



Regional Tourism Trends Annual Review 2008 and prospects for 2009

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Driving Tourism ExSEllence

Content page

Executive Summary	2
The National Picture	3
The Regional Picture	5
Domestic Trip Volume and Value	5
Inbound Trip Volume and Value	8
The Service Accommodation Sector	11
The Non-Serviced Accommodation Sector	13
The Visitor Attraction Sector	15
Prospects for 2009	17

South East Tourism Regional Tourism Trends Annual Review 2008

2008 headlines

	Volume	% of total	Expenditure	% of total
Domestic overnight trips	16.3 million	8%	£2.4 billion	20%
Inbound overnight trips	4.5 million	2%	£1.8 billion	15%
Tourism day trips	190 million	90%	£8.0 billion	65%
Total trips	210.8 million	100%	£12.2 billion	100%

This expenditure contributed to 5% of the region GVA and supported approx. 302,000 FTE jobs in the region

- Just under 21 million people visited destinations across the South East on an overnight trip.
- Around a fifth (22%) of overnight trips were by made international visitors; the vast majority were made by UK nationals.
- Visiting friends and relatives followed by holidays were the most popular reasons for visiting the region for an overnight trip.
- In volume terms, the same-day market is significantly larger; around 190 million tourism day trips were made to destinations in the South East.
- Approximately £12.2 billion accrued to the region's economy through direct visitor expenditure.
- Despite only accounting for 8% of trips, domestic overnight trips accounted for 20% of total visitor expenditure.
- Similarly, inbound overnight trips were deemed to account for only 2% of total trips but 15% of total trip expenditure.
- This highlights the low volume, high value nature of overnight trips, which overall accounted for 35% of spend yet only 10% of trips.
- Tourism day trips accounted for 90% of trips, but 65% of expenditure. Nevertheless, despite the relatively high volume, lower value nature of this market, the £8.0 billion worth of expenditure represents sizeable income for the region's economy.
- Data derived from the Annual Business Inquiry indicate that visitor expenditure in the region generates approximately 5% of the region's GVA and supports around 302,000 full-time equivalent jobs.

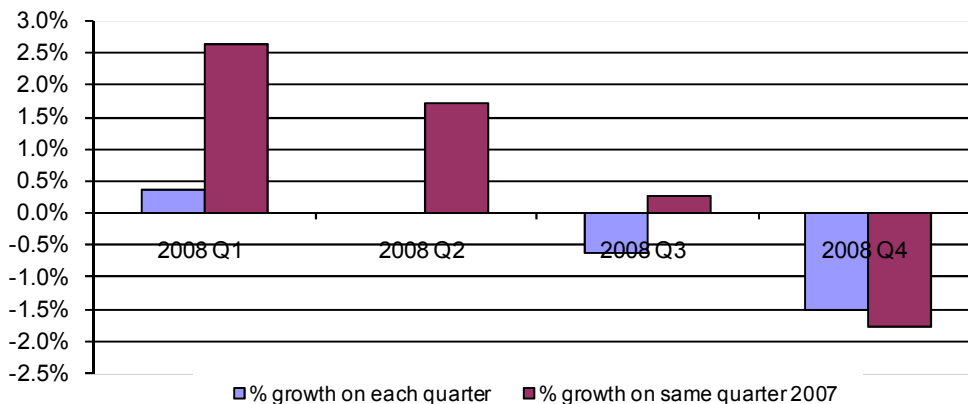
Executive Summary

- This is our fourth regional tourism trends annual review which assesses the current state of the tourism industry across the region and charts changes since the first review in 2005.
- The tourism trends review is based on data gathered from a number of regional and national surveys. These include surveys which track industry performance, which monitor visitor trends, and which review current economic and labour market conditions. A list of sources is provided in Appendix 1.
- The most significant development affecting the industry in 2008 was the onset of global economic downturn. Turmoil in the financial sector across the USA and Europe ushered in a period of austerity in the UK following almost 16 years of unbroken gross domestic product (GDP) growth. The contraction of GDP in quarters 3 and 4 of 2008 was the first time the UK economy recorded negative growth in consecutive periods since 1991.
- The downturn in the economy had a significant impact on tourism demand. Nationally, the volume of inbound and domestic overnight trips shrank by 1.6% and 4.7% respectively in 2008 compared to 2007. The region saw a greater drop in domestic overnight trips (-8.8%) in 2008 compared to the national picture reflecting a decline set well before the economic downturn. On the positive side, the region bucked the national trend of a drop in the volume of overseas visitors seeing an increase in trips from international visitors (+2.4%).
- Even before the tumultuous collapse of Northern Rock and the rescuing of the Royal Bank of Scotland towards the latter part of the year, business confidence among the region's tourism businesses at the start of the year was already lower to that recorded in 2007 and continued to descend over the rest of the year. At the start of the year concerns over the rising cost of living, a weak pound, and poor weather had already dampened expectations.
- However, not all businesses have been affected equally by the 'credit crunch' in 2008; there have been winners and losers. Many of the region's free visitor attractions reported that they did particularly well in 2008. On average attractions (free and charging) experienced a modest growth of 1.8% in admissions in 2008.
- Average room occupancy remained relatively consistent at 60%, though this level is likely to have been retained through special offers and discounting.
- The South East also continues to be the most popular region for domestic overnight trips after the South West, and the most popular region for inbound trips after London.
- Despite the downturn, approximately £12.2 billion was generated from visitor expenditure in 2008 supporting local businesses and jobs. According to the Annual Business Inquiry the tourism sector contributes 5% towards the region's total Gross Value Added (GVA) and employs approximately 302,000 jobs.

The National Picture

- Following several years of economic growth a new phrase, hitherto absent, entered into everyday language, the 'credit-crunch'. Originating with the colossal losses on assets related to the US sub-prime mortgage market, the impact quickly transmitted to the wider global economy. Financial institutions around the world restricted credit to households and firms as a response to the financial crisis.
- The latest data published by the Office for National Statistics (ONS) confirms the UK to be in the midst of a severe economic downturn. Preliminary estimates for the final quarter of 2008 showed a strong contraction in economic growth with national industry output falling by 1.5%. This marked the single biggest quarterly drop in activity since 1980 and the sixth largest since records began in 1948. Output was 1.8% lower in 2008 quarter four compared with the same quarter in 2007.
- These figures imply that, according to the technical definition, the UK was officially in recession having posted two successive quarters of negative growth¹.

