STRATEGIC MARKETING

Fáilte Ireland
National Tourism Development Authority

Tourism Barometer

April 2013

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1. Headline Findings

Background to the Tourism Barometer

The Fáilte Ireland Tourism Barometer is a survey of tourism businesses designed to provide insight into tourism performance for the year to date and prospects for the remainder of the year / for the following year.

We received 577 responses to an online survey with tourism businesses in April 2013 and conducted 150 top-up telephone interviews. We also conducted five depth interviews with senior industry executives. More details on the methodology can be viewed in appendix 1.

Business Sentiment Index (Prospects for the year ahead)

	2007	2008	2009	2010	2011	2012	2013
Up	45	14	15	28	39	48	64
Same	24	18	11	25	31	26	23
Down	31	68	74	47	30	26	13

Base: Serviced Accommodation Providers *(weighted to available rooms)*

1.1 The Business Sentiment Index shows that sentiment in the industry continues to increase significantly and demonstrates a vast improvement since the low point in 2008 / 2009.

Steady start to 2013 for paid serviced accommodation

1.2 Slightly under half (44%) of respondents[1] in the paid serviced accommodation sector report an increase in visitor volumes to date in 2013 compared to 2012. Three in ten (30%) report a decrease.

1.3 As in other barometer surveys in recent years, the performance of hotels is vastly different from the performance of guesthouses and B&Bs. About half (48%) of hotels report increased visitors year to date; but this compares to a minority (21%) of guesthouses and B&Bs reporting increased visitors.

Continued improvement in hotels' average room yields

1.4 About two in five (42%) of hotels report an increased average room yield to date in 2013, compared to a lower proportion (29%) reporting a decrease. This is encouraging because recent years have seen a significant decline in room yields.

[1] weighted by available bedrooms in the sector

Hotels are the only sector increasing profitability

1.5 The hotel sector has increased its profitability again this year, but all other sectors are significantly down in this area. Operators continue to operate in a climate of rising operating costs and rates under pressure from low-priced competition.

Reasonable domestic market for paid serviced accommodation

1.6 The domestic market in 2013 has started quite well for the paid serviced accommodation sector. Nearly two in five (37%) report increased domestic visitors compared to 2012, whereas only a quarter (26%) report a decrease.

1.7 As with the overall figures however, results vary greatly by sector. Two in five (41%) hotels have seen increased domestic visitor numbers so far in 2013, but half (49%) of guesthouses and B&Bs have experienced a decrease. That said, guesthouses and B&Bs tend to rely more on overseas business rather than domestic visitors.

High optimism for the remainder of 2013

1.8 Expectations for the remainder of 2013 are very high in every sector. About two in three (64%) PSA operators expect visitors this year to be up on last year, compared to a minority (14%) expecting a decrease.

1.9 Attractions, hostels, self-catering and golf clubs are also highly optimistic and report similar expectations.

1.10 The general sentiment is that the worst of the economic hard times are over, and people are slowly starting to have a bit more confidence in spending money again. It is also felt that Ireland is now much better value for money than it used to be.

Much is expected of the USA

1.11 Much of the optimism in 2013 centres on the US market, whereby two thirds (64%) of PSA operators expect to see an increase in visitors. 2013 is the year of The Gathering, and the USA is a key market for this initiative. About two in five (41%) respondents say that The Gathering is a key positive factor affecting their business this year.

Fuel & energy costs remain the most common concern

1.12 About three in four (74%) respondents say that ‘fuel and energy’ costs are an issue of concern for 2013.

2. Qualitative Findings

We have conducted five depth interviews with industry leaders (see appendix 1 for more details). The main findings from these interviews are discussed below.

2013 looks promising

2.1 Last year ended with a degree of optimism that 2013 would be a good year for tourism in Ireland. This year sees a continuation of that sentiment based on a combination of advance bookings and gut feeling.

"There's a continued upward trend of optimism"

North American market looks particularly strong

2.2 Much of the optimism is based on the current and expected performance of the US market. There are new routes from Boston and Chicago, and in neighbouring Canada, Air Canada Rouge has just announced all-year round flights from Toronto to Dublin from 2014 – a service which until now has only been available in the summer season.

"The US market is looking very healthy. Bookings are well ahead of last year. We're expecting double-digit growth"

"Transatlantic routes continue to perform positively following a strong 2012. In particular demand has been strong for business class seats"

The Gathering is thought to be behind the upturn in the US market

2.3 The biggest opportunities for The Gathering are with the US and GB markets, as this is where significant numbers of people have ancestral links with Ireland. Whilst the GB market remains flat, The Gathering is felt to be a significant factor behind the increase / expected increase in American visitors.

"The Gathering is definitely behind the increase in US visitors, although it's very hard to prove"

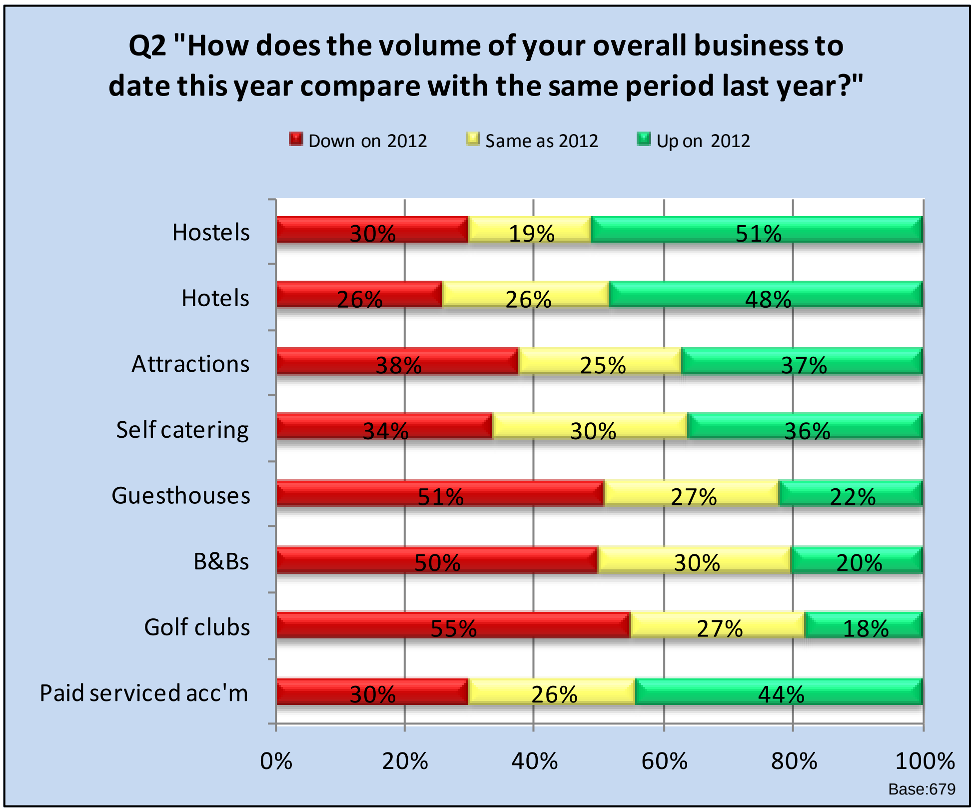
"Assessing the impact of The Gathering on inbound demand is difficult at this early stage in the year, but there is evidence of an uplift in demand from the U.S."

Caravan camping got off to a poor start in cold weather

2.4 The year started poorly for the caravan & camping sector, as the unusually cold weather in March and April, most notably over the important Easter period, blighted any chance of large visitor volumes.

3. Visitor Volumes in 2013

Overall visitor volumes in 2013



In all charts, 'don't know' or 'not applicable' answers to the question have been excluded and the percentages re-based. Results are split by sector and ordered by proportion answering an increase in numbers (shown in green).

