ITOA

INCOMING TOUR OPERATORS ASSOCIATION - IRELAND

Members’ 2015 Business Performance Report & 10 Year Review

ITOA members deliver...

half a million visitors...

who spend €510 million...

and visit every region in Ireland...

Introduction

CHL Consulting Company Ltd was commissioned by the ITOA to conduct a survey of its members with regard to their business activities in 2015. This is the eleventh consecutive year in which this survey has been conducted. Its purpose is to gather information on the nature, scale and scope of the business operations of ITOA members. The findings are intended to provide an increased understanding of the tour operating business for the ITOA and its membership and to communicate to other stakeholders the value of ITOA members' contribution to Irish tourism.

This report also contains a review of a decade of membership business, from 2005 to 2015. This review highlights the contribution made by the ITOA members and how it has been sustained, and indeed strengthened, over the past ten years.

Contents

1. Overall Contribution to the Irish Tourism Industry

1.1. Economic Contribution ITOA Members 2010-2015

The ITOA comprises 30 companies whose members package all aspects of the Irish tourism product to sell to leisure and business consumers through the global travel trade distribution channel.
ITOA members deliver significant business to an extensive range of tourism product on an annual basis. Tour operators promote and sell Ireland to the highest yielding of our international visitor categories: holiday and MICE (meeting, incentive, conference and events) visitors. These types of visitor stay longer, visit more regions and distribute spend around the regions. Accommodation accounted for close to two-thirds of the total spend, with transport and attractions/entertainment/dining being the other two major areas of expenditure. Spend with Irish suppliers has nearly doubled in six years, as shown in Table 1 below.

Table 1: Expenditure (in Millions) by ITOA Members with Irish Suppliers, 2010-2015

2010	2011	2012	2013	2014	2015
€123m	€136m	€156m	€170m	€187m	€215m

1.2. Economic Contribution of Visitors Handled by ITOA Members

The revenue generated by ITOA members is export led, as ITOA companies only handle and operate international business into Ireland. In addition to the spend by members with suppliers, it is evident that the tourists generated by ITOA members make a very valuable contribution to the Irish economy. As shown in Table 2, this contribution is estimated to have grown steadily from €240 million in 2010 to almost €508 million in 2015. The average spend of an ITOA client in 2015 was €728, versus the national average of a holiday visitor, which was €596. This highlights the importance of the export sector of tourism that the inbound sectors make to the economy.

Table 2: Expenditure (in Millions) by Overseas Tourists Generated by ITOA Members, 2010-2015

Business type	2010	2011	2012	2013	2014	2015
Leisure tourists	€179.0m	€227.8m	€267.5m	€305.1m	€321.5m	€415.5m
Business tourists	€56.8m	€72.2m	€72.9m	€79.5m	€90.2m	€84.1m
Excursions	€4.2m	€3.6m	€5.6m	€8.6m	€6.5m	€8.0m
Total	**€240.0m**	**€303.6m**	**€346.0m**	**€393.2m**	**€418.2m**	**€507.6m**

1.3. National Distribution by a Key Export Sector

In addition to the significant contribution to the national economy, summarised in Section 1.1, the tourism business generated by ITOA members makes a very valuable contribution to the tourism industry. This contribution arises from the large volume of holiday tourists brought into Ireland by ITOA members, who stay longer, visit a minimum of three regions and by virtue spend more.
The procurement of a wide range of services for these *promotable tourists and the well-established pattern of advance bookings made by ITOA members is very important, particularly for businesses that have limited sales and marketing budgets for overseas markets. ITOA members are indigenous companies who create jobs nationally and who also support and sustain the jobs of many businesses they supply within the industry. ITOA members deliver:

