

The united kingdom's tourism industry



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The United Kingdom is one of Europe's most influential countries. The United Kingdom is a sovereign state positioned near the north-western coast of continental Europe (Appendix 1), comprising of England, Scotland, Wales and Northern Ireland. The UK is surrounded by the Atlantic Ocean, the North Sea, the English Channel and the Irish Sea.

The UK is one of the 27 member states of the European Union and is spread across about 243, 000 sq. km (about 94000 sq. miles). The UK has the world's seventh largest economy by nominal GDP and eight largest economy by purchasing power parity. It was the world's first industrialized country Mathias (2001).

Tourism is one of the foremost industries in the UK size wise. According to statistics by Wikipedia, the UK is the world's 7th biggest tourist attraction behind France, USA, China, Spain, Italy and Turkey, with approximately 29. 2 million visiting in 2011. In 2011 15. 3 million visitors spent time in London with an estimated spending of over £9. 4bn that represents 52% of all inbound visitor spending calculated by VisitBritain in 2011. (Appendix 2)

It is predicted that UK tourism could grow to £188b within the next decade that is 60% by 2020 and the number of jobs related to tourism could increase 264, 000 to 2. 89 million, according to VisitBritain.

Recently however, the UK tourism industry though having a great potential of growing faces some challenges and a serious competition from other most visited tourist destinations.

CRITICAL ANALYSIS:

UK tourism industry can easily be analysed critically with the help of Michael Porter's five forces model. Porter in his five forces model refers to an organization but can be applied to a certain industry via which we can determine the competitive strength and weaknesses of that particular organization/industry. (Appendix 3)

PORTER'S 5 FORCES:

Porter's five forces include:

THREAT OF NEW ENTRANTS:

When it comes to tourism, people want to explore new fascinating countries and that is why new entrants catch the attention of travelers. The UK tourism industry faces threat by new entrants such Turkey, Germany and Egypt while Malaysia and Mexico have attracted many tourists in 2011.

The estimated number of international tourist arrivals in the UK till June 2012 were around 29.2 million which was 28.3 million in 2010 and the change from 2010 to 2011 had an increase of +3.2% according to UNWTO (2012).

In 2011, Turkey climbed up in the most visited tourist destination above the UK to become the 6th most visited tourist destination in the world with an estimated number of 29.3 million tourists which was 27 million in 2010 and showed a massive +8.7% change from 2010 till 2011 mentioned in Tourism Highlights by UNWTO (2012).

The UK is facing a serious competition from Germany, which had 28.4 million visitors in 2011 and has shown +5.5% change from 2010 until 2011.

THREAT OF SUBSTITUTES AVAILABLE AND COMPETITIVE RIVALRY WITHIN THE INDUSTRY:

Most of the tourists look for alternative destinations when they face problems in getting visas, bookings etc. and that is when substitutes get the upper hand. In Europe, Spain, France and Italy have been the biggest competitors of the UK tourism industry from the beginning, attracting huge amount of interest from tourists all over the world.

France, which has been the most visited tourist destination and a country with a romantic image, still leads the raking of tourists visiting with approximately 79.5 million and is third in receipts with US \$54 billion. Spain is second on the earners list with US \$60 billion with approx. 57 million arrivals in 2011. Italy, ranks 5th with 46.1 million tourists in 2011 and receipts of \$43 billion in 2011 UNWTO (2012).

BARGAINING POWER OF BUYERS AND SUPPLIERS:

There is a lot of influence of buyers and suppliers on a tourism industry. In this report, buyers are the main tour operators of the product here, which is tourism. There are many tour operators working in the UK that offer competitive prices to tourists and discounts such as Thomas cook. They identify new locations/places and possess the power of convincing tourists to visit those destinations that has a lost cost attached to it.

