



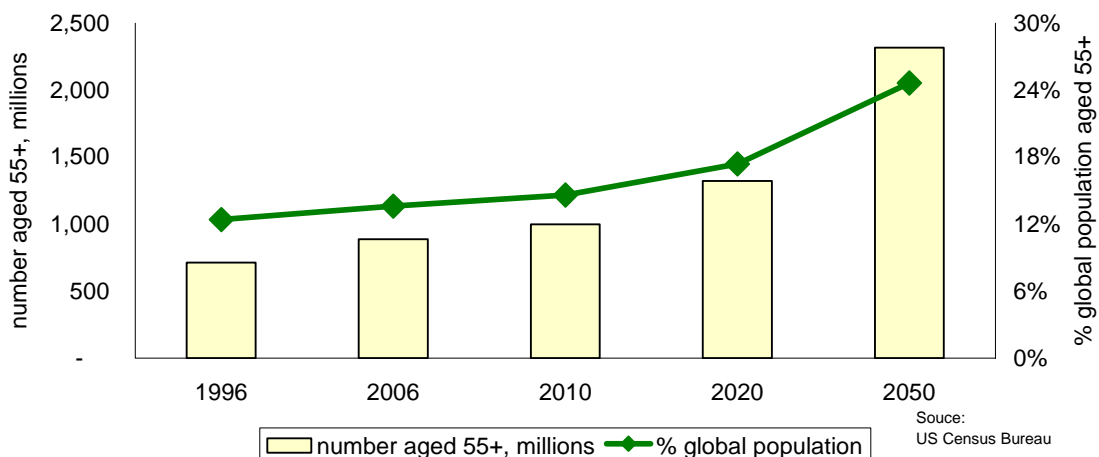
FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month 'Market Focus' discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, a spotlight is focused on a significant tourism issue. This month 'Market Focus' looks at inbound visits to Britain by the over 55's, with Issue of the Month considering the pros and cons of seasonality within the tourism sector.

Market Focus – Inbound visits by the over 55's

Between 2000 and 2005 the number of inbound visitors to Britain that were aged under 55 increased by 17% according to the International Passenger Survey¹, a fairly impressive figure, but not in comparison to the growth that has taken place in the number of inbound visitors aged 55+ during this period, which stands at 32%. This means that in 2005 more than five million over 55's visited Britain from overseas, representing one in six of our thirty million inbound visitors. This month we explore some of the background to trends in this market and look at whether this segment will continue to grow in size and importance for our inbound visitor economy.

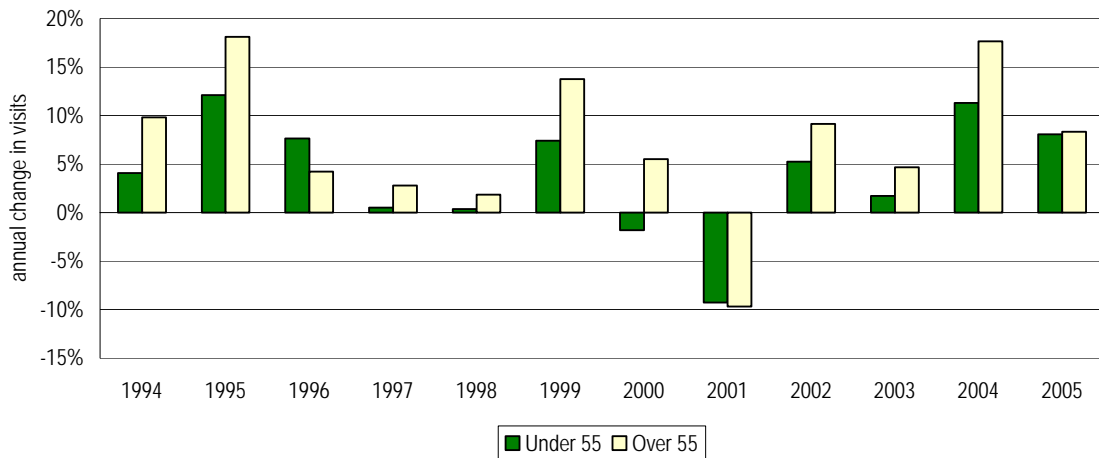
We can get an immediate feel for the fact that this segment of the global population is growing in importance, in both absolute and relative terms, from the following chart.