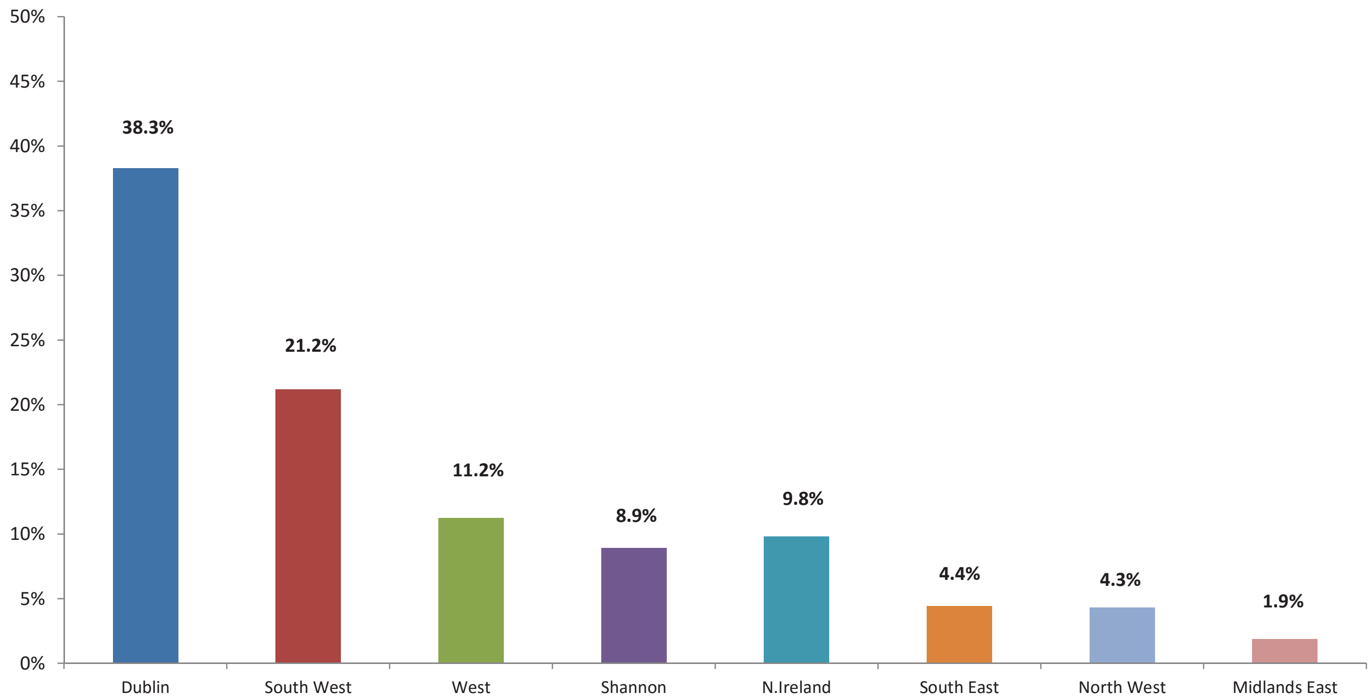
Number of Tourists

The large volume of tourists brought into Ireland by members has grown steadily since 2011. 2015 was a record year for Irish tourism and ITOA members, who collectively handled almost 500,000 overseas tourists. This represented an increase of 5% on the previous year and accounted for almost 2.2 million bednights in Ireland.

Regional Spread

As tour operators' primary business is package holidays, ITOA members have always played an important and valuable role in improving the regional spread of tourism business. Members' business category continues to be heavily disposed to escorted group travel, which accounts for almost 60% of their business, and packaged independent holidays (FIT business) at 22%. These two categories of business are very important to tourism businesses in regions where tourism and agri-business are the primary economic drivers to local communities. The average length of stay of an ITOA visitor is 7.6 nights, which continues to exceed the national average of 7.1 nights in 2015. This positive distribution is illustrated in Figure 1 below.

Figure 1: The Regional Distribution of ITOA Business in 2015, by Value



*promotable tourists: visitors whose purpose of visiting is holidays, business tourism or language learning

Advance Booking

A large proportion of the business generated by ITOA members is booked eight to 12 months ahead of the actual visitor arrival dates. This is hugely important for many small and medium sized tourism businesses, including accommodation providers, coach companies, visitor attractions, guides, restaurants and entertainment venues, because it gives them a degree of certainty about their business in the year ahead. It enables them to make operational and development plans tailored to their business outlook and therefore they can run their businesses more efficiently and profitably.
As tour operator programmes are in the marketplace well in advance of any other tourism product, these businesses also have the added benefit of being included in promotional and marketing activity undertaken in a variety of overseas markets, which many could not and do not have budgets to work directly in.

