



Enjoying life through travel

A REPORT FOR SAGA
SEPTEMBER 2016



Making Business Sense

Foreword



The over 50s are the great travellers of the 21st century: they have a passion for travel and an appetite for adventure. Society is changing - people in their 50s, 60s, 70s, 80s and even older have both their health and the ability to put their money where their heart is and see the world in style. Spending by the over 50s on travel and tourism has grown by some £10 billion a year since 2011. The intrepid Saga Generations now account for 58% of travel and tourism expenditure in the UK - compared with 49% five years ago.

Saga is celebrating its 65th year in the travel business. We have been at the forefront of responding to changing desires and wider ambitions - so whilst we can still take you to lovely UK resorts you are more likely to bump into a Saga customer exploring in the Borneo rainforest, taking a Mystery Cruise or simply topping up their tan and relaxing in a stunning Indian Ocean resort.

This report, compiled by Cebr for Saga, shines a light on the holiday activities of the over 50s. Over the past decade growth in holiday spending has been particularly strong among those aged 65 to 74 - which has grown by 62% over five years. Holidays are also becoming longer as 28% of overseas holidays taken by those over 55 are now longer than two weeks.

In 2005, the over 50s spend on travel amounted to £28.2bn; this had increased to £38.9bn by 2015, a 38% increase over the ten year period. However, 2012 saw the most pronounced change with an annual increase of £3.9 billion, equivalent to a rise of 14% over the previous year.

Most are seeking different and inspiring holidays. Although Europe remains a firm favourite, the Saga Generations are also opting for more active and experiential holidays in the United States, the Caribbean and India and have a real thirst for exciting new destinations. For example, our escorted tours following the silk-route through Uzbekistan have surpassed expectations and many of those travellers are asking us where the next 'new' destination will be!

The over 50s also play a crucial role in the cruise market where they spent roughly £2.1 billion on cruise holidays in 2015. Based on spending intentions and the fact that cruises remain an ideal holiday type for 30% of the over 50s this is expected to increase by some 37% to £2.8 billion by 2020.

Companies that embrace older travellers and their spirit of adventure are catching the economic winds. At Saga we have developed new holidays and tours that appeal to the more adventurous traveller with destinations such as Ethiopia and epic adventures across the Andes. We are also investing significantly in updating our cruise fleet - we look forward proudly to the delivery of our first ever new-build cruise ship during 2019.

The over 50s desire for travel was not dampened during the recession and the recent vote for Brexit does not appear to have changed their yearning to experience different lands or cultures. The over 50s are truly the grand tourists of the modern age. As we at Saga look ahead, we are filled with optimism, and we see oceans travelled and exotic lands explored by ever increasing numbers of our adventurous customers.

Older people are today healthier and wealthier than ever before and look forward to experiencing the world in style, which is great news for those in the UK travel industry who can help them achieve their dreams. They are truly the grand tourists of the modern age.

A handwritten signature in black ink that reads "Andrew Strong". The signature is written in a cursive, slightly slanted style.

Andrew Strong
Chief Executive
Saga Travel

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Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The views expressed herein are those of the authors only and are based upon independent research by them.

This study has been commissioned by Saga, and has utilised a combination of data available in the public domain through ONS and VisitBritain.

The report does not necessarily reflect the views of Saga.

2. Key Findings

This is a report of a study commissioned by Saga, into the importance of the over 50s to the UK's travel & tourism industry. The study drew upon publicly-available data from a range of sources, including the Family Expenditure Survey, the GB Day Visitor Survey, Great Britain Tourism Survey and International Passenger Survey.

This report highlights how older demographic groups are playing an increasingly important role in driving the UK's demand for travel and tourism. Some of the key findings of the research are as follows:

- Over 50s households now account for **58% of UK's travel and tourism spending**, equivalent to **nearly £39 billion in 2015**. The increasing share of the market accounted for by over 50s has been driven by sharp increases in travel and tourism spending among those aged 50 to 65 and 65 to 75.
- In real (inflation-adjusted) terms, over 50s households have **increased their travel and tourism spending by 23%** over the past five years. In the same time period, travel and tourism **spending by under 50s households has fallen by 5%** in real terms.
- Tourists aged over 55 represent around **a third of the domestic overnight tourism market**, taking near 40 million holiday trips within Great Britain during 2015, and in doing so **spending £8.5 billion in its local and regional economies**.
- Older tourists are also a key driver of **same-day domestic tourism**. Over 55s took **over 447 million day trips** within Great Britain in 2015 (29% of total), spending **about £15 billion** on their travels (27% of total).
- This important demographic is also vital for the UK's international tourism sector. Over 55s accounted for **well over a third of all holiday bed-nights abroad** by UK tourists in 2015 (137 million, 35% of total), thereby spending £8.5 billion in overseas markets.
- **Four-fifths** of these international holiday bed-nights (79%) are spent on holidays where the over 55s tourist **flew to their destination**.
- **In 2015, the over 50s in the UK spent roughly £2.1 billion on cruise holidays**. Based on spending intentions and the fact that cruises remain an ideal holiday type for 30% of the over 50s, Cebr forecast that this will **increase by 37% to £2.8 billion** by 2020. **Among the working over 50s, 36.1% plan to increase their spending on long haul holidays after retirement**. The comparable figure for cruises is 31.6%.
- **Half of the 50-59 year olds book their holidays online, but this share gets drastically smaller for older age groups**.
- While the way that the over 50s book their holiday may change in the coming years, the places they travel to are unlikely to change much - **Europe remains the most visited location and most frequently cited ideal holiday destination**.

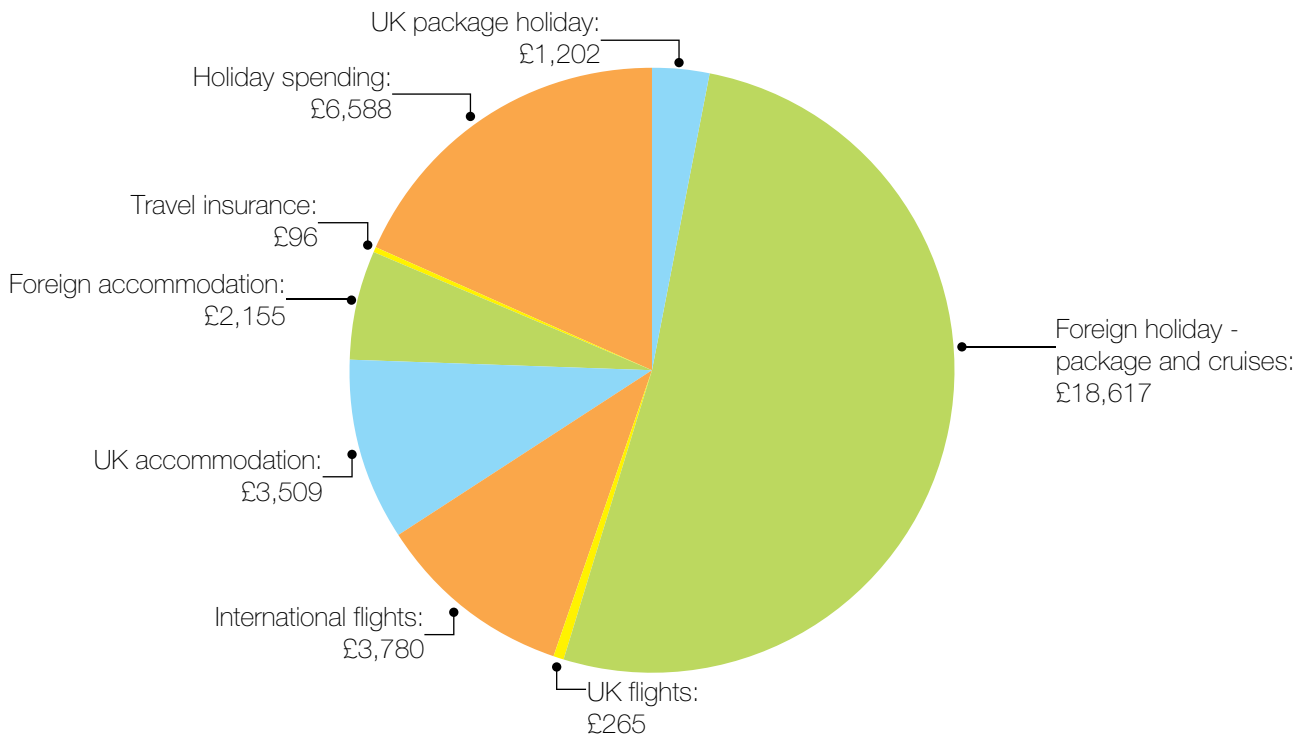
3. Over 50s' travel and tourism expenditure



3.1 The structure of over 50s' tourism expenditure

Travel and tourism activities involve household spending on many different types of products and services. The relative proportions of these spending items are presented in **Figure 1** below.

Figure 1: Spending of over 50s households on travel & tourism categories, 2014, £m



Source: ONS Family Spending Survey, Consumer Trends, Cebr analysis

Package holidays are by far the most significant element of travel and tourism spending among the over 50s. When counting both international and UK packages, these accounted for £19.8 billion of spending during 2014, equivalent to over half (55%) of all over-50s travel and tourism spending in that year. Air fares and holiday accommodation (when arranged separately rather than as part of a holiday/tour package) represent around another quarter (27%) of over 50s' spending, amounting to £9.7 billion in 2014.

