

A Changed World For Irish Tourism

- facing up to the challenges of recovery



itjc

Irish Tourist Industry Confederation

INTRODUCTION

Tourism, more than other industries, is inextricably linked to its social and natural contexts. Socio-demographic shifts, economic conditions, transportation and technological developments have been the main drivers of travel and tourism demand over the past decades. Not only has the speed and intensity of changes in these drivers become more marked in recent years, but tourism has also been buffeted by extraneous factors, including terrorism, wars, natural disasters, political developments, health scares and industrial actions. These have combined to present a most challenging market environment for the tourism industry. Most recently the fundamentals underpinning the tourism industry have been shattered by the global recession and the impact of air travel cancellations due to volcanic ash.

The success of tourism marketing depends to a large extent on correctly interpreting trends, and developing a timely strategic response to evolving customer profiles, preferences and demand patterns.

Ireland has, over the past decade, experienced a surge in demand from overseas and domestic markets leading to record tourism performances. However, there have been many structural changes in the demand for Irish tourism, including shifts in the relative value and volume of various source markets and segments resulting from changes in consumer motivations, behaviour and visitation patterns. In addition, the expansion of tourism infrastructure and upgrading of the visitor experience and the radical developments in access transportation, communication and distribution channels combined to contribute to ongoing growth.

Tourism to Ireland, in common with most of its competitors, has been on a downward slide for the past three years. While the causes of the fall-off in demand have been well flagged, some underlying trends over the past decade give rise to questions as to the sustainability of traditional sources of demand, and at the same time challenge Ireland's ability to effectively win increased market share or penetrate new market opportunities.

This report, prepared by TTC-Tourism & Transport Consult International with the Irish Tourist Industry Confederation (ITIC), is intended to provide direction as to which markets are most likely to offer the best prospects for Irish tourism over the next 3 to 5 years.

The report has been compiled on the basis of desk research and extensive consultation with industry executives, including a survey of stakeholders. It moves from a detailed analysis of changes in the composition and patterns of recent demand through forecast scenarios on the prospects for travel in each of the main source markets, to conclusions on the best prospects for Irish tourism. The report is intended to inform decision making on market prioritisation, product response and resource allocations on the part of the tourism agencies and businesses engaged in tourism in Ireland.

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Table of Contents

EXECUTIVE SUMMARY	i
1. THE CHANGED FACE OF IRISH TOURISM.....	1
1.1 Irish Tourism – A Snapshot.....	1
1.2 The Past Decade – A Forensic Analysis.....	4
1.3 Current Downturn	15
2. WHAT IS SHAPING TOURISM DEMAND?.....	18
2.1 “It’s the economy stupid”	18
2.2 The Post-Recession Consumer	21
2.3 Trends In Travel.....	22
2.4 A Greying Market	23
2.5 Environment.....	25
2.6 The Travel Industry – A Changed Landscape.....	26
2.7 Travel Forecasts.....	29
2.8 What does it all mean?.....	33
3. HOW IS IRELAND PLACED TO FACE THE FUTURE?	34
3.1 The Appeals & Experience of Ireland as a Holiday Destination	34
3.2 Ireland’s Competitiveness	37
3.3 Access to Ireland	41
3.4 An Industry Perspective	43
4. WHICH MARKETS, WHICH PRODUCTS?	46
4.1 Britain.....	46
4.2 The US Market.....	48
4.3 Germany and France	49
4.4 Domestic Market.....	50
4.5 Other Source Markets	50
4.6 Which Products, Which Markets?	50
5. A STRATEGY FOR RECOVERY IN DIFFICULT TIMES.....	52
5.1 A Challenging Market Environment	52
5.2 A Strategy for Recovery – Key Recommendations	53
Appendices	
A. Terms of Reference	
B. Delphi Questionnaire	

EXECUTIVE SUMMARY

AN OVERVIEW

Irish tourism is facing its greatest challenge in several decades as a result of the impact of the recent global recession on international travel and the changing patterns of demand for holidays in Ireland. The short term outlook of slow economic recovery in Ireland's principal source markets suggests a continuing difficult trading period for most businesses, with recovery to pre-recession levels at least 3 to 5 years away. However, recovery is by no means assured.

Recovery will depend on success in restoring growth from the top 4 overseas source markets, most especially from Britain which has shown no growth in holidays to Ireland for most of the past decade, coupled with renewed growth in demand from the US, Germany and France. Failure to turn around the British market, due to its size, would stunt overall recovery.

The domestic market, which has proven more resilient in the current downturn and continues to underpin many businesses, is capable of renewed growth. However, the domestic market cannot deliver the quantum of volume or value growth to compensate for a continued downturn in demand from overseas.

The quintessential appeals of Ireland – its people and scenery – continue to rank highly and deliver a satisfactory experience for overseas holiday visitors. However, improved competitiveness, continued availability of adequate and affordable air services, and smart marketing are the factors which have been identified as most likely to shape Ireland's ability to win back tourists. Exchange rates may restore some advantage to British and US visitors, but discounting and low yields are expected to continue to depress margins. Falling profits within the sector and a lack of funds for working capital and reinvestment pose serious threats to the ongoing ability to deliver a quality and improved value for money experience.

The market landscape is changing as the post recession consumer seeks better value, the travel industry adopts new business models, and technology continues to revolutionise how consumers plan, book and experience travel.

All forecasts point to renewed, albeit modest, growth in demand for intra-European travel, with leisure travel firmly established in lifestyle patterns and discretionary business travel showing signs of recovery. The opportunity undoubtedly exists for a return to growth, provided Ireland can effectively compete with timely strategic and tactical responses to evolving customer demand patterns in a changed market environment.

Tourism as an export industry can play an important part in restoring the Irish economy to growth. Tourism recovery is essential to the sustainability of many businesses and to maintaining employment and Exchequer receipts. The speed of recovery for Irish tourism will depend on the success or otherwise of winning market share in a slow growth environment.

The current situation calls for urgent action on a number of fronts if Ireland is to recover from this downturn and return to growth over the next three to five years.

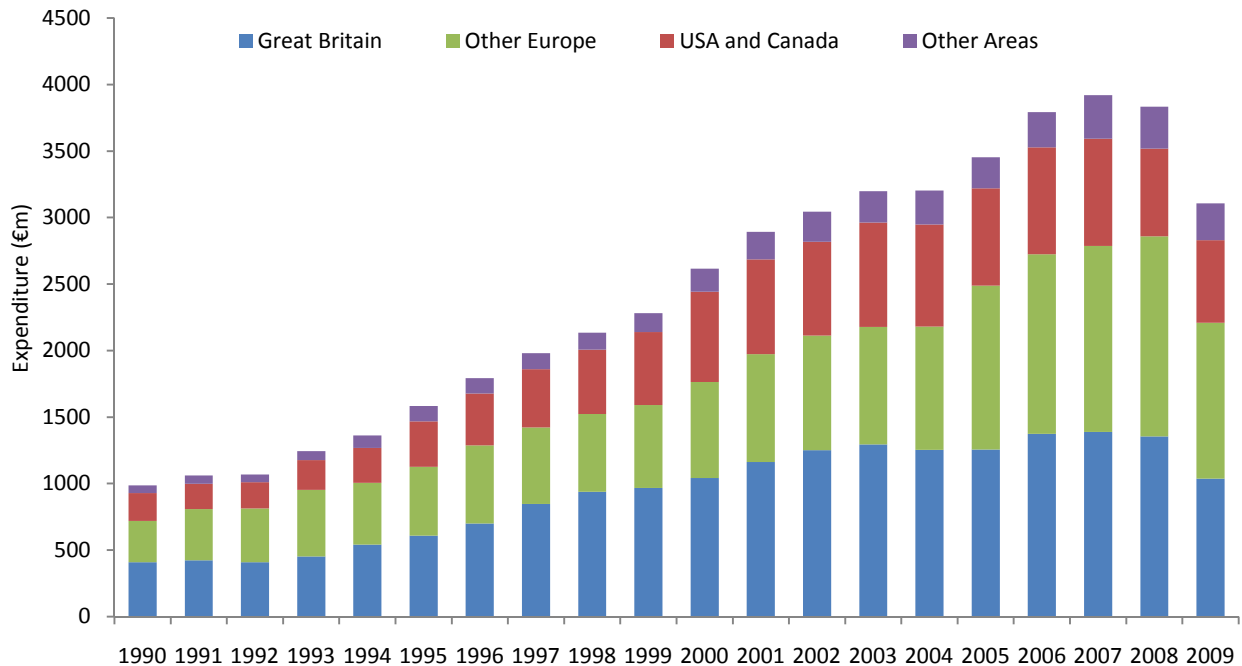
The primary focus for recovery is the holiday segment which is amenable to promotion.

THE CHANGED FACE OF IRISH TOURISM

The current downturn in Irish tourism

Despite the downturn, tourism earned €5.4 billion in 2009 with receipts from out of state visitors at just under €4 billion, plus a further €1.4 billion spent by domestic tourists.

Fig. 1: Overseas visitor expenditure in Ireland (€m) 1990-2009



Source: CSO/Fáilte Ireland

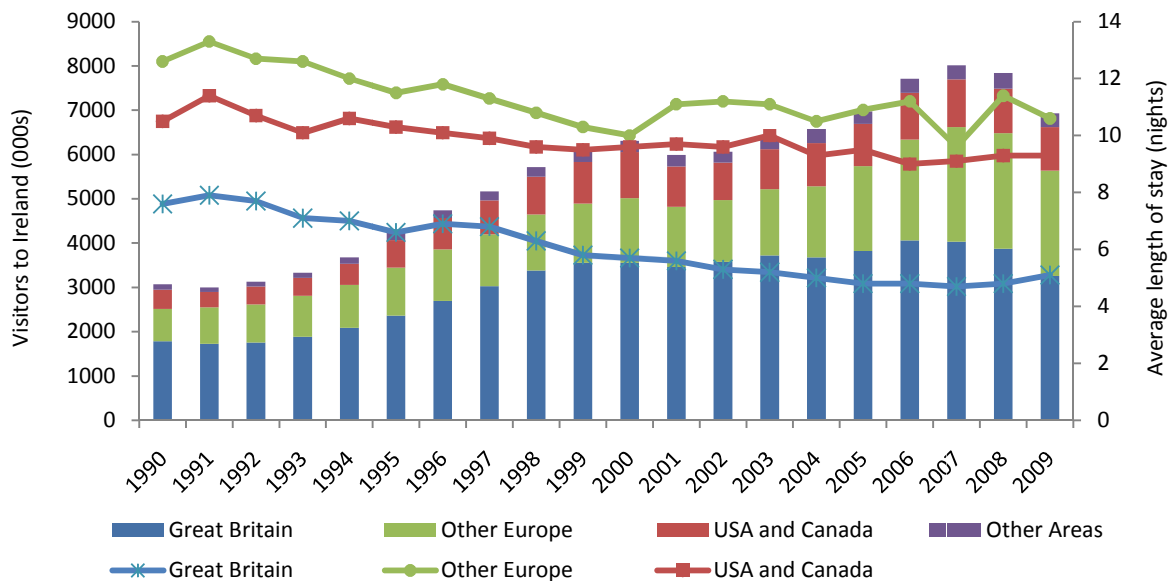
Ireland, in common with most of its competitors, has seen demand fall over the past two years after an extended period of continuous growth. The global economic recession has dampened demand for international travel, which resulted in Ireland welcoming 6.5 million visitors in 2009, almost 1.2 million fewer visitors than in the record year 2007. Within that total, there were 1 million fewer overseas holiday visitors in 2009 compared to two years earlier, a 27% drop from 4 million in 2007. Hotels, guesthouses and B&Bs suffered a 20% drop in bednights last year. The current outlook for 2010 suggests a further decline in visitors resulting in at least 1.5 million fewer visitors compared to three years ago.

The changing face of Irish tourism

The main driver of the growth in demand over the past two decades has been primarily economic prosperity in source markets, coupled with supply side factors such as the expansion of the range of attractive holidays on offer, new routes and cheaper airfares, and aggressive marketing.

Over the past decade the composition and characteristics of tourism in Ireland have changed. Growth in demand for Irish holidays came mainly from mainland Europe, while the average length of stay declined from all markets, but most noticeably from Britain.

Fig. 2: Composition by market of origin & length of stay x origin

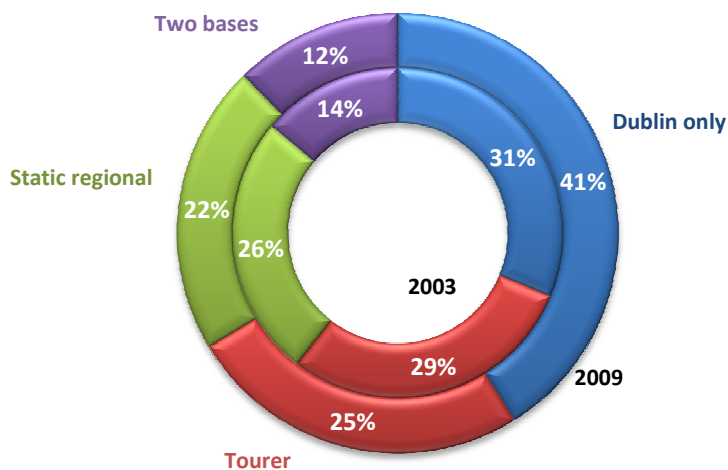


Source: Fáilte Ireland

Demand for holidays in Ireland changed significantly over the past decade and many of the changes have been well flagged in previous reports. In short Ireland became increasingly dependent on mainland European and Irish holidaymakers. Holiday makers from mainland Europe increased from 0.8 million in 2000 to a peak of 1.4 million in 2007, while over the same period holidays visits from Britain remained almost unchanged at close to 1.7 million each year and at around 0.7 million from North America. Over this period the purchasing power of the pound sterling and the US dollar deteriorated against the euro - by as much as 40% and 20% respectively between 2001 and 2008. Last year the number of holidaymakers from mainland Europe almost equalled that from Britain at close to 1.1 million. Interestingly, while the number of Europeans coming on holidays in 2008 and 2009 dipped, the volume of bednights was maintained, in contrast to sharp declines in holiday bednights from Britain and North America.

Holiday bednights in the country over the past decade increased in the greater Dublin area, while declining in most other regions – a function of the increasing popularity of Dublin, the growth in Dublin as a gateway, and a change in type of holiday taken by overseas visitors in Ireland.

Fig. 3: Change in type/location of holiday 2009 v 2003



Source: Tourism Ireland

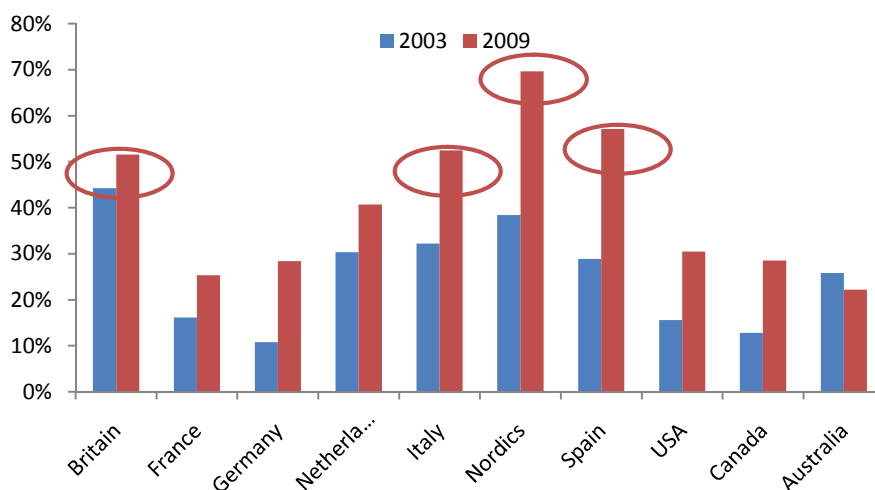
Between 2003 and 2009 the popularity of touring holidays and based holidays outside of Dublin declined, with the share of the holiday visitors to Ireland spending all their time in Dublin growing significantly. Despite the international trend towards more active holidays, the numbers of overseas visitors taking an activity holiday in Ireland, such as golf, fishing, equestrian and cycling, has been trending downwards, with walking the only activity sector showing growth.

Dublin the destination of choice for more than two fifths of the market

More striking than the increase in the numbers visiting Dublin has been the share of the market for which Dublin is the destination of choice. Last year more than one in every two holiday trips to Ireland from Britain, Spain, Italy and the Nordics was to visit Dublin only, and perhaps surprisingly Dublin was the sole destination for almost one in every three Americans.

While the popularity of Dublin as a sole destination from Britain peaked in 2005, the growth in demand for 'Dublin only' trips from other markets has continued to grow the aggregate volume of visits and bednights to the city. The rate of growth in demand for Dublin has not only outpaced the rate of growth in the overall holiday market to Ireland in recent years but 'Dublin only' visits held up better over the past two years than the total holiday market to the country.

Fig. 4: 'Dublin only' as share of all holidays by source



Source: TTC derived from Fáilte Ireland and Tourism Ireland data

Fundamental changes in the British market to Ireland

Apart from the overall level of holiday demand for Ireland being stagnant for most of the past decade, Ireland has seen a number of other fundamental changes in demand from this market. The marked preference for travel by air has resulted in shorter stays and a halving in the number of British holiday visitors bringing their car to Ireland from over 760,000 in 2000 to 335,000 in 2008. While the popularity of Dublin was on the ascent up to 2005, that market, largely of younger visitors, is now in decline.

Perhaps most worryingly Ireland has become more dependent on repeat visitors. The share and absolute number of first time visitors and holidaymakers – a critical metric in destination promotion – has been in marked decline and at a faster rate than repeat visitors. First time holidaymakers accounted for 42% of demand in 2003, which has fallen back to 34% in 2009. In absolute numbers Ireland welcomed 753,000 first time holiday makers from Britain in 2003, compared to just over

half that number (383,000) last year. In contrast, over the period the number of repeat holiday visitors fell by 28%. Ireland has also become more dependent on the older end of the market.

The reaction of British visitors to the value of their holiday in Ireland has been worrying, with almost one in three considering it bad value for money last year, a fact which is likely to have an impact on word of mouth recommendations and the propensity to return for another visit.

The latest data indicates that the sharp fall off in demand for Ireland over the past 9 months reflects a loss of market share of outbound travel from Britain.

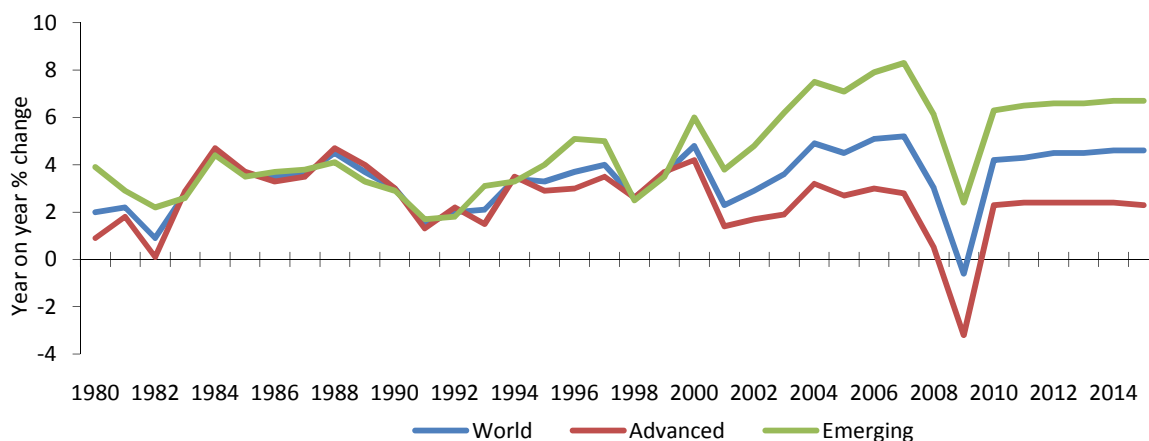
TRAVEL TRENDS & FORECASTS

Economic recovery key to renewed demand for travel

The primary determinant of demand remains the economy in each source market. The outlook for a slow, but fragile, economic recovery in most developed countries suggests that an upturn in demand for travel will also be slow. The euro zone crisis has the potential to at least stall the economic recovery underway in the developed world, while the continuing rise in unemployment is likely to dampen consumer confidence. Pick up in employment, while historically lagging economic recovery, may be more sluggish this time.

The IMF has recently raised its forecast for global economic growth this year, from 4.2 % to 4.6%, while warning that the risk of a slowdown had increased sharply. The forecast rate of growth in the developed economies of Europe and North America is closer to 2% per annum over the next three years. Worries about sovereign debt and budget imbalances in the developed world continue as big threats to the recovery in Ireland’s top source markets.

Fig. 5: Real GDP growth: % annual change 1980-2015



Source: IMF

Oil prices have risen since mid 2009 driven largely by demand from fast growing emerging economies and now stand at close to €70 per barrel. Expectation is that the price of oil will continue to increase due to growing demand and possibly exacerbated by the impact of the oil spill in the Gulf of Mexico which may curb deep sea exploration and extraction.

The consumer, as well as being more cautious in spending, has also become more value conscious, particularly in respect of large ticket items, including holidays and travel. The expectation is that the international travel industry will find it difficult, if not impossible, to return to pre-recession price levels within the next two to three years. An exception to this is the

airline sector which is improving yields by reducing capacity, although fares are still below pre-recession levels on many routes.

A Changing Market Demographic

The demographic shifts, specifically the ageing population in western societies, are probably the most predictable factors likely to reshape the profile of tourism demand. The over 50 cohort, which accounts for an estimated 50% of consumer spending within the EU, is a fast expanding segment of the market, for example someone turns 50 in the UK every 40 seconds.

In the developed economies of Ireland’s prime source markets, Britain, mainland Europe and North America, the changing age structure is a result of an increase in life expectancy and a declining birth rate, with greater numbers of older people and little, if any, growth in the overall population. In recent years a large part of the increase in demand for travel in the western world has been from those over 50, taking more leisure trips. Future growth in travel is likely to be largely dependent on the older end of the market.

Table 1: Share of population 60 years and over

	2000	2020
UK	20.8%	24%
Germany	22.9%	30%
Spain	21.8%	28%
France	20.7%	29%
Ireland	15.1%	19%
USA	16.2%	22%

Sources: UN Population Division & Eurostat

Current trends in travel

A new search for authentic travel experiences is apparent, partly as a reaction to the pre-recession era of conspicuous consumption, which values the experience over simple material luxury. This trend is most noticeable amongst discerning and mid to upscale tourists.

Another apparent trend is a growing focus on the ‘why’ of travel rather than the traditional first question of ‘where’ to holiday. At the same time the ageing demographics of developed travel markets refuse to be defined by age while seeking increasingly active and enriching holiday experiences. This age group is also boosting ‘Gran Travel’ or multi-generational travel parties with grandparents travelling with their grandchildren.

The new interactive world also is having a major impact on travel and lifestyle experiences, with decisions being increasingly influenced by online communities, while instant and short lead time bookings are becoming more the norm. Leisure activities, such as sightseeing and visits to attractions, are becoming more interactive based on personal mobile technology.

“Bleisure” trips is one of the more recent trends as professionals are increasingly adding a few extra days holiday onto the end of a business trip, often inviting a partner along.

Concern for the environment is high amongst an increasing number of consumers and the subject of much public debate. However, as yet there is little evidence to suggest that the increasing environmental awareness is influencing people's travel choices or behaviour in regard to holidays, particularly if it means paying a higher price.

Nonetheless as the environment is a key component of the nature based experience offered by Ireland, conservation and the management of the environment is important in ensuring sustainable European demand. Some destinations, driven by consumer trends, are already adapting to a more sustainable green model, capitalising on new energy and communication technologies, while placing a greater emphasis on local inputs.

The changing landscape of the transport and travel sectors

Two major restructuring factors are firmly established in the airline sector as low cost carriers (LCCs) continue to gain market share in short-haul markets, while legacy carriers consolidate. Meanwhile with improvements in technology and shorter journey times, high speed rail is competing directly with many short-haul air services, particularly in Europe and is set to gain an increased share of the market.

The travel industry is also undergoing change, with the number of traditional travel agents in decline, the emergence of mega-multi-national tour operators, while online travel agencies, such as Expedia, and lastminute.com, continue to grow. In addition non-traditional distributors of travel, including supermarket chains and mail order companies, are emerging as niche players in some markets.

Cruise tourism is currently the fastest growth segment of the international travel market. Informal research would suggest an increase in the popularity of group travel, driven by lifestyle and demographic patterns, together with providing reassurance on security.

The online revolution

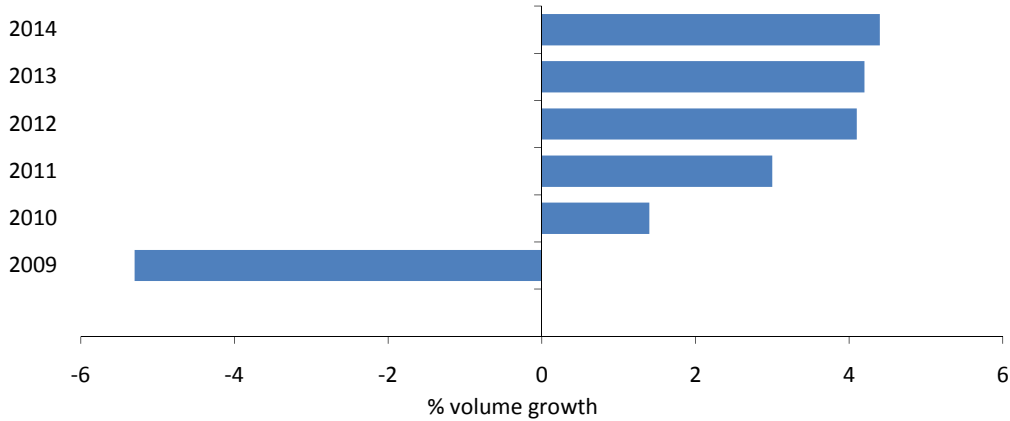
The recession has accentuated many online trends that were already apparent pre-crisis. Increasingly, the internet became the place to look for discounts and consumers sought information online before buying, tapping into price comparison websites, travel networking and social media sites. With more travellers using smart phones, travel applications are increasing in number, at the same time social media networks – blogs, Twitter, Facebook, podcasts and other forums – are increasingly used for travel. In effect social media is becoming the 'new word of mouth'. Google is the latest entrant into the travel business with a plan to build new flight search tools that focus on end-users but not planning to sell airline tickets.

ITIC's about to be published study '*Tourism and Travel Distribution in a Changed World*' contains a series of important messages and action points for tourism product providers, for industry bodies, the State agencies and tourism policy makers. The report finds that while traditional channels of distribution are still important they are making increasing use of the internet, as online travel agents (OTAs) continue to gain significant market share. Online sales have been most successful where price is the primary driver of choice, with direct sales by suppliers to consumers accounting for the lion's share. The overarching message of the report is the need for Irish tourism product providers to recognise the fundamental changes in distribution channels and to respond to the internet's increasing role in researching, planning and booking holidays. The report highlights a number of practical steps every provider, large and small, needs to take.

Latest travel forecasts

Western Europe and North America were hit hard by the crisis and tourist arrivals may take up to 5 years or more to fully recover, as consumers remain cautious and focus on other priorities over travel.

