Fáilte Ireland
National Tourism Development Authority

TOURISM BAROMETER 2009

Wave 3 - December

Contents

Introduction

The Tourism Barometer is a state of the season survey of tourism enterprises carried out by Millward Brown Ulster on behalf of Fáilte Ireland. The objective of the survey is to obtain an insight into the performance of all sectors of the industry in 2009 compared to the previous year and to determine the industry's expectations for 2010.

The survey was conducted over a two week period from the 24th November to the 9th of December 2009. In total 1050 interviews were conducted, details of which are outlined in the analysis of sample (Appendix 1).

Accommodation

In the third quarter of 2008 and in the wake of the global financial crisis Ireland became the first euro zone country to slide into recession. With 2009 came some of the most challenging economic circumstances ever faced by the Irish Tourism industry. Cutbacks are set to continue in the foreseeable future so 2010 is likely to be another tough year for the Tourism industry in Ireland.

Overall Bednights

With the most severe recession in decades still running its course it is not surprising that all accommodation sectors report overall bednight volumes to be down on 2008.

The majority of hotels, guesthouses, B&Bs, caravan and camping, hostels and self-catering establishments all reported a fall in overall demand compared to 2008.

More than nine in ten guesthouses (94%) and hostels (92%) reported a fall in demand; these sectors appear to have been the most negatively affected by the downturn. (See Chart 1)

Hotels

The downturn in bednight volumes in the hotel sector over the year can largely be attributed to falling demand in the overseas markets according to 83% of hoteliers.

The volume of domestic bednights is also perceived to be down on last year by almost two thirds (64%) of all hoteliers, however more than a quarter (28%) cited an increase in demand compared to 2008. The consistent strength of the Euro against Sterling throughout 2009 has contributed to a declining Northern Ireland performance with more than two-thirds (68%) of hoteliers citing a fall in demand from this source compared to the same period last year. (See Chart 2a)

Against this background, it is not surprising that almost all hoteliers reported average room yields to be down on 2008. (See Chart 2b)

Guesthouses and B&Bs

Guesthouses were particularly affected by the fall in demand, with the down turn in bednight volumes largely being attributed to falling demand in the overseas market. The volume of overseas bednights is perceived to be down on 2008 by almost nine in ten (89%) guesthouse proprietors. (See Chart 3)

The B&B sector also reported a decrease in demand from 2008 levels, the down turn in bednight volumes once again being largely attributed to softening demand in the overseas market. (See Chart 4)

Self Catering

The fall in bednights reported in the self-catering sector is again mainly due to the poor performance of the overseas market, however, overall the sector appears to have performed better (relatively speaking) than any of the other accommodation providers. Although a majority of proprietors reported bednight volumes from the domestic and Northern Ireland markets to be down, almost half (48%) and more than four in ten (42%) self-catering establishments, respectively, stated that business generated from these markets was either up or on a par with 2008. (See Chart 5)

Caravan & Camping

A softening in overseas and Northern Ireland demand is the key contributory factor in the overall decline according to the caravan and camping sector in 2009. In contrast, the domestic market has performed strongly with more than four in ten (44%) proprietors reporting a growth in bednights. (See Chart 6)

Hostels

Hostels reported business to be down across all market areas in 2009, the overall fall in demand attributed to the decline in overseas markets. Although the majority of proprietors cited a fall in demand in the domestic and Northern Ireland markets, more than a fifth of all hostel owners stated that demand from Northern Ireland and the local market was either on a par or up on 2008. (See Chart 7)

Ireland Market

Hoteliers have experienced falling domestic demand compared to 2008 and the evidence suggests that the downturn can be attributed to a reduction in business across each of the main domestic market segments.

More than three quarters (78%) of hoteliers stated that business / corporate bednights were down slightly or down significantly on last year, and more than seven in ten (71%) reported weekend breaks down on 2008. Although more than two thirds of all hoteliers stated that special events, mid-week breaks and general leisure breaks were down slightly or significantly on 2008, the extent of the decline is less prominent than was stated in the June instalment of the Tourism Barometer. (See Chart 8)

Activity Providers, Attractions, Restaurants and Transport

Activities

The majority of activity providers have experienced a decline in overall business compared to 2008. Consistent with the findings presented in earlier instalments of the Tourism Barometer throughout the year, equestrian establishments have performed better (relatively speaking) than other activity providers. Almost all cruising companies (88%) and golf courses (94%) report tourism business to be down on 2008. (See Chart 9)

Visitor Attractions, Restaurants and Language Schools (EFL)

Restaurants were added to the sample list for the first time in the September instalment of the Tourism Barometer, however, caution is once again advised due to a low response rate. More than three quarters (78%) of all responding restaurateurs stated that business was down on 2008 levels.

Language schools have reported a softening in tourism demand, a clear majority of managers reported business to be down compared to 2008. Only about a fifth (19%) of all language schools cited business levels either on a par or up on last year.

Consistent with the findings of the September instalment of the Tourism Barometer the attractions were more positive in relative terms. More than a third (35%) of all attraction managers cited growth regarding the performance of tourism business compared to 2008. This growth has been primarily due to more than half of attractions proprietors reporting an increase in domestic visits. (See Chart 10)

Car Hire and Coach Operators

As evident in earlier instalments of the Tourism Barometer, car hire companies and, more so, coach operators have both experienced a very challenging trading environment in 2009. Almost three quarters (74%) of all coach operators and approximately two thirds (64%) of car hire companies reported reduced levels of tourism demand in 2009. (See Chart 10)

Overseas Market Performance

Hotels have experienced falling demand across all of the main overseas markets. The majority of hotel managers cited a deterioration in demand in 2009 compared to 2008. Without doubt linked to the ongoing global economic slowdown, more than three quarters of all hotel managers reported a drop in demand in the British and USA markets, while almost two thirds (65%) of hoteliers cited softening demand from France and Mainland Europe.

The downturn in overseas bednights by market is consistent across hotels, guesthouses and B&Bs with Great Britain and the United States showing the biggest drops in demand for 2009. (Charts 11a, 11b & 11c)

Prospects

Tourism proprietors have continuing concerns about their prospects for 2010. The most difficult economic circumstances for many a year has instilled a distinct lack of optimism amongst tourism operators. However, whereas most industry sectors expect overall business to be down on balance for the coming year, a majority of tourism businesses believe that 2010 will be at least on a par, or in some cases better, than 2009.

Guesthouses and B&Bs are the most pessimistic of the accommodation providers. Almost half of all B&Bs (47%) and guesthouses (44%) expect their overall volume of bednights to further decline in 2010. Relatively speaking the caravan and camping operators and hoteliers are least pessimistic, almost one quarter (24%) of all hotel owners and more than a fifth (22%) of caravan and camping proprietors expect demand for 2010 to be up compared to 2009. (See Chart 12a)

Overall, accommodation providers are generally less pessimistic about prospects for the domestic market in 2010; however they are still expecting it to be down on balance.

A similar outlook for 2010 was shared by some activity product providers. A third (33%) of all golf clubs and half (50%) of all cruising companies anticipate a decline in demand. However, equestrian operators were actually quite optimistic as approximately half of all equestrian companies (45%) anticipate improved levels of demand in 2010. (See Chart 12b)

Negative sentiment is also evident amongst restaurateurs with more than four in ten (44%) anticipating a decline in demand, and while the EFL sector is not exactly bursting with confidence about the prospects for next year the majority expect 2010 to be much the same as 2009.

The attractions and car hire managers are the most optimistic. More than a third forecast that business in 2010 would be up on 2009. (See Chart 12c)

Factors Impacting on Performance

Despite the Irish economy technically emerging from recession in the third quarter of 2009, (the growth in GDP was largely due to higher profits at multinational companies) very difficult conditions still persist. Not surprisingly tourism enterprises in Ireland remain cautious, more than half (54%) of all respondents failed to identify any positive factors affecting their business prospects. The increase in lower price offers (8%) and better advertising and marketing campaigns (7%) were mentioned as positives, albeit by a minority. (See Chart 13a)

Looking at the positive factors by sector, it is evident that cheaper rates are of most importance to coach operator. The better advertising and marketing campaigns however are perceived to be particularly beneficial by equestrian and attraction operators.

Consistent with the findings in each instalment of the Tourism Barometer throughout 2009 the recession and economy continues to be the most frequently cited negative factor having impacted on performance by tourism businesses. A quarter (25%) of all tourism operators mentioned this on a spontaneous basis. Operators also referred to high costs (fuel, living costs, overheads, energy etc), the drop in hotel room rates and unfavourable exchange rates as negative factors which have impacted their business. (See Chart 13b)

Looking at the negative factors on a sector by sector basis it is clear that the recession and high costs have been particularly bad for cruising, attractions, restaurateurs, coach operators and caravan and camping. Consistent with the findings presented in the June and September instalments of the Tourism Barometer the B&Bs are still finding it hard to compete with the low rates being offered by hotels. Exchange rates meanwhile appear to be badly affecting the EFL sector.

Operational Issues

As expected and consistent with the findings of the Tourism Barometer throughout 2009, the global and domestic economic downturns dominated the concerns of the overwhelming majority of tourism businesses. Energy costs were once again cited as a pressing issue for approximately two thirds (67%) of all tourism operators. (See Chart 14a)

Tourism operators were also asked to identify the issue of greatest concern. Almost a quarter (24%) of all proprietors across all tourism businesses highlighted the global economic downturn as the predominant concern. (See Chart 14b)

Looking at the issues causing most concern by sector, the downturn in the economy is particularly bad for B&Bs, cruising and golf tourism. Labour costs are a major issue for hotels, restaurants and the golf sector, while local authority service charges are a significant issue for hotels, restaurants, caravan and camping operators.

