

WHERE DID THE BRITS GO?

AN EXAMINATION OF PREVAILING THEORIES BEHIND THE REDUCTION IN BRITISH VISITORS TO BARBADOS

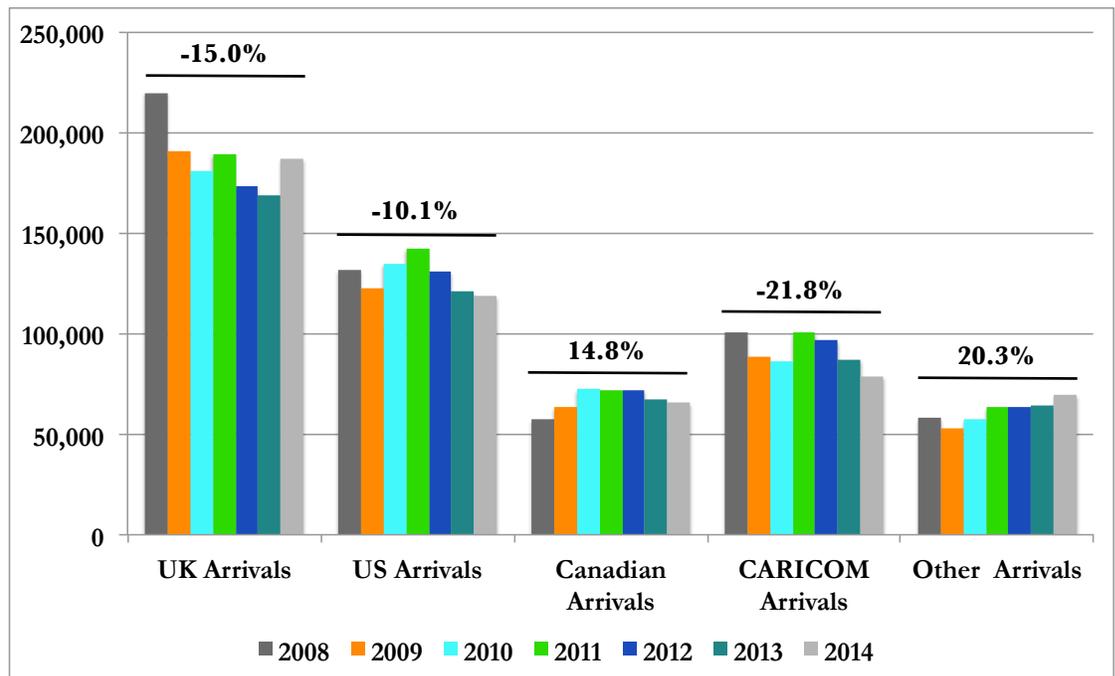
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One of the indirect effects of the global financial crisis on Barbados has been a reduction in visitor arrivals. While arrivals from all of Barbados' main source markets felt the impact, the British market has been particularly hard hit: not only has the total number of visitors declined, but visitor expenditure has also plummeted. In this article, we examine the prevailing theories behind the reduction in British visitors to Barbados.

It is no surprise to anyone familiar with the tourism industry in Barbados that British visitors comprise a significant portion of visitors to the island. Since the mid-1990s, arrivals from the UK overtook the US to become the largest source market, a position it has held for the last two decades. From 1994 onwards, British tourists have accounted for at least 30% of longstay arrivals to Barbados, reaching a high of 43% in 2001 and hovering around 40% until 2008¹. However, the appeal of 'Little England'

