



REPORT

VisitEngland  
2010 Business Confidence Monitor

Wave 3 – April and May



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## 1. Headline Findings

### April & May performance

- 1.1 The English tourism industry has had a reasonable two months. About one in three (32%) operators have had more visitors than the same period last year and just over one in three (35%) have had the same level. This is much better than in Q1, when only about one in five (21%) businesses increased their visitor numbers for the period.
- 1.2 Caravan & campsites have a particularly good period, with nearly two in five (38%) increasing their visitor numbers and a further two in five (40%) achieving the same level.

### Last minute bookings

- 1.3 The last minute booking trend seems to be more prevalent than it was last year. Over two in five (43%) businesses have had more last minute bookings in April and May compared to last year, and just over a third (35%) have had the same level.

### Visitor types

- 1.4 The industry is looking more stable across all visitor types than it did earlier this year. The domestic market is looking quite promising, with about a quarter (26%) of businesses reporting increased levels of domestic visitors and over half (53%) reporting the same level.
- 1.5 Repeat visitors are continuing to strengthen industry performance this period. About one in three (34%) businesses have increased repeat visitor levels compared to last year, compared to a minority (8%) who have a reduced levels.

### Advance bookings

- 1.6 Advance bookings for the summer are slightly down on the norm at this time of year. One in four (25%) businesses have increased bookings for the summer, but one in three (33%) have fewer.

## Confidence

- 1.7 Confidence for the summer season is high, in spite of bookings being slightly down. Nearly two in five (38%) operators are feeling 'very confident' and just under half (48%) are 'fairly confident'.

## Online booking facility

- 1.8 The degree of online booking facility in place varies considerably from those businesses (38%) which can facilitate immediate availability check and online booking to those (10%) which do not have a website.
- 1.9 Most (79%) hotels offer immediate online booking – considerably more than the other sectors. It might be that the poor performance of the guesthouse / B&B sector in comparison to hotels so far this year is not just due to aggressive price discounting by chain hotels but may also be impacted by the difference in online presence. Results to performance questions seem to suggest that businesses which offer immediate online booking perform the best, and there is a significant difference in performance between those which have a website and those which don't.

## Volcanic eruption

- 1.10 The majority (60%) of operators say the volcanic eruption in Iceland disrupting air travel has had little or no impact on their business. However one in five (20%) say it has had a positive impact and just under one in five (18%) say it has had a negative impact.
- 1.11 Most (71%) expect the disruption will not affect their business this summer, but some (16%) think it will have a positive impact as British holidaymakers are put off flying abroad.

## Other factors influencing tourism

- 1.12 Numerous factors are expected to impact on tourism this summer, including the BA strike, government budget / tax changes, ongoing effects from the recession, the World Cup, rising fuel prices, exchange rates and the weather. The general consensus is that the positive factors should outweigh the negative factors and a good summer is expected.

## 2. Research Background

### Objectives

- 2.1 This survey is the third of four or five 'waves' in the 2010 'Business Confidence Monitor', which aims to measure business performance and confidence in the English tourism industry over the main holiday periods. This wave reports on April & May, with projections to the summer.
- 2.2 The main objectives of this third wave are to measure:
- Business performance during April & May
  - Last minute booking behaviour
  - Bookings and confidence for the summer
  - Trends by visitor type
  - Online booking facilities
  - Factors affecting tourism

### Methodology

- 2.3 Strategic Marketing and VisitEngland worked together to design a questionnaire for telephone interviewing. A copy of the marked-up questionnaire is included as an appendix.
- 2.4 A total of 506 interviews have been completed by telephone with business owners or managers between 1<sup>st</sup> and 7<sup>th</sup> June. Calls have been introduced on behalf of VisitEngland and have been conducted during daytime and evening hours.

### Sampling

- 2.5 VisitEngland provided Strategic Marketing with a database of all graded accommodation businesses in England. We devised the sample quotas on the following page in order that the sample is representative of the industry by sector and region. The overall size of each sector quota has been set in accordance with the relative number and size of businesses which that sector

contributes to the industry. The size of each regional quota has been set using VisitBritain's 2007 Census of Accommodation Stock.

- 2.6 London hotels are the exception. The graded accommodation database is lacking in London hotels and so the quota is the most realistic number of telephone interviews achievable from a very limited data set within a given timeframe. Weighting the results of this cell is not possible with only four interviews.
- 2.7 Some multiple business contacts on the database share the same contact person and telephone number as they are part of the same chain or agency. We have set separate quotas for these 'chains' which lie outside of regional categorisation.

#### Sample breakdown by region and sector

Region / Sector	Hotels	Guest house / B&B	Self catering	Caravan & campsites	Total
Chains	2	2	12	-	16
East Midlands	10	7	6	17	40
East of England	9	9	12	19	49
London	4	27	2	-	33
North East	6	6	3	12	27
North West	20	25	13	16	74
South East	13	23	25	11	72
South West	19	24	31	25	99
West Midlands	6	16	4	5	31
Yorkshire	11	13	19	22	65
<b>Total</b>	<b>100</b>	<b>152</b>	<b>127</b>	<b>127</b>	<b>506</b>

- 2.8 In addition to sampling by region within each sector, we have also sampled by business size, defined by bedspaces, because if left to chance, the overall sample would be biased towards smaller businesses. These quotas are shown on the following page.

2.9 Within each sector we have viewed the available bedspace data and split the contacts into 'large' and 'small' businesses. The definition of 'large' is different for each sector, and is detailed in the table below.

**Sample breakdown by size and sector**

<b>Size / Sector</b>	<b>Hotels</b>	<b>Guest house / B&amp;B</b>	<b>Self catering</b>	<b>Caravan &amp; campsites</b>	<b>Total</b>
Large	27	65	43	57	<b>192</b>
Small	73	87	84	70	<b>314</b>
<b>Total</b>	<b>100</b>	<b>152</b>	<b>127</b>	<b>127</b>	<b>506</b>
Definition of 'large'	More than 100 bedspaces	More than 10 bedspaces	More than 10 bedspaces	More than 100 bedspaces	

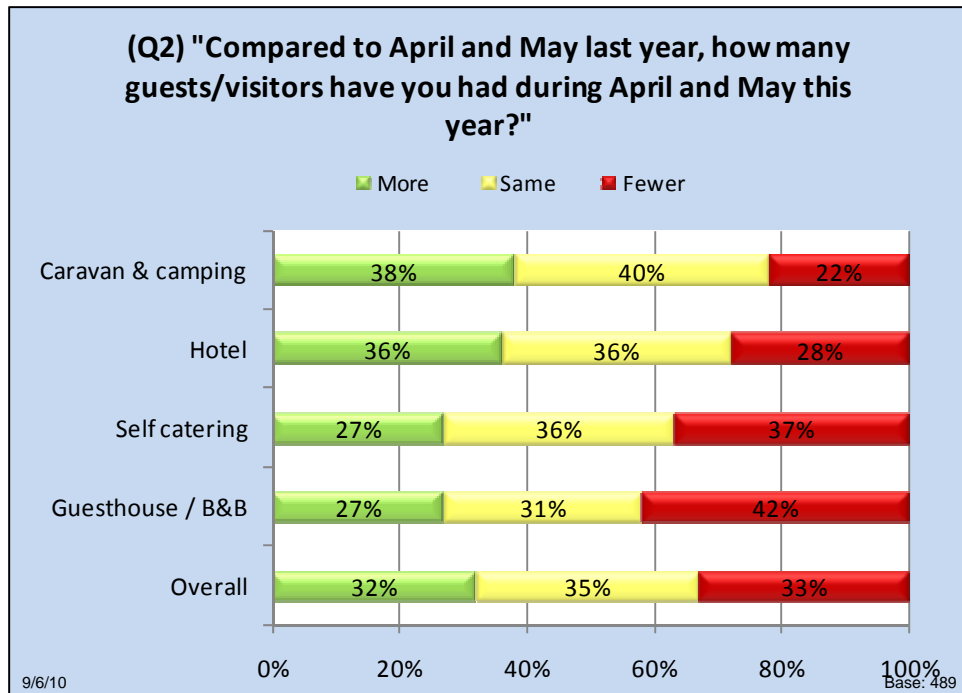
**Statistical validity**

2.10 Throughout the results sections of this report, differences by sector, size or location (Seaside / Large town/city / Small town / Countryside/village) are reported if they statistically valid at the 95% confidence level. Differences by region are not reported because the individual sample sizes are not large enough to make robust comparisons.

