Trends, forecasts & the British Tourism Framework Review

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Coming up…

- What is the British Tourism Framework Review?
- The role of 'insights' in the British Tourism Framework Review
- Key tourism trends
- VisitBritain's 'Best Prospect Model'

British Tourism Framework Review

About the British Tourism Framework Review

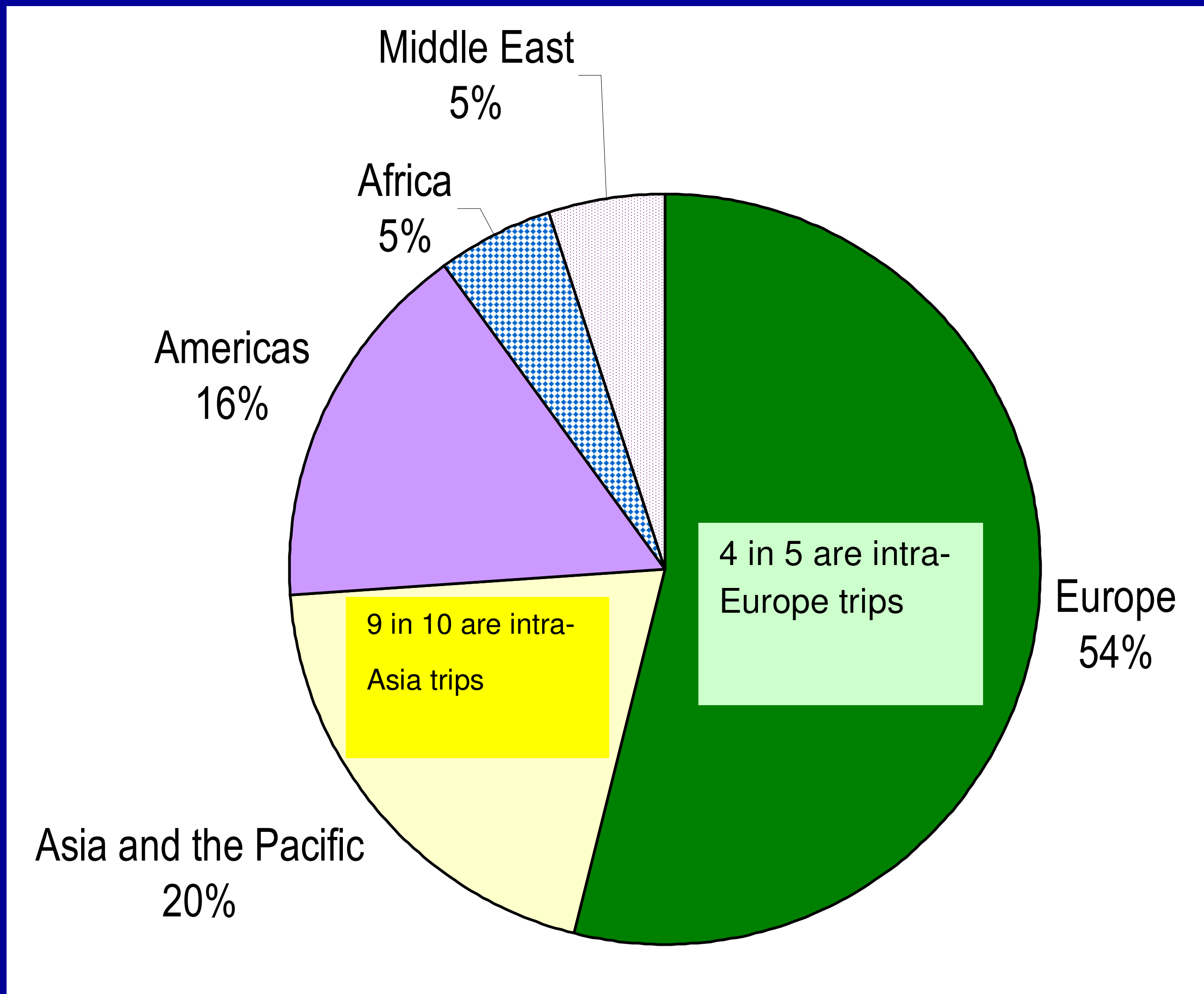
- Needed to establish how VisitBritain can deliver on key objectives:
  - Marketing England at home & overseas
  - Marketing Britain overseas
  - Supporting the development of national tourism policies
  - Securing the London 2012 legacy
- reflect realities of less money / devolution
- Due for publication in November

The role of 'insights' in the Review

- 'TEAM' commissioned to audit 'what we know'
- Weighty tome produced including detailed look at future 'factors of change'
- 'Futures Workshop' held with wide range of strategic partners
- Deloitte commissioned to explore 'The Economic case for the visitor economy'
- Helped shape the wider Review recommendations and conclusions

Key Tourism Trends

Global picture – share of international arrivals in 2007



Inbound to Europe – trends and forecasts

Origin Region	Arrivals in Europe (change %) 1990-200(	2000-07	2007-12
Africa	59%	4%	34%
Asia	33%	20%	36%
Europe	45%	19%	13%
Latin America	53%	5%	43%
Middle East	66%	23%	30%
North America	56%	-9%	14%