More and more older people



So, fifty percent of global population growth between 2006 and 2050 will be down to the increase in the number of people aged 55+ according to US Census Bureau projections. Britain's inbound tourism market mirrors these global trends as we can see from the following chart, highlighting that in ten out of the past twelve years the over 55's market has put in a stronger performance than that for visits by those aged under 55.

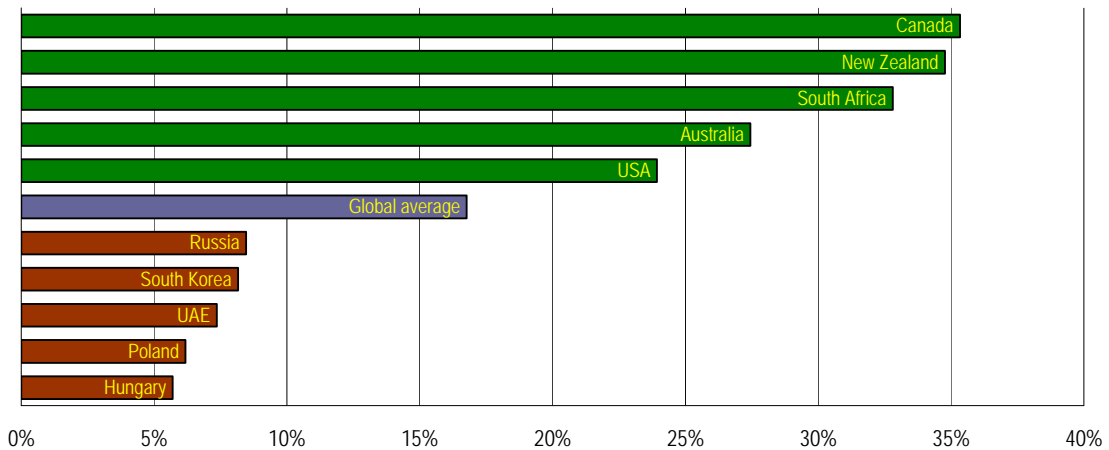
Inbound visits by the over 55s - a growing segment



Main markets

Even today a number of inbound markets for the UK are characterised by having a significant proportion of visits accounted for by the over 55's. Around one-in-three visits from Canada, New Zealand and South Africa are by those aged 55+, with Australia and the US not far behind. As the following chart shows, a number Eastern European markets can be found among those with very low proportions for the higher age-bands.

Proportion of visitors aged over 55 by origin market

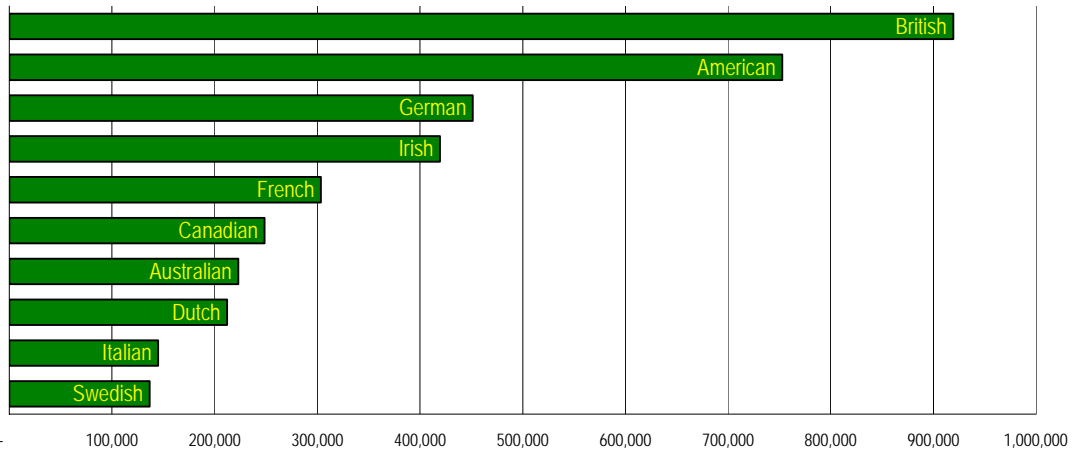


Looking to the future we can expect an ongoing increase in the likelihood that visits from both Canada and New Zealand will be by the over 55's. In Canada a quarter of the population is estimated to be 55 years of age or older at present, and this proportion is forecast to increase to 37% by 2046. New Zealand has around 27% of its population aged 55 or older at present, and once again this is expected to grow, reaching 38% within forty years. In Japan projections indicate that within a quarter of a century there will be more than one million people aged 95+.

