

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the British Market in 2005

October 2000

Steady growth

The UK economy continues to prosper. **Britain's Gross Domestic Product should increase by 1.9% in 2000 standing at US\$1,296 billion.** The unemployment rate, which fell to 4.3% in 1999, is the lowest that it has been in 25 years. The country also has a low inflation rate of 2.5% and the pound sterling has been the world's strongest currency for the last 5 years.

Outbound travel up

Britain is a very important travel market. **It is the fourth most important market in the world after the USA, Germany and Japan.** In 1998, more than half (52.0%) of all trips were taken abroad. The year 1998 was the first year that more British residents opted to holiday proportionally more abroad than at home. The British travel market produced 55 million trips in 1999 and generated US\$35 billion in expenditure. *Tourism Intelligence International* estimates that by 2005, the UK will produce 58 million visitors to destinations abroad and generate US\$45.9 million in revenues.

A lucrative market

The British travel market is an important source market for many overseas destinations and even for travel within the UK. Consider that:

- The UK has a population of 59 million, the second largest population in Europe.
- The British have an enormous appetite for travel.
- The British are experienced travellers and are inclined to seek out new, unexplored destinations.
- The sterling is one of the strongest world currencies and the UK economy is booming.
- The British have a large number of paid holidays and taking vacations is socially acceptable.

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Key Trends to Watch

Growth regions

Britain's nine regions are very diverse having different levels of income, rate of growth, unemployment and propensities for travel. **The regions with the greatest travel market potential (in order of importance) are: South East, London, North West & Merseyside, East and West Midlands.**

Long-haul travel is growing

The top four British long-haul regions in 1998 were North America, East Asia & Pacific, Africa and the Caribbean. Measured by the rate of growth over the period 1988-1998 the top three long haul regions are: The Caribbean (Barbados and Dominican Republic), the Middle East (Egypt and Dubai) and South and Central America (Brazil and Argentina).

Future prospects

The UK market will continue to grow well into the 2005. The Americas (USA, Canada, South and Central America and the Caribbean will experience the most rapid growth from the UK market, followed by Africa, South Asia, East Asia and the Pacific.

Source: *Tourism Intelligence International, How the British will Travel 2005.*

British Market - Winners & Losers

	Destination	No. of months	No. of Travellers	% Change
		1999		1999/1998
Cuba has the greatest growth	Cuba	12	85,829	33.54
	Antigua & Barbuda	12	71,313	24.02
	Thailand	12	457,110	21.60
	Maldives	12	63,919	14.70
	Australia	12	528,431	13.03
	Mauritius	12	58,683	12.21
	Singapore	12	401,118	12.07
	Barbados	10	167,392	10.96
	New Zealand	12	168,271	8.36
	Jamaica	12	124,930	7.19
Spain and France receive the most UK arrivals	USA	12	4,252,162	6.97
	South Africa	5	151,871	6.16
	Canada	9	656,824	4.36
	Germany	12	1,648,935	4.26
	Japan	12	182,894	0.75
	Cayman Islands	12	23,422	-1.98
	Hong Kong	12	308,754	-5.21
	Aruba	12	2,773	-8.39
	Phillipines	12	88,920	-8.99
	Turkey	12	814,889	-18.23
	Dominican Republic	12	108,045	-42.59

Source: World Tourism Organisation, 2000

Market & Consumer Trends

Rapid spa growth

The spa industry is growing by leaps and bounds as indicated by the preliminary results of the *International Spa Association (ISPA) Industry Study*. In 1999, there were 5,689 spa facility locations with \$ 5.3 billion in sales volume. The research showed that **spas received 95 million visits in 1999**, with more than 70% coming from the day spa industry. Visits in the resort/hotel and destination spas categories made up nearly 20% of the business. **Overall, the number of spas increased by 52% between 1997 and 1999, while the number of visits increased by 70% and revenue grew by 152% in the same period.** This industry is set to double in size every four years.

Weddings and honeymoons

With the **average cost of a UK wedding costing US\$20,584.50 (£13,7323)**, many UK couples are looking to the Caribbean to tie the knot since **the average wedding package costs US\$675 (£450)**. Together with a honeymoon package **the total bill is around US\$5,250 (£3,500) which makes the Caribbean very competitive on the cost side** compared with other destinations.

Hotel & Resort Trends

Luxury floating hotels

A chain of luxury floating hotels in yachts is to be launched by **Harbour Quay Hotels**. **The first 200-room permanently moored yacht will be London's Docklands and will be aimed at the top end of the business market.** It will house 2 restaurants and a brasserie, swimming pool, spa, cinema plus health and fitness rooms.

Four Seasons expands

Four Seasons which opened its first Middle Eastern hotel in Cairo this year, **plans another 6 hotels in Jordan, Egypt, Lebanon, Saudi Arabia and Qatar**. Shanghai is expected to get a Four Seasons hotel by the end of 2001. Hotels in Budapest and Prague will extend the company's reach to Eastern Europe. New ventures in Dublin and in the south of France will strengthen its presence in Western Europe where it operates 6 hotels.

