

## FORESIGHT

Issue 26 December 2005

In this edition of FORESIGHT we take a look at 25 years of inbound tourism from 1979 to 2004, exploring trends, key events and the changing nature of inbound visitors. To help add colour to all the facts and figures we have talked to personalities who were working in inbound tourism in the late 1970s and early 1980s – their memories and expectations for the next quarter-century breathe life into our statistical journey.

### Remember when...?

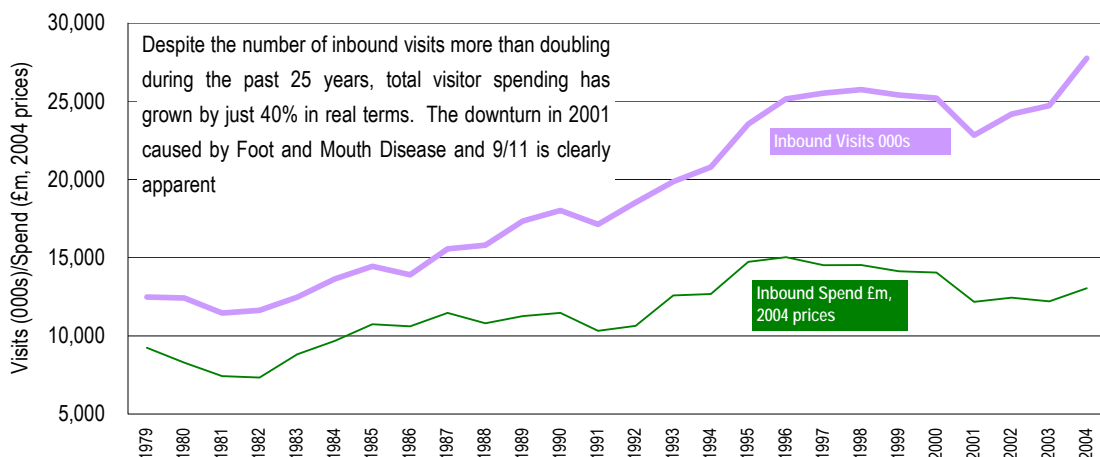
An oil crisis, foreign forces in Afghanistan and a weakening US Dollar – all in the news back in 1979 and not so far from the headlines now, but the world, and inbound tourism to Britain, has undergone significant changes, and endured many “shocks” during the intervening period. Other events in 1979 included Sony launching the Walkman, Margaret Thatcher winning her first General Election, Trevor Francis became Britain’s first £1m football signing and Bright Eyes was the year’s top-selling single.

The number of inbound visitors to Britain stood at 12.5 million<sup>1</sup>, slightly down on 1978, but Britain still accounted for 4.6% of global international arrivals, contrast with 2004 when our share stood at 3.6%. In 1979 some of those visiting Britain enjoyed a trans-Atlantic journey on Concorde taking around 3½ hours, about half the time of today’s quickest journey, demonstrating that not everything gets quicker with the passing of time.

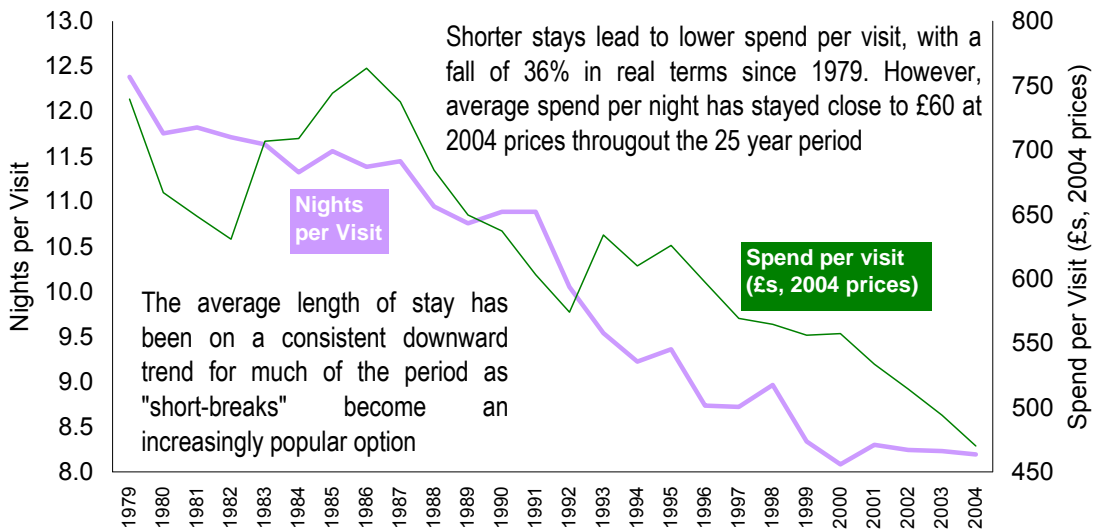
### A picture paints a thousand words

Not too many words are needed to explain the key messages that the following charts convey – the story is one of growth, but growth that is neither consistent nor uniform across sectors. Contrasts abound in economic and population growth across Britain’s inbound visitor markets, reminding us that tourism trends are closely entwined with demography and economics.