In addition to the individual sector results, the last bar on each chart shows weighted results for the paid serviced accommodation sector; these figures have been derived from the hotel, guesthouse and B&B results, with weightings applied in accordance with each sector's share of total bedrooms within paid serviced accommodation.

Good start to the year for hostels and hotels

3.1 Hostels are enjoying a good year so far; most (83%) say that repeat visitors are a positive factor on their performance, and some also comment that the Irish hostel offering is more competitive with other countries now.

"We are more competitive with European destinations now"
Hostel

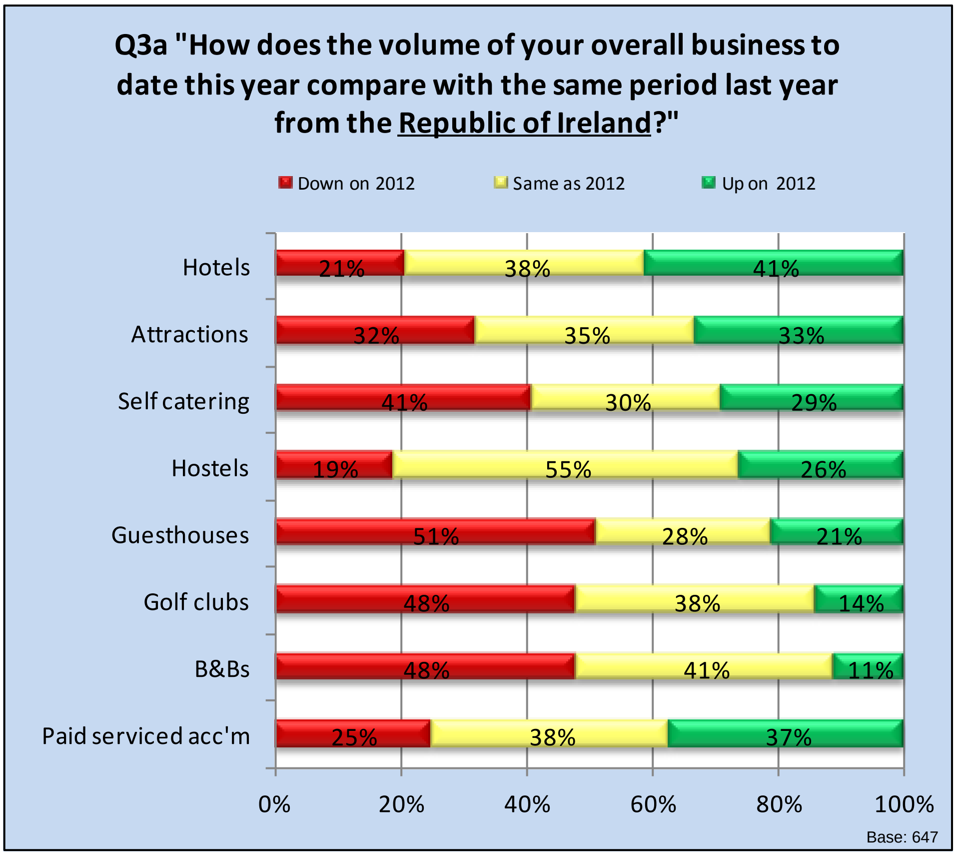
3.2 Hotels have also started the year well, and many put this down to own marketing or repeat visitors.

Difficulties still being experienced by smaller serviced accommodation

3.3 The performance of guesthouses and B&Bs is very different to that of hotels, whereby half (50%) have had decreased visitors to date this year. The main factor continues to be the pressure they are under from low hotel rates.

"We have reduced our rates by up to 25% for the fourth year running. It's a case of deal or die"
Guesthouse

Domestic visitors

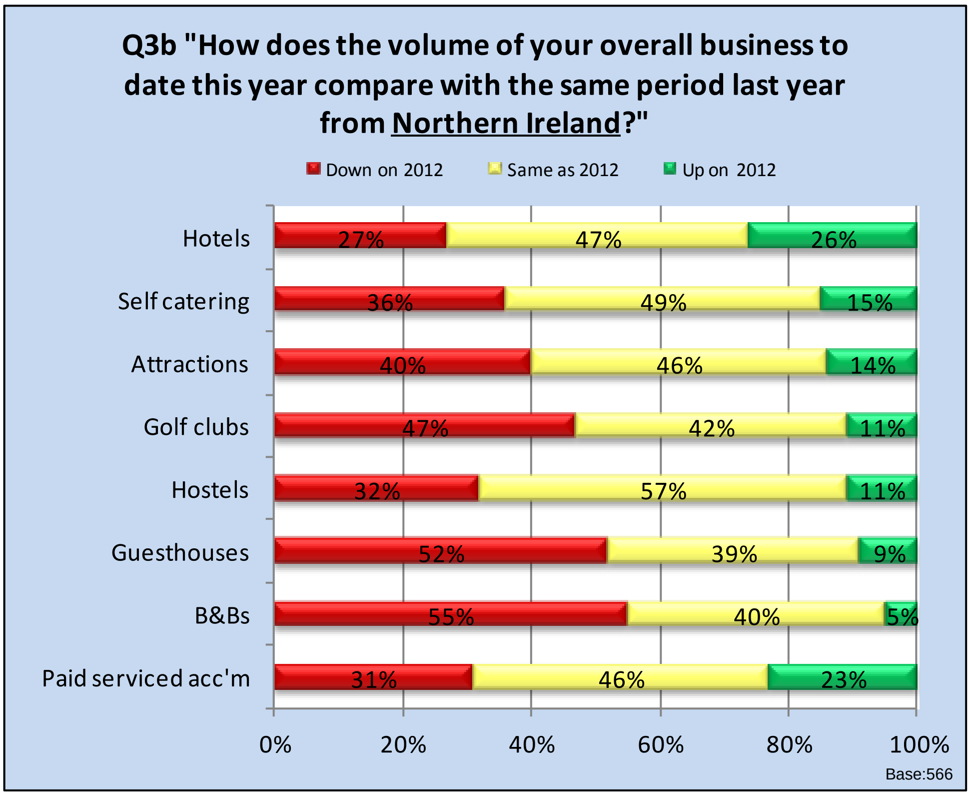


Domestic market – strong for hotels but not for smaller serviced operators

3.4 Hotels have had good domestic visitor numbers to date this year. Results and comments suggest however that this has come at the cost of market share for guesthouses and B&Bs.

"More Irish people are holidaying at home and are discovering what they have missed in their own country over [the] years"
Hotel