As highlighted in the September instalment of the Tourism Barometer increased competition through surplus capacity continues to be a particular concern for coach operators.

Employment

With the recession in full flow throughout 2009, coupled with the reported fall in demand for bednights, it is no surprise that the many accommodation proprietors have reduced staffing from 2008 levels. This reduction in staff levels throughout 2009 is most evident in respect of the hotel sector where approximately three quarters of all hoteliers cited employment across all categories of staff to be down on 2008. (See Chart 15a)

On balance, guesthouse owners have also reduced their overall staff complement, particularly part-time and seasonal staff. (See Chart 15b)

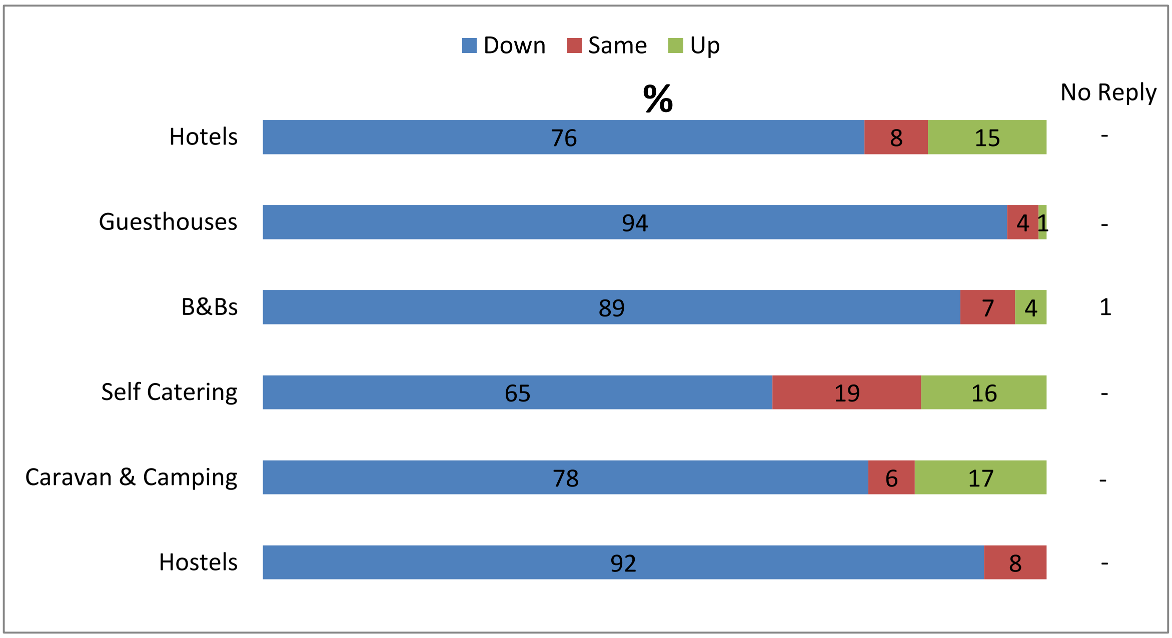
With less scope for reducing staff levels, more than a fifth of B&B owners report employing less part-time (22%) and seasonal staff (24%) in 2009 compared to 2008. (See Chart 15c)

