

FORESIGHT

Issue 36 October 2006



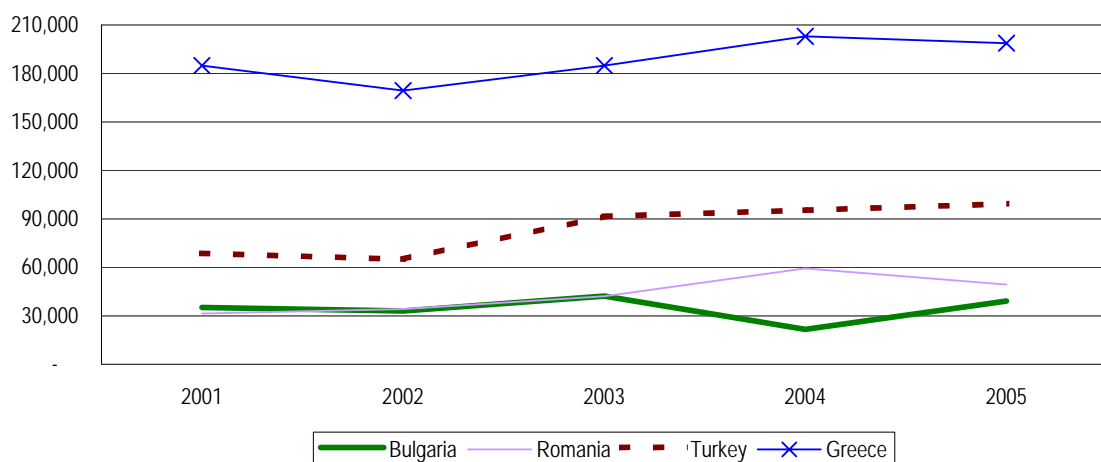
FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month 'Market Focus' discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, a spotlight is focused on a significant tourism issue. This month 'Market Focus' looks at Greece, Turkey, Romania and Bulgaria, with Issue of the Month considering how long before travel inbound visitors make a definite decision to travel to the UK.

Market Focus – Greece, Turkey, Romania and Bulgaria

Last year the UK welcomed almost 400,000 visitors from these four markets, with total visitor spending amounting to £320m (2.2% of all inbound visitor spending) according to figures from the International Passenger Survey¹. The importance of these markets is underscored by the fact that the typical inbound visitor to the UK spent £471 during their stay last year, whereas visitors from these four markets spent an average £828 per visit.

We can see from the following chart that the past few years have delivered mixed trends in the number of inbound visits to the UK from each of these four markets, but with Turkey and Greece showing the strongest and most consistent performance.

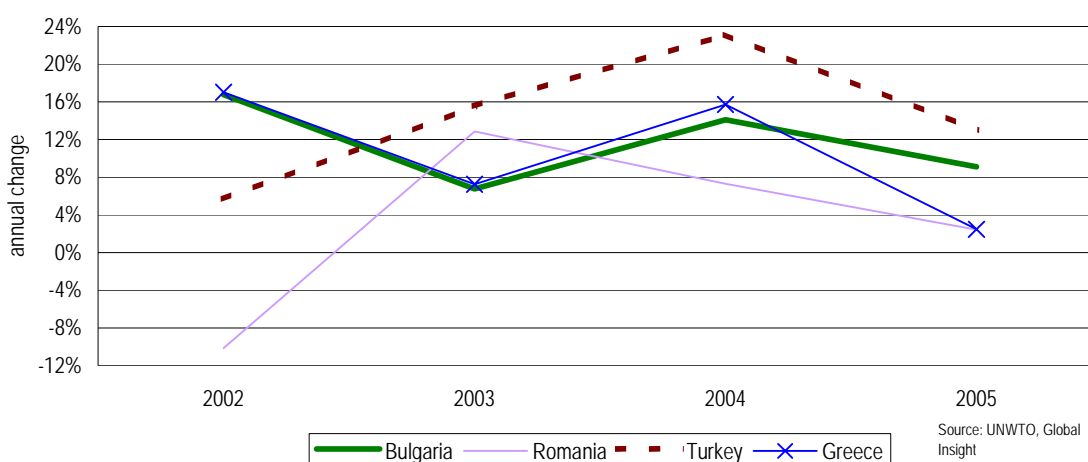
Inbound visits to the UK



Outbound growth

According to figures from the United Nations World Tourism Organisation and Global Insight there has been a period of sustained growth in outbound travel from the markets covered this month over recent years, with growth from Turkey especially strong. Last year it is estimated that Turkish residents undertook over 8 million outbound visits, an increase of 70% compared with 2001.