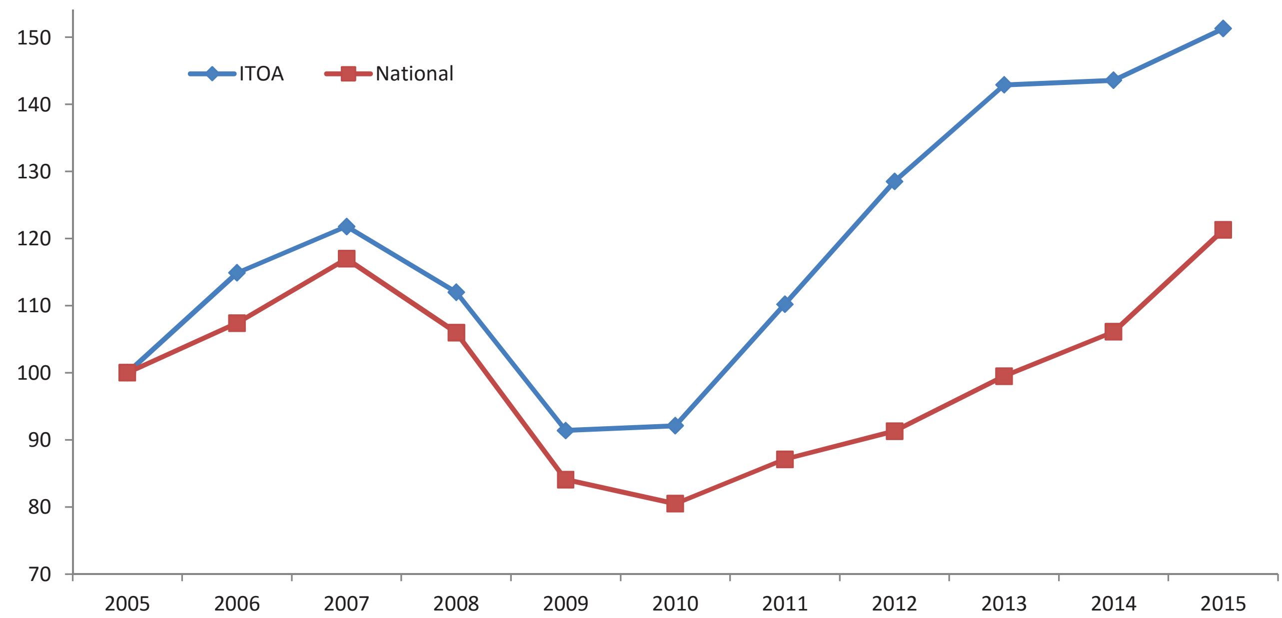
2. Ten Year Review

This section illustrates some trends in the business generated by ITOA members over the eleven-year period from 2005 to 2015. The trends highlight the severe impact of the great recession, especially in 2009 and 2010, and the steep growth that has been achieved by ITOA members over the past five years, which reached record levels in 2015.

2.1. ITOA Members Outperform National Industry

Collectively, ITOA members increased the number of visitors they deliver at an average rate of 4.2% a year. This is more than double the rate of growth achieved at national level, thus the ITOA members have significantly increased their share of total overseas visitor arrivals into Ireland.
This increase in share is highlighted in Figure 2, which shows the respective growth paths of all overseas promotable visitor arrivals and ITOA members' arrivals between 2005 and 2015. In both cases, there is a sharp dip in 2009 and 2010. However, the ITOA members were able to achieve a relatively rapid return to growth in 2011, whereas the national total did not really begin to recover until 2013.

Figure 2: Growth of Overseas Visitor Arrivals
ITOA Membership and National Promotable Total (2005 = 100)



2.2. Strongest Growth Achieved in North America

Over the past ten years, ITOA members have achieved significant growth in all major markets. In absolute terms, the largest increase was in their North American business, which more than doubled from 86,305 tourists in 2005 to reach 185,535 in 2015 – an increase of 115%.
The largest source market in regional terms continues to be mainland Europe, with ITOA volume increasing from a total of 162,956 in 2005 to 219,439 in 2015. However, this increase of 50,483 tourists amounted to an expansion of just 35%. In contrast, the volume of British visitors handled by ITOA members more than trebled from 17,583 in 2005 to 61,572 in 2015. These changes are reflected in a considerable shift in the distribution of ITOA members' business in volume terms, as illustrated in Figure 3. The North American share of this total has risen from 30% in 2005 to 38% in 2015, while mainland Europe's share of demand has fallen from 57% in 2005 to 44% in 2015.

