FORESIGHT
Issue 73 - November 2009

FORESIGHT is a monthly commentary on significant issues within the inbound tourism sector. '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' profiles inbound visitors who depart the country by car, while 'Issue of the Month' investigates findings from a handful of questions included in the 2009 Anholt GfK Nations Brand Index Survey focussing on Britain's value for money and knowledge of the exchange rate.

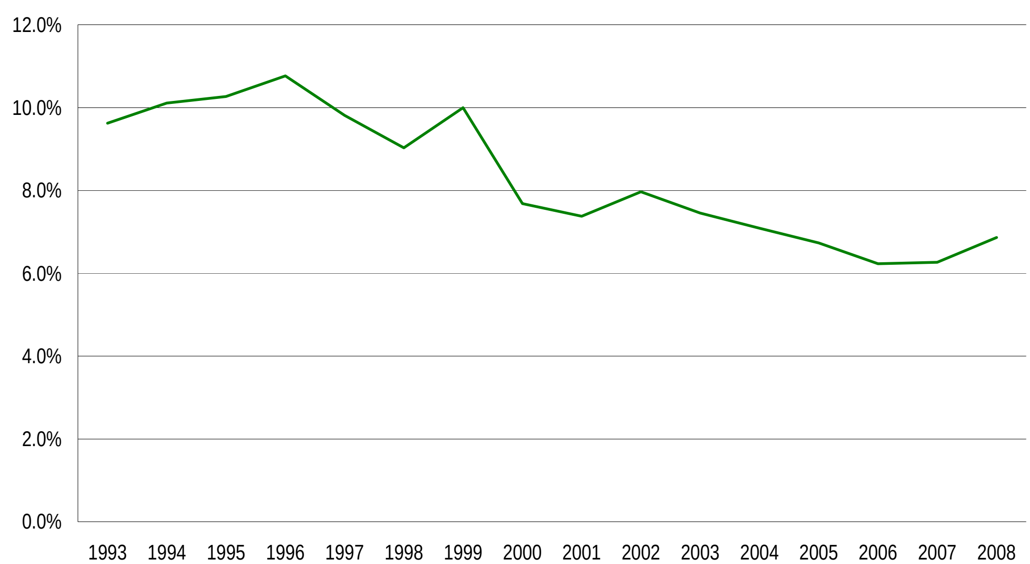
Market Focus – Inbound visitors who travel to Britain by car

The list of countries that drive on the left is not that long. Among those countries sharing this trait are Ireland, India, Australia, New Zealand, Singapore, Hong Kong, Japan, Malaysia and South Africa. This means that for most inbound visitors (from continental Europe and the Americas) road usage, as a pedestrian or as the driver of a vehicle, comes with an added challenge.

According to the 2008 International Passenger Survey[1] nearly 2.2 million inbound visitors (that's about one in every fifteen) departed Britain in a car. On average these visitors stayed in Britain for 7.4 nights which is very similar to the average for inbound visitors in general.

However, when it comes to how much inbound visitors departing by car spend we discover that the average per night is £43 which is somewhat lower than the figure for all inbound visitors at £66. The result of this relatively low spend per night is that 'car borne' visitors spend about £320 per visit whereas the average inbound visitor typically spends a little over £500. It is clear from the following chart however that the proportion of visitors who travel to and from Britain by car has been gradually declining over the past fifteen years, having fallen from a peak of 10.8% in 1996 to less than 7% in 2008.

