The UK market to France
2011 performance and 2012 prospects

February 2012

Overview

This document is based on data from a wide range of sources and aims to provide our stakeholders with a robust, authoritative report on the state of the UK market to France and what we consider to be the prospects for this year.

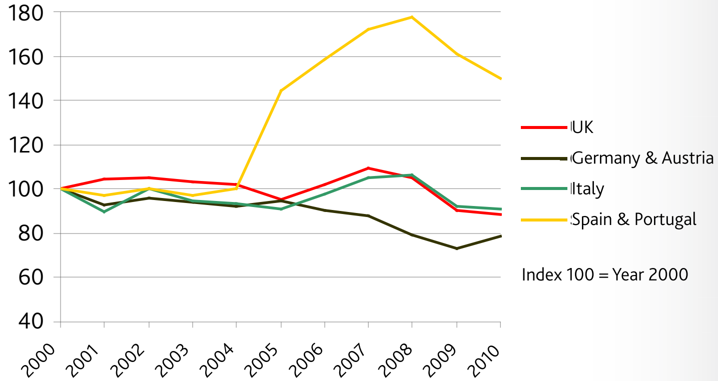
Brittany Ferries

The UK ranks No 1 amongst France's overseas markets

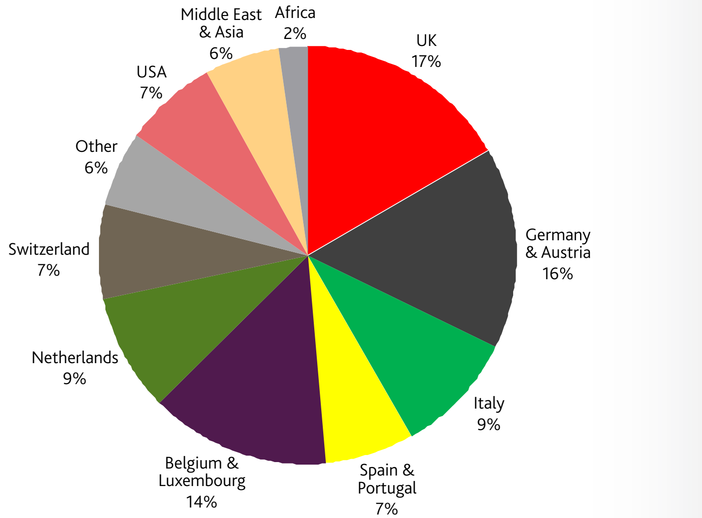
British visitors account for 17% of total foreign visitors to France, a share of the market similar to that of Germany but, because of the longer average stay, the UK generates more bed nights than any other foreign market. The value of the UK market is estimated at € 4.2 billion (£3.5 billion).

In common with all other markets, it has been in decline since the start of the economic crisis in 2008.

Trends for the UK and other main foreign markets to France



Market share for the UK and other main foreign markets to France



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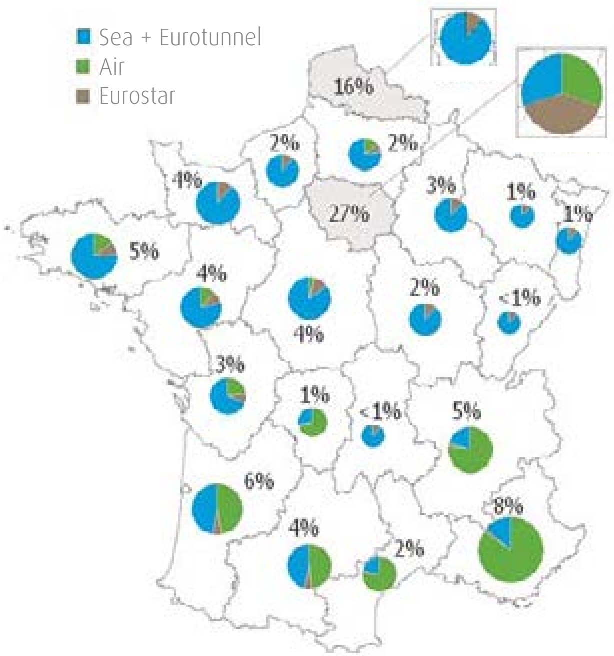
Most UK visitors to France travel by ferry and Eurotunnel

The vast majority of visitors travel by sea and Eurotunnel (56%), with air and Eurostar accounting for just 28% and 16% respectively. As would be expected, the further south and east you travel, the more likely you are to travel by air. Even so, some 30% of bed nights spent by British visitors in the south-east of France are generated by those who have travelled by sea or Eurotunnel. It is perhaps surprising that about a third of visitors to Paris travel by ferry and Eurotunnel. Paris is by far the most popular region, accounting for a quarter of the market, which is why perceptions of France are built on experiences of the capital city.