However, it is well worth using the availability of information on nationality contained in the International Passenger Survey in addition to the more normally reported figures based on country of residence shown above. If we do this we discover that in volume terms British nationals are by far the most important source of visits by the over 55's. Over 900,000 older

British ex-pats visited the UK in 2005, with Americans being the next largest contingent with over ¾ million visits.

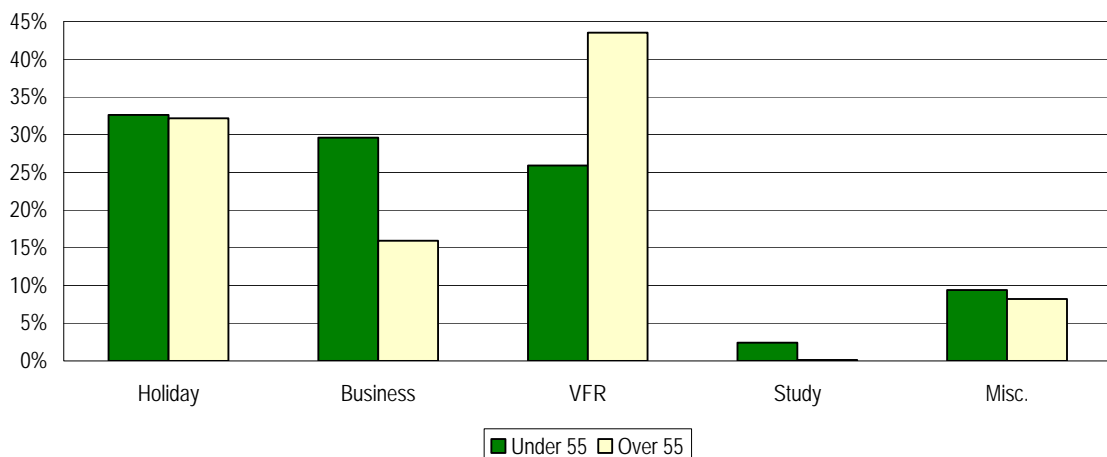
Visitors aged over 55 by nationality of visitor



Journey purpose

A third of all visits to the UK are for a holiday, and that applies equally to those who are aged under 55 and those aged over 55. However, the following chart reveals that there are very definite difference in the journey purpose mix when we look at business visits and visits to friends and relatives. Indeed, 44% of all inbound visits to the UK by those aged over 55 are to see friends or relatives.

Journey purpose - differences and similarities



Perceptions of Britain among the over 55's

An exploration of results from the latest wave of the Anholt-GMI Nations Brand Index allows us to understand whether perceptions of the UK among the over 55's are more or less positive than those held by the under 55's. The NBI is an on-line panel survey covering around 1,000 consumers in each of thirty-five countries worldwide.

The answer is that, by and large, the over 55's have a more positive perception of Britain than younger generations. Indeed, for sixteen out of the seventeen 'core' NBI questions the over 55's score Britain higher than the under 55's. In particular the over 55's are more likely to have favourable perceptions regarding the governance of Britain than do younger groups, but of more relevance for tourism promotion the over 55's show significantly stronger agreement than the under 55's with the statements 'This country has a rich cultural heritage', 'This country is rich in natural beauty' and 'If I visited this country, the people would make me feel very welcome'.

When asked to pick a kind of cultural activity or product which the respondent would most expect to see produced in Britain (from a list of eight products/activities) both age groups were most likely to pick 'Museums', but 42% of the over 55's opted for this answer compared with 34% of the under 55's. Asked to pick an adjective, again from a list of eight, that the respondent thought most accurately describes the experience of visiting Britain (note that the majority had not visited), 5% more of the over 55's chose 'Predictable' than did the under 55's. However, the better news is that around a quarter of both age groups opted for 'Exciting' and one-in-five for 'Fascinating'.

