STRATEGIC MARKETING

Fáilte Ireland
National Tourism Development Authority

Tourism Barometer

December 2011

Contents **Page**

1. Headline Findings 2
2. Qualitative Findings 5
3. Visitor Volumes in 2011 7
4. Average Room Yield 15
5. Expectations for 2012 16
6. Employment in 2011 24
7. Positive Factors in 2012 25
8. Issues of Concern in 2012 27
9. Appendix 1 – Background and Methodology 29
10. Appendix 2 - Copy of Questionnaire

1. Headline Findings

Background to the Tourism Barometer

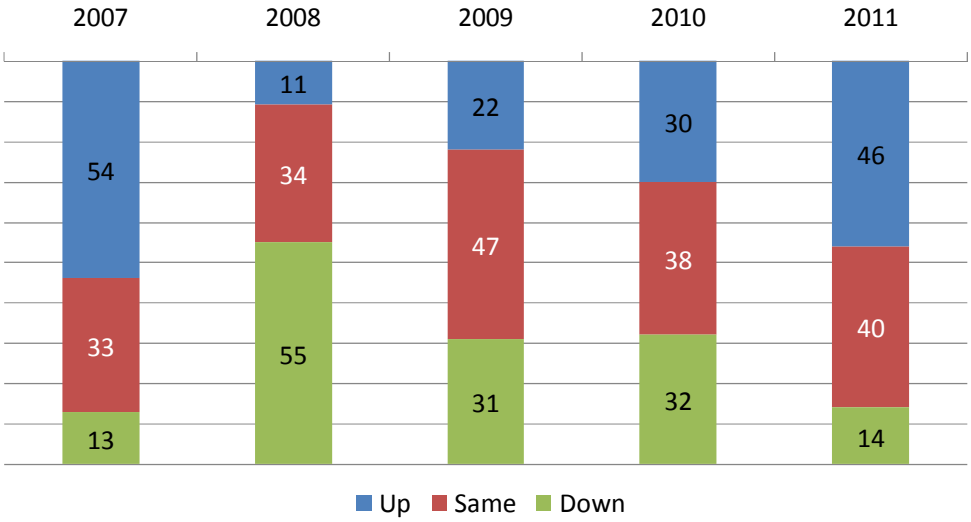
The Fáilte Ireland Tourism Barometer is a survey of tourism businesses designed to provide insight into tourism performance for the year and prospects for the coming year.

We received 709 responses to an online survey with tourism businesses between 25th November and 13th December 2011. We also conducted five depth interviews with senior industry executives. More details on the methodology can be viewed in appendix 1.

Confidence Index

1.1 2011 proved to be a transitional year for Irish tourism, as confidence with tourism prospects for 2012 approached levels last seen in 2007. Almost half (46%) of respondents to the survey expect overall business levels in 2012 to be up on last year, with only 14% anticipating declines. This is close to the levels recorded in 2007 and is ahead of similar findings recorded in the intervening years.

Business Sentiment Index 2007 – 2011
re. Prospects for Following Years (%)



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

Visitor numbers up in 2011 for paid serviced accommodation

1.2 According to paid serviced accommodation providers, visitor levels are significantly up in 2011 compared to 2010. Just over half (53%) of

respondents[1] report an increase in visitor volumes in 2011 compared to 2010, whereas only a third (32%) report a decrease.

1.3 Results differ greatly by individual sector however, as well over half (57%) of hotels report increased visitors, compared to just a third (31%) of B&Bs.

Visitor numbers increased at the expense of rates in hotels

1.4 Whilst visitor numbers are very positive in 2011 for hotels, this increase has come at the expense of reduced rates. Just over a third (36%) of hotels report an increased average room yield in 2011, but nearly half (45%) report a decrease.

A good year for attractions

1.5 2011 has been a good year for attractions. About half (48%) have increased their visitor numbers compared to 2010 and about a quarter (23%) have achieved the same level.

Domestic market up for paid serviced accommodation

1.6 About half (49%) of paid serviced accommodation respondents report increased domestic visitor levels.

1.7 However, there is a marked difference by sector. Over half (55%) of hotels have increased their domestic visitor numbers, but just over half (52%) of B&Bs have experienced a decrease.

Overseas visitors up for paid serviced accommodation

1.8 Nearly half (47%) of respondents in the paid serviced accommodation sector have experienced increased overseas visitors in 2011.

1.9 The USA is the best performing major overseas market, with over a third (37%) of respondents reporting increased visitors from the USA. Visitor levels from Britain, France and Germany are reported to be slightly down on balance.

Strong expectations for 2012

1.10 Looking to 2012, respondents are relatively optimistic. Nearly half (46%) of respondents in paid serviced accommodation expect their visitor numbers to be up in 2012, and a further two in five (40%) expect the same level of business as 2011.

[1] weighted by available bedrooms in the sector

1.11 Well over half (57%) of attractions expect visitor numbers to be up in 2012, whereas self-catering operators are expecting little change, with three in four (75%) predicting the same visitor numbers as in 2011.

1.12 The expectations for increased visitors in 2012 apply to all major markets.

Full time staffing levels slightly down in 2011

1.13 Among businesses which employ full time staff, a minority (8%) in paid serviced accommodation increased their full time staff levels in 2011 and about three in five (62%) kept the same level. However, about three in ten (29%) employed fewer full time employees than in 2010.

1.14 The figures are similar in the attractions, self-catering and hostels sectors.

Repeat visitors are key to success in 2012

1.15 Seven in ten (71%) respondents say that repeat visitors are a positive factor likely to affect their business in 2012. During challenging economic times, this particular visitor group is proving to be a significant segment.

Marketing is important

1.16 The majority (62%) of respondents say that their own marketing is a positive factor likely to affect their business in 2012, and half (51%) make the same statement about local or national tourist board marketing.

High concern over fuel and energy costs

1.17 Rising fuel and energy costs are an issue of concern in 2012 for most (80%) respondents. This is the most frequently stated concern and is followed by state of the global economy (72%), state of the national economy (70%) and low-priced competition (69%).

2. Qualitative Findings

We have conducted depth interviews with leaders in sectors generally not covered by the quantitative survey in this particular research wave (see appendix 1, para. 9.10 for more details). The main findings from these interviews are discussed below.

2011 turned the corner, but great uncertainty over the Euro

2.1 2011 has been a reasonable year compared to the most recent years. It has been especially positive for incoming tour operators.

> *"2011 was a much better year than the last two years. Everyone [incoming tour operators] is reporting they're up, and some are well up"*

2.2 However, the great uncertainty over the future of the euro and the Eurozone economies is a key factor affecting bookings at the current time. Consumers typically start to make bookings for the summer season in January or February, but the current uncertainty may well delay that happening.

Coach market under pressure from rising fuel prices

2.3 Profit margins in the coach market are under a lot of pressure from rising fuel prices, whilst at the same time the economic climate makes it very difficult to charge higher prices to customers. Operators are surviving because they are foregoing investment in the product, but this can only continue for so long.

Car rental market was looking good in Q3 but fell away in Q4

2.4 The car rental market was close to 8% up in Q3, but a very disappointing autumn has seen figures fall in Q4. Two major players in the industry went into receivership in 2011. The expectation was that the industry would consolidate with fewer players and rates would improve, but instead, rates have remained flat.

Coastal caravan & campsites have benefited from strong domestic market in 2011

2.5 The domestic market has been strong for the caravan & camping sector in 2011. This has mostly been to the benefit of sites located in coastal areas.

2.6 The UK market has been disappointing in 2011 and this market is not expected to improve in 2012.

Tough times for the restaurant industry

2.7 The restaurant industry has had an extremely difficult year, and 2012 does not look any better. Spending on eating out decreased in the run up to the Budget, and now since the Budget, spending at restaurants is even less.