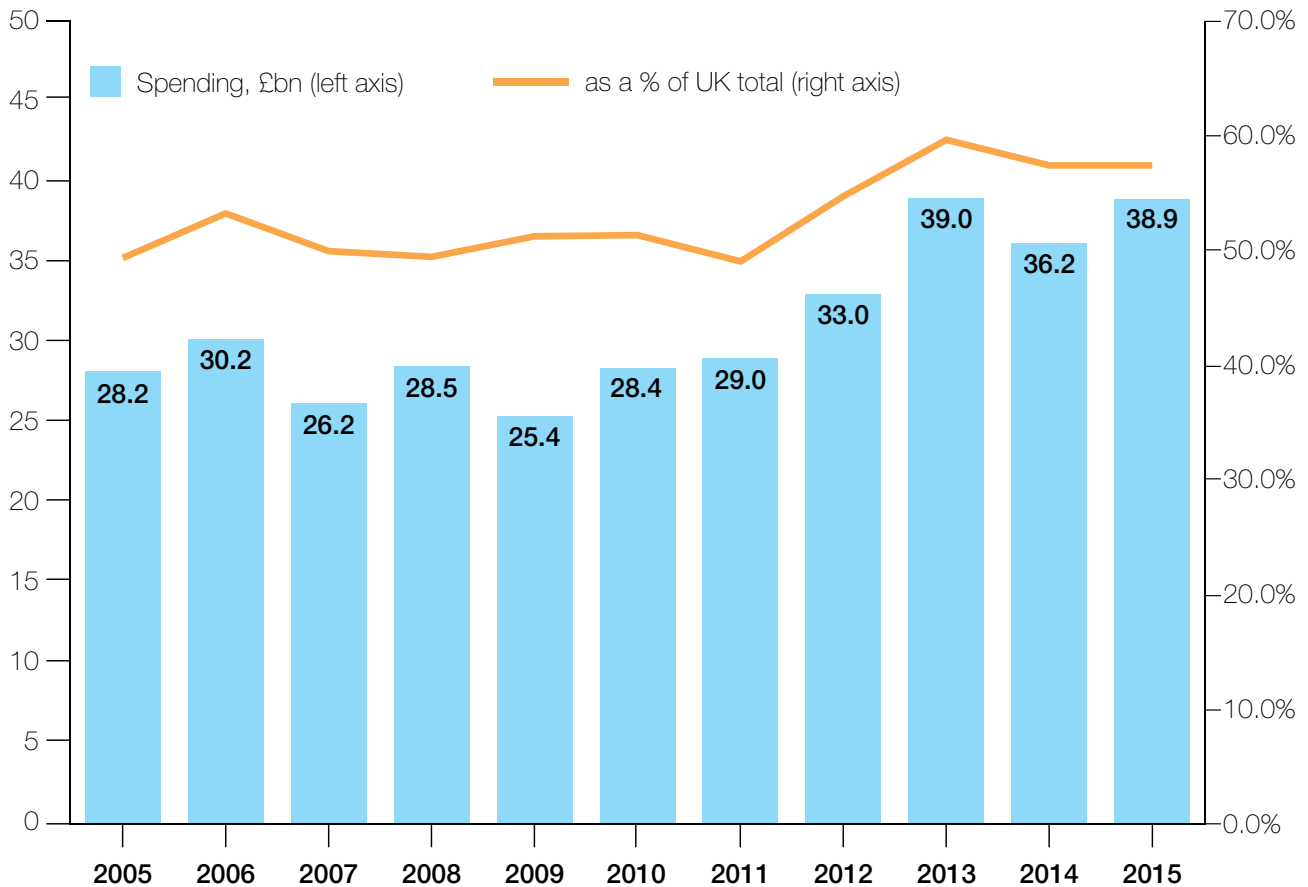
Holiday spending, meanwhile, comprises another £6.6 billion.

3.2 Recent trends in over 50s' travel and tourism spending

There has been a substantial rise in over 50s' travel and tourism spending over recent years, and with a backdrop of declining spend by those under this age it underlines how this demographic has become an increasingly important driver of the tourism industry.

Figure 2:

Over 50s spending on travel and tourism (nominal £bn), and share of total UK travel & tourism spending (%)



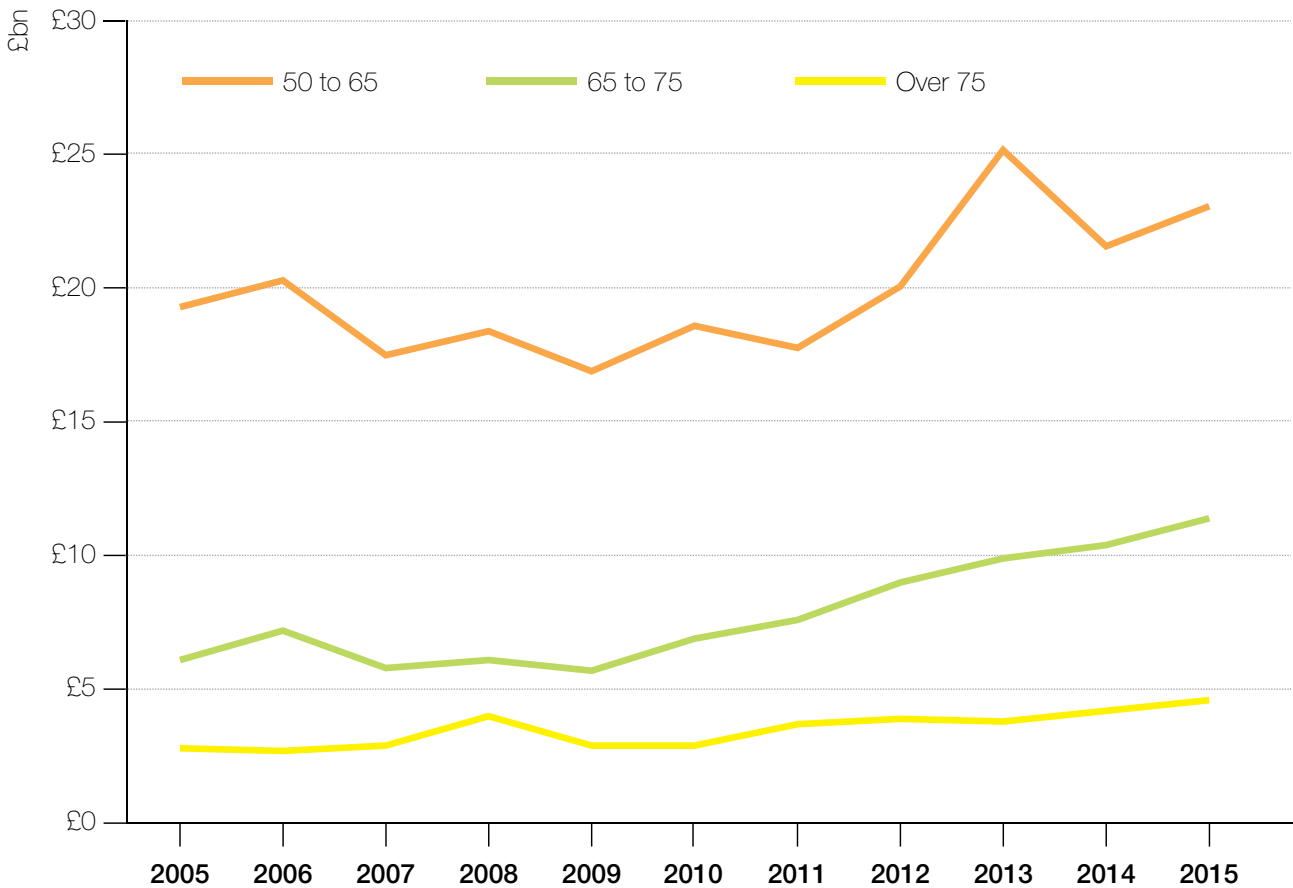
Source: ONS Family Spending Survey, Consumer Trends, Cebr analysis.

Over the years 2005-2011, the value of over 50s' annual spending on travel and tourism fluctuated between £25 and £30 billion. However 2012 saw an annual increase of £3.9 billion, equivalent to a rise of 14% over the previous year. Expenditure on travel & tourism stood at £38.9 billion in 2015. This increase in over 50s' tourism activity has seen **their share of total UK travel and tourism spending rise, from 49% in 2011 to 58% in 2015.**

3.2 Recent trends in over 50s' travel and tourism spending cont/

Figure 3 below disaggregates this over 50s spending into three constituent broad age groups. This breakdown illustrates how the sharp increase in over 50s' travel and tourism since 2011 has been driven by both the 50-65 and 65-75 age groups.