Respondents were quizzed on their perception of Britain as a holiday destination against a list of some sixteen different criteria. The statements generating the strongest levels of agreement among the over 55's were 'Interesting history to learn about', 'Traditional' and 'Fascinating stories behind the sights'. The over 55's were, however, less likely to agree that Britain was a 'Modern' destination for a holiday.

A demographic time bomb?

With age comes wisdom, confidence, freedom and experience, plus these days health and wealth in many of our key inbound markets. However, throughout much of the developed world there is a trend towards having fewer children than was the case a generation or so ago, and combined with increasing life expectancy fundamental demographic shifts are underway. The European Union Economy Commissioner recently warned, "Unless most member states do something serious about defusing the pension time bomb, it will go off in the hands of our children". From the EU's perspective the problem is one of public finances, with generous state pension schemes becoming unaffordable as an increasing swathe of the population enter retirement, at present four workers pay for one retired person within the EU, but in 2050 the burden will fall on just two workers.

However, from the tourism perspective the issue is whether all the additional older tourists of tomorrow will enjoy a standard of living equivalent of that customary for pensioners in many developed nations today. It looks highly probable that in order to have a healthy pension today's 'thirty something's' will be working until they are approaching seventy years of age. We cannot assume that just because people will be living longer in the future they will have more retirement time during which to travel the world, or that their pension will match their expectations.

Next year is the 400th anniversary of the first English settlement on American soil, and a series of events are sure to stimulate ever greater interest among the over 55's, and younger generations too, in discovering more about their European ancestors. To explore this emerging trend Foresight will take a detailed look at ancestral tourism in a few months from now.

Issue of the Month – Seasonality

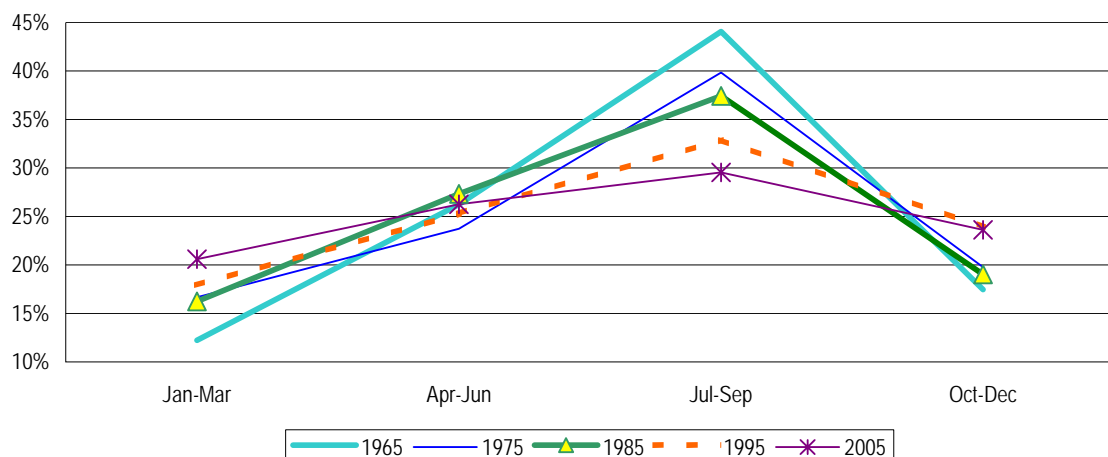
For decades the issue of seasonality has been recognised as a routine fact of life when operating in the tourism sector. There are a host of physical and institutional factors that give rise to the phenomenon, and different types of destination and tourism businesses experience seasonality to varying degrees. For some businesses it is a headache, for others, especially at the micro-business end of the spectrum, it affords the opportunity to adopt a lifestyle that does not involve working for the full fifty-two weeks of the year.

Below we explore trends in seasonality in inbound tourism, along with considering some of the pros and cons of having certain periods of the year that are busier than others.

Less peaky...