Share of all inbound visits where departure is by car



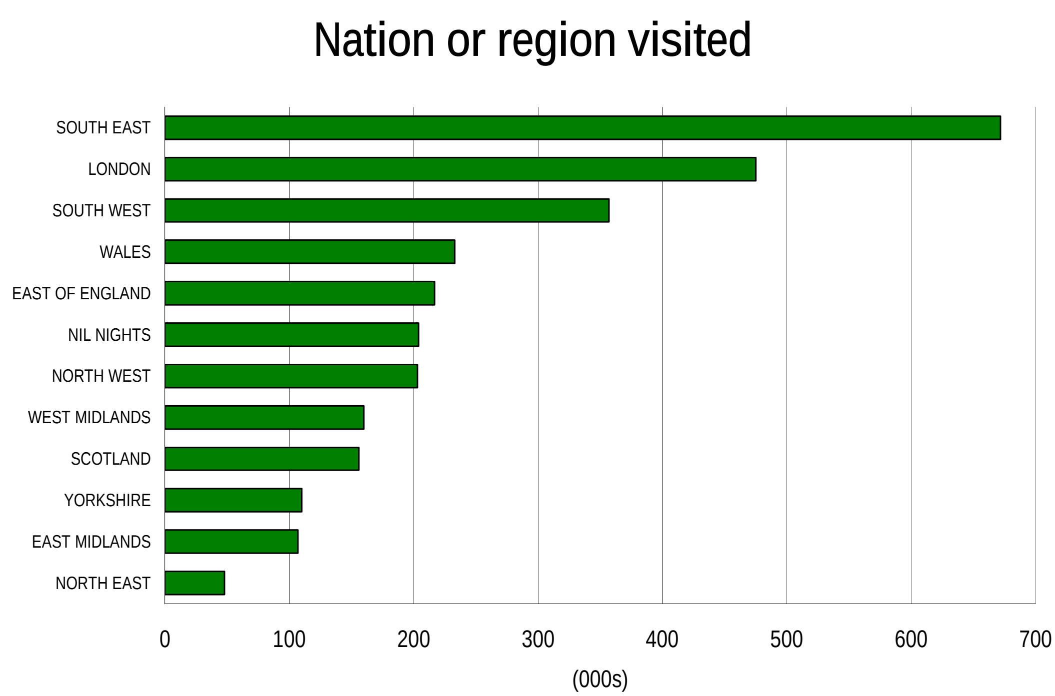
Origins and destinations

As might be expected those inbound visitors most likely to be departing by car are from countries with close proximity to Britain. The table reveals that in 2008 there were more than half a million visits from France by car (either ferry or through the Channel Tunnel). More than four out of ever five visitors using a car comes from the five countries shown in the table.

Visitors departing by car in 2008	
France	532,431
Netherlands	403,159
Germany	311,732
Irish Republic	293,619
Belgium	257,735

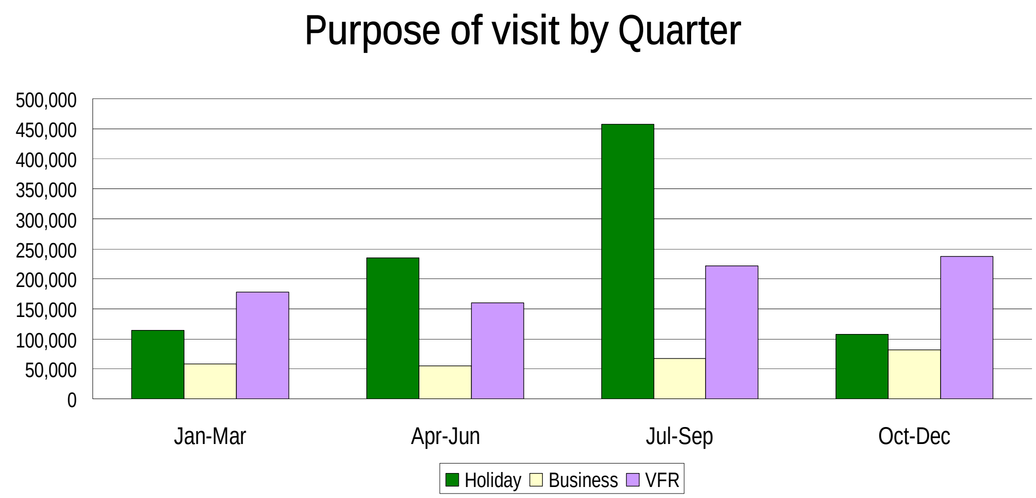
Bringing your own transport with you clearly maximises the chance of being able to explore different parts of the country, but as is evident from the next chart visitors using a car to arrive or depart have a high tendency to stay in parts of Britain where you will find either a ferry port or the Channel Tunnel.

Indeed, nearly 700,000 visitors who departed by car in 2008 stayed in South East England, very nearly one-in-three of all car borne visitors. Given the preponderance of Channel ports and access to Le Shuttle services this is not at all a surprising discovery. With London less than 80 miles from Dover it is entirely predictable that the capital accounts for a further half million car borne visits. Given the proximity of the region to ferry ports such as Portsmouth it is little wonder that the South West can be found in third spot.

