

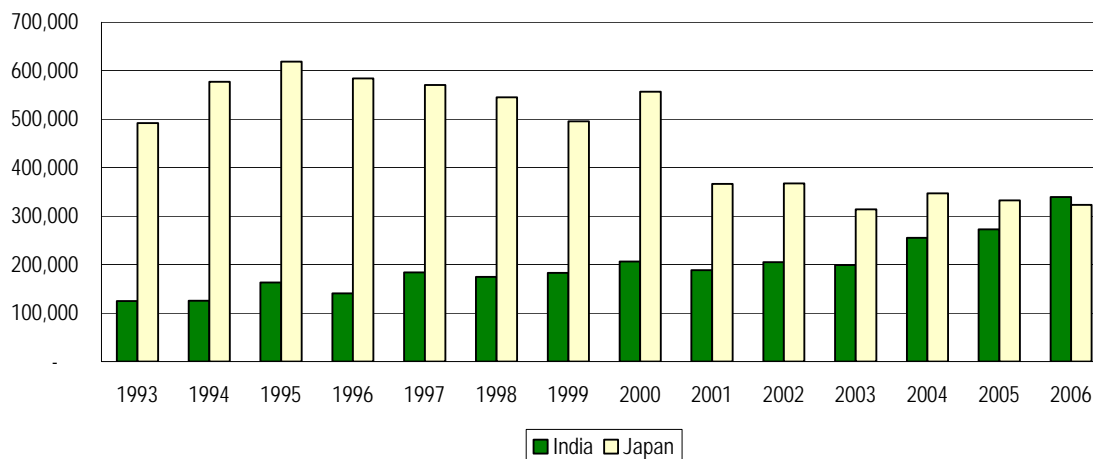
FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month 'Market Focus' discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, a spotlight is focused on a significant tourism issue. This month 'Market Focus' covers two important Asian markets – India and Japan, with 'Issue of the Month' concluding our review of insights emerging from VisitBritain sponsored 'holiday activity' questions included in the Anholt-GMI Nations Brand Index.

Market Focus – India and Japan

With provisional figures for 2006 now available from the International Passenger Survey¹ it is apparent that the story of the past few years was repeated, and that story is one of significant growth in the number of visits from India (up by 67,000 to 339,000 – representing an annual increase of 25%) - and of a further slight decline in visits from Japan (down by 8,000 to 324,000, or a fall of 2%). Looking at visitor spending visitors from India generated £293m in the UK last year, compared with £207m by visitors from Japan – country level figures dating back to 1979 reveal that India outperforming Japan in terms of visitor spending in the UK is something that had not occurred in the past 27 years.

This means that last year again set a new record for the number of visits to the UK from India, but (as is apparent from the following chart) we have to cast our minds all the way back to 1995 to find a record tally of visitors from Japan. Back then the UK welcomed 619,000 visitors spending £716m (in 2006 prices), meaning that we have seen a real terms decline in Japanese visitor spending in the UK of £509m over the past eleven years, that is a drop of 71%.

Visits from India and Japan



VisitBritain Market Profiles

'Market Profiles' are available for all markets in which VisitBritain operates, including both India and Japan; they can be downloaded free in PDF format from www.visitbritain.com/research. Below we focus on the very latest developments in these two vitally important markets for UK tourism.