Business tourism up for incoming operators

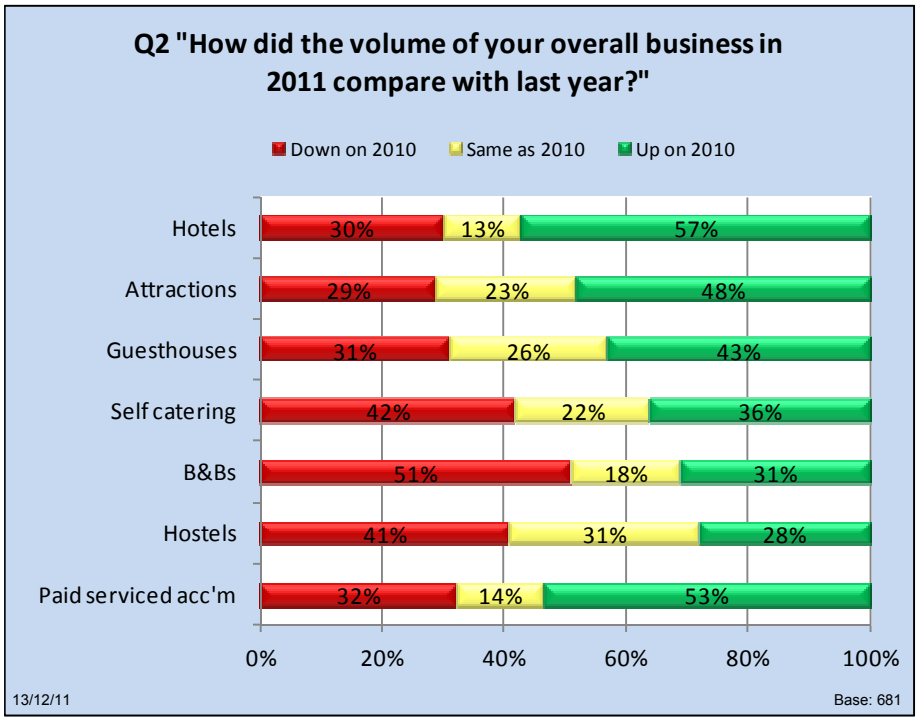
2.8 After two extremely difficult years in business tourism, international conference bookings for 2012 and 2013 are looking much better for incoming tour operators.

Opportunities surrounding the 2012 Olympics?

2.9 The extent to which Ireland might benefit from the 2012 Olympics seems very much unknown. One important point however is that the visa reform allowing overseas travellers with a UK visa to also gain access into Ireland at least makes it much more possible to capitalise on the Olympic opportunity. This is especially relevant for the Chinese, Indian and Russian markets.

3. Visitor Volumes in 2011

Overall visitor volumes in 2011



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.

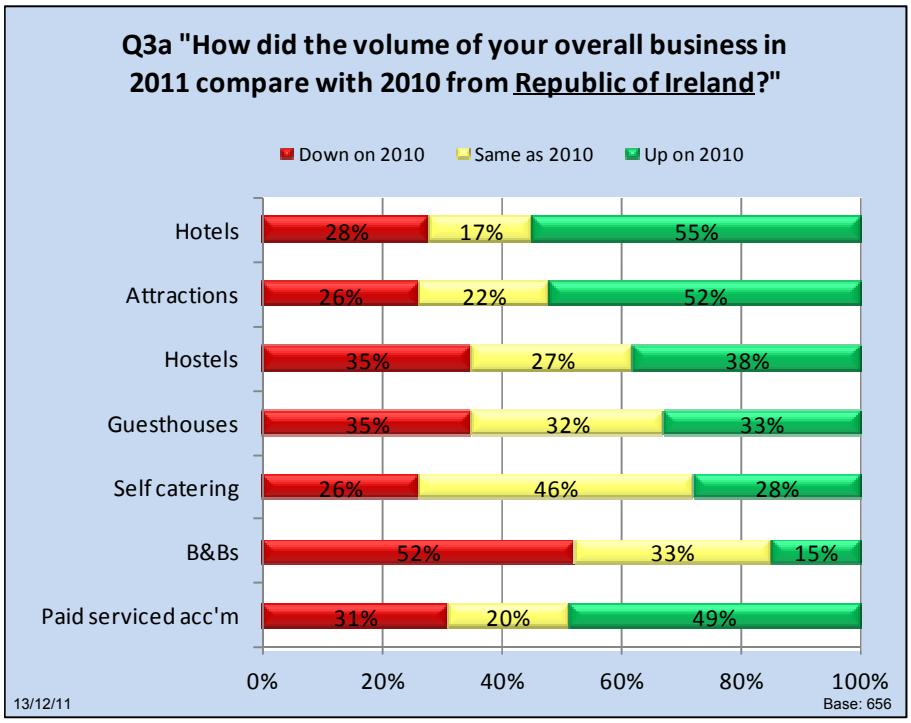
Positive visitor numbers in 2011

3.1 Overall visitor numbers are up according to the hotel, attractions and guesthouse sectors. The results for weighted paid serviced accommodation show that 2011 has been a positive year on the whole compared to 2010 in terms of visitor numbers.

Profit margins under great pressure however

3.2 However, the overall increase in visitor numbers seems to have come at the expense of lowering prices. Together with rising operating costs, this means that running a business profitably is a very hard task at the current time.

Domestic visitors

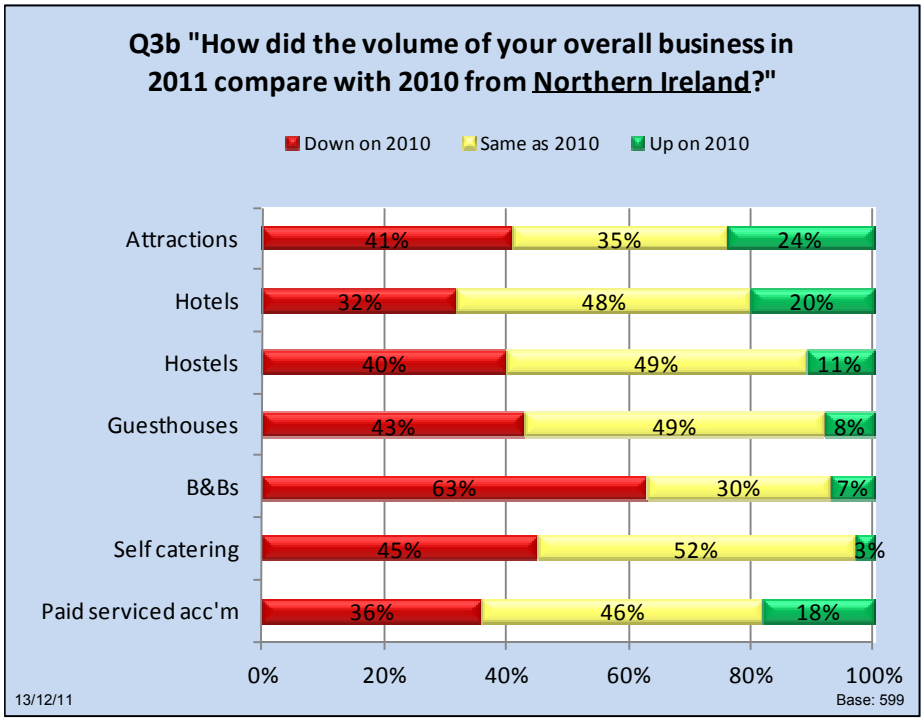


Positive domestic market

3.3 Domestic visitor volumes to date by sector show a similar picture to the overall visitor volumes. The domestic market has been a very positive source of visitors this year to all sectors apart from B&Bs, and the hope is that the domestic market will remain strong.

