Beyond Staycation

October 2015

Prepared by Trajectory
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• State of the nation

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Introduction
Methodology

- 1008 interviews with a nationally representative GB sample
- Research conducted online using Research Now’s consumer panel
- Fieldwork conducted between 14th and 17th September 2015
Where were we?

Expectations in September 2014
• With the end of the downturn (economically) consumers were exhibiting less caution about the future and planning for 2015
• Cutting back behaviours continued to wane – with the proportion saying they were spending less on holidays falling by 5%

Expectations in February 2015
• Any optimism built up during 2014 evaporated as consumers didn’t feel the recovery was benefitting them (if it was going on at all)
• While cutting back was declining in 2014, at the start of the year it was on the rise again – this extended to holiday cutting back
• However, signs of a ‘legacy effect’ emerged for those taking domestic breaks, with the appeal of England more of a driver than finances
What actually happened?
Polarised consumers react to a post-recession environment

• The downturn is officially over, and expectations for the next few years are positive – with consumers enjoying wage rises above inflation and even beneficial exchange rates.

• But not all consumers are experiencing the downturn in the same way – while some are feeling better off, others are still cutting back.

• Overall, although fewer people are concerned or affected by the downturn, there has been no corresponding rise in those feeling the recovery or feeling more optimistic about their finances in the future.

• Holiday behaviour appears at this stage to be lower than in 2014 – with a rise in the proportion taking no trips at all.

• However, this behaviour varies widely depending on individual experiences of the downturn, and the stage at which different consumers are recovering – some are treating themselves while remaining careful with everyday spending, while others are still cutting back both treats and household expenditure.
State of the Nation
Consistent economic growth for 3 years - mainstream economic forecasters all expect consistent growth of 2-3% over next 5 years

Source: Oxford Economics 2015
Wages have grown faster than inflation for first time since 2007

Source: Oxford Economics 2015
....and exchange rates have been favourable for outbound travel
- 15% follow the exchange rate very closely, 34% look at it from time to time...
- ...but 21% not aware of it at all

Forecast changes to exchange rates; USD and Euros to Pounds

Source: Oxford Economics 2015
Uncertainty diminishing while positivity increases

• Although there are notable global events causing uncertainty – such as China’s slowdown and possible EU exit – uncertainty in the UK is lower than it may have been earlier in the year

• A combination of economic growth, wage rises and favourable exchange rates make this one of the best consumer environments for nearly a decade
Consumer experience
Downturn concerns easing – but not evaporating
- men more likely to think it will get worse before it gets better (49% vs 42%)
- C2DEs also more pessimistic – 50% think it will get worse, compared to 41% of ABC1s
- Younger generally most positive but 50% are concerned about unemployment

% agreeing with each of the following statements, Mar 14-Sept 15

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1,008
Q1 To what extent do you personally agree or disagree with each of the following statements about the economic downturn?
Number seriously affected at lowest level since 2009
- 35-54s most affected (25% say seriously, 54% a little)
- Public sector employees feel only marginally more affected (18%)

% agreeing with each of the following statements, Oct 08 – Feb 15
- It hasn’t affected me yet, and I’m really not worrying
- It hasn’t affected me yet, but I’m concerned that it might do
- It’s affected me a little
- It’s seriously affected me

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1,008
Q2a Which of the following best describes your feelings about the economic downturn?
But consumer confidence down slightly
- Men more likely to be optimistic (28% much or little better vs. 22%)
- C2DEs much less optimistic – only 19% expect to feel better off in a year
- Same decline evident for longer term outlook – 32% expect to be better off, vs. 37% in Feb, and 40% in Sept last year

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1,008
Q2d How do you think you personal financial situation will change in the coming year / next three or four years? Do you think it will become...
No significant increase in the numbers feeling better off
- 20-60-20 split that has been feature of recovery remains
- Those in work most likely to be feeling recovery – especially public sector (27%)

Extent to which people are feeling the economic recovery (%)

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1,008
Q2d There has been a lot of talk lately about the economy recovering from the downturn of the last few years. To what extent are you feeling the recovery?
Proportion cutting back declines in every category
- % not cutting back at all jumps from 12% in Feb to 19% now
- % cutting back holiday spend down 11% since March 2014

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1,008
Q3a In which, if any, of the following ways are you cutting back the amount you spend?

