

Beyond Staycation

October 2015

Prepared by Trajectory



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Introduction

Methodology

- 1008 interviews with a nationally representative GB sample
- Research conducted online using Research Now's consumer panel
- Fieldwork conducted between 14th and 17th September 2015

Where were we?

Expectations in September 2014

- With the end of the downturn (economically) consumers were exhibiting less caution about the future and planning for 2015
- Cutting back behaviours continued to wane – with the proportion saying they were spending less on holidays falling by 5%

Expectations in February 2015

- Any optimism built up during 2014 evaporated as consumers didn't feel the recovery was benefitting them (if it was going on at all)
- While cutting back was declining in 2014, at the start of the year it was on the rise again – this extended to holiday cutting back
- However, signs of a 'legacy effect' emerged for those taking domestic breaks, with the appeal of England more of a driver than finances

What actually happened?

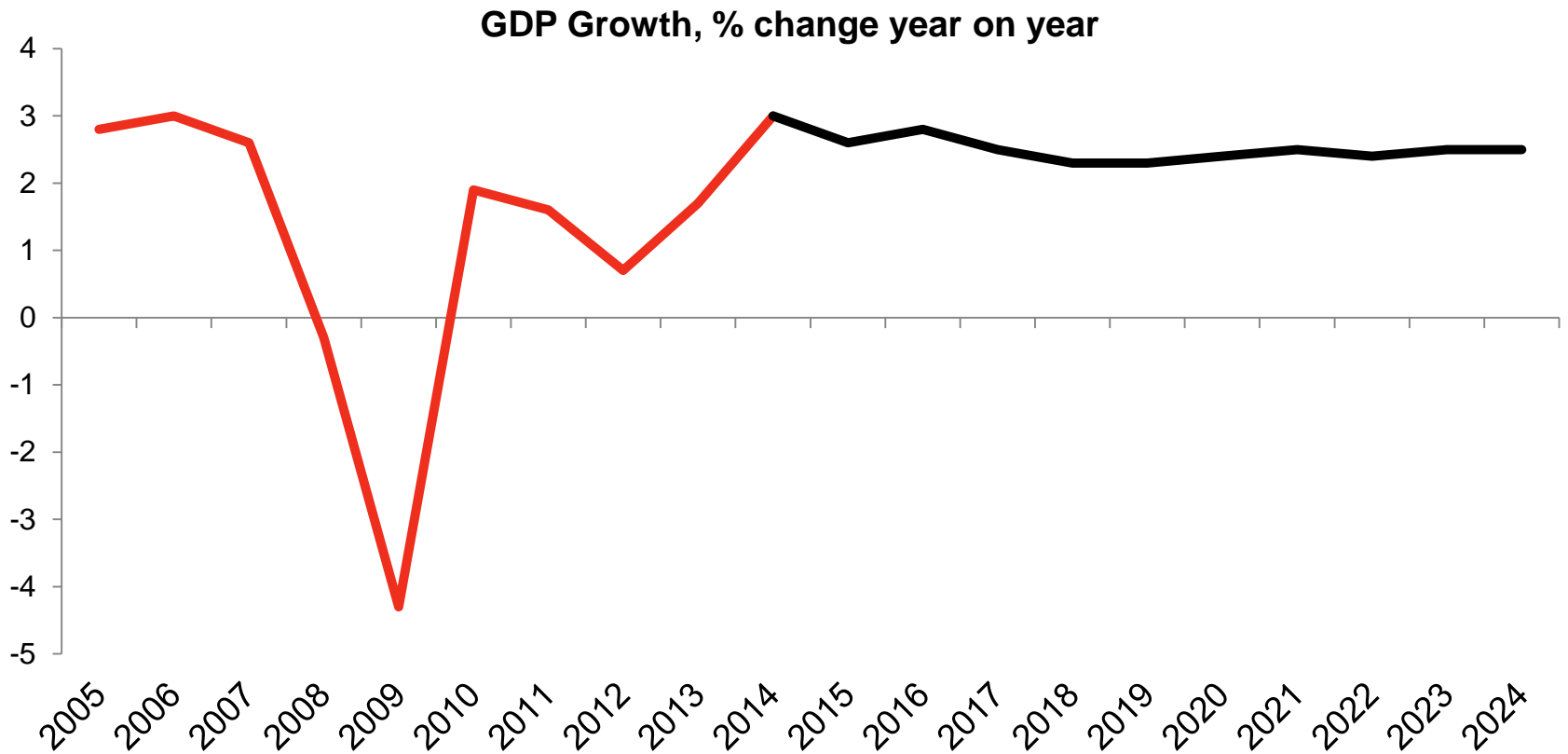
Polarised consumers react to a post-recession environment

- The downturn is officially over, and expectations for the next few years are positive – with consumers enjoying wage rises above inflation and even beneficial exchange rates
- But not all consumers are experiencing the downturn in the same way – while some are feeling better off, others are still cutting back
- Overall, although fewer people are concerned or affected by the downturn, there has been no corresponding rise in those feeling the recovery or feeling more optimistic about their finances in the future
- Holiday behaviour appears at this stage to be lower than in 2014 – with a rise in the proportion taking no trips at all
- However, this behaviour varies widely depending on individual experiences of the downturn, and the stage at which different consumers are recovering – some are treating themselves while remaining careful with everyday spending, while others are still cutting back both treats and household expenditure

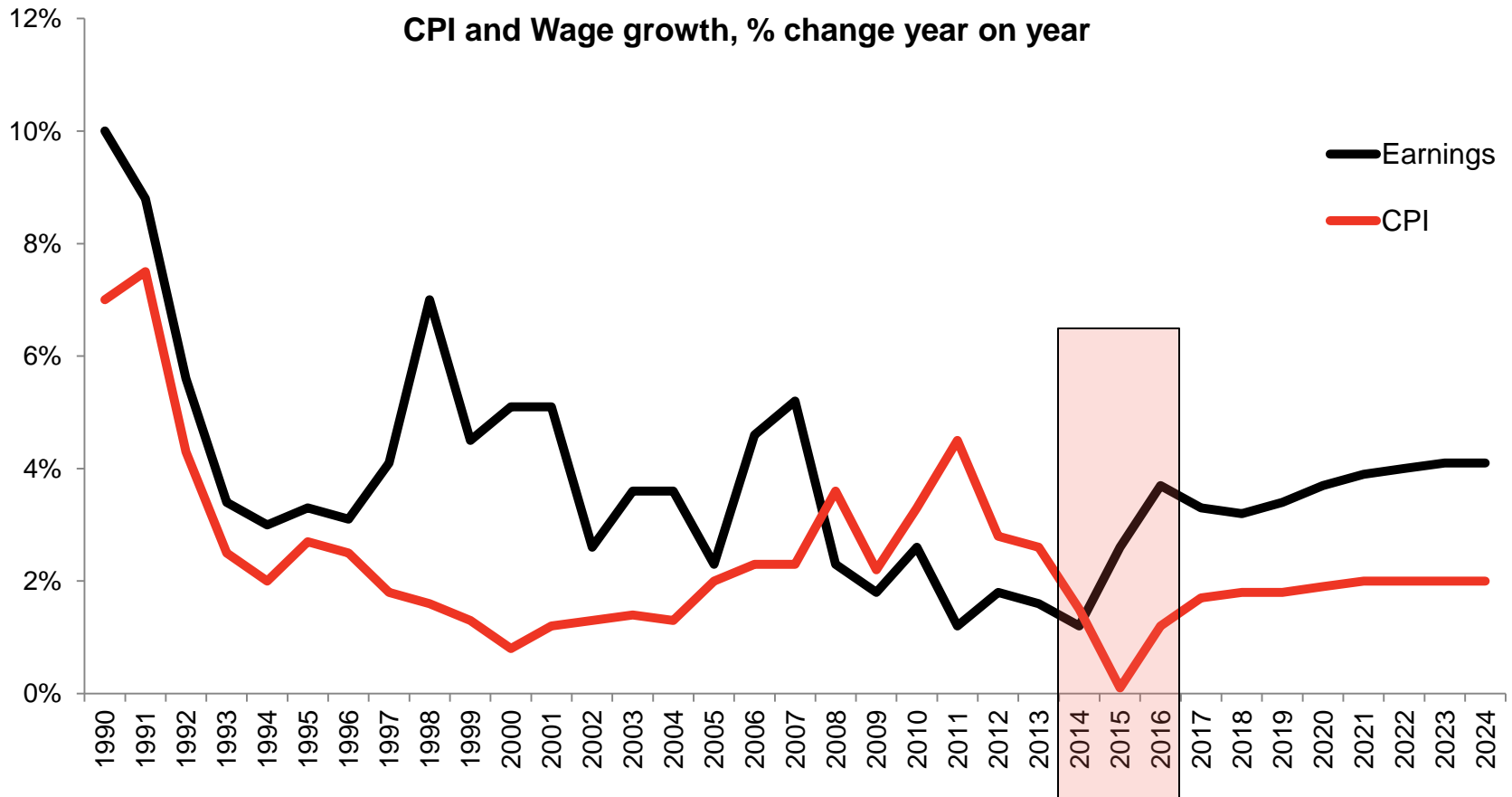
State of the Nation

Consistent economic growth for 3 years

- mainstream economic forecasters all expect consistent growth of 2-3% over next 5 years