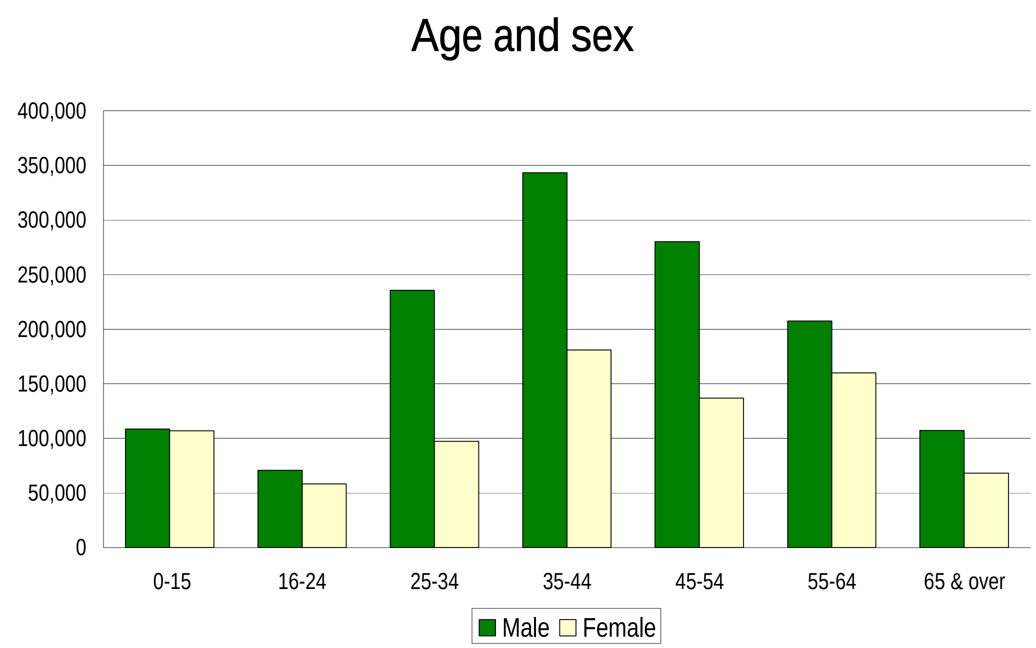


Characteristics

In order to get a fuller picture of visitors who use a car to travel to or from Britain the following charts explore some of the key journey and visitor characteristics relating to this segment of the inbound market. Starting with the 'when' and 'why' it is apparent from the first chart that July to September is very definitely the most popular time of year to visit by car, but this is thanks to the predominance of holiday visitors using a car at this time, whereas the most popular time of year for business trips or visits to friends and relatives for those driving is October to December. In fact, in the first and final quarter of the year visiting friends and relatives trips dominate the market for travel to Britain by car.



The inbound ‘car borne’ visitor age and gender profile reveals that males aged 35 to 44 are the group most likely to be driving their own vehicle, and across just about all age categories males are more likely to be a car driver than are females. Relatively small numbers of visitors who are aged 65 or over arrive or depart by car.



Although representing a minority of inbound visitors there is no doubting the fact that visitors who drive to/from Britain represent an ideal group to target when it comes to marketing Britain’s ‘off the beaten track’ attractions.

Issue of the Month – Knowledge of the exchange rate and impact on travel

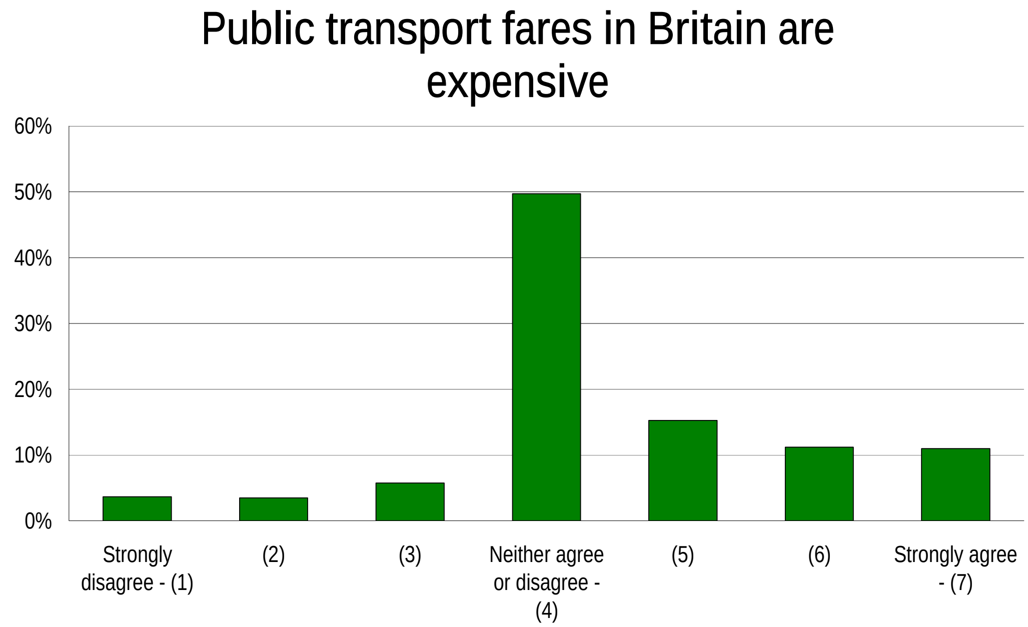
Results from the Anholt GfK Nations Brand Index Survey were released recently, and as has been the case in previous years VisitBritain has taken the opportunity to sponsor questions on this survey covering on-line respondents in some twenty countries around the world. It is important to recognise that the majority of respondents in most countries will never have visited Britain meaning that the results are about 'perceptions' and not necessarily first-hand experience.

