2008 TOURISM BUSINESS SURVEY

Final Report

Completed by Strategic Marketing
on behalf of Visit Wales
18 November 2008

Visit Wales
Croeso Cymru

STRATEGIC
MARKETING

Contents

1. Research Background

Objectives & Timing

1.1 Visit Wales commissioned Strategic Marketing to conduct a 'Tourism Business Survey' in five stages or 'waves' throughout 2008. Strategic Marketing has been conducting this research since 2005. The aim of the survey was to measure business confidence in the Welsh tourism industry and performance over the major holiday periods.

1.2 The survey has covered the following issues:

- Business confidence
- Guest/visitor trends
- Recruitment & training
- Turnover
- Marketing
- Investment
- Booking trends
- Occupancy levels
- Perceptions of the tourism season
- Perceived USP
- Impact of the credit crunch
- Local sourcing of goods and services
- Tracing ancestral roots

1.3 Each of the five research waves has taken place immediately after a major holiday period and Strategic Marketing has submitted a report on the key findings of each of the waves on the dates below.

Wave	Period	Research commenced	Report submitted
1	Christmas / New Year	7 Jan	11 Jan
2	Easter	25 Mar	28 Mar
3	May (bank holidays & school half term)	2 Jun	6 Jun
4	Summer	26 Aug	29 Aug
5	Autumn (school half term)	3 Nov	7 Nov

1.4 The aim of this final report is to comment on overall trends through the year and highlight any significant findings which become apparent from viewing the five waves of the research as a whole.

Methodology & Sample

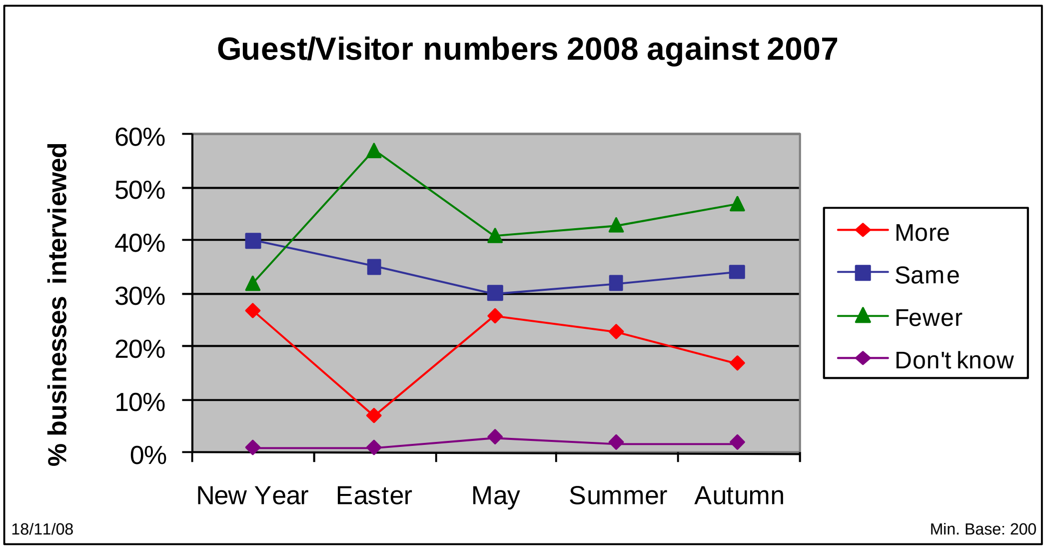
1.5 In each wave, a minimum of 200 telephone interviews have been conducted based on the sampling quotas below. The total number of interviews conducted throughout the five waves is 1,068. The sampling quotas ensured that an adequate sample size by regions and sectors has been obtained.