There is no doubt that August is still a more popular month of year for a visit to Britain than January, but the following chart demonstrates very clearly that during the past four decades there has been a consistent trend towards a more uniform seasonal pattern across the year.

Inbound tourism - changing seasonal pattern

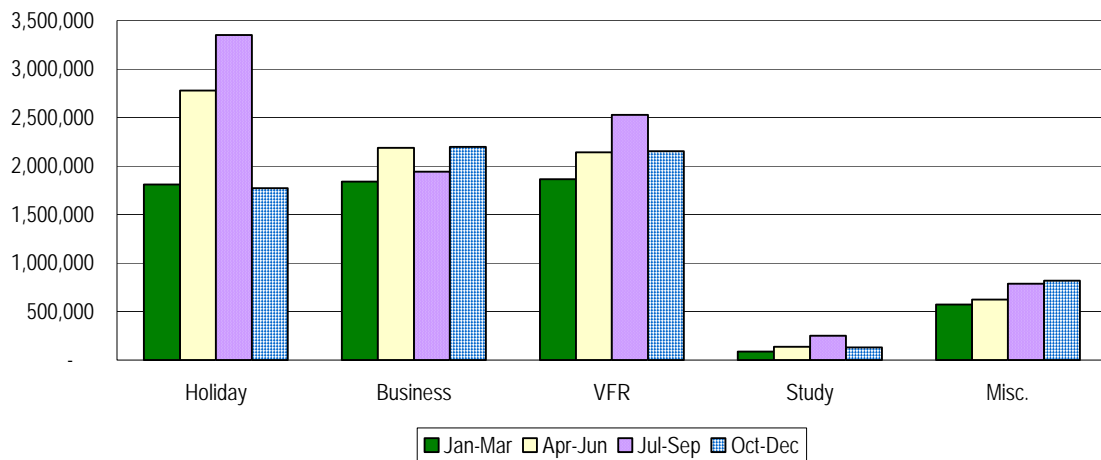


Back in 1965 44% of the UK's annual inbound visitors arrived between July and September with just 12% visiting during the first three months of the year. By contrast in 2005 July to September attracted 30% of visitors, with January to March accounting for 21%.

...but summer still key period for 'holidays' and certain parts of the UK

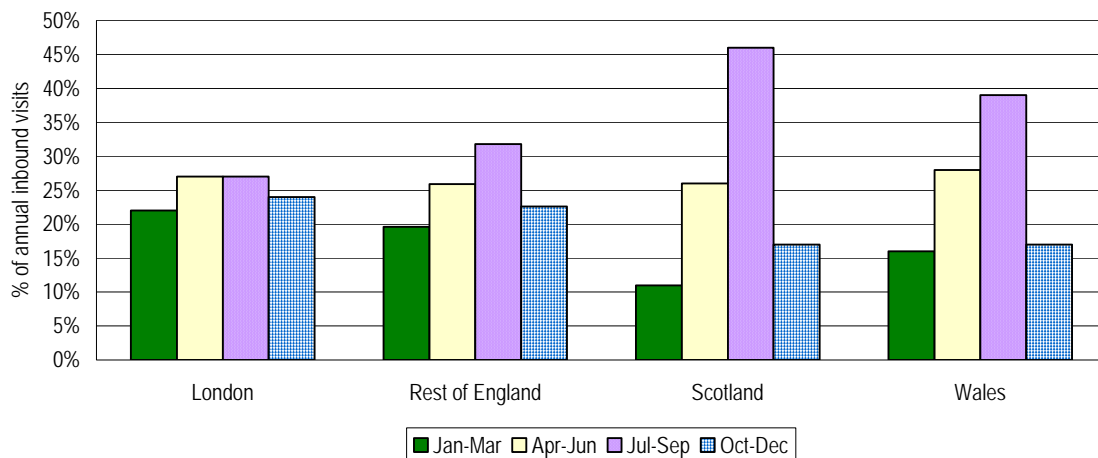
Although we now see a flatter distribution of inbound visits across the seasons the picture is rather mixed when we start to explore the situation for individual journey purposes. Around twice as many holiday visits take place in the period July to September as in either of the first or final quarters of the year, whereas for business visits in 2005 the busiest period was from October to December, with April to June being the next most popular time of year for inbound business trips. As the following chart shows, the pattern for trips to visit friends and relatives falls somewhere between that for holiday and business visits.