Among the questions sponsored in the 2009 study were several that covered issues concerning value for money, claimed knowledge of the exchange rate between the respondent's own currency and sterling and the impact, if any, of recent changes in the exchange rate on likelihood to visit Britain.

Beginning with whether or not respondents felt that Britain offers good value for money as a holiday destination we can immediately grasp two messages from the following chart; firstly in both 2008 (the first time that the question was asked in this way) and in 2009 the most likely response was 'neither agree or disagree' and secondly that in 2009 there has been a slight shift towards respondents agreeing with the statement. Some 35% agreed with the statement in 2009 whereas in 2008 the figure stood at 32%. In turn the proportion disagreeing that Britain offers good value for money as a holiday destination has fallen from 29% to 25%.

The findings are encouraging as they demonstrate that slightly more respondents agree than disagree that Britain offers good value for money and that this group is growing at the expense of those who disagree. Nevertheless the 'glass half empty' reading of the chart is that even in summer 2009 two-thirds of respondents did not explicitly agree with the statement.

Before turning our attention to questions about the exchange rate the following graph presents results from a question specifically aimed at finding out whether public transport fares in Britain are perceived to be expensive. Half of those responding to the statement 'public transport fares in Britain are expensive' neither agreed nor disagreed, not surprising given that many will have little or no direct knowledge. However, we can see that there is a greater tendency to agree than to disagree, in fact nearly three times as many (37%) agreed than disagreed (13%).



Exchange rate

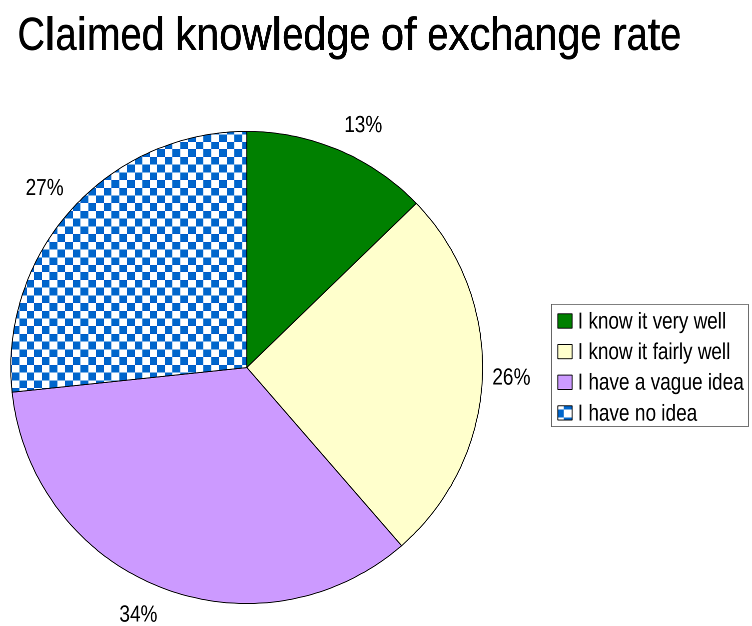
Much has been written and spoken about the yo-yoing of exchange rates during the past eighteen months or so, and the exchange rate can have a dramatic impact on likelihood to visit different destinations and on how much visitors spend while on holiday. Against most currencies sterling has been weak for much of the past year having fluctuated markedly during 2008. In summer 2007 a visitor to Britain from the Eurozone was paying €1.50 for £1, by summer 2008 it was €1.25 and it is now €1.10. For An American visitor there has been even greater volatility. In summer 2007 and 2008 £1 cost close on $2, but by spring 2009 it was a snip at $1.42, while by autumn 2009 the cost of sterling has climbed back slightly to stand at $1.66.

It has been hard enough for economic commentators to keep up with how currencies around the world are trading against each other, so consumers can be excused for being uncertain as to whether the currency of their own country has got stronger or weaker against that of another country. In Britain the media has focussed on the value of sterling not only from an economic perspective but also from a tourism perspective as the cost of travelling abroad climbs and the pound approached parity against the Euro. However, earlier VisitEngland and VisitLondon research found that in a number of countries knowledge of how much sterling costs was at best wobbly, with even those who claimed to know the exchange rate well having a tendency to underestimate just how affordable the pound had become.

VisitBritain sponsored a brace of exchange rate related questions on the 2009 Anholt GfK Nations Brand Index Survey to explore this issue further. The first question asked was 'How well would you say you know the exchange rate of the British pound to your own currency?'