"We need to constantly promote Irish people holidaying in Ireland"
Hotel

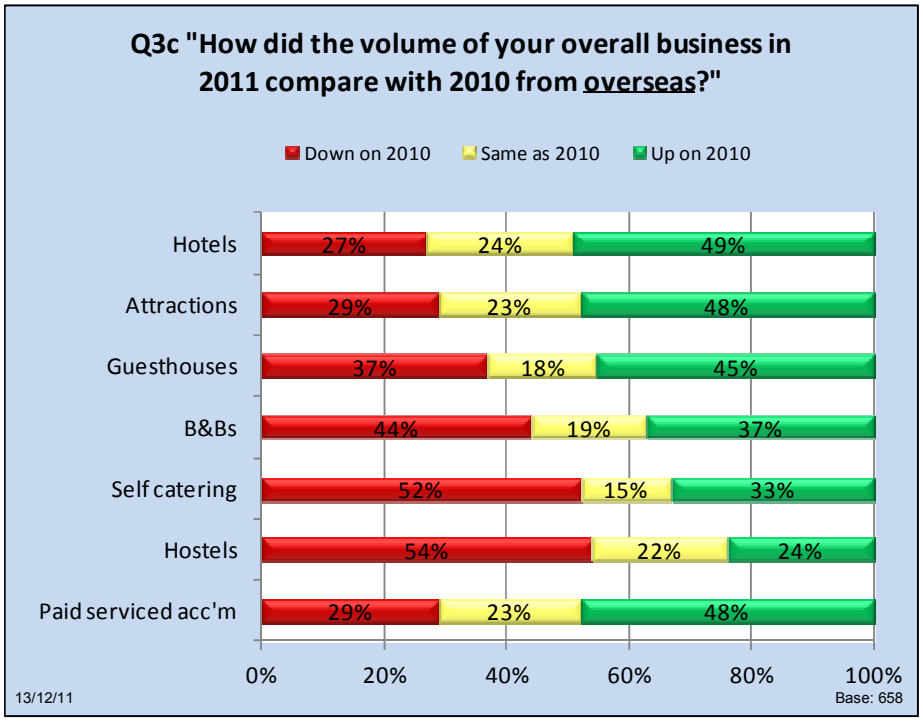
Visitors from Northern Ireland



Northern Ireland market is significantly down

3.4 Visitors from Northern Ireland are significantly down in every sector. This has been the picture throughout 2011.

Overseas visitors



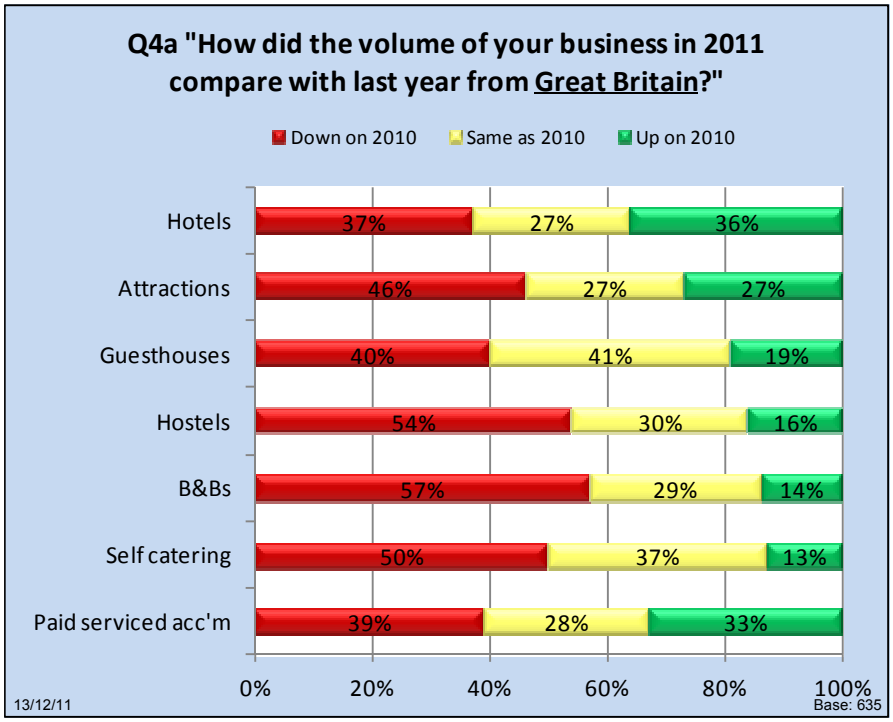
Varying overseas market by sector

3.5 Overseas visitor levels vary by sector. The hotel, attraction and guesthouse sectors have all succeeded in attracting more overseas visitors this year. There are some comments that Ireland's reputation abroad in terms of value for money might be improving.

"Hopefully Ireland is gaining a reputation as a good value destination for tourists and slowly dispelling the over-priced reputation it gained in recent years, which should help going forwards"
Hostel

Visitors from Great Britain

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



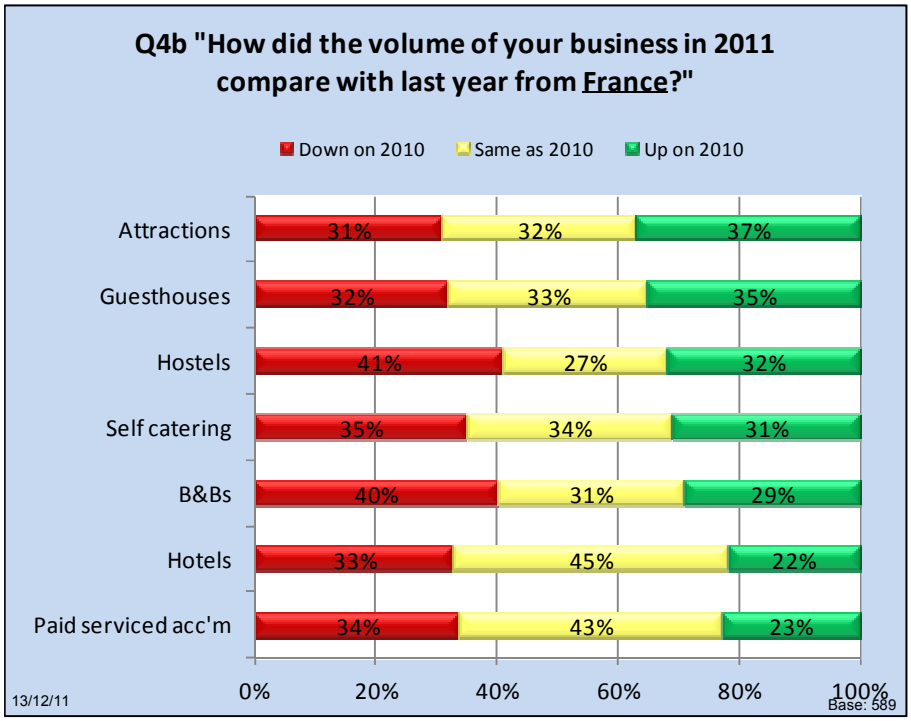
Visitors from Britain down in every sector

3.6 Britain in the most important overseas market for the Irish tourism industry, however, according to survey respondents, there is little evidence of recovery from this market. This has been the picture throughout 2011.

3.7 A number of tourism authorities in Britain at national and area level have been very active in marketing the 'staycation' to UK holidaymakers. This marketing, backed also by the media, has been very successful, and the Irish tourism industry appears to have lost out from British holidaymakers remaining within UK borders instead of venturing overseas.

3.8 Britain also has financial difficulties of its own, which is another reason why British holidaymakers have been opting for the so-called 'staycation'.

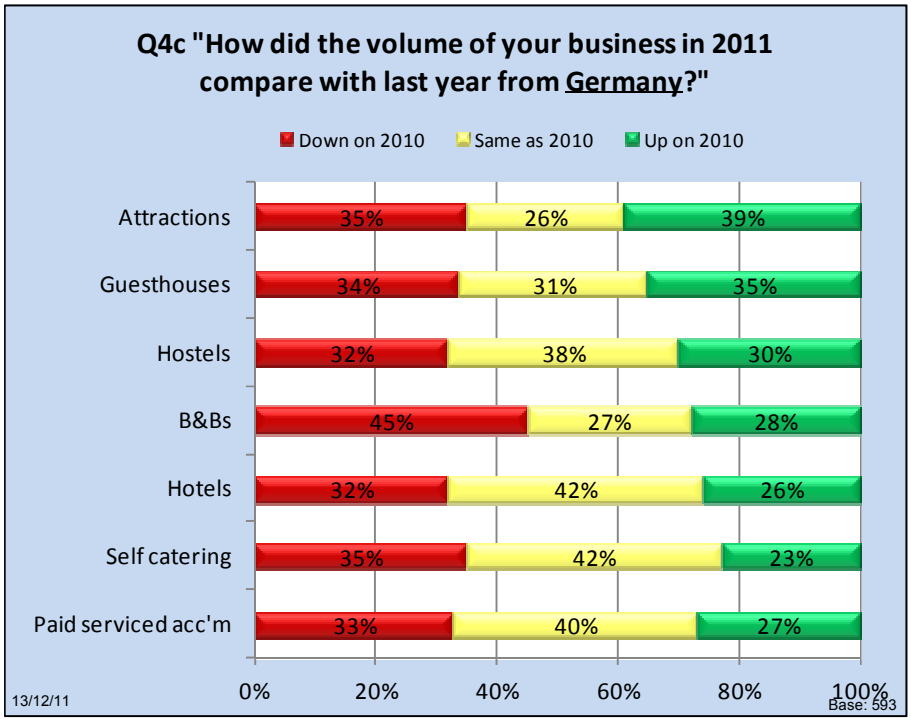
Visitors from France



French market fairly stable this year

3.9 The French market has been quite stable across the industry this year. The hotel sector has seen a decrease, which is why the figures for paid serviced accommodation are down.

