

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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Review & Outlook for Ireland's Domestic Travel Market



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Table of Contents

Glossary.....	i
Executive Summary.....	ii
1. Introduction.....	1
1.1 Background.....	1
1.2 Context.....	1
1.3 Terms of Reference.....	1
1.4 Overview of Approach.....	2
1.5 Structure of the Report.....	3
1.6 Acknowledgements and Disclaimer.....	3
2. The Recent Boom in the Irish Travel Market – A Review.....	4
2.1 An Overview.....	4
2.2 Demand Trends within the Irish market for Holiday Travel.....	6
2.3 The Dynamics of the Market in Recent Years.....	10
2.4 The Current Downturn.....	15
3. The Domestic Travel Market – An Analysis.....	18
3.1 The Size, Value and Composition of Domestic Travel in Ireland.....	18
3.2 The Growth in the Domestic Holiday Market.....	20
3.3 Home Holiday Destinations.....	21
3.4 Motivations & Appeals of Home v Foreign Holidays.....	22
3.5 Activities Engaged in on Domestic Holidays.....	23
3.6 Some Changing Characteristics of the Domestic Holidaytaker.....	24
3.7 Satisfaction Rating of Home Holidays.....	27
3.8 Sources of Information and Preferred Booking Channels.....	28
4. The Tourism Industry’s Increasing Reliance on the Domestic Market.....	30
4.1 Recent Growth in the Value of Domestic Tourism.....	30
4.2 The Relative Importance of Domestic Holiday Travel to the Regions.....	31
4.3 Increasing Dependence of the Hotel Sector on the Domestic Market.....	37
4.4 The Relevance of the Domestic Market to Tourism Sectors.....	39
4.5 Westport – A Case Study.....	41
5. Marketing Domestic Tourism – The Story So Far.....	45
5.1 The Marketing Challenge.....	45
5.2 The Strategy & Key Actions.....	46
5.3 The Scale of the Campaign.....	48
5.4 How Effective has the Campaign been?.....	49
5.5 The Next Phase.....	49
6. Future Challenges – A Short to Medium Term Outlook.....	50
6.1 Short to Medium Term Economic Outlook.....	50
6.2 Some Current Economic Indicators of Likely Short Term Demand.....	52
6.3 Other Factors Influencing Short Term Demand.....	55
6.4 The Outlook – Some Scenarios.....	57

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.

1. INTRODUCTION

1.1 Background

This Report is presented to the Irish Tourist Industry Confederation (ITIC) by TTC – Tourism & Transport Consult, based on the award of tender 'The Domestic Market – A Strategic Review'.

The report presents an independent analysis and assessment of the performance of the Irish domestic tourism market in recent years.

1.2 Context

This Domestic Market Review was commissioned by ITIC as a key element of the Confederation's 2009 work programme and a timely support to its membership and the broader tourism industry.

The domestic tourism market has performed very strongly during the period 2002 to 2008, with an average annual growth of close to 10% in holiday trips and expenditure. The growth has been driven by shorter trips of 1 to 3 nights' duration, with hotels reporting significant growth in domestic demand in recent years.

However, despite the record buoyancy of the market in recent years, the current recession in the Irish economy has depressed demand for travel commencing in the second half of 2008 and continuing throughout 2009.

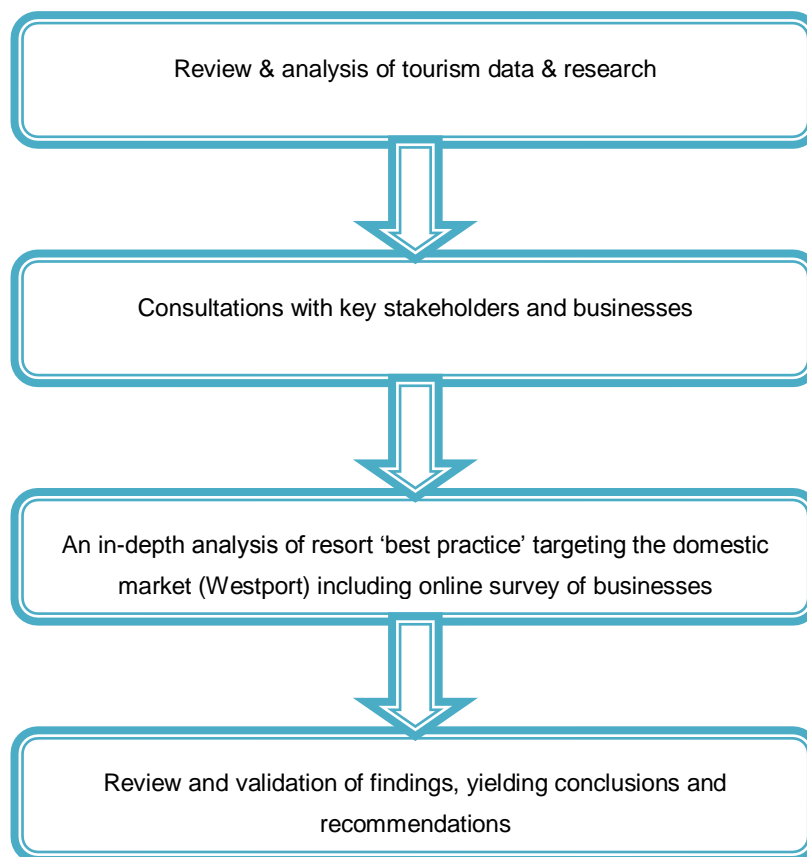
1.3 Terms of Reference

The terms of reference set out the following objectives:

- i. The identification and understanding of key drivers which have influenced holiday travel by Irish residents in recent years, together with a robust analysis of the changes in demand trends and behaviour patterns of domestic tourists.
- ii. A detailed analysis of the distribution of domestic demand patterns at regional level, based on holiday bednights and compared to overseas demand in each region.
- iii. Identifying and projecting the key issues most likely to impact the domestic market performance in the short to medium term, including demographics and lifestyle trends; the projected economic environment; the competition for leisure time expenditure, travel destinations and experiences.
- iv. A series of conclusions and recommendations at strategic and tactical levels based on the analysis and the outlook for future demand.

1.4 Overview of Approach

TTC applied a systematic approach to the assignment as follows:



The report draws upon the following principal sources of data on the domestic market:

- **Central Statistics Office (CSO)**
 - Household Travel Survey
 - Overseas Travel Monthly
 - Tourism & Travel Quarterly
 - Tourism & Travel – Annual Review
- **Fáilte Ireland**
 - Domestic Market Research
 - Annual Hotel Review
 - Barometer Reports
 - Discover Ireland Advertising Research
 - Survey of Travellers

1.5 Structure of the Report

The Executive Summary provides an overview of the market together with presenting the key conclusions and a number of recommendations for consideration by the industry.

Chapter 2 provides an overview of the growth in travel by Irish residents over recent years as a contextual backdrop to the expansion of domestic tourism.

Chapter 3 examines in detail the performance trends and characteristics of the domestic travel market in Ireland over the period 2004-2008.

Chapter 4 analyses the relative importance of the domestic market within Ireland's tourism industry with particular reference to its value, regional distribution, seasonality and as a source of business for the hotel and other sectors.

Chapter 5 presents an overview of the marketing of domestic tourism.

Chapter 6 looks at the challenges ahead and sets out short to medium term scenarios.

1.6 Acknowledgements and Disclaimer

TTC wishes to acknowledge the guidance and support of ITIC's Steering Committee for this project, together with a range of stakeholders and partners in Ireland who gave willingly of their time, experience and insight.

TTC especially acknowledges the willing co-operation received from Fáilte Ireland in the provision and interpretation of data and the enthusiastic support provided by "Destination Westport" membership.

This report has been prepared by TTC – Tourism & Transport Consult Ltd. for the exclusive use of ITIC and its members/partners, in accordance with the terms of engagement.

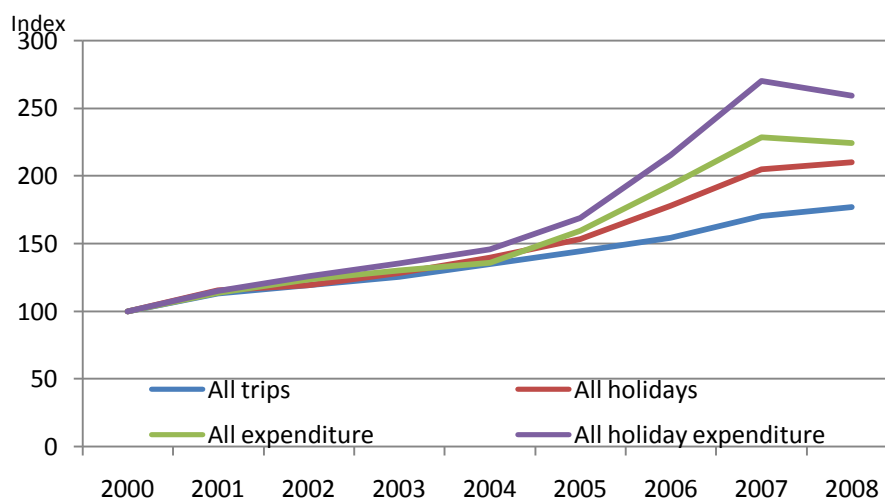
TTC – Tourism & Transport Consult Ltd. does not accept or assume any liability or duty of care for any other purpose for which this report may be used or in relation to any third party or other person(s) or organisation(s), who may read and/or rely on this report, save where expressly agreed in writing with TTC – Tourism & Transport Consult Ltd. The reader is therefore advised to seek their own professional advice before placing reliance upon the contents of this report. Furthermore this report has been produced subject to important qualifications, reservations and assumptions and, without prejudice to that set out above, it should be read in the context of those qualifications, reservations and assumptions.

2. THE RECENT BOOM IN THE IRISH TRAVEL MARKET – A REVIEW

2.1 An Overview

The Irish travel market has grown continuously over the recent past, expanding by double digit annual growth rates. Outbound travel grew at double the rate of growth experienced at the time in most other developed European economies. Expenditure by Irish residents on holiday travel has increased by almost 20% per year since 2000.

Fig. 2.1: Growth in Travel by Irish residents (all reasons) 2000-2008

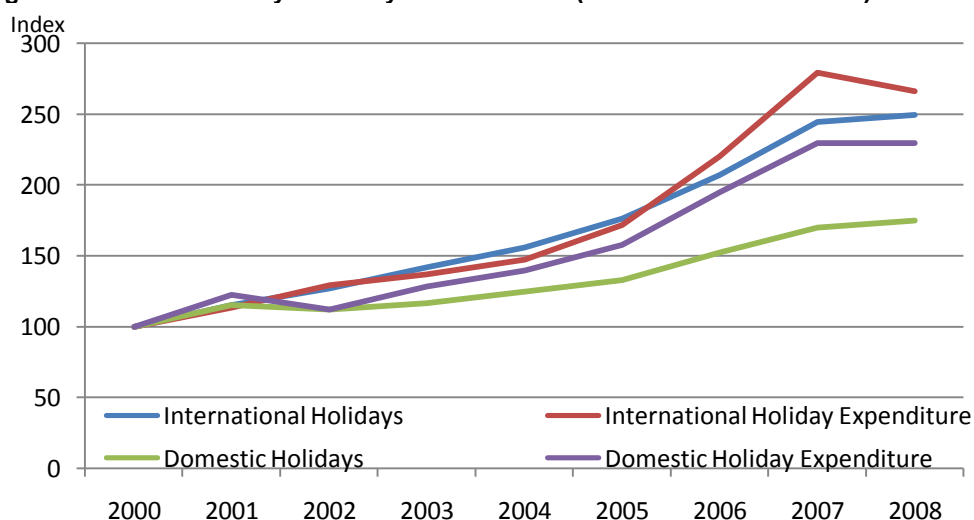


Source: CSO

Irish residents spent €8.7 billion on travel trips abroad and within Ireland in 2008, of which €6.3 billion was on holiday trips. **The total number of holiday trips in 2008 reached a record 9.9 million, of which 5.5 million were foreign holidays and 4.4 million domestic holidays.**

Domestic holidays in 2008 had a 44% share of all holiday trips and 16% of the corresponding expenditure. As growth in outbound holiday travel and expenditure has grown at a faster pace than growth in holiday breaks at home, the domestic share of the total has slipped in recent years. However, a small recovery in domestic share of trips and expenditure in 2008 arrested the recent decline.

Fig. 2.2: Growth in Holiday Travel by Irish residents (international & domestic) 2000-2008



Source: CSO

Table 201: Expenditure, Trips and Nights by Irish residents on domestic and international travel

	2004	2005	2006	2007	2008	% growth 08vs04	AAGR
<u>EXPENDITURE € million</u>							
DOM All trips	1,037	1,165	1,375	1,551	1,546	49%	12.27%
DOM Hols	625	707	873	1,028	1,028	64%	16.12%
INTL All trips ¹	4,258	5,044	6,135	7,345	7,187	69%	17.20%
INTL Hols ²	2,927	3,407	4,364	5,542	5,283	80%	20.12%
TOTAL All trips	5,295	6,209	7,510	8,896	8,733	65%	16.23%
TOTAL Hols	3,552	4,114	5,237	6,570	6,311	78%	19.42%
Trips: Dom % of Total	19.6%	18.8%	18.3%	17.4%	17.7%		
Hols: Dom % of Total	17.6%	17.2%	16.7%	15.6%	16.3%		
<u>TRIPS 000s</u>							
DOM All trips	7,001	7,173	7,310	7,942	8,339	19%	4.78%
DOM Hols	3,142	3,348	3,827	4,271	4,398	40%	9.99%
INTL All trips	5,465	6,189	6,981	7,830	8,042	47%	11.79%
INTL Hols	3,472	3,931	4,612	5,448	5,557	60%	15.01%
TOTAL All trips	12,466	13,362	14,291	15,772	16,381	31%	7.85%
TOTAL Hols	6,614	7,279	8,439	9,719	9,955	51%	12.63%
Trips: Dom % of Total	56.2%	53.7%	51.2%	50.4%	50.9%		
Hols: Dom % of Total	47.5%	46.0%	45.3%	43.9%	44.2%		
<u>NIGHTS 000s</u>							
DOM All trips	24,189	24,607	24,203	26,328	26,195	8%	2.07%
DOM Hols	13,506	13,676	14,374	16,359	15,654	16%	3.98%
INTL All trips	46,302	51,503	54,266	62,236	63,498	37%	9.28%
INTL Hols	33,692	36,714	38,884	47,019	46,229	37%	9.30%
TOTAL All trips	70,491	76,110	78,469	88,564	89,693	27%	6.81%
TOTAL Hols	47,198	50,390	53,258	63,378	61,883	31%	7.78%
Trips: Dom % of Total	34.3%	32.3%	30.8%	29.7%	29.2%		
Hols: Dom % of Total	28.6%	27.1%	27.0%	25.8%	25.3%		

Source: CSO Household Survey

¹ Expenditure on trips abroad includes spend on international fares² Expenditure on holidays abroad includes spend on international fares

2.2 Demand Trends within the Irish market for Holiday Travel

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

➤ Irish people taking more frequent and shorter trips

The universal experience of consumers in mature origin markets making more frequent, shorter trips has been clearly evident in the Irish market. The growth in demand for holiday trips at home has been predominantly for short breaks, while there has also been a shortening of foreign trips as overseas short breaks have grown in popularity.

Table 202: Profile of Holiday Trips taken by Irish Residents (15+ years) 2000-2006

	2000	2004	2006	AAGR
Total Holiday Trips (000s)	5,019	7,780	9,797	18.2%
Short Holidays (1-3 nights)	2,254	3,843	5,007	22.1%
Long Holidays (4 or more nights)	2,765	3,937	4,790	14.7%

Source: CSO

Market sources would suggest that the growth in demand has been driven more by an increase in the frequency or number of trips taken by consumers than by any significant expansion in the share of the population taking holidays away from home.

The average length of stay of a foreign holiday has fallen from 9.5 nights in 1998 to 8.5 nights last year. The change in composition of home holiday trips is, however, more apparent with the drop in average stay from 4.6 nights in 2000 to 3.6 nights last year.

The number of short holiday breaks taken by Irish consumers each year more than doubled between 2000 and 2006, while the number of longer holiday trips increased by 73% over the same period. However, home and overseas holidays each showed distinct growth patterns over the period.

The number of long holidays taken in Ireland has shown only little change in recent years, while the number of short breaks grew by 77% over 2000-2006.

In contrast, demand for both short and longer trips abroad more than doubled (+174%) with a more than sixfold increase (+641%) in the number of shorts breaks overseas per year while at the same time the number of longer holidays per year more than doubled (+123%).

By 2006, short holiday breaks accounted for over half of the aggregate demand, with over three out of every four domestic holiday trip being a short break compared to one in four overseas holiday trips.

