FORESIGHT
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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' takes a fresh look at the importance of the cruise line industry to the UK visitor economy and explores recent trends in this sector. 'Issue of the Month' investigates results from VisitBritain sponsored questions included in the 2009 Nations Brand Index Survey focussing on the importance of holidays versus other life priorities and attitudes towards holidays among residents of twenty countries around the world.

Market Focus – The cruise sector

It was back in May 2006 that *Foresight* last took a look at the growing importance of the cruise line sector, so nearly four years on it is well worth revisiting the topic. Two symbolic events over the past few years worth a mention would be the retirement of the QE2 from the Cunard fleet in 2008 before starting a new life as a floating hotel in Dubai, and the entering into service of the £800m Royal Caribbean vessel Oasis of the Seas, which for the moment is the world's largest cruise liner, capable of carrying more than 6,000 passengers.

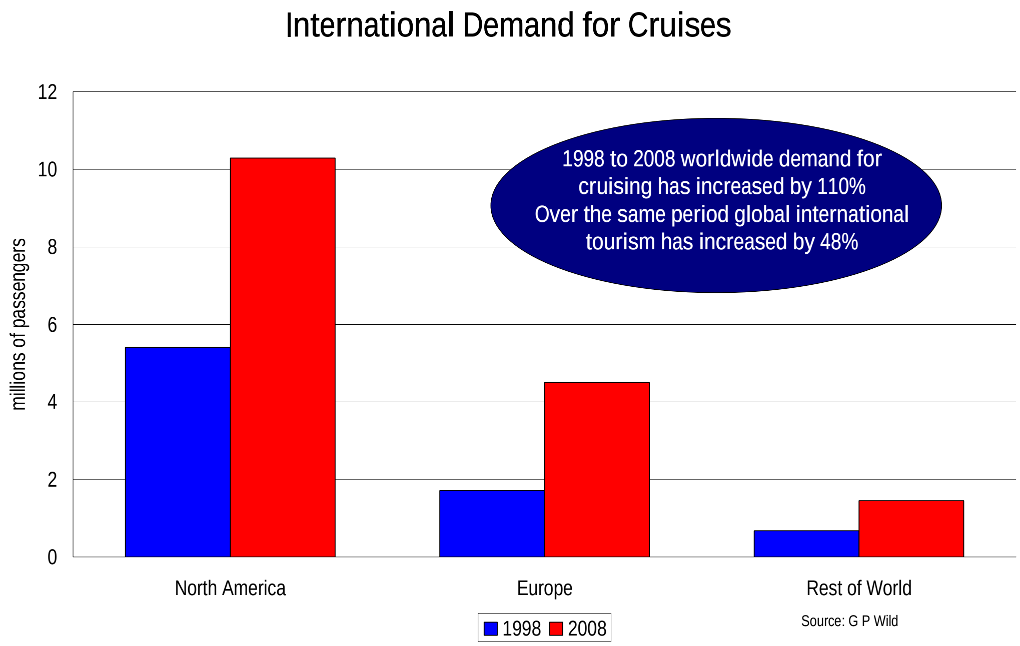
Britain has 12,429km of coastline, so it is perhaps little wonder that a strong seafaring tradition has always existed. It was in the mid 19th century that we can find the first traces of a 'cruise line' industry developing, with Brunel's ss Great Western making its maiden voyage from Bristol to New York in April 1838.

Some 170 years later liners that criss-cross the world's oceans do not do so because their paying customers need a form of transport to get from A to B, they do so because one of the strongest trends in global tourism in the past twenty years has been demand for 'going on a cruise holiday', where the vessel and its environs have become as important a part of the 'holiday experience' as the ports of call.

For the cruise line passenger it is all about having fun, but there is a serious economic side to the cruise line industry, and according to G P Wild the UK accounted for €2,263m of direct spending by cruise lines and their passengers in 2008, thereby underpinning more than 49,000 UK jobs.

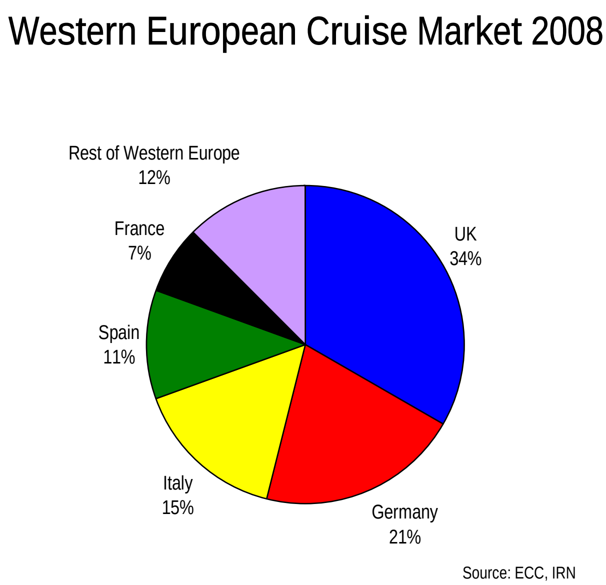
Recent trends

To say that the cruise line industry has seen growth in the past decade is a bit of an understatement as is evident from the following chart. The trend towards taking a cruise holiday is a global phenomenon, but it is clear that North America still accounts for almost two-thirds of demand. That said demand for a cruise holiday by Europeans has seen some of the fastest growth, meaning that whereas in 1998 Europeans accounted for 22% of demand by 2008 the figure was 28%.



