

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 Market Focus covers France, Italy, Spain and Portugal and Issue of the Month considers trends in the number and nature of weddings, stag weekends and hen weekends.

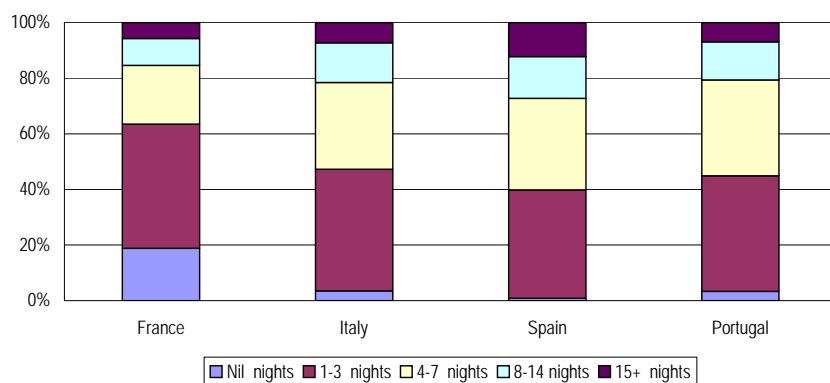
### Market Focus – France, Italy, Spain and Portugal

In 2004 Britain welcomed record numbers of visitors from Italy, Spain and Portugal. Inbound visitor spending from both France and Spain also set new records last year. In aggregate these four markets accounted for 23% of all inbound visits (6.27 million) and 15% of all inbound visitor spend (£1.99bn) in 2004 according to provisional figures from the International Passenger Survey<sup>1</sup>.

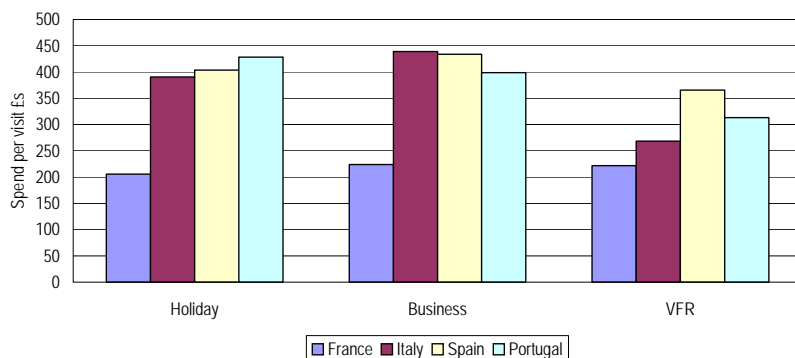
We can discern some of the key characteristics of these markets from the charts. Firstly it is apparent that we are looking at short-stay markets, most notably for visitors from France where three-in-five visits are for 3 nights or less. Indeed, there were more than 600,000 "day trip" visits to the UK from France in 2004. Around a quarter of visits from Spain last for 8 nights or more.

France generates the lowest spend per visit across all trip purposes. Business visitors from Italy spend the most per

Length of Stay



Who spends the most?



visit at nearly £440, with visitors from Portugal spending the most per holiday visit and those from Spain the most per Visiting Friends and Relatives visit.

Aging populations pose a risk for these economies in the coming years and although young immigrants are willing to redress the balance recent disturbances in the south of France involving North Africans exemplifies the political dilemma being faced by many "old Europe" economies.

The regional spread of visits from these markets paints a picture full of contrasts – with 61% of visits from France that involve an overnight stay in Britain spending at least one night in areas other than London, above that seen for visitors from Spain and Portugal (53% and 55% respectively) figures that are in line with the global average of 52%. Visitors from Italy are least likely to spend time outside London, with just 43% doing so in 2004 according to provisional figures.

