

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Prospects for the Irish Market 2002

December/January 2002

A growing economy

Ireland is a small, modern, trade-dependent economy with **GDP growth of 11.5% in 2000**. In **2001 growth is expected to be around 7.5%**. The growth of the Irish economy from 1996 to 2000 has resulted in a significant rise in consumer spending power and the unemployment rate is now 5%

Outbound travel up

Between 1996 and 2000, **outbound travel has increased by 39.5% to record 3.8 million trips**. This compares with 3.5 million trips taken in 1999. Travel outside Ireland has been increasing steadily since 1995.

Expenditure increased

Irish overseas expenditure increased by 65.7% between the period 1996 and 2000 to exceed US\$3.75 billion. Holiday and VFR expenditure made the most sizable increases rising by 101% and 66% respectively.

UK is most popular

The most popular region for Irish travel is the United Kingdom. About **two fifths of (42%) of all Irish trips were to the UK**. This is attributable to the historic ties between the UK and Ireland. Interestingly, continental European trips has grown substantially to represent (40%) of all outbound trips. The **Spanish islands and the Eastern Mediterranean are also growing in popularity for the Irish**.

Growing regions

In the first quarter of 2001, **Ireland's outbound market experienced a growth of almost 6% on the previous year**. This was largely because of the expansion along European and transatlantic routes where visitor numbers increased by 23% and 20% respectively. This expansion may have caused the 4% decline in cross-channel air passenger traffic.

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Relaxation is key

The Irish are looking for a relaxing time while on vacation, a chance to get away from it all. A sun, sand and sea vacation is important for the Irish. However, while on vacation the Irish like to engage in golfing and fishing. They also like to take in the historical sites and visit museums.

The future

The Irish market will continue to grow well into 2005. Prior to September 2001, the downturn in the US economy did have a negative effect on the Irish economy. However, the economy is still sound and the Irish will continue to travel. After September 2001, the Irish market should rebound within the next 12 months.

Source: *Travel and Tourism Analyst, 2001*

Market & Consumer Trends

The British still plan to travel in 2002

More Brits are intending to travel overseas for their holidays in 2002 with 51% planning to go abroad and only 18% preferring to stay in the UK, according to ICM Research. In 2001, 48% of Brits went abroad and 24% stayed in the UK. Europe was the most popular destination (33%) in 2001, followed by UK (24%) and North America (6%). For 2002, the trend is similar with Europe 30%, UK 18% and North America 7% (a one percent increase over 2001). Interestingly only 6% of the people surveyed have altered their holiday plans as a result of September 11. However, in terms of travel insurance 27% of respondents said that they would be more likely to purchase travel insurance.

Consumer confidence returns to the US

Confidence is returning to the holiday market and particularly travel to the USA, according to research undertaken by *Advantage Travel Centres* (1,000 consumers who took regular holidays). The research shows that only 1% had cancelled holiday plans for 2002, 81% said the effects of September 11th had no impact on their holiday planning. **USA, Australia, Canada, Ireland, Thailand, Portugal and the Caribbean** were popular destinations for 2002.

Hotel & Resort Trends

EU grant to Irish hotels

Hotel in Northern Ireland have received a **3 million pound (grant from the EU)**. This grant, which is to be used to upgrade nine hotels and 36 guest houses, has attracted a further 16 million pounds from the private sector, reported the *Northern Ireland Tourist Board*.

Decline in US hotel profitability

For the first time since 1990, **US hotels have recorded a decline in hotel profitability. Profits for 2001 is estimated at US\$16.8 billion, 27% down from \$23 billion in profits for 2000.** Profitability for 2002 is projected to be only 2%, according to PricewaterhouseCoopers. Occupancy rates also fell from 63.7% in 2000 to 60.3% in 2001. Occupancy levels are expected to further decline to 59.6% in 2002.

Cruise News

Extra protection from Crystal Cruises

Crystal Cruises now offers "Cruise Protection Program-Plus" which covers trip interruptions and cancellations. This travel insurance plan allows passengers to cancel their cruise, for any reason, up to three days prior to departure and receive 90% cruise credit valid for sailing within 12 months. Carnival followed suit.

Peace of Mind Travel

"Peace of Mind Travel Assurance" was launched by Cruise West. It gives passengers who book in 2002 voyages or cruise-tours **the right to cancel or postpone without penalty up to 90 day prior to departure.** Persons purchasing this travel insurance will receive cash refunds if they cancel for any reason covered under the policy.