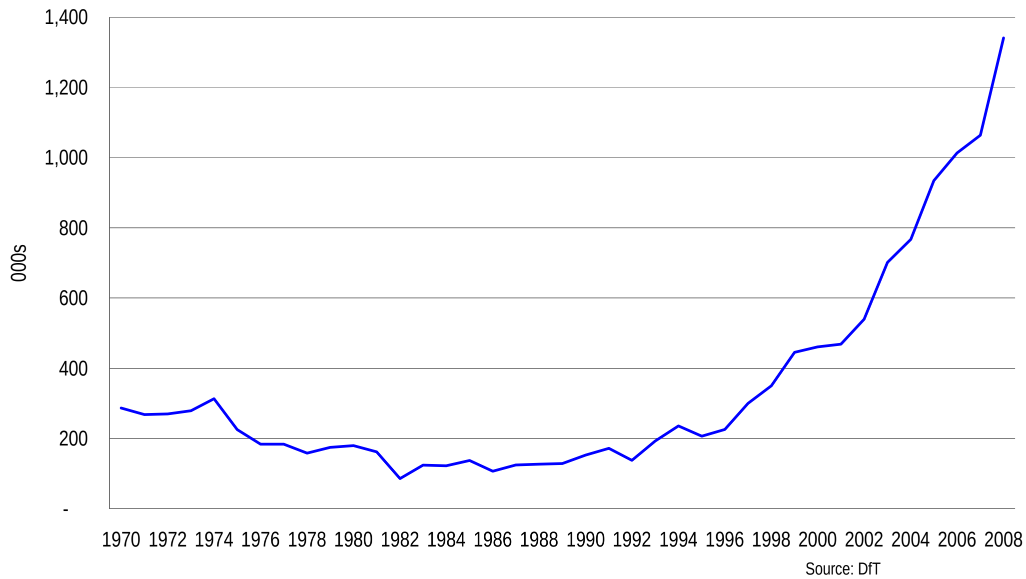
Looking at the Western European market for taking a cruise holiday in a little more detail we can see from the pie chart that the UK dominates the picture with 33% of demand, well ahead of Germany in second spot.

Four out of every ten cruises booked by UK customers in 2008 started and ended at a UK port (a no-fly cruise), representing a 23% jump on 2007, whereas fly-cruise holidays witnessed only a 4% increase. This trend helped to push up the average cruise length to 10.4 nights.



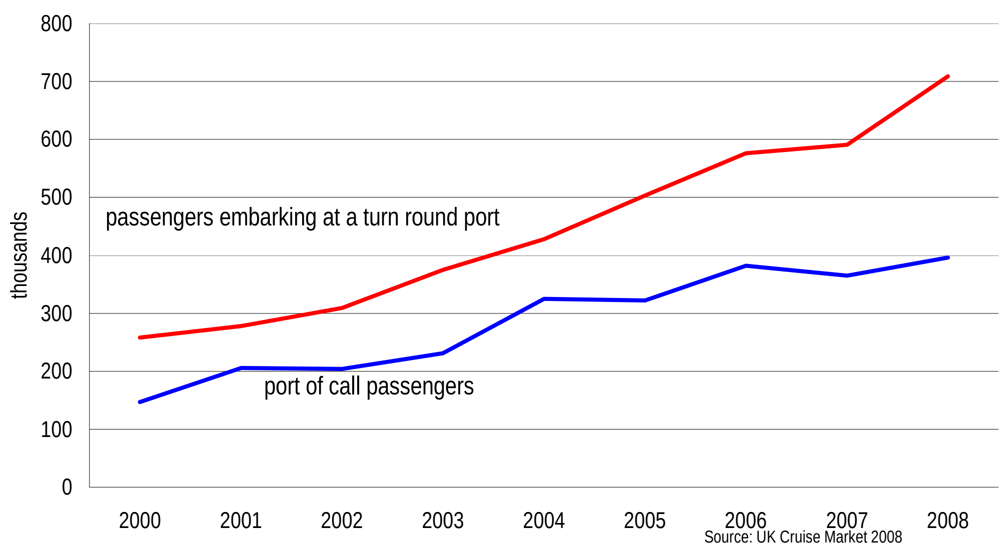
Looking at the long-term trends we can see from the following chart (based on Department for Transport data) that the number of passengers on cruises that begin or end at a UK port declined during the 1970s as air travel became increasingly accessible for long-haul travel, replacing the need for long, slow ocean voyages. A gradual increase in demand during the 1990s has been superseded by exceptionally rapid growth over the course of the past decade, with a 33% rise in the three years to 2008.

