Tourism Ireland
Marketing the island of Ireland overseas

The 2009 Tourism Year: Situation & Outlook March 2009

In November 2008 Tourism Ireland forecast that the trading conditions in the majority of our key markets for 2009 would be amongst the most challenging we had seen. The general weakness in global economies, in particular Great Britain and North America which together account for two-thirds of all visitors to the island of Ireland, led us to forecast a decline of up to -5% in visitor numbers, and up to -8% in the number of promotable visitors (which are primarily holidaymakers) coming to the island of Ireland during 2009. We also indicated that revenue for the tourism sector on the island could decline by -5%.

This forecast was based on the best available economic and market intelligence at that time. In light of the general economic uncertainty we indicated that we would continuously review the market environment and that we would revisit the forecast on a quarterly basis. Both the macro-environment and certain aspects of consumer behaviour have changed markedly since November. The nature of these changes, their impact on likely visiting patterns and our response to the tougher environment are described below.

The Global Situation in March 2009

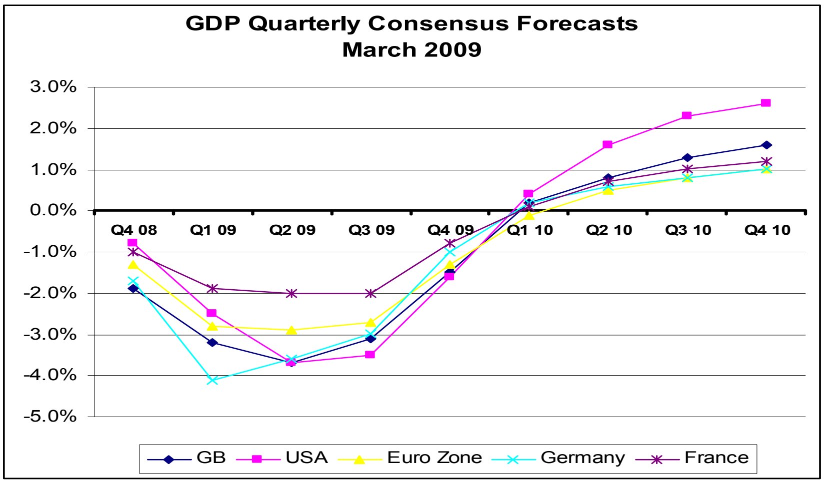
Since November 2008 there has been a continued deterioration across the broad range of macro-environmental factors on which Tourism Ireland based its forecast for visitors and revenue in 2009. There have been significant declines in GDP, personal spending and consumer confidence across all our major source markets. In the period up to late March, the dollar and sterling have further devalued against the Euro. Critically, there has been further erosion in air access to the island of Ireland and this will impact the summer season. Each of these key drivers of visitor numbers is discussed below.

GDP

When we issued our forecast in November, GDP in Great Britain was forecast to decline by -0.9% during 2009. The economic outlook has deteriorated significantly since then and GDP is now forecast to decline by a full -3.0%. Similarly, GDP in the United States was forecast to decline by only -0.6% in November 2008 but with the economy now in a steeper recession, GDP is currently forecast to decline by -2.8%.

Meanwhile Euro-zone GDP was forecast to decline by -0.2%. However since November many of the countries within Europe have since entered recession and GDP is now forecast to decline -2.6%.

The chart below shows the consensus amongst economic forecasters of the quarterly GDP performance for our main source markets for 2009 and 2010. At present they forecast that GDP will only return to growth in the first quarter of 2010.



Source: Consensus Economics – March 2009

Personal Spending

In Great Britain the estimate for personal spending in 2009 has been further revised down from -1.2% in November to -2.0% in March. Consumer spending looks increasingly bleak due to increases in unemployment. In the US there has been discounting among retailers and falling gasoline prices have failed to stem the decline in consumer spending: the outlook for personal spending has deteriorated from +0.7% in November 2008 to -1.5% in March. In the Euro-zone retail sales are down significantly. The forecast for personal spending which had been a modest but still positive +0.2% in November 2008 has now been revised down to -0.7%.

Exchange Rates

Business from Great Britain to the Republic of Ireland will be impacted due to the strength of the Euro. Sterling has deteriorated by a full -19% since November 2008 dropping from £0.78 to £0.93 (March 31st) against the Euro. This is expected to have a significant effect on travel and is encouraging GB holidaymakers to either holiday domestically or in non-Eurozone destinations. It also offsets some of the positive efforts made by the industry in the South to reduce their prices to stimulate consumer demand.

The US dollar has deteriorated by -7% since November 2008 and dropped from $1.25 to $1.35 against the Euro, however, it has strengthened by +7% against sterling over the same period. These shifts will competitively disadvantage tourism enterprises in the Republic of Ireland, however they will provide good opportunities for businesses in Northern Ireland.

Consumer Confidence

The sharp deterioration in the economic outlook is significantly impacting consumer confidence levels. The OECD's consumer confidence index shows consumer confidence in Great Britain declined from 94.0 in November 2008 to 92.1 in February 2009. Despite the broad welcome for the new administration in the United States, it has not yet boosted confidence as measured by the index of consumer sentiment. Consumer confidence in the Euro-zone has also declined further since November. These deteriorations in confidence will inevitably impact on the number of holiday trips consumers take and how much they spend.