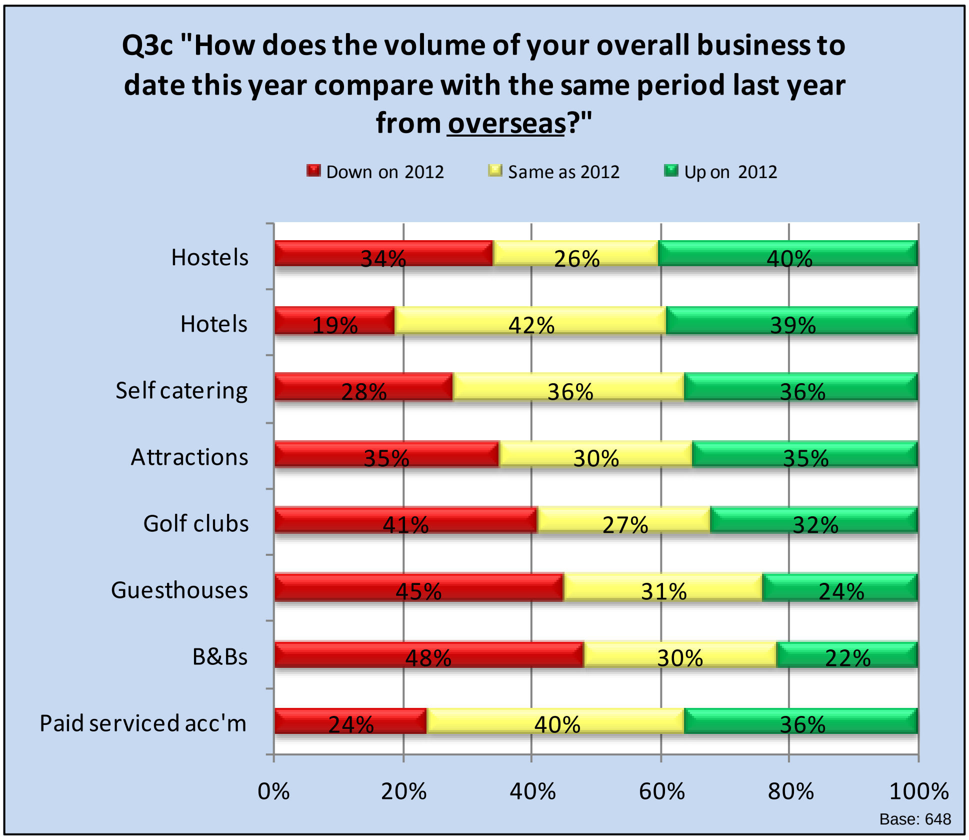
Visitors from Northern Ireland



Northern Ireland down so far this year

3.5 The hotel sector has seen a levelling off of visitors from Northern Ireland following a few years of decline. All other sectors have seen significant further declines however.

Overseas visitors



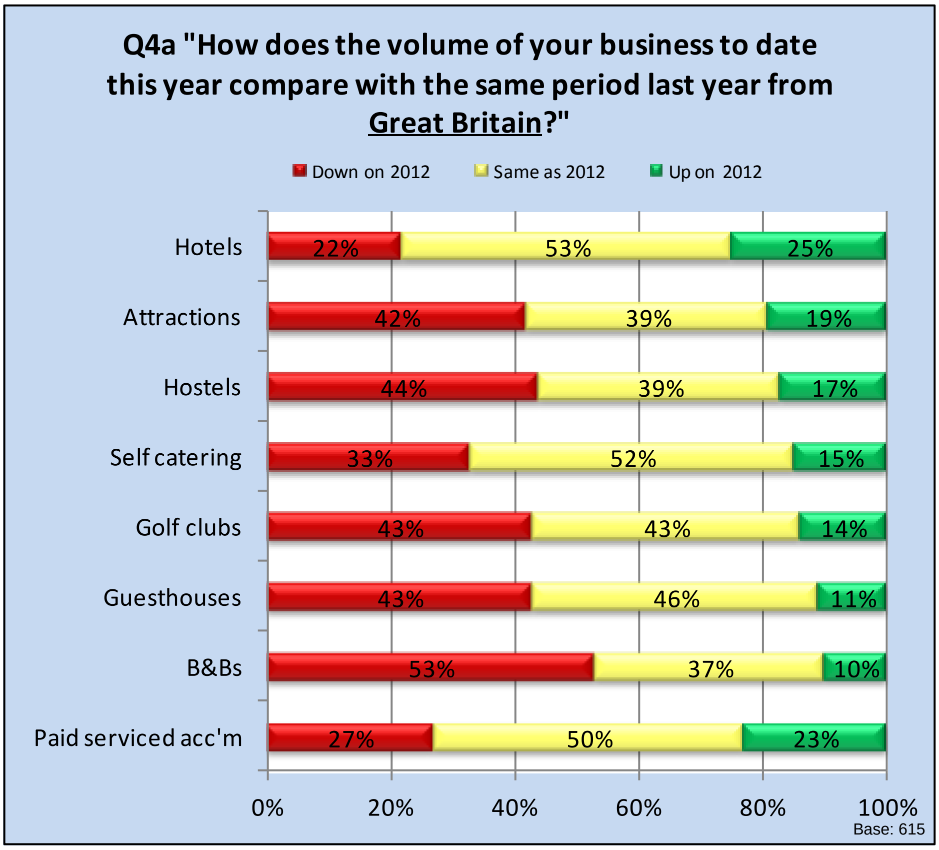
Overseas visitor volumes quite strong so far this year

3.6 The PSA sector has seen good levels of overseas visitors so far this year. This is due to the performance of the hotel sector.

3.7 The overall increase in overseas visitors year to date is closely linked with the increase in American visitors, discussed in detail later.

Visitors from Great Britain

Charts now show the overseas visitor volumes by key individual markets, starting with Great Britain below.

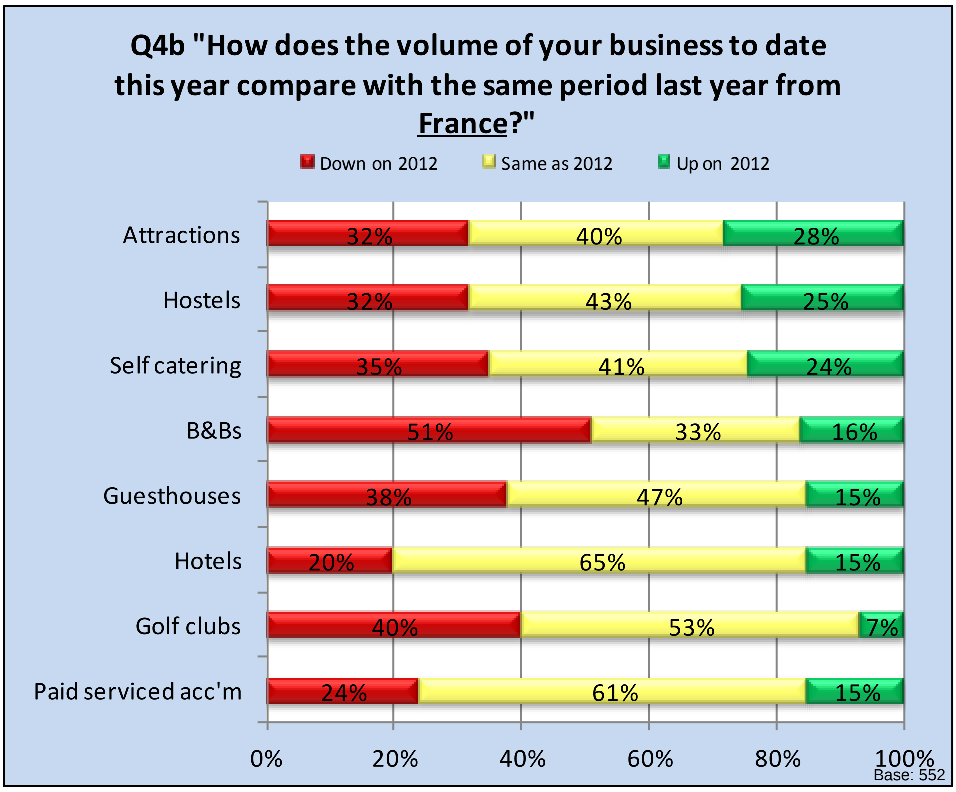


British market performance – still not recovered

3.8 Seeing the British market return to its former strength is high on many operators' tourism 'wish list'. So far this year, the decline appears to have continued in all sectors except hotels, which have seen some stability.