Figure 1: UK Economic Growth (Gross National Product)



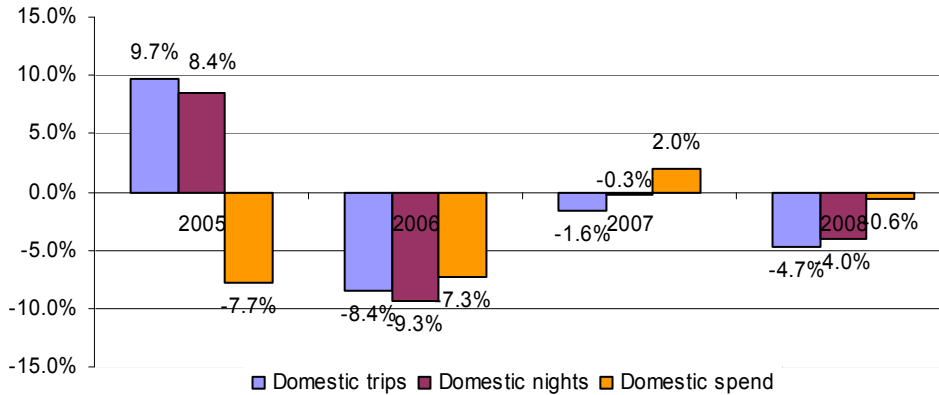
Source: Office for National Statistics

- Against this backdrop, how has the tourism sector fared? On the consumer side with greater financial insecurity, British households have scaled back on spending, tending to shop around for the best value on everything from shampoo to washing machines.
- Unsurprisingly, domestic holidays and leisure travel in general has suffered. In England, domestic tourism contracted by 4.7% in trip volume (from just over 100 million trips in 2007 to 95.5 million trips in 2008) and by 0.6% in trip expenditure compared to the previous year (from £16.5 billion in 2007 to £16.4 billion in 2008). VFR experienced the steepest decline (-8%) compared to 2007, whilst holiday trips fell by 4%.

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¹ Economic & Labour Market Review, February 2009, Office for National Statistics

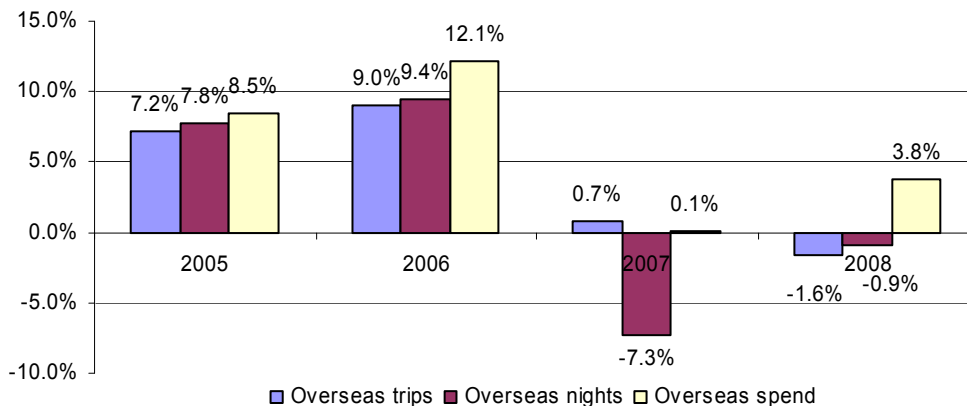
Figure 2: Per cent change in domestic tourism (England)



Source: United Kingdom Tourism Survey, VisitBritain

- The impact on travel has, however, been global. Results from the International Passenger Survey (IPS) reveal a reduction in the volume of inbound tourism visits into England in 2008 (-1.6% compared with 2007). Inbound tourism visits into England fell from 27.8 million in 2007 to 27.3 million in 2008.
- Results for Q4 for the year show that business visits were hardest hit; down by 25% compared to the same period last year, as companies tightened up on travel expenditure (VFR visits and Holiday visits were more resilient, down 7% and 5% respectively despite the weak sterling). Trips from the USA dropped the most as Americans' lowest ever levels of consumer confidence and rising unemployment meant that far fewer took holidays abroad in 2008.
- However, despite the drop in inbound trips, the overall level of visitor expenditure from international visitors increased in 2008 compared to 2007 by 3.8%. The weakness of the pound against other currencies explains part of the reason for the increase in expenditure. It is also likely that many international visitors took advantage of the weak pound and spent more money on higher value items increasing average expenditure per head.

Figure 3: Per cent change in inbound tourism (England)



Source: International Passenger Survey, Office for National Statistics

The Regional Picture

Domestic Trip Volume and Value

- Figures from the United Kingdom Tourism Survey (UKTS) suggest that Britons took just over 16.3 million overnight trips to the South East in 2008 and spent approximately £2.4 billion.
- The South East continues to be a popular destination for overnight domestic trips, only marginally second to the South West which attracts the largest proportion of domestic trips across England. Approximately 14% of total domestic trip expenditure was spent in the South East in 2008.

Figure 4: Distribution of domestic trip volume by region

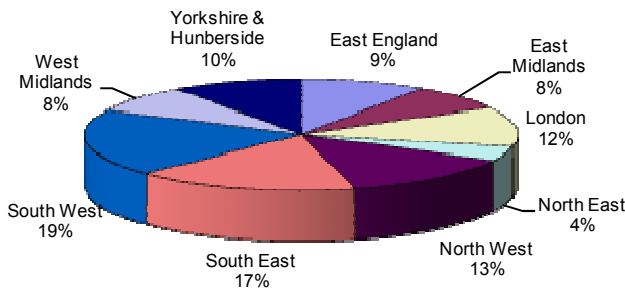
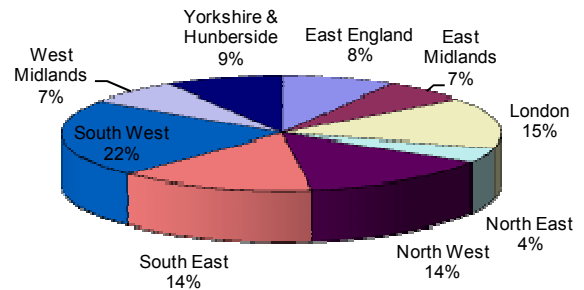