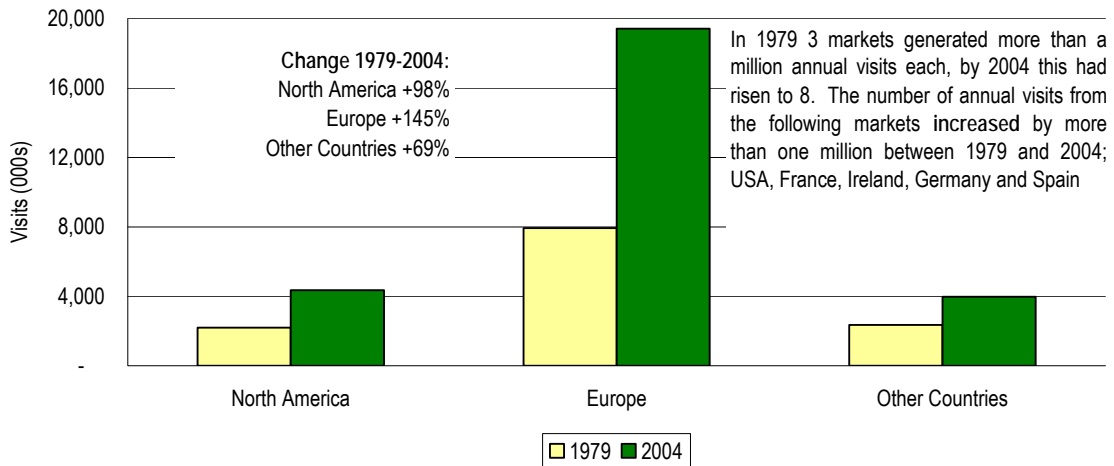
#### Trends in visits and spend



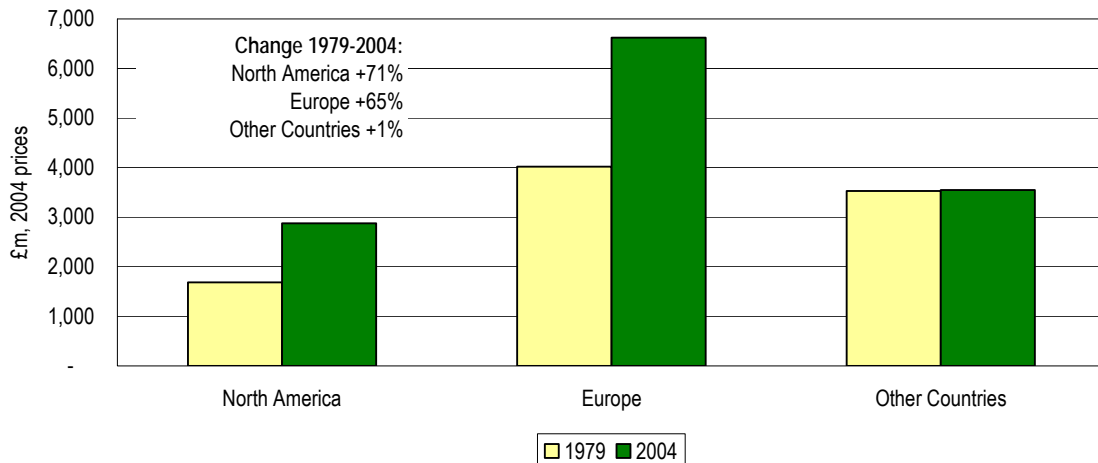
## Trends in nights and spend per visit



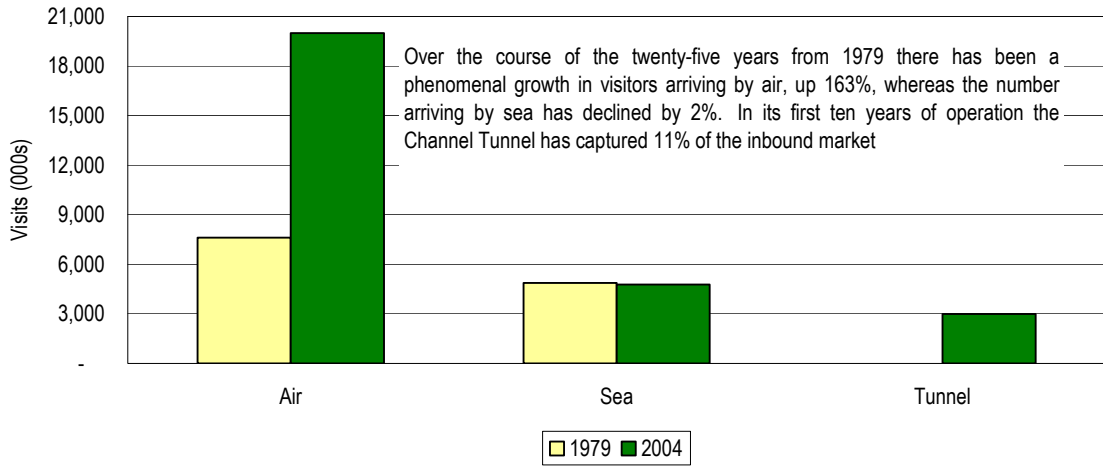
## Trends in visitor numbers by world region



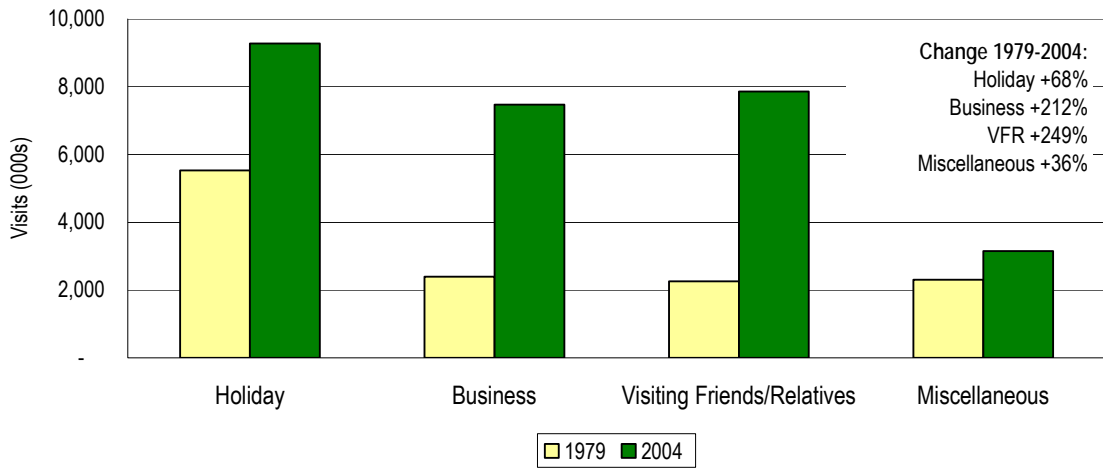
## Trends in visitor spend by world region



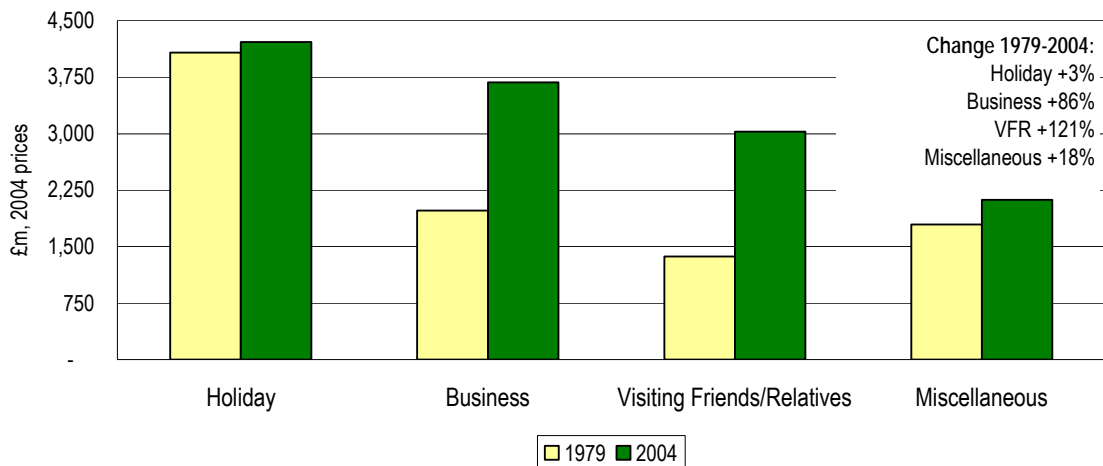
### Trends in how visitors travel to and from the UK