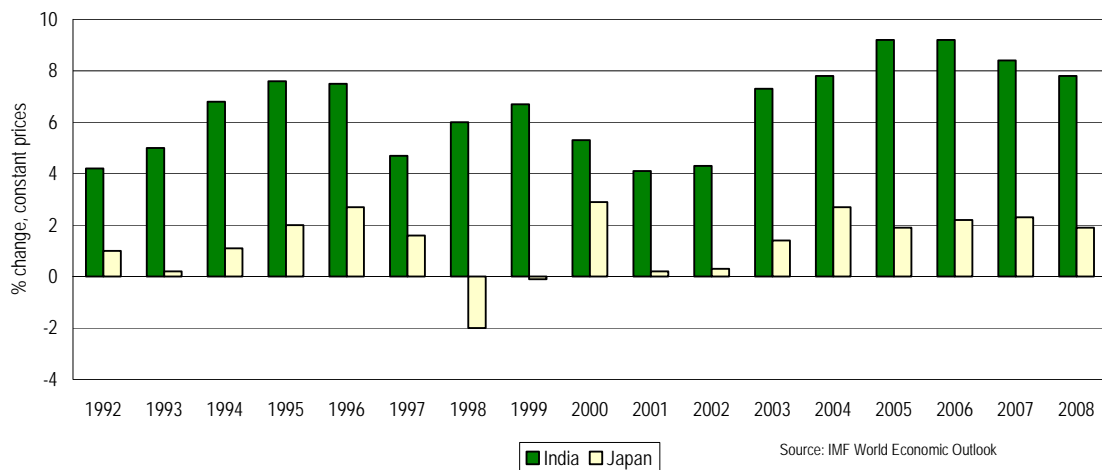


Economies – compare and contrast

For a generation or more in the Post War period Japan was the leading Asian economic performer and remains one of the world's most significant economic powers with a population that enjoys very high standards of living. In the past decade or so things have gone somewhat awry in Japan – unlike the case in India, which although still very much 'playing catch up' has witnessed a very different set of economic performance indicators to those of Japan.

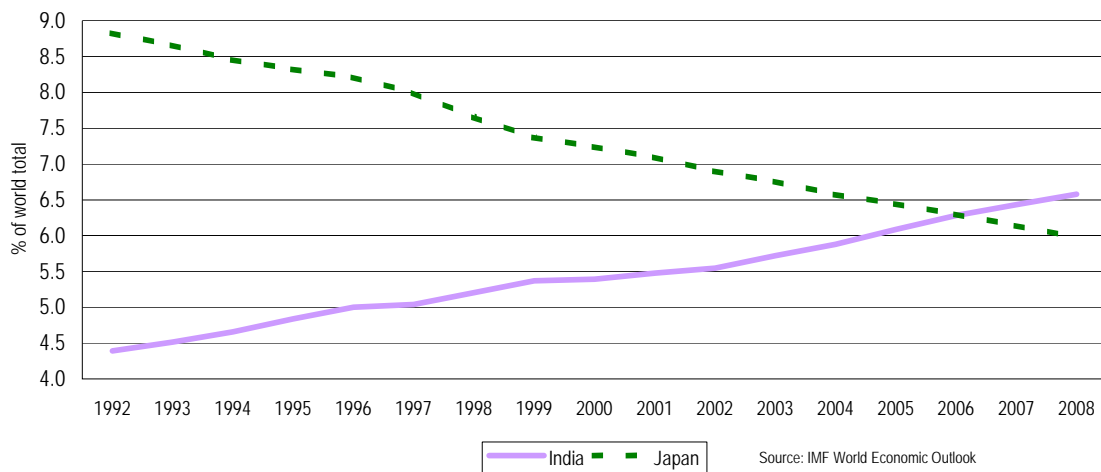
Taking data from the latest edition of the International Monetary Fund's 'World Economic Outlook' we can see that India's economy has expanded at a faster rate than has been the case in Japan in each year since 1992.

Annual change in Gross Domestic Product



So what does this mean? Well we can get an idea of the impact of these different rates of economic growth from the following chart showing the share of global Gross Domestic Product that each country accounts for. The figures are based on so-called 'purchasing power parity', meaning that the fact that a dollar in India has greater buying power than is the case in Japan has been allowed for. It is evident that according to IMF projections in the next couple of years India's share will surpass that of Japan for the very first time.

GDP based on Purchasing Power Parity, share of world total



The Reserve Bank of India increased interest rates a few weeks ago in an effort to slow the pace of economic expansion in general and stifle a growing threat from inflation in particular. Inflation is now running at an annual 6.5%, but Indian stock markets have reacted cautiously to the higher interest rates due to concerns about the impact on future corporate earnings potential. There are clear signs that higher base rates may be dampening consumer purchasing behaviour, with car sales increasing at their slowest rate for over a year in March.