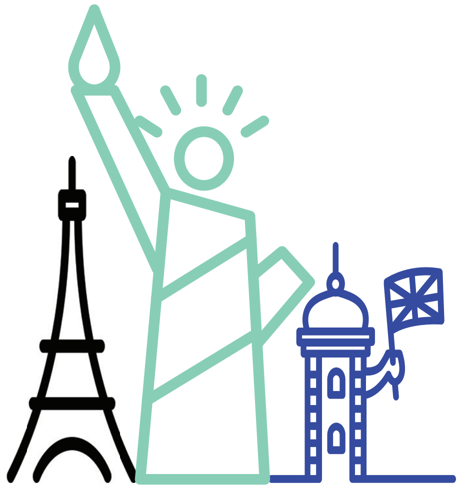
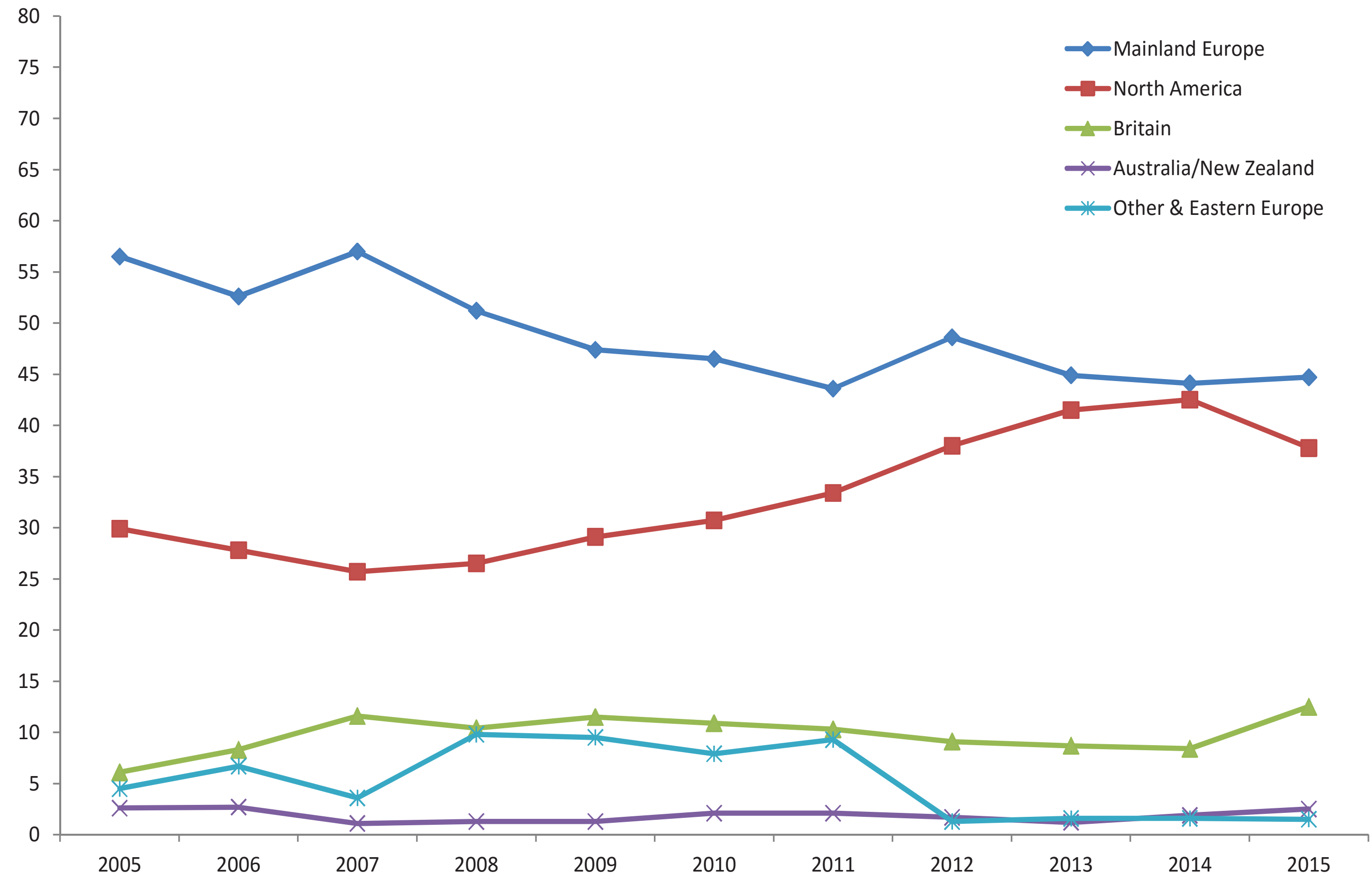


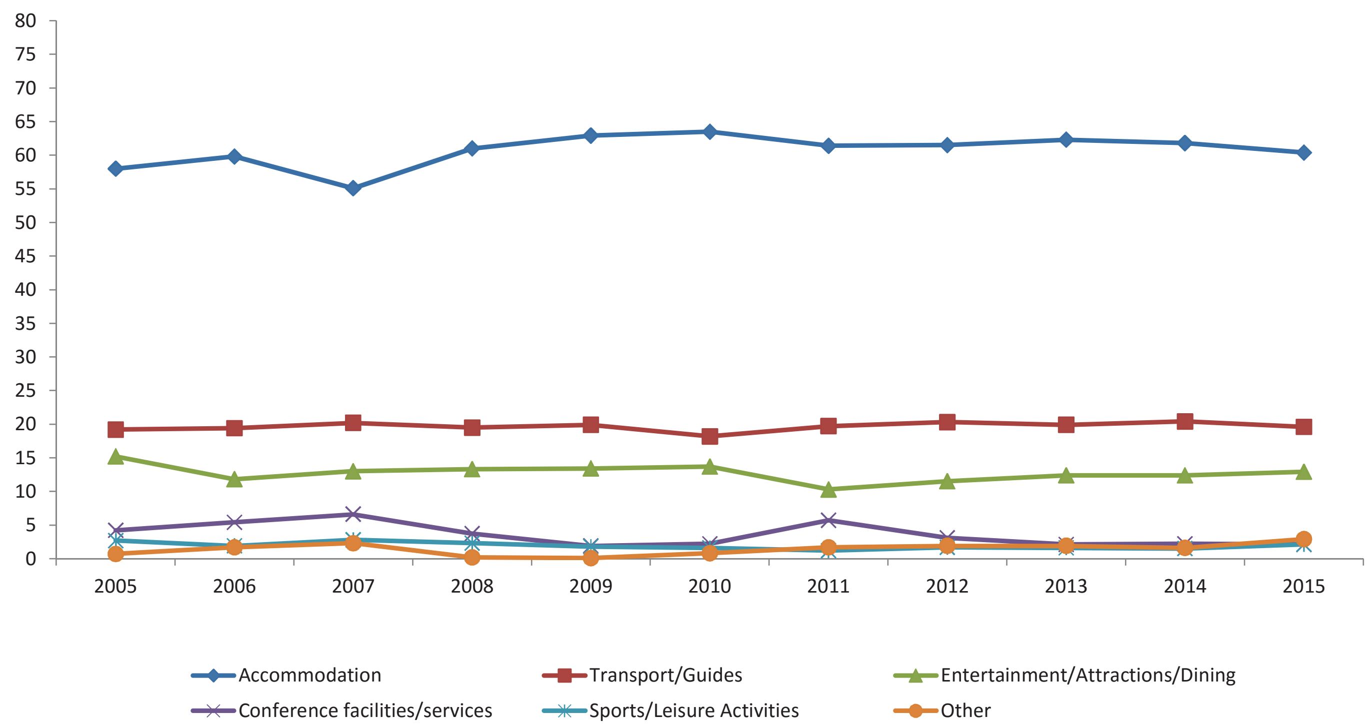
Figure 3: Trends in Visitors Handled by Source Market