Exhibit 1

The relative severity of the reduction in UK visitors was second only to CARICOM



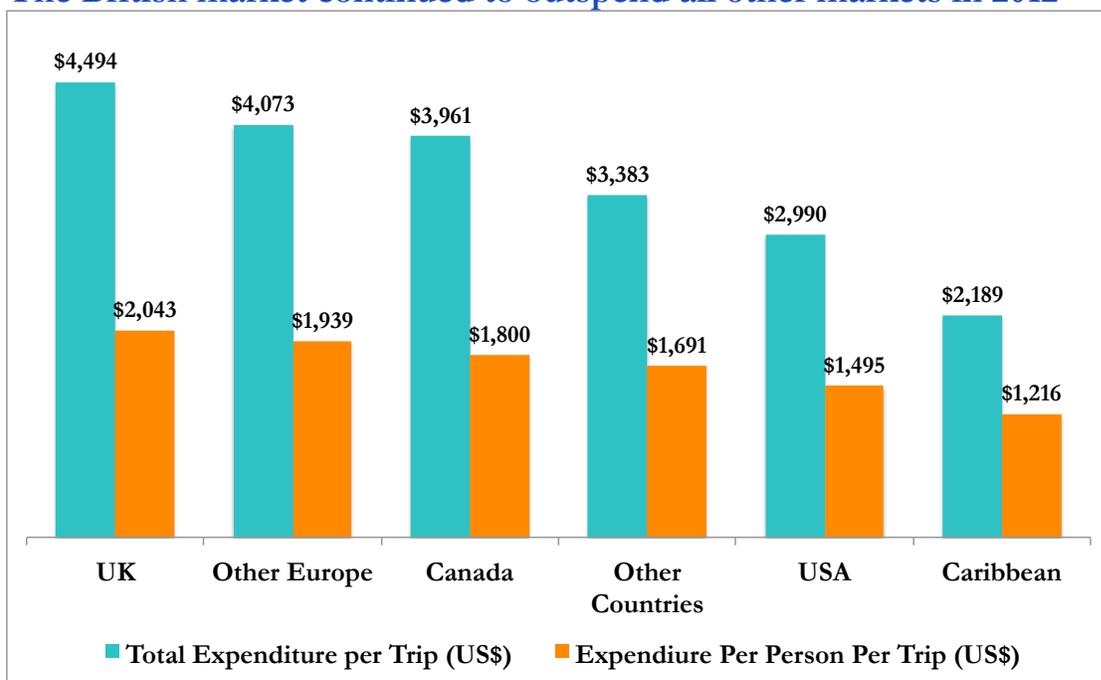
Source: Barbados Statistical Service and Antilles Economics

¹ Barbados Statistical Service, *Tourist Arrivals Bulletin*, various editions

as a holiday destination for Brits seems to be waning, as longstay arrivals from the UK in 2013 were the lowest reported since 1997 and, while there was some improvement in 2014, arrivals remained 15% lower than pre-2008 levels (see Exhibit 1).

In addition to being the largest category of visitors to Barbados, Brits tend to stay a little longer on average than other tourists, apart from the Canadians who also spend 11 or 12 days on the island. Though these figures are declining, expenditure per person per trip (over US\$2,000 in 2012) and total expenditure per trip (nearly US\$4,500 in 2012) are also higher in comparison with other markets (see Exhibit 2). Total visitor expenditure from the UK market was nearly double that of the USA and triple that of Canada in 2012 but had fallen by 40% when compared to 2008 (see Exhibit 3), while average daily expenditure fell by more than a quarter (see Exhibit 4). The Brits are clearly big business. But why are fewer of them choosing to visit?

Exhibit 2
The British market continued to outspend all other markets in 2012



Source: Caribbean Tourism Organisation and Antilles Economics

Theory 1: The UK Recession and the Rise of the Staycation

There are a few different schools of thought, but the most widely discussed theory is the protracted impact of the recession. The UK was severely affected by the financial crisis in 2008 and the latest forecasts from the International Monetary Fund suggest that the economy is taking longer

to recover than other significant source markets for the Barbados tourism industry. The UK experienced average real GDP growth of 0.3% during the period 2008-2014 compared with 1.1% in the USA and 1.3% in Canada. Unemployment rates in the UK also increased in this period from an average of 5.1% pre-crisis (2001-2006) to 7.3% between 2008-2014². This could perhaps explain why the drop-off in tourists from the US and Canadian markets has not been as marked in comparison.

With the slowdown in economic activity, the UK experienced what was referred to as ‘a rise in the staycation phenomenon’³. It is to be expected that when people are feeling the pinch financially that they may be more inclined to visit destinations closer to home or even cut out holidays abroad altogether, and the tourism numbers for the UK appear to support this theory. There was an 18% increase in expenditure by UK residents vacationing in the UK³ between 2008 and 2012⁴. In the same period, the number of visits abroad and spending on visits abroad decreased by 3% and 12%, respectively⁴. When Brits chose to travel abroad during this period, popular European destinations such as Spain and France continued to attract the majority of visitors, averaging 11 million and 9 million visitors per year respectively⁴.