Index to Charts and Appendices

Overall Bednights – Accommodation

January to December
2009 vs 2008

Chart 1

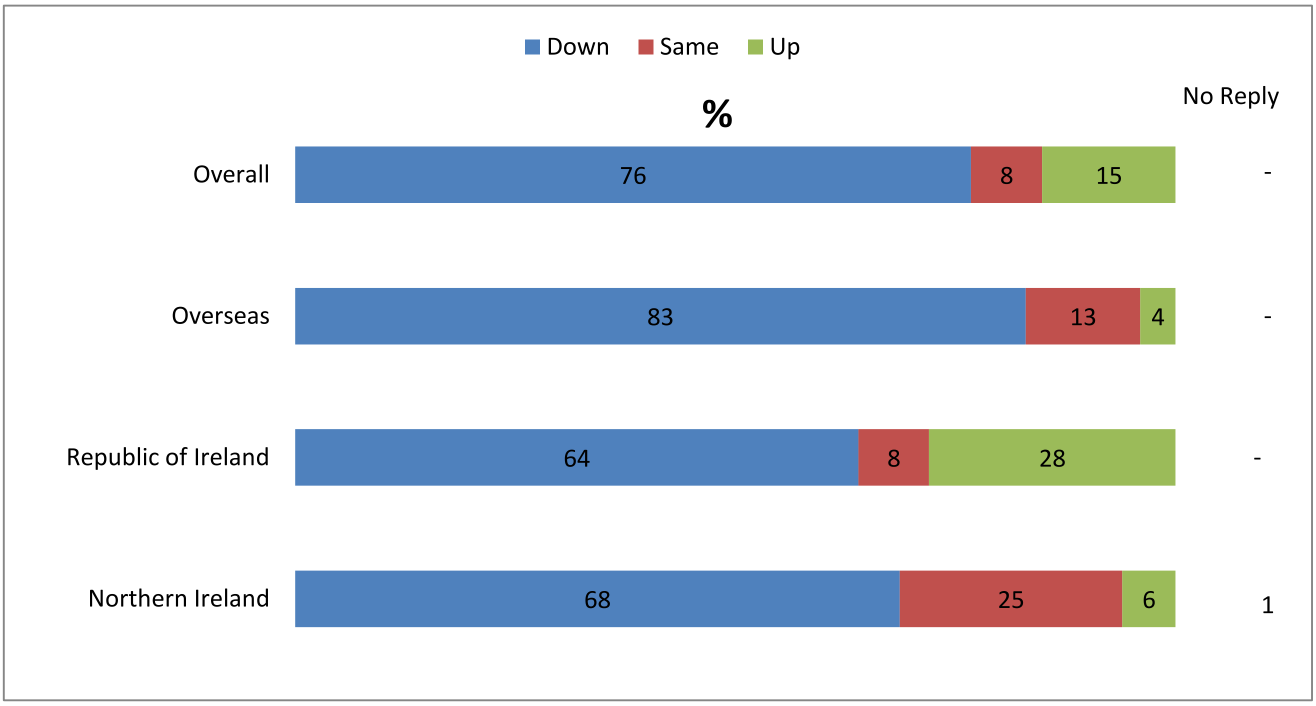


Base: All accommodation

Overall Bednights – Hotels

January to December
2009 vs 2008

Chart 2a

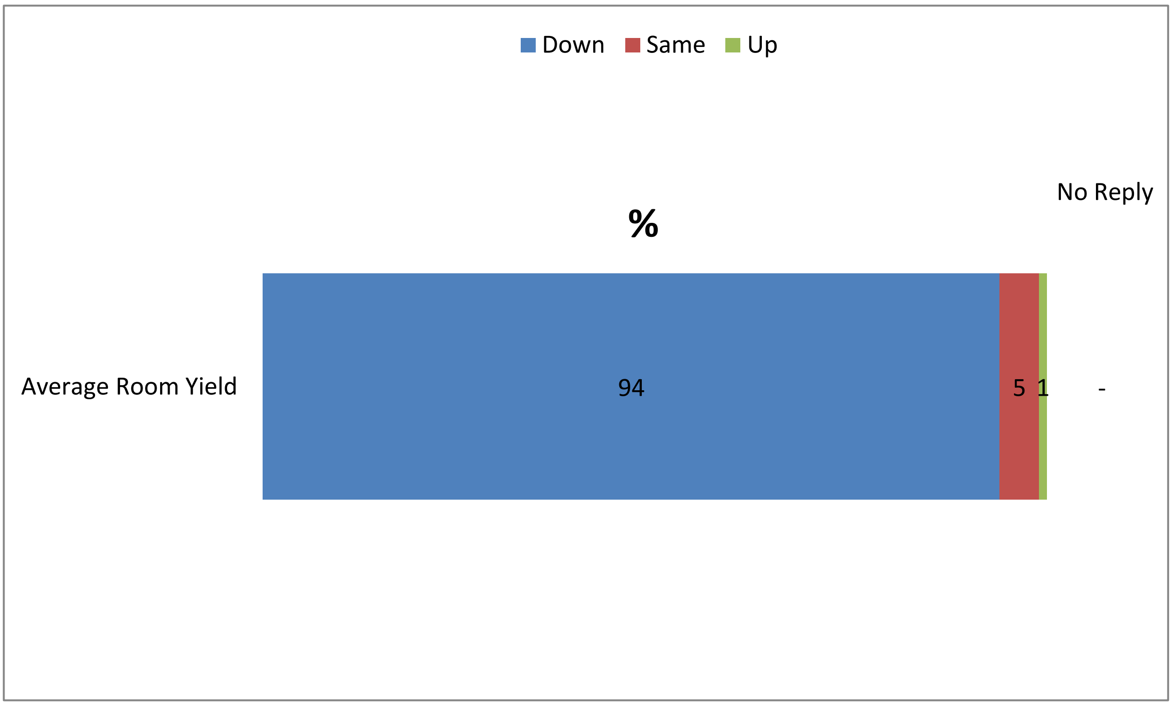


Base: All hotels

Average Room Yield – Hotels

January to December
2009 vs 2008

Chart 2b

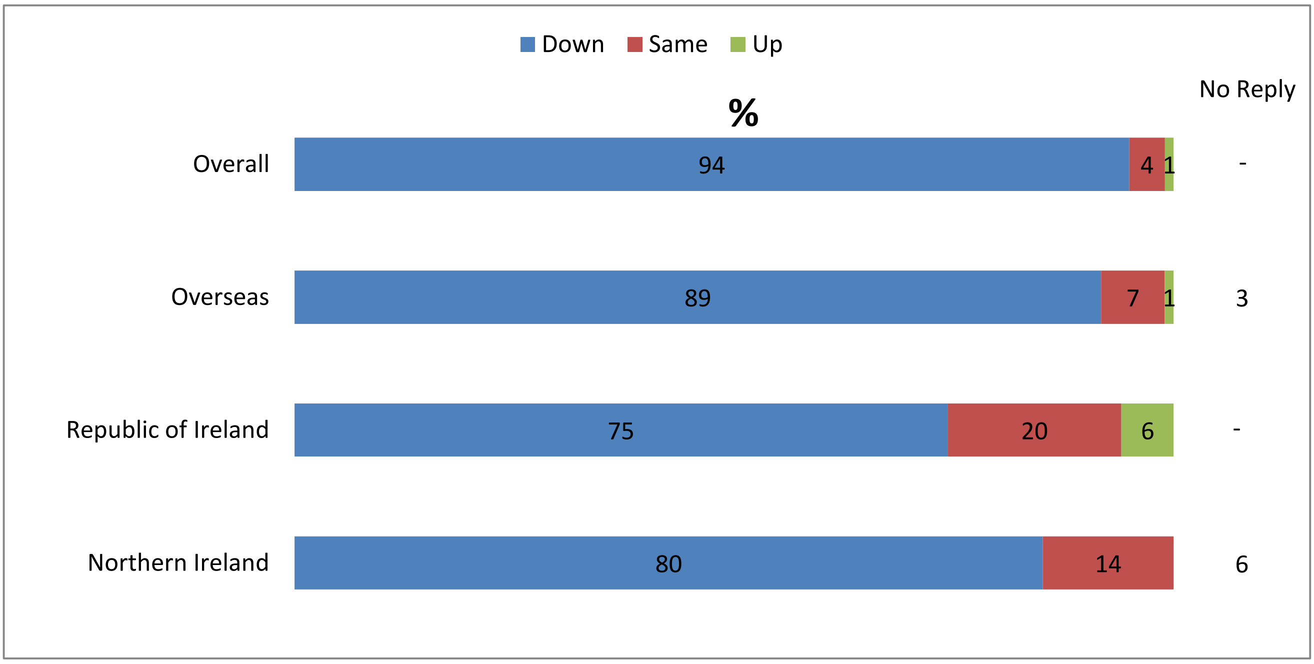


Base: All hotels

Overall Bednights – Guesthouses

January to December
2009 vs 2008

Chart 3



Base: All guesthouses

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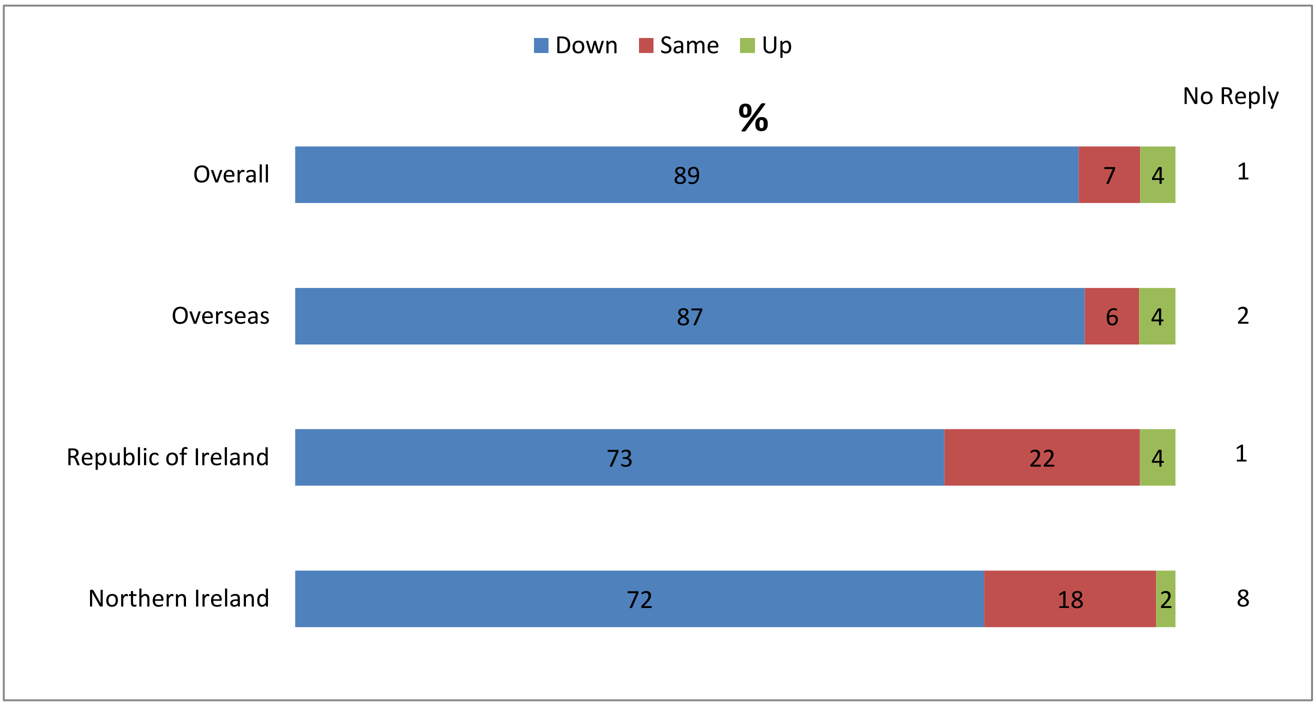
Overall Bednights – B&Bs

