- 27.9% of respondents had taken a domestic multi-activity holiday in the past 5 years, while 14.6% had taken a multi-activity holiday abroad in the same period.
- In 2005, just 9% of respondents had taken a multi-activity holiday domestically, while 10% did so abroad. In 2008 the figures were 9% and 6%, respectively.
- Cost-conscious holidaymakers are increasingly looking to utilise their holiday time more efficiently than before.
- Consumers now expect their holidays to offer more than one key activity.
- Holidaymakers might choose a domestic holiday which combines walking, fishing and camping, or a foreign country for food, culture, shopping and sun.
- In response to this trend, many accommodation providers, such as hotels and resorts, have begun to expand upon the range of services, facilities and activities they offer, or formed partnerships with local businesses that provide such services.

Activity Holidays: Future Trends

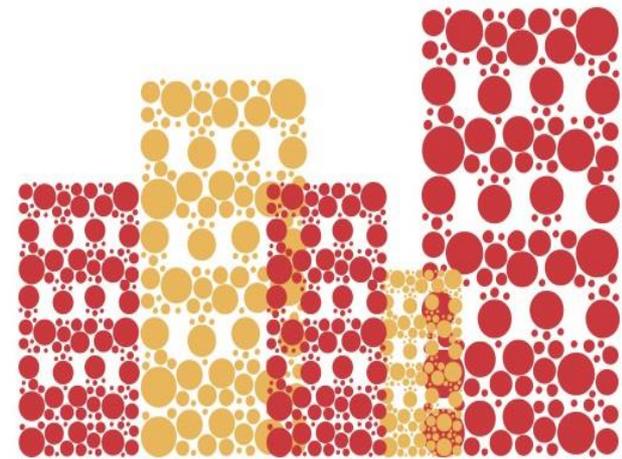
Attitude Towards Taking Future Activity Holidays

<u>Response</u>	<u>% Respondents</u>	<u>Potential Market</u>
Have not yet taken an activity holiday in the UK, but would consider doing so in the future	26.0%	13.5 million
Have not yet taken an activity holiday abroad, but would consider doing so in the future	22.3%	11.5 million
Have not yet taken any activity holiday either in the UK or abroad, but would consider doing so in the future	18.9%	9.8 million

Source: Key Note Weighted sample: 1,002 Base: all adults aged 16 (Data from Great Britain, not UK)

Activity Holidays: Market Size Forecasts

- Key Note forecasts: 2015-2019, domestic activity holidays in the UK will rise from 9.5 million to 10.3 million, activity holidays abroad will rise from 4.6 million to 4.9 million. Overall, activity holidays will rise from 14.1 million to 15.2 million - 7.8%
- Key Note forecasts: Value of the domestic activity holiday market will rise from £2.15bn in 2015 to £2.47bn in 2019, while activity holidays abroad will rise from £5.77bn to £6.56bn. Overall, the value of the activity holidays market will therefore rise from £7.92bn to £9.03bn- 14%.



Case Study - All-Inclusive Holidays

Market Size

- Key Note estimates that between 2009 and 2013, the number of UK outbound all-inclusive holidays taken grew by 50%, rising from 3.6 million to 5.4 million.
- The value of such holidays is estimated to have grown by 49.1%, rising from £2.65bn in 2009 to £3.95bn in 2013.

<u>Response</u>	<u>% Respondents</u>
Taken an all-inclusive holiday to save money	18.2%
Return to the same resort for an all-inclusive holiday	9.7%
Taken advantage of last-minute all-inclusive deals	23.3%

Source: Key Note Weighted sample: 1,000

Base: all adults aged 16+

All Inclusive Holidays: Key Current Issue

Surging Popularity of Package and All-Inclusive Holidays

- Over half of UK consumers took some form of a package holiday in 2014, representing a further year of annual growth within the sector.
- The attractiveness of package holidays is particularly prevalent amongst cost-conscious holidaymakers, who increasingly are looking ahead when booking their holidays in order to secure the best deals and ensure their holiday spending stretches as far as possible.
- Such holidays also provide a 'cost-capping' element, which can ensure that the cost of a holiday does not spiral beyond the originally conceived budget.

All Inclusive Holidays: Future Trends

Market Size

- Key Note forecasts that the total volume of outbound all-inclusive holidays from the UK will grow from 5.8 million in 2014 to 7.4 million in 2017 — a rise of 27.6%.
- Key Note further estimates that the market for outbound all-inclusive holidays will grow in value from £4.27bn in 2014 to £5.7bn in 2018, representing a rise of 33.5%.
- Growth is anticipated to be somewhat weaker than in the period between 2009 and 2013, when all-inclusive holidays benefited considerably as a result of the 2008/2009 recession and subsequent economic difficulties.

Travel Industry: Living Wage & Tourism Taxes

- On the 8th of July, Chancellor George Osborne used his seventh budget to announce a new National Living Wage. Whilst the move is anticipated to boost the wages of six million people, a number of concerns have been raised.
- Workers over the age of 25 will be entitled to the “living wage”, and will receive a minimum of £7.20 an hour starting in April 2016, which will then rise to £9 an hour by 2020.
- Travel and tourism sector typically hires a disproportionately high number of lower-skilled, lower-paid and temporary roles, and as a consequence, the impact of the move on the sector will be more considerable than that of others.
- Whilst the move may be absorbed by cities such as London where wages are already higher than the national average, the plans may hinder businesses operating in Britain’s coastal, rural and less wealthy regions.

Travel Industry: Living Wage & Tourism Taxes

- To enhance productivity, businesses may choose to cut back on the number of hours worked by existing employees, or to cut jobs entirely.
- They may opt to alter the compositions of their workforce i.e. hiring more <25's.
- Businesses may choose instead to raise their prices, effectively passing the higher wage cost onto customers.
- Representatives from the industry have again urged for the Government to lower VAT taxes on the industry.
- In fact, of the 28 Member States of the EU, the UK is at present one of only two which levels the full rate of VAT across the sector.

In conclusion.....

- Inbound visits to the UK have surpassed their pre-recession peaks, and are the highest on record. Outbound visits have grown robustly in the past 5 years.
- Huge potential for travel/tourism industry; expansion of airport capacity, further alterations and cuts to air passenger duty (APD), successful lobbying of Government to lower tourism VAT and a continuation of effective marketing campaigns to encourage travel to the UK.
- Outbound market will benefit in the coming years from favourable macroeconomic developments, including; rising disposable incomes, low inflation, accelerating economic growth and favourable currency exchanges on the back of a strengthening Pound.

In conclusion.....

- Importance of the EU has intensified in the past 5-years, both in terms of outbound and inbound travel to and from the UK.
- Will be important that UK remains at pace with the rest of the world in liberalising entry visa requirements. Emerging economies such as China, Brazil and India offer huge potential in attracting increasingly wealthy visitors to the UK.



Key Note Research...

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