Figure 5: Distribution of domestic trip expenditure by region



Source: United Kingdom Tourism Survey, VisitBritain

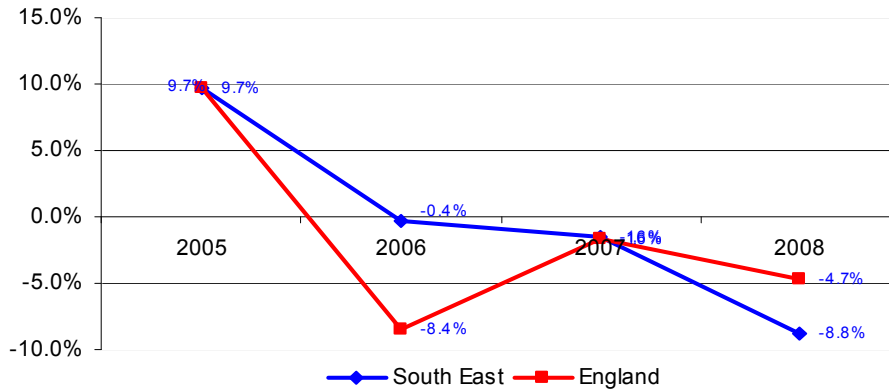
- Short breaks continued to be the mainstay of the domestic tourism market in the region. Three quarters of trips involved a duration of 1 – 3 nights with only 19% of trips involving 4 or more nights.
- The purpose of trips has changed little over the past 4 years. Just under half of domestic trips spent in the South East were VFR and around a third were holiday trips. Business trips made up approximately 14% of domestic trips spent in the South East, a drop of 3% points when compared to 2005. The remaining trips were made for a variety of reasons including education and training, social or sporting events, house hunting, weddings and funerals, or when visitors have multiple reasons for visiting.

Table 1: Per cent change in domestic trip purpose

	2005	2006	2007	2008
Holiday (pleasure, leisure)	33%	33%	35%	35%
VFR	46%	49%	49%	48%
Business	17%	15%	14%	14%
Other	4%	3%	2%	3%

- Since 2006 domestic tourism has been in decline at the national and regional level. According to UKTS the volume of domestic trips spent in the South East dropped by 0.4% in 2006 compared to the previous year. It dropped again in 2007 by 1.6% and by 8.8% in 2008, greater than the national drop of 4.7%.

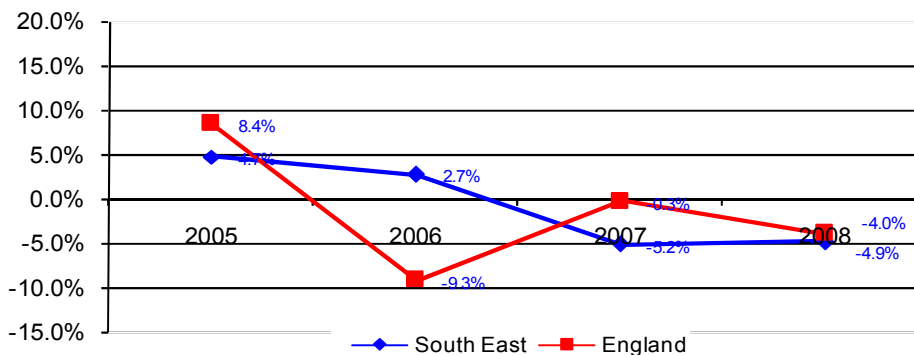
Figure 6: Per cent change in domestic trips year on year



Source: United Kingdom Tourism Survey, VisitBritain

- With fewer overall trips, the number of nights spent by domestic visitors in the South East dropped from around 50 million in 2007 to 45.5 million in 2008 a reduction of 4.9%. Once again a downward trend is evident over the past few years.

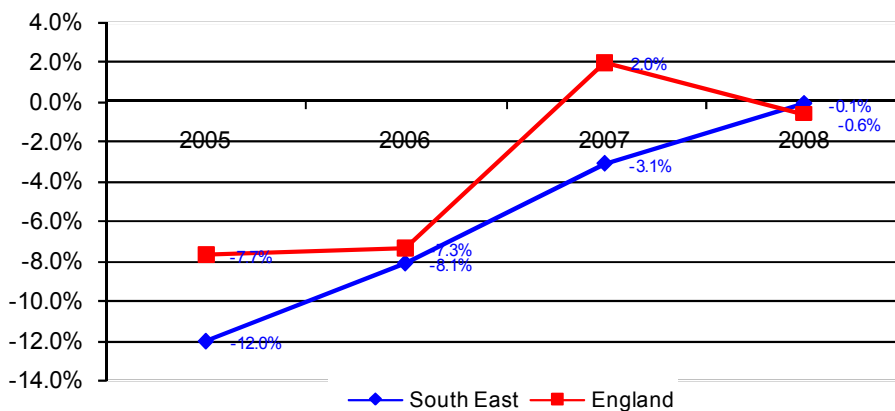
Figure 7: Per cent change in domestic nights year on year



Source: United Kingdom Tourism Survey, VisitBritain

- Domestic trip expenditure levels since 2005 reveal a peculiar pattern. In 2005 overall domestic trip volume was up by 9.7% both nationally and regionally. However, according to UKTS, visitors spent far less on their trips in 2005 reducing overall expenditure by -12% in the South East (from £3 billion to £2.6 billion) and -7.7% in England (from £18.9 billion to £17.5 billion).
- Since then, domestic trip expenditure in the region has continued to drop but at a far lesser rate than the overall drop in trips. In 2008 domestic visitors spent approximately £2.4 billion, a similar level to 2007. The increase in the price of many goods and services in 2008 is likely to have halted a drop in average visitor expenditure.

Figure 8: Per cent change in domestic spend year on year



Source: United Kingdom Tourism Survey, VisitBritain

- In addition to domestic overnight trips, the South East is a popular destination among UK households for same-day leisure trips. Domestic tourism day trips outnumber domestic overnight trips by a factor of 11 to 1. It is estimated that there were approximately 190 million tourism day trips from home in the region in 2008. The total value of expenditure on tourism day trips was approximately £8.0 billion².

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² The tourism day trip figures are estimates based on the 2005 England Leisure Visits Survey. Since 2005 the survey has not been repeated. Currently the ONS is reviewing the possibility of adding questions on day trips to its various domestic omnibus surveys to calculate the volume and value of tourism day trips.