2.3. Purchasing – Spend Distribution

The total value of procurement of services from Irish product providers increased from an estimate of €177 million in 2005 to almost €215 million in 2015. However, the products purchased saw practically no change, with accommodation (primarily hotels) accounting for almost two-thirds of total procurement over the past 10 years, followed by transport (especially coaches) accounting for almost a fifth of total procurement. Entertainment/attractions/dining fluctuated marginally, from 15% in 2005 to 13% in 2015. These trends are illustrated in Figure 4.

Figure 4: Trends in the Distribution of Purchasing by Main Product Category



One product that has gained significant growth in the past ten years is visitor attractions. In 2005, this product category accounted for 26% of ITOA members purchasing in the entertainment/attractions category. In 2015 this increased to 45%; that's by far the largest increase of any business type and highlights the important role ITOA members have in bringing visitors to these businesses around the country.

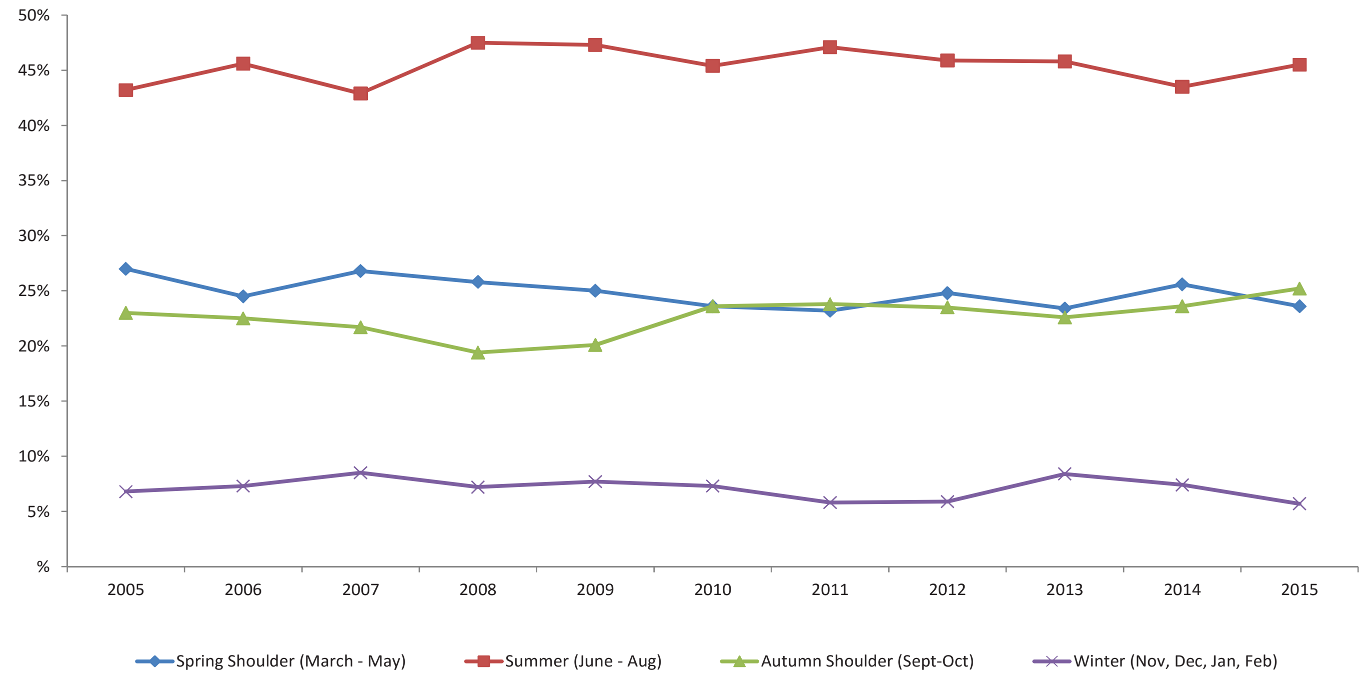
2.4. Regional and Seasonal Distribution of Business