January to December
2009 vs 2008

Chart 4

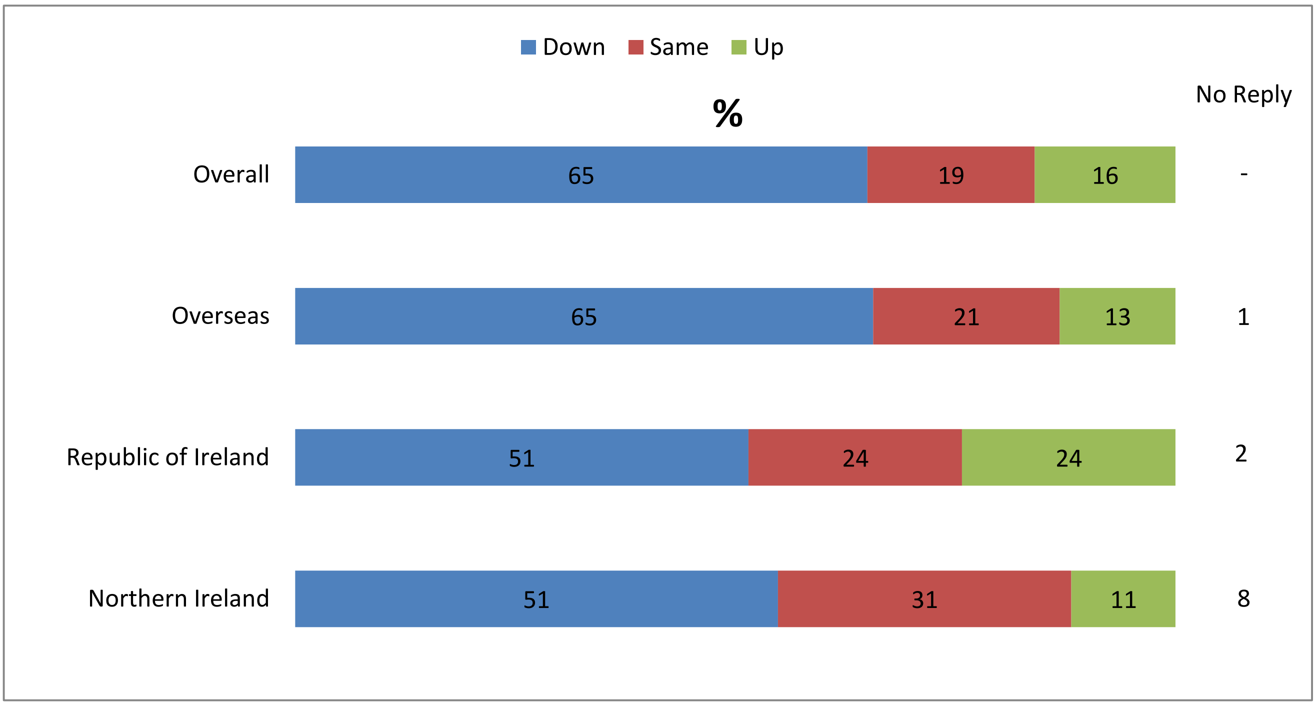


Base: All B&Bs

Overall Bednights – Self Catering

January to December
2009 vs 2008

Chart 5

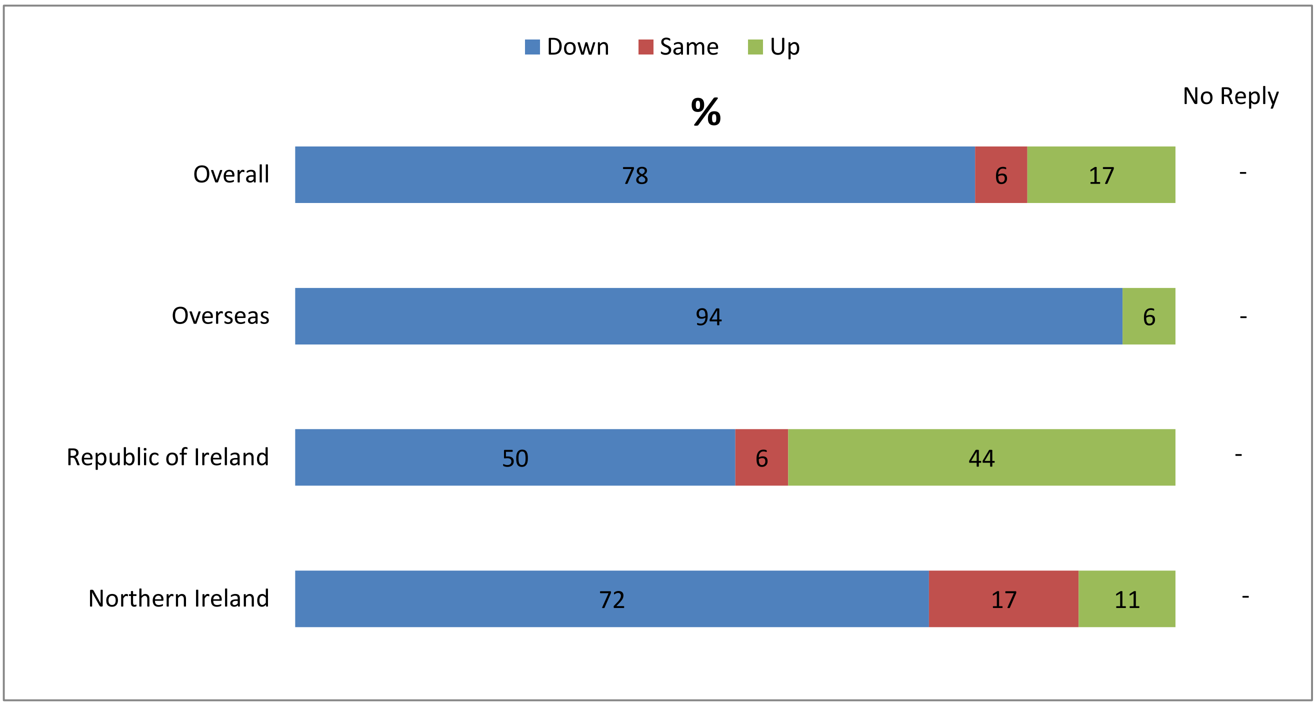


Base: All self-catering

Overall Bednights – Caravan & Camping

January to December
2009 vs 2008

Chart 6



Base: All caravan & camping

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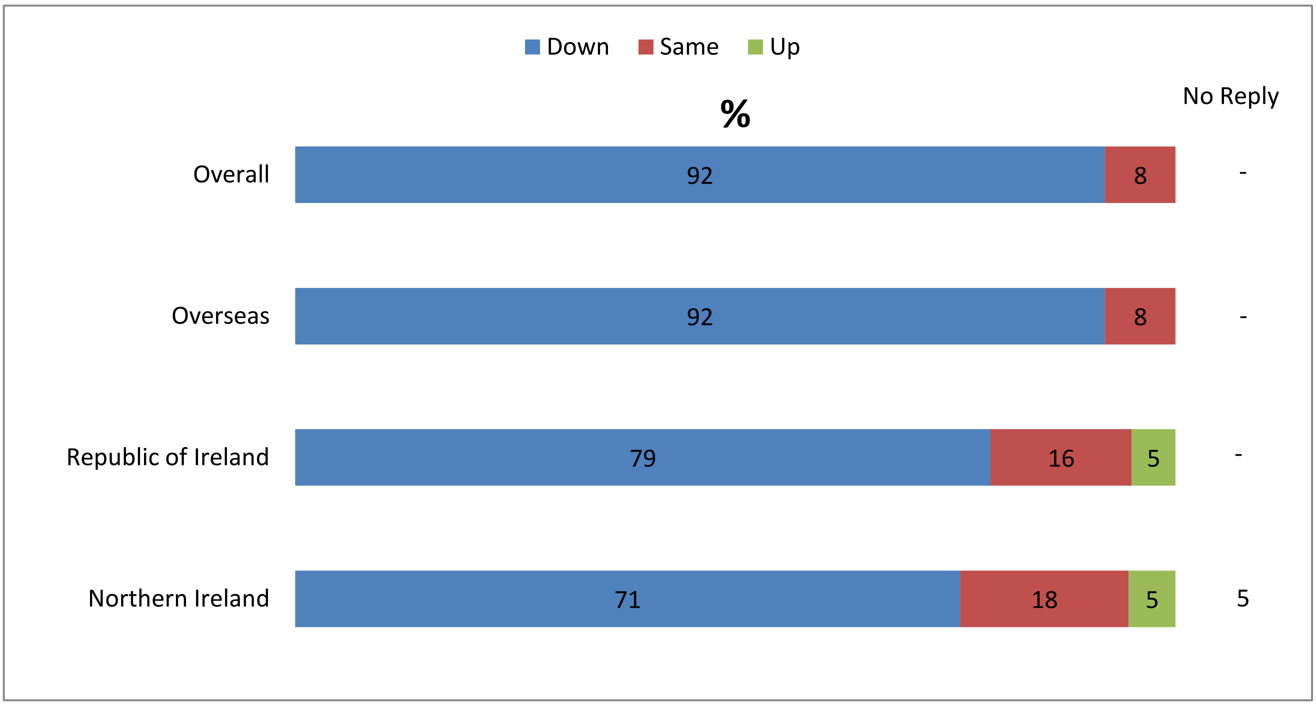
Overall Bednights – Hostels