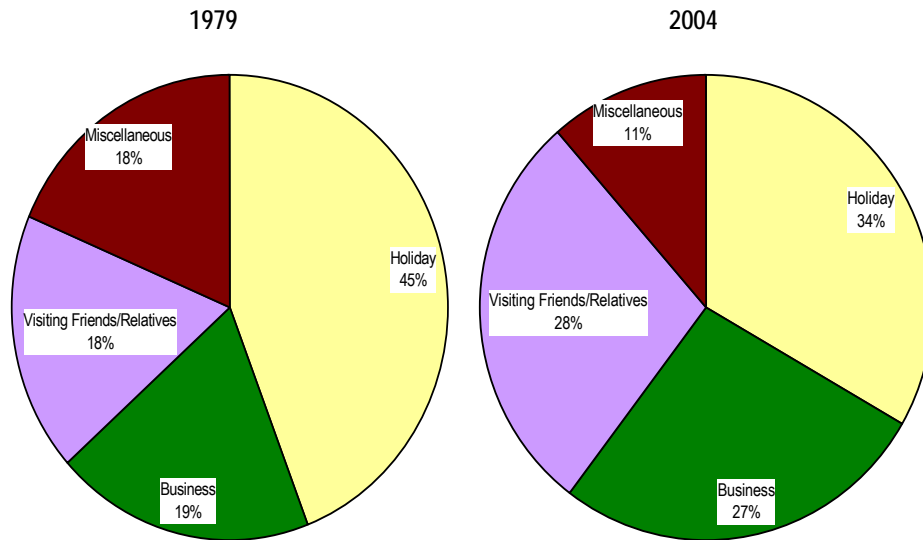
### Trends in visitor numbers by purpose of visit



### Trends in visitor spend by purpose of visit

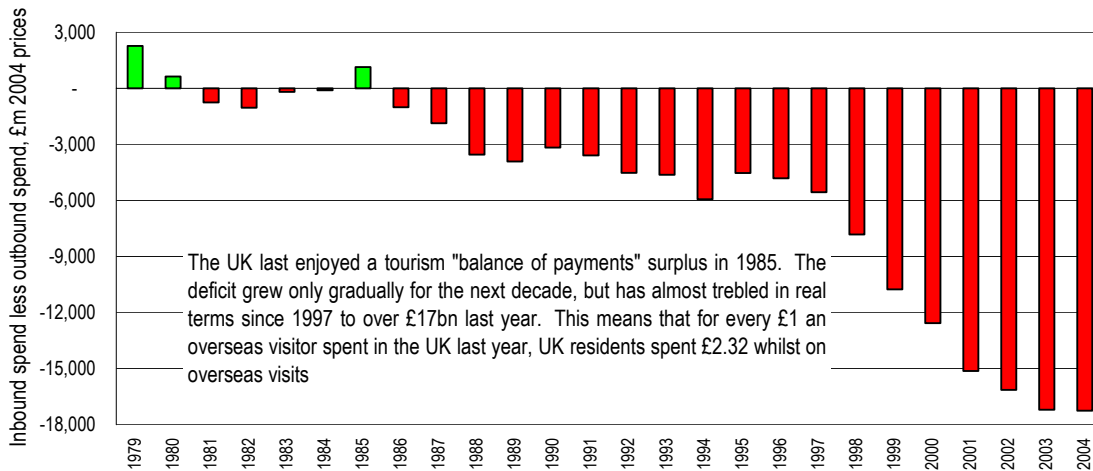


## Market share by purpose of visit

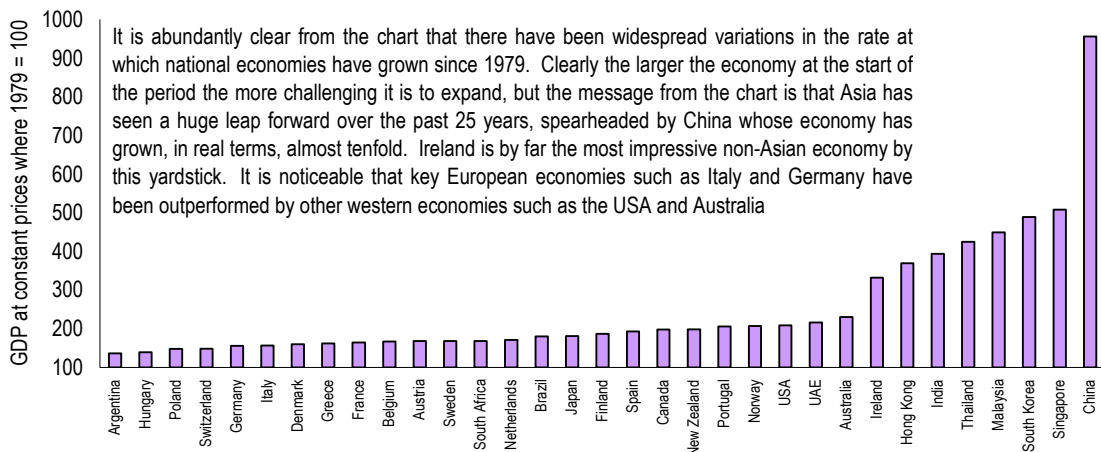


Business and visiting friends and relatives trips each now account for over one-in-four of all inbound visits, whereas in 1979 each accounted for less than one-in-five visits. Holiday visits now account for a third of visits