2.11 More details on statistical validity are available on request.

### 3. April & May Performance

- 3.1 Operators answering ‘don’t know’ or refusing to give an answer (especially about profitability) to the following questions have been excluded and the figures have been re-based accordingly.



- 3.2 The English tourism industry has had a reasonable two months. About one in three (32%) operators have had more visitors than the same period last year and just over one in three (35%) have had the same level.
- 3.3 5 star businesses have had a particularly good period, where nearly half (46%) have increased visitors on last year, compared to three in ten (30%) 4 star and below businesses which have had increased visitors.

#### Fine weather has helped

- 3.4 Fine weather during much of April and May has encouraged people to come out and take breaks away from home. Caravan & campsites, the most weather dependent sector, have had a particularly good period.

*"There have been more guests because of improvement in the weather"*  
Caravan park, South East

*“As the weather has been nice, there have been more people making last minute bookings in order to make the most of it”*  
Caravan park, Yorkshire

*“I feel that England in general is becoming a nicer place to go on holiday, as the councils and government are putting more work/money into making it better. It is becoming a more desirable place”*  
Caravan park, Yorkshire

### **Recession is still being felt**

3.5 This period has been better than Q1, but many operators are saying that the recession is far from over.

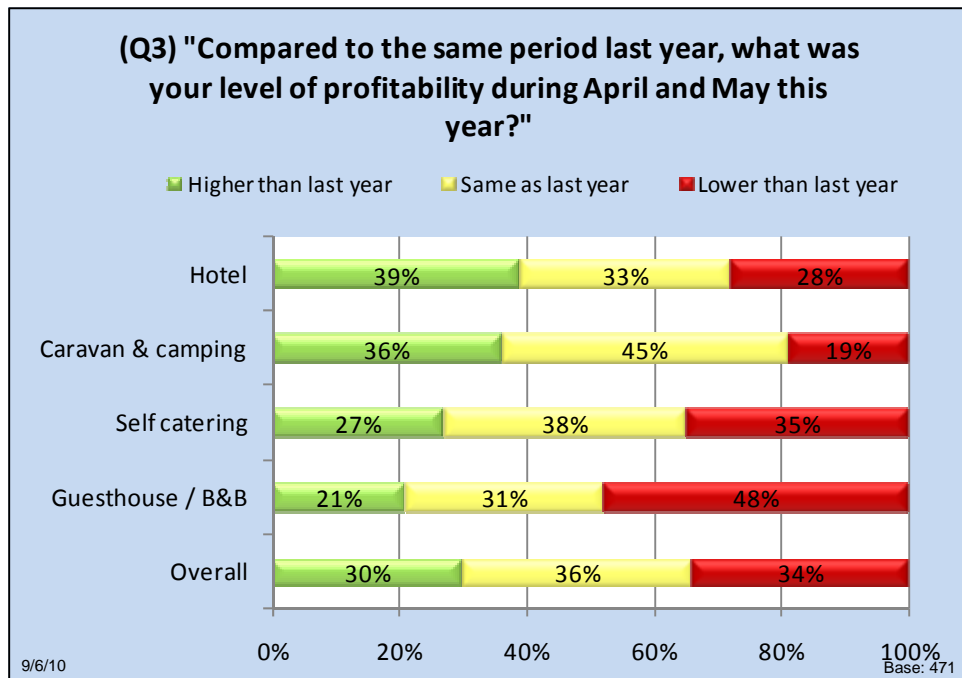
*“People cannot afford their second holidays”*  
Self catering, South West

*“All business is down. We’re not personally going on a holiday when we would usually so it’s difficult to expect others to”*  
B&B, South West

*“Business is 20 – 30% down”*  
B&B, South West

*“Bookings aren’t as reliable as they have been. People are booking holidays and then realising they don’t have the money”*  
B&B, East of England

## Profitability



- 3.6 Overall, change in profitability is in line with change in visitor numbers, suggesting that margins have remained about the same. This seems not to be the case in the B&B sector however.

*"There has been a massive decline in business, up to 50% lower than before the recession. There are too many financial demands on small business owners, forcing them out of business"*  
B&B, South West

*"Business is so bad that prices have been reduced and closure is planned"*  
B&B, West Midlands

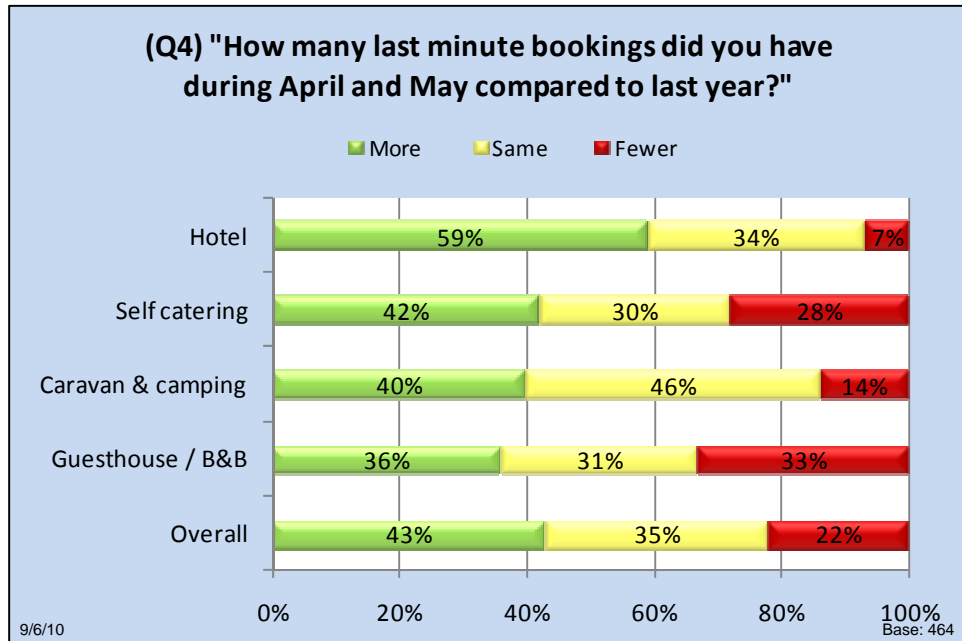
- 3.7 Answers to changes in profitability vary according to how each business is operating.

*"Profitability may be up as staff cuts have been made due to the recession"*  
Hotel, East of England

*"We've been offering special offers which seem to have been popular, so although we might be getting slightly more numbers in, the profitability is probably about the same"*  
Caravan park, South West

*"We've increased our aggressive marketing techniques, which makes profits the same but numbers are up"*  
Caravan park, South West

## 4. Last Minute Bookings



- 4.1 The last minute booking trend is still on the increase, even compared to last year. The hotel sector in particular has had a high level of last minute bookings, possibly because it has greater online presence and booking facilities than the other sectors and so is more equipped to take advantage of bargain hunters (this is discussed in more detail in section 8).