Focus: The UK Independent Traveller

A growing market

In 1999, 46% of all travellers in the UK travelled independently. When one examines the growth of independent and packaged holidays over 1967-1999, there has been a **steady increase in the growth of independent holidays**, while the growth of packaged holidays has been more volatile.

Factors driving independent travel

The **independent travel market offers good potential for growth** and this trend will continue to increase due to a number of factors:

- Changing consumer taste and lifestyles,
- Package tours as a launch pad for independent holidays,
- Growth in the seat-only market and expansion of low-cost airlines,
- Growth in accommodation-only sales and non-hotel accommodation,
- Growth of frequent flyer programmes,
- Improved quality and standards of independent operators,
- Growth of timeshare business and property ownership abroad,
- Youth and gap year travel,
- Tour operators offer flexible, independent options, and
- The Internet.

Reasons for independent travel

The main reason for travelling independently indicates a maturing market. This is highlighted in the reasons given below:

- Freedom,
- Flexibility and choice of accommodation,
- Good value for money,
- Travel off the beaten track,
- Mobility (choice and length of stay in any one place),
- Experience the country as it really is, not on a tour,
- Choose meal times and type of foods eaten,
- Experience adventure of the unknown, and
- Individual experience.

Favourite destinations

In 1998, the top 10 destination for independent holidays by UK residents were **France** (28.3%), **Spain** (20.8%), **United States** (9.7%), **Irish Republic** (7.6%), **Italy** (3.4%), **Netherlands** (3.2%), **Belgium** (3.1%), **Portugal** (3.0%), **Germany** (2.4%) and the **Rest of Asia** (1.7%).

Independent vs inclusive travel

There has been a growing trend towards taking independent holidays in the UK. This has important implications for the packaged holidays offered by tour operators. **The more independent travel decisions that are made the less the demand for the traditional packaged holiday offered by touroperators**. There has been the simultaneous development of independent travel and the all-inclusive package.

Spending patterns

Spending by independent travellers in the UK tends to vary widely. **In 1995, US\$360 was spent per visit abroad.**

Trends to watch

- Growth in the student travel market.
- The Internet as a powerful source of information.
- Growth in long haul destinations especially to the USA, the Far East and the Caribbean.
- Increasing demand for independent travel by affluent families with children under 15.

Source: Tourism Intelligence International, How the British will Travel 2005

Editorial

A very important characteristic of the British traveller is the growing preference for independent holidays, that is, holidays in which the main holiday elements (transportation, accommodation and "other services") are bought independently from different sources. It is also important to consider that Britain has the largest proportion of its population on-line, compared with the rest of Europe - one-third of Britons are on-line, a similar proportion to Japan. UK consumers also shop the most on-line after Americans. Already, almost half (45%) of British consumers find the internet will be the most convenient way of booking holidays by 2005.

The combination of an experienced travel market with a strong inclination to visit far away destinations, together with a growing familiarity and confidence with buying on-line, provide the single most important imperative for the growth of the independent travel market. Growth of the independent travel market will continue. There are striking similarities between the profile of the internet customer and the profile of the independent traveller. The internet and the independent traveller seem to be ideal bedfellows.

Trends to Watch

Frenchman guilty in sex case

A Frenchman on trial in a landmark court case was found guilty in October this year of child rape during a "sex vacation" in Thailand in 1994. The court ordered the public transportation worker to pay damages to the girl who was 11 years old when the incident took place and sentenced to seven years in prison.

Hotel chain to open travel agency

The Caribbean all-inclusive resort chain, **Sandals will open a travel agency in London.** The **Sandals and Beaches Holiday travel agency is aimed at driving business to its all-inclusive resorts.** Up to nine people are being recruited to staff the agency.

Technology Update

Price drives on-line shopping

More than half (57%) of consumers were more concerned about prices than security (42%) when buying on-line, according to a pan-European shopping survey by *Jupiter Communications* and Ipsos. Price was the factor that would motivate existing shoppers to buy more on-line, ahead of other factors such as security, shopping experience and delivery.

Air travel sales dominate the web

A total of 82% of all on-line bookers of travel products/services bought air travel; 60% bought hotel rooms; 45% bought car rental and 32% bought theatre tickets. In fact, more **on-line bookers bought theatre tickets, compared with package tours,** according to the *Travel Industry Association*. Package tour sales on the internet is also declining according to the latest data from *phocuswright.com*.

Mobile internet services

Microsoft is in talks with **British Telecom** and **Vodafone** regarding offering mobile internet service. The company claims that **investing in relationships with leading operators will enable users to access customised corporate services at anytime, any place and from any device.** Microsoft claims to have the biggest Internet network in the world with more than 200 million users a month in 33 countries.