Table 203: Short & Long Holiday Trips by Irish Residents (15+ years) 2000-2006

	Total (domestic & abroad)			Domestic (000s)			Abroad (000s)		
	Total	1-3 nights	4+ nights	Total	1-3 nights	4+ nights	Total	1-3 nights	4+ nights
2000	5,019	2,254	2,765	3,178	2,074	1,104	1,841	180	1,661
2004	7,780	3,843	3,937	4,145	3,067	1,078	3,635	776	2,859
2006	9,797	5,007	4,790	4,758	3,674	1,084	5,039	1,333	3,706
% growth	95.2%	122.1%	73.2%	49.7%	77.1%	-1.8%	173.7%	640.6%	123.1%

Source: CSO/Eurostat

➤ **The 'grey market' driving growth**

Over the 2004-2008 period, the number of trips taken within Ireland by those over 50 more than doubled (+118%). However, holiday travel grew at an even faster pace, increasing by 143% from 756,000 to 1,835,000 in 2008. As a result, the over 50s accounted for over two out of every five domestic holiday trips in 2008 compared to one in five in 2004.

Fig. 2.3: Age Profile of Irish Residents x Foreign Trips and Domestic Trips



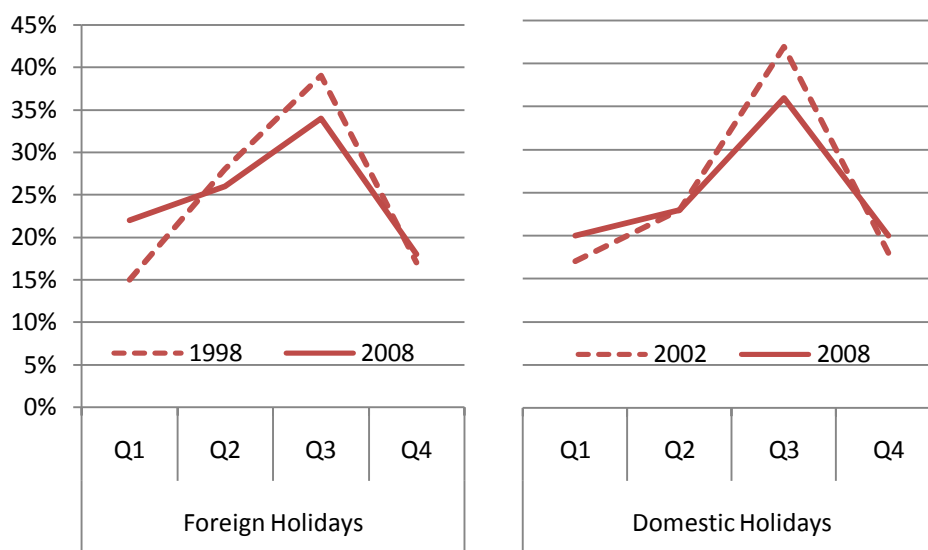
Source: CSO

➤ **Holiday trips spread throughout the year**

Another noticeable trend has been the growth in holiday travel outside of the traditional holiday periods as consumers increased the number of trips per year.

Ten years ago approximately two out of every five holiday trips were taken during the 3rd quarter (July-September). This has now shrunk to one in three with a corresponding increase in distribution of holiday trips at other times of the year.

Fig. 2.4: Seasonality of holiday trips taken by Irish residents – Domestic and International



Source: CSO

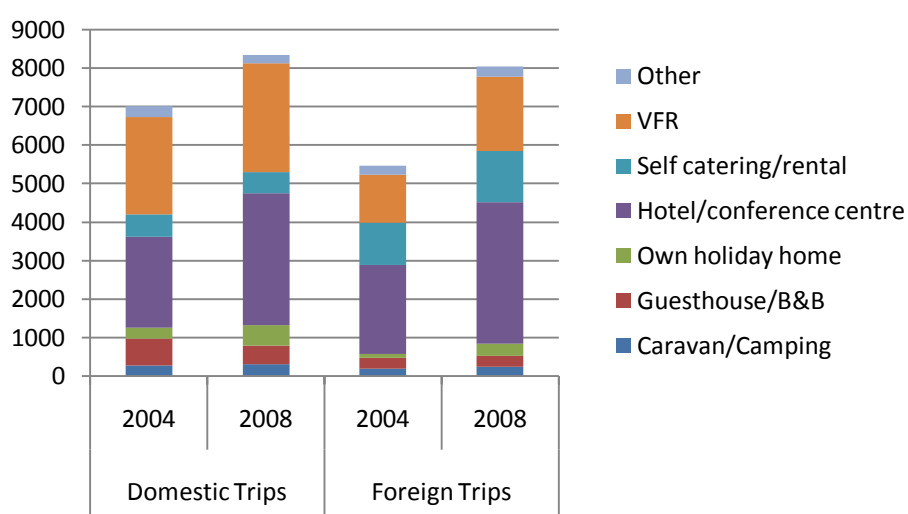
➤ Hotels grow in popularity and gain market share

There has been a continuous shift towards an increasing use of hotel accommodation for both foreign and domestic trips.

46% of foreign trips and 41% of domestic trips in 2008 used hotel accommodation, compared to 42% and 34% respectively in 2004.

34% of nights spent abroad (up from 31% in 2004) and 29% of domestic nights spent away from home (up from 24% in 2004) are now spent in hotels. The usage of hotel accommodation is even higher amongst holiday travellers.

Fig. 2.5: Accommodation used on trips home and abroad



Source: CSO

Staying with friends and relatives continues to account for a sizeable share of the market – approximately a quarter of foreign trips and one third of domestic trips. The overall market share has shown little change in recent years.

Guesthouses and B&Bs have declined in popularity as demand shifts to hotels and other accommodations.

While holiday home ownership in Ireland and abroad is a relatively small share of the market, it has grown noticeably in recent years. Approximately 6% of domestic trips and 4% of overseas trips are to second homes – up from 4% and 2% five years ago.

Self-catering accommodations appear to have lost share in recent years for both domestic and foreign trips, while camping and caravanning has held its share of the domestic market but lost share of overseas trips.

2.3 The Dynamics of the Market in Recent Years

The drivers of the growth in demand for travel over the past 15 year period have been primarily economic prosperity within a growing population base coupled with supply side factors such as the expansion of the range of affordable holiday options, cheaper airfares, and aggressive marketing.

➤ Economic Drivers of Growth

1995-2000 was a period of robust economic growth averaging 9% over the period 1995-2000, with exports continuing to drive growth while the economy also benefitted from a rise in consumer spending and recovery in both construction and business investment. Between 2000 and 2007 the Irish economy continued to grow at an average annual rate of close to 9% in current terms.

In 2008, Ireland had the second highest GDP per capita within the EU, expressed in terms of purchasing power standards. GDP per capita in Ireland had increased from 42% above the EU 27 average in 2004 to 50.2% above in 2007, before falling back to 2004 levels. The pattern of GNI per capita in Ireland is similar - it rose from 21.8% above the EU 27 average in 2004 to 27.7 % above in 2007, falling back to 21.5% in 2008.

Table 204: Ireland: GDP and GNI 1999-2008

Year	€b	€b	%	€000
	GDP	GNI**	GNI as % of GDP	GNI at constant 2007 prices per capita
1999	90.4	77.8	86.1	28.8
2000	104.8	90.3	86.2	31.1
2001	116.9	98.8	84.5	31.8
2002	130.3	108.1	83.0	32.3
2003	139.8	119.5	85.5	33.5
2004	149.1	127.7	85.6	34.3
2005	162.1	139.0	85.8	35.5
2006	176.8	153.8	87.0	36.8
2007	189.8	162.5	85.6	37.4
2008*	181.8	155.9	85.8	35.8

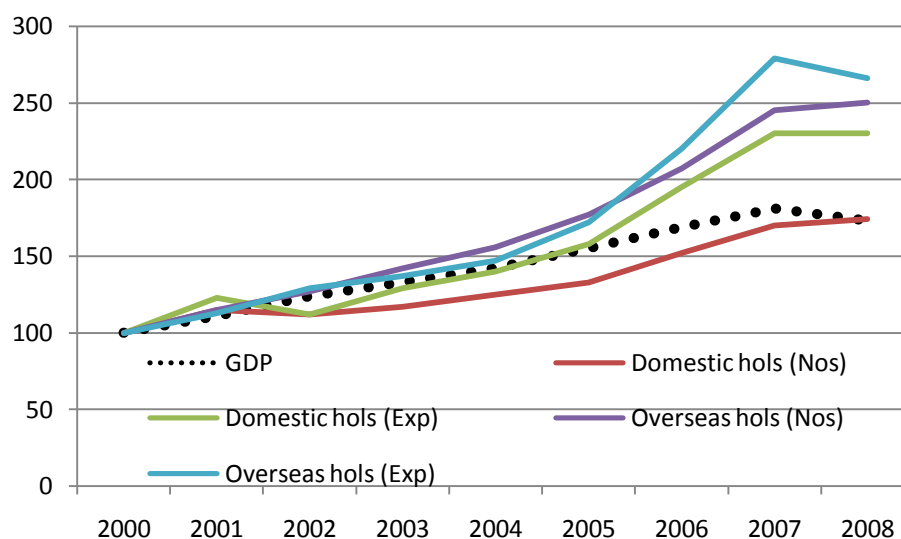
Source: CSO National Accounts

* Preliminary data

** Gross National Income (GNI) is conceptually equal to Gross National Product (GNP) plus EU subsidies less EU taxes.

The economic highs and lows are captured most graphically in employment data. Unemployment, which fell to a historic low of 3.6% in 2001, jumped to 5.2% by 2008, still well below the EU average of 7%. The employment rate for women in Ireland rose by over 9 percentage points to 60.5% over the period 1999-2008, compared with an increase of just 2 percentage points for men.

Productivity in Ireland, measured as GDP per person employed, was the second highest in the EU 27 in 2008.

Fig. 2.6: Rate of growth in travel by Irish residents compared to growth in GDP 2000-2008

Source: CSO

The rate of increase in overseas holidays (trips and expenditure) outpaced the rate of growth in the economy over the period 2000 to 2007. Growth in expenditure on home holidays suffered a setback in 2001/2002 as a result of Foot and Mouth Disease but recovered to broadly mirror the growth in the economy, although the growth in the number of trips was less marked resulting in a higher average spend per trip.

The downturn in the economy is mirrored by an immediate downturn in expenditure in overseas holiday trips in 2008 and a stabilising of expenditure on home holiday trips.

Indications from research in markets suggests that growth in discretionary holiday travel tends to outpace economic growth in good times, but falls more sharply in times of recession and lags economic recovery.

➤ **Demographic & Lifestyle Factors**

The population in Ireland increased by 18.2%, or by over 600,000, to 4.42 million persons in the period 1999-2008, the highest rate of increase in the EU.

The rate of natural increase of the population in Ireland at 9.8 per 1,000 continues to be higher than the average when compared to 1.0 per 1,000 in the EU. More significantly from a travel demand perspective has been the level of net migration into Ireland in each year in the period 1999-2008, increasing from 17,300 in 1999 to 71,800 in 2006 before decreasing to 38,500 in 2008.

The age profile of the population has also changed significantly since 2000 as the population ages:

- One in three people in Ireland is now age 45 or older, an increase of just under a quarter of a million people in this age group which now numbers 1.46 million;
- The 25-44 age cohort has grown by almost 330,000 to 1.44 million and now account for one in three of the population;
- The proportion of the population aged between 15 – 24 years has declined from 17% to 14% numbering just over 600,000.

While the gap between the disposable income levels in the Southern and Eastern region compared to the Border, Midland and Western region has narrowed, there is still a marked variance with the former being 3% above the national average while the latter 8.3% below. The Dublin region had the highest disposable income per person, being 12.3% above the national average in 2006, while the disposable income per person of the Midland region, the lowest of the eight regions, was at 9.4% below the national average.

Education has been shown to be a driver of demand for travel. The Irish population has become better educated with 42.3% of the population aged 25-34 in 2008 having completed 3rd level education, the second highest rate across the EU and well above the EU average of 30.3%. More than 88% of persons aged 20-24 had completed second level education or higher. Women of all ages in Ireland tend to be better educated, perhaps a contributing factor to the female bias apparent in Irish travel demand. Between 2000 and 2008, the proportion of females aged 25-34 in Ireland with 3rd level education rose from 30.5% to 49.9%.

A number of other characteristics of the Irish population which may have impacted demand for travel across various strata of Irish society include:

- With the growth in the internet as a source of travel information and reservations, 62% of all private households in Ireland had a computer connected to the internet in 2008, up from 57% in 2007 and compared with only 5% in 1998. (Ireland's rate of connectivity ranked 10th in EU, with the Netherlands top at 86%).
- The number of private cars per 1,000 population aged 15 and over in Ireland has risen from 445 in 2000 to 545 in 2007, thereby increasing mobility and also a measure of economic prosperity.
- Changes in the composition of households and family formation are also reflected in the patterns of demand for travel. For example, the number of lone parent families whose youngest child was less than 20 increased by nearly 50% between 1999 and 2008.

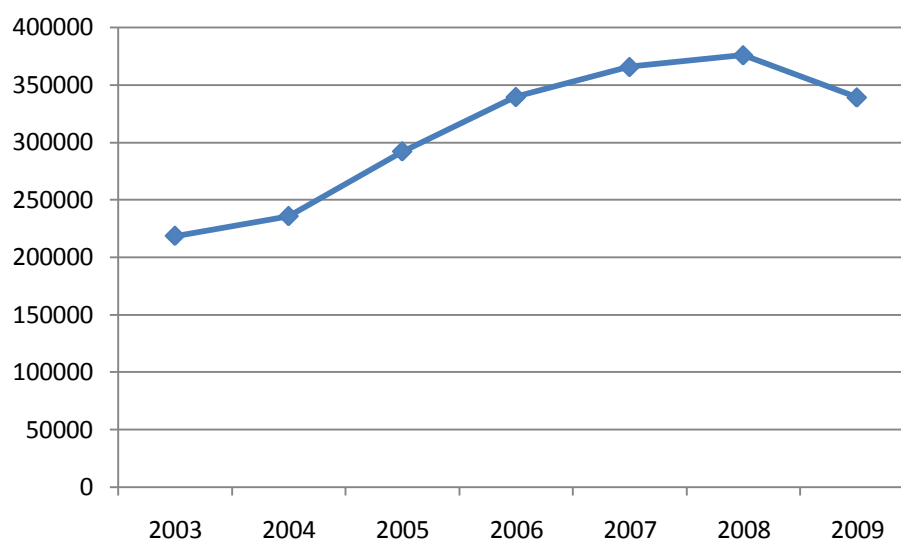
➤ Increased Airlift and Cheaper Fares

The revolution of cheaper airfares, more destinations served by scheduled airlines and more routes from regional airports within Ireland has undoubtedly been a major factor in the growth of outbound travel.

The consumer choice and value spectrum expanded considerably as the real cost of air travel declined and the range of destinations and trip options increased with more scheduled services, including some replacing former charter services to sun and ski resorts. For example, 152 city pair routes connected Ireland with mainland Europe in 2008, up from 44 routes in 2003, while the number of city pair routes between the US and Ireland increased from 11 to 14 over the same period. Last year air services from Ireland operated on 79 routes serving 29 British airports.

Summer capacity on air services peaked in 2008 with 376,000 seats per week available on routes from Ireland, a 72% increase on five years earlier. 2009 saw a contraction of approximately 10% in capacity with further reductions expected in the short term. Ryanair and Aer Lingus are by far the dominant airlines, combined they provide around 80% of the capacity.

Fig. 2.7: Summer Scheduled Air Service Capacity from Ireland (available seats per week on departures)



Source: OAG/TTC Database

While ferry services to/from Ireland have changed little in recent years, fares have come down thanks to a range of promotional offers to attract tourist car traffic.

➤ **Destination Competitiveness**

Ireland's harmonised competitiveness, based on consumer prices, has gradually disimproved over the period 1999-2008, mainly due to a higher cost base, inflation and an appreciating euro.

Over the past decade, Ireland has become considerably more expensive and since 2002 our price levels for final consumption by private households have been about 25% above the EU average. Ireland had the second highest price levels among EU countries, after Denmark, in 2007 and 2008, this despite rising unemployment and debt last year.

Appreciation of the euro against other major currencies has helped to make some destinations outside of Ireland at times more attractive for holidays. The attractiveness of the US has been boosted as the euro appreciated significantly against the US dollar in 2002-2004 and again in 2008. While the relationship between the euro and the pound sterling was stable between 1999 and 2007, a sharp rise in the euro against sterling in 2008 and 2009 has made Britain more attractive to the euro spending visitor.

➤ **More Aggressive Marketing**

Over the past decade there has been increased marketing of holidays and short breaks by destinations, carriers, product providers and other intermediaries. This has been evident in above the line media advertising complemented by widescale publicity across all media and promotions. The positioning of holiday travel has been firmly linked to lifestyle values.

The increased competition has broadened the range of options open to the Irish consumer and in most instances has provided a better value proposition.

The increasing internet penetration and the growth in use of the web, as a source of travel information and a reservation facility, greatly helped to facilitate the growth in holiday travel.

