



VisitBritain's US 'How's Business' Survey

Quarter 1 2009, January-March
Published April 2009

Background & Methodology

- This is the first edition of VisitBritain's 'How's Business' Survey. The report is designed to provide qualitative insights into current trends affecting US-UK travel.
- The aim is to identify emerging opportunities and threats facing transatlantic tourism as they develop. The report will be published quarterly allowing trends to be tracked and monitored over time.
- Respondents to the survey are anonymous, giving businesses a chance to share experiences and highlight market opportunities without disclosing commercially sensitive data.
- For this edition, telephone interviews were conducted with 23 senior tourism professionals (a small number of respondents completed the questionnaire by email).
- Fieldwork was carried out from 24th March-15th April 2009.
- The sample breakdown was as follows- 13 Tour Operators (mixture of types), 6 Accommodation Providers, 4 transport companies.



Summary of Findings

Executive Summary (1)

- The majority of organisations stated that the volume and value of US-UK business recorded in Quarter 1 (January-March) 2009 was either 'below', or 'well below' the same period in 2008. The majority of organisations anticipated that volume and value of US-UK business in Quarter 2 (April-June) 2009 will be either 'below', or 'well below' Q2 2008.
- Unsurprisingly the economic slowdown was cited by all panellists as the major issue affecting their organisations and also US-UK travel. Over half of respondents stated that the economic slowdown had a 'very negative' impact on their organisation during Q1 2009.
- A general lack of consumer confidence from a torrent of bad economic news was cited as hampering Americans willingness to travel.
- A trend highlighted by the vast majority of respondents were changes in booking patterns by US consumers directly related to the economic slowdown. Many respondents reported dramatic shortening of lead times trip length- with knock on effects on UK regional spread.
- Respondents were polarised as to whether the UK was performing better or worse than other European destinations.

Executive Summary (2)

- The business travel market was highlighted by a number of panellists as being adversely affected by the economic crisis. This was notably so amongst Accommodation Providers.
- There was a feeling amongst the majority of respondents that the positive US\$-GBP exchange rate did not feed through into consumer's minds during Q1 2009. There was a sense of optimism however, that the positive exchange rates will feed through given time.
- Leading communications with a value message was the most common measure cited by respondents for tackling the downturn.
- Predicted recovery times from the downturn varied considerably, ranging from the summer through to 2011. A large number predicted recovery in 2010.
- Sporting & large scale events, visiting friends & relatives, alumni groups, the youth market and study abroad groups were all cited as being resilient sectors.



Section 1 - Business Performance

Volume & Value of US-UK Business Q1 2009



- The majority of organisations stated that the volume and value of US-UK business recorded in Quarter 1 (January-March) 2009 was either 'below', or 'well below' the same period in 2008.
- Indeed, 18 of 21 (86%) respondents answered that business was 'below' or 'well below', with only 3 respondents stating that business was 'around the same' and none stating it was 'above' Q1 2008.



Sample= 21

- The mean score for the 21 respondents that answered this was question was 1.8, between 'well below' and 'below' Q1 2008.

Volume & Value of US-UK Business Q2 2009



- The majority of organisations anticipated that volume and value of US-UK business in Quarter 2 (April-June) 2009 will be either 'below', or 'well below' Q2 2008.
- Although 80% expected numbers will be lower than Q2 2008, there was slight optimism in that more respondents said 'below' (14 or 64%) than 'well below' (4 or 19%). Many more respondents said that Q1 2009 was 'well below' than 'below', indicating a slight turnaround is possible in the Spring.



Sample= 22

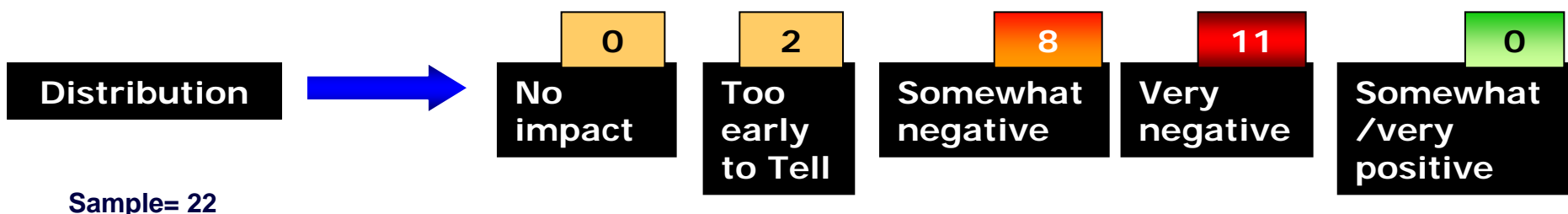
- The mean score for the 22 respondents that answered this was question was 2.0, 'expect below' Q2 2009



Section 2- Business Environment

The Economic Slowdown

- Unsurprisingly the **economic slowdown** was cited by all panellists as the major issue affecting their organisations and also US-UK travel.
 “The economy- is there anything else at the moment?” (Tour Operator)
 “I now ask ‘did we have a good day’ rather than hope for a good week or month” (Tour Operator)
- When the impact was quantified, over half (12 of 22) of respondents stated that the economic slowdown had a ‘very negative’ impact on their organisation during Q1 2009. A further 38% stated that the downturn had made a ‘somewhat’ negative impact.
- The mean score for the 22 respondents that answered this was question was 3.5, between ‘somewhat’ and ‘very’ negative.