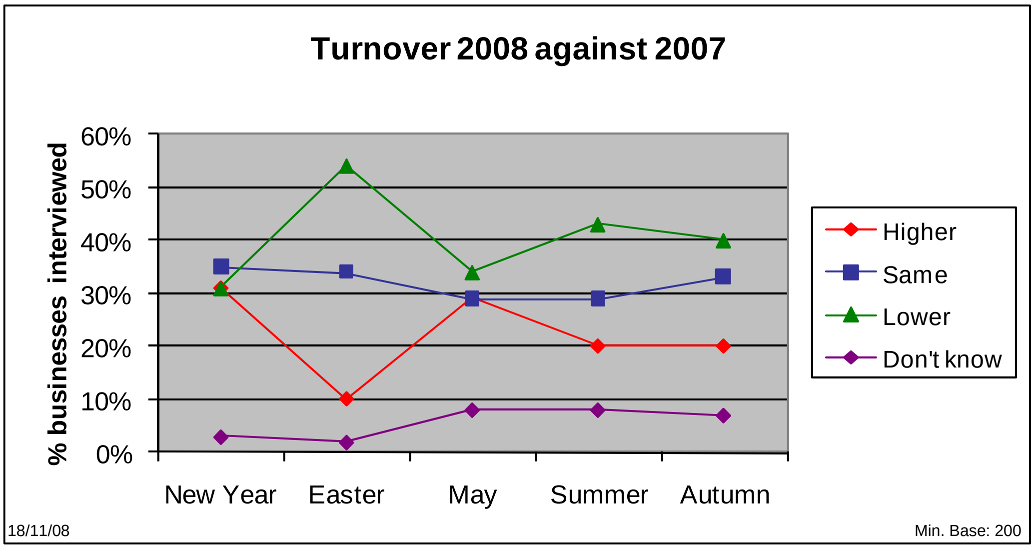
	North Wales	Mid Wales	South West Wales	South East Wales	**Total**
Attractions	12	10	10	8	**40**
Serviced	18	15	15	12	**60**
Self Catering	18	15	15	12	**60**
Campsites	12	10	10	8	**40**
Total	**60**	**50**	**50**	**40**	**200**

1.6 It is important to remember that this research is designed only to be an early indicator of performance in the Welsh tourism industry whilst the more detailed UKTS and IPS figures are usually prepared for release about six months later. The conclusions presented here are a summary of feedback from the trade, whereas the UKTS and IPS figures, when released, should give a more accurate picture.

2. 2008 Overall Findings

Guest/Visitor Numbers and Turnover





2.1 In each wave, businesses have been asked to compare their guest/visitor numbers and turnover with the equivalent period last year. The above charts show the percentage of businesses giving each answer for the five waves.

2.2 The tourism industry in Wales has had a very challenging year. In every wave the proportion of businesses reporting a decrease in guest/visitor numbers (depicted by the green line in the top chart) has been much greater than the proportion reporting an increase (depicted by the red line).

2.3 Easter is often regarded by many operators as the time 'when business starts picking up' and they look forward to it in the early part of the year. However this year Easter Sunday fell very early on 23rd March, meaning cooler weather, dark evenings and some school holidays not occurring until

April. It is important to view the result that only a minority (7%) increased their numbers for Easter in this context.

"People don't tend to plan to camp in March"
Campsite, South West, Wave 2

"The timing of Easter in relation to school holidays just makes things more awkward for people to get away"
Self-catered, Mid, Wave 2

"Our day visitor numbers are down 41% due to early Easter and bad weather"
Portmeirion, Wave 2

"It was dead ... early Easter ... too cold"
Padarn Country Park, Wave 2

2.4 After a disappointing Easter, the remainder of the year has been hit by bad weather at all the wrong times (especially school summer holidays and bank holidays), and to a lesser extent the credit crunch, which is discussed in more detail in section 6.

"The second bank holiday weekend [in May] *was a wash-out"*
Caerphilly Castle, Wave 3

"People have less money to spend"
Self-catered, Mid, Wave 4

"Summer has been absolutely terrible. On a scale of 1 to 10, I'd give it a 3"
Caravan park, South West, Wave 4

"Bank holiday Monday [August] *was a non-event"*
Portmeirion, Wave 4

"It's never been so quiet"
Serviced, South East, Wave 5

2.5 In spite of the difficult weather and economic conditions, there are always some businesses that manage to profit by increasing their efforts in areas such as marketing and customer satisfaction and sharpening their competitiveness to win a good share of the limited volume of business available.