➤ **Expanded range and quality of product offering**

Both the quality and range of holiday travel options have improved over the past decade, perhaps most noticeably in the home market, particularly as the range of resorts and hotel facilities improved following substantial levels of investment in private sector facilities and in public sector infrastructure.

The new Irish holiday offering including activity holidays, spa short breaks and events was attuned to the growing sophistication of the Irish holiday traveller and an increasing expectation of quality experiences, in many instances based on previous overseas experiences.

2.4 The Current Downturn

There is substantial evidence emerging that the reduction in consumer spending by Irish residents due to the current recession and increased taxation is impacting demand for travel.

Recession has reduced the number of holiday trips taken in 2008 and 2009.

Overseas Travel

After several years of continuous year on year growth by month, outbound travel demand slowed in the last four months of 2008. However, the total number of trips for the year for all purposes and for holidays was 2.7% and 2% higher than the previous year, due to growth in the early part of the year. Expenditure abroad by Irish residents in 2008 at €6.6 billion was 7% ahead of 2007.

The number of trips abroad from September to year end was 4% below the same period in 2007, with only marginal declines in most months, finishing with a 13% drop in December outbound traffic.

In the first half of 2009, Irish residents have made an estimated 2.1 million holiday trips abroad, a 19% decline, or half a million fewer holidays, compared to the same period in 2008.

Irish residents spent €500 million less on holiday trips abroad in the first half of 2009, a 21% drop in spending to €1,191 million, on almost 18% fewer nights spent abroad.

The outlook as reported by carriers and other intermediaries would suggest that the total demand volume for 2009 will be down in the order of 10%, with holidays, particularly short breaks, showing a slightly deeper decline. Carriers and tour operators reported a sharp drop in demand for high-end short trips, including ski trips, in the first half of the year.

Capacity on scheduled air services in summer 2009 was approximately 10% below the previous year, while winter capacity is down 18% from a year ago. Outbound inclusive tour operators report a marked fall-off in demand with up to 35% fewer charter seats on offer. Most carriers and operators anticipate a sharp drop in the number of short break holiday trips in the latter half of the year.

Domestic Travel

2008 saw a slowing of growth in the number of all domestic travel trips and holiday trips, with increases of 5% and 3% respectively. Perhaps more telling, expenditure was almost unchanged from the previous year.

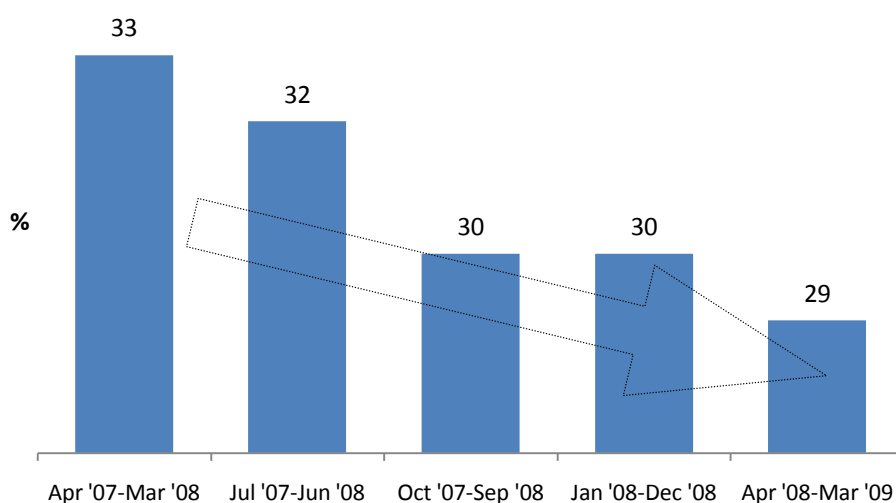
The growth in demand in 2008 showed no change on the previous year. The number of nights spent on holiday was down 4% or approximately 700,000 fewer nights away from home, as the average length of trip in the second half of the year declined. The over 50s appear to have been the more buoyant age segment of the market with the number of holiday trips increasing by 4% compared to little or no growth in the volume of holiday trips taken by other age cohorts.

The latest official statistics available³ covering the period January-June report a 2% increase in total number of domestic travel trips for all purposes, with a 6% drop in corresponding expenditure. However, holiday travel was down by 10%, with a 15% decline in expenditure.

The number of nights spent away from home on holiday in Ireland over the period was down 11%.

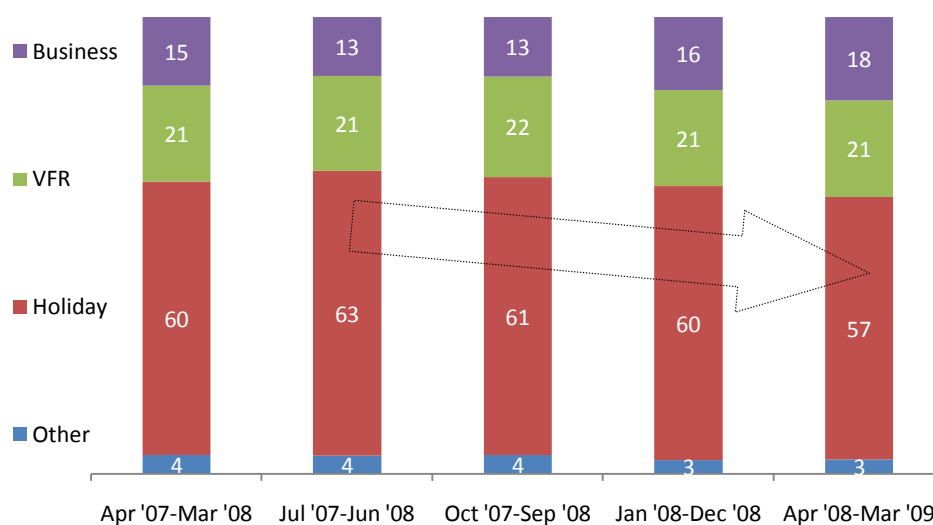
Tracking research conducted for Fáilte Ireland shows a decline in the incidence of taking a trip away from home in Ireland and also a decline in holiday trips within the overall market for domestic travel.

Fig. 2.8: Declining Incidence of Taking an Overnight Trip in ROI



Source: Fáilte Ireland's Home Holidays Quarterly Tracking Survey (TNS/MRBI)

³ CSO Household Travel Survey Q2 2009 (published 5th November 2009)

Fig. 2.9: Within all overnight trips, share of holiday trips declining

Source: Fáilte Ireland's Home Holidays Quarterly Tracking Survey (TNS/MRBI)

Anecdotal reports would indicate a definite slowing of demand for domestic holiday trips. Hotels particularly report very keen price competition, in many cases at unsustainable rates, due to excess capacity and an ever more aggressive price sensitive Irish consumer. The continuing fall in expenditure on accommodation is borne out in recent research for Fáilte Ireland.

Table 205: Average spend on accommodation continues to fall

	Total	Accommodation	Food/drink	Shopping	Entertainment	Transport
Average spend per trip*						
Apr '08-Mar '09	€759	€337	€226	€187	€120	€68
Jan '08-Dec '08	€759	€344	€219	€192	€119	€69
Oct '07-Sep '08	€754	€364	€208	€190	€118	€69
Jul '07-Jun '08	€788	€385	€230	€195	€118	€70
Apr '07-Mar '08	€741	€350	€222	€191	€116	€72

Source: Fáilte Ireland's Home Holidays Quarterly Tracking Survey (TNS/MRBI)

* Average spend is based only on those who spent in each category. Respondents who did not spend in the category are excluded in calculation.

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

3. THE DOMESTIC TRAVEL MARKET – AN ANALYSIS

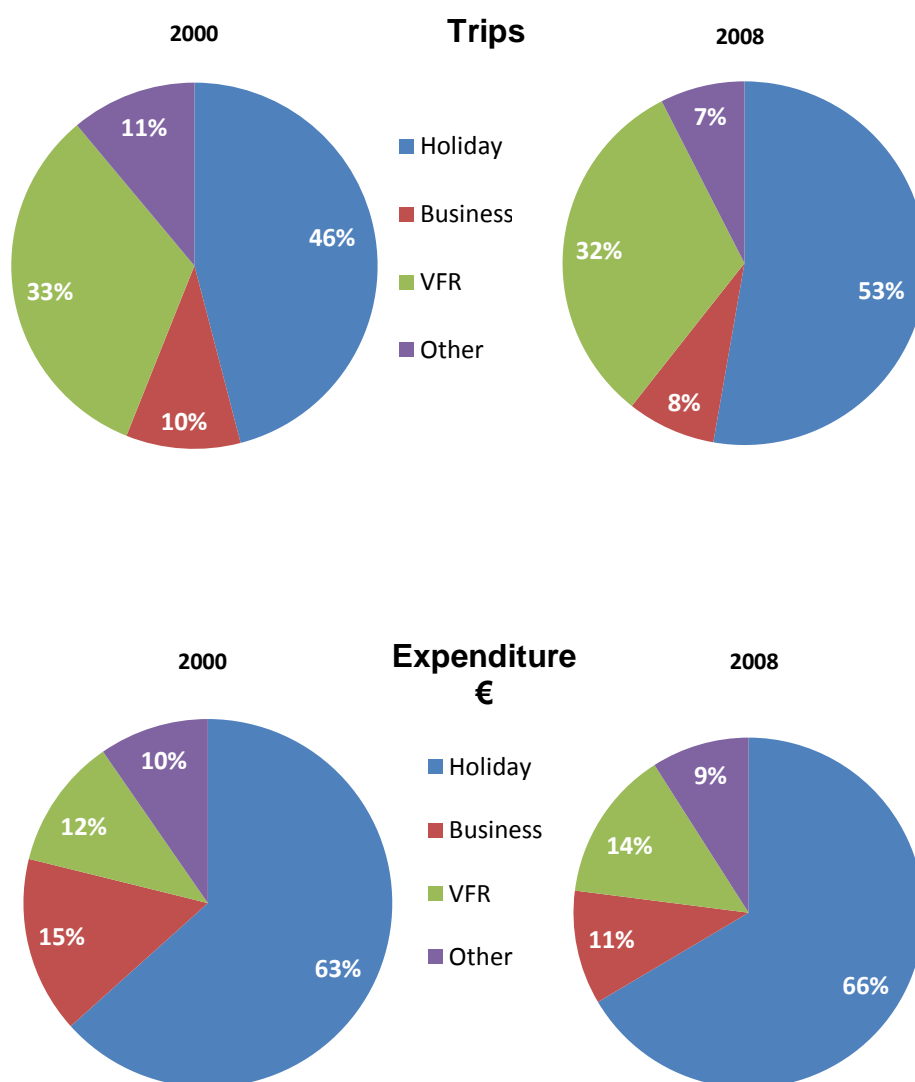
3.1 The Size, Value and Composition of Domestic Travel in Ireland

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.

Since 2000, the domestic travel market has grown in volume by 52% to 8.34 million trips for all purposes.

In each of the past two years Irish residents have spent an estimated 26 million nights away from home within Ireland.

Fig 3.1: The Domestic Travel Market



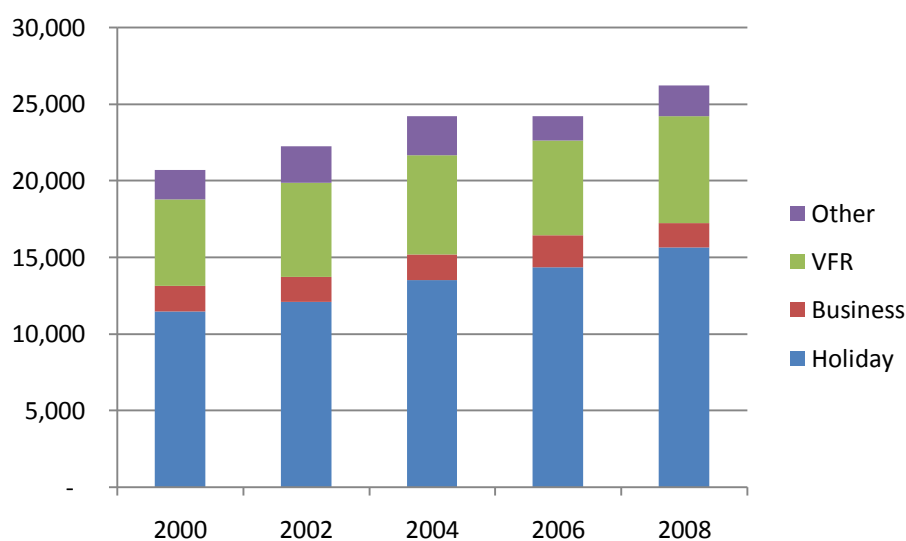
Source: Fáilte Ireland

Just over half (53%) of all domestic trips are for holidays. Over the period 2000-2008 there has been a 74% increase in the number of holiday trips with 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 last year. Expenditure on domestic holiday trips was €1,028 million in 2008 and 2007.

Visiting friends and relatives (VFR) is the second most popular reason for taking a trip within Ireland, accounting for about one third of trips – 2.66 million trips last year, spending almost 7 million nights away from home. Expenditure associated with these trips is estimated at €216 million in 2008.

Domestic travel for business reasons appears to have peaked at just over three quarters of a million trips in 2005 and 2006, falling back to 658,000 in 2008 and accounting for 8% of all trips.

Fig. 3.2: Domestic Travel – Number of Nights (000s)



Source: CSO/Fáilte Ireland

The average length of trip has been in steady decline from 3.8 nights in 2000 to 3.1 nights last year, as the popularity of short breaks increased.

However, the average daily expenditure by home holiday takers has increased steadily to €65.7 last year, compared to an average €31 spent by those visiting friends and relatives. While, as expected, business travellers have a higher daily spend of €103.50 last year, it was down from €109 in each of the preceding two years as businesses cut costs.

Table 301: Average Daily Expenditure on trips within Ireland 2000-2008 (€ in current terms)

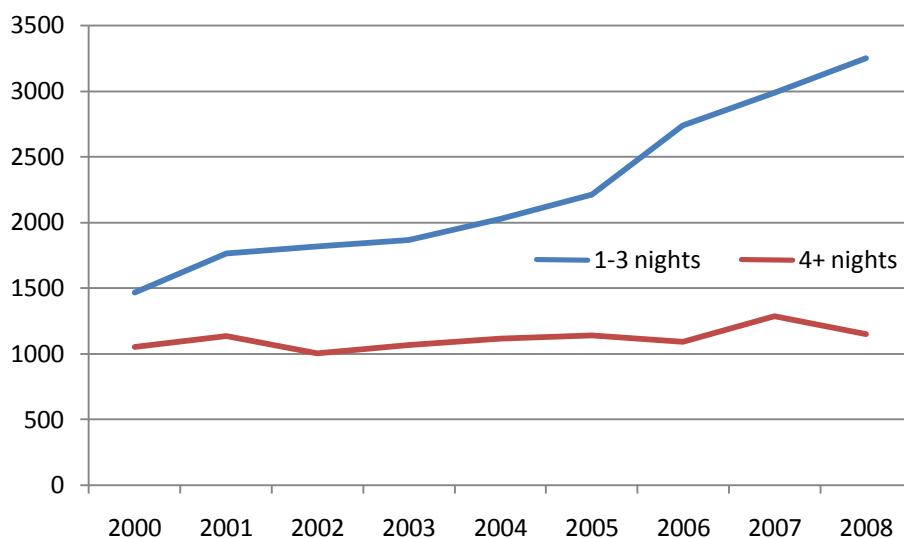
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Holiday	39.0	41.6	41.5	44.3	46.3	51.7	60.7	62.8	65.7
Business	65.5	84.0	93.6	88.1	97.6	95.4	109.3	109.6	103.5
VFR	14.4	14.9	15.9	17.5	18.7	21.8	29.5	33.3	31.0
Other	35.5	39.6	41.2	53.4	50.7	52.4	59.1	67.7	69.8
Average	34.1	37.9	38.2	41.1	42.9	47.3	56.8	58.9	59.0

Source: CSO

3.2 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. 3.3: Irish domestic holiday trips 2000-2008 (000s)



Source: CSO

Expenditure on short breaks has grown more than threefold since 2000 to almost €600 million last year. In addition, Irish residents spent €429 million on longer holidays in Ireland last year.

Table 302: Expenditure on Domestic Holidays (€ million)

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

Source: CSO

Holiday nights had grown significantly in 2006 and 2007, due primarily to a decline in longer holidays of 4+ nights. The number of nights spent away from home on holiday trips last year was 15.65 million, a 4% decline on the previous year.