Inbound Trip Volume and Value

- According to IPS the South East welcomed approximately 4.5 million international visitors in 2008, an increase of 2.4% in volume compared to 2007.
- After London which receives the lion's share of international visitors, the South East is the next most popular destination for overseas visitors.
- Expenditure associated with inbound trips spent in the South East is estimated to have been approximately £1.8 billion, an increase of 14.2% compared to 2007.
- The large increase in expenditure appears odd in context of the smaller increase in trips but given the drop in the value of the sterling, overseas visitors have simply had more pounds to spend. The South East has also traditionally attracted the higher spending income groups. Average expenditure per person per trip increased from £353 in 2007 to £394 in 2008.

Figure 9: Distribution of inbound trip volume by region

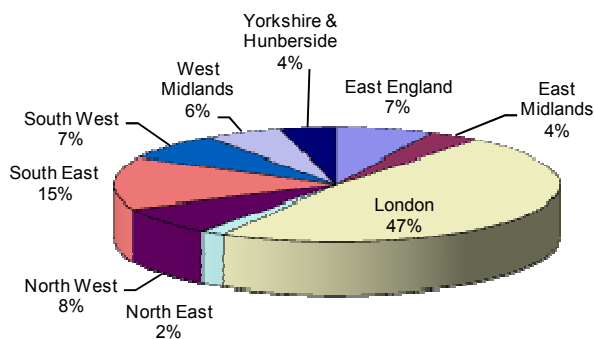
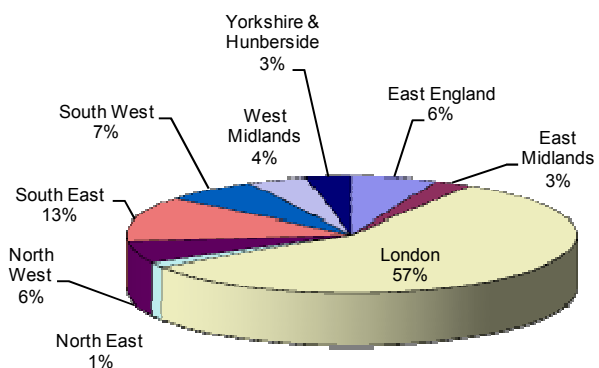


Figure 10: Distribution of inbound trip expenditure by region



Source: International Passenger Survey, Office for National Statistics

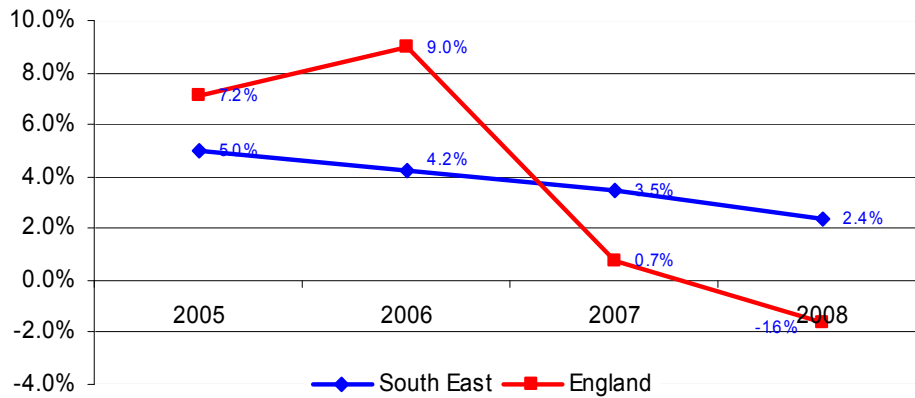
- As with domestic trips, VFR trips are the most dominant trip type, though the proportionate size in relation to other trip purposes is not as large as seen in domestic trips. Since 2005, VFR trips have remained the main trip purpose for around 35% to 38% of all inbound trips spent in the South East.

Table 2: Per cent change in inbound trip purpose

	2005	2006	2007	2008
Holiday (pleasure, leisure)	28%	25%	27%	28%
VFR	35%	35%	38%	36%
Business	26%	26%	25%	27%
Study	4%	4%	3%	3%
Other	7%	9%	7%	6%

- Since 2005 the rate of growth in inbound trips spent in the South East has slowed down. The volume of inbound trips grew by 6% in 2005 but by only 2.4% in 2008. The growth in volume bucks the national trend which has since a sharp decline in inbound trips since 2007.

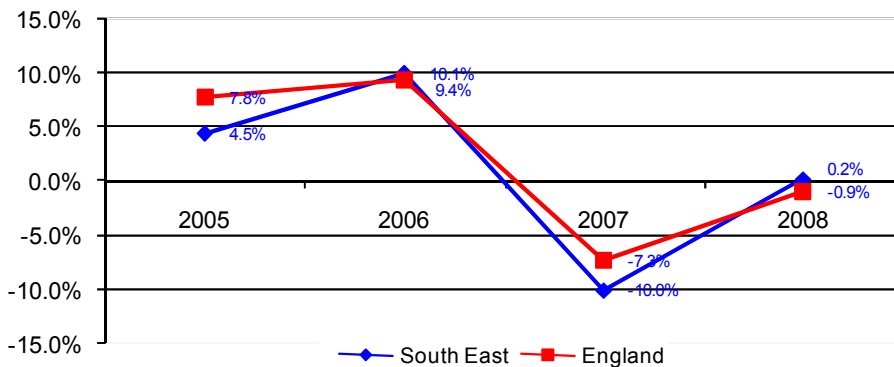
Figure 7: Per cent change in overseas trips year on year



Source: International Passenger Survey, Office for National Statistics

- The number of nights spent in the region by international visitors remained similar to 2007. Generally there has been a shortening in trip length over the past few years from an average of 8 nights to an average of 7 nights.

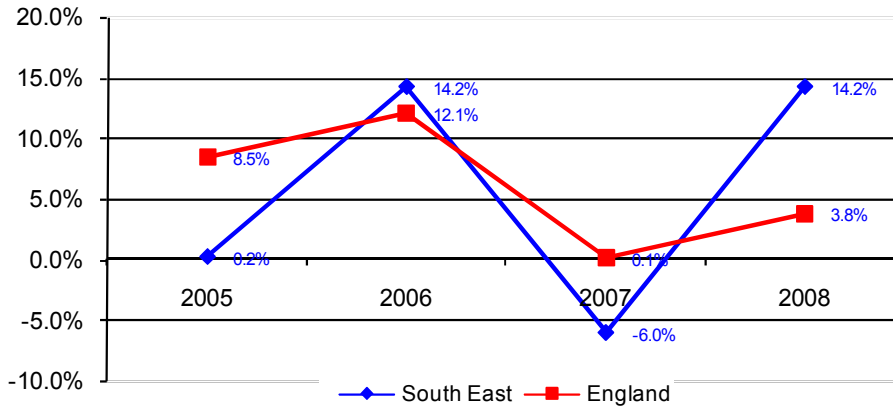
Figure 12: Per cent change in overseas nights year on year



Source: International Passenger Survey, Office for National Statistics

- Inbound trip spending levels increased by 14.2% to £1.80 billion in the South East in 2008 from an average of £353 per person per trip to £394 per person per trip (these figures do not account for inflation).