January to December
2009 vs 2008

Chart 7

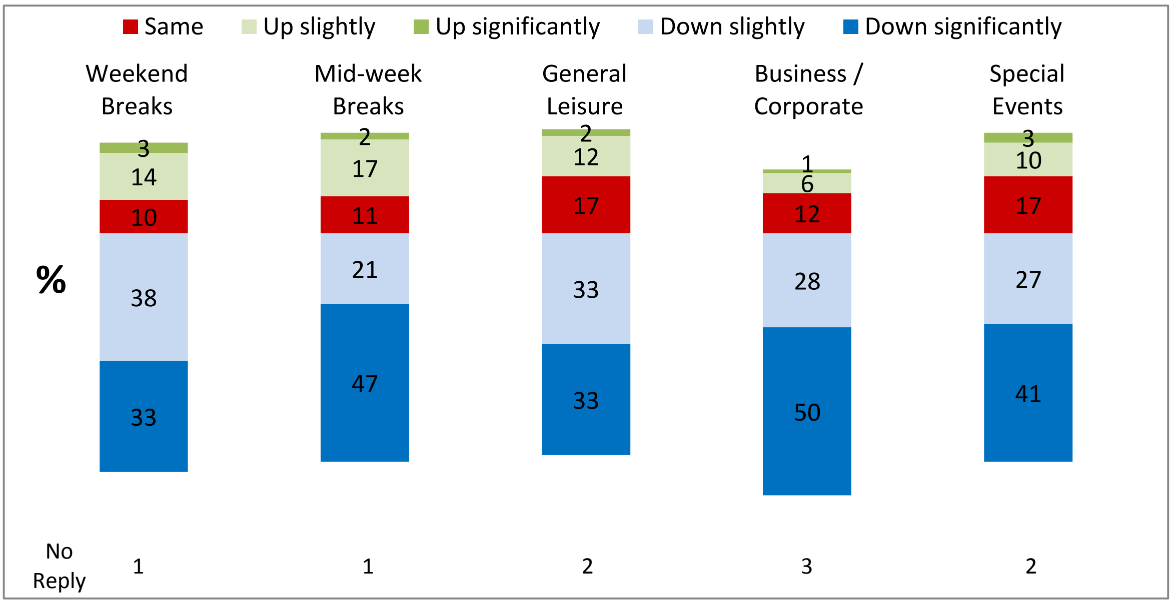


Base: All hostels

Ireland Market Bednights – Hotels

January to December
2009 vs 2008

Chart 8

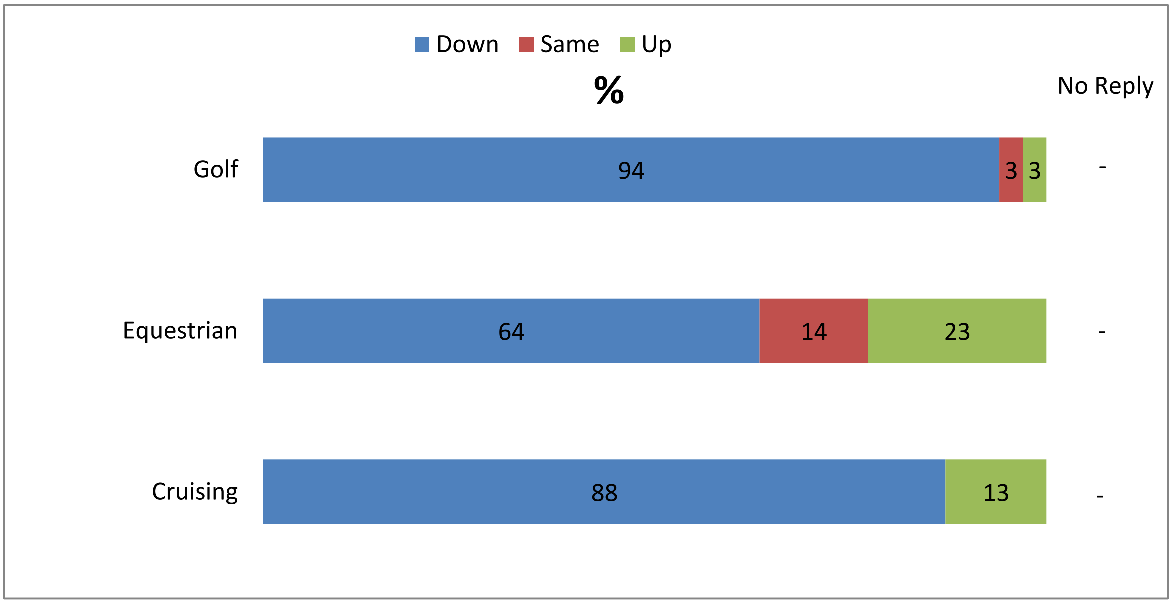


Base: All hotels

Overall Business – Activities

January to December
2009 vs 2008

Chart 9

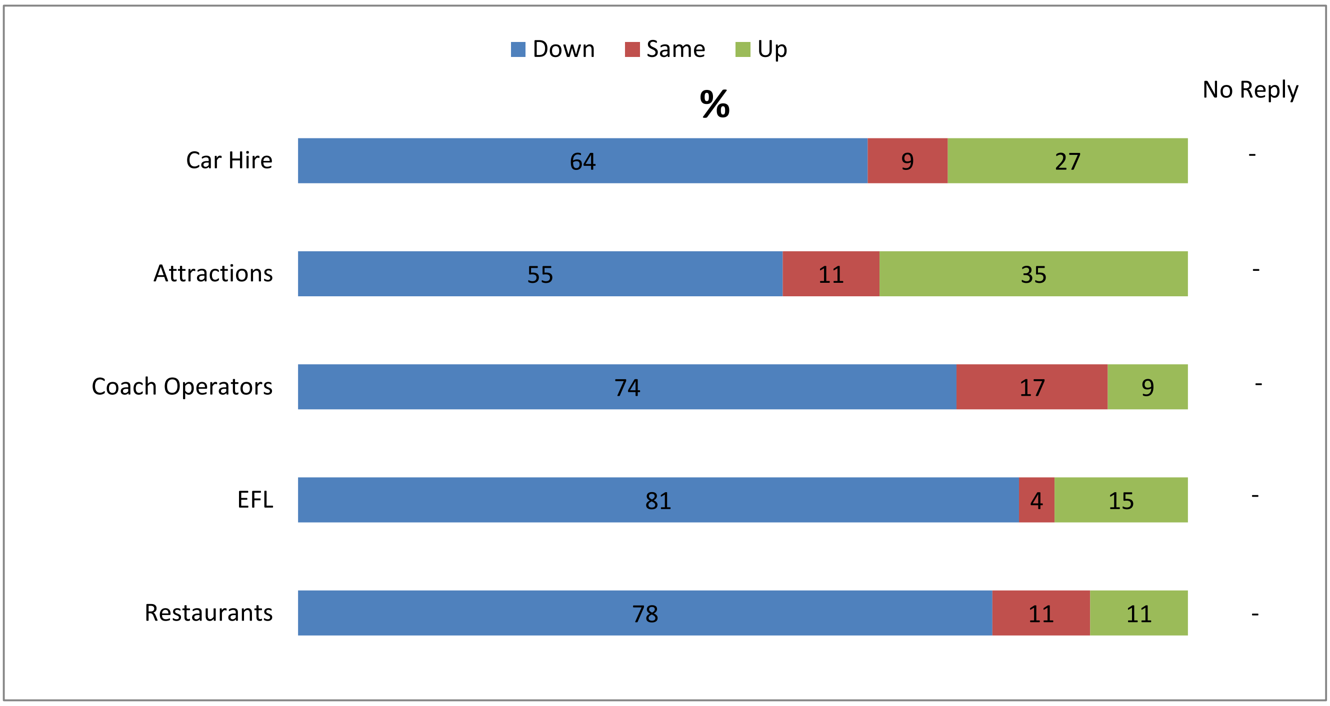


Base: All activities

Overall Business – Segments

January to December
2009 vs 2008

Chart 10

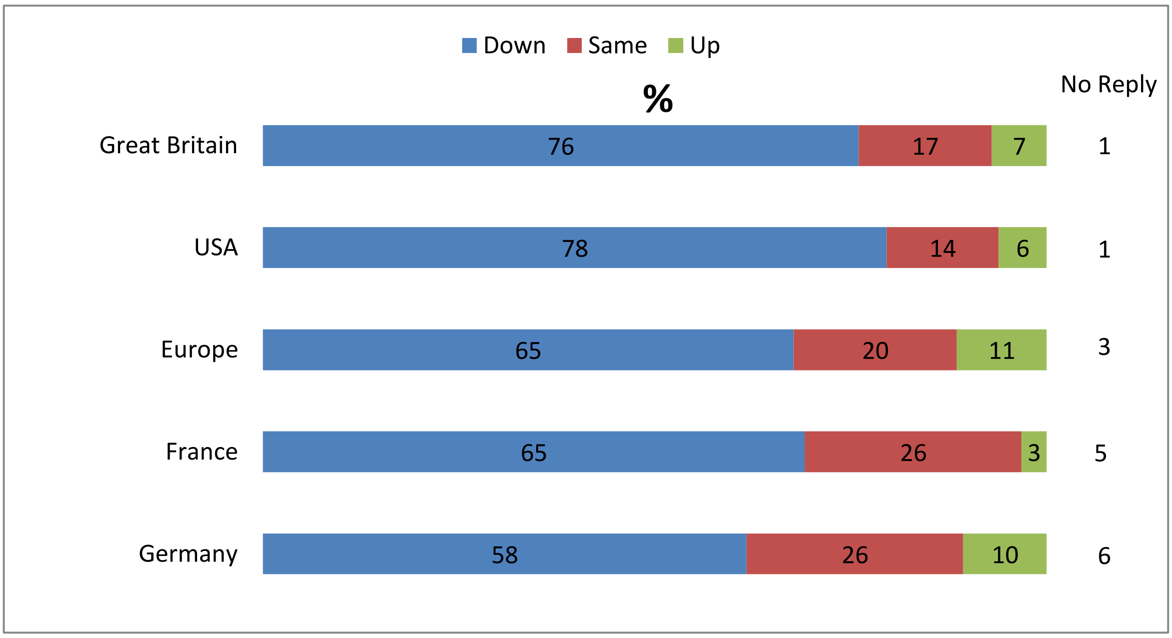


Base: All attractions & transport

Overseas Market Performance – Hotels

January to December
2009 vs 2008

Chart 11a

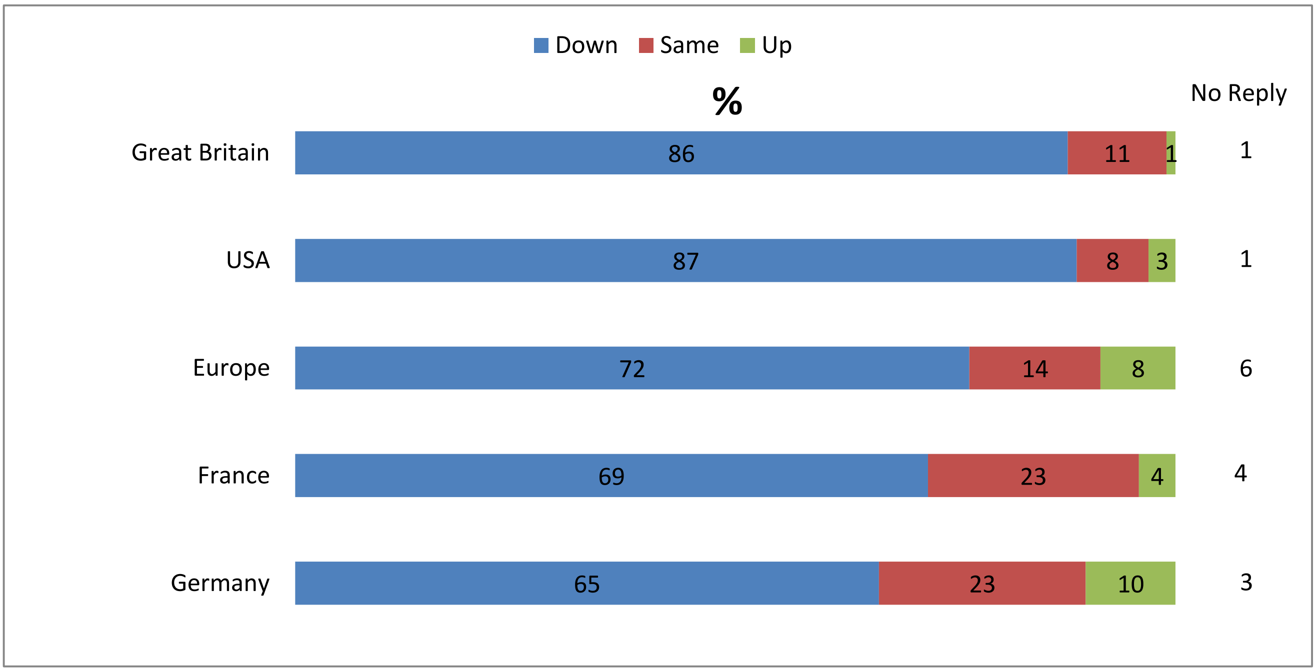