## Trends in UK tourism "Balance of Payments"

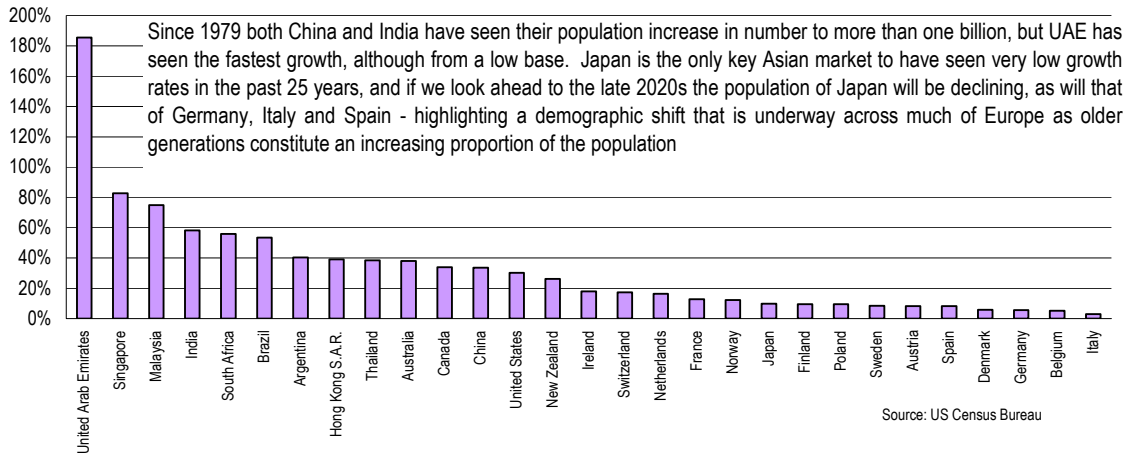


## Economic growth 1979 to 2004

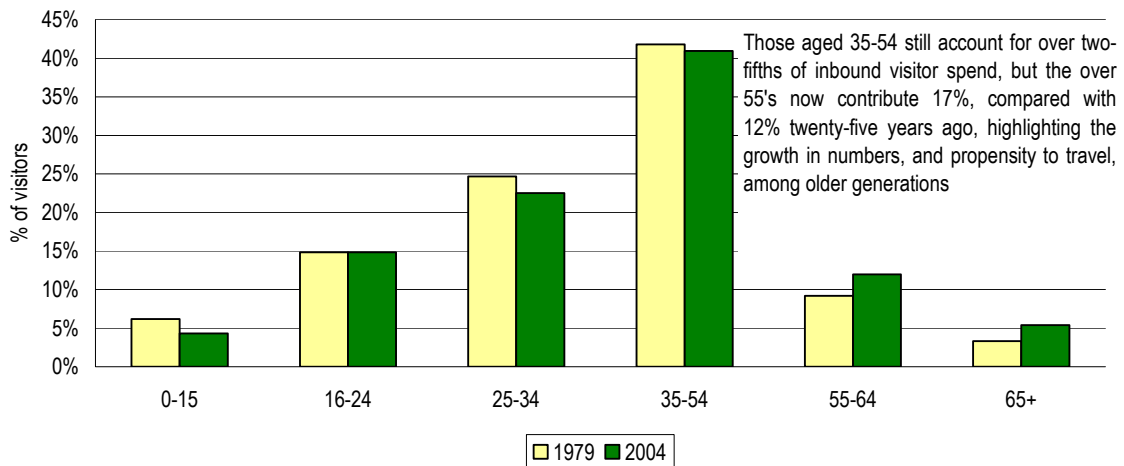


Source: IMF

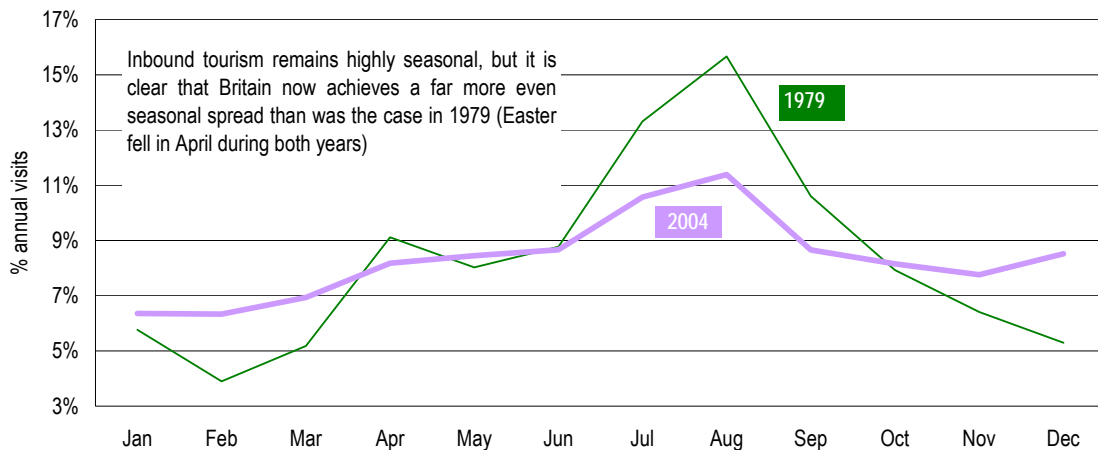
## Population growth 1979-2004



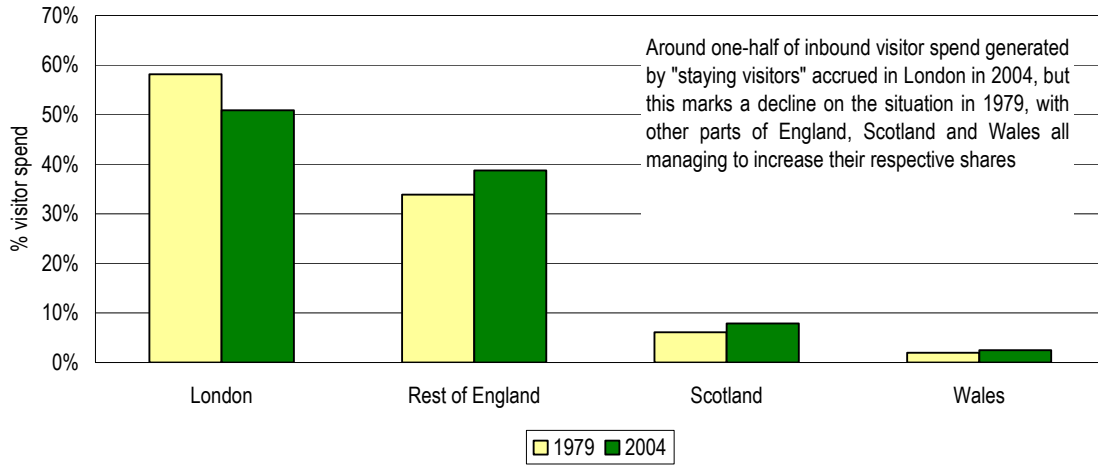
## Visitor spend by age-band of visitor



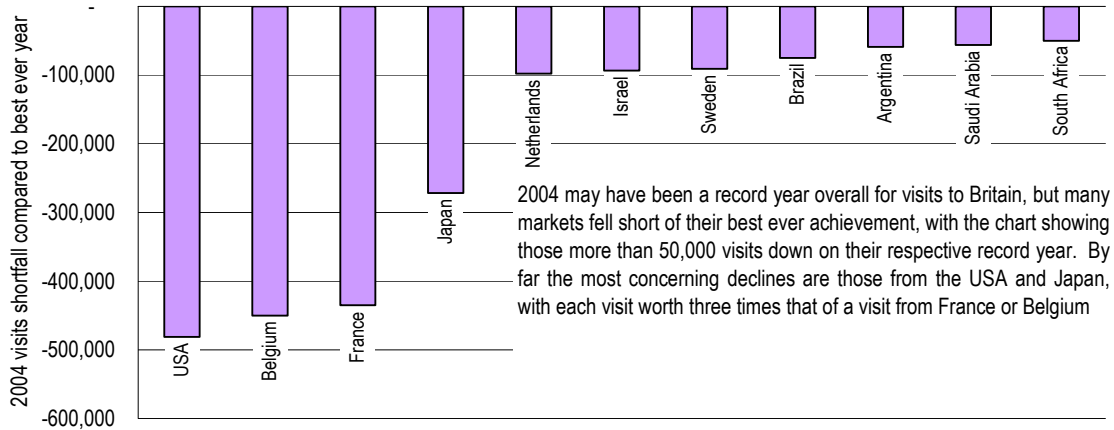
## Visits - Seasonal Pattern



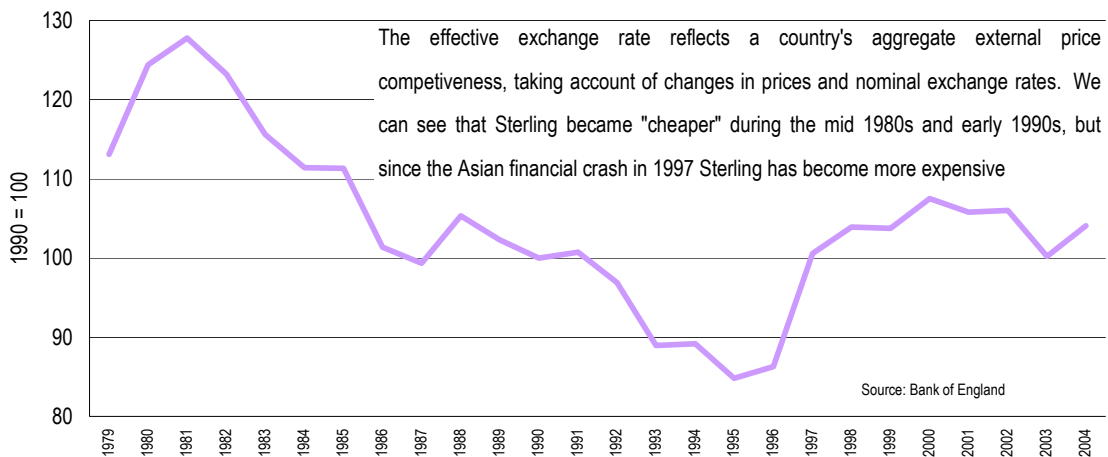
## Visitor Spend - Regional Spread



## Where 2004 was not a record year



## Effective Exchange Rate



## A chronology of some key events

1979	A severe winter, industrial action and fuel shortages results in negative international coverage • VAT increased from 8% to 15%
1980	First World Travel Market takes place in London • Sterling strengthens and £1 is worth \$2.42
1981	A worldwide recession results in a million fewer inbound visitors to the UK • A global tv audience of 750 million watch the Royal Wedding of Charles and Diana
1982	Laker Airways collapses
1983	An IRA bomb outside Harrods kills five people
1984	With rising demand for flights to Gatwick the Gatwick Express train service to Victoria station is launched
1985	Ryanair launched • Sterling weakens to the extent that £1 is worth just \$1.09
1986	Terminal 4 opens at Heathrow • US bombing of Libya • Chernobyl nuclear accident • Commonwealth Games held in Edinburgh
1987	Herald of Free Enterprise capsizes shortly after departure from Zeebrugge killing 193 • The UK's first Center Parcs site opens in Sherwood Forest following an earlier grant from the ETB
1988	Gatwick North Terminal opens • Pan-Am Flight 103 blown up over Lockerbie killing all 259 on board and 11 on the ground • Licensing laws liberalized to allow for Sunday afternoon opening
1989	The political map of Europe continues to change with the fall of the Berlin Wall
1990	France, Germany and Benelux countries sign the Schengen Agreement eliminating border checks, the UK remains outside the Schengen Agreement
1991	The Gulf War follows the invasion of Kuwait by Iraq • Stansted's capacity increases from 2 million to 8 million passengers per annum
1992	Windsor Castle damaged by fire • UK withdraws from the European Exchange Rate Mechanism following steep falls in the value of Sterling