Origin Region	Arrivals in Europe (000s)				Change (000s)		
	1990	2000	2007	2012	1990-2000	2000-07	2007-12
Africa	604	961	997	1,333	357	35	336
Asia	9,738	12,940	15,569	21,126	3,202	2,629	5,557
Europe	186,854	271,134	322,060	363,542	84,280	50,926	41,482
Latin America	1,415	2,165	2,273	3,248	750	108	975
Middle East	1,492	2,472	3,049	3,956	980	576	907
North America	16,550	25,814	23,585	26,873	9,264	- 2,228	3,288

Forecasts in context

		Outbound visits (%)		
		1997-2002	2002-07	2007-12
China	Short-haul	187%	91%	80%
	Long-haul	**90%**	**40%**	**85%**
India	Short-haul	63%	76%	70%
	Long-haul	**73%**	**47%**	**79%**

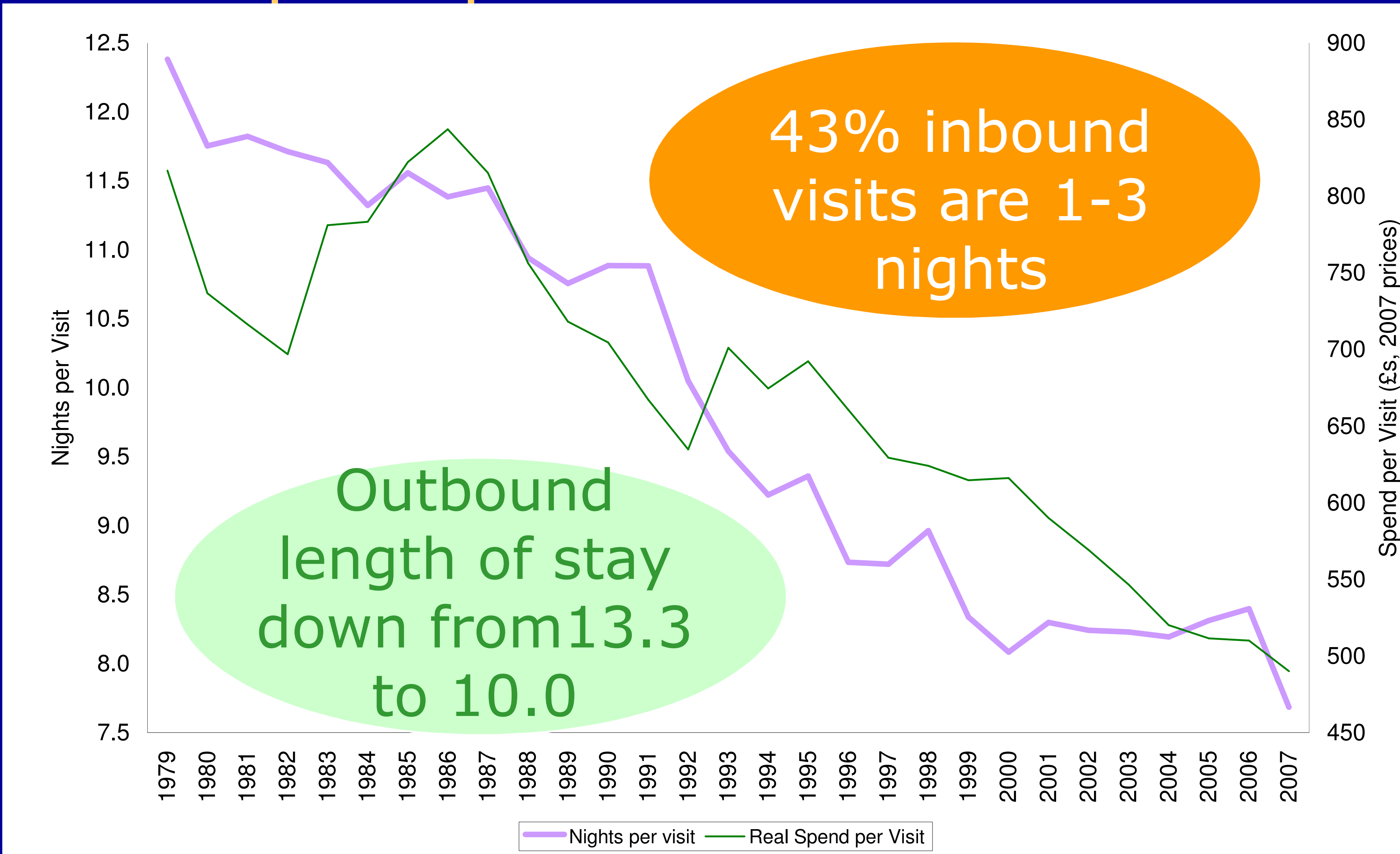
650 million more 'middle class' Asian households

