FORESIGHT
Issue 12 October 2004

Marketing **British** Tourism

FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month, "Market Focus" discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, there will be a spotlight focused on significant tourism issues. This month the markets Norway, Sweden, Denmark and Finland are examined and we take a look at what a successful Olympic bid might mean for British tourism.

Market Focus – Norway, Sweden, Denmark and Finland

Norway and Sweden come top in the United Nations "human development index" league table and all four markets are comfortably within the top 20 countries measured in terms of per capita GDP. English is very widely spoken in these markets and all four enjoy exceptionally high levels of Internet access. Annual leave entitlements are very generous, ranging from 4 to 6 weeks and the number of public holidays ranges from 12 to 19 days.

In short these are all markets in which outbound travel is routine, widely affordable and practical.

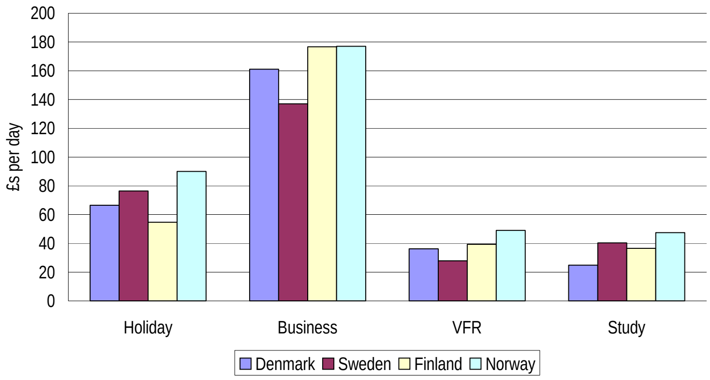
Many parts of Britain enjoy good access by plane from these markets, with the additional benefit of ferry links along the East coast, making Britain a viable option for those wishing to bring their own car for a touring holiday. Indeed, around one out of seven visitors from these markets in 2003 travelled by sea.

Reliable markets with high tendency for repeat visits

Measured as a share of inbound visits to Britain the four Nordic markets account for 6%, equivalent to 1.5 million visitors. Each visit lasts an average of 5 days, rather less than the figure for all inbound markets of 8 days. Spending by visitors from the four markets totalled £578m in 2003 (£383 per visit), approximately 5% of total inbound visitor spend.

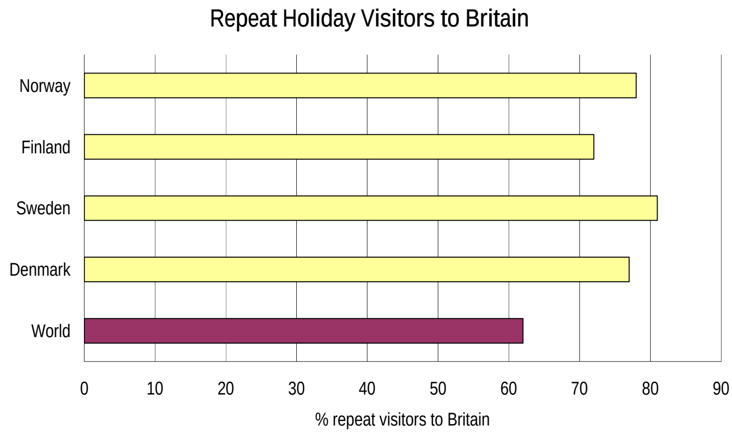
However, we can see from the chart that visitors from these markets have a very healthy average spend per day. Nordic business visitors spend between £140 and £180 per day (compared to £120 per day spent by the average business visitor) and holiday visitors spend between £55 and £90 per day depending on their nationality. Nordic visitors will not perceive Britain to be a "high cost" destination.

Spend per Day by Journey Purpose



Holiday and business trips account for more than 60% of visits from each market, with holiday trips being the most important from Norway and business trips representing the biggest single trip purpose category from the other three markets.