Table 303: Holiday Nights

	2003	2004	2005	2006	2007	2008
(000s)	13,001	13,508	13,675	14,375	16,360	15,654

Source: CSO

3.3 Home Holiday Destinations

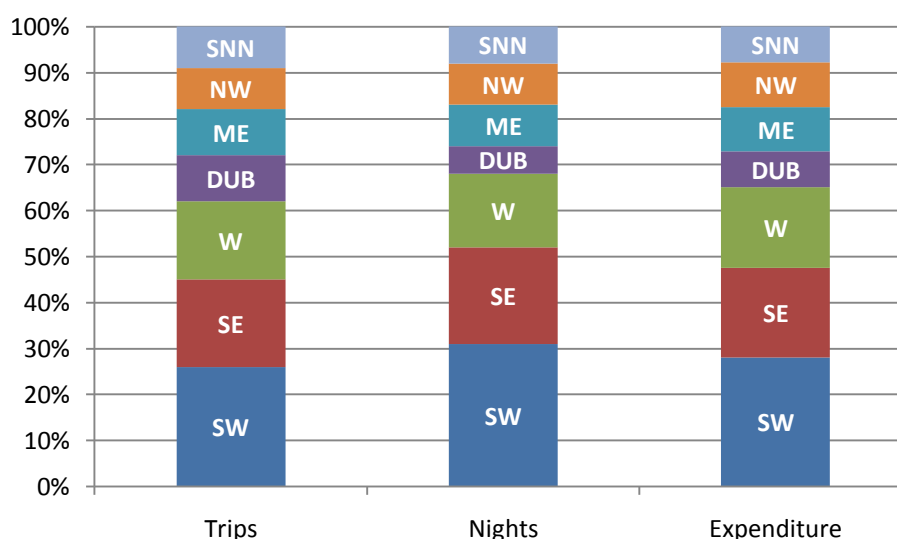
The Cork/Kerry region is the most popular destination for home holidays, attracting just over one in four holiday trips and capturing approximately 30% of the total nights and expenditure on domestic holidays. The region has consistently maintained its lead share position over the past decade, and would appear to capture above average expenditure per trip.

The South East is the next most popular region, attracting approximately 20% of holiday trips and expenditure.

The West is the third most popular destination with approximately 17% share of home holiday trips, nights and expenditure.

Dublin and Midlands East regions have been gaining share of the domestic holiday market in recent years. Last year 10% of holiday trips were to the capital but were typically of shorter duration than the average resulting in the city earning 8% of the domestic holiday spend. Currently the neighbouring region has a 10% market share of holiday trips and expenditure. **The North West** region is the destination of choice for 9% of domestic holiday trips, earning 10% of revenue, while the **Shannon** region captures 9% share of trips and 8% of revenue – a share which has been slipping in recent years.

Fig. 3.4: Destination Regions for Domestic Holidays



Source: CSO

Table 304: Holiday Expenditure by Region 2000-2008 (€m)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Dublin	19.2	21.1	26.0	29.5	30.7	56.3	74.5	83.7	82.9
South East	78.3	102.6	96.7	99.1	110.2	134.2	150.8	182.6	201.1
South West	129.9	150.4	139.2	158.2	176.3	194.1	252.0	312.7	293.7
Shannon	50.0	70.1	56.8	66.9	64.5	61.0	77.8	87.6	78.1
West	110.1	133.2	117.0	133.7	149.6	156.3	185.3	182.0	183.4
North West	35.6	44.1	12.5	44.4	49.2	53.1	57.1	81.7	85.6
Midlands East	24.6	28.2	53.4	44.1	44.4	51.8	75.1	97.8	103.3
Total	447.7	549.7	501.6	575.9	624.9	706.8	872.6	1,028.1	1,028.1

Source: CSO

3.4 Motivations & Appeals of Home v Foreign Holidays

While the range of motivations for a holiday trip within Ireland broadly reflect those of any holiday, including relaxation; away from everyday routine; engage in activity or pastime; enjoyment/'craic'; romantic getaway; personal fulfilment; etc. – foreign holidays are additionally motivated by factors such as sun, foreign culture and cuisine, different scenery, and skiing.

The primary motivations for a break or holiday in Ireland vary by life stage and can also differ between trips.

There are a number of identified perceived advantages of a holiday in Ireland compared to a trip abroad⁴.

Currently the most frequently quoted advantage of holidaying in Ireland is the avoidance of the inconvenience or hassle of international travel particularly at airports, which in recent research was identified by one in three respondents. Ireland also scores highly as being perceived as having 'lots of things to see and do' together with the expectation of a 'friendly people' experience. Other perceived advantages of a domestic holiday include scenery, although this would appear to be lessening in perceived value; the avoidance of foreign food; and more recently an increasing incidence citing good value or 'less expensive than abroad'. Other factors of importance to a relatively smaller share of the market include the absence of language difficulties, familiarity and proximity.

The top perceived disadvantage of a home holiday is 'weather' – perceptions associated with rain, uncertainty and cold – mentioned by almost two out of every three Irish respondents. The expense of guest accommodation and food is the next most mentioned negative perception associated with home holidays – a negative factor for two out of five. However, tracking research over the past year would indicate that this negative perception is lessening – a year ago almost three out of five perceived a home holiday to be more expensive than one abroad. Other perceived negatives of lesser significance in the market include the perception that elements other than accommodation and food would be more expensive; familiarity and absence of novelty; poor transport connections; and unfriendly or poor service.

⁴ Based on results from Fáilte Ireland's Home Holidays Quarterly Tracking Survey (TNS/MRBI)

3.5 Activities Engaged in on Domestic Holidays

In common with other source markets, the Irish holiday taker is becoming more active in recreational sporting activities or in pursuing an interest or hobby as an integral component of the holiday experience. In some cases the activity or hobby interest are the determining factor in the selection of the destination and type of holiday. An estimated 3 out of every 4 home holidays claim to engage in some specific activity while on holiday.

Visiting places of cultural interest – heritage sites, museums, art galleries, interpretative centres, etc. - is the No.1 activity engaged in by Irish home holiday takers, followed by visits to National Parks, while visiting gardens is also a popular holiday activity.

Outdoor activities such as water-based leisure sports, hiking and walking are becoming increasingly popular as holiday or leisure pursuits, with upwards of one in four taking part.

Spa visits, not surprisingly, are also on the increase with at least one in four experiencing pampering as an integral part of a holiday in Ireland.

Specific activities such as golf, cycling, fishing, horse riding and horse races are each engaged in by between 5% and 10% of the market.

Events – both cultural and sporting – are reported to be increasing in importance as motivators for short breaks.

Table 305: Activities Engaged in by Domestic Holidaymakers 2008 (%)

2008	%
National Parks	26
Watersports	26
Houses/Castles	25
Hiking/walking	25
Visits to a spa	24
Gardens	20
Heritage/Interpretive centres	15
Museums/Art galleries	14
Golf	11
Angling	6
Cycling	6
Equestrian pursuits	4

Source: Fáilte Ireland

3.6 Some Changing Characteristics of the Domestic Holidaytaker

➤ Age profile

Perhaps the most striking change in the profile of home holidaytakers has been the significant shift in the composition of the demand by age.

In recent years the relative importance of the over 50 year old cohort as a source of domestic holiday trips has increased significantly, from 24% in 2004 to an average of 42% share of market in each of the past two years.

This most likely reflects the rapid increase in short breaks taken by those with the financial capacity and the availability of leisure time within the 'grey age' cohort. In effect, the number of trips taken by 50-59 year olds more than doubled within the past 4 years, together with a doubling of trips by 60-69 year olds.

In contrast the twenty something cohort has shown little or no growth in recent years, generating just over a quarter of a million trips per year, having peaked in the earlier years of the decade.

The number of trips taken by the over 40s has grown while those in their 30s, typically at the family with children life-stage, appear to be taking fewer home holiday trips.

Table 306: Age Profile of Domestic Holidaytakers (% share)

%	2000	2001	2002	2003	2004	2005	2006	2007	2008
0-14	24.3	24.7	23.5	22.2	24.9	23.5	21.6	17.3	17.7
15-19	3.9	3.7	4.4	4.7	3.9	3.4	4.6	4.6	4.7
20-29	9.8	9.3	10.4	9.8	7.8	8.0	7.1	6.5	5.8
30-39	18.4	20.5	20.0	19.1	18.9	18.2	13.2	9.4	9.0
40-49	17.7	20.5	19.6	18.8	20.5	20.6	21.7	19.1	21.1
50-59	13.0	10.9	10.8	12.2	10.1	11.6	14.2	20.5	20.4
60-69	8.2	6.3	6.7	8.4	8.2	8.8	11.0	14.7	13.8
70+	4.7	4.0	4.5	4.8	5.7	6.0	6.6	7.7	7.5
Total	2,518	2,899	2,819	2,935	3,143	3,347	3,827	4,272	4,397

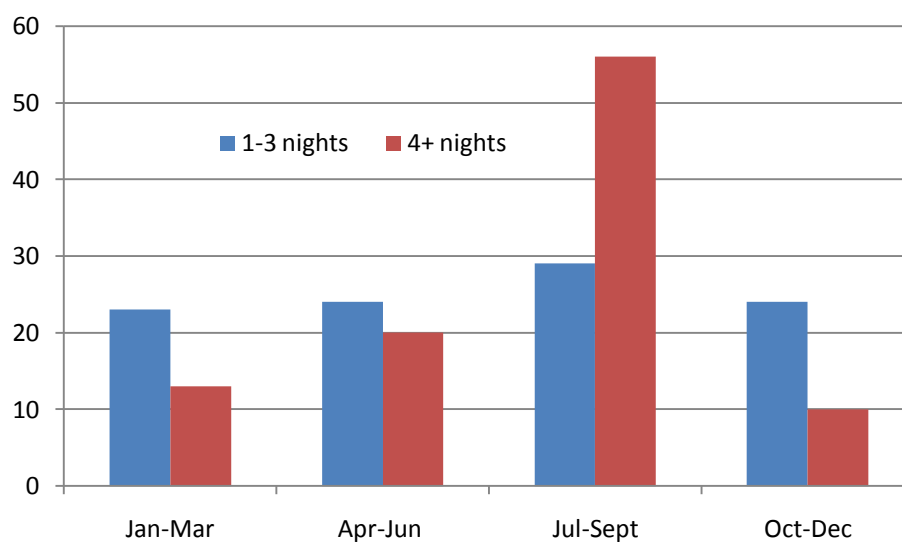
Source: CSO

➤ Seasonality

The rapid growth in short breaks has resulted in a better spread of demand throughout the year. This is an important contributor to the sustainability of year round trading for many businesses within the sector, especially outside of Dublin, as it complements a more peaked pattern of holiday demand from Ireland's overseas markets.

Demand for short breaks is now almost equally distributed across the seasons, with only a slight peaking of demand in the summer months. This compares with 56% of longer holidays being taken in the July-September period.

Fig. 3.5: Seasonality of Holidaymakers (%) by length of stay 2008



Source: CSO

➤ **Changing tastes in holiday accommodation**

Hotels have been the principal winners in the growth of domestic holiday trips. In 2008 35% of holiday nights away from home were spent in hotels, generating a total of 5.5 million bednights for hotels. The hotel sector's share has more than doubled from its 15% share in 2000.

The hotel sector's 35% penetration of the domestic holiday market contrasts with its 14% share of bednights of overseas holiday visitors to Ireland.

Hotels have been the beneficiary of more than 90% of the growth in home holiday nights since 2000, mainly short breaks. The average length of a home holiday hotel stay was 2.4 nights last year.

The shift in demand for hotel accommodation is the result of a combination of demand and supply factors including the growth in more frequent short trips, an ageing market, and not least the significant expansion and quality improvements in Irish hotels together with competitively priced value offerings.

Table 307: Accommodation Bednights Domestic Holidaytakers (%)

	2003	2004	2005	2006	2007	2008
Hotels	30	29	31	32	33	35
Guesthouses/B&Bs	8	7	7	6	5	4
Caravan/camping	13	11	10	11	12	12
Rented	23	23	22	19	19	17
Holiday home	10	14	14	15	16	18
Friends/relatives	11	13	11	14	11	11
Other	4	4	4	3	4	3

Source: CSO

While demand for hotels increased, other categories of paid serviced accommodation like guesthouses and B&Bs saw their share of market contract sharply over recent years as they struggle to compete with very keenly priced new budget hotel accommodations.

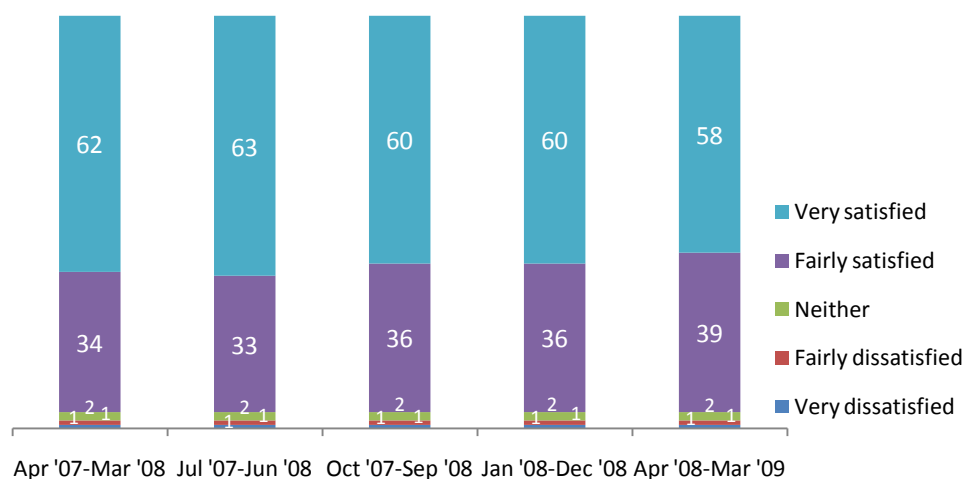
An increasing number of Irish people have purchased holiday homes over the past decade, which now account for 18% share of total home holiday nights.

Holiday rental accommodations have also lost share with the changing pattern and profile of home holiday takers, while camping and caravanning would appear to be just about holding share.

3.7 Satisfaction Rating of Home Holidays

The overwhelming majority of home holiday takers express themselves satisfied with the experience, with less than 5% expressing dissatisfaction. For almost three out of every five home holiday takers the experience has been 'very satisfying', with a further approximately one in three being 'fairly satisfied', within the past two years.

Fig. 3.6: Overall satisfaction with most recent holiday



Source: Fáilte Ireland's Home Holidays Quarterly Tracking Survey (TNS/MRBI)

Satisfaction with the paid accommodation used on recent holidays varied across the range of categories, with overall quality scoring higher than the price/value rating. Overall 72% of holiday takers were very satisfied with the quality of their accommodation, while 59% considered the value very satisfying.

- Hotel guests: 75% rated the overall quality as very satisfactory, with 54% giving hotels a very good rating on cost.
- Guesthouse/B&Bs: 61% rated the overall experience as very good, with the value scoring highly with 58%.
- Budget Accommodations: two out of three rated the quality experience very highly, while 53% rated the value/cost highly.

Eating out on holiday was rated highly by almost two out of every three on overall quality, while only 40% rated the price/value experience highly. Hotel restaurants tended to score higher than other categories of restaurants on both quality and value, while pubs and budget restaurants tended to score least well on each aspect.

Activities get a mixed report card.

- Hiking, walking, cycling and National Parks score highly on both counts of quality and cost/value (remembering that many are provided at no cost to the consumer), while fishing scores least well – below par on quality and cost/value.
- Golf, horse racing and spas, while scoring relatively high on quality, do not appear to deliver good value satisfaction, with particular criticism of the cost of golf.
- Water sports, horse riding, cultural and garden visits, while rated reasonably highly on quality, score less well on the cost/value factor.

3.8 Sources of Information and Preferred Booking Channels

The internet has become the new 'word of mouth' influencing holiday decisions. It is now the top source of information used by Irish home holidaytakers, growing steadily from 50% usage in 2006 to 58% in 2008.

For those who used the internet as a source of information (of whom 70% could recall the specific sites used), Google was the top site used (23%) followed by specific hotel or other accommodation sites (12%). Fáilte Ireland sites were used by a similar share of holidaytakers (12%), with Tripadvisor the next most frequently referenced site (9%). A range of other sites were also used by domestic holidaytakers, including Hotels.com; Yahoo; Irelandhotels.com; SuperValueGetawayBreaks.com and HolidaysinIreland.com together with other unnamed sites.

DiscoverIreland.ie would appear to be gaining in usage amongst those who used the internet.

Table 308: Information sources used when planning most recent holiday (%)

	Apr '07- Mar '08	Apr '08- Mar '09
Internet	50	56
Recommendations-friends/family	50	46
Brochures	21	24
Accommodation provider	17	16
Tourism Office/Fáilte Ireland	12	13
Previous experience/been before	15	10
Guidebook	9	10
Newspaper/local newspaper	2	2
Travel agent	2	2
Other	4	4
Nothing/did not organise	6	6

Source: Fáilte Ireland's Home Holidays Quarterly Tracking Survey (TNS/MRBI)

After the internet, the old fashioned word of mouth recommendation from friends or family is the next most potent influence with 46% referring to this as a source of information or recommendation. Brochures are the next most important source of information – used by about one in four. 16% rely on information from accommodation providers, with Tourist Offices and guidebooks being the next most referenced sources. For about one in ten previous experience would appear to be a prime influence.