"We have upgraded to pet friendly over the winter and hope it brings in more British tourists"
Guesthouse

Visitors from France

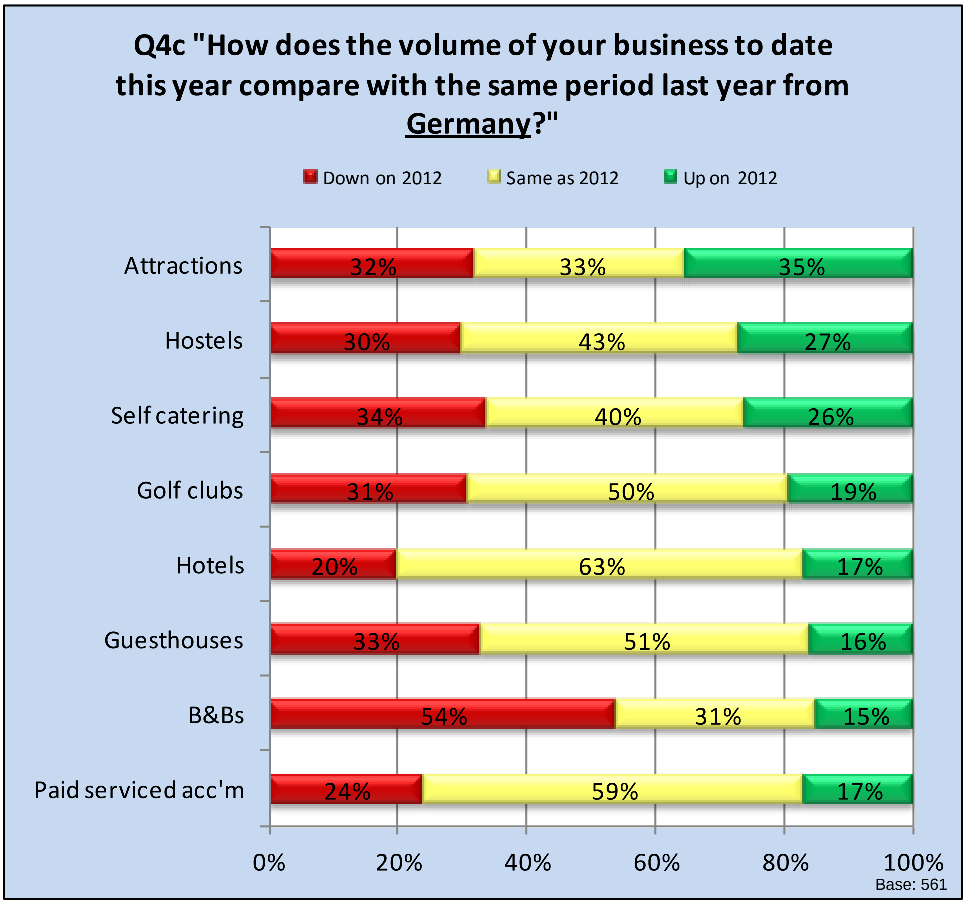


French market down so far this year

3.9 2012 was a good year for hostels and guesthouses for French visitors, but French visitor levels so far this year have not kept up.

"The ending of flights from France and Germany into Ireland West Airport Knock is an issue of concern"
B&B

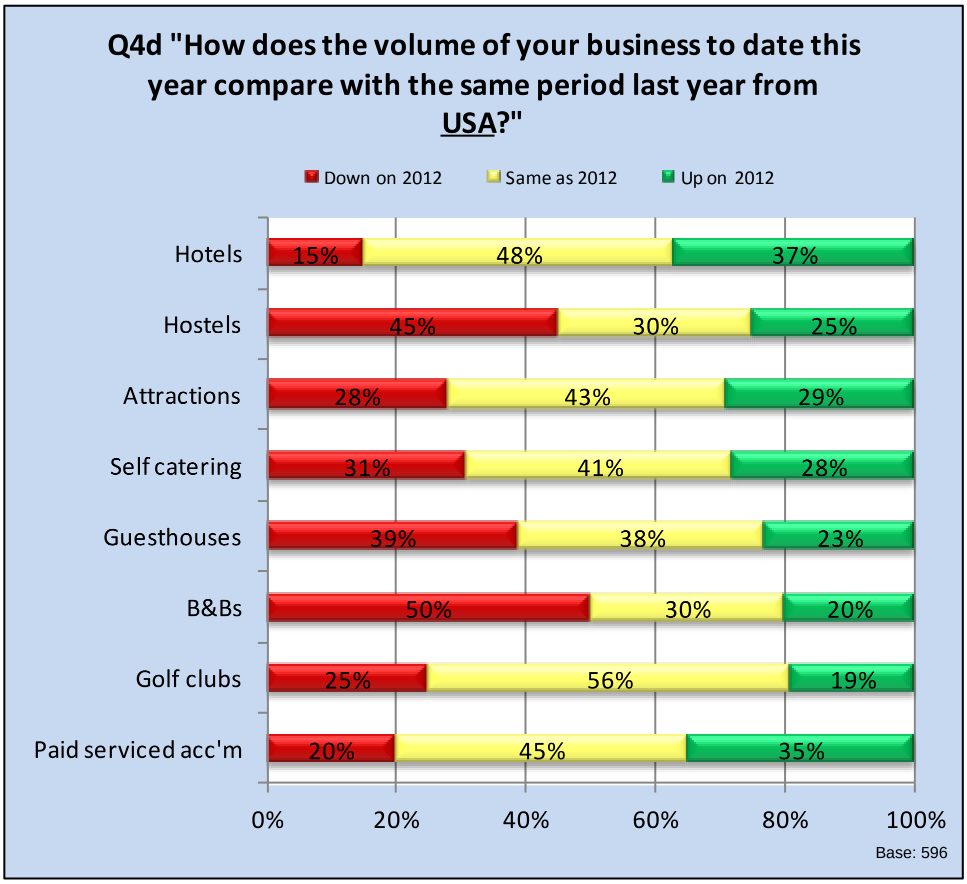
Visitors from Germany



A fairly quiet year so far for the German market

3.10 The German market has got off to a quiet start to the year, with only the attractions sector seeing increased volumes.

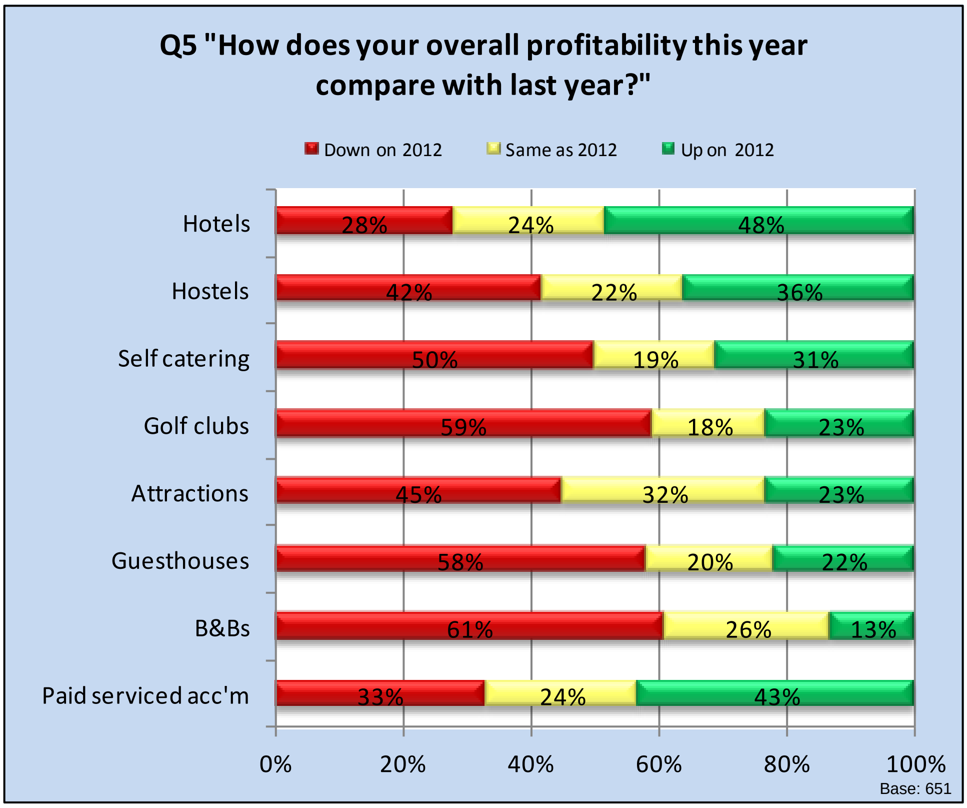
Visitors from USA



American market – continues to be a strong market for hotels

3.11 The hotel sector has enjoyed increased overseas visitors to date this year, and this is largely due to the US market.

