

# Scottish Tourism Current Position Summary 2007

This document summarises the key volume and value results from the 2007 monitors and provides an interpretation of what has influenced the results over the past few years and what it means for Scottish tourism.

## Summary of Results

The growth in overall tourism volume and value to Scotland shows strong recovery since 2001, with a flattening out over the past year. International volume (provisional for 2007) continues to show growth, but in common with other nations of the UK maintaining volume from domestic tourism is proving more challenging. In terms of value we see a significant decline in international markets over the last year, but with growth domestically the net effect is a marginal increase in expenditure.

The table below shows Scotland's +1% increase in international visits and -7% decrease in expenditure compared to 2006 against the performance for the UK Domestic market (-1% and +4% respectively). This has resulted in an overall decline in visits of -1% and a slight increase in spend of +0.5% (a decline in spend of -2% at real prices).

## Scotland's Volume and Value – IPS / UKTS

Jan-Dec	Trips (m)			Spend (£m)		
	2006	2007	%Change	2006	2007	%Change
International	2.73	2.76	+1%	£1,439	£1,343	-7%
Domestic	13.28	13.12	-1%	£2,720	£2,836	+4%
Total	16.01	15.88	-1%	£4,159	£4,179	+0.5%

*Source: International Passenger Survey 2006 and 2007, UKTS 2006 and 2007*

*Note: Spend in nominal prices*

The 50% growth ambition outlined in the Tourism Framework for Change is still achievable as our scenario work has highlighted that spend is a more important focus than trip volume. However, achieving our ambition will require significant intervention by both the private and public sectors, sustained over several years. This investment should be built around the five main levers identified for growth, namely investment, increased marketing, quality, improved selling and a 24/7 year round industry.

VisitScotland's role in achieving the shared growth ambition is to focus on marketing, providing information and inspiration for visitors and potential visitors, providing quality assurance to visitors and quality advice to the industry, giving strategic direction to the tourism industry and promoting partnerships with the wider industry.

## International

Our international data show excellent, sustained high value growth since 2001 where trips were 1.59m (+74%) and spend was £842m (in 2007 prices, a +60% increase in real terms). Scotland has undoubtedly benefitted from the general expansion of the global tourism market and the increase in direct access opportunities, particularly from Europe. In addition, VisitScotland's focussed marketing and work on enhancing local product delivery have ensured Scotland has capitalised on these opportunities. This is demonstrated by Scotland's continuation to achieve higher than average increases in international visits, when compared to other parts of the UK.

The table below shows figures for Scotland's 74% increase in international visits and 60% increase in expenditure in real terms compared to 2001 against the performance for the UK as a whole (+43% and +28% respectively).

### International Volume and Value – IPS

<b>Scotland</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007P</b>	<b>2006vs2001</b>
Trips (m)	1.59	1.58	1.57	1.88	2.39	2.73	2.76	74%
Expenditure (£m)								
nominal prices	757	803	837	994	1,208	1,439	1,343	77%
2007 prices (CPI)	842	881	906	1,062	1,264	1,472	1,343	60%
<b>UK</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2007vs2001</b>
Trips (m)	22.84	24.18	24.72	27.76	29.97	32.71	32.56	43%
Expenditure (£m)								
nominal prices	11,164	11,618	11,749	12,930	14,122	15,890	15,871	42%
2007 prices (CPI)	12,412	12,751	12,717	13,816	14,779	16,255	15,871	28%

Source: ONS International Passenger Survey

Key factors influencing the international results for 2007 include exchange rates where the \$US ratio to £Sterling has been less favourable for US residents, whilst the €Euro ratio to the £Sterling has improved for European residents. Marginal increases in fuel prices from August to October resulted in the start of an economic slowdown. In addition, the global credit crunch began in August with effects being felt from October. Hosting the UEFA Cup final in Glasgow has also contributed to the boost in European visits.

## Domestic

Given the changes in methodology for the United Kingdom Tourism Survey (UKTS) in January 2000 and May 2005 we do not have any long term time series data to accurately gauge the trends for volume and value. With the completion of the 2007 survey, we now have two full years actual data to compare. Once again Scotland is outperforming other parts of the UK with a lower than average decline in volume (-1% vs. -2% for the UK as a whole) and higher than average increase in expenditure (+4% vs. +1% for the UK as a whole).