Those travelling by sea and Eurotunnel stay longer (on average 8.5 bed nights) than those travelling by air (average 4.3 bed nights) which has a greater usage by those on breaks.



Market share of modes of transport	Visits				Bed nights				% of UK residents	UK market ranking
	Number (x1000)	Sea + Eurotunnel	Air	Eurostar	Number (x1000)	Sea + Eurotunnel	Air	Eurostar		
Northeast	1,339	86.2%	2.3%	11.50%	4,940	90.6%	2.6%	6.8%	24%	1
Alsace	80	88.2%	0.1%	11.7%	431	93.5%	0.2%	6.3%	7%	6
Burgundy	209	88.3%	0%	11.7%	881	93.6%	0%	6.4%	17%	3
Champagne Ardenne	241	88.3%	0%	11.7%	958	93.6%	0%	6.4%	33%	1
Franche Comté	27	88.3%	0%	11.7%	230	93.6%	0%	6.4%	9%	5
Lorraine	56	88.3%	0%	11.7%	290	93.6%	0%	6.4%	9%	4
Nord pas de Calais	513	88.3%	0%	11.7%	1,768	93%	0%	7%	55%	1
Picardy	212	75.4%	14.6%	10%	1,308	86.2%	8%	5.9%	35%	1
Southwest	1,215	46.3%	47.5%	6.2%	11,130	51.5%	45%	3.5%	16%	1
Aquitaine	601	49.1%	44.4%	6.5%	6,481	55.2%	41%	3.8%	18%	2
Limousin	146	29.2%	66.9%	3.9%	1,059	25.1%	73.2%	1.7%	23%	2
Midi Pyrénées	468	48.2%	45.4%	6.4%	3,582	52.7%	43.7%	3.6%	14%	2
Southeast	1,816	26.3%	70.2%	3.5%	14,319	32.8%	65%	2.2%	14%	2
Auvergne	26	88.3%	0%	11.7%	137	93.6%	0%	6.4%	16%	2
Corsica	30	33%	62.6%	4.4%	250	32.5%	65.3%	2.2%	6%	6
Languedoc Roussillon	282	30.9%	65%	4.1%	2,622	38.5%	58.9%	2.6%	15%	3
Provence Côte d'Azur	940	21.3%	75.9%	2.8%	7,026	28%	70.1%	1.9%	15%	1
Rhône Alps	538	29.4%	66.7%	3.9%	4,103	36.8%	60.7%	2.5%	15%	2
Northwest	2,018	79.9%	9.4%	10.6%	18,374	86%	7.9%	6.1%	30%	1
Basse Normandy	390	88.3%	0%	11.7%	2,694	93.1%	0%	6.9%	33%	1
Brittany	433	75%	15%	10%	5,022	84.4%	9.8%	5.7%	30%	1
Central France	365	84.8%	3.9%	11.3%	2,043	89.9%	4%	6.1%	21%	1
Haute Normandy	192	88.3%	0%	11.7%	994	93.6%	0%	6.4%	30%	1
Pays de la Loire	363	77.3%	12.4%	10.3%	4,919	87.7%	6.4%	6%	36%	1
Poitou Charentes	275	66.9%	24.2%	8.9%	2,965	75.4%	19.5%	5.1%	33%	1
Ile de France (Paris)	2,497	26.2%	33.1%	40.6%	14,466	32.2%	22.6%	45.2%	17%	1
Total	8,884	79.90%	32.60%	17.10%	63,229	55.9%	30.3%	13.8%	19%	1

