

Summary of Trends and Markets research for TLG

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BACKGROUND

Three strands of research are being carried out to inform the refresh of the national tourism strategy. These involve identifying key tourism trends, a market assessment, research on the capabilities of Scottish tourism and an exploration of best practice in tourism around the world.

The workshop held in Edinburgh on the 8th December was part of a programme of meetings, which aims to draw the knowledge of the tourism industry into this research phase of the strategy development. A summary of findings from the Trends and Markets research strand was presented, and then the workshop participants were asked to discuss what were the key markets and trends for them.

The following is an outline of what was presented.



KEY TRENDS WHICH WILL CONTINUE TO IMPACT ON TOURISM

As an activity which touches on the lives of most consumers and companies, the evolution of tourism is closely tied to national and global social and economic trends – and their resulting impact on consumer and corporate behaviour. The presentation looked at a few of the key trends.

International tourism growth: Although affected by the global economic crisis, tourism is one of the most valuable economic sectors in the world and looking forward, moderate, sustainable growth is expected

Ageing populations: Most countries now have ageing populations and the older age groups account for a large share of consumer spend. It is vital for destinations and tourism businesses to target older visitors with a range of compelling offers, in a way which recognises their evolving aspirations.

Cautious consumerism: While holidays remain a protected purchase for many people, the result of the uncertain economic situation has been widespread consumer caution, demonstrated by shopping around, price comparison and gathering product reviews and customer feedback. Value for money is an ever more important consideration for consumers, and is an important part of a destination's (and business's) reputation.

Trends in demand - Our market of increasingly experienced travellers has clear expectations of the standard of facilities which is proper at each budget range. Competitive advantage has often become less tangible and more about how services are delivered. There is a growing interest in product provenance, sustainability and in gathering long-lasting life experiences rather than material possessions. This trend is being seen in tourism in the form of demand from travellers for real encounters with local people, enjoying local produce, getting close to nature, and having authentic

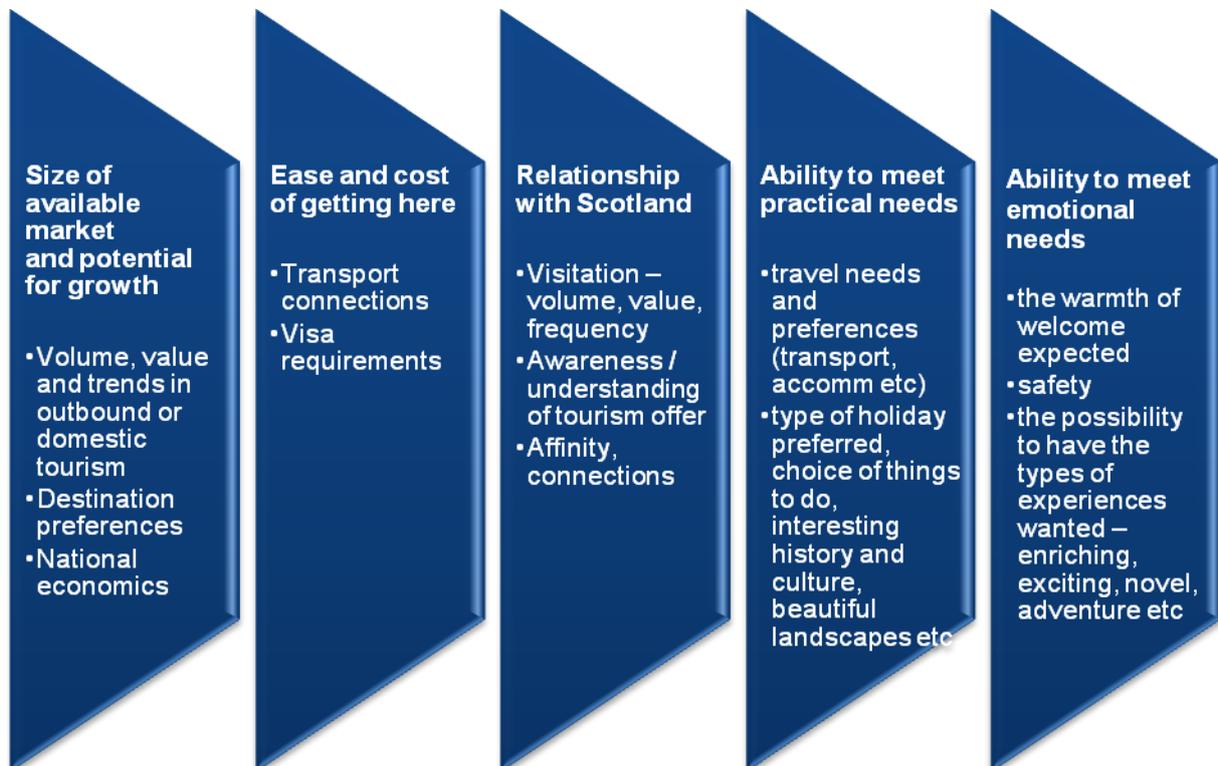
experiences. Warmth of welcome, a feeling of discovery and learning about the country and its culture are important holiday needs. These are things which Scotland has a reputation for providing, something which must be safeguarded. People are leading increasingly busy and full lives with multiple demands on their time - be it work, family or other commitments. They want things to be made simple and expect to be able to find flexible options which meet their needs exactly.