*"The internet is making last minute bookings more available"*  
 B&B, London

*"Holidaymakers are coming later due to uncertain times ahead"*  
 Hotel, Yorkshire

*"Last minute bookings have increased as people are waiting to find deals before booking"*  
 Caravan park, South East

*"Everything is last minute now. What can you do when you're only getting bookings two weeks in advance?"*  
 Caravan park, East of England

**Some operators have had to turn last minute business away**

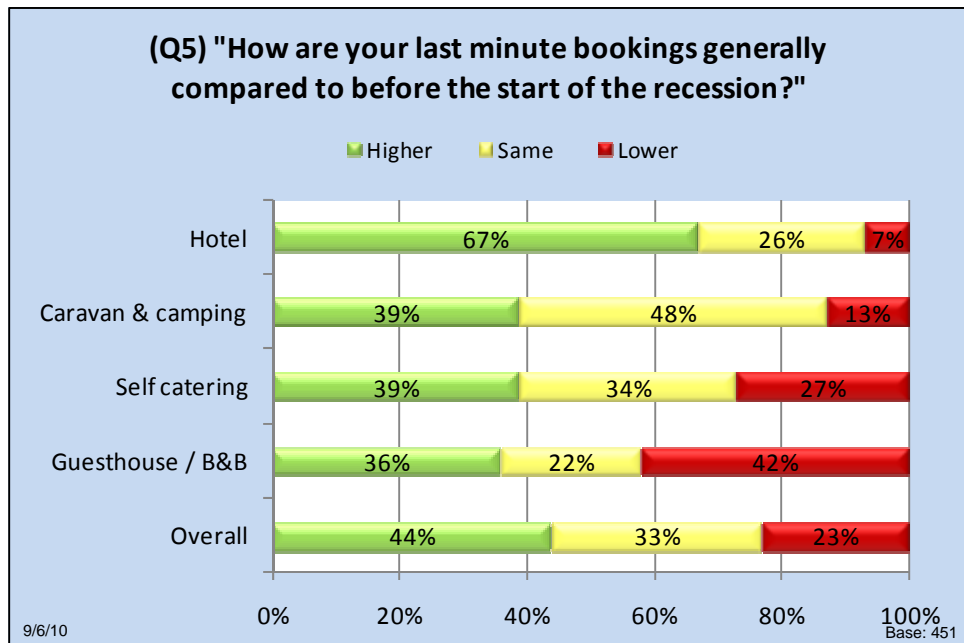
4.2 The nature of some businesses, especially caravan parks, means they have been unable to take advantage of last minute business.

*“Due to the size and nature of the caravan park, it is difficult to judge last minute bookings as the park fills up quickly and more often than not those enquiring last minute have to be turned away”*  
 Caravan park, West Midlands

*“Due to the nature of the park, bookings need to be made in advance rather than last minute”*  
 Caravan park, West Midlands

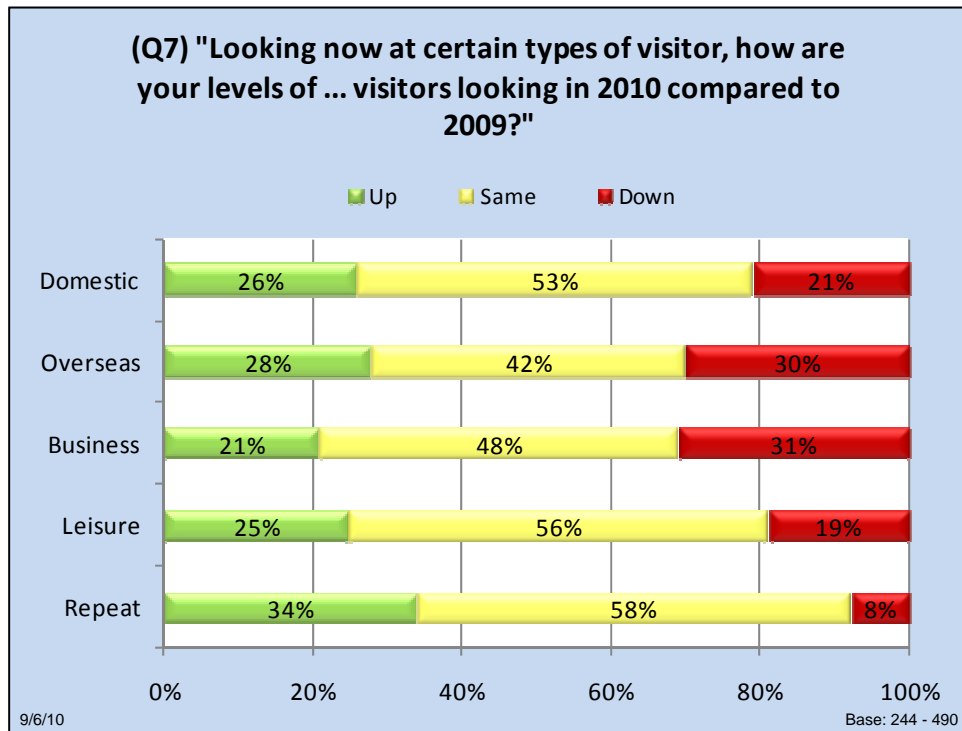
*“As the park is quite small, there are very few last minute bookings”*  
 Caravan park, South East

**Comparison with pre-recession times**



4.3 The overall results to the above question show that last minute bookings are much higher than pre-recession, even though many have experienced reduced bookings overall during the past two years. The hotel sector in particular has experienced a huge increase in last minute bookings.

## 5. Trends in Visitor Types



- 5.1 The industry is looking more stable across all visitor types than it did earlier this year. The domestic market is looking quite promising, with about a quarter (26%) of businesses reporting increased levels of domestic visitors and over half (53%) reporting the same level.
- 5.2 Repeat visitors are continuing to strengthen industry performance this period. About one in three (34%) businesses have increased repeat visitor levels compared to last year, compared to a minority (8%) who have reduced levels.

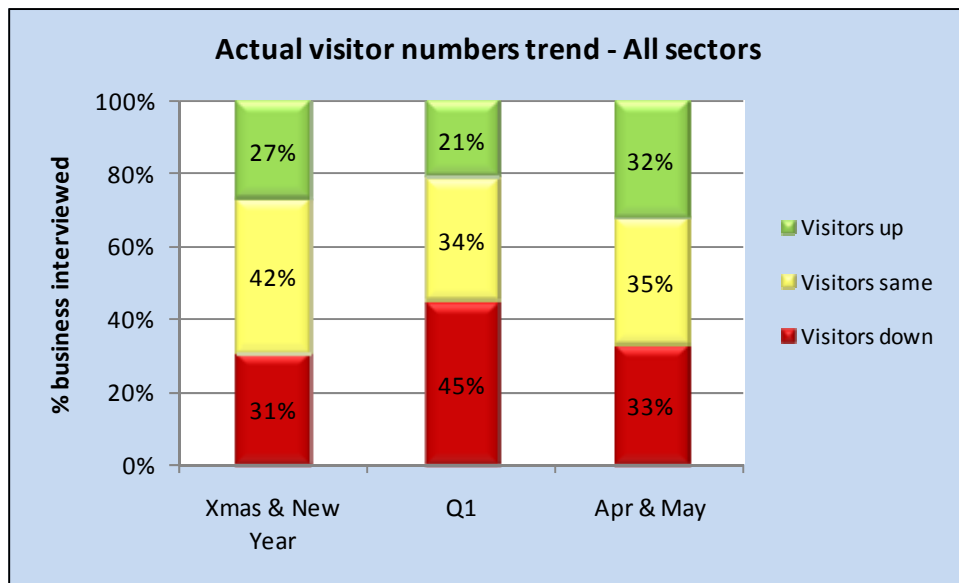
*"There have been more visitors this year as there has been an increase in repeat visitors"*