Passengers on cruises beginning or ending in the UK

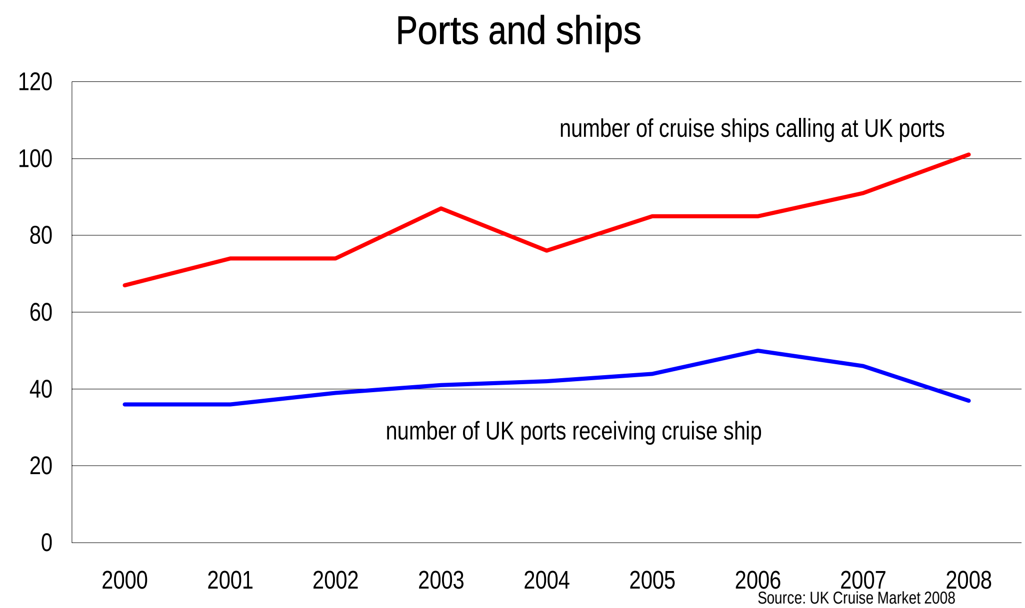


It becomes clear by looking at the next chart that the mix of demand at UK cruise ports is weighted in favour of 'turn round' rather than 'port of call' traffic. This is the case thanks to the large numbers who start a cruise to destinations such as the Baltic or Mediterranean at a UK port in comparison with the numbers stopping off at UK ports 'mid cruise'. In 2008 132,000 overseas residents embarked on a cruise from a UK port, that's 18% of all embarkations.

Cruise passengers at UK ports growing



Although not immediately obvious if we compare the trends shown in the previous and next charts we get confirmation of a well reported trend in the cruise line industry over the past decade, namely the move towards ships with ever higher passenger capacities. While the number of cruise ships making a call at a UK port has past the one hundred mark we can see that the number of UK ports handling cruise traffic has barely changed over the past decade.



Geography matters

Britain is on the periphery of Europe with the two most popular stamping grounds for cruise liners in Europe, namely the Mediterranean and Baltic, being a good days sailing distance from our shores. However, as we have seen from the growth in demand for 'turn round' traffic at UK ports this barrier has not inhibited growth, with customers willing to extend the duration of their cruise, possibly in order to obviate the need to book a flight to/from a foreign embarkation port.

The British maritime weather is not really a barrier when it comes to cruises operated by larger vessels that start or end their journey at a UK port, nor indeed for those visiting UK ports as part of an itinerary. The majority of cruises around the British Isles are during the summer months when, generally, the weather is benign and sea conditions favourable. One issue raised by cruise line executives in research undertaken back in 2006 was a concern that while as a destination for cruise itineraries Britain lends itself to smaller vessels able to visit 'off the beaten track' ports with shallow waters, these vessels are prone to disruption should a summer squall develop.

The majority (82% according to 'UK Cruise Market 2008') of passenger embarkations at UK ports are by UK residents, but for overseas visitors who embark on a cruise from a UK port Britain enjoys unparalleled air access from just about every part of the world. London is close enough to Dover, Harwich and of course Southampton to make for a fantastic pre or post cruise extension destination, helping to generate income and jobs across a wide spectrum of tourism businesses which at first glance would seem unrelated to the cruise line industry. The relative weakness of sterling provides a further incentive for cruise lines to consider positioning London as an ideal extension destination.

