IRELAND'S B&B EXPERIENCE

A BUSINESS CHALLENGE

B&B Ireland
Be at the heart of it all

itic
JULY 2014

Contents

EXECUTIVE SUMMARY

Key findings

- Overseas visitors constitute the bulk of the demand for B&B accommodation, estimated at 4 million bednights in 2013, generating significant earnings of about €1230 for the accommodation provider.
- While this reflected a small recovery in demand, the volume is still one third less than it was 7 years ago, and the sector's share of bednight demand from overseas visitors has declined since 2006.
- Supply side estimates are difficult to arrive at due to the incidence of 'unapproved' premises competing alongside approved operators. Best estimates suggest that of the 3,000 plus homes offering B&B accommodation during the summer months, less than half are Fáilte Ireland approved premises. Anecdotal evidence suggests that the number of unapproved premises offering B&B in the peak season may be substantially higher than the estimate.
- Fáilte Ireland approved premises have declined by almost half (-45%) since 2008, as 1,200 premises and 5,000 rooms exited the regulated sector over the period. The contraction in approved supply is significantly sharper than declines in other sectors such as hostels, self-catering and camping and caravan sites. The current approved stock – almost 1,500 premises and 6,300 rooms – is 8% down on 2013, reflecting an exit from the business and a migration into the unapproved category. Two thirds of the approved stock is located in the tourism hot spots along the west coast - Kerry, Galway, Cork, Donegal, Clare, Mayo - and Dublin.
- The sector, due to its characteristic of small scale, family owned enterprises, has been particularly hit by the revolutionary and disruptive impact of online distribution. OTAs and online merchants, such as Hotels.com and Airbnb.com, are increasingly the source of information and reservations for the consumer, which do not differentiate between approved and unapproved premises.
- B&B Ireland, the industry's trade association representing over 50% of approved operators, struggles to maintain share of voice and booking in an increasingly crowded distribution network, handicapped by lack of scale and limited resources.
- The profile of approved B&B operators is an ageing one, suggesting a natural decline as operators retire. To-date the level of new entrants into the sector has fallen well short of the numbers leaving the business.
- The sector does not appear to appeal as a business proposition, due to a range of social, economic and fiscal factors.
- It would appear that the capital cost to meet minimum requirements coupled with the annual renewal fee outweigh the benefits of Fáilte Ireland approval. In addition, there are no effective barriers to entry to trade as there would not appear to be any restrictions or penalties on trading as B&B outside of the Fáilte Ireland approved scheme.
- A large number of micro-enterprises are facing an uncertain future, particularly those in rural areas, which in many instances are essential to sustaining tourism in the area. At a time when tourism demand within the country is increasingly concentrated on urban centres, to the detriment of rural areas, B&Bs have the potential to sustain and grow a tourism economy in rural areas which have few other economic opportunities.

Conclusions

The approved B&B sector is in serious decline, while the 'unapproved' sector is estimated to have expanded.

The causes for the decline are multiple, including changing consumer demand patterns, increased price competition from the hotel sector, and revolutionary changes in how visitors research and book accommodation.

It would appear that B&B accommodation in Ireland is insufficiently differentiated from other forms of serviced guest accommodations. In effect the B&B product has become a commodity rather than the much promoted unique Irish family hospitality experience. Failure to differentiate has been a contributor to its downturn and presents a continuing serious risk to the sustainability of the sector.

The sharp decline in the stock of approved accommodation, while primarily driven by shifts in consumer demand patterns and increasing price competition, has not been helped by the absence of a clear policy positioning and differentiation strategy for the sector. The strategy of classification and categorisation introduced, while well intentioned at the time, has failed to address the market issues and it could be argued, was more regulatory focused than customer driven.

Furthermore, many of the benefits of approved status are less relevant in today's trading environment and are of declining value to the B&B operator. From a consumer perspective an official Tourist Board approval has diminished relevance as most now access information and make reservations on a range of online booking engines, as well as relying on customer peer group reviews on such sites.

The Irish B&B experience may need to be rebranded to better reflect the variety of experiences and to provide the basis for communicating and delivering a value-added experience to the visitor. A programme of market research would be required to arrive at an evidence based approach rather than a traditional regulatory focus.

The increasing incidence of B&Bs trading without Fáilte Ireland approval or a requirement to meet health and safety regulations, is now in excess of 50%, and needs to be addressed.

Recommendations

1. **A taskforce be established to examine the strategic challenges facing the sector, with a view to formulating a plan of action which can stabilise the business and plot a path to sustainability.**
   The Task Force, chaired by ITIC, composed of B&B representatives, Fáilte Ireland, Tourism Ireland and, as appropriate, other expert advisors would address, amongst others, the following issues:
   - **Market demand trends for accommodation;**
   - **The relevance and strategic positioning of B&B in Ireland's accommodation mix;**
   - **The key differentiation appeals and experiences of a branded B&B sector;**
   - **The relevance of current approval system, classification and categorisation;**
   - **The issues of 'unapproved' accommodation;**
   - **The economic sustainability of the B&B business model; and**
   - **The challenges of routes to market and online distribution.**

   The Task Force should report within 6 months. A pro-active programme of information, education and training will be required to ensure a high quality service delivery of any re-vitalised or re-branded B&B experience.