Figure 13: Per cent change in overseas spend year on year

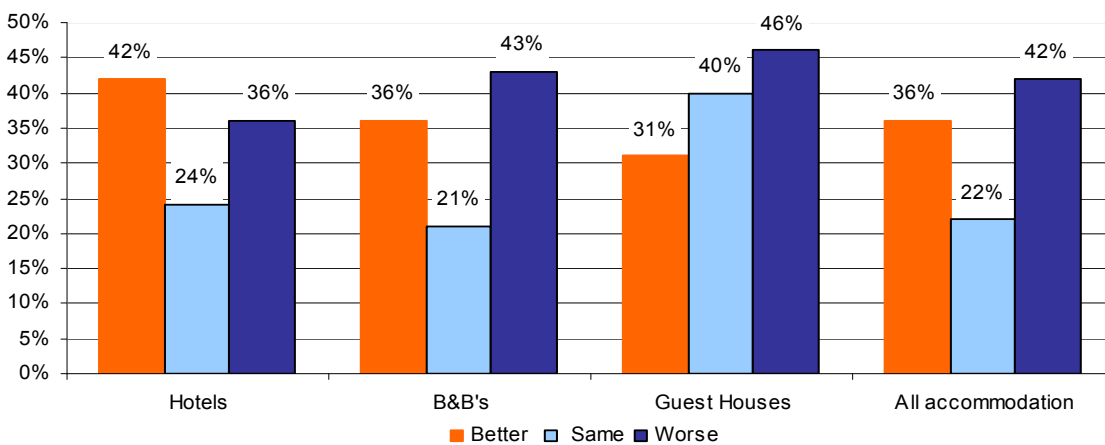


Source: International Passenger Survey, Office for National Statistics

The Serviced Accommodation Sector

- Results from TSE's Business Confidence Survey showed that overall 36% of the region's serviced accommodation sector reported better business performance in 2008 compared with 2007. Around a fifth stated that the level of performance remained comparable to the previous year and the remaining 42% experienced worse overall performance compared to the previous year.
- Among accommodation businesses Guest-houses and Bed & Breakfast businesses were more likely to have reported overall poor performance compared to the previous year.

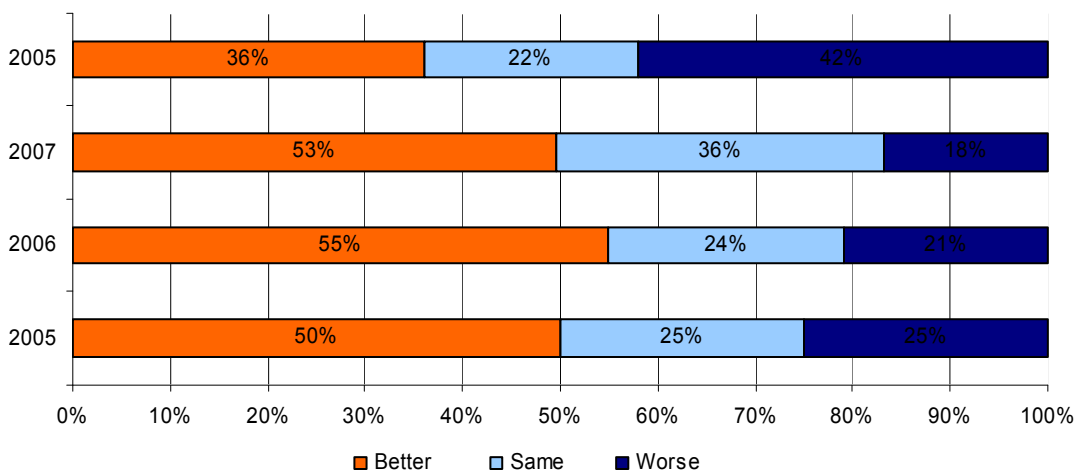
Figure 14: Business confidence among serviced accommodation businesses



Source: Business Confidence Survey Annual Report 2008, Tourism South East

- Trend data indicate that there was a significant dip in business confidence in 2008. In 2005 around half of all accommodation businesses reported that business performance was better than in the previous year. This increased to 55% in 2006, dropped by 2% points in 2007 to 53%, then plummeted by 17% points to 36% in 2008.

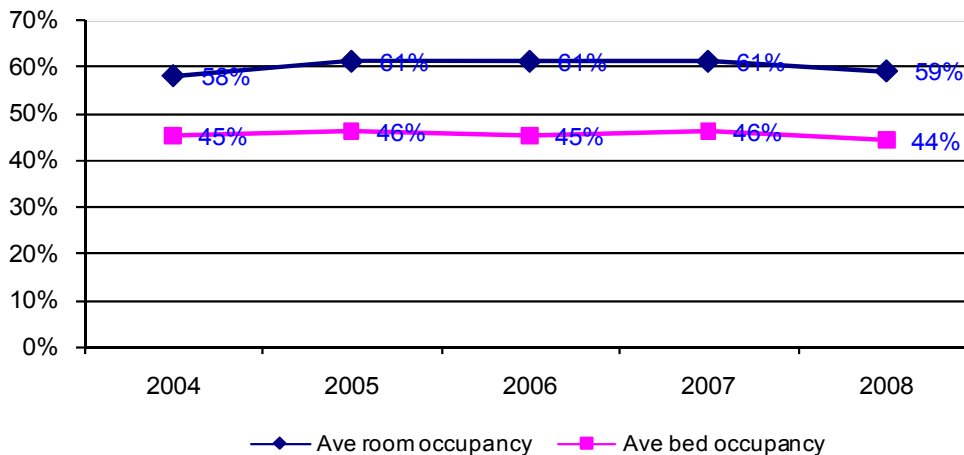
Figure 15: Business confidence among accommodation businesses by year



Source: Business Confidence Survey Annual Report 2008, Tourism South East

- Despite the sharp drop in business confidence, average room and bed occupancy has remained relatively comparable with 2007 dropping by a few percent point only; indeed occupancy levels have been relatively consistent over the past few years.
- In 2008 average room occupancy dropped by 3% points to 59% and average bed occupancy dropped by 2% points to 44%. In the current economic climate accommodation businesses have staved off bigger falls in occupancy through discounting and special offers.