The digital age - Use of online communications and information has become widespread across all demographics and is now the predominant way to plan travel and holidays. Consumers' expectation of the digital interactions that they have with a company is ever higher. Digital channels help businesses of any size to develop and maintain relationships with their customers which, in the past, would have been more costly or labour-intensive to maintain. However, other traditional channels still have a role to play and it is important to identify the most appropriate for each market and objective.

MARKET ASSESSMENT

The presentation provided a quick overview of some of the research in progress which is looking into markets which offer opportunities for the future growth of Scottish tourism. The assessment here is of markets, at a country level, for Scotland, as a destination.

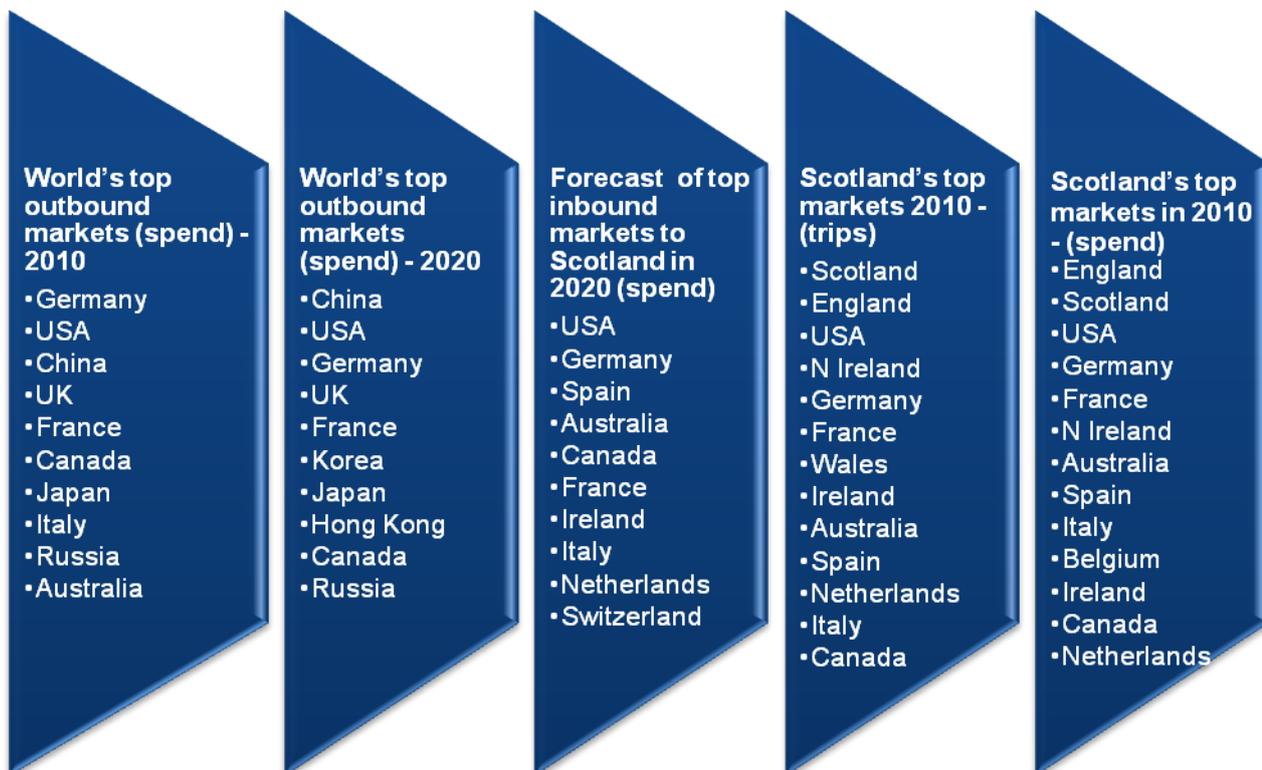
A mixture of quantitative and qualitative factors has been considered when assessing the opportunities offered by markets, including:



A statistical assessment

The first stage in the market assessment was to look at the top markets now and in future.