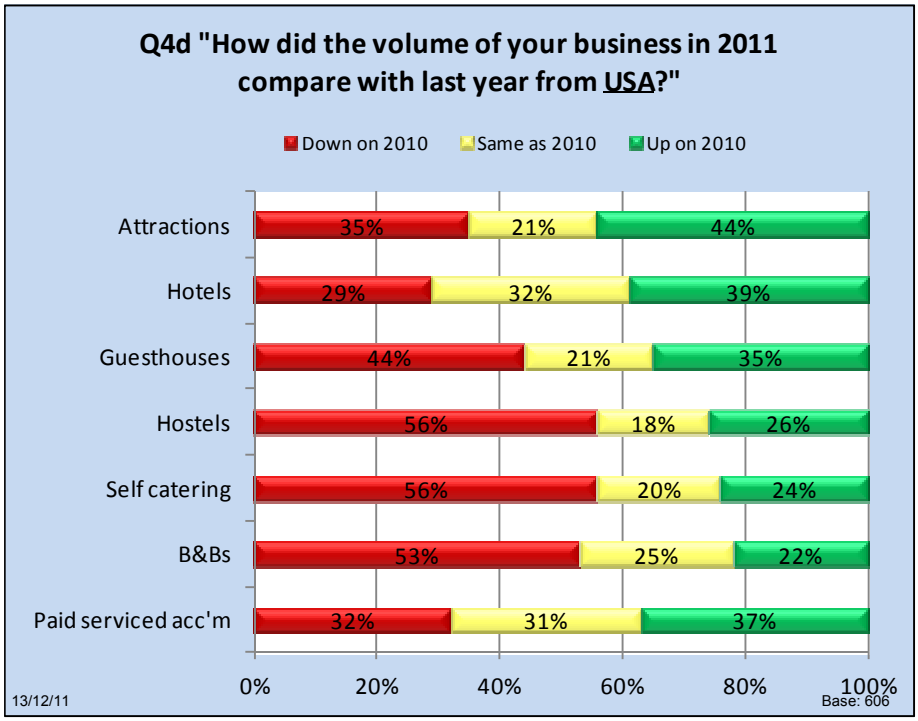
Visitors from Germany



German market – similar to France

3.10 The German market performance has been similar to the French market in 2011. Performance has been fairly steady, with results for paid serviced accommodation depressed due to hotels being slightly down.

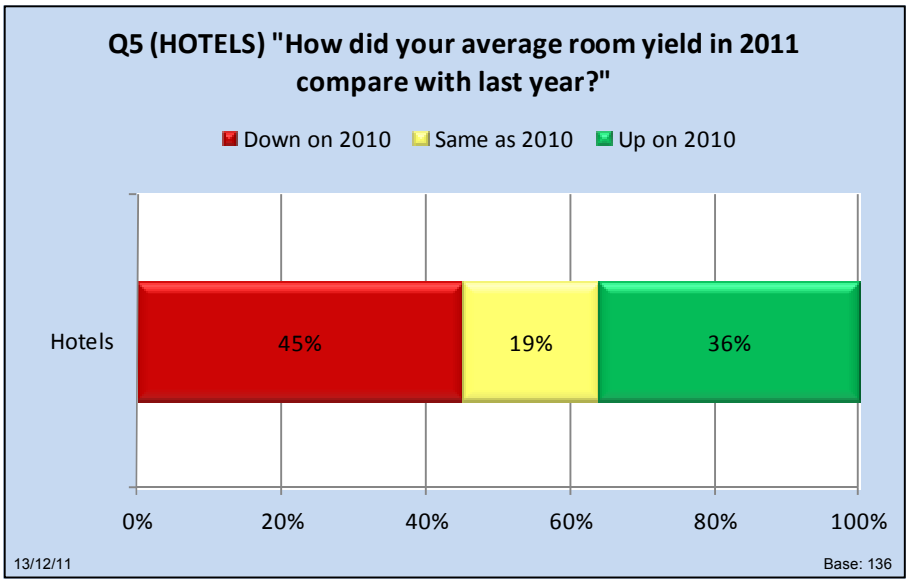
Visitors from USA



American market strong for hotels

3.11 American visitor levels vary greatly by sector, but are strong for the hotel sector. The American market has performed the best out of the major overseas markets in 2011.

4. Average Room Yield



The above question has only been asked of hotel operators

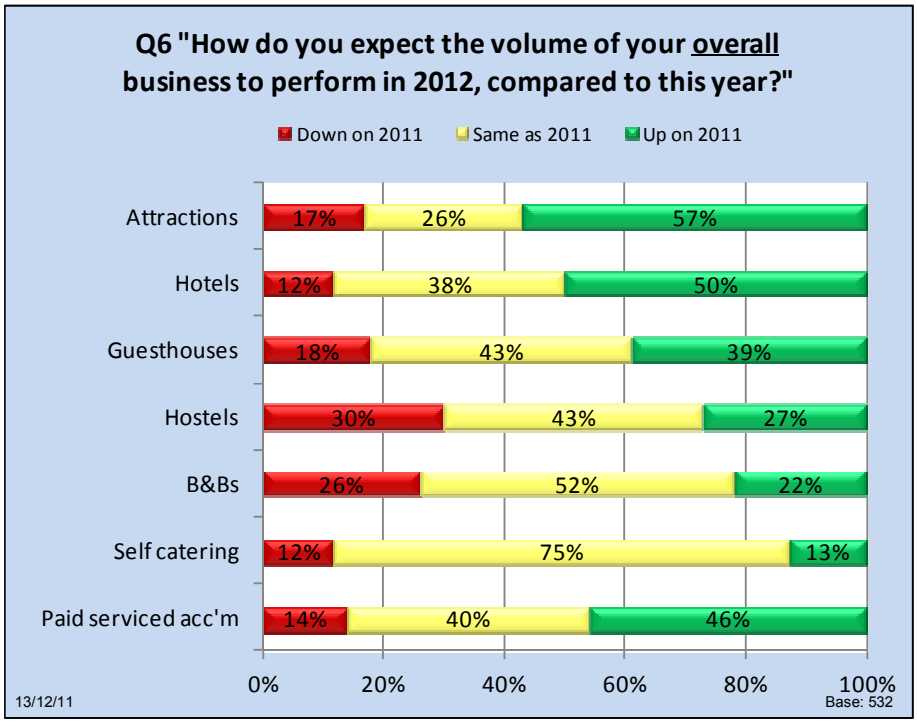
4.1 Visitor levels are up in 2011 for over half (57%) of hotels, but average room yield is only up for about a third (36%).

Increased visitor numbers at lower rates

4.2 It appears that the increase in visitor numbers has largely come at the expense of reduced room rates. Hotels can make some of the revenue back from other services such as bar and restaurant, but even so, the price competition this year has been very tough. There is a perception that the operational nature of NAMA and bank-owned hotels has had a significant impact on other hotels and other serviced accommodation sectors this year.