Figure 3: Spending on travel and tourism by over 50s age group, nominal £bn



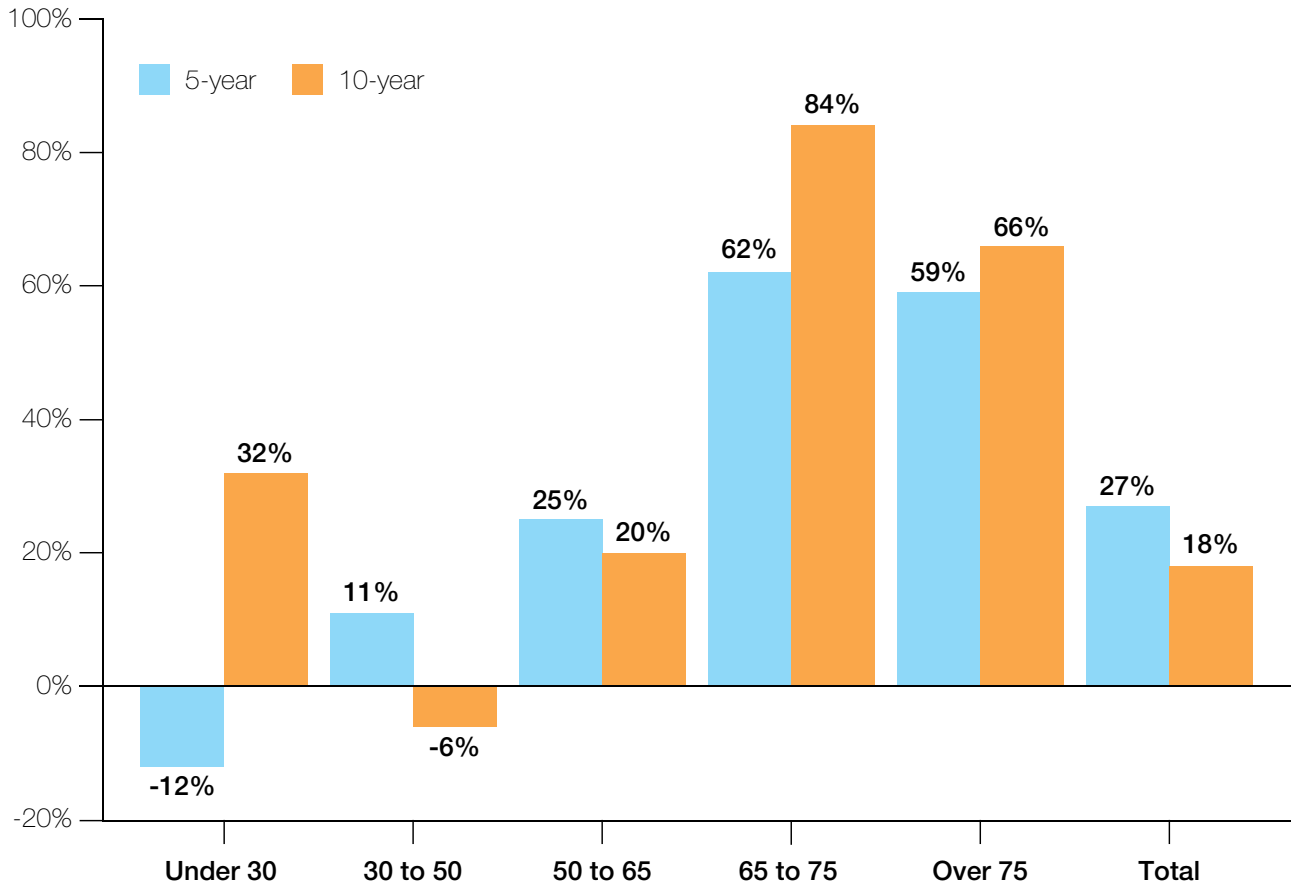
Source: ONS Family Spending Survey, Consumer Trends, Cebr analysis.

Over the three years to 2015, half of the increase in travel and tourism expenditure registered by the over 50s was contributed by those aged between 50 and 65. Two fifths (38%) was driven by the 65 to 75 age bracket, with the over-75s making up the remaining 12%.

3.2 Recent trends in over 50s' travel and tourism spending cont/

It can be seen that older demographics have been overwhelmingly responsible for the recent increases in UK travel and tourism spending over the longer-term. **Figure 4** below sets out the changes in travel and tourism spending observed within various age groups, over a five- and ten-year horizon to 2015.

Figure 4: Percentage changes in travel and tourism spending, by age group, years to 2015



Source: ONS Family Spending Survey, Consumer Trends, Cebr analysis.

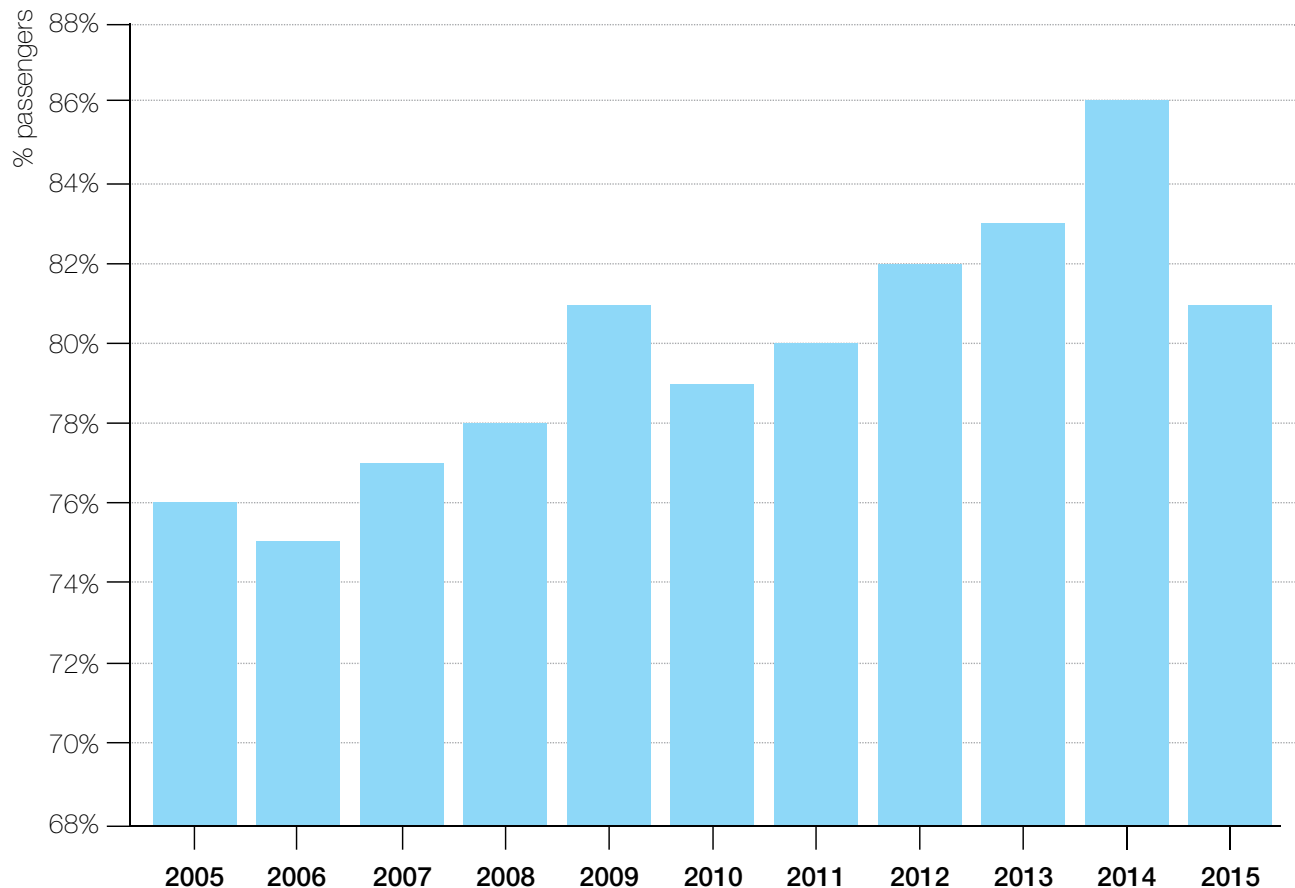
In total, the under 50s have seen their spending on travel and tourism rise by 7% in the five years to 2015, and fall by 1% over the decade to 2015. Meanwhile, over 50s increased their spending by 37% in the five years to 2015, and by 38% over the years 2005-15.

These changes, when deflated by the Consumer Price Index to strip out the effect of inflation, reveal that in recent years, all real-terms growth in travel and tourism spending has been by over 50s households. Over the five years to 2015, over 50s spending has risen by 23% in real terms, while under 50s spending has actually fallen, in real terms, by 5%.

3.3 Over 50s spending on cruises

Certain sectors of the UK travel & tourism industry, for example cruises, are particularly dependent on the over 50s demographic. In fact, in 2015 81% of cruise ship passengers were over the age of 45.