We always have to be extremely cautious in the answers that consumers give to this type of question as we are relying on both an honest response and a judgemental response. For example, some respondents may be more likely to 'claim' that they know the exchange rate than others, and some respondents may set themselves higher knowledge standards, so for someone in France not being sure whether it is €1.00 or €1.20 to the pound may say they only have a vague idea of the exchange rate, whereas a respondent in the USA who thinks that the exchange rate is somewhere between $1.20 and $1.80 may believe that this constitutes knowing the rate 'fairly well' even though it represents a far wider span than in the French example.

Health warnings aside, we can see from the following chart that just over one-quarter of respondents admitted to having 'no idea' as to the exchange rate with a further one-in-three saying that they have only a 'vague idea'. Only 13% of respondents felt that they knew the exchange rate between their own currency and the pound 'very well'.

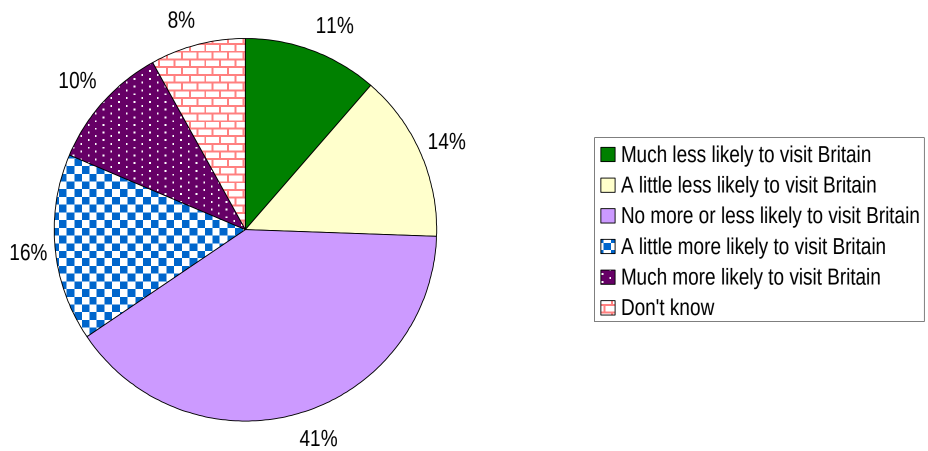


For the group of respondents that said they knew the exchange rate to some extent (so excluding those with 'no idea') a second question was posed; 'Does the current exchange rate make you any more/less likely to visit Britain?'

The results to this question are shown in the following pie chart and we can see that knowledge of the exchange rate has no apparent impact on likelihood to visit for two-in-five respondents, 8% said that they did not know whether they were more or less likely to visit and pretty much equal numbers said that the current exchange rate makes them more likely to visit and less likely to visit (26% versus 25%).

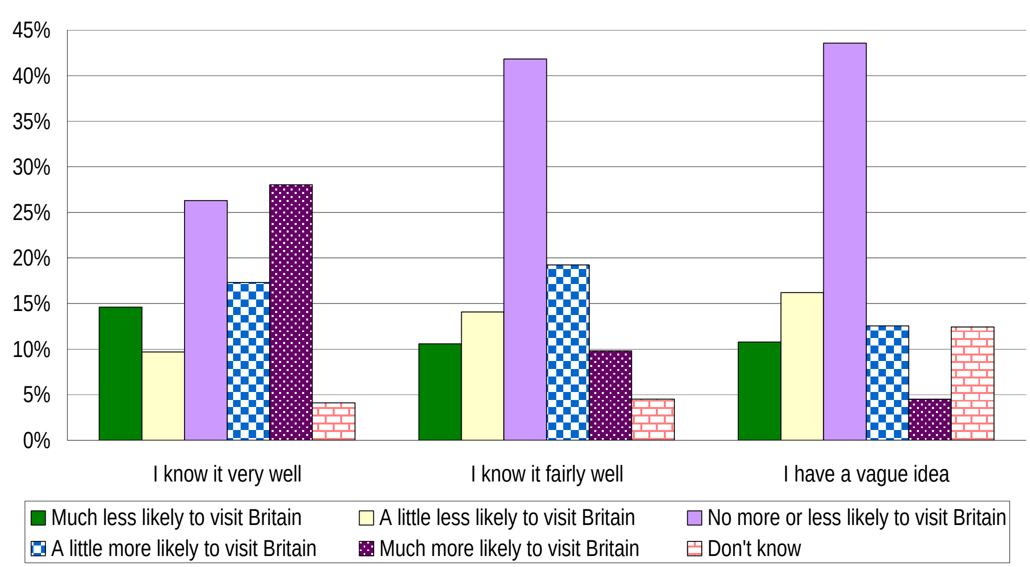
This is fairly compelling evidence that simply because the financial pages of broadsheet newspapers around the globe indicate that sterling is significantly cheaper against most other currencies than a couple of years ago we cannot assume that the majority of consumers are aware of this fact, or that knowledge of the exchange rate per se is resulting in droves of consumers saying they are more likely to visit Britain.