5. Expectations for 2012

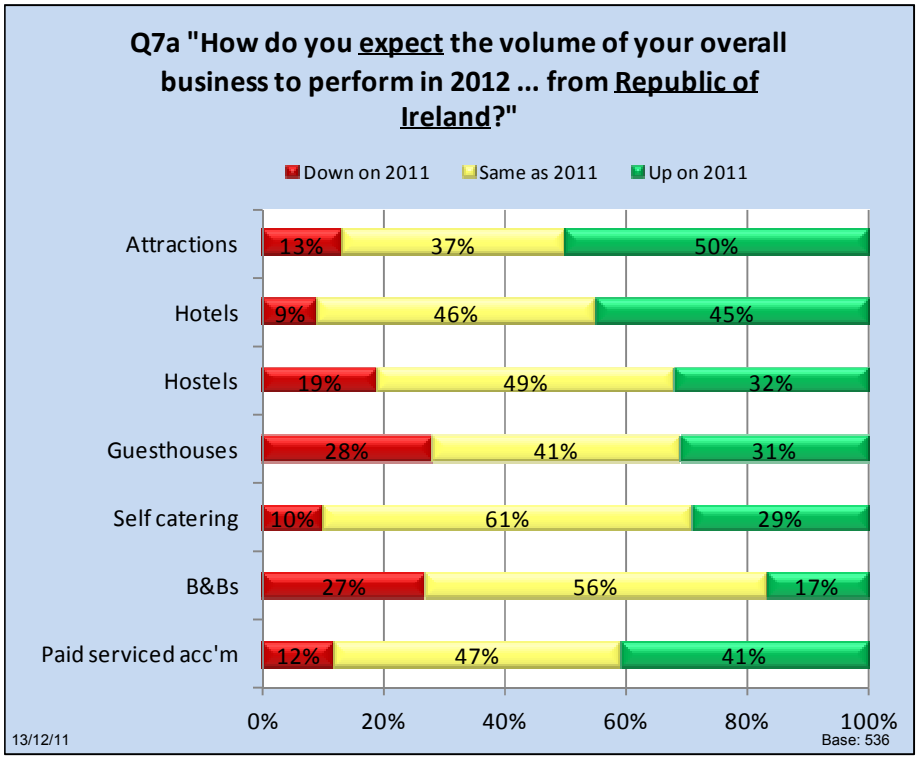
Overall expectations



Outlook is very positive

5.1 Expectations for 2012 are high across the industry, with the attraction, hotel and guesthouse sectors being particularly optimistic. Respondents talk positively of the Irish tourism product and experience – there is a sense of pride in this.

Domestic expectations



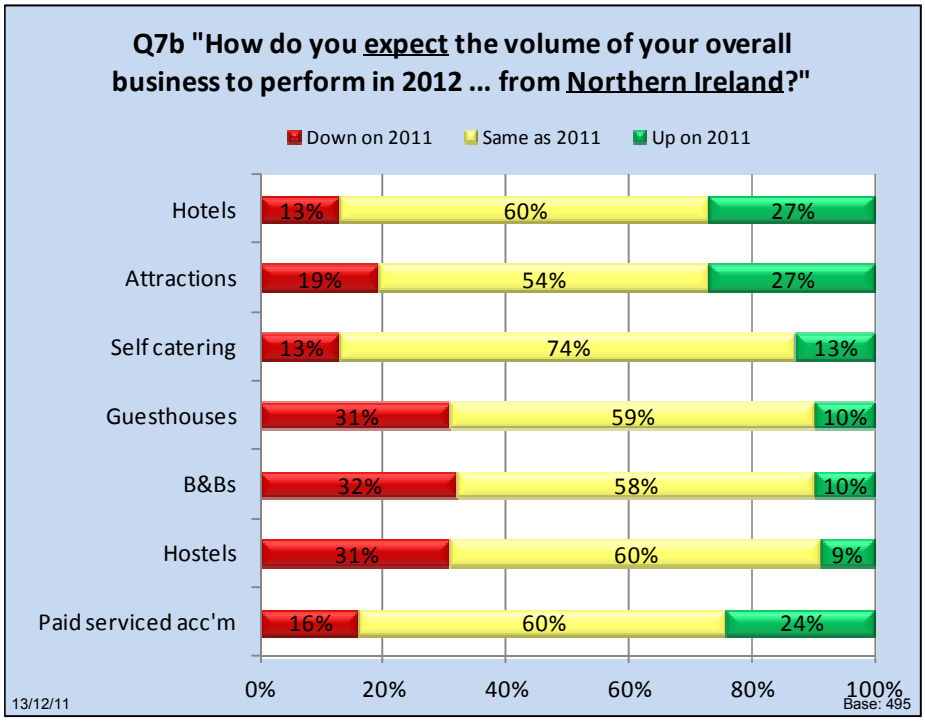
Hopes for a buoyant domestic market

5.2 Expectations for the domestic market are high in most sectors. There is a strong hope that Irish people will holiday in Ireland during times of economic hardship.

"Recession might encourage Irish people to holiday at home"
Attraction

5.3 The exception is perhaps the B&B sector, where only a minority (17%) of operators expect the domestic market to be up for them. The B&B sector is also the only sector not to have really benefited from a good domestic market in 2011.

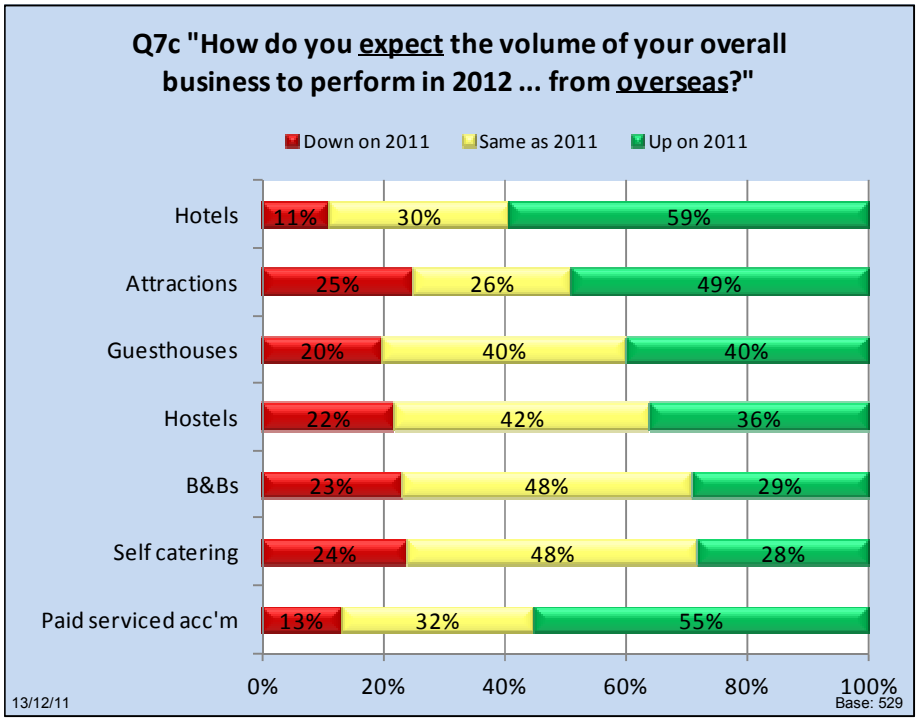
Northern Ireland expectations



Little change expected from Northern Ireland

5.4 Visitor levels from Northern Ireland have been significantly down in 2011, and on the whole, this market is not expected to pick up in 2012.

Expectations from overseas

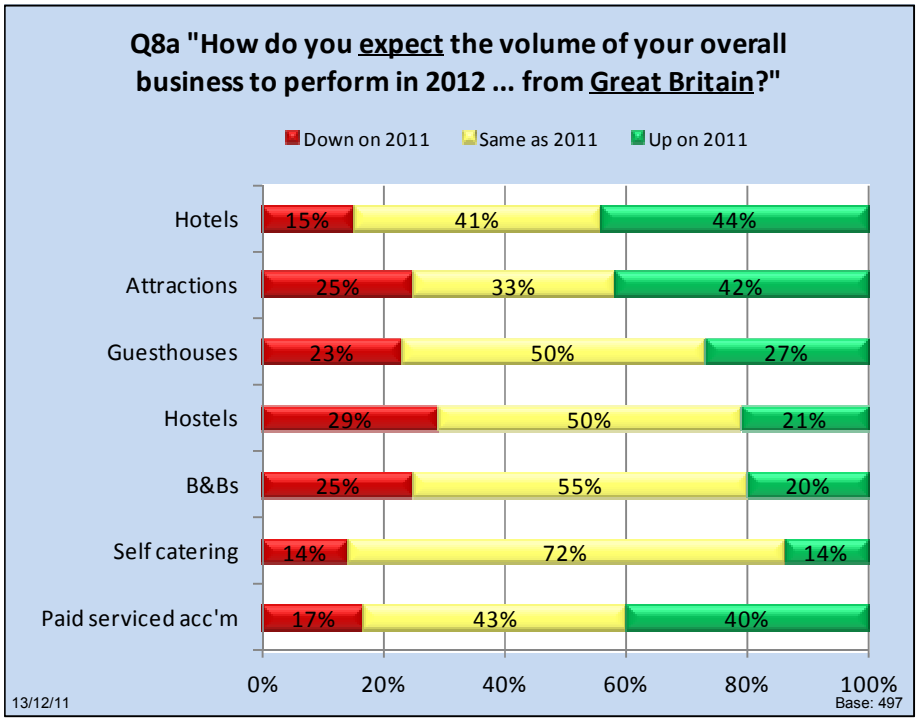


Optimistic outlook for overseas

5.5 Expectations for overseas visitors in 2012 are high, especially in the hotel sector, where three in five (59%) respondents expect to see an increase.