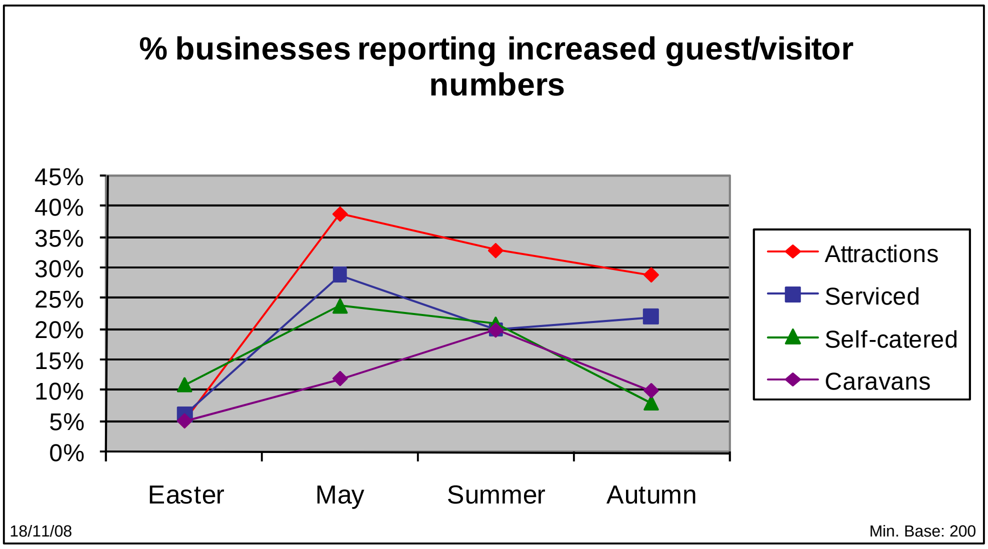
"Lots of investment, have built up a good reputation. We have had a record year ... already exceeded the whole of last year's turnover"
Caravan park, North, Wave 4

"We have put a lot of work into marketing our exhibition this summer"
Attraction, South East, Wave 4

"People were looking for offers – we had offers"
Serviced, South West, Wave 5

"Business is booming! We have 24 advance weekend bookings for next year"
Serviced, South East, Wave 5

3. Sector Overview



3.1 The above chart shows how the four industry sectors have performed in terms of guest/visitor numbers in comparison to the equivalent 2007 period. The New Year period is not included because fewer operators were open and so this reduced the sample size, making comparisons between sectors unreliable.

Attractions

3.2 Indoor attractions often benefit from what other operators describe as 'bad' weather, with people flocking indoors to keep out of the rain. Consequently the attractions sector as a whole has had quite a successful year.

"When the weather is bad, people want indoor attractions"
Attraction, South East, Wave 4

"More people have wanted to come indoors"
Cardiff Bay Visitor Centre, Wave 4

Self-catering

3.3 The self-catering sector was the weakest performing sector in this research from 2005 to 2007. This year has again not been good, although it does at least appear to have had slightly more success than caravan & campsites.

Caravan & campsites

3.4 Caravan & campsites are the most weather-dependent sector. This year it rained at all the wrong times.

“We closed the tent field due to early Easter to avoid damage to grass”
Campsite, North, Wave 2

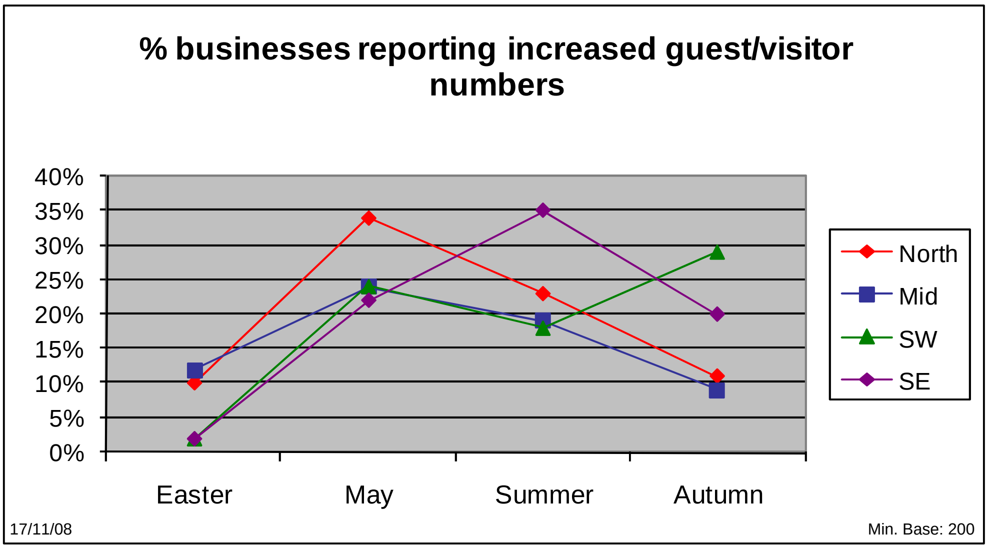
“Worst May in 20 years”
Caravan park, South East, Wave 3