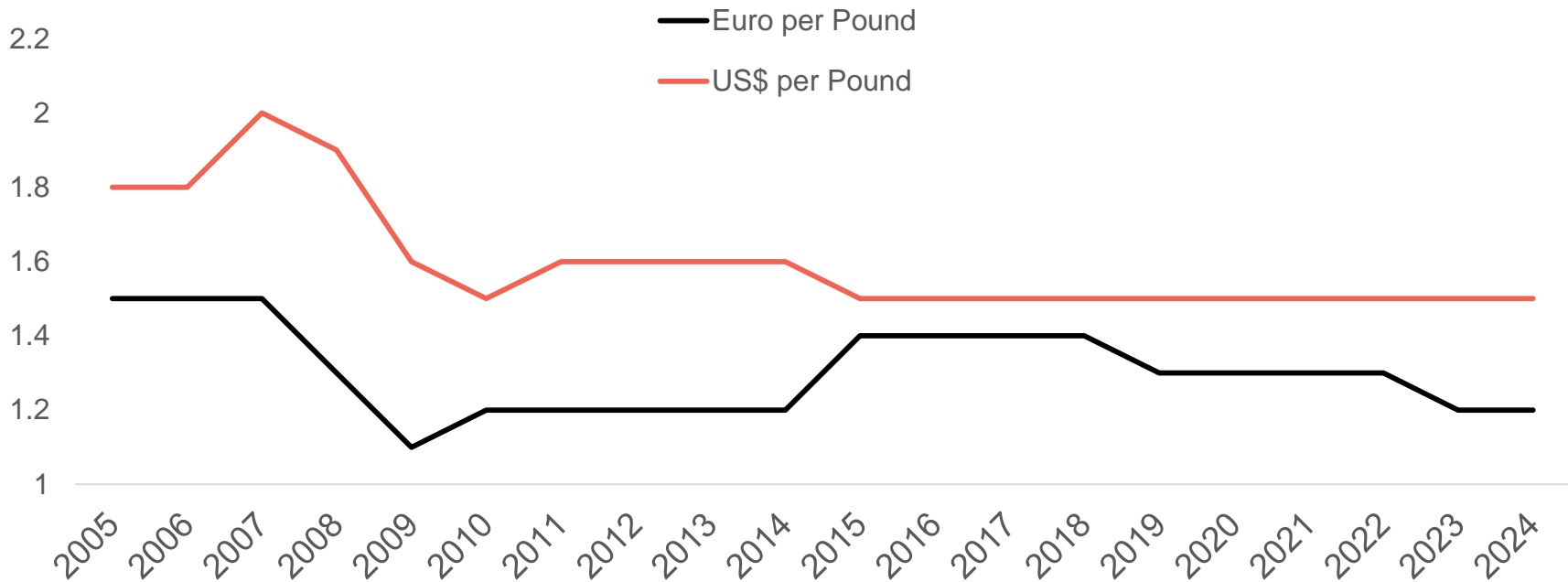
Wages have grown faster than inflation for first time since 2007



....and exchange rates have been favourable for outbound travel

- 15% follow the exchange rate very closely, 34% look at it from time to time...
- ...but 21% not aware of it at all

Forecast changes to exchange rates; USD and Euros to Pounds



Uncertainty diminishing while positivity increases

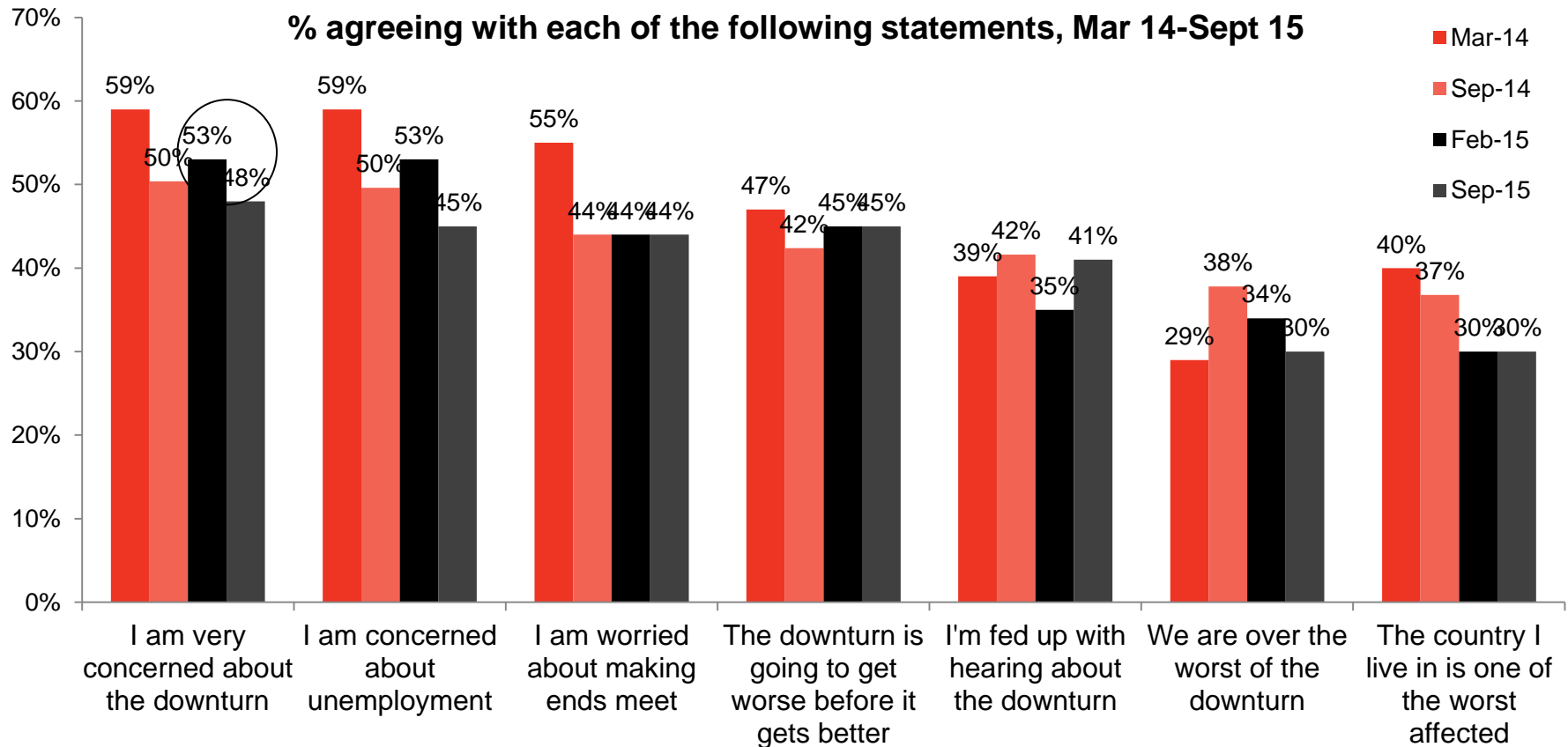
- Although there are notable global events causing uncertainty – such as China’s slowdown and possible EU exit – uncertainty in the UK is lower than it may have been earlier in the year
- A combination of economic growth, wage rises and favourable exchange rates make this one of the best consumer environments for nearly a decade



Consumer experience

Downturn concerns easing – but not evaporating

- men more likely to think it will get worse before it gets better (49% vs 42%)
- C2DEs also more pessimistic – 50% think it will get worse, compared to 41% of ABC1s
- Younger generally most positive but 50% are concerned about unemployment

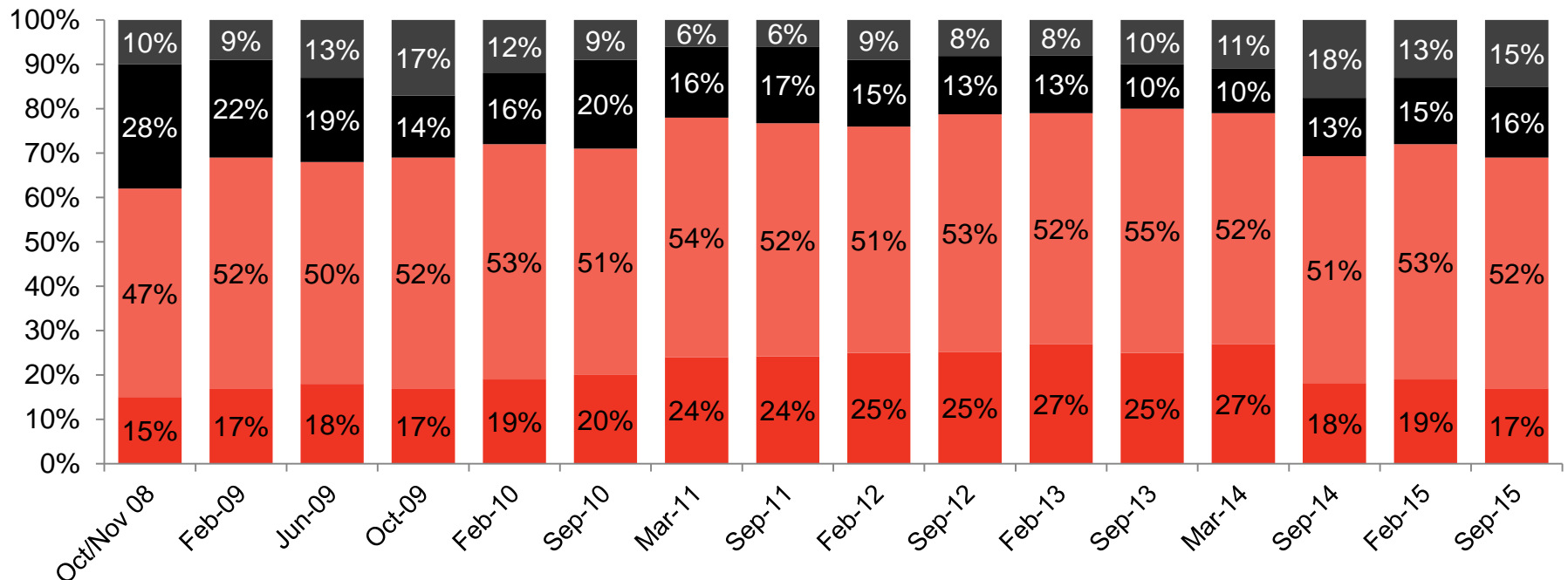


Number seriously affected at lowest level since 2009

- 35-54s most affected (25% say seriously, 54% a little)
- Public sector employees feel only marginally more affected (18%)