Expectations for Great Britain

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

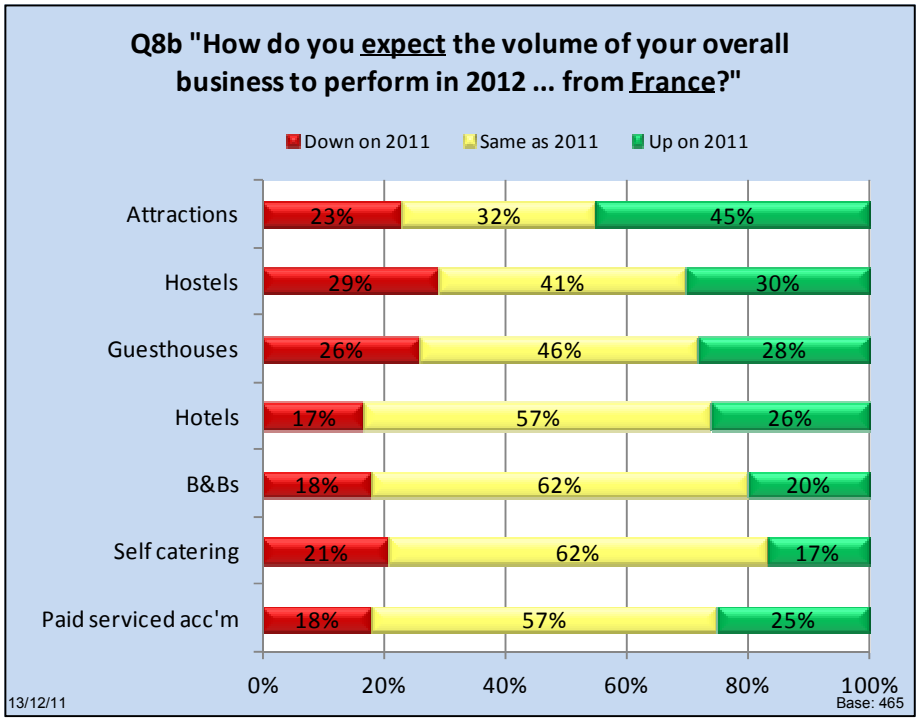


Britain turning the corner perhaps

5.6 The key overseas market of Britain has not performed well at all in 2011. However, there is some expectation of this changing in 2012, especially in the hotel sector.

"We are of the opinion that we have hit the bottom in 2011. We see signs of recovery - in the GB market, enquiry is best in three years"
Hotel

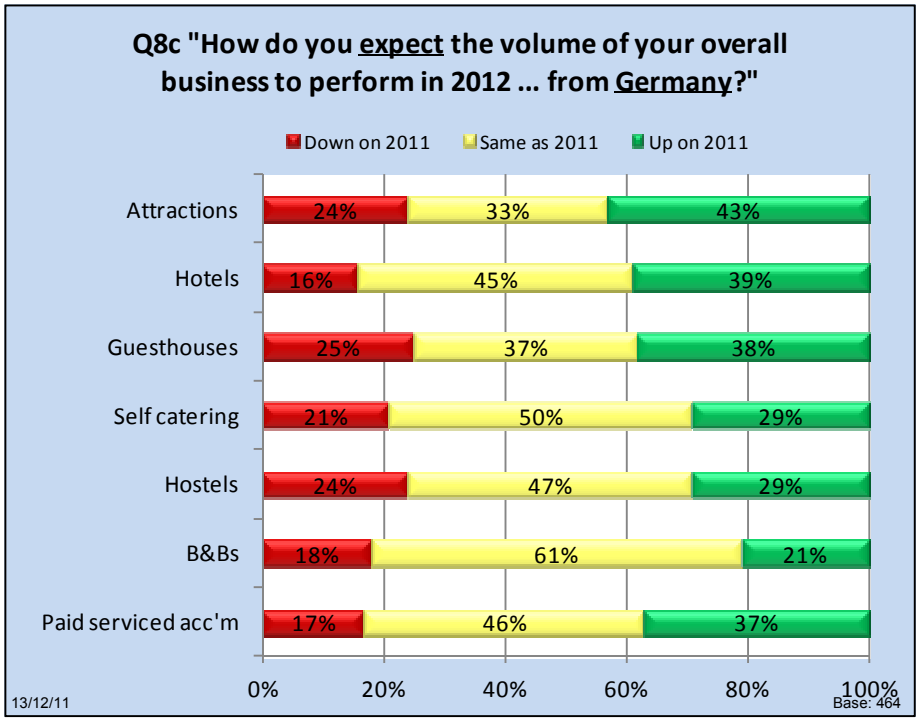
Expectations for France



Continued stability from France

5.7 The French market has been fairly stable this year, and expectations are likewise for 2012.

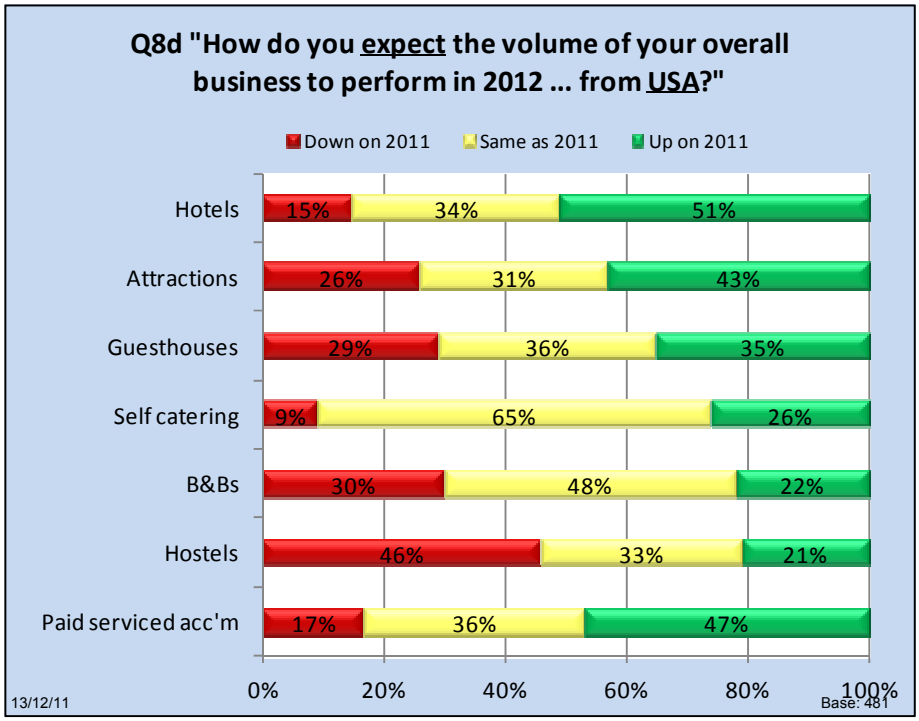
Expectations for Germany



Some optimism for Germany

5.8 Expectations for the German market are quite positive, with most sectors expecting to see a slight increase in visitor levels.

Expectations for USA

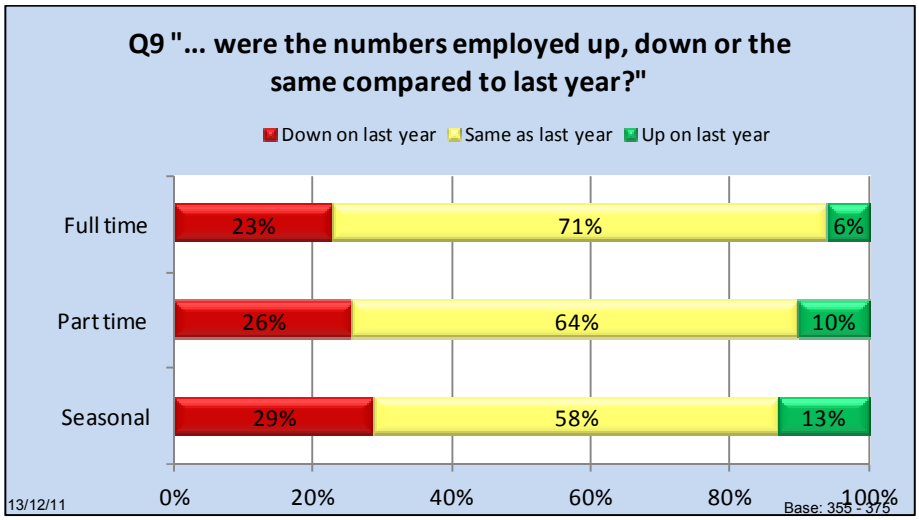


High expectations for USA

5.9 Expectations for the USA market are the highest compared to the other major overseas markets. Hotel operators are especially optimistic, with half (51%) expecting to see increased visitors.