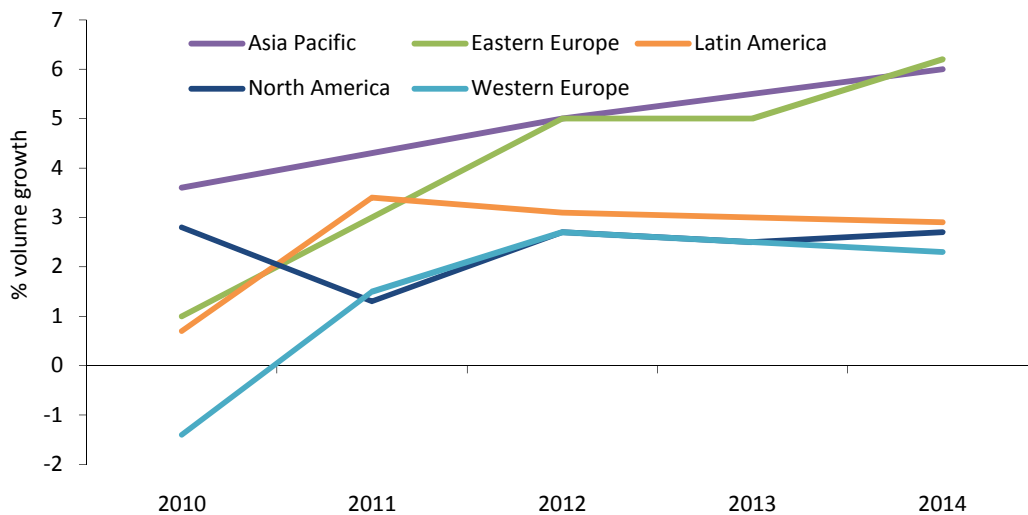
Fig. 6: Global arrivals forecast 2009-2014 (% volume growth)



Source: Euromonitor International

While most recent forecasts see a return to growth in tourism worldwide next year followed by average growth at close to 4% per annum up to 2014, the outlook for European tourism is for a slower recovery. Western Europe and North America are expected to show the slowest growth in tourist arrivals over the next few years, estimated at close to +2% per annum after 2011, compared to growth of up to 6% per annum in Asia Pacific and Eastern Europe.

Fig. 7: Regional arrivals forecast 2010-2014 (% volume growth)



Source: Euromonitor International

Most of the expected growth in global tourism, including the fastest growing origin-destination pairs, is forecast to come from intra-regional travel. Intra-European travel will continue to represent the majority of arrivals in European countries – currently 82% of arrivals in Western Europe are Europeans travelling within the region. This clearly illustrates that volume recovery for Ireland will be contingent upon winning market share in Britain and mainland Europe.

HOW IS IRELAND PLACED FOR THE FUTURE?

The appeals & experience of an Irish holiday

Research shows that the Ireland holiday experience continues to deliver on the top three quintessential appeals of people, scenery and culture, with other aspects such as activities, food, and good internal transport adding to the satisfaction for some visitors. The vast majority of holiday visitors rate their Ireland experience highly against the distinguishing features and their expectations. Overall one in three (33%) holiday visitors report that the experience exceeded their expectations, rising to 46% for North Americans. The level of dissatisfaction in the overall holiday experience is extremely low at 5%.

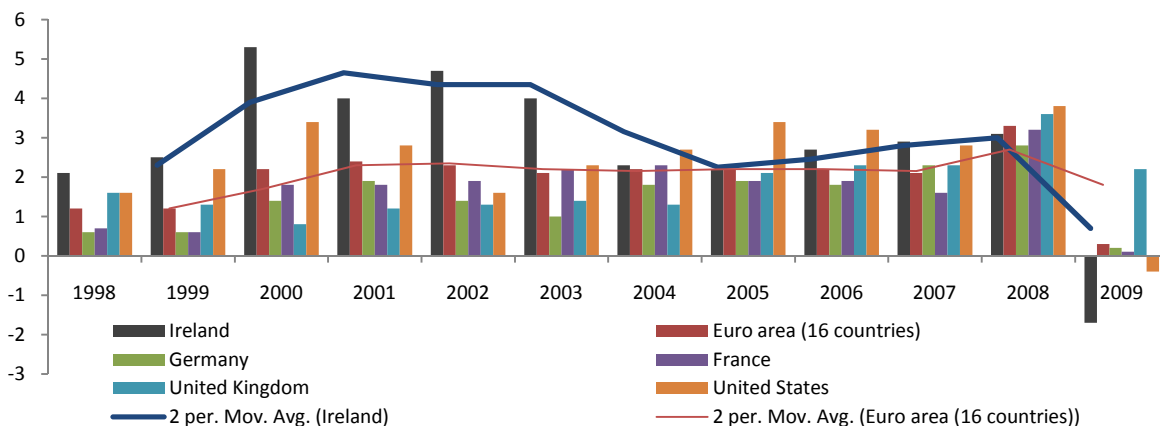
The No.1 negative aspect of the Irish holiday experience in recent years has undoubtedly been poor value for money, with one in five dissatisfied in 2009 – an increase on the previous year. Visitors from Britain and Germany are the most critical of high prices – two out of every five British visitors and one in three Germans. In fact the recession appears to have intensified the criticism compared to a year earlier, with a weakened pound sterling exacerbating the issue for British visitors.

Ireland's competitiveness

Prices

Price, not surprisingly, appears to be a major determinant of visitor satisfaction rating of the overall holiday experience and to colour their willingness to recommend a holiday in Ireland. The cost of living in Ireland has been a persistent disadvantage relative to competitor destinations in recent years. Ireland's loss of price competitiveness has been well flagged over the past decade as prices in Ireland rose more quickly than in most of Ireland's source markets and competitor destinations. From 1999 to 2008 the annual pace of price inflation ran well ahead of that within the eurozone, the UK and the US, although at a more modest rate from 2005 onwards. Since 2008 the fall in prices in Ireland, including many components of a holiday has helped to narrow the gap but has not eroded the price differentials. Recent Eurostat data shows that the prices of food and non-alcoholic beverages in Ireland are the second highest after Denmark in the EU at 29% above the EU average, while comparable prices in the UK are 3% lower than the average. Alcoholic beverages continue to be amongst the most expensive in Europe at 67% above the average. Unfortunately despite deep price reductions in hotels and other businesses, the perception of Ireland as a high priced destination is likely to continue until there is a reduction, or at least an extended pause in increases, on cost inputs including labour rates, utilities, insurance and local authority and other public sector charges.

Fig. 8: Harmonised index of consumer prices - annual % change 1998-2009



Source: Eurostat / CSO

Quality

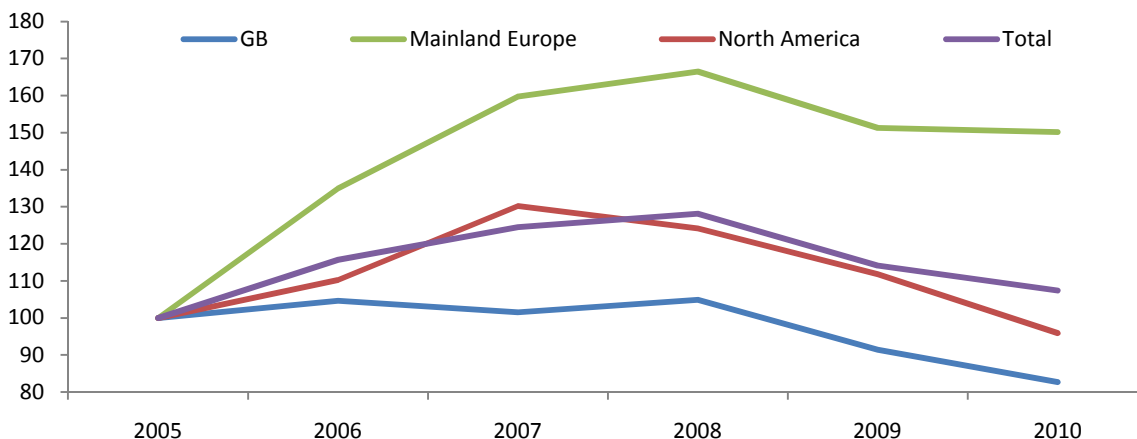
In contrast, visitors give a consistently high rating to quality and customer service to most components of their holiday with only a few exceptions. However, the current financial state of many businesses within the tourism and hospitality sectors is putting extreme pressure on the maintenance of quality and service standards. Recent cost containment measures, while necessary, may have a longer term impact on the range and quality of services provided for visitors. In addition, the absence of funds for investment will result in little or no new products coming on stream and only essential refurbishment being undertaken. Investment in training and development is also at risk.

While thankfully the standard of the tourism product has probably never been higher than at the start of the current downturn, there are already signs that the lack of profitability and investment is already having an impact. Many hotels are postponing refurbishment while the lives of car hire fleet and coach fleets are being extended. In short, the industry faces a particular challenge to maintain its excellent quality and service standards in the face of falling demand, reduced margins and lack of available finance.

Access to Ireland

Air services have become the dominant mode of access to Ireland, with 90% of holiday visitors now arriving by air. The share of the market travelling by ferries has dropped from 40% in 1997 to 10% today.

Fig. 9: Peak summer access capacity (available seats) indexed



Source: OAG/TTC

The growth in the level of services and the introduction of a range of low fare carriers is commonly credited with being one of the primary drivers of tourism to Ireland over the past two decades. However, over the past two years the level of air services to/from Irish airports has been contracting, in part due to over capacity in the market and a downturn in demand coupled with some changes to airline strategies in serving the market. Total available capacity on direct scheduled air services to Ireland for summer season 2010 is 6% down on last summer, with 10% fewer seats on cross-channel routes, 1% fewer on mainland European routes and 14% less on transatlantic services. This is the second successive summer of reduced capacity, following a 10% contraction last year. The aggregate of close to 316,000 seats per week in each direction takes capacity back to 2006 levels. Dublin Airport has experienced one of the sharpest contractions of air services across

Europe, including the loss of several carriers in recent years. The duopoly of Ryanair and Aer Lingus now provide up to 90% of capacity on Irish routes.

Since competitive air services were such an important influence on growth over the past two decades, it is essential that Ireland maintains a good network of routes and attractive fares to encourage inbound tourism.

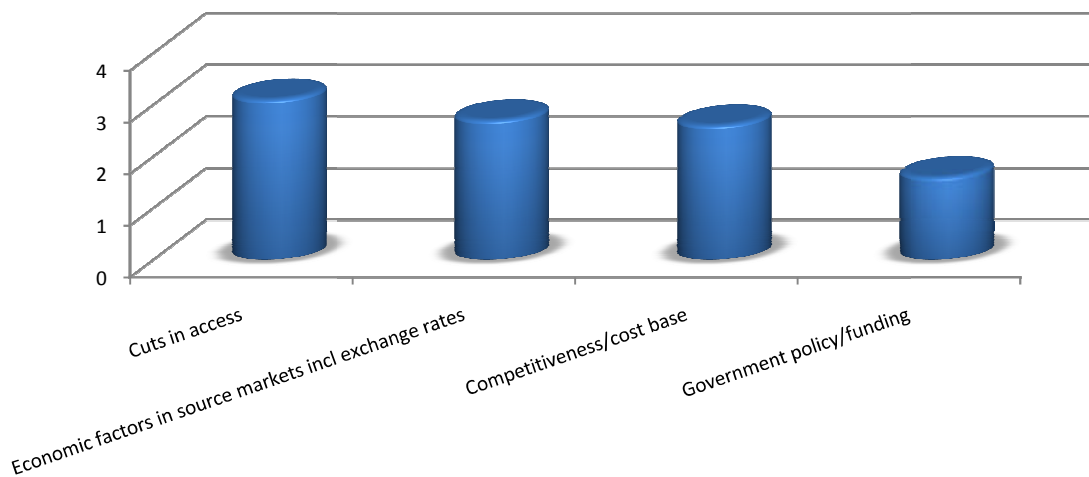
An Industry Perspective

Concerns for the immediate future

A survey of business professionals in the industry¹ revealed that their top concerns for the future are

- Ensuring adequate air services and competitive fares from key source markets to Ireland; and
- Addressing the lack of competitiveness of Ireland due to high input costs.

Fig. 10: Industry concerns and greatest threats to the recovery of Ireland’s tourism



Source: TTC Industry Survey, June 2010

The industry recognise that better and cheaper access has in the past improved Ireland’s attractiveness and driven demand from overseas, and are therefore concerned that the recent cutbacks in air services represents a threat to recovery. In addition the industry are very aware of the high price perception of Ireland overseas, and while many businesses have significantly reduced rates to compete, the fundamentals of the high cost economy in Ireland require to be addressed at a policy level by Government.

Mid-level concerns of the industry are focused on:

- Government policy and the continued availability of destination marketing funds;
- Maintaining an authentic visitor experience;
- Maintaining a quality product and service;
- Securing investment funding for maintaining the physical quality of the range of tourism products;
- Maximising efficiencies in the operations of the tourism agency structures.

¹ Online Delphi Survey conducted in June 2010 on behalf of ITIC amongst selected 50 tourism professionals and industry representatives.

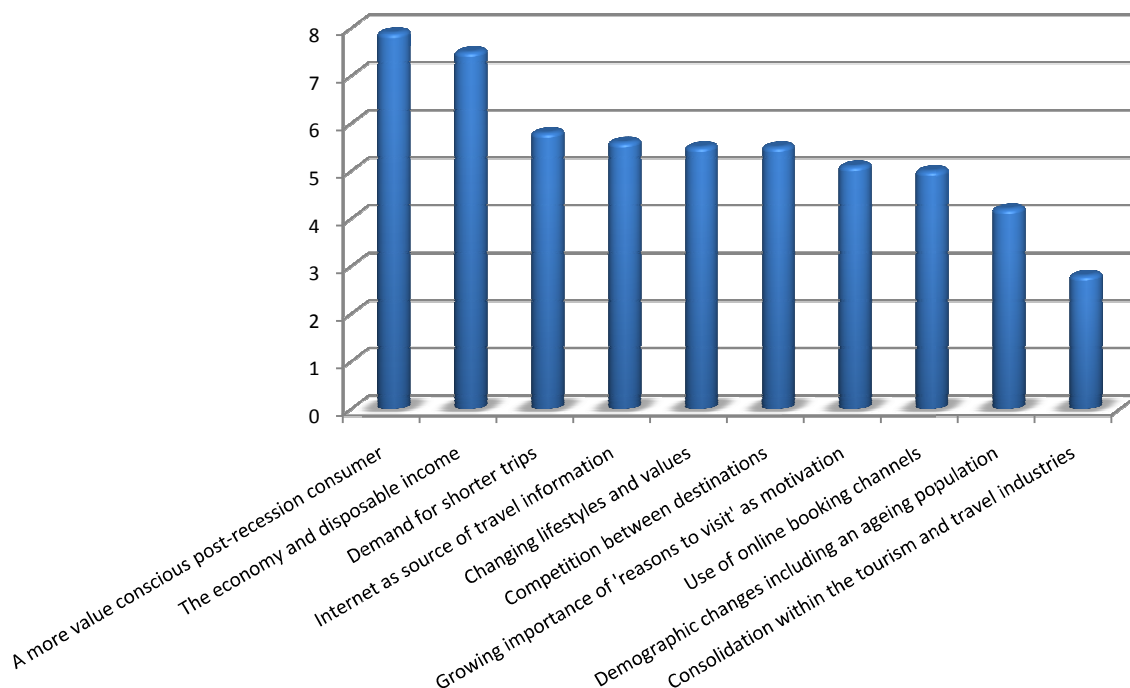
The consensus view of the industry is the need to clearly focus on ensuring that Ireland can continue to deliver a quality and authentic experience giving value for money. While calling for adequate funds to be made available for destination marketing, particularly in these challenging times, the aim is to ensure that marketing funds are allocated and utilised in the most cost effective and efficient manner with a transparent system for assessment and measurement in place.

Factors most likely to influence demand

An increasingly value conscious consumer coupled with the rate of economic recovery in key source markets have been identified by the industry as the primary influences on demand for Ireland over the coming 3 to 5 years.

Other influences in receding order of importance include a continued trend for shorter breaks; the role of online channels in facilitating travel; and increasing competition from Ireland’s competitors in the top source markets.

Fig. 11: Factors having the biggest impact on demand in Ireland’s source markets



Source: TTC Industry Survey, June 2010

The successful communication of reasons to visit Ireland, to a market that is undergoing lifestyle and demographic changes, will constitute one of the most powerful influences on demand.

Best market opportunities

- ❖ The British market is considered to offer the best opportunity for growth and is regarded as ‘essential’ to Ireland’s tourism recovery. The size of the potential market in Britain, Ireland’s largest and closest overseas source market sharing a common language, dictates the need to regain market share. Redressing the lack of growth and the recent downturn is seen as key to the speed and extent of the industry’s recovery. Therefore

failure to reverse the recent downturn in the British market would seriously jeopardise Ireland's ability to return to the level of visitors enjoyed in the mid-2000s. In addition, an important group of businesses, including carriers, are dependent on the performance of the market for survival. While not underestimating the challenges, the industry is firmly of the view that Britain can yield more visitors for Ireland provided the potential market is correctly targeted with effective messages and offerings. The distribution channels and access are in place, with the market very well served by air and sea connections from a large number of gateways, together with a more favourable exchange rate.

- ❖ The domestic or home holiday market is also rated as a top priority for the immediate future, based on high dependency of many businesses on this market, most notably hotels. The continued success of the domestic market is necessary to support the range of tourism infrastructure and facilities needed to cater for overseas visitors. The spectacular growth in demand for leisure trips by Irish residents in recent years has established the short leisure break as a lifestyle characteristic, although currently suffering from a downturn due to economic conditions. The offerings in the home market are particularly attractive value-wise and well received by the customer. In the short term the aim should be to win market share as some consumers substitute trips in Ireland for travel abroad with the objective of capturing the demand for the future. However, growth in the domestic market will not substitute for continuing loss of overseas demand.
- ❖ Germany is viewed as the overseas market offering the next best potential. While the German travel market is mature with low annual growth, Ireland has the potential to win market share. The industry view is that Ireland is well positioned in Germany and has in place well established trade links in a market where the travel trade is still dominant. An opportunity is seen to exist to further grow demand for Ireland by penetrating defined segments and by leveraging the trade distribution channels to deliver growth. A key to this growth will be securing adequate airlift offering competitive fares from the main source areas in Germany.
- ❖ The US market is regarded as offering potential for recovery and growth based on the current demand patterns of an upturn in travel to Europe, and on Ireland's recent relatively good performance. The high spending American tourist is critical for many businesses in Ireland – hotels, B&Bs, car rental, coach tour operators and golf – as well as being the source of large numbers of touring visitors covering many regions of the country. The single largest perceived risk to renewed growth would be the lack of adequate airlift with competitive fares. An identified segment for promotion is the group tour market which distributors are anxious to recover, while incentive travel and conferences are also expected to yield further potential for Ireland.
- ❖ France is the fourth most important market for holiday visitors to Ireland which is seen as offering further potential. Ireland is regarded as being well positioned in the market with good access services and a product offering which has high consumer appeal. The market, like Germany, is important to tourism businesses in the west and is reckoned to offer some good potential to exploit niche opportunities.
- ❖ Other markets of lesser volume, including Italy, Spain, the Netherlands and the Nordics, together with Australia and the new emerging long-haul markets will continue to offer opportunities for Ireland. As the potential growth volumes in the short to medium term from these markets are likely to be more limited than the opportunities in the top source markets, the allocation of resources should be scaled proportionately. However, efforts to improve the appeal and facilitation of visitors should continue to be encouraged, as in securing a common UK/Ireland visa for travellers from outside the EU.

Which product, which markets?

The industry consensus based on the survey firmly identifies the key products and priority markets for each.

- Culture and heritage are deemed to be the primary appeal for Americans and mainland Europeans.
- City breaks in Dublin are seen as very important offerings for the British, Irish and European markets. The successful marketing of Dublin, due to its appeal and recent success in attracting visitors to the capital, is viewed as necessary to any recovery of overall tourism to Ireland.
- A reversal of the continuous decline in touring holidays over the past decade is seen as best addressed by attracting more American, German, French and British visitors.
- The priority markets for promotable business travel (MICE) are identified as Britain, USA and Germany in that order. The sector is regarded as worthy of particular attention due to its high value, year round potential, while the opening of the Convention Centre Dublin (CCD) offers a new window of opportunity to capture a greater market share.
- Activity holidays are expected to continue to be dominated by Irish residents, with some potential for growth in demand from Britain and Germany
- Festivals and events are seen as good drivers of demand, especially in the Irish, British and mainland European markets;
- Golfing holidays are considered to offer opportunities for some growth in the US, British and Irish markets, assuming competitive pricing.

Activity	Market 1	Market 2	Market 3
Culture/heritage			/Other
City breaks			
Touring			
Business/incentive			
Activities/adventure			
Festivals/events			
Golf			

A STRATEGY FOR RECOVERY IN DIFFICULT TIMES

A Challenging Market Environment

The economic and travel outlook in each of Ireland's top 4 overseas and the domestic source markets points to a low growth environment, with progression from survival mode for the Irish tourism industry to recovery mode taking longer than that envisaged in the Tourism Review Group Report of 2009. All the indicators point to a slower and more fragile economic recovery. Growth in travel will undoubtedly come but is likely to be slow. However, some positive signs of renewed demand for international travel are beginning to appear in some source markets and segments.

The speed of recovery for Ireland's tourism will depend on the success or otherwise of gaining market share in a slow growth environment. This is essential to the sustainability of many businesses in the sector, and to maintaining employment and Exchequer receipts. Tourism as an export industry can play an important part in restoring the Irish economy to growth, provided that the necessary policy, strategic and tactical actions are taken to address the current set of challenges.

The key challenges which Ireland's tourism industry currently faces are:

- Competitiveness of the Irish offering in key source markets;
- Securing adequate and competitive air access services from all of the key source markets;
- Ensuring that the marketing of Ireland by the agencies and businesses is effective and maximises the use of available funding; and
- Recapturing a share of the own car market, especially from Britain, which would boost touring holidays and help regional dispersal.

A Strategy for Recovery – Key Recommendations

- ❖ **Concentrate on top producing markets:** In order to redress the downturn a strategy of a clear prioritisation of effort on the top 4 producing overseas source markets of Britain, USA, Germany and France is proposed – these markets typically produce three out of every four holiday visitors to Ireland. The strategy calls for a transparent allocation of resources – budgetary and human – commensurate with the recovery targets in these top markets, A 'hold and maintain' approach is proposed in all other source markets, with priority of remaining resources allocated to smaller producing markets in mainland Europe ahead of longer term potential in new long haul markets which are unlikely to yield short term gains.

Regaining tourist demand from Britain must be the top priority. Without winning back lost share and volumes from Ireland's top producing source market, recovery of tourism to Ireland will be stunted.

A short term results-driven approach is recommended, whereby a set of objectively verifiable indicators are agreed between the agencies and industry representatives to facilitate monitoring of progress in achieving a speedy turn around for Irish tourism.

- ❖ **Increase the marketing of Dublin as a distinct destination:** Dublin has been the top selling product in Ireland's tourism portfolio in recent years as well as proving more resilient in the recent downturn. Experience of recent years clearly demonstrates that Dublin has been the destination of choice for an increasing share of leisure visitors to Ireland, which reflects changing consumer preferences, the concentration of holistic appeal and

experience offered by the city, together with the ease of access from many points. Thanks to recent public and private sector investment in tourism infrastructure and facilities, the capital now holds more appeal and motivations to visit. City tourism continues to boom across Europe, with sizeable marketing investment devoted to attracting tourists to competitor urban destinations. Such campaigns are distinct from national destination campaigns in most other European countries. Dublin due to its market share would appear to warrant an increased investment in marketing campaigns, since on the basis of recent performance it is likely to underpin any recovery of tourism to the country. The recommendation is not intended to give rise to an urban rural divide but rather recognises the role of Dublin as a prime driver of Ireland's tourism performance. Besides, Dublin rather uniquely for an urban destination offers easy access to the countryside and will remain the most important gateway to Ireland.

- ❖ **Maintaining adequate access by air to Ireland:** The threat of further cutbacks in air services endangers recovery for Irish tourism. Air transport policy needs to ensure that measures do not militate against the continued viability of air services to/from Ireland. The abolition of the travel tax is essential to the viability of many services and to secure their continued operation. Greater engagement with air and sea carriers is recommended to ensure that a common strategy and a shared risk is pursued to secure adequate and competitively priced access services from the top 4 markets targeted for recovery.
- ❖ **Focus on developing and communicating better value for money offerings:** In order to redress the perception of Ireland as high priced destination more innovative pricing of holiday offerings will be required, which deliver better value for money. While discounting is expected to continue to be a feature in the international holiday market the challenge for Ireland is to communicate and genuinely deliver value-added to the consumer, as further discounting for many businesses is not a viable option. Support from Government to reducing the high cost base for tourism businesses, including labour rates, utilities, insurance and local authority and other public sector charges, is urgently required to allow Ireland to compete in the international marketplace.
- ❖ **Adopt a more granular approach to marketing:** In a diverse global market 'granular marketing' is an advantageous tool for destinations and tourism providers to create value for their guests, by developing offerings and promotional campaigns tailored to highly specific consumer behaviours. Such an approach would allow Ireland and its holiday offerings to achieve greater differentiation from the competition based on consumer needs and patterns of holiday behaviour. Greater engagement with the industry could provide a competitive advantage for Ireland in the top source markets and provide a vehicle to address the challenges facing the destination in selected segments.
- ❖ **Review agency arrangements for tourism:** A review of the State agencies involved in tourism is recommended, while cognisant of the all-Ireland remit of Tourism Ireland. The particular challenges facing Ireland in a changed market environment together with the restrictions on public funding and the need for the most effective marketing of the destination combine to suggest this is an opportune time to review the current organisational arrangements. Such a review has already been proposed in the Report of the Special Group on Public Service Numbers and Expenditure Programmes (An Bord Snip Nua) and the Tourism Review Group Report. Key criteria for the review might include a fit for purpose assessment, an efficiency audit as well as exploring opportunities for shared services.

1. THE CHANGED FACE OF IRISH TOURISM

Over the past 20 years Ireland’s tourism industry has grown to an industry worth €5.4 billion in 2009. Tourism grew from welcoming 3 million overseas visitors spending €1.45 billion and 5 million domestic tourists in 1990 to an industry at its peak two years ago when 8 million visitors came to Ireland and Irish residents took 8.3 million domestic trips. Up to an estimated 190,000 are currently employed in the broader tourism and hospitality sector according to Fáilte Ireland, including 123,000 jobs² in the accommodation and food services sector.

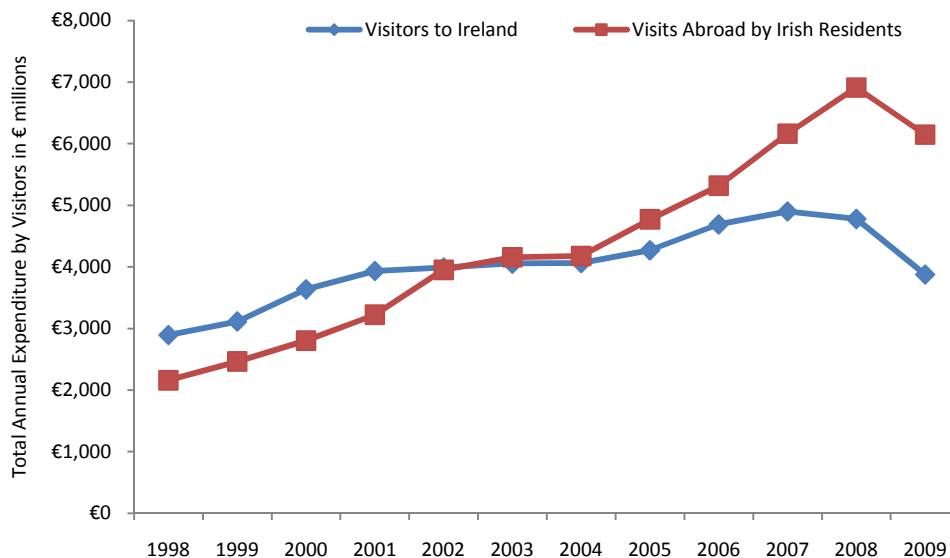
However, the growth has not been straight lined with several hiccups along the way and some fundamental changes in the composition, value and patterns of tourism within the country.

1.1 Irish Tourism – A Snapshot

Irish tourism is a €5 billion industry

The tourism industry earned € 5.4 billion in 2009. Earnings from out of state visitors were just under €4 billion, while a further €1.4 billion was spent by domestic tourists. Due to the recession earnings from tourism have slipped in the past two years.

Fig.1.1: Expenditure by visitors to Ireland & Irish travelling abroad



Source: CSO

Since 2002, Ireland’s travel and tourism has been in deficit, as the rate of growth in expenditure by Irish travelling abroad far outpaced increased earnings from out of state visitors. The number of Irish residents travelling abroad exceeded the number of visitors to the country for the first time in 2008.