## Domestic Volume and Value - UKTS

Jan-Dec	Trips (m)			Spend (£m)		
	2006	2007	%Change	2006	2007	%Change
Scotland	13.28	13.12	-1%	£2,720	£2,836	+4%
UK	126.29	123.46	-2%	£20,965	21,238	+1%

Source: United Kingdom Tourism Survey 2005 and 2006

Note: Spend in nominal prices

Key factors that have influenced the long-term decline in the UK market are:

### Strong Sterling currency

More UK residents opting to go abroad where their pound can go further. In 2001 £100 would have bought US\$144, whereas in 2007 £100 would have bought US\$200. Although there has been some strengthening in value against the Euro, in terms of comparative prices UK residents are able to capitalise on cheaper goods in many of the emerging markets of Europe. Add to this the expansion of budget airline services into Eastern Europe and a very attractive package is available.

### Increased choice of destinations

The same factor that has provided more opportunities for international visitors to come to Scotland has provided more choice of destinations and ease of accessing them to residents across the UK.

### Less disposable income

Within the UK market, many visitors take a trip to Scotland as their "second holiday" or as a "short break". A decrease in UK consumer's disposable income as a result of increasing costs including fuel, utilities and interest rates over the year may have made consumers less likely to take this second break and therefore contributed to the decline in 2007.

Despite this, figures do show an increase in holiday tourism (trips +2%, nights +5%, spend +5%). Growth is particularly strong in the 4 plus night category. This is against the trend for the UK as a whole, where holiday trips are down by -3%, nights down by -1% and spend up by +3%.

### Weather / Floods

2007 saw the weather in spring better than recent years and a reasonable autumn / winter. However, the most memorable aspect is the poor summer and in particular the severe flooding in parts of England (our key market) during June and July. The increase in expenditure amongst domestic visitors is most likely down to the need for visitors to undertake more activities that incurred a cost (i.e. attractions, retail etc.) rather than the free outdoor activities such as walking.

### Events

The 2007 UEFA Cup Final was contested by FC Sevilla and RCD Espanyol at Glasgow's Hampden Park on May 2007. Glasgow City Marketing Bureau (GCMB) commissioned Experian to calculate the Economic benefit of the event. The official attendance at the UEFA Cup Final was just over 47,000 which included 25,000 supporters from Sevilla and Espanyol and 22,000 neutral fans, including football officials, sponsors and corporate hospitality attendees. The calculated benefit to Glasgow was measured at £11.5 million in local economic benefit, representing 23

times the city's own contribution of £500,000. GCMB anticipate that in excess of 20,000 Spanish visitors will come to Glasgow within the next three years as a direct result of the city having hosted the UEFA Cup Final. (Source [www.seeglasgow.com/media-office](http://www.seeglasgow.com/media-office)).

### External Threats

A combined terrorist attack on London and Glasgow in June received extensive media coverage. The resultant impact on tourism was minimal due to the increasingly stoical attitude of consumers towards events of this nature. There was some disruption to flights at Glasgow airport as repairs were undertaken and across the UK security was tightened in light of the attacks.

A foot and mouth outbreak in August was located in Sussex but resulted in a UK wide ban on the movement of cattle. Although the outbreak was contained in the South East of England and all other areas of the UK were unaffected the resultant media attention may have impacted negatively on inbound and domestic tourism.

Summer 2007 saw the start of the global credit crisis. This raised greater prominence with the UK public in September with the Northern Rock run, resulting in its nationalisation in early 2008. This event brought greater prominence of a slowing of the economy amongst UK consumers and generated a gradual declining confidence (which was also seen in the US and Europe) through to 2008.

### **Occupancy**

The Scottish Accommodation Occupancy Survey provides the best continuous time series data for the period since 2001. Occupancy levels re-enforce the overall recovery since 2001 with a flattening out of results over recent years. The only exceptions being sustained growth in the camping and caravanning sector and some decline in 2007 for Self Catering.