According to Think London India accounted for 16% of new foreign direct investment in London between 2003 and 2007 making it second only to the USA (which accounted for 31% of investment), whereas Japan was down in fifth spot with just 6% of new investment.

Bollywood

The 'Bollywood Oscars' take place in Yorkshire later in the summer and according to the organisers the four-day event will attract 28,000 visitors, but perhaps more importantly will be broadcast to a global audience of 500 million people in some 110 countries, thereby strengthening awareness of Yorkshire as a leisure and business destination. There are of course already healthy ties between Yorkshire and India, with figures from the Office for National Statistics revealing that the Metropolitan County of West Yorkshire is home to more than 42,000 residents of Indian descent.

As we found last month, a significant number of respondents to the Anholt-GMI Nations Brand Index survey report that they would be very likely to visit places associated with film and TV locations if on holiday in Britain. Indeed, of those most likely to visit Britain (if money were no object), 50% of those in India and 40% of those in Japan would be very likely to seek out such locations.

Recent VisitBritain research in India investigated motivations, barriers and perceptions of Britain as a holiday destination and the findings are reported in detail in the latest edition of VisitBritain's Market and Trade Profiles, but in summary the findings included that Indians have great awareness of Britain and feel very comfortable with the idea of visiting, but this 'familiarity' may not always work in our favour. Even those Indians who have not visited Britain may feel

that they 'know' the destination so well that they would rather holiday somewhere 'newer' or 'more exciting'.

This means that Britain needs to work hard to retain an air of freshness and excitement in the minds of potential Indian visitors, especially considering the rapid growth in connectivity between India and other parts of Asia – with Asian destinations having the edge in terms of price competitiveness as compared to Britain. The huge following for all things Bollywood in India combined with Yorkshire hosting the Bollywood Oscars and popularity of Britain as a filming location for Indian movies offers an ideal opportunity to highlight Britain's diversity and ability to surprise.

Japan – baby boomers retiring... and possibly divorcing

There is an established trend for young Japanese females in the twenties or thirties to undertake independent travel, but a new trend might be set to emerge in the coming years. Huge numbers of Japanese baby-boomers are now approaching retirement age, indeed it is estimated that 5.5 million Japanese males are currently aged between 55 and 59 (US Census Bureau). The 'work ethic' of Japanese men means that on retirement many married couples will be spending large amounts of time in one another's company for the very first time, placing strain on the relationship.

The number of divorces in Japan peaked in 2002 at 290,000 and has started to fall back in recent years, but a likely explanation for the recent trend is that the Government announced several years ago it planned to allow divorced women to claim half their husband's pension should they become divorced. This new promise of financial independence for women considering divorce is likely to have resulted in many females waiting until it becomes law before initiating separation proceedings.

The probable outcome of these changes in legislation is that within a few years there will be increased numbers of divorcees of both sexes with time on their hands and sufficient income to have travel as one of their 'hobbies'.

Getting to Britain

A couple of developments worthy of a mention include the announcement by Jet Airways that it will be flying from Ahmedabad to Heathrow, once again underlining the huge improvements in accessibility arising since the signing of a bilateral aviation agreement between the British and Indian Governments, and the fact that Japan Airlines has joined the oneworld alliance, opening up improved through-ticketing arrangements with British Airways for visitors using Japan Airlines flights into Heathrow who wish to experience parts of Britain beyond London.

The phenomenal growth of aviation in India is plain from a glance at aircraft manufacturer's order books, which currently show that twelve Indian carriers have outstanding orders for 508 passenger aircraft, and Indian based airlines are not just focussing on filling the back of the plane, Jet Airways recently unveiled its new First Class cabin to be rolled out on its routes to London.

Issue of the Month – Holiday activities in Britain – Perceptions (Part 2)

Last month we started to explore perceptions about a plethora of potential holiday activities in Britain based upon questions included in the Anholt GMI Nations Brand Index, and we conclude the analysis this month by focussing on those activities about which respondents were quizzed in Wave 1 2007 of the survey. The following box provides key information about the source for all these insights, the Anholt GMI Nations Brand Index.