Being a relatively compact island with well developed land based transport infrastructure and a plethora of places with cultural and heritage attractions to visit makes planning onshore excursions for cruises that stop off at UK ports a relative doddle.

The main challenge is perhaps the relatively small number of ports with deep water access able to cater for the ever growing size of cruise liners. Once again this tends to lead us to the conclusion that while Britain certainly has ports able to cater for the new generation of vessels setting out for far-flung seas, as a cruising destination in its own right the biggest opportunity sits with developing itineraries suitable for smaller vessels with smaller numbers of passengers who are enticed by discovering more of what Britain has to offer.

Economic impact

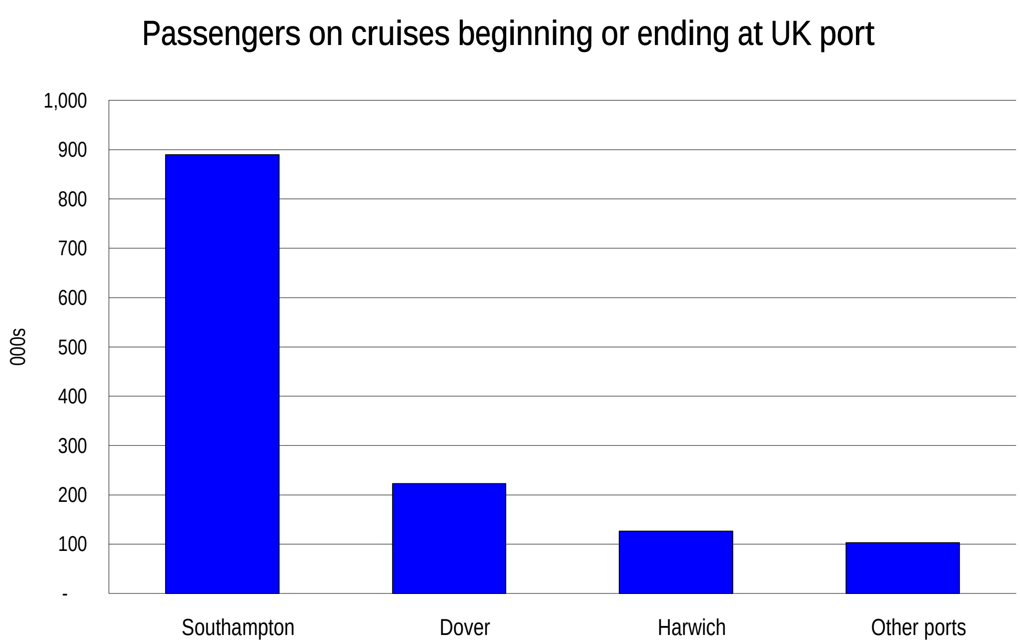
There is an increasing recognition that robust analysis is necessary to understand the impact that a successful cruise port, either for ‘turn round’ or ‘port of call’ traffic, has on the local or regional economy, bringing to the fore the often overlooked positive spill-over effects for jobs and incomes.

According to G P Wild, in 2008 the European cruise line industry had a direct economic impact of €14.2bn, underpinning more than 300,000 jobs across the continent. The UK is estimated to represent one-eighth of the direct value, or €2.3bn and one-sixth of the number of supported jobs, or 49,000. The jobs that direct spending by European cruise lines and their passengers supported resulted in these workers receiving €10bn in remuneration, the equivalent figure for the UK being €1.9bn.

Southampton case study

The Government recently rejected a bid from Liverpool to develop a ‘turn round’ facility because of competition law; Liverpool must repay £9m in European Union funding before the Department for Transport will give the plans a green light, as Southampton, the port with which Liverpool would compete, has developed its facilities purely through private financing. If authorities in Liverpool can overcome competition law issues it is reckoned that within a decade the city could play host to as many as 50 cruise liners a year docking at the Pier Head.

It is clear from the following chart that when looking at where embarkation or disembarkation takes place for cruises that begin or end at a UK port Southampton grabs by far the lion’s share, and in fact Southampton is by far the most frequented cruise port in northern Europe.



In 2005 TTC International and Roger Tym & Partners undertook a detailed study into the economic impact of Southampton's cruise port. The study revealed the opportunity was centred on Southampton being a 'home port' rather than a 'port of call'. Three distinct elements of economic impact were identified; employment in cruise management and crewing, employment in cruise supply chain industries and employment in visitor and tourism industries.

Pulling all of the impacts together and allowing for the so-called 'multiplier effect' the analysis reckoned on the cruise industry being worth more than £200m to Southampton's economy while supporting around 2,400 local jobs.

Big doesn't have to be beautiful

Spectators come from far and wide to admire the leviathans that now ply the oceans when making their first call at a UK port, with, for example, an estimated 100,000 viewing the new Cunard flagship Queen Mary 2 when she recently visited Liverpool. Expenditure by the assembled throng resulted in an estimated £5.7m boost to the Merseyside economy.