Caravan park, North East

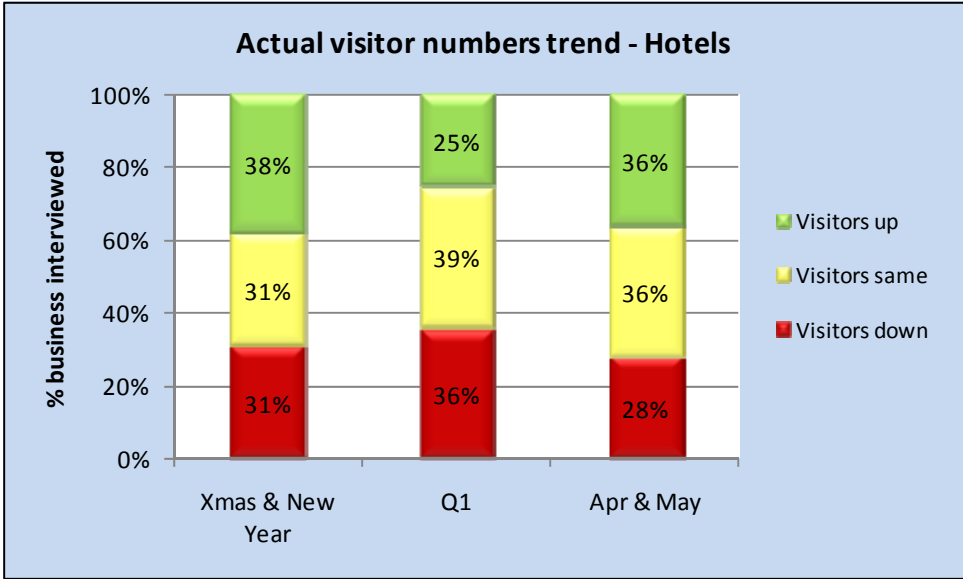
## 6. Trend Figures Across Research Waves

- 6.1 This survey is the third of four or five waves planned in 2010. As more waves are conducted, trend charts will be built up over time. Below are charts based on results from wave 1 (January), wave 2 (Q1 / Easter) and this wave (April & May).

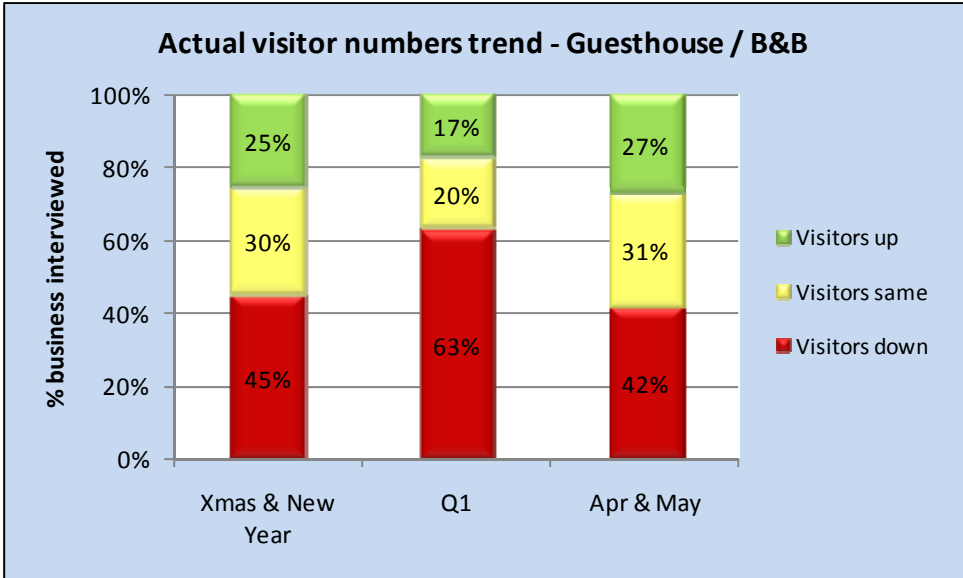
### Visitor Numbers



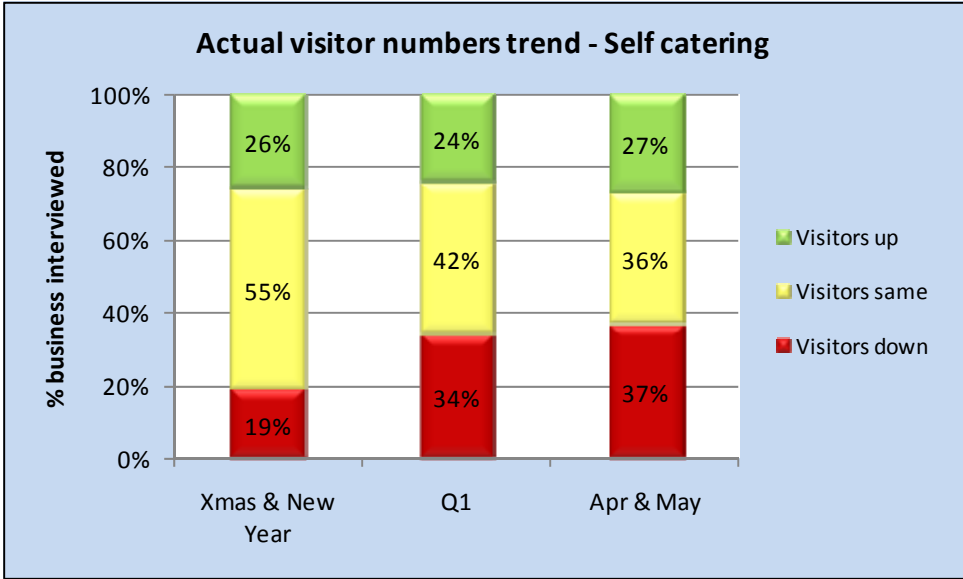
- 6.2 Following a tough first quarter, overall visitor numbers across the industry have recovered in April & May.



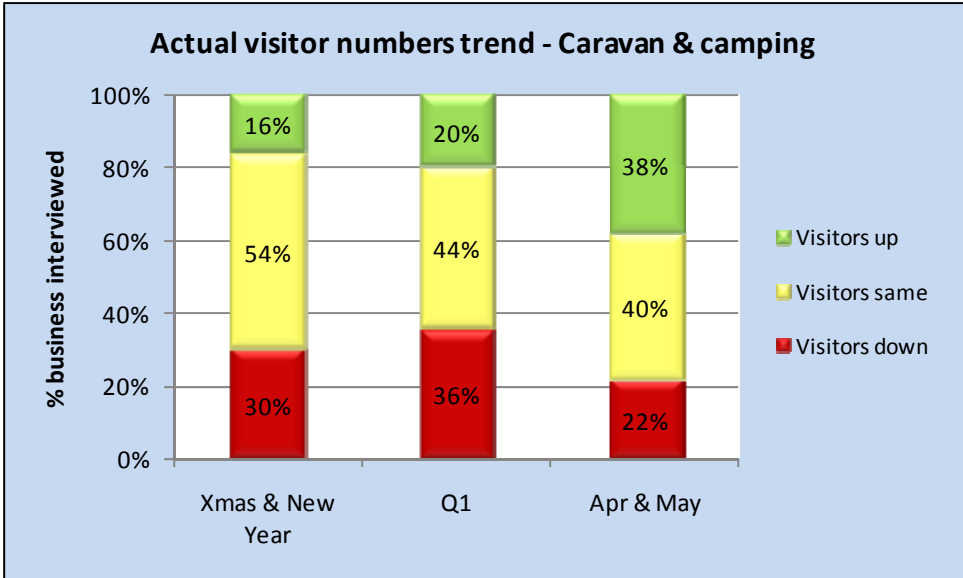
6.3 Charts by actual visitor numbers are now split by sector – the first chart (above) is for hotels.