Base: All hotels

Overseas Market Performance – Guesthouses

January to December
2009 vs 2008

Chart 11b

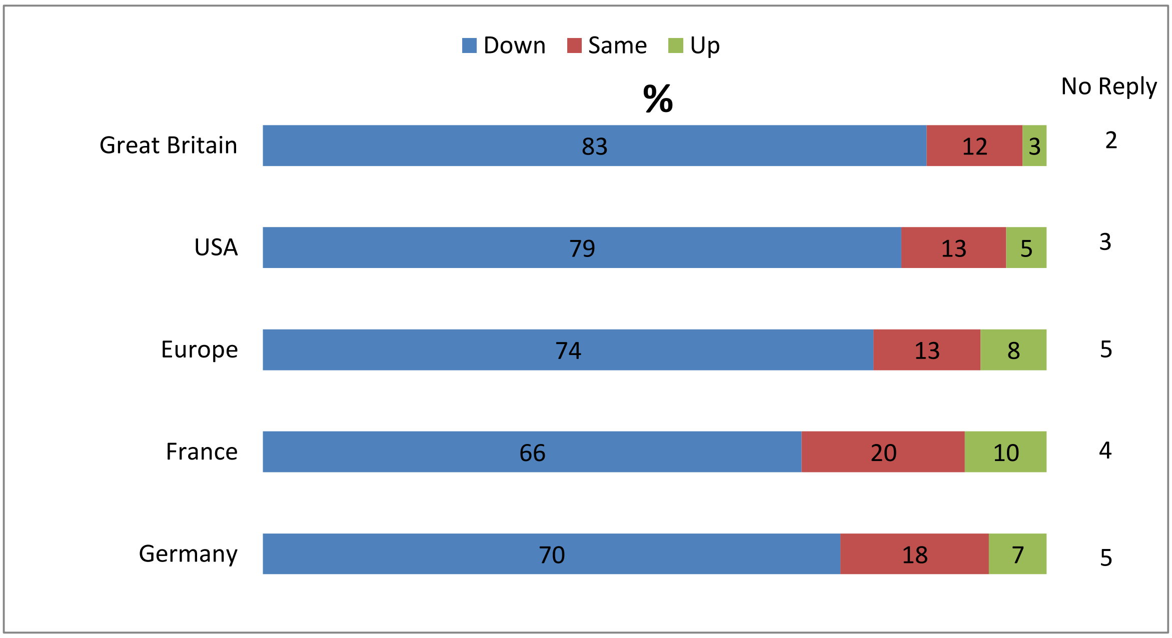


Base: All guesthouses

Overseas Market Performance – B&Bs

January to December
2009 vs 2008

Chart 11c

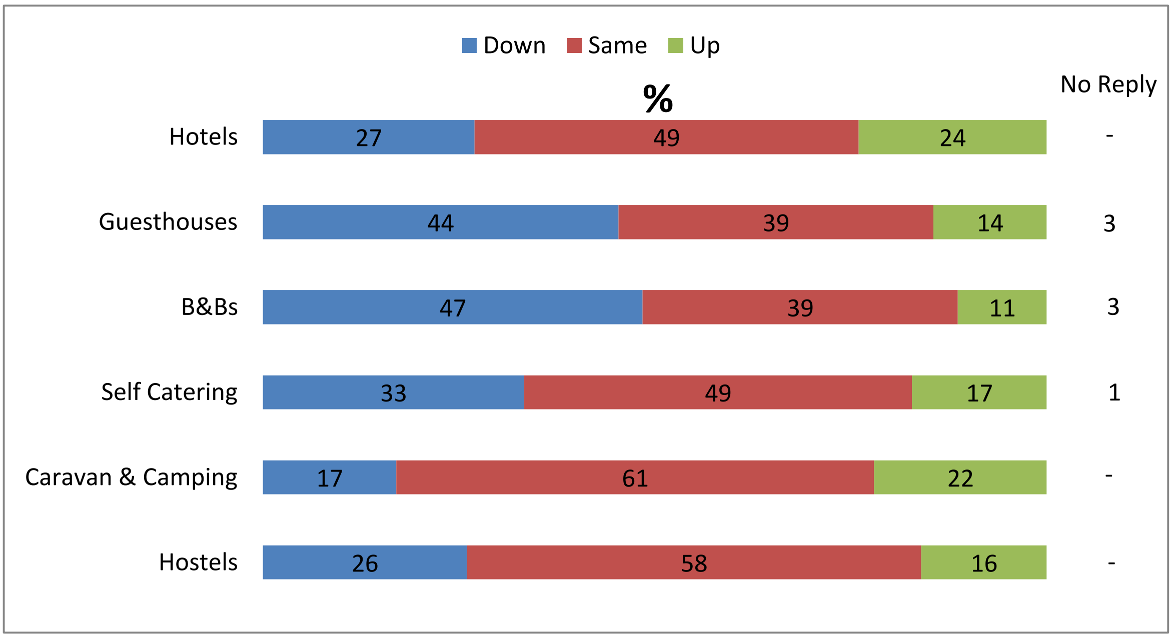


Base: All B&Bs

Overall Business Forecast – Accommodation

Prospects for the Year
2010 vs 2009

Chart 12a

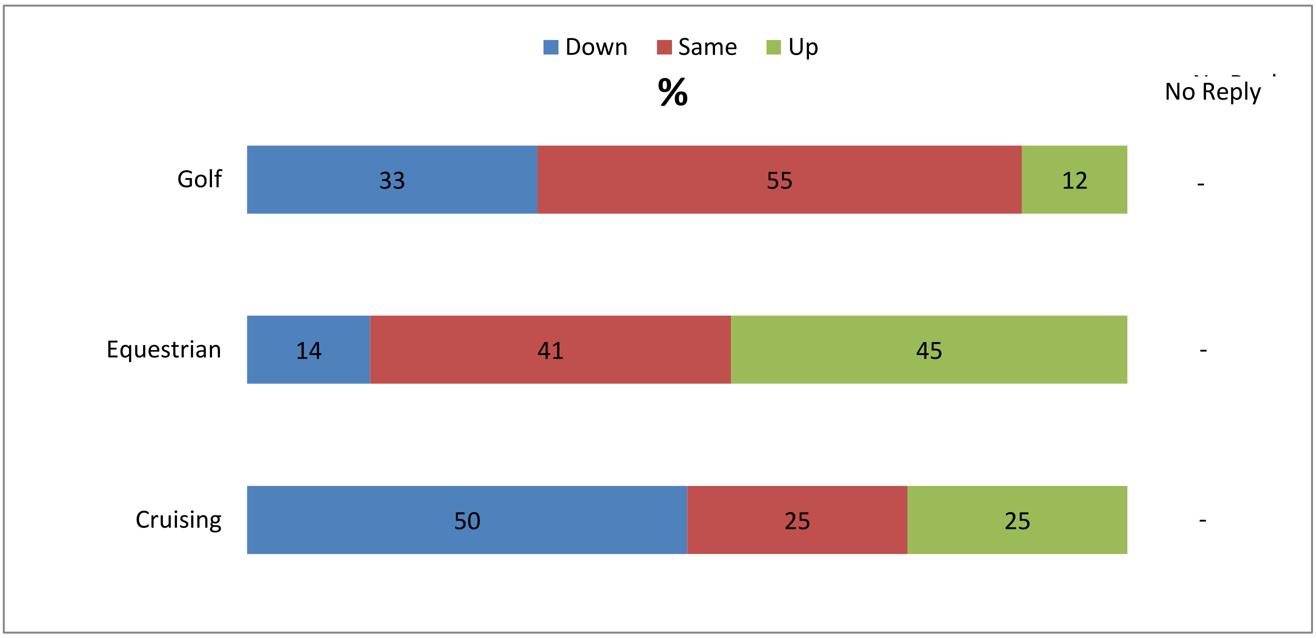


Base: All accommodation

Overall Business Forecast – Activities

Prospects for the Year
2010 vs 2009

Chart 12b

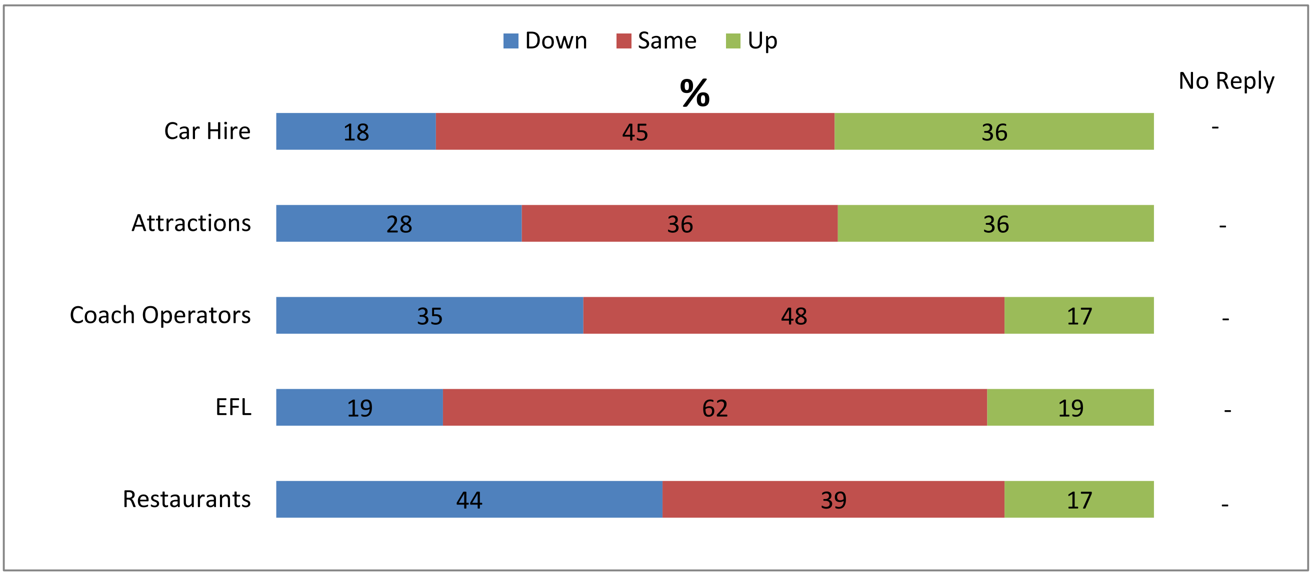


Base: All activities

