



# Quarterly market report

United Kingdom

Q2 2009

## Market Highlights

# of outbound travellers previous quarter:	15.4 million
- % change from previous quarter last year:	-4%
# of visitors to Canada previous quarter:	108,299
- % change from previous quarter last year:	(-24%)

### Comments / Other information:

In the 12-month period to March 2009, the number of visits abroad by UK residents, not seasonally adjusted, decreased by 6 per cent when compared with the 12 months to March 2008, from 70.2 to 66.0 million.

Visits by UK residents to:

- Europe decreased by 6 per cent at 52.5 million
- North America decreased by 9 per cent to 4.2 million, and
- other parts of the world decreased by 6 per cent to 9.3 million

Sources:

Figures for outbound travel are from the UK's Office for National Statistics (ONS). The figures for travel to Canada are from Statistics Canada.

Additional market statistics available through [Tourism Snapshot](#).

## Air Capacity

Air Canada has reduced its service to Vancouver from Heathrow to one flight per day this summer. Together with a change of aircraft type, this means capacity will be down by approximately 15-20%.

## Economic / Political Environment

GDP growth:	-4.1%
forecasted economic growth:	-3.7% (2009) +0.3% (2010)
unemployment rate:	7.1% (up by 0.8% from last quarter)
inflation:	RPI -1.2%
consumer price index:	3%
exchange rate:	1.79\$ = £1

Sources: The Economist, Office for National Statistics (UK)

### Comments / Other information

The above figures confirm that the UK is in a recession, however, a respected research institute has forecast (June 12<sup>th</sup>) that the UK economy may be at a turning point. The National Institute of Economic and Social Research (NIESR) have estimated that the UK economy resumed growth in April and May after a sharp decline of 1.9% in the three months to March. Martin Weale, director of NIESR, told the BBC that he "expects the official figures to show either that the recession is over or that it is close to over" in the second quarter of 2009.

Is a UK economic recovery in sight?

He says he believes that March represented the "trough" of the recession and that growth was positive, or near zero, in both April and May.

According to the BBC, the NEISR has a good record in forecasting monthly changes in GDP. The official figures, covering the period from April through June, will not be published until late July.

## Emerging Tourism Trends

The majority of UK consumers have cut their spending due to the current economic situation, despite the fact fewer than half have actually been affected by the recession, reports Mintel.

The company says its research shows fear is a defining factor when it comes to consumer spend during a recession. Mintel's flagship report, British Lifestyles, reports 71% of consumers have cut spending although just 43% claim to have been personally affected by the recession.

Around seven in ten consumers in Britain are concerned about the state of the economy,

compared with 59% who are concerned about their own personal financial situation. Just over one third (37%) are worried about their job or employment prospects. James McCoy, head of consumer research at Mintel, said: 'Fear alone can cause major spending adjustments.

'A significant three in ten adults have cut back on their spending not because they have to, but mainly through fear of how the recession might affect them. 'These adults haven't been personally affected by the recession, although they may know someone who has. The challenge for manufacturers and retailers is to overcome this fear and make consumers feel safe about spending again.'

'Even if someone hasn't been personally affected by the recession, knowing others who have been affected can shake a person's confidence.'

'Although most consumers are worried about their own personal situation, more are worried about the state of the economy as a whole.'

A survey conducted by Tesco Travel Money reveals that 34% of UK consumers will spend less on their holidays than last year, and 12% will spend significantly less. Ways to save include cutting back on food and drinks (54%), spending less on duty free and gifts (43%). Some 33% said they would avoid eating out by booking a self-catering break. Other priorities this year include "getting a cheaper deal" and "opting for free accommodation through family and friends".

According to a survey by Kayak some 85% of Britons still expect to travel abroad this year despite the current economic climate. However, there were some signs of belt-tightening, with 73% planning to take two or fewer holidays this year, while 32% said staying within budget was a more important concern than having fun (24%) or protecting the environment (1.5%).

Some of the most popular ways of saving cash this year include: travelling out of season to take advantage of lower prices (66%); swapping the eurozone for better value countries such as South Africa, Iceland, Thailand and Malaysia (65%); staying with friends or relatives (46%); and trading down accommodation (42%).

'As a nation we'll always be obsessed with getting away from it all, even when times are tough,' commented Faisal Galaria, managing director Europe and Asia for Kayak.co.uk.

'In fact, our last survey revealed that nine times out of ten, Brits are more likely to cut back on everyday luxuries than deny themselves some well-deserved time off.

## CTC Activities

### Trade Development

Account Management during the quarter included meetings with the following:

TUI UK: Staff training and product development.