2. **A statement on the provision of a range of accommodation options for tourists in the new Tourism Policy would be helpful in assessing the future positioning of B&B accommodation and its inclusion in Fáilte Ireland's strategic plan and programmes for the next 5 years.**

It would appear that B&B accommodation in Ireland is insufficiently differentiated from other forms of serviced guest accommodations.

1. INTRODUCTION

> ***'Irish Home B&Bs are family run, offer a cosy welcome and are often your gateway to local knowledge.***
>
> ***Hearty breakfasts and the personal attention of your host are all part of the unique Irish Home B&B experience.***
>
> ***This summer, choose from remote farmhouses, cottages, city townhouses and historic estates, and use our trusted star rating to help you make your choice.'*** DiscoverIreland.com

1.1 Context – The current state of the B&B sector

The number of overseas visitors staying in B&B accommodation has declined dramatically, with the sector catering to a diminished share of tourist demand.

The Fáilte Ireland approved B&B businesses have been trading in a very challenging market environment in recent years, with intense competition on price from hotels as well as competing with a reported increase in 'unapproved' B&Bs.

While the traditional appeal and positioning of the home stay experience of an Irish B&B has been heavily promoted overseas, the reality would appear to be a B&B sector trading as largely undifferentiated providers of overnight accommodation at a price point positioned below that of a hotel. This price point advantage has been eroded as hotel prices dropped over the past 5 years.

1.2 Key stakeholders

B&B Ireland is the recognised representative association for the sector, with a current membership in excess of 800, representing over 50% of approved B&B premises in the country. The association fulfils a dual mandate combining the functions of an advocacy trade organisation with that of a co-operative marketing company on behalf of its members.

Fáilte Ireland, the National Tourism Development Authority, provides strategic and practical support to develop and sustain Ireland as a high-quality and competitive tourist destination, with a mission to *'Increase the contribution of tourism to the economy by facilitating the development of a competitive and profitable tourism industry'*. Fáilte Ireland is also responsible for the promotion of domestic tourism.

Tourism Ireland, jointly funded by the Irish Government and the Northern Ireland Executive, is responsible for marketing the island of Ireland overseas as a holiday destination. It maintains offices and representation in a number of overseas source markets and spends over €40m annually promoting the destination.

1.3 Structure of the Report

Chapter 2 provides an overview of the B&B sector and the factors which are impacting on its performance, including the structure of the sector and its marketing positioning.

Chapter 3 examines the issues and challenges facing the sector, including the current approval system and routes to market.

Chapter 4 contextualises the environment for the future of the sector in the short to medium term.

The principal findings, conclusions and recommendation of the review are presented by way of Executive Summary.

2. THE B&B SECTOR – A CURRENT OVERVIEW

2.1 The headlines

The B&B accommodation sector is considered to be a vital component of the Irish tourism industry potentially offering a unique visitor experience. The network of home hospitality stays is especially important to the touring visitor as it provides accommodation throughout Ireland in cities, towns, villages and remote rural locations, as well as catering to special interest visitors.

- An estimated 4 million plus bed nights were spent by overseas visitors in B&B accommodation in 2013
- B&B providers earned upwards of €120 million from overseas visitors last year.
- It is estimated that at least 3,000 family homes are providing B&B accommodation throughout the country during the summer months.
- While Fáilte Ireland operates an approval system for B&Bs, at least half of the premises offering accommodation trade outside of the system.
- The B&B experience is most popular with American and Continental European visitors.