% agreeing with each of the following statements, Oct 08 – Feb 15

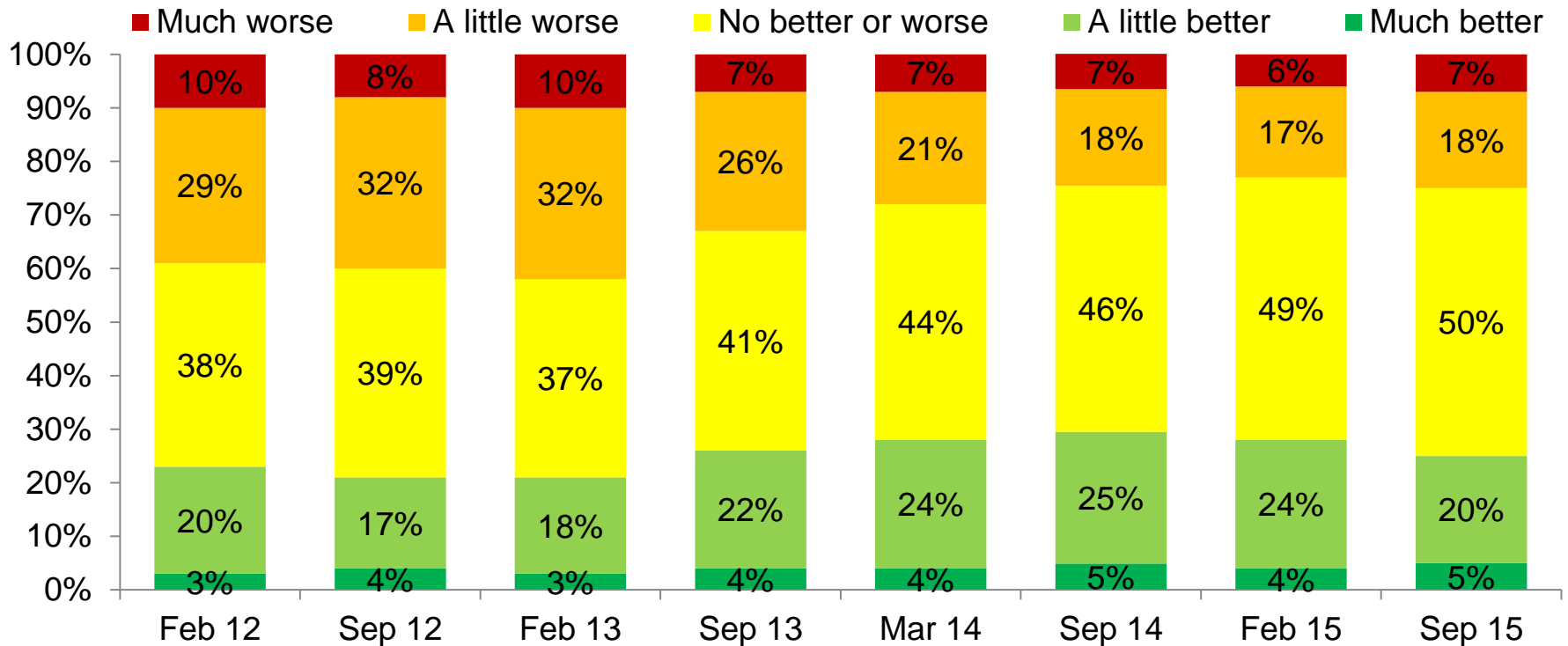
- It hasn't affected me yet, and I'm really not worrying
- It hasn't affected me yet, but I'm concerned that it might do
- It's affected me a little
- It's seriously affected me



But consumer confidence down slightly

- Men more likely to be optimistic (28% much or little better vs. 22%)
- C2DEs much less optimistic – only 19% expect to feel better off in a year
- Same decline evident for longer term outlook – 32% expect to be better off, vs. 37% in Feb, and 40% in Sept last year

View of personal financial situation next year (%)



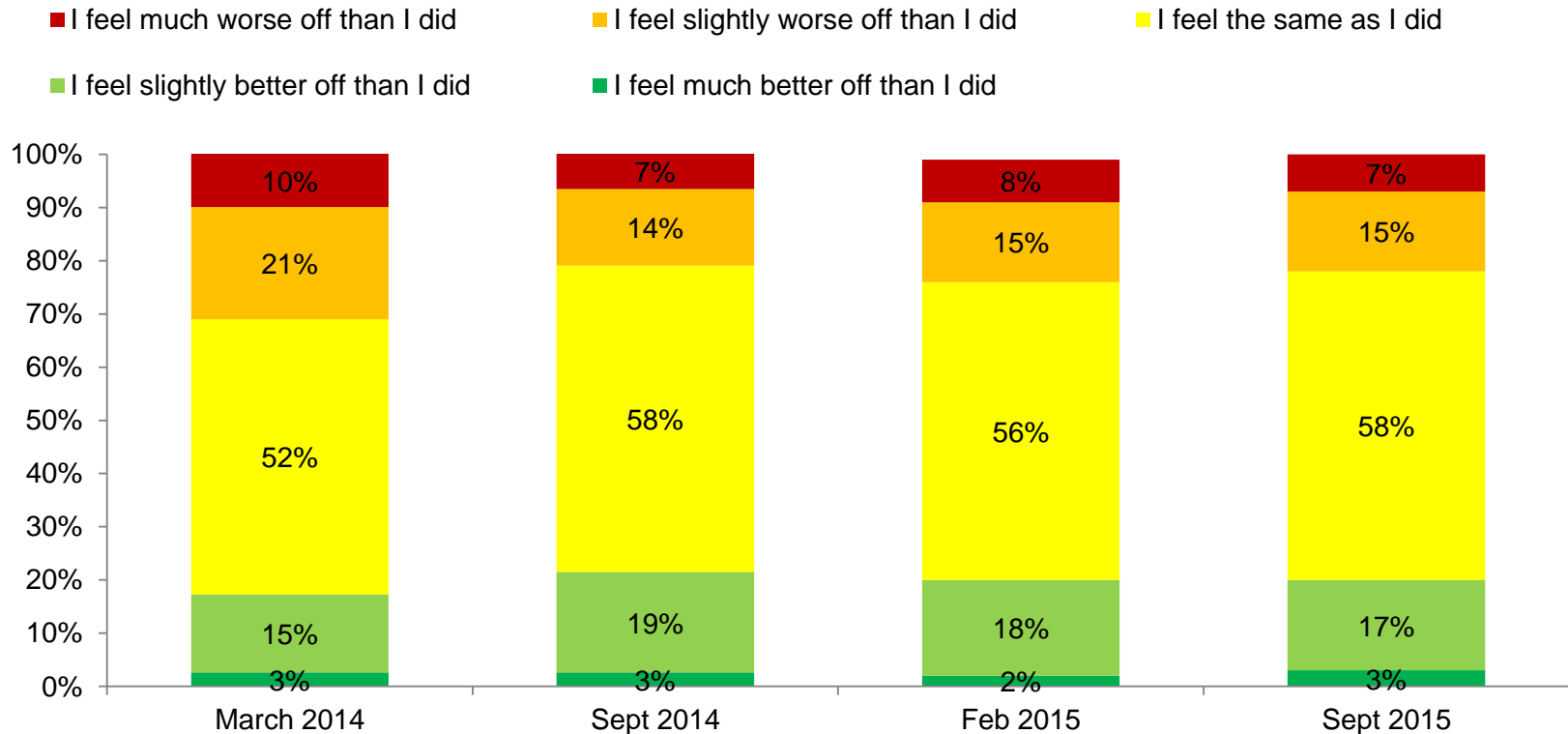
Source: VisitEngland Staycation Monitor Sept 2015 / Base 1,008

Q2d How do you think you personal financial situation will change in the coming year / next three or four years? Do you think it will become...

No significant increase in the numbers feeling better off

- 20-60-20 split that has been feature of recovery remains
- Those in work most likely to be feeling recovery – especially public sector (27%)

Extent to which people are feeling the economic recovery (%)

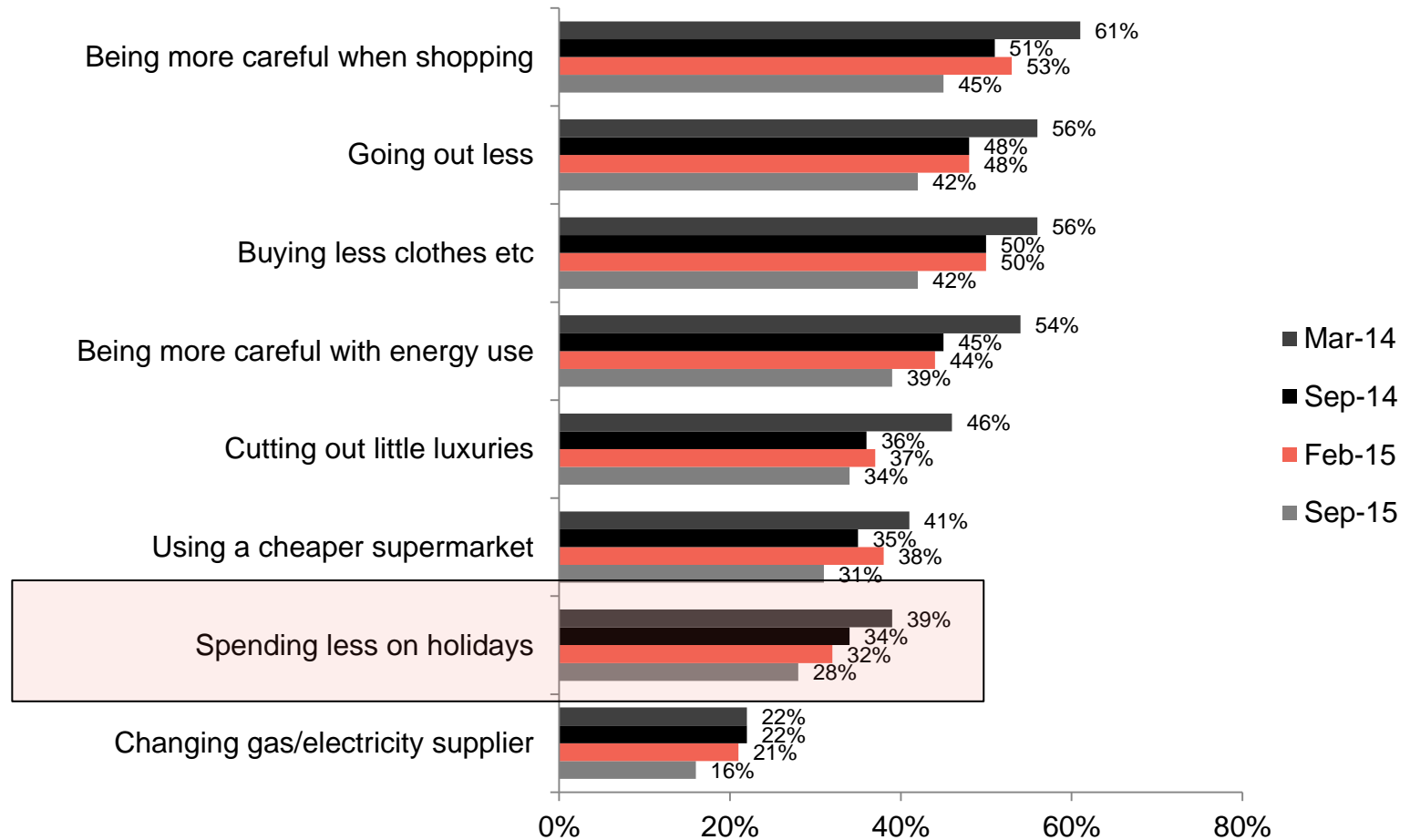


Source: VisitEngland Staycation Monitor Sept 2015 / Base 1,008

Q2d There has been a lot of talk lately about the economy recovering from the downturn of the last few years. To what extent are you feeling the recovery?