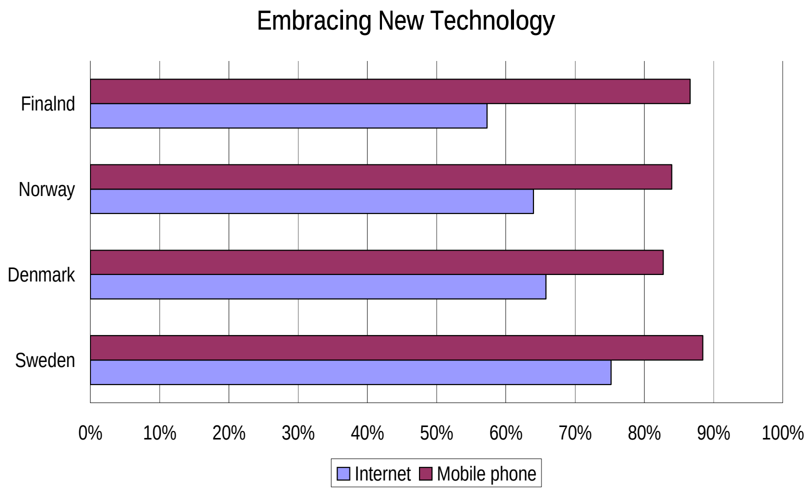
Those living in the Nordic countries clearly have a strong awareness of Britain as a holiday destination, with the chart highlighting the fact that between 70% and 80% of visitors who came to Britain for a holiday had previously visited Britain. This compares with a world average of just 60%.



Communications

According to the Swedish Institute for Transport and Communications Analysis between 30% and 40% of the population across Scandinavia accessed the Internet on a daily basis in 2003.

Those planning to market Britain as a tourism destination to Nordic markets need therefore have no fear of utilising the latest technology. Indeed, it can be seen that mobile phone ownership is approaching 90% and Internet access ranges from just under 60% in Finland to 75% in Sweden.



High Cost, Low Cost

SAS, the major scheduled air carrier across Scandinavia, has recently announced that it is expanding its schedule with extra flights to Nice, Athens and Istanbul among other destinations. Britain will be benefiting from the opening of new routes from Copenhagen to both Newcastle and Aberdeen. However, it is not all good news, SAS is struggling to turn in a profit, has recently had to increase fares due to continued high fuel prices and is in dispute with a number of trade unions.

SAS faces competition not just from other flag carriers, but from the increasing presence of low cost airlines. In response SAS has launched its own low cost airline, Snowflake, with services operating out of both Stockholm and Copenhagen. Fortunately for the prospects of expanding the volume and value of travel to Britain from the region a number of low-cost routes serve a range of British destinations from both principal and smaller Scandinavian cities, with Snowflake expected to open routes to Edinburgh, Manchester and London in the coming weeks.

The expanding route availability from Scandinavia to many parts of Britain, along with ferry connections to Britain's East Coast helps bolster the regional distribution of trips. Danes are slightly more likely to visit Scotland than the average inbound visitor, and Norwegians are much more likely to visit the North East of England than the average inbound visitor (20% of visits compared with 2%).

Norway

Norway remains outside of the European Union, having twice rejected membership of the organisation in 1972 and 1994. Nevertheless, many in Norway foresee a third referendum sometime after the parliamentary elections due in the country next year.

With half of the nation's exports being accounted for by oil it is unsurprising that at present Norway enjoys a significant trade surplus boosted by the continued high price per barrel. In its latest projections the IMF forecast that Norwegian GDP per head will grow by around 3% in both 2004 and 2005, with unemployment remaining low at just 4% (compared with 9% in the Eurozone area).

The popularity of Britain as a destination is clear when one considers the fact that only Sweden and Spain outperform Britain in attracting Norwegian visitors.

Flights from Oslo to Shetland over the summer proved a great success according to Highlands and Islands Airports Limited – helped by strong cultural ties and business links courtesy of the oil and gas industries.

Sweden

Having become a member of the European Union in 1995 Sweden has subsequently rejected replacing its domestic currency with the Euro in a 2003 referendum. However, movements in the Swedish Krona closely mirror those of the Euro.