<b>Hotels</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Bed Occupancy %	43	45	46	46	47	47	49
Room Occupancy %	58	60	61	61	63	63	65
<b>Guest House &amp; Bed &amp; Breakfast</b>							
Bed Occupancy %	32	35	37	39	39	38	38
Room Occupancy %	40	44	45	46	47	46	47
<b>Self Catering</b>							
Unit Occupancy %	48	51	53	52	55	55	54
<b>Camping &amp; Caravan</b>							
Unit Occupancy %	30	32	34	36	40	45	46
<b>Hostels</b>							
Bed Occupancy %	47	47	47	46	47	44	44

Source : Scottish Accommodation Occupancy Survey, 2001 - 2007

The aspect that the survey does not cover is how the bed stock levels have changed over the time. It is fair to say that this flattening out in occupancy in recent years may be concealing a genuine increase as we are aware of significant growth in bed stock in some areas. This is primarily in the hotel sector, particularly in medium to budget price range, which could have had a direct influence on the decline in occupancy for

hostels as many of the new hotels are of the larger city based budget variety. There is also some evidence of a minor decline in B&B and smaller Guesthouse operations.

Despite the considerable expansion of hotel capacity for Scotland, occupancy rates for this sector continue to hold at record levels. This suggests actual increased usage as any new capacity added has not resulted in diminished occupancy levels. Self-catering also continues to maintain high occupancy levels, despite more properties coming onto the market especially second homes. Caravan and camping occupancy levels are continuing to climb, suggesting a renaissance in the market as more people take advantage of the opportunities to get closer to nature and escape their everyday lives. At the same time improvements in the standards of sites and facilities on offer have enabled operators to tap into markets that may have traditionally not considered this sector as an option.

Industry monitors of revPAR suggest good growth for Scottish cities in recent years. This is a key indicator used by industry players when considering investment opportunities.

### Visitor Attractions

In order to track the trends in visits to visitor attractions over recent years it is necessary to reduce the base to a consistent sample (i.e. those able to provide data for all years of interest). The visitor attractions figures used in the table below are the common sample of 384 sites (385 including Kelvingrove) where a return has been submitted each year and therefore a true year-on-year comparison of trends for visits to attractions for the period 2001-2007 can be made.

Consistent Sample	2001	2002	2003	2004	2005	2006	2007	07 v 01
Excluding Kelvingrove (n = 384)	25,580,429	27,042,601	27,371,814	27,596,210	28,416,326	28,745,818	28,763,235	+12.4%
Including kelvingrove (n = 385)	26,611,567	27,998,272	27,371,814	27,596,210	28,416,326	30,626,774	30,995,710	+16.5

Source : Visitor Attractions Monitor, 2002 - 2006

Undoubtedly we can see significant growth in this sector, even when excluding Kelvingrove from the analysis (re-opened July 2006). Although a good measure of how the sector is performing it is fair to say that attraction traffic is as much influenced by day visits as by overnight trips. Regardless there is underlying growth in visits (up 12% since 2002 excluding Kelvingrove and up 16% including Kelvingrove).

## Employment

Official figures from the Office of National Statistics suggest a +12% increase in employment in “tourism related” sectors between 2001 and 2006 (latest data available).

Employees	2001	2002	2003	2004	2005	2006	2006v2001
Tourism-related employment	194,564	200,823	199,249	205,370	209,662	218,200	+12%

Source : NOMIS, 2001 - 2006

With the expansion of the European Union in recent years we have seen an influx of Eastern European workers, many of whom are taking up positions in the tourism and other service sectors. This provides an opportunity for businesses as immigrants seek to use their often high skills in the higher paid UK market.

## Conclusion

From all the above we can conclude that there has been a significant recovery in Scottish tourism since 2001. Measurement of volume and value in our main market – the United Kingdom – can only be done with confidence looking forward but international growth has been significant and other indicators point to general strength across the industry.

The challenge now is to build upon our current position. The key to success is going to be not only informing consumers what we have on offer, but also ensuring the delivery at least meets if not exceeds their expectations. In an increasingly competitive market we need to ensure our “share of voice” is strong enough to face off the competition and that our web technology is up there with the best in terms of ease of access, content and ease of booking.