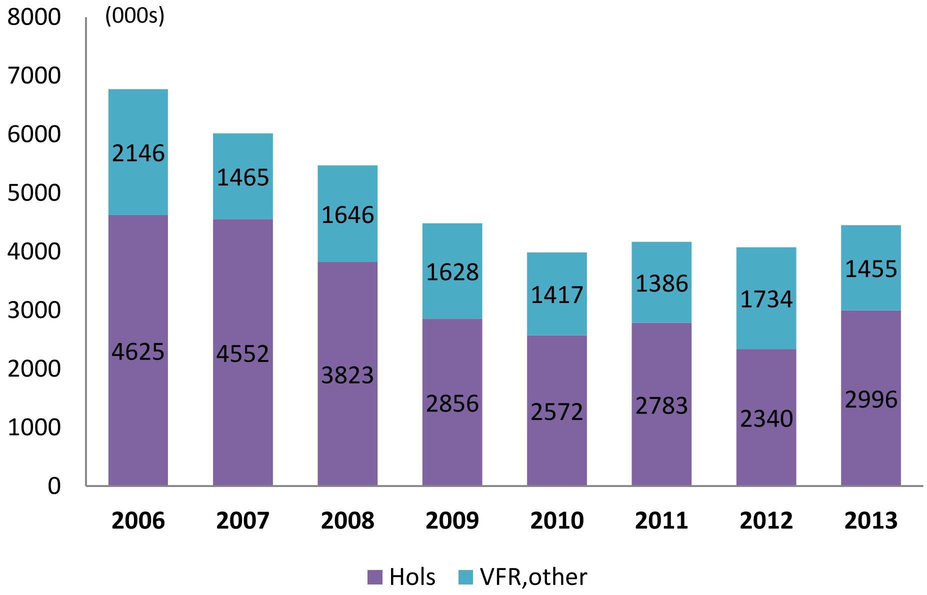
2.2 Analysis of demand

Overseas visitor usage of B&B's

Overseas visitors constitute the bulk of demand for B&B accommodation.

An estimated 4 million bed nights were spent by overseas visitors in B&B accommodation in 2013, based on CSO data on bed nights spent in Guesthouses/B&B's. While the sector experienced some recent recovery in demand the volume of demand is one third less than it was 7 years ago. The decline in demand was evident before the downturn in overall visitor levels to Ireland began in 2008/09.

Fig. 201: Guesthouse/B&B Bed night demand from overseas 2006-2013 (est. 85%+ in B&Bs)



Source: CSO

Profile of demand for B&Bs

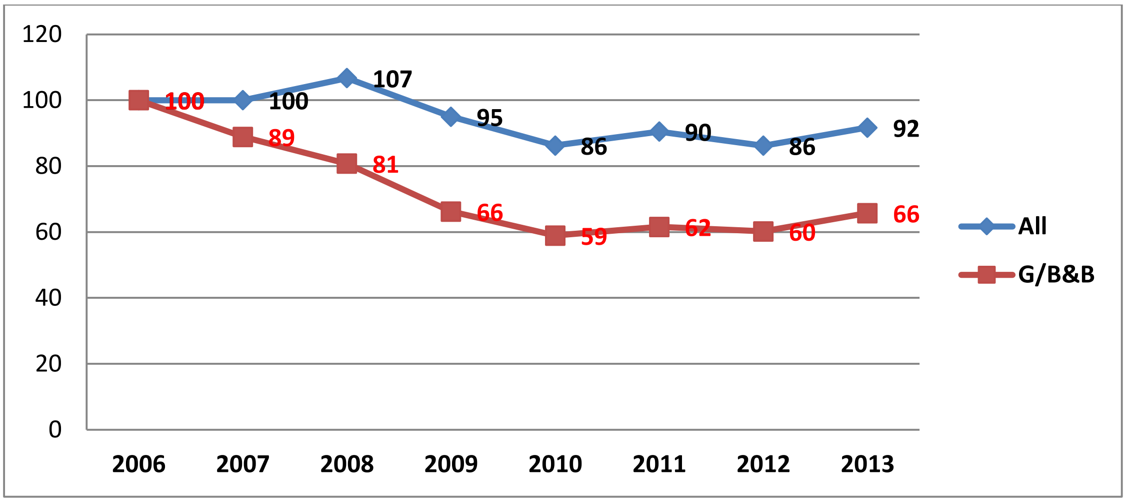
Some key characteristics of overseas demand for B&B accommodation include:

- Mainland European visitors account for over 50% of the demand, with North Americans the source of 25-30%;
- The majority of B&B clients (68%) are visiting on holiday, with a further 25% visiting friends and relatives (VFR);
- The accommodation is especially popular with car touring visitors;
- The South West (27%); Dublin (25%); the West (17%) and Shannon (10%) cater for the bulk of demand;
- Almost half of the demand occurs in the three month period June to August, with over 80% of the annual demand in the April to September months.

B&B market share decline

While the overall volume of nights spent in the country by overseas visitors has contracted by 8% since 2006, demand for B&B accommodation appears to have fallen by one third over the same period. The sector's share of overseas visitor bed nights fell from 12% in 2006 to 9% in 2008 and has been flat lined at 8% to 9% each year since. In terms of holiday bed nights the share dropped from 18% to 15% and has remained reasonably constant at 14%/15% since 2008.

Fig. 202: G/B&B bed nights compared to all bed nights 2006-2013
(Index 2006 = 100)



Source: CSO

An analysis of demand over the past decade clearly shows that the sector has lost share to hotels from the mid 'noughties' onwards. This was at a time when significant increases in hotel capacity came on stream and the price point for hotels dropped. The loss of share to hotels, rather than to other accommodation categories, is most apparent in demand patterns from Britain, North America and Germany. In each market B&Bs share position has been eroded with an increasing share of demand apparently switching to hotels.