5.10 2012 is election year in America. Some tourism operators say this is typically bad for tourism, but others say there is no evidence for that. The view of ITOA is that whereas the election doesn't normally affect trade from the USA significantly, it might do in 2012 because the poor state of the economy is likely to be used against the current president, and the resulting media coverage may make Americans feel like they don't have the money to travel.

6. Employment in 2011

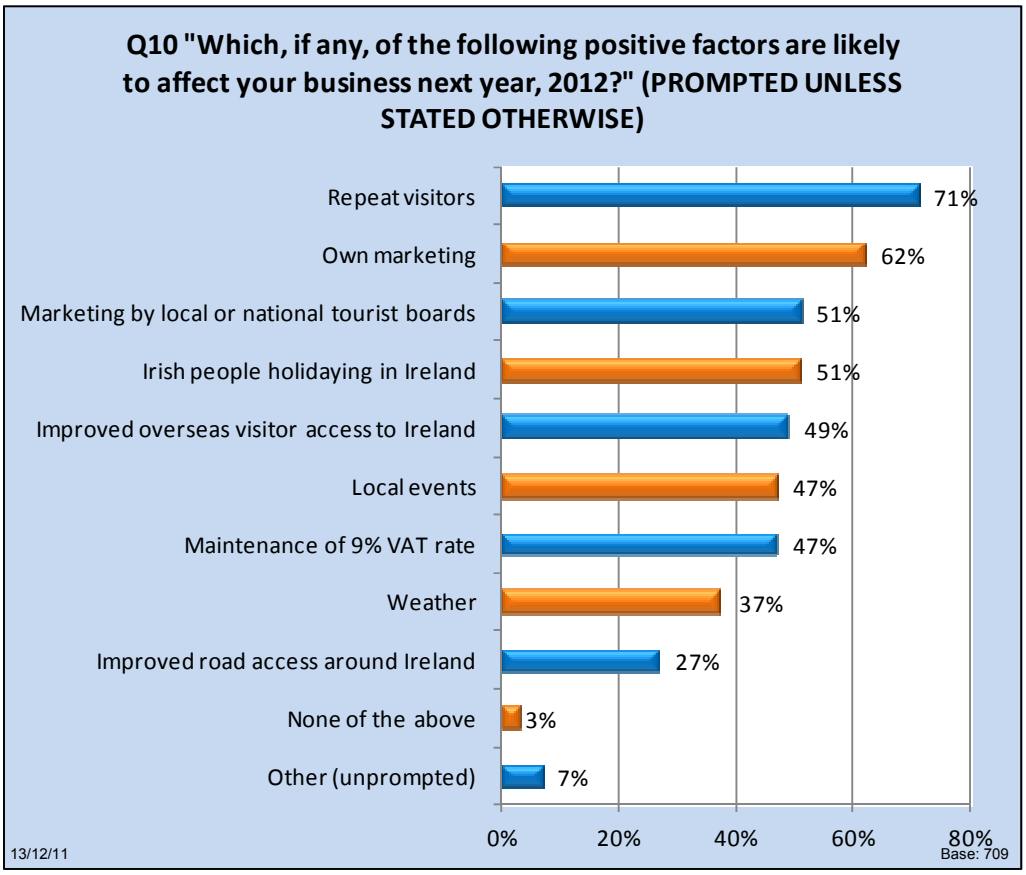


As many respondents (around half) do not employ any staff (other than the proprietors), base numbers for the employment questions are low and so results are grouped overall. In any case, differences in results by sector are not particularly significant.

Jobs are harder to come by in the tourism industry

6.1 As operators are under increasing pressure to maintain any kind of profit margin, an overall reduction in the number of staff employed in the industry is inevitable. Business owners are working harder for the same or less profit.

7. Positive Factors in 2012



Importance of repeat visitors

7.1 Seven in ten (71%) respondents say that repeat visitors are a positive factor likely to affect their business in 2012. During challenging economic times, this particular visitor group is proving to be valuable.

"Repeat visitors due to realistic pricing and very high customer satisfaction with the product"
Attraction

Own marketing

7.2 About three in five (62%) respondents say their own marketing is likely to be a positive factor in 2012.

Marketing by local or national tourist boards

7.3 Half (51%) of respondents say that marketing by local or national tourist boards is likely to be a positive factor. Some stress the continued need for it.

Irish people holidaying in Ireland

7.4 Half (51%) of respondents state Irish people holidaying in Ireland as a likely positive factor. There is a notable difference by sector here. Only about a third (36%) of B&B operators say this is a likely positive; B&Bs have generally not benefited from domestic tourism this year. In comparison, two in three (66%) operators across the other sectors interviewed state this as a positive.

Improved overseas visitor access

7.5 Half (49%) of respondents state improved overseas visitor access to Ireland as a likely positive in 2012. Comments include increased flights in and out of Knock airport.

Events

7.6 There is a lot going on in Ireland next year, including the Volvo Ocean Race (scheduled to finish in Galway in July), the International Eucharistic Congress (in June in Dublin) and an American football match between Navy and Notre Dame in September.

Other, unprompted responses

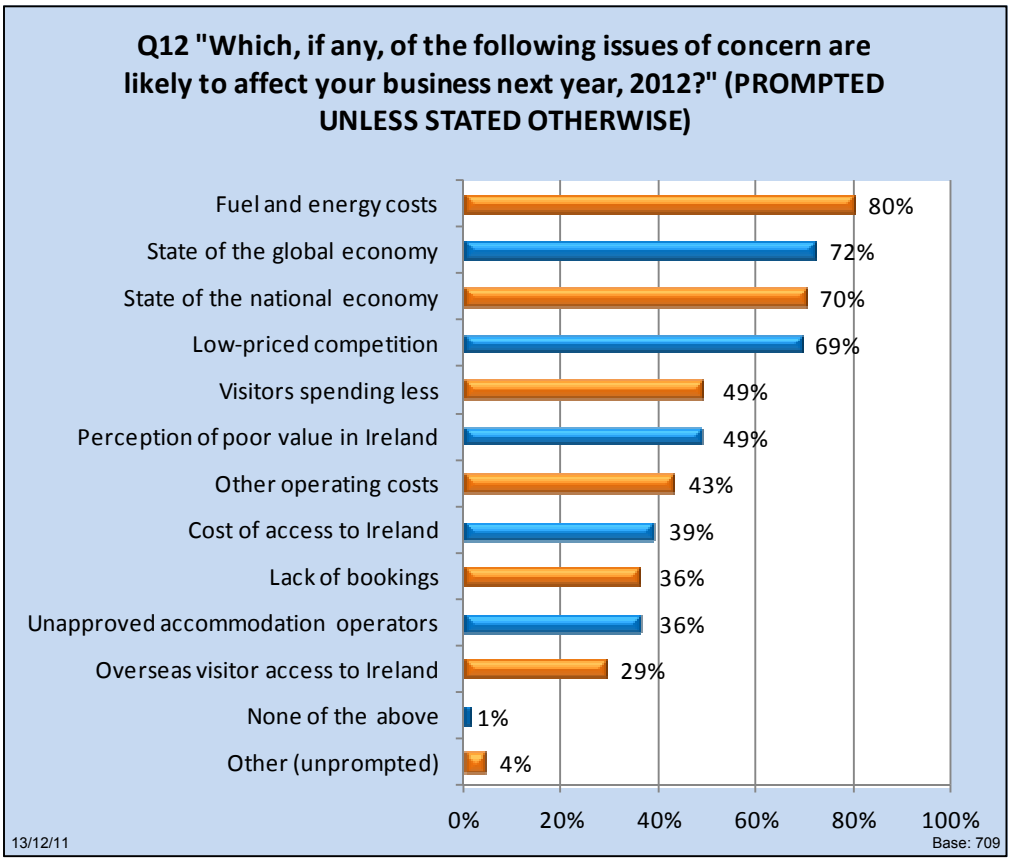
7.7 7% of respondents have named positive factors which were not on the pre-coded list. No single factor totals more than 1%, but the more common unprompted answers include the Olympics, investment in the local tourism product / infrastructure and reduced rates to attract more visitors.