Carnival takes delivery

Carnival Cruise lines has taken delivery of its 88,500-ton Carnival Pride in Helsinki. **The 2,214-passenger Sprit -class ship will do seven day Caribbean cruises from its homeport in Port Canaveral, Florida.**

Aviation Update

Southwest shows profit

The world's biggest budget carrier, Southwest airlines has shown a profit for its 29th consecutive year, earning US\$412.9 million compared with US\$606.1 million in 2000. Even in the last quarter of 2001, Southwest showed a US\$63.5 million profit although it was a 58.9% fall from the same period in 2000. Southwest's latest results are in stark contrast to those of two major players – US Airways and Northwest Airlines – which both reported heavy losses. **US Airways reported the biggest loss to date with just over US\$1 billion in losses for 2001. Northwest reported an annual loss of US\$423 million in 2001 compared with profits of US\$256 million for the year 2000.**

Full open skies

Air Canada is lobbying the USA Airline CEOs to embrace their proposal of “full open skies”. This would involve US carriers offering services from Canadian city to another via a US hub similarly Canadian carriers would be able to offer US domestic service via a Canadian hub. This agreement would even allow for US carriers to carry passengers to a third country. **Air Canada's CEO believes that the time is right to liberalise their aviation agreement and look for new ways to increase revenue.** Meanwhile, the UK and the US will be on the verge of reaching an open skies deal if BA and AA agree to the proposals.

EasyJet reaches internet sales target

EasyJet indicated that it has achieved its internal target of selling around 90% of its tickets via the internet. The low cost carrier, EasyJet plans to buy 75 more aircraft. **It sold 670,390 seats in December 2001, up 36.5% on December 2000 while load factor increased from 79.5% to 82.8% over the same period.** In addition EasyJet is planning to target the business market with a UK national advertising campaign.

Destination Watch

Guatemala boosts investment

Following on the heels of the December 15 signing of a peace pact between government and warring factions, Guatemala plan to boost investment in tourism. **As a first step, starting January, users of Guatemala's airports will have to pay an extra \$20.** This charge will finance a new national park system which, in turn, is designated to ensure visitor safety.

Funding from self assessment

Travel and tourism businesses in California have come upon an ingenious way of raising **\$7.5 million** a year for promotion expenditure - **self assessment.** All businesses which earn **more than 8% of their annual gross receipts** from travel and tourism are to contribute **\$450 for each \$1 million to promote tourism for the state.**

Popularity pays

In an attempt to woo more visitors to **South Africa, President Nelson Mandela's birthplace is to marketed as a point of interest in specially developed package tours by the Eastern Cape Tourism Board.** Other sites of interest to be included in the tour packages include the President's former house and **Robin Island**, where he was imprisoned for 27 years.

Focus: The US Gay and Lesbian Market

70 million international gay travellers

Gay and lesbian travellers refer to same sex (male or female) couples or individuals. In 2000, some 10% of international arrivals were made by gay and lesbians, **accounting for approximately 70 million international arrivals worldwide**, according to estimates of the *Travel and Tourism Analyst*. The gay travel market has become an important market segment and will continue to grow, considering that the vast change in attitude **within the last 10-15 years has made it is possible for gay couples to show their affection openly**.

US\$54.1 billion strong

Gays are often characterised as ‘early innovators’ and ‘trend setters’. They usually have a high disposable income and no kids – the DINKs of the 21st century. **The American gay & lesbian travel community produces US\$54.1 billion per year**, representing about 10% of the total US travel industry. Without having children to support, no college fund to be maintained and no costly wedding arrangements to be made, the remaining discretionary cash is often used for travelling.

US market most developed

The USA is undeniably the place where the gay travel market is at its most developed stage. One reason for this is mainly commercial: **the very high disposable incomes of US consumers means that US gay men (and to a lesser extent gay women) are almost certainly the wealthiest in the world**.

Europe is another big market

It is anticipated that the US gay travel model will be followed in the next most advanced gay travel market, Europe. The US has diversified into more **specialists and high-value holidays such as cruising, mountain walking, eco-tourism and soft-adventure pursuits**. The European market is still very much dominated by city breaks and “sun, sand and sex” holidays involving destinations such as Gran Canaria and Mykonos.

Characteristics

Characteristics

Gay traveller

Demographics:
Preferences:

New “DINKs”(Double Income no Kids)
Sun, Sand and Sex, City trips and
Culture Soft adventure Events and
Theme travel

Consumer Type:
Booking preference:
Requirement:

Trend setters and Early innovators
Online and Travel Agents
Quality and Value for money

High income level

- * More than a quarter earn over US\$100,000 annually (26%)
- * Nearly two in ten earn US\$75,000 to US\$100,000 (16%)
- * Over a third earn US\$40,000 – 75,000 (34%)

More educated

Gays and lesbians are highly educated with 46% being College Graduates and 43% having a Post Graduate Degree.