Figure 16: Serviced accommodation average occupancy levels



Source: Regional Occupancy Survey, Tourism South East.

- The average room occupancy rate for hotels was 60% (similar to 2007). For B&B's across the South East, it was lower at 47.3% (2.1% higher than 2007).
- Average bed occupancy rates were closer between hotels and B&B's than room occupancy rates. There was a 8.4% difference in the annual average with hotels achieving a 43.5% (0.8% lower than 2007) and B&B's 35.1% (similar to 2007).

Table 3: Average annual room & bed occupancy for Hotels & B&B accommodation

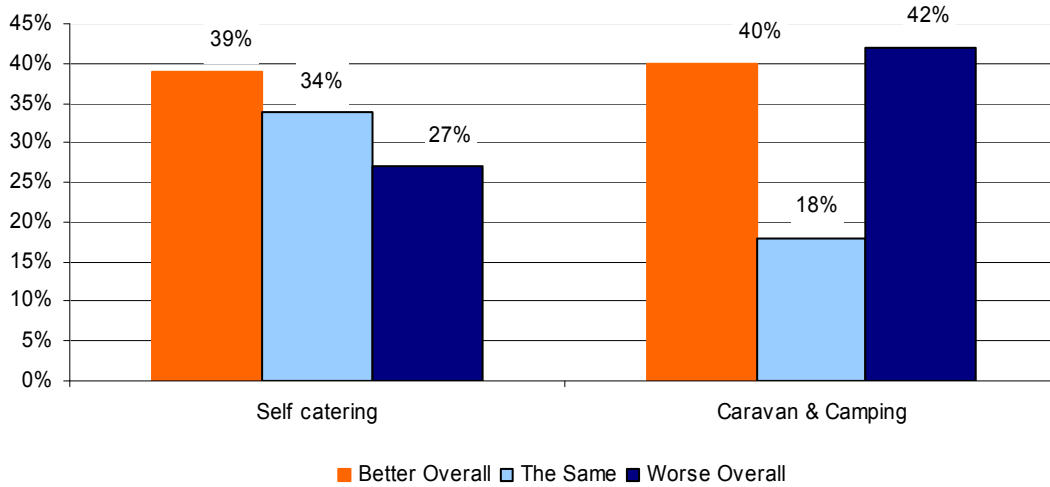
	Hotels		B&Bs	
	ave. room occupancy	ave. bed occupancy	ave. room occupancy	ave. bed occupancy
2005	59.9%	41.9%	56.7%	44.4%
2006	60.1%	46.0%	45.5%	35.3%
2007	59.8%	44.3%	45.2%	35.1%
2008	60.0%	43.5%	47.3%	35.3%

Source: Regional Occupancy Survey, Tourism South East.

The Non-Serviced Accommodation Sector

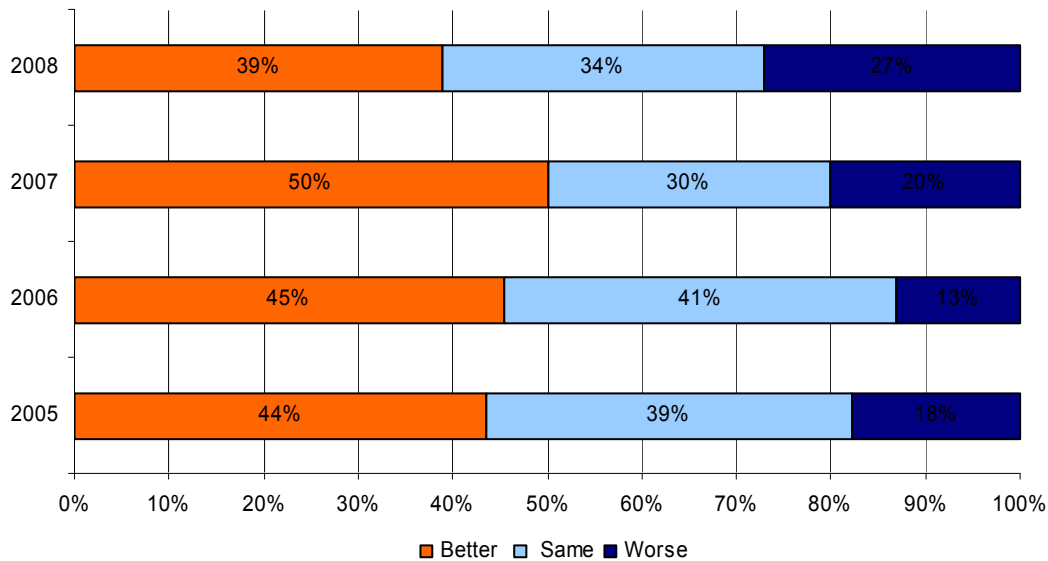
- 2008 saw an 11% drop (down to 39% from 50% in 2007) in the number of self catering businesses reporting better overall performance for the year compared to 2007. Twenty-seven percent of self-catering businesses reported worse overall performance (up 7% compared to 2007).

Figure 17: Business confidence among non-serviced accommodation



Source: Business Confidence Survey Annual Report 2008, Tourism South East

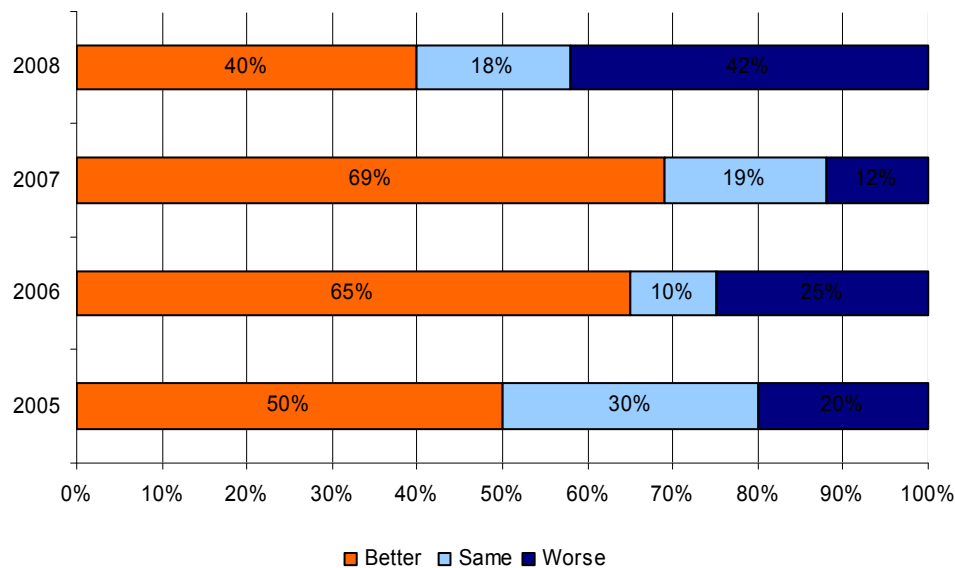
Figure 18: Business confidence among self-catering accommodation by year