Research data would indicate that holiday visitors are increasingly using a mix of accommodation on their stay in Ireland, and as a result an increasing proportion of B&B users are also using hotels during their visit. An analysis of holiday visitors who used B&Bs shows that while 70% of their bed nights were spent in B&Bs, they also used hotels for 17% of the nights spent in the country. Americans appear to be the more inclined to mix and match with 20% of B&B customers also using hotels.

In addition, approved B&B operators have been facing increasing competition from a reported growth in the number of homes without official approval offering guest accommodation. The extent to which the visitor is aware of the distinction and value of the approval system is not known, while many of the online distribution channels do not distinguish between approved and unapproved premises.

A revolution in the booking channels

Changes in how customers select and book accommodation are very evident across all markets, with increasing incidence of tourists travelling independently and making reservations via online channels. Online booking engines are now the #1 source of reservations in stark contrast to several years ago when a high proportion of business for approved B&B premises came from tour operators. In addition, 'walk up' demand is in decline as many touring visitors use mobile to make short lead time bookings.

B&BI have invested heavily in providing an online presence for its members with real time reservation system for both consumers and trade. However, merchants such as bookings.com and Airbnb are increasingly used by tourists. Several of the more prominent online merchant sites list both approved and unapproved premises without any distinction for the consumer.

2.3 Supply side - the approved sector

A sector in decline

Almost 1,500 homes offering B&B accommodation are currently approved by Fáilte Ireland. The stock of approved B&B premises has been in decline for several years, with an almost a halving (-45%) of the number of premises offering approved B&B accommodation since 2008. Over the six years there has been a net decrease of almost 1,200 approved premises.

Almost 6,300 rooms are on offer in 2014, an 8% contraction in supply over the past year.

The increasing incidence of B&Bs trading without Fáilte Ireland approval or a requirement to meet health and safety regulations, is now in excess of 50%, and needs to be addressed.

Fig. 203: B&B approved stock

Year	Premises	Rooms	% Decrease Premises
2008	2,680	11,337	
2009	2,465	10,299	-8
2010	2,246	9,414	-9
2011	1,909	8,059	-15
2012	1,825	7,767	-4
2013	1,616	6,896	-11
2014*	1,482	6,300 est.	-8

Source: Fáilte Ireland (*2014, as per DiscoverIreland.ie)

Not surprisingly the distribution of B&B premises throughout the country is highly concentrated in the top tourism areas. 40% of available approved stock is located in three counties – Kerry, Galway and Cork – the prime tourism locations outside of Dublin. The highest concentration of B&B homes is in County Kerry with almost 300 premises, accounting for 16% of the national stock, followed by counties Galway and Cork each accounting for approximately 12%. A further 25% of capacity is located in counties Clare, Mayo, Dublin and Donegal. In contrast there are parts of the country with relatively few B&B premises; this is especially true of the Midlands.

Achieved occupancy rates

Demand for the approved sector is estimated to have been down by 2% for the period January-October 2013. Set against the drop an 8% drop in available capacity the achieved room occupancy rate was up two points to 33%. The one-third utilisation rate achieved is the lowest of any of the serviced accommodation sectors and undermines the economic viability of the business. The income generating potential of the business set against the costs of production and compliance is far from attractive. While a proportion of B&B premises, due to location and length of season, are sustainable economic entities, there are many that fail to achieve the scale of demand and income to continue trading.

Employment

It is estimated that just under 4,000 people are employed in the B&B sector[1], of whom 40% (1,500) are 'unpaid family' members. The majority of the latter category is described as management.

Excluding unpaid family, full time year round employment is just fewer than 1,000 or 25% of those engaged in the sector. Almost 1,000 more are employed on a seasonal basis, of whom just under 700 are full time seasonal.

[1] Source: Fáilte Ireland Employment in Tourism 2010

The work force is two thirds female and the sector has the highest Irish national content (94%) of all sectors in the hospitality industry.