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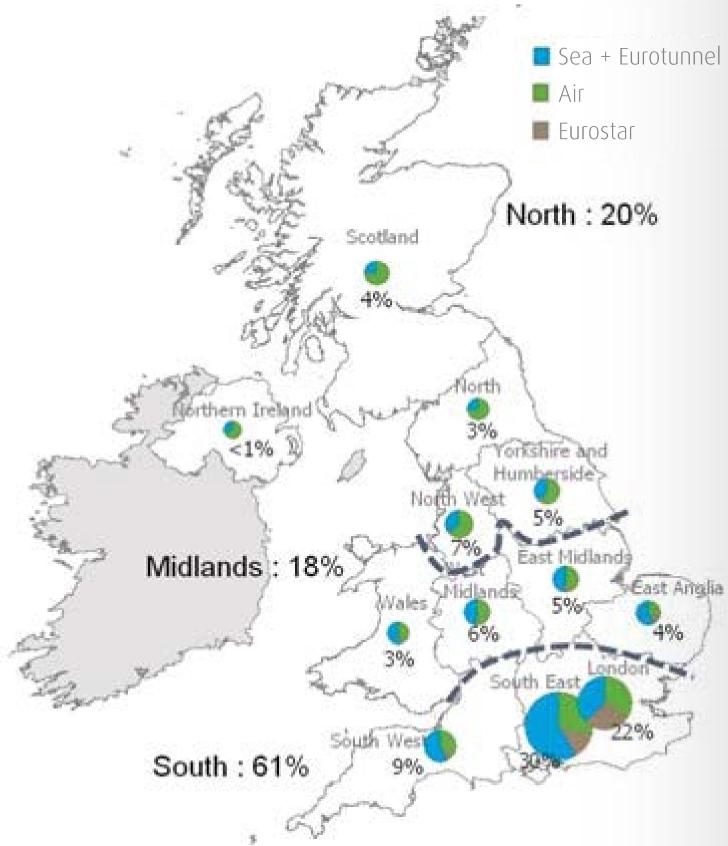
The majority of UK visitors to France reside in London & the South East

This area of the UK (London and the South East) is well served by airports, ports and Eurostar, so it is no surprise that 52% of visitors originate here. The further north you reside the greater the likelihood of you travelling by air to France.

Brittany Ferries' passengers come from further afield. Of course, over half reside in the South of England, but only 33% come from London and the South East as compared to 52% of the total market. This obviously results from competition with the short sea crossings (Dover-Calais and Dover-Dunkirk).



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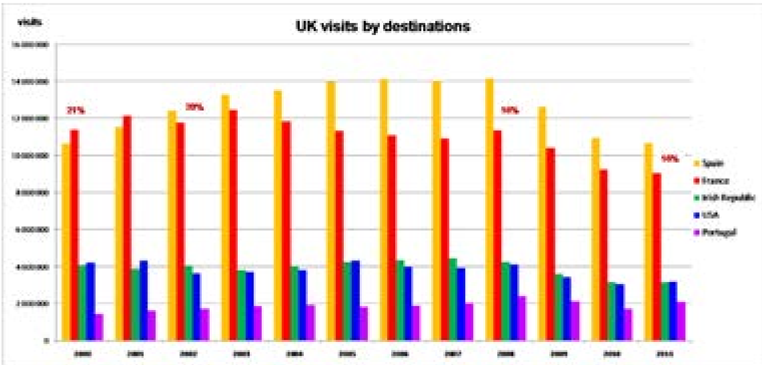
France is the No 2 destination for the UK market

France was displaced as the UK's first choice destination by Spain in 2002, since when it has remained number two although its market share has increased steadily since 2008.

Visitor numbers are boosted by the large number of British-owned second residences of which estimates vary between 200,000 and 400,000. Each property generates trips not only for its owners but friends and relatives, plus possibly, tenants as well.



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Two thirds of visitors travelling on Brittany Ferries holiday in Brittany, Normandy and the Pays de la Loire

These regional maps of France quite clearly show that the regions to which Brittany Ferries delivers significant numbers of tourist are those above plus Poitou Charentes and Aquitaine. When the number of bed nights is considered then the latter two benefit proportionately more due to the longer average length of stay. The region of Aquitaine is also benefitting from the expansion of services to northern Spain as many of our Bilbao passengers travel across the border to France.

Brittany Ferries delivers 1 million visitors and 10 million bed nights each year, but this has been in a steady decline over the past 3 years in line with the overall market affected by the economic crisis.