Source: Business Confidence Survey Annual Report 2008, Tourism South East

- Caravan and camping accommodation businesses reported a mixed year. Forty percent reported better overall performance for 2008 compared with 2007; a drop of 19% compared to 2007 when 69% reported overall better performance. 2008 saw a steep rise in the percent of caravan and camping accommodation businesses reporting worse overall performance. Forty-two percent of businesses reported that performance had been worse in 2008 compared to the previous year. In 2007 only 12% of caravan and camping accommodation businesses reported that performance had been worse compared to the previous year.

Figure 19: Business confidence among camping & caravan parks by year



Source: Business Confidence Survey Annual Report 2008, Tourism South East

- Interestingly, other sources of information indicate that 2008 was overall a very good year for camping and caravan accommodation/holiday businesses. The National Caravan Council recorded a 20% rise in campsite bookings for July and August 2008 and a rise in the number of people purchasing caravans. Nationwide, sales of camping equipment - including sleeping bags, picnic hampers, torches and paraffin stoves – increased in 2008, with major retailers reporting rises of up to 40% in the past year.³

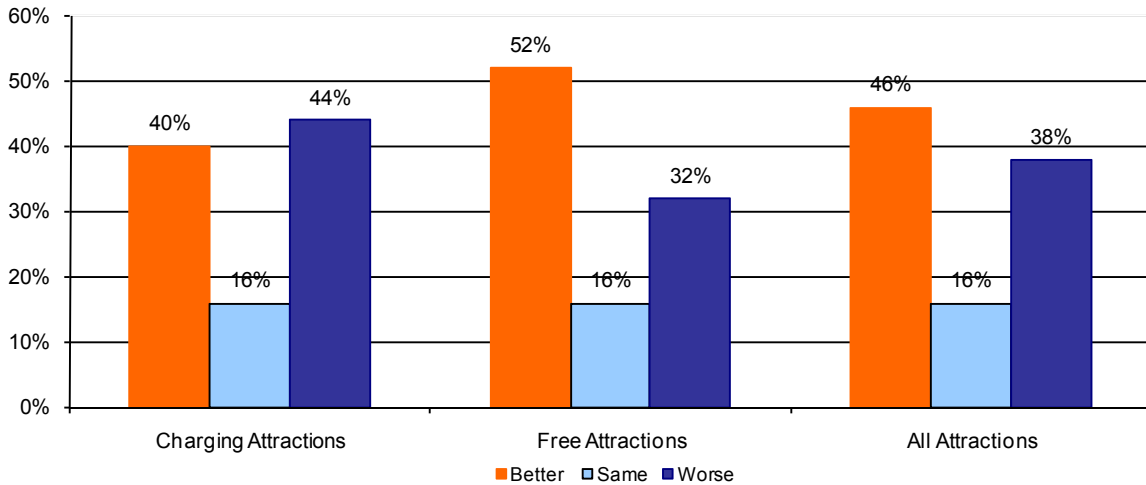
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³ 'UK Caravan Industry Celebrates Successful Year', National Caravan Council Press release, 2008.

The Visitor Attraction Sector

- Over half of free attractions reported better overall performance for 2008 compared with 2007. Charging attractions experienced a mixed year in common with the caravan and camping sector; 40% reported better overall performance and 44% reported worse performance compared to 2007.

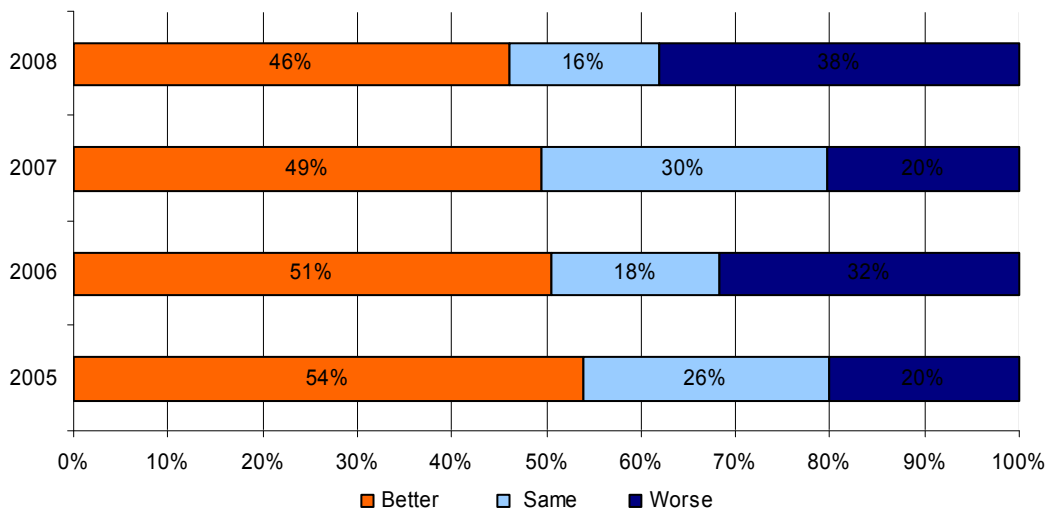
Figure 20: Business confidence among visitor attractions



Source: Business Confidence Survey Annual Report 2008, Tourism South East

- Confidence has shifted over the past few years. In 2005 54% of visitor attraction reported that business performance had been better than the previous year, whereas a fifth of visitor attractions reported that business performance had been worse. By 2008 the percentage of businesses reported overall better performance had dropped to 46% and the percentage of businesses reporting overall worse performance increased to 38%.