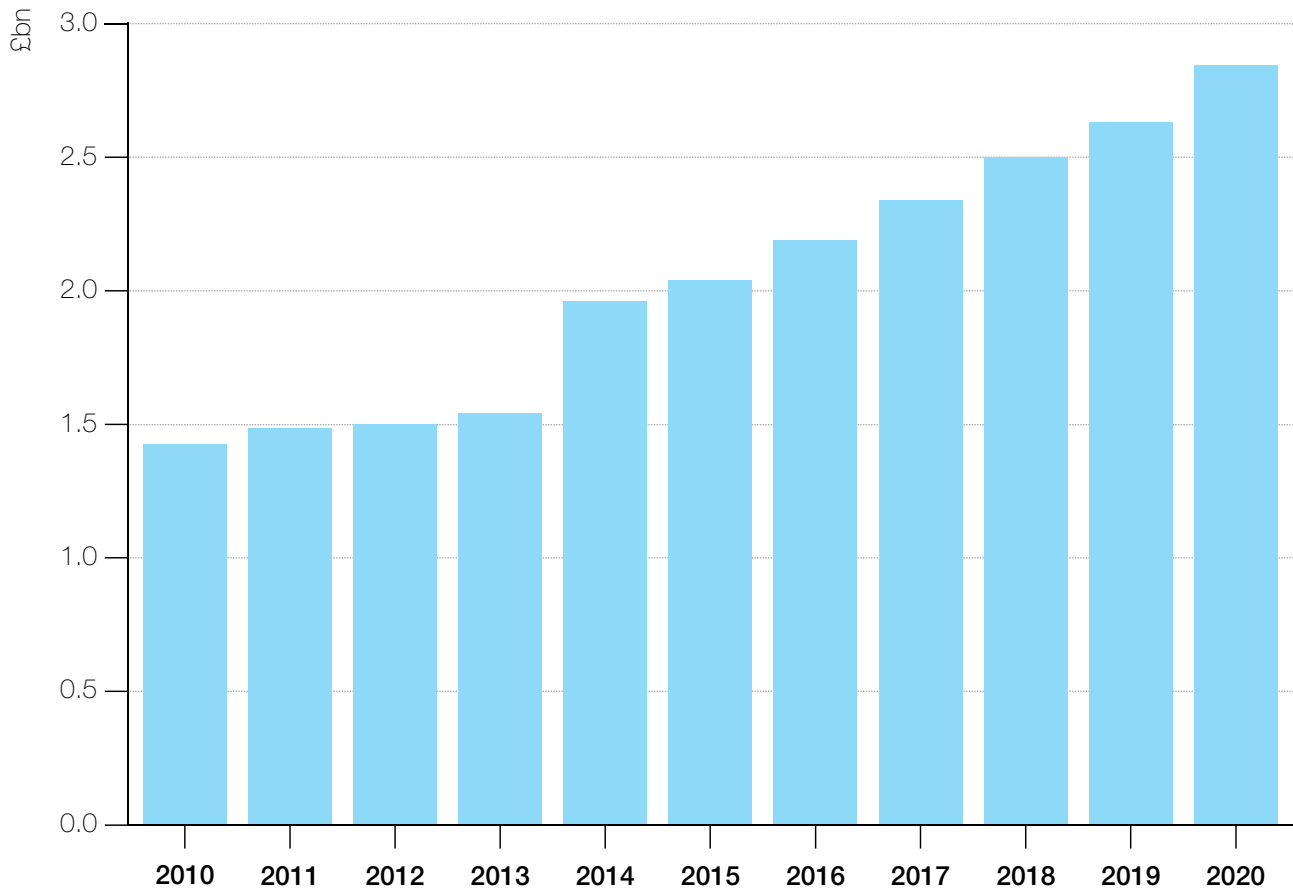
Figure 5: Share of UK cruise passengers over 45



Source: IRN Research for CLIA UK & Ireland

In 2015, the over 50s in the UK spent roughly £2.1 billion on cruise holidays. Based on spending intentions and the fact that cruises remain an ideal holiday type for 30% of the over 50s, Cebr forecast that this will increase by 37% to £2.8 billion by 2020. The total spending is set to increase as the number of over 50s cruise passengers increases and the average amount spent by each rises as well. One of the reasons that we expect each cruise passenger to spend more per cruise, on average, is the rising popularity of longer winter cruises and ultra-luxury cruises. Additionally, the number of passengers is expected to increase as the industry witnesses relatively high satisfaction levels compared to other types of leisure travel meaning that repeat business is becoming increasingly common. Intense marketing by the industry to both new and existing customers will also continue to drive demand.

Figure 6: Spending on cruises by the over 50s in the UK, £ billion



Source: IRN Research for CLIA UK & Ireland, Saga commissioned survey, Cebr analysis.

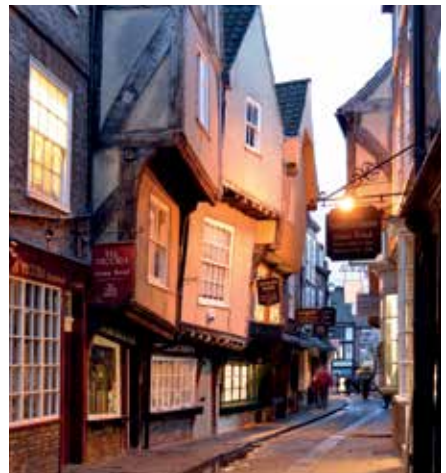
Table 1: Spending on cruises by the over 50s

Over 50s spending, £ billion	
2010	1.38
2011	1.49
2012	1.51
2013	1.57
2014	2.00
2015	2.17
2016	2.31
2017	2.46
2018	2.63
2019	2.80
2020	2.98

Source IRN Research for CLIA UK & Ireland, Saga commissioned survey, Cebr analysis



4 Characteristics of over 50s holidays

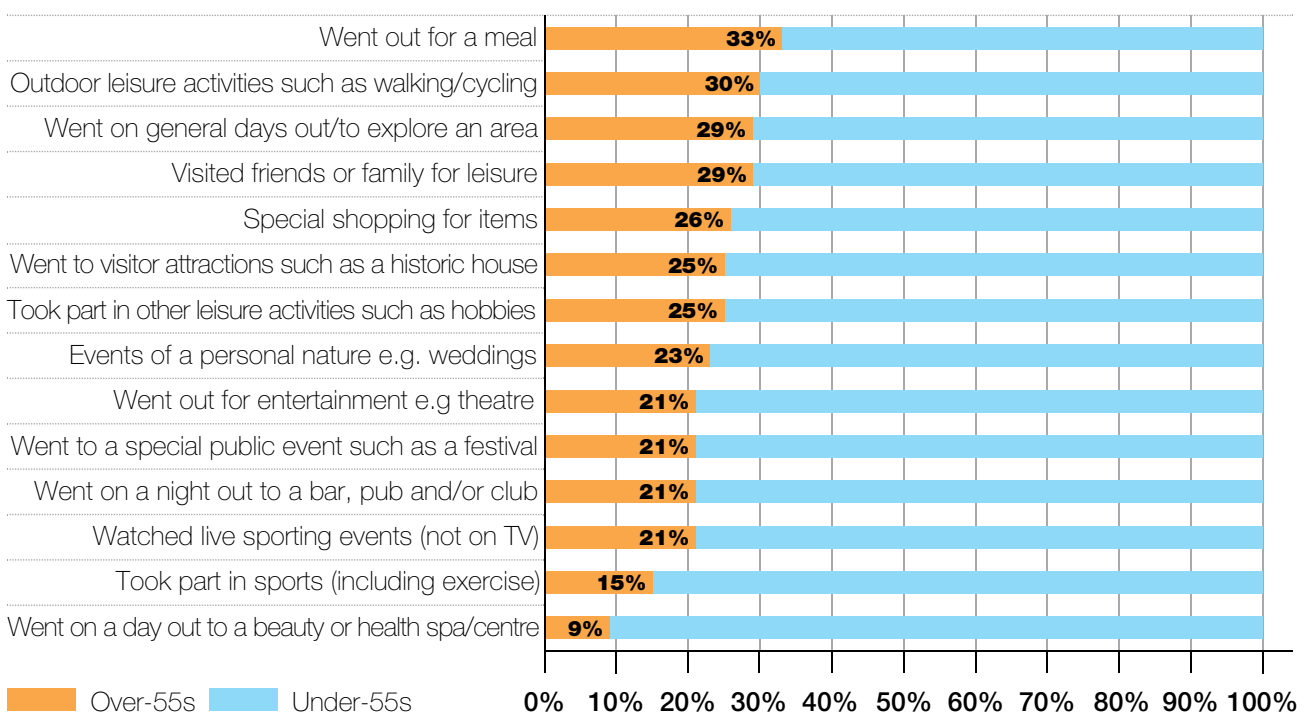


4.1 Domestic holidays - Day Visits

Whilst overseas tourism activity is increasingly popular it is by no means limited to trips to far-flung destinations in the sun, nor even on prolonged domestic trips to other nations or regions of the UK. Much of the so-called ‘visitor economy’ is driven by people making same-day leisure trips: indeed this is a vital driver of tourism activity.

Evidence from VisitBritain’s GB Day Visitor Survey suggests that older people (aged 55 and above) made 447 million tourism day visits during 2015 contributing around £15 billion in spending to local economies across Great Britain. The diverse set of activities which are undertaken by over 55s on their day visits is illustrated in **Figure 7** below. These figures demonstrate that in addition to longer holidays, many individuals are also taking shorter breaks and day trips to enhance their retirement.

Figure 7: Age breakdown of activities which are undertaken by GB day visitors, 2015