4. Profitability



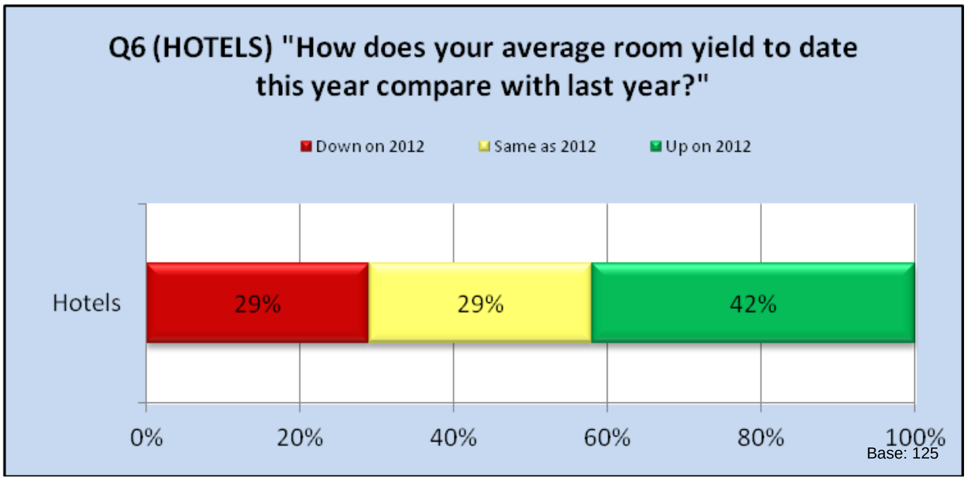
Hotels are the only sector increasing profitability

4.1 The hotel sector has increased its profitability again this year, but all other sectors are significantly down in this area. Operators continue to operate in a climate of rising operating costs and rates under pressure from low-priced competition.

"Increased charges from our suppliers and yet we are unable to increase our prices"
B&B

"There is a great deal of competition with hotels at the moment as they are able to offer better promotions and more facilities"
Guesthouse

5. Average Room Yield

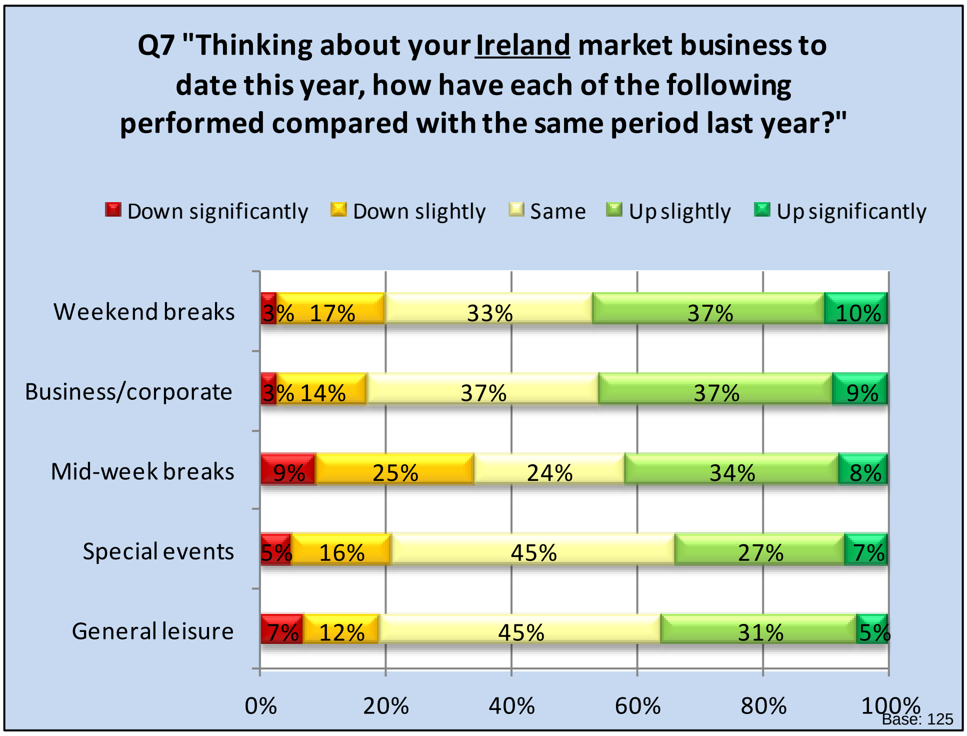


The above question has only been asked of hotel operators

Encouraging signs of profitability returning for hotels

5.1 Average room yields are up significantly in the hotel sector. The proportion reporting an increase in yield (42%) is not far short of the proportion reporting increased visitor volumes (48%). This means that increased visitors are still being won at the slight expense of reduced rates, but not nearly as much as was the case about a year ago.

6. Ireland Market (Hotels)



The above question has just been asked to hotels.

Business/corporate bookings on the up

6.1 After a significant period of time of decline, there is evidence that the business/corporate market in Ireland is on the up again. Many hotels rely on this market and are pleased to see the business increasing again.

"There is a general increase in the corporate sector"
Hotel

"Improved business from the corporate sector. We are seeing confidence coming back"
Hotel

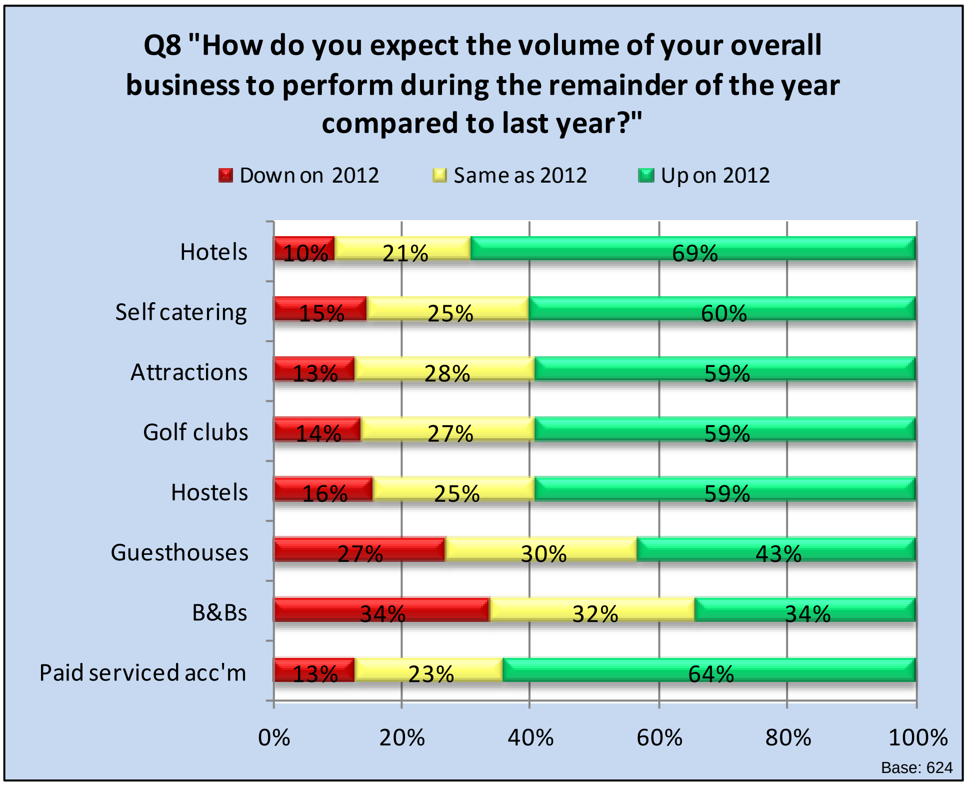
Domestic weekend breaks are also on the up

6.2 There is also a notable increase in domestic weekend breaks this year. Comments suggest that consumers have become used to having lower disposable incomes, but they still expect a good experience, even if they can have it for a lower price.