Over the past decade tourism and travel export earnings have fallen from 14% of total service exports in 2001 to a 5% share in 2009 (in real 2001 prices), as export sales of business, computer and financial services more than tripled over the decade.

² CSO Quarterly National Household Survey estimate of direct employment in ‘Accommodation and food service activities’

Domestic tourists outnumber foreign visitors

Domestic tourism boomed over the past decade and it now accounts for a larger share of tourist business than at the start of the decade. As a result Irish tourism has become increasingly dependent on domestic tourism, particularly hotels, although expenditure by Irish residents on domestic travel is considerably less than that earned from overseas visitors.

Mainland Europe as a source market increases in importance

The share of Irish tourism originating from mainland Europe has increased across all metrics over the past decade.

Table 101: Changes in performance between 1999 and 2009 from overseas markets

		1999		2009		Share shift
		Nos.	Share	Nos.	Share	09 v 99
Britain	Visitor numbers(000s)	3,430	58%	3,031	46%	↓
	Visitor nights (000s)	20,064	44%	15,447	29%	↓
	Visitor revenue (€m)	1,012	43%	1,035	33%	↓
	Holiday numbers (000s)	1,720	53%	1,118	38%	↓
	Holiday nights (000s)	10,274	45%	5,259	26%	↓
Mainland Europe	Visitor numbers (000s)	1,321	22%	2,327	35%	↑
	Visitor nights (000s)	13,631	30%	24,496	46%	↑
	Visitor revenue (€m)	631	27%	1,180	38%	↑
	Holiday numbers (000s)	757	23%	1,115	38%	↑
	Holiday nights (000s)	6,654	29%	8,585	42%	↑
North America	Visitor numbers (000s)	949	16%	892	14%	↓
	Visitor nights (000s)	8,931	20%	8,244	16%	↓
	Visitor revenue (€m)	555	24%	621	20%	↓
	Holiday numbers (000s)	645	20%	555	19%	↓
	Holiday nights (000s)	4,913	21%	4,365	22%	↑
Other areas	Visitor numbers (000s)	243	4%	306	5%	↑
	Visitor nights (000s)	2,718	6%	4,730	9%	↑
	Visitor revenue (€m)	145	6%	279	9%	↑
	Holiday numbers (000s)	137	4%	143	5%	↑
	Holiday nights (000s)	1,013	4%	1,966	10%	↑

Source: Fáilte Ireland

Mainland Europe has been the fastest growing overseas source market for tourism to Ireland in recent years. An estimated 2.3 million tourists from mainland Europe visited Ireland in 2009, spending €1.2 billion. However, the European source market is far from homogeneous. Ireland currently draws its holiday visitors from over 20 countries each with varying motivations, characteristics and visitation patterns and behaviours.

Mainland Europe has grown in importance since 1999 providing an increasing share of visitor numbers, expenditure and bednights, as well as an increasing share of holiday visitors. Europe is now the source of more than one in three overseas visitors and 38% of overseas holiday visitors to Ireland. This compares to 24% and 23% share respectively in 2003.

The growing importance of Europe as a source market for holiday visitors is all the more evident when one considers that Europeans now account for 42% of bednights spent in the country, up from 30% in 2003. The increasing importance of European holiday visitors to the western seaboard is also significant.

Table 102: Growing importance of mainland Europeans in Irish tourism

	1999	2003	2007	2009
Total Visitors	22%	24%	33%	35%
Total Revenue	27%	27%	36%	38%
Total Holidays	23%	23%	35%	38%
Holiday Nights	29%	30%	39%	42%

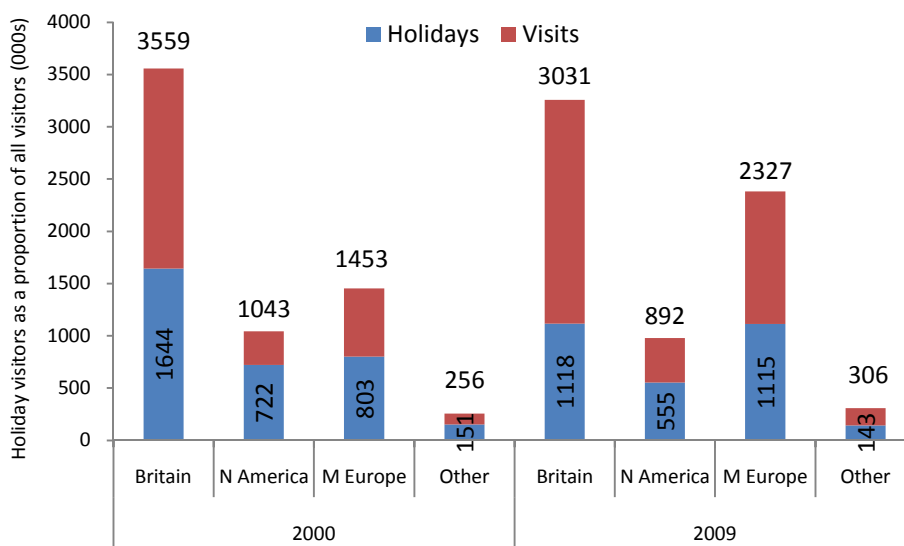
Source: Tourism Ireland/Fáilte Ireland

Typically half of overseas visitors come for a holiday

1 million fewer overseas holiday visitors came in 2009 compared to two years earlier, when Ireland welcomed a record 4 million holiday visitors.

The composition of visitors to Ireland by purpose of visits has shown little change over the past decade until the downturn of the past two years. In the late 1990s up to 54% of visitors from abroad were primarily on holiday, while just under one in four (24%) came to visit friends or family. Business visitors accounted approximately one in six (16%), with the balance (6%) visiting for other personal reasons.

Fig. 1.2: Holidaymakers as a share of overall visitors



Source: Fáilte Ireland

Spending per visit from overseas visitors declines

There are a number of factors that have contributed to Ireland’s lower yield per visit from overseas visitors. These include:

- the global trend towards short breaks, fuelled in part by low cost access;
- a recent trend towards increases in travel by VFR (visiting friends and relatives), who tend to spend less than holidaymakers or other promotable visitors;
- inflation in Ireland, which has exceeded inflation in most of Ireland’s key source markets and therefore made Ireland a more expensive destination to visit;
- currency disadvantages arising from the strength of the euro throughout most of the past decade, especially against the UK pound and the US dollar.

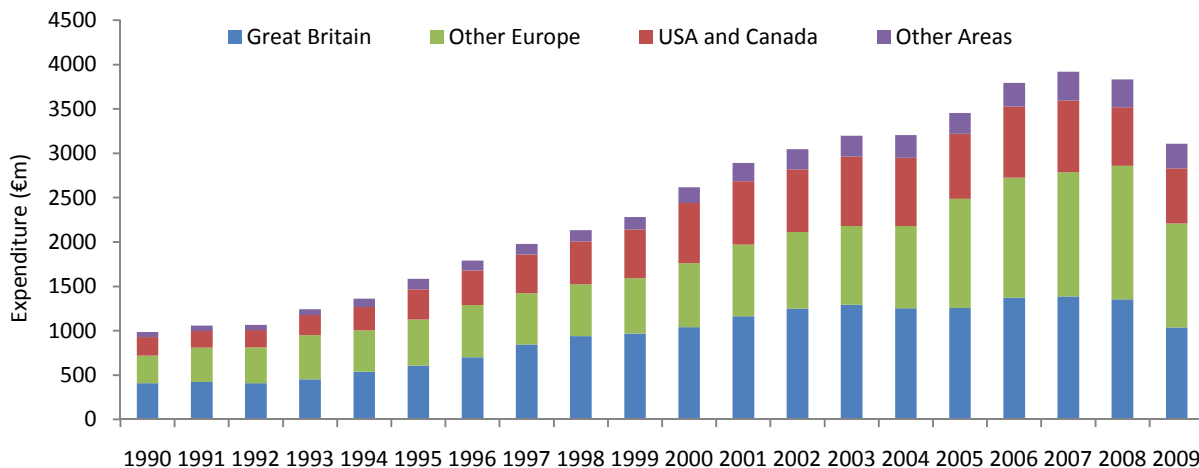
1.2 The Past Decade – A Forensic Analysis

An analysis of the performance of Irish tourism over the past decade shows up some shifts in terms of the origin, value and behaviour of visitors. Some of the more significant changes which have occurred within the overall visitor demand and specifically within the holiday demand are examined below

1.2.1 Overseas visitor demand

Total foreign exchange earnings from tourism to Ireland in 2009 amounted to €3.9 billion, a decline of 19% in nominal terms on the previous year. Earnings from overseas tourism peaked at €4.9 billion in 2007, having risen from €3.6 billion at the start of the decade.

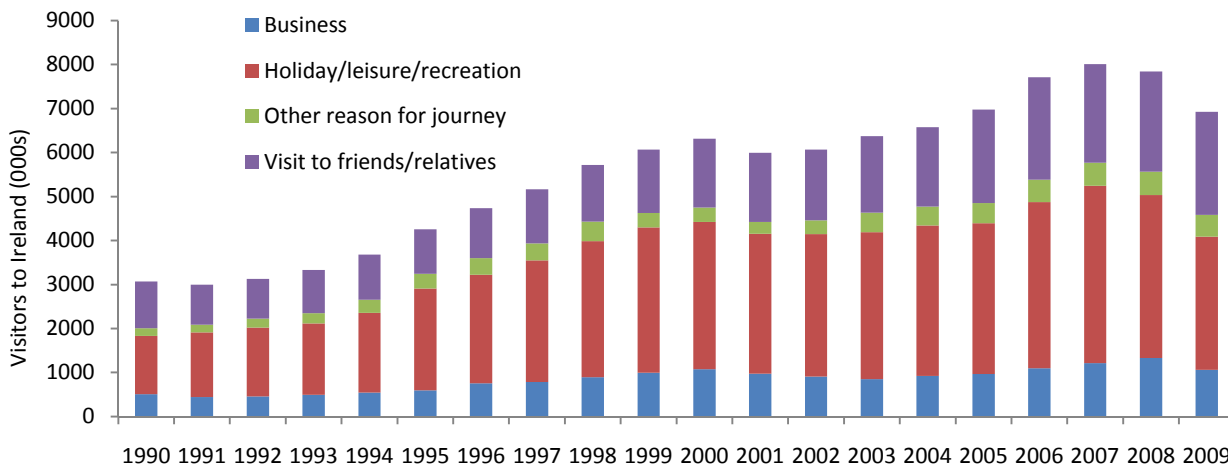
Fig. 1.3: Overseas visitor expenditure in Ireland (€m) 1990-2009



Source: CSO/Fáilte Ireland

From the mid-2000s, the share of traffic coming for holidays slipped to 50% between 2005 and 2007 before dropping to 47% in 2008 and 44% in 2009. Over this period there has been an corresponding increase in the share coming to visit friends and relatives, suggesting that the discretionary holiday segment is impacted more by economic downturns.

Fig. 1.4: Composition of overseas visitors to Ireland x purpose of visit

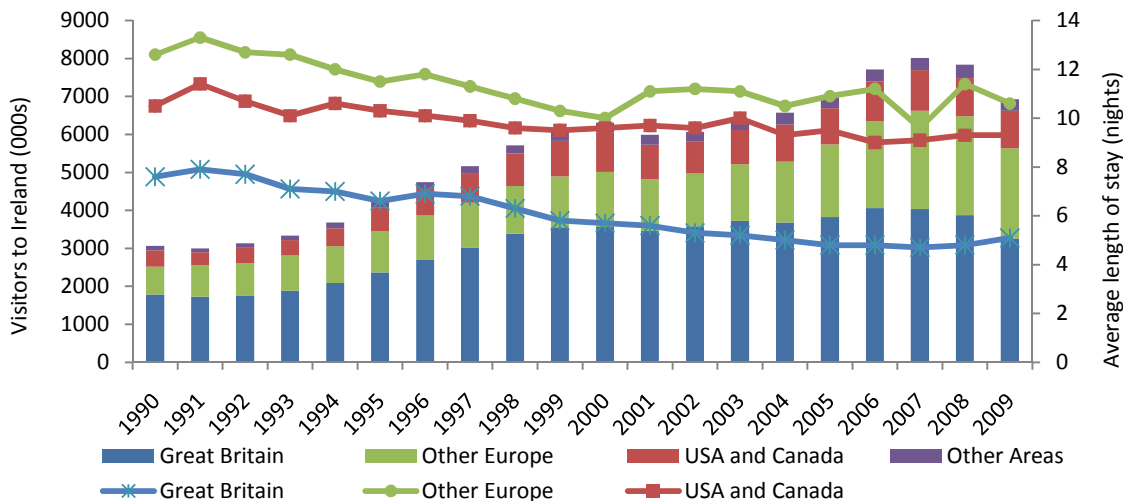


Source: Fáilte Ireland

Holiday or leisure visitors represent the primary market segment that can be influenced to choose Ireland as a destination. Such leisure visitors, together with discretionary business trips for conferences and language tourists, form the target group of 'promotable visitors' which is the primary focus of the marketing of Ireland as a tourist destination.

Ireland has experienced two waves of growth in overseas visitors – in the second half of the 1990s when growth came primarily from Britain and again in the period 2004-2007 thanks to an increase in demand from mainland Europe.

Fig. 1.5: Composition by market of origin & length of stay x origin



Source: Fáilte Ireland

The average length of stay has been declining from most markets, but most noticeably from Britain. Europeans tend to stay longer than visitors from other markets, apart from long-haul visitors from 'other areas' of the world.

1.2.2 Holidaymakers to Ireland

Where they come from

Over the past decade, the ranking of the top 10 source markets for holiday visitors to Ireland has shown little change, other than Spain emerging as the 7th largest source market in 2008.

Britain continues to be the No. 1 source of holidaymakers, although it has shown only marginal growth at times throughout the decade. The US remains the second largest market, followed by the top producing source markets in mainland Europe. Germany, France and Italy have each increased in importance over the decade.

Table 103: Top 10 source markets for Ireland – ranked 2000 vs 2008 with holiday numbers

2000		2008	
Country	Holiday visitors (000s)	Country	Holiday visitors (000s)
Britain	1,644	Britain	1,597
United States	669	United States	561
Germany	218	Germany	312
France	157	France	199
Italy	112	Italy	125
Australia	112	Australia	109
Netherlands	104	Spain	101
Canada	53	Netherlands	86
Belgium/Luxembourg	51	Canada	52
Sweden	34	Belgium/Luxembourg	52

Source: Fáilte Ireland/Tourism Ireland

Each year between 2004 and 2007, Europe has accounted for at least half of the year on year growth in Ireland’s visitors. In 2005 it was the only growth market compensating for the decline of the other major source markets, while in 2007 it accounted for 82% of the annual growth in arrivals.

The mainland European market recorded a higher annual growth rate than other markets in most years in the mid 2000s. While demand from all markets fell in 2008 and 2009, the rate of decline from the mainland European market was less marked than from others.

Fig. 1.6: Annual change in holidays to Ireland by source market 2000-2009



Source: TTC derived from Fáilte Ireland data

European holiday visitors to the island of Ireland 2002-2007

Holiday visitors from mainland Europe to Ireland peaked at 1.38 million in 2007. The level of holiday visitors fell back to 1.2 million in 2008 and 1.1 million in 2009.

Within the past decade, Ireland has broadened its market base in mainland Europe. Germany and France, the largest and traditional source markets for Irish tourism have recorded average annual growth of +11% and +7% respectively during the growth years from 2002 to 2007. However, the faster growing markets over the period were Spain with an average growth of +22% and Italy at +14% per year.

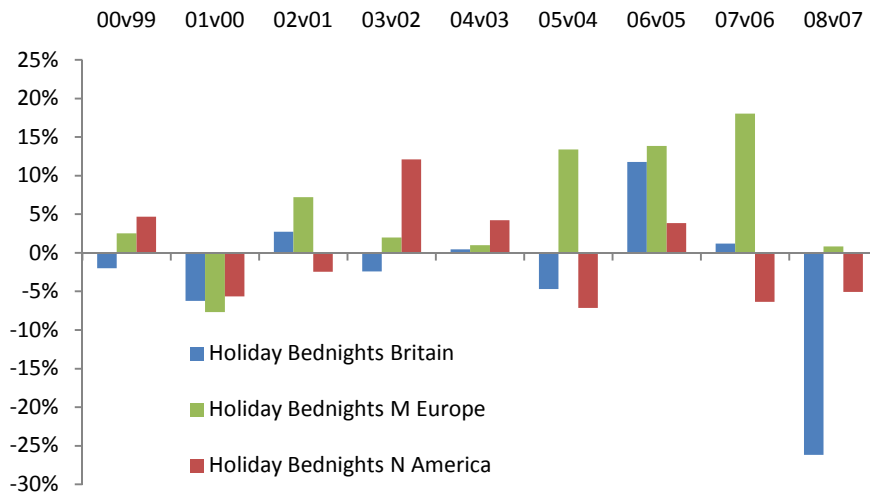
New emerging markets from the eastern part of Europe also showed significant growth rates although relatively small in absolute numbers, with much of the traffic related to migration patterns

Holiday bednights

Bednights from British holiday visitors declined on a year to year basis through the past decade. In contrast bednights from mainland Europeans increased in most years, while bednights from North Americans oscillated on a year to year basis.

Despite the downturn in holiday visitors in 2008 and 2009, the volume of bednights in the country by mainland Europeans increased, while other bednights from North America declined in each years and from Britain fell by 25% in 2009.

Fig. 1.7: Annual change in holiday bednights x source market 2000-2009



Source: TTC derived from Fáilte Ireland data

1.2.3 A changed British market for Ireland

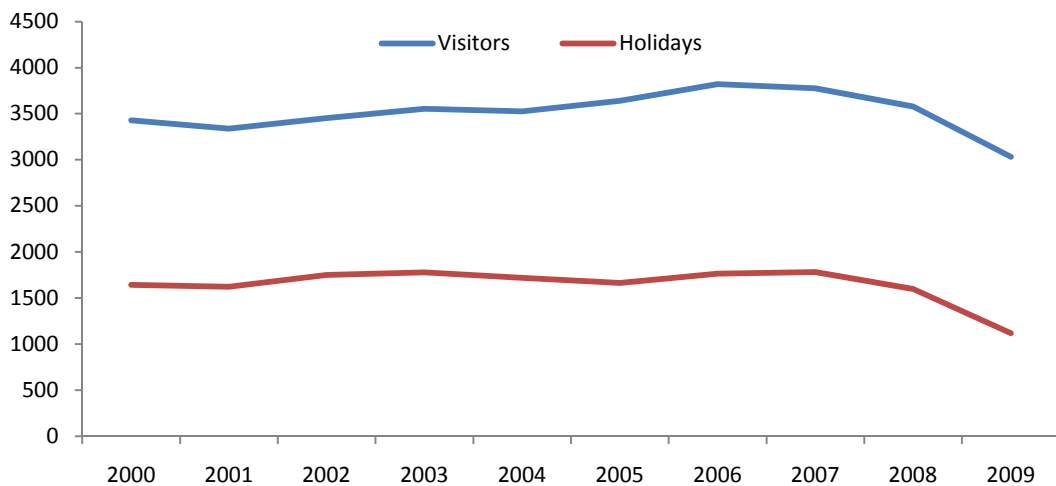
Demand from Britain has not only declined in relative importance as other markets grew but also the profile and characteristics of the demand has changed significantly over the past decade.

The changing characteristics of the British market for Ireland over the past decade have included:

□ Little growth in visitors and holidaymakers

Visitor levels for most of the decade averaged close to 3.4 million per year, within which holiday visitors averaged close to 1.7 million. Numbers spiked a little in 2006 and 2007, before falling back in 2008 and 2009. The downturn in holiday visitors was more marked in 2009.

Fig. 1.8: British visitors to Ireland



Source: Fáilte Ireland

Change in regional distribution of British visitors in Ireland

The South West and Dublin attracted increasing numbers of holiday visitors and bednights between 2000 and 2008, with other regions losing share and absolute volumes. However, in 2009 the South West and the West experienced a dramatic fall in holiday visitors, while the decline in holiday visitors to Dublin was relatively less severe.

Table 104: Top regional destinations for British visitors & holidaymakers

	2000	2008	2009	Change 08v00	Change 09v00
DUBLIN					
Visitors	1.63m	1.69m	1.46m	+4%	-10%
Visitor nights	4.84m	4.97m	4.81m	+3%	-1%
Holidays	716,000	801,000	622,000	+12%	-13%
Holiday nights	2.18m	1.93m	1.77m	-12%	-19%
SOUTH WEST					
Visitors	705,000	682,000	550,000	-3%	-12%
Visitor nights	3.89m	4.05m	3.35m	+4%	-14%
Holidays	486,000	403,000	233,000	-17%	-52%
Holiday nights	2.2m	2.39m	1.28m	+9%	-42%
WEST					
Visitors	427,000	504,000	366,000	+18%	-14%
Visitor nights	2.8m	2.32m	2.13m	-17%	-24%
Holidays	321,000	267,000	163,000	-17%	-49%
Holiday nights	1.6m	1.16m	0.98	-27%	-39%

Source: Fáilte Ireland

Decline of car brought market

The number of British holiday visitors coming with their cars almost halved between 2000 and 2008, with 335,000 visitors in cars in 2008. Despite the number of holiday car renters from Britain almost doubling over the period to 447,000, the numbers without a car increased. This, reflecting the shortening length of stay, has impacted the extent to which British holiday visitors circulate around the country.

Shortening length of visit

Almost one in every two holiday visits from Britain is now for a stay of a maximum of 3 nights compared to almost one in four at the start of the decade. There has been a marked contraction of demand for holidays of 9 nights or more, while stays of between 6 and 8 nights have also been in steady decline. As a result 70% of holiday visits in 2008 were 5 nights or less.

Majority now arrive by air

In 2000 British holiday visitors were equally divided between arrivals by air and by ferry. This has now shifted to 84% arrivals by air and 16% by ferry.

Ireland has become a year round leisure destination for the British market

The pattern of demand has spread throughout the year, with demand more evenly spread across the seasons.

Ireland has become more dependent on the older end of the market

The 55+ cohort now accounts for almost one in three holiday visitors from Britain, compared to 23% at the start of the decade.

❑ **Ireland has been attracting fewer first time holiday visitors**

Perhaps worryingly, the share and absolute numbers of first time British holiday visitors to Ireland has been in steady decline. Last year approximately one third (34%) of holiday visitors were first timers – an estimated 383,000. This compares to 42% of arrivals (753,000) back in 2003. The level of first time promotable visitors is a metric commonly used in assessing the effectiveness of destination marketing.

Table 105: First time and repeat holiday visitors from Britain

	2003	2006	2009	Change (2003-2009)
FIRST TIMERS				
Share of holiday visitors	42%	37%	34%	
Numbers	753,000	646,000	383,000	-49%
REPEATERS				
Share of holiday visitors	58%	63%	66%	
Numbers	1,026,000	1,119,000	735,000	-28%

Source: Tourism Ireland/Fáilte Ireland SOT

The increasing dependence on repeat visitors, particularly given the recent bad reaction to the value for money experience, gives rise to some concern for the future. Undoubtedly, the maturity of the British market for Ireland is a challenge as the potential pool of first timers is contracting. Recent Tourism Ireland research found that 48% of the sample had been to Ireland before, and 55% of its specific target sightseeing and culture seekers had already visited.

1.2.4 The impact of a strong euro

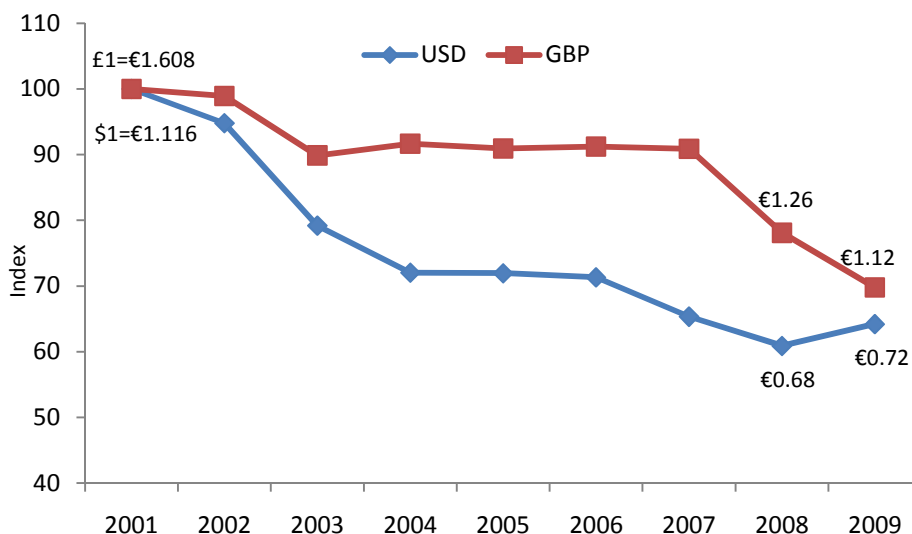
The exchange rate movements of the pound sterling and the US dollar against the euro have disadvantaged visitors from Britain and the US since the introduction of the euro in 2001.

Over the years 2003-2007 the pound sterling was stable against the euro at approximately 10% below its launch level. However, during 2008 and 2009 the currency weakened sharply against the euro, seriously impacting the purchasing power of British visitors and accentuating the perceived expensiveness of Ireland in that market.

Between 2001 and 2004, the US dollar lost over a quarter of its value against the euro, stabilising before further falling in 2008.

In recent months the pound sterling and US dollar have regained strength as the euro weakened.

Fig. 1.9: Exchange rate annual averages indexed



Source: Central Bank

1.2.5 Activity holidays from overseas a small share of the total

Activity tourism was worth €1.2 billion to the Irish economy in 2008, with €650 million generated by overseas visitors and €540 million from the Irish market, based on Fáilte Ireland estimates. Research would indicate that overseas visitors participating in an activity holiday spend more than the average holiday visitor. An estimated 2 million Irish residents engage in some activity on holiday in Ireland, while up to 1 million overseas holiday visitors do so.

Counter to the international trend towards more activity holidays, participation by overseas holiday visitors to Ireland in activities has been in decline with the exception of the growth in the popularity of walking.

Hiking/cross country walking is by far the most popular activity engaged in by holiday visitors – an estimated 830,000 overseas visitors did so last year. In contrast, the number of overseas visitors playing golf is estimated at 143,000, fishing 132,000, cycling 114,000 and equestrian 46,000.

Table 106: Activities in Ireland – participants and spend

	Overseas participants (000s)	Spend in Ireland (€m)
Hiking/Cross country walking	830	494
Golf	143	110
Angling	132	105
Cycling	114	97
Equestrian	46	27

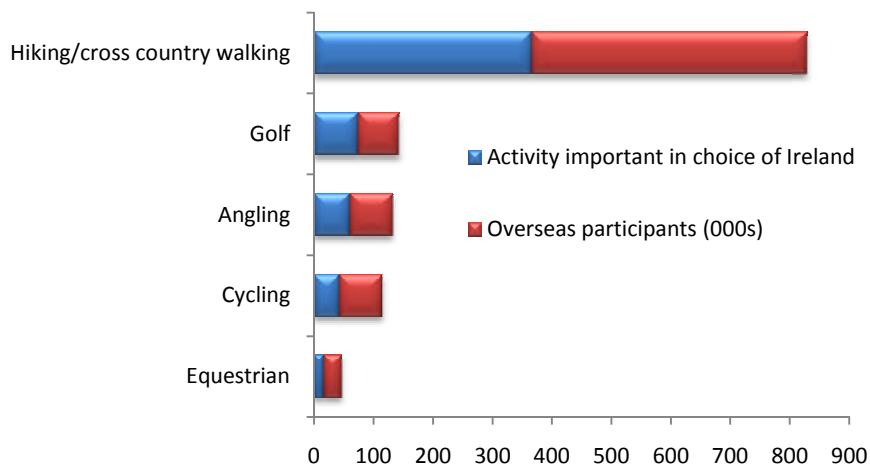
Source: Fáilte Ireland

Mainland European visitors are the more active visitors to Ireland, accounting for almost half of the demand from overseas for activity holidays. Britain is the second largest market, followed by the US.