Source: VisitBritain

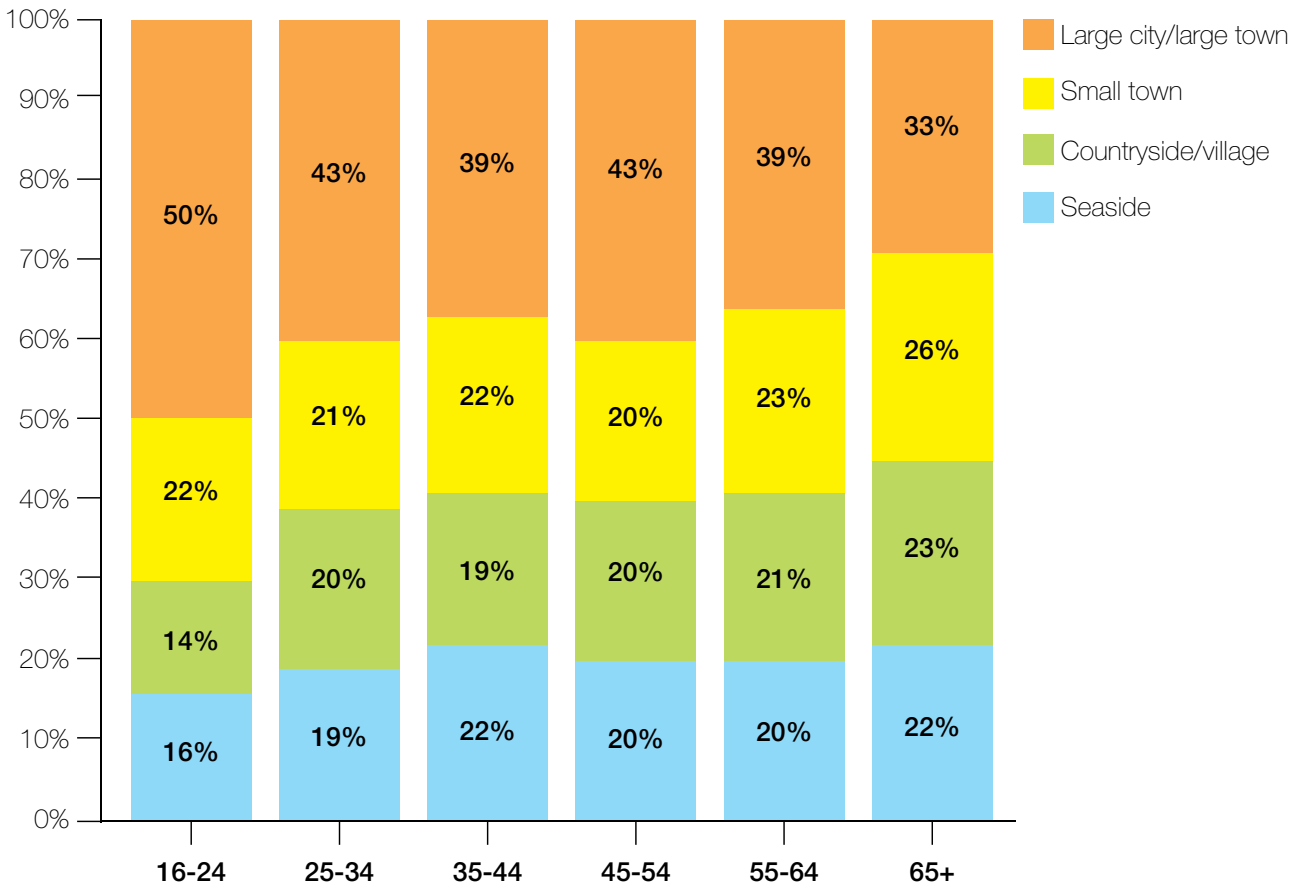
4.1 Domestic holidays - Overnight Visits

Cruises and flights to exotic locations are not the only types of holiday favoured by older generation. In fact, over 55s account for around a third of the domestic 'overnight' tourism market in Great Britain.¹

According to data from the Great Britain Tourism Survey (GBTS), over 55s took nearly 40 million such visits in 2015, equivalent to around 32% of all overnight domestic holidays in Great Britain. These trips involved 134 million bed-nights (36% of total GB domestic trip bed-nights), and contributed £8.5 billion in expenditure (34% of the total).

Figure 8 below sets out the types of destinations which are favoured by domestic overnight tourists of various ages. It can be seen that older travellers are the least likely to visit a city or large town, and in aggregate express a stronger preference for countryside, village, and seaside destinations.

Figure 8: Bed-nights spent by GB domestic tourists, by destination type, 2015²



Source: VisitBritain, Cebr analysis

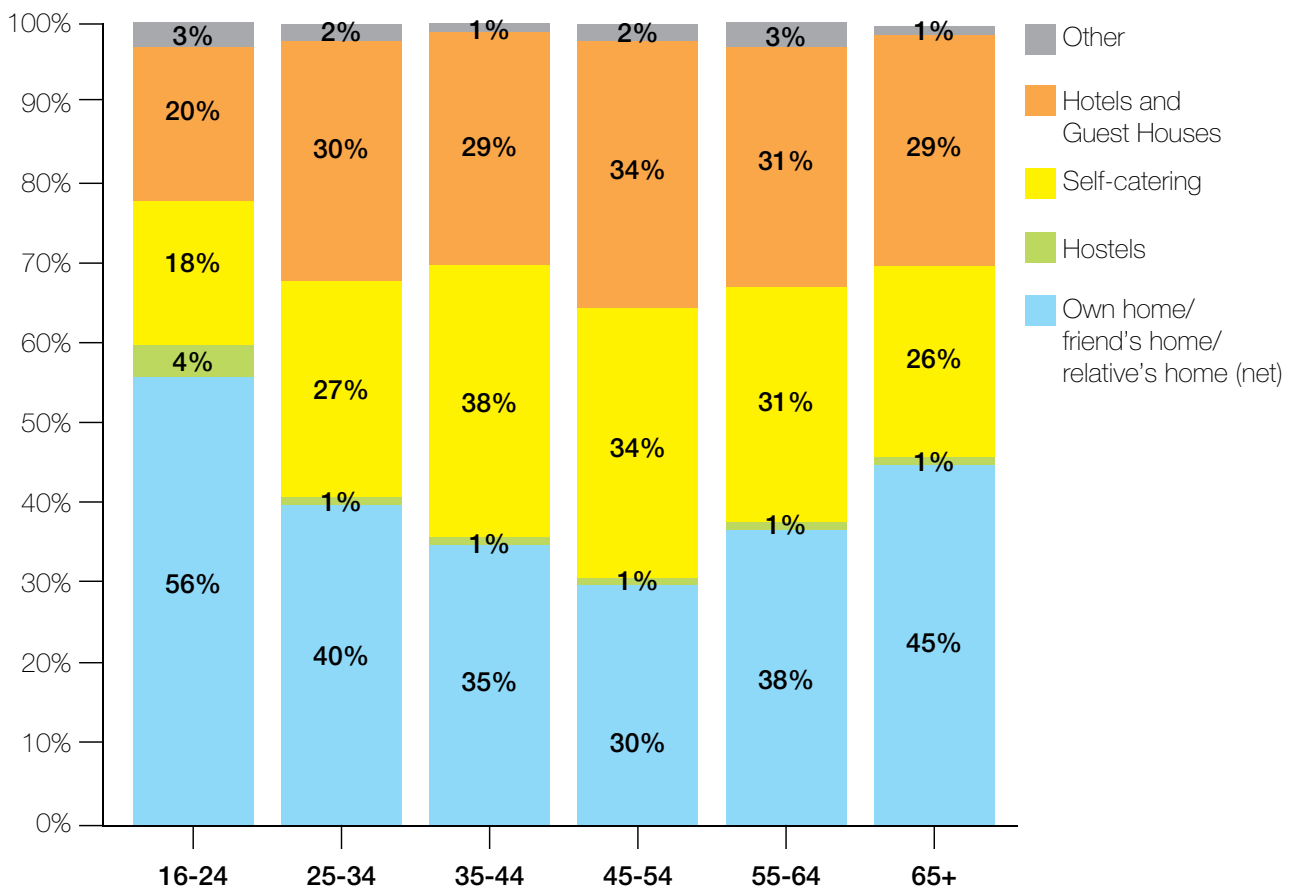
¹ 'Overnight' tourism refers to trips within the same country which are extend beyond a single day.

² The sum of all figures in each category does not equal exactly 100% due to rounding.

4.1 Domestic holidays - Overnight Visits cont/

Interesting variation also emerges when considering the types of accommodation which domestic overnight tourists typically stay in. Both the youngest and oldest domestic tourists are the most likely to stay in a home belonging to themselves, their family or friends. For younger people, this is most likely a budgetary concern, with a relatively cash-poor demographic endeavouring to stay with friends and relatives to save on accommodation outlays. However for older tourists, this may reflect a greater tendency to visit holiday homes in other parts of the UK, and to visit relatives in different parts of the country. Meanwhile, self-catering and hotel/guesthouse accommodation seem to be favoured by domestic tourists in the middle of their lives (aged 35-54).

Figure 9: Bed-nights spent by GB domestic tourists, by accommodation type, 2015³



Source: VisitBritain, Cebr analysis

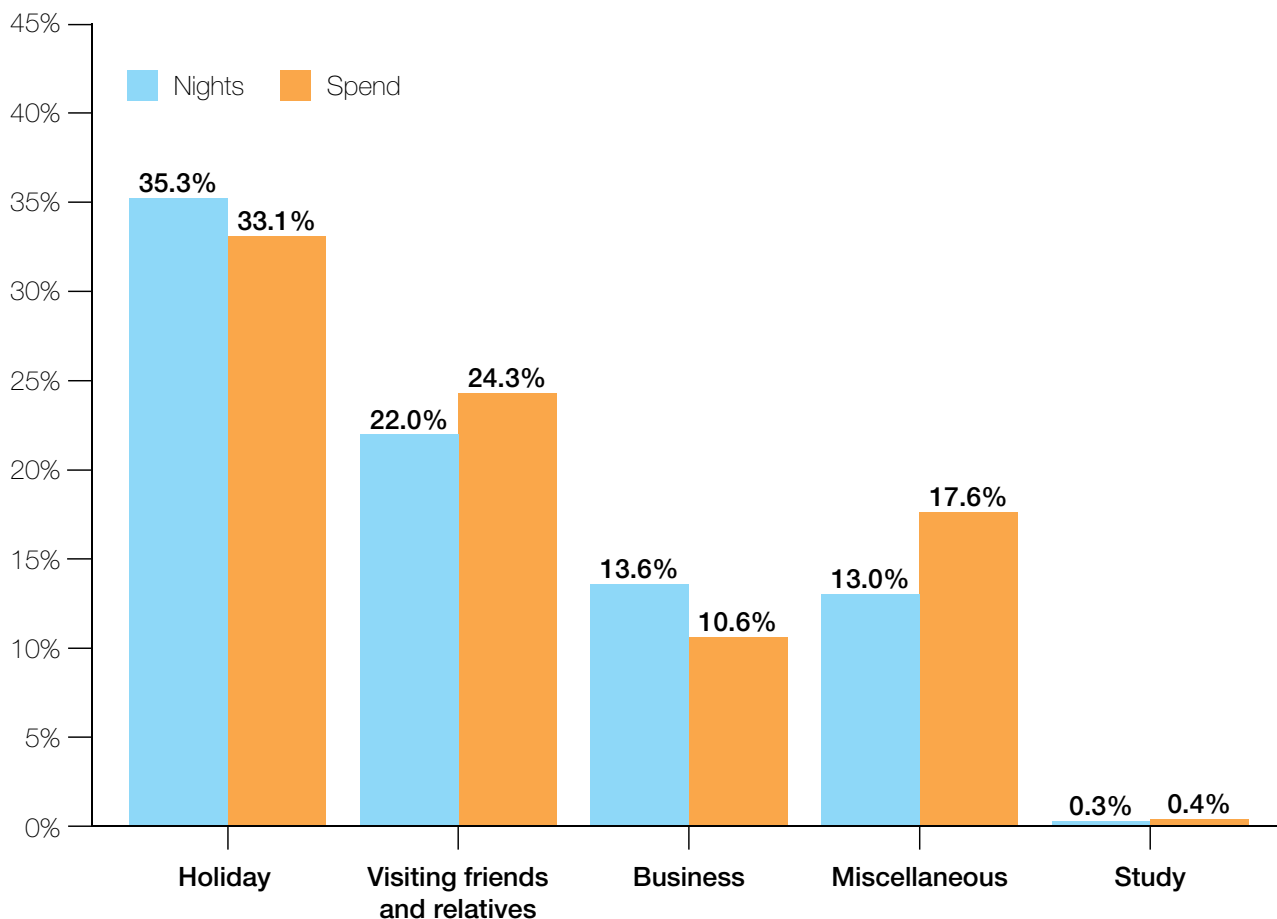
³ The sum of all figures in each category does not equal exactly 100% due to rounding.