6.4 The guesthouse / B&B sector had a very tough first quarter, but the last two months have been much better.

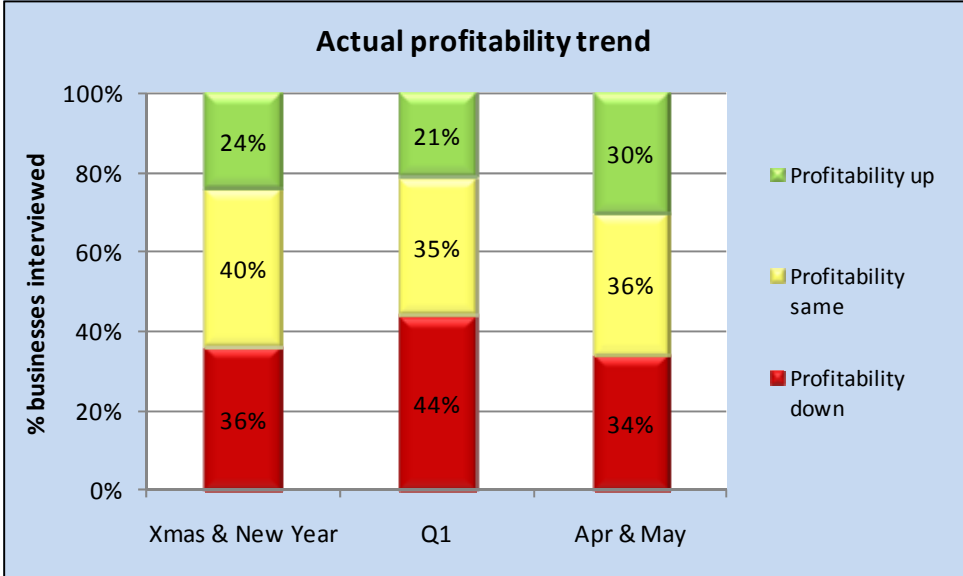


6.5 Performance in the self catering sector has remained reasonably constant this period.



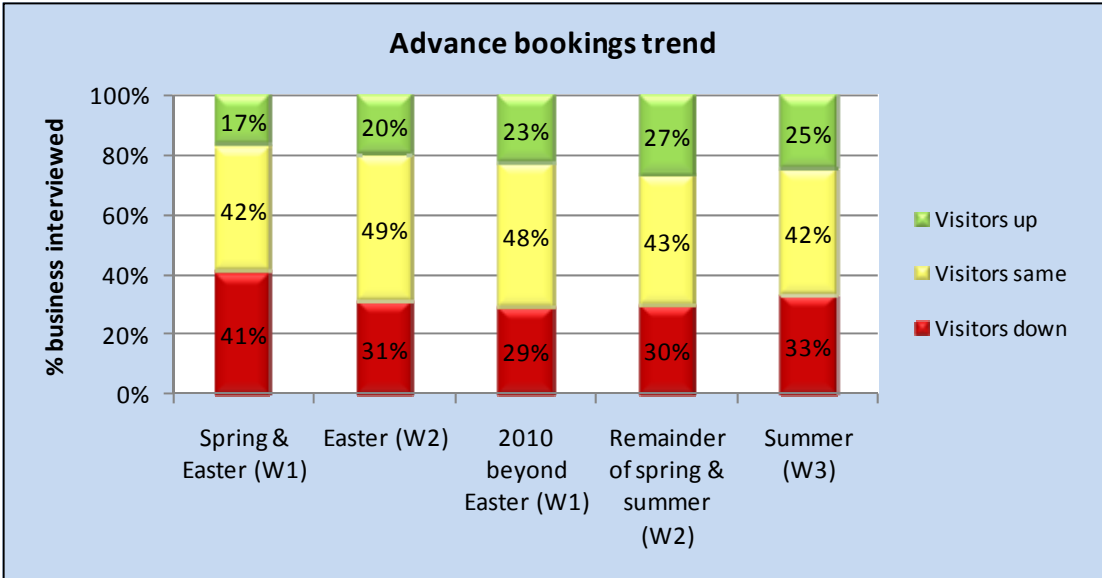
6.6 There has been a rise in interest in caravan & camping since the start of the recession, but the industry hadn't been able to capitalise on it this year until the warm weather finally arrived.

**Profitability**



6.7 This period, change in profitability is in line with change in visitor numbers, suggesting that margins have remained about the same.

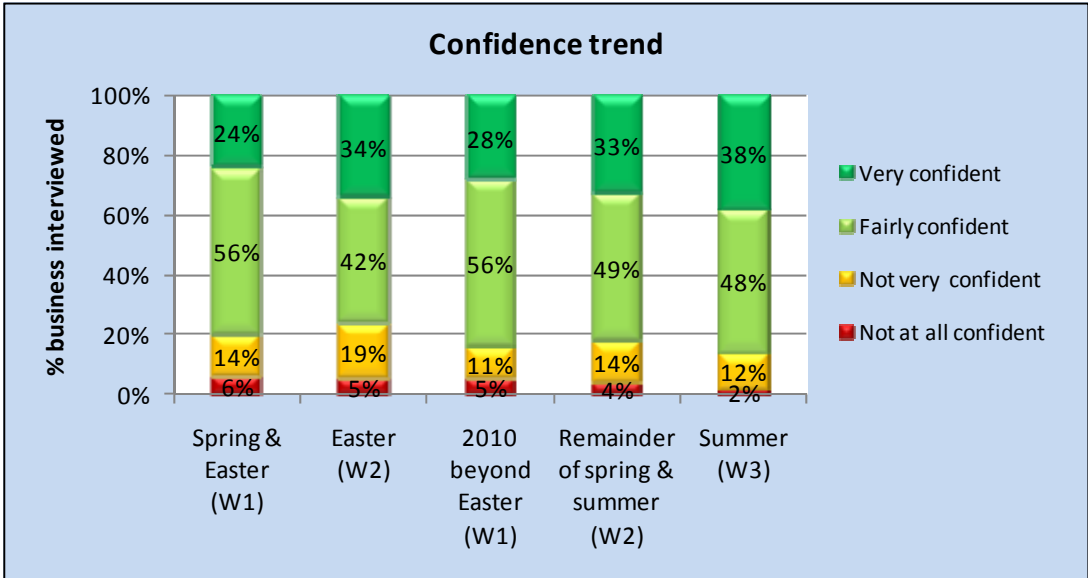
**Advance bookings**



6.8 Each wave, advance booking data has been gathered about future periods. These periods overlap and the chart shows which wave the figures are drawn from (W1, W2 or W3).