However, while the global trend is undeniably towards larger and larger vessels, which offer the cruise lines economies of scale, the balance of opportunity for Britain is weighed more heavily toward somewhat smaller vessels able to enter a greater number of ports dotted around our coastline.

The economic benefits from attracting smaller craft are likely to be geographically more dispersed across Britain than is the case for the very largest liners as the number of UK ports these can visit are fewer in number and more suited to be a 'turning port'. The flip side of this coin is that more geographically concentrated benefits, for example those relating to Southampton described earlier, allow for a clearer recognition that the cruise line industry is a generator of economic activity to develop.

A definite risk for Britain being more favourably aligned to smaller than larger ships as a destination for cruise itineraries is that with cruise lines preference for ever larger vessels showing no sign of abating the number of 1,000 passenger craft ideal for touring the British Isles could diminish in the years ahead.

Investment and co-operation needed

Growth prospects are indeed strong for the cruise line business in Britain but opportunities come at a cost; port authorities must ensure sufficient investment in the construction of berths capable of handling the latest vessels, as well as investing in ancillary port facilities. Cruise lines are looking to develop programmes designed to meet customer needs and deliver profitability. It is not just ports that need to be top-notch in order to attract increased numbers of cruise ships and their passengers; local infrastructure must enable the efficient movement of passengers embarking and disembarking at 'turn round' ports, along with transportation of the provisions needed to service both the upkeep of the ship and to feed and water its payload.

Moving inland it is necessary for local businesses and authorities to work with cruise lines to ensure that shore excursions are successful both in terms of operational efficiency and customer satisfaction. Figures show that more than three-in-five UK residents taking a cruise in 2008 were repeat customers, and cruise lines will design itineraries that are geared towards retaining this exceptionally high level of customer loyalty.

Equally nations need to recognise that collaboration can at times be more productive than competition; for example recognising the possibility of combining Irish ports of call with those in England, Scotland or Wales, and indeed the Isle of Man, is something that can benefit cruise lines, their passengers and the destinations that are visited during a cruise.

Potential

Ports and their hinterland looking to benefit from the continued growth in the cruise line business face considerable competition so need to demonstrate that they can offer attractive shore excursions, are logistically feasible, and financially viable. Cruise line executives want destinations that deliver happy customers and a positive financial return. Only by delivering on these criteria will it be possible to further develop Britain as a cruise *destination* in the eyes of cruise line executives who currently see British ports primarily as a *gateway* for plying the Baltic or Mediterranean Sea.

Not many parts of Britain are far from the sea, so many local communities can benefit from a local port able to accommodate cruise liners, either as a 'turn round' or 'port of call' destination. With land-based excursions a crucial element of many cruises even localities not bordering the sea can still reap the benefits of a growing consumer desire to sample cruise holidays. For example in summer 2009 Newport welcomed its first cruise liner with shore excursions visiting the Wales Millennium Centre, Cardiff Castle and Dyffryn Gardens in Vale of Glamorgan.

Plenty has been written about the growing enthusiasm of tourists to discover 'out of the way' places, and the people and stories that bring life and legend to a destination. Cruising Britain's coastline is the perfect way for both UK residents and overseas visitors alike to enjoy Britain from a different perspective.