More or less likely to visit



Cutting the cake a different way is always worthwhile when looking at statistics and the following chart examines the impact on likelihood to visit Britain according to how well the respondent felt that they knew the rate. We can see that the bulk of respondents who had a 'vague idea' or knew the exchange rate 'fairly well' said that they were no more or less likely to visit, while among the group saying they knew the exchange rate 'very well' 28% said that they were 'much more likely to visit Britain' and a further 17% 'a little more likely to visit'. So, almost half of those knowing the exchange rate 'very well' are more likely to visit Britain; a fact that has clear implications.

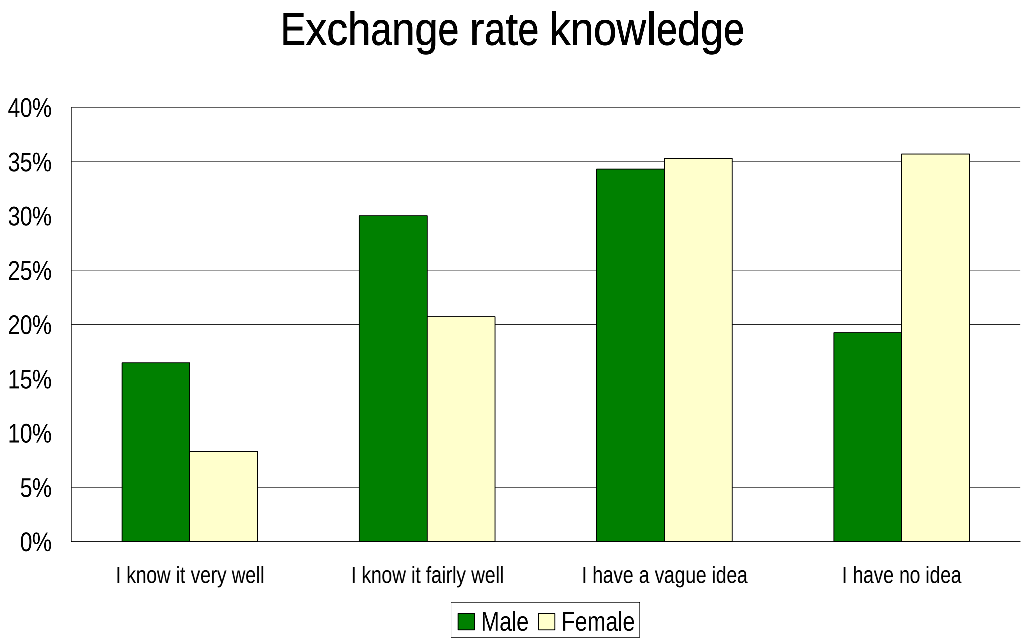
Impact of knowledge on likelihood to visit



If the 'value for money' that the current exchange rate offers is well understood there is a significant uplift in likelihood to visit Britain. Helping more consumers with little if any knowledge of the exchange rate to recognise the current opportunity a weak sterling presents could bring great dividend to Britain's inbound tourism industry.

Who knows the exchange rate?

If the Anholt GfK Nations Brand Index Survey sample is anything to go by we can see from the following chart that men are much more likely to say they know the exchange rate of the British pound to their own currency than are women.