There are many important trade links between Sweden and Britain helping to sustain a strong business tourism sector. Around 700 Swedish firms are believed to be operating in Britain with 370 British owned companies operating in Sweden according to the Foreign and Commonwealth Office.

Unlike the successful service to Shetland from Oslo, a twice-weekly service operated by Snowflake from Stockholm to Inverness proved uneconomic and only lasted from March through to July this year.

Denmark

In common with Sweden the Danish people rejected the Euro in favour of retaining their national currency. However, once again the currency is in effect pegged to the Euro, meaning that the cost of visiting Britain is about 5% higher now than at this time last year.

Sweden, now linked to Denmark by a fixed link, attracts more Danish visitors than any other outbound market, with Germany the next most visited country. Britain sits sixth in the league table.

Finland

Despite having a population size similar to both Norway and Denmark (around five million), the number of visitors from Finland to Britain is less than a third as high. Distance is likely to be one of the central explanations for this comparatively low volume, with the flight time from Helsinki to London being a little over three hours, whereas the flight time from Helsinki to Moscow is well under two hours.

Perhaps not surprisingly considering its geography, Russia is the most visited outbound destination from Finland, with Sweden and Spain in second and third position. Britain is the seventh most visited destination. It will be interesting to see whether the heightened threat of terrorism within Russia leads to a change in behaviour among Finnish outbound travellers.

The level of unemployment in Finland is higher than in the other markets discussed here, with latest figures from Eurostat showing that Finnish unemployment currently stands at 9%.

Current Trends

Provisional estimates from the International Passenger Survey reveal that in the period January to August 2004 the number of visitors from these four markets was 15% higher than during the same period of 2003.

The early months of 2005 will see a number of key events for the travel trade operating in the Nordic markets, with Reiseliv taking place in Oslo during January, followed almost immediately by Ferie Copenhagen. Both of these exhibitions attract around 40,000 to 50,000 visitors, including key decision-makers within the travel trade, members of the press, and at the Copenhagen event, consumers. Finally in March 2005 VisitBritain will be co-ordinating a high-profile stand promoting Britain at TUR Gothenburg, the most important Nordic travel exhibition which will attract 50,000 attendees, of which around half will be members of the travel trade.

Issue of the Month – London's Olympic Bid – implications for British tourism

The London Development Agency and Department for Culture, Media and Sport have commissioned detailed analysis to look at the potential legacy for both London and the entire country of a successful Olympic bid. A key element of the analysis will consider the impact on tourism, but fully recognise the wide range of other impacts on areas such as transport infrastructure, employment, skills, regeneration and so on. Here we explore the evidence regarding the nature and scale of tourism impacts experienced at previous Games, in particular those in Barcelona and Sydney.

The Olympic Games are by far the largest sporting event from which tourism benefits. Much of the worlds' media are focussed on the destination during the Games, with extensive coverage in the preceding years. There can be no greater incentive to modernise and improve an area's tourism infrastructure than the privilege of hosting the Games.

Current state of play

15th November is the deadline for submitting a "full technical bid" to the International Olympic Committee for the prize of hosting the 2012 Summer Games. The other cities bidding to host the Games are Paris, New York, Moscow and Madrid. The IOC will take a final decision on who will host the Games in July 2005.

Before, during and after…

Hosting the Olympic Games does not just generate a short term fillip to tourism, according to Sports Journal, the impact on inbound tourism to Greece courtesy of the Athens Olympics will last from 1998 through to 2011 - nearly a decade and a half.

The Games generate different types of visitor, many of them high value "business" visitors. In the run up to the Games there is considerable scope to improve the region's success rate at winning MICE (Meetings, Incentives, Conferences and Exhibitions) traffic. This was one of Sydney's great success stories. According to the Sydney Convention and Visitors' Bureau it won 34% more events than would have been the case if Sydney had not been selected to host the Games. This success attracted large numbers of high-spending conference delegates to the region – SCVB estimate that the average business visitor spends nine times more per day than the average leisure tourist. In Britain the average inbound business visitor spends nearly three times more per day than the average inbound non-business visitor.