The Economic Slowdown- Continued

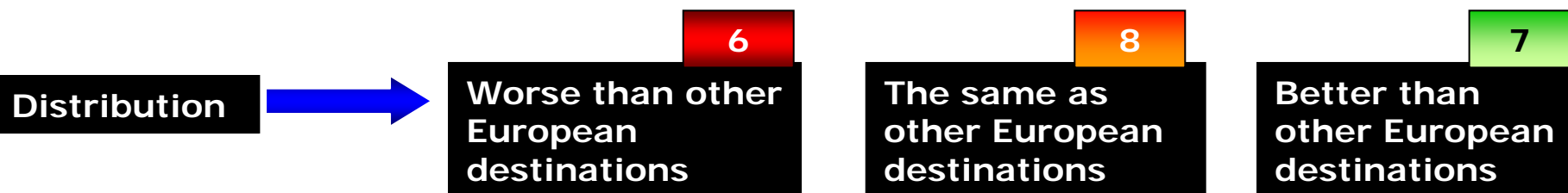
- Respondents cited a number of different factors directly linked with the economic slowdown that had a negative impact on US-UK travel in Q1 2009.
- A general lack of **consumer confidence** from a torrent of bad economic news was cited as hampering Americans willingness to travel.
"Everyone is holding off spending on anything" (Tour Operator)
"Americans are jittery, everyone has money tied to stocks- pensions, savings, college funds- as soon as that starts falling people panic" (Tour Operator)
"Europeans know that the State will look after them if the worst happens, that safety net isn't there in the US" (Transport)
- A small number of panellists felt that the UK (and other European destinations) had been **slow to foresee and react to the downturn**. These respondents felt that other destinations such as some US cities and the Caribbean were doing more to encourage US travellers.
"I recently went to the UK on a contracting trip and struggled from start to finish for hotels to reduce their rates. They are very slow in coming to terms with what is really going on". (Tour Operator)
"Airlines have a lead in this, reducing airfares has helped a lot. UK hotels are getting a wake up call" (Tour Operator)

Changes in Booking Patterns

- Another trend highlighted by the vast majority of respondents were **changes in booking patterns** by US consumers directly related to the economic slowdown.
- Many respondents reported dramatic **shortening of lead times**, as consumers put off decisions and financial commitments until the last possible opportunity.
 - “we are working twice as hard and travel agents are taking twice as long to book” (accommodation provider)
 - “Group trips in 3 days time are not uncommon now. Large groups with traditional lead times of 9-12 months are now 3-6 months (Accommodation Provider)
- **Shortening of trip length-** This was cited by some as having knock-on effect on **regional spread**.
 - “although volume has held up yield is lower, people are staying shorter than before and not exploring as much” (Transport)
 - “People are staying in London, they don’t have time to explore the same as before” (Tour Operator)
- **Rise in all-inclusive packages-** allowing better financial planning and budgeting.

UK vs. European Destinations

- Respondents were polarised as to whether the UK was performing better or worse than other European destinations.



Sample= 21

- Some respondents stated that it will be necessary to wait until the summer for the full extent- the key Europe travel period.
- Italy was the most divided of countries mentioned.
 - “Italy boomed 3-4 years ago, its now very high-end and there's no discounts, its too expensive for Americans in this climate” (Tour Operator)
 - “Italy has always been strong, its the depth of product there” (Accommodation Provider)
 - “Italy is still foreign and exotic enough to warrant a group tour, the UK is seen as a familiar and safe destination for independent travel” (Tour Operator)

Business Travel & Regional Performance



- The business travel market was highlighted by a number of panellists as being adversely affected by the economic crisis. This was notably so amongst **Accommodation Providers**.
 - “the travel guidelines for US bailout companies have had a massive impact” (Accommodation Provider)
 - “The private sector has held up better” (Accommodation Provider)
 - “Companies of scared of having their names splashed across the media for being extravagant” (Accommodation Provider)
- Many felt that incentives followed by conferences were the most negatively impacted, with associations or trips with longer lead times faring better.
- London was cited by a number of panellists as being the most resilient of all regions within the UK. Although a small minority (2-3) highlighted it as being worst affected. Scotland was also mentioned by 3-4 panellists as proving strong or resilient, especially trips combining Scotland with London.