More than half are in a relationship (53%), with most gay tending to be male (94%). In terms of occupation over half are executives (55%),

US Gay and Lesbian travel habits and demographics 2000 compared to the national average

	% of Gay or Lesbians	% of Total US Population
Taken at least one holiday in the last 12 months	91%	64%
Taken 3 or more holidays in the last 12 months	49%	0%
Purchase through a travel agent	85%	42%
Have household incomes above national average	76%	49%
Have household incomes of US\$100,000 or more	26%	12%
Holds a valid passport	84%	29%
Holds major credit cards	87%	29%
Belong to frequent flyer programmes	67%	25%
Are college/university graduates	88%	53%
Own a computer	72%	53%
Have internet/online access	69%	33%

Tips for targeting the Gay Travel Market

The gay travel market can be a very lucrative market but a highly sensitive one which cannot just be lured through ill-conceived claims of being 'gay-friendly', but it is a delicate task which has to be performed with sensitivity and care. Here some essential tips:

Value for money

Gay travellers seek high value for their money.

Quality

Quality is a top priority of gay travellers. Important for gay travellers is service quality and quality of accommodation.

Total brochure honesty

Gay travellers appreciate brochures that are factual and not exaggerated. The 'total brochure honesty' is a market philosophy successfully followed by "Respect Travel" a UK-based gay travel company.

Visibility

Ongoing visibility and presence in the gay community is a must for companies that want to successfully attract gay travellers. Just showing on ad in gay travel magazine is not enough.

Right philosophy

A travel company cannot succeed in targeting gay travellers if the company philosophy is not reflecting a gay-friendly attitude towards its employees.

Get involved

Organisations such as TAG and IGLTA are setting up lists of recommended travel companies. Being a member of such an organisation does not only show presence in the community but also shows that your travel company has a gay-friendly environment for clients and employees.

Get online

The Internet use of gay travellers is booming. Gay travellers are not only highly educated, they are also following the latest trends and have a high preference for the Internet, since it is anonymous. Important websites are www.gay.com, www.planetout.com, www.gaywired.com.

Be a gay-friendly destination

A gay-friendly destination is a place that has a local gay infrastructure, bars, restaurants and neighbourhoods that appeal to the gay community and local government that is welcoming the gay community.

Source: *How the Americans will Travel 2007, February, 2002 & Travel and Tourism Analyst, Community Marketing.*

Editorial

Following September 11th a key strategy for destinations and suppliers to attract more business is to remove barriers to travel. The movement towards more open skies in Canada and across the Atlantic is certainly a step in the right direction. But destinations must also seek to provide seamless travel and hospitality services - remove visa requirements, allow free movement of personnel and capital, simplify complicated customs and immigration procedures! Make the travel experience more enjoyable for travellers.

In light of the continued strong performance of low cost airlines such as Southwest and EasyJet, the entry of even more low cost carriers (British Midland's Tiny) and the fact that SABENA and Swiss Air are now forced to reinvent themselves as low cost carriers, one must continue to wonder whether September 11th was the real cause of the airline industry's woes, or whether it has simply hastened judgement day.

Trends to Watch

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|---------------------------------------|--|
| Air and rail | Delta Airlines and SNCF-Rail have started code-sharing on high-speed rail service from Charles de Gaulle airport outside Paris to eight destinations in France. This agreement means that passengers can reserve the trains and receive miles for travelling on them. French Rail already has code-sharing agreements with Air France, American Airlines and Lufthansa . |
| Club Med launches perfume | Club Med has launched a fragrance "My Ocean" . The fragrance is said to be "an evocative and cosmetic version of the Club Med experience, with a sea breeze, ocean-crisp sent that symbolises Club Med's refreshing leisure vacations". |
| Hospitality terminal | Air Jamaica Vacations plans to open a three-story terminal near to Sangster Airport terminal in Montego Bay. The terminal will include amenities such as a roof deck, a check-in centre on the ground floor, a restaurant and bar, souvenir shops and a massage therapist for the exclusive use of departing Air Jamaica Vacations' clients. |
| Tiny the new no frills airline | New no frills airline, Tiny, (owned by British Midlands) operating from East Midlands is introducing fares from as low as 25 pounds one way on every route. From March 23, Tiny will operate daily flights to Palma, Malaga, Nice and Barcelona with three daily flights to Dublin. Booking starts on January 28 at www.bmibaby.com . |

Technology Update

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| Direct online booking | The Jamaica Tourist Board will redesign its website to include an on-line customer booking capability. This is a departure from its agent-friendly tourist office, whose current website encourages visitors to search for an agent by area or zip code. The new look website www.jamaicatravel.com should be up by November 2002. |
| Mytravel.com shows success | Mytravel.com has put Lastminute.com into second place and has outstripped the other market leader, Expedia. From a market share of 5% it has jumped to 9%. Within its first 8 weeks it has had thousands of successful bookings online. |

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