Since the global financial crisis, there has been a reduction in airlift to Barbados from the UK, with major carriers citing lower demand as the main contributing factor. Virgin Atlantic, for example, reduced the number of flights, and in some instances, capacity, by introducing smaller aircraft on the route. British Airways currently only offers direct flights from London Gatwick, leaving just Virgin Atlantic and Thomas Cook as the main carriers operating from Manchester airport. This decrease in airlift is reflected in a 44% decrease in the number of visits originating from Manchester airport between 2009 and 2012⁴.

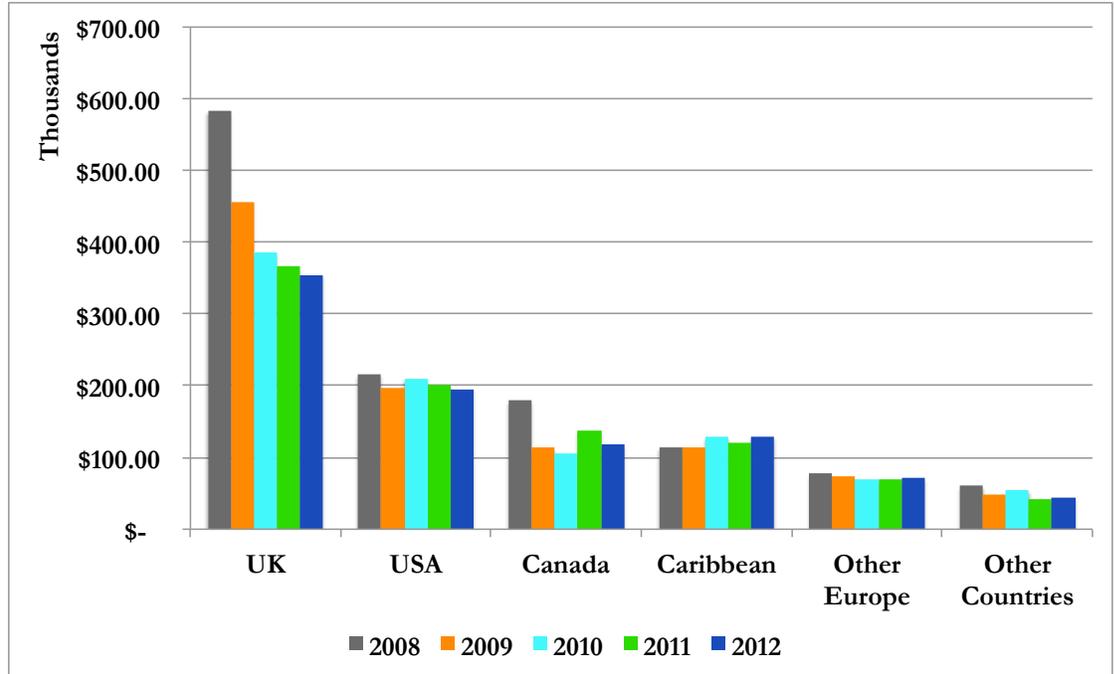
The UK economy, however, looks to be getting back into shape. The IMF predicts an upturn between 2015-2019 with average real GDP growth of 2.5% and an average unemployment rate of 5.6%². With the worst of the recession apparently behind them, are British tourists ready to holiday further away from home, or have their belts been tightened indefinitely after such a long period of uncertainty? As players in the Barbados tourism industry consider how to lure the Brits back, they should take into

² International Monetary Fund, *World Economic Outlook October 2014*

³ Defined as UK resident visits including at least one overnight stay within the UK