		Outbound visits (000s)				Change (000s)		
		1997	2002	2007	2012	1997-2002	2002-07	2007-12
China	Short-haul	4,427	12,694	24,201	43,660	8,267	11,508	19,459
	Long-haul	**1,364**	**2,589**	**3,632**	**6,726**	**1,224**	**1,043**	**3,094**
India	Short-haul	1,062	1,731	3,054	5,188	669	1,324	2,134
	Long-haul	**1,122**	**1,941**	**2,849**	**5,088**	**819**	**908**	**2,239**

UK's global market share of international tourism

Source: UNWTO, VisitBritain

Shorter length of stay drives down spend per visit

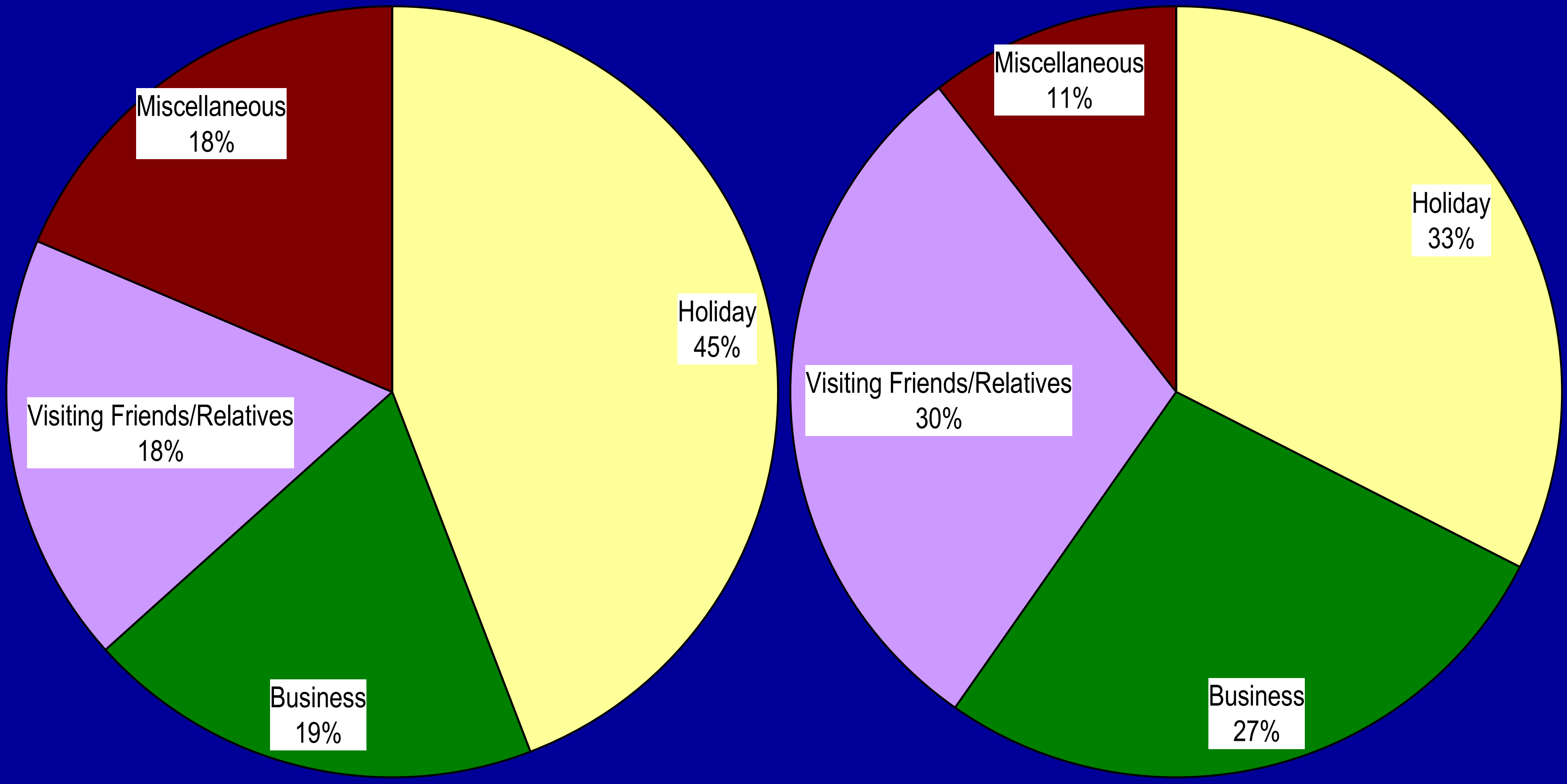


Over the past few years...