"The Irish consumer is discerning and as ever, they want a good experience regardless of price and they deserve that" - Hotel

7. Expectations for 2013

Overall expectations

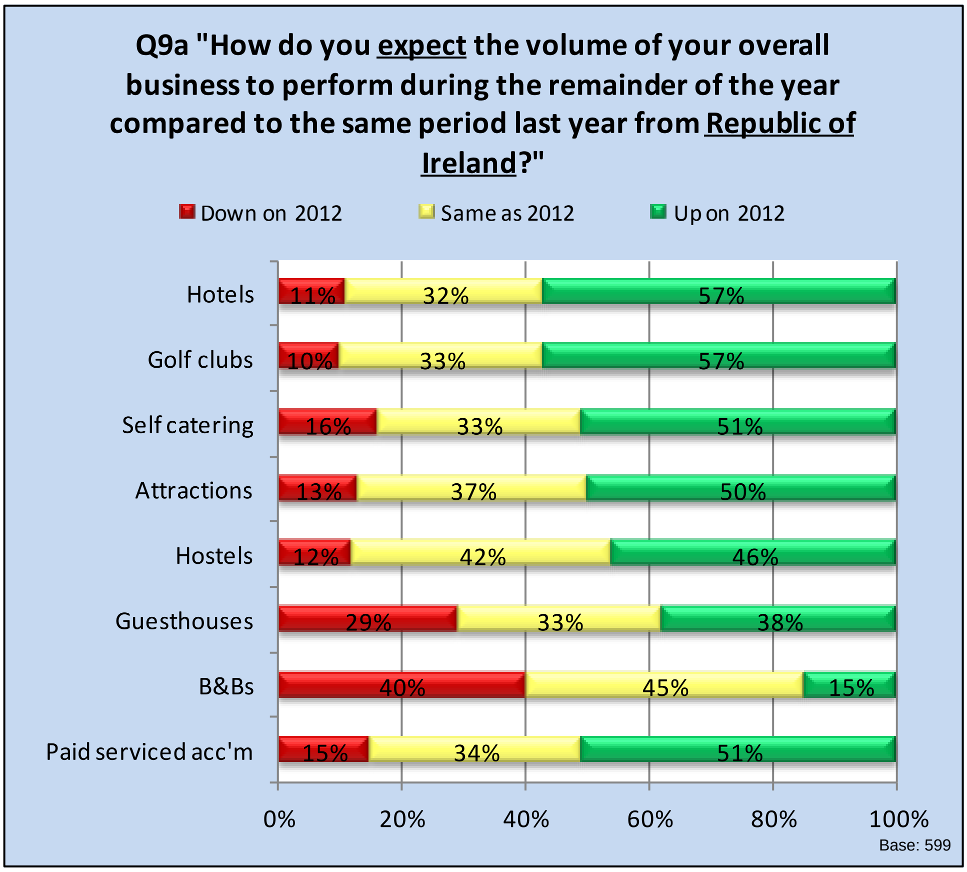


High optimism for the remainder of 2013

7.1 Optimism for the remainder of this year is extremely high. The general sentiment is that the worst of the economic hard times are over, and people are slowly starting to have a bit more confidence in spending money again. It is also felt that Ireland is now much better value for money than it used to be.

"A more determined effort by everyone here in Ireland to go that extra mile, just like it used to be pre-Celtic tiger era!"
Self-catering

Domestic expectations

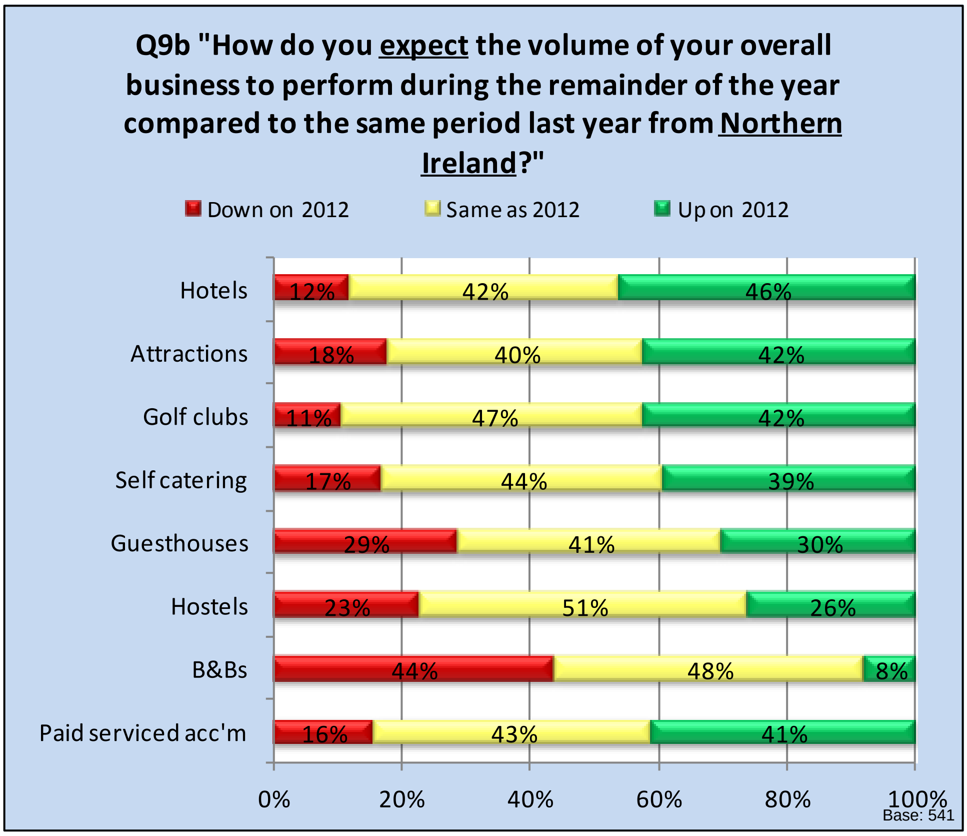


Domestic market is looking very positive

7.2 Behind the strong overall expectations for 2013 is a high level of optimism about the domestic market. It is expected that Irish consumers will feel more confident to come out and spend a bit of money this summer. This is very different from a few years ago, when people were feeling very uncertain about their future and so were reluctant to spend.

"The people of Ireland have a much more positive outlook on things this year and as a result are spending a little more money on weekends away"
B&B