However, the extent to which activity holidays influence the choice of Ireland as the destination is much lower than the participation level. It would appear that the activity was important in the choice of Ireland as a holiday destination for less than half of those who participated in the activity while in Ireland. On that basis, the choice of Ireland was influenced by a particular activity for approximately half a million visitors last year, of which 366,000 were influenced by the opportunity to hike or engage in cross country walking.

The numbers influenced to visit Ireland to participate in golf, angling, cycling and equestrian sports are below 75,000 each, with golf the most popular, while equestrian would appear to have influenced only 16,000 last year.

Fig. 1.10: Overseas visitors engaging in activities in 2009



Source: Fáilte Ireland Survey of Travellers

The trend over time appears to have been one of diminishing share of holiday visitors attracted by and/or participating in activity holidays, with the noticeable exception of walking which has been growing in popularity.

The reasons proffered for the slide in attracting visitors for golf, angling, cycling and equestrian include non-recovery from foot and mouth in 2001; less than top quality experiences; high prices and poor marketing. The fall off in angling visitors over the past 20 years is well documented while in recent years airline baggage fees and the high price hikes in green fees, particularly at signature courses, deterred golfing visitors.

The provision of a range of outdoor activities for visitors is a sine qua non for Ireland as a nature based destination and the needs of its target market. However, the extent of investment in promoting specific activities in overseas markets warrants review to ensure that the opportunity costs are not disproportionate to the returns.

1.2.6 Changes in the type of holidays spent in Ireland

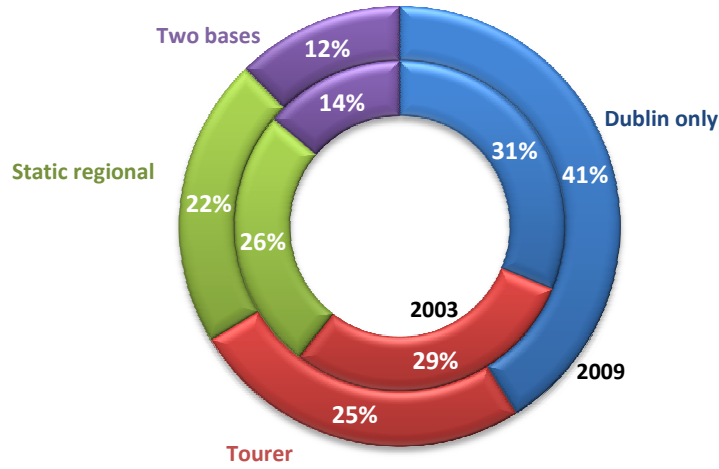
Touring holidays in Ireland have been in decline, as have holidays based in one region or dual locations outside Dublin.

29% of holiday visitors were on a touring holiday in 2003. This had fallen to 25% in 2009, representing a drop of almost a quarter (-23%) in the number of ‘tourers’ to 738,000. Touring holidays have fallen sharply (-38%) since 2007.

Holiday visitors based in one location outside the capital fell from approximately one in four to one in five over the period 2003 to 2008, while dual location holidays outside Dublin also slipped from 14% to 12% share. In each case the absolute volume of holiday visitors fell at least 20%.

In contrast, 'Dublin only' holiday visitors increased from 31% to 41% share. For an estimated 1.2 million overseas holiday visitors, Dublin was the only destination in Ireland last year, an increase of 17% compared to 2003.

Fig. 1.11: Change in type/location of holiday 2009 v 2003



Source: Tourism Ireland

1.2.7 The Dublin phenomenon

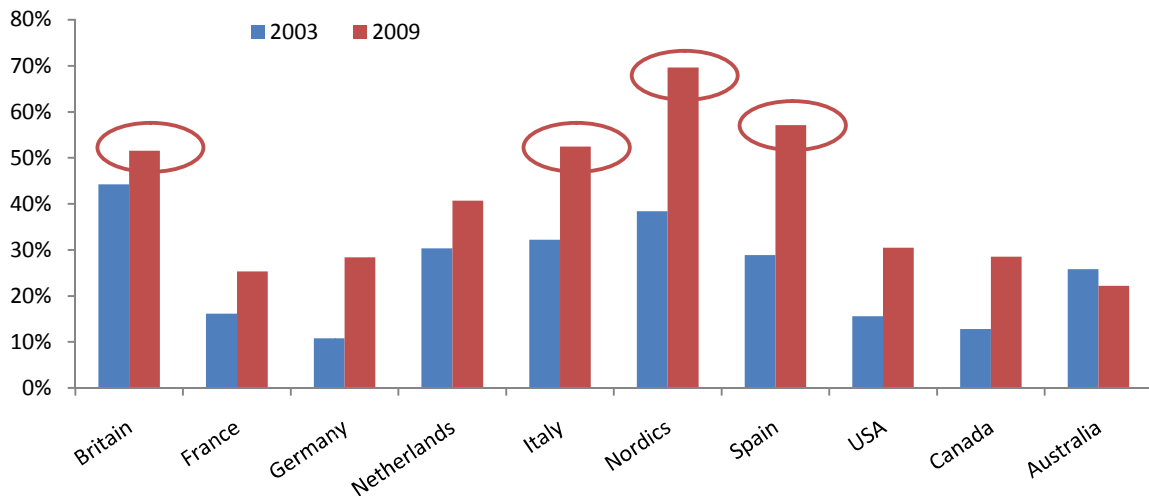
Increasing numbers of holidaymakers are visiting Dublin, with growth to the city outpacing demand for holidays in Ireland. The increased popularity of Dublin as a holiday destination is evident across most markets, including the domestic.

While Britain continues to be the source of the largest number of holiday visitors to Dublin from overseas despite being in decline since 2005. The incidence of visitors from Europe and North America including Dublin in itineraries has been on the increase.

Just over 2 million holiday visitors from overseas spent at least one night in 1.5 million bednights for the city.

Dublin was the sole destination in Ireland for more than half of holiday visitors from Britain, Spain, Italy and the Nordic countries in 2009. Perhaps surprisingly it was the only destination for almost one in three Americans.

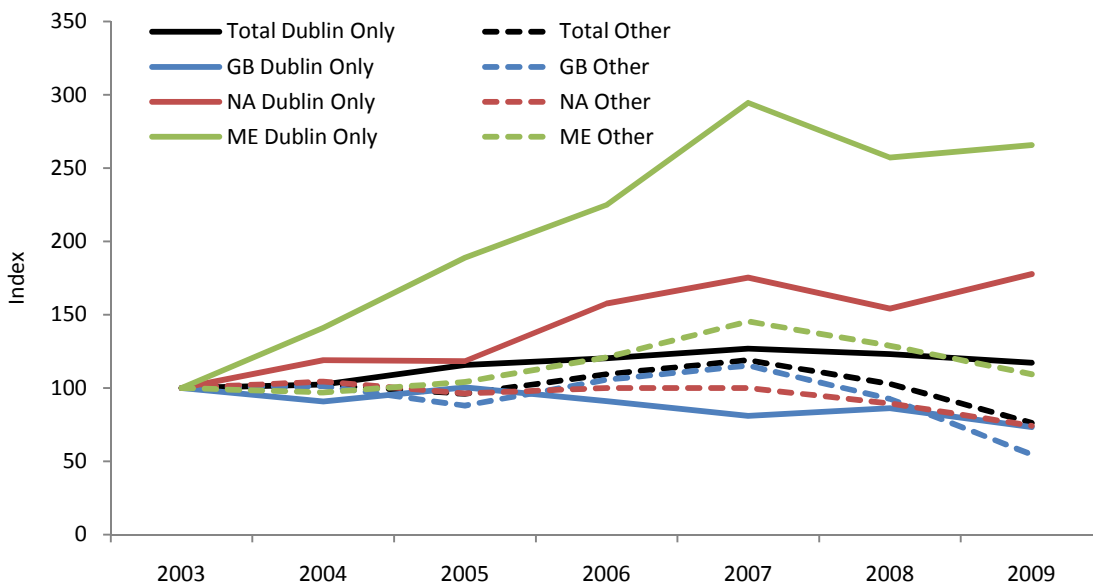
Fig. 1.12: 'Dublin only' as share of all holidays by source



Source: TTC derived from Fáilte Ireland and Tourism Ireland data

The rate of growth in demand for Dublin only holidays has outpaces the demand for holidays in other parts of Ireland in most years from most markets over the period 2003-2009.

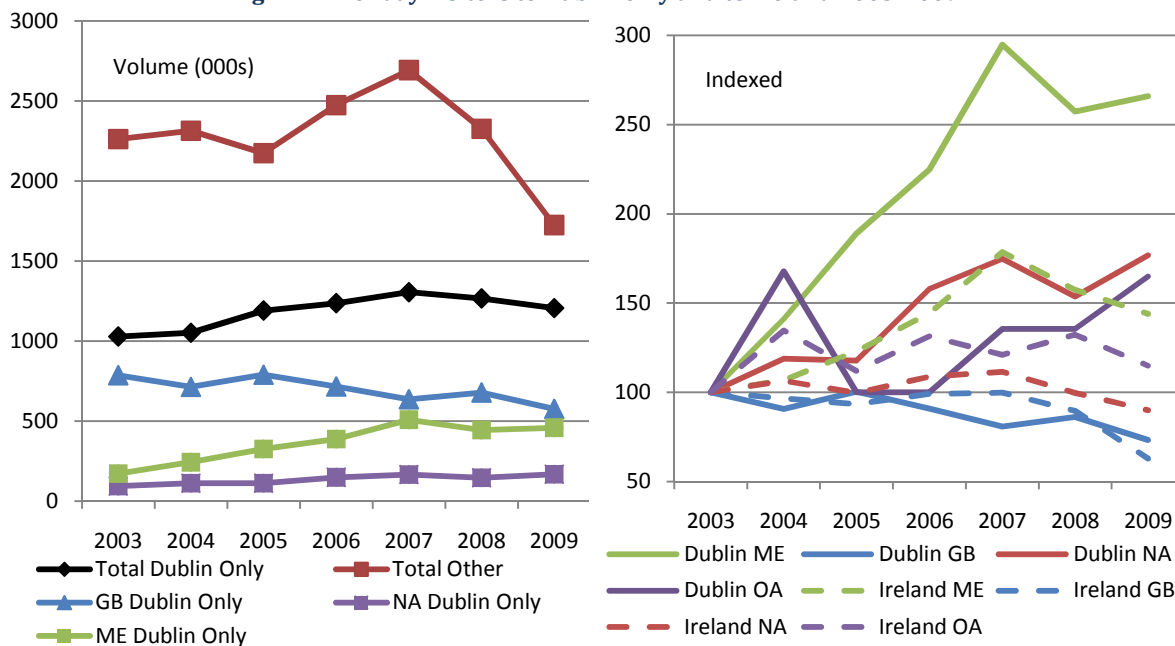
Fig. 1.13: Growth index holidays to Dublin only and other Ireland 2003-2009



Source: TTC derived from Fáilte Ireland and Tourism Ireland data

Dublin as a destination has shown to be more resilient in the recent downturn. Not only has Dublin experienced a lower fall off in demand compared to the overall level of holidays to Ireland, but it has seen growth in the numbers visiting from mainland Europe and North America in 2009, following a dip in 2008.

Fig. 1.14: Holiday visitors to Dublin only and to Ireland 2003-2009



Source: TTC derived from Fáilte Ireland and Tourism Ireland data

1.2.8 Spectacular growth in domestic tourism

Demand in the Irish market for domestic and foreign travel grew continuously over 15 years to 2008, with double digit annual growth rates. Irish residents spent €4.8 billion on 8.5 million holiday trips in 2009, a 14% drop in the number of holidays and a 24% drop in expenditure.

In 2009, the total number of domestic trips taken by Irish residents was 8.3 million, almost unchanged from the previous year. However, the number of holiday trips was down 8% to just over 4 million. Holiday trips account for over half of all domestic trips, with VFR accounting for a third and business 8%. Total expenditure on domestic travel in 2009 was down 10% from the record previous year to €1,390 million, while expenditure on domestic holidays dropped 18% to €843 million. Over the period 2000-2008 annual expenditure on domestic holidays more than doubled (+130%).

The range of motivations for a holiday trip within Ireland broadly reflect those of any holiday, including relaxation/away from everyday routine; engaging in activities or pastimes; enjoyment/'craic'; romantic getaway; and personal fulfilment. A number of identified perceived advantages of a holiday in Ireland include the avoidance of the inconvenience or hassle of international travel at airports. Perceived disadvantages include poor weather and expensiveness, although the latter would appear to be diminishing.

The Cork/Kerry region is the most popular destination for home holidays, attracting approximately 30% of the total nights and expenditure on domestic holidays, followed by the South East and the West regions.

The overwhelming majority of home holidaytakers are very satisfied with the experience, with less than 5% expressing dissatisfaction.

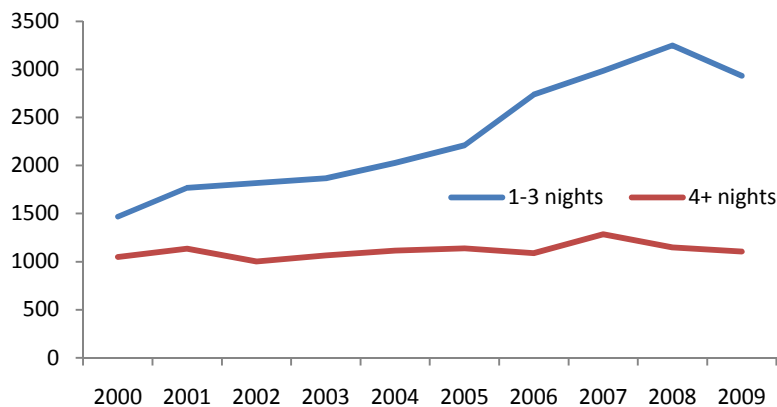
A number of noticeable trends within the Irish travel market over the past decade have included:

- Irish people taking more frequent and shorter trips;
- a significant increase in travel by the over 50s;
- a greater spread of holiday travel throughout the year; and
- an increasing use of hotels as holiday accommodation.

The growth in the domestic holiday market

Almost 3 out of every 4 holiday trips are now short breaks (1-3 nights). The past decade has seen a rapid growth in the number of short breaks, with little or no growth in longer holiday trips.

Fig. 1.15: Irish domestic holiday trips 2000-2009 (000s)



Source: CSO

Expenditure on short breaks more than tripled between 2000 and 2008, before falling back by 21% in 2009.

Table 107: Expenditure on domestic holidays (€ million)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1-3 nights	176.1	223.5	241.0	263.5	298.5	362.2	496.3	554.7	599.3	470.8
4+ nights	271.6	326.2	260.6	312.4	326.4	344.6	376.4	473.4	428.6	372.5
Total	447.7	549.7	501.6	575.9	624.9	706.8	872.7	1,028.1	1,027.9	843.3

Source: CSO

1.3 Current Downturn

2009 & 2010 most challenging years

2009 was a challenging year for tourism worldwide against the backdrop of the global economic recession. Best estimates suggest that global tourism declined by 4% last year.

Visits to Ireland from overseas fell by 11.6%, while total earnings declined by 19%. The drop in visitor volume represented almost 1 million fewer visits, while the loss of earnings compared to the previous year were of the order of over €700 million. There were some marked differences between markets and by purpose of visit.

The number of overseas holiday visitors fell by 18% with a drop of 26% in expenditure. Business trips fell by 20.5%, while spending decreased by over 25%. In contrast visits to friends and relatives (VFR) appear to have been more recession proof, with the number of visits up by 3% and expenditure down by 3%.

Overseas visitors spent 12% fewer nights in Ireland in 2009 compared to the previous year with the hotel, guesthouse and B&B sectors experiencing a drop of 20%.

Britain, Ireland's largest source market, fared least well with a 15% drop in visitors, down to 2,984,000 from 3,518,000 the previous year – a loss of over half a million visitors (-534,000). Visitors from mainland Europe were down by 9% to 2,288,000, approximately 220,000 fewer visits. North America, relatively speaking, was the best performing market with only a 5% drop from 922,000 to 877,000 visitors. Visitors from 'Other Areas', a relatively small market, dropped 11% to 300,000.

2009 was the third successive year of decline in the overall number of visitors from Ireland's No.1 source market, and the second year of decline in British holiday visitors, with holiday demand 30% lower than in 2008 and 37% down on 2007. Business trips were down 19%, while VFR visits were up 3%.

Ireland appears to have fared less well than our neighbouring competitor, as visits to Britain fell in 2009 by only 7% with actual holiday visits increasing by 4%, no doubt helped by the weakness of sterling, while business visits dropped 20%, being badly hit by the global financial crisis.

Downturn in domestic demand

The number of domestic travel trips taken by Irish residents held up in 2009, but the level of spend on domestic travel fell by 10% to just under €1.4 billion. The outbound market for travel from Ireland in 2009 was down 10% in volume and 13% in value compared to a year earlier.

The number of domestic holidays fell by 8% last year, with 10% fewer short breaks and 4% fewer longer holiday trips. However, expenditure on domestic holidays dropped 18% to €843 million, including a 21% falloff in expenditure on short breaks to €471 million. It is clear that the impact of the recession curtailed the number of short breaks which had been growing rapidly in recent years.

Despite the downturn in demand, domestic holidays gained share of the overall holiday travel market by Irish residents, as the number of overseas holiday trips fell by 14%.

Within the Irish market the number of domestic trips to visit friends and relatives grew year on year in 2009, although expenditure was down 20%. Domestic business trips were down by 9% with associated expenditure down by 16%.

Hotels, Guesthouses and B&Bs hardest hit in downturn

The top line average length of stay remained unchanged at 8.1 nights, but more nights were spent in homes of friends and relatives while demand for all categories of 'paid for' accommodation, with the exception of camping and caravanning, was down on the previous year. There were 6.9 million fewer overseas bednights in the country in 2009 compared to the year before, a 12% decline to 52.4 million overnights.

Hotel room occupancy rates are at a 20-year low, while guesthouses declined by five percentage points compared to 2008 as the rate of demand fell faster than capacity. Room occupancy in B&Bs fell by four percentage points as demand fell by 25% while room capacity contracted by 15%.

The overall results suggest a pattern of trading down, with rented accommodation gaining share in the European and North American markets, while the popularity of staying with friends and relatives increased across all markets, other than mainland Europe.

After several years of continuous growth from overseas demand, hotel bednights were down 20%, a loss of 2.7 million bednights compared to a year earlier, from 13.6 million to 10.9 million. Guesthouses and B&Bs also saw demand drop by 20% to 4.3 million bednights, while rented accommodation demand fell by 17% to an estimated 10.3 million bednights. The fall-off in demand for rented accommodation from Britain appears to have been especially severe, with a decline of over a third (-37%) in bednights in this category. The fall-off in demand for hotels was most marked from Britain and mainland Europe – 23% fewer bednights from each market, while Guesthouses and B&Bs saw demand from Britain and mainland Europe drop by 23% and 15% respectively.

Bednights from overseas visitors in hostels were down 9% to 1.55 million, while bucking the trend was the camping and caravan sector where estimated bednights increased by 20% to 0.9 million.

Stays in private homes of friends and relatives increased by 4% to account for an estimated 18.5 million bednights, while 'other accommodation' declined by 22% to 5.9 million. The number of bednights from North America spent in private homes appears to have increased by 22%.

Overall the share of bednights in the formal guest accommodation sectors, excluding homes of friends and relatives and 'other' dropped to 53% from 57% the previous year – which must be a cause for concern.

Employment in tourism

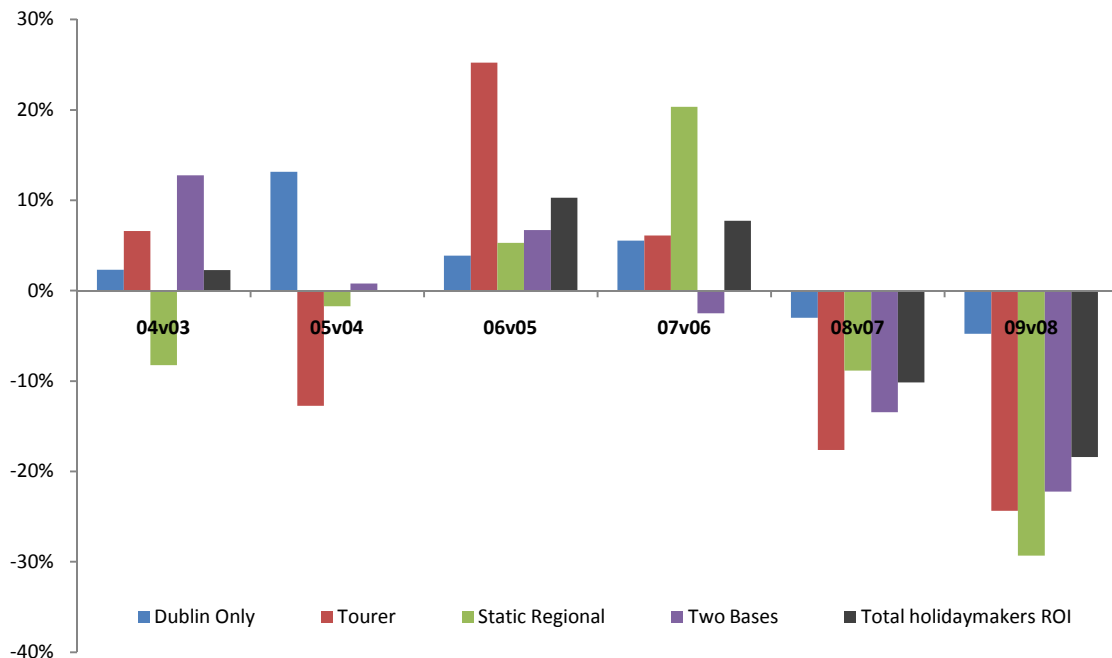
Latest data from the CSO shows that direct employment in ‘accommodation and food services’, which includes hotels, restaurants, bars, canteens and catering, was 123,300 in 2009 or 6.4% of total employment.

A broader definition of all jobs in tourism and hospitality based on a Fáilte Ireland survey of businesses, including full-time, part-time and seasonal/casual, put the total number of employees in the sector close to 190,000.

‘Dublin only’ visits proved to be more resilient

The number of ‘Dublin only’ holidays suffered less in the downturn of the past two years compared to the total demand for Ireland and to each of the other main types of holidays taken in the country.

Fig. 1.16: Annual % change in demand for holidays in Ireland 2004-2009



Source: Tourism Ireland

2. WHAT IS SHAPING TOURISM DEMAND?

2.1 “It’s the economy stupid”

Travel demand mirrors economic health

Based on a strong historical correlation between economic growth and the incidence of demand for holidays in western society, future demand will be primarily determined by economic conditions in Ireland’s source markets, particularly the levels of disposable income and employment. The level of demand for holidays, including short breaks, will be determined in the short to medium term by the economic impacts on, and the confidence levels of, the consumer.

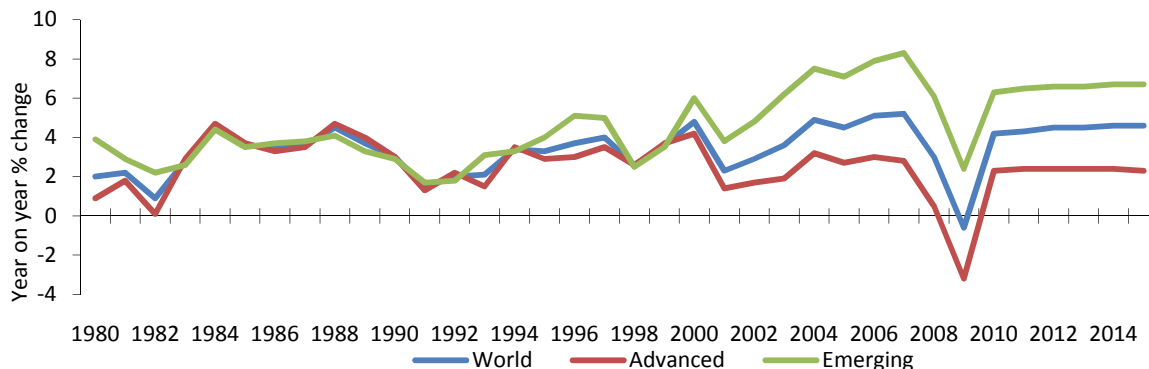
The worst recession since the Great Depression had very great impacts on travel over the past 2 years, with many of the effects likely to last into the future. All regions in the developed economies tourism revenues fall in 2009 as the domino effect of a significant drop in international travellers spread. North America saw a 9% drop in arrivals, while Europeans tended to stay closer to home, with many opting to holiday at home, leading to a rise in domestic trips. Businesses adapted to the tough trading climate, limiting travel and cutting back on budgets by trading down on class of travel and accommodation. Hotels were among the worst affected categories in the travel and tourism industry. Sales growth was already sparse in the boom year, so once recession took its toll, hotel revenue fell by 8% in 2009, while globally airlines lost \$11 billion in the same year.

Economic recovery but modest growth in developed economies

The good news is that most western economies have emerged from recession over the past six months, however the bad news is that employment and consumer confidence markedly lag the return to positive GDP growth. A feature of the improved economic state of most western economies has been the extent to which corporate activity has been driving recovery. Low consumer spending and economic volatility continue to be the biggest threat to growth in developed economies, in contrast to the pattern in fast growing emerging economies. Talk of the potential for a double dip recession in some western economies, or globally, is not without foundation.

While 2009 saw the first global drop in GDP in over 50 years, the slump appears to be restricted to 2009, with 2010 predicted to grow by 4.2% according to the IMF. Emerging regions lead the economic charge, driven by Asia, with China and India predicted to show real GDP growth of 10% and 9% respectively for 2010. By contrast, developed economies exhibit a more sedate recovery, with the US forecast to see real GDP growth of 3% in 2010, with the majority of European economies experiencing slower growth.

Fig. 2.1: Real GDP growth: % annual change 1980-2015



Source: IMF

Developed countries are forecast to grow at modest rates in 2010 estimated by the IMF to be close to 2%, with countries with high public deficits recovering even more slowly. The US shows signs of recovery but spending remains cautious, and Europe lags with several countries remaining weak. Growth in Eastern Europe will also be sluggish, with some countries, such as the Baltic states, struggling more than others, due to large amounts of foreign-currency denominated debt and a decline in capital inflows.

Table 201: Budget balance as % of GDP 2010

Euro area	-7.1
France	-8.4
Germany	-5.6
Greece	-9.4
Spain	-11.5
Italy	-5.3
UK	-12.8
US	-11.0

Source: The Economist, May 2010

The eurozone in crisis

Most recently the eurozone's financial crisis has shaken confidence in the world economy, perhaps the most telling of several findings from McKinsey Global Survey³ which found that the majority of corporate executives around the world downgraded their outlook on their own economies and corporate performance in the light of the potential impact of the problems in the eurozone. While the corporate world continues to expect profits to recover, the prospects for employment remain weak as productivity drives and uncertain demand patterns continue to bite. The prospects for workers in the eurozone are markedly worse than in other regions of the world.

Eurozone growth picked up marginally to 0.2% quarter-on-quarter (q/q) in the first quarter of 2010 from 0.1% q/q in the fourth quarter of 2009, but the recovery from the deep 2008/09 recession remains limited. Even allowing for the fact that activity at the start of 2010 was held back by widespread very bad weather, GDP growth of just 0.2% q/q indicates that the eurozone is finding it difficult to develop sustainable, robust recovery in the face of still significant headwinds. Muted consumer spending remains a particular problem for growth prospects. Consensus forecasts suggest that the eurozone recovery will be bumpy and gradual overall for some time to come. Consequently, forecast eurozone GDP growth is limited to 1.0% in 2010, improving only modestly to 1.3% in 2011

Eurozone consumer spending contracted marginally again in the first quarter (- 0.1%) after rising by a modest 0.2% in the fourth quarter of 2009. Consequently, consumer spending was flat year on year. Although the deterioration in eurozone labour markets slowed in the first quarter of 2010, unemployment nevertheless continued to rise. Meanwhile, consumers' purchasing power was limited by a pick-up in consumer price inflation (albeit modest) and muted wage growth. Furthermore, the car scrappage schemes that supported consumer spending in a number of countries last year have now largely ended.