“Couldn’t take as many people as we wanted to because the terrible weather ruined the ground. We had to turn people away over August bank holiday”
Campsite, Mid, Wave 4

“Weather has been terrible – the school holiday is our busiest time of year but it has been so quiet”
Caravan park, North, Wave 4

“Summer has been absolutely terrible. On a scale of 1 to 10, I’d give it a 3”
Caravan park, South West, Wave 4

4. Regional Overview



4.1 The above chart shows how the four geographical regions have performed in terms of guest/visitor numbers in comparison to the equivalent 2007 period. The New Year period is not included because fewer operators were open and so this reduced the sample size, making comparisons between sectors unreliable.

South East

4.2 The South East (SE) has been a strong region for a number of years now and this year the disappointing spring and autumn have been made up for by a reasonable summer, considering the difficult conditions.

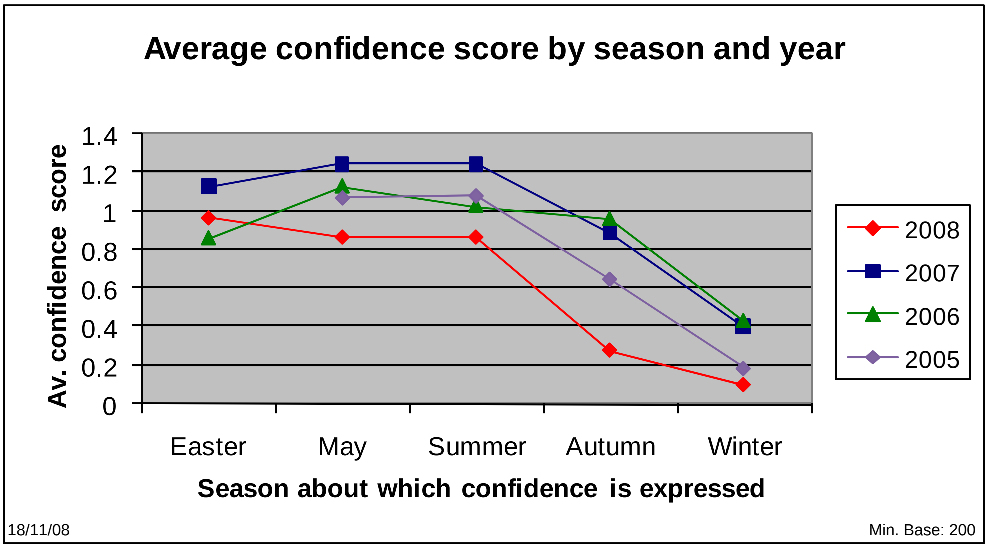
"Despite the weather, people still seem to be coming"
Caravan park, South East

North

4.3 In 2006 and 2007 the North had a very difficult time. This year the region had a reasonable May, before it once again started to fall behind the southern regions.

"Business has been terrible, not sure if we can carry on trading … enquired about grants or any help from Visit Wales"
Caravan park, North

5. Confidence



5.1 The 'average confidence score' has been calculated according to the table below:

Respondent's answer to confidence about the coming season	Confidence score
Very confident	+2
Fairly confident	+1
Don't know *or* neither/nor	0
Not very confident	-1
Not at all confident	-2

5.1 The red line on the above chart depicts confidence levels for 2008. As each period has been below par this year, confidence for the next period has been affected significantly. Following a disappointing summer, only half (52%) of operators were then confident about the autumn.

6. Impact of the Credit Crunch

6.1 The ‘credit crunch’ has been dominating the headlines this year. Consumers have had to deal with reduced disposable income, especially due to soaring energy and petrol prices. Businesses have been hit by negative economic growth; in the third quarter of this year the GDP of the UK declined by 0.5%. With falling house prices, rising unemployment and uncertainty over job security, both consumers and businesses are facing challenging times, something which the media are constantly reminding everyone about.