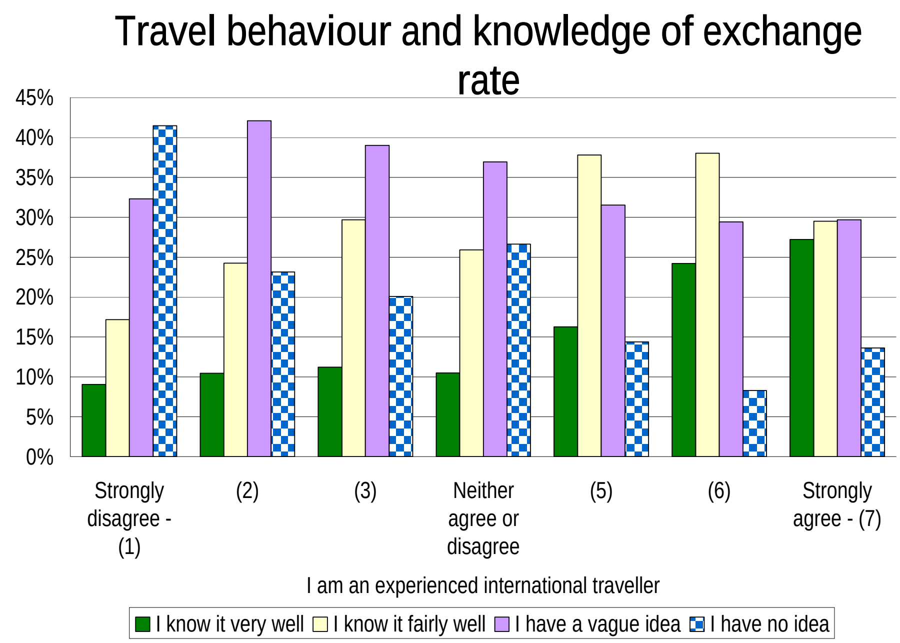


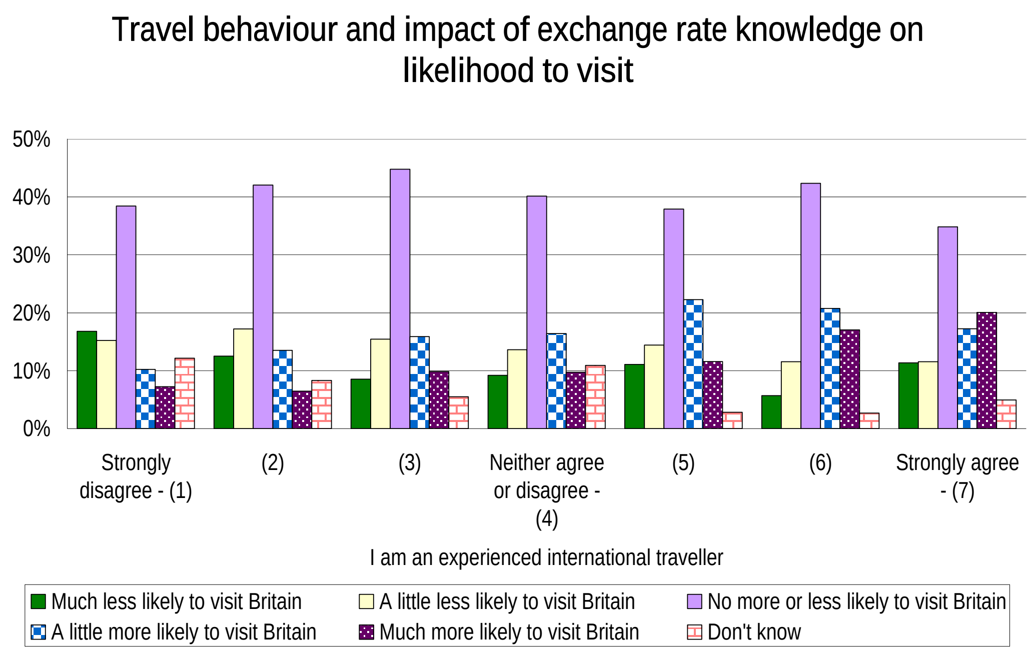
Interesting though gender differences may be we perhaps learn more from the next charts which explore the answers to the two exchange rate questions against responses to a further question that categorised those participating in the survey according to whether they were or were not an experienced international traveller.

Starting with claimed knowledge of the exchange rate we can see that while more than 40% of those strongly disagreeing with the statement 'I am an experienced international traveller' claimed to have no idea as to what the exchange rate was, among those strongly agreeing that they were an experienced international traveller more than one-in-four said that they knew the exchange rate 'very well' and a further 30% said they knew it 'fairly well'.

This gives us cause for optimism, as it is clear that international travellers are exchange rate savvy when it comes to sterling, but clearly we face more of an uphill challenge in markets where experience of foreign travel is in its infancy.

The second chart overleaf tells us that there is a definite but slight positive correlation between being an experienced international traveller and enhanced likelihood to visit Britain due to the current exchange rate. Nearly two-in-five of experienced international travellers are more likely to visit due to the current exchange rate while less than one-in-five of inexperienced travellers say the current exchange rate makes them more likely to travel to Britain.





Markets

The following table presents the results of the second exchange rate question (so based on respondents who claimed to have some knowledge of the exchange rate) by market. An additional column is shown indicating whether the proportion of respondents 'more likely' to visit was greater or less than the proportion 'less likely' to visit.

It would appear that respondents in Latin America do not feel that their current knowledge of the exchange rate means they are more likely to visit Britain, with substantive numbers saying that they are less likely to visit.