1993	For the second consecutive year an IRA bomb causes destruction in the City of London
1994	Air Passenger Duty introduced • Sunday trading legalized • Channel Tunnel opens • For the first time more than 20 million overseas visitors travel to the UK • National Lottery launched
1995	easyJet launched • For the first time inbound tourism is worth more than £10bn to the UK economy
1996	England plays host to the 1996 European Football Championships • BSE now thought to have infected humans
1997	Air Passenger Duty increased • An estimated global tv audience of 2.5 billion watch the funeral of Diana, Princess of Wales • Asian financial markets crash
1998	Britain welcomes more than one million visitors in a single year from Italy for the first time, but another new record is set when the number of outbound visits by UK residents tops 50 million
1999	After seven straight years of growth the number of inbound visitors falls by 400,000 • The London Eye is raised into position • Devolution in Scotland and Wales
2000	Air Passenger Duty reduced on economy class tickets • Millennium Dome attracts 6 million visitors
2001	Foot and Mouth Disease outbreak • 9/11 terrorist attacks
2002	The Euro is introduced in twelve of the then fifteen EU nations • Construction of Terminal 5 at Heathrow underway • Commonwealth Games held in Manchester • HM Queen celebrates her Golden Jubilee
2003	London Congestion Charge introduced • Iraq War • SARS • Temperatures reach a record high of 38.5 °C in Kent • First Royal Tourism Day • Final commercial Concorde flight
2004	Ten Accession States join the European Union • Bilateral agreement reached to increase flights between India and the UK

## A fare revolution...

It is two decades since Ryanair first took to the skies, and one decade since the inaugural easyJet flight. Whilst many regard these as the pioneers of low-cost aviation it was as long ago as 1977 that Freddie Laker introduced his New York to London "Skytrain" service. In the end this service collapsed, not through lack of public interest but through the strictly regulated nature of trans-Atlantic air travel and tough competition. However, there can be few who doubt that the past twenty-five years has witnessed a sea change in the way carriers set air fares.