UK Visitors to France - Trends

Year	No of visitors	No of bed nights
2004	11,812,907	65,957,987
2005	11,223,145	65,871,784
2006	10,977,923	70,315,307
2007	11,079,340	70,390,891
2008	11,125,443	71,102,199
2009	10,181,117	68,576,281
2009	10,181,117	68,576,281
2010	9,155,350	64,255,439
2011	8,836,958	62,860,574

Comparison	No of visitors	No of bed nights
2011 compared to 2010	-3%	-2%
2011 compared to 2009	-13%	-8%
2011 compared to 2008	-21%	-12%

British visitors numbers - 2011

British visitors bed nights - 2011

Source: Passenger Research

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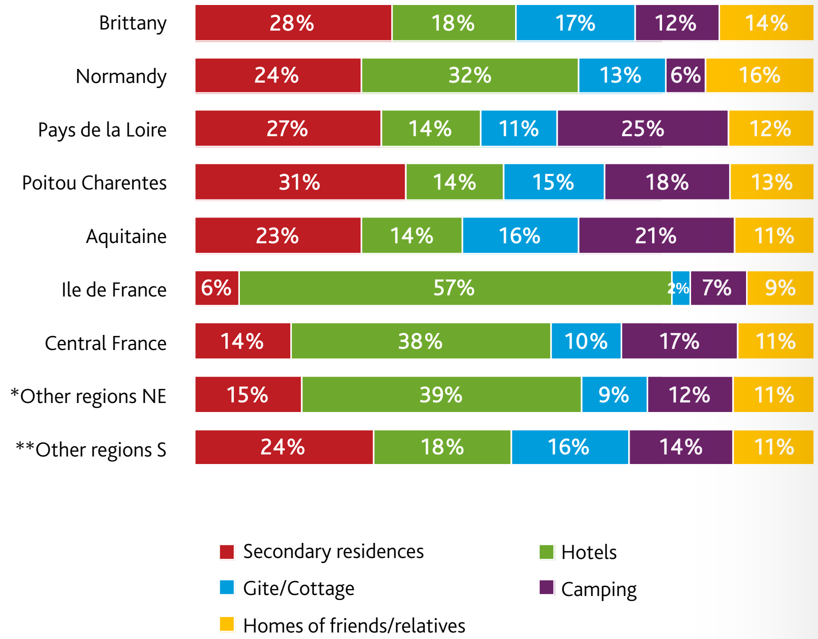
Where do Brittany Ferries' customers stay?

Owners of holiday homes, their friends and relatives account for over 40% of passengers in the regions of Pays de la Loire, Poitou Charentes and in the regions of the South. Visitors to the Ile de France (Paris) region, not surprisingly, tend to stay largely in hotels whilst the gîtes and cottages are well represented throughout France.

Camping is an important marker segment for us, accounting for almost a quarter of our visitors to Pays de la Loire, Poitou Charentes and Aquitaine.

As the majority of Brittany Ferries' passengers have their own car, a significant proportion visit more than one department or region during their stay in France.



* Other regions NE : Alsace, Auvergne, Burgundy, Champagne Ardennes, Franche Comté, Limousin, Alsace Lorraine, Nord Pas de Calais, Picardy, Rhône Alps

** Other regions S : Languedoc Roussillon, Midi-Pyrénées, Provence Côte d'Azur

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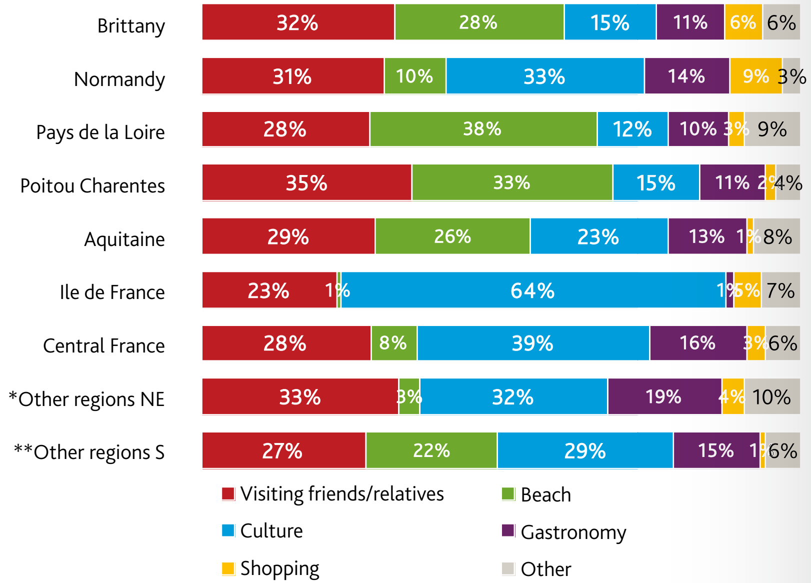
What do Brittany Ferries' customers do?