While phone is still the booking method of choice for the majority of home holidaytakers, the internet and email appear to be gaining a significant foothold in the reservation process for home holidays. Despite the high usage of the internet for planning and researching the trip, 53% of home holiday reservations are made by phone direct to the property. While phone reservations were slowly declining in recent years, anecdotal reports suggest an increased use of phone this year as consumers seek the best deals.

However, the overall trend has been one of the internet and email gaining in popularity as the preferred means of making a booking, with an estimated 37% now using the internet and a further 16% using email. The use of the internet is higher amongst those aged 23-34 and ABC1s.

Up to 10% of home holidays are taken without prior reservation, although this practice would appear to be on the decline.

Table 309: Internet/email bookings gaining over phone

	Apr '07- Mar '08	Apr '08- Mar '09
Phone	57	53
Internet	29	37
E-mail	10	16
Post	4	4
Other	4	3
No booking made/just turned up	12	9

Source: Fáilte Ireland's Home Holidays Quarterly Tracking Survey (TNS/MRBI)

4. THE TOURISM INDUSTRY'S INCREASING RELIANCE ON THE DOMESTIC MARKET

4.1 Recent Growth in the Value of Domestic Tourism

Almost one in every three euro spent (31.3%) by tourists in Ireland now comes from the residents of the island of Ireland. This has grown from a 27.4% share of the total tourism expenditure in 2004.

Of Ireland's total earnings of €5.6 billion in 2008, €3.85 billion was spent by overseas tourists while domestic visitors spent €1.55 billion and Northern Ireland visitors €210 million.

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. The level of receipts from domestic tourists last year was almost 50% higher than in 2004. This compares to an increase of 19% in receipts from overseas visitors and a 15% increase in spending by Northern Ireland visitors over the same period.

Expenditure by Irish visitors now accounts for an increased share of tourism receipts in the regions outside of Dublin, with the exception of the Shannon region where domestic receipts has declined as a share of the region's total tourism earnings. Domestic tourism revenue as a share of Dublin's earnings from tourism in 2008 was unchanged compared to 2004.

Table 401: Source of Tourism Expenditure x Region (€m)

	2004				2008			
	Overseas	NI	RoI	Total	Overseas	NI	RoI	Total
DUB	1163	64.6	143.7	1371.3	1415.3	58.4	192.1	1665.8
ME	248.4	7.1	90.3	345.8	311.9	11.5	160.9	484.3
SE	267.4	2.6	150.9	420.9	270.4	9	246.8	526.2
SW	652.1	22.6	248	922.7	786	8.2	411.3	1205.5
SHN	281.1	14.1	111	406.2	397.8	4.1	126.9	528.8
W	460.4	15.7	210.1	686.2	477.2	20.6	274	771.8
NW	162.5	56.4	83.2	302.1	190.4	98.7	134	423.1
Total	3234.9	183.1	1037.2	4455.2	3849	210.5	1546	5605.5

Source: Fáilte Ireland

Total holiday nights in the country peaked at 43.4 million in 2007, falling back to 41.15 million in 2008.

Between 2004 and 2008 domestic holiday nights increased at a faster rate than holiday nights from overseas visitors. **Holiday nights spent by overseas visitors grew by an average annual rate of 5.2% between 2004 and 2007, while at the same time domestic holiday nights grew by 7% per annum.** Holiday nights from overseas visitors declined in 2008 by 6%, with home holiday nights down 4%.

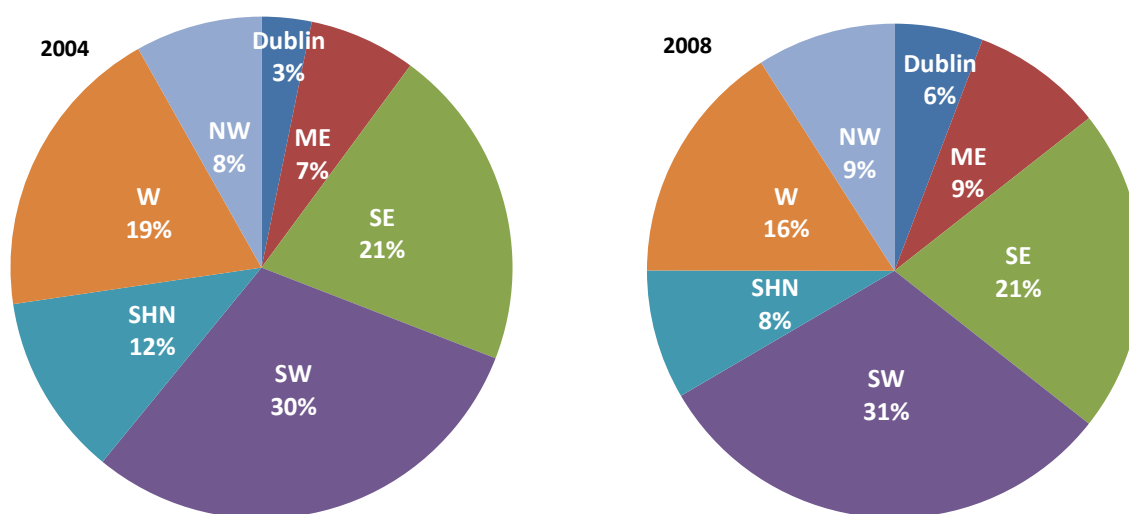
As a result the domestic market accounted for an increased share of holiday bednights, growing to 38%, of the total last year.

4.2 The Relative Importance of Domestic Holiday Travel to the Regions

The home holiday market is the source of more than half of holiday nights spent in 3 regions – South East, North West and Midlands East. This compares with 2004 when only the South East was more dependent on the domestic than the overseas market.

Two out of every five holiday nights spent in the South West and West regions are from the Irish market, while Dublin has been attracting increasing volume of Irish holiday nights which now account for 10% of the capital's total.

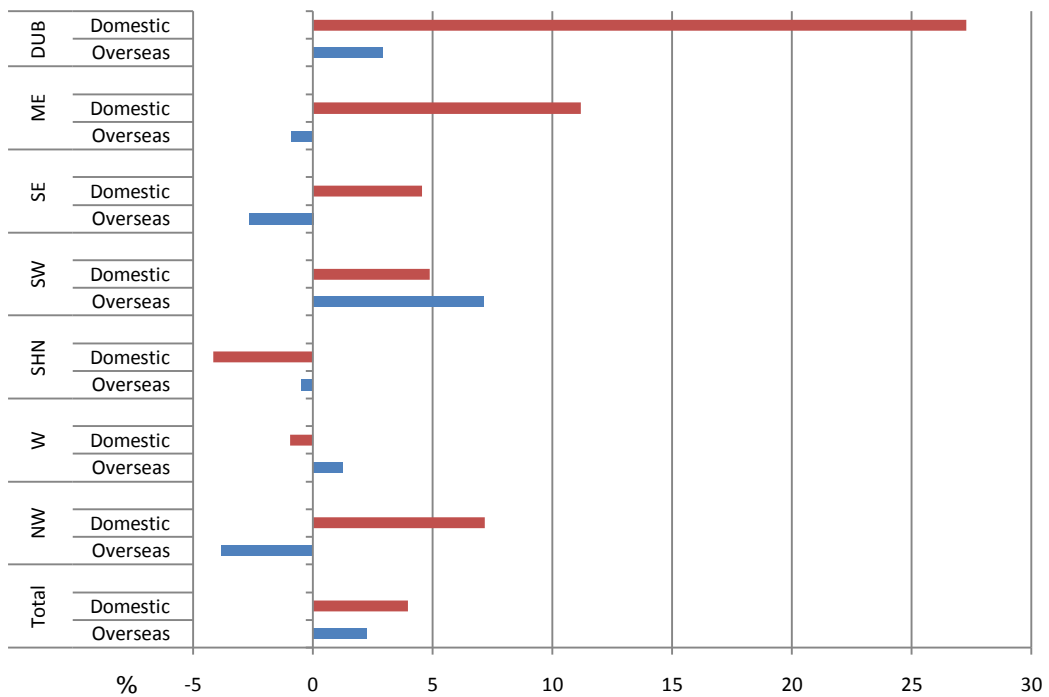
Fig. 4.1: Regional share of holiday bednights 2004 v 2008



Source: CSO

Between 2004 and 2008, the rate of increase in demand from home holidays exceeded that from overseas holiday visitors in Dublin, Midlands East, South East, and North West regions.

Fig. 4.2: Average Annual Growth Rate for Overseas & Domestic holiday nights 2008 v 2004

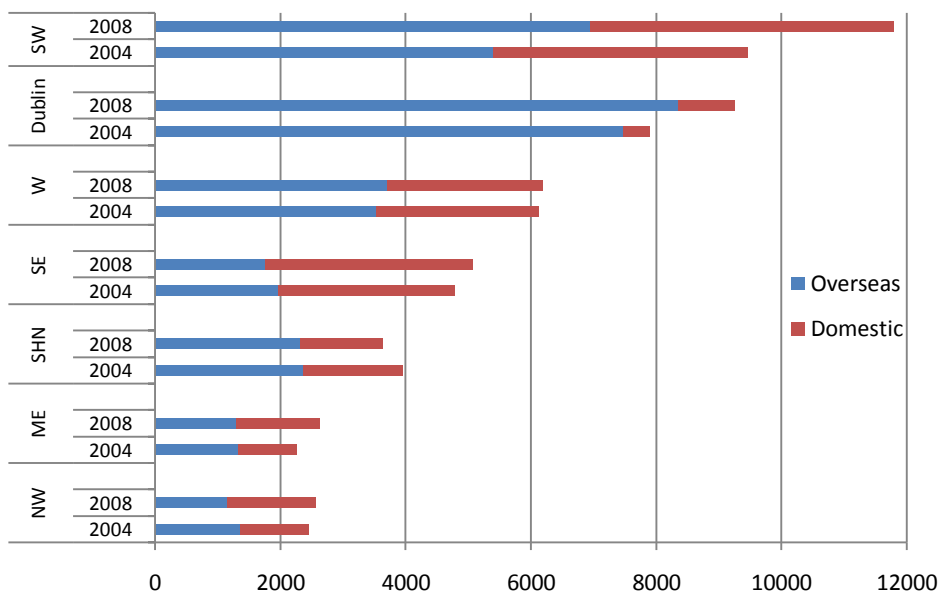


Source: CSO

Also over the same period other noticeable shifts occurred in the regional distribution of holiday traffic, measured in terms of nights. These include:

- All regions other than Shannon and the West increased their share of the domestic holiday demand.
- Only 3 regions - Dublin, South West and West – had an increase in holiday nights from overseas, with Dublin and South West also gaining market share of holiday nights from overseas.

Fig 4.3: Holiday nights x region 2004 and 2008



Source: CSO

Table 402: Source of holiday nights per region 2004-2008

		2004		2005		2006		2007		2008	
		000s	% Share	000s	% Share	000s	% Share	000s	% Share	000s	% Share
DUB	Dom	434	5.5%	657	8.1%	814	8.9%	875	9.5%	908	9.8%
	O/seas	7474	94.5%	7456	91.9%	8338	91.1%	8320	90.5%	8354	90.2%
	Total	7908	100.0%	8113	100.0%	9152	100.0%	9195	100.0%	9262	100.0%
Share of national		21.4%		21.9%		22.7%		21.2%		22.5%	
ME	Dom	931	41.1%	1060	43.8%	1064	40.7%	1197	46.1%	1348	51.2%
	O/seas	1333	58.9%	1362	56.2%	1551	59.3%	1402	53.9%	1285	48.8%
	Total	2264	100.0%	2422	100.0%	2615	100.0%	2599	100.0%	2633	100.0%
Share of national		6.1%		6.5%		6.5%		6.0%		6.4%	
SE	Dom	2807	58.8%	2774	60.5%	2848	58.5%	3228	62.6%	3318	65.4%
	O/seas	1967	41.2%	1810	39.5%	2017	41.5%	1926	37.4%	1757	34.6%
	Total	4774	100.0%	4584	100.0%	4865	100.0%	5154	100.0%	5075	100.0%
Share of national		12.9%		12.4%		12.1%		11.9%		12.3%	
SW	Dom	4057	42.9%	4003	42.8%	4410	40.9%	5041	40.5%	4847	41.1%
	O/seas	5402	57.1%	5351	57.2%	6372	59.1%	7404	59.5%	6950	58.9%
	Total	9459	100.0%	9354	100.0%	10782	100.0%	12445	100.0%	11797	100.0%
Share of national		25.6%		25.2%		26.8%		28.7%		28.7%	
SHN	Dom	1588	40.3%	1255	34.4%	1512	37.5%	1789	43.8%	1323	36.4%
	O/seas	2356	59.7%	2395	65.6%	2522	62.5%	2295	56.2%	2311	63.6%
	Total	3944	100.0%	3650	100.0%	4034	100.0%	4084	100.0%	3634	100.0%
Share of national		10.7%		9.8%		10.0%		9.4%		8.8%	
W	Dom	2588	42.3%	2666	41.8%	2718	41.1%	2632	38.3%	2490	40.2%
	O/seas	3526	57.7%	3705	58.2%	3901	58.9%	4233	61.7%	3700	59.8%
	Total	6114	100.0%	6371	100.0%	6619	100.0%	6865	100.0%	6190	100.0%
Share of national		16.6%		17.2%		16.4%		15.8%		15.0%	
NW	Dom	1103	45.0%	1260	48.1%	1009	46.4%	1398	48.7%	1420	55.4%
	O/seas	1347	55.0%	1358	51.9%	1164	53.6%	1471	51.3%	1142	44.6%
	Total	2450	100.0%	2618	100.0%	2173	100.0%	2869	100.0%	2562	100.0%
Share of national		6.6%		7.1%		5.4%		6.6%		6.2%	
All regions	Dom	13508	36.6%	13675	36.8%	14375	35.7%	16360	37.7%	15654	38.0%
	O/seas	23405	63.4%	23437	63.2%	25865	64.3%	27051	62.3%	25501	62.0%
	National	36913	100.0%	37112	100.0%	40240	100.0%	43411	100.0%	41155	100.0%
		100.0%		100.0%		100.0%		99.5%		100.0%	

Source: CSO and Fáilte Ireland

South West/Cork Kerry Region

Total Holiday nights (000s)	2004	9,459
	2007	12,445
	2008	11,797
Domestic as share of total	2004	42.9%
	2007	40.5%
	2008	41.1%

Cork/Kerry continues to be the most popular region for holidays, attracting 28.7% of all holiday bednights in the country – a share which has increased in recent years. Since 2004, overseas holiday bednights in the region have grown by 7% per annum, while domestic holiday bednights have increased by almost 5% per annum. The aggregate number of bednights in 2008 was 11.8 million down from 12.4 million the previous year, but 25% ahead of the 2004 level of 9.5 million bednights. Over recent years the region has gained share of the overseas holiday market but lost share in the domestic market. The domestic market accounts for just over two out of every five holiday nights spent in the region.

Dublin Region

Total Holiday nights (000s)	2004	7,908
	2007	9,195
	2008	9,262
Domestic as share of total	2004	5.5%
	2007	9.5%
	2008	9.8%

While Dublin predominantly attracts out of state holiday visitors, holiday nights for the domestic market have grown consistently in recent years albeit from a small base. Last year domestic holiday nights accounted for just under 10% of total holiday nights in the capital, having grown at an average annual rate of 27% over the past four years, compared to an annual growth of 3% in holiday nights from overseas. Dublin's share of aggregate holiday nights has increased from a 21.4% share in 2004 to 22.5% last year. Dublin has gained share of both the overseas and domestic holiday markets in recent years.

The West

Total Holiday nights (000s)	2004	6,114
	2007	6,865
	2008	6,190
Domestic as share of total	2004	42.3%
	2007	38.3%
	2008	40.2%

The West of Ireland region, while the second most popular holiday area outside of Dublin, appears to have lost market share of the total holiday market (measured in bednights). While the volume of bednights from overseas holiday visitors grew by an annual average of 1% per annum, the volume of home holiday nights slipped by an average of 1% per annum between 2004 and 2008. Approximately two out of every five holiday nights in the region are from the home market. Last year the region catered for 6.19 million holiday nights, down from 6.86 million in 2007 and effectively dropping back to 2004 volumes after three years of consistent growth.

The South East

Total Holiday nights (000s)	2004	4,774
	2007	5,154
	2008	5,075
Domestic as share of total	2004	58.8%
	2007	62.6%
	2008	65.4%

The South East region is the most popular domestic holiday destination attracting almost one third (31%) of home holiday bednights. The domestic market accounts for almost two out of every three holiday nights to the region. Since 2004 the domestic market has grown at an average 4.5% per annum, compared to an annual drop of 2.7% per annum in the volume of overseas holiday nights. As a result, the region has become increasingly reliant on the home market. Last year the region attracted an aggregate total of 5.07 million holiday nights compared to 4.77 million in 2004.