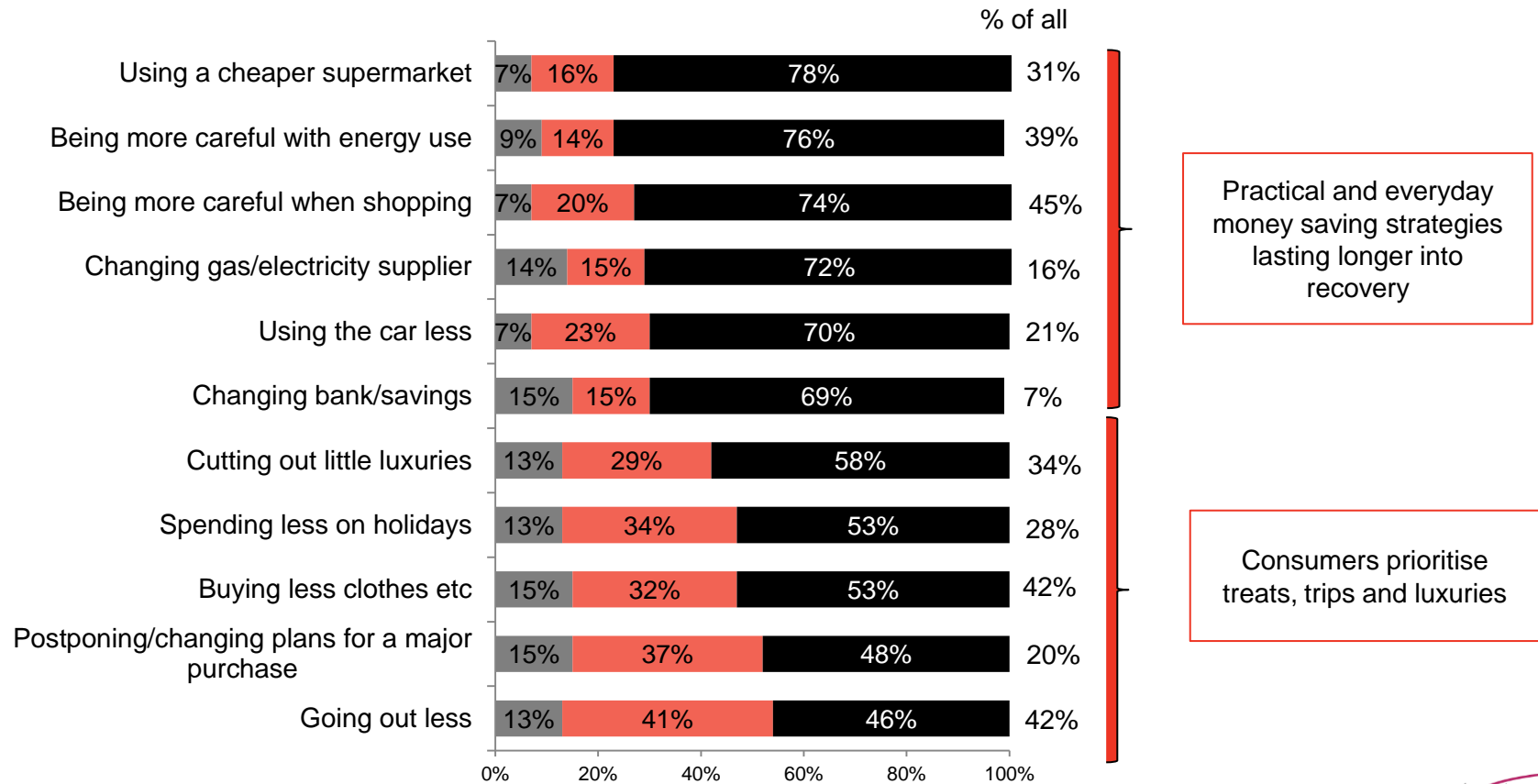
Proportion cutting back declines in every category

- % not cutting back at all jumps from 12% in Feb to 19% now
- % cutting back holiday spend down 11% since March 2014



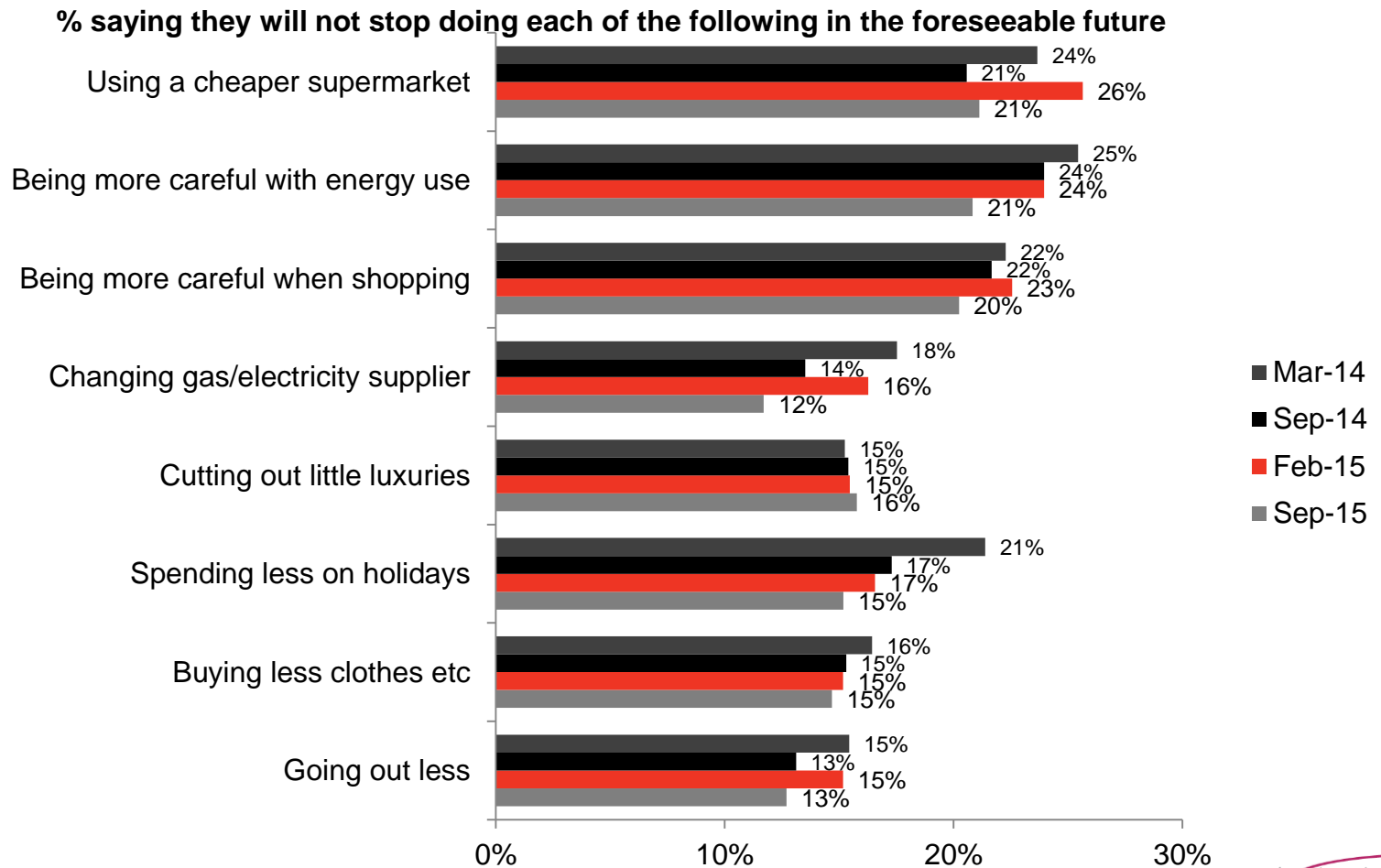
Not all money saving strategies will endure

- I will stop doing this in the near future (i.e. in the next few months)
- I will stop doing this, but it will not be in the near future (i.e. not in the next few months)
- I will not stop doing this in the foreseeable future



The proportion expecting to stop cutting back is rising

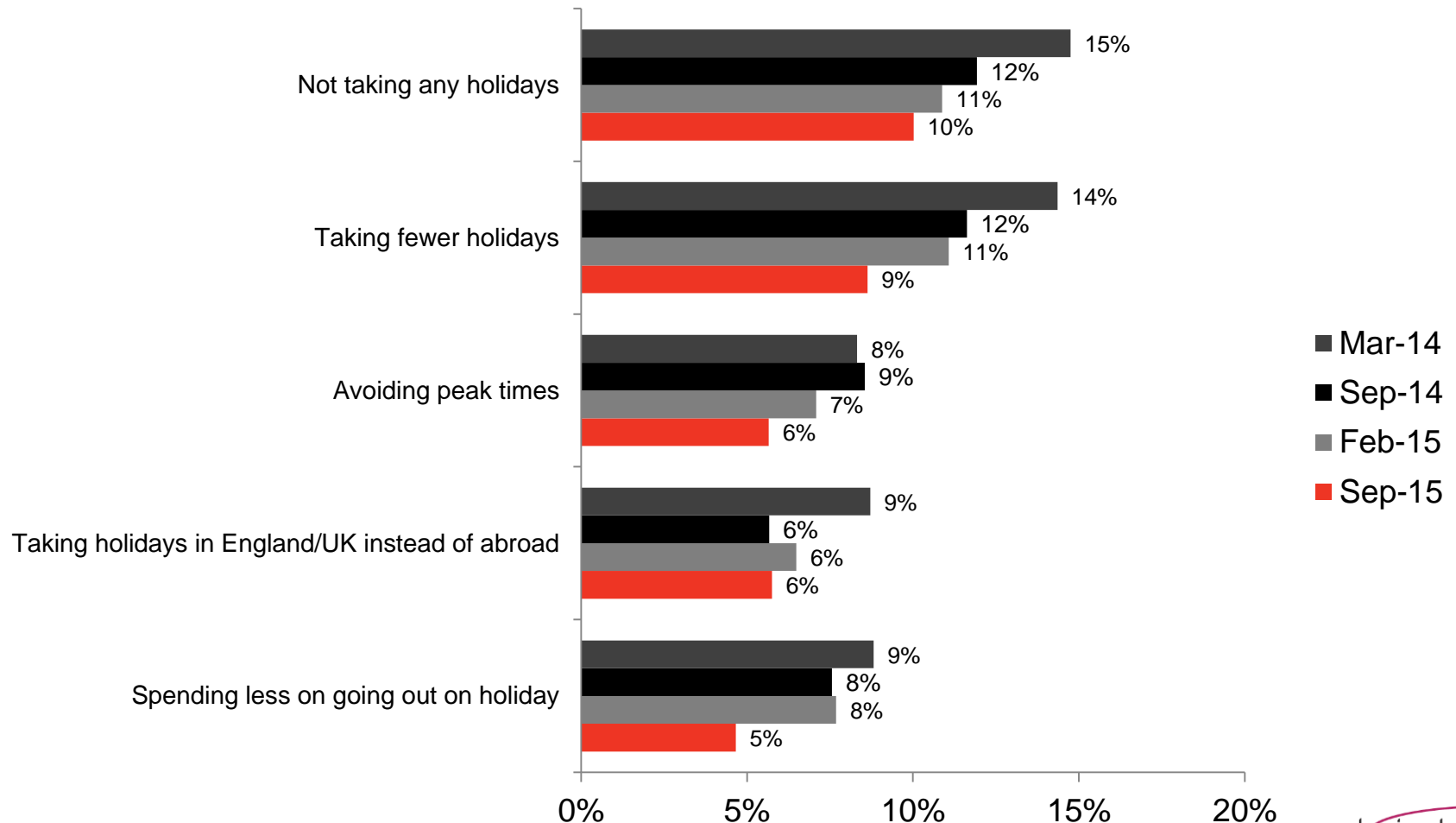
- Big decline in the number not expecting to stop cutting back on holidays