Again, the significance of second homes is highlighted by the relatively large proportion of holidaymakers who fall into the "visiting friends and relatives" category and the economic benefits of this group cannot be underestimated. Culture and beaches are important attractions but vary to a marked degree depending upon the region.

Of the two main regions for Brittany Ferries passengers, Brittany and Normandy, the latter attracts twice as many of those seeking culture (33% vs 15%) and a much higher proportion who stay in hotels (32% vs 18%).



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First timer or repeat visitor?

Brittany Ferries commands a high degree of loyalty and we have a higher proportion of repeat visitors (54% in 2011) compared to first timers (46% in 2011). Repeat visitors are defined as those who have travelled with us more than once in the past 5 years.

This loyalty is expressed to an even higher level where customers of our ferry-inclusive holidays are concerned. 60% of these are repeat purchasers vs 40% first timers. Therefore this propensity to visit France year after year is unrelated to owning a property there and it clearly illustrates a high level of satisfaction with the experience.

There is also a correlation between when customers book and how often they travel, particularly when they stay in a gîte or cottage. Almost double the number of repeat customers (17%) booked before the end of 2010 for holidays taken in 2011, whereas only 9% of first timers did so. For ferry-only customers the difference was less marked: 11% and 8% respectively. Again this indicates satisfaction and a desire to secure the best crossings and accommodation, possibly even the same gîte. However, we communicate with past customers following their return to the UK and so this will influence this pattern to a degree.

The competition - transport and tour operators

Once a holidaymaker has decided to visit France, he or she has a wide choice of ways to travel there. Whilst there are two other ferry companies operating on the western Channel, Brittany Ferries also faces intense competition from other ferry operators on the Straits as well as Eurotunnel, airlines and Eurostar.

The tour operating sector to France is fragmented and in steady decline as the usage of the internet to self-package grows.

However, Brittany Ferries is committed as a tour operator and is taking over some of the capacity released by other tour operators, eg camping.

The competition – UK domestic

Clearly we are also vying for business against domestic competitors particularly as some, such as Butlins are investing in new infrastructure and shaking off their down-market image. They have recently announced an investment of £25 million in a new "Wave" hotel at Bognor Regis which, with separate children's rooms with their neon lit bunk beds, TVs and DVD players, are designed to appeal to families with children aged 8 -14, i.e. our key family market.

When it comes to camping, seen by some as a rather basic sort of holiday, things are changing. What is possibly one of the world's most luxurious mobile home is now available to rent in fashionable Rock in Cornwall. This new design, called The Edge (see right), with two double bedrooms, two en-suites and a spacious open-plan living room and kitchen, and measuring 880sq ft, is a sleek, wheel-free rectangular box with lots of glass and wood.

VisitBritain has been given a further £27 million of Government funding to attract visitors from overseas and VisitEngland and Cottages4you have together launched a joint £1 million multimedia marketing campaign to promote cottage breaks in England. A television advertisement has been created, aimed at families, that will particularly focus on cottages located in the countryside and on the coast. But funding is not just going into marketing and promotion, it is also being used to stimulate tourism events, projects and re-developments in Northern Ireland, the Irish Republic, Scotland and Wales.

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Influencing Factors – weather and exchange rates

A summer of poor weather in Northwest France generally has a negative influence on bookings the following year but this is always offset by a bad summer in the UK stimulating bookings. In 2010 we experienced both so we feel the effects for 2012 will be neutral.

The UK market has become used to a weak Pound and the recently improved exchange rate can only help stimulate the market for France. However, there is no doubt that France is seen as expensive relative to other countries in the Eurozone, largely because perceptions are based on prices in Paris and the South of France which are undeniably expensive relative to other regions such as Brittany and Normandy. The good value to be found in these regions will be further enhanced by the slowly strengthening Pound.