## **France**

France has been in the headlines of late because of the "no" vote delivered against the proposed EU Constitution and the high-level political spat between France and Britain regarding the EU budget. At first sight the "no" vote may seem of little importance for the flow of visitors from France to the UK, but already we have seen the value of the Euro fall to around €1.51, its lowest level against Sterling for nearly a year. We have also seen falling business confidence in France as employers postpone decisions about investment, which may put the brakes on growth in business travel over the medium term if the French economy stagnates further. However, there seems no reason to suppose that the budget squabble will have any impact on the flow of visitors.

The new French Prime Minister has stated that plans to cut income tax are to be abandoned, with the money that this will generate going on schemes to try and reduce the persistently high levels of unemployment. However, many economists, for example Oxford Economic Forecasting, believe that if lower unemployment is achieved through this approach it will be at the expense of higher inflation thereby making France even less competitive. A number of public sector strikes have further harmed French economic prospects in recent months.

Regardless of this economic gloom France remains one of the leading European economies and accounts for 10% of all UK exports, and the UK accounts for a similar proportion of French exports, one of the reasons for business trips accounting for more than 30% of visits to the UK.

Over 100,000 young French people visit the UK each year to learn English according to the Foreign and Commonwealth Office, and over 12,000 French students are currently enrolled in either undergraduate or postgraduate courses within the UK.

## **Getting to Britain from France is easy**

Changes to travel classes being offered by Eurostar are due to take effect in September from when trains will convey separate Business and Leisure First Class carriages. Eurostar has enjoyed unprecedented levels of reliability and punctuality in recent months and has decided that all services to London will travel to St Pancras once the second phase of the High Speed Link is open in 2007 with the Waterloo Terminal closing. This will greatly improve rail access to

the north of Britain from France, with an easy change of train to domestic services serving St Pancras, Kings Cross and Euston.

Meanwhile in the skies flybe continues to expand its Anglo-French network, with 17 routes now operating between the two nations.

## **Italy**

Italy is technically now in recession after two successive quarters in which economic activity declined. In its latest set of forecasts the IMF estimate that China will overtake Italy in 2005 to become the world's 6<sup>th</sup> largest economy, with Italy's economy contracting by 0.6% this year. World Tourism Organisation figures highlight another area in which China has superseded Italy, namely in the league table of international arrivals for 2004, with Italy being pushed into 5<sup>th</sup> position. The deteriorating state of the Italian economy has led to some in the country calling for the reintroduction of the Lira to restore competitiveness. However, such an eventuality is considered extremely remote for the time being.

Alitalia, the national carrier, is in deep financial trouble, but the European Commission recently agreed a €1.2bn package of funding to help the carrier restructure – a decision that many other European airlines intend to challenge in the courts as being anti-competitive. Over recent months a number of Alitalia flights to Britain have fallen foul of strike action by Alitalia staff.

The Foreign and Commonwealth Office believe that there are some 100,000 Britons living in Italy, but 150,000 Italians living in Britain, so the fifth of visits to the UK from Italy each year that are to visit friends and relatives will include both British ex-pats returning home and Italian nationals coming to see their friends and relatives who are living in Britain.

## **Spain**

In value terms Spain was Britain's fastest growing inbound market between 1999 and 2004, increasing in size by £236m (61%) to be worth an estimated £617m last year.

Inflation in Spain has been running ahead of many other Eurozone countries making Spanish exports less competitive. For example whereas prices in Germany have risen by less than 8% since 2000, those in Spain have increase by 17%. Unemployment remains high, but is forecast to fall below the 10% level by 2006 according to the latest set of forecasts released by the IMF. The forecast for economic growth during the next couple of years is close to 3% per annum, but the ongoing drought may depress growth, and is already leading to both water shortages and rapidly increasing prices for certain agricultural products.

Is the sustained period of Spanish economic growth losing momentum? To an extent the answer is yes as an increasing number of manufacturing companies move to Eastern Europe or Asia to take advantage of more competitive labour costs. Nevertheless, Spain is fighting back by becoming a leader in more "high value" sectors such as design and logistics. The Spanish economy has grown at a faster rate than both France and Italy in each of the last nine years and the IMF forecast a continuation of this trend through 2005 and 2006. Britain has strong economic ties with Spain, being the third largest foreign investor in the country.