Impact on holiday spending

More people taking more holidays, and those that do less reluctant to splash out

- but no real change in those holidaying in UK rather than abroad



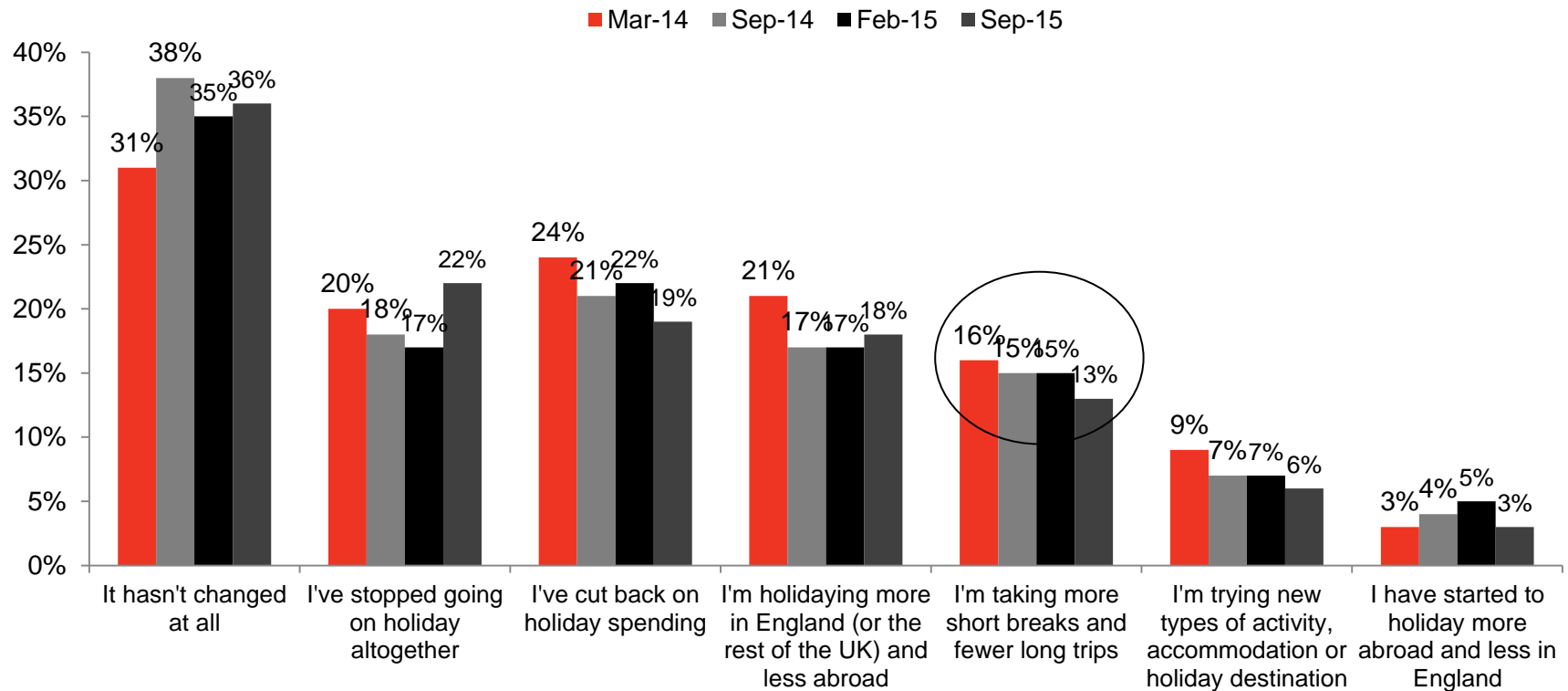
Source: VisitEngland Staycation Monitor Sept 2015 / Base 1008

Q4a How are you cutting back the amount you are spending on holidays?

Overall holiday behaviour shows polarisation

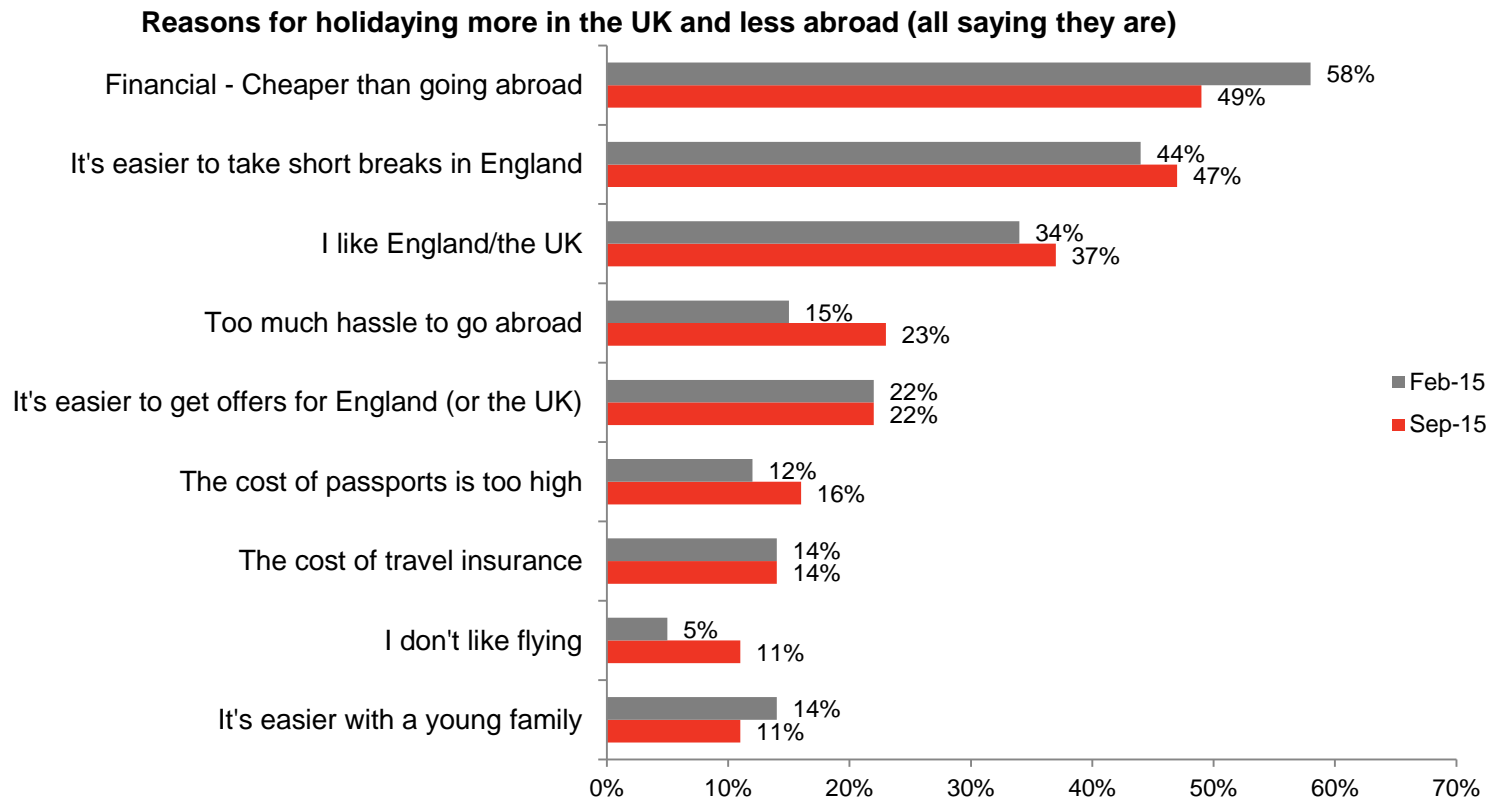
- 64% have made some change to their holiday behaviour
- Number who've stopped altogether up 5% since Feb this year
- But number saying they've cut back down 5% since beginning of last year

Overall, how do you feel your holiday behaviour has changed in the past few years?