The Shannon Region

Total Holiday nights (000s)	2004	3,944
	2007	4,084
	2008	3,634
Domestic as share of total	2004	40.3%
	2007	43.8%
	2008	36.4%

Holiday nights spent in the region have fluctuated over recent years with overseas demand peaking in 2006 at 2.5 million nights and domestic demand peaking in 2007 at 1.8 million nights. However the overall trend has been one of marginal decline in volumes, with the region's share of overseas holiday nights falling from 10% in 2004 to 9.1% in 2008, and a steeper fall in its share of the domestic market from 11.7% in 2004 to 8.4% last year.

Midlands East

Total Holiday nights (000s)	2004	2,264
	2007	2,599
	2008	2,633
Domestic as share of total	2004	41.1%
	2007	46.1%
	2008	51.2%

The region, which accounts for 6% of total holiday nights in the country, has seen its share and volume of bednights from the domestic market consistently increase over the past four years, while its share and volume of overseas nights increased in 2006 but subsequently fell back. Some of the increase in demand can be attributed to the expansion of hotels located in the region, particularly those serving the greater Dublin area. Last year demand from the domestic market exceeded the overseas nights to account for 51% of the 2.6 million holiday nights spent in the region.

North West

Total Holiday nights (000s)	2004	2,450
	2007	2,869
	2008	2,562
Domestic as share of total	2004	45.0%
	2007	48.7%
	2008	55.4%

The North West region, which accounted for 6.2% of all holiday nights in the country in 2008, has become more dependent on the home market in recent years. Last year domestic holidays accounted for 55% of total holiday nights in the region, having grown by an average of 7.2% per annum since 2004, while the volume of overseas bednights declined by an average 3.8% over the same period. The growth from the home market has resulted in the region gaining an increased share – from 8.2% in 2004 to 9.1% in 2008. Over the same period the region's share of overseas holiday nights slipped from 5.7% to 4.5%. (This analysis does not include holiday bednights from Northern Ireland).

4.3 Increasing Dependence of the Hotel Sector on the Domestic Market

Irish hotels are increasingly dependent on Irish guests as indigenous demand has grown at a time when demand from overseas has faltered.

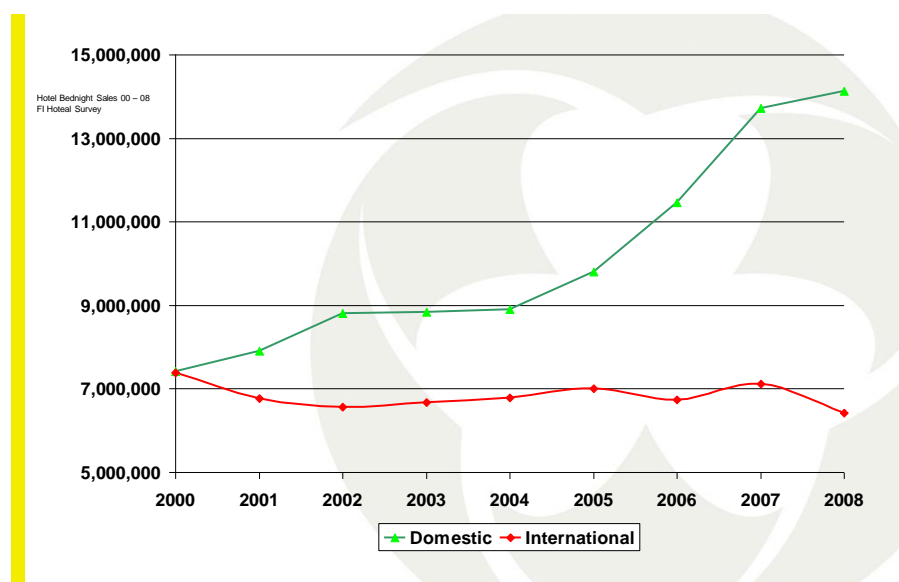
Irish guests now account for almost two out of every three bednights sold in hotels – up from approximately 50% share five years ago.

Between 2004 and 2007, hotel demand grew from 15.7 million to 20.8 million bednights, a 32% increase. Total demand in 2008 dropped 1% to 20.6 million bednights.

Last year, Irish guests accounted for 13.3 million nights, compared to 6.4 million from overseas guests and 0.8 million from Northern Ireland.

Irish guests have been the driver of growth in demand for hotels since 2000.

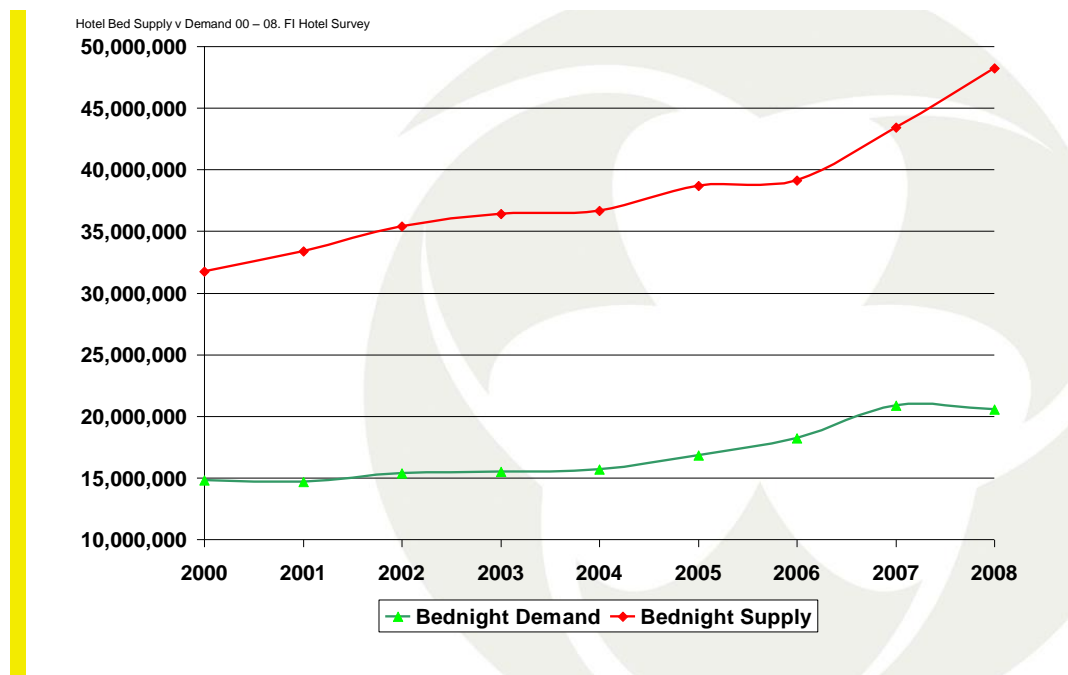
Fig. 4.4: Growth in Hotel Bednights Driven by Home Market Demand



Source: Fáilte Ireland

Despite the growth in demand from the home market, a 52% expansion in hotel bedrooms over the past 8 years with the bulk of the incremental supply coming on stream over the past 5 years, has resulted in a fall in average room occupancy.

Fig. 4.5: Growth in Hotel Supply vs. Demand 2000 - 2008



Source: Fáilte Ireland

4.4 The Relevance of the Domestic Market to Tourism Sectors

4.4.1 The Accommodation Sector

Table 403: Guesthouses & B&Bs - usage by home holidaymakers

	2000	2008
% of home hols using	15%	6%
% of home hols nights	12%	5%

Source: CSO/Fáilte Ireland

The incidence of use of guesthouses and B&B's by home holidaymakers has been in steady decline since 2000, falling from 15% usage to approximately 6% today. While the stock of accommodation has declined over the period, the popularity of the accommodation has also been in steady decline, falling even more sharply since 2005. The number of home holiday trips using this type of guest accommodation has declined by a third over the period, while the volume of nights sold to the home holiday market has halved. Currently between 4% and 5% of home holiday nights are spent in guesthouses & B&Bs. Last year an estimated 264,000 Irish holiday trips used this accommodation, spending 667,000 nights. The category faces increasing competition from hotels and holiday hostels as well as changing preferences of Irish consumers. The category attracts approximately 7% share of overseas holiday nights. Home holiday demand accounts for an estimated one in four guests staying in guesthouse & B&Bs.

Table 404: Self-catering/rented accommodation - usage by home holidaymakers

	2000	2008
% of home hols using	6%	10%
% of home hols nights	8%	17%

Source: CSO/Fáilte Ireland

Self catering holidays have grown in popularity over the past decade, as has the available stock and quality of houses and apartments to rent. However, the domestic market accounts for an estimated 20% to 25% of rentals for the sector. Currently approximately one in ten Irish home holidays uses rented accommodation, accounting for a 17% share of all holiday nights. The incidence of usage and volume of bednights generated from home holiday demand has increased threefold since 2000, to 2.7 million nights last year from 440,000 trips. Rented accommodations tend to more popular with overseas visitors from Europe and further afield, where the category commands almost one third of overseas holiday bednights in Ireland and generates the bulk of demand for the category.

Table 405: Camping & caravanning - usage by home holidaymakers

	2004*	2008
% of home hols using	8%	7%
% of home hols nights	11%	12%

Source: CSO/Fáilte Ireland *(CSO data category redefined in 2004).

Camping and caravanning appear to be holding its share of the home holiday market over the past five years, with 8% of the market using this accommodation accounting for 12% of the total Irish holiday bednights. Last year just under 300,000 home holiday trips spent 1.8m nights on an Irish camping or caravanning holiday. The sector is significantly more dependent on the home holiday market for static caravan rentals, with demand from campers, dormobile and touring caravans being more from overseas holiday visitors. Overall domestic holidays are estimated to account for close to 50% of all nights spent at tourist camping and caravan sites.

4.4.2 Other Tourism Businesses

Restaurants & Pubs

The sector provides an essential component of any holiday in Ireland, with informal reports suggesting an increased incidence of use, while in recent years the Irish holiday market has increased in importance, especially restaurants. However, all the recent indicators suggest a sharp downturn in expenditure by holiday visitors.

The sector struggles, as does the hotel sector, under increasing cost pressures which in the current consumer environment and downward pressures on prices. Any sharp downturn in domestic tourism would be particularly serious for the sector, especially for outlets in rural areas, at a time when demand from foreign tourists is also contracting.

Day Visitor Attractions

The popularity of day visitor attractions with domestic holiday takers varies across a wide spectrum of facilities open to tourists.

Many of the free admission attractions outside of urban areas appear to be especially attractive, while many of the more high profile attractions, including those in Dublin are predominantly dependent on an overseas market.

The issues shaping the relative demand from the home market appear to centre on the perceived appeal, admission charges, familiarity with the subject or theme, and in many instances being perceived as a once off visit.

For many prominent OPW sites, together with high profile attractions such as the Book of Kells and The Guinness Storehouse, the Irish market would constitute less than 10% of total demand. For many tourist attractions the home market is predominantly based on education or school trips. The programming of suitable events as motivators to visit or revisit could represent an effective means of further penetrating the home market.

Inland Waterways Cruising

The profile of the demand and the supply of the product have undergone significant changes over the past 15 years. Today domestic demand is estimated to account for approximately 17% of rentals, having grown in relative importance with an increase in short break rentals as well as the traditional one week summer rental at a time when overall demand for the product has been contracting by on average 5% per year.

Over 50s or pre-family life stagers tend to typify the current Irish demand, the latter especially for short breaks outside the peak. Repeat purchase is reported to be high, suggesting a high level of satisfaction amongst Irish clients for the product. However, the product is perceived in the Irish market as being expensive, although on a per person per night basis is usually not more expensive than high end self-catering rates.

For a sector with a relatively low fleet utilisation (estimated at 50% over 22 week season), and a less than buoyant trend in demand from overseas, **the objective of targeting greater penetration of the home market should be compelling.**

The planned marketing strategy being pursued by the sector in the home market is increased co-operative advertising and media publicity in association with the Discover Ireland campaigns to increase the awareness and address some of the perceived negatives as well as promoting the attractiveness of the experience, particularly when associated with other holiday activities.

4.5 Westport – A Case Study



Background

Westport, a town with a population of just over 5,000, is a long established tourist destination which relies on the Irish market for the vast majority of its visitors. Westport also serves as a tourism hub for outlying areas, including Achill, Belmullet, Mulranny, Newport and Louisburgh.

Westport, situated in the shadow of Croagh Patrick and overlooking Clew Bay, has been awarded Ireland's Tidiest Town 2001, 2006 and 2008, and is also designated as one of Fáilte Ireland's Heritage Towns. Westport is one of Ireland's few planned towns, designed in the 18th Century by James Wyatt, and has a long tradition of hospitality with many attractive features, including The Mall, Westport House & Country Estate, and The Quay.

While Allergan Pharmaceuticals is the town's largest employer with over 800 workers, it is estimated that at least one in four businesses in the town are primarily catering to tourists and account for up to 35% of Town Council rates revenue. In addition, many other businesses in the town are indirectly dependent on tourism as downstream suppliers benefit from the induced economic activity generated by tourism expenditure in the town.

Tourism in Westport

Westport's brand values are primarily 'the outdoors' – location, scenery, activities, clean environment – and 'hospitality' – a welcome and friendly service. The outdoor, activity and event positioning fosters year round demand beyond the potential of a traditional coastal resort. The vision being pursued by the town includes that of an outdoor activity hub – it is now a designated cycling hub and a recognised watersport centre.

The majority of visitors are Irish who visit year round. Overseas visitors, principally from mainland Europe, tend to be limited to the summer months. 'Word of mouth' recommendations and referrals have long been a characteristic of the home market attracted to Westport, based on high loyalty levels.

The focus on the domestic market is based on ease of access and the cost effectiveness of marketing investment in this market, as well as it being the only market with year-round demand potential. As a result Westport has successfully penetrated the home market attracting a fast expanding clientele in recent years for short breaks throughout the year to compliment the longer stay traditional family summer holiday visitors.

The market Westport attracts is primarily families and the grey market – segments in which it has been particularly successful. The town has in recent years focused on a series of events and festivals aimed at boosting the image of the town, attracting new visitors and ensuring a vibrant visitor destination throughout the year. While the town also attracts some 'hens and stags' groups, it is sensitive to the potential impacts of this segment on the town's reputation.

The Gaelforce Festival, now in its third year and closely allied to the brand positioning, has been hugely successful, attracting 2,500 participants this year.

Westport's hotels are family owned, with a long standing reputation in tourism and a good level of repeat guests - factors which the industry in the town believes will sustain them throughout the current downturn. The hotels have continued to reinvest and expand which has ensured that Westport continues to have a good quality and competitive product offering. However, local tourism interests suggest that currently there may be up to 20% over supply in hotel accommodation in the town.

Guesthouses and B&Bs, in common with other parts of the country, are struggling to maintain their market share against increasing competition from hotels in a time of contracting demand.

Over the past decade the stock of self-catering accommodation has increased, stimulated by tax incentives. However, more recently several group self-catering properties have exited from the tourism market into longer term rentals.

The success of Westport as a tourism destination is largely due to the established effort between the businesses, the community and the public sector. A vibrant business community in the town is supported by Mayo County Council, a long time committed advocate of sustainable tourism development, and a very engaged Westport Town Council and supportive Chamber of Commerce. The success of this public and private sector co-operation with the engagement of the local community is demonstrated by the town's successes in the Tidy Towns competition and the creation of a distinctive sense of place created for residents and visitors.

The tourism efforts of the town are co-ordinated by a very active Westport Tourism Association representing the business interests and a results driven Destination Westport group, composed of the leading hoteliers. Destination Westport has been spearheading the marketing drive for Westport in recent years, including significant participation with Fáilte Ireland's 'Discover Ireland' advertising and promotional campaigns. The costs of the marketing campaigns for Westport are funded by the industry participants, with support from the Town Council.

The shortcomings or deficiencies identified by the local tourism interest include the absence of a performance venue or theatre (a proposal to convert the old Town Hall is under consideration); the need for a marina (there is a proposal to relocate the Rossmoney Yacht Club) and improved supporting infrastructure for water related activities such as surfing. Improvement in essential communications infrastructure include greater access to broadband; an upgraded N5 via Castlebar and higher frequency train service.

The 2009 Tourist Season

Indicators from businesses in Westport would suggest that while the number of visitors to the town may not be markedly down on previous years, the level of expenditure is noticeably down on last year. Anecdotal reports of the reduction in expenditure, including lower achieved hotel rates, is collaborated by a reduction in value per credit card transaction as reported from Merchant Credit Card turnover on accounts across the tourism businesses.

The impacts of the recession on Irish visitor demand and expenditure in the town are evidenced by the following:

- Extreme pressure on hotel rates, with falling price points and more aggressive seeking of lower rates by customers. Estimates suggest that summer hotel rates are up to 20% below the same time last year, when the downturn in business first became evident.

- Unsold rooms at weekends in the peak season within the context of oversupply of rooms in a depressed market
- Shorter average stays, even during July, with families now typically staying for 2 to 3 nights
- Ancillary spend in hotels is noticeably down, with reports of guests shopping in local supermarkets for food and beverages
- Pubs are experiencing a reduction in turnover
- Independent self catering operators report reduction in bookings
- TIO reporting fewer enquirers
- Restaurants report numbers holding but a lower average spend over the summer.