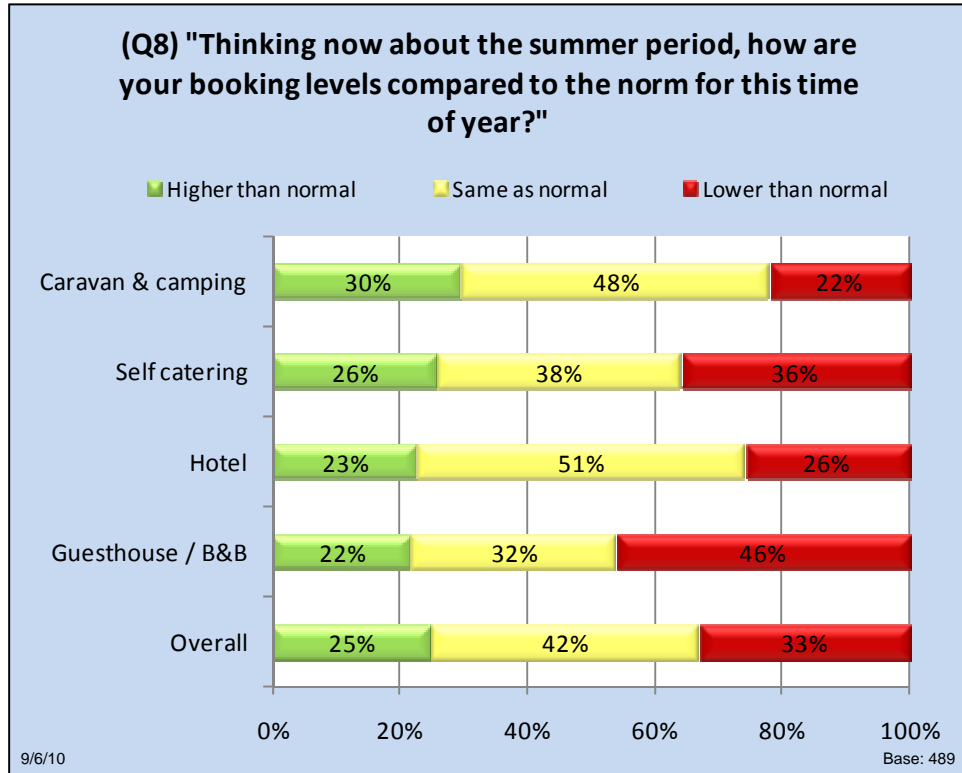
6.9 Bookings for the summer are looking about the same as they did in the previous wave (W2).

**Confidence**



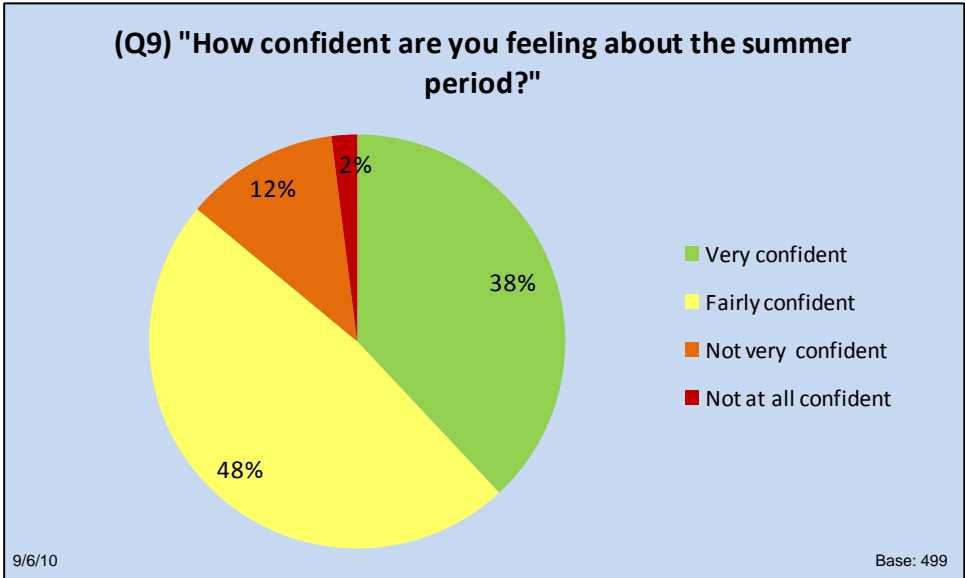
- 6.10 As with advance bookings, respondents have been asked their level of confidence about future periods. The chart shows which wave (W1, W2 or W3) the figures are drawn from.
- 6.11 Confidence in the tourism industry tends to be seasonal and usually improves with the prospect of brighter weather.

## 7. Advance Bookings and Confidence



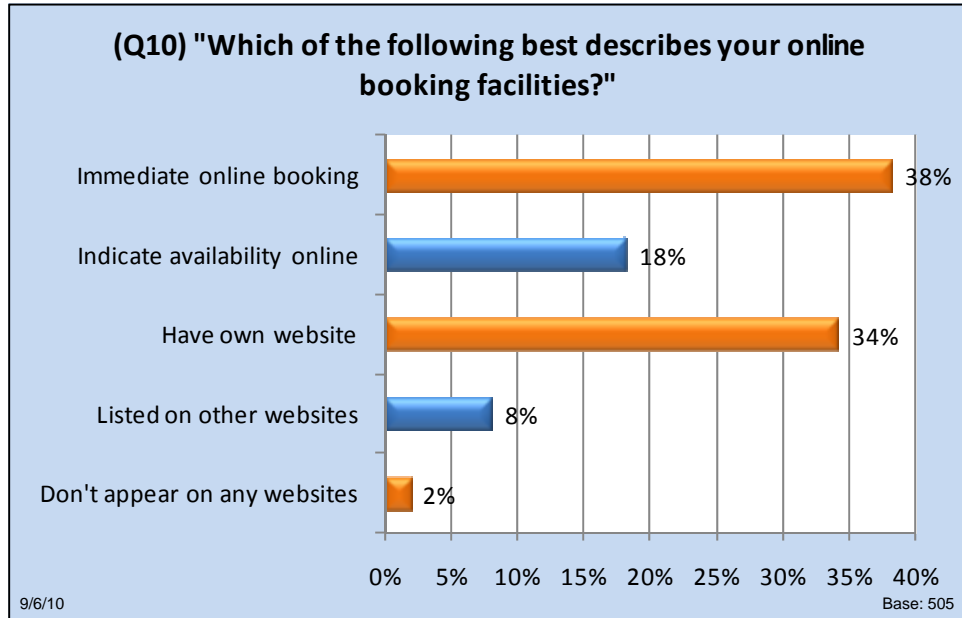
- 7.1 Advance bookings for the summer are slightly down for the norm at this time of year. One in four (25%) businesses have increased bookings for the summer, but one in three (33%) have fewer.
- 7.2 Booking levels among 5 star businesses are looking particularly good, with nearly half (46%) reporting increased bookings, compared to a much lower proportion (22%) of 4 star and below businesses.

Confidence



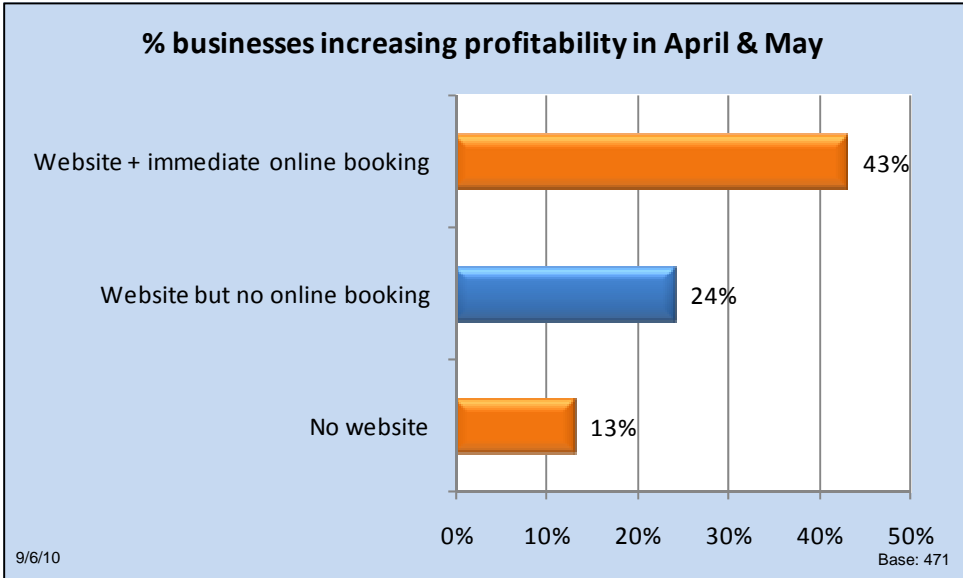
7.3 Confidence for the summer season is high, in spite of bookings being slightly down. Confidence is particularly high among 5 star operators, where over half (53%) are 'very confident'.