Inbound visits by journey purpose and quarter, 2005



The seasonality picture in London is very different from that which we find in Wales, the rest of England, but most noticeably Scotland. The chart indicates that well over two-fifths of all inbound visits to Scotland take place between July and September, whereas for London the equivalent figure is 27%. During the first three months of the year Scotland only welcomes around one-in-ten of its annual tally of inbound visitors compared to London's one-in-five.

Seasonality across Britain



Causes of seasonality

To an extent there is a little bit of the 'chicken and egg scenario' to seasonality - visitors may cite the small number of attractions that are open during the off-season as a reason not to visit a destination, with businesses citing the lack of custom as a reason not to open. This illustrates that there is seasonality in supply as well as in demand within the tourism sector.

Seasonality, in demand and in supply, stems from two broad sources, 'natural' and 'institutional'. Starting with the 'natural' causes the main player here is clearly the climate. For those visiting Britain from overseas with the intention of undertaking lots of outdoor activities the summer months perhaps offer the most comfortable time of year to visit, although it is rare for winter weather to be overly harsh. A more subtle natural cause of seasonality is the latitude

at which the UK sits. Summer visitors benefit from long hours of sunlight well into the evening, but in the depths of winter the sun will dip below the horizon by 4pm, and in the far north, even earlier.

These 'natural' factors play a role not just in the UK but across Europe and many parts of North America, with the seasonality of 'natural' factors being reversed for those living in the southern hemisphere where the days are at their shortest during June. This does, however, mean that not only are Europeans more likely to visit during our summer months but so too are those living in less clement parts of the southern hemisphere looking to escape winter weather.

The 'institutional' causes of seasonality within inbound tourism largely follow on from the 'natural' causes, with long school holidays typically scheduled for the time of year when the weather is at its best. For those with young families the school holidays can be the single most important factor in determining when to take a holiday.

Although varying from one country to another, most of those in full time employment get just four or five weeks of annual leave a year, another motivation for taking the main annual holiday during that part of the year when the weather is likely to be at its most favourable.

Consequences – positive and negative

Seasonality – positives	Seasonality – negatives
<ul style="list-style-type: none"> • Quiet periods provide an opportunity for maintenance to capital assets without resulting in loss of business, for example hotel rooms can be refurbished or redecorated, museums can be renovated etc • Quiet periods provide 'recovery time' for the physical environment, for example countryside footpaths that receive heavy use during the summer can be closed for repairs during winter • Some employees may actively seek seasonal employment, for example students and pensioners, with the tourism sector being a key source of such employment • Some 'lifestyle B&B proprietors' may want to work for only 8 months a year and have the other four months to pursue non-business interests 	<ul style="list-style-type: none"> • Employee insecurity – workers on short-term contracts may feel less committed to delivering excellent customer service than those enjoying greater job security • If trading patterns are highly seasonal businesses may find themselves having to recruit and train a new workforce every peak season, such 'churn' can represent a significant operating cost and means that businesses are unable to use their workforce in the optimal manner • It can be difficult for workers to develop a broad range of skills and to progress their career if undertaking a series of short-term jobs for different employers • Income streams for businesses subject to highly seasonal demand are not uniform across the year, placing a potential strain on cash-flow • Very high peak visitor numbers can denude the visitor experience if attractions or destinations become overcrowded • Sensitive sites may be damaged by excessive visitor numbers at peak times • Delays and congestion at airports can be exacerbated by peaks in passenger demand

Tackling seasonality

Examples of how seasonality can be tackled are many and varied, including well publicised enterprises such as 'Ski Dubai' offering winter sports activities in one of the hottest regions of the Middle East, and Germany's 'Pleasure Dome' near Berlin offering a 'Tropical Island Resort' experience whatever the temperature outside. Closer to home Center Parcs offer a range of both indoor and outdoor activities enabling guests to indulge in a variety of pursuits regardless of weather conditions. The growing number of 'Spas' or 'Wellbeing' resorts can market themselves as year-round destinations not subject to the vagaries of the weather.