Figure 21: Business confidence among visitor attractions by year



Source: Business Confidence Survey Annual Report 2008, Tourism South East

- At the time of writing the national Visitor Attractions Trends Report for 2008 was not available. Normally the report is published in between July and August. In absence of the national data on overall attraction footfall for the year, some further indication of performance in 2008 can be gleaned from the national Quarterly England Attractions Monitor.
- The averaged results from the quarterly survey for Q1 to Q4 indicate that attractions in the South East saw on average a modest growth in admissions of 1.8%. Growth in admissions was also modest at the national level, increasing by 2.3% overall⁴.

⁴ *England Attractions Monitor Reports for Q1 to Q4, VisitEngland*

Prospects for 2009

- Looking forward into 2009 the outlook suggests a continuation of the trend seen at the end of 2008. While a decline in overall trips is expected across many key markets such as domestic and international business travel, there is an anticipation that more Britons will stay at home in 2009 either taking short breaks to other parts of the UK or spending more leisure time locally.
- New research released by Visit London and VisitBritain shows that while 90 per cent of the population claim they are cutting down on spending, less than half (45%) are planning to cut back on holidays, breaks or day trips. The research suggests that taking a break is so strongly valued as an important 'stress-buster' that it is often the last thing to be sacrificed⁵.
- The signs are that in the current economic climate more and more people are abandoning their usual holiday overseas, not least because of concerns over the value of current exchange rates against the pound and the dollar and holidaying at home instead.
- Dubbed as 'staycators', perceived value will play a vital role in their purchasing behaviour as many will be prepared to shop around for a good deal. However, value is not just about price. Consumers will not want to sacrifice the quality of their holiday and offers which create value by enhancing the experience and/or inspiring people to do something different also play a vital role.
- One domestic sector already benefiting from value-conscious consumers is the caravan and camping sector. According to the Camping and Caravan Club advanced bookings for 2009 made by club members are up 15% on the numbers made by this time last year.
- Holiday parks are also increasing in popularity. In March 2009 Centre Parcs reported bookings for 2009 are 4.6% ahead of last year. Pontins are seeing a 20% rise in bookings compared to last year and Butlins 15%⁶.
- Across the region, many tourism businesses are upbeat about the year ahead. The first quarter Business Confidence survey of 2009 found that almost half of all businesses surveyed expect their overall performance in 2009 to be better compared to 2008 with many expecting to see an increase in custom from domestic holiday-makers.
- Nationally, prospects for inbound tourism are less upbeat. VisitBritain predicts that the volume of inbound tourism will decline by a further 0.7% in 2009, but possibly by up to 2% in a more pessimistic scenario, with inbound visitor spending remaining broadly flat in real terms⁷.
- A more positive scenario is that a declining Sterling may boost overseas visitor numbers and spending. Furthermore the four-year Cultural Olympiad is set to provide a varied palette of cultural events across the entire country thereby helping to attract inbound visitors to Britain.

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⁵ 'The Economic Downturn and Domestic Tourism; Qualitative and Quantitative Research', December 2008, VisitLondon and VisitBritain.

⁶ TravelMole features

⁷ Foresight, 'Inbound Tourism in 2009', December 2009 edition, VisitBritain

Appendix 1

Tourism South East Regional Surveys

Business Confidence Survey

Tourism South East conducts a simple Tourism Business Confidence Survey that all member and non-member businesses are encouraged to participate in. The Tourism Business Confidence Survey aims to monitor and benchmark industry performance and expectations over the year and provide robust reporting by tourism sector, sub-region and business location. Currently there are over 300 businesses participating in the quarterly survey. The survey covers all counties in the region and all sectors including serviced, self catering, caravan and camping accommodation, visitor attractions, leisure/sport, travel, transport and tourism retail businesses.

Serviced Accommodation Occupancy Survey

Since 1997 Tourism South East has been running a detailed monthly occupancy survey to monitor occupancy rates in the serviced accommodation sector (hotels, guest houses, motels and travel lodges, B&Bs and inns) in the South East.

VisitBritain/VisitEngland Surveys

United Kingdom Tourism Survey

The United Kingdom Tourism Survey is a national consumer survey measuring the volume and value of tourism trips taken by residents of the United Kingdom. It is jointly sponsored by VisitBritain, VisitScotland, Visit Wales and the Northern Ireland Tourist Board.

The survey covers trips away from home lasting one night or more taken by UK residents for the purpose of holidays, visits to friends and relatives, business and conferences or any other purpose. Tourism is measured in terms of volume (trips taken, nights away) and value (expenditure on trips).

Visits to Visitor Attractions Survey

This is a quarterly online panel survey which gathers data from around 600 attractions across England. The survey was designed to help provide the attractions industry in England with rapid feedback on current trends in visits to attractions.

International Passenger Survey

The International Passenger Survey is conducted by Office for National Statistics and is based on face-to-face interviews with a sample of passengers travelling via the principal airports, sea routes and the Channel Tunnel, together with visitors crossing the land border into Northern Ireland. Around 210,000 interviews are undertaken each year. IPS provides headline figures, based on the county or unitary authority, for the volume and value of overseas trips to the UK.

England Leisure Visits Survey

The main survey measuring volume and value of Tourism Day Visits is the Natural England Leisure Visits Survey. The last survey included trips taken in England by respondents living in England from February 2005 through to February 2006. The survey was led and coordinated by the Countryside Agency (now Natural England) and sponsored by a consortium of national

agencies with an interest in recreation and tourism in England. The Leisure Visits Survey has not been repeated since 2005. Currently the ONS is reviewing options to add questions on day trips to one of its omnibus household surveys.

Office for National Statistics

Annual Business Inquiry

The Annual Business Inquiry (ABI) estimates cover all UK businesses registered for Value Added Tax (VAT) and/or Pay As you Earn (PAYE), classified to the 1992 or 2003 Standard Industrial Classification headings listed in the tables. The ABI obtains details on these businesses from the ONS Inter Departmental Business Register (IDBR). The Annual Business Inquiry is conducted in two parts: one dealing with employment, the other with financial information. The financial inquiry covers about two thirds of the UK economy including: production; construction; distribution and service industries; agriculture (hunting, forestry and fishing). The coverage of the employment inquiry is wider.

Economic & Leisure Market Review

Economic & Labour Market Reviews are published monthly by the ONS. It draws together the expert research and analysis to build an up-to-date, comprehensive and unique statistical picture of the UK economy and labour market.

Further contact

For more information on the annual tourism review, the business surveys included in this document or tourism trends, please contact Anna Williams at Tourism South East on **023 8062 5455**, or Email awilliams@tourismse.com.