It was in the short-haul market that low-cost/low-fare airlines found a European foothold, with Britain and Ireland being the first nations to witness a rapidly expanding network of point-to-point services. Low-cost airlines continue to expand, taking advantage of new opportunities

across Eastern Europe following the enlargement of the European Union in May 2004.

Many “ticket restrictions” that flag-carrier airlines imposed in the 1980s and 1990s have been swept away as the airlines are forced to lower fares and costs in order to compete with the new breed of operators. A further benefit inbound visitors traveling to the UK now enjoy is a much improved choice of destinations across Britain with direct air access from Europe, with low-cost operators preferring to serve regional, rather than congested hub, airports.

...and in the way people book travel

An integral element of the success enjoyed by low-cost carriers has been the advent of the Internet as a means by which to plan and book travel, which, combined with ever increasing credit/debit card ownership has facilitated “ticketless travel”. Lower staff and distribution costs have in large part been passed on to the customer through lower fares, making international air travel more affordable to many groups, in particular the young, who may previously have only used “packaged” land or sea based transport but who are now able to travel independently by air.

Internet access is certainly not yet universally available, but figures from Internet World Stats show that in many nations over two-thirds of the population have access to the Web, including those in Sweden, Hong Kong, USA and Australia. In China only 7.9% of the vast population have access, but this equates to more than 100 million individuals.

## 25 Years (and beyond...) – the view from those who helped shape British Tourism

The facts are there for all to see but if nothing else Tourism has always been a people industry – so who better to tell us what it was like then, how it has changed now and what it will be like in the next 25 years, than some UK Tourism Gurus! We spoke to eleven people with at least a Tourism Silver Jubilee behind them – six from the UK Travel Trade, and five from BTA / VisitBritain and all still involved to some extent with this most familial of industries.<sup>2</sup>

### Top 10 Changes

#### 1) Telecommunications

Can you remember life before email? All of our interviewees spoke of a strange beast called a TELEX – something like a cross between a toilet roll, a typewriter and a fax, which lived in its own room and was used only on special occasions. It was too expensive to phone overseas so everything was done by post and urgent could mean “within 3 months” not 3 minutes in the 1970s!



In 1975 one of our interviewees bought a car phone for £1,868 – it had a giant antennae to hang off the back of the car for show-off value - a far cry from free phones and the smaller the better!

But it's the Internet that people feel has totally transformed both the way the industry does business and how consumers buy tourism. The emphasis of tourism marketing was always on your appearance in print – now your brand and your face lives or dies with your website.

#### 2) Doing Business

The Tourism Industry of 25 years ago and beyond was above all else about relationships – between tourist authorities, travel trade, journalists and airlines. Business was more leisurely –

the days when a deal for thousands of American delegates to a particular hotel could be brokered on a signed paper napkin via several brandies seem to be long gone...entertainment was a very serious business back then!

The industry, and BTA in particular, was likened to the pioneering spirit of the Wild West in the late 1970s, with familiarisation trips, exhibitions, promotions and workshops making it easier for the UK to market overseas. It didn't always go to plan – like the BTA Trade Mission to Morocco in 1978 - only realising partway through that Morocco wasn't actually open for outbound tourism!



Less competition made it easier to work in partnership across the whole industry – particularly with airlines such as British Caledonian and Dan Air – a far cry from today's model of low-cost flights and extreme competitiveness.

### 3) Different Markets

Air travel was very expensive and long-haul inbound was heavily dependent on the North American market – it was seen as a pot of gold. There were fewer visitors from Europe – who would tend to drive across borders to other European destinations, which was much easier. The concept of low-cost carriers bringing visitors from both key European cities and the most unlikely of places was unheard of.

Having leaflets / print in Japanese used to be considered quite radical in the 1970s. Now, if you're not in the business of translated content you struggle to compete.

### 4) Wide-eyed innocents to sophisticated independent travellers

It's easier to go on holiday nowadays – people have much greater awareness of destinations plus more time and opportunity to travel.

Visitors were far less sophisticated than they are today. Not only the Texan tour operator who enquired as to whether or not Madame Tussauds was “a brothel”, the majority of visitors now are seen as streetwise, better informed, better educated about travel in general and about destinations in particular. This means they are more cynical, have higher expectations and are more demanding of visit experiences. Journalists too are more focussed and knowledgeable.

It was easier to impress visitors (and visiting journalists, overseas trade) with pageantry, by “wheeling out old Lords” and via “British” events e.g. medieval banquets – where one party of Swedish travel agents stole their hotel bed-sheets for use as capes!

BTA even had a “Department of Home Town Interviews” in the 1970s – where you would interview and photograph Mr & Mrs Briggs of New Brunswick, West Virginia and send it to the New Brunswick Times who would actually publish it as travelling abroad was once such a big deal! In one way however, perhaps visitors were more sophisticated – in their dress sense! People used to dress up much more for travel in the 1970s – now things are far more informal.

### 5) How much?!

Although visitors themselves are generally better off today, there is certainly a feeling that Britain has been getting more and more expensive as a destination. Many remembered the days of no parking charges for tour vehicles, and entrance fees to attractions being much more affordable for visitors.

## 6) The Halcyon Years

Without exception, our interviewees described the 70s / 80s as a “wonderful time to be in tourism”. It was the heyday of incentive travel – and some of the more inventive trips included 400 American couples given the keys to a hire car at the airport and sent on a treasure hunt across Britain.

There was a lot of family involvement. Incentive visitors would bring their partners – but so too would trip organisers. In one case this was particularly useful when the wife of a delegate took dislike to the curtains in a hotel, and the wife of the organiser was on hand to reassure and convince! There was more emphasis on promotions e.g. themed years (1984 and the Heritage Herald), dressing up and generally playing the eccentric! Creativity was essential in order to get attention – one infamous BTA manager even made a pop record!