- Changing gas/electricity supplier
  - Mar-14: 16%  
  - Sep-14: 21%  
  - Feb-15: 22%  
  - Sep-15: 22%

- Spending less on holidays
  - Mar-14: 28%  
  - Sep-14: 32%  
  - Feb-15: 34%  
  - Sep-15: 39%

- Using a cheaper supermarket
  - Mar-14: 31%  
  - Sep-14: 38%  
  - Feb-15: 41%  
  - Sep-15: 41%

- Cutting out little luxuries
  - Mar-14: 37%  
  - Sep-14: 46%  
  - Feb-15: 46%  
  - Sep-15: 46%

- Being more careful with energy use
  - Mar-14: 39%  
  - Sep-14: 44%  
  - Feb-15: 45%  
  - Sep-15: 54%

- Buying less clothes etc
  - Mar-14: 42%  
  - Sep-14: 50%  
  - Feb-15: 50%  
  - Sep-15: 50%

- Going out less
  - Mar-14: 48%  
  - Sep-14: 48%  
  - Feb-15: 48%  
  - Sep-15: 48%

- Being more careful when shopping
  - Mar-14: 53%  
  - Sep-14: 56%  
  - Feb-15: 56%  
  - Sep-15: 61%
Not all money saving strategies will endure

- I will stop doing this in the near future (i.e. in the next few months)
- I will stop doing this, but it will not be in the near future (i.e. not in the next few months)
- I will not stop doing this in the foreseeable future

<table>
<thead>
<tr>
<th>Money Saving Strategy</th>
<th>% of all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using a cheaper supermarket</td>
<td>7%</td>
</tr>
<tr>
<td>Being more careful with energy use</td>
<td>9%</td>
</tr>
<tr>
<td>Being more careful when shopping</td>
<td>7%</td>
</tr>
<tr>
<td>Changing gas/electricity supplier</td>
<td>14%</td>
</tr>
<tr>
<td>Using the car less</td>
<td>7%</td>
</tr>
<tr>
<td>Changing bank/savings</td>
<td>15%</td>
</tr>
<tr>
<td>Cutting out little luxuries</td>
<td>13%</td>
</tr>
<tr>
<td>Spending less on holidays</td>
<td>13%</td>
</tr>
<tr>
<td>Buying less clothes etc</td>
<td>15%</td>
</tr>
<tr>
<td>Postponing/changing plans for a major purchase</td>
<td>15%</td>
</tr>
<tr>
<td>Going out less</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1,008
Q3c For how much longer do you think you will be doing them?
The proportion expecting to stop cutting back is rising
- Big decline in the number not expecting to stop cutting back on holidays

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1008
Q3c For how much longer do you think you will be doing them?
Impact on holiday spending
More people taking more holidays, and those that do less reluctant to splash out
- but no real change in those holidaying in UK rather than abroad

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1008
Q4a How are you cutting back the amount you are spending on holidays?
Overall holiday behaviour shows polarisation
- 64% have made some change to their holiday behaviour
- Number who’ve stopped altogether up 5% since Feb this year
- But number saying they’ve cut back down 5% since beginning of last year

Overall, how do you feel your holiday behaviour has changed in the past few years?

- It hasn't changed at all
- I've stopped going on holiday altogether
- I've cut back on holiday spending
- I'm holidaying more in England (or the rest of the UK) and less abroad
- I'm taking more short breaks and fewer long trips
- I'm trying new types of activity, accommodation or holiday destination
- I have started to holiday more abroad and less in England

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1008
Q5 Overall, how do you feel your holiday behaviour has changed in the past few years?
Finances remain the main driver of domestic breaks – but are less dominant
- as financial pressures wane, ease and convenience – as well as liking England – become greater drivers of increased domestic breaks

Reasons for holidaying more in the UK and less abroad (all saying they are)

- Financial - Cheaper than going abroad
- It's easier to take short breaks in England
- I like England/the UK
- Too much hassle to go abroad
- It's easier to get offers for England (or the UK)
- The cost of passports is too high
- The cost of travel insurance
- I don't like flying
- It's easier with a young family

Source: VisitEngland Staycation Monitor Sept 2015 / Base 177
Q5a You said you’re holidaying more in England and less abroad. Why is that?
The Post-Recession Consumer
Consumers emerging from the recession

• As we emerge from the recession, not all consumers are feeling the recovery in the same way

• This is displayed through the methods they are taking to cut back on spending – and whether or not they are cutting back at all

• With the downturn officially over, and the economic recovery well underway, consumers fall into three groups:

1 (struggling) Those who are currently cutting back on their spending in response to economic pressures

2 (adapting) Those who used to cut back during the downturn, but don’t any more

3 (comfortable) Those who don’t cut back now, and didn’t during the downturn either
Different types of cutting back can indicate different consumer attitudes – cutting back that impinges on leisure is often the first to be abandoned, with more practical (but time consuming measures) following afterwards.

