

ITIC is very grateful for the support provided by Fáilte Ireland and the Irish Hotels Federation in producing this report.

Particular thanks is due to [Destination Westport](#) who facilitated the case study featured in this report. Theirs is a story of success based on private & public sector co-operation with the full engagement of the local community.

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Irish Tourist Industry Confederation

Review & Outlook for Ireland's Domestic Travel Market



November, 2009

GLOSSARY

Trip Definitions

Holidays:	Minimum 1 night away from home for the primary purpose of holiday/leisure
VFR:	Minimum 1 night away from home for the primary purpose of visiting friends or relatives
Business:	Minimum 1 night away from base for the primary purpose of business
Short breaks:	1-3 nights
Long holidays:	4 nights+

Fáilte Ireland's Home Holidays Quarterly Tracking Survey:

The Domestic Omnibus is a telephone survey conducted by TNS mrbi and is based on a randomly selected sample of 1,000 adults every quarter, building to an annual sample of 4,000 adults. The quarterly samples use a combination of quota controls and weighting to ensure that they are representative of the adult population in terms of gender, age, social class and region. Reports are issued in respect of each quarter, and on a rolling 12 month basis.

EXECUTIVE SUMMARY

1. The Recent Boom in the Irish Travel Market

The Irish travel market has grown continuously over the past 15 years, with double digit annual growth rates. Expenditure by Irish residents on holiday travel has increased by almost 20% per year since 2000.

Irish residents spent €6.3 billion on 9.9 million holiday trips in 2008, of which 4.4 million holiday trips were taken in Ireland. Holiday trips account for over half of all domestic trips, with VFR accounting for a third and business 8%.

A number of noticeable trends within the 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 drivers of the growth in demand for travel in recent years have been primarily economic prosperity within a growing population base, coupled with a rapid expansion of the range of affordable holiday options, cheaper airfares, and more aggressive marketing.

2. Spectacular Growth in Domestic Tourism

Expenditure on domestic travel trips has more than doubled since 2000, to reach a record €1.55 billion in each of the past two years.

Over the period 2000-2008 there has been a 74% increase in the number of holiday trips, and a more than doubling (+130%) of annual expenditure on domestic holiday travel. Domestic holiday trips generated 16.4 million bednights in 2007, falling to 15.6 million in 2008. Domestic business travel peaked at just over three quarters of a million trips in 2005.

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.

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, while 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.

The internet has become the new 'word of mouth' influencing holiday decisions, and while phone is still the booking method of choice for the majority of home holidaytakers, the internet and email appears to be gaining a significant foothold.

3. The Irish Tourism Industry's Increasing Reliance on the Domestic Market

The domestic tourism market is now the source of:

- 38% share of holiday bednights in the country
- Almost two out of every three hotel bednights (for all purposes of travel)
- An increasing share of tourism revenue to most regions
- Almost one third of spend by tourists in Ireland (all expenditure by domestic travel vs. overseas expenditure in Ireland).

The rate of growth in tourism receipts from the domestic market over the past 4 years has outpaced the rate of increase in earnings from foreign visitors.

Between 2004 and 2008, domestic holiday nights increased at a faster rate than holiday nights from overseas visitors, growing by 7% per annum compared to a 5% growth from overseas.

Irish holidaytakers are more likely to use hotel accommodation than overseas holiday visitors. Last year 35% of home holiday bednights were spent in hotels, compared to 14% of bednights spent in the country by holiday visitors from overseas.

4. Westport – A Successful Domestic Tourism Destination

Westport has successfully penetrated the home market, attracting a fast expanding clientele in recent years for short breaks throughout the year, which complement the longer stay traditional family summer holiday visitors.

The success of Westport as a home holiday destination resort points to a number of important lessons, namely:

- Success in this difficult market requires a clear strategic focus and dynamic leadership
- Real effective partnership between businesses, the public authorities and the local community, based on a vision-led local pride and drive to succeed, is critical to success
- Repeat business, and good word of mouth publicity, driven by the delivery of a satisfying visitor experience in a well presented environment is especially critical in tough market conditions
- Even the best positioned businesses are currently under pressure and need supportive policy initiatives
- The expectation is that 2010 will be as challenging, if not more so, than 2009
- Prolonged weakness in domestic demand would require compensating growth from overseas demand.

5. 2009 – Tourism Downturn

The irrefutable evidence is that the reduction in consumer spending by Irish residents due to the current recession and increased taxation is seriously impacting demand for travel, with expenditure falling more sharply than the number of trips, and short breaks especially vulnerable to cutbacks.