Outbound growth



Market Profiles

VisitBritain 'Market Profiles' are available for all markets in which VisitBritain operates, including Greece. Market Profiles can be downloaded free from www.visitbritain.com/research. Below we focus on the very latest developments in the markets covered this month.

Greece

The possibility that an early election will be called has increased according to the Economist Intelligence Unit due to the government having encountered strong opposition to its planned education reforms.

According to second-quarter national accounts figures, Greek GDP grew by 3.9%, year on year, mainly as a result of strong private consumption growth. Consumer confidence is rebounding and retail sales volume growth is accelerating further, all of which means that in their latest set of forecasts the IMF are predicting that Greek GDP per capita (in purchasing power parity terms) will reach almost \$25,000 next year.

Turkey

As highlighted when Foresight last covered Turkey (April 2005) discussions are finally underway with the ultimate aim of securing full European Union membership for Turkey, but EU accession talks will be difficult and slow. There is a high risk of a disruption in the short term over the Cyprus issue and alleged slow progress on human rights issues. Turkey has seen a number of terrorist attacks aimed at disrupting its vital tourism industry during this year, and has witnessed an outbreak of avian flu among twelve humans that resulted in four fatalities.

Economic growth has been strong so far in 2006, but a sharp weakening of the lira in May-June, accompanied by higher inflation and monetary tightening by the Central Bank of Turkey, is likely to lead to a slowdown in the second half of this year and the first half of 2007. Economic growth is forecast to be 4.5% in 2006 and about 4% in 2007, somewhat better than the Eurozone average.

Bulgaria

The Economist Intelligence Unit forecasts a slowdown in annual real GDP growth from 5.5% in 2005 to 5% in 2006, and to 4.5% in 2007. One-off factors, such as higher food prices and sharp increases in excise duties in January 2006, will push annual average inflation up to 7.3% in 2006, although it should fall back to 4.6% in 2007 as oil prices are expected to ease. Although still not fully guaranteed, Bulgaria looks set to have made sufficient progress on tackling corruption in order to join the European Union in 2007.

Romania

The desire to secure Romania's EU accession in 2007 seems to be the main factor preventing a breakdown of the ruling coalition, which is led by the National Liberal Party and Democratic Party. Assuming that Romania joins the EU in January 2007, there is a possibility of an early election next year, although the government may yet serve out its full term until late 2008. The National Bank of Romania has tightened monetary policy, but a significant loosening of fiscal policy this year means that year-end inflation will be above the target band and the current-account deficit will exceed 10% of GDP, all of which means Romania will continue to be faced with tough economic challenges even if EU membership starts to deliver stronger inward investment from 2007 onwards.

EU Accession – repeat performance?

When the likes of Poland, Czech Republic and Hungary joined the European Union in 2004 there was a marked upward shift in the number of visitors to the UK from these markets. This came about thanks to both the easing of travel restrictions and visa requirements, along with the rapid development of many low-cost air routes.

We can certainly expect that, when Romania and Bulgaria join the EU on 1st January next year, the aviation sector will not be slow in taking advantage of these new market opportunities and expand the number of flights to Britain from Bucharest and Sofia. However, the UK Government recently announced that it will limit travel to the UK from these countries for those citizens seeking employment, and this may have a knock on effect in diminishing overall visitor demand growth rates, especially in the visiting friends and relatives segment, which, for example, has quadrupled in size for inbound visitors to the UK from Poland since 2003.

However, in the medium to long run, it is Turkey that looks set to be a key emerging market, especially if its secular government can successfully steer it towards full membership of the European Union a decade or so from now, thereby delivering new economic and travel opportunities for the 70 million strong population.