### Practical cutting back

<table>
<thead>
<tr>
<th>Activity</th>
<th>Currently doing this</th>
<th>Did this</th>
<th>Never done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using a cheaper supermarket</td>
<td>31%</td>
<td>11%</td>
<td>57%</td>
</tr>
<tr>
<td>Being more careful with the amount of gas/electricity used in the home</td>
<td>39%</td>
<td>9%</td>
<td>52%</td>
</tr>
<tr>
<td>Being more careful what you buy in the supermarket/food stores</td>
<td>45%</td>
<td>12%</td>
<td>42%</td>
</tr>
</tbody>
</table>

### Leisure deprivation

<table>
<thead>
<tr>
<th>Activity</th>
<th>Currently doing this</th>
<th>Did this</th>
<th>Never done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending less on holidays</td>
<td>28%</td>
<td>13%</td>
<td>59%</td>
</tr>
<tr>
<td>Cutting out little luxuries (e.g., hairdressers, coffees,...)</td>
<td>34%</td>
<td>9%</td>
<td>57%</td>
</tr>
<tr>
<td>Buying less clothes, household items, CDs/DVDS, etc</td>
<td>42%</td>
<td>10%</td>
<td>48%</td>
</tr>
<tr>
<td>Going out less (e.g., to restaurants, pubs, clubs, cinema,...)</td>
<td>42%</td>
<td>11%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1008
Q3a/5d Are you doing/did you do any of the following to cut back on the amount you spend?
Profile: Struggling
Currently cutting back on leisure – 13%

- Those currently cutting back on leisure are the most badly affected – treats and luxuries are amongst the first areas of spending to return as financial pressures ease

Demographics
- This group is more likely to be female (61%), and less affluent (61% are C2DE)
- They are slightly less likely to be working full time (35% vs. average of 38%)

Outlook and behaviour
- This group are generally much more concerned about the downturn – overall 76% say they are concerned about the downturn, and only 11% feel like the recovery is affecting them
- They are less likely to take all forms of holidays, but especially less likely to take foreign trips
Profile: Adapting
Used to cut back on holidays – 13%

- This group had to adopt money-saving measures during the downturn – including spending less on holidays – but have been able to stop as the recovery takes hold

Demographics
- This group are more likely to be in full time employment (43%) and are more likely to be female (54%) and C2DE (61%)

Outlook and behaviour
- They are more concerned than average about the downturn (55%) and are cautious about the future – just 23% expect to feel better off in a year
- This group are more likely to take holidays of all kinds – long and short, domestic and abroad - in 2015, 33% took a foreign long trip, compared to 29% overall
- Stopping cutting back on leisure spending doesn’t mean all coping measures have been abandoned – 35% of this group are still using cheaper supermarkets
Immediate reaction is to take a trip – anywhere
- Stopping cutting back on trips provides immediate boost to all types of trip, including domestic holidays
- The impact of this decreases over time, however, with fewer holidays taken after a couple of years
- Those who are still cutting back are much less likely to take all kinds of trips

Holidays (taken and expected) in 2015 amongst those who recently stopped cutting back on holiday spending

Source: VisitEngland Staycation Monitor Sept 2015 / Base 127
Q5f When did you stop cutting back on the amount you spent on holidays?
Profile: Comfortable
Never cut back on leisure – 24%

- This group were never sufficiently affected by the recession to cut back on any aspect of leisure – including holidays, everyday treats and luxuries. Any changes they made to wider behaviour were likely to be driven by discretion rather than necessity.

Demographics
- This group is typically more affluent (56% are ABC1), male (54%) likely to be in full time work (40%) and also much less likely to have adult children living at home (6%).

Outlook and behaviour
- This group is much less concerned about the downturn and much less likely to feel affected – only 35% feel affected at all (69% overall).
- More optimistic about the future – 34% expect to be better off in a year.
- Holiday taking is correspondingly higher – 47% took a foreign trip this year, and 56% a domestic one.
- They are also able to plan for next year – 52% expect to take a foreign trip in 2016, and 49% a domestic one.
Holidays: 2015 and beyond
Holiday Behaviour in 2015
- Rise in those taking no holidays at all
- Rise comes at expense of both domestic and foreign trips
- This data at odds with GBTS and other sources – very likely to be a blip