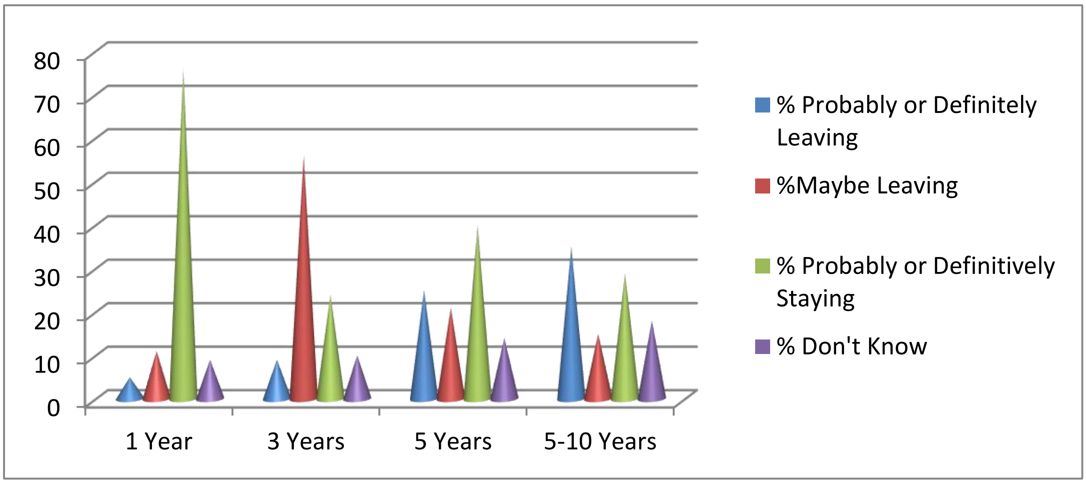
Ageing profile of B&B providers

The profile of B&B operator is an aging demographic which gives rise to a cause for concern over the sustainability of the sector.

Four out of every five operators are aged over 50 years, with half of that number aged 60 or over, based on a 2012 survey of **B&BI** members. While this age profile provides a very experienced cohort of B&B providers with approximately one third in business for more than 20 years and another third with between 10 and 20 years trading history, it points firmly to the exit of many from the business in the near term through retirement. Based on the survey it was projected that that the fall-out through retirement, or exiting the business for other reasons, could be as high as 40% within three years. The longer term scenario without significant new entrants could be reduced by half over a five year period.

The continuing decline in approved properties is at least in part due to retirement with little evidence of new entrants compensating for the attrition rate. Anecdotal reports would suggest that the rate of entry into the approved B&B sector is low.

Fig: 204 Expectations of Staying in Business



Source: **B&BI** membership survey May 2012

2.4 The immediate outlook

While tourism demand is on an upturn with a very encouraging start to 2014 following on growth in 2013, the positive mood of the industry in not shared by B&B operators. The most recent Fáilte Ireland Barometer (May 2014) suggest that the B&B sector is not confident of sharing in the growth in demand. Expectations appear to suggest that the sector

anticipate a continuing trend of loss of share due to competition from unapproved B&Bs and continuing price point competition from hotels.

Only 23% of B&Bs report an upturn in demand for the first 5 months of the year compared to the same period last year, while 43% record less business and 34% 'no change'.

Ireland's B&B Experience – a business challenge

This is in stark contrast to the hotel sector with almost seven out ten reporting an increase in demand. B&B of all the sectors engaged in the industry is less optimistic of growth in their business this year. The main reason, cited by seven out of ten, is low-priced competition, particularly from those trading as unapproved premises without the burden of the cost of compliance. As a result 40% of those surveyed anticipate an increase in business over the remainder of the year, with 28% expecting their business to be down on last year and 32% anticipating the same level of business. Again, this is in contrast with the hotel sector where 80% anticipate increased demand as do 53% of Guesthouses.

> The extensive unapproved sector has serious implications not only in relation to quality assurance, health and safety issues but also for loss of revenue to the Exchequer.

3. AN ANALYSIS OF CHALLENGES FACING THE SECTOR

3.1 Issues shaping the sector's competitive positioning

The sharp slide of demand share of the sector can be attributed to a combination of factors, both internal and external to the B&B provider, with the approved sector suffering from a decline in benefit of investment in compliance.

- Indigenous factors - 'commoditisation' of the B&B product resulting in a differentiation deficit; and
  - free market competition from unapproved premises;
- Extraneous factor - disruptive revolution in the path to market now dominated by online merchants.

The one-third utilisation rate achieved is the lowest of any of the serviced accommodation sectors and undermines the economic viability of the business.

3.2 B&B differentiation deficit

The loss of market share to hotels, when the later price point dropped, suggests that the positioning of the B&B was largely as a less expensive accommodation option. The absence of a strong differentiated positioning resulted in the loss of share over a period of intense competition in a declining market. The heightened value for money awareness of fewer tourists during a period of recession further exacerbated the lack of a perceived distinctive and valued experience being offered by the B&B sector.

The promotional messages of the unique hospitality experience of a stay in an Irish family home, with its much personalised service, does not appear to have captured the imagination of visitors to the same extent as in the past.

The ability to deliver on the promise of family home stay hospitality is diluted by a very broad church of premises offering B&B accommodation in a wide range of house types and locations.

The official response in recent years has been to introduce a classification scheme for the approved B&B sector, supported visually by a new B&B approval signage and a revamped marketing strategy. However, the scheme based largely on compliance with physical standards, has largely failed to deliver a distinctive positioning, with the vast bulk of premises, of varying size and characteristics, been designated 3* rating. The timing was also unpropitious as increasingly consumers were relying on peer review ratings of accommodations rather than official designators. The common pricing of trade voucher for 3* and 4* B&Bs by B&B Ireland further undermined the classification scheme.