Links are very strong between Spain and Britain not least due to the fact that there are some 16 million outbound trips from the UK to Spain each year. According to the Foreign and

Commonwealth Office some 600,000 Britons currently live in Spain, little wonder then that in 2004 32% of visits from Spain to the UK were by British ex-pats.

## **Portugal**

In order to meet EU spending targets by 2008 the Portuguese government recently announced a new round of spending cuts and a plan to increase VAT to 21% from the current level of 19%, moves that are not likely to be popular, especially as unemployment in Portugal is now at its highest level for nearly a decade at 7.5%. The European Commission has recently criticised the scale of Portugal's public sector debt and plans to set a deadline for when this must be brought back in line with Eurozone guidelines.

A frequently overlooked insight relating to Portugal is that according to the most recent population census there are more than 5,000 residents living on Jersey who are Portuguese, or who have Portuguese ancestry.

## **Future prospects**

France, Spain and Italy were all comfortably within Britain's top ten most important inbound markets last year in terms of both number of visits and spending - emphasising just how important they are both collectively and individually. Furthermore, Britain welcomes virtually half of the visitors from these four markets between the months of October and March, demonstrating their importance for providing income to the tourism industry during off-peak times of the year.

The first four months of 2005 witnessed healthy growth in the number of visits from both Spain and Portugal compared with the same period of 2004, a stable level of visits from France but a decline in the number of visits from Italy. Italy's current economic difficulties, combined with the death of Pope John Paul II in April and disruption to Alitalia flights due to strike action may account for this weak performance. Provided there are no unforeseen events during the rest of the year, there is a very realistic chance that the four markets will generate more than £2bn for the British economy during 2005.

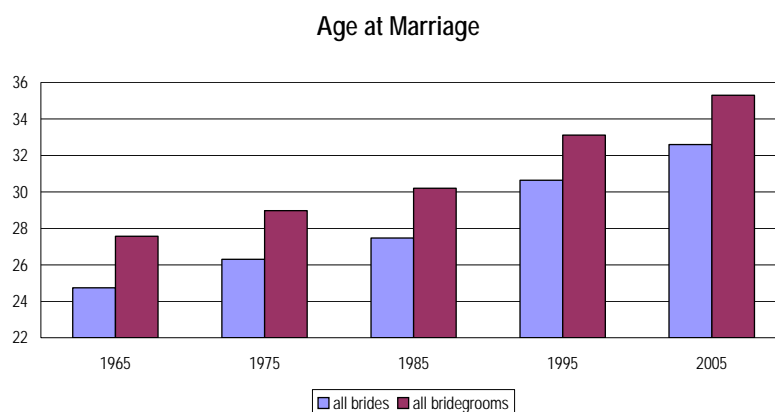
## Issue of the Month – Weddings, Stag Weekends and Hen Weekends

As we enter the peak summer season for marriages it is worth noting that the volume of weddings is on the up, and the nature of pre-marriage celebrations has changed markedly in recent years – all leading to a rash of new opportunities for the British tourism industry. In 2003 there were nearly 268,000 marriages in England and Wales, an increase of 4.7% on the previous year, marking a second successive year of steady growth. This is not to say that marriage ceremonies are at record levels, indeed far from it, in 2001 there were fewer weddings than in any year since 1897.

### Demographic trends

There are many demographic and social trends that help to determine the volume, and just as importantly for the tourism sector, value of weddings that take place in Britain. In 2003 the share of marriages for which it was the “first time” for both partners stood at 59%, a figure that has been falling very slowly over the past couple of decades. Almost one-in-five weddings in 2003 represented re-marriage for both partners.