Outbound travel slowed in the latter months of 2008 and this trend continued into 2009.

2008 also saw a slowing of growth in the number of all domestic travel trips and holiday trips. The latest CSO statistics for the period January-June report a 9.8% drop in the number of home holiday trips, with a 15% drop in expenditure compared to the same period in 2008. The home holiday market appears to have held up better than holiday trips abroad in the first half of 2009. Holiday trips abroad declined by 19%, with expenditure down 21% in the period.

Tracking research conducted for Fáilte Ireland confirms a decline in the incidence of taking a trip away from home in Ireland.

Indicators throughout the industry suggest that demand for holiday breaks in the autumn will be markedly down on previous years as the economic impacts of the current recession and increased taxation bite more heavily on the consumer.

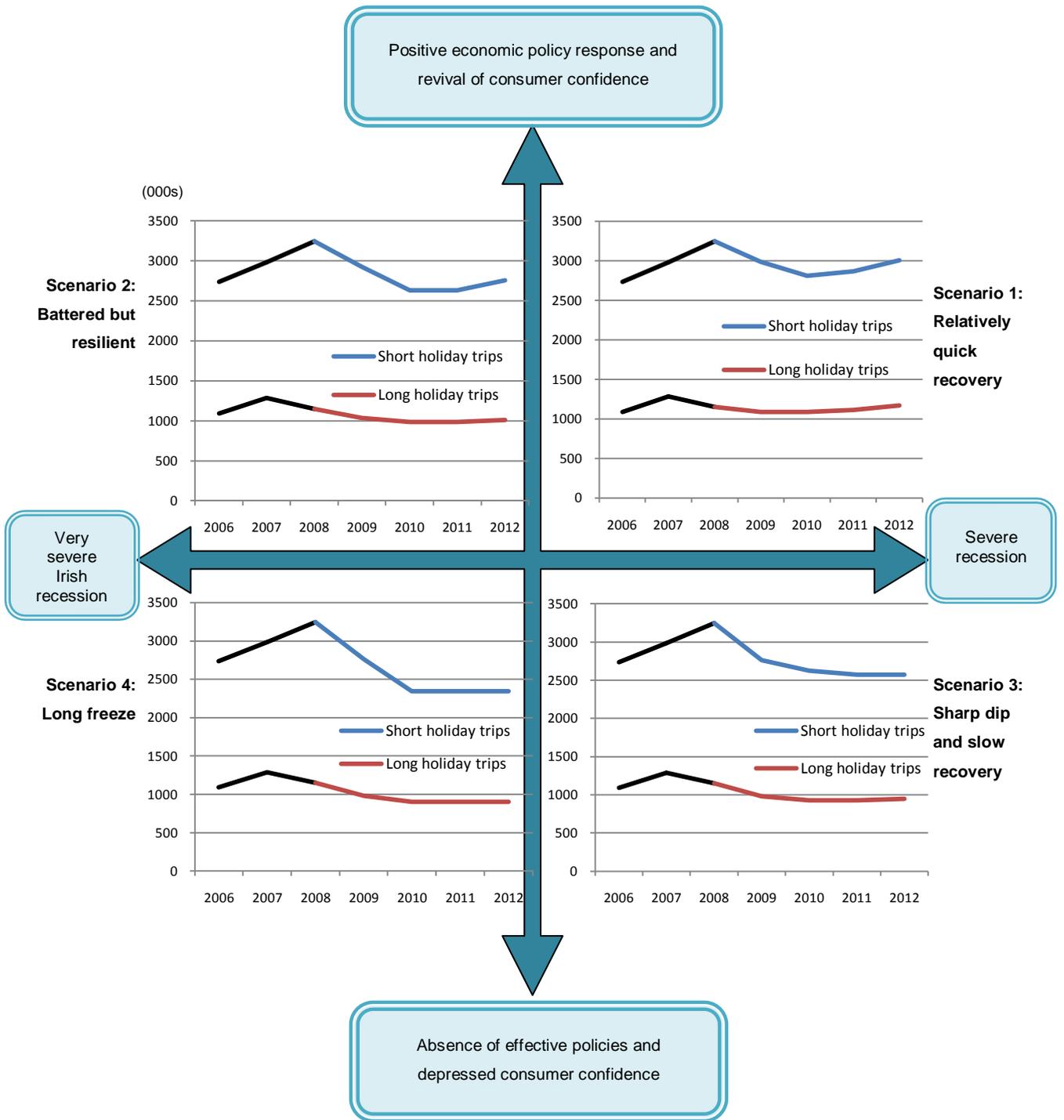
Any further downturn in the domestic market at a time of weak demand from overseas will put many jobs in the tourism and hospitality sectors at risk when employment in other labour intensive industries, including construction, has already collapsed.