For every tourism industry, three "A's" are very important and this similar is the case with suppliers. The three A's are:

Attractions

Amenities

Access

Attractions include those places that are either famous for their natural beauty or are built in such a way that attracts tourists. If such places are owned by the government/owners, tourist should be allowed to visit them and the owners should always welcome them. There are many places in the UK that attracts a lot of tourist just because of their natural beauty or the way they are being constructed like

The Tower of London, Windermere Boat Cruises, Flamingo Land Theme Park and Zoo, Royal Botanical Gardens, Stonehenge, Eden Project etc. Amenities include basic conveniences for tourist such as hotels, guesthouses, motels etc. A lot of funding is needed for this and there has to be a proper look after of these facilities. Last but not the least, Access includes means of travelling. The UK has an excellent transportation system that includes airports, railways, busses, motorways etc. London is famous for its magnificent underground tube system, which serves almost 3. 22 million; people daily UNWTO (2012).

PEST ANALYSIS:

UK tourism industry can also be analyzed by doing PEST analysis. Which comprises of Political Factors, Economic Factors, Social Factors and Technological Factors.

POLITICAL FACTORS:

Political factors are those in which there is governmental interference such as laws, policies, tariffs, goods and services, education, infrastructure etc.

When we talk about businesses, political factors play an important role in the regulation and operation of it. Political environment of the UK is fairly stable.

There have been minor ups and downs with the issues regarding the UK joining EU and accepting Euro plus European Union's expansion and the UK supporting USA in its terrorism campaign, which has adversely affected its political stability. Other key issues include the Visa Processing by the UKBA, VAT on tourism services, Air Passenger Duty etc.

VISAS:

Over the past few years, there has been a lot of new rules and regulations by the UKBA because of which many tourists face problems in getting their visas even after paying a hefty sum in visa fees. A short term visa to the UK costs £78 which is £25 more than that of a Schengen Visa (£53) that gives an access to 25 countries and this is why 50% more visitors from India travel to the UK via France. From 2000 till 2009 the revenue generated via tourists from other countries has increased by 37.4% (in USD) which when compared to France (49.7%) and Germany (85.6%) is very low, according to Tourism Alliance (2012).

Those tourists that come from countries other than the EU or those who require a visa are about 11% of all tourists that visit the UK (3.4m) and spend

a lot on their travelling expenses per trip that contributes to an approx. £3 billion to UK's economy, Tourism Alliance (2012).

VAT:

According to recent statistics by Tourism Alliance (2012) , the UK is one of the only four (others include Denmark, Slovakia and Lithuania) out of 27 EU member countries that charges full rate VAT to tourist on accommodations which is the second highest rate of VAT in Europe. This can be in a sense harmful to the UK tourism industry when compared to other tourist destinations across Europe. If the UK reduces taxes on accommodations and famous tourist destinations, it could result in a profit of £2. 6 billion over the next 10 years according to Deloitte/Tourism Respect. Other locations that have a full rate VAT in the UK includes amusement parks, museums, theaters, shows and cinemas and the UK also charges full rate VAT on restaurant meals which in EU countries averages up to 8. 8%., while the average rate of VAT on accommodation in Europe is 10. 3% as per statistics of Tourism Alliance (2012). When we look at competitors of UK, France in a couple of years after reducing VAT on restaurant meals from 19. 6% to 5. 5% showed that there were about 62, 700 new jobs in that sector Tourism Alliance (2012) which is a clear indication of what other countries are trying to achieve and change in their tourism sector.

AIR PASSENGER DUTY:

IATA predicts by looking at the current figures that in 2014 there will be an estimated 3. 3 billion tourist travelling via airplanes of which 2 billion will be travelling domestically. In November 2010, the UK Government increased APD of up to 55% and statistics from Tourism Alliance study in 2012 shows <https://assignbuster.com/the-united-kingdoms-tourism-industry/>

that APD has jumped to 650% for passengers travelling in economy class and 750% for those travelling in business class in the previous 5 years that contributes approx. £2. 2 billion yearly in revenue to the Government. A report by Oxera for Airport Operations Association in 2010 showed that if the government replace APD with that of EU, the Gross Value Added would show an increase of £4 billion and there will be approximately 100, 000 more jobs.

ECONOMIC FACTORS:

Economic factors are those due to which the spending of tourists can be affected. It includes inflation in the country, employment/unemployment statistics, Exchange rates, GDP etc.