Stella Travel (Travel 2): assistant product manager meeting (Spotlight, current and fwd sales)

Thomas Cook: Canada General Manager and Product Executive meeting (Spotlight, Joint marketing, sales etc)

1<sup>st</sup> Class Holidays: MD and Director (Spotlight, agents business and joint marketing)

Bridge & Wickers: Product Director, Marketing Manager, Product Manager (Spotlight, sales and product development)

Discover the World: General Manager, Marketing Director (sales and joint marketing)

Scenic Tours: UK MD (Sales and joint marketing)

STA Travel: UK product Manager (product development and sales)

Collette Vacations: UK Marketing Manager (Sales and joint marketing)

### Trade Joint Marketing:

We developed the following joint marketing partnerships during the quarter:

-Jenahura Golf: an E-blast to 92,000 subscribers to Nirvana Spa's e-newsletter to promote golf in Canada and Alberta (in partnership with Travel Alberta). Results to date are 500+ people opting-in to receive further CTC news. We have also negotiated a permanent full page on the Spa website at no extra cost for further promotion and data capture.

-a double page (DPS) advert in the April issue of Sunday Times Travel Magazine (reach of over 120,000 subscribers) with Thomas Cook promoting special offers.

-a 16-page DM piece with Thomas Cook sent to 20,000 hot prospects to try and convert the late booking market. The DM included a mix of offers and discounts covering a mix of products for touring and FIT's

-a 30 page DM piece with Titan HiTours sent to 30,000 existing and potential clients to convert the late booking market. The DM included offers on tours covering product and experiences cross Canada.

-a 16-page DM piece with Bridge and Wickers, an upmarket tour operator to target their database of 3,000 high spending customers. The piece was also inserted in 50,000 copies of the Mail On Sunday (7<sup>th</sup> June) to increase awareness and drive sales.

It therefore means that from 22/05 to 07/06, CTC collaborated with trade partners to ensure a combined reach for Canada of over 100,000 customers through 3 different DM pieces.

Rendez-vous Canada – Calgary 9-13 May

CTC UK (RP and NF) attended over 75 appointments with SME's / DMO's / PMO's during the 3.5 days of the marketplace. Follow ups with suppliers were done by June 2<sup>nd</sup>.

NF also attended a post RVC fam to Canmore and Kananaskis with site and product inspections.

#### Spotlight Canada Review Consultation

The background to this review is that over the last few years we have faced increasing challenges trying to secure UK tour operators to attend Spotlight. Additionally we have faced declining interest from Canadian industry to sponsor the event. The overall costs of staging Spotlight Canada have reached \$500,000 of which the CTC contributes a third. During April-May RP and NF held 1-1 consultations with over 150 buyers and suppliers to gather feedback on Spotlight Canada and to ascertain their business needs going forward. A decision on the future of Spotlight Canada will be communicated by mi-June

#### Consumer Development

Tactical promotions: Two initiatives were run online to extend brand reach, convert Summer 09 late sales and encourage partner opt ins.

We targeted an external data house's database of 68,608 contacts - names who had expressed an interest in Canada – splitting the data 50/50 in partnership with 1) Ontario Tourism Marketing & Frontier Canada 2) Atlantic Canada Tourism Partnership & Tailor Made Travel respectively. Ontario's eDM achieved an open rate of 5.61% / 5.96% and click through rate of 20.78% / 20.18% (subject line split), 588 partners opt ins and 362 competition entries. In light of the recession and cold acquisition benchmark the agency believes this represents a good result. ACTP eDM results pending.

The Ontario competition is being further promoted to Business Traveller UK's customers (91% male, average age 48, personal income average £150K), off the back of their '4 hours in Toronto' feature. Featured in their June & July/August print editions, weekly e-newsletter and with dedicated web page.

The other initiative is a 3-month trial Canada profile on WAYN.com, the world's largest social networking community focused on travel (location & lifestyle). This is promoted uniquely to WAYN's UK users via run of site advertising, e-newsletter & home page newsfeed. Canadian Affair provided an Ontario prize incentive and so far has achieved 307 partner opt ins.

Ski: Planning the 2009/10 campaign in close conjunction with Canadian Destination Ski Consortia (CDSC). A menu of opportunities will be presented to CDSC partners 3<sup>rd</sup> week in June.

Online: 2 consumer e-newsletters were distributed on May 6 and 10 June to our 55,000 consumers.

Non-Traditional Partnerships: actively approaching & following up with non-tourism brands to devise campaigns for later in the year.

## Public Relations

We met with Ray Mears to talk about his BBC Explorers series which will launch this September with a book.

