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Trends in Irish Tourism's Overseas Marketing Spend and Mix

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Ongoing research conducted for the Irish Tourist Industry Confederation (ITIC) indicates that Ireland's tourism businesses are rapidly adapting to change in the global marketplace and in particular to the opportunities created by new marketing channels and techniques.

While Irish tourism's commercial sector spend on overseas marketing continues to grow steadily with little change in the allocation of funds between the main source markets, the expenditure is increasingly characterised by significant investment in information and communications technology (ICT) and the use of new channels to penetrate geographic markets and market segments. The research indicates that in 2004 at least €50m was invested in new on-line channels of distribution in addition to the €110m spent on traditional marketing activities. While this investment is led by carriers and larger hotel and car hire operators, small businesses too, most characteristic of the tourism sector, are committing substantial funds in once off capital outlays and in ongoing skills training, licensing, upgrading and maintenance costs. Industry associations and marketing groups are also investing in ICT to offer new and enhanced services to members and partners.

This focus on the use of ICT as a 'complete' marketing tool (promoting a service or product and completing the sale) is changing how Irish tourism industry allocates its overseas marketing funds. The air and sea carriers are the top investors in the overseas marketing effort and leaders in the e-marketplace. Their marketing strategies now focus on direct communication – encouraging the consumer to use sophisticated websites for information and bookings - and there is a marked shift away from some traditional marketing channels with less emphasis on thematic advertising, destination and product advertising and in-market functions and activities. This new focus means that the traditional co-operation and synergistic relationship between carriers and destinations is under threat as many airlines in short to medium haul markets change their marketing strategies and tactical promotions to compete more effectively with low cost carriers with the emphasis on price and web fares rather than destination and service.

Other sectors are following the carriers' lead. It is estimated that over 90% of all Ireland's tourist businesses now have the capacity to engage in on-line sales compared to only 60% in 2000. The use of third party websites for listings and booking engines is widespread and is enabling Irish tourist businesses to maximise e-commerce exposure. Visibility on the web for operators is also enhanced by the high profile websites of Tourism Ireland (the state agency which promotes tourism to the island of Ireland as a whole) and Failte Ireland (the National Tourism Development Authority). Almost two out of three tourism enterprises report on-line sources as accounting for 10% of sales in 2004 compared to only one in seven in 2000. As with the carriers, there is an apparent reduction in upfront, above the line, traditional marketing by hotels, car hire firms, tour operators and other suppliers as they move more towards e-marketing. ICT, with the Internet as the new channel for direct interaction between supplier and consumer have re-shaped the tourism sector's value chain. Greater integration of promotion, distribution

and sales functions is offering the supplier opportunities for improved economies of scale and greater direct control over the sales process and, most importantly, the price achieved for the service or product sold. The Internet is enabling Irish tourism enterprises to become ‘smarter’ marketers. Marketing has become more cost-effective and more consumer-focused as tourist businesses respond to changed market conditions by exploiting the potential of the new ICT channels. 40% of Irish tourism businesses report an increase in profitability despite significant competition on price in some sectors. Price, followed by direct promotion, is now seen as the major influence on prospective visitors and dynamic packaging and pricing, made possible by the Internet, is becoming an almost universal marketing tool.

Future investment in ICT and its ‘take-up’ by tourist businesses is likely to continue to depend on such factors as whether the product or service is a commodity or highly customised, the size of the business and its management’s awareness and sophistication and the customer base as defined by purpose of visit, source market, traditional channel of sale etc.

Perhaps the greatest future challenge for Irish tourism in the rapidly changing ICT environment is the need to establish and maintain the optimum balance between, and derive the maximum synergies from, the strategies of the Ireland-as-a-destination marketing agencies and the commercial sector’s need to sell its products and services.

Ireland has been seen in the past as punching above its weight in the highly competitive field of world tourism. Its future success as a tourism destination will depend on the ability of all key players to continue to adapt to ever more rapid changes in the marketplace and to work together to ensure that Ireland has the best web-based marketing platforms offering competitive exposure and ease of access. Recent trends, indicated by this research, suggest that all sectors of Irish tourism are alive to the opportunities, and the challenges.

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This article is based on TTC International’s 2004 report for the Irish Tourist Industry Confederation. Comparisons are drawn from data collected in similar surveys in 2001 and 2003.