<table>
<thead>
<tr>
<th></th>
<th>2014 Taken</th>
<th>2015 Taken</th>
<th>Expected</th>
<th>Total</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>England Trips</td>
<td>58</td>
<td>47</td>
<td>6</td>
<td>53</td>
<td>-5</td>
</tr>
<tr>
<td>Rest of UK Trips</td>
<td>20</td>
<td>14</td>
<td>6</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Foreign Trips</td>
<td>47</td>
<td>32</td>
<td>9</td>
<td>41</td>
<td>-6</td>
</tr>
<tr>
<td>No Holidays</td>
<td>22</td>
<td>31</td>
<td></td>
<td></td>
<td>+9</td>
</tr>
</tbody>
</table>

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1008
Q6a Which of the following holidays or short breaks have you taken so far in 2015, and which are you likely to take before the end of 2015?
Expectations for next year lower than 2014’s outlook
- More expecting a foreign trip than managed one this year
- Fewer expecting to take no trips at all
- But overall expectations are lower than they were a year ago

<table>
<thead>
<tr>
<th></th>
<th>Expectations for 2015 in 2014</th>
<th>2015 Holidays (taken/expected)</th>
<th>2016 Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any England</td>
<td>58</td>
<td>53</td>
<td>51</td>
</tr>
<tr>
<td>Any Rest of UK</td>
<td>23</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>Any Abroad</td>
<td>56</td>
<td>41</td>
<td>44</td>
</tr>
<tr>
<td>No holidays</td>
<td>20</td>
<td>31</td>
<td>26</td>
</tr>
</tbody>
</table>
Consumers expecting fewer domestic short breaks next year - But stability evident in longer breaks in England

Holiday Expectations and Behaviour 2014-2016

- Behaviour in 2015 (taken and expected)
- Expectations for 2016

<table>
<thead>
<tr>
<th>Holiday Type</th>
<th>2015 Taken</th>
<th>2015 Expected</th>
<th>2016 Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic short break</td>
<td>49%</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Domestic long holiday</td>
<td>18%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Rest of UK short break</td>
<td>17%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Rest of UK long holiday</td>
<td>7%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Foreign short break</td>
<td>22%</td>
<td>18%</td>
<td>33%</td>
</tr>
<tr>
<td>Foreign long holiday</td>
<td>29%</td>
<td>33%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: VisitEngland Staycation Monitor Sept 2015 / Base 1008

Q6a Which of the following holidays or short breaks have you taken so far in 2015, and which are you likely to take before the end of 2015?
Those who take trips in England (rather than abroad) are positive about the experience

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**Net agreement with each statement (%)**

- I am glad I took the holiday/break in England rather than abroad: 43%
- Taking the holiday/break in England rather than abroad makes me want to take more holidays/breaks in England in future: 43%
- I missed taking a holiday abroad in 2014: 27%
- Taking the holiday/break in England rather than abroad made me / makes me want to take a holiday abroad in 2016: 35%

Source: VisitEngland Staycation Monitor  Sept  2015 / Base 157

Q7 To what extent do you agree or disagree with each of the following statements about replacing a trip abroad with one in the UK in 2015?
The appeal of England is driving plans for 2016
- So is the desire to ‘get back to normal’, and the ease of booking

### Reasons for more domestic short breaks in 2016 (any)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Sep-14</th>
<th>Sep-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>It's easier to book a short break in England at the last minute</td>
<td>23%</td>
<td>31%</td>
</tr>
<tr>
<td>I plan on seeing my friends and/or family more next year</td>
<td>17%</td>
<td>28%</td>
</tr>
<tr>
<td>I really like taking short breaks in England, and don't see any reason to cut back</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>I prefer taking more shorter breaks and fewer long holidays</td>
<td>8%</td>
<td>17%</td>
</tr>
<tr>
<td>It's nice to go on holiday somewhere you feel you 'know'</td>
<td>11%</td>
<td>21%</td>
</tr>
<tr>
<td>There's better deals and discounts on offer if I take short breaks in England</td>
<td>15%</td>
<td>23%</td>
</tr>
</tbody>
</table>

### Reasons for more domestic long breaks in 2016 (any)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Sep-14</th>
<th>Sep-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>I cut back this year, but are aiming get back 'to normal' next year</td>
<td>15%</td>
<td>27%</td>
</tr>
<tr>
<td>I plan on seeing my friends and/or family more next year</td>
<td>17%</td>
<td>28%</td>
</tr>
<tr>
<td>I'm starting to feel more confident about my own finances</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>I'd like to go abroad, but can't afford to, so I plan to take longer holidays in England instead</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>I want to support England/English Tourism</td>
<td>8%</td>
<td>19%</td>
</tr>
<tr>
<td>It's easier to book a long holiday in England at the last minute</td>
<td>16%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: VisitEngland Staycation Monitor  Sept 2015 / Base 117/53
Q12b/c You said you expect to take more holidays in England next year?
Finances impact on next year’s plans
- Evidence of polarisation again – more people feeling worse off and more people wanting to prioritise foreign trips