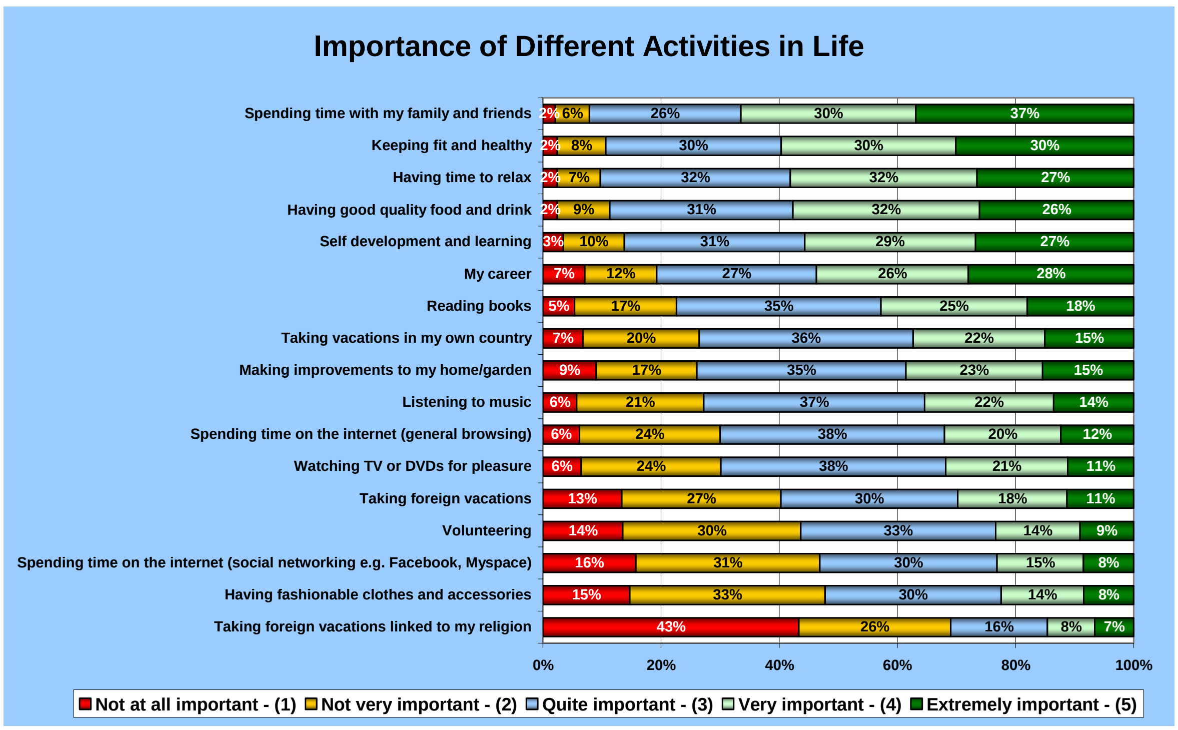
According to the Passenger Shipping Association the number of UK residents taking a cruise in 2009 reached a record 1.55 million, that's a 5% increase on 2008 despite the economic downturn, with a projected 6.5% jump in 2010 to 1.65 million. There are few sectors of the economy that have seen such resilience over the past eighteen months. The numbers embarking on a cruise at a UK port and opting for itineraries that visit a number of British destinations looks set enjoy continued growth in the years to come.

Issue of the Month – The importance of holidays in life

In August 2009, VisitBritain sponsored questions on the Nation Brands Index (NBI), an online survey of 20,000 respondents spanning 20 countries around the world. One of these questions focussed on understanding the importance of holidays in people's lives (relative to other priorities), and another focussed on understanding attitudes towards holidays. This month, we look into the results of these questions, aiming to understand any differences between males and females, age groups, and countries. It should be noted that the survey is representative of the online population of each country surveyed, not the general population.

The importance of holidays in life

Approximately 10,000 respondents were asked, "How important a priority is each of the following for you in your life at the moment?" Their answers are shown below.



Top priorities

Potential visitors often see their professional development (career and self-development) as one of the most important things in life, but they usually see softer aspects such as spending time with family and friends, keeping fit and healthy, having time to relax, and having good quality food and drink as even more important.

The importance placed on careers is very much dependent on the status of each nation; emerging economies tend to place similar levels of importance on both their career and the softer aspects, reflecting their desire to obtain a higher level of wealth. It is noteworthy that respondents from Argentina, Brazil, China, Egypt, India, South Africa, and Turkey all ranked 'my career' in their top three life priorities. South Koreans also saw their career as a high priority (3rd), possibly reflecting the strong cultural emphasis placed on it. Many 'developed' nations such as Australia, Canada, France, Germany, Japan, Sweden, the UK, and the USA ranked 'my career' as just the 9th highest priority (or lower) in life. This reflects their aspiration to lead a balanced life with plenty of time for looking after themselves.

Interestingly, males and females both ranked 'my career' as the 6th highest priority in their lives, which perhaps wouldn't have been the case ten, twenty, or thirty years ago depending on where in the world you look.

However, in terms of age, younger respondents were more likely to see their career as a higher priority than older respondents. 18-24s ranked their career as their top priority on average whereas over 55s saw their career as only their 13th highest priority – having a balanced life is more of a priority the older you get. 63% of 18-24s regarded their career as 'very important', compared to 28% of over 55s.

Further evidence that a balanced life is more highly sought after in 'developed' nations emerges when looking at the importance of 'having time to relax'. This was amongst the top three priorities in Australia, Canada, Germany, Italy, Japan, Korea, Sweden, the UK, and the USA but a slightly lower priority (6th or lower) in many emerging economies such as Brazil, Egypt, India, Mexico, Russia, and Turkey.

One way that many people seek to relax and achieve more balance in their lives is through holidays. Indeed, there is a widely reported growing trend towards 'well-being' holidays, although this remains a relatively niche opportunity at present, so, where do holidays feature as a priority in life?

Holidays

Increasingly, research shows that holidays are no longer seen as a luxury in life, but as a necessity for many to escape the stresses of everyday life and unwind. It is therefore not surprising to see that 'taking vacations in my own country' is seen as the 8th highest priority in people's lives on average. Taking domestic holidays is at least 'quite important' for 74% and 'extremely important' for 15%.