In contrast, Westport House report good early season traffic and a increase in on-site sales, attributed to a growth in day trippers, perhaps residents in the larger catchment area substituting day trips for an away from home stay.

Short term Outlook

The consensus view of the industry in Westport is that the worst is not over, with the expectation that 2010 will be at least, if not more, challenging than the current year. *'Every job lost is one less holiday'*. The view from the local tourism sector is that any turnaround is unlikely before 2011 at the earliest.

The tourism businesses in Westport have identified a number of concerns or threats, including:

- The adverse effect of the credit crunch on availability of working capital especially for long established businesses given the seasonal pattern of the tourism trade.
- The impact of NAMA and potential distortion within the hotel sector, which would put long established businesses in Westport at a serious competitive cost disadvantage compared to recently developed hotels in the region.
- The difficulty in recovering from the deeply discounted, and in many cases below cost, hotel prices currently on offer as the consumer appears to be of the view that the product is now correctly priced having been previously at excessive levels – a view encouraged by much media coverage.
- The challenge of maintaining the level of off-season short breaks as consumers cut back.

The Discover Westport group strongly advocate a greater focus on tactical campaigns; expanded use of the internet including exploiting the social network opportunities; and a sharper focus on niche segments and development of events as reasons to visit. A need for more research on the motivations and segmentation of the home market opportunities for resorts such as Westport was also identified.

Fáilte Ireland's programme of enterprise development supports received good reviews, including high praise for its web check programme. The sector would welcome greater support to improve its capability in the online media and distribution channels – which has the potential to deliver a competitive advantage to a destination like Westport.

While the group were appreciative of the Discover Ireland co-operative marketing support programme, whereby Westport's investment was matched by Fáilte Ireland to deliver a set of promotions and advertisements featuring Westport integrated into the national campaign, a number of issues were raised with a view to improving the effectiveness of the investment from the resort's perspective. These included:

- More flexibility and greater customisation of campaigns, more attuned in creative content and media to Westport's marketing objectives and target markets;
- Greater exploitation of an efficient and effective connection between campaigns and the web, including more robust measurement and tracking;
- A review of the alternative opportunity cost of the investment in the co-op campaigns in view of the above comments and the cost factors including the VAT penalty incurred and the effective media rates purchased by the national campaign in a market where advertising costs are falling.

The Lessons for the Wider industry

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 delivering a satisfying visitor experience in a well presented environment is especially critical in tough market conditions
- Even the best positioned products and businesses are currently under pressure and need supportive policy initiatives
- Prolonged weakness in domestic demand would require compensating growth from overseas demand.
- The expectation that 2010 will be as challenging, if not more so, than 2009.

5. MARKETING DOMESTIC TOURISM – THE STORY SO FAR

5.1 The Marketing Challenge

Since 2007, Fáilte Ireland developed and implemented a new marketing strategy in the home market under the Discover Ireland banner.

The marketing challenge was to force Ireland back onto the list of options as a holiday destination. This required the creation of a new, cohesive marketing programme which would meet the diverse requirements of all five of the new Fáilte Ireland Regional Boards and essentially **drive revenue** for the domestic “home holiday” tourism sector.

Aims & Objectives

The key objective of the campaign over the past 3 years has been to present Ireland as a holiday destination in a dramatically different light to the Irish consumer and to make the Fáilte Ireland consumer website an essential point of reference for those considering a holiday in Ireland. Specific objectives were:

- Grow the value of the domestic holiday market by 5% i.e. €50million
- Create a new marketing communications platform to promote the home holidays market
- Create a new Fáilte Ireland consumer domestic holidays website and drive traffic to the site
- Re-launch the Tourist Office network with an additional focus on the domestic Irish market

Key Consumer Insights Driving the Strategy

Irish people believed that they “knew it all” when it came to taking a break in Ireland, and that Ireland as a holiday destination offered little by way of things to do. Essentially, Ireland was not perceived as dynamic and fun compared to many of the competitor destinations that had become very accessible thanks to the tremendous growth in cheap flights.

Therefore the campaign had to persuade a significant number of Irish consumers that they did not know the holiday destination that was on their own doorstep.

5.2 The Strategy & Key Actions

The strategy, using all available mediums to challenge the market perceptions, was delivered through a new campaign featuring six main elements:

i. Discover Ireland Brand Platform

After being shelved as the main Home Holidays brand earlier in the decade, a decision was taken to re-launch the “*Discover Ireland*” brand as the main brand and ‘call to action’ for the new marketing programme. A contemporary, new identity was developed for the “*Discover Ireland*” brand which was implemented on all consumer touch points.

ii. New Discover Ireland Media Campaign

The centrepiece of the marketing programme was the creation of a new advertising campaign. There were three key elements to the programme:

a) *Discover Ireland: Right Here Right Now!*

A new TV campaign was developed and produced in Ireland, resulting in a new high-energy 60-second commercial, which aimed to reposition Ireland as a fresh and dynamic destination.

To get cut through and to drive the target audiences to reassess how they saw Ireland as a holiday destination, and crucially to act on that reassessment, a new approach was called for. It was decided to avoid all of the conventions and clichés of traditional Irish tourism advertising e.g. golf, horse-riding, couple walking on the beach, traditional music in pubs etc., as these tended to be interpreted by the Irish market as being aimed at the foreign tourist, and thereby reinforced the view that Ireland offers little to attract Irish residents. Instead the focus of the new campaign was to challenge the preconceptions and emphasise different and surprising aspects of the Ireland as a destination e.g. kite-surfing, mountain biking, whale-watching, spas, surfing etc.

In selecting the music for the campaign the obvious option of traditional music was rejected for a high-energy track from an unsigned Irish rock band, “The Angel of Mons”. This track, “Highs and Lows” became a powerful linking communications device as the campaign developed.

b) *Ireland as a Venue: Focus on our Festivals*

The second element of the campaign was to directly address the perception that Ireland offered little to do in comparison to other holiday destinations. The focus here was to highlight the scale and range of events, festivals, and activities that take place in Ireland. The ambition was to present Ireland as a “venue” and create a sense that there is always something happening. The medium chosen was a combination of press and radio. In the run-up to the season, on the third week of each month, a full-page colour advertisement appeared in the main national newspapers featuring a calendar of events for the following month. This was supported by a high-frequency radio campaign which highlighted a number of key events and drove the consumer to the website for more information.

c) *An Irish Break: When you're there, you're there!*

The huge expansion in cheap flights from Irish airports to destinations all over Europe represented a major competitor to Ireland, particularly for the “short break” market. A tactical dimension of the Discover Ireland campaign was to aggressively highlight the hassle and downside of taking a short break on low fare airlines by specifically focusing on the complete travel time (not just the flight time) and the growing consumer annoyance about airport hassles. Two adverts, developed using a “kinetic typography” (where every word of the ad was animated) were aired to position an Irish break as more convenient and hassle free compared to taking a flight for a short break in Europe. These were complemented in 2009 by two further executions focusing on the key positive attributes of “convenience” and “value” of an Irish break.

iii. Discoverireland.ie

The development of a new consumer website – www.discoverireland.ie - specifically for the Irish domestic holiday market was a key component of the mix. The objective of the new site was to provide easy access to all information relating to accommodation, activities, events, and attractions in Ireland. All of the communication was signed-off with the call to action “*DiscoverIreland.ie Right Here Right Now*”.

iv. New Discover Ireland Centres

With the merger of Regional Tourism Authorities with Fáilte Ireland, the tourist office network was reviewed and categorised into three categories with appropriate service levels, namely Gateways, Hubs, Nodes. For the Gateway offices, a new “Discover Ireland Centre” concept was developed which resulted in five Gateway offices in Galway, Killarney, Waterford, Donegal and Mullingar being completely redesigned to project the Discover Ireland brand. These new centres, while primarily focused on the visitor, also fulfil a role in communicating the variety of experiences/festivals/activities available in each region.

v. New Discover Ireland Magazine

The re-design and re-launch of the Discover Ireland magazine provided a platform for Irish tourism businesses to promote their various offerings to the Irish market. In addition to the main annual publication, a series of seasonal Discover Ireland inserts with specific offers from the tourist industry were published throughout 2009 and distributed in a number of national newspapers.

vi. Discover Ireland Publicity Programme

A new publicity and promotional programme was designed, where partnerships were developed with a number of key media, including the Irish Times’ GO Magazine, and Today FM, to promote to the home holiday market.

5.3 The Scale of the Campaign

In recent years a total of €6 million has been spent on the national Discover Ireland campaign, led by Fáilte Ireland. €4.5m of funding from Fáilte Ireland had attracted a further €1.5m from the industry for the national campaign. In addition, the industry spends heavily on advertising and promotions in the home market.

Over the past three years Fáilte Ireland, in addition to its core campaign spend of €3m, has offered co-op marketing opportunities to over 10 resorts who contribute 50% of the funding for an additional €3m national campaign featuring the participating areas, under the banner of the national Discover Ireland branding in advertising, online and other promotions. The co-op formula has provided branded identity and bulk purchasing power to the participating resorts. Fáilte Ireland are currently reviewing the programme to ensure that it provides the necessary flexibility in appropriate media while delivering effective economies of scale for the participating resorts.

The industry maintains a high profile in promoting priced offers to the home holiday market throughout the year.

In May and June this year, up to 15 special notice adverts appeared daily in the Irish Times and in the Irish Independent, featuring priced hotel offers in addition to some display adverts and over 20 small ad insertions. Other tourism products and destinations also advertised heavily over the period, together with extensive advertising and publicity for home holidays in weekly special travel sections of newspapers and direct mail promotions.

5.4 How Effective has the Campaign been?

Advertising tracking research⁵ found that:

- 50% of the adult population claimed to recall either seeing or hearing Discover Ireland advertising, an increase of 5% year on year and up 11% on February 09.
- TV was the dominant medium accounting for more than two-thirds of those recalling the advertising.
- Almost 3 in 10 adults claimed to have seen the Discover Ireland newspaper insert with over half of those either reading it through or flicking through it. (By industry standards this was a significantly high response for this type of promotion.)
- One in four of those who received the magazine kept the insert for later reference.

The advertising was found to be highly effective in terms of its appeal and its ability to persuade potential holiday takers: -

“It made holidaying in Ireland seem more appealing” - 80%

“It made me more likely to holiday in Ireland” - 63%

The main messages that people took from the *Right here, right now* ads were the attractiveness of Ireland for a holiday and the range of things to see and do.

The new *discoverireland.ie* website has received over 2 million visitors who have downloaded over 16 million pages since the start of 2009. The website is used by 20% of the population in planning their holiday⁶.

In 2008 over 1 million people visited the new Discover Ireland Centres, independently recording consumer satisfaction of 95%⁷.

5.5 The Next Phase

The next phase of development of the Discover Ireland campaign for autumn breaks features a new great value *Discover Ireland* holiday supplement for September and October. Approximately 750,000 copies of the brochure were made available in Fáilte Ireland Tourism Offices as well as distributed in selected national and local newspapers. Each copy contains a special offer ‘cheque’ worth €50, ready for use in selected venues in Ireland - amounting to a massive €37.5m in bargains for Irish breaks over the period. The initiative was co-ordinated by Fáilte Ireland and funded by members of the tourism industry who agreed to participate in the home holiday giveaway and redeem the €50 cheques involved.

The Discover Ireland campaign for 2010, currently under development, will project focus on accessibility of attractors and highlight ‘fun’ and ‘engagement’ – ‘see yourself in...’ appeals. The campaign will appeal to ‘the get away from it all’ motivation for taking a convenient and good value holiday break in Ireland.

⁵ Conducted by Red C for Fáilte Ireland in May 2009

⁶ Source: TNS/MRBI

⁷ Source: Sasta Surveys

6. FUTURE CHALLENGES – A SHORT TO MEDIUM TERM OUTLOOK

Future demand will most likely be primarily determined by economic conditions in Ireland, particularly levels of disposable income and employment, based on a strong historical correlation between increasing economic prosperity and the incidence of demand for holidays by Irish residents.

6.1 Short to Medium Term Economic Outlook

Turnaround in 2011 or 2012?

For 2010, the Irish economy is forecast to decline by about 2.3% in GDP and 3.1% in GNP next year, according to the latest projections from the Central Bank⁸. **However, while this outlook is contingent on a gradual recovery in world demand next year, the contraction in domestic demand is likely to continue.** Continuing declines in disposable incomes are likely to further depress consumer demand, resulting in little prospect of any recovery in domestic demand before 2011 at the earliest.

The Bank says that by 2011, the rebalancing of activity in the economy is likely to have run its course and the prospect of some recovery in domestic demand together with a further rebound in external demand should support a return to modest growth overall.

Inflationary pressures have eased significantly in the domestic economy, not least in the labour market, with increasing evidence of nominal wage reductions and other cost saving measures. These reductions, although perhaps contributing to the depressed state of domestic demand in the short term, represent a necessary adjustment to Irish cost competitiveness, which should support a sustainable export led recovery in aggregate demand when external conditions improve.

The level of consumer expenditure has been on a strong downward trend over the last year. The latest National Accounts data show a quarterly decline of 9.6%, year-on-year, in the second quarter of this year following a decline of 9.6%, year-on-year, in the first quarter. The decline in consumption over the last year has more than reversed the cumulative increase over the previous three years, bringing it back to its level at the end of 2005. Available indicators of consumer demand, while showing some tentative signs of improvement of late, remain quite subdued.

More optimistic medium term outlook?

An optimistic medium term outlook for the Irish economy sees the potential for a real economic growth rate averaging 3.75% annually over the next decade, despite significant short-term problems⁹.

The Institute's latest forecast¹⁰ suggests a decline of 1.7% and 1.1% in GDP and GNP respectively in 2010. Underlying the forecast is the expectation of a return to growth in the latter part of 2010, although at a very modest rate.

The ESRI's forecast is based on the adaption of appropriate policies by government to enable the economy to recover rapidly when the current global economic slowdown ends, principally by restoring Ireland's competitiveness. The prospect of continuing medium-term growth above the EU average is underpinned by favourable trends in labour supply and in productivity. While unemployment is currently rising, forecast to reach 14.8% in 2010, with a flexible labour market there should be a return to near full employment, although lagging economic recovery.

⁸ Central Bank Quarterly Review, published October 2009

⁹ ESRI – Medium Term Review 2008-2015, May 2008

¹⁰ ESRI – Quarterly Economic Commentary, Autumn 2009 (13th October, 2009)

However the drivers of Irish economic growth are changing. Service sector exports are becoming an increasing contributor to growth, which should continue provided Ireland's competitiveness can be improved by domestic fiscal policy and labour market policy interventions.

Other structural policies, including investment under the NDP (National Development Plan), together with progress on environmental issues, are seen as playing a key role in delivering on the favourable growth scenario.

In a longer term outlook the ESRI suggest that Ireland will continue to outperform its European neighbours in the years to 2025 having reached that average output in 2006. As a result, income per head of population in Ireland is projected to come close to 120% of the EU15 average in the years 2020-2025.

6.2 Some Current Economic Indicators of Likely Short Term Demand

A number of current economic indicators provide a good barometer of likely short term demand for travel and home holidays. These include:

Unemployment rates set to reach 13% by year end

The standardised unemployment rate in October stood at 12.5%, compared to 12.6% in September, as the number claiming unemployment benefit fell for the first time in two years. When seasonally adjusted, the Live Register of jobseeker's benefit and assistance claimants fell by 3,000 last month from 425,500 in September to 422,500 in October, according to the Central Statistics Office (CSO). In the year to October 2009, there was an unadjusted increase of 161,727 on the register.

Unemployment as measured by the Quarterly National Household Survey, rather than the Live Register which includes part-time, seasonal and casual workers, showed the latest seasonally adjusted figure, for April to June 2009, at 259,500 people unemployed.

Consensus amongst economists would suggest that the level of unemployment at year end will be close to 13%, with forecast for 2010 showing a deterioration to up to 15% unemployment.

Falling disposable incomes

The increase in income levies and the prospect of increased taxation levels, together with significantly diminished investment income, are resulting in a marked decrease in disposable incomes in Ireland. Furthermore, many consumers are subject to pay-cuts, pay freezes or reduced working time.

While there is some relief from falling prices, the evidence available would suggest that the Irish consumer is far more cautious and becoming more frugal in their spending and saving more.

Weak confidence amongst Irish consumers

The overall KBC Ireland/ESRI Consumer Confidence Index¹¹ improved to 54.2 in October. This compares to a figure of 49.6 in September, and to an all time low of 39.6 reached in July 2008. However, consumer confidence continues to be way below the level at any time between 2000 and early 2008. Throughout the period January 2004 to January 2007 the index had been averaging around 90 points.

The recent rise in consumer sentiment is mainly due to improved consumer expectations, although consumers continue to be cautious, with three out of four consumers remained concerned about the outlook for the labour market.