Access

In light of decreased consumer demand and the continuing global recession, airlines are struggling to sustain their route network. Air capacity from Mainland Europe to the island of Ireland is expected to decline by -10% this summer over last, with a loss of -17% into Northern Ireland and -9% into the Republic of Ireland. However summer access from Mainland Europe into Northern Ireland is still up 18% when compared with 2007. Air access from Great Britain is expected to decline by up to -11% in 2009 which will see a -13% loss in access for Northern Ireland and a -10% loss in access for the Republic. Summer air capacity from North America into the island of Ireland is set to decline by -13%, in addition to the capacity loss experienced in 2008. Sea access to the island of Ireland is expected to decline by -1.5%. In terms of overall access to Ireland, Tourism Ireland has revised its original forecast of a -5% decline (November 2008) and is now predicting a -10% capacity decline this summer.

Competition

Travel enterprises and tourist boards in our overseas markets have significantly increased their level of price-led tactical activity. Traditional competitors continue to engage in destination and tactical advertising across a wide range of platforms while non-Eurozone destinations are engaging in significant tactical advertising. In the current climate, excellent value for money has become an expectation. Domestic tourist boards in our key markets have a strong media presence highlighting the financial benefits of holidaying at home while Governments are reinforcing this message in order to increase domestic spending.

Summary of Changes in Key Macro Environment Drivers

	GDP 2009 Forecast		Personal Spending 2009 Forecast		Consumer Confidence		Summer Access	
	Nov 08	**Mar 09**	**Nov 08**	**Mar 09**	**Nov 08**	**Mar 09**	**Nov 08**	**Mar 09**
Great Britain	-0.9%	-3.0%	-1.2%	-2.0%	94.0	92.1	-5%	-10%
USA	-0.6%	-2.8%	-0.7%	-1.5%	92.3	92.7	-8%	-11%
Europe	-0.2%	-2.6%	0.2%	-0.7%	96.6	93.6	-5%	-9%

Source: Consensus Economics – March 2009
Note: Eurozone data has been used for the GDP and personal spending forecasts.

Impact of the Changed Market Environment for the Island of Ireland

When preparing its forecast of visitor numbers and revenues, Tourism Ireland draws on both econometric models and market intelligence from our overseas market offices and the industry. Due to the significant decline in discretionary travel and access and the deterioration in the marketing environment, Tourism Ireland has now revised the Visitor, Promotable and Revenue forecasts for 2009.

Tourism Ireland's Forecast for the Island of Ireland 2009

	Visitor Numbers	Promotable Numbers	Revenue
Best Case	-4%	-4%	-4%
Middle Scenario	-7%	-8%	-9%
Worst Case	**-9%**	**-11%**	**-15%**

In the current worst case scenario we expect at least 8 million visitors, spending €3.6/£3.3 billion in 2009. The promotable visitor segment has performed less well in recent months as consumers cut back on discretionary leisure travel and, in particular, short breaks and additional holidays which have been the basis of much of Ireland's growth in recent years. In the worst case scenario, therefore, we anticipate 3.5 million promotable visitors this year. Given the degree of price competition evident in the industry, it is likely that tourism revenue will experience a greater decline than visitor numbers this year – consumers are able to enjoy the same holiday here for a lesser cost than they could last year.

The table below shows the range of forecasts for visitor numbers by main market area.

Tourism Ireland's Forecast of Visitor Numbers 2009

	Best Case	Middle Scenario	Worst Case
Great Britain	-5%	-7%	-9%
North America	-7%	-11%	-15%
Mainland Europe	-1%	-5%	-7%
New & Dev. Markets	0%	-3%	-7%
Island of Ireland Total	**-4%**	**-7%**	**-9%**

Great Britain

As the British economy enters a steep recession, outbound travel to Western Europe is expected to decline by -8% as consumers respond to the strength of the Euro by choosing to holiday domestically or to destinations outside the Eurozone. In November 2008 we expected visitors from GB to decline by -5% in the worst case scenario, however we have revised this down to -9% or 4.3 million visitors as consumers choose domestic destinations and scale back on short break holidays. While Northern Ireland will benefit as a Sterling economy, the -13% decline in access to NI from GB may dampen this benefit.

North America

The economic outlook for North America has continued to deteriorate since our November forecast of a decline in visitors of up to -12%. The short-term impact of the policies of the new administration on the US economy is as yet unclear. On the basis of current US economic sentiment we are revising our visitor forecast to decline of up to -15%, which would see 850,000 North American visitors in 2009.

Mainland Europe

Since our November forecast of a -5% decline in visitors in 2009, many of our key source markets in Europe have experienced a deepening recession. On this basis and the likelihood that the recession may further intensify in these markets, we expect visitors from Mainland Europe to the island of Ireland to decline by up to -7%, which would deliver 2.5 million European visitors in 2009.