Northern Ireland expectations

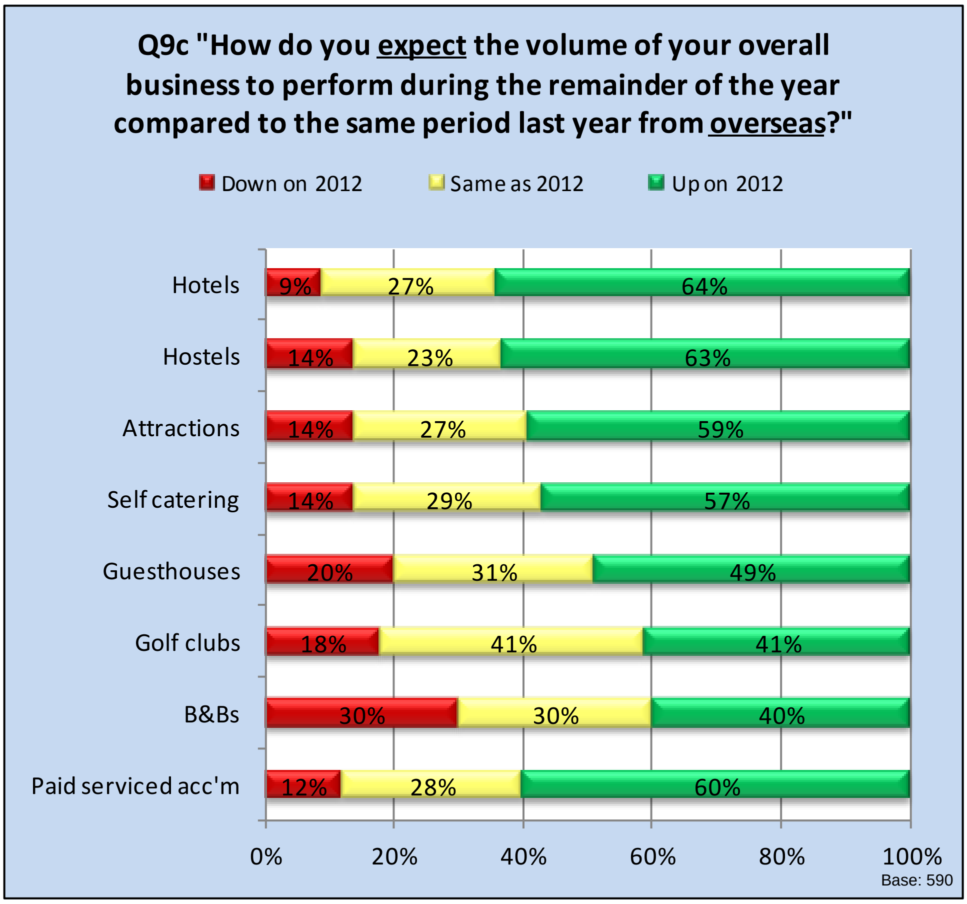


Expectations for Northern Ireland are high for the first time in years

7.3 This is the first survey for a long time where expectations for Northern Ireland are high. Having spent a number of years in decline, this market is expected to pick up for several reasons, including a favourable exchange rate (for the consumer) and a perceived lift in disposable income.

> *"Positivity with regards to Northern Ireland – if the euro remains weak to the pound it will have a positive effect ... The Northern Ireland market is a bit more upbeat and they have more dispensable income"*
> Self-catering

Expectations from overseas



Very strong expectations for overseas markets

7.4 As well as strong expectations for the domestic market, there are also strong expectations for the overseas market. 2013 is the year of The Gathering, and many operators expect to experience increased business as a result of this initiative.

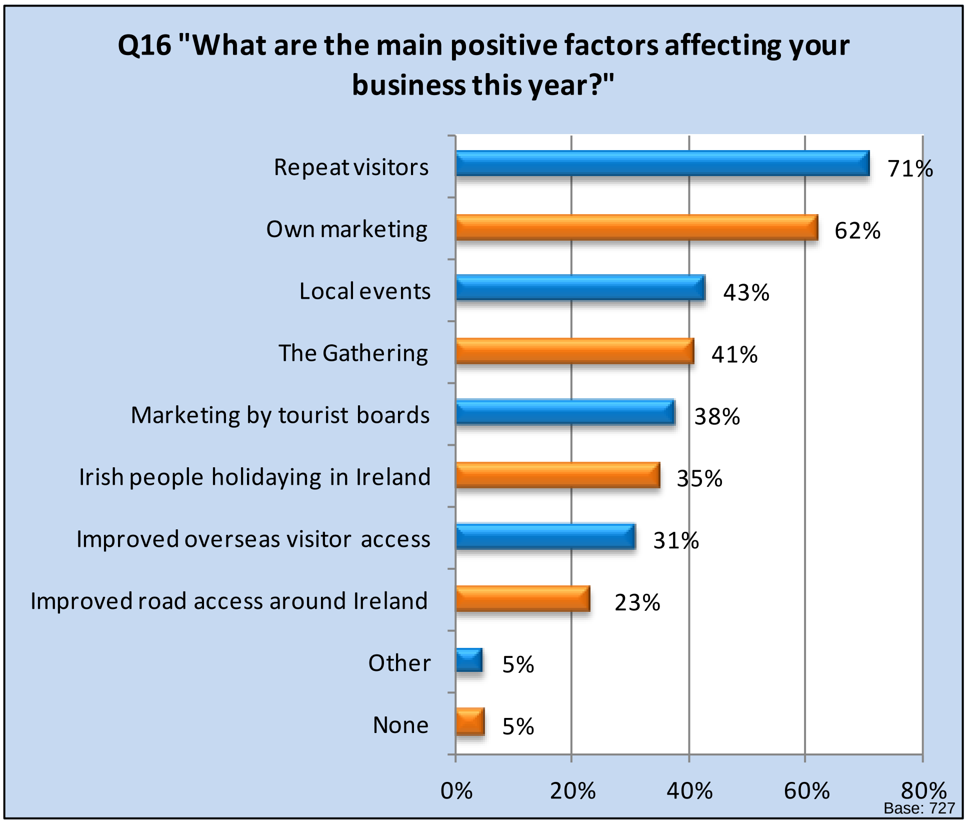
"The Gathering is reminding people and giving them a reason to talk about visiting; now we need to convert that momentum"
Hotel

The US market is key this year

7.5 All of the major overseas markets (Britain, France, Germany, USA) are expected to be up this year, but the strongest optimism is with the US market. Numerous factors contribute to this, including good levels of advance bookings, strong relevance for The Gathering and improved access to Ireland.

"The economic resurgence in America has been helpful"
Attraction

8. Positive Factors in 2013



Repeat visitors – the most frequently mentioned positive factor again

8.1 ‘Repeat visitors’ are usually the most frequently mentioned positive factor affecting business, and that is the case again this survey.

8.2 Some operators make reference to the improved value for money in Ireland, and that this contributes to customers returning.

“There is a lot of good value of money here and once people realise that, they often come back”
Hostel

‘The Gathering’ – many have hopes for increased business, but still slightly too early to tell yet

8.3 The Gathering is largely felt at this stage to be a good initiative, with many (41%) operators getting involved in events in their locality. Three in ten (30%) operators have already invited people to attend a Gathering event, and a further 16% were planning to invite people at the time of responding to the survey.

8.4 As many events are taking place in the peak summer season, it is still a bit too early to tell if the initiative will result in increased business for operators, and to what extent. Some (5%) operators say they have already experienced increased business; the remainder could only speculate at the time of responding, with 40% expecting to see increased business, 37% not expecting to increase business, and the remaining 18% answering 'don't know'.

8.5 The proportion experiencing or expecting to experience increased business is highest among hotel operators (68%) and attractions (58%).

"The Gathering is hugely positive"
Hotel

Marketing by local or national tourist boards

8.6 A number of respondents complimented the work of their local or national tourist boards. Some have undertaken joint marketing activities.

"Attendance at Fáilte Ireland and Tourism Ireland events have been a positive factor"
Hotel

"Marketing by the tourist boards has been very good this year"
Self-catering

Overseas visitor access – differences in opinion depending on location

8.7 A number of operators have commented on this subject. Overseas visitor access to Dublin and the surrounding area is thought to be good, but in the west of the country operators tend to have mixed views. Some say that Shannon airport is getting busier again, but others feel that access to Dublin is easier and cheaper than to the west.