Issue of the Month – Inbound visitor travel decision lead times

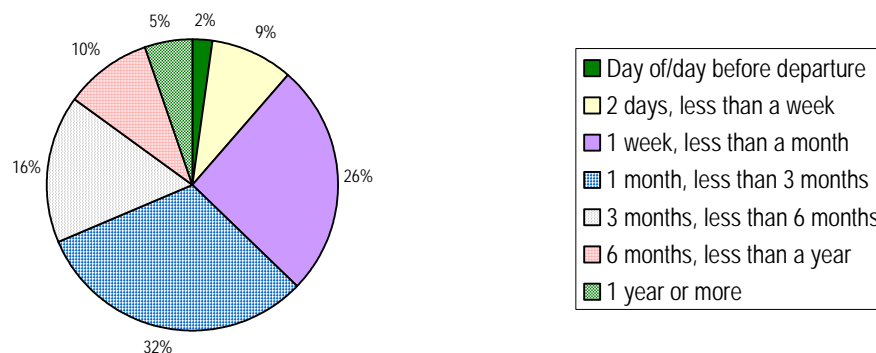
In 2005 the International Passenger Survey contained a question designed to help us understand how far in advance of their trip inbound visitors made a definite decision to travel. This month we take a look at the results from this question, discovering which types of inbound visitor plan well in advance and which choose to, or even have to, plan last minute trips to Britain.

The question posed was 'How long before you arrived in the UK did you make the decision to come to the UK?' Some twenty percent of respondents either did not know how far in advance the decision was made, or failed to answer this question. The results that follow are all based on the eighty percent of respondents providing definite decision lead times. It is assumed that this group of respondents are representative of those who answered 'Don't Know' or who failed to answer.

Headline results

The following pie chart reveals that just about one-third of inbound visitors in 2005 made a firm decision more than one month, but less than three months before travel, with one-in-four visitors deciding between one week and one month ahead of arrival in Britain. If we add in those visitors whose decision to travel was even less than a week before arrival we see that a substantial majority of our 30 million inbound visitors last year (69%) made a firm commitment to visit less than three months before travelling.

Decision to travel lead times

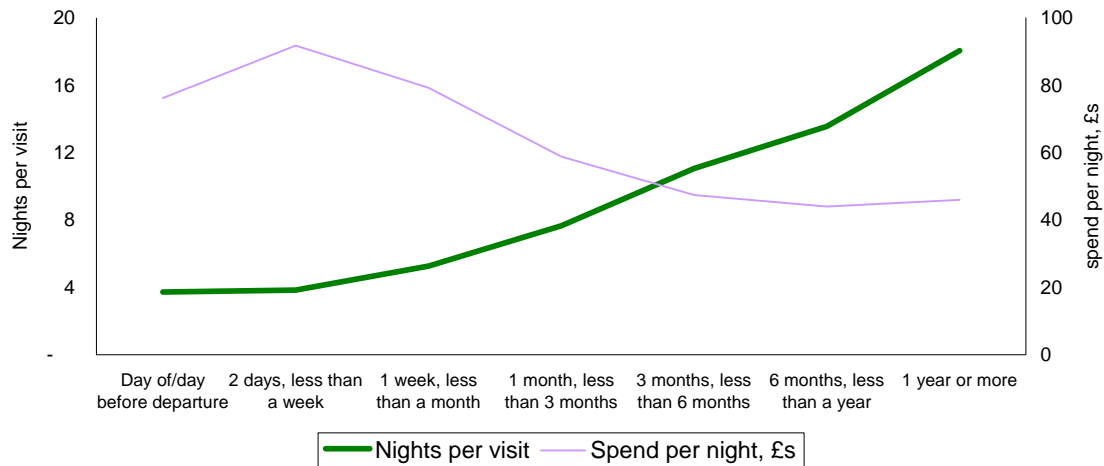


The average amount spent in the UK by an inbound visitor last year was £471, so we can see from the table that the 69% of visitors who decide on their trip less than three months before setting off spent rather less than this amount, whereas those deciding further in advance spent considerably more than the average.