<u>Regional:</u> Over the past 10 years, Dublin's share of the business decreased from 44% in 2005 to 38% in 2015, highlighting the importance and value of the contribution ITOA members make to the regional spread of tourism in Ireland, including Northern Ireland. Naturally, the Dublin share only changed marginally, as 90% of Ireland's air access is through Dublin airport. ITOA holidays and business customers all expect to have the capital city included in an itinerary. The fall in the past couple of years is most likely due to hotel capacity constraints, thus two night stays are being shortened to one in the capital. The region that has experienced the greatest change in terms of growth is Northern Ireland, with an increase from less than 1% in 2005 to almost 10% in 2015.

<u>Seasonality:</u> The seasonal distribution of business over the past 10 years is illustrated in Figure 5. This shows that almost half of tourists generated by ITOA members arrived during the peak summer months of June, July and August. Growth has also been achieved in the autumn shoulder months of September and October, with almost a quarter of tourists arriving in these months. As the majority of ITOA members' business is leisure, i.e. holiday visitors, it is not surprising that arrivals have continued to peak to the main holiday months and periods of those in the main markets from where our visitors come.

"As a region, Northern Ireland has seen the biggest increase in tourists, from 1% in 2005 to nearly 10% in 2015"

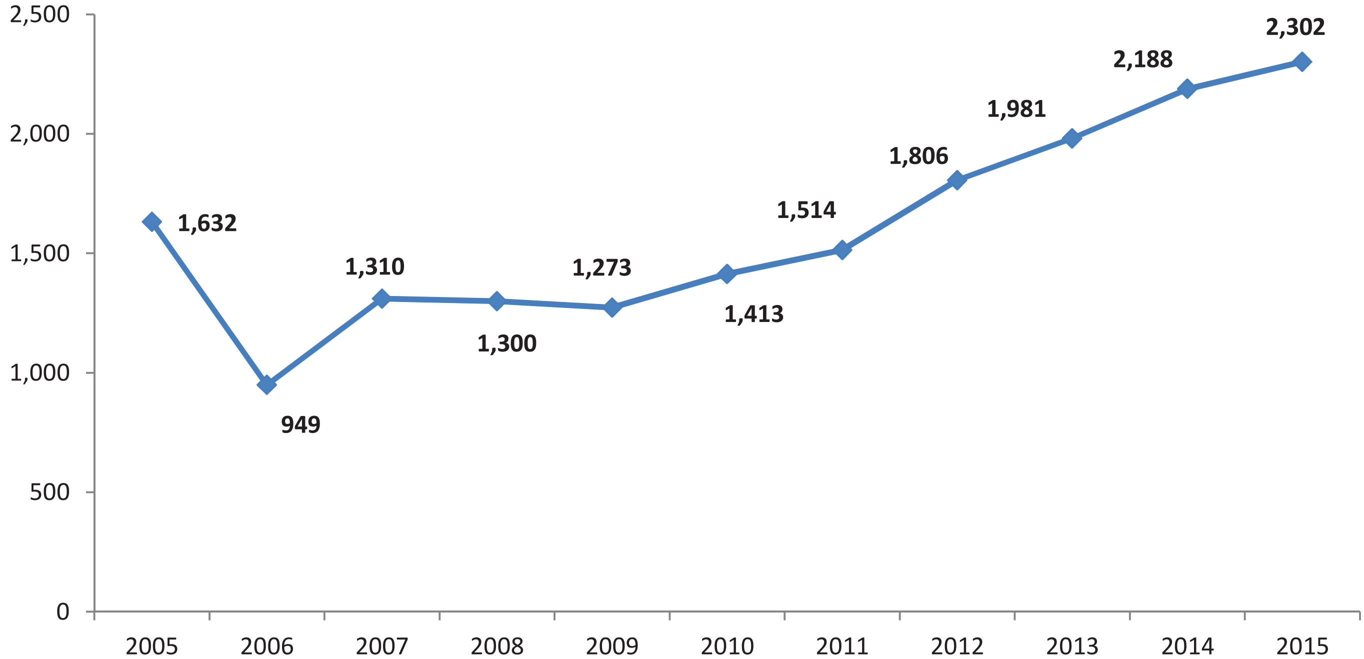
Figure 5: Trends in the Seasonal Distribution of Tourists



2.5. Marketing Spend

The total marketing spend by all ITOA members over the past ten years rose from €6.8 million in 2005 to almost €8 million in 2015. What's particularly significant is that ITOA members combined sales and marketing expenditure overseas is now equivalent to 20% of Tourism Ireland's overseas marketing budget. This level of investment by ITOA members contributes strongly to Ireland's share of voice in the international markets.
ITOA members are often remarked upon as being the sales office for Ireland Inc, supporting the role of Tourism Ireland's marketing activity in the overseas markets. ITOA members' sales staff spent a combined total of 2,302 working days travelling overseas in 2015, up from 1,632 working days in 2005 – that's an a increase of 670 days. This is illustrated in Figure 6.