What is the Nation Brands Index?

The NBI is a syndicated consumer quantitative research survey - a joint production between GMI (an American market research agency) and Simon Anholt (a world renowned expert on nation branding).

Each quarter, a worldwide online panel of consumers is polled on their perceptions of the cultural, political, commercial and human assets, investment potential and tourist appeal of around three-dozen developed and developing countries. This provides a clear index of national brand power, a unique barometer of global opinion.

In addition to understanding UK as a nation brand, VisitBritain also add our own questions to focus on tourism issues.

About the Methodology

It is an online panel survey using samples from GMI (one of the world's largest actively managed consumer panels). The sample sizes in each market range from 200-1000 (but most of our key markets are 1000 sample size). There are 38 markets included.

We have detailed information on the size and demographic detail of each panel from which the NBI samples come. Panels are representative of the **ONLINE** population of each market not the general population.

Most participants have **NOT** visited UK so these opinions are based on PERCEPTIONS and imagined visits NOT experience. They are not classic Britain "best prospects" but general representatives of their countries.

Core questions

As we found last month Britain has been consistently ranked top for having an overall 'Nation Brand' throughout the past couple of years, but lets take a look at results from a small sample of the questions that underpin the country rankings. Three 'core' questions that help provide an understanding of how Britain is perceived as a potential tourism destination come in the form of statements:

"Please state how far you agree with the following sentence:"...

"This country is rich in built heritage/historical heritage"

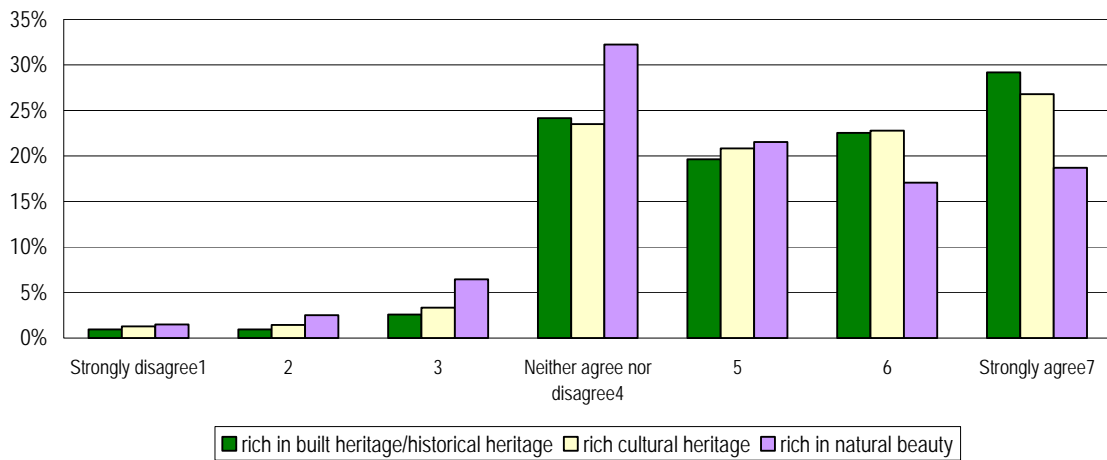
"This country has a rich cultural heritage"

"This country is rich in natural beauty"

Respondents scored each country against each statement on a scale of 1 "Strongly disagree" through to 7 "Strongly agree".

We can see from the following chart that Britain performs very strongly in terms of our built heritage, historical heritage and cultural heritage, with over one-in-four respondents stating that they 'strongly agree' with the statement and less than one-in-twenty disagreeing. The results for the statement relating to 'rich natural beauty' highlight that the diverse range of stunning landscapes on offer across Britain is less well recognised than our built or cultural heritage, with a third of all respondents saying they 'neither agree nor disagree' with the statement. Nevertheless, a healthy majority of respondents (58%) agreed with the statement.