Average spend per visit	
Day of/day before departure	£283
2 days, less than a week	£352
1 week, less than a month	£417
1 month, less than 3 months	£450
3 months, less than 6 months	£524
6 months, less than a year	£596
1 year or more	£831

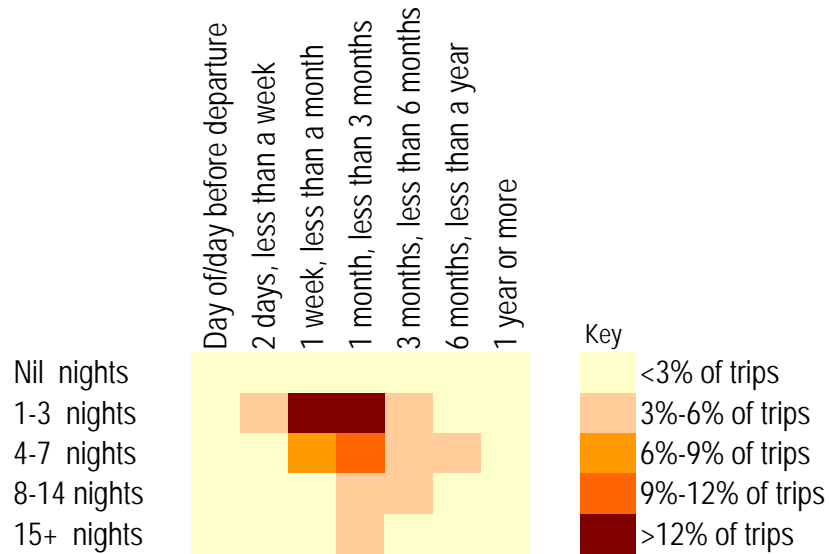
The next chart looks at the relationship between spend, length of stay and decision lead time in a little more detail, showing that those deciding well in advance typically stayed longer than those with shorter decision lead times, but that the amount spent per night tends to decline as booking lead times get longer.

Nights per visit and spend per night by decision lead time



The shaded grid to the right shows the relationship between decision lead times and duration of stay.

It is very clear that the biggest share of all inbound visits tends to be those with duration of one to three nights and with a decision lead time of between one week and three months.



Why and when

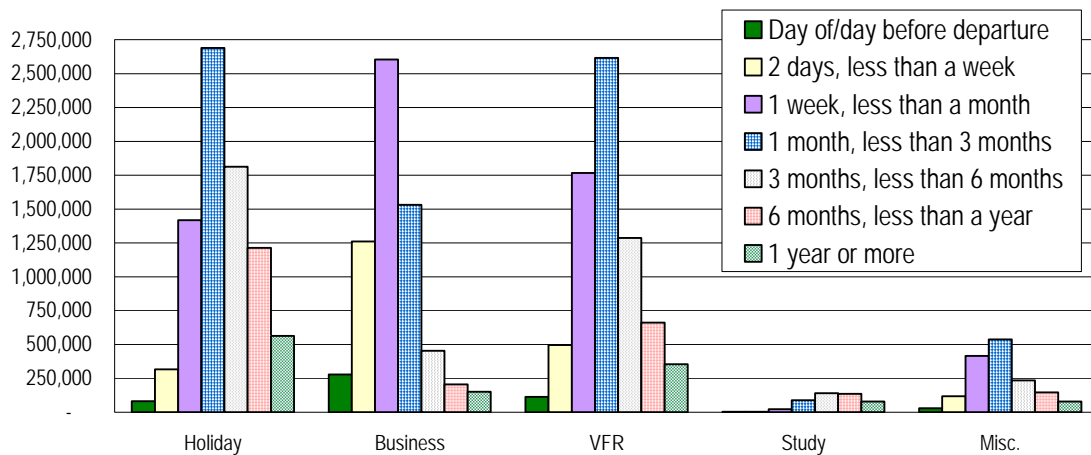
When taking a look at the length of time before travel that a decision was made across different types of journey purpose we discover very definite variations. The following chart highlights that holiday visitors tend to decide between one month and three months before travel, indeed one million more holiday trips were committed to one to three months before travel than for any other category of decision lead time. It is worth noting that a significant number, ½ million, holiday trips were decided on more than a year in advance.