Exchange Rates

- There was a feeling amongst the majority of respondents that the positive US\$-GBP exchange rate (typically 25% cheaper than Q1 2008) did not feed through into consumer's minds during Q1 2009.
 - "All destinations are cheaper at the moment, there is nothing special about the UK" (Accommodation Provider)
 - "Domestic destinations, Mexico, the Caribbean have all fallen in cost more so any exchange rate difference is minimal" (Tour Operator)
- For those who felt consumers were aware of the current exchange rates, it was felt that this is being counteracted or 'drowned out' by the lack of consumer confidence and constant negative news.
- It was also felt by some respondents that the poor exchange rate last summer (when the US\$-GBP rate hovered around the \$2 mark) was putting off consumers making repeat visits.
 - "I wish this had happened last year" (Accommodation Provider)
- There was a sense of optimism however, that the positive exchange rates will feed through given time, and a 'call to action' for VisitBritain and others to continue this message.
 - "Value! Value! Value! is the lead on everything we produce now" (Tour Operator)

Measures Employed to Counteract Downturn



- Leading communications with a **value message** was the most common measure cited by respondents for tackling the downturn.
"Anything with a guaranteed \$/£ rate is selling in Chicago at the moment" (Accommodation Provider)
"Value is the first thing seen on our landing page" (Tour Operator)
- Companies appear to be making **changes to budgets** across the board, with a number mentioning marketing budgets coming under close scrutiny.
"we haven't cut marketing budgets, we are just more creative with them"
"budgets have been cut across the board"
"we are trying more co-operative marketing and pooling budgets, therefore reducing media spend"
- Organisations appear to be looking at **streamlining distribution channels** and renegotiating relationships with partners and suppliers. A number also mentioned developing and **improving websites** to improve customer experience and make booking easier.
- **Accommodation Providers** also outlined a large number of promotional packages aimed at overcoming the downturn including: Adding free breakfasts, upgrades, 2-1 family deals on rooms, additional nights, greater flexibility in terms and conditions and changing commission rates for agents.

Measures Employed to Counteract Downturn- Continued



- It seems organisations are divided as to changes made in employee **travel**, with a number of organisations mentioning this as an area cutback on, whilst a number told of increasing visibility and face-to-face contact.
 - “I am making more virtual calls than before” (Tour Operator)
 - “I am on the road 3 weeks per month, face to face contact with clients is vital in this climate” (Accommodation Provider)
 - “We are getting out there meeting clients so that even if the business is not coming now they will remember us, it will pay dividends in the long-run” (Tour Operator)
- Organisations appear to be evaluating the number of **trade and consumer events and shows** they attend, looking for cost savings.
 - “No fluffy stuff, we have to demonstrate ROI on every event we attend” (Tour Operator)
 - “We are sending fewer staff to less events” (Accommodation Provider)
 - “We are attending the same amount of events but instead of several of the UK team coming over its just me now” (Tour Operator)
- A number of respondents mentioned that their companies were **cutting back on staff** or not filling vacancies.
 - “We are waiting longer to fill vacancies. A lot more effort is spent on evaluating a job vacancy and seeing if its definitely required than before” (Accommodation Provider)

Resilient Sectors & Recovery

- Predicted **recovery times** from the downturn varied considerably, ranging from the summer through to 2011. A large number predicted recovery in 2010.

"This is just a slow period. Every year can't be a good year. Business will rebound, as it always does"
(Tour Operator)

"We are budgeting now for 2010 and 2011 and are not anticipating recovery until 2011" (Tour Operator)

"We have written 2009 off already, we hope for recovery and growth in 2010"

- **Sporting and large events** were cited by many as being a driver for US-UK trips.

"people recognise that some big events are once in a lifetime opportunities, that's enough to drive the booking" (Tour Operator)

- The '**visiting friends and relatives**' (VFR) market was also cited as being strong, with the UK at an advantage for this due to strong ancestral links with the US.
- The market for group travel by **youths, study abroad** programmes and **alumni's** were also cited by some respondents as withstanding the current downturn. As to were group tours with long lead times were also given as examples.

Other Issues Cited

- **UK Airport taxes-** Higher passenger taxes levied at UK airports compared to European rivals were cited as a hindrance to airline prices falling further. They were also cited as giving European destinations a competitive advantage.
- **UK as a mature destination-** It was cited by some panellists that the UK is already a mature destination for US consumers and that the downturn is a natural result of long term market maturity.
- **Rise of competitor destinations** attracting US tourists. Although all are niche markets at present they appear to be growing in popularity for many panellists.
 - Rise in **Asia**- China especially for tours. Although a minority of respondents highlighted the UK's safety and security as a selling point following recent incidents in some Asian countries.
 - **Latin America**- especially Brazil
 - **Eastern European** destinations
- **Heathrow-** London's Heathrow Airport was cited as having globally bad reputation that US tourists try to avoid.



Feedback, Suggestions & Sign Up

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