Nor is this success short-lived, as can be seen from evidence following the Barcelona Games, showing that Barcelona now hosts some 700 large conferences a year. Analysis conducted by PriceWaterhouse Coopers for the New South Wales Government estimates that between the announcement of Sydney as Host City in 1993 and 2007 an additional Aus$1.2bn worth of Convention business will have been secured for the region.

Clearly peak demand is during the Games themselves. The "Olympic Family" alone generates around 65,000 additional inbound visitors, including athletes, National Olympic Committee members, and volunteers to help run the Games.

In terms of spectators, it is estimated that 250,000 tickets a day are sold – not counting those events that can be watched for free such as the Marathon. The number of additional visitors to Sydney during the Games was estimated at 110,000, and research carried out by the Australian Tourist Commission estimate that 88% of these were likely to return to Australia as visitors at a later date. In addition to the 11% more inbound visitors to Australia during 2000, a further 1.5 million tourists will have visited due to the Games by 2006, worth an estimated Aus$6 bn.

The Barcelona Games of 1992 are estimated to have generated US$16.6 bn for the Spanish economy between 1986 and 1993, and to have transformed the popularity of Barcelona into a leading short-break destination.

The geography of Britain, with its high population density in London and South East is likely to ensure domestic tourism will be of great significance for London if the bid is successful. Much of the domestic tourism is likely to be in the form of "day visits", but by offering competitively priced accommodation it may be possible to encourage many "short stay" domestic tourists to the region. In fact, figures from the UK Tourism Survey show that in 2002 6% of domestic overnight holiday trips involved watching sport or a sporting event. It has been estimated that in the US the domestic market for Atlanta Games was as large as the inbound market.

Exposure

The world will learn a great deal about London and Britain if the Games are held here in 2012. Looking beyond the visual images broadcast across the globe, the Games would help to define in the minds of many potential visitors aspects of British life such as our ability to manage and host complex events, the quality of our customer service, value for money, reliability and dynamism.

The hard numbers are impressive: according to recent analysis by HotelBenchmark, more than 3.7 billion people tuned in to watch some of the Sydney Games. Early estimates suggest that this figure topped four billion during the recent Athens Games.

The Olympics offer more valuable exposure than the World Cup as the television audience gets to see more than just the inside of stadia, with coverage from a host of venues, and the city itself courtesy of the Marathon, road cycle races etc.

For the tourism industry there is the chance to build a strong and convincing brand image for the destination. It is argued by the analysis undertaken by PWC on behalf of the New South Wales Government that the international publicity generated by the Sydney Olympics can be valued at Aus$6.1bn, and that it was fundamental in bringing forward an understanding of "Brand Australia".

A Question of Capacity

Concerns have been raised about both the ability of London's stock of visitor accommodation and transport infrastructure to cope with large numbers of visitors during the Games.

Looking first at accommodation we can learn a great deal from the experience of past host cities. Doubts were aired ahead of the Barcelona Olympics about whether there would be enough hotel space to accommodate the additional visitors. However, between 1990 and the opening of the Games in 1992 private investment had delivered a 38% increase in hotel bedspace according to the Spanish Centre for Olympic Studies.

A similar surge in hotel stock was seen in Sydney, with hotel room supply increasing by 32% in the two years prior to the Games, but with an estimated 30% decline in supply since the Games - many of the new hotels have been converted into residential accommodation. Price is clearly another lever that can be used to help manage demand, in Sydney hotel room rates are estimated to have increased by around 40% during the Games.

Cruise ships offer an increasingly realistic source of short-term additional, but high quality, visitor accommodation, having been successfully used to accommodate visitors to the Athens Olympics.