For business trips decisions are typically made between one week and one month before the trip, with this category accounting for one million more business trips than any other lead time category. Almost as many business trips are decided on between two days and one week before travel as are decided on between one month and three months before travel.

At first sight trips to visit friends and relatives appear to follow a similar distribution to those for holiday visits, but there are subtle differences. The most popular decision lead time is indeed between one month and three months, but unlike holiday trips the next most popular decision lead time for 'vfr' trips is between one week and one month. Study visits tend to have a longer decision lead time, with the majority being committed to between three months and a year before travel.

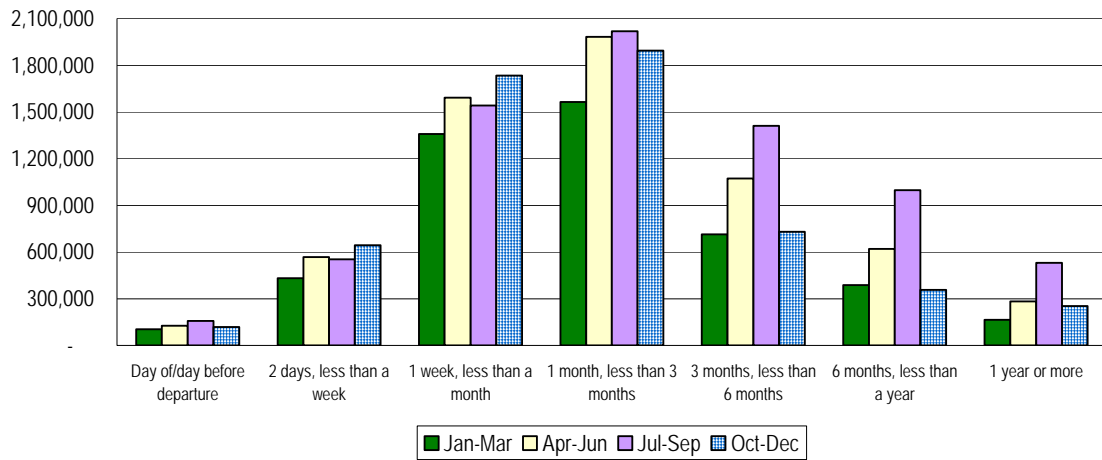
Remaining trip types tend to reflect the 'vfr' decision lead time pattern, with decisions made one week to three months before travel accounting for the bulk of visits.

Decision lead times by journey purpose



Is there any difference in the distribution of decision lead times by time of year in which the trip took place? The following chart shows that there are indeed some subtle variations. Looking at trips that are committed to between two days and one month before travel we find that more such trips are undertaken in the final three months of the year than in any other quarter, whereas for trips decided on further in advance, most notably those committed to more than three months in advance, more such trips take place in the period July to September than at other time of year.