Overall Business Forecast – Segments

Prospects for the Year
2010 vs 2009

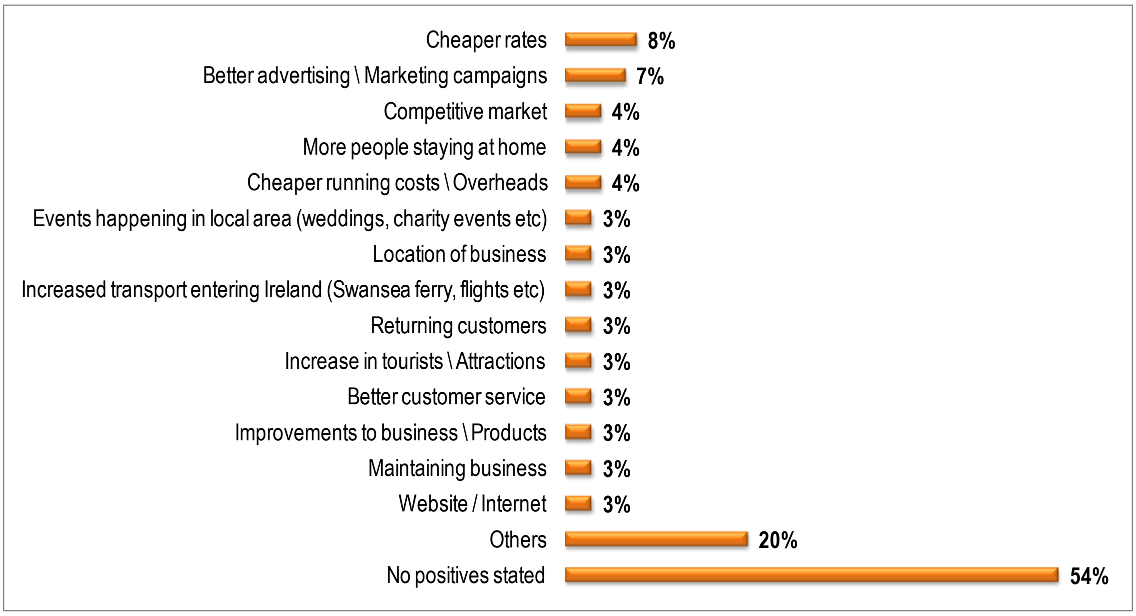
Chart 12c



Base: All attractions & transport

Positive Factors affecting overall performance

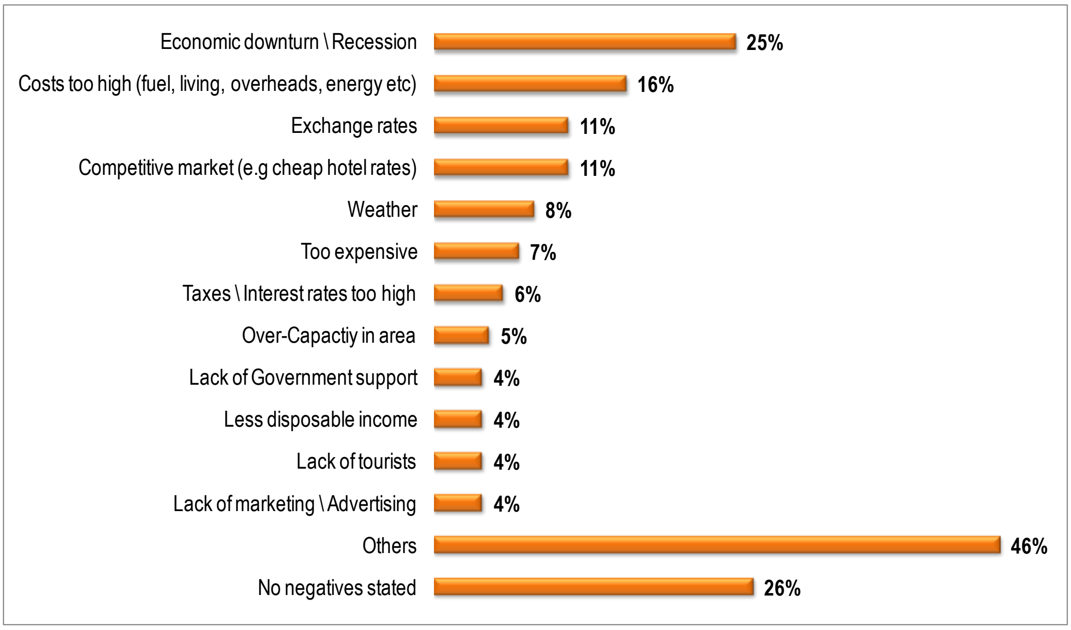
Chart 13a



Base: All tourism businesses

Negative Factors affecting overall performance

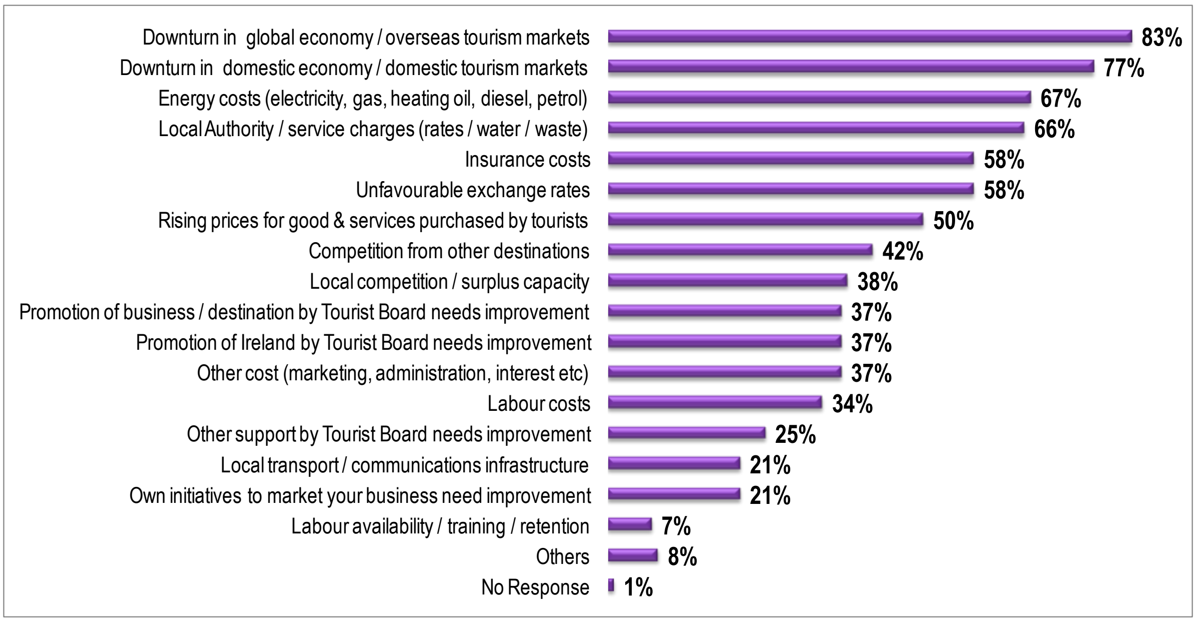
Chart 13b



Base: All tourism businesses

Operational Issues that cause concern

Chart 14a



Base: All tourism businesses

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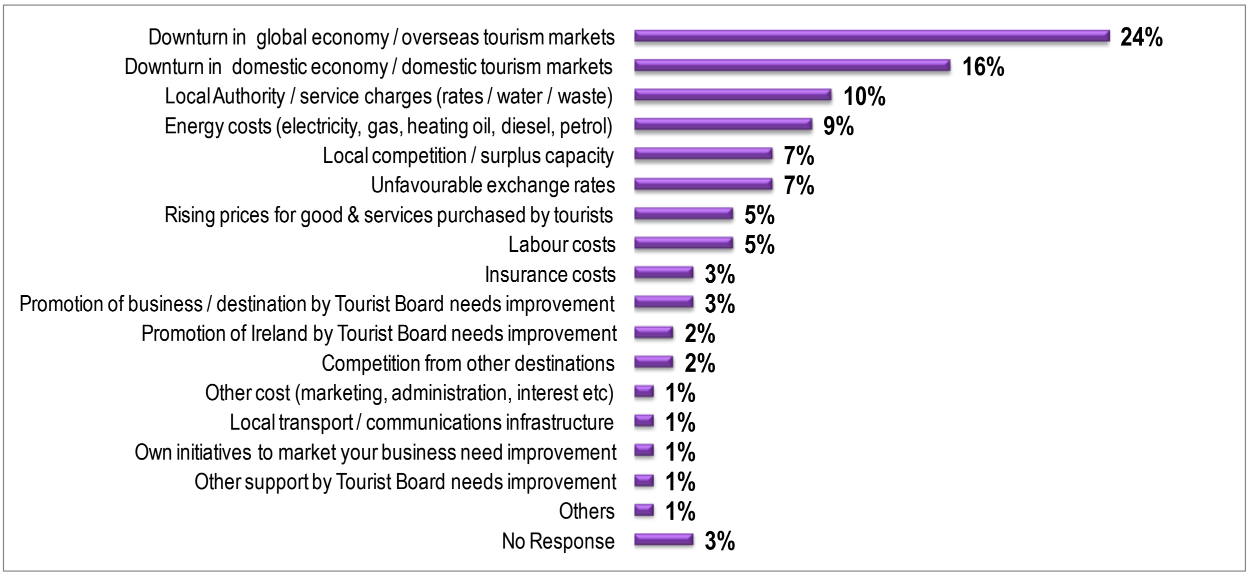
Operational Issues that cause most concern