Reasons for less domestic short breaks in 2016
- I feel worse off financially than last year: Sep-14 31% Sep-15 39%
- The weather puts me off taking short breaks in England: Sep-14 19% Sep-15 23%
- I want to prioritise long holidays next year instead of short breaks: Sep-14 16% Sep-15 20%
- It’s nice to go on holiday somewhere new: Sep-14 17% Sep-15 15%
- I’d rather take a short break abroad: Sep-14 17% Sep-15 15%
- This year I went to events, such as Weddings or Festivals, but not next year: Sep-14 13% Sep-15 15%

Reasons for less domestic long breaks in 2016
- I feel worse off financially than last year: Sep-14 28% Sep-15 39%
- Long holidays in England don’t really appeal to me: Sep-14 19% Sep-15 16%
- I prefer taking lots of short breaks rather than just a couple of long holidays: Sep-14 18% Sep-15 15%
- The weather puts me off taking holidays in England: Sep-14 21% Sep-15 14%
- I haven’t had a holiday abroad in a long time, and I plan to go abroad next year: Sep-14 13% Sep-15 14%

Source: VisitEngland Staycation Monitor Sept 2015 / Base 71/85
Q12b/c You said you expect to take fewer holidays in England next year?
10% expect to take more foreign trips next year
- Driven by combination of pent up demand and feeling better off
- But one-offs are there too

Reasons for expecting more foreign holidays next year

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No particular reason - I just think I'll take more foreign trips</td>
<td>26%</td>
</tr>
<tr>
<td>I've not travelled abroad in recent years and want to get away this year</td>
<td>24%</td>
</tr>
<tr>
<td>The exchange rate has made travel cheaper</td>
<td>19%</td>
</tr>
<tr>
<td>I'm travelling for a special event or occasion</td>
<td>19%</td>
</tr>
<tr>
<td>I'm feeling better off</td>
<td>18%</td>
</tr>
<tr>
<td>Non financial reason meant I couldn't travel abroad last year</td>
<td>18%</td>
</tr>
<tr>
<td>I've had enough of UK Holidays</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: VisitEngland Staycation Monitor  Sept  2015 / Base 108
Q11g You said that you expect to take more foreign trips next year – why is that?
Summary and Implications
Summary

• At macro economic level, the recovery is well underway, with the outlook as positive as it has been for a decade

• Consumers’ concerns about the downturn are easing, although 45% still expect it to get worse, and there has been no uplift in consumer confidence

• Despite this cautious financial outlook, consumers are beginning to abandon their recessionary coping measures – especially those still limiting their leisure spending

• Practical, everyday cutting back behaviours – such as being careful with energy use – are also waning

• Holidays have changed over the course of the downturn, with short breaks and domestic trips – driven by convenience, ease and cost – increasingly part of the mix for those with the freedom to choose

• Polarisation is evident in both current financial experiences and expectations for future trips – while some are able to plan big, others are cutting back due to financial pressures
What does this mean for holidays?

• While the recovery is well underway, holiday spending is dictated by the extent to which they have rolled back their money saving behaviours

<table>
<thead>
<tr>
<th>Consumer stage of recovery</th>
<th>Holiday behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cutting back leisure and everyday spending</td>
<td>Trips of any kind of holiday (short or long, domestic or foreign) are less frequent, and for many won’t happen at all. Domestic breaks remain both the most affordable and the most convenient</td>
</tr>
<tr>
<td>No longer cutting back on leisure but still cutting back on everyday spending</td>
<td>Likely to prioritise all types of holiday - especially foreign breaks this year and next – but may need to return to domestic trips in the medium term before stopping other measures</td>
</tr>
<tr>
<td>Never cut back on either</td>
<td>In control of their holiday choices and will take as much as they can – including a balance of domestic and foreign trips</td>
</tr>
</tbody>
</table>

• Long term, the future of holidays are likely to be geared towards a balance of longer foreign trips mixed with a variety – domestic and abroad – of short breaks

• However, each individual’s ability to achieve this mix will be dependent on their experience not only of the downturn, but of the recovery as well
Visit England

Thank You