4.2 International holidays

In addition to their important contributions to domestic tourism, older generations also play a vital role in driving the UK's international tourism sector. Data from the International Passenger Survey (IPS) reveal that over 55s embarked on 16.3 million visits to other countries in 2015 (25% of all overseas trips by UK tourists), and in doing so spent 194.2 million nights overseas (29% of the total for all UK outbound tourists). In undertaking these trips, outbound over 55s tourists spent £10.7 billion, equivalent to 28% of UK overseas tourism spending.

These figures refer to all trip purposes - but when examining holidays specifically, the importance of older tourists is even greater. **Figure 10** below illustrates various types of international trip, and the share of the over 55s' demographic in these trip purposes.

Figure 10: Over 55s' share of UK outbound tourists' bed-nights and spending, 2015.
Bar labels indicated values (millions of nights and billions of pounds expenditure)

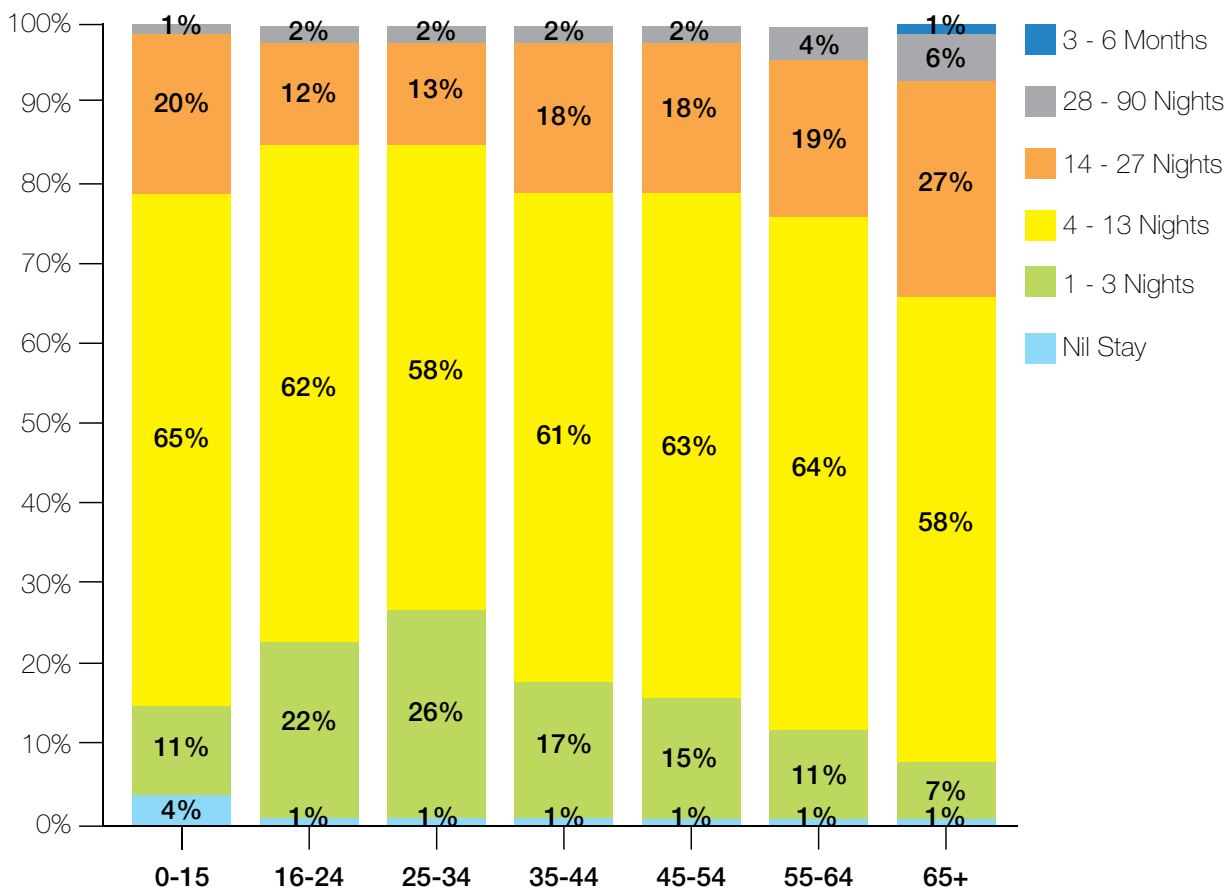


Source: ONS, Cebr analysis.

Over 55s accounted for over a third of all overseas holiday bed-nights taken by UK tourists in 2015 (35%, or 137 million), as well as a similar proportion of spending in that year (33%, or £8.5 billion).

Figure 11 below sets out how UK tourists' holiday durations vary across different age groups. It can be seen that shorter breaks are more heavily favoured by younger demographics – while older travellers, perhaps less constrained by work obligations, are more likely to take lengthier holidays. Over a quarter (28%) of overseas holidays taken by over 55s are for durations longer than two weeks - the equivalent proportion for those under 55 is less than a fifth (18%).

Figure 11: Holiday visits by UK overseas tourists, by duration, 2015⁴



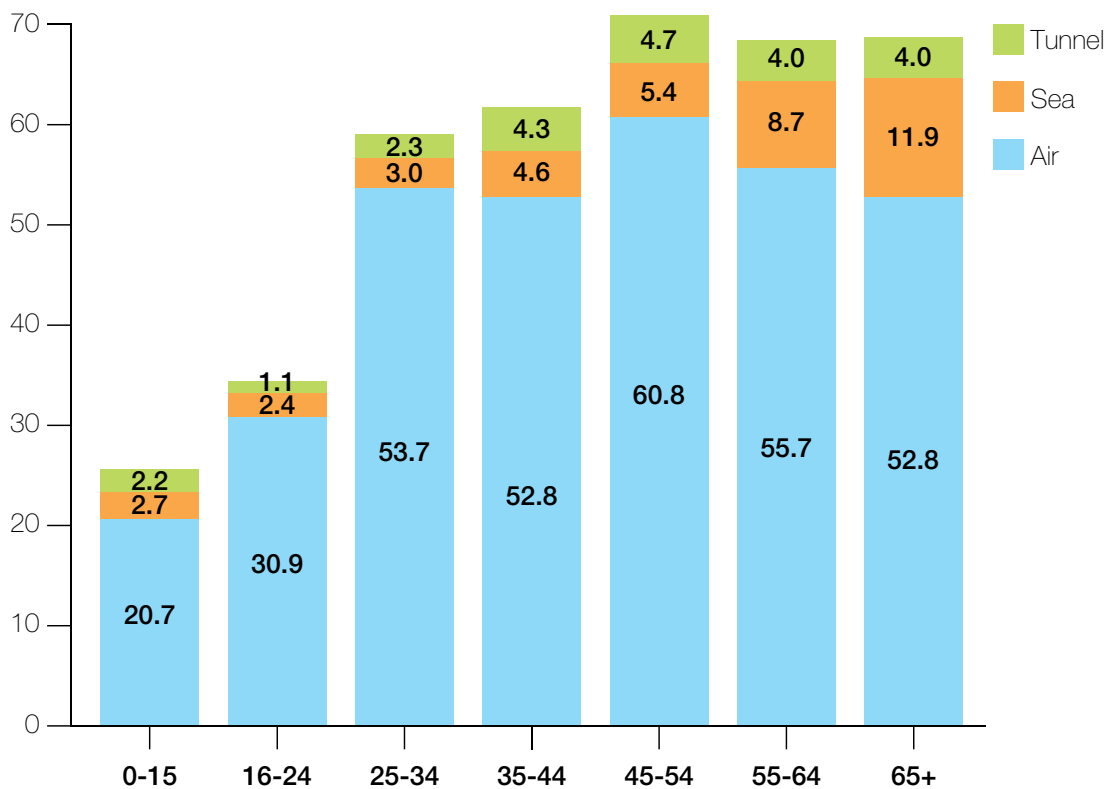
Source: ONS, Cebr analysis

⁴ The sum of all figures in each category does not equal exactly 100% due to rounding.

