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Massachusetts Office of Travel & Tourism Governor's Conference

24th March 2010 – Boston Park Plaza Hotel



Economic Snapshot

2009 economy fragile with consumer spending confidence extremely low

Unemployment rose to its highest for 13 years – almost 9% of the working population

Bank lending rates at their lowest for 50 years so consumers not threatened with job loss were in a good position

VAT reduced from 17.5% to 15% to stimulate spending – finished on 31st December 2009

In 2010 consumer spending confidence has slowly returned

Bank lending rates have remained low so those with jobs have disposable income. Job market is seeing green shoots of recovery in some sectors.

Seniors have been affected by loss of interest on savings and pension reductions

Consumers are endeavouring to pay off debts rather than accumulating on credit cards where possible.

In January the UK emerged from recession

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Market Overview

First half of 2009 impacted by the global recession, consumer expenditure diminished but in the second half of 2009 the UK consumer began planning their 2010 vacations

The family vacation was still seen as an essential and not a luxury item in the annual expenditure

Market influences affecting selection of vacation destination: currency exchange rates, air fare, hotel reductions and/or real time special deals

The Euro has strengthened against sterling which has softened the impact of the sterling weakening against the dollar

The market reacted to strategically remain in “the game” as it has been proven that investment during a recession in marketing activity gives a good return on investment when markets recover

Worldwide Destinations have continued to market to the UK as this is traditionally one of the first markets to recover after a crisis

Emerging markets that have continued to see marginal growth or flat line are those not tied to the Euro. The Far East, Australia, New Zealand, Turkey, Middle East and USA are all perceived to give good value for money

Initial cut backs on staffing within the trade have now been replaced by aggressive recruitment

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Visitation Figures

The latest US arrival figures show results to end October 2009. There has been a slowly improving trend in the UK since end March when the full impact of the recession really was hitting, up to which point the UK was down -26.6%. Therefore to have now improved by just under 12% to reach -14.8% for the year to date, with an improving trend still likely for the balance of 09, then this demonstrates a substantial return to normality and hopefully we will start to see positive growth again in 2010. The UK is still by far the largest European market and still the biggest overseas market to the US!

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Year to date											
UK	199.7	-19.5	244.9	-23.7	278.4	-30.7	379.0	-13.3	340.0	-10.6	339.3	-7.4	367.7	-14.9	384.8	-13.1	372.0	-10.6	402.9	-7.5	3308.6	-14.8
Germany	82.8	-9.6	92.6	-14.3	134.1	-17.9	151.4	13.2	173.3	-8.2	129.9	-12.6	157.7	-2.7	175.5	0.6	166.0	-13.3	184.4	4.1	1447.7	-5.9
France	56.4	-3.3	81.6	4.3	73.3	1.3	134.1	2.5	101.9	-1.0	93.6	-1.0	153.6	-7.0	147.5	-5.3	88.5	-12.0	113.0	-4.3	1043.3	-3.2
Italy	41.9	5.9	34.9	-6.2	44.2	-11.6	61.4	4.0	52.5	-1.4	62.5	-8.3	82.1	-7.5	124.3	-15.0	54.6	-2.7	60.3	4.8	618.9	-5.7
Holland	27.4	-13.7	32.2	-6.8	33.9	-10.2	59.1	-14.5	48.6	-14.0	41.8	-21.8	77.6	-5.2	48.2	-4.0	48.0	-12.7	55.6	-12.0	472.5	-10.8
Spain	27.0	-5.3	27.4	-9.8	38.8	-32.0	53.8	28.5	41.2	12.2	57.5	-3.5	68.7	16.7	83.6	-20.0	53.5	-14.7	50.9	1.1	502.5	-10.8
Sweden	22.1	-11.0	23.9	-17.9	26.0	-31.2	32.0	-5.8	24.9	-21.6	33.9	-21.5	24.0	-24.7	19.2	-14.5	23.9	-21.2	36.0	-21.7	266.1	-19.8
Swiss	17.4	-2.2	18.2	-3.6	22.7	-16.0	35.0	14.5	30.0	4.7	29.6	8.2	48.6	5.4	27.9	3.7	33.1	-1.5	37.4	7.1	300.0	2.5
W Eur	567.6	-11.6	669.9	-14.1	775.7	-24.2	1062.2	-0.6	934.8	-9.5	945.2	-6.1	1147.6	-11.2	1137.5	-11.2	970.0	-11.4	1107.2	-5.1	9311.8	-10.5
Japan	236.6	-13.0	248.8	-9.8	275.1	-9.3	215.5	-4.9	182.2	-31.7	161.9	-39.3	244.4	-14.8	295.8	-8.0	309.4	7.6	253.6	-1.6	2423.4	-12.4
O'seas	1439.9	-7.6	1477.6	-11.2	1670.1	-18.7	2053.2	0.5	1911.0	-13.6	1965.6	-10.8	2446.5	-7.2	2438.3	-6.3	2139.2	-3.8	2201.6	1.3	19843.5	-7.6
Total																						

(000's)Source : OTTI, Department of Commerce, Washington

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Travel Patterns

The UK consumer views their annual holiday as a necessity.