The October sentiment might suggest that Irish consumers may believe the economy has reached a turning point. They expect conditions to remain tough for some time to come, but there is a sense that the absolute worst may be behind us. The pick-up in sentiment in October was fairly broadly based including clear signs of an improvement in the global economy, a further fall in Irish consumer prices and the expectation that borrowing costs will remain low for some considerable time. It also seems that Irish consumers feel the news on jobs is slightly less bad and expectations that the Government's approach on NAMA will, on balance, have a positive impact.

¹¹ Published November 03, 2009

The concerns of the older age cohort tend to be related to security of pensions, losses in the stock market, devalued equity in property, including principle residence, and concerns for job security of adult children, many of whom experiencing negative home equity.

Falling consumer prices

Consumer prices, as measured by the CPI¹², were on average 6.6% lower in October compared with October 2008. Overall prices decreased by 0.2% in the month, compared to an increase of 0.4% recorded in October last year. Services prices fell by 7.7% in the year to October, while goods fell by 5.2%. The most notable changes in the year were decreases in Housing, Water, Electricity, Gas & Other Fuels (-28.8%), Clothing & Footwear (-12.8%), Food & Non-Alcoholic Beverages (-6.4%) and Transport (-3.1%).

While good news for the consumer, the fall in prices within the tourism sector is adding to the difficulties of many businesses as the largest cost inputs remain high. In October, accommodation services prices fell by -2.9%, while prices in restaurants, cafes & fast food fell by -0.4%.

Accommodation services in October were priced 15% lower than a year ago, and 12.7% lower than in December 2006, when the data series began.

Continuing fall in retail sales

Despite falling prices, consumers have been markedly cutting back on their expenditure, particularly on high ticket items. The downturn in retail spending continues as the volume of Irish retail sales fell by 9% in August 2009 compared to August 2008. If spending in motor trades is excluded the decrease in the month was 5.2%. The rate of decline in sales slowed from a 15% year on year drop in July.

The value of retail sales decreased by 13.4% in August 2009 compared to August 2008, or a decrease of 10.4% if Motor Trades are excluded.

In the quarter April to June the volume of retail sales fell by 13.9%, according to the CSO¹³, with the value of retail sales down by 18.1% in the second quarter of 2009 compared to the second quarter of 2008.

Most sectors continue to show year on year volume and value declines with the most significant declines being in high ticket and discretionary items, while the fall in sales of essential items is less marked. The principal annual changes in the value of sales include:

- Motor Trades down 31.5%
- Clothing Footwear and Textiles down 15.4%
- Department Stores down 13.8%
- Bars down 12.4%
- Food, beverages and tobacco down 7.3%
- Non-Specialised Stores (includes supermarkets) down 6.6%

¹² CSO Consumer Price Index October 2009 (published November 12, 2009)

¹³ CSO Retail Sales Index - August 2009 (First Estimates) & July 2009 (Final) – published October 16, 2009

Conclusion

From a purely economic perspective, it is likely that the Irish consumer will continue to reduce spending on holiday travel until confidence in the future performance of the economy improves.

Living standards in Ireland are likely to remain “permanently lower”, according to the Organisation for Economic Co-operation and Development (OECD)¹⁴. It argues that lower wages and fiscal consolidation are necessary to restore stability to the economy. The correction in the economy will be “prolonged” and economic activity will not return to boom levels, according to the report.

Based on current projections recovery in spending on holiday travel is unlikely to occur before 2011 at the earliest. The Government’s economic policy decisions in dealing with the current crisis will be critical to the effectiveness and timing of recovery and restoration of consumer confidence and boosting expenditure behaviour.

The level of demand for home holidays, particularly short breaks, will be especially determined in the short to medium term by the economic impacts on, and the confidence levels of, the over 50 cohort.

¹⁴ OECD, 4th November 2009

6.3 Other Factors Influencing Short Term Demand

Besides economic factors, a number of other influences are at play in determining the levels of demand for holiday travel, besides the threat of H1N1 flu, which could have a devastating impact on short breaks over the coming months. These include:

The new normal – the new reality

It is increasingly clear that the current downturn is fundamentally different from recessions of recent decades. We are experiencing not merely another turn of the business cycle, but a restructuring of the economic order.

The question is, “*What will normal look like?*” While no one can say how long the crisis will last, what we find on the other side will not look like the normal of recent years. The *new normal* will be shaped by a confluence of powerful forces—some arising directly from the financial crisis and some that were at work long before it began, mainly changes in demand, new customers, new behaviour patterns, etc.

Demand has already been undergoing significant change in recent years, with increasing number of shorter trips, aging demographic; changing lifestyle; more value consciousness; changing information and reservations channels; growing environmental & health consciousness; more experiences/activities; more adventurous, etc. While there is little knowledge of how the current recession will change consumer behaviour in the future, there are many suppositions, including staying closer to home; more domestic than international trips; and fewer shorter trips, spending less.

TIME Magazine in a cover story “The New Frugality” predicted that consumers would spend less, become far more bargain/value conscious exhibited in changing food & clothes shopping patterns, dining, entertainment, and travel. Survey on attitudes of Europeans towards tourism¹⁵ found that 17% who travelled in 2008 were hesitant about a holiday in 2009, while between 15% and 23% of all residents in the larger Member States were undecided.

The extent and the timeframe within which the Irish consumer will respond to the new reality is uncertain.

Holiday travel no longer a luxury?

The pattern of leisure has become so ingrained in the lifestyle behaviour of many consumers, prompting some commentators to suggest that despite economic difficulties consumers will aim to maintain holiday travel at the expense of other outgoings. However, the evidence available seems to suggest that despite the intrinsic lifestyle values now attached to holiday travel, the patterns of demand will essentially change in times of economic recession.

The most likely impacts include a reduction in the number of holiday trips and lower expenditure achieved by trading down and/or shortening the length of trip. The incidence and frequency of short break taking is probably most at risk in the current economic climate, with the high-end or higher ticket offerings especially exposed.

Consumers staying closer to home?

The latest CSO data for the first half of 2009 would indicate that the decline in abroad holidays is more marked than the drop in holidays taken at home. While foreign holiday trips declined by close to 20% in volume and

¹⁵ Gallop for European Commission, February 2009

expenditure, domestic holidays volume was down by 10% and expenditure by 15%, resulting in a market share gain for domestic tourism.

The stronger performance of the home holiday market over the first half of 2009 lends credibility to the hypothesis that consumers are staying closer to home. However, the extent to which there is substitution of a holiday trip in Ireland for an abroad trip is as yet unclear.

The hypothesis that consumers will stay closer to home including the substitution of a holiday trip in Ireland for an abroad trip will sustain home holiday demand is, as yet, unproven.

Aggressive pricing and promotion

The Irish consumer is currently benefitting from a range of price wars, particularly in airfares and Irish hotel rates, as businesses compete for custom.

While airlines have some flexibility in moving capacity between markets, as both Aer Lingus and Ryanair have done, the capacity of the Irish land based tourism sector is largely inflexible. Both carriers and ground providers are facing increasing competition within each sector at a time when inbound demand is also falling.

The continuing presence of special hotel offers and 'fare sales' throughout the summer months is an indicator of the availability of unfilled capacity and the drive by providers to persuade consumers to spend on holiday travel, targeting them through online and traditional channels.

While the continuous promotion of discounted priced offerings is good news for the consumer, the commercial sustainability of the very low price points is unsustainable due to the unrealistically low yields for the businesses.

Competitiveness of the Irish offering

The discounted offers available on airfares continue to entice Irish consumers to travel abroad and while the perception of holiday breaks at home being more expensive than abroad is diminishing of late, the Irish consumer, despite excellent offers, is still perceiving a holiday trip at home as being more expensive than abroad.

The outlook in regard to exchange rates suggests that in the short to medium term, the value of sterling against the euro may regain a little strength, if any, while the US dollar is expected to remain at about its current level.

Therefore purchasing power value in Britain and the US is likely to remain attractive to the Irish traveller. The competitiveness of European destinations will depend on the relative rate of inflation in the destination compared to that in Ireland. Already many European governments have taken action to improve the competitiveness of destination, reducing VAT and rebating airport charges, etc.

Conclusions

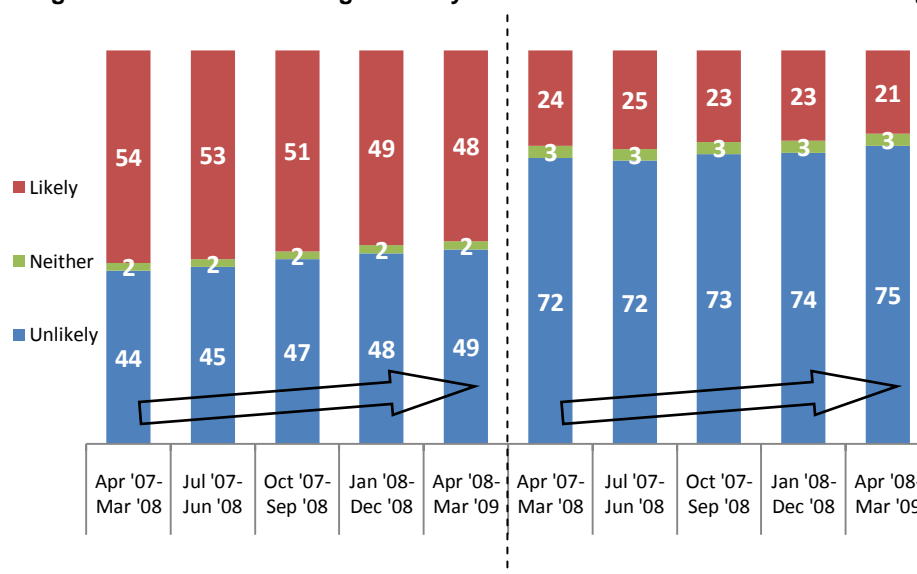
The pattern of travel demand by Irish consumers is changing but the extent to which new patterns of holiday travel, including the incidence, frequency, destinations and expenditure are uncertain. The new reality emerging after several years of an expanding home market demand, especially for short breaks is fundamentally changing the business landscape for those involved in Irish tourism. **Tomorrow's business environment will be different, but not necessarily less rich in opportunities.**

6.4 The Outlook – Some Scenarios

Recent research from Fáilte Ireland confirms a decline in the level of intent to take a home holiday in Ireland, with the fall off being far more marked in respect of shorter holidays.

48% of the adult population said they were likely to take a 1-5 night holiday in Ireland over the coming 12 months – this compares with a high of 64% of the population two years ago. 21% expressed themselves to be likely to take a longer holiday, down from 24% two years ago.

Fig. 6.1: Likelihood of taking a holiday in Ireland over next 12 months declining



Source: Fáilte Ireland's Home Holidays Quarterly Tracking Survey (TNS/MRBI)

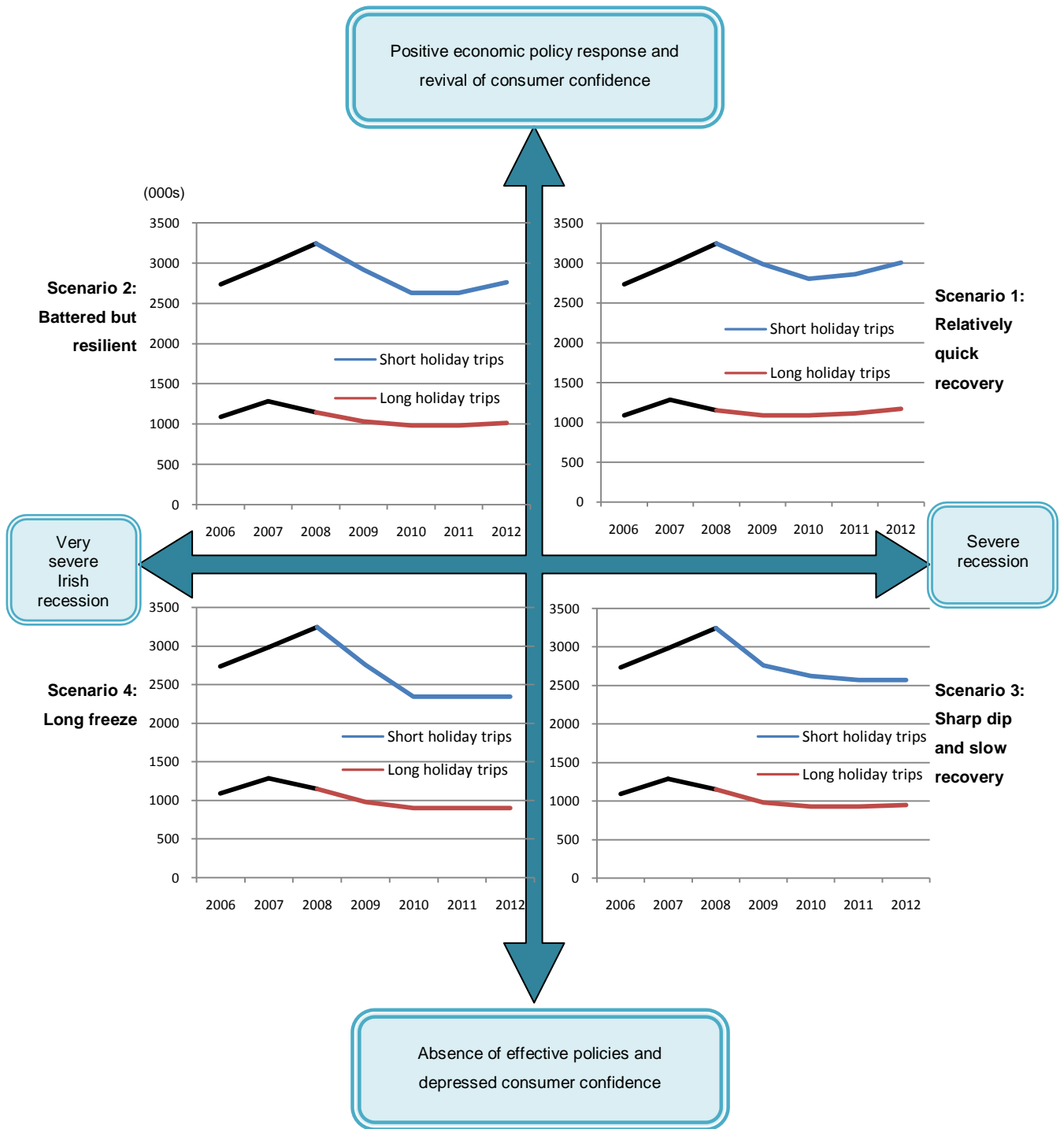
The current uncertainties open the possibility to at least four potential outcomes in respect of demand for home holidays over the coming 4 years.

The external variables include the depth and duration of the global recession, while the primarily internal variables are the extent of corrective positive policy interventions to influence the performance of the Irish economic and thereby improve consumer confidence and disposable income levels.

The scenarios set out graphically overleaf suggest a set of possible scenarios for each of the segments – short leisure breaks and longer holidays over the period 2009 to 2012.

Demand Scenarios

Fig. 6.2: Home holiday demand scenarios for uncertain times 2009-2012 (long and short holidays, 000s)



The principal assumptions are as follows:

Short Breaks:

Scenario 1: Relatively quick recovery

Based on an optimistic decline of up to 8% in 2009, demand would fall by a further 6% next year, before economy recovering by 2% and 5% in 2011 and 2012 respectively. This most bullish scenario would see volume recover to between 2007 and record 2008 levels by 2012.

Scenario 2: Battered but resilient

Based on a 10% drop in volume in 2009, this scenario would see a further 10% decline in 2010, before stabilising in 2011 and a modest 5% increase in 2012. This would suggest volume in 2012 recovering to 2006 levels. Based on available information this scenario is perhaps closest to the most likely outcome.

Scenario 3: Sharper dip and delayed recovery

Based on a 15% drop in the current year, followed by a further 5% decline in 2010, the market decline by a more modest 2% in 2011 and stabilise in 2012, postponing any recovery until 2013.

Scenario 4: Long freeze

Based on a 15% drop in demand in 2009, followed by a further 15% decline in 2010 at which level the market would stabilise for at least the next two years.

Long holidays

Scenario 1: Relatively quick recovery

Based on an optimist decline of up to 5% in 2009, demand would stabilise in 2010, with modest recovery of + 2% and +5% in 2011 and 2012 respectively. This most bullish scenario would see volume recover to between 2006 and 2007 levels by 2012.

Scenario 2: Battered but resilient

Based on a 10% drop in volume in 2009, this scenario would see a further 5% decline in 2010, before stabilising in 2011 and a modest 3% increase in 2012. This would suggest volume in 2012 at close to the 2006 level.

Scenario 3: Sharper dip and delayed recovery

Based on a 15% drop in the current year, followed by a further 5% decline in 2010, the market would stabilise in 2011 followed by a modest 2% recovery in 2012.

Scenario 4: Long freeze

Based on a 15% drop in demand in 2009, followed by a further 8% decline in 2010 to stabilise at this level for at least the following two years.