In addition to the classification system, Fáilte Ireland launched a voluntary categorisation system *'to enable the B&B operator to better showcase their B&B for marketing purposes and also to assist the consumer in choosing the B&B that most closely matches their requirements'.* While the scheme was well intentioned, the broad range of ten categories with premises permitted to feature multiple 'specialisms' effectively devalued the scheme.

3.3 Unapproved Competition

'The overwhelming majority of B&Bs and guesthouses across Ireland are welcoming family homes and provide clean and cosy rooms, usually with en-suite facilities. Most B&Bs in the Republic, and virtually all in Northern Ireland, are registered with the official tourist board, but many other places open their doors during local festivals or high season. Registration is usually a guarantee of well-maintained standards and good service, though non-registered places are not necessarily of lower quality'. The Rough Guide to Ireland (2014)

The principal competitor for the approved B&B sector is the number of 'unapproved' homes offering B&B accommodation. The number of unapproved B&Bs in Ireland is a matter of constant speculation. The supply of unapproved B&B accommodation can vary by season depending on the location, with the incidence of unapproved trading increasing in high tourist demand locations and/or events. Anecdotal estimates suggest that the unapproved stock exceeds the approved during the summer season. Identification of unapproved B&Bs is becoming more difficult as many premises now rely exclusively on the internet as a source of business dispensing with the need to display exterior signage.

An analysis of supply on Booking.com, which attracts a wide range of B&B premises and as a result features an extensive listing of both approved and unapproved B&Bs in Ireland, suggests that there are currently more unapproved B&Bs than approved premises.

Fig. 301: Summary of results for B&B sample search on Booking.com

Location	Total B&Bs approved by FI in area	Total Number of B&Bs Offered by booking.com	Number of these Approved by FI	Number Unapproved	% Unapproved on booking.com
Dundalk	14	11	7	4	**36**
Kilkenny	17	12	5	7	**58**
Westport	26	15	7	8	**53**
Galway	51	29	4	25	**86**
Skibbereen	35	19	11	8	**42**
Killarney	68	38	14	24	**63**

Source: booking.com – 1 night only for two people for night of June 24, 2014, with results compared against Fáilte Ireland's 2014 listing of approved B&Bs.

It would appear that the higher ratios of unapproved to approved B&Bs are more likely to be in the most popular tourist areas. For example, 25 of the 29 premises on offer in Galway/Salthill were unapproved, while the number of unapproved premises on offer in Killarney outnumbered the approved offering by almost 2 to 1. In other popular tourism destinations such as Kilkenny and Westport the listings of approved and unapproved were almost equal.

Based on the selected sample the aggregate average percentage of unapproved B&Bs on offer on booking.com was 56%. If the pattern were extrapolated nationally it can be assumed that the number of unapproved premises on the market is at least equal to the number approved and possibly higher at peak periods of demand. This implies that currently the number of unapproved B&Bs is in excess of 1500 premises. The incidence of short term entry into the market to cater for periods of high demand is impossible to estimate but is likely to add to the number of unapproved premises offering B&B guest accommodation.

The extensive unapproved sector has serious implications not only in relation to quality assurance, health and safety issues but also for loss of revenue to the Exchequer.

The Irish B&B experience may need to be rebranded to better reflect the variety of experiences.

B&B accommodation in Northern Ireland

The Tourism (Northern Ireland) Order 1992 prohibits anyone from providing or offering to provide tourist accommodation as a business (that is, overnight sleeping accommodation for tourists provided by way of a trade or business) unless there is a valid certificate issued by NITB in force in respect of the premises. These regulations apply to all tourist accommodation categories, including B&Bs. Any person who provides or offers to provide tourist accommodation that does not have a valid certificate issued by NITB is guilty of an offence and may be liable, upon conviction, to a fine of up to £2,500 or imprisonment for a term not exceeding 6 months or to both.

Grading or classification of B&Bs was introduced in Northern Ireland in 2011, based on the five star rating scheme used in the England, Scotland and Wales. Classification which aims to rate quality as well as standard of facilities is carried out by way of an unannounced inspection based on an overnight stay. NITB carries out statutory inspections of tourist accommodation premises in Northern Ireland every four years. In each of the three years between statutory inspections tourist accommodation providers will be required to provide NITB with a brief self-review statement. The charge for the statutory inspection ranges from a minimum £80 to a maximum £200.

3.4 Internet – the Disruptive Revolution

The pace of change in travel decision making continues at breakneck speed. As sites such as Trip Advisor take on the role formerly played by guide books, National Tourist Organisations and Tourist Information Offices – coupled with the unstoppable growth of mega booking sites on the internet - the need to adapt becomes paramount for survival by small players in the market.

While statistics vary, current estimates suggest that some 56%[2] of hotel bookings are made on the internet each year world-wide, while 65% of same day hotel bookings are made on a smart phone. The undoubted trend is the increasing use by consumers of online planning and purchase of travel.