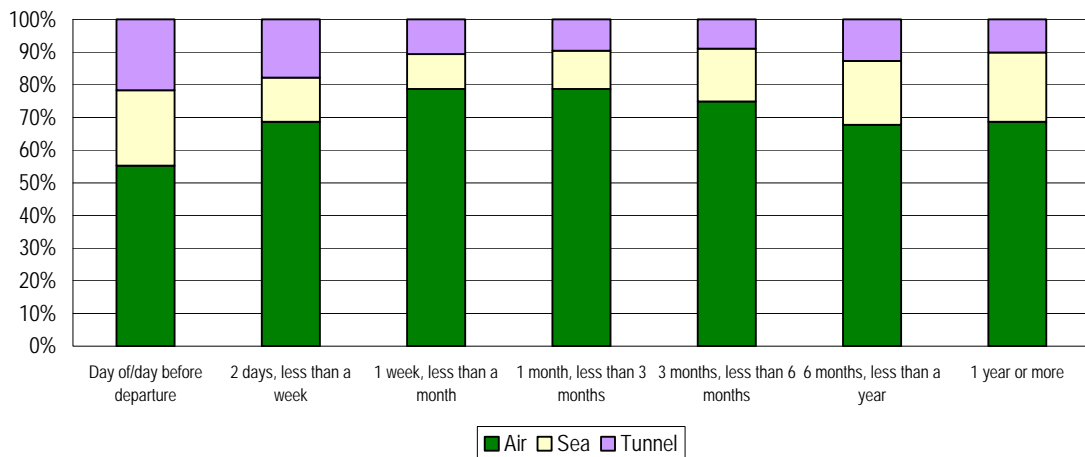
Decision to travel lead time by season



Mode and class

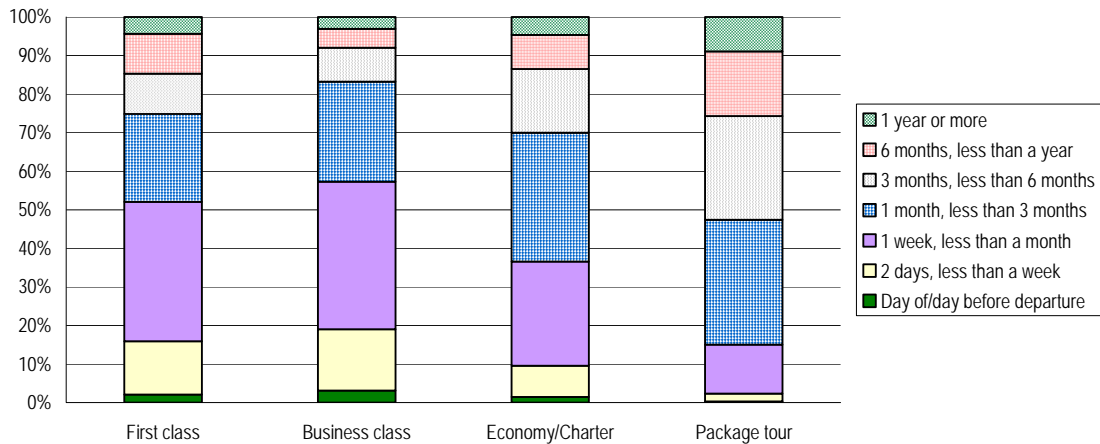
The next chart shows for each type of decision lead time the mode of transport used for the trip. In each case air dominates, but interestingly sea and tunnel both account for around a fifth of all those trips committed to immediately before travel, whereas each accounts for just one-in-ten trips that have a decision lead time of between one week and three months.

Decision to travel lead time by mode of travel



More insightful perhaps is the following chart showing the class of travel by decision lead time. We can see that more than half of those travelling either First or Business class commit to their trip less than one month ahead of the trip, whereas more than half of those coming to Britain as part of a package tour make the decision more than three months in advance.

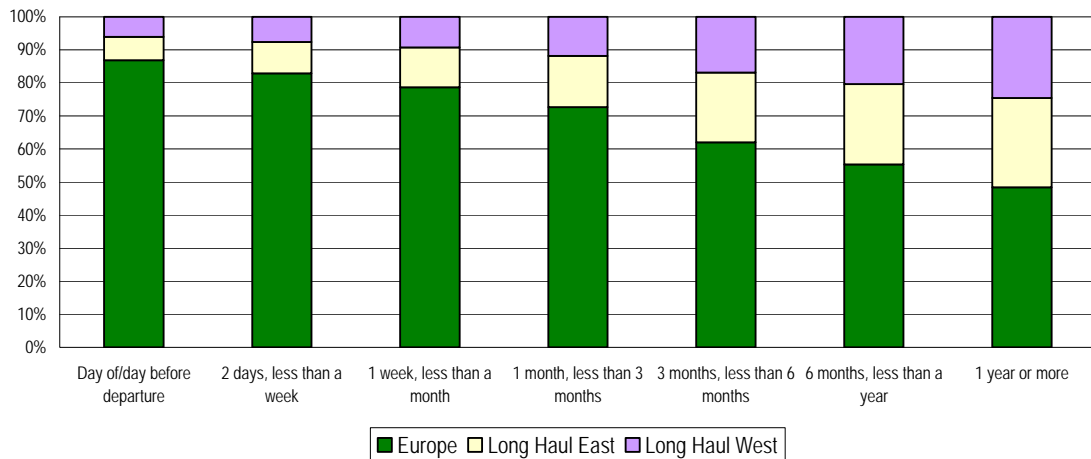
Decision to travel lead time by class of travel