Finances remain the main driver of domestic breaks – but are less dominant

- as financial pressures wane, ease and convenience – as well as liking England – become greater drivers of increased domestic breaks



The Post-Recession Consumer

Consumers emerging from the recession

- As we emerge from the recession, not all consumers are feeling the recovery in the same way
- This is displayed through the methods they are taking to cut back on spending – and whether or not they are cutting back at all
- With the downturn officially over, and the economic recovery well underway, consumers fall into **three** groups:

1

(struggling)

Those who are **currently cutting back** on their spending in response to economic pressures

2

(adapting)

Those who **used to cut back** during the downturn, but don't any more

3

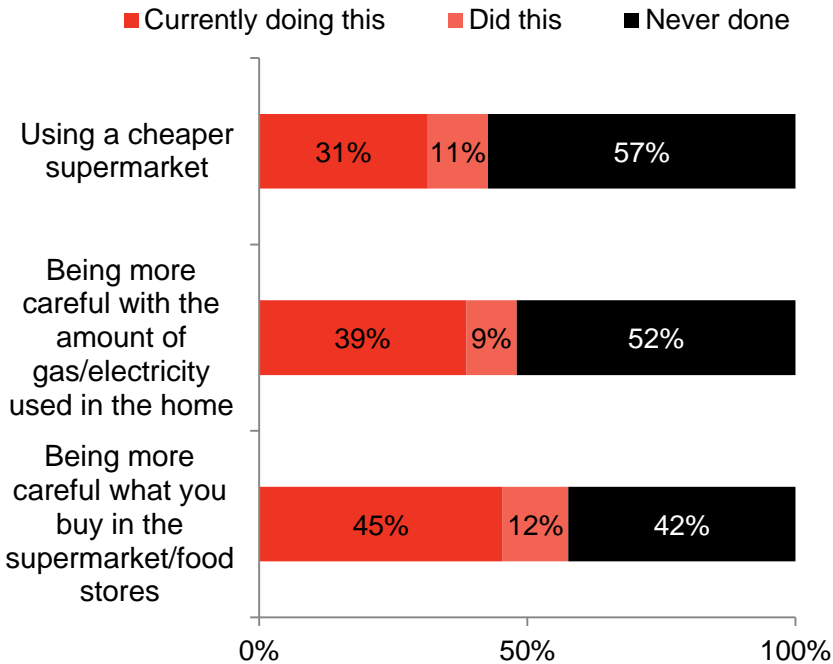
(comfortable)

Those who don't cut back now, and didn't during the downturn either

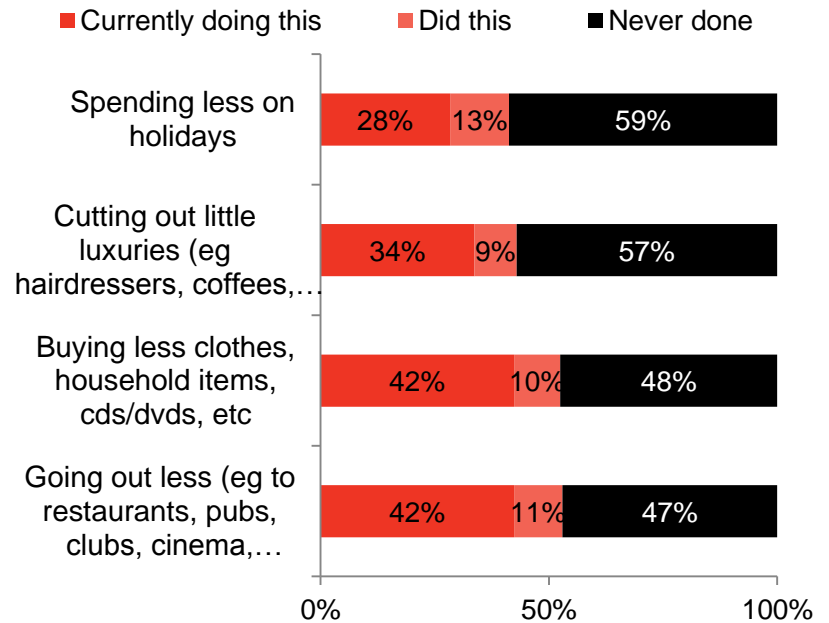
Practical cutting back vs. leisure deprivation

Different types of cutting back can indicate different consumer attitudes – cutting back that impinges on leisure is often the first to be abandoned, with more practical (but time consuming measures) following afterwards

Practical cutting back



Leisure deprivation



Profile: Struggling Currently cutting back on leisure – 13%

- Those currently cutting back on leisure are the most badly affected – treats and luxuries are amongst the first areas of spending to return as financial pressures ease

Demographics

- This group is more likely to be female (61%), and less affluent (61% are C2DE)
- They are slightly less likely to be working full time (35% vs. average of 38%)

Outlook and behaviour

- This group are generally much more concerned about the downturn – overall 76% say they are concerned about the downturn, and only 11% feel like the recovery is affecting them
- They are less likely to take all forms of holidays, but especially less likely to take foreign trips

Profile: Adapting Used to cut back on holidays – 13%

- This group had to adopt money-saving measures during the downturn – including spending less on holidays – but have been able to stop as the recovery takes hold

Demographics

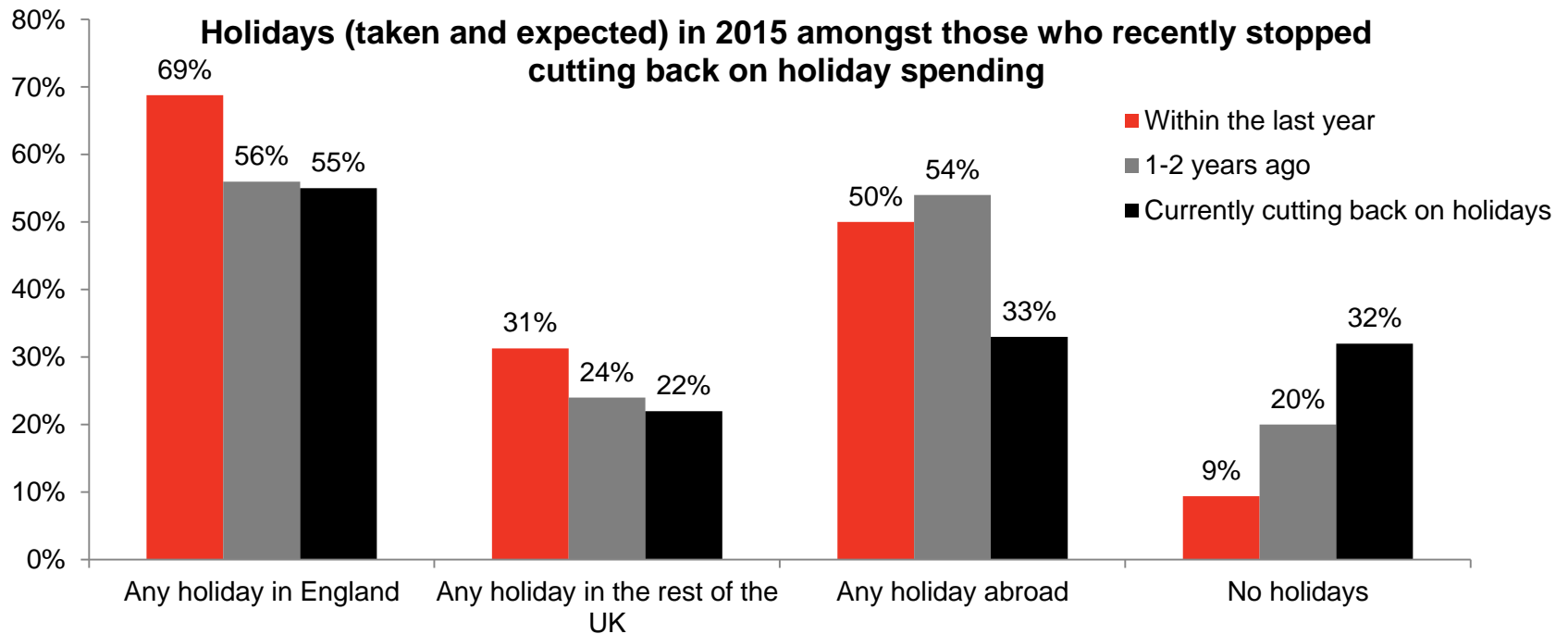
- This group are more likely to be in full time employment (43%) and are more likely to be female (54%) and C2DE (61%)

Outlook and behaviour

- They are more concerned than average about the downturn (55%) and are cautious about the future – just 23% expect to feel better off in a year
- This group are more likely to take holidays of all kinds – long and short, domestic and abroad - in 2015, 33% took a foreign long trip, compared to 29% overall
- Stopping cutting back on leisure spending doesn't mean all coping measures have been abandoned – 35% of this group are still using cheaper supermarkets

Immediate reaction is to take a trip – anywhere

- Stopping cutting back on trips provides immediate boost to all types of trip, including domestic holidays
- The impact of this decreases over time, however, with fewer holidays taken after a couple of years
- Those who are still cutting back are much less likely to take all kinds of trips



Profile: Comfortable Never cut back on leisure – 24%

- This group were never sufficiently affected by the recession to cut back on any aspect of leisure – including holidays, everyday treats and luxuries. Any changes they made to wider behaviour were likely to be driven by discretion rather than necessity

Demographics

- This group is typically more affluent (56% are ABC1), male (54%) likely to be in full time work (40%) and also much less likely to have adult children living at home (6%)

Outlook and behaviour

- This group is much less concerned about the downturn and much less likely to feel affected – only 35% feel affected at all (69% overall)
- More optimistic about the future – 34% expect to be better off in a year
- Holiday taking is correspondingly higher – 47% took a foreign trip this year, and 56% a domestic one
- They are also able to plan for next year – 52% expect to take a foreign trip in 2016, and 49% a domestic one

Holidays: 2015 and beyond

Holiday Behaviour in 2015

- Rise in those taking no holidays at all
- Rise comes at expense of both domestic and foreign trips
- This data at odds with GBTS and other sources – very likely to be a blip

	2014	2015			Change
	Taken	Taken	Expected	Total	
England Trips	58	47	6	53	-5
Rest of UK Trips	20	14	6	20	0
Foreign Trips	47	32	9	41	-6
No Holidays	22	31			+9