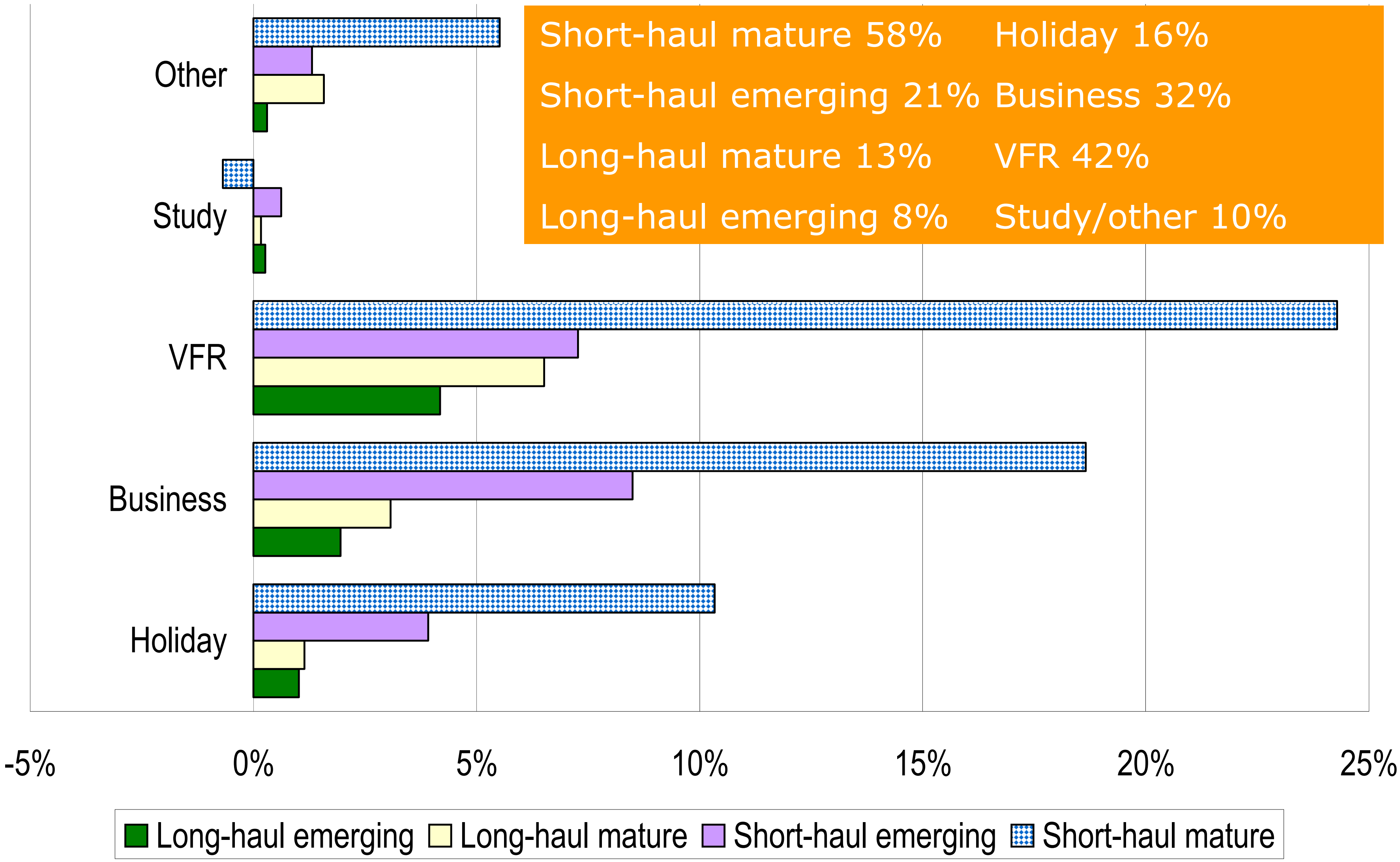
- UK population is more diverse **(550,000 A12 nationals live in the UK)**
- More UK residents own a second home abroad **(around 250,000)**
- More Brits live permanently abroad **(IPPR estimate is 5.6 million)**
- More foreign students study at UK universities **(49,000 entered in 2007)**
- More UK based multi-nationals
- Competition for holiday visitors is more intense **(Krakow, Dubai, Marrakech)**