Perceptions of Britain



Activity ratings

Focussing on VisitBritain sponsored questions Wave 1 2007 considered perceptions of Britain as a destination for doing different types of holiday activities, including lots of activities not covered in the Wave 4 classification discussed last month. Note that throughout the following analysis UK respondents have been excluded.

With the views of nearly 25,000 overseas residents as the foundation we can be confident that the Anholt-GMI Nations Brand Index is a reliable vehicle for investigating perceptions of Britain as a holiday destination for different types of activities and this is one of the reasons why we ask the activity questions on an annual basis. The first VisitBritain question on this topic put to respondents was:

"We'd like you to think about Great Britain as somewhere to visit for a holiday. By Great Britain we mean the countries of England, Scotland and Wales. How would you rate Great Britain overall as a holiday destination where people might do the following activities?"

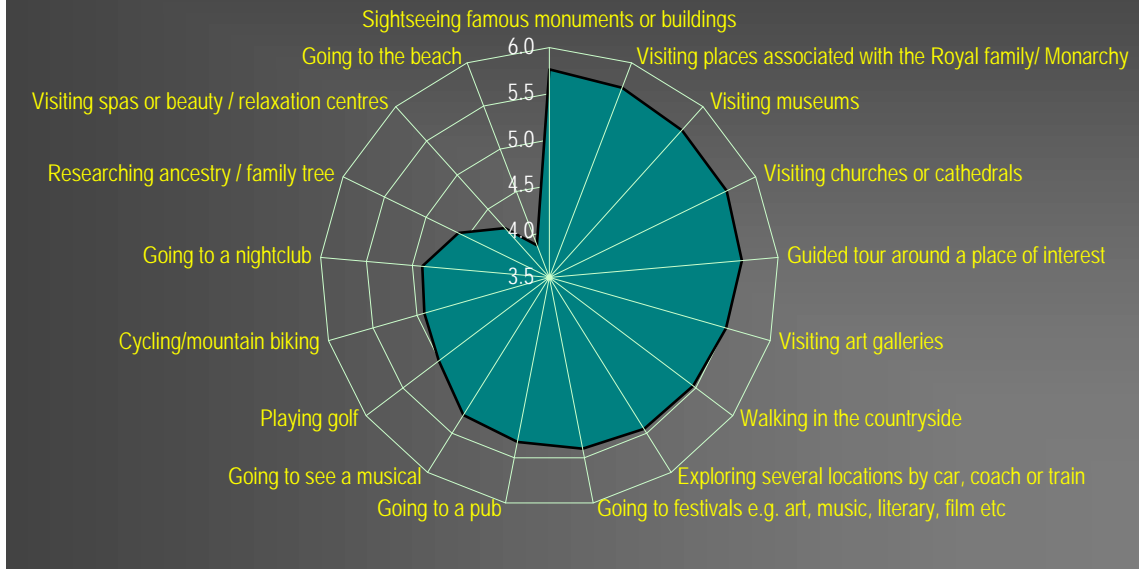
A list of seventeen activities was covered, with respondents rating each on a scale ranging from 1 (representing 'Poor') through to 7 (representing 'Excellent').

We can see from the chart that Britain scores consistently well across the majority of the activities, with ratings falling in a range from 3.9 to 5.8.

Tying in nicely with the results presented in the earlier chart we find that the top six ranked activities all relate to either built, historical or cultural heritage, with "Sightseeing famous monuments or buildings" snatching top spot with a rating of 5.8. Further reinforcing the apparent overly pessimistic take on British weather held by overseas residents, along with a lack of awareness of our often stunning coastline, is the poor rating (3.9) ascribed to "Going to the beach" as a potential holiday activity.

It is noteworthy that Britain is not, as yet, rated exceptionally highly as a destination suitable for visiting spas or beauty/relaxation centres. However, Britain is very definitely perceived as a destination offering the potential visitor an unparalleled array of heritage-based activities.