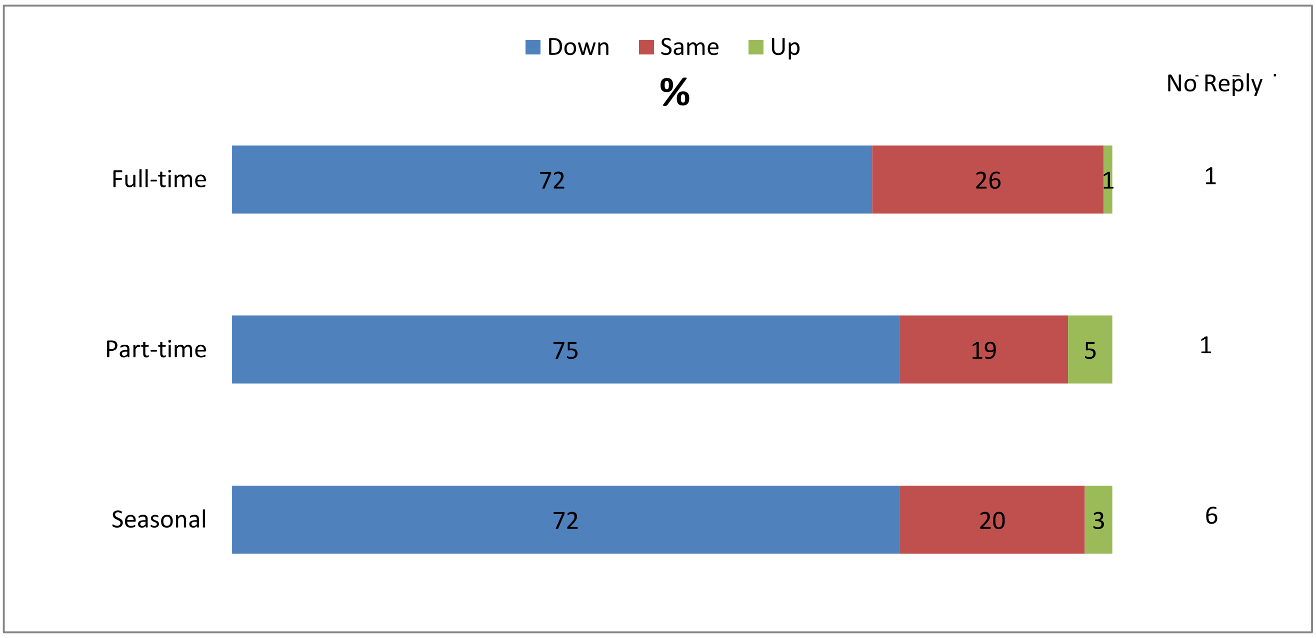
Chart 14b



Base: All tourism businesses

Employment – Hotels

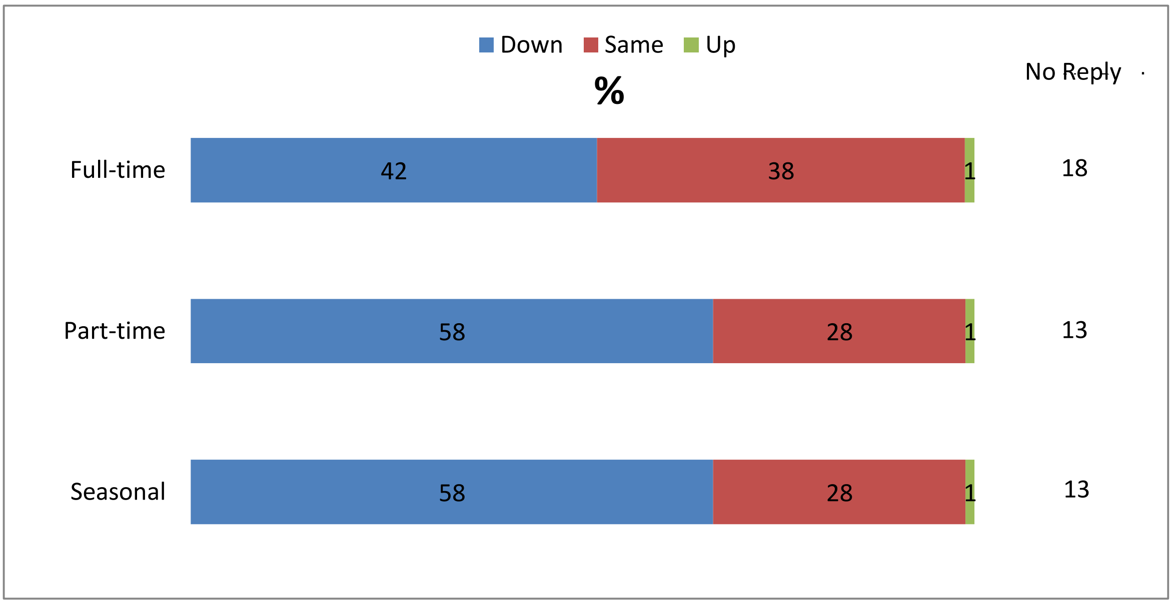
Chart 15a



Base: All hotels

Employment - Guesthouses

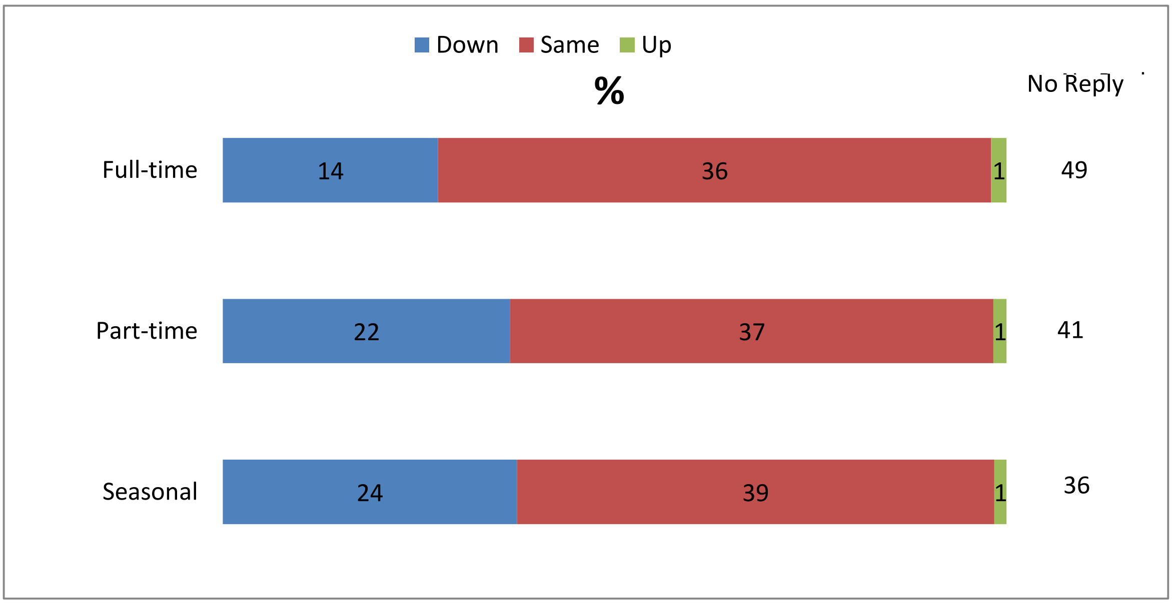
Chart 15b



Base: All guesthouses

Employment – B&Bs

Chart 15c



Base: All B&Bs

Appendix No 1 – Analysis of Sample

Accommodation

Paid Services

Hotels	144
Guest Houses	71
B&Bs	370
Sub Total	**585**

Other Accommodation

Self Catering	186
Caravan & Camping	18
Hostels	38
Sub Total	**242**

Total Accommodation **827**

Activities

Angling	2
Golf	33
Equestrian	22
Cruising	8
Sub Total	**65**

Segments

Car Hire	11
Attractions	75
Coach Operators	23
Retail	5
EFL	26
Restaurants	18
Sub Total	**158**

Total Activities, Attractions & Transport **223**

Total Number of Responses **1050**