Discussing possible radio interviews to talk about discovering one's inner explorer in the modern age, a behind the Scenes, making of the series media event. Also in talks about media joining him in Canada to go behind the scenes in the making of his next series for ITV one programme of which will be about grizzly bears in BC.

Meeting with the Snow Leopard June 12<sup>th</sup> to talk about the Connecting with Canadians Project which will see this Olympic downhill hopeful visit Canada with his family this summer.

On going discussions with the Supporter to Reporter Project which will challenge teenagers training to be reporters to file the best report on Canada in its build up to 2010. Winners will get to go to previous Olympic cities and Vancouver to file Actual stories.

Title	Author	Pub date	Heading	Circulate	Ad rate	Space allocated	
Essentially America	Mary Moore Mason	April 1	Welcome from the Editor – Spotlight reference	50000	3894	1/8 page	486.75
Metro	James Ellis	April 6	Matches Made in Heaven – Winter Olympics tickets purchase				
Selling Long Haul	Steve Hartridge	April 1	Price is right for transatlantic Travel - intro				
The Times	Erica Wagner	May 9	Where all is stillness and Light – Canada's North	607775	16645	2 pages	33290
The Times on line	Erica Wagner	May 9	Where all is stillness and Light – Canada's North				
Food and Travel	Helen Hokin	May issue	Rocky Road - AB	25000	3450	6 pages	20700
Selling Long Haul	Steve Hartridge	April 1	Canada Explores Olympic Legacy	16500	3750	2/3 page	2500
Selling Long Haul	Steve Hartridge	May 1	Montreal is .... Get the inside story: Mont. St. SAveur	16500	3750	2 pages	7500
Inside Luxury	Varum Sharma	May 12 - 15	Blog and Twitter from British Columbia				
CNN TRaveller	York Membery	May 1	24 Hours in Montréal	680000	7690	1 page	7690
Selling Long Haul		April 1	Canada's 1 <sup>st</sup> Class Award	16500	Sccl9.50	column	195

Tickets are being arranged for GO media attendees: Alistair Bruce from MSN, York Membery, Paul Wade and Kathy Arnold, Chantal Cooke and Gareth Davis. All are doing pre /post tours.

## Competitive Environment

### Competition:

UK visitor numbers to the US were down 26% in March 2009, compared to the year before. According to the latest figures from the US Department of Commerce, visitor numbers fell for the seventh consecutive month to 278,000. Total international visitors to the US dropped 20% in March, compared to March 2008. International visitors spent \$9.9 billion during the month, 16% less than visitors spent in March 2008. Total visitation in the first quarter 2009 was down 14% from the first quarter 2008. Part of the decline in March 2009 was expected because the Easter holidays fell in April.

According to a survey by the Post Office Travel Services, Bulgaria is the cheapest destination amongst a selection surveyed recently. Thailand remains the best value for long haul, although prices have risen significantly compared to last year. In Egypt, prices have also increased. In the Euro zone, aggressive offers by hoteliers and resorts have helped to ease the effect of a strong euro. Spain and Portugal are the cheapest destinations in the Euro zone, followed by Greece and Italy. Antigua is the most expensive, 2.5 times more than Bulgaria for the same basket of goods.

Brazil has announced the dates of its 2009 road show, visiting 6 cities in the UK, targeting travel agents and tour operator reservation agents.

Las Vegas continues to suffer from the economic downturn, with occupancy at hotels down to 72% from a high of 90% a year ago. The average room cost is down 12% since January 2009 to 92US\$. This is more than a third cheaper than a year ago.

The exchange rate between the US \$ and the GBP has changed to approx 1.60\$US = 1GBP, from a low of 1.35\$US = 1GBP. Airfares to the US from the UK continue to be highly competitive.

The Australian Government is considering offering free flights to Australia, in return for a minimum ground expenditure of approx £2,500 to counter the 6.5% drop in visitors in 2008; this figure expected to go down further in 2009. Critics have raised the point that flight costs to Australia are coming down due to cheaper fuel price and healthy competition, dampening the incentive. It may also be heavy to administer. No further announcement on this has been made in recent weeks.

## Future Outlook

Airlines are reporting good forward sales to most parts of Canada this summer. However, forward bookings for fall/winter are lower than in the same period last year.

This confirms the overriding industry view that the UK market is booking later than normal with a shorter lead-in time. We expect this to continue for the foreseeable future.

We also expect the market to continue to be price sensitive and very value conscious as people shop around for the best deal. This could lead to people being less destination

loyal than normal and places a greater emphasis for sales and marketing efforts to be more aligned and tactical in nature.

We expect these trends to track the recession until levels of consumer and industry confidence improve.