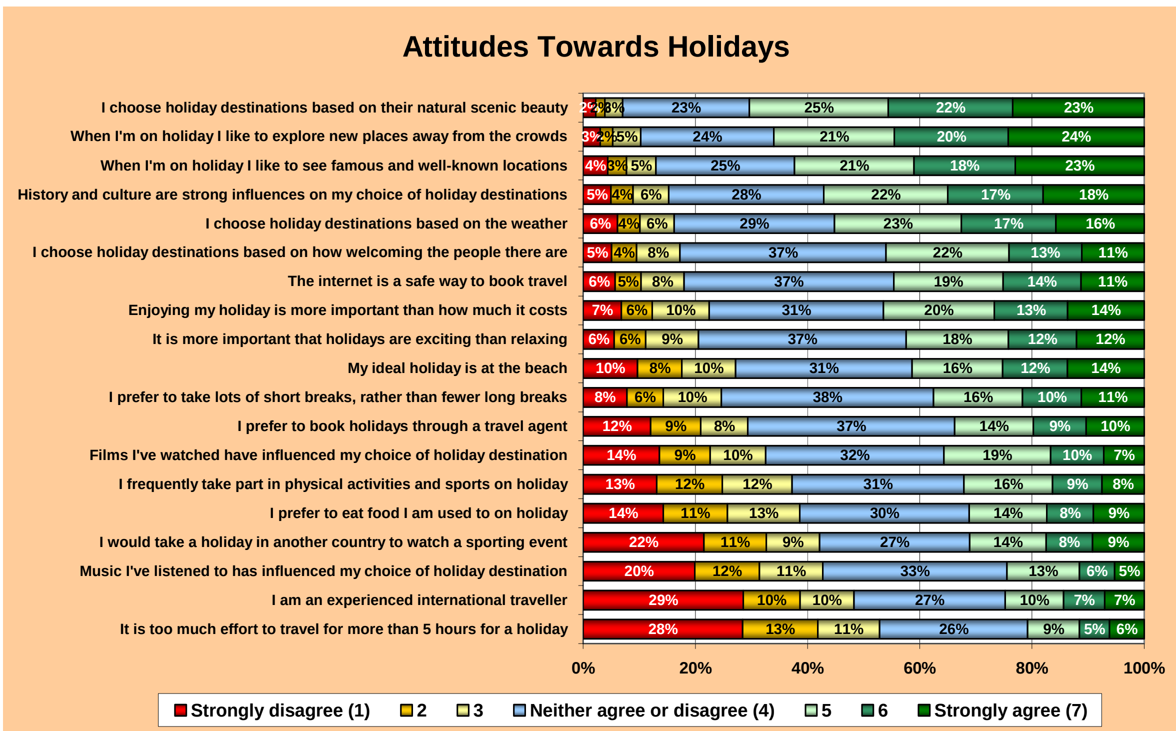
Foreign holidays are seen as at least 'quite important' for 60% of online respondents, with 11% saying they are 'extremely important'. Most of the surveyed nations say that domestic holidays are more important than foreign holidays, with three exceptions: the UK, Germany, and Russia. The UK and Germany are the two largest source markets for outbound tourism in the World, so it is no surprise to see the emphasis they place on foreign holidays. Russians' aspiration to visit other countries highlights the potential growth that could be achieved from this emerging economy under the right conditions. 75% of online Russians see foreign holidays as at least 'quite important', with 44% saying they are at least 'very important' and 16% 'extremely important'.

Other countries such as China, Egypt, India, the USA, and Japan place a far lesser importance on foreign holidays – just 34% of Japanese respondents regarded them as 'quite important' and only 3% as 'extremely important'.

For most people, taking foreign holidays linked to their religion is not regarded as particularly important. Just 7% of respondents saw this as 'extremely important'. For all nations surveyed apart from one, taking foreign holidays linked to their religion was ranked 17th (lowest priority). The exception was Egypt, who reported that foreign holidays linked to their religion (14th) were a higher priority in life than general foreign holidays (17th). This reminds us that it is always important to understand local attitudes towards holidays, and these are explored further in the following section.

Attitudes towards holidays

Approximately 10,000 online respondents were asked, “We would like to ask you about your attitudes and opinions related to holidays. For each statement please give your opinion on a scale of 1 to 7, where 1 is Strongly Disagree and 7 is Strongly Agree.”
Their answers are shown below.



Holiday influences

70% of respondents agreed they choose destinations based on their natural scenic beauty, highlighting the importance of showcasing Britain’s natural assets to the best of its ability to appeal even more widely. Although Britain’s natural beauty is often seen positively by overseas residents, Britain is ranked just 24th out of 50 nations in the Nation Brands Index (2009) for its natural scenic beauty – clearly showing that there is very strong competition from other nations here.