## 8. Online Booking Facilities

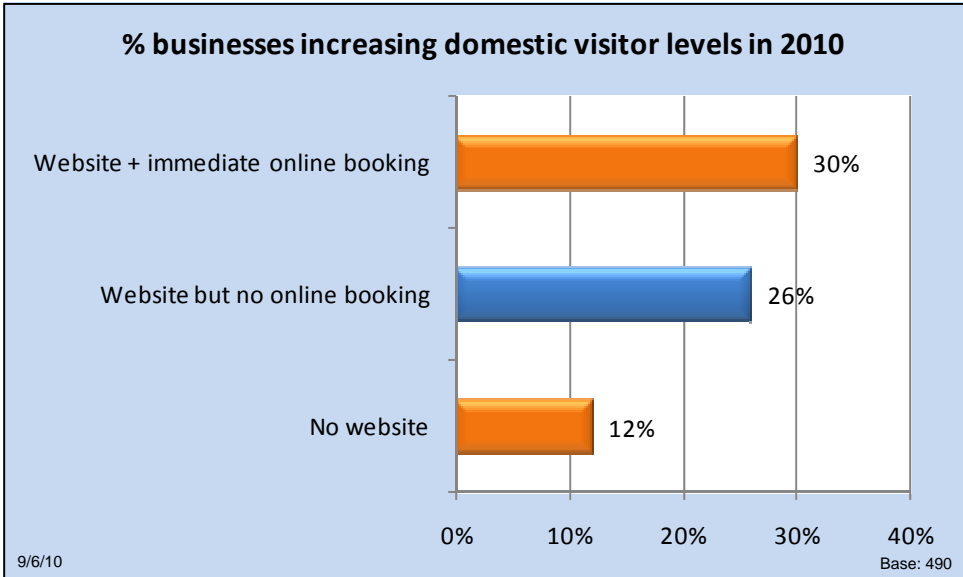


- 8.1 Operators have been asked to state the degree to which customers can book with them online, ranging from offering immediate online booking and availability check, to not having a website or appearing on any. The full descriptions can be viewed on the marked-up questionnaire in the appendix.
- 8.2 Most (79%) hotels offer immediate online booking – considerably more than the other sectors: guesthouse/B&B (36%), caravan & camping (28%) and self catering (17%).

Differences in performance



8.3 Perhaps the most important finding from this question in the research is that businesses which offer immediate online booking seem to perform the best, and there is a significant difference in performance between those which have a website and those which don't. For example, more than two in five (43%) businesses which offer immediate online booking increased their profitability in April & May, compared to about a quarter (24%) of those which have a website but don't offer immediate booking. 28% of businesses with a website are experiencing increased domestic visitor numbers this year, compared to 12% which don't have one (see chart below).



- 8.4 The only area of performance where businesses without a website are keeping up with the rest of the industry is in repeat visitors, suggesting this is what they rely on. However when money is tight and people are shopping around at the last minute to find a deal online, those without strong internet presence miss out.
- 8.5 While this may in part be linked to business type (the hotel sector is performing relatively well at present – and hotels are most likely in any case to offer online booking) comments from operators who have recently undergone a significant change in their level of online presence / booking facilities, or who have experienced problems in this area, support these findings.

*“Online facilities have made a massive impact on booking levels”*  
B&B, West Midlands

*“Google have made some errors with photographs and advertising so business is down as online facilities have a massive impact on levels of business”*  
B&B, West Midlands

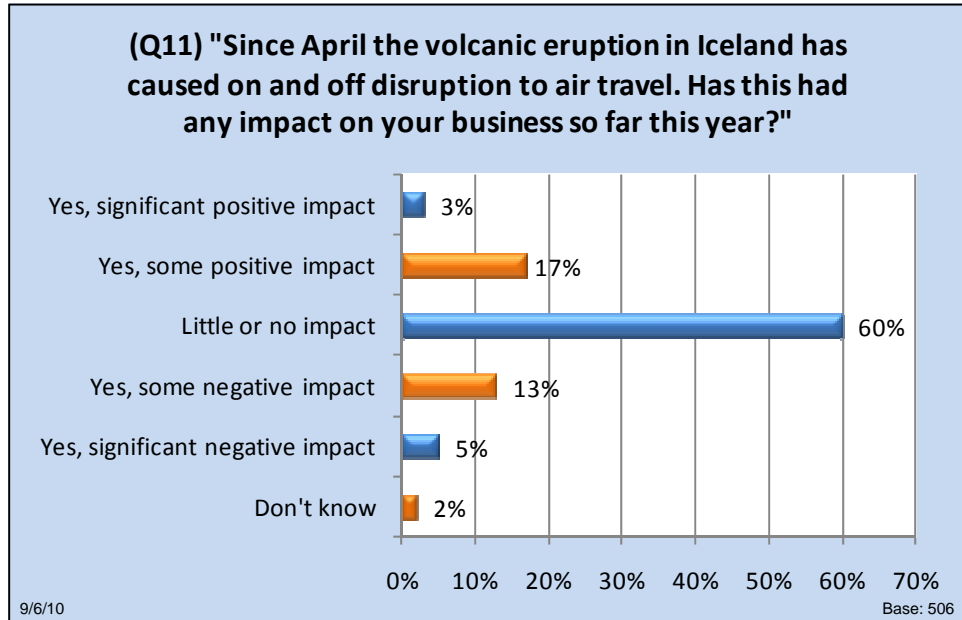
*“We started internet bookings about a year ago. Last minute bookings have increased in that time as a result”*  
Hotel, North West

*“Online facilities have a massive impact on levels of business. 'Destination Worcestershire' no longer have a link for our guesthouse so business has dropped dramatically”*  
Guesthouse, West Midlands

*“We've improved our website which has increased our bookings”*  
Self catering, South West