Currency fluctuations persist, with the euro under pressure at a four year low against the US dollar. These factors combine to produce an uncertain future for demand for travel in an increasing value conscious environment. The euro is expected

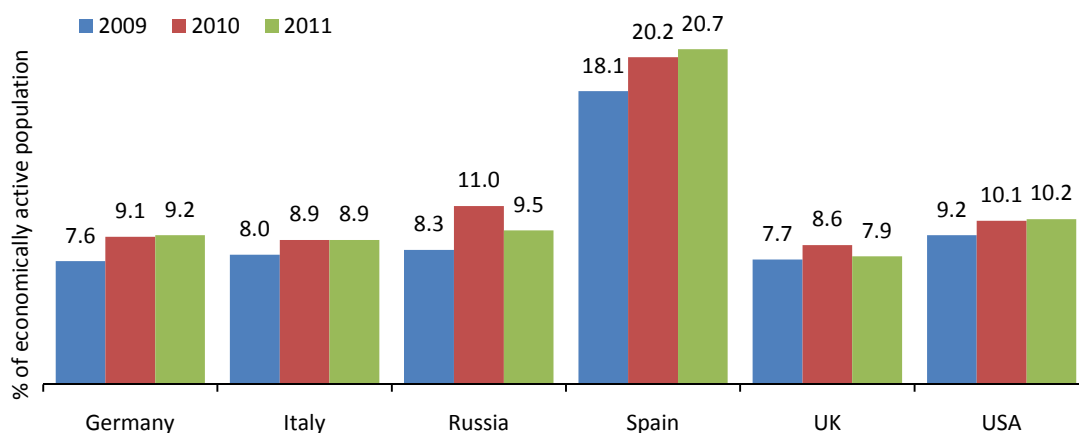
³ The online survey was in the field from June 7 to 11, 2010 and received responses from 1,832 executives representing the full range of regions, industries and functional specialties.

to fall further in value over the next three months, with many forecasting a drop of up to 10% against the US dollar, and some predicting parity between the US dollar and the euro and pound sterling by the end of the year.

Unemployment a feature of the new order

Unemployment in most western economies continues to rise. Unemployment has grown across the world, with Spain being the worst affected country in the EU in 2010, where unemployment will exceed 20%, exacerbated by the continuing construction and property market downturn.

Fig. 2.2: Unemployment rate: % of population in selected countries 2009-2011



Source: The Economist

Growth in employment, traditional lags economic recovery. Unemployment therefore still looms for many countries and this will result in greater caution whether consumers choose to holiday or not.

Given that the eurozone unemployment rate is at a near 12-year high of 10.0% and likely to rise further, wage growth is muted, and consumers are facing higher energy prices. Furthermore, fiscal policy across the eurozone was already becoming less supportive in 2010 even before the pressure for tighter policy from the eurozone sovereign debt crisis.

Longer term structural change is evident in employment in Europe and North America as a significant fraction of emerging world employment displaces jobs in developed economies.

Oil prices set to rise

Oil prices have risen since mid 2009 driven largely by demand from fast growing emerging economies and now stand at close to €70 per barrel. Expectation is that the price of oil will continue to rise due to growing demand – possibly exacerbated by the impact of the oil spill in the Gulf of Mexico which may curb deep sea exploration and extraction.

2.2 The Post-Recession Consumer

The principle question is ‘has consumer behaviour been irreversibly altered by the economic downturn or will they slip back into their pre-recessionary ways?’

Of necessity consumers have changed their spending behaviour during the recent recession, as amply reflected in retail sales data. The changed pattern is not only one of reduced spending but, perhaps more significantly, one of altered spending patterns. The recession has altered how consumers think about spending and how they decide upon value. A common hypothesis is that purchasing behaviour has been irreversibly changed, with little prospect of a return to the pre-recession patterns of spending characterised broadly by conspicuous consumption. The severity of the recession has brought about a change in consumer values, spending habits and lifestyle choices in many parts of the world, and the indication is that consumers in western economies will continue to cut back on spending across all aspects of life, at least in the short to medium term.⁴ The new norm is more towards frugality, thrifty is now trendy.

The recent credit crunch has changed consumer behaviour in western economies with cutbacks in spending on food, hair & beauty, fashion, dining out, entertainment outside the home and travel. Bicycles sales are up, credits cards are being paid down, car sales are down, while ‘staycations’ and cruise holidays appear to be bucking the trend.

It would appear that some trends in consumer behaviour have been accelerated by the recession while other trends have been slowed or arrested. Amongst the trends that appear to have been given an impetus by the recession are a demand for simplicity – ‘its cool to return to basics’, and discretionary thrift, while trends towards green consumerism may have been slowed.

The new norm for travel, based on the limited experience of the past 18 months, would appear to be that while consumers are not prepared to forego leisure trips away from home, they will cut back on frequency, distance and expense to preserve leisure travel as an essential part of their lifestyle. Anecdotal evidence would suggest that value more than price has become a higher priority in deciding between travel options, in line with consumer behaviour in respect of other categories of discretionary expenditure. This is evident from the increasing popularity of all-inclusive travel deals, including cruises.

Consumers have cut back on travel expenditure and have recalibrated their price points for fares, accommodations and other travel components, while businesses have curtailed travel budgets and downgraded class of travel and hotels. These behaviour patterns are unlikely to be reversed at least in the short to medium term.

The recession changed the expectations of many travellers, with value for money becoming increasingly important. Despite the era of thrift, not all travellers are budget-seekers, although those spending money are choosing more carefully how and where they spend it. The rise of loyalty programmes, used by many travel sectors to maintain clientele in the downturn, rewarded consumers with higher levels of service and benefits to which many are now accustomed

Whilst “staycation” was a buzzword for travel during the recession, the period after the downturn is likely to see consumers remaining cautious, but needing to spread their wings. However, expenditure on travel is still not necessarily the number one priority, and, as a result, intra-regional travel is likely to continue to prove more popular than long-haul, with a faster growth rate.

⁴ Consumers in a Post-Recession World, Nielsen, October 2009

2.3 Trends In Travel

A number of trends in travel which are expected to impact future demand, based on projections of changing age profiles, the rising price of energy, greater diversification of populations, and environmental imperatives, include:

'Authentiseeking'

This is partly a reaction to the pre-recession era of conspicuous consumption, a new travel value of authentic experiences is emerging and already apparent in many travel patterns⁵. The value of depth of experience over simple material luxury is increasingly being sought after, especially by the discerning and mid to upscale tourists. Novelty seekers and back to nature tourists constitute important sub-segments.

'Ageless Aspirations', reflecting the ageing demographics of developed travel markets, this group will increasingly refuse to be defined by age while seeking increasingly active and enriching holiday experiences. This age group will also boost the Gran Travel, multi-generational travel parties with grandparents travelling with their grandchildren.

'Techno-driven travel'

A new world where interactive, instantaneous and location based technology is having a big impact on travel and lifestyle experiences. Decisions will increasingly be influenced by online communities, instant and short lead time bookings will become more the norm, while leisure activities, such as sightseeing and visits to attractions will become more interactive based on personal mobile technology. The growth in consumer led online peer travel advice is radically changing how destinations are marketed.

'Travel with a purpose'

A definite emerging trend is a growing focus on the 'why' of travel rather than the traditional first question of 'where' to holiday. Motivation or 'reason to travel' is increasingly taking precedent in travel decisions, resulting in a refocusing of the marketing messages to prospective travellers to meet their needs, away from a simple destination message. With the growing concentration on the motivation for travel, it is possible that there could be a return to the two basic reasons for travel, i.e. getting together with friends and family or to seek new adventures. Business travel could conceivably contract as communication technologies improve.

'Geo-local travel'

This is hypothesised as a future trend as the cost and hassle of air travel increases and consumers become more environmentally and socially conscious in their travel behaviour. Some forecasters see a shift to more local travel, either domestic or at least within the same continent. This trend may also be spurred by growth in popularity of alternative transport and climate change, with a move to 'slow travel' linked to other consumer trends of preference for locally sourced foods, etc.

Medical tourism

The new wave of 'medical tourists' are those seeking health care abroad not only for elective procedures but now more so for essential procedures like cardiology and cancer treatments. A recent survey funded by Your Surgery Abroad, an online directory of medical tourism, found that more than 60% of Americans are willing to leave the country for cheaper medical services, while patients from the U.K. and other European countries with national health-care services go abroad because of the long waiting lines for procedures. Reports indicate that the most popular medical tourism is for dental surgery,

⁵ *The Future of Free Time*, The Future Foundation & lastminute.cm (April 2010)

followed by laser eye surgery, which are frequently not covered by insurance. Dr. Holiday in Germany and Well-Being Travel in the US are amongst the new specialist travel companies linking the medical and travel industries.

Wellness tourism

Despite the recession, the number of hotel spa resorts grew globally by 5% in 2009. The popularity of spas with domestic and overseas tourists also helped mitigate the impact of falling demand, with many properties offering free spa facilities as incentives in an attempt to boost flagging business. Thanks to the “lipstick effect”, global sales for health and wellness tourism fell marginally by 0.2% in 2009,, with forecast annual growth expected to be 4% in the short term.

‘The Bleisure Trip’

With business travel still curtailed by many organisations, those who are permitted to travel are making the most of it. The term “bleisure” trip refers to the increasing habit amongst professionals to add a few extra days holiday onto the end of a business trip, often inviting a partner along. The promotions, discount nights and loyalty rewards offered by many global hotel chains are ideal for making the trip even more cost-effective.

Cruise tourism

2009 saw passenger numbers recover to above the 2007 peak, although profitability still lagged behind growth rate indicating heavy price discounting. The Cruise Line Industry Association (CLIA) forecasts a 6% increase to 14.3m cruise passengers in 2010, of which 10.7m will be North Americans. Cruise sales were \$29.5 billion in 2009.

Growth in capacity has remained on a steady upward path, with 14 new ships joining the world wide cruise fleet in 2009 and a further 12 in 2010. The recovery in the share price of the two major cruise line groups - Carnival and RCL - reflect the upbeat mood within the sector.

The Caribbean continues to be the No.1 cruise destination, but the Mediterranean and North Sea/Baltic continue to attract more cruise ships.

The British market for cruising continues to grow reaching 1.75m passengers in 2009 up 4% on the previous year, with a further 8% growth forecast for 2010. The German market is the No.2 European market and continues to grow (+13% in 2009) and is increasing its market share, accounting for 21% of Europeans on cruises in 2009, against the UK’s market leading 33% share.

The outlook for cruise growth remains favourable, but the prospects for ‘British Isles’ cruising will most likely lag behind global growth due to weather and be restricted by the trend towards larger ships. Development of niche and luxury markets would appear to be the most likely growth prospects for Irish ports, together with expansion of existing itineraries and season, with some home porting opportunities for Dublin and transatlantic repositioning calls for Cork.

2.4 A Greying Market

The demographic shifts, specifically the ageing population in western societies, are probably the most predictable factors likely to reshape the profile of tourism demand.

While the total world population will continue to increase the growth will be primarily in developing nations with the result that per capita income will not increase despite global economic progress. Falling fertility rates will see a decline in population in many countries in Europe, with big increases in population in Africa and Asia and more modest growth in the Americas.

In contrast, the population of Europe is forecast to decline by almost 42 million by 2050 from 733 million, with declining populations in Russia, Germany, Italy, Portugal, Poland and most of eastern Europe. Deaths are expected to outnumber births this year in 10 of the European Union's 27 member states. As of 2015 the EU as a whole is projected to experience negative natural population growth, with the gap growing to 1 million excess deaths a year by 2035. The European Commission has flagged that by 2050 the EU will have 52 million fewer people of working age.

Table 202: Population projections

	2000	2050
Europe	732.8m	-41.7m
Germany	82.1m	-11.6m
UK	61.9	+10.5
France	62.6	+5.0
Italy	60.1	-3.0
Spain	45.3	+5.9
Poland	38.0	-6.0
Russia	140.4	-24.3
Americas	940.3m	+237.3m
USA	317.6	+86.3
Brazil	195.4	+23.1
Mexico	110.6m	+18.3
Asia & Oceania	4,202.5m	+1,080.2m
China	1,354.1m	+62.9m
India	1,214.5	+399.3m

Source: UN Population Division

Of greater significance in the developed economies of Ireland's prime source markets, Britain, mainland Europe and North America, is the changing age structure as a result of an increase in life expectancy and a declining birth rate. This will result in greater numbers of older people and little, if any, growth in the overall population. According to the United Nations, population ageing is increasingly becoming one of the most salient social, economic and demographic phenomena of our times. By 2030 it is expected that there will be 14% fewer workers and 7% fewer consumers in the EU than in 2005.

Table 203: Share of population 60 years and over

	2000	2020
UK	20.8%	24%
Germany	22.9%	30%
Spain	21.8%	28%
France	20.7%	29%
Ireland	15.1%	19%
USA	16.2%	22%

Sources: UN Population Division & Eurostat

It seems likely that most over 65s in the 21st century will not retire, on the premise that 65 is no longer old, that businesses will need experience and, most importantly, the social welfare system will not be able to support the increasing numbers of older people. Hence, those over 60s in the third phase of their lives may slow down and work less, maybe in a new job and have leisure time, but all the while will be engaged in some income producing activity. Both Germany and France have recently raised the retirement age.

The grey market by numbers

- €3 trillion – wealth and revenues in Europe of persons over 65
- 40 seconds – people turning 50 in the UK while in the US someone is turning 50 every 7 seconds
- 50% - consumer spending by 50-year-olds in the EU
- €6.6 billion – declared income of the over 65s in Ireland
- 10% - marketing spend aimed at over 50s in the EU

Turning silver into gold

Pre-recession research⁶ showed that car purchase was the biggest spend for over 60s in Ireland, followed by home improvements and holidays. Interestingly holiday was the top expenditure item for those living in Dublin. Across Ireland more than half (56%) of the over 60 age cohort took up to three holidays a year in Ireland, with a similar proportion (53%) taking up to three holidays abroad each year.

2.5 Environment

Concern for the environment is high in many European countries and the subject of much public debate as to its influence on travel decisions. The extent to which increasing environmental awareness is influencing people's travel choices or behaviour in regard to holidays, particularly if it means paying a higher price, is as yet unproven. However, while environmental sustainability is not a primary motivator for people, evidence would suggest that it is growing in importance as a factor determining the choice of holiday. Some commentators however would claim that the recent recession has stalled this growth in interest in sustainable holidays.

TUI, one of Europe's two mega tour operators, is encouraging holidaymakers to take more sustainable trips by launching a sub-brand 'Holidays Forever'. In addition an increasing number of hotels used by the giant tour operator are signing up for a Travelife Sustainability Audit where they are measured on, among other things, their carbon emissions and how much local produce they source.

Destinations driven by consumer trends are already adapting to a more green, sustainable model, capitalising on new energy and communication technologies, as well as placing a greater emphasis on local inputs. For example, a central London hotel is pioneering an electric car hire scheme for guests, with up to four hours free rental, no congestion charges and reduced parking fees.

As the environment is a key component of the nature based experience offered by Ireland, conservation and the management of the environment is a key aspect of ensuring sustainable European demand. Unfortunately Ireland does not have a 'green premium' in the marketplace.

⁶ Bank of Ireland/ Retirement Planning Council research study, August 2006

Climate change.

There is scientific consensus that the planet is warming and that the degree of recent changes can be explained only by the effect of human activities. Climate change is already happening and represents one of the greatest environmental, social and economic threats facing the planet.

A recent report by Forum for the Future (2009) states that “*Climate change will also have dramatic impacts on how, where and when (and even if) people travel, and will reshape the industry over time*”.

While the impact of global warming and rising sea levels will undoubtedly have an impact on where people go on holiday the timescale of any significant shift is likely to be over the next 50 years rather than in the short to medium term. While the prospects for Northern Europe should improve as parts of the world become uncomfortably hot and other destinations disappear, any positive benefits for Ireland are likely to be many years into the future.

2.6 The Travel Industry – A Changed Landscape

Transport – the high-speed chase

With improvements in technology and shorter journey times, high speed rail is competing directly with many short-haul air services, particularly in Europe and offers strong long term potential. High speed rail developments across the world have benefited from government stimulus packages to invest in infrastructure and boost domestic demand. Within Europe increased liberalisation has also contributed to ongoing development, as illustrated by recent acquisition of UK’s Arriva by Deutsche Bahn.

Two major restructuring factors are firmly established in the airline sector as low cost carriers continued to gain market share in the short-haul market, while legacy carriers consolidate. The share of traffic on LCCs is expected to grow, while consolidation and strengthening of global airline alliances is set to continue. Recent mergers in Europe include Lufthansa’s acquisitions of Brussels Airlines, Swiss, Austrian and bmi, while the BA/Iberia merger is expected to be concluded within the year. In the US, following Delta’s merger with Northwest, United and Continental have announced that they will merge.

Structural changes within the travel industry

The travel industry across Europe has undergone significant changes in recent years. These changes include:

- The growth of virtual distributors, including Expedia, lastminute.com, etc.
- Cross-border consolidation within the tour operator sector with a few pan-European dominant players controlling an increasing share of the business.
- A reduction in the number of retail travel agent outlets and further rationalisation of vertically integrated outlets, together with the demise of non-specialist independent retailers.
- The increased incidence of airlines, especially LCCs, offering a full range of holiday components on their websites to allow consumers to put together their holidays.
- The emergence in some markets of non-traditional distributors of travel, including supermarket chains and mail order companies.

Travel retail sales recorded a fall of 8% globally in 2009, with flight-only showing a dramatic year on year decline of 13%, as consumers traded down or out or purchased direct from airlines. Large revenue generating products such as accommodation and flights are not expected to recover for several years, weighing heavily on operators' bottom line, despite efforts to manage capacity. Cruise sales are expected to be the first to recover in 2011 due to the segment's value for money proposition, followed by city breaks and adventure/trekking by 2012, as pent up demand eventually kicks in.

All products were affected by direct sellers' discounting as the online channels reduce costs and they rein in their dealings with third parties. Fierce competition is expected as travel retailers fight for a share of the reduced market.

The online revolution

Online travel sales both benefited and suffered at the hands of the recession. Consumers increasingly turned to the channel for once in a lifetime deals, whilst operators off-loaded stressed inventory. However, discounting took its toll on revenues, as booking fees were waived by online travel agencies (OTAs) and supply shrank. The recession accentuated many online trends that were already apparent pre-crisis. Increasingly, the internet became the place to look for discounts and consumers sought insight online before buying, tapping into price comparison websites, travel networking and social media sites. This trend affected not just the mass market. For example, a new travel site, vacationist.com, launched by American Express, focuses on luxury products but at heavily discounted prices, available by invitation only, to members.

With more and more travellers using smart phones, travel applications are increasing in number. Whilst social networking sites are useful for research and reviews, applications offer real time information to the traveller. Companies are also pushing bookings via handsets with companies such as AirAsia reporting record numbers.

Social media networks – blogs, Twitter, Facebook, podcasts and other forums – are increasingly used for travel. In effect social media is becoming the 'new word of mouth'. Most advanced Blogs relate to travel - backpacking, business travel and regional specific, while travel is a popular subject on Twitter which provides a channel of communication for reviews etc. but also as a means for transport and tourism providers to keep in touch with its customer base. For example in the UK, several large travel companies have embraced Twitter, including First Capital Connect Trains and Manchester Airport. Social networking sites drove more business than search engines in the UK for first time ever in May 2010.

Google is the latest entrant into the travel business, having spent \$700 million to buy ITA Software, a leading airline travel software company, with a plan to build new flight search tools that focus on end-users but not planning to sell airline tickets. According to Google its entry into the travel sector will make it easier to users of its search engine to find quick information about airline flights and fares. According to unnerved industry players, however, it could end up wielding too much influence. Google, with operating profits of \$2.5 billion in the last quarter of 2009, is bigger than any airline in terms of revenue, and vastly bigger in terms of profit and is likely to accelerate the trends of increasing influence of online channels. While meta search engines do provide online travel agencies with more leads, they increasingly direct consumers to airline and hotel sites instead, and this could eventually further cut into margins for the travel agencies.

ITIC's soon to be published study '*Tourism and Travel Distribution in a Changed World*' contains a series of important messages and action points for tourism product providers, for industry bodies, the State agencies and tourism policy makers. The overarching message from this study is the need for Irish tourism product providers to recognise the fundamental changes in distribution channels and to respond to the internet's increasing role in researching, planning and booking holidays. The report highlights a number of practical steps every provider, large and small, needs to take.

While offline channels still account for a significant share of overall demand - and probably about 50% in Ireland - there is ample evidence that online channels are taking a rapidly increasing share of the market. For example, European online bookings for leisure and unmanaged business travel grew by approximately 20% in 2008 compared to just 3% for the overall industry itself while the offline travel industry has not grown since 2002. In both the US and European markets, online demand is expected to continue to grow at the expense of offline demand, and can be expected to overtake offline in certain market segments, with demographic changes and increased broadband penetration accelerating this trend.

A number of key findings from the report⁷ include:

- *Traditional channels of distribution are still important, especially at the business to business (B2B) level, but they are making increasing use of the internet as a medium for communications.* While the use of traditional channels remains very important, it is clear the method of doing business has changed with a significant shift being made to online communications. This shift is being followed by increased online transactions as tour operators increase their investment in online technology. Consumers tend to make greater use of travel agents and tour operators when purchasing complex products or travelling to distant destinations.
- *Online travel agents (OTAs) represent the fastest growing distribution channel and have gained significant market share:* they appear to have been particularly successful in the short-break travel market which has experienced very high growth during the past decade; they can be expected to continue to thrive since they are positioned to provide consumers with access to lower prices, comparative pricing, and personalised as well as comprehensive product information.
- *Direct sales by suppliers to consumers constitute the largest share of online sales:* about 70% of online airline ticket sales and 70% (US) to 80% (EU) of online car hires are made directly through supplier websites. On the other hand, the suppliers' share falls to 42% (EU) and 59% (US) in the case of hotels as online travel agents have taken a large part of this market.
- *Online sales have been most successful where price is the primary driver of choice:* airline, ferry and rail travel tickets are commodity-like in nature and can be purchased with ease directly from carriers or OTAs, with price being the primary reference point for comparison. Differentiated products, such as hotel accommodation, do not lend themselves as easily to this type of selling, but OTAs have been effective at commoditising them with price again being the primary comparator.
- *Online concentration and fragmentation:* the evolving online tourism and travel distribution industry is characterised simultaneously by concentration and fragmentation. At one end, the leading brands are becoming concentrated in conglomerate structures which may combine Global Distribution Systems with OTAs and travel review sites. At the other end of the market is a vast number of websites offering travel and tourism products at local, national and international levels. Consumers and product providers have to make decisions about which sites to use, which to trust and with which to transact business.

Group travel demand on the rise

Informal research would suggest an increase in demand for group travel, driven by lifestyle and demographic patterns, together with offsetting some level of concern about security.

⁷ *Tourism and Travel Distribution in a Changed World*, Report for the Irish Tourist Industry Confederation prepared by CHL Consulting Company Ltd., in association with AMAS Ltd., July 2010

An increasing number of groups is reported to be travelling to events and on tour with common interests such as sports, culture, education, and religion, amongst others. The common bond is a common interest or 'reason to travel'. The demand is also being helped by changing demographics including an ageing population and more single travellers. Group travel is also a characteristic of some cultures and nationalities more than others.

2.7 Travel Forecasts

The forecasts for travel are based on a range of assumptions including:

- Economic forecasts
- Tourism trends
- Oil prices
- Transport policies & business strategies
- Extraneous factors – natural disasters, terrorist attacks, etc.
- 'Local effects'

Air travel

Demand for air travel has proved to be incredibly resilient. Over the past 20 years, the industry experienced several economic downturns, yet grew by an average of around 5% per year. It is expected that the continued dependence of people and businesses around the world on timely, reliable and efficient air transport will result in a similar growth trend over the next 20 years.

However, air transport throughout the world is constantly changing in response to market opportunities and challenges. The rise of new airline business models and rapid growth of air travel in the world's emerging economies are stabilizing worldwide demand for airplanes. Even during times of general slowing, some markets gain through regional economic growth and reduced market regulation.

The significant advantage in efficiency and capability that new airplanes offer is keeping demand strong. Starting from record highs, manufacturer backlogs are holding up well, despite recent market conditions. Fuel-efficient airplanes are a valuable hedge against jet fuel price volatility, and their lower emissions help airlines meet their environmental performance goals.

While Airbus and Boeing, the world's two biggest planemakers, expect a demand slump to continue for at least two more years as airlines pare growth following a record drop in air travel, each manufacturer forecasts continued growth for new commercial airplanes over the next two decades, driven by an increasing air travel demand and the need to replace older, less efficient aircraft. Current forecasts project a market for up to 30,000 new commercial airplanes (passenger and freighter) by 2027, with a balanced demand in aircraft by region of the world. The forecast takes into account the industry's near-term challenges, including the worldwide economy, fuel prices, slowing traffic growth in some markets, and concerted action by airlines to balance costs and revenues.

The number of European flights in 2016 will be 22% ahead of 2009, based on the latest forecasts from Eurocontrol.⁸ The pre-volcanic ash projections estimated that air traffic would not recover to peak 2008 levels before 2012 after weak growth in 2010 and 2011. Growth between 2012 and 2016 is expected to return to close to 3% per year. This growth

⁸ EUROCONTROL Medium Term Forecast IFR Flight Movements 2010-2016 (March 16, 2010)

projection remains below the long-term, historical average of close to 4% growth per annum. The rate of growth is expected to be strongest in Eastern Europe, while the largest volume markets will continue to be Germany, France and Italy. Ireland and the UK are expected to contract further in 2010/11 before any recovery.

While the baseline forecasts are for an underlying average 3% annual growth from 2012, a range of factors can influence the growth scenarios. Eurocontrol's high growth scenario would see growth of up to 4% per annum, while a low growth scenario would average close to 1.6% per year.

Interestingly, Ireland is more dependent on LCCs, based on end 2009 data, with the bulk of future growth projected on LCC services, more than any other European country. The annual growth projections for Ireland up to 2016 range from a low scenario of 1% p.a. through a baseline of 2.6% to a high scenario of 4.3%, while the UK forecasts range from 0.9% through 1.9% to 2.8%.

Aviation is expected to join the EU Emission Trading Scheme (ETS) from 2012, whereby airlines operating within the EU will have to surrender allowances equal to their CO2 emissions with the cost to be borne by the passenger. However, the impact of this regulatory measure on air traffic growth is expected to be minimal due to the effective loss of 4 years of travel growth during the recent downturn and improved operational efficiencies – airlines and legislators are already targeting 1.5% to 2% reduction per year in fuel consumption. The recent downturn has also relieved anticipated airport and airspace congestion forecasts based on higher growth rates.

Passenger traffic on North Atlantic routes is projected to grow from 56.8 million in 2010 through 71.4 million in 2015, to 86.9 million in 2020.⁹ While the Atlantic routes continue to be the largest by passenger volume, the projected average annual growth at 4.4%, is lower than the growth projected for traffic growth between the US and Latin America or the Pacific, at 4.5% and 5.9% respectively. This will see routes to Europe losing share of total inter-continental air travel to/from the US. The forecasts suggest that non-US carriers will gain market share on the north atlantic, as US carrier growth is expected to grow by AAGR of 3.7% between now and 2020.