4.3 Flights in focus

Despite older generations often being characterised as favouring cruises, air remains overwhelmingly the most popular mode of travel for holidays, across all age brackets. The number of bed-nights spent overseas by UK international tourists, disaggregated by their mode of travel for their holiday, is set out in **Figure 12** below.

Figure 12: UK international tourists' holidays by mode of travel by age, millions of bed-nights, 2015



Source: ONS, Cebr analysis

For over-55s, 108 million of their 137 million international holiday bed-nights were spent on holidays they travelled to by plane (79%). Sea trips, meanwhile, account for just 21 million bed-nights (15%). However, over 55s account for just a third (33%) of all bed-nights taken during UK tourists' aviation holidays, but a much larger proportion of sea bed-nights (53%). **Table 2** below sets out the most popular international travel destinations for over 55s.

Table 2: Most popular destinations for over 55s travellers, based on number of visits, 2015

Rank	Destination	Rank	Destination	Rank	Destination
1	Spain	8	Netherlands	15	Other countries
2	France	9	Greece	16	India
3	USA	10	Belgium	17	Switzerland
4	Italy	11	Australia	18	Other Asia
5	Irish Republic	12	Poland	19	Cyprus EU
6	Germany	13	Turkey	20	Other Africa
7	Portugal	14	Canada		

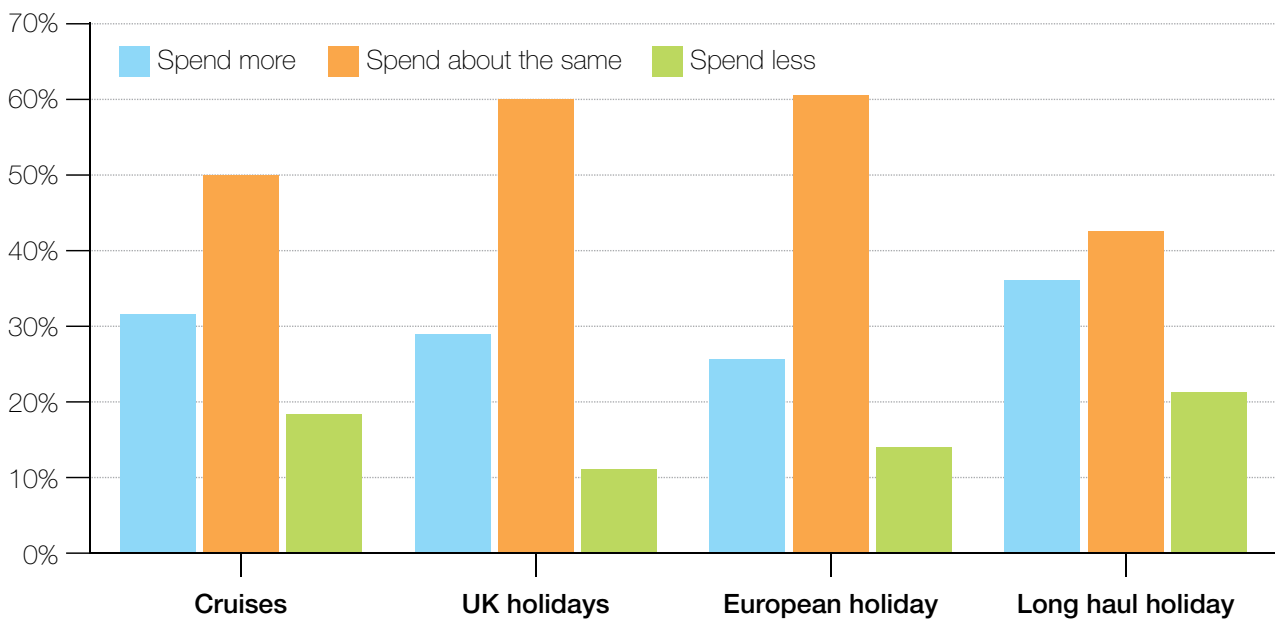
Source ONS, Cebr analysis

5 A survey of the over 50s' holiday preferences

Saga conducted a survey amongst almost 10,000 over 50s in order to get a sense of what the future of holiday travel for the age group may look like. Survey results and insights gained from analysing the findings are presented in the following section.

As stated in earlier sections of this report, over 50s households now account for 58% of UK's travel and tourism spending, equivalent to over £39 billion in 2015. Given that many employed over 50s plan on boosting their spending on various types of travel after they retire, while very few plan on spending less, this figure is predicted to increase in the coming years.

Figure 13: Share of employed over 50s that intend to maintain/increase/decrease their spending on a particular type of holiday after retirement⁵



Source: Consumer survey commissioned by Saga in August 2015

The highest share of over 50s plan to increase their spending on long haul holidays (36.1%) followed by cruises (31.6%). One of the reasons that so many over 50s plan to spend more on long haul holidays after retirement is that reaching some of the more exotic or adventurous far-flung destinations of course takes longer. In order to justify the cost and effort of traveling to faraway places, people tend to spend more days on holiday. Therefore, many over 50s may be counting on the fact that they will have more free time after retirement and therefore will choose to spend more of that on long haul holidays.

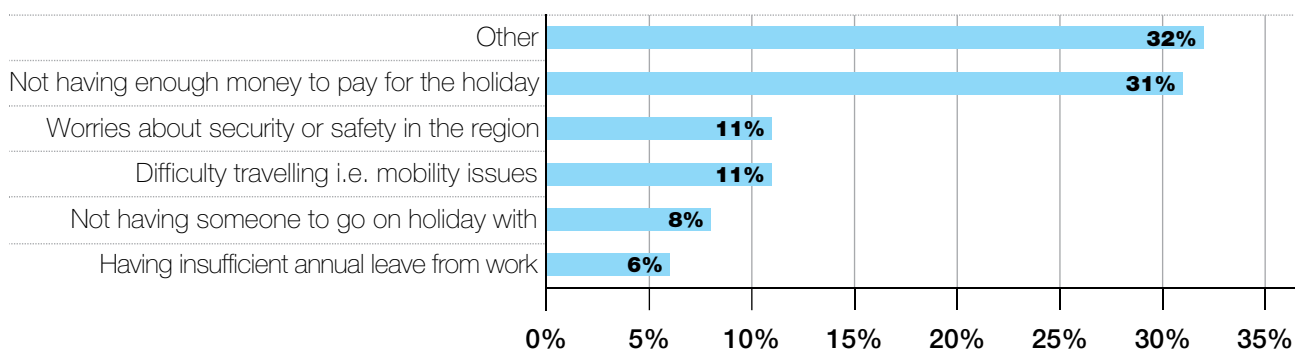
⁵ Excludes respondents that were unsure of how their spending would change.



5 A survey of the over 50s' holiday preferences cont/

A recent survey by Saga revealed that money was the most common barrier cited by over 50s for being able to take their ideal holiday. However, for respondents aged 50 to 59 one in five (21%) stated that insufficient annual leave from work was the main barrier.

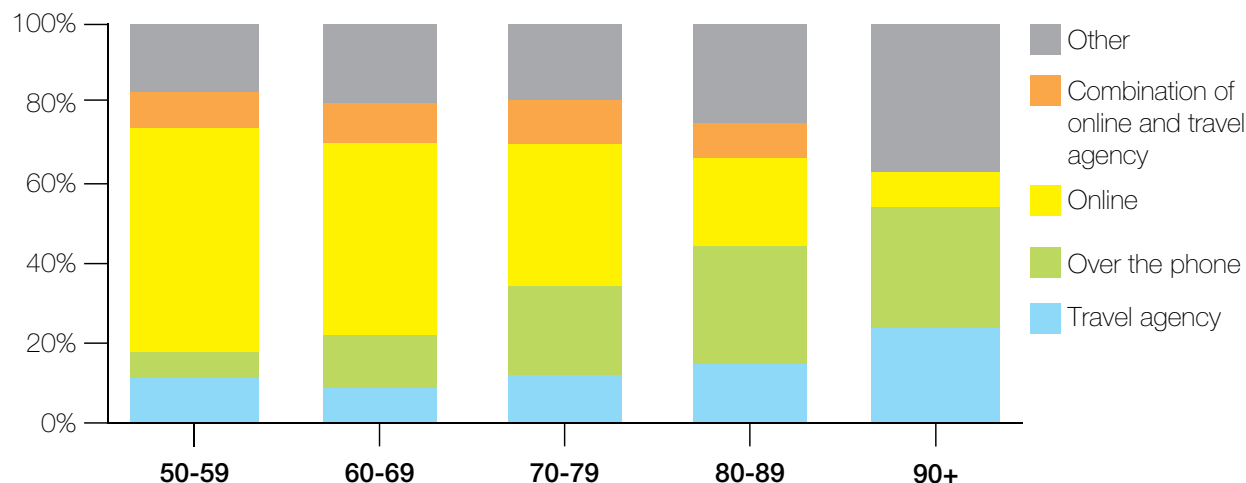
Figure 14: The most important barrier to the over 50s taking their ideal holiday



Source: Consumer survey commissioned by Saga in August 2015

The survey results also reveal a substantial age-based disparity in the preferred method of booking holiday travel. This is shown in **Figure 15**.