[2] Source: eTrack, eMarketer, Alexa.com

Currently if a potential customer searches the internet using Google for 'accommodation Ireland' ***Booking.com*** comes out on top as a paid advertisement/link while B&B Ireland appears as Number 11 – a very creditable position. Changing the search to bed & breakfast Ireland still leaves *booking.com* as Number 1 paid ad/link with **B&BI** as Number 2 paid ad/link followed by *Airbnb*. **B&BI** then appears top of unpaid listings followed by *Discoverireland.com*.

Booking.com is now a major source of accommodation product for Ireland listing hotels, guest houses, B&Bs and some self-catering with price the primary differential. Unapproved B&Bs are openly trading through Booking.com and Airbnb.

For an unapproved B&B the advent of the big web booking merchants is a 'godsend' as it provides a route to market where it can compete openly with the approved B&Bs, with no membership fee and payment by commission on results.

In the early days of the internet it was seen as important for each hotel, guest house and B&B to have its own website. It was quickly found that this did not bring many if any bookings and that for smaller properties there had to be membership of a larger grouping if there was to be any chance of being 'found' on the world wide web.

B&B Ireland has invested heavily on behalf of its members in developing an online presence with a real time booking engine. Earlier this year **B&BI** introduced a new website and booking engine which appears to have a very competitive edge to it. This is backed up with a range of social media options such as Facebook, Twitter and Google+ and these are active and full of competitions and initiatives to generate interest. The Facebook page has nearly 10,000 likes.

For an individual B&B operator the route to market options is either through the approved channel, with the optional **B&BI** membership, or to operate independently outside the approved system relying exclusively on a 'pay as you go' merchant(s) for bookings.

4. CONTEXT FOR THE FUTURE

4.1 Economic climate

Tourism is one of the largest and fastest growing economic sectors in the world, with international tourism growth consistently outpacing global economic growth over the past 30 years. The outlook over the medium term is that global demand for travel will expand at a faster rate than economic growth.

Economic confidence across Europe is improving in line with consumer confidence and business sentiment. This in turn is expected to gradually unleash pent-up demand in investments and durable goods, leading to a stronger recovery and increased consumer spending.

Short to medium term forecast for western economies suggest that growth will be volatile and uneven. The major European economies are forecast to grow at a modest rate over the coming years.

For an unapproved B&B the advent of the big web booking merchants is a 'godsend' as it provides a route to market where it can compete openly with the approved B&Bs, with no membership fee and payment by commission on results.

4.2 Tourism policy

The recently published Draft Tourism Policy clearly places the emphasis on revenue earning goals and related new potential. With tourism in the recovery mode the policy sets out the scenario for growth from a combination of traditional source markets with longer term development of new geographic and segment markets, particularly in long-haul emerging economies.

The policy provides the basis for development of a broader tourism strategy and action plan, involving key stakeholders. The strategy will set out a range of objectives, actions and measures to develop tourism, addressed not only to Government and the tourism agencies but also to enterprises, industry groups and other relevant bodies.

The tourism policy takes into account the medium-term public expenditure framework, with limited resources being targeted at the best prospects for tourism revenue generation rather than a focus on visitor volumes.

ITIC, in its submission to the policy review, has argued for a clear statement of tourism policy setting out the Government's priorities in terms of the contribution tourism is to make to national economic and social goals, how that contribution will be measured and benchmarked, and in what manner tourism can best make its contribution.

4.3 Tourism growth targets

The United Nations World Tourism Organisation (UNWTO) forecasts suggest an average annual growth rate of 3.3% in global international travel, with the new emerging markets increasing by 4.4% annually while growth from developed markets is expected to be 2.2% annually, over the next 20 years. A more optimistic outlook suggests that worldwide travel demand will increase by an average 5% annually. 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. Europe will continue to be the largest source of travel and the top destination in the world.

The B&B experience is a good strategic fit with Tourism Ireland's major brand themes – 'getting active in nature'; living historical stories'; 'awakening of the senses'; and 'connecting with people'.

Tourism Ireland in its latest 3 year business plan 2014-2016, has set a target of 15% growth in 'promotable visitors' with a 24% increase in earnings. The key markets to produce this growth in visitor traffic are largely concentrated in Europe, with particular new growth targeted from Germany and France and recovery from Britain.

Tourism Ireland's new approach to segmentation will drive all communications, channel selection, product development, experience delivery and industry engagement in the main source markets, targeting the two best-prospect segments:

- *'Culturally Curious',* who want to broaden their minds and expand their experiences through landscape, history and culture; and
- *'Great Escapers'*, whose principal motivation is to enjoy the beauty of breath-taking landscapes

While the outlook for travel is very positive there are several demand and facilitation characteristics which are shaping a changing tourism landscape. These include a more value conscious consumer; demographic shifts (specifically the ageing population profile in western societies); and a new focus on authentic, increasingly active and enriching travel experiences. The trends of shorter trips and increasing use of air travel, as the real cost of travel continues to drop, are now firmly established characteristics of demand. Overall the demand is becoming more focused on the 'why' of travel rather than the traditional first question of 'where' to holiday. The new interactive world is also having a major impact on travel and lifestyle experiences. Increasing use of the internet, for information, planning and booking has revolutionised the travel industry, and online travel agents (OTAs) continue to gain significant market share. Social media networks, including blogs, Twitter, Facebook, podcasts and other forums, are becoming the 'new word of mouth'. Concern for the environment is high amongst an increasing number of consumers with many destinations already adapting to a more sustainable green model, capitalising on new energy and communication technologies, while placing a greater emphasis on local inputs.