In 2009 the 2-3 holiday average was reduced. The consumer kept the main vacation however shopping and golfing breaks suffered in particular.

Talk of staycations in the UK fizzled as summer 2009 was a wash out (3rd bad summer in a row). British holidays were up 20% but this is likely to be a short lived trend.

In 2010 trends have stabilised; with most consumers planning to book one long haul and one short break holiday. Strong planning interest for 2011 already.

The travel period is still traditionally April – October with short breaks for shopping and skiing taking place outside these months.

A multi-faceted media approach is required to talk to all generations and market sectors. Travel trade partners still provide the essential call to action.



Booking Patterns

In 2009 the booking season did not start until the 2nd half of the year.

Tour operators found it very hard to claw back bookings for the lost months and most ended the year approximately 10% down.

Cruising emerged as a strong favourite due to UK departures and one all in price. Touring remained popular with seniors. All inclusive holidays to Egypt & Turkey very popular due to budgets and exchange rate value.

Many consumers booking last minute waiting for deals – booking window reduced to 30 days

In 2010 booking patterns have started to return to normal. January to March has been extremely busy to the USA and comparable to 2008.

Cruising and Touring remain very popular for the reasons above.

City breaks market is beginning to return – still very much deal led

Booking window is beginning to grow again towards 60-90 days. Rumours of reduced capacity for the summer affecting this strongly.

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Tour Operator Snapshot

For all travel partners the second week of January saw the phones busy – the consumer still stimulated most by price led deals. In the third week of January many operators saw record bookings

MOTT work with travel partners across all sectors of the market

Mass-market such as Virgin, Tui, Premier offering city breaks, fly drive, cruises and escorted tours

Niche regional operators such as America As You Like It, New England Vacations, North America Travel Service and Bon Voyage producing tailor made holidays to the discerning consumer. Able to react to new trends and sell high end product and small allocations.

Internet operators such as Lastminute, BA.com and e-bookers who are city led with strong Boston product and are slowly investigating online fly drive and tailor made itineraries

Tour operators have been investing in advertising and direct marketing activities. This year TV advertising has become more achievable as advertising rates tumble.

Partnerships are more important than ever, destinations that support operators will be strongly featured and relationships strengthened now will be long lasting.

MOTT has partnered with a diverse range of operators using a variety of mediums

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Competition

In 2009 MA's main competition within the USA was New York, Las Vegas, California and Arizona, due to aggressive rates and 3 for 2 deals.

Outside the USA competition was from non-Eurozone destinations such as Turkey – offering value for money and competitive pricing. The Far East was popular due to special offers and also the superior hotel product on offer.

Air Passenger Duty increased a US Air ticket by £40 – which has a big impact on a family of 4

In 2010 Massachusetts bookings are showing growth.

In the USA Florida, New York and Las Vegas are the most aggressive on pricing, deals and marketing spend.

Outside the USA competition is strong from Dubai, Turkey, Egypt and Croatia. New Zealand, Australia, Barbados are investing large sums in marketing.

Canada has benefited from the Winter Olympics and South Africa as the host of the Soccer World Cup this summer.

Negative reports of ESTA in the UK press (seen as an additional tax) may prove detrimental to USA.

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Trends

Cruising – multi faceted destination experience, all in one price, aggressive marketing and pricing campaigns. Opportunity for pre-tours and stays throughout Massachusetts as operators look to differentiate themselves and build profit into the product on sale.

Use of TV in marketing campaigns – multiple channels and the recession have driven prices low. Virgin, Premier, Thomas Cook, Lotus Dial a Flight and airlines including Virgin Atlantic and American Airlines.

Holiday choice is still price led – search for the best deals online but niche operators are retaining and attracting new customers by offering service levels and security (esp. in the light of BA strikes) so there is a strong future for the tour operator and travel agents.

Experiential holidays remain at the forefront, activities and opportunities to participate in a destination are stronger than the traditional fly and flop. Festivals; music and literary, cookery schools, wildlife tours, soft adventure

Luxury; as the budget for everyday is tight, the UK consumer is looking to trade up to make sure they enjoy their holiday. Accentuating luxury such as four poster beds, spa treatments, club rooms etc will help to differentiate product.

The Travel Promotion Act and the very real possibility of a USA destination advertising and marketing campaign in the UK (and worldwide).

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Thank you for your time !

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