At the beginning of inflation that started to take place in second quarter of 2008, shortage in arrivals was reported and the inbound tourism of UK fell by 5% according to the Euromonitor International Figures. When the inflation struck in 2009, it affected a lot of business and tourism industry was one of those. People living in the UK preferred to spend their holidays domestically and the number of tourists from abroad also shown a decline. The Euromonitor International Figures that were recorded in 2009 showed that there was an approx. 12% decline of people travelling abroad from the UK. The inflation rate of the UK, which was last recorded in November 2012, was 2. 70% according to ONS. (Appendix 4)

In a report published by UKCES in 2012, it is mentioned that tourism accounts for approximately 6% of UK's GDP and has given employment to approximately 2. 5 million people. Each UK nation has a tourism strategy

that aims to 'raise the ambition of tourism over the next decade' (People 1st, 2010a).

Exchange rate and the fluctuations in currencies also play an important role in the spending patterns of tourists. The comparison of pound sterling versus euro has contributed a lot in the Britons spending more when they travel to other European destinations and Experts have noticed that the euro being cheaper than pound sterling has made it cheaper for the Britons to travel on holidays to European countries (Hall, 2012). The total UK tourism spend by sector can easily be seen in this image. (Appendix 5)

SOCIAL FACTORS:

The style of living of people and the cultural aspects that mainly comprises of population, growth, trends, careers, how safe the place is where they are living and being cautious about their health are generally considered as social factors. Tourists from other countries may not know much about the traditions and customs of the country they are visiting that may prove to be a problem at times.

Some impacts of such social factors mentioned in a report of Travel and Tourism by Ann Rowe, John Smith and Fiona Borein in 2002 suggests that it will be good for the local people as well as the tourists to get together and learn more about different lifestyles which can be beneficial to both the parties as there is a room for improvement in the sectors of infrastructure, health and education, sports, traditions, heritage etc., as London is main hub of people for across the globe.

In recent time's people of the UK and the tourists are concerned about their safety and when travelling to the UK the riots of 2011 served as a minus for the tourism industry at that time. According to the Daily Mail UK, in India the editor of a magazine warned his followers in twitter that they should avoid coming to the UK at all. Due to these riots, many questions were raised on the safety and security procedures for the upcoming 2012 Olympics.

TECHNOLOGICAL FACTORS:

Technology plays an important role in the development of any business or industry and when a certain business provides facilities and are equipped with latest technology it creates a better relation between them and the customers. Bookings tickets and online holiday bookings have really excelled as the time progressed. According to ONS (2011), wireless hotspots in the UK were accessed by approximately 4.9 million users and 77 per cent of households had internet access.

OPTIONS AVAILABLE TO THE UK TOURISM INDUSTRY AND RECOMMENDATIONS:

If the UK wants to compete with the other famous tourist destinations across Europe and on the list, first of the few recommendations would be to reduce the visa application charges and restrictions along with the APD and bringing them on the same level as that of other European destinations because a family comprising of 4 members from India/China pays a hefty sum of £612 as their Visa and APD charges when travelling to the UK, Tourism Alliance (2012).

Tourism Alliance (2012) in their report show that when in 2009, Taiwanese visitors were granted visas to the UK, visitors grew by 39% and the revenue obtained from them increased by 155%.

Another report by Tourism Alliance in which it is clearly mentioned that APD has already cost 23000 people their jobs in last seven years and if it continues to increase at this level by 2017 it would have resulted in £1. 1 billion loss and 6000 more jobs.

Secondly the high VAT that the UK charges to its tourists, Tourism Alliance in 2011 predicted that if VAT on tourism is reduced to and brought in alignment with that of European nations, the UK tourism could earn approximately £1. 3 billion per annum that is 7% increase and since this report looks at the upcoming three years the short term losses in VAT receipts would be recovered in short span of three years.

CONCLUSION.

There has to be a better investment and marketing plans, events like the Olympics 2012, managing them successfully so that tourist get value for the money they paid, about which a report by Deloitte and Forecasting organization Oxford Economics has predicted that tourism sector is likely to grow by 3. 5% per annum between 2010 and 2020. Together all the governing bodies and agencies should work in collaboration and every one of them can play their part in making the UK a better place to visit and explore.