6.2 In the Easter, summer and autumn waves we have asked businesses about the effects of the credit crunch. Each time opinion has been strongly divided, ranging from those who talk of economic disaster to those who feel unaffected.

	(Wave 2) “How much impact do you think that a squeeze on consumer credit will have on your business this year?”	**(Wave 4) “How much impact do you think the credit crunch has had on your business this year?”**
Significant impact	16%	20%
Possible / partial impact	40%	20%
Little or no impact	35%	50%
Don’t know	9%	10%

18/11/08 Min. Base: 200

6.3 When the credit crunch was in its ‘early days’ in wave 2, just over half (56%) of businesses interviewed thought they might be affected.

“We expect our hotel accommodation to be affected”
Portmeirion, Wave 2

“Everything is going up so people are watching the pennies, petrol etc”
Caravan park, South West, Wave 2

“I have a concern about less available disposable income which will put people off from visiting and/or spending as much money as previously”
Attraction, Mid, Wave 2

6.4 By the end of August in wave 4, the effect had arguably been not quite as bad as some thought but the poor summer weather made it difficult to tell whether business was down because of the weather or the credit crunch.

“It is hard to judge how significant the credit crunch has affected us as the weather has been so bad”
Attraction, South West, Wave 4

	(Wave 4) "What effects do you think the credit crunch has had on tourism in Wales this summer?"	**(Wave 5) "What effects do you think the credit crunch is having on tourism in Wales?"**
Negative – people taking fewer breaks (less than 7 nights)	24%	23%
Negative – people taking fewer holidays (7+ nights)	21%	19%
Positive – more people holidaying (7+ nights) in the UK	13%	9%
No significant effect	12%	27%
Negative – people taking shorter holidays	11%	10%
Negative – people spending less on arrival	5%	15%
Unable to judge	5%	19%
Positive – more overseas visitors	4%	-
Other	7%	5%

18/11/08 Min. Base: 200

6.5 There are many different opinions on how the credit crunch has affected tourism in Wales or even if there had been an effect at all yet. One of the most popular opinions at the end of the year is that even now it is still too early tell as people had already booked in advance this year. Next year will be the true test.

"Not taken hold just yet ... came at the end of season when people had holidays booked ... next year it will hit"
Caravan park, South East, Wave 5

"Too soon to say. In 6 months time we'll be feeling it"
Self-catered, South East, Wave 5

"Next year will be the telling year"
Attraction, North, Wave 5

6.6 About one quarter of respondents in each wave (4 and 5) believe that people are taking fewer breaks of less than 7 nights.

"People don't seem to have the money for an extra break to their main holiday"
Serviced, South West, Wave 4

"People are opting for one main holiday rather than several shorter breaks"
Serviced, Mid, Wave 4

"Only difference is people are coming less often / taking shorter breaks – people who have been coming for years"
Caravan park, Mid, Wave 5

"People who used to come every week are now coming every couple of weeks – price of fuel"
Caravan park, North, Wave 5

6.7 The effects are not all negative, as some operators expect that more people will be taking their main holiday (7+ nights) in the UK next year instead of going abroad.

"Not hit just yet. Could have a positive effect with people staying in the UK rather than going abroad"
Caravan park, Mid, Wave 5

"Credit crunch will work in our favour as more people will be inclined to holiday in the UK rather than abroad – weather permitting!"
Serviced, North, Wave 5

"Will be busier next year as people have lost confidence in the airlines and will be holidaying in the UK more"
Self-catered, Mid, Wave 5

6.8 Perhaps one of the most important lessons for the industry to learn is that it is still possible to perform well in difficult conditions with the right competitive attitude, which is always more fruitful than being too taken in by the doom and gloom that the media have been portraying.

"Our hotel was very on the ball and has put in offers to buffer the decline and has very good links with businesses ... overall business seems to be doing very well in comparison to other businesses but we've obviously worked hard to prevent any downturn in bookings"
Serviced, North, Wave 5

"People recognise value. We have kept our prices down and have retained our customers"
Serviced, South East, Wave 5

"People seem to be using the recession as an excuse"
Serviced, North, Wave 4