- The markets providing most tourism in Scotland have stayed quite consistent in recent years and are a mix of domestic, European and long-haul markets.
- UK residents currently account for around 85% of overnight trips and 65% of visitor spend in Scotland.
- However, foreign countries are valuable markets– providing 35% of spend from 15% of trips – as trips are often longer, allowing more to be seen and done, more of the country to be visited and involving more spend per trip.
- The countries spending most on international travel around the world have remained consistent over the past decade and are expected to remain so with some notable changes in rankings, although the traditional top markets of USA and Germany remain key.
- It is important to remember that a large proportion of a country's international travel is taken within its own region, e.g. much of China's outbound travel remains within Asia. This impacts on the size of our available market.



Sources - UNWTO, VS / Oxford Economics (prov. forecasts), UKTS, IPS

Market portfolio

- Taking into consideration the statistical assessment and other qualitative knowledge of the markets, the following portfolio, offering a balance of opportunities, was presented
- While it focuses on the key markets, this is in recognition that others might offer opportunities for particular tourism products or due to future developments, for example, a new flight route

Home Turf	Near Neighbours	Distant Cousins	The long game*
<ul style="list-style-type: none">• England• Scotland • Northern Ireland	<ul style="list-style-type: none">• Germany• France• Spain• Italy• Ireland• Netherlands • Other EU	<ul style="list-style-type: none">• USA• Canada• Australia	<ul style="list-style-type: none">• Brazil• Russia• India• China • Other emerging markets

***Playing the long game** means planning / acting for long term success rather than short term gains

A few points on each of the key markets / market groupings were provided:

Domestic markets (our home turf) - The bedrock of our tourism providing the majority of trips and spend and providing day trip as well as overnight tourism, all year round. The economic downturn has encouraged staying closer to home. Scotland has benefited in particular from growth from the Scottish resident market. Although Britons are keen overseas travellers, this provides an opportunity to build on recent positive experiences to preserve the interest in holidaying at home. Challenges include the continuing economic uncertainty, including the impact of public sector cuts in our core domestic market regions - Scotland and Northern England.

The EU (our near neighbours) - Europe is still the world's biggest generator of outbound travel and is forecast to remain so till at least 2020. Much of the outbound travel stays within Europe. Touring and city holidays are amongst the most popular foreign holidays taken by Europeans – these are holiday types which Scotland can make a compelling offer on. Their proximity and healthy annual leave and public holiday entitlements means that they are markets for both holidays and short breaks. Challenges include the diversity of destination choices that are available to Europeans - often with easy access through flight and high speed rail routes - and the current economic conditions in some countries.

“Distant cousins” (USA, Canada, Australia) - Strong diverse economies with large, growing travel markets and a particular affinity for Scotland - VFR and ancestral tourism are particular drivers for these markets and can also help to drive repeat visits. Scotland can offer these travellers many experiences very different from home - mixing cities, activities and scenery with our heritage and history. As their trips generally last more than a week, they provide amongst the highest “spend per trip”. Challenges include the number of direct scheduled flights to Scotland, the cost of flying here and the competition from destinations in their own regions.

“The long game” Emerging markets - As a country’s affluence grows, it is reflected in increasing outbound travel. The world’s new economic powerhouses including India, China, Russia and Brazil have growing affluent and middle classes amongst their huge populations, so outbound travel is increasing and evolving. Beautiful scenery, learning about a different country’s history and culture, and warmth of welcome are key factors in destination choice - factors on which Scotland performs well. Much of the travel from these markets stays within their own regions, which must be weighed against the appearance of high volumes and growth rates. A key challenge in capitalising on the growth from such markets is the relative difficulty of access to Scotland - in terms of direct transport links, but especially the cost and process involved in obtaining a visa. Some of these countries also have demanding customer service requirements, such as food preferences and language support.

(Market profiles can be found on www.visitscotland.org and www.visitbritain.org)

SUMMARY OF OPPORTUNITIES AND CHALLENGES

The presentation concluded by highlighting opportunities and challenges including the following:

- Staycations - the opportunity to imbed in Britons’ holiday behaviour the consideration of Scotland as an attractive destination.
- Value for money - the weakening of sterling offers an opportunity to build our reputation as a competitively priced destination. Messaging about, and delivery of, value for money is vital.
- Meeting market demands - Scotland is perceived to have a distinctive culture with friendly people and can meet the demand for authenticity, and products and services delivered with skill and tradition.
- Scotland holds a small share of the travel from all the markets, so there is scope for growth. Biggest opportunities in the near future continue to be from domestic and traditional international markets. The opportunities offered by the fast growing emerging markets should continue to be evaluated – as their travel behaviour matures and in particular if our accessibility to them improves.
- Challenges ahead include continuing corporate and consumer caution, obstacles to growing international visitation such as lack of direct flights, high APD and visa issues, and the impact of increased fuel prices on the cost of fly drive holidays.