While the overall volume of nights spent in the country by overseas visitors has contracted by 8% since 2006, demand for B&B accommodation appears to have fallen by one third over the same period.

4.4 B&B Ireland

Membership

B&BI's business plan projects a continuing decline in membership, and the result for the reduced membership is expected to provide significantly increased earnings and improved occupancy rates. Given the apparent growth in the unapproved sector, this can hardly be taken as a given. **B&BI** membership is projected to decline from 1,848 members in 2000 to 700 in 2016 – a dramatic change requiring a very different business model than that which is now in place.

Fig. 401: B&BI Members Performance

	2011	2012	2013	2014	2015	2016
Membership	1114	959	901	840	750	700
Average Room No	4	4	4	4	4	4
Rooms available full Year	1,626,440	1,400,140	1,315,460	1,226,400	1,095,000	1,022,000
Rooms available Season *	655,032	563,892	529,788	493,920	441,000	411,600
Occupancy	17%	17%	21%	27%	34%	41%
Average Business Per Member	€ 7,304	€7,254	€9,202	€11,933	€15,173	€17,897

Source: **B&BI** Business Plan

B&B Ireland represents more than 50% of Fáilte Ireland approved premises, with a higher penetration in some key tourism locations. **B&BI** has a relatively low impact in many of the less established tourist counties.

Fig. 402: B&BI Membership as % of approved premises in selected counties 2013

County	Kerry	Galway	Cork	Clare	Dublin	Mayo	Donegal	TOTAL
Approved	**263**	**205**	**190**	**123**	**87**	**111**	**74**	**1616**
B&BI Member	**176**	**115**	**98**	**76**	**49**	**47**	**41**	**900**
%	**67**	**56**	**52**	**62**	**56**	**42**	**58**	**56**

Source: **B&BI**

There has been a continuous and apparently inevitable decline in the numbers of approved B&Bs in Ireland since the turn of the century as well as proportional falls in membership of **B&BI**. There is no reason to believe that sector membership will grow as the numbers leaving far exceed those entering the business. Nevertheless for many tourists the sector provides a valuable tourism accommodation asset that is popular especially in the key European and North American markets. The supply is not yet stretched and clearly the unapproved sector provides necessary capacity to cope with periods of peak demand.

The next five years will be critical in determining whether or not the sector remains an important player in Irish tourism.

B&BI Business Plan

The organisation's 2014-2016 Business Plan focuses extensively on digital marketing and the need to compete effectively with the OTAs and online merchants. The traditional tour operator channels remain relatively strong in the US and some European source markets, although the markedly diminishing in share terms.

B&BI is aggressively pursuing a strategy of building a highly effective and efficient online presence and booking systems that are search engine friendly and deliver a convenient booking channel for consumers. The new website is mobile friendly, enabling bookings to be made using tablets and smart phones. Social media linkages are good for indicating 'likes' and these recommendations add to those made on Trip Advisor.

Significantly **B&BI** is developing relationships with the OTA's themselves and Expedia.com has an IT relationship with **B&BI** which allows availability and rates to be updated using **B&BI**'s systems. Through Expedia members are also sold on the following platforms.

- ✓ Hotels.com
- ✓ Venere.com
- ✓ Hotwire.com
- ✓ eLong.com
- ✓ Expedia Local Expert
- ✓ Exposure on a range of Expedia Affiliate network of partners
- ✓ Trivago.

This is a major range of IT driven activity which allows an individual member to compete on 'all fronts' and whose significance should not be underestimated. No micro business could gain such exposure independently and year on year progress by **B&BI'**s linkages will undoubtedly grow for most members.

B&BI has delivered its promises in earlier business plans to provide state of the art IT operations and booking systems to ensure members have the best competitive advantage. However, the evolution of technology and the need to remain highly competitive in the online space is a particular challenge and an expensive one in terms of investment required in IT development. The sustainability of **B&BI** as an effective marketing organisation will depend on the strength of its membership and the success of the approved B&B business sector.

Appendices

1. Acknowledgements

TTC-Tourism and Transport Consult wish to acknowledge the information and support provided by B&B Ireland in the preparation of this report. A special word of thanks is due to Ms. Helena Healy, Chief Executive, B&B Ireland who gave willingly of her time and experience.

2. Sources

- CSO
- Fáilte Ireland data base
- B&B Ireland

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