Turning to transport capacity, 160 international destinations are served directly from Heathrow alone, meaning that London would be the best connected Host City in history. London City Airport will be just fifteen minutes from Stratford and the Olympic Village, linked by an extension of the Docklands Light Railway due to open in late 2005. Furthermore, Eurostar services from France and Belgium will be calling at Stratford International by 2007. The Crossrail project, a new cross London rail link serving Stratford, will not be open until at least 2013.

A crosscutting issue for both accommodation and transport is that of accessibility for the disabled, with the Paralympics bringing together almost 4,000 disabled athletes and their supporters. The Disability Discrimination Act that became law on 1st October should help to ensure an increasing proportion of facilities in Britain would be fully accessible by 2012.

A healthy sports tourism market

In 2002 a total of 1.6 million overseas visitors to Britain either watched a sporting event or participated in an amateur sporting event according to figures from the International Passenger Survey. This represents 7% of all overseas visitors to Britain.

Interestingly, those whose visit featured either watching or participating in sport stayed in Britain for an average of 14 days, nearly twice as long as the average for all inbound visitors. This resulted in an average spend of £674 per visit for those watching or playing sport compared to £481 spent by the average inbound visitor.

The Commonwealth Games took place in Manchester during summer 2002, with IPS data revealing that 590,000 inbound visitors spent time in Manchester that year, in 2001 this figure stood at 550,000 and by 2003 had increased to 740,000, well ahead of the national rate. According to HotelBenchmark hotel occupancy levels in Manchester during the Commonwealth Games reached 82%, compared with 76% in the equivalent period a year earlier. Revenue per Available Room (Rev/PAR) rose by 17.5% in Manchester during the Games, but fell back soon afterwards.

The impact of a successful bid

A recent report by the consulting group, Arup, suggested that the additional tourists attracted to Britain because of the Olympics could generate a £610m boost for the economy. Furthermore, future additional conference business could generate another £233m over the course of a decade.

Meanwhile, BAA forecast an additional 500,000 visitors in 2012 if London's bid is successful – equivalent to 2% of the total number of inbound visitors in 2003. With an average spend per visit (at 2003 prices) of £475, this would equate to an additional £238m for the British economy – but using the higher average spend reported by sports related visits discussed earlier would give a figure of £337m.

Challenges

It will not simply be a case of generating lots of media coverage, more important will be the nature of the coverage generated. Only by demonstrating that Britain can provide a high quality and unique experience will the heightened international awareness provided by the Games attract additional inbound visitors for many years into the future. The host nations' reputation for quality, reliability and imaginativeness could be entrenched for a generation providing the Games are a success.

One of the earliest challenges will be to maximise opportunities to generate high value business and conference tourism in the years before hosting the Games. It will require considerable ingenuity on the part of the tourism industry to help ensure that regions other than London and the South East benefit from the exposure generated by the Games – London's strong transport connectivity with the regions of Britain will be a great asset in this regard.

Ensuring that there is sufficient capacity to cope with an influx of visitors during the Games is another, thoroughly achievable, challenge, but one that will need to be counterbalanced by a clear and realistic expectation of the future volume of visitors once the Games are over. Large amounts of over-capacity in the years following the Games could be as financially damaging to the tourism industry as under-capacity during the Games.

More than 200 nations participate in the Summer Olympic Games meaning that there will be large numbers of first time visitors to the country. The tourism industry will need to respond by offering reassurance and guidance to those unfamiliar with Britain and whose mother tongue will not be English. The industry will need to recognise and grasp the unique opportunity to showcase Britain and London in markets where there is little or no knowledge regarding what Britain has to offer. Winning the bid doesn't ensure success – this will require a huge effort and unprecedented co-operation across sectors if all the potential benefits are to be realised.

A challenging research agenda lies ahead if London is declared the successful bidder in July 2005. It will be necessary to ensure that surveys and monitoring are in place to help measure the value to London and Britain across a wide spectrum of sectors, identifying the many positives and negatives that hosting the Olympic Games will deliver. It will be essential that any research helps us to understand how many Olympics related trips are "incremental" above that which would have taken place regardless, and how many are trips that would have taken place, but to a different destination or at a different time of year.

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