Rating of Great Britain for different types of holiday activity
 1 = poor through to 7 = excellent



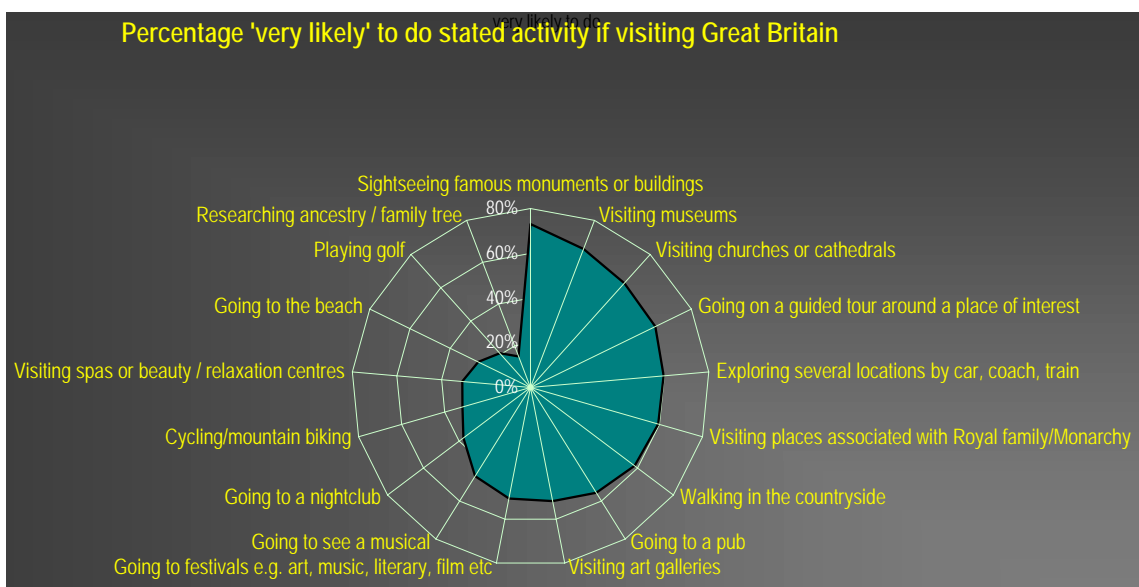
But how likely is it that the activity would be undertaken?

Its one thing to discover how potential visitors rate Britain as a destination for different types of activity, but this does not necessarily translate into a definite intention to devote time to that activity were the respondent to visit Britain. This is why respondents are asked:

"And now imagine that you were to visit Great Britain – please tick which of these activities YOU PERSONALLY would be VERY LIKELY to do on a visit to Great Britain. You can tick as many or as few as you like."

The following chart highlights that there are some similarities, but also some striking differences, between the ratings of Great Britain as a destination for each activity and the likelihood that the respondent would actually participate in the activity on a visit to Britain.

Percentage 'very likely' to do stated activity if visiting Great Britain



“Exploring several locations by car, coach or train” moves up the league table when we focus on those activities that respondents would be most likely to do on a potential visit to Britain, demonstrating the openness with which budding visitors are likely to receive messaging that encourages them to get out and about on a holiday in Britain. It is perhaps not surprising, given its ‘niche market’ status that “playing golf” is an activity that only a minority of visitors say they personally would do, but Britain is certainly well perceived as a destination for golfers.

We can use another question in the ‘core’ section of the survey when analysing the percentage of respondents ‘very likely’ to do each activity on a potential visit to Britain:

“Please give each country a rating from 1 to 7 where 7 means you would “be strongly most likely to visit” if money was no object and 1 means you would “be strongly UNlikely to visit” if money was no object.”

Using the results from this question we can group respondents into those unlikely to visit Britain and those likely to visit if money were no object. Here only those rating Britain with a 6 or 7 are assumed to be likely to visit, with those rating 1-5 assumed unlikely to visit. The table shows that for each activity those likely to visit have a higher tendency to say they would be personally very likely to do the activity than the group of respondents that are unlikely to visit.