A subtle tool that can be used by businesses to overcome seasonality in demand is that of pricing. This brings our attention to the fact that 'seasonality' isn't just about summer and winter, demand can be said to be seasonal during the course of every week, with hotels seeing a peak in guests with 'business needs' during the working week and those with 'leisure needs' at weekends. There is even 'seasonality' of demand during the course of a day for many tourism related businesses, with, for example, a country pub experiencing a peak in demand around lunchtime on a Sunday with far fewer customers by 4pm.

Differential pricing is a way in which a business can attempt to even out demand, shifting some customers to quieter periods by offering a lower price than at the busiest times. Perhaps the clearest example of this business model is that adopted by low-cost airlines where the price of a ticket between A and B can be radically different if you are booking three months in advance for a journey on a Wednesday in November compared with the price for a booking made three days before travel on a Friday in July.

Events

Hosting special events during quieter times of the year is another successful measure that destinations can adopt in order to ensure a more uniform flow of demand across the year. For example 'Christmas Markets' are growing in popularity as a way of attracting the 'weekend break' market from late November through until Christmas itself. Museums and galleries can schedule key exhibitions that will attract visitors at times of the year that would otherwise see modest customer flows, thereby providing other visitor economy businesses in the vicinity with an opportunity to capture much needed off-peak demand.

Targeting

As highlighted earlier, for families with school aged children however great the price differential or captivating a museum exhibition might be, there are practical reasons why an overseas trip may not be feasible at certain times of the year. However, other groups, for example pensioners or youth groups, may actively desire travelling at a time of year when there are fewer visitors around. The Spanish government, for example, offers a special off-season programme targeted at helping seniors and the disabled to take a holiday at quiet times of year.

Business travellers, either those attending conferences or simply travelling for a routine business meeting have, as we have seen, a seasonal pattern very different to that of inbound holiday visitors. This group can be targeted to visit tourism attractions during any free time that they have during their stay, be this in February, July or November. However, as noted earlier, this will only succeed as a strategy if tourism businesses are 'open for business' throughout the year.

The labour market

In the table presented earlier we discovered that there can be negative impacts on both businesses and employees if employment is seasonal, resulting in the need for businesses to recruit and train staff on a regular basis. Clearly both mobility and flexibility is required in the labour force and this ties in with the need for vocational training that ensures a labour market characterised by multi-skilled workers able to transfer easily between different types of employment.

These are issues that can be tackled at a national level, but it is also possible for individual businesses to investigate whether they can find micro-level solutions that overcome staff churn, for example teaming up with businesses with a seasonal demand that runs counter to their own, thereby allowing a temporary workforce to be shared, offering the advantage of greater certainty of employment to the workforce.

VisitBritain targets and achievements

As highlighted in the earlier chart the seasonal spread of inbound visitors is very different in London to that found in Scotland. There are other place-specific differences too, for example seasonality tends to be less of an issue for cities with a mix of heritage or cultural attractions than for a rural or coastal destination reliant on visitors being able to enjoy outdoor pursuits. This means that although to some extent seasonality is an issue that can be addressed at the national or regional level, there is no 'one size fits all' solution to tackling non-uniform demand during the course of a year.

However, recognising that there are benefits to evening out the flow of visitors and visitor expenditure across the seasons VisitBritain is set 'seasonal spread' targets by the Department for Culture Media and Sport on an annual basis, with the current target being that 36% of the additional spend that VisitBritain activity generates should be between October and March.

A few examples of campaigns aimed at improving the seasonal spread of inbound visitors to the UK over the past few months includes partnering with the Canadian airline Zoom to promote visits to a host of UK cities between October and March, and working on a Shopping Promotion with UAE based Etihad Airways for travel during the run-up to Christmas.

Good seasonal spread can enable businesses to develop a well-trained and loyal workforce, likely to deliver a better quality service to customers than staff who are on short-term contracts that offer limited career development opportunities or job security. On balance then a continuation in the trend for inbound tourism to become less seasonal in nature has to be welcomed.

Missed an earlier edition of FORESIGHT?

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Issue 3	January 2004	Poland, Russia, China and South Korea	Visits to Britain by British Nationals living overseas
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Issue 8	June 2004	India and Pakistan	The Internet Part 2: Businesses
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