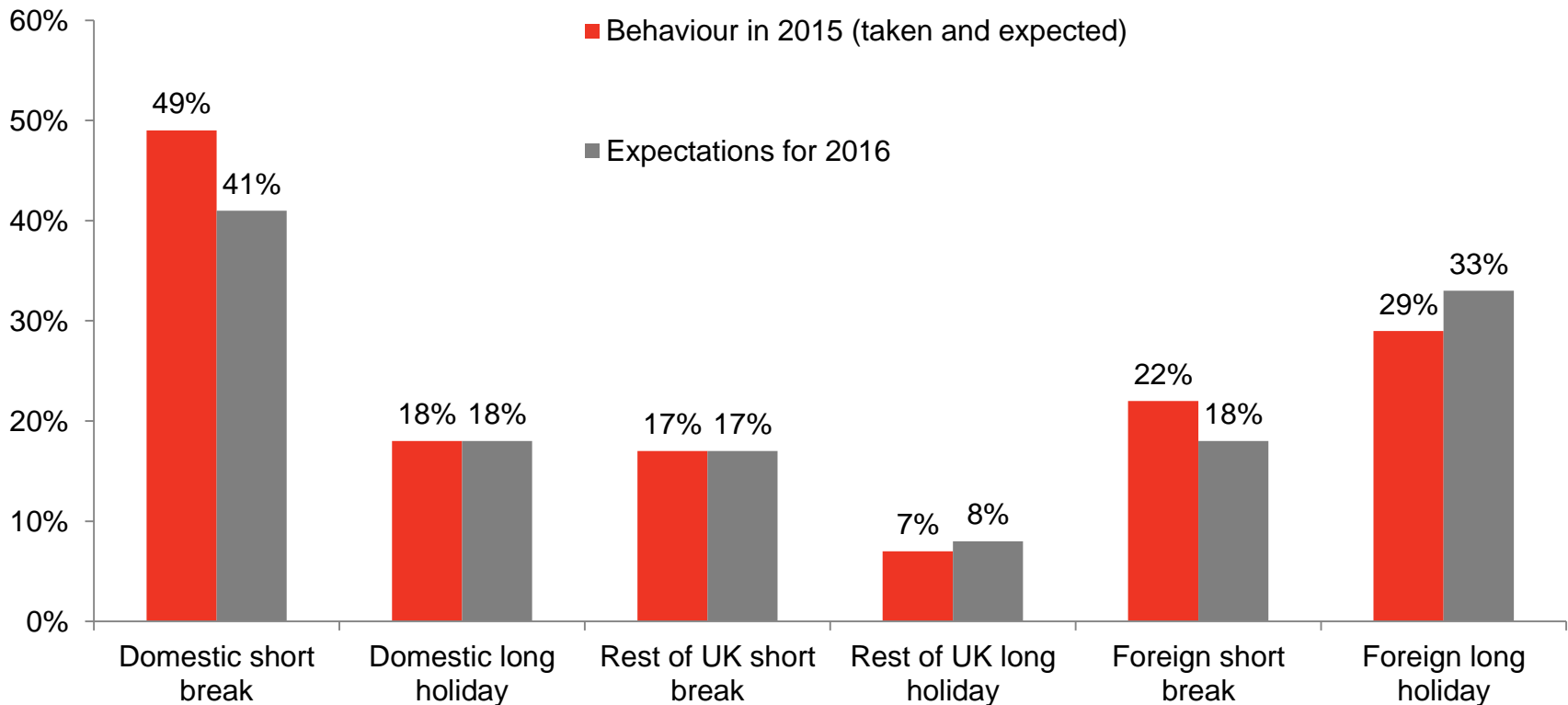
Expectations for next year lower than 2014's outlook

- More expecting a foreign trip than managed one this year
- Fewer expecting to take no trips at all
- But overall expectations are lower than they were a year ago

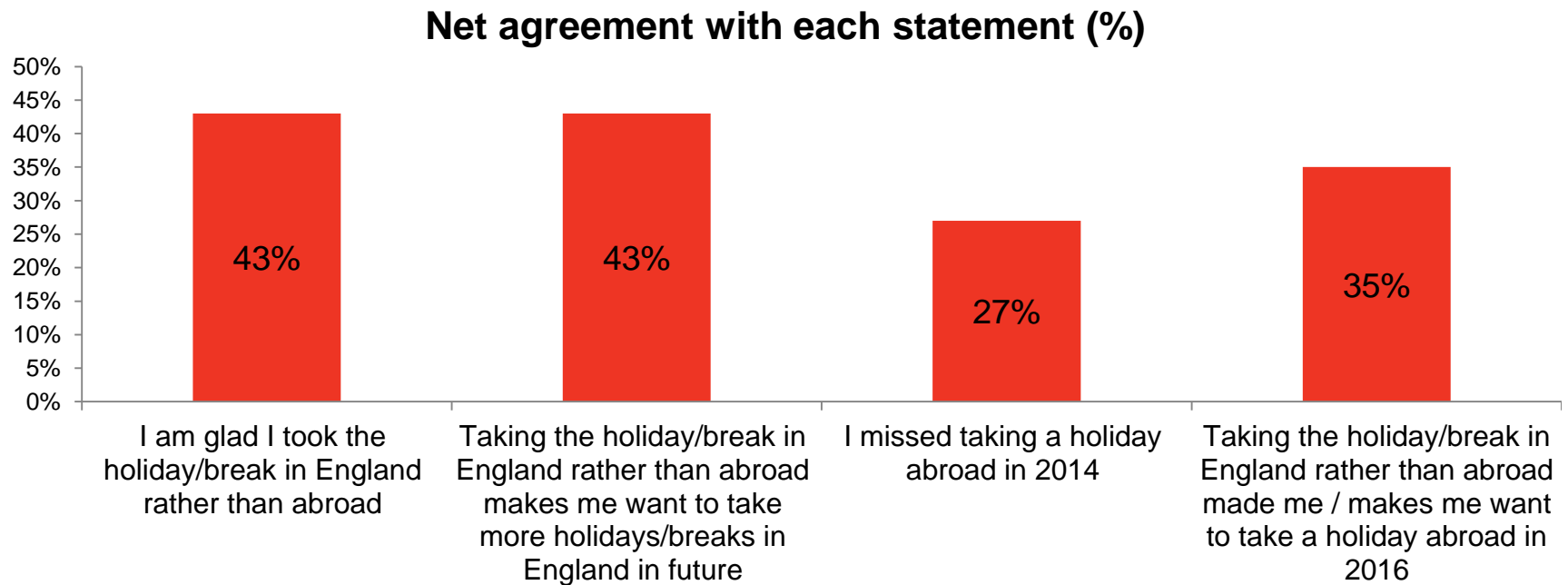
	Expectations for 2015 in 2014	2015 Holidays (taken/expected)	2016 Expectations
Any England	58	53	51
Any Rest of UK	23	20	22
Any Abroad	56	41	44
No holidays	20	31	26

Consumers expecting fewer domestic short breaks next year - But stability evident in longer breaks in England

Holiday Expectations and Behaviour 2014-2016



Those who take trips in England (rather than abroad) are positive about the experience

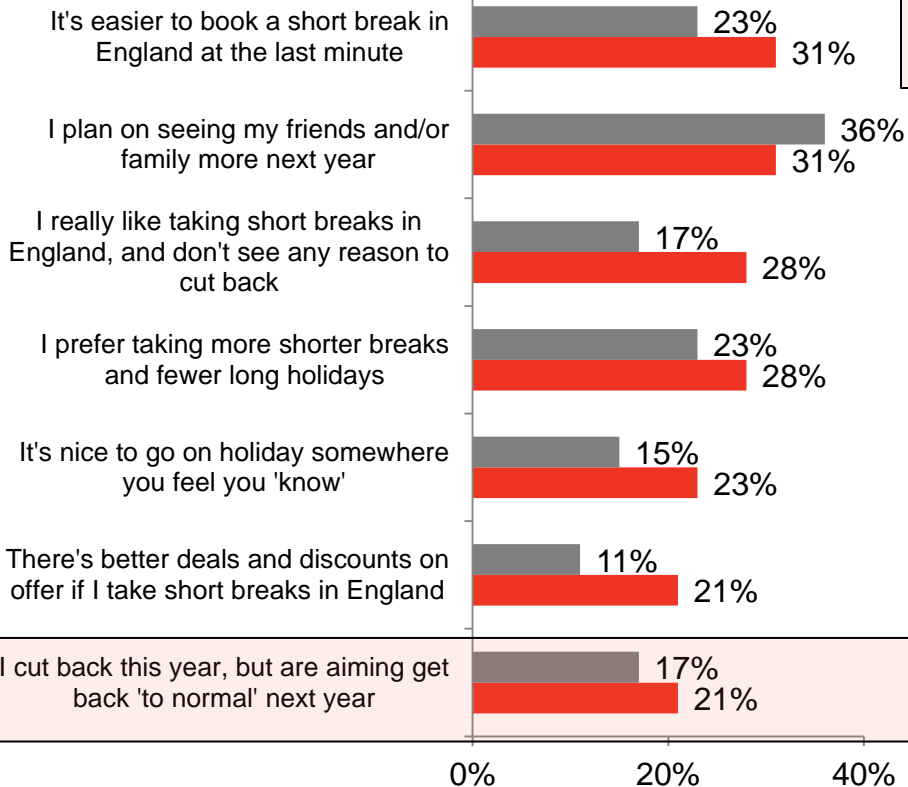


The appeal of England is driving plans for 2016

- So is the desire to 'get back to normal', and the ease of booking

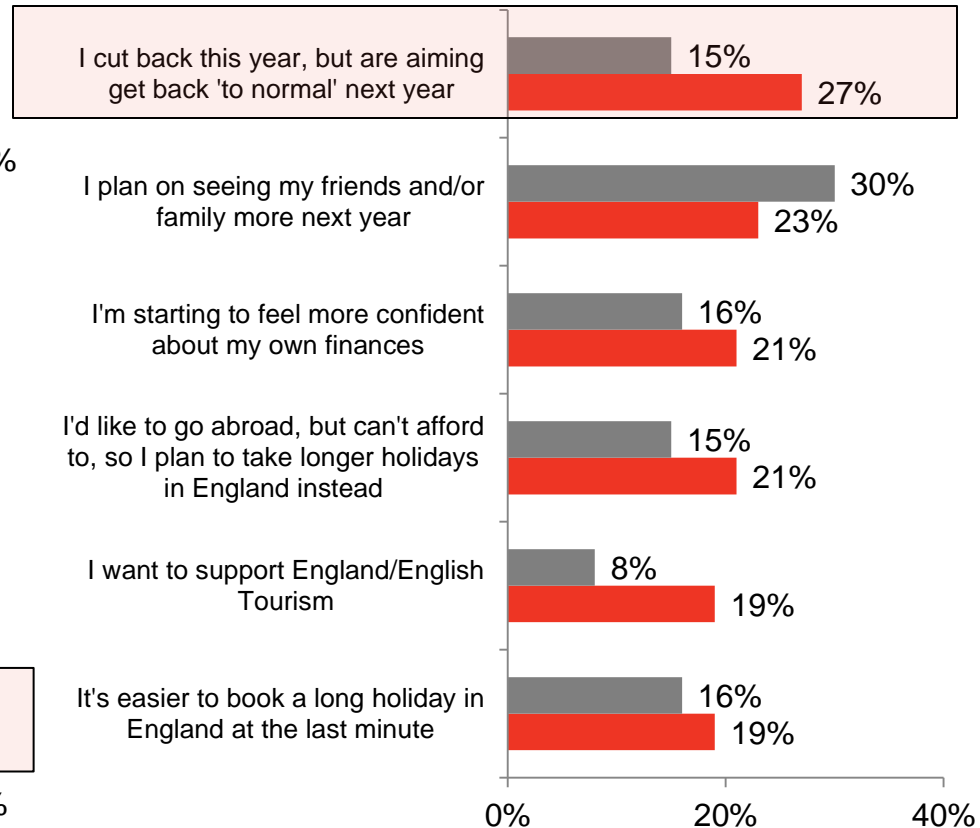
Reasons for more domestic short breaks in 2016 (any)