Activity	If money were no object		All Respondents
	Not Likely to visit	Likely to visit	
Sightseeing famous monuments or buildings	60%	80%	73%
Visiting museums	53%	74%	66%
Visiting churches or cathedrals	51%	70%	63%
Going on a guided tour around a place of interest	51%	69%	62%
Exploring several locations by car, coach, train	47%	67%	60%
Visiting places associated with Royal family/Monarchy	46%	67%	59%
Walking in the countryside	49%	63%	58%
Going to a pub	46%	61%	56%
Visiting art galleries	40%	58%	52%
Going to festivals e.g. art, music, literary, film etc	39%	57%	51%
Going to see a musical	37%	52%	47%
Going to a nightclub	31%	41%	38%
Cycling/mountain biking	28%	34%	32%
Visiting spas or beauty / relaxation centres	29%	32%	31%
Going to the beach	23%	28%	26%
Playing golf	18%	22%	21%
Researching ancestry / family tree	12%	17%	15%

Four-in-five of those very likely to visit Britain say they personally would sightsee famous monuments and buildings, with more than three-quarters saying they would visit museums. We also find that more than half of those likely to visit would be keen on going to festivals or to see a musical, reminding us that performing arts play an important role in underpinning the favourable perception of Britain’s cultural heritage.

But who wants to do what?

Working with large sample sizes (8,000 respondents were very likely to visit Britain if money were no object) allows us to drill down and look at the proportion from each country who are very likely to visit and would be personally very likely to do each activity on a holiday in Britain.

Percentage of those who are very likely to visit Britain who would be personally very likely to undertake activity

	Visiting spas or beauty / relaxation centres	Playing golf	Cycling/mountain biking	Visiting places associated with the Royal family/ Monarchy	Visiting churches or cathedrals	Going on a guided tour around a place of interest	Going to a nightclub	Going to see a musical	Sightseeing famous monuments or buildings	Visiting art galleries	Walking in the countryside	Exploring several locations by car, coach or train	Researching ancestry / family tree	Going to the beach	Going to a pub	Visiting museums	Going to festivals e.g. art, music, literary, film etc
Argentina	31	19	37	74	78	82	64	68	81	73	70	79	19	29	64	74	72
Australia	28	23	24	73	71	80	39	61	87	53	75	82	46	19	72	73	63
Belgium	28	15	31	63	69	61	31	49	87	54	74	66	8	14	60	73	48
Brazil	28	22	33	87	82	83	57	63	88	78	51	82	23	24	65	86	77
Canada	33	26	38	68	70	73	56	44	90	57	78	77	32	30	74	73	58
China	47	35	38	73	69	57	28	47	75	60	46	61	10	44	43	72	57
Czech Republic	25	34	32	81	80	56	37	30	94	63	66	63	7	24	69	72	43
Denmark	19	8	20	43	60	59	41	64	77	35	47	61	2	15	81	65	41
France	21	31	51	58	67	69	37	51	81	51	68	41	4	13	71	70	48
Germany	25	14	32	53	71	80	36	42	80	43	51	55	5	18	74	64	39
Hungary	38	30	45	79	78	71	26	49	86	65	78	66	10	24	59	86	57
India	58	34	49	71	67	72	50	59	76	67	73	65	26	61	45	75	63
Ireland	47	18	22	35	49	65	51	66	77	44	57	64	12	40	74	52	68
Italy	24	19	40	65	86	63	28	37	88	67	54	64	6	12	70	81	40
Japan	27	14	21	55	68	57	19	29	77	38	54	41	4	10	35	78	39
Korea	29	9	10	71	48	52	10	30	61	56	41	38	10	29	16	69	56
Malaysia	42	24	40	78	49	75	34	67	87	69	84	77	16	46	36	81	75
Mexico	34	23	40	77	83	83	63	66	86	83	68	78	30	28	50	86	74
Netherlands	18	10	34	37	65	46	29	47	79	24	59	73	4	22	69	58	47
New Zealand	39	20	29	73	71	75	54	60	85	61	69	86	46	35	77	75	66
Norway	27	9	8	46	55	55	47	74	68	42	37	60	1	21	81	56	58
Poland	33	30	44	79	72	66	55	32	62	61	69	63	12	32	66	73	47
Portugal	27	18	50	72	82	76	39	56	88	67	61	64	12	9	62	81	55
Russia	31	42	45	87	75	83	41	42	87	73	79	65	24	35	53	85	62
Singapore	37	13	37	74	66	82	33	66	81	61	79	74	13	32	38	73	70
South Africa	37	23	30	78	82	86	55	77	86	65	78	84	34	26	75	75	77
Spain	22	9	19	46	71	64	31	55	75	66	52	69	5	13	64	76	50
Sweden	18	10	16	36	53	54	45	68	69	35	50	59	3	22	83	66	47
Switzerland	30	20	30	75	66	56	41	65	74	41	66	64	12	26	79	65	52
USA	32	19	25	70	74	71	44	36	85	66	73	76	29	27	66	78	61