Variations by market

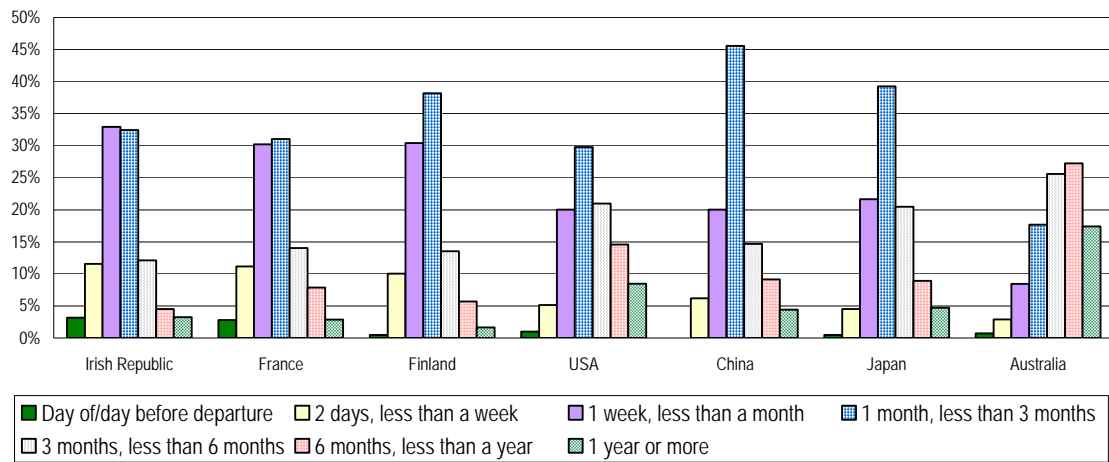
There are few surprises to be found in the next chart showing by broad region of origin how long in advance inbound visitors decided on their trip. The longer the decision lead time, the greater is the probability of the visitor being from a long-haul rather than European origin market.

Decision to travel lead time by origin region



Digging a little deeper into the pattern for a selection of inbound markets shows that there is variation within, as well as between, origin markets. A very small share of visits from the Irish Republic are decided on more than three months in advance, whereas as we move through France to Finland we observe that visitors from slightly further afield in Europe become more likely to decide at least one month in advance. Although a long-haul market we can see that three-in-ten visitors from the USA decide between one month and three months in advance. The proportion committing to trips one to three months in advance is even higher for visitors from both China and Japan, but the situation is different once we get as far as Australia, with more than one-in-four visits from this market being committed to more than six months in advance.

Decision to travel lead time for selected markets



Future trends

As yet no definite plans exist for when this question will again be included in the IPS, but with an ever growing tendency for the Internet to be used to research and book travel, especially short-breaks, there has to be a strong probability that in the coming years we will see the proportion of trips decided on weeks, rather than months, ahead of travel increase.

Have you missed an earlier edition 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 Inbound Tourism in 2006
Issue 26	December 2005	Twenty-five years of Inbound Tourism	
Issue 27	January 2006	Benelux and Ireland	Tourism Satellite Accounts
Issue 28	February 2006	Japan, South Korea and Hong Kong	Tourism and the Disability Discrimination Act
Issue 29	March 2006	Brazil, Argentina and the Caribbean	Tourism and the National Lottery
Issue 30	April 2006	Nordic region and Iceland	Next generation aircraft
Issue 31	May 2006	Central Europe	The cruise line boom
Issue 32	June 2006	UAE, Kuwait, Bahrain and Oman	The power of football
Issue 33	July 2006	North Africa, Malta and Cyprus	Wind Farms and the Visitor Economy
Issue 34	August 2006	Inbound tourism - the global context	
Issue 35	September 2006	Singapore, Malaysia and Thailand	International tourism balance of payments deficit

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