*“Recently setting up a website has increased business”*  
B&B, West Midlands

## 9. Volcanic Eruption



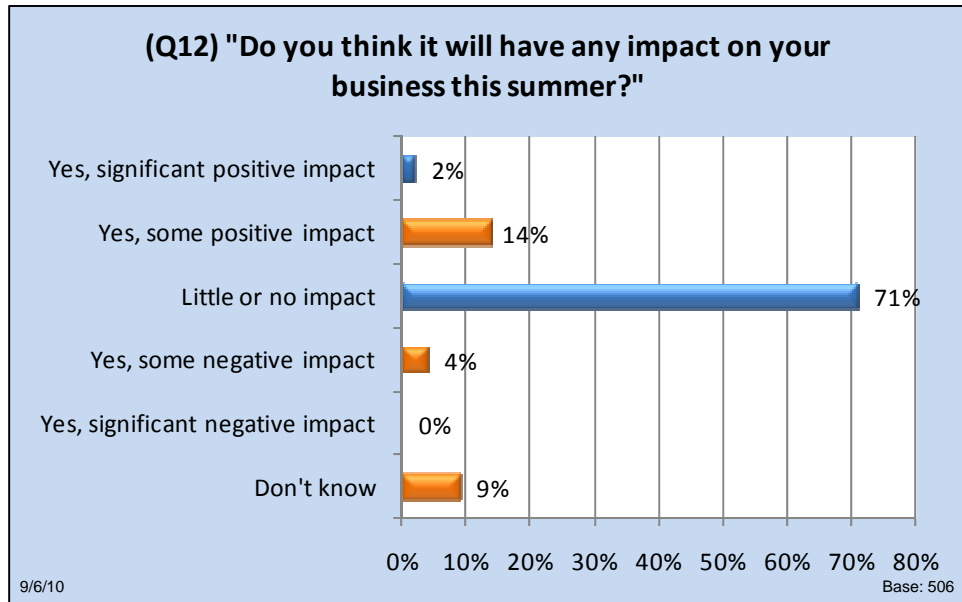
- 9.1 The majority (60%) of operators say that the volcanic eruption and resulting disruption to air travel has had little or no impact on their business.
- 9.2 Among the businesses affected, it seems that some impact is positive because it has left people stranded in UK hotels or put people off last minute holidays abroad, but some impact is negative because it has prevented overseas tourists from arriving.
- 9.3 Hotels have felt more impact than the other sectors, with over a quarter (27%) reporting a positive impact and two in five (40%) reporting a negative impact.

*"Although overseas guest numbers are down due to the volcano, it also works the other way with guests being stuck in the hotel"*  
Hotel, East Midlands

*"Our UK visitors are definitely up because of the volcano"*  
Caravan park, South West

*"Initially the volcano increased numbers from the UK but now we're back to the doldrums"*  
Caravan park, South West

*“The volcanic ash was both negative and positive - we had air crew who were staying with us and were grounded but then had cancellations from abroad.  
Swings and roundabouts”  
Hotel, London*



9.4 The majority (71%) believe the air travel disruption brought about by the volcano will have little or no impact on their business this summer.

*“Perhaps the volcanic eruption will have an impact. However if people want to go abroad they will still try to go”  
Self catering, South West*

9.5 Among those thinking it will have some impact, the impact is generally expected to be positive because it could put people off booking holidays overseas. Operators in seaside locations are expecting to gain the most, with about one in three (34%) anticipating a positive impact.

*“The ash cloud will affect bookings well into the summer”  
Hotel, East of England*

*“There are so many horror stories about being in airports and flying in general that hopefully it will trickle down to us!”  
Caravan park, South West*

## 10. Other Factors Affecting Tourism

- 10.1 There are many factors which are expected to affect tourism in the UK this summer. Some are positive, some are negative and some are just unpredictable.

### BA strikes

- 10.2 BA strike action, or the threat of it, is one of the most frequently mentioned factors. This is generally thought to be positive by the accommodation industry in this country because coupled with the volcano, it may put people off flying abroad at all.

*“The BA cabin strike has caused people to plan holidays in the U.K. Everyone is a bit annoyed”*  
B&B, South West

*“The volcano and BA strikes are likely to put people off travelling abroad and therefore will positively impact business”*  
B&B, South West

*“If the volcanic eruptions and strikes continue perhaps people will stay in Britain rather than go abroad”*  
Self catering, South West

*“The BA strike has caused people to stay in the country”*  
B&B, West Midlands

*“The BA strike is deterring people from going abroad”*  
B&B, West Midlands

*“People are being put off by the British Airways strikes and people will therefore think twice about booking a holiday overseas, especially families who don't want to be held up in airports abroad with young children”*  
Self catering, South East

*“The BA strike is and will affect people's attitude to air travel”*  
B&B, West Midlands

### New government, budget cuts and taxes

- 10.3 The country is bracing itself for budget cuts and tax changes under the new government as it tackles the problem of reducing national debt. Whilst the outlook may become clearer later this summer, the current uncertainty makes people cautious with their money.

*“Cuts in the budget mean uncertain times ahead and no-one wants to spend money unnecessarily”*

B&B, South West

*“It depends what the government does with taxes”*

B&B, Yorkshire

*“The future seems very uncertain with regards to the economy and employment so people are staying at home”*

B&B, West Midlands

### **Effects of recession are not over**

- 10.4 Whilst it may sound like old news, the effects of the recession are far from over yet. Some even suggest it's only just taking full effect.

*“The recession has finally started to affect people so they cannot afford to spend money on holidays”*

Self catering, South East

*“The recession and job losses mean people aren't holidaying so much. Pensioners aren't getting so much interest on their pensions so aren't holidaying either”*

B&B, West Midlands

*“The recession – people are running out of money”*

B&B, East of England

### **Exchange rates**

- 10.5 Exchange rates, especially between the pound and the euro, are frequently mentioned as being influential on tourism. A weak pound is good for the industry because it makes it expensive for British holidaymakers to go abroad, whilst also making it cheaper for European visitors to come to the UK. For the past two years the pound has been weak against the euro, but since March this has started to reverse.

*“The strength of the pound against the euro may deter European visitors”*

Hotel, West Midlands

### **Normal life stops for the World Cup**

- 10.6 The football World Cup halts normal routine for many people, and going on holiday is not always exempt, as men glued to TV sets and Plasma screens are too pre-occupied to contemplate going away somewhere.

*“World Cup is restricting bookings in June”*  
Self catering, South West

*“World Cup will cause fewer people to travel”*  
B&B, South East

*“The World Cup will have a negative impact on tourism: people will stay at home and watch the game”*  
Caravan park, East of England

### **Rising fuel costs**

- 10.7 Petrol prices have risen sharply in recent months, and businesses in remote areas are perhaps the most affected if it's not possible to get there by any means other than by car.

*“The weather always defines people’s holidays but fuel cost is becoming an overriding factor for bed and breakfasts based in the countryside as you cannot holiday in the countryside without a car”*  
B&B, South West

*“The cost of petrol may have a negative impact on tourism, especially in those areas which there is little public transport”*  
Caravan park, South East

*“Prices of petrol could have a huge impact on us, as we are a caravan park; if you can't afford to put petrol in your car, you're not going to tow a caravan”*  
Caravan park, East Midlands

### **Small serviced businesses under pressure from budget hotels**

- 10.8 The superior online booking facilities of hotels over small serviced operators may partly explain the difference in performance of these two sectors. Another reason is that B&B's are under pressure from budget chain hotels which are able to offer prices they can't get near whilst remaining profitable.

*“New budget hotels will affect us”*  
B&B, Yorkshire

*“Competition with large hotels i.e. Travelodge means small company prices are reduced”*  
B&B, East of England

### Weather and weather forecasting

- 10.9 As always, much depends on the weather this summer. Forecasting is also very important during the current climate of last minute booking behaviour as sometimes the forecast is more influential than the actual weather.

*“The weather forecasters have an effect on holidaymakers’ decisions. We’ve even had some cancellations because the forecast has changed”*

B&B, West Midlands

*“The weather – three bad summers have put people off”*

B&B, South West

*“Accurate weather forecasts”*

B&B, North West

*“The weather can have a strong impact. If it is poor, people will look to go abroad for their holiday. If however the weather is nice, people will be likely to think about going camping in the UK”*

Caravan park, Yorkshire

### Overall good prospects

- 10.10 Among so many different factors affecting tourism this summer, the general consensus is that the barriers to going abroad should outweigh the negative factors affecting domestic tourism and a good summer is expected.

*“The volcano, BA strike and the financial crisis are all causing holidaymakers to stay in the UK”*

Hotel, South East