Leading to a shift in the 'purpose mix' of inbound trips

1979…2007



Relative contribution to growth in visits, 1993-2007

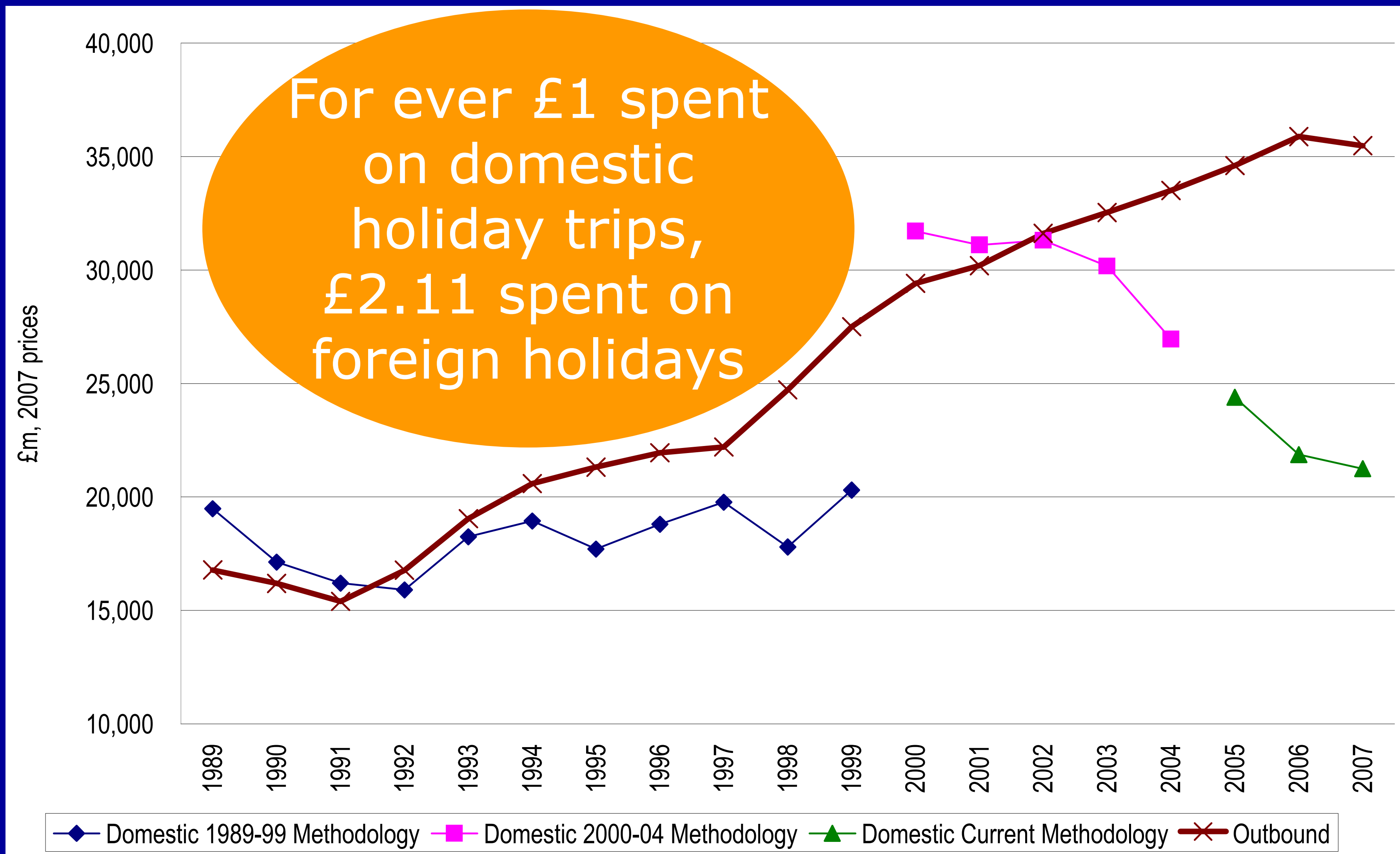


Short-haul mature 58% Holiday 16%
Short-haul emerging 21% Business 32%
Long-haul mature 13% VFR 42%
Long-haul emerging 8% Study/other 10%

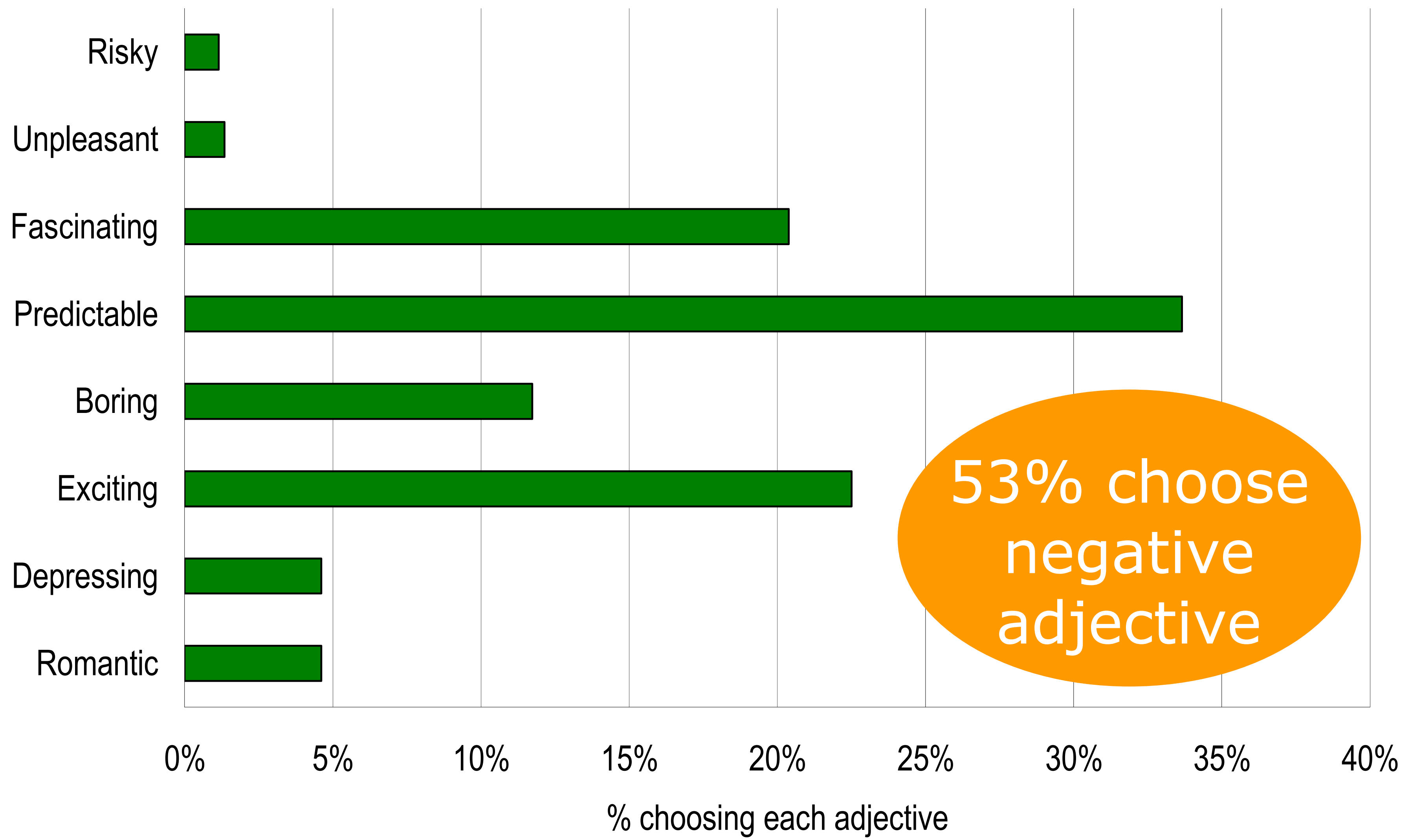
Visiting Friends and Relatives trips – do they really matter?