■ Sep-14 ■ Sep-15



Reasons for more domestic long breaks in 2016 (any)

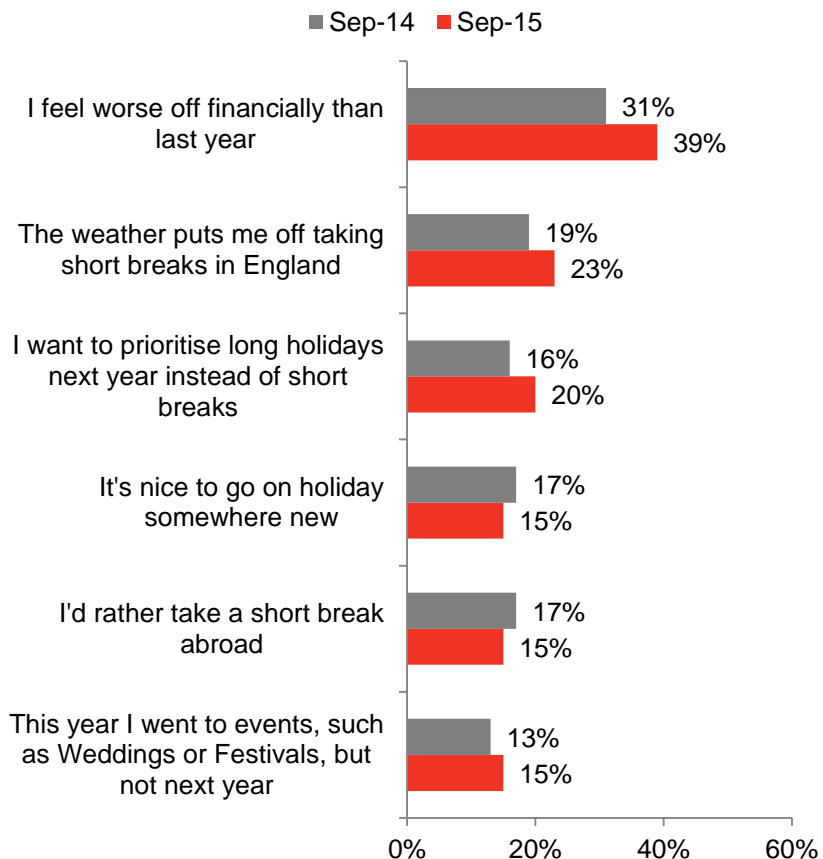
■ Sep-14 ■ Sep-15



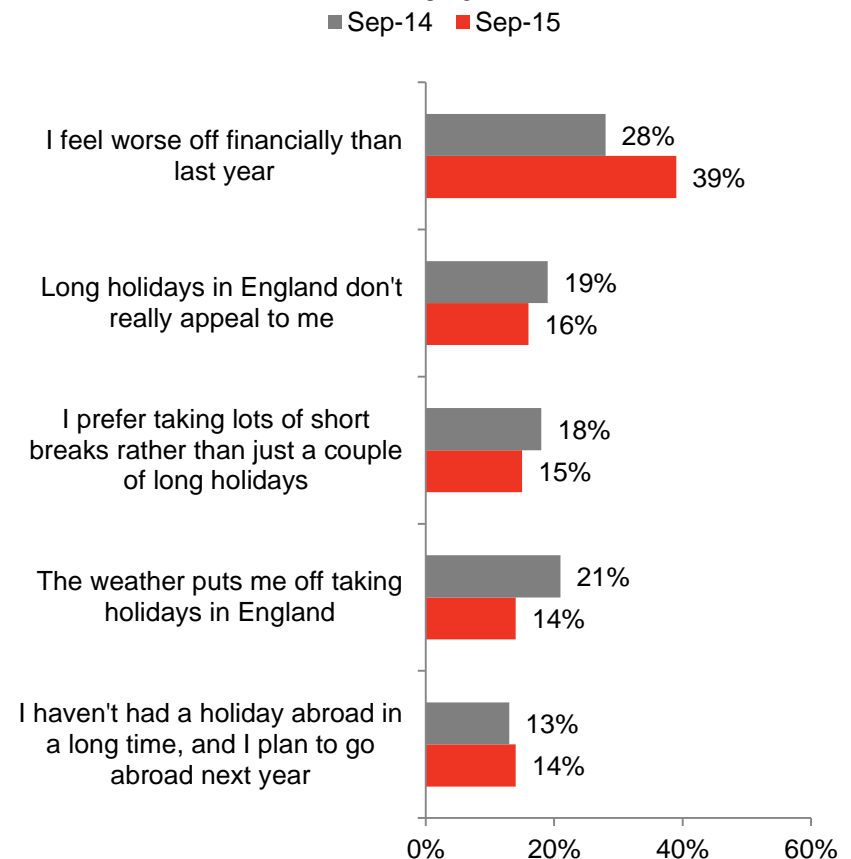
Finances impact on next year's plans

- Evidence of polarisation again – more people feeling worse off and more people wanting to prioritise foreign trips

Reasons for less domestic short breaks in 2016



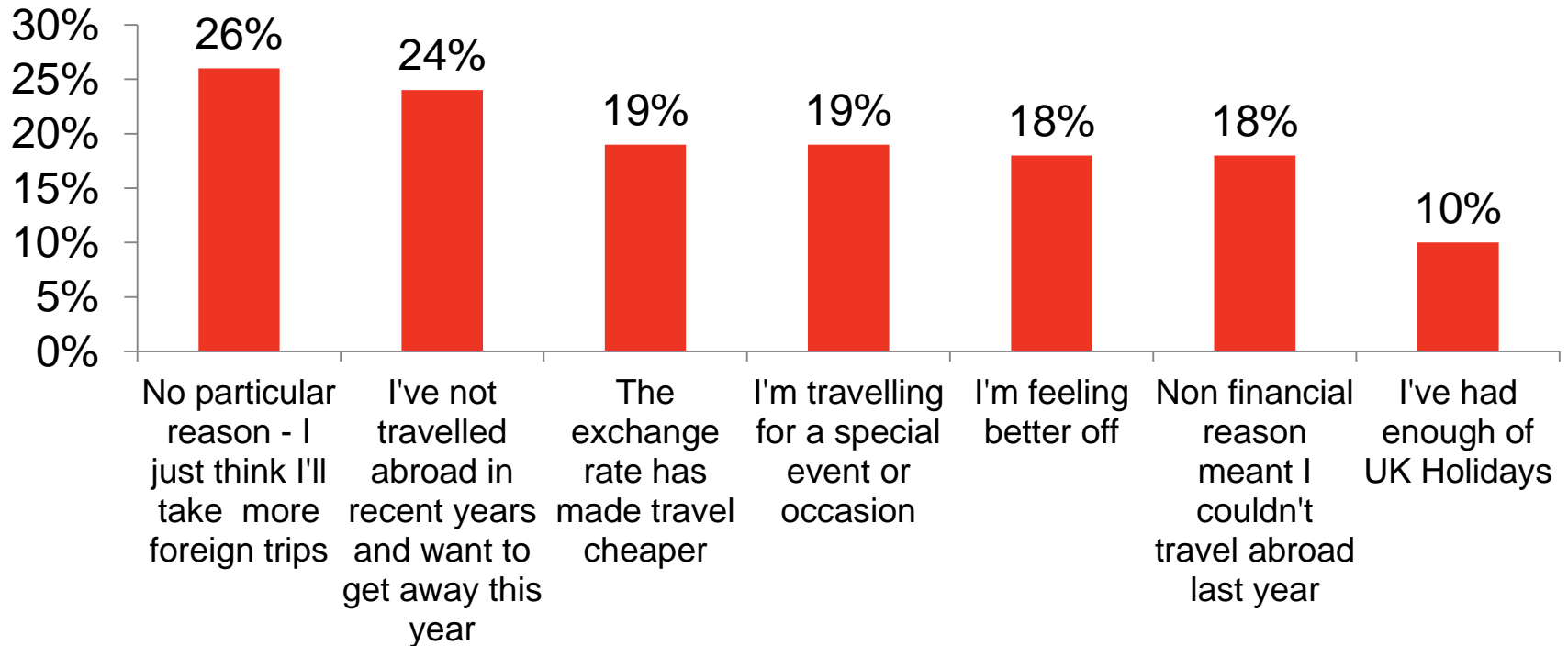
Reasons for less domestic long breaks in 2016



10% expect to take more foreign trips next year

- Driven by combination of pent up demand and feeling better off
- But one-offs are there too

Reasons for expecting more foreign holidays next year



Summary and Implications

Summary

- At macro economic level, the recovery is well underway, with the outlook as positive as it has been for a decade
- Consumers' concerns about the downturn are easing, although 45% still expect it to get worse, and there has been no uplift in consumer confidence
- Despite this cautious financial outlook, consumers are beginning to abandon their recessionary coping measures – especially those still limiting their leisure spending
- Practical, everyday cutting back behaviours – such as being careful with energy use – are also waning
- Holidays have changed over the course of the downturn, with short breaks and domestic trips – driven by convenience, ease and cost – increasingly part of the mix for those with the freedom to choose
- Polarisation is evident in both current financial experiences and expectations for future trips – while some are able to plan big, others are cutting back due to financial pressures

What does this mean for holidays?

- While the recovery is well underway, holiday spending is dictated by the extent to which they have rolled back their money saving behaviours

Consumer stage of recovery	Holiday behaviour
Cutting back leisure and everyday spending	Trips of any kind of holiday (short or long, domestic or foreign) are less frequent, and for many won't happen at all. Domestic breaks remain both the most affordable and the most convenient
No longer cutting back on leisure but still cutting back on everyday spending	Likely to prioritise all types of holiday - especially foreign breaks this year and next – but may need to return to domestic trips in the medium term before stopping other measures
Never cut back on either	In control of their holiday choices and will take as much as they can – including a balance of domestic and foreign trips

- Long term, the future of holidays are likely to be geared towards a balance of longer foreign trips mixed with a variety – domestic and abroad – of short breaks
- However, each individual's ability to achieve this mix will be dependent on their experience not only of the downturn, but of the recovery as well

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Thank You