One area where Britain is seen as a truly world-class destination is in terms of its history and culture. History and culture are strong influencers of holiday destination choice (57% agreed), so Britain is in a strong position to capitalise here, being ranked as the 4th best nation in terms of its culture in the NBI and 4th in terms of its built heritage.

62% agreed that they like to see famous and well-known locations on holiday, but 66% like to explore new places, so it is important that Britain can cater for both these needs.

The Chinese, for example, are particularly keen on seeing famous locations (72% agree) on their travels, so it is important to include iconic imagery such as Big Ben in marketing materials to reassure them that they are not going to miss out on the 'must-see' attractions. Other (more mature) markets such as Australia want to get beneath the surface of destinations a bit more, getting away from the crowds (71% agree), so highlighting authentic cultural experiences (for example pubs) and 'hidden gems' (whilst maintaining an element of the 'must-see' attractions) is important.

36% agreed that films they had watched have influenced their choice of holiday destination, whilst 33% disagreed. For music, only 24% agreed it had influenced their choice and 43% disagreed. Younger age groups are more likely to say that films (43% agree) and music (33% agree) have influenced their choice of holiday destination than older age groups.

It is also essential that Britain meets the emotional needs of consumers; twice as many agree that it is more important that holidays are exciting than relaxing (42% agreed and 21% disagreed), but clearly Britain should be able to visibly cater for both needs. Younger visitors agree more strongly than older visitors that holidays should be exciting (47% of 18-24s and 25-34s agree compared to 34% of over 55s). The USA, Japan, and China are least likely to be looking for an exciting break. Indeed Japanese respondents were twice as likely to disagree (34%) than agree (16%) that 'it is more important that holidays are exciting than relaxing'.

46% regard welcoming people to be important when choosing a destination, so it is also important to show that Britain is a welcoming nation to potential visitors.

Booking travel

The internet is seen as a safe way to book travel more often than not, with more agreeing (45%) than disagreeing (18%), although there is clearly a certain amount of variation in different markets, so it is always wise to check individual markets before assuming that the internet will be trusted.

Countries like Sweden (59%), the UK (60%), and the USA (61%) are far more likely to see the internet as a safe way to book travel than countries such as Egypt (27%), Russia (38%), and Brazil (30%).

Using a travel agent for holiday bookings is a useful alternative for many with 34% saying they prefer to use an agent, although 29% disagreed. Many markets still rely heavily on travel agents, and many travellers have strong relationships with them. 44% of online Japanese agreed they prefer to use a travel agent to book holidays and just 13% disagreed. Likewise, 59% of Russians said they prefer to use an agent, with 15% disagreeing.

Travel behaviour

From the majority of countries around the world, outbound travel is largely intra-regional; approximately three quarters of outbound trips involve travel to another country in the region. It is therefore not surprising to see that more people say they prefer to take lots of short breaks rather than fewer long breaks (38% agreed and 25% disagreed).

25% of respondents agreed they were experienced international travellers, whilst 48% disagreed. Not surprisingly, nations with a high propensity to travel abroad were most likely to agree they were experienced such as the UK (41%), Sweden (40%), and Germany (29%), whilst other nations such as Brazil (12%), Egypt (18%), and Japan (10%) were less likely.

Whilst it may be easy to understand why nations such as Brazil and Egypt do not regard themselves as experienced international travellers, Japan is one of the largest outbound travel markets in the World, with around 20 million outbound journeys each year. However, one must also consider that Japan is a nation of 127 million people, so one might expect it to be an even larger outbound market. One of the key features of travel from Japan has been the trend away from long-haul travel. Whilst travel from Japan to other Asian destinations has shown some growth since 2000, travel to Europe and the Americas has declined significantly.

Amongst all nations surveyed, most respondents indicated they are not averse to travelling long distances; only 21% agreed that it is too much effort to travel for more than 5 hours for a holiday. However, the Japanese were more likely to agree than any other nation, 29% doing so.

Conclusions

When looking at holidays as a priority in life and attitudes to holidays it is very clear that many strong common themes run through, regardless of whether you come from a developed European nation or an emerging economy. There are more similarities than differences between different genders, ages, and nations. Almost everyone aspires to have some balance in their lives, with their career, family, health, leisure activities, and time to relax all playing an important role.

Holidays offer an opportunity to meet a variety of these needs, and, once again, common themes such as the appeal of natural scenic beauty, history and culture tie people's attitudes together. However, digging beneath the surface highlights interesting and important differences in attitudes between different groups. Over the coming months, we will be delving further into this topic to understand different segments in more detail.

Find out more about different countries' priorities in life and their attitudes to holidays in VisitBritain's Market Profiles:
http://www.visitbritain.org/insightsandstatistics/publications/marketprofiles.aspx

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