- 23% of inbound spend in 2007 **(+138% 'real' growth since 1979: 18% 'holiday' growth)**
- Regional spread: 60% of VFR spend is outside London, 40% for holiday visits
- Seasonality: 47% of VFR visits between October and March, 36% of holiday visits
- 1.8m visits to museums/galleries, 2.6m visits to a castle, church or historic house
- 8 million nights in paid accommodation
- Hosts spend too!

Spend on overnight domestic trips and outbound trips by UK residents



How Britons describe a holiday in Britain



What will shape the tourism in next decade?

Capacity constraints

A changing market place

Climate change and the environment

Marketing strategies

Geopolitics

2012 Olympics

Technology

Demographics and social trends

Macroeconomics

The future (1)

- Economic cycles will ensure good years and bad years but…
- …has the era of rising discretionary incomes and falling travel costs ended?
- New global hubs for business set to challenge London **(Mumbai, Shanghai)**
- Socio-demographic change will impact why we travel and who we travel with **(Global population 55+ will treble in absolute terms by 2050 and double in relative terms)**

The future (2)

- Geo-politics matters **(China won’t have a significant balance of payments deficit)**
- Fashions will come and go
- Technology will alter how we research, book, experience and recount travel
- Climate change will shape government, business and consumer behaviour
- Competition for the tourist $, and *potential tourists’ attention* will intensify

The future (3)

- The London 2012 Olympic & Paralympic Games tourism legacy could be £2.9bn
- Tough decisions on airport expansion will have to be made
- There will always be ‘shocks’

Best Prospects Model

Where should we have a presence?

- Nearly 33 million inbound visitors in 2007, spending almost £16bn
- Visitors come to the UK from a huge number of countries
- VisitBritain's marketing budget has been frozen since 1996/7, so in real terms is 22% lower than a decade ago
- …and is being cut by 18% in cash terms over next 3 years

Requirements

- Need to compare markets on a ‘like for like’ basis
- Need to reflect many different factors, both current and future
- Need to avoid ‘knee jerk’ reaction to one good or bad year for visits
- Need to recognise a ‘model’ won’t give a definitive ‘answer’
- … and need to be pragmatic!

Our approach

- Decide on which markets will be analysed
- Create a set of ‘criteria’ to reflect factors likely to determine future tourism potential
- ‘Score’ each market against each ‘criteria’
- Apply a ‘weighting’ system to reflect relative importance of criteria
- Produce ‘league tables’

Types of 'criteria' (1)

- Current market performance: spend per night, total market value
- Access: time, flight frequency, regional spread, visa requirement
- Absolute and relative outbound growth forecasts
- Economic: per capita income, currency movements, value of trade…

Types of ‘criteria’ (2)

- Socio-demographics: population size, growth rates, Internet access, language…
- ‘Political’: stability, historic ties, perceptions, current population in UK…
- Twenty-nine in total – both quantitative and qualitative!