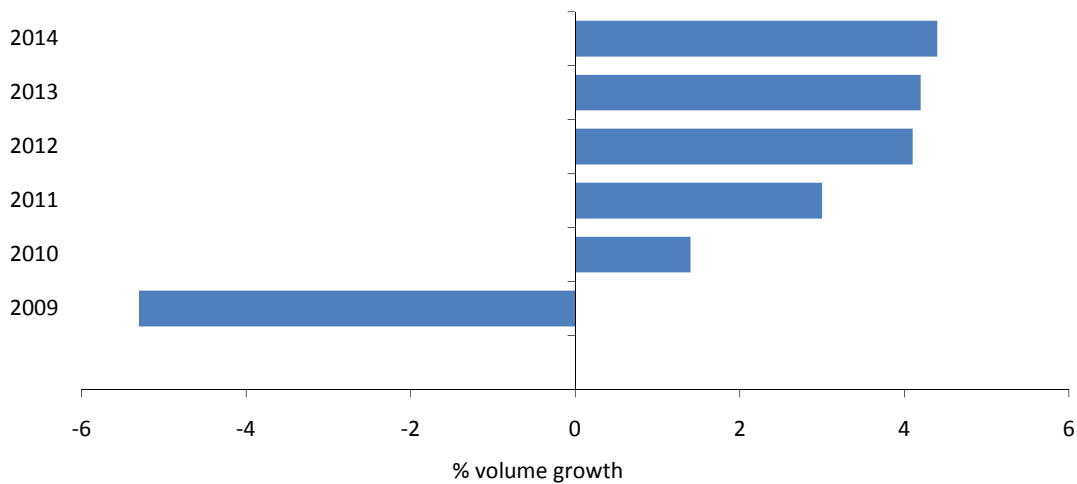
Longer term forecasts (Eurocontrol) despite the current crisis, suggest that European air traffic will double over the next 20 years. However, it is also apparent that current infrastructure will be inadequate to cope with this level of demand. Projections show that by 2030 around 20 of the largest airports in Europe will be completely saturated, this against a background of a growing environmental lobby opposed to airport expansion in several countries.

Travel forecasts

Most forecasts, produced before the full impact of the global recession, suggested that tourism globally would grow by an average of 4% per annum over the next 10 years. The World Travel & Tourism Council (WTTC) had projected that tourism worldwide would double in value between 2008 and 2018, while the UN World Tourism Organisation (UNWTO) projected up to 1.6 billion tourists travelling in 2020, a doubling of recent peak volumes. While the realisation of these projections is likely to be delayed by the fallout from the economic recession, most indicators continue to point to continuing growth but at a slower pace in the years ahead.

Most recent forecasts suggest a very modest recovery to growth in global tourism in 2010 of less than 2%, with an average annual growth of close to 4% projected for the period 2012 to 2014.

⁹ United States Federal Aviation Administration Aerospace Forecasts 2010-2030 (March 11, 2010)

Fig. 2.3: Global arrivals forecast 2009-2014 (% volume growth)

Source: Euromonitor International

However, not all commentators agree that the growth in international travel can continue unabated, arguing that higher fuel prices and travel costs together with climate change, the depletion of natural resources, and congestion will not only slow the pace of growth but also change the patterns of tourism. Will higher airfares mean fewer short leisure and business trips? Will destinations continue to aim for incremental volume growth or try to focus more on net value to their economies?

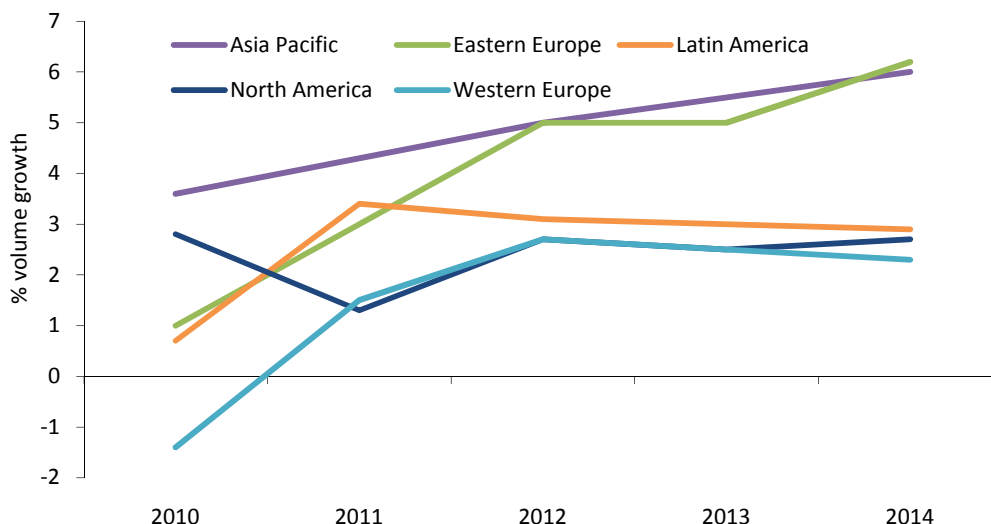
There appears to be widespread acceptance that tourism patterns will change, irrespective of the price of a barrel of oil. The recent growth in tourism has been fuelled by economic prosperity, more leisure time and cheap travel costs. Societal values are changing and impacting consumer decisions, including the rise of responsible tourism, based on environmental and ethical considerations.

Much of the growth in global tourism is predicated on the emerging economies of China and India, with PATA projecting that the Asia Pacific region will cater for over 500 million visitors by 2010, generating \$4.5 trillion in revenue. China is expected to deliver over 100 million visitors for other destinations by 2018. However, intra-regional travel within the Asia Pacific region will dominate, estimated that 88% of outbound trips from Asia are destined for other Asian destinations.

Europe, while still the world's major tourism destination, is losing share as the popularity of other regions of the world increases with new and emerging destinations and markets. The forecast is for Europe's share slide to continue in the future.

Compared to other regions of the world, Europe, together with North America, is forecast to have the slowest rate of tourism growth over the next four years. The rate of growth is projected at between 2% and 3% per year from 2011 to 2014.

Fig. 2.4: Regional arrivals forecast 2010-2014 (% volume growth)



Source: Euromonitor International

Globally most of the expected growth, and indeed the fastest growing origin – destination pairs, are forecast to be intra-regional travel. Intra-European travel will continue to represent the lion’s share of arrivals in European countries – currently 82% of arrivals in western Europe are Europeans travelling within the region.

Table 204: Key performance indicators (KPIs)

World	2009	2010	2011
% real GDP	-0.6	4.2	4.3
Spend per arrival % growth	-1.4	-0.6	-0.1
LCCs % volume share	26.7	27.7	28.8
Hotels % value growth	-7.9	-0.8	2.2
Cruise % value growth	-3.4	2.6	3.2

Source: Euromonitor International, IMF
Notes: Growth at constant 2009 prices, LCCs=low cost carriers

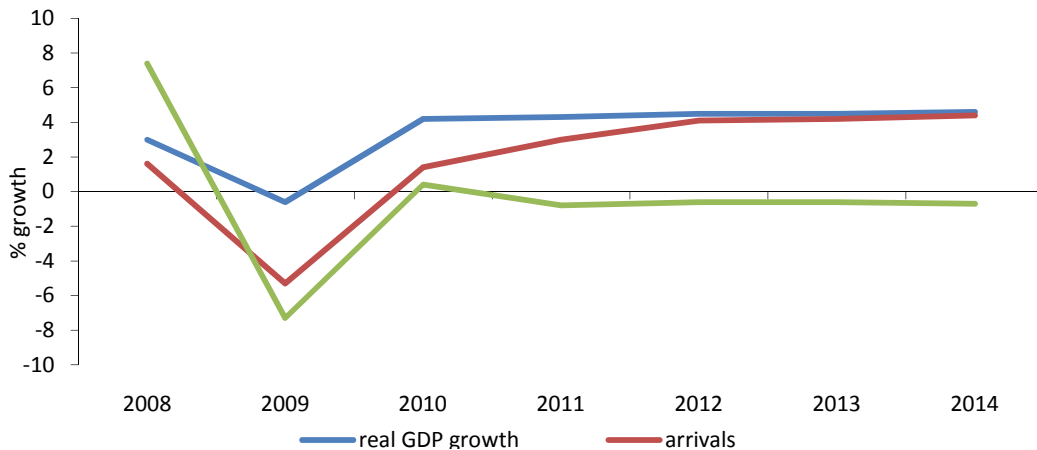
Global hotel sales fell 7% in 2009, with -0.6% forecast for 2010. In keeping with the multi-speed economic recovery, regions are expected to recover at different paces with global sales to take 6 years to recover to 2008 levels. It is forecast that it will take several years for the hotel industry in Europe to return to peak year levels. Top end properties suffered a sharper decline in demand than mid/budget range hotels. A result of the sharp downturn in demand has been a reduced price gap between luxury and mid/budget hotels brought about by unprecedented discounting by luxury chains in the face of falling demand which will take several years to reverse. The recession has forced the luxury segment to rethink their strategies after business travel collapsed and consumers avoided conspicuous consumption.

2.8 What does it all mean?

Hard times ahead

- The global economic recovery is underway, leading to the slow return of travel demand.
- Following the 2009 declines, global arrivals will take 3 years to recover to pre-crisis 2008 levels.
- Incoming tourist receipts will lag behind, taking 4 years to recover in full.

Fig. 2.5: Global economic and tourism performance % growth 2008-2014



Source: Euromonitor International/IMF

The likely impact on the travel patterns is expected to include:

- Fewer trips of shorter duration and lower expenditure;
- Consumers will select destinations closer to home, with a possible switch from foreign to domestic trips;
- Intra-European travel will gain share as long-haul destinations lose out;
- Value for money will become more critical in choice of destination with exchange rates exerting greater influence;
- VFR and travel motivated by special interest, occasion or event may prove more resilient than overall demand;
- Business travel, including MICE, will become far more value conscious.

Discounts and bargain offers will remain an important means of encouraging travel, as a reluctance among consumers to return to previous spending patterns lingers on.

Travel and tourism operators employed a wide range of strategies to help mitigate the impact of falling demand, from innovation to revisiting old strategies. Some, such as discounting will undermine recovery efforts in the long run, even if it helped to alleviate financial pain in the short term, by enticing consumers with bargain prices. Online channels are growing in importance with Google investing in the travel domain and social media gaining in influence.

The smart strategy for destinations is likely to place emphasis on the type of tourist they want to attract rather than one of seeking continuous year on year growth in visitor numbers. Such a strategy aimed at matching tourists more closely with the appeals and resources of the destination can deliver better economic benefits while minimising the adverse social and environmental impacts of tourism.

3. HOW IS IRELAND PLACED TO FACE THE FUTURE?

3.1 The Appeals & Experience of Ireland as a Holiday Destination

Why visitors choose Ireland

The distinctive appeals of Ireland as a holiday destination are based primarily on its people – friendliness and hospitality - combined with the natural scenic attractiveness. These top two appeals are strongly associated with Ireland across all major source markets and have consistently dominated holidaymaker’s perceptions over the years. These aspects are rated highest by visitors in considering Ireland as a holiday destination.

While there are some variances between source markets, the friendliness of the Irish coupled with scenery constitute the primary differentiation between Ireland and other comparable and competing holiday destinations. A friendly welcome and hospitality is most valued by North Americans, while scenery and a good environment is a relatively higher ranked consideration for mainland Europeans.

Value for money is the next most commonly rated factor in considering Ireland for a holiday – this includes overall perception of value, coupled with the cost of travel compared to other destinations and availability of a reasonably priced range of guest accommodation on offer. Perhaps not surprisingly the value for money perception of the destination would appear to be increasing in importance as a determining factor during a time of economic downturn. This has been most apparent amongst British visitors in recent times, no doubt accentuated by exchange rate shifts. Competitive airfares has moved up the list for both British and North American visitors.

Cultural and heritage attractions are the next most important appeal advantages identified by holiday visitors to Ireland, particularly amongst North Americans. Perceptions of ‘plenty of things to do and see’, the opportunity to visit somewhere different and the possibility of good touring together with an unspoilt environment, reassurance on safety and good holiday infrastructure, complete the check list of important items in the decision making process of considering Ireland as a holiday destination.

Table 301: Top factors in considering Ireland for a holiday

	2005	2006	2007	2008	2009
	%	%	%	%	%
Friendliness/hospitality/pace of life					
Friendly, hospitable people	92	91	91	91	90
Easy/relaxed pace of life	82	82	75	75	71
Environment					
Beautiful scenery	90	90	89	88	89
Natural, unspoilt environment	86	85	83	80	80
Attractive cities/towns	77	74	70	73	74
Good range of natural attractions	n/a	85	80	80	80
Value/price					
Good all round value for money	71	72	69	71	75
Competitively priced air and sea fares	67	66	59	65	71
Reasonably priced accommodation	73	73	66	70	73

Source: Visitor Attitude Survey, Fáilte Ireland 2009

Ireland's unique selling points

After their visit to Ireland, holiday visitors spontaneously identify people as the top positive discriminator for Ireland. Scenery was the next most mentioned distinguishing feature, with Europeans and North Americans more effusive than British visitors on this aspect. Culture was the third of the top three unique characteristics of Ireland as a holiday destination with it being relatively more highly valued by North Americans and least so by British visitors.

The principal factors of friendly people and scenery have remained very consistent from year to year in terms of their importance, but there appears to be a slight fall-off in the importance of factors such as a natural, unspoilt environment (down six percentage points since 2005) and an easy and relaxed pace of life (down eleven percentage points since 2005). It is likely that a trend towards more urban based trips and shorter stays has contributed to the gradual diminishment in the importance of these two factors.

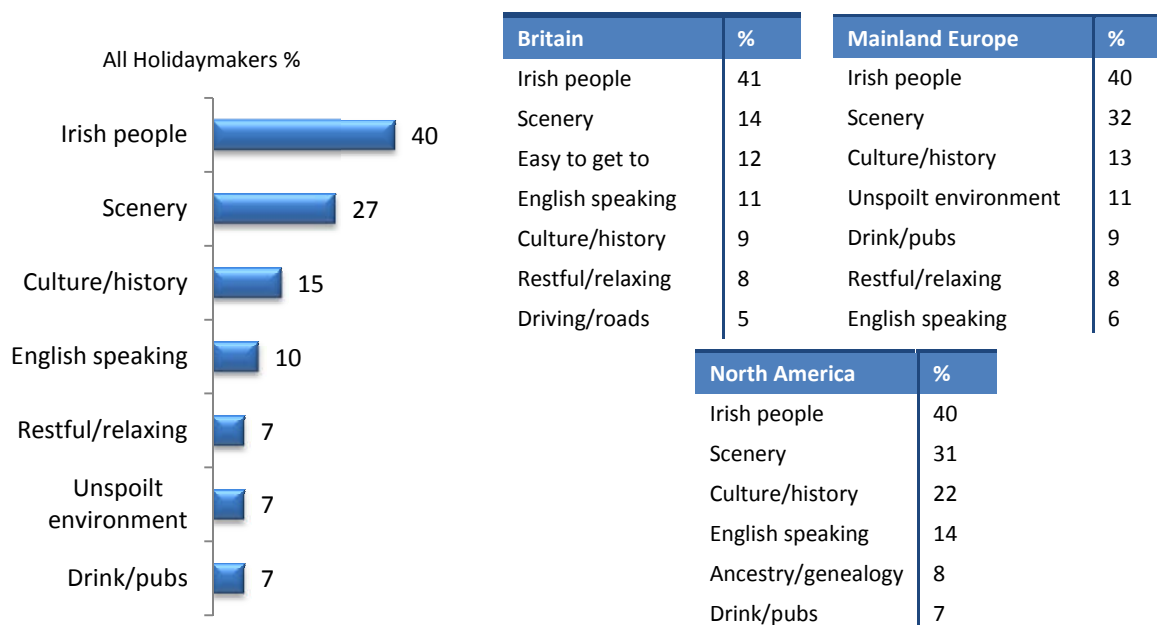
A common language was valued by holidaymakers from Britain and North America, while the unspoilt environment was a positive distinguishing factor for those from mainland Europe. Irish pub experience was cited by mainland Europeans and North Americans as being a unique characteristic of an Irish holiday (and recently featured by the Lonely Planet guide).

Not surprisingly the ease of getting here scores as a positive factor amongst British visitors, while ancestry is a unique positive in the North American market.

“Notwithstanding any changes in the nature of holidaymakers to Ireland, the support and reinforcement of important destination features such as friendly, hospitable people, beautiful scenery, an unspoilt environment and a relaxed pace of life will remain imperative in discriminating Ireland from other similar destinations”.

Fáilte Ireland Visitor Attitudes Survey 2009

Fig.3.1: Ireland's advantages vis-a-vis other destinations



Source: Visitor Attitude Survey, Fáilte Ireland 2009

From an industry’s perspective Ireland’s competitive advantages are unambiguously identified the people and scenery, followed by the cultural/heritage appeal. Other factors spontaneously identified include recent investment in infrastructure – road, rail & T2, improving price competitiveness, new and upgraded hotels together with new attractors such as the Convention Centre Dublin (CCD), Aviva Stadium, O2 and the Grand Canal Theatre in Dublin.

Table 302: Industry view of competitive advantages (in order of spontaneous mention)

Cead míle fáilte/craic/people/uniqueness

Green/scenery/landscape/beaches

Culture/heritage/history

New/improved infrastructure

Price/competitiveness

Improvements in hotels & prices

Improved capacity, hotels & conferences

New products: CCD, Aviva, GCT, O2

Access and fares

Source: TTC Industry Survey, June 2010

How does the Ireland holiday experience measure up?

The vast majority of holiday visitors rate the Ireland experience highly against the distinguishing features and their expectations. Across all the main source markets, the primary motivators and distinguishing factors of friendly people and beautiful scenery continue to receive an almost unanimous high satisfaction rating. Other positive experience factors include ease of access and relaxed pace for British holiday visitors, while mainland Europeans highly value the natural environment and Americans the interesting history and cultural experiences.

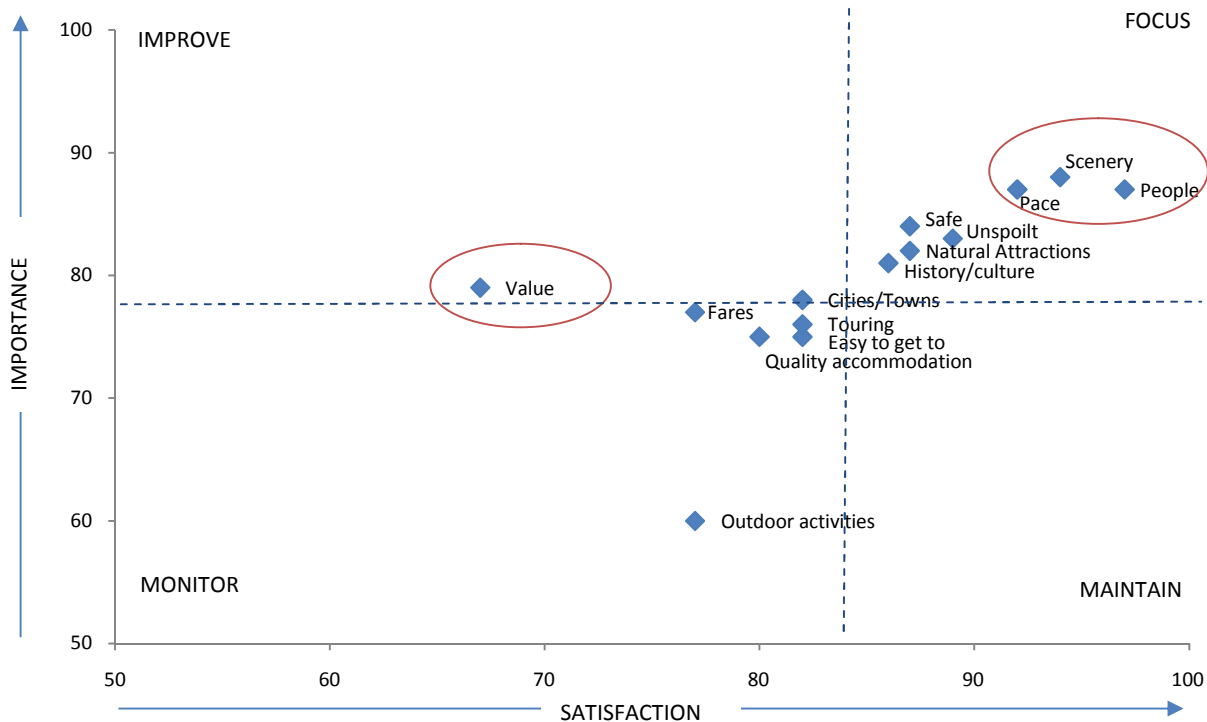
Overall one in three (33%) of holiday visitors report that the experience exceeded their expectations, rising to 46% for North Americans, while for just over three out of every five (61%) the experience matched their expectations. The level of dissatisfaction in the overall holiday experience is extremely low at 5%.

It is apparent that the Ireland holiday experience continues to deliver on the top three quintessential appeals of people, scenery and culture, with other aspects such as activities, food, and good internal transport adding to the satisfaction for some visitors.

The No.1 negative aspect of the Irish holiday experience in recent years has undoubtedly been poor value for money, with one in five dissatisfied in 2009 – an increase on the previous year. The tightened economic circumstances of visitors are likely to have heightened their value consciousness. Visitors from Britain and Germany are the most critical of high prices – two out of every five British visitors and one in three Germans. In fact the recession appears to have intensified the criticism compared to a year earlier, together with a weakened pound sterling exacerbating the issue for British visitors.

The areas of dissatisfaction warrant attention and a strategic effort to achieve improvement.

Fig. 3.2: Strategic Improvements Matrix 2009



Source: Fáilte Ireland

3.2 Ireland's Competitiveness

According to the 2009 World Economic Forum Travel and Tourism Competiveness Index, Ireland ranked 18th out of the 133 countries surveyed. This represented an improvement of three places on the 2008 ranking.

Ireland performs particularly well on metrics of tourism infrastructure (hotel rooms, presence of car rental companies etc) and the attitude of the population towards foreign visitors. However, Ireland performs poorly with regard to price competitiveness and internal transport infrastructure.

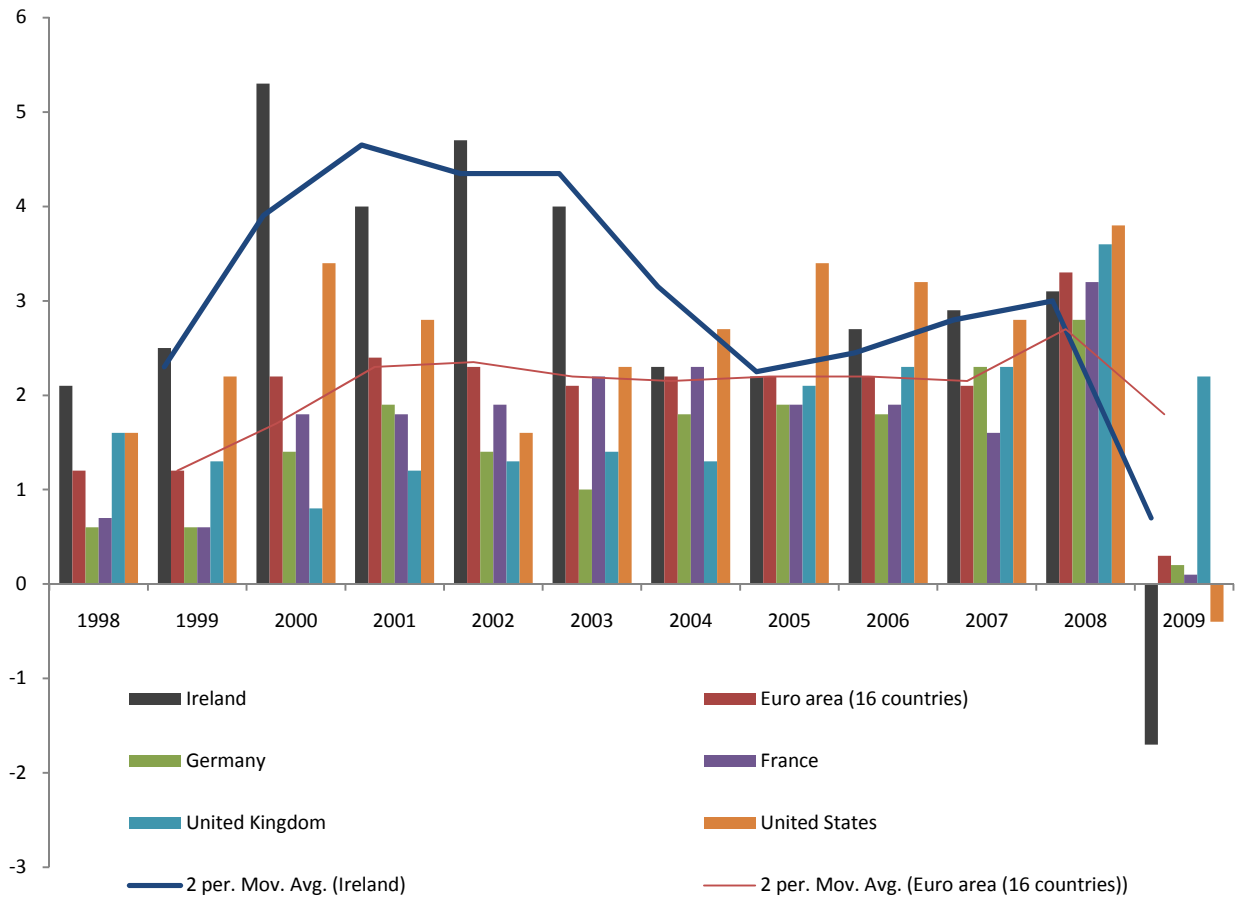
Prices

Price appears to be a major determinant of visitor satisfaction rating of the overall holiday experience and influences their willingness to recommend a holiday in Ireland.

The cost of living in Ireland has been a persistent disadvantage relative to competitor destinations in recent years. This has been identified in visitor satisfaction surveys, with one in four visitors being critical of the high cost of living here last year. Good all round value for money is the aspect of the holiday experience in Ireland which has been eliciting the highest dissatisfaction in recent years, with 21% rating the experience as a disappointment in 2009.

Ireland's loss of price competitiveness has been well flagged over the past decade as the rate of price increases outpaced increases in most of Ireland's source markets and in many competitor destinations.

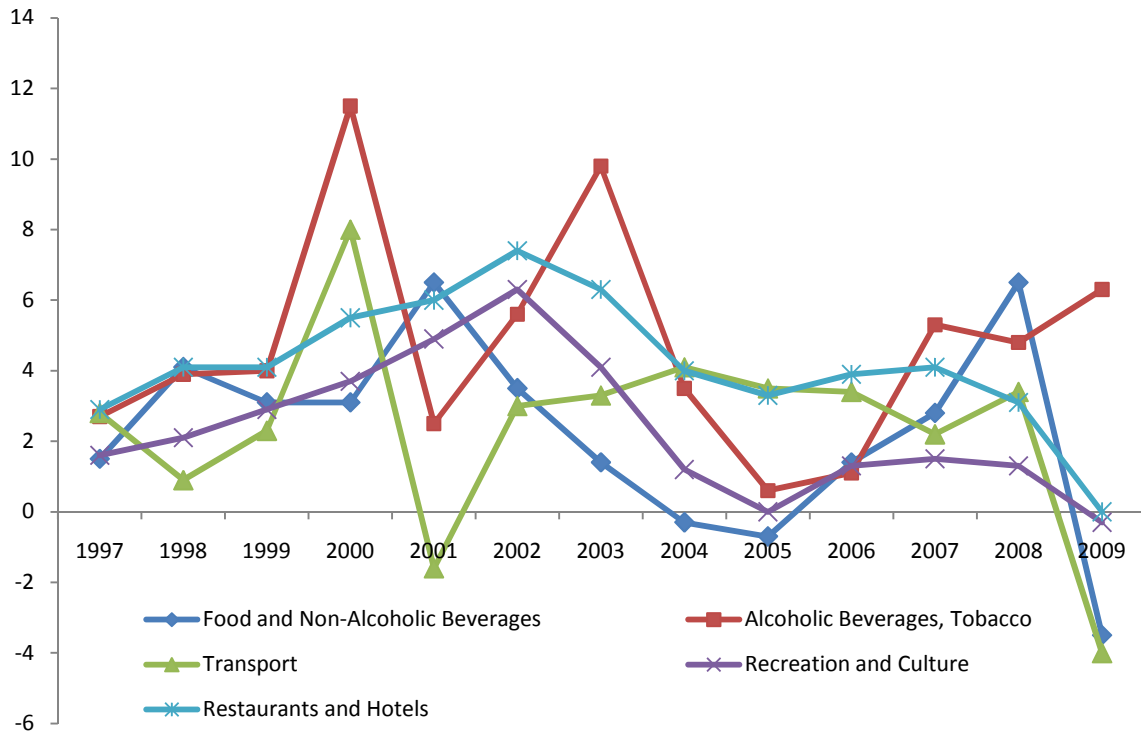
Fig. 3.3: Harmonised index of consumer prices - annual % change 1998-2009



Source: Eurostat / CSO

From 1999 to 2005 the annual pace of price inflation was far higher in Ireland than within the eurozone, the UK and the US, and again over the period 2005 to 2008, although at a more modest rate and closer to that of competitor destinations within Europe. However, since 2008 prices in Ireland have fallen compared to only marginal change in the top source markets. While the fall in price for many components of the holiday in Ireland has been significant, it only goes to narrow the gap rather than to restore competitiveness.