New and Developing Markets (NDM)

Our November outlook predicted visitors from NDM would grow by +2% in 2009. NDM is now being affected by the global economic downturn, albeit to a lower extent than our other key source markets. In line with this deteriorating outlook, we expect visitors from NDM to decline by up to -7% in 2009 which would deliver just over 360,000 visitors from New and Developing Markets.

Responding to the Challenging Marketing Environment

Tourism Ireland is actively responding to the current difficult trading conditions by focusing on the following initiatives:

- Communicating strongly to the consumer that the island of Ireland is a great place to visit, is easily accessible and offers the consumer great value for money.
- Spending 66% of our marketing budget in the first half of the year to front-load our marketing campaigns across all markets so as to secure as much business as possible for the peak and shoulder season.
- Investing at least €13/£12 million (approximately 40% of our overseas marketing spend) in tactical and co-operative marketing activity to stimulate business to the island of Ireland now.
- Providing over 680 platforms and 2600 promotional opportunities worldwide to the industry so they can present the consumers with compelling bookable offers across all channels.

Delivering Compelling Reasons to Visit Now

Our three-point communication plan to overseas holidaymakers drives home the message that the island of Ireland is a great destination to visit; is easily accessible and offers the consumer good value for money. We are working closely with the industry in our markets and on the island of Ireland to provide the consumer with compelling offers. We will be communicating the excellent value that Sterling offers in Northern Ireland. These messages are being communicated using a new marketing communications campaign, "Go Where Ireland Takes You", which is designed to provide consumers with new, motivating reasons to holiday here and which has received a very positive initial response.

Front-loading Activities to Maximise Business

In order to secure as much business as possible for the summer, Tourism Ireland is front-loading its activities and has modified the phasing of its spend by bringing more of the budget into the first six months of the year. During the first half of the year we will be spending 66% of our marketing budget (31% in the first quarter and 35% in the second) to support peak and shoulder season demand. We have shifted more of our marketing and advertising campaigns to run during the primary booking period of April to June and are re-phasing our campaign launches to strengthen our standout in the marketplace. We are continuing to retain a portion of our budget in each market in order to remain flexible to respond to market opportunities as they arise.

Increasing Our Tactical & Co-operative Activity

Due to the continuing deterioration in the market environment, Tourism Ireland has increased the proportion of its marketing budget that is dedicated to tactical and co-operative activity to approximately 40% of in-market expenditure. To stimulate business to the island of Ireland, Tourism Ireland has put in place campaigns with a strong tactical emphasis. In Britain we will invest €6.8/£6.3 million in this type of activity in the first half of the year, while in the United States and Europe we will invest a further €3/£2.8 million and €3.5/£3.3 million respectively. Amongst the key initiatives which this money will support are:

Key Tactical & Co-operative Marketing Activity by Tourism Ireland

Great Britain	• 10 million direct mail pieces and inserts being distributed in first half of year, focussing on reasons to travel with value offers as the call to action • 6 million industry offers leaflets distributed as inserts in Sunday newspapers and at shows • €2.2/£2 million co-operative campaigns being executed or in planning with carrier partners
North America	• Tactical online campaign generating 44 million impressions with links to partner offers • 400,000 36-page Vacation Offers catalogue featuring 50 partner offers inserted into newspapers and distributed at shows • 500,000 consumers have received our direct marketing campaign for the West Coast, featuring offers in the catchment area • 250,000 golf offer booklets distributed in magazines and at shows
Europe	• 1.5 million Northern Ireland and regional supplements, featuring offers, circulated in Germany • 40,000 consumers in Netherlands received a 100 page supplement – "Ireland Surprisingly Diverse" • 80,000 tactical brochures circulated with value offers in main travel magazines • 700,000 consumers targeting in an e-marketing blitz in the Nordics

Helping the Industry "Close the Sale"

We are providing the industry with a variety of platforms to put purchasable product before the consumer. In 2009, Tourism Ireland will be providing the industry with over 680 platforms and 2600 promotional opportunities worldwide so they can "close the sale" with potential consumers – 30% more platforms than were available in 2008. By working together we can continue to pool our resources and achieve a greater combined return in terms of visitor numbers and revenue growth to the island of Ireland. In increasingly competitive markets, it is critical that the value made to the customer is compelling. We strongly urge the industry to deliver competitive offers to Tourism Ireland, on a timely basis, in order to drive bookings.

Details on our overseas industry platforms and opportunities are available at www.tourismireland.com/platforms

Concluding Comment

Tourism Ireland is actively monitoring the media landscape, competitor activity and consumer behaviour in order to maximise our opportunity to engage with potential visitors. Our brand campaign gives the consumer visual cues and motivational grounds to visit the island of Ireland whilst our extensive tactical campaigns are dominated by competitively priced and compelling offers. Tourism Ireland and the industry need to continue to work together to maximise our presence in the marketplace so that the island of Ireland is top of mind when consumers are choosing their holiday.

During this difficult period we are committed to a series of quarterly communications as the market evolves. We will disseminate a further review and outlook in late June.

March 2009