Scoring

- Have to develop ‘bands’ for each criteria in order to ‘score’ each market
- Four-point scale: very unfavourable, unfavourable, favourable, very favourable

Weighting

- Weights can reflect how important each criteria is, and can be varied to develop different ‘scenarios’
- Five-point weighting scale ranging from ‘1’ (limited importance) to ‘5’ (extremely important)

Do the ‘number crunching’ (1)

				Score and Scoring Bands			
Criteria	**Weight**	**Source**	**When**	**1**	**2**	**3**	**4**
Absolute outbound forecast[1]	5	Global Insight	2008 to 2012	<0.1 mn visits	0.1 mn to 0.5 mn visits	0.5mn to1.5 mn visits	>1.5 mn visits
Resident population	5	IMF	2008 est	<5 mn population	5-15 mn population	15-25 mn population	>25 mn population
Spend per visit	5	IPS	2007P	<£300	£300 to £500	£500 to £700	>£700
Flight frequency to UK	5	VisitBritain	2008	< daily flights	7-20 flights a week	20-50 flights a week	50+ flights a week
Regional access to UK[2]	4	CAA	2007 data	1 region	2 regions	3 regions	4 or more regions
Economic growth forecast	4	IMF	2008 to 2009	<4%	4% to 7%	7% to 10%	>10%
Abslute per capita income, ppp[3]	4	IMF	2008 est	<$10,000	$10,000 to $20,000	$20,000 to $30,000	>$30,000
Internet access (relative/absolute)[4]	4	World Internet Stats	2008	<10% \ < 10m	10%-25% \ 10m-25m	25%-50% \ 25-50m	>50% \ > 50 mn
NBI Tourism Ranking of UK[5]	4	VisitBritain	2007 Wave 4	16th or worse	15th to 11th	10th to 6th	in top 5
Recent market share trends	4	IPS	2004 to 2007P	vol and val down	vol up val down	vol down val up	vol and val up
Existing market value	3	IPS	2007P	<£25m	£25m to £75m	£75m to £150m	>£150m
Relative outbound forecast[1]	3	Global Insight	2008 to 2012	<10%	10% to 20%	20% to 30%	>30%
Population growth forecast	3	IMF	2008 to 2013	declining population	< 0.2 million growth	0.2-1 million grpwth	>1 million growth
Proximity to existing VB infrastructure	3	VisitBritain	2008	no nearby presence	in neigbouring country	virtual presence	in market
Visa requirement	3	UK Border Agency	2008	required	not applicable	not aaplicable	not required
Spend per night	3	IPS	2007P	<£40	£40 to £55	£55 to £70	>£70
Flight time	2	VisitBritain	2008	11+ hours	6-10 hours	4-6 hours	<4 hours
Language	2	Wikipedia/various	2008	Little English spoken	Some English spoken	English taught widely	English speaking
Socio-political stability	2	VisitBritain	2008	very unstable	some instability	broadly stable	very stable
Historical links to UK	2	VisitBritain	2008	not applicable	Non-Commonwealth	not applicable	C/wth + US/Ireland
NBI overall ranking of UK[6]	2	VisitBritain	2007 Wave 4	16th or worse	15th to 11th	10th to 6th	in top 5
Immigrants within UK	2	IPPR	2001 or Q4 06	<25,000	25,000 to 50,000	50,000 to 100,000	>100,000
UK emigrants in country	2	IPPR	2006 est	<10,000	10,000 to 25,000	25,000 to 100,000	>100,000
Exchange rate trends	2	Bank of England	2005/6 to 07/8	cost up >10%	cost up 0% to10%	cost fallen <10%	cost fallen >10%
State of travel trade development	1	VisitBritain	2008	not applicable	not well developed	well developed	mature
Total value of bilateral trade	1	Uktradeinfo	2007 data	<£1bn	£1bn to £3bn	£3bn to £10bn	>£10bn
Total direct investment (both ways)	1	ONS	2006 data	<£1bn	£1bn to £5bn	£5bn to £25bn	>£25bn
UK university entrants from country	1	UCAS	2007 entry	<250	250 to 500	500 to 1,000	>1,000

Do the 'number-crunching' (2)