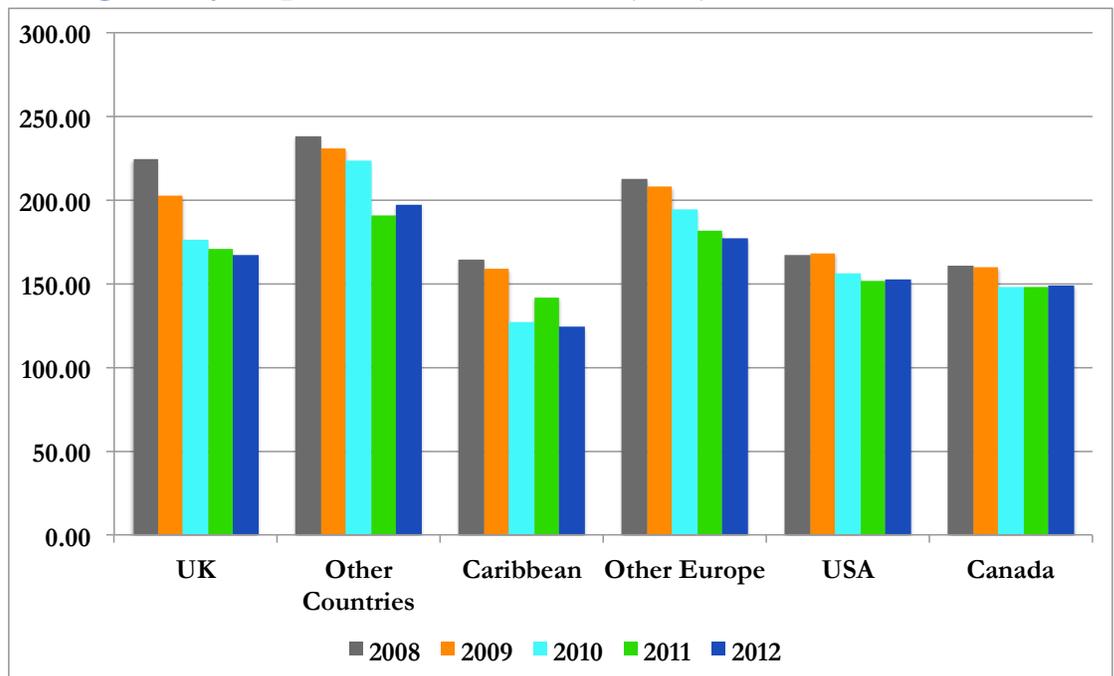
⁴ UK Office of National Statistics, Press Release, 15 October 2013 (<http://www.ons.gov.uk/ons/rel/tourism/tourism-satellite-account/2010---the-economic-importance-of-tourism/sty-staycation.html>)

Exhibit 3
Total Visitor Expenditure (US\$)



Source: Caribbean Tourism Organisation and Antilles Economics

Exhibit 4
Average Daily Expenditure Per Person (US\$)



Source: Caribbean Tourism Organisation and Antilles Economics

consideration whether value for money is now a higher priority concern for this market and what that could mean for their business.

Theory 2: The Increase in Air Passenger Duty

Another theory is that steep increases in UK air passenger duty (APD) from 2009 onwards have made longhaul destinations, including Barbados, less appealing for visitors from the UK because it pushed up the cost of airfare. When the four-band structure based on distance from London was introduced in November 2009, it was thought that Barbados and other Caribbean destinations that were popular with families had been placed at a significant disadvantage. APD had already doubled in 2007 for travel outside the European Economic Area from a standard rate of £40 to £80. With the introduction of the new structure, APD for countries in the same band as Barbados continued to rise sharply on an almost annual basis, from a standard rate of £100 per passenger in 2009 to £150 in 2010, £162 in 2012 and £166 from 2013⁵. These rates applied to all travellers apart from children under two without their own seat and those travelling in the cheapest seats. In 2009, 38% of British visitors to Barbados had travelled with their families, increasing to 43% in 2010⁶. As the APD continued to rise, however, arrivals started to fall and visitors traveling with their families had fallen to 35.8% by the end of 2014. This percentage is even lower than the number reported prior to the restructure of APD.

There may be more to this theory, however. Mexico, a longhaul destination in the same APD band as Barbados, saw a significant boost in the number of tourists from the UK with average annual growth of nearly 14% between 2009-2013⁷ (compared to one of 8.3% between 2004 and 2008). In stark contrast, there was a sharp decline of 21% in visitors to Barbados over the same period⁴. This disparity suggests that the increases in the APD alone may not fully explain the reduction in visitors to Barbados.