Fig. 3.4: Rate of annual price change for key components of a holiday in Ireland 1997-2009



Source: CSO

Good value for money is not a top determining factors in considering Ireland for a holiday, although its relative importance appears to be increasing, Satisfaction rating of this aspect of the Ireland experience has been slipping in recent years. In 2009, just under half of visitors to Ireland rated the experience as ‘good overall value for money’ down from 52% in 2008 and 57% in 2007.

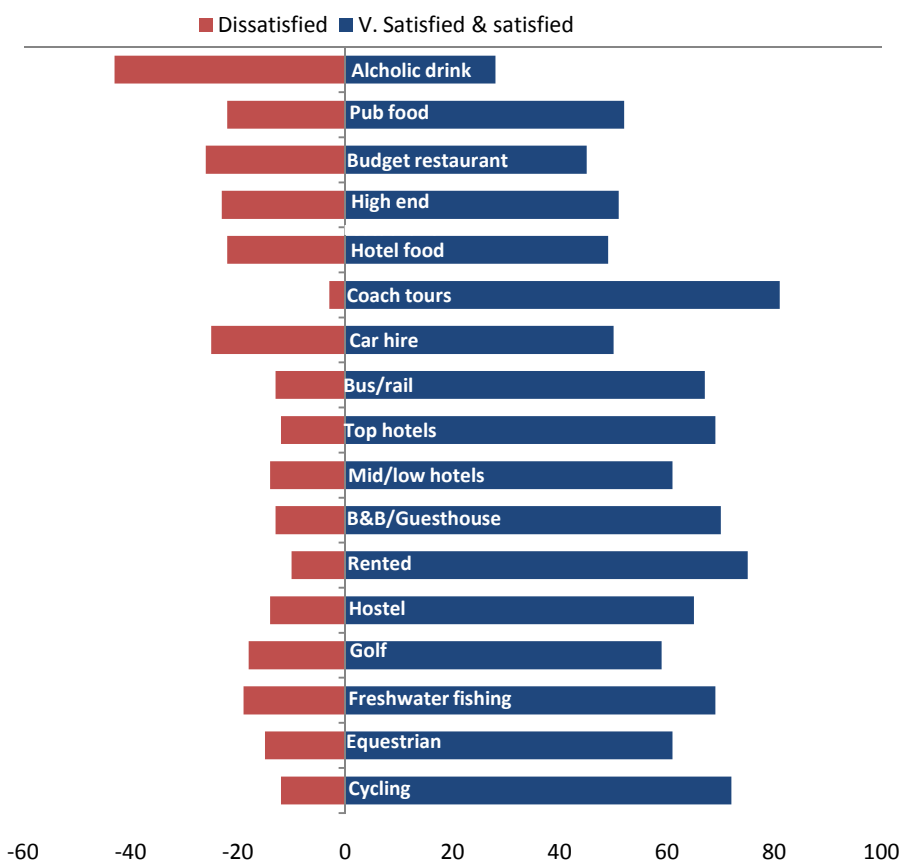
Germans were by far the least satisfied, with fewer than one in three (29%) expressing themselves satisfied with value for money, while North Americans were the most satisfied with two out of three (65%) rating the overall value experience as good. The value for money experience was rated by approx. two out of five from other markets as good. Conversely the expressed level of dissatisfaction was highest amongst British at 32% and Germans at 27%, while dissatisfaction amongst most other nationalities was between 10% and 20%.

Value for money experiences in Ireland in recent years have been compounded by poor exchange rates for British and North American visitors. Across the broader mass of holidaymakers, an additional indication of negative perceptions is the extent to which food costs surface spontaneously as a disadvantage.

The cost of getting to Ireland does not appear to be the major cause for negative perceptions and evaluation, as 69% of visitors in 2009 considered that air and ferry fares were competitively priced, with fewer than one in ten expressing dissatisfaction in regard to fares, other than Germans amongst whom 17% were critical of the cost of getting to Ireland.

Despite the criticism of costs, 83% of holiday visitors said that they would ‘definitely recommend’ Ireland, with a further 15% saying they would do so ‘with reservations’. Visitors from Britain were slightly less effusive in their preparedness to recommend with 76% indicating that they would do so, with a further 22% prepared to recommend with reservations. The reason cited for the reservation being ‘high prices’, which interestingly tied with ‘weather’ for mainland Europeans. The next most mentioned factor was ‘food and drink – high prices and poor quality’.

Fig. 3.5: Price satisfaction/dissatisfaction 2009



Source: Visitor Attitude Survey, Fáilte Ireland 2009

Quality

In contrast Visitors give a consistently high rating to quality and customer service for most components of their holiday with only a few exceptions. Guest accommodations, catering and transport score very highly with visitors, with a very low level of dissatisfaction with quality and service. Car hire, however, is an exception with a slightly higher rate of dissatisfaction reported at just over 10%. Activities engaged in by holidaymakers also score highly in terms of quality, with the only notable dissatisfaction levels being reported for cycling (12%) and freshwater fishing (10%).

However, the current financial state of many businesses within the tourism and hospitality sectors is putting extreme pressure on the maintenance of quality and service standards. Recent cost cuts in operations may have a longer term impact on the range and quality of services provided for visitors. In addition, the absence of funds for investment will result in little or no new product coming on stream and only essential refurbishment being undertaken. Investment in training and development is also at risk.

While thankfully the standard of the tourism product has probably never been higher than at the start of the current downturn, there are already signs of the impact of the lack of profitability and investment on many product areas. Many hotels are postponing refurbishment while the lives of car hire fleet and coach fleets are being extended. In short, the industry faces a particular challenge to maintain its excellent quality and service standards in the face of falling demand, reduced margins and lack of access to operating and investment finance.

3.3 Access to Ireland

Context

Air routes have become the dominant mode of access to Ireland over the past 20 years, with 90% of holiday visitors now arriving by air. The share of the market travelling by ferries has dropped from 40% in 1997 to 10% today.

The liberalisation of air travel regulatory regime within Europe which facilitated the growth of low cost carriers and changed the business model for the airline industry, plus the ‘open skies’ regime on the north Atlantic has changed the pattern and level of air travel to/from Ireland.

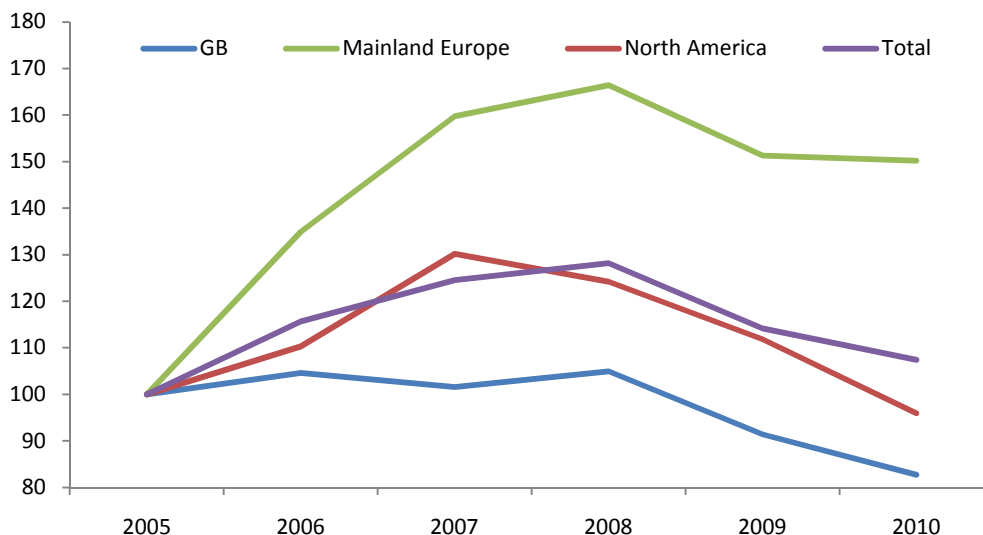
The growth in the level of services and the introduction of a range of low fare carriers is commonly credited with being one of the primary drivers of tourism to Ireland over the past two decades. With the liberalisation of air services and the launch of Ryanair, Ireland saw a rapid shift in demand from ferry to air services and a enjoyed rapid growth in demand in the 1990s from Britain, which was followed in more recent times with expansion of services to/from mainland Europe and the USA – both of which also boosted demand from these markets for visits to Ireland.

However, over the past two years the level of air services to/from Irish airports has been contracting, in part due to over capacity in the market and a downturn in demand coupled with some changes in airline strategies in serving the market.

Summer 2010 – air services

Total available capacity on direct scheduled air services to Ireland for summer season 2010 is 6% down on last summer, with 10% fewer seats on cross-channel routes, 1% fewer on mainland European routes and 14% less on transatlantic services. This is the second successive summer of reduced capacity, following a 10% contraction last year. The aggregate of close to 316,000 seats per week in each direction takes capacity back to 2006 levels.

Fig. 3.6: Peak summer access capacity (available seats) indexed



Source: OAG/TTC

The continued contraction of capacity on Irish routes is in contrast to signs of reinstatement of intra-European and transatlantic capacity, following sharp reductions in 2009. The further cutbacks on Irish routes is in part a reflection of the depressed outbound market for travel, a market which was the main driver of demand on most routes in recent years. When the growth in capacity to sun resorts is stripped out, the reduction in capacity is even more marked on routes from Ireland's traditional source markets.

Developments in recent years have included opening of new routes and services to cater for migration patterns, a continuing shift from charter to scheduled services connecting Ireland with sun and ski resorts, and the withdrawal of several airlines from the Irish market. The net result is that Ireland is increasingly dependent on a duopoly of Aer Lingus and Ryanair to provide connectivity – between them the two airlines provide 90% of short-haul capacity, while Aer Lingus provide 50% of transatlantic capacity.

The strategy pursued by each of the dominant carriers is now a major force shaping Irish tourism. Ryanair is pursuing a no growth strategy from major Irish airports claiming that the travel tax and airport fees are a disincentive in the marketplace. Aer Lingus' return to growth strategy is refocusing on the short-haul network to and from Ireland and consolidating its transatlantic services.

Dublin continues to be the key gateway with 85% of capacity on mainland European routes and 70% of cross-channel capacity operating to/from Dublin Airport.

Passenger ferry services summer 2010

A total of 134 ferry sailings per week in each direction on cross-channel routes provide an aggregate capacity of just under 32,000 car spaces and accommodation for almost 129,000 passengers. Aggregated peak car capacity is up by 2% on last summer, following the re-introduction of service on the Cork-Swansea route and some re-allocation of operating capacity on some other routes.

European services are almost unchanged from last summer, with up to 8 sailings each way per week, providing up to 2,500 tourist car spaces.

There is adequate capacity on all ferry routes to cater for growth.

Cruise – port of call visits

Upwards of 206 calls are scheduled by cruise ships to ports on the island of Ireland over the 2010 season. Many of the cruise ships will include more than one port of call in their itineraries. The schedule of calls represents up to 250,000 cruise passengers calling at Irish ports, typically a 12 hour visit per port.

Dublin – arguably a marquis or 'must visit' port of call – is the most popular port of call for ships cruising the Irish sea with 86 visits scheduled, compared to 74 last year. The visiting ships will carry up to 104,000 passengers over the season. Cobh/Cork is the next most popular port of call with 53 visits scheduled (maximum 83,000 passengers), followed by Waterford with over 20 visits.

3.4 An Industry Perspective

Main concerns facing the industry

The principal concerns identified by industry operators relate to the outlook for access services and fares, coupled with a high cost base resulting in a high priced tourism product.

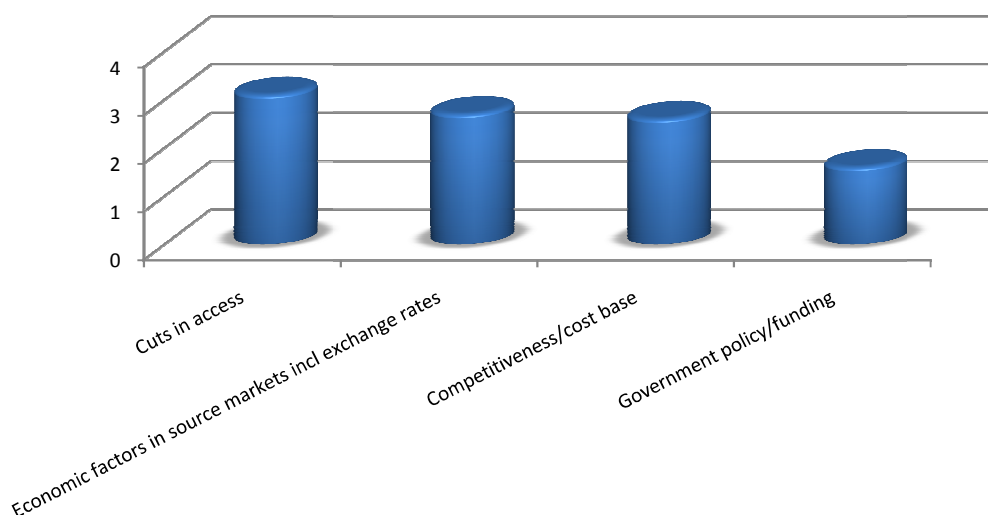
Business professionals within the industry expressed concerns about recent cut back in the level of air services, the reduction in routes, rising air fares and a growing duopoly of carriers serving Ireland.

The next most commonly identified concerns included the threat to Government funding for destination marketing coupled with other aspects of Government policy, followed by concerns regarding delivery of an authentic experience as well as providing good quality standards of product and service. There was some concern expressed about a perception of confusion and lack of optimum efficiency in the dual agency structure, Failte Ireland and Tourism Ireland.

The industry also cited the likelihood of an investment drought as capital becomes scarce and operators find it difficult to reinvest in upgrading and refurbishment due to low yields and difficulty of obtaining credit. On the cost input side continuing increases in public sector charges and the prospects of increases in taxation were concerns for many businesses.

Other concerns, each spontaneously mentioned by a minority of respondents, included the outlook for the British market, car hire costs, increasing competition, foreign exchange movements, bad press, and the threat of further volcanic ash clouds.

Fig. 3.7: Industry concerns and greatest threats to the recovery of Ireland's tourism



Source: TTC Industry Survey, June 2010

The business community expect that the overall operating and financial environment will be less favourable than in recent times, as they anticipate more regulation and higher charges and taxes on doing business at a time when yields will be depressed resulting in lower profitability. The financial situation is expected to be further exacerbated by limited availability of capital and credit.

Businesses within the sector expect that availability of labour will be more favourable in the short to medium term, while opinion in regard to staff costs within the sector is divided.

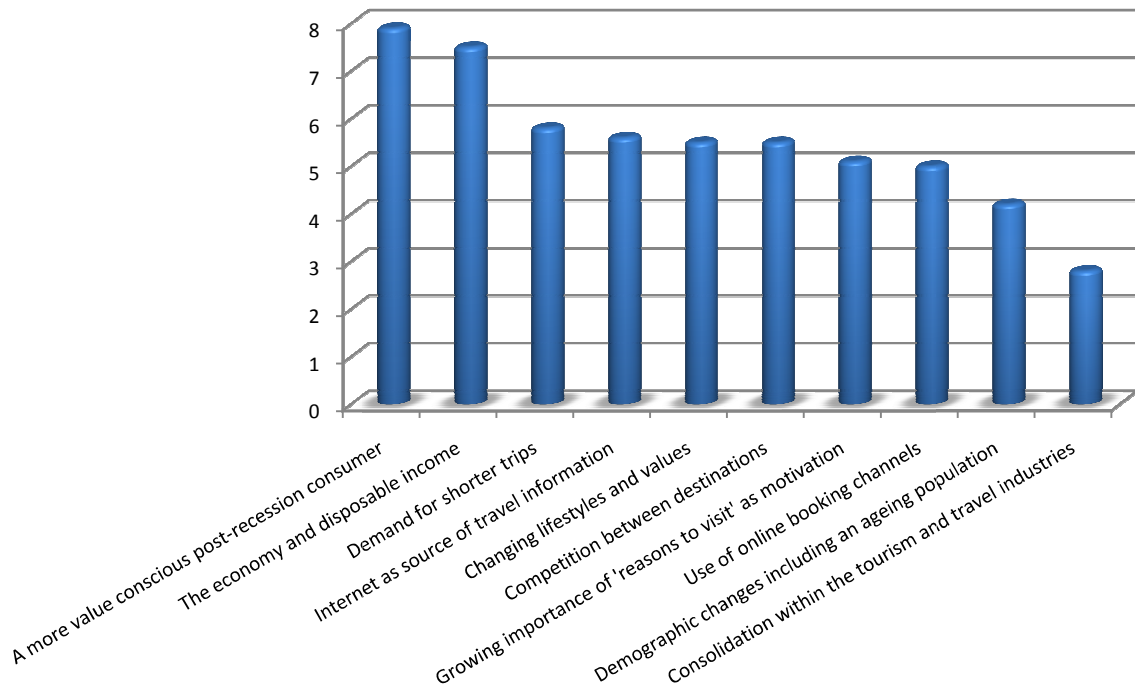
Table 303: Industry outlook on business environment

As someone engaged in the business, how do you foresee each of the following over the next five years?				
	%	Less favourable	No change	More favourable
Labour in the travel & hospitality sector:				
Supply/quality		14	14	73
Costs		20	43	36
Operating environment:				
Regulation/legislation etc.		52	43	5
Taxation & charges		79	19	2
Financial environment:				
Availability of capital		82	7	11
Yield/overall profitability		73	16	11

Source: TTC Industry Survey, June 2010

In regard to demand for Ireland in the main source markets, the consensus view within the industry is that increased value awareness on the part of the consumer coupled with economic conditions are most likely to exert the greatest influence.

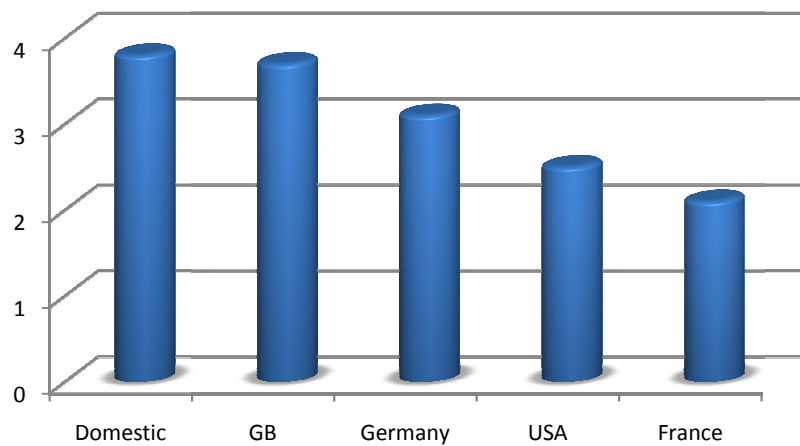
Fig. 3.8: Factors having the biggest impact on demand in Ireland’s source markets



Source: TTC Industry Survey, June 2010

The domestic and British markets are considered to offer the better potential for recovery, followed by Germany, US and France.

Fig. 3.9: Markets offering the best opportunities



Source: TTC Industry Survey, June 2010

The majority of business leaders within the industry surveyed were firmly of the view that most of the demand trends currently evident are likely to continue to gain popularity over the next 5 to 10 years. Specifically trends for shorter breaks, city breaks, event tourism, activity and adventure holidays and culturally motivated trips are expected to continue to grow. While the trend towards holiday home ownership is expected to be arrested, presumably due to the economic recession, the growth in some other trends are viewed as having been slowed. The latter include cruise tourism, family/togetherness holidays, wellness, eco-tourism and study trips.

Table 304: Trends over the next 5 years

	Likely to be reversed	No further shift	Trend likely to continue
Cultural Tourism	2%	21%	77%
Outdoor Activity Holidays	3%	23%	74%
Adventure Holidays	9%	18%	73%
Short Breaks	17%	13%	70%
Event Tourism	2%	30%	68%
Experiential Holidays	11%	21%	68%
Family/Togetherness Holidays	4%	34%	62%
City Tourism	17%	21%	62%
'Back to Nature'/eco holidays	5%	42%	53%
Cruise Holidays	19%	38%	43%
Wellness Tourism	15%	45%	40%
Study/Self-fulfilment Holidays	15%	49%	36%
Holiday Home Ownership	76%	17%	7%

Source: TTC Industry Survey, June 2010

The good news is that the trends viewed as continuing to grow include many of the appeals and niche markets for Ireland.

4. WHICH MARKETS, WHICH PRODUCTS?

4.1 Britain

This market is considered to offer the best opportunity for growth and is regarded as 'essential' to Ireland's tourism recovery. The size of the potential market in Britain, Ireland's largest and closest overseas source market sharing a common language, dictates the need to regain market share. Redressing the lack of growth and the recent downturn is seen as key to the speed and extent of the industry's recovery. Therefore failure to reverse the recent downturn in the British market would seriously jeopardise Ireland's ability to return to the level of visitors who came to Ireland in the mid-2000s. In addition, an important group of businesses, including carriers, are dependent on the performance of the market for survival. While not underestimating the challenges, the industry is firmly of the view that the market can yield more visitors for Ireland provided the potential market is correctly targeted with effective messages and offerings. The distribution channels and access are in place, with the market very well served by air and sea connections from a large number of gateways, together with a more favourable exchange rate.

Economic outlook

GDP growth in the first quarter of 2010 was +0.3% quarter-on-quarter, but consumer spending was flat, hit by the very bad weather at the start of the year. In addition, net trade was disappointingly negative as imports rose faster than exports. On the output side of the economy, industrial production achieved robust expansion but services output grew only modestly and construction output contracted.

Going forward, growth is expected to be relatively muted and bumpy in the face of serious headwinds including increasing effects of major fiscal tightening, the eurozone's problems, and the pressure on consumers coming from high unemployment, still falling employment, muted wage growth, high debt levels, and the fiscal squeeze. Consequently, it is not unreasonable to expect GDP growth to be limited to 1.1% in 2010. Growth is forecast at 1.7% in 2011 as it is held back by the fiscal tightening really kicking in.

While retail sales rose in May and are likely to have been lifted in June by the better weather and the football World Cup, it is hard, however, to be optimistic about the prospects for consumer spending. The recent June budget can be expected to heighten consumers' concern about the economic outlook and jobs, and increase their desire to improve their personal finances. There is also some pressure on the Bank of England to raise interest rates before the end of the year because of heightened inflation concerns, with annual consumer price inflation in recent months above its target rate of 2.0%. However, consumer price inflation is expected to head down further over the coming months.

Unemployment could well continue to rise in the near term, with major job losses on the way in the public sector as the government looks to slash spending, which is unlikely to be fully compensated for by expansion in the private sector.

Travel outlook

Following a drop of 15% in outbound travel in 2009, with a slightly steeper downturn in overseas holidays at 17%¹⁰, recovery in international leisure travel from the UK is still at least two years away¹¹. Outbound travel demand is predicted

¹⁰ Statistics UK

¹¹ Forecast Update – Recovery In Sight? , Euromonitor International June 2010

to fall by a further 6% in the current year, with another drop of up to 2% expected in 2011. However, the outlook could be more positive thanks to a weakened euro.

Interestingly holidays by ferry and tunnel to nearby destinations in 2009 held up better than the overall outbound market.

Positive growth figures do not return until 2012, but in volume terms the UK outbound travel will remain far below pre-crisis levels. This will amount to a loss of 13 million outbound travellers over a period of four years. An improvement of just 2% is predicted in 2012 followed by 2.5% the following year. But growth is then tipped to slow in 2014 to 1.5% to reach 57 million departures.

Package holidays, which fell by 7% last year, will remain popular because of the value-for-money and protection they provide holidaymakers.

Staycations or domestic trips grew over the past 18 months as home holidays substituted for foregone overseas travel.

Forecasts suggest that Low Cost Carriers (LCCs) will continue to win a greater share of the market as consumers seek to maximise the value of their disposable income spent on travel.

Tour operators and travel agents are repositioning themselves, especially since volcanic ash crisis, with Thomas Cook and Kuoni opening new outlets.

Upside & downside risks

Table 401: Challenges & opportunities for Ireland in the British marketplace

Immediate Challenges	Opportunities for Ireland
Depressed economy & consumer confidence	Established destination in a mature market, broad customer base
Growth in outbound travel unlikely before 2012	Likely strengthening of sterling vs. euro
Reduction in number of holidays & altered patterns	Excellent range of air & ferry access services
Share of voice in crowded marketplace	Ferry capacity to match recent market trend
Effectiveness of message to target market(s)	Improving competitiveness / value for money
Keener awareness of value for money	Dublin & Ireland product appeals
High price perception of Ireland	Good range of short break offerings
Tactical actions by competitors	

4.2 The US Market

The US market is regarded as offering potential for recovery and growth based on the current demand patterns of an upturn in travel to Europe, and on Ireland’s recent relatively good performance. The high spending American tourist is critical for many businesses in Ireland – hotels, B&Bs, car rental, coach tour operators and golf – as well as being the source of large numbers of touring visitors covering many regions of the country. The single largest perceived risk to renewed growth would be the lack of adequate airlift with competitive fares. An identified segment for promotion is the group tour market which distributors are anxious to recover, while incentive travel and conferences are also expected to yield further potential for Ireland.

Economic outlook

In the US the economy grew by 6% in Q4 2009, with the expectation that Q2 2010 will return a positive 3% growth in GDP similar to Q1 results. However, the latter part for this year is not expected to retain this rate of growth as the stimulus package runs out and companies have restocked inventories. Despite the economic growth consumers are still hesitant, with consumer confidence ratings still in the 50s compared to the highs of 90s pre 2008. Retail sales contracted in May, housing starts and sales continue to be off recovery, all suggesting that consumers are deferring large scale purchases and continue to be cautious reducing credit and saving more. Recent surveys (US Industry , May 2010) suggest that up to 40 million Americans had yet to decide whether or not to take a vacation this summer – although most are in the market for domestic trips, the late decision making pattern is being reinforced by economic conditions.

After a tax credit ended for housebuyers, sales of new homes in America slumped by a much-higher-than-expected 33% in May compared with April. The figure underlined the fragility of America’s recovery. The Federal Reserve again kept interest rates near zero for an "extended period", but its accompanying language on the economy was markedly less optimistic than in recent months.

Travel outlook

The immediate outlook is for a resurgence of interest in travel to Europe, although 2010 may not show any growth. Pent up demand is projected to drive a return to growth in 2011 and beyond, provided the economy continues to grow, albeit slowly.

Upside and downside risks

Table 402: Challenges and opportunities foe Ireland in the US marketplace

Immediate Challenges	Opportunities for Ireland
Slow economic recovery	Signs of recovery of interest in travel to Europe
Share of voice in crowded marketplace	US v euro exchange rate
Optimising available marketing resources in large dispersed marketplace	Leveraging good perception in the market
Keener awareness of value for money	Good distribution in place
Maintaining airlift	New sources of traffic
Competition from other European destinations	
Maximising leverage of online & traditional trade partners	

4.3 Germany and France

The German market is viewed as the overseas market offering the best potential after Britain. While the German travel market is mature with low annual growth, Ireland has the potential to win market share. The industry view is that Ireland is well positioned in Germany with well established trade links in a market where the travel trade is still dominant. An opportunity is seen to exist to further grow demand for Ireland by penetrating defined segments and by leveraging the trade distribution channels to deliver growth. A key to further growth will be securing adequate airlift offering competitive fares from the main source areas in Germany.

The French market is rated as the fourth most important for overseas holiday visitors to Ireland which is seen as offering further potential. Ireland is regarded as being well positioned in the market with good access services and a product offering which has high consumer appeal. The market, like Germany, is important to tourism businesses in the west and is reckoned to offer some good potential to exploit niche opportunities.