6. What does the future look like?

Based on a strong historical correlation between economic growth and the incidence of demand for holiday by Irish residents, future demand will be primarily determined by economic conditions in Ireland, particularly levels of disposable income and employment. The level of demand for home holidays, including short breaks, will be determined in the short to medium term by the economic impacts on, and the confidence levels of, the over 50 cohort.

Besides economic factors, a number of other influences are at play in determining the levels of demand for holiday travel, including changed consumer behaviour patterns.

Recent research confirms a decline in the level of intent to take a home holiday in Ireland. Amongst a number of demand scenarios for the period 2009 to 2012, the most likely outcome suggests that following two years of decline in demand the market should stabilise in 2011, with a return to modest growth in 2012 and beyond.



7. Conclusions & Recommendations

Domestic tourism has become an increasingly important component of Irish tourism, while providing a platform for growth in inbound tourism. From an economic perspective tourism is a low import sector providing high employment.

Domestic demand underpins most tourism businesses, sustains year round trading, and provides much needed economic activity in many rural areas. The sustainability of businesses engaged in Irish tourism, especially hotels, is increasingly dependent on domestic holiday travel at a time of faltering demand from overseas visitors. Any further reduction in domestic tourism demand will result in loss of jobs, most likely in the BMW region with consequential loss of revenue and increased costs to the Exchequer. Therefore the rationale of investing in marketing in the home market is irrefutable.

The following recommendations are presented for consideration as means of stimulating recovery of home market demand.

Policy Issues

- Restoration of the public finances, competitiveness and consumer confidence by appropriate Government policies is crucial if domestic tourism is to recover and prosper. Increased burdens of taxation would put further pressures on businesses and reduce disposable incomes with an immediate knock-on effect of lowering demand for domestic holiday and business travel which is critical to sustaining employment in the sector.
- Public funding for marketing domestic tourism needs to be sustained at this time – any reduction would adversely impact demand levels and potentially write-off the consistent investment to date on building the Discover Ireland brand which has contributed to the recent boom in home holidays, especially short breaks.
- Measures to alleviate the cost burden on tourism businesses, particularly hotels as advocated by the Irish Hotels Federation (IHF), would help for delivering recovery of demand in the home market which at this time offers better short term demand growth potential than many overseas source markets. Besides, a more competitive home holiday offering would result in import substitution as more Irish people opt for a holiday at home rather than abroad.
- There is an urgent need to address availability of working capital, especially for long established businesses, given the seasonal pattern of the tourism trade. The potential for distortion by the operations of NAMA also needs to be addressed to ensure that long established businesses are not put at a serious competitive cost disadvantage. The absence of profitability in the hotel and other sectors will result in inability to re-invest and see Ireland's tourism product deteriorate.
- Interventions to boost tourism in this difficult period of falling demand, such as reduced VAT on tourism components as introduced by some other destinations, could primarily benefit domestic tourism by improving the competitiveness of a holiday in Ireland in the face of tough competition from carriers and destinations abroad.
- The introduction of flexibility in school holidays would assist to spread demand for home holidays.
- The development of new 'social tourism' programmes, as in other European countries, could expand the market.

Strategic & Tactical Marketing

- Continue to invest in high profile Discover Ireland campaigns to stem falling demand and stimulate the market to recovery.
- Expand the market by highlighting 'reasons to take a short break' including promoting the range of events.
- Focus primarily on the most resilient sectors and geographies – currently the over 50s and residents of the major urban centres offer the best prospects of recovery and growth, while also addressing other segments of the market which are underperforming.
- Promote 'value-added' offers to address the challenge of recovering from the deeply discounted, and in many cases below cost pricing, to regain consumer confidence in the integrity of the price offer.
- 'Go Green': a greater emphasis on the environmental quality and benefits of home holidays.
- Further exploit the online channels, including social networks, to boost awareness of the range of possibilities and target niche market opportunities.
- Deliver more effective and cost-efficient tactical support to local areas and resorts through the Discover Ireland co-operative campaigns.
- Expand Fáilte Ireland's highly regarded enterprise development support programmes to further assist the industry through this crisis period by improving the capability of businesses, particularly in areas of financial control and online communications and distribution.
- Broaden the communication of Fáilte Ireland's ongoing home market research, with a sharper focus on monitoring consumer trends and travel intentions.
- Engage more in joint promotion, including integrated ticketing and packaging, with transport providers, such as Irish Rail and coach companies.