In either case, some relief from this tax is on the horizon. From April 1, 2015, APD will have only two bands: one for destinations within 2000 miles of London, and another for those above this distance. Further, the standard rate will be reduced to £142 per passenger and will no longer apply to children under 12 travelling in the cheapest seats⁵. This should make it more cost effective for British families seeking to vacation in the Caribbean. Tourism planners and hoteliers should take this opportunity to market Barbados as a more cost-effective location. This would involve ensuring that the facilities and infrastructure can accommodate consumers' tastes and offer value for money in comparison with rival destinations.

⁵ HM Revenue & Customs, *Air Passenger Duty Bulletin*, December 2013

⁶ Caribbean Tourism Organisation, *Barbados Stayover Visitor Survey 2008-2012*

⁷ UK Office of National Statistics, *Travel Trends 2013*

Theory 3: The Gap in the Family-Oriented Package Holiday Market

The pre-paid package holiday was by far the most popular choice for UK travellers to Barbados in 2008, with 62.5% selecting this option. By 2012, however, this figure had fallen by over 15% to just 53%⁶. A contributing factor to this decline could be the closure of the all-inclusive, family-friendly Almond Resort hotels in 2012. It is estimated that the closure resulted in a contraction of 7% of room stock on the island⁸. Closure negatively impacted availability of room stock at this price point for some time. After a period of government ownership, the Almond hotels were eventually sold and the West Coast resort is now being operated at a lower capacity of 166 rooms (originally the hotel boasted over 400 rooms) by the Sun Group following a ‘soft reopening’ in January 2014⁹.

Unfortunately, when the gap in the family-oriented all-inclusive market first appeared with the closure of Almond Resorts, no other large hotel stepped in to close it, leaving the all-inclusive segment underserved. The partial reopening of this West Coast favorite should go a long way to shoring up this segment. In addition, the new luxury couples-only Sandals resort in the iconic St. Lawrence Gap recently opened in January 2015. This should appeal to the significant number of Brits that travel with their spouse or partner (47% in 2012⁶).

While Barbados struggled to address supply issues, challenges were also developing on the demand side. Thomas Cook, a popular chartered flight and package holiday operator, was also going through a challenging period. In late 2011, Thomas Cook issued multiple profit warnings and reduced the number of travel operators in the UK¹⁰. The company also reduced the number of aircraft operating from the UK, particularly on long haul routes¹¹. This was an important development since Thomas Cook’s package holiday offerings to Barbados include all-inclusive accommodation. Although the company has since rebounded financially, the number of visitors from the north of England – where Thomas Cook flights originate – and the number of package holidaymakers from the UK have not yet returned to pre-2011 levels⁷.

⁸ Central Bank of Barbados, Press Release, July 2012

⁹ Almond Beach Press Release (<http://www.almondbarbados.com/news/7-grand-re-opening-february-1-2014.html>)

¹⁰ BBC Business News, November 22, 2011 (www.bbc.com/news/business-15832438)

¹¹ Thomas Cook Annual Report, 2012

Although all indicators suggest that challenges faced in the all-inclusive market are being rectified, in the fickle global tourism market, is it a little too late?

What Next

Declining arrivals from the UK remain a cause for concern for tourism players in Barbados. But, should Barbados continue to focus on attracting the British tourist, or should the country's sights be set elsewhere? Tourism planners seem to be focused elsewhere. Recent tourism medium-term strategies outline plans to attract visitors from Latin America and Asia that have the spending power to take advantage of the existing infrastructure on the island¹². This is admirable as a long-term strategy, but what can businesses in the industry do today, when they are feeling the effects of low arrivals and reduced spend from their largest market?

The first step would be to understand whether the Brits are an important customer segment for your business. If they are, then you should examine what the current British visitor is looking for (compared to what was the norm prior to the financial crisis). And, finally, you should align your offering and marketing with their needs. Sounds simple, but we know it's not. In our next article focusing on the British tourist, we will delve deeper into the characteristics of British visitors to Barbados and consider whether 'Little England' can exert its charms to bring them back in their numbers.

¹² Barbados Hotel and Tourism Association (2012), *White Paper on the Development of Tourism in Barbados*

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