Economic outlook

The German and French economies are projected to grow only modestly in the next 3 to 4 years. As most of the major eurozone economies saw limited GDP growth in the first quarter, German GDP expanded by 0.2% q/q in the first quarter of 2010, which matched the growth rate seen in the fourth quarter of 2009. This marked the fourth successive quarter of German expansion, although it was still down appreciably on the growth rates achieved in the third quarter (0.7% q/q) and second quarter (0.4% q/q). German GDP was up 1.5% y/y in the first quarter of 2010, which was the first positive annual growth rate since the third quarter of 2008. Indeed, German GDP had been down by as much as 6.7% y/y in the first quarter of 2009 as its exports were hammered by the collapse in world trade in late 2008/early 2009. French GDP growth slowed appreciably to 0.1% q/q in the first quarter of 2010 from 0.6% q/q in the fourth quarter of 2009, although this at least marked a fourth successive quarter of generally modest expansion from a recession that had been less deep than Germany's. French GDP was up by 1.2% y/y in the first quarter.

Upside & Downside Risks

Table 403: Challenges & opportunities for Ireland in the German & French markets

Immediate Challenges	Opportunities for Ireland
Slow economic recovery	Market share gains by greater penetration of potential
Mature German travel market	No currency risk – eurozone
Keener awareness of value for money	Good distribution channels
Improving perception of Ireland as high priced	Niche markets
Targeting segments with best potential	Group travel
Maintaining access routes	Own car holidays
Tactical actions by competitors	
Leveraging trade & online channels	

4.4 Domestic Market

The importance of the domestic market is reflected in the prioritisation accorded to it by the industry for the immediate future. This is based on the high dependency of many businesses on this market, most notably hotels, and the objective of at least maintaining the short break demand from Irish residents. The continued success of the domestic market is necessary to support the range of tourism infrastructure and facilities needed to cater for overseas visitors. The spectacular growth in demand for leisure trips by Irish residents in recent years has established the short leisure break as a lifestyle characteristic, although currently suffering from a downturn due to economic conditions. The offerings in the home market are particularly attractive value-wise and well received by the customer. In the short term the aim should be to win market share as some consumers substitute trips in Ireland for travel abroad with the objective of capturing the demand for the future. However, growth in the domestic market will not substitute for continuing loss of overseas demand.

4.5 Other Source Markets

Other markets of lesser volume, including Italy, Spain, the Netherlands and the Nordics together with Australia and the new emerging long-haul markets will continue to offer opportunities for Ireland. As the potential growth volumes in the short to medium term from these markets are likely to be more limited than the opportunities in the top source markets, the allocation of resources should be scaled proportionately. However, efforts to improve the appeal and facilitation of visitors should continue to be encouraged, as in securing a common UK/Ireland visa for travellers from outside the EU.

4.6 Which Products, Which Markets?

The industry consensus based on the survey firmly identifies the key products and priority markets for each.

- Culture and heritage is deemed to be the primary appeal for Americans and mainland European.
- City breaks in Dublin are seen as very important offerings for the British, Irish and European markets. The successful marketing of Dublin, due to its appeal and recent success in attracting visitors to the capital, is viewed as necessary to any recovery of overall tourism to Ireland.
- A reversal of the continuous decline of touring holidays over the past decade is seen as best addressed by attracting more Americans, Germans, French and British visitors.
- The priority markets for promotable business travel (MICE) are identified as Britain, USA and Germany in that order. The sector is regarded as worthy of particular attention due to its high value, year round potential, while the opening of the Convention Centre Dublin (CCD) offers a new window of opportunity to capture a greater market share.
- Activity holidays are expected to continue to be dominated by Irish residents, with some potential for growth in demand from Britain and Germany
- Festivals and events are seen as good drivers of demand, especially in the Irish, British and mainland European markets;
- Golfing holidays are considered to offer opportunities for some growth in the US, British and Irish markets, assuming competitive pricing.

Activity	Market 1	Market 2	Market 3
Culture/heritage			/Other
City breaks			
Touring			
Business/incentive			
Activities/adventure			
Festivals/events			
Golf			

5. A STRATEGY FOR RECOVERY IN DIFFICULT TIMES

5.1 A Challenging Market Environment

The economic and travel outlook in each of Ireland's top 4 overseas and the domestic source markets points to a low growth environment, with progression from survival mode for the Irish tourism industry to recovery mode taking longer than that envisaged in the Tourism Review Group Report of 2009. All the indicators point to a slower and more fragile economic recovery. Growth in travel will undoubtedly come but is likely to be slow. However, some positive signs of renewed demand for international travel are beginning to appear in some source markets and segments.

However, the overall indication is that 2010 will see a further decline in tourism as the recession and other extraneous factors, including the volcanic ash clouds in April, continue to soften demand for travel. The turning point will be in 2011 at the earliest.

The speed of recovery for Ireland's tourism will depend on the success or otherwise of gaining market share in a slow growth environment. This is essential to the sustainability of many businesses in the sector, and to maintaining employment and Exchequer receipts. Tourism as an export industry can play an important part in restoring the Irish economy to growth, provided that the necessary policy, strategic and tactical actions are taken to address the current set of challenges.

The key challenges which Ireland's tourism industry currently faces are:

- Competitiveness of the Irish offering in key source markets;
- Securing adequate and competitive air access services from all of the key source markets;
- Ensuring that the marketing of Ireland by the agencies and businesses is effective and maximises the use of available funding; and
- Recapturing a share of the own car market, especially from Britain, which would boost touring holidays and help regional dispersal.

While the currency exchange rates may soften the perceived lack of competitiveness in the British and US markets the pressing need to project good value in the marketplace must be foremost in any strategy to recover from the current downturn.

The concerns expressed by the industry also clearly point to the need to ensure that Ireland can maintain good competitive access from each of the key markets. While there is adequate ferry access to meet foreseeable demand, the scenario for air services to/from Ireland is less certain. The scale of airlift on short-haul routes is likely to increasingly depend on the strategy pursued by Ryanair and Aer Lingus, with the national carrier also expected to continue to play an important role in shaping airlift on the north Atlantic routes.

Government support has been a key contributor to the success of Irish tourism in the past 20 years, and it has been instrumental in shaping the success of the sector as a key component of the Irish economy. Policy support together with key interventions will continue to be crucial if Irish tourism is to recover in a most difficult economic environment.

5.2 A Strategy for Recovery – Key Recommendations

❖ *Concentrate on top producing markets*

In order to redress the downturn a strategy of a clear prioritisation of effort in the top 4 producing overseas source markets of Britain, USA, Germany and France is proposed – these markets typically produce three out of every four holiday visitors to Ireland. The strategy calls for a transparent allocation of resources – budgetary and human – commensurate with the recovery targets in these top markets, A ‘hold and maintain’ approach is proposed in all other source markets, with priority of remaining resources allocated to smaller producing markets in mainland Europe ahead of longer term potential in new long-haul markets which are unlikely to yield short term gains.

Recovery of Britain must be the top priority as without regaining lost share and volumes from Ireland’s top producing source market, recovery of tourism to Ireland will be slower and more difficult.

A short term results-driven approach is recommended, whereby a set of objectively verifiable indicators are agreed between the agencies and industry representatives to facilitate monitoring of progress in achieving a speedy turn around for Irish tourism.

❖ *Increase the marketing of Dublin as a distinct destination*

Dublin has been the top selling product in Ireland’s tourism portfolio in recent years as well as proving more resilient in the recent downturn. Experience of recent years clearly demonstrates that Dublin has been the destination of choice for an increasing share of leisure visitors to Ireland, which reflects changing consumer preferences, the concentration of holistic appeal and experience offered by the city, together with the ease of access from many points. Thanks to recent public and private sector investment in tourism infrastructure and facilities, the capital now holds more appeal and motivations to visit. City tourism continues to boom across Europe, with sizeable marketing investment devoted to attracting tourists to competitor urban destinations, for example Vienna is spending just under €13 million on international marketing this year, while Zurich is spending €4.6 million, These campaigns are in addition to distinct the national destination campaigns conducted by the respective national tourism agencies for each country. Dublin due to its market share would appear to warrant an increased investment in marketing campaigns, since on the basis of recent performance it is likely to underpin any recovery of tourism to the country. The recommendation is not intended to give rise to an urban rural divide but rather recognises the role of Dublin as a prime driver of Ireland’s tourism performance. Besides, Dublin rather uniquely for an urban destination offers easy access to the countryside and will remain the most important gateway to Ireland.

❖ *Maintaining adequate access to Ireland*

The threat of further cutbacks in air services endangers recovery for Irish tourism. Air transport policy needs to ensure that measures do not militate against the continued viability of air services to/from Ireland. The abolition of the travel tax is essential to the viability of many services and to secure their continued operation. Greater engagement with air and sea carriers is recommended to ensure that a common strategy and a shared risk is pursued to secure adequate and competitively priced access services from the top 4 markets targeted for recovery.

❖ ***Focus on developing and communicating better value for money offering***

In order to redress the perception of Ireland as high priced destination more innovative pricing of holiday offerings will be required, which deliver better value for money. While discounting is expected to continue to be a feature in the international holiday market the challenge for Ireland is to communicate and genuinely deliver value-added to the consumer, as further discounting for many businesses is not a viable option. Support from Government to reducing the high cost base for tourism businesses, including labour rates, utilities, insurance and local authority and other public sector charges, is urgently required to allow Ireland to compete in the international marketplace.

❖ ***Adopt a more granular approach to marketing***

In a diverse global market “granular marketing” is an advantageous tool for destinations and tourism providers to create value for their guests, by developing offerings and promotional campaigns tailored to highly specific consumer behaviours. Such an approach would allow Ireland and its holiday offerings to achieve greater differentiation from the competition based on consumer needs and patterns of holiday behaviour. Greater engagement with the industry could provide a competitive advantage for Ireland in the top source markets and provide a vehicle to address the challenges facing the destination in selected segments.

❖ ***Review agency arrangements for tourism***

A review of the State agencies involved in tourism is recommended, while cognisant of the all-Ireland remit of Tourism Ireland. The particular challenges facing Ireland in a changed market environment, together with the restrictions on public funding and the need for the most effective marketing of the destination, combine to suggest this is an opportune time to review the current organisational arrangements. Such a review has already been proposed in the Report of the Special Group on Public Service Numbers and Expenditure Programmes (An Bord Snip Nua) and the Tourism Review Group Report. Key criteria for the review might include a fit for purpose assessment, an efficiency audit as well as exploring opportunities for shared services.

Appendix A
Terms of Reference

TOURISM OPPORTUNITIES IN A CHANGED WORLD

– WHERE NOW REST THE BEST PROSPECTS

BACKGROUND

Travel and tourism has for generations experienced the hardship of recessions and political upheaval, always to recover as the insatiable desire for travel and learning overcome short-term economic and financial setbacks. But is it different this time?

It is increasingly clear that the current recession is deeper and fundamentally different from previous ones, and the *new normal* will not look anything like the past. So are we witnessing a big change in a way of life up to recently based on freewheeling consumption fuelled by easy credit and the wealth effect of ever rising asset values?

Diversified tourism strategies should avoid dependence on any one activity or market. Foreign visitors are high value exports and should be considered as part of national export promotion activity. Marketing programmes should address underlying demand shifts for better value as well as competitive reality. Embracing the shift in consumer preferences toward internet and multimedia delivery is fundamental

Ireland's tourism market mix has changed substantially over the decades, though the same geographic areas still produce over 90% of overseas visitors. The composition of visitors by purpose of visit, as well as the relative value of visitor segments, has also undergone changes.

	1975	1980	1990	2000	2009
Britain	63.4%	61.7%	57.7%	55.5%	46.0%
North America	19.9%	15.0%	14.3%	17.1%	13.4%
Continental Europe	16.1%	19.4%	24.0%	23.2%	36.0%
Other	0.7%	3.9%	4.0%	4.2%	4.6%
	100%	100%	100%	100%	100%

The most obvious change has been the decline of the British and North American markets and the dramatic growth in the Continental European market, particularly in the last decade. The emergence of the domestic market as a vital core market for the overall tourism industry may now be altered significantly by the depth and likely duration of the current recession.

PROJECT PURPOSE

The purpose of this project is to provide:

- a) a comprehensive and detailed analysis of how Ireland's source markets have evolved over the past decade, with particular reference to changes in visitor motivations, the composition of visitor traffic, expenditure patterns and demand trends;
- b) a review of product performance, and specifically assess the potential of the main tourism products, (golf, fishing, equestrian, cruising, hiking, walking, cultural); and
- c) direction as to the most likely *best prospect* markets for the coming decade, with an indication of the resource allocation which would deliver the optimum visitor/revenue results, consistent with policy objectives for Irish tourism.

This analysis should address visitor traffic, the value of promotables, related spend and other demand patterns in respect of product use, regional and seasonal distribution in the top 10 markets (UK, US, Germany, France, Ireland, Italy, Spain, Holland, Australia and Canada), as well as an assessment of potential from new and developing markets.

The report, where relevant, should highlight the estimated impact of currency exchange rate movements, both negative and positive, on the performance of each market. In addition the report should address the likely balance between domestic and overseas demand over the coming years.

PROJECT OBJECTIVES

The project should meet the following objectives:

- Identify and quantify the present top 10 markets, comparing performance over the past decade by numbers, overall and per diem spend, bednights/length of stay, proportion of market that is promotable (i.e. non VFR or business), propensity for repeat visits, regional dispersion, mode of transport, age cohort, special interest (i.e. golf, fishing, walking, heritage & culture etc).
- Assess Ireland's pertinent market share in each of these markets and how this has evolved over the past decade, identifying the key factors that have influenced the trend.
- Assess the outlook for growth in each of these markets over the next 5 to 10 years, both in terms of overall market growth and Ireland's potential share
- Provide conclusions to guide market prioritisation for Ireland's tourism sector in order to maximise potential growth from a post-recession world economy.
- Provide economic rationale for each market recommendation, together with estimated market resource allocation.

PROJECT TIMING

Requests for Proposals are required by March 19th 2010. It is expected that a draft report will be presented to ITIC no later than June 18th 2010.

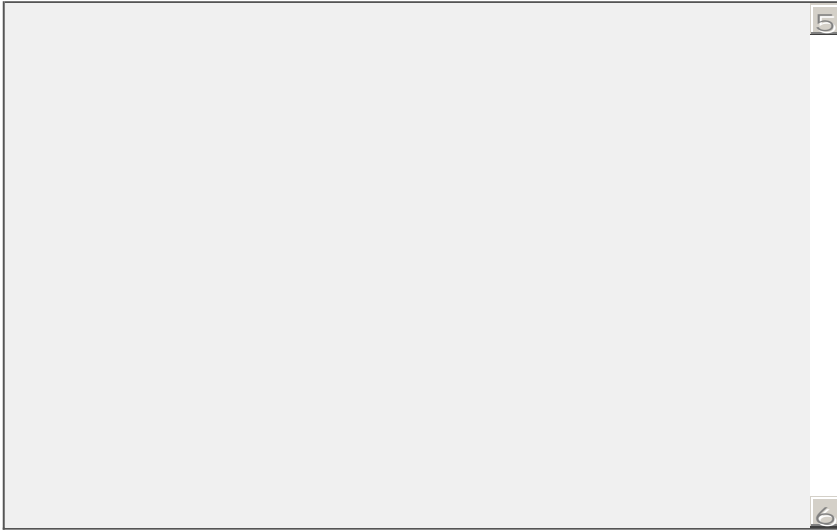
ITIC will not be bound to accept the lowest or any tender. No consultant will be remunerated for any trouble or expense they may incur in making this proposal. ITIC reserves the right to proceed with the whole or part of the commission.

March 3rd 2010

Appendix B
Delphi Questionnaires

Growth Drivers

- * 1. What do you consider have been the principal drivers of growth for Irish tourism over the past decade?



ITIC Delphi Survey Number 1

Tourism Trends

* 2. There are a number of discernible market trends in recent years which are showing increasing popularity. Do you think that these trends will continue or be reversed over the next 5 to 10 years?

	Likely to be Reversed	No further Shift	Trend likely to Continue
Short Breaks	jn	jn	jn
City Tourism	jn	jn	jn
Experiential Holidays	jn	jn	jn
Adventure Holidays	jn	jn	jn
Cruise Holidays	jn	jn	jn
Family/Togetherness Holidays	jn	jn	jn
Wellness Tourism	jn	jn	jn
Event Tourism	jn	jn	jn
Holiday Home Ownership	jn	jn	jn
'Back to Nature'/eco Holidays	jn	jn	jn
Study/Self-fulfilment Holidays	jn	jn	jn
Outdoor Activity Holidays	jn	jn	jn
Cultural Tourism	jn	jn	jn
Other (please specify below)	jn	jn	jn

Other

Influences & Advantages/Disadvantages

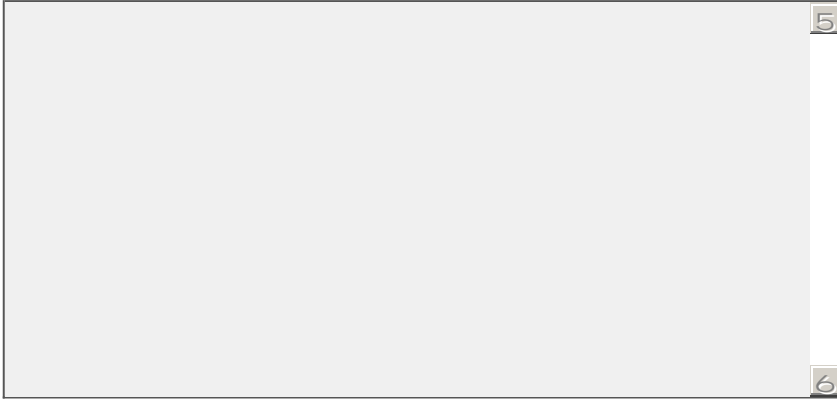
* **3. A number of factors are influencing travel and tourism demand in Ireland's main source markets, including the domestic Irish market. How would you rate the impact of these on future demand for Irish holidays?**

	Very Little Impact	Little Impact	Big Impact	Very Big Impact
The economy & disposable income	j0	j0	j0	j0
Demographic changes including ageing population	j0	j0	j0	j0
Changing lifestyles & values	j0	j0	j0	j0
A more value-conscious post-recession consumer	j0	j0	j0	j0
Concern about the environment influencing travel choices	j0	j0	j0	j0
Demand for shorter trips	j0	j0	j0	j0
Growing importance of 'reasons to visit' as motivation for travel	j0	j0	j0	j0
Competition between destinations	j0	j0	j0	j0
Consumer protection concerns	j0	j0	j0	j0
Internet as source of travel information	j0	j0	j0	j0
Use of online booking channels	j0	j0	j0	j0
Consolidation within the travel & transport industries	j0	j0	j0	j0

* **4. Over the next five years what do you consider to be Ireland's competitive advantages?**

ITIC Delphi Survey Number 1

* 5. Over the next five years what do you consider to be Ireland's competitive disadvantages?



Best Prospect Markets & Products

* **6. Which products/experiences do you think offer the best prospects for Irish tourism over the next five years?**

Product One	<input type="text"/>
Product Two	<input type="text"/>
Product Three	<input type="text"/>
Product Four	<input type="text"/>
Product Five	<input type="text"/>

* **7. For each of the products/experiences you have identified above, please list where you see the top three source markets for each (including domestic):**

Product One	<input type="text"/>
Product Two	<input type="text"/>
Product Three	<input type="text"/>
Product Four	<input type="text"/>
Product Five	<input type="text"/>

ITIC Delphi Survey Number 1

*** 8. From your understanding of the business, please rate the potential of each segment to enable Ireland to recover and grow the overseas market**

	Little or No Potential	Some Potential	Good Potential
Car touring holidays	jn	jn	jn
Coach tours	jn	jn	jn
City leisure breaks	jn	jn	jn
Group tours	jn	jn	jn
Study tours	jn	jn	jn
Educational programmes (inc TFL)	jn	jn	jn
Golfing holidays	jn	jn	jn
Angling holidays	jn	jn	jn
Walking holidays	jn	jn	jn
Cycling holidays	jn	jn	jn
Equestrian holidays	jn	jn	jn
Cultural events	jn	jn	jn
Sports events	jn	jn	jn
Large festivals	jn	jn	jn
River cruising	jn	jn	jn
Sailing/marine holidays	jn	jn	jn
Cruise tourism - ports of call visits	jn	jn	jn
Business meetings	jn	jn	jn
Conventions/large conferences	jn	jn	jn
Other (specify below)	jn	jn	jn

Other

Operating Environment

* **9. Over the next five years how do you foresee each of the following from a tourist perspective considering Ireland as a potential destination?**

	Less Favourable	No Change	More Favourable
Exchange rates: £Stg v €	jn	jn	jn
Exchange rates: US\$ v €	jn	jn	jn
Air services: capacity/routes	jn	jn	jn
Air services: fares	jn	jn	jn
Competitiveness: prices in Ireland	jn	jn	jn
Competitiveness: quality - service & physical standards	jn	jn	jn

* **10. As someone engaged in the business, how do you foresee each of the following over the next five years?**

	Less Favourable	No Change	More Favourable
Labour in the travel & hospitality sector: supply/quality	jn	jn	jn
Labour in the travel & hospitality sector: costs	jn	jn	jn
Operating environment: regulation/legislation etc	jn	jn	jn
Operating environment: taxation & charges	jn	jn	jn
Financial environment: availability of capital	jn	jn	jn
Financial environment: yield/overall profitability	jn	jn	jn

Best Prospects

* 11. Please indicate your top ten (1 being the best) from the following markets you consider to offer the best opportunities for Ireland over the next five years:

	1	2	3	4	5	6	7	8	9	10
Middle East	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Netherlands	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
South Africa	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
USA	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Far East	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
GB	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
China	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Italy	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Domestic	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Other Europe	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Germany	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
South America	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
India	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Nordics	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
France	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Canada	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Spain	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn
Australasia	jn	jn	jn	jn	jn	jn	jn	jn	jn	jn

* 12. For each of the top five markets you ranked in the question above please give reasons for your ranking:

Market 1	<input type="text"/>
Market 2	<input type="text"/>
Market 3	<input type="text"/>
Market 4	<input type="text"/>
Market 5	<input type="text"/>

Measurement & Forecasts

* **13. What do you think should be the primary metric used to assess the relative value of the performance of each source market for Ireland?**

Choose One Only

Aggregate volume of visitors

Aggregate earnings

Volume of 'promotable' visitors (i.e. holidays, discretionary business, language learning)

Expenditure by promotable visitors

Average expenditure per visit by promotable visitors

Bednights generated by promotable visitors

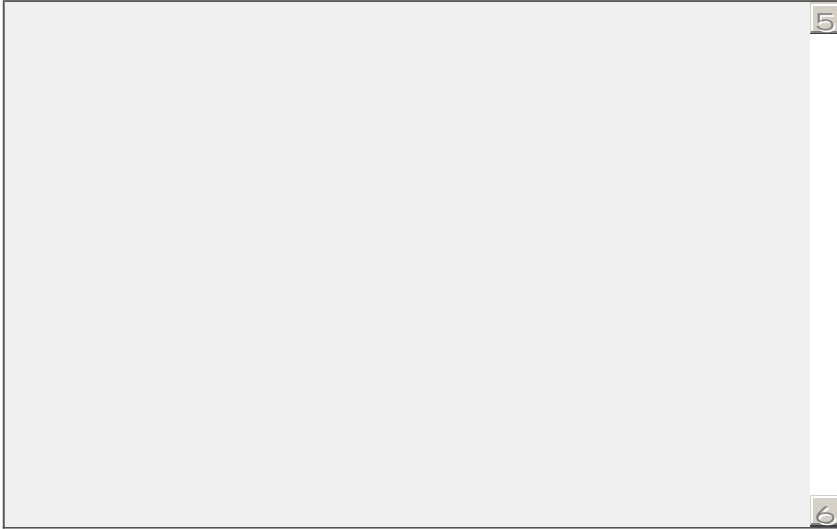
Other (please specify)

* **14. Most forecasts for tourism & air travel point to a relatively slow average annual growth rate for European Tourism - at approx. 3% per annum - in the short to medium term. Do you think that Ireland can achieve a higher tourism growth rate?**

Yes or No and please give your reasons

ITIC Delphi Survey Number 1

* 15. What do you consider the greatest threat to the recovery of Ireland's tourism over the next 5 years?



ITIC Delphi Survey Number 2

Many thanks for completing Round 1 of the survey.

We have analysed the results and now need to further refine some of the responses. There are only 6 questions in this final round and we appreciate your co-operation.

Should you wish to revisit/amend your responses, please click back into the link which will show your saved survey.

*** 1. In Round 1 respondents identified the following 7 factors to have been the principal drivers of growth over the past decade. Please reassess your view and rank in importance of 1 to 7 (1 being the most important).**

	1	2	3	4	5	6	7
Access - capacity & lower fares	ja	ja	ja	ja	ja	ja	ja
Domestic tourism	ja	ja	ja	ja	ja	ja	ja
High profile events/fashionability etc	ja	ja	ja	ja	ja	ja	ja
Hotel capacity and improvement	ja	ja	ja	ja	ja	ja	ja
Ireland's economic boom/Celtic Tiger	ja	ja	ja	ja	ja	ja	ja
Marketing/investment	ja	ja	ja	ja	ja	ja	ja
Product improvement	ja	ja	ja	ja	ja	ja	ja

ITIC Delphi Survey Number 2

* **2. In Round 1 the top 10 factors having the biggest impact on demand in Ireland's source markets, including the domestic market, are listed below. We would now like to assess their relativity to each other. Please rank the following 1 to 10, where 1 is where you consider the greatest impact.**

	1	2	3	4	5	6	7	8	9	10
A more value conscious post-recession consumer	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
Changing lifestyles and values	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
Competition between destinations	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
Consolidation within the tourism and travel industries	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
Demand for shorter trips	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
Demographic changes including an ageing population	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
Growing importance of 'reasons to visit' as motivation	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
Internet as source of travel information	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
The economy and disposable income	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo
Use of online booking channels	jo	jo	jo	jo	jo	jo	jo	jo	jo	jo

* **3. Responses in Round 1 identified a range of products/experiences which were considered to offer the best prospects for Irish tourism over the next 5 years. This list has now been distilled down to 7 product categories and we would like you to a) rank them in terms of best prospects (1 being the top) and b) for each product category choose which 3 source markets you consider to offer the best opportunity for that product.**

	Rank	Market 1	Market 2	Market 3
Golf	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>
Culture/heritage	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>
Touring including car and coach	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>
Festivals/events	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>
Business/incentive	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>
City breaks	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>
Activities/adventure	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>	<input type="text" value="6"/>

* 4. In Round 1 we asked you to identify which markets you thought offered the best opportunities for Ireland. While the following were the top 5 most common responses, it failed to show prioritisation between the markets. We would like you to reassess your answer and rank them 1-5 (1 offering the most potential).

	1	2	3	4	5
Domestic	j0	j0	j0	j0	j0
GB	j0	j0	j0	j0	j0
USA	j0	j0	j0	j0	j0
France	j0	j0	j0	j0	j0
Germany	j0	j0	j0	j0	j0

*** 5. In Round 1 responses to the question "What should be the primary metric used to assess the relative value of the performance of each source market for Ireland" yielded an inconclusive outcome. We would ask you to reconsider the following options and choose one only.**

Aggregate tourism earnings

Expenditure by promotable visitors

Average expenditure by visit by promotable visitors

Bednights generated by promotable visitors

Other

Please specify

* 6. From a long list of threats to recovery identified in Round 1, the following were the most frequently mentioned. Please rank these in order of the greatest threat to the recovery of Ireland's tourism, 1 being the greatest threat, 4 being the least.

	1	2	3	4
Economic factors in source markets incl exchange rates	jñ	jñ	jñ	jñ
Cuts in access	jñ	jñ	jñ	jñ
Competitiveness/cost base	jñ	jñ	jñ	jñ
Government policy/funding	jñ	jñ	jñ	jñ

Thank you

Thank you for taking the time to complete this survey. We very much appreciate your time and expertise which will help to inform the outcome of the study.



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