Country	Recent market share trends	Spend per night	Existing Market Value	Regional Access	NBI Overall Ranking of UK	NBI Tourism Ranking of UK	Immigrants within UK	University entrants	Absolute per capita income, ppp	Total value of bilateral trade	Flight Frequency to UK	Flight Time	Visa Requirement	Relative Outbound Forecast	Absolute Outbound Forecast	Economic Growth	Total direct investment (both ways)	Exchange rate trends	Resident population	Population Growth	Internet Access	Language	Socio-political stability	State of Travel Trade Development	Historical links to GB	Proximity to existing infrastructure	Spend per visit	UK emigrants in country
Argentina	4	3	1	1	2	3	2	1	2	1	2	1	4	2	1	4	1	1	4	4	3	2	3	4	2	3	3	1
Australia	2	3	4	1	4	3	4	1	4	3	3	1	4	2	3	2	3	3	3	4	4	4	4	4	4	4	4	4
Austria	1	4	3	4	3	2	1	1	4	3	4	4	4	2	3	1	2	3	2	2	4	3	4	4	2	4	2	1
Bahrain	3	4	2	1	3	2	1	1	4	1	3	2	1	3	2	4	1	1	1	2	2	3	3	3	2	1	4	2
Belgium	1	4	4	4	3	1	1	3	4	4	4	4	4	1	3	1	3	3	2	3	4	3	4	4	2	4	1	3
Brazil	4	3	3	1	2	2	2	1	2	3	3	1	4	2	2	3	2	4	4	4	3	2	3	3	2	4	4	2
Brunei	2	3	1	1	3	2	1	3	4	1	2	1	4	2	1	1	1	3	1	2	3	3	4	3	4	2	4	1
Bulgaria	4	1	2	2	3	2	1	2	2	1	3	4	4	3	2	4	1	2	2	1	3	2	3	3	2	2	3	1
Canada	1	3	4	4	3	3	3	3	4	3	4	2	4	2	3	1	4	3	4	4	4	4	4	4	4	4	3	4
China	4	3	4	1	4	4	3	4	1	4	3	2	1	4	4	4	2	2	4	4	4	1	3	2	2	4	4	1
Croatia	4	3	2	4	3	2	2	1	2	1	3	4	4	2	2	3	1	3	1	1	3	2	4	3	2	1	2	1
Cyprus	4	3	3	4	3	2	3	4	4	1	3	3	4	2	1	3	1	3	1	2	3	4	4	4	4	1	3	3
Czech Republic	4	1	3	4	4	4	3	1	3	3	4	4	4	3	3	3	1	4	2	2	3	3	4	4	2	4	2	1
Denmark	4	4	4	4	4	2	1	1	4	3	4	4	4	2	3	1	3	3	2	2	4	3	4	4	2	4	2	2
Egypt	4	4	3	3	4	4	1	1	1	1	3	3	1	3	1	4	1	2	4	4	1	3	2	3	2	1	4	2
Estonia	2	4	1	1	4	3	1	1	3	1	2	4	4	2	1	2	1	3	1	1	4	2	4	4	2	2	2	1
Finland	4	4	3	3	3	2	1	2	4	3	4	4	4	2	2	2	2	3	2	2	4	3	4	4	2	4	2	1
France	1	2	4	4	3	1	4	4	4	4	4	4	4	1	4	1	4	3	4	4	4	3	4	4	2	4	1	4
Germany	3	3	4	4	3	1	4	4	4	4	4	4	4	1	4	1	4	3	4	1	4	3	4	4	2	4	2	4
Ghana	1	3	2	1	3	2	3	1	1	1	2	2	1	2	2	4	1	2	3	4	1	3	2	2	4	1	4	1
Greece	1	4	4	3	3	2	2	4	4	2	4	3	4	2	2	3	1	3	2	2	3	3	4	4	2	4	4	2
Hong Kong	1	4	3	1	3	2	3	4	4	3	4	1	4	3	2	3	3	1	2	3	4	4	3	4	4	4	4	2
Hungary	2	2	3	4	4	3	1	1	2	3	4	4	4	3	3	2	2	3	2	1	3	2	4	4	2	4	1	1
Iceland	4	4	2	3	3	2	1	1	4	1	3	4	4	1	1	1	1	1	1	2	4	2	4	4	2	1	3	1
India	2	1	4	3	4	3	4	4	1	3	4	2	1	4	4	4	2	2	4	4	4	3	3	3	4	4	4	3
Indonesia	1	4	1	1	4	3	1	1	1	1	1	1	1	3	2	4	2	2	4	4	3	1	3	2	2	2	4	2
Iran	1	2	2	1	3	2	3	2	2	1	2	2	1	2	2	4	1	2	4	4	3	1	2	2	2	1	4	1
Ireland	3	4	4	4	4	2	4	4	4	4	4	4	4	1	3	2	4	3	1	3	4	4	4	4	4	3	2	4
Israel	1	4	3	2	3	2	1	1	3	2	3	3	4	3	3	2	1	3	2	3	4	3	2	4	2	1	3	3
Italy	4	3	4	4	4	4	3	3	4	4	4	4	4	2	4	1	3	3	4	3	4	2	4	4	2	4	2	3

Make it easy to understand!

MARKET	SCORE	RANK	VB in?
Spain	295	1	Y
Italy	290	2	Y
USA	284	3	Y
India	276	4	Y
Canada	275	5	Y
Ireland	270	6	Y
Australia	268	7	Y
Germany	268	7	Y
Singapore	267	9	Y
Sweden	266	10	Y

A few key findings

- Spain, Italy and USA come top
- India outperforms China
- But China outperforms Japan
- You will get asked about markets you didn't include in the model…

Health Warnings!

- As much ‘art’ as it is ‘science’
- Judgment used in deciding on criteria, bandings, scores and weights
- Doesn’t reflect ‘cost’, ‘ease’ or ‘desirability’ of operating in each market
- But does allow market comparison and reflects a wide range of factors
- Tactical opportunities may arise in low scoring markets

If you have been…

Thank you for listening!

visitbritain.com/research