Why our ferry-inclusive package holidays beat DIY hands down

- Negotiated rates for ground arrangements packaged with a preferential fare to provide great value
- All holidays bonded with the PSA offering full protection
- Help desk manned by English speaking staff in France provides support and reassurance if a customer has a problem.
- Therefore ideal for first timers
- Huge range of accommodation types so something for everyone
- Virtually tailor made as offer enormous flexibility
- In 32nd year of operation so proven track record with close supplier relationships
- Underpinned by the quality and service of Brittany Ferries
- Price match guarantee

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Marketing highlights for 2012

- Total spend of £6 million in UK
- Multimedia offline advertising campaign including TV with a greater focus on London
- More online activity to drive people to the website
- Additional video and information content on the website
- New co-operative campaign with Atout France and certain regions to convey the real attractions of France. This is part of a three year plan with commitments from all partners and the campaign includes action being taken within these regions to enhance the welcome for British visitors

In summary this reinforces Brittany Ferries' positioning as **the major facilitator for holidays in France**

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Our thoughts on 2012

There will be many influences in play in 2012, some positive and some negative. We anticipate bookings in May to be down, strongly up in June, slightly down in July and marginally down in August, for the following reasons:

- There is huge uncertainty about the economy and a real danger that both the UK and France could slip into recession. Unemployment is on the rise and the so-called "misery index" (a factor of unemployment and inflation) is at its highest level for 20 years. In these difficult times and with family finances stretched is it reasonable to anticipate any growth in the UK market to France? We do not see any growth but we do detect a certain resilience, particularly amongst the empty nesters who, despite being hurt by low rates of interest and therefore generating low returns on savings, are better cushioned from the effects of the economic climate. Holidays remain an integral part of the British lifestyle and it could well be that a reduction in overall holiday spend will result in a fall in demand for long-haul holidays and this could benefit France.

- Whilst the Olympics could well drive away those working throughout London during what is likely to be a stressful and congested period, during which many employers are asking staff to plan to work from home, most evidence points to a negative influence on holiday taking during this period.

- The Queen's Diamond Jubilee celebrations will create another national holiday on Tuesday 5th June, immediately after the late May holiday which is being delayed until 4th June, thus creating the possibility of a week off work but taking only 3 days' leave. This will inevitably stimulate holiday demand, although many will want to remain in the UK to join in the celebrations.

- The public is waking up to the effect that extras imposed by airlines are having on air fares and this may encourage holidaymakers, particularly families, to consider travelling by ferry.

- Many are seeking extra value by way of deals, particularly in respect of packaged holidays. Our early booking offers on ferry-inclusive holidays giving discounts of 20% have been extremely effective.

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Our thoughts on 2012

● The trend towards self-packaging will inevitably continue but greater reassurance is being sought from websites such as Trip Advisor. Whilst the power of traditional media such as travel pages in the weekend papers is still significant, there is undoubtedly a move towards social media as a source of unbiased information. We have grasped this and ensure that, whilst we do not use this means of communication for overtly commercial messages, we monitor the social media sites and respond promptly and accurately to enquiries and opinions posted. At the time of writing we have more Twitter followers than any other ferry operator, many of whom actively encourage website visitors to follow them?

● UK consumers are increasingly more willing to complain. According to the Institute of Customer Services, in 2001 50% people were willing to complain about poor service but this figure increased to 75% in 2010. Similarly, in 2001 81% of consumers would tell others about their bad experiences, a figure that has increased to 90% in 2011. Added to which, it has become considerably easier for people to broadcast their views online. We therefore consider that customer service will grow in significance as a factor in attracting customers and Brittany Ferries is well placed to exploit this as a differentiator because of our premium quality.

● Technology will play a growing role in terms of improving service by facilitating communication with customers, for example, sending SMS messages on schedule amendments, delays due to bad weather, etc. It will also help to improve the travel experience. For example, WiFi now is available on all our cruise-ferries and we have experimented by providing this service free over the Christmas and New Year period. We are working with the port authorities to have free WiFi available for our customers while they await boarding along with large digital screens to provide not only information, but entertainment as well.

● Technology is also having an effect on the way that tourist offices do business and a good example of this is Manchester (http://www.youtube.com/watch?v=gb6srekjix4&feature=youtu.be). With so many apps available for smartphones giving detail of where to eat, where to stay, maps, GPS, etc, tourist offices will have to start re-thinking how they service visitors.

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Sources

The analyses within this document are based on figures provided by:

• The International Passenger Survey
• CAA (Civil Aviation Authority) statistics
• Port statistics
• Eurotunnel statistics
• Data from INSEE (DGCIS Regional Partners)
• TNS-Sofres statistics