Figure 6: Trends in Man-Days Spent Travelling Overseas



3. ITOA Performance in 2015

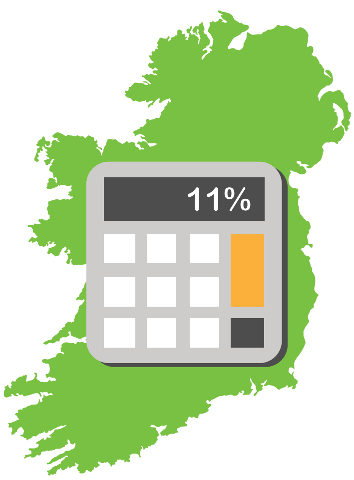
The findings of the 2015 survey of members are as follows...

3.1. Value and Volume of Activity

1. The total gross turnover for the 30 ITOA members in 2015 amounted to €294.2 million, representing an increase of just over 14% on the 2014 figure of €257.8 million. The average spend of an ITOA client in 2015 was €728, versus the national average of a holiday visitor being €596.

2. ITOA members handled a total of 493,750 tourists in 2015. This represented just over a 5% increase on the 2014 figure of 468,734 and a 5.9% increase on the 2013 figure of 466,451.

3. ITOA members handle 11% of the total "promotable" visitors to the island of Ireland.



4. It is estimated that tourists handled by ITOA members spent just under €510 million in Ireland in 2015, as broken down in Table 3 below.

Table 3: Expenditure by ITOA Tourists

Business Type	€
Leisure tourists	€415.5m
Business tourists	€84.1m
Excursions	€8.0m
Total	**€507.6m**

5. The weighted average length of stay for groups in 2015 is estimated at 7.6 nights, with FIT/other business averaging 5 nights. The average length of stay for conference/incentive visitors was 3 nights. On this basis, the membership is estimated to have generated over 2.2 million bednights in 2015, an increase of around 100,000 bednights on 2014. Group bednights accounted for over 59% of the total.

2.2 million bednights

6. Group and coach tours are the largest part of the business, accounting for 59% of turnover in 2015. FIT business accounted for 22% of turnover, with incentives accounting for 16% of the business. Taken together, group and coach tours and *FIT accounted for the largest share of turnover at 81% in 2015, marginally down from 82% in 2014. Incentives and conferences accounted for most of the balance.

Group Tours: 59%

*FIT: 22%

**MICE: 16%

*FIT – free independent traveller

**MICE – meeting incentive, conference and event

3.2. Purchasing and Distribution of Business

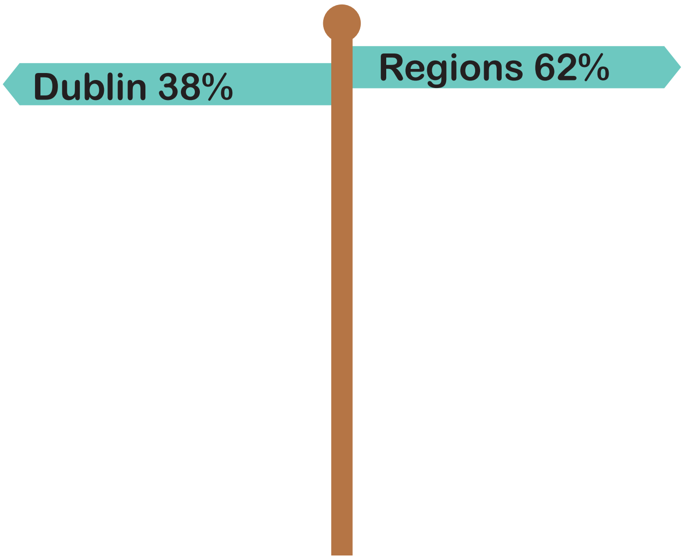
7. Payments to Irish suppliers in 2015 amounted to €215 million. Accommodation accounted for close to two-thirds (60%) of the procurement of services by ITOA members in 2015. Transport and entertainment are the other two major areas of expenditure. This was broadly in line with the distribution of procurement in 2014.

8. Coaching accounted for 65.5% of expenditure on transport by ITOA members in 2015. This was followed by car hire and chauffeur-drive, which accounted for 13% and 10% respectively, while guides accounted for 10%. This pattern reflects the large share of overall business attributable to group and coach tours.