"The commitment by City Council and tourism stakeholders to continue to develop Waterford as a tourism destination"
Attraction

"London Olympics if this event is properly targeted"
Attraction

"Competitive prices"
Hotel

8. Issues of Concern in 2012



Rising fuel and energy costs

8.1 Of the issues of concern listed, fuel and energy costs come top.

"Energy costs are the main concern. We would like to see increased subsidies for conversion to greener energy provision. i.e. solar panels, wood pellet boiler systems, etc."
B&B

State of the global and national economies

8.2 The economic uncertainties nationally and globally are likely to continue well into 2012. The future of the euro is a particular concern at the moment, as is the lack of disposable income among the Irish population.

"Employment levels in the country. If people do not have jobs, they cannot afford to holiday in Ireland"

Hotel

Low-priced competition

8.3 Lower-priced competition continues to be a serious threat to the survival of many businesses. Hotels can make back revenue on other facilities such as the bar and restaurant, but smaller accommodation operators cannot do that.

Perception of poor value for money in Ireland

8.4 Some comments suggest that Ireland's reputation of being over-priced is easing off, but nevertheless, half (49%) of respondents still see it as a concern in 2012. Families may be particularly sensitive when the perceived cost of eating out with the family is great.

Other operating costs

8.5 As well as rising fuel and energy costs, many other costs have been going up too, including water, insurance and local authority rates. This is making it increasingly difficult to make a profit and remain in business.

Unapproved operators

8.6 This particular concern is mostly relevant to the guesthouse and B&B sectors, where just over half (52%) of respondents have stated this as a concern. Many of the comments made about this are strong and voice the unfairness of unapproved operators being in business and being able to undercut rates by not following the same rules.

9. Appendix 1 – Background and Methodology

Background and Objectives

9.1 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.

9.2 In April 2011 Strategic Marketing, an independent research agency, was commissioned to conduct the survey in 2011 and 2012.

9.3 Fieldwork for this third wave took place towards the end of the year, between 25th November and 13th December. The objectives were to measure:

- Business performance in 2011 in terms of visitor volume – overall and by key markets
- Average room yield year to date (hotels)
- Visitor volume expectations for 2012
- Employment levels
- Positive factors and issues of concern affecting business

Methodology

9.4 The methodology used was an online survey.

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

9.6 Fáilte Ireland provided its industry database of contacts for survey spread across six industry sectors (discussed under 'sampling' below). An email was sent on 25th November to all contacts on the database (except for those previously opting out) containing a link to the online survey and an explanation of the survey objectives. A first reminder email was sent after seven days to non-responders, and a second reminder was sent after a further four days.

9.7 A total of 709 responses were received to the online survey – a response rate of 23%.

9.8 The online survey was brought to a close on 13th December.

Sampling

9.9 The table below shows the sample split by sector:

Sector	Sample size
Hotels	139
Guesthouses	68
Bed & Breakfast	348
Self-catering	36
Hostels	39
Attractions	79
Total	**709**

Qualitative Interviews

9.10 In a separate exercise, we conducted five in-depth telephone interviews with senior executives in sectors generally not covered by the quantitative survey in this particular research wave. These findings can be found in section 2 before the findings to the main quantitative survey. The key organisations interviewed were:

- Incoming Tour Operators Association
- Restaurants Association of Ireland
- Coach Tourism and Transport Council
- Irish Caravan and Camping Council
- Car Rental Council

Tourism Barometer – December 2011

Which of the following best describes your business type? (TICK ONE ONLY)

Hotel ❑
Guesthouse ❑
Bed & Breakfast ❑
Self catering ❑
Hostel ❑
Attraction ❑

Please note that the following questions refer to your accommodation business only

Q1 Has your business been established since before the start of 2010?

Yes ❑
No ❑

Q2 How did the volume of your overall business in 2011 compare with last year?

Up on 2010 ❑
Same as 2010 ❑
Down on 2010 ❑
Don't know ❑

Q3 How did the volume of your overall business in 2011 compare with 2010 from each of the following markets? (N.B. *If you never receive visitors from a particular market on the list then please tick 'not applicable'*)

	Up on 2010	*Same as 2010*	*Down on 2010*	*Don't know*	*Not applicable*
Republic of Ireland	❑	❑	❑	❑	❑
Northern Ireland	❑	❑	❑	❑	❑
Overseas	❑	❑	❑	❑	❑

Q4 Looking at your overseas business in more detail, how did the volume of your business in 2011 compare with last year from each of the following markets? (N.B. *If you never receive visitors from a particular market on the list then please tick 'not applicable'*)

	Up on 2010	*Same as 2010*	*Down on 2010*	*Don't know*	*Not applicable*
Great Britain	❑	❑	❑	❑	❑
France	❑	❑	❑	❑	❑
Germany	❑	❑	❑	❑	❑
USA	❑	❑	❑	❑	❑

Q5 How did your average room yield in 2011 compare with last year?

Up on 2010 ❑
Same as 2010 ❑
Down on 2010 ❑
Don't know ❑

Q6 How do you expect the volume of your overall business to perform in 2012, compared to this year?

Up on 2011 ❑
Same as 2011 ❑
Down on 2011 ❑
Don't know ❑

Q7 **How do you expect the volume of your overall business to perform in 2012 compared to 2011 from each of the following markets?**

	Up on 2011	*Same as 2011*	*Down on 2011*	*Don't know*	*Not applicable*
Republic of Ireland	❑	❑	❑	❑	❑
Northern Ireland	❑	❑	❑	❑	❑
Overseas	❑	❑	❑	❑	❑

Q8 **How do you expect the volume of your overseas business to perform in 2012 compared to this year from each of the following markets?**

	Up on 2011	*Same as 2011*	*Down on 2011*	*Don't know*	*Not applicable*
Great Britain	❑	❑	❑	❑	❑
France	❑	❑	❑	❑	❑
Germany	❑	❑	❑	❑	❑
USA	❑	❑	❑	❑	❑

Q9 **Thinking about the number of staff that you employed in 2011, that is full time, part time and seasonal, were the numbers employed up, down or the same for each type of employee compared to last year? (N.B. *If you didn't employ a particular type of employee on the list and didn't last year either, please use the 'not applicable' option*)**

	Up on last year	*Same as last year*	*Down on last year*	*Don't know*	*Not applicable*
Full time	❑	❑	❑	❑	❑
Part time	❑	❑	❑	❑	❑
Seasonal	❑	❑	❑	❑	❑

Q10 **Which, if any, of the following positive factors are likely to affect your business next year, 2012? (TICK ALL THAT APPLY)**

Weather ..... ❑
Maintenance of 9% VAT rate ..... ❑
Own marketing ..... ❑
Marketing by local or national tourist boards ..... ❑
Improved overseas visitor access to Ireland ..... ❑
Improved road access around Ireland ..... ❑
Local events ..... ❑
Repeat visitors ..... ❑
Irish people holidaying in Ireland ..... ❑
None of the above ..... ❑

Are there any other positive factors likely to affect your business in 2012 which you would like to comment on?

_____

_____

Q12 **Which, if any, of the following issues of concern are likely to affect your business next year, 2012? (TICK ALL THAT APPLY)**

Low-priced competition ..... ❑
Fuel and energy costs ..... ❑
Other operating costs ..... ❑
Perception of poor value for money in Ireland ..... ❑
State of the national economy ..... ❑
State of the global economy ..... ❑
Lack of bookings ..... ❑
Visitors spending less ..... ❑
Overseas visitor access to Ireland ..... ❑
Cost of access to Ireland ..... ❑
Unapproved accommodation operators ..... ❑
None of the above ..... ❑

Are there any other issues of concern likely to affect your business in 2012 which you would like to comment on?

If you would like future surveys to be sent to an email address different from the one we used this time, please state the new email address below. Otherwise please leave the box blank. All information that is provided is strictly confidential and any contact details provided by you will only be used by Strategic Marketing in administering the Tourism Barometer over the period 2011 - 2012.

Thank you for completing Fáilte Ireland's Tourism Barometer for December 2011. Please now click on 'submit' below.