## 7) You cannot be serious!

25 years ago, there was a feeling that tourism wasn't taken sufficiently seriously.

The idea that tourism was a real industry that could be promoted to raise export revenue like any other industry was not well understood – and particularly so for many regional areas outside the key tourist “honey pots” of the time. Now there are strategies to promote tourism to every corner of Britain, ably assisted by the burgeoning airline industry.

Some remembered general attitudes towards tourists as just a “nuisance, cluttering up the streets”. They were either “Americans with cameras” or “Brits off to Spain”. Now things are changing for the better, and many feel that it's also starting to be seen more and more as a good career, to attract high calibre workers with the energy and talent to grow the industry.

Sadly, it's felt that perhaps it took terrible crises (terrorism, foot & mouth) for the value of tourism to really be acknowledged. However, there is still a strong feeling that tourism has some way to go in advancing up the pecking order of “important” and serious export industries in the eyes of government and society.

## 8) Booking Direct

Almost everything used to be booked through travel agents; it was practically unheard of for someone to contact airlines and hotels directly. There was less self-drive and consequently less independent travel in the 1970s outside of the ferry market. Now the majority of marketing is aimed directly at the consumer.

## 9) Experiences Count

Most tours were very basic, mainstream and focussed on key sights and classic loop trips. The coach tour was a big part of the industry, and visitors would “do” a destination on a “milk round” of sights.

Now people travel more often and to more places and are demanding more new and different experiences – not just as “holiday abroad”. Travel has become something that everyone in affluent societies aspires to, and as a result, people are becoming more adventurous in seeking out travel destinations and activities.

Many visitors want a more active experience than just “sitting on a beach”. Increasingly people want to learn and get something out of a holiday – in New Zealand they have even coined the term “creative tourism” to denote the emphasis on a cerebral / learning element to a trip.

#### 10) Define a tourist

In the 1970s people were more likely to visit the same places year after year for their main holidays and would often have great loyalty to that destination. People tended to have one long holiday instead of many short breaks. The real “youth” and backpacker industry was in its infancy – now these are seen as the pioneers of tourism globally.

The types of people who came to Britain used to be very well defined. Visitors used to be much more family-oriented – husband, wife and children coming for an annual holiday. Now there is an infinite variation of travelling group and holiday experiences sought. Today’s visitors come from a broader cross section of society and are more diverse in every way. In particular extended family and intergenerational family travel is growing and changing.

And what hasn’t changed?

*The cyclical nature of the industry* – most of our interviewees agreed that changes in tourism are a bit like a Sushi train...

*The things that people come to Britain for.* Visitors of 25 years ago came for the same core things that drive visitors today – Britain’s history, heritage and traditions.

*Crises have always been around.* The IRA was a constant threat in the 1970s, in the 1980s events in Libya, Chernobyl and Lockerbie all dealt blows to international travel. The feeling is that these were however less visceral and less instant whereas today’s global communications mean that images are stronger, more graphic and more immediate.

*Dealing with cultural differences* and the avoidance of “one size fits all” will be a continuing challenge. Knowing when “no” means “maybe” and “yes” means “no” will continue to influence how we work with overseas trade and talk to overseas visitors.

In the late 1980s, a group of Chinese journalists agreed to an itinerary to visit York although they really wanted to visit Brighton. In order to “save face” the group opted not to speak up but rather to get off the train they were put on at the next stop, and change for a Brighton train without telling those waiting in York!

*Britain’s tourism product?* Opinion was divided as to the extent to whether Britain’s tourism product had improved significantly or not. Food was seen to be better (although perceptions were still slow to change) – one comment being that regional food had always been good – just that we used to smother the taste with vile sauces and poor cooking!

Accommodation was seen to have improved in some ways, having been fairly basic with massive inconsistencies between similarly starred hotels. Diversity has blossomed – there are now many different types of accommodation to cater to different people wanting different experiences. In the 1970s ensuite bathrooms were far less common in many hotels. Today, B&Bs are expected to offer them or run the risk of losing business.

Much greater awareness of the importance of built environment has fed through to numerous schemes benefiting the range and quality of tourism products on offer, ranging from

pedestrianisation enabling the establishment of “café society”, through to urban renewal breathing new life into unused buildings such as Tate Modern inside the old Bankside power station.

*Geographical ignorance.* Our inbound visitors continue to delight with suggestions like “I’d like to see Westminster Abbey – then perhaps we could lunch in Scotland?”!

## Top 10 Predictions for the next 25 Years

### 1) Battle for the ever-shrinking attention span of the consumer

The market will get more cluttered not less. Potential visitors will be bombarded with destinations and their increasingly sophisticated brands and products. We will need to be as creative as we are technologically advanced if we are to keep Britain on the global radar.

### 2) Quest for exotica, escapism and deeper experiences

As stress and longer working hours grow, people will increasingly seek out escapist destinations – cut off from the stresses of city life in particular. It is expected that there will be more indulgence and treating the self during travel. Travel will become more about getting away from working lives.

People will have more and more diverse interests, and travel will develop more and more to be about the experience and participation. Niches are the future. Borders will be less important – special interest can happen anywhere – it will be the immersion and passion that counts above the destination itself.

### 3) The challenge of fragmentation

One major challenge for the future will be to deal with the ever-increasing fragmentation of destination identity and regionalisation of the tourism product within Britain and across Europe. The industry must take a holistic view if Britain is going to compete strongly in a world of advertising clutter and short attention spans.

### 4) An even more competitive world for destinations

Competition between destinations will become greater as there are more and more countries that people can get to easily and cheaply. Asia in particular is seen as a very big threat to established tourism destinations. Domestic campaigns (e.g. See America First) will also continue to grow as countries see the value in this and consumers worry about safety of travel in today’s world.

There is some concern that the most developing outbound markets lack historical links/ties with Britain which may make it more difficult for Britain to pull them towards the destination. Once “British products” could only be bought in Britain. Globalisation and retail expansion mean that we must rely more and more on what is local and unique versus mass-produced and formulaic. Britain’s success will depend on government and industry investment of money, time and crucially belief in tourism and its value to the economy.

### 5) Providing Value

Britain has high VAT, Air Passenger Duty and a highly valued currency. The strength of the pound in particular will continue to be a big problem for Britain according to our interviewees. Providing good value for money will be one of the biggest challenges of the future if we are to remain competitive in the wider tourism industry.

The quality of our product and service will be relied upon more and more.