9. 4-star hotels continued to be the dominant accommodation option, with a marginal increase to 51.3% of purchasing in 2015 over the 2014 total of 49.1%. There was a slight decrease in the purchasing of 3-star hotel accommodation but an increase in the purchasing of 5-star hotel accommodation. This rose to a 21.3% share in 2015, from 18.1% in 2014, reflecting the growth in the incentive/corporate meetings segment.

10. Over the years, visitor attractions have accounted for an increasingly large share of this component of procurement and this continued in 2015, accounting for 45%. The share of evening entertainment remained similar to 2014, at 17% in 2015.

11. Dublin accounted for 38% of total turnover in 2015, in line with its share in 2014. The balance (62%) of ITOA members' business was distributed throughout the regions, highlighting the crucial role that incoming tour operators perform in promoting the regional distribution of tourism in Ireland as a whole.



3.3. Markets and Marketing

12. The share of business sourced through the leisure travel trade (tour operators and travel agents) accounted for 63% of members' turnover in 2015. This was a couple of percentage points below 2014, the same as in 2013. Direct bookings from customers saw a decrease from a 14% share in 2014 to 13% in 2015. The share of business sourced through incentive/corporate meetings and conferences remained at 16%, similar to 2014.

13. The distribution of visitors by source market shows that overall, the four largest markets of North America, France, Germany/Austria and Britain generated 95% of the total number of tourists in 2015, up from the 76% share recorded in 2014. This is primarily due to a particularly large piece of GB business handled by one member, which increased the GB market share significantly in 2015.

Where do tourists come from?

Continental Europe 45%

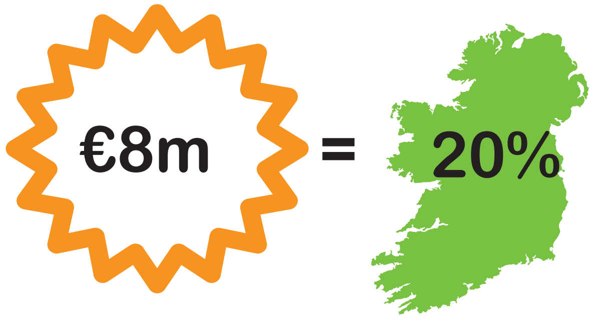
North America 39%

Britain 12.5%

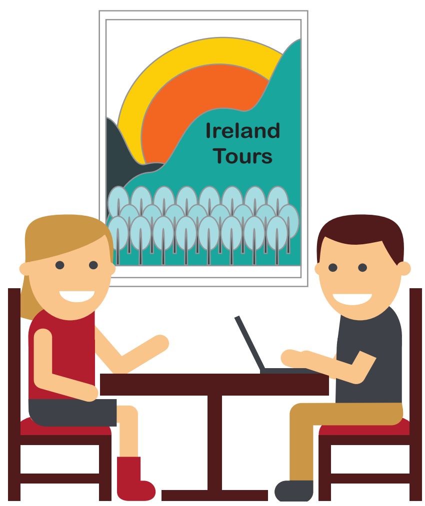
Long Haul NADM 3.5%

14. The seasonal distribution of business by value in 2015 was broadly consistent with historic patterns. The majority (73%) of tourists arrived during the May through September period and the shoulder months of March/April and October at no change on 2014 at 20.5%.

15. The total marketing spend of all ITOA members in 2015 changed marginally but was very similar to 2014 at almost €8 million, which is the equivalent to 20% of Tourism Ireland's total international marketing spend.



16. A total of 2,302 man-days were spent travelling overseas in 2015 by the respondent companies, an increase of 114 man-days on the total of 2,188 reported in 2014. In effect, this represents the equivalent of 11 full-time sales people selling Ireland in the marketplace over the year.



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List of ITOA Members in 2015

No.	Organisation
1.	A Touch of Ireland
2.	Abbey Tours
3.	Adams & Butler
4.	Advantage ico
5.	Alainn Tours
6.	Aspects of Ireland
7.	Brendan Vacations Ireland
8.	Celtic Horizon Tours
9.	CIE Tours International
10.	Custom Ireland
11.	IE Partners
12.	Eirebus DMC
13.	Excursions Ireland
14.	Green Life Tours
15.	Green Light Events
16.	Hello Ireland Tours (HIT)
17.	Into Ireland Travel
18.	Irish Rugby Tours
19.	Irish Welcome Tours
20.	Joe O'Reilly Ireland Group
21.	Limerick Travel
22.	Moloney & Kelly Travel
23.	Odyssey International
24.	Ovation Ireland
25.	Premier Travel
26.	Shamrocker Adventures
27.	Specialised Travel Services
28.	Travel Choice Ltd.
29.	Vagabond Adventure Tours
30.	Wallace Travel Group

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The full 2015 ITOA Members' Business Performance Report is available on ITOA website, www.itoa-ireland.com.