This does not necessarily mean that there is a lack of awareness of exchange rate movements, in fact possibly the opposite – we have been focussed on markets where Britain has become more affordable over the past eighteen months, for example the USA and Eurozone bloc, but the currency market story is not a uniform one. Back at the start of the year £1 cost 4.8 Argentinean Pesos, whereas by the time of the Nations Brand Index fieldwork in August 2009 £1 cost 6.4 Argentinean Pesos; for potential visitors from some markets sterling has got more, not less, expensive. The same argument applies for Mexico and, to a far lesser extent, Brazil.

For markets where the currency is either the US dollar or Euro (or is loosely pegged to one of these currencies) there is a definite positive correlation between claimed knowledge of the exchange rate and stating that this knowledge means the respondent is more likely to visit Britain. This is particularly true for countries such as France and Italy, and it would appear from International Passenger Survey data for the first half of this year that residents of these markets are definitely making more holiday visits to Britain than in the past.

It is encouraging to see that exchange rate knowledge is having a positive impact on likelihood to visit Britain in the USA, but we need to be more cautious here as a trip to Britain is more of a commitment for someone living in, say, Chicago, than it is for someone in Lyon. Furthermore, the US economic situation remains more fragile than in certain other markets. Other opportunities include a strong tendency among Swedes who know the exchange rate to say this makes them more likely to visit Britain as is the case in two key long-haul markets for Britain, namely India and China.

	Much less likely to visit Britain	A little less likely to visit Britain	No more or less likely to visit	A little more likely to visit Britain	Much more likely to visit Britain	Don't know	On balance more or less likely
Argentina	49%	17%	21%	5%	2%	7%	Less
Australia	12%	18%	53%	10%	4%	4%	Less
Brazil	10%	20%	38%	13%	10%	9%	Less
Canada	9%	17%	57%	11%	3%	3%	Less
China	3%	7%	37%	28%	18%	8%	More
Egypt	17%	12%	30%	12%	14%	14%	Less
France	4%	7%	42%	30%	10%	6%	More
Germany	6%	5%	56%	18%	9%	6%	More
India	6%	11%	29%	26%	20%	8%	More
Italy	5%	9%	38%	23%	14%	10%	More
Japan	5%	3%	49%	15%	5%	23%	More
South Korea	5%	42%	34%	11%	2%	6%	Less
Mexico	19%	26%	30%	10%	7%	7%	Less
Poland	6%	13%	53%	18%	5%	5%	More
Russia	6%	8%	64%	6%	7%	9%	Less
South Africa	31%	22%	24%	10%	13%	0%	Less
Sweden	5%	7%	39%	19%	22%	10%	More
Turkey	10%	14%	32%	14%	8%	23%	Less
United States	7%	9%	46%	15%	19%	3%	More

Banging the 'value for money' drum

Currency markets are fickle beasts so we cannot rely on the exchange rates that make one destination very affordable today being a bellwether for the future. Looking ahead to the coming few months there is no clear reason to see why sterling should suddenly strengthen against the Euro or currencies pegged to the Euro.

The recent announcement that Britain remained firmly in recession in the third quarter of 2009 took many market analysts by surprise and does nothing to increase the chance of an early tightening of monetary policy – that is code for saying that interest rates in Britain will stay low for some time to come which in turn means that currency speculators will not be flocking to buy sterling anytime soon. This will help keep sterling weak and thus sustain the opportunity to market Britain's exceptional value for money offering especially within the European arena.

Caution is needed however, as we have already seen some currencies have been battered even harder than sterling so the value for money message does not work in all markets, and it could well be that a global economic recovery will result in the US dollar losing ground against other currencies including sterling.

Why should this be? In part it is down to the fact that public sector debt is just as much a problem in the US as it is in the UK but it also relates to the fact that as the world starts producing goods once more the demand for oil will increase. We have recently seen the price of oil top $80 per barrel and further increases in the months ahead look possible. As oil is traded in dollars what tends to happen is that as the price of oil increases the value of the dollar falls.

If this scenario materialises we could well see Britain getting more expensive for potential American visitors (and those whose own currency is pegged o the US dollar – for example China) over the next few months.

Looking further in to 2010 any significant change in macro-economic policy by an incoming government may have an immediate impact on currency traders desire to buy sterling and hence its market value, but the Centre for Economic and Business Research recently said that monetary policy is likely to remain lose even if fiscal policy is tightened after the next election regardless of who is in power.

In summary the opportunity to market Britain's value for money remains a tactic too tempting to resist in markets where it has the most resonance, but the lesson emerging from the analysis presented here is that we cannot assume that more than a minority of potential visitors to Britain are aware of recent currency market dynamics. It will remain essential to weave value for money messages into mainstream marketing to help potential inbound visitors realise that now is the time to explore Britain.

[1] 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 2009. Source: ONS

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