One of the most notable demographic trends in relation to marriage in recent times has been the age at which people marry. The chart reveals the extent to which brides and grooms have been getting older. A clear implication of this trend is that couples may be able to afford to spend more on their “special day”.



The age differential between grooms and their brides has remained remarkably stable over the last few decades at around three to four years.

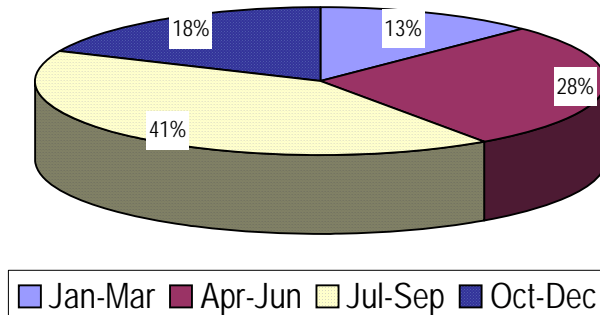
### What does it all cost?

With money being spent by the bride and groom on stationery, rings etc and guests paying for items such as presents and new hats we certainly cannot attribute the entire cost of a wedding as benefiting the tourism industry, but a large chunk of the benefits definitely accrues to businesses within the accommodation and hospitality sectors.

According to Brewin Dolphin Securities the average amount spent on a wedding in the UK during 2005 will be some £16,000, representing a total economic value of £4.2bn. Mintel estimate that this is an increase of almost 50% over the past seven years. Breaking the costs down a little, You and Your Wedding estimate that the typical wedding reception costs in the region of £6,000 and Morgan Stanley believe that on average a guest spends £300, of which a considerable share, £79, is on travel and accommodation.

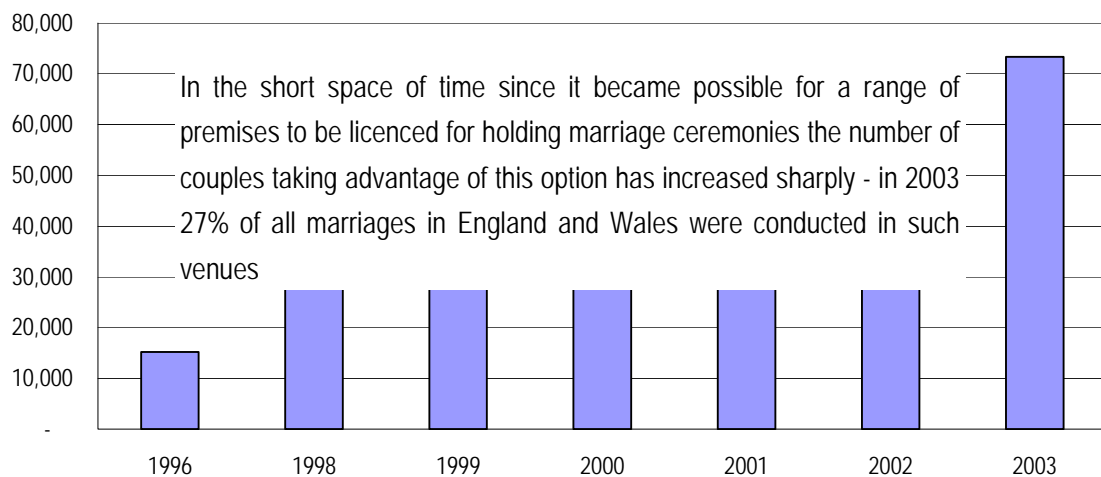
## When and where

We can see from the following pie chart that it is the summer months which are the most popular for holding weddings in England and Wales, with almost seven out of every ten weddings that take place each year being held between April and September. The quietest time of year for weddings according to Office for National Statistics figures is the period from January to March, accounting for a little over one in eight weddings held each year.



Clearly weddings and their associated celebrations take place in all corners of the country, helping to generate revenue for many small businesses in the hospitality sector. If we dig a little deeper into information about the location of marriage ceremonies then we discover that there has been something of a boom in the number of couples getting married in “approved premises” since the first full year of the scheme in 1996 as can be seen from the chart. It is worth noting that the number of religious ceremonies seems to have stabilised at around 86,000 per annum in England and Wales.

## Marriages taking place in approved premises



A trend that is less favourable for British tourism is that, according to a Mintel estimate, the number of couples getting married abroad increased from 20,000 in 1998 to 30,000 in 2003, meaning that approximately one-in-ten of all couples getting married did so overseas.

## Stags and Hens - a “do” not just a “night out”

A trend that has emerged over the past decade or so has been for pre-marriage celebrations to grow in magnitude. In a recent Morgan Stanley survey it was discovered that 62% of stag events and 42% of hen events involved at least one night away from home, with 17% of men

attending a stag event being away from home for up to three nights. The study went on to estimate that a fifth of those aged in their twenties attend at least one stag or hen event each year.

It would be wrong to assume that the trend towards longer events has simply been a fillip to outbound travel rather than domestic tourism. Admittedly cities such as Amsterdam and Prague are among the most popular destinations, but research conducted by [confetti.co.uk](http://confetti.co.uk) has found that hen and stag weekends in the UK are increasingly popular. For hen weekends London is the most popular destination, with Edinburgh and Brighton other favoured cities. More rural locations are capturing some of the hen weekend market through the growing popularity of spas and health farms offering the chance to be pampered for a couple of days.

For male weekends away again London and Edinburgh are ranked very highly, but less urban localities such as Newquay feature as well, demonstrating that they too have a highly attractive offer for this nature of event. For groups seeking a less traditional focus for a stag weekend many small companies are springing up to offer activities ranging from archery to quad biking.

The importance of stag and hen events for British tourism becomes evident from a recent Morgan Stanley estimate that suggests the average amount spent by someone attending a stag event is £238, with the figure for attending a hen event being £135.

Less lavish in scale and nature, but nonetheless worth mentioning, are the many anniversary celebrations held in the years after marriage that contribute to the coffers of businesses in the accommodation and hospitality sectors. This year is the 60<sup>th</sup> anniversary of the end of World War II, and courtesy of higher life expectancy we are likely to see a surge in the number of diamond wedding anniversaries being celebrated in the coming months.

## **Inbound**

Clearly for those seeking a “tropical beach” wedding Britain is not too high on the list. However, we are endowed with a rich history and heritage that provides us with ample venues suitable for marketing as the perfect destination for a romantic wedding blessing, a prospect known to appeal to couples from countries such as Japan. Any success in attracting this niche market is multiplied by the fact that the couples being blessed are likely to be accompanied on their trip by a number of friends and relatives who wish to witness the event.

A unique asset for Britain in attracting inbound marriage ceremonies, rather than just the blessing, is Gretna. Figures from the General Register Office for Scotland reveal that in 2000 there were 5,278 marriages in Gretna, representing almost one-in-five of all marriages to take place in Scotland that year. Remarkably only 14% of the brides and grooms were Scottish residents, with 80% living in other parts of the United Kingdom. No fewer than 587 of the brides and grooms lived outside of the UK, including several from the USA, Canada and Australia.

## **Future happiness**

We have seen that the overall financial rewards being reaped by parts of the tourism industry courtesy of wedding celebrations and stag and hen events runs into billions of pounds per annum, making such events a huge contributor to the domestic “special event” tourism scene. One of the most exciting opportunities is for tourism venues to market themselves as

somewhere to get married, not just as a location to hold the reception. Many hotels and stately homes have entered this market but other visitor attractions are now demonstrating that this sector can benefit too, ranging from Poldark Mine in Cornwall through to the cabin of Concorde at the Museum of Flight close to Edinburgh.

Special event tourism businesses with a focus on weddings or stag and hen events have good reason to be optimistic about the future, provided that the recent upturn in the numbers getting married proves sustainable in the longer term.

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