Key: 58 represents the country(ies) with the highest percentage personally very likely to do activity
87 represents the activity(ies) respondents from each country most likely to say they would do

The table is a lot less daunting than it looks: each cell simply shows the percentage of respondents very likely to visit Britain that would personally be very likely to do each activity. For each activity (column) the country that has the highest proportion likely to undertake the activity is shaded mauve and hatched. For each country (row) the activity most likely to be undertaken has a bold edging.

The table is a veritable gold mine of information, but some of the more fascinating nuggets are summarised below:

- “Sightseeing famous monuments or buildings” is the activity gaining the highest percentage of respondents very likely to do it in 19 of the 30 markets analysed
- For four markets (Denmark, Norway, Sweden and Switzerland) the activity most likely to be undertaken is “Going to the pub” (with Koreans the least likely to do so)
- Hungarians, Japanese, Mexicans and Spaniards say that “Visiting Museums” is the activity they would be most likely to do, but Brazilians are just as likely to say they’d do this (86%) as the Hungarians and Mexicans (however 88% of Brazilians opted for “Sightseeing famous monuments or buildings” making this their most popular potential activity)
- 86% of New Zealanders who are very likely to visit say they personally would “Explore several locations by car, coach or train” making this their most popular potential activity
- Not surprisingly “Researching ancestry or family tree” is most likely to be an activity that would be undertaken by Australians and New Zealanders
- Indians are the most likely to say they would “Visit spas or beauty/relaxation centres” (58%) followed by the Chinese 47% - the Danes, Dutch and Swedes are the least likely to say they would do this on a potential visit
- Playing golf is most likely to be an activity that Russians would participate in, with 42% of those likely to visit saying they would be personally very likely to play a round
- Nightclubbing appeals the most to potential visitors from Argentina, Brazil and Mexico as a potential activity, but seems to hold little appeal to likely visitors from Korea or Japan
- Going to a musical is something that is of most interest to likely visitors from South Africa and Norway
- Interestingly “Going to the beach” is an activity that is more likely to be done by potential visitors from India, China and Malaysia than by those from other markets

Although stated earlier it is worth reiterating that the majority of respondents to the Anholt-GMI Nations Brand Index have never visited Britain, and therefore we are asking them about a *potential* visit and *potential* activities. Later in the year we will have the opportunity to investigate the types of activity that *actual* visitors undertake thanks to the first tranche of ‘activity’ questions that VisitBritain has sponsored in the International Passenger Survey. This will enable us to discover whether museums and art galleries really feature as one of the most popular activities for inbound visitors and whether those from Central and South America are the most likely to be found nightclubbing on a trip to Britain.

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Issue 1	November 2003	Market Focus USA, Canada and Mexico	Issue of the Month 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
Issue 36	October 2006	Greece, Turkey, Bulgaria and Romania	Inbound visitor decision lead times
Issue 37	November 2006	Inbound visits by the over 55's	Seasonality
Issue 38	December 2006	Outlook for Inbound Tourism in 2007	
Issue 39	January 2007	USA and Canada	Second homes
Issue 40	February 2007	Ferry passenger visitors	Accommodation choices
Issue 41	March 2007	What will shape tourism in the next decade?	
Issue 42	April 2007	The value of tourism in the UK	Holiday activity perceptions (Part 1)

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