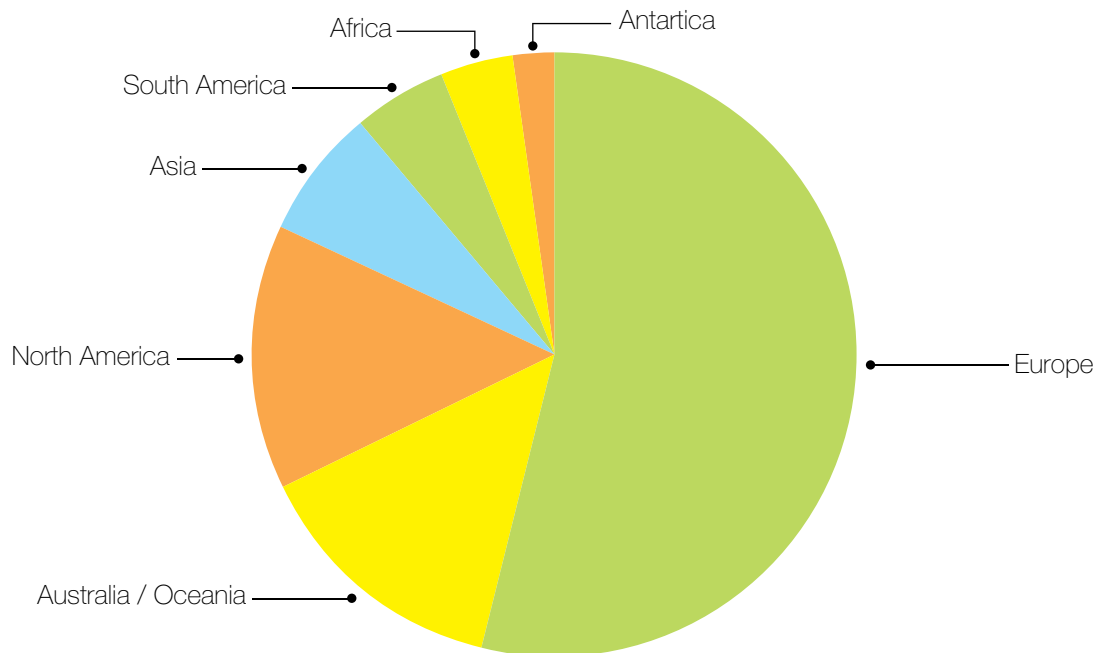
Figure 15: Method of purchasing holidays among those respondents that go on holidays, by age group



Source: Consumer survey commissioned by Saga in August 2015

More than half of the 50-59 year olds that go on holidays book them online, but this share gets drastically smaller for older age groups, down to just 9% for those over 90. However given demographic shifts the number of over 70s booking or researching holidays online is likely to increase. While the way that the over 50s book their holiday may change in the coming years, the places they choose to travel to are unlikely to change dramatically. The ideal holiday destinations for retired over 50s are shown in **Figure 16**. These do not vary greatly from the most popular destinations currently enjoyed by the age group as explored in section 4. Europe remains extremely popular. However, research shows that in addition to more exotic holidays, 48% of over 50s take city or short breaks in Europe.

Figure 16: Ideal holiday destination for retired over 50s



Source: Consumer survey commissioned by Saga in August 2015

Saga research has shown that the health and wellbeing benefits of travel are a vital consideration for the over 50s when planning a holiday. Two thirds of respondents told Saga that they were seeking rest and relaxation and a warmer climate from their ideal holiday, whilst a third said they planned to improve their fitness and exercise more whilst they were away.

Many over 50s truly see travel and holidays as a way to help them get the most from their retirement. Seven in 10 people said they felt taking a holiday was important for keeping healthy and that they felt more relaxed, happier and less stressed for more than a month after their return.

6 Appendix

Defining travel and tourism expenditure

In order to understand the economic importance of the demand for travel among over-50s households, we draw upon data from the Office for National Statistics' (ONS) Family Spending Survey. We include the following in our measurement of 'travel and tourism' spending:

- **UK package holidays**; describing purchases of inclusive domestic holidays or tours covering travel, accommodation, food and/or activity expenses;
- **Foreign package holidays**; referring to the same type of purchases for extra-UK travel;
- **UK flights**; i.e. air fares for domestic holiday destinations;
- **International flights**; encompassing ticket costs for foreign holiday destinations;
- **UK accommodation**, meaning hotels, B&Bs, chalets and/or holiday villages in the UK;
- **Foreign accommodation**, referring to similar expenses in non-UK holiday destinations;
- **Travel insurance**, in cases where such costs are incurred specifically for a trip and separately to all-inclusive package holidays;
- **Holiday spending**, referring to cash carried and spent by tourists during their travels.

These items have been identified to capture the various aspects of holiday spending, from the preparation for and booking of holidays, to transport and fare costs, and also the money spent by tourists whilst on their holidays.

It must be noted that, due to the unavailability of sufficiently granular data, these headings do not cover certain aspects of spending which could be characterised as 'travel and tourism'-related. For example, they do not include general retail expenditure which is undertaken for the specific purpose of procuring holiday clothing or accessories. The data also do not allow for the splitting out of sea transport fares for holidays, where these are incurred as a separate charge, for example in the case of ferry trips. However, the costs of cruises (which also necessarily include accommodation and food) are captured within the 'package holidays' heading.

Issues with measuring travel and tourism expenditure

In an effort to improve the accuracy of official statistics, the ONS often adapts its data collection methodologies. Recent changes of this type have meant that certain aspects of this analysis have changed, relative to the previous year's edition. Specifically, in the 2014 Family Spending Survey report, the ONS improved its measurement of household expenditure on package holidays and air fares.

In the case of **package holidays**, changes to the Living Costs and Food Survey (LCF) questionnaire introduced a new framing, clearly setting out the various types of holiday which could fall under this heading e.g. resort holidays and cruises.

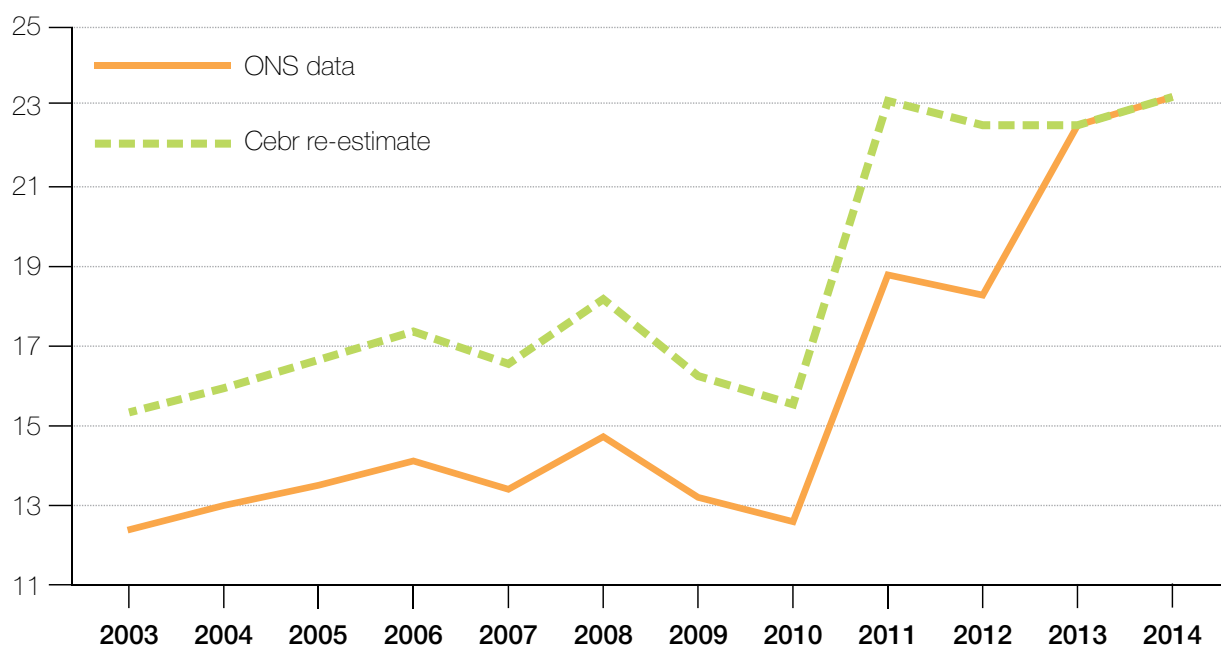
Similar improvements have altered the measurement for **flight expenditures**. The LCF comprises two main data collection methods: one is a detailed face-to-face interview and the other is a 'spending diary' which is kept by the family for two weeks.

Previously, air fares information had been collected through the spending diary. However, these estimates were problematic as they only took into account those households paying for flights in the diary period. In addition, flights have very volatile prices, further-distorting the picture. From 2013, flight expenditure is recorded in the questionnaire.

The significant rise in average weekly expenditure recorded for package holidays and air fares suggests that the previous measurements were substantially under-estimated. They also complicate analyses such as those undertaken for this report, as comparability issues between the data mean that trends over time are subject to uncertainty.

Our approach to addressing these 'breaks in series' has been to operate as though the improved methodologies produced more reliable data: in essence, we assume the levels of spending recorded in 2013 more closely reflect the 'true' level of expenditure on these items. However the previous years' data, having been prepared using a consistent methodology is taken to still provide useful information about year-on-year changes. Hence, we normalise and establish an 'index', constrained to the most recent data, as illustrated for package holidays in **Figure 17** below.

Figure 17: Average weekly household spending on package holidays, 2003-14, nominal £



Source: ONS Family Spending Survey, Cebr analysis

However, this approach does mean that we do not have information regarding the transition from 2012 to 2013. For this period, we assume that expenditure is held constant in nominal terms. To the extent that this simplifying assumption is conservative, the historic expenditure figures presented in this report could be considered underestimates.