"Improved flight access through Shannon airport has a hugely positive effect on our business"
Hotel

"It looks like Shannon airport is doing more business than last year"
B&B

"Whilst there are extra transatlantic flights into our region [south west] this year, flights from the UK and mainland Europe do not appear to be as plentiful. This is a grave concern"
Guesthouse

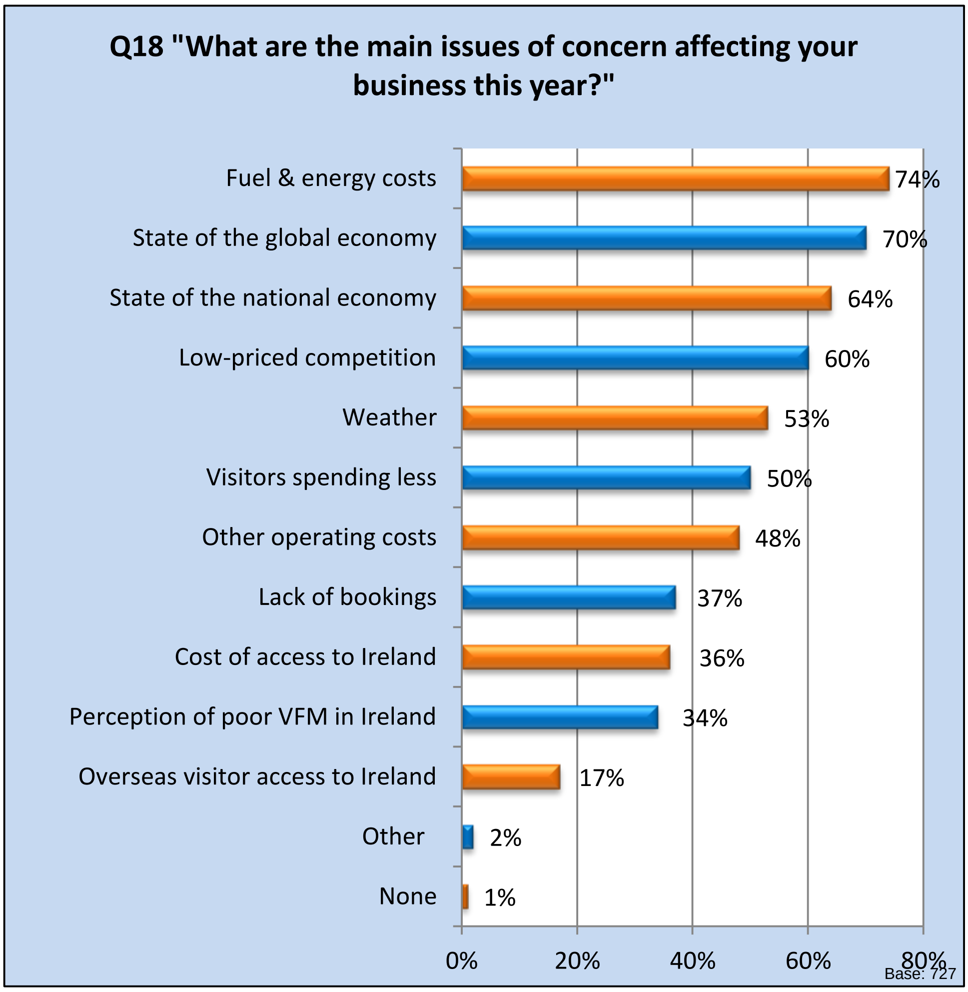
"There are very few European flights arriving in Shannon. All my guests arrive in Dublin and have to travel to the West to visit us. Unless they have a car, they will stay in Dublin, which means fewer tourists in the mid-west"
B&B

Ireland's roads – have certainly improved, but for some businesses this is detrimental for overnight tourism

8.8 Road access around Ireland has certainly improved with good motorway routes spanning the country end-to-end. Whilst this is good for the overall visitor experience, it is unfortunately detrimental for some businesses in the west or south of Ireland that used to have visitors based in Dublin making overnight stays. Now, many visitors to their areas can get from Dublin and back in a day and so feel that they have lost out in trade.

"Roads to/from Dublin are actually pulling business away from us because people come down on tour buses and then head back to Dublin after doing some quick sightseeing"
Hostel

9. Issues of Concern in 2013



Fuel and energy costs – the most commonly expressed concern

9.1 Fuel and energy costs remain the most frequently mentioned issue of concern. The costs continue to eat into profit margins, making survival in difficult economic times all the more challenging.

"Static or decreasing room rates versus ever increasing costs, particularly energy-related. This means that accommodation providers are being squeezed from both ends resulting in decreased profits"
Guesthouse

"The question of effort, work and time versus the overall costs is becoming increasingly questionable"
B&B

"The prices of utilities are way too high and we're unable to put any of our prices up"
Attraction

Economic recovery

9.2 Although significant proportions of respondents still have concerns over the state of the global and national economies, comments and expectations suggest that 2013 will be the first year of significantly turning the corner.

"There is a little more positivity, not excessive, but people seem to understand the recession a bit better and have a better plan of how to spend and use their money. Last year it was fear of the unknown … people were not in spending or holiday mood"
B&B

No change in the concern of low-priced competition

9.3 Hotels are doing much better than a year ago at maintaining room yields and profitability, but the low prices offered by many businesses in this sector still make conditions very tough for guesthouses and B&Bs. Some hope that an upturn in the market might encourage hotels to lift their prices and allow smaller serviced operators some much needed breathing space.

Weather dependency

9.4 Over half (53%) of respondents state the weather as an issue of concern this year. Some sectors are particularly weather-dependent, such as caravan & camping and golf clubs.

"The golf business is hugely weather dependent and the bad weather we have experienced over the past 12 months has affected our business on a big scale"
Golf club

Value for money in Ireland – thought to be improving

9.5 About a third (34%) see perceived poor value for money in Ireland as a concern – a decrease from 41% at the end of 2012. Comments support this perceived move towards better value for money, and some operators certainly feel they are working hard to give it.

"Perception of better value, which we are certainly delivering"
Guesthouse

10. Appendix 1 – Background and Methodology

Background and Objectives

10.1 The Fáilte Ireland Tourism Barometer is a survey of tourism businesses designed to provide insight into tourism performance for the year to date and prospects for the remainder of the season or coming year. It has been conducted regularly since 1999.

10.2 In March 2013, Strategic Marketing, an independent research agency, was commissioned to continue conducting the survey for the next three years.

10.3 Fieldwork for this first wave in 2013 took place between 8th and 26th April. The objectives were to measure:

- Business performance to date in 2013 in terms of visitor volume – overall and by key markets – and profitability
- Average room yield year to date (hotels)
- Visitor volume expectations for the remainder of 2013
- Positive factors and issues of concern affecting business

Methodology

10.4 The methodology used was a combination of an online survey and telephone interviews.

10.5 Fáilte Ireland and Strategic Marketing worked together to produce a questionnaire for online and telephone interviewing. A copy of the questionnaire is included in appendix 2.

10.6 Fáilte Ireland provided a database of 3,038 usable contacts (i.e. not opted out) for the survey spread across seven industry sectors (discussed under 'sampling' below). An email was sent on 2,994 to all contacts on the database containing a link to the online survey and an explanation of the survey objectives. Two subsequent reminder emails were sent to non-responders.

10.7 A total of 577 responses were received to the online survey – a response rate of 19%.

10.8 Following this, we conducted 150 'top-up' interviews by telephone with non-responders in order to improve the robustness of their individual sample sizes so that results can be reported by sector. Interviews were conducted in daytime and evening hours with business owners or managers.

Sampling

10.9 The table below shows the sample split by sector and interview methodology:

Sector	Online responses	Telephone top-ups	Total sample size
Hotels	93	43	136
Guesthouses	62	26	88
Bed & Breakfast	309	-	309
Self-catering	24	20	44
Hostels	29	19	48
Attractions	50	30	80
Golf clubs	10	12	22
Total	**577**	**150**	**727**

Interviews for Contextual Background

10.10 In a separate exercise, we conducted five in-depth telephone interviews with senior executives in key organisations. The purpose of these interviews was to provide a contextual background to the quantitative findings, and this is given in section 2 before the findings to the main quantitative survey. The key organisations interviewed were:

- Incoming Tour Operators Association
- Irish Boat Rental Association
- Irish Caravan and Camping Council
- Aer Lingus
- Coach Tourism and Transport Council