#### 6) Technology will enable us to organise

The Internet will still be king and marketing will become increasingly multi-media. Some suggested that things will flow better – it could be the end of queues because everyone can have a time slot for everything they want to do and organise it in advance.

#### 7) Word of mouth will rule

People will want to share their experiences in more ways. Recommendations will continue to be a key source when planning trips. Websites like Hostelworld.com are already springing up to real travellers to rate accommodation, rather than relying on official quality standard ratings.

#### 8) Virtual Tourism & Pod-Casting



Rather than travelling abroad, will the tourists of the future simply put on a headset for a virtual tour of the Britain experience? More short-term perhaps, the pod-cast is set to run and run – can live tour guides

compete with a travelogue download in the language of your choice, the exact depth and breadth of information you require, and the ability to switch off or rewind at will?

#### 9) Environment versus Air Travel

Britain is a small island nation that depends on the aviation industry for much of our inbound tourism. We are running out of air capacity and combined with environmental pressures, which can only rise in future, there may be a limit to the number of flights allowed and a rise in the taxes of those that are permitted. Several of our interviewees predicted that the cost of air travel would rise not fall in the future.

On a similar note, some predict the inevitability of a Bed Tax or Tourism Tax which will be necessary to protect Britain's tourism heritage for the long-term.

#### 10) The always on / online backlash

Phenomena such as email spam can only get worse. As more and more people work from home and are tied to computers all day every day, many feel there will be a backlash against technology and an increasing need for human contact.

This is particularly true with tourism where there is a real need to welcome people into a destination. There are also concerns that the industry itself has become a less human environment: computer-based, not people-based, which is perhaps a change for the worse.

As we enter more new and unusual markets for Britain, there may be need for some return to the days when relationships meant more than responding to an email. Some of our interviewees felt strongly that there would always be a need for specialist knowledge and advice, regardless of the information available on the Internet.

#### A final trio of insights for 2030 and beyond

Who would have thought back in the 1970s that 25 years later people would start telephone conversations with "I'm on the bus" or that we would be able to research and book a holiday in the comfort of our own home using a personal computer? Our tourism industry gurus have shared some of their expectations about the future, but what else might shape inbound tourism in the years ahead?

Our gurus have touched on the possibility of airfares being higher in the future due to congested skies, congested airports and oil supplies becoming scarcer. Whatever happens to fares another change will be in the types of aircraft that bring visitors to Britain. BAA expects that Heathrow will be handling 65 A380 “super jumbos” a day by 2015, each carrying more than 550 people. Meanwhile Boeing’s 787 Dreamliner plane will bring “big jet ranges to mid-size airplanes”, making far more UK airports accessible to long-haul markets.

According to the World Tourism Organisation by 2020 there might be 100 million annual outbound visits from China, home to 1.4 billion inhabitants by that time. Of those Chinese traveling abroad at least ½ million are expected to visit Britain each year, with China challenging for a spot in the UK’s top ten markets. As new markets emerge the tourism industry will need to adapt to changing visitor needs – cultural, dietary and linguistic to name but three.

One last trend that has emerged in recent years that looks set to continue into the future is the ever-increasing sophistication of marketing used by the tourism sector. Country and destination brands are becoming better established, tourism is now considered akin to other “fast moving consumer goods” in the way that it is marketed and the importance of “customer relationship management” has been recognised as an essential tool for building customer loyalty. With Britain and other more “mature” destinations for international travel facing increased competition from new and emerging destinations the importance of successful, cutting-edge marketing can only grow in the future.

## Our Thanks

Tourism is still a people industry, thanks again to the people we interviewed and the thousands they represent, on whom the industry depends for success in the next 25 years and beyond.

## Index to earlier editions of FORESIGHT

		Market Focus	Issue of the Month
Issue 1	November 2003	USA, Canada and Mexico	Implications of an ageing population in Britain
Issue 2	December 2003	France, Italy, Portugal and Spain	Airport capacity in Britain
Issue 3	January 2004	Poland, Russia, China and South Korea	Visits to Britain by British Nationals living overseas
Issue 4	February 2004	Britain	School holidays and their impact on seasonal spread
Issue 5	March 2004	Australia and New Zealand	West Nile Virus
Issue 6	April 2004	The EU Accession States	
Issue 7	May 2004	South Africa, Nigeria, Kenya and Ghana	The Internet Part 1: Consumers
Issue 8	June 2004	India and Pakistan	The Internet Part 2: Businesses
Issue 9	July 2004	Belgium, Netherlands, Luxembourg and Ireland	Trends in Cross-Channel Travel Behaviour
Issue 10	August 2004	Japan, Hong Kong, Philippines and Taiwan	Cost of visiting Britain compared with other destinations
Issue 11	September 2004	Brazil, Argentina, Chile and Venezuela	What might climate change mean for tourism in Britain
Issue 12	October 2004	Norway, Sweden, Denmark and Finland	London’s Olympic Bid – implications for British Tourism
Issue 13	November 2004	Britain	Smoking in public places
Issue 14	December 2004	UAE, Saudi Arabia, Kuwait and Iran	Outlook for inbound tourism to Britain in 2005
Issue 15	January 2005	Germany, Austria and Switzerland	Inbound tourism and the value of Sterling
Issue 16	February 2005	Malaysia, Thailand and Singapore	Britain’s ethnic diversity
Issue 17	March 2005	Greece, Romania, Bulgaria and Croatia	Britain’s transport infrastructure
Issue 18	April 2005	Israel, Egypt and Turkey	Foreign Direct Investment & inbound business tourism
Issue 19	May 2005	Poland, Czech Republic and Hungary	Inbound study visits
Issue 20	June 2005	USA, Canada and Mexico	Low-cost Airlines
Issue 21	July 2005	France, Italy, Spain and Portugal	Weddings, Stag Weekends and Hen Weekends
Issue 22	August 2005	Latvia, Lithuania, Estonia, Ukraine and Belarus	The Day Visit Market
Issue 23	September 2005	Russia and China	Quality
Issue 24	October 2005	Australia, New Zealand and South Africa	Daylight Saving
Issue 25	November 2005	India, Sri Lanka and Bangladesh	Outlook for 2006

To access FORESIGHT visit: [www.visitbritain.com/research](http://www.visitbritain.com/research)

<sup>1</sup> Data from International Passenger Survey has been made available by the Office for National Statistics and has been used by permission. The ONS do not bear any responsibility for the analysis or interpretation of the data reported here. Crown Copyright 2005. Source: Office for National Statistics

<sup>